



# Interim Report on Operations as at 31 March 2018



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## Corporate Bodies

### Board of Directors

#### Chairman and Chief Executive Officer

Domenico Favuzzi

#### Directors

Dante Altomare (Vice Chairman)

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

expri<sup>via</sup>ia

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# Directors' Report as at 31 March 2018



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## Significant Group Figures and Result Indicators

The table below gives a summary of the main consolidated economic, capital and financial data of the Group as at 31 March 2018, 31 March 2017 and 31 December 2017.

It is worth noting that data as at 31 March 2018 include the effect of the Italtel Group consolidation for both financial data, consolidated as at 1 January 2018, and the equity-related data, consolidated as from 31 December 2017. It is also noted that the reclassified Balance Sheet and the Income Statement of the Italtel Group are disclosed in paragraph "Segment reporting" in the Explanatory Notes to the Financial Statements.

amount in thousand Euro	31.03.2018	31.03.2017	31.12.2017
Total production revenues	113,134	36,640	161,204
net proceeds and variation to work in progress to order	107,065	35,872	157,122
increase to assets for internal work	2,971	621	2,533
other proceeds and contributions	3,098	147	1,549
Difference between costs and production proceeds (EBITDA)	(4,245)	3,033	12,095
% on production proceeds	-3.8%	8.3%	7.5%
Net operating result (EBIT)	(9,029)	1,872	6,504
% on production proceeds	-8.0%	5.1%	4.0%
Net result	(13,605)	932	50
Group net equity	65,066	75,606	74,392
Total assets	640,447	207,072	645,099
Capital stock	25,155	25,155	25,155
Net working capital (1)	33,158	35,547	31,401
Cash flow (2)	(10,205)	2,093	5,197
Fixed capital (3)	344,544	102,430	344,845
Investment	4,535	607	3,735
Cash resources/bonds (a)	24,718	12,693	44,697
Short-term financial debts (b)	(73,308)	(27,075)	(77,456)
Medium-/long-term financial debts (c)	(190,205)	(27,434)	(190,085)
Net financial position (4)	(238,796)	(41,816)	(222,844)

- (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 31 March 2018, 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 April 2017 to 31 March 2018, for the data as at 31 March 2018 and 1 April 2016-31 March 2017 for the figures as at 31 March 2017.

Exprivia Group	31/03/2018	31/03/2017
Index ROE (Net income / Equity Group)	-20.91%	1.23%
Index ROI (EBIT / Net Capital Invested) (5)	-2.75%	1.54%
Index ROS (EBIT / Revenues from sales and services, net of changes in inventories of raw materials and finished products))	-8.43%	5.22%
Financial charges (6) / Net profit	-0.24	0.55

(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 31 March 2018 and 31 March 2017.

Exprivia Group	31/03/2018	31/03/2017	31/12/2017
Net Financial Debt / Equity Capital	3.67	0.56	3.00
Debt ratio (Total Liabilities / Equity Capital)	9.84	2.74	8.67

The above indicators are significantly affected by the strong seasonality characterised by the business of the Italtel Group. This seasonality occurs in both the Italian and the international markets and it is connected not only to the complexity of project managed, but also to expense budgets of customers. This seasonality affects annual and inter-annual apportioning of revenues and especially margins realised by the Group.

## Summary of operations in the first quarter of 2018

Upon completion of the acquisition of Italtel Spa, occurred at end 2017, the Income Statement of the new subsidiary becomes part of the Interim report on operations of Exprivia as at 31 March 2018 (the Income Statement had already been consolidated as at 31 December 2017). The results of the first quarter of 2018 are compared with the results for the same period of the previous year related to both the separate financial statements and the pro-forma statements, comparing the same Group scope of the last two years.

- **Revenues: Euro 113.1 million (Euro 36.6 million in 2017)**
- **EBITDA: Euro -4.2 million (Euro 3.0 million in 2017)**
- **EBIT: Euro -9.0 million (Euro 1.9 million in 2017)**
- **Profit before taxes: Euro -13.2 million (Euro 1.5 million in 2017)**
- **Net Financial Position: Euro -238.8 million (Euro -222.8 million as at 31 December 2017)**

The pro-forma figures that simulate the consolidation of the Italtel Group as at 31 March 2017 are shown hereunder

- **Revenues: Euro 126.2 million**
- **EBITDA: Euro -4.8 million**
- **EBIT: Euro -8.5 million**
- **Profit before taxes: Euro -10.8 million**

**Excluding the Italtel subsidiary**, the Exprivia Group ended the quarter with revenues equal to Euro 37.1 million, up 1.3% compared to Euro 36.6 million in 2017, EBITDA amounting to Euro 2.9 million, unchanged compared to Euro 3.0 million in 2017, EBIT amounting to Euro 1.8 million, unchanged compared to Euro 1.9 million in 2017 and Profit before taxes amounting to Euro 1.1 million, down compared to Euro 1.6 million in 2017 due to the higher financial charges connected with the acquisition of Italtel. With equal consolidation area, the net financial position would have amounted to Euro -64.5 million compared the Euro -58.4 million as at 31 December 2017.

The **Banking, Finance & Insurance** market increased by 10.9% compared to the previous year, also thanks to the contribution of the branch dedicated to system services for banks and financial companies acquired in the second half of 2017. The **Energy & Utilities** market closed with revenues in line with the same period of 2017 and an order portfolio that envisages a growth as from the following quarter. Also the other **Retail & Manufacturing** and **Telco & Media** markets are in line with last year. Revenues in the **Healthcare** market grew and those related to the **Public Sector** market remained unchanged. A 7.5% growth was reported in the **Aerospace & Defence** market. International activities continued to consolidate and in overall ended this

quarter with an 11.3% decrease in revenues, offset by increased margins. The **BPO** sector reported a good performance, with growing revenues and margins (+15.2% and 176.2%, respectively).

The **Italtel** Group closed the quarter with revenues amounting to Euro 76.9 million compared to Euro 90.5 million reported in 2017, EBITDA amounting to Euro -7.2 million, compared to Euro -7.8 million in 2017, EBIT amounting to Euro -10.8 million, compared to Euro -10.3 million in 2017 and Profit before taxes amounting to Euro -14.3 million, compared to Euro -12.3 million in 2017. The net financial position would have amounted to Euro -174.3 million compared to Euro -164.5 million as at 31 December 2017.

The business of the Italtel Group features significant seasonality characteristics for both the Italian and the international markets, connected not only to the complexity of project managed, but also to expense budgets of customers. This seasonality usually affects the annual and inter-annual distribution, as well as margins and foresees a strong recovery over the last quarter of the year.

The results obtained in the first quarter are however consistent with the multiannual business plan and Italtel's annual budget.

In the market sectors where the Italtel Group operates with proprietary products and solutions, revenues remained unchanged as regards VoIP (Voice over IP) and IMA (IP Multimedia Subsystem), and grew in new segments, like Internet of Things and Cyber Security, albeit within highly fragmented and heterogeneous competitive scenarios. The Group is also committed in projects for the transformation of the networks based on the development of ultrabroadband access networks (Fixed and mobile), on the evolution of the Backbone IP networks and on the streamlining of the legacy networks, which will be progressively replaced by the ALL IP networks. Revenues related to TIM decreased and reported a slight growth for other operators. The Public Administration and Industry markets remained unchanged, while a significant growth in revenues was reported on the Open Fiber customer (400%), in relation to the Ultrabroadband access for "white areas". Revenues in the EMEA markets grew, recording 15% increase compared to 2017, especially in the Spanish and German markets, while Latin American markets slightly decreased due to a strong competition pressure on prices.





## Exprivia: Future. Perfect. Simple

### An international group to enable digital transformation processes

An international ICT specialist, the Exprivia group leverages digital technologies to steer the business drivers of change for its customers.

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&Insurance, 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.

### Perfect

Perfect is the level we commit to reaching in designing innovative and efficient digital solutions for every sector.

### Connection

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

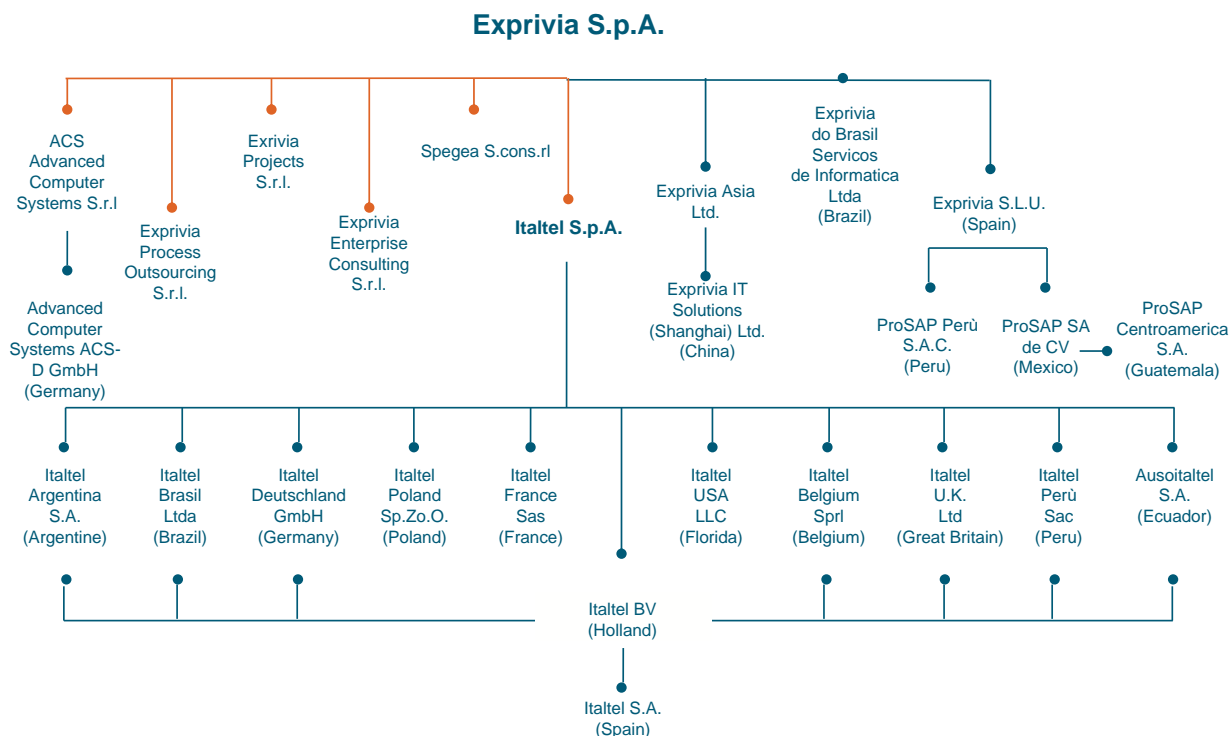
It is the ability to imagine the future by directly combining what we know in the present: technology with customer needs, the world of research with that of business, the city with its residents.

### 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.

## The Group

The chart shows the main companies of the Exprivia Group:



The companies directly invested in by the Parent Company Exprivia SpA are shown below:

**ITALTEL SpA**, 81% of whose share capital is held, is an industrial entity with headquarters in Italy and companies in 14 countries; the competencies are those peculiar to the telecommunications market in which it has operated for various decades and in which it is making its contribution to the evolution of fixed and mobile telephone networks. The headquarters in Italy are the traditional ones of Castelletto di Settimo (MI) and Carini (PA), in addition to those in Rome. Italtel Spa also invests, directly or indirectly via its investee Italtel BV, in a series of other companies as indicated in the previous diagram.

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

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



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

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

**Consorzio Exprivia Scarl**, 85% owned by Exprivia SpA, with the remaining 15% held by other Group companies wholly-owned by the holding company. This consortium's objective is to facilitate the Exprivia Group's participation in public tenders for project development and service provision.

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

## Foreign Companies

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

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

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



## 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 & Insurance

### 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.





## Telecommunications (Italtel Group)

### Development and positioning of the Italtel offer: Proprietary Products

The progressive realization of different network models, with new generations of fixed and mobile networks, ie from traditional Telco to Digital Telco with multi-service Cloud platforms, saw the first, inadequate, examples of the new networks that they are combining the growing demand for Cloud with the Edge, with the progressive affirmation of the Internet of Things in a path of "approaching" the user and the user, understood as a deep knowledge of the production processes of the "user" organization, with the aim of being able to modify them by introducing new technological solutions.

The future of telecommunications highlights at least three very important trends that will profoundly change the architecture of networks and the way in which networks will contribute to the evolution of the sectors of Industry and Services:

- 1) video communications;
- 2) software and data considered as a new factor in production;
- 3) the Internet of Things destined to connect tens of billions of intelligent objects in the coming years.

The network model of the future consists of three essential components:

- (a) Access, which communicates with very high performance with 'devices' and objects;
- (b) the Backbone, which allows users to connect with high capacity and low cost for the exchange of content and finally
- (c) the Cloud, structured in two levels (Edge and Core), which hosts Applications, Data and Contents.

The strategy is based on increasing added value, on a portfolio of flexible and innovative solutions to support the digitalization of companies and public administration, on the increased commercial activity dedicated to vertical markets (not necessarily related to Telecommunications) and on further growth on international markets. The mere proposition of innovative solutions is not enough, because there is a marked stabilization and high degree of usability of the product, as well as a greater presence in markets where Italtel is not historically present in addition to international marketing actions of new proprietary products.

The main evolutionary lines must combine in an even deeper and more effective way the passage undertaken during the previous year aimed at reversing the concept of "transaction offer" towards "service" offer.

This breakthrough continued steadily in 2017 and continues in 2018, allowing us to undertake a profound logic of change to the entire catalog of proprietary products.

- Any product line or to tend any object will become increasingly intelligent, will acquire intelligence from the network as in the previous industrial revolution, the electric power was taken from the electric grid. In this perspective, the role of data and their treatment is essential. The evolution of the 360<sup>0</sup> Management and SDN Monitoring and Automation lines has been strictly based on data-analytics techniques aimed at the prediction in substitution of posthumous repair. (Cognifying Product Line). These lines are designed to change their behavior during the life of the product, thanks to the analysis of the behavior data and the feedback on it.



The process of transforming objects from dumb-objects to smart-objects transforms them into elements of continuous interaction with man, extending and changing depth the types of communication between people and things. The Internet of Things product line has closely linked this paradigm.

On the classic segments of the TLC world, linked to the evolutionary path of the IMS networks and the logic of centralized routing and services, on one hand the stabilization of the product lines for the underlying customers / markets and a moderate alignment with the dynamics dictated by SDN and NFV (End-Product-Solutions).

Below are the main product lines of the Product Catalog that Italtel has developed in the course of the year 2017 and in the first quarter of 2018 and which it intends to pursue in the coming years:

- 1) 1) All IP Communication:
  - Border Layer Evolution Netmatch always-becoming Product Line
  - Centralized Signaling & Routing iRPS end-Product-Solutions
  - IMS functionalities iMCS & iTDS end-Product-Solutions
- 2) SDN & Automation Netwrapper Product Line
- 3) Management Layer Evolution iNEM, OSS cognifying Product Line
- 4) Cloud Applications: contextual Communication Evolution & IOT interacting & cognifying Product Line

### **Development and positioning of the Italtel offer: Professional Services and System Integration**

At the start of 2018, Italtel reaffirmed its deep expertise in Networking, Collaboration and Data Center, engaging in significant and complex projects alongside both operators and public and private companies. Particularly relevant in this context are the plans to transform Optical Packet Metro (OPM) networks, Network Transformation networks for the transformation and technological upgrading of IP networks (which include the compaction of high volumes of telephone lines and the disposal of obsolete switching technologies). ), of complex wifi and wired connectivity solutions for events and events of wide visibility, (eg: the Sanremo Festival). Within the services called Managed Services, the effectiveness of the technical-organizational structure to ensure the Technical Assistance Service of the voice and data networks is confirmed by the re-assignment of important network care contracts, which include the repair of the equipment of different technologies (Vendors).

Particularly important in the first three months of 2018 was the commitment and investments made by Italtel for the execution of the design contract for the Ultra Wide Band passive network, in the so-called Cluster C & D, in the context of the Infratel tenders that were awarded to Open Fiber. This is a multi-year project involving the civil and optical design of the passive fiber track and the wireless network in Fixed Wired Access (FWA) technology for a total of 6,070 Italian municipalities, affecting about 9 million real estate units. In particular, Italtel, in its role as a designer indicated by Open Fiber, is responsible for the definitive and executive design of the network and for this purpose has built a dedicated Civil Design Competence Center. This work is the most important large-scale deployment of UBB FWA in Europe.

Alongside the aforementioned activities, related to Italtel's most historical skills on the creation and management of complex networks and infrastructures, Italtel has invested at the same time in the creation of new innovative strands that could place it, in the eyes of Cisco and others, as a new model of being System Integrator.

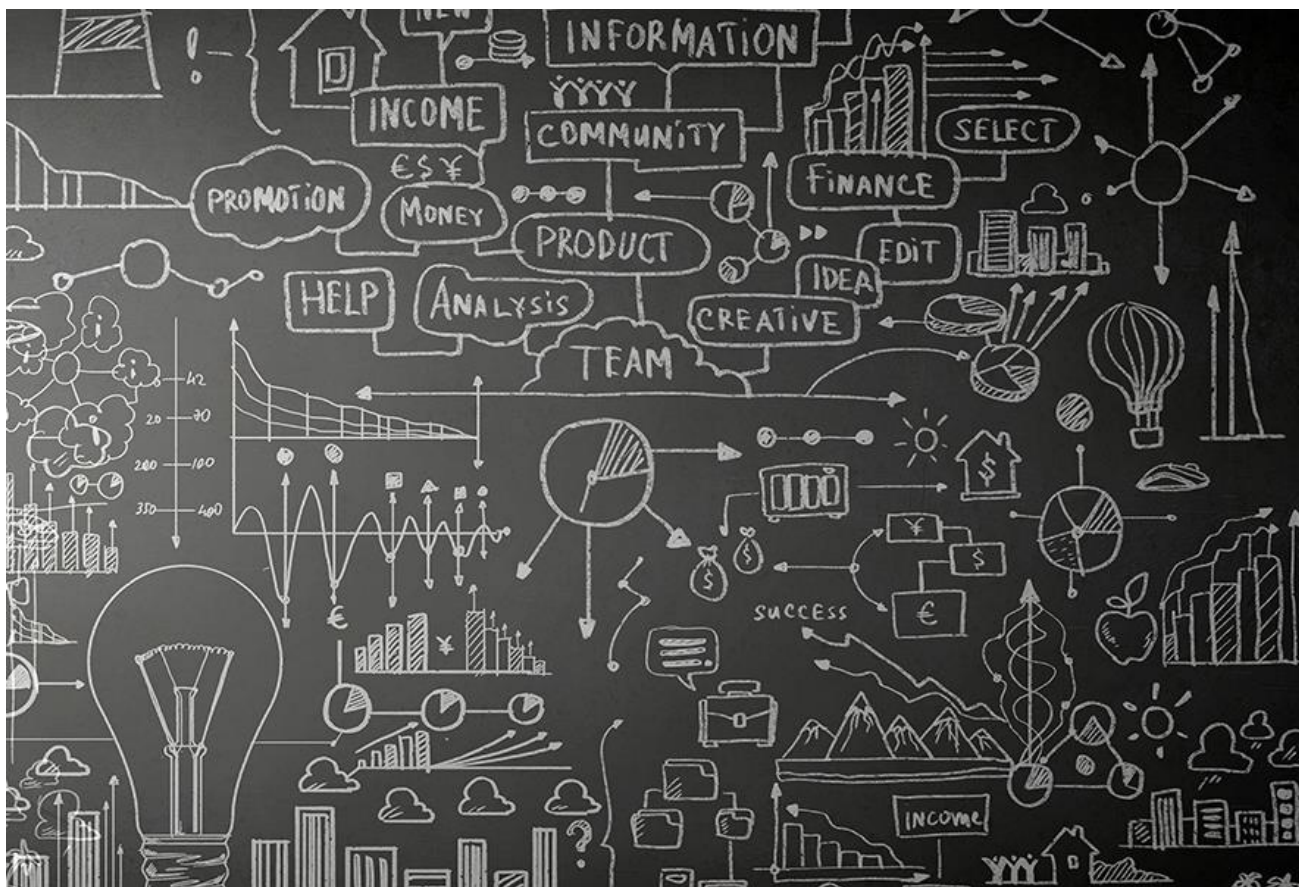
A further occurrence of the first three months of 2018 concerns the acceleration and focus that Italtel has placed on two relevant and priority areas: Cyber Security and Industry 4.0. A series of initiatives aimed at gaining significant positioning among the players in this market began on Cyber Security: review of the offer



catalog, construction of new multivendor partnerships, technical certification plans, relaunch of the Security Operation Center (SOC). With regard to the Internet of Things and Industry 4.0, the first experiences, above all linked to infrastructural and network security adjustments and the link with some industry players, have allowed the definition of an innovative proposition for this type of clientele.

The offer catalog of System Integration Solutions and Services with which the company presented itself on the market is divided into 8 main lines:

- People Collaboration and Customer Relation - tools to improve collaboration between employees of the same company and the interaction that each enterprise can have with its customers;
- Internet of Things & Contextual Communication - solutions that, by exploiting the IoT trend, tend to improve the quality of life and increase the productivity of companies. The main areas of interest are: Industry 4.0, Healthcare, Smart Cities and Energy;
- Network Transformation - solutions that allow the evolution of real-time services on operator infrastructures revisited in IP logic;
- Network Service & Business Management - Solutions for OSS Transformation and support for Network Operations; advanced Analytics solutions (including Data Science methods) for the improvement of the Customer Experience;
- Data Center & Virtualization -Solutions for the creation of Data Centers able to address different needs, from open corporate IT to Hybrid Cloud services, to the implementation of NFV and SDN architectures. Particular focus on the areas of the enabling infrastructure, automation and orchestration;
- IP Network Infrastructure - a set of solutions that range from operator networks to enterprise networks, with a particular focus on mobile and wireless networks;
- Cyber Security - solutions for the protection of the infrastructures of companies and telco operators, from data centers to corporate networks, to networks with which operators provide services for their customers. Italtel also has a managed security offer, provided by its SOC ISO 27001;
- Managed & Advisory Service - Italtel is able to put its expertise available to customers, managing networks and providing consultancy services and engineering specialists.



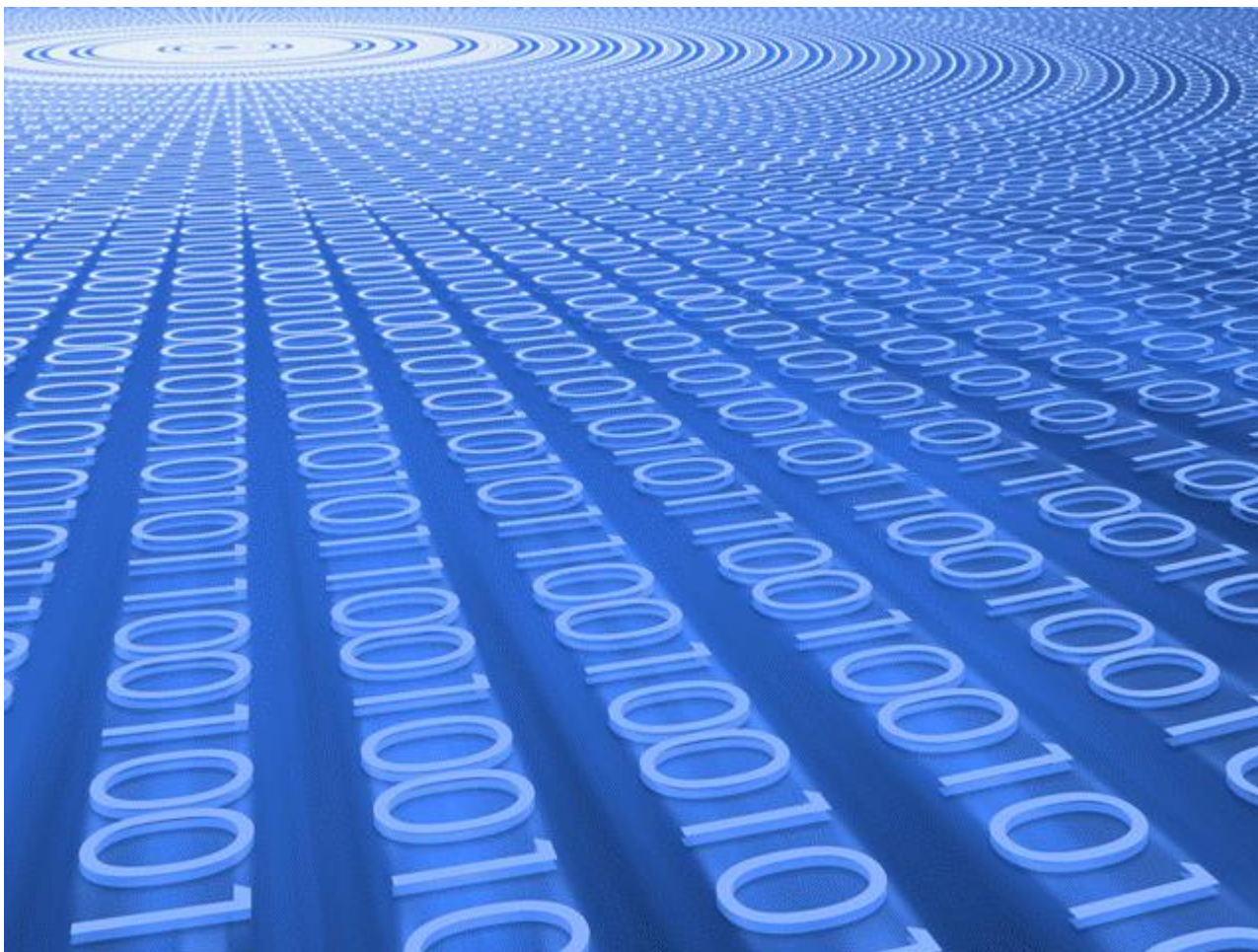
## Innovation Lab

### 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.

The background features a large, solid orange shape that flows from the top right towards the bottom left, creating a wavy, organic border. The rest of the page is white.

# **Performance of Exprivia Group Results**

## Performance of Exprivia Group Results

The performance, divided by markets, is shown on two different Operating Sectors, starting with the **IT Operating Sector**, corresponding to the Exprivia Group before the acquisition of Italtel, and then showing the performance of the **TLC Operating Sector**, corresponding to the Italtel Group.

### IT Operating Sector

#### Banking & Finance

The **Banks, Finance and Insurance** market saw a growth under the volumes and margins viewpoint, in the first quarter of 2018.

This increase in revenues was partly due to the acquisition of the business segment of Esiet Vas S.r.l. in the second half of 2017 and partly to the 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, saw a rise in volumes;
- the Factoring segment has also confirmed the quality of the full outsourcing approach proposed to our customers, which substantially maintained constant volumes despite turnover within the group of customers;
- results in the digital transformation domain (Big Data Analytics, Cloud & Security Infrastructures, Smart Process, Customer Experience) declined slightly compared to 2017, even though they were 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 already leads us to reasonably predict positive development in operations also over the course of the next few quarters.

### Energy & Utilities

In the first months of 2018, Exprivia was committed in some of the most important competitive contests on the Oil&Gas Italian market, the award of which will have effects as from the following quarter. The first quarter of 2018 therefore ended with gross revenues in line with the corresponding period of 2017, but with an order portfolio on subsequent months that projects a growth as from the following quarter.

The main phenomena characterising the changes in the global energy system can be thus summarised:

- rapid diffusion and the reduction of the costs of the clean energy technologies;
- growing electrification of energy;
- changeover to an economy more inclined towards services and a cleaner energy mix in China;
- confirmation of the phenomena of gas shale and tight oil in the United States.

These are changes, which arrive in a period in which the traditional distinctions between energy producing countries and energy consuming countries are less emphasised than in the past and a new group of developing countries, guided by India, is domineeringly appearing in the global energy market.

During 2018, Exprivia will be involved in both the consolidation of its positioning on the Italian market and the programme for developing the customer base by means of a cross selling plan for the transversal supply also to foreign customers of the Group, playing on its vertical sector offer.

Specifically, industrial synergies with the new strategic partners of the Exprivia Group strengthened some offer lines:

- IoT Offer, especially related to energy efficiency of buildings and the management of safety at workplaces (management of Single Safety Devices and Management of Fugitive Emissions);
- Innovative proposals for training in Virtual Realities and Immersive Reality contexts;
- Offer for the Cyber Security;
- Transversal Offer in the networking/infrastructure area;
- Offer for the Unified Communication.

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.

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 quarter of 2018, revenues were up significantly, also thanks to new contracts launched and the relative investments made.

## Retail & Manufacturing

The first quarter of 2018 was in line with the results recorded in the same period of the previous year, as regards volumes, but recorded an increase in margins. The reference market, which in 2017 already saw a strong recovery in demand, continues to show a deep interest for novelties introduced last year. On this market, Exprivia proposes itself with an offer based on both the SAP platform, in its various forms, and the 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. In this market, the first quarter of the year reported substantially unchanged revenues and an increase in margins.

## Healthcare

In the first quarter of 2018, 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 this scenario, which results in a drop in absolute terms in the number of tenders announced and an increase in the extent of the same, 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, efforts have been concentrated on the development of the customer base, primarily in the private sector, and the extension of major contracts already acquired.

To confirm the above initiatives, over the period important orders were reported in both the domestic public and private sectors, through innovative projects.

The first quarter saw an increase in volumes, and even higher margins, above all thanks to the presence and lead generation activities carried out in 2017.

## Public Sector

The **Public Administration** market saw a recovery in the first quarter of 2018 attributable primarily to trends in the Central Public Administration, already started in 2017, where several contracts signed in early 2017 were executed, which see Exprivia engaged in significant digital transformation projects.

For the Local Public Administration, there is 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, occurred in 2017, 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

In the first quarter of 2018, the Aerospace & Defence market saw an increase in revenues and margins compared to the same period of the previous year.

The above-mentioned results are due to the multi-annual renewal of the maintenance contract of the data processing system of ESA's Cryosal satellite, and to the execution of the contract with EUMETSAT (European Organisation for the Exploitation of Meteorological Satellites), for the realisation of the Ground Segment of a new satellite mission (SENTINEL-6/JASON CS), both signed in 2017.

Exprivia is still among the top players of the market, with its participation to important tenders, some of which are being awarded.

## International business

Exprivia's activities in non-Italian markets registered a slight drop in revenues in the first quarter of 2018. This decrease is almost concentrated on the Latin American market, while other countries reported a growth or substantially unchanged results. Also with regard to margins, a slight recovery is to be highlighted.

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.

The first quarter of 2018 disclosed revenues in line with the previous year but a decisive improvement in margins.

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 saw a drop in revenues and margins in 2017.

In **Brazil**, the revenues of the company Exprivia do Brasil Serviços de Informática Ltda disclosed an increase with respect to those for the previous year and a drop in margins, also due to investments that are being made to increase commercial coverage. Relations with the key customers in the IT Security area are strengthening.

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 quarter of the year saw an increase of revenues, and the customer base is still currently made up of Italian companies and institutions operating in China and European manufacturing industries.

## TLC Operating Sector

An analysis of the performance of the Telecommunications market, in which the newly acquired Italtel Group mainly operates, is presented below; the results of the group are consolidated as from 1 January 2018 and disclosed in the paragraph related to Segment Reporting. The business of the Italtel Group features important seasonality features, for both the Italian and the international markets, connected with the complexity of projects managed and customers' expense budgets. This seasonality affects annual and inter-annual apportioning of revenues and especially margins realised by the Group. Therefore, the interim results cannot be considered as reflecting the yearly financial and equity position of the Group and the comparison between results of the various years is affected by the above-mentioned seasonal trend.

## Market scenario and positioning of Italtel

### Market scenario

The market scenario shows a summary of the main segments in which Italtel positions its proposal of proprietary products and solutions, namely:

- IP Networks Segment, which identifies the market of the main elements of the telecommunication network within the core and border networks.
- NFV (Network Function Virtualization) and SDN (Software Defined Networking) Segment, which, for Italtel, is specially focusing on some virtualised network elements and the development of SDN solutions of software platforms of international vendors, with special reference to Cisco.
- Network & Service Management Segment, focused on the smart and rapid management for network control, which was traditionally assigned to OSS and BSS platforms, but is currently evolving towards systems that are more integrated, flexible and rich in functions.
- Unified Communication and Collaboration Segment, which identifies real-time communication platforms that integrate voice, chat, presence, extension of mobile services, web and video conference, as well as desktop sharing.
- The Cyber Security Segment, which includes the aggregate technologies, processes and services aimed at the protection of systems and IT data in terms of availability, confidentiality and integrity of the same.

The analysed segments show, in aggregate, two main trends:

- Stabilisation and essential maintenance of the volumes of revenues on segments which involve mature and consolidated technologies, as in the case of VoIP and IMS, due to new network installations, upgrades of those existing and above all else new architectural paradigms (such as those proposed in the NFV (Network Function Virtualization)) which in fact create a "replacement market".
- Rapid expansion with two-figure growth rate in new spheres, such as Cyber Security, despite featuring highly fragmented and varied competitive scenarios characterised by strategic positioning difficulties.

## Domestic market of Service Providers

The Information Technology and telecommunication ICT market, in Italy and as described herein, suffered from the effects of the international crisis, which commenced in 2008. The persistence of unfavourable macroeconomic conditions and the competitive and substitution dynamics between telecommunications and internet led to a further drop in the investments of the operators and increasingly notable attention towards

the reduction of the TCO (Total Cost Ownership) of the infrastructures with a strong impact on the unit prices and on the margins.

Despite the unfavourable macroeconomic conditions, the Telecommunication operators in 2017 launched important projects for the transformation of the networks based on the development of ultrabroadband access networks (Fixed and mobile).

Italtel managed to confirm its role of leading player by means of the acquisition of important projects, in line with 2017, care of the main national operators even if the revenues saw a decrease with respect to the previous year, reaching a sales turnover total of Euro 24.5 million.

In particular, Italtel, despite the very heavy competitive pressure, stood out in this first phase of the year over the main Italian players (TIM, Fastweb, WindTre, Tiscali, BT to name some of them) for the following segments:

- renewal projects for the IP subway networks for the fixed and mobile traffic collection (*broadband & ultrabroadband*) with the migration of Customers on the new networks based on Cisco technology;
- Evolution of VoIP networks through the introduction of new NFV (Network Function Virtualization) logics for the upgrading of onboard functions of the network;
- widening and transformation of the existing IP Backbone infrastructure, based on the Cisco technology;
- The supply of the latest Data Centers to host virtual network functions;
- Intelligent Traffic Management solutions, based on the Sandvine technology;
- Simplification projects of legacy networks and NetCare Multivendor services, for both traditional and innovative components;
- Evolution of solutions for the business market, in a Cloud view and for the IP interwork of Virtual PBX (SIP TRunking) platforms based on the virtual configuration Netmatch-S product;
- Highly experienced professional services to improve transformation processes of multi-service networks, such as Solution Design, Integration & Testing and Network Transformation.

## Domestic market – Enterprise and Public Sector

In 2017, the Italian ICT market confirmed an overall moderate growth (+2.3%), mainly due to the most innovative components of the “digital transformation” which, albeit at different levels, involves all sectors in the country.

2017 was also characterised by the launch of the Government plans aimed at the recovery of the delays accumulated in the previous years within the sphere of the Europe 2020 strategy and the valorisation of the technological adaptation of the Italian entrepreneurial fabric: Digital Strategy for the Ultrabroadband and Industry 4.0. This trend is also present in 2018.

With regard to the Enterprise segment, in the first quarter of 2018, the consolidation activities focused on the positioning of Italtel has successfully continued as regards ICT solutions and services.

The Open Fiber activities became particularly important under the quality and quantity point of view. Italtel operates as “dedicated designer” and is responsible for the design of the entire ultrabroadband Network that Open Fiber will realise after the award of the two tenders launched by Infratel for the building and management, under concession, of the infrastructure related to the ultrabroadband in the “white areas”. Other important customers in the first quarter of 2018 are as follows: Nexi, Costa Crociere, Autostrade, RAI and Unicredit.



With regard to Public Administration, the activities carried out for a market share consolidation and increase were particularly important in relation to direct contracts with large Public Entities, especially: IPZS for the design and implementation of the Data Center and Poste Italiane project.

Positive results were achieved also within the Healthcare segment, while consolidating the relation with Hospitals.

## EMEA Market

In the first quarter of 2018, the EMEA market reported 16% growth in revenues compared to the same period of 2017.

In France, the supply for HubOne, telecommunication operator, controlled by AdP, is implementing the rollout and migration of telecommunication services of the Charles de Gaulle and Orly Airports, despite some postponements due to the particularly complex and delicate context.

In Germany, the invoicing milestones of the System Integration project for the IP Backbone of Telefonica O2 Deutschland were fulfilled or advanced. The business development related to the Regional Service Provider, as well as to the collaboration with the System Integrator, has been strengthened, and Italtel proposes itself as supplier of proprietary technology.

In Poland, the customer Exatel is at the centre of development activities, above all regarding new project initiatives that are being developed over the next few years. Similarly, an analysis of other possible targets is being performed in view of widening the Customer portfolio and repositioning the group on Orange Poland with an innovative offer.

In Spain, the roll-out of the project for the management of NOC and SOC continues. The group is looking for further orders in addition to the original one. The System Integration traditional business continues to suffer from the strong pressure on margins that has characterised the last few years.

New opportunities has arisen, concerning the collaboration with new commercial and technological Partners, such as Parallel Wireless and InfoCert. The contacts established with DTAG, for the development of innovative solutions, and with Vivacom, for the Augmented Reality applications to the monitoring of field networks, are also worth noting.

## LATAM Market

The beginning of the year 2018 was substantially in line with 2017, with revenues slightly decreasing compared to the first quarter of 2017. In Latin America, the political and economic instability is still present in all the main Countries and great attention is being given as regards investment plans of public and private customers in the ICT markets. The political and economic uncertainty remains unchanged, and requires clarifications before the establishment of new Governments (e.g. Peru) or in view of near elections (e.g. Brazil and Columbia).

For all LATAM markets, the strong pressure on prices of System Integration continues, driven by market stagnation and the entrance of the “Made in China” products in various technological segments. The recent tenders in TIM and Telefonica confirmed this trend.

In Brazil, the year reported a positive beginning, especially for TIM, also in light of a simplification of internal processes, which caused various difficulties in the past.



In Argentina, the customer Telecom Argentina decided to purchase directly from Cisco. This fact was offset by the strong acceleration given to Telefonica projects.

In Peru, once the political crisis had been solved (after the impeachment of the President), various projects, which underwent a slowdown at end 2017, started again. The forecasts of various large projects, expected for 2018, give new confidence for a positive evolution over the year.

In Columbia, the turn-around process of the local team is achieving the first results in relations with customers and partners, even if an impact on the business is expected in the second half of the year.

In Ecuador, the political situation continues to affect the Country, especially in future perspectives, albeit the relation with the Telefonica customer was confirmed in the first quarter of the year.

## Significant events in the first quarter of 2018

There were no significant events worth noting.

### Acquisitions/Sales in the Exprivia Group

There were no acquisitions/sales worth noting.

## Events after 31 March 2018

**On 17 April 2018**, the extraordinary shareholders' meeting of Exprivia Enterprise Consulting Srl met on first call to resolve on the reduction of share capital and reserves in proportion to losses, pursuant to Article 2482-bis of the Italian Civil Code. The Share Capital was reduced from Euro 1,500,000 to Euro 275,489.59.

**On 27 April 2018**, the **ordinary shareholders' meeting of Exprivia SpA** met on first call to **approve the financial statements as at 31 December 2017**. During the same shareholders' meeting the **Corporate Governance and Ownership Report and the first section of the Remuneration Report** were approved, drawn up pursuant to Article 123-ter of Legislative Decree 58/98, available on the company's website [www.exprivia.it](http://www.exprivia.it) in the "Investor Relations - Corporate Governance - Corporate Information" section. The shareholders' meeting **also approved the Long-term Incentive Plan**, named "2018-2020 Performance Share Plan", aimed at enhancing value over the long term, while ensuring the alignment of interests between beneficiaries and shareholders.

The shareholders' meeting approved the issuing of a new authorisation to purchase and dispose of treasury shares, pursuant to articles 2357 and 2357-ter of the Italian Civil Code.

**On 2 May 2018**, the Group signed with Open Fiber SpA the contract extensions related to the development of Ultrabroadband network for the "white areas" related to the first two Infratel tenders. The first contracts were signed in 2016, when Italtel was chosen as dedicated designer. The total amount, related to the multi-annual business, is equal to around Euro 200 million.

## Business Outlook

Upon completion of the acquisition of Italtel Spa, occurred at end 2017, the Income Statement of the new subsidiary becomes part of the Interim report on operations of Exprivia as at 31 March 2018 (the Income Statement had already been consolidated as at 31 December 2017). A significant discontinuing element is therefore defined with respect to the history of the Exprivia Group.

Italtel, that is operating in Italy and in many countries all over the world, designs and develops products and solutions for telecommunication networks and latest generation services. Its offer is composed of proprietary products, engineering services and consultancy on networks, services managed and solutions, such as VoIP, Unified Communication & Collaboration, HD video communication, interconnection solutions, data centres and Mobile Broadband solutions. SDN, NFV and WebRTC are some areas on which the R&D is focused.

The integration between Exprivia, specialised in process consulting, technological services and Information Technology solutions, and Italtel, which boasts more than 90 years of history in the planning, development and creation of software solutions and products for telecommunications, represents an unheard of party in the Italian and international scenario. A new player, capable of developing and proposing a more extensive range of products and services, in the digitalisation processes. Meanwhile, Exprivia is a group operating in around 30 countries, with a significant sales turnover on the international market.

Considering the performance of this first quarter and the business outlook for 2018, the Group is recording results in line with Italtel's plans and Exprivia's expectations. The business of the Italtel Group features important seasonality features, for both the Italian and the international markets, connected with the type of projects managed and customers' expense budgets. This seasonality usually affects the annual and inter-annual distribution, as well as margins and foresees a strong recovery over the last quarter of the year. The results obtained in the first quarter are however consistent with the multiannual business plan and Italtel's annual budget.

Moreover, in spite of the relative independence of the governance and operating structures within both Italtel and Exprivia, the new group is developing business integration synergies for the reference markets, like mutual best practices concerning operating modalities adopted by both corporate structures, while offering a wider portfolio of innovative solutions to all customers.

Business outlook for 2018 is under confident auspices, both concerning the markets in which Exprivia historically operates, and in the new markets served by Italtel. Digital transformation processes will boost investments of end customers, as well as of TLC large operators that play a leading role above all in the start-up of the first 5G installations.

## Staff and Turnover

The Group company workforce as at 31 March 2018 compared with those at 31 March 2017 is shown in the following table. Part-time workforce is around 16.00%.

Company	Employees		Media employees		Temporary workers		Media temporary workers	
	31/03/2018	31/03/2017	31/03/2018	31/03/2017	31/03/2018	31/03/2017	31/03/2018	31/03/2017
Exprivia SpA	1674	662	1680	663	2	2	2	2
Exprivia Healthcare IT Srl		326		327				
Exprivia Enterprise Consulting Srl	102	119	105	120		1		1
Exprivia Digital Financial Solutions Srl		203		200				
Exprivia Projects Srl	268	254	268	249				
Exprivia Process Outsourcing Srl	270	257	259	250				
Exprivia Telco & Media Srl		361		358				
Advanced Computer Systems Srl	64	63	64	63				
Exprivia It Solutions Shanghai	10	12	10	13		1		1
Exprivia SLU (Spagna)/Prosap SA de CV/Prosap Centramerica SA	87	83	82	85	3		5	
Exprivia do Brasil Servicos de Informatica Ltda	25	21	25	21	5	7	5	7
Spegea Scarl	7	7	7	7		1		1
Gruppo Italtel	1472		1469		5		5	
<b>Total</b>	<b>3979</b>	<b>2368</b>	<b>3969</b>	<b>2356</b>	<b>15</b>	<b>12</b>	<b>17</b>	<b>12</b>
<i>Executives</i>	88	46	86	46				
<i>Middle managers</i>	484	194	484	194				

The table shows the corporate changeovers of the companies Exprivia Healthcare IT Srl, Exprivia Digital Financial Solution Srl and Exprivia Telco&Media Srl towards Exprivia SpA, occurred on 30 November 2017.

## Inter-company relations

The organisational structure of the Exprivia Group functionally integrates, with the exception of Italtel SpA and its subsidiaries, 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, in the meaning defined above and not including the Italtel Group.

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

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

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

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

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

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

## Relations with related parties

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

This procedure replaced the one previously in force, which had been introduced on 27 November 2010 and is published on the Company's website under "Corporate> Corporate Governance> Corporate Information".

Transactions with related parties made by the Company during 2017 fall within normal business management and are governed by normal market conditions. No atypical or unusual transactions with such parts have been made.

Italtel SpA has an internal procedure in place concerning transactions with Related Parties approved by the company's Board of Directors on February 15, 2018.

## Group Relations with the Parent Company

The balance sheet and income statement (in thousands of euros) between the Exprivia Group and the parent company Abaco Innovazione SpA at March 31, 2018, compared with the figures as at December 31, 2017, for the balance sheet data, and at March 31, 2017 for economic data.

### Receivables

#### Non-current financial assets

Description	31/03/2018	31/12/2017	Variation
Exprivia S.p.A.	2,280	2,258	22
<b>TOTAL</b>	<b>2,280</b>	<b>2,258</b>	<b>22</b>

The balance at March 31, 2018 includes € 2,280 thousand for the residual credit relating to an unsecured loan with guarantees signed in 2016 with the parent company Abaco Innovazione SpA and disbursed for € 1,680 thousand for cash and € 1,305 thousand for the redevelopment of debts. outstanding at December 31, 2015. Interest income accrued on the same loan for Euro 83 thousand is also included.

#### Current financial assets

Description	31/03/2018	31/12/2017	Variation
Exprivia S.p.A.	400	400	0
<b>TOTAL</b>	<b>400</b>	<b>400</b>	<b>0</b>

The balance at March 31, 2018 of Euro 400 thousand relates to the current portion of the loan indicated above.

### Cost and financial charges

Description	31/03/2018	31/03/2017	Variation
Exprivia SpA	96	94	2
<b>TOTAL</b>	<b>96</b>	<b>94</b>	<b>2</b>

The balance at 31 March 2018 refers to the costs for the guarantee given by the parent company to obtain the loan disbursed by the pool of banks to Exprivia SpA in April 2016 for 25 million Euro.

## Revenues and income

Description	31/03/2018	31/03/2017	Variation
Exprivia S.p.A.	22	23	(1)
<b>TOTAL</b>	<b>22</b>	<b>23</b>	<b>(1)</b>

The balance at March 31, 2018 refers to the interest accrued towards Abaco Innovazione SpA on a loan granted by Exprivia SpA.



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**Quarterly  
Consolidated Financial  
Statements of the  
Exprivia Group  
as at 31 March 2018**



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# Consolidated Financial Statements as at 31 March 2018

## Consolidated Balance Sheet

Amount in thousand Euro			
	Note	31.03.2018	31.12.2017
Property, plant and machinery		27,837	28,209
Goodwill and other assets with an indefinite useful life		206,963	206,979
Other Intangible Assets		35,948	35,721
Shareholdings		586	589
Other financial assets		2,633	3,273
Other financial assets		4,824	4,436
Deferred tax assets		65,753	65,638
<b>NON-CURRENT ASSETS</b>		<b>344,544</b>	<b>344,845</b>
Trade receivables and other		127,745	148,487
Stock		61,466	41,007
Work in progress to order		47,306	36,821
Other Current Assets		39,725	34,847
Other Financial Assets		2,133	1,914
Cash resources		16,950	36,508
Other Financial Assets available for sale		455	455
<b>CURRENT ASSETS</b>		<b>295,781</b>	<b>300,039</b>
<b>DISCONTINUED NON CURRENT ASSETS</b>		<b>121</b>	<b>215</b>
<b>ASSETS</b>		<b>640,447</b>	<b>645,099</b>

Amount in thousand Euro

	Note	31.03.2018	31.12.2017
Share capital	1	25,155	25,155
Share Premium Reserve	1	18,082	18,082
Revaluation reserve	1	2,907	2,907
Legal reserve	1	3,931	3,931
Other reserves	1	43,342	44,461
Profits (Losses) for the previous period	1	6,981	6,931
Profit (Loss) for the period		(13,605)	50
<b>SHAREHOLDERS' EQUITY</b>		<b>86,792</b>	<b>101,517</b>
Minority interest		21,726	27,125
<b>GROUP SHAREHOLDERS' EQUITY</b>		<b>65,066</b>	<b>74,392</b>
<b>NON-CURRENT LIABILITIES</b>			
Non-current bond		22,777	22,413
Non-current bank debt		167,302	167,499
Other financial liabilities		128	173
Other no current liabilities		4,139	3,354
Provision for risks and charges		13,650	14,413
Employee provisions		28,643	30,025
Deferred tax liabilities		2,966	2,469
<b>NON CURRENT LIABILITIES</b>		<b>239,603</b>	<b>240,346</b>
<b>Current bond</b>			
Current bank debt		67,993	70,717
Trade payables		165,636	146,584
Advances payment on work in progress contracts		3,467	3,152
Other financial liabilities		5,315	6,739
Other current liabilities		71,255	75,655
<b>CURRENT LIABILITIES</b>		<b>313,666</b>	<b>302,847</b>
<b>DISCONTINUED NON CURRENT LIABILITIES</b>		<b>386</b>	<b>389</b>
<b>TOTAL LIABILITIES</b>		<b>640,447</b>	<b>645,099</b>

## Consolidated Income Statement

Amount in thousand Euro			
	Note	31.03.2018	31.12.2017
Revenues	2	107,065	157,122
Other revenues and income		1,850	258
Grants related to income		1,248	1,291
Increase in capitalised expenses for intenal projects		2,971	2,532
Other income	3	6,069	4,082
<b>PRODUCTION REVENUES</b>		<b>113,134</b>	<b>161,204</b>
Costs of raw, subsid. & consumable mat. and goods	4	46,435	9,516
Salaries	5	48,451	101,358
Costs for services	6	40,528	29,496
Costs for leased assets	7	1,793	3,811
Sundry operating expenses	8	1,023	5,544
Change in inventories of raw materials and finished products	9	(20,846)	32
Provisions	10	(2)	(648)
<b>TOTAL PRODUCTION COSTS</b>		<b>117,380</b>	<b>149,109</b>
<b>DIFFERENCE BETWEEN PRODUCTION COSTS AND REVENUES</b>		<b>(4,245)</b>	<b>12,095</b>
Amortisation, depreciation and write-downs	11	4,784	5,591
<b>OPERATIVE RESULT</b>		<b>(9,029)</b>	<b>6,504</b>
Financial income and charges	12	(4,204)	(3,860)
<b>PRE-TAX RESULT</b>		<b>(13,233)</b>	<b>2,644</b>
Income tax	13	347	2,594
<b>PROFIT (LOSS) FOR THE EXERCISE DERIVING FROM OPERATING ACTIVITIES</b>		<b>(25)</b>	
<b>PROFIT OR LOSS FOR THE PERIOD</b>	<b>14</b>	<b>(13,605)</b>	<b>50</b>
Attributable to:			
Shareholders of holding company		(10,946)	(27)
Minority interest		(2,659)	77
<b>Earnings per share losses</b>	<b>15</b>		
Basic earnings per share		(0.0002)	(0.0006)
Basic earnings diluted		(0.0002)	(0.0006)

## Consolidated Statement of Comprehensive Income

Amount in thousand Euro			
Description	Note	31.03.2018	31.03.2017
<b>Profit for the period</b>		<b>(13,605)</b>	<b>932</b>
<i>Other gains (losses) total will not subsequently be reclassified in profit (loss)</i>			
Profit (loss) Actuarial effect of IAS 19			
Tax effect of changes			
<b>Total other comprehensive income (loss) will not subsequently be reclassified in profit (loss)</b>	<b>1</b>	<b>0</b>	<b>0</b>
<i>Other gains (losses) total that will be subsequently reclassified to profit (loss) for the period we</i>			
Change in translation reserve		(599)	(32)
Profit (loss) on AFS classified financial assets			
Profit (loss) on cash flow hedge derivatives		(75)	1
<b>Total other comprehensive income (loss) that will subsequently be reclassified in profit (loss)</b>	<b>1</b>	<b>(674)</b>	<b>(31)</b>
<b>NET COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>(14,279)</b>	<b>899</b>
<i>attributable to:</i>			
Group		(11,474)	863
Minority interest		(2,805)	37

## Statement of Changes in Consolidated Shareholders' Equity

Amount in thousand 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
<b>Balance at 31/12/2015</b>	<b>26,980</b>	<b>(1,226)</b>	<b>18,082</b>	<b>2,907</b>	<b>3,709</b>	<b>17,202</b>	<b>1,946</b>	<b>4,598</b>	<b>74,197</b>	<b>795</b>	<b>73,402</b>
Reclassification previous year's profit to previous year's profit					222	3,111	215	(3,548)		0	0
Dividend								(1,050)	(1,050)		(1,050)
Change in consolidation scope							85		85		85
Purchase of own shares		(599)				(196)			(796)		(796)
<b>Components of comprehensive income</b>											
Profit (loss) for the period								2,838	2,838	17	2,821
Effects of applying IAS 19						(474)			(474)	(1)	(473)
Translation reserve						993			993	183	810
Profit (loss) on cash flow hedge derivatives						(12)			(12)		(12)
Profit (loss) on AFS classified financial assets						(45)			(45)		(45)
<b>Total income (loss) for the year Overall</b>									<b>3,301</b>	<b>199</b>	<b>3,102</b>
<b>Balance at 31/12/2016</b>	<b>26,980</b>	<b>(1,825)</b>	<b>18,082</b>	<b>2,907</b>	<b>3,931</b>	<b>20,579</b>	<b>2,246</b>	<b>2,838</b>	<b>75,739</b>	<b>994</b>	<b>74,745</b>
Reclassification previous year's profit to previous year's profit						(1,908)	4,747	(2,838)	0		0
Acquisition of minority Exprivia Do Brasil							1		1		1
Distribution of dividend Exprivia Do Brasil							(55)		(55)	(27)	(28)
Other movements							(8)		(8)		(8)
Acquisition of Italtel participation						26,207			26,207	26,207	0
<b>Components of comprehensive income</b>											
Profit (loss) for the period								50	50	77	(27)
Effects of applying IAS 19						(84)			(84)	2	(86)
Translation reserve						(343)			(343)	(128)	(215)
Profit (loss) on cash flow hedge derivatives						12			12		12
Profit (loss) on AFS classified financial assets						(2)			(2)		(2)
<b>Total income (loss) for the year Overall</b>									<b>(367)</b>	<b>(49)</b>	<b>(318)</b>
<b>Balance at 31/12/2017</b>	<b>26,980</b>	<b>(1,825)</b>	<b>18,082</b>	<b>2,907</b>	<b>3,931</b>	<b>44,461</b>	<b>6,930</b>	<b>50</b>	<b>101,517</b>	<b>27,125</b>	<b>74,392</b>
Reclassification previous year's profit to previous year's profit							50	(50)	0		0
Tax effects arising from merger goodwill						(445)			(445)		(445)
Third-party change in Italtel's shareholding									0	(2,593)	2,593
<b>Components of comprehensive income</b>											
Profit (loss) for the period								(13,605)	(13,605)	(2,659)	(10,946)
Effects of applying IAS 19						0			0	0	0
Translation reserve						(599)			(599)	(134)	(465)
Profit (loss) on cash flow hedge derivatives						(75)			(75)	(12)	(63)
Profit (loss) on AFS classified financial assets						0			0		0
<b>Total income (loss) for the year Overall</b>									<b>(14,279)</b>	<b>(2,805)</b>	<b>(11,474)</b>
<b>Balance at 31/03/2018</b>	<b>26,980</b>	<b>(1,825)</b>	<b>18,082</b>	<b>2,907</b>	<b>3,931</b>	<b>43,342</b>	<b>6,981</b>	<b>(13,605)</b>	<b>86,792</b>	<b>21,726</b>	<b>65,066</b>

## Consolidated Cash Flow Statement

Amount in thousand Euro

31.03.2018 31.12.2017

Financial Statement	31.03.2018	31.12.2017
Operating activities:		
Profit (loss)	(13,605)	50
Amortisation, depreciation and provisions	4,782	4,943
Provision for Severance Pay Fund	2,103	4,739
Advances/Payments Severance Pay	(3,485)	(4,549)
Adjustment of value of financial assets		14
<b>Cash flow arising from operating activities</b>	<b>(10,205)</b>	<b>5,197</b>
<b>Increase/Decrease in net working capital:</b>		
Variation in stock and payments on account	(30,629)	(352)
Variation in receivables to customers	20,761	(234)
Variation in receivables to parent/subsidiary/associated company	-	828
Variation in other accounts receivable	(4,879)	1,517
Variation in payables to suppliers	19,052	5,710
Variation in payables to parent/subsidiary/associated company	-	(2,151)
Variation in tax and social security liabilities	(5,570)	(2,270)
Variation in other accounts payable	1,167	1,074
<b>Cash flow arising (used) from current assets and liabilities</b>	<b>(98)</b>	<b>4,122</b>
<b>Cash flow arising (used) from current activities</b>	<b>(10,304)</b>	<b>9,319</b>
<b>Investment activities:</b>		
Variation in tangible assets	(633)	(700)
Variation in intangible assets	(3,902)	(3,035)
Variation in financial assets	(514)	163
Purchase of minority interests		(1)
Purchase of majority interests		(1,850)
Purchase of majority shares		(25,000)
Liquidity acquired company		23,215
<b>Cash flow deriving (used) from the investment activity</b>	<b>(5,049)</b>	<b>(7,209)</b>
<b>Financial assets and liabilities</b>		
Changes in financial liabilities	(4,028)	21,912
Changes in financial assets	421	1,455
Changes in fair value of derivatives	520	(1,056)
Capital increase		(2)
Variation shareholders' equity		(55)
Differenza riserve per variazione perimetro di consolidamento	(1,120)	(351)
<b>Cash flow deriving (used) from financing activities</b>	<b>(4,206)</b>	<b>21,903</b>
<b>Increase (decrease) in cash</b>	<b>(19,558)</b>	<b>24,013</b>
Cash and cash equivalent at the beginning of the year	36,508	12,495
Cash and cash equivalent at end of period	16,950	36,508
<b>Increase (decrease) in liquidity</b>	<b>(19,558)</b>	<b>24,013</b>



# Explanatory Notes to the Exprivia Group Financial Statements

## Declaration of compliance with IFRS

This quarterly report, as at 31 March 2018, 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.

The financial statements were drawn up in accordance with IAS 1 while the notes were prepared in a condensed form, applying the right set out by IAS 34, and consequently do not include all the information required for an annual report drawn up in accordance with IFRS.

## Scope of Consolidation

The consolidated financial statements as at 31 March 2018 include the equity, economic and financial situations of the Holding Company Exprivia S.p.A., and did change with respect to 31 December 2017.

The table below shows the companies under consolidation; the equity investments shown below are all controlled directly by the Holding Company Exprivia apart from the indirect subsidiaries ProSap SA de CV, ProSap Centroamerica SA, ProSap Perù Sac, Sucursal Ecuador de Exprivia SLU and Advanced Computer Systems D-GmbH and the subsidiaries controlled by Italtel SpA:

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 Outsourcing Srl	Utilities
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
Spegea Scarl	Other
Italtel SpA	Telco & Media
Italtel BV	Telco & Media
Italtel Belgium Sprl	Telco & Media
Italtel Deutschland GmbH	Telco & Media
Italtel Frances Sas	Telco & Media
Italtel S.A.	Telco & Media
Italtel Poland Sp.Zo.O.	Telco & Media
Italtel Tel. Hellas EPE	Telco & Media
Italtel U.K. Ltd	Telco & Media
Italtel Argentina S.A.	Telco & Media
Italtel Brasil Ltda	Telco & Media
Italtel Perù Sac	Telco & Media
Ausoitaltel SA	Telco & Media
Italtel Usa Llc	Telco & Media
Italtel Arabia Ltd in liquidazione	Telco & Media
Italtel Telecommunication Hellas EPE in liquidazione	Telco & Media

The main data on the aforementioned subsidiaries consolidated using the line-by-line method are provided below (as at 31 March 2018).

Company	H.O.	Value	Company Value capital	Value	Results for period	Net worth	Total revenues	Total Assets	% of holding	
Advanced Computer Systems Srl	Roma	amount in Euro	2,801,307	amount in thousand Euro	(148)	4,009	2,143	20,425	100.00%	Exprivia SpA
Advanced Computer Systems D- Gmbh	Offenbach (Germania)	amount in Euro	25,000	amount in thousand Euro	(2)	65	121	194	100.00%	Advanced Computer Systems Srl
									85.00%	Exprivia SpA
Consorzio Exprivia S.c.a.r.l	Milano	amount in Euro	20,000	amount in thousand Euro	(0.1)	20		646	10.00%	Exprivia Enterprise Consulting Srl
									5.00%	Exprivia Projects Srl
Exprivia ASIA Ltd	Hong Kong	amount in Euro	303,823	amount in thousand Euro	(8)	(55)	24	442	100.00%	Exprivia SpA
Exprivia It Solutions (Shanghai ) Ltd	Shanghai (Cina)	amount in Euro	223,318	amount in thousand Euro	(29)	(372)	300	453	100.00%	Exprivia ASIA Ltd
Exprivia Enterprise Consulting Srl	Milano	amount in Euro	1,500,000	amount in thousand Euro	(125)	82	1,256	5,449	100.00%	Exprivia SpA
Exprivia Process Outsourcing Srl	Palermo	amount in Euro	100,000	amount in thousand Euro	90	199	1,690	2,476	100.00%	Exprivia SpA
Exprivia Do Brasil Servicos Ltda	Rio de Janeiro (Brasile)	amount in Euro	1,438,923	amount in thousand Euro	27	1,694	442	2,218	52.30%	Exprivia SpA
									47.70%	Siemest SpA
Exprivia Projects Srl	Roma	amount in Euro	242,000	amount in thousand Euro	190	481	1,898	3,612	100.00%	Exprivia SpA
Succursal Ecuador de Exprivia SLU	Quito (Ecuador)	amount in Euro	8,116	amount in thousand Euro	(1)	(6)		3	100.00%	Exprivia SLU
Spegea Scarl	Bari	amount in Euro	125,000	amount in thousand Euro	27	229	259	1,419	60.00%	Exprivia SpA
									40.00%	Confindustria Bari
Exprivia SLU	Madrid (Spagna)	amount in Euro	197,904	amount in thousand Euro	(18)	1,598	503	8,361	100.00%	Exprivia SpA
ProSap Centroamerica SA	Città del Guatemala (Guatemala)	amount in Euro	548	amount in thousand Euro	(15)	325	92	846	98.00%	ProSap Sa de CV
									2.00%	Exprivia SpA
ProSap Sa de CV	Città del Messico (Messico)	amount in Euro	2,113	amount in thousand Euro	(536)	(1,321)	2,651	4,432	98.00%	Exprivia SLU
									2.00%	Exprivia SpA
ProSap Però SAC	Lima (Perù)	amount in Euro	177,499	amount in thousand Euro	(0.3)	15		30	100.00%	Exprivia SLU
Italtel SpA	Settimo Milanese (MI)	amount in Euro	20,000,001	amount in thousand Euro	(10,639)	24,919	53,187	400,740	81.00%	Exprivia SpA
									19.00%	Cisco Srl
Italtel BV	Amsterdam (Olanda)	amount in Euro	6,000,000	amount in thousand Euro	(32)	11,008		11,339	100.00%	Italtel SpA
Italtel S.A.	Madrid (Spagna)	amount in Euro	7,353,250	amount in thousand Euro	(296)	9,091	4,314	18,726	100.00%	Italtel BV
Italtel Argentina S.A.	Buenos Aires (Argentina)	amount in P.A.	4,030,000	amount in thousand Euro	(399)	5,751	3,463	16,316	71.46%	Italtel BV
									28.54%	Italtel SpA
Italtel Brasil Ltda	San Paolo (Brasile)	amount in Real brazilian	6,586,636	amount in thousand Euro	(1,432)	1,049	4,586	18,326	85.12%	Italtel SpA
									14.88%	Italtel BV
Italtel Deutschland GmbH	Dusseldorf (Germania)	amount in Euro	40,000	amount in thousand Euro	(194)	2,446	2,037	9,155	60.00%	Italtel SpA
									40.00%	Italtel BV
Italtel France Sas	Courbevoie (Francia)	amount in Euro	40,000	amount in thousand Euro	(335)	(1,086)	1,346	5,911	100.00%	Italtel SpA
Italtel U.K. Ltd	London (Gran Bretagna)	amount in pound sterling	26,000	amount in thousand Euro	(3)	(30)		4	60.00%	Italtel SpA
									40.00%	Italtel BV
Italtel Belgium Sprl	Bruxelles (Belgio)	amount in Euro	500,000 (di cui amount versato 200.000)	amount in thousand Euro	(2)	698		700	60.00%	Italtel SpA
									40.00%	Italtel BV
Italtel Poland Sp.Zo.O.	Varsavia (Polonia)	amount in Zloty	400,000	amount in thousand Euro	5	(128)	135	626	100.00%	Italtel SpA
Italtel Perú Sac	Lima (Perù)	amount in Nuevo Sol	3,028,000	amount in thousand Euro	(576)	1,969	4,365	12,570	90.00%	Italtel BV
									10.00%	Italtel SpA
Ausoitaltel S.A.	Quito (Ecuador)	amount in USD	500,000	amount in thousand Euro	0	(679)	949	2,323	1.00%	Italtel BV
									99.00%	Italtel SpA
Italtel USA LLC	Miami (Florida)	amount in USD	150,000	amount in thousand Euro	(196)	(45)	12	199	100.00%	Italtel SpA
Italtel Telecommunication Hellas EPE in liquidazione	Atene (Grecia)	amount in Euro	729,750	amount in thousand Euro	(25)	104		109	100.00%	Italtel SpA
Italtel Arabia Ltd in liquidazione	Riyadh (Arabia Saudita)	amount in SAR	3,287,980	amount in thousand Euro		(1,576)		12	90.00%	Italtel SpA
									10.00%	Italtel BV

The primary exchange rates used for conversion into euro of the financial statements of foreign companies for 31 March 2018 were as follows:

Exchange rate	Average of 3 months to 31 March 2018	At 31 March 2018
Argentine Peso	24.203	24.819
Real brazilian	4.0426	4.0938
Pound Sterling	0.88338	0.87490
Dollar USA	1.2336	1.2321
Zloty polacco	4.1792	4.211
Nuevo Sol peruviano	4.0111	3.9780
Riyal Arabia Saudita	4.6104	4.6204
Dollaro Hong Kong	9.6726	9.6696
Renminbi -Yuan (Cina)	7.7982	7.7468
Mexican Peso	22.9932	22.5249
Guatemalan Quetzal	9.1239	9.1220

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 representation of the results by operating segments is carried out on the basis of the approach used by management to monitor the Group's performance. In particular, the Group has identified the segments subject to reporting on the basis of the criteria of the organisation, with reference to the related co-ordination and control structures and on the basis of the sector it belongs to within the ICT reference market.

The segments subject to reporting are:

- **IT (Information Technology)**, including software, information technology solutions and services and IT. The sector corresponding to the scope of consolidation of the Exprivia Group prior to the acquisition of control over Italtel Spa;
- **TLC (Telecommunications)**, including the design, development and installation of solutions for integrated network systems and services within the sphere of the new generation technologies based on the IP protocol. The sector corresponds to the scope of sub-consolidation of the Italtel Group.

The TLC operating segment was identified further to the inclusion within the scope of consolidation of the subsidiary Italtel SpA and its subsidiaries as from 31 December 2017. Therefore, information, supplied hereunder, on the TLC sector, do not include the comparative balances as at 31 March 2017.

The following statement shows the restated financial standing, which highlights the structure of invested capital and funding resources for each single operating sector as at 31 March 2018 and 31 March 2017:

### Reclassified Balance Sheet

Amount in thousand Euro	IT			TLC			CONSOLIDATED		
	31.03.2018	31.03.2017	Variation	31.03.2018	31.03.2017	Variation	31.03.2018	31.03.2017	Variation
Property, plant and machinery	15,269	15,669	(399)	12,568		12,568	27,837	15,669	12,169
Goodwill	84,748	67,391	17,357	122,215		122,215	206,963	67,391	139,572
Other Intangible Assets	11,402	11,575	(173)	24,546		24,546	35,948	11,575	24,373
Shareholding	165	168	(3)	421		421	586	168	418
Other non current financial assets	1,974	1,773	201	2,850		2,850	4,824	1,781	3,043
Deferred tax assets	2,557	3,001	(444)	63,196		63,196	65,753	3,001	62,752
<b>NON-CURRENT ASSETS</b>	<b>116,115</b>	<b>99,576</b>	<b>16,539</b>	<b>225,796</b>	-	<b>225,796</b>	<b>341,911</b>	<b>99,584</b>	<b>242,327</b>
Trade receivables	61,160	66,147	(4,987)	69,841		69,841	127,745	66,147	61,598
Stocj	1,436	1,034	403	60,030		60,030	61,466	1,034	60,433
Work in progress to order	20,038	17,886	2,152	27,828		27,828	47,306	17,886	29,420
Other Current Assets	10,185	12,291	(2,106)	29,468		29,468	39,725	12,274	27,451
<b>CURRENT ASSETS</b>	<b>92,820</b>	<b>97,358</b>	<b>(4,538)</b>	<b>187,167</b>	-	<b>187,167</b>	<b>276,243</b>	<b>97,341</b>	<b>178,902</b>
<b>NON-CURRENT ASSETS</b>	-	-	-	<b>121</b>		<b>121</b>	<b>121</b>	<b>0</b>	<b>121</b>
Trade payables	(23,426)	(18,767)	(4,659)	(145,953)		(145,953)	(165,636)	(18,741)	(146,895)
Advances payment on work in progress contract	(3,467)	(3,241)	(226)	-		0	(3,467)	(3,241)	(226)
Other current liabilities	(33,365)	(38,476)	5,111	(37,890)		(37,890)	(71,255)	(38,426)	(32,829)
<b>CURRENT LIABILITIES</b>	<b>(60,259)</b>	<b>(60,484)</b>	<b>226</b>	<b>(183,843)</b>	-	<b>(183,843)</b>	<b>(240,358)</b>	<b>(60,408)</b>	<b>(179,950)</b>
<b>NON CURRENT LIABILITIES</b>	-	-	-	<b>(386)</b>		<b>(386)</b>	<b>(386)</b>	<b>0</b>	<b>(386)</b>
<b>NON CURRENT FUND AND LIABILITIES</b>	<b>(15,688)</b>	<b>(15,531)</b>	<b>(157)</b>	<b>(33,709)</b>		<b>(33,709)</b>	<b>(49,397)</b>	<b>(15,531)</b>	<b>(33,866)</b>
<b>NET INVESTED CAPITAL</b>	<b>132,988</b>	<b>120,918</b>	<b>12,069</b>	<b>195,146</b>	-	<b>195,146</b>	<b>328,134</b>	<b>120,986</b>	<b>207,148</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>65,940</b>	<b>76,623</b>	<b>(10,683)</b>	<b>20,852</b>		<b>20,852</b>	<b>86,792</b>	<b>76,623</b>	<b>10,169</b>
<b>NET FINANCIAL POSITION</b>	<b>67,048</b>	<b>44,296</b>	<b>22,752</b>	<b>174,294</b>	-	<b>174,294</b>	<b>241,342</b>	<b>44,363</b>	<b>196,978</b>
<b>SOURCES OF FINANCIANG</b>	<b>132,988</b>	<b>120,918</b>	<b>12,069</b>	<b>195,146</b>	-	<b>195,146</b>	<b>328,134</b>	<b>120,986</b>	<b>207,148</b>

1)The consolidated figure differs from the aggregation of data from the two operating segments due to the elimination of intragroup relations.

The income statement by operating sector is shown hereunder:

## Income Statement

Amount in thousand Euro	IT			TLC			CONSOLIDATED		
	31.03.2018	31.03.2017	Variation	31.03.2018	31.03.2017	Variation	31.03.2018	31.03.2017	Variation
Revenues	36,157	35,872	285	71,823	71,823	1)	107,065	35,872	71,193
Other income	970	891	79	5,099	5,099		6,069	768	5,301
<b>TOTAL REVENUES</b>	<b>37,127</b>	<b>36,764</b>	<b>364</b>	<b>76,922</b>	<b>-</b>	<b>76,922</b>	<b>113,134</b>	<b>36,640</b>	<b>76,495</b>
Costs of raw, subsid. & consumable mat. and good	(1,283)	(2,644)	1,362	(45,152)	(45,152)		(46,435)	(1,107)	(45,328)
Salaries	(26,046)	(24,940)	(1,105)	(22,405)	(22,405)		(48,451)	(24,988)	(23,463)
Costs of services	(6,381)	(4,941)	(1,440)	(35,061)	(35,061)	1)	(40,528)	(6,336)	(34,192)
Costs for leased assets	(821)	(1,036)	215	(972)	(972)		(1,793)	(999)	(794)
Sundry operating expenses	(183)	(107)	(76)	(840)	(840)		(1,023)	(115)	(908)
Change in inventories of raw materials and finished products	494	17	477	20,352	20,352		20,846	17	20,829
Provisions	2	(79)	81	-	0		2	(79)	81
<b>TOTAL COSTS</b>	<b>(34,218)</b>	<b>(33,731)</b>	<b>(487)</b>	<b>(84,078)</b>	<b>-</b>	<b>(84,078)</b>	<b>(117,381)</b>	<b>(33,607)</b>	<b>(83,774)</b>
<b>DIFFERENCE BETWEEN PRODUCTION COSTS AND REVENUES</b>	<b>2,910</b>	<b>3,033</b>	<b>(123)</b>	<b>(7,156)</b>	<b>-</b>	<b>(7,156)</b>	<b>(4,246)</b>	<b>3,033</b>	<b>(7,279)</b>
Amortisation, depreciation and write-downs	(1,111)	(1,160)	49	(3,673)	(3,673)		(4,784)	(1,160)	(3,624)
<b>OPERATIVE RESULT</b>	<b>1,799</b>	<b>1,872</b>	<b>(74)</b>	<b>(10,829)</b>	<b>-</b>	<b>(10,829)</b>	<b>(9,030)</b>	<b>1,872</b>	<b>(10,903)</b>
Financial income (expenses) and other equity investments	(694)	(321)	(373)	(3,510)	(3,510)		(4,204)	(321)	(3,883)
<b>PRE-TAX RESULT</b>	<b>1,105</b>	<b>1,551</b>	<b>(447)</b>	<b>(14,339)</b>	<b>-</b>	<b>(14,339)</b>	<b>(13,234)</b>	<b>1,551</b>	<b>(14,786)</b>
Income tax	(591)	(620)	29	244	244		(347)	(620)	273
PROFIT (LOSS) FOR THE EXERCISE DERIVING FROM OPERATING ACTIVITIES	-	-	-	(25)	-	(25)	(25)	-	(25)
<b>PROFIT (LOSS)</b>	<b>514</b>	<b>932</b>	<b>(418)</b>	<b>(14,120)</b>	<b>-</b>	<b>(14,120)</b>	<b>(13,606)</b>	<b>932</b>	<b>(14,538)</b>

1) The consolidated figure differs from the aggregation of data for the two operating segments due to the elimination of intragroup relations.

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.

Exprivia Group (amount in k Euro)	31/03/2018	31/03/2017	Variation	Variation%
Projects and Services	60,140	30,513	29,627	97.1%
Maintenance	4,052	4,109	(57)	-1.4%
HW/ SW third parties	930	833	97	11.6%
Own licences	5,135	183	4,952	2706.0%
System Integration	36,523		36,523	
Other	285	234	51	21.8%
<b>Total</b>	<b>107,065</b>	<b>35,872</b>	<b>71,193</b>	<b>198.46%</b>

Exprivia Group (amount in k Euro)	31/03/2018	Incidence%	31/03/2017	Incidence%	Variation%
Private	98,835	92.3%	30,272	84.4%	226.5%
Public	8,230	7.7%	5,600	15.6%	47.0%
<b>TOTAL</b>	<b>107,065</b>		<b>35,872</b>		<b>198.46%</b>

Exprivia Group (amount in k Euro)	31/03/2018	Incidence%	31/03/2017	Incidence%	Variation%
Italy	80,511	75.2%	31,764	88.5%	153.5%
Abroad	26,554	24.8%	4,108	11.5%	546.4%
<b>TOTAL</b>	<b>107,065</b>		<b>35,872</b>		<b>198.46%</b>

## Explanatory notes to the consolidated balance sheet

All the figures reported in the tables below are in thousands of Euro, unless expressly indicated.

### 1 - SHAREHOLDERS' EQUITY

#### 1 - Share Capital

“**Share Capital**”, fully paid up, at 31 March 2018 amounted to Euro 25,155 thousand and did not undergo any changes with respect to the balance at 31 December 2017. It is represented by 51,883,958 ordinary shares with a par value of Euro 0.52 each for a total of Euro 26,980 thousand, net of 3,509,153 own shares held at 31 March 2018 for a value of Euro 1,825 thousand which have not changed with respect to 31 December 2017.

#### 1 - Share Premium Reserve

At 31 March 2018, the “**share premium reserve**” amounted to Euro 18,082 thousand and is the same as 31 December 2017.

#### 1 - Revaluation Reserve

At 31 March 2018, the “**revaluation reserve**” amounted to Euro 2,907 thousand and is the same as 31 December 2017.

#### 1 - Legal Reserve

At 31 March 2018, the “**legal reserve**” amounted to Euro 3,931 thousand and is the same as 31 December 2017.

#### 1 - Other Reserves

The balance of the item “**other reserves**” as at 31 March 2018 amounted to Euro 43,342 thousand compared to Euro 44,461 thousand as at 31 December 2017 and is made up as follows:

- Euro 19,301 thousand for the “**extraordinary reserve**”, which remained unchanged with respect to 31 December 2017;
- Euro 24,041 thousand for “**other reserves**” compared with Euro 25,160 thousand in 2017. Movements as at 31 March 2018 refer to:
  - the negative effect of the change in the currency translation reserve, for Euro 599 thousand;
  - the negative effect of the tax effect resulting from goodwill from merger amounting to Euro 445 thousand;
  - the negative net effect relating to Cash Flow Hedge and AFS instruments amounting to Euro 75 thousand.





## 1 - Profit/Loss Related to Previous Periods

The reserve for **profit/loss related to previous periods** as at 31 March 2018 amounted to Euro 6,981 thousand compared to Euro 6,931 thousand as at 31 December 2017.

## 15 - Minority Interests

The minority shareholders' interests (Euro 21.7 million at 31 December 2018 compared to 27.1 million at 31 March 2017) mainly relate to the Italtel Group; when establishing the minority interest account was taken of the forecasts relating to the economic-equity rights of the minority shareholders and holder of SFP of Italtel SpA.

## NET FINANCIAL POSITION

In accordance with the CONSOB notice of 28 July 2006 and CESR recommendation of 10 February 2005 “Recommendations for standard implementation of European Commission regulations on disclosure schedules”, the table below shows the net financial position of the Exprivia Group as at 31 March 2018 and at 31 December 2017.

	31.03.2018	31.12.2017
A. Cash	1,783	900
B. Other liquid assets	15,166	35,608
C 1. Securities held for trading	455	455
C 2. Own shares	2,547	2,547
<b>D</b>	<b>Liquid (A)+(B)+(C)</b>	<b>19,952</b>
		<b>39,510</b>
<b>E. Current financial receivables</b>	<b>2,133</b>	<b>1,914</b>
F. Current bank debts	(56,714)	(59,438)
G. Current portion of non-current bank debts	(11,279)	(11,279)
H. Other current financial debts	(5,315)	(6,739)
<b>I.</b>	<b>Current financial debts (F) + (G) + (H)</b>	<b>(73,308)</b>
		<b>(77,456)</b>
<b>J.</b>	<b>Net current financial debts (I) + (E) + (D)</b>	<b>(51,222)</b>
		<b>(36,032)</b>
K. Non-current bank debts	(167,302)	(167,499)
L. Bond	(22,777)	(22,413)
<b>M.</b>	<b>Other non-current financial payables net of the non-current financial receivables and derivative financial instruments</b>	<b>2,506</b>
		<b>3,100</b>
<b>N.</b>	<b>Non-current financial debts (K) + (L) + (M)</b>	<b>(187,573)</b>
		<b>(186,812)</b>
<b>O.</b>	<b>Net financial debts (J) + (N)</b>	<b>(238,796)</b>
		<b>(222,844)</b>

Own shares held by the holding company (Euro 2,547,084) are included in the calculation of the net financial position.

The Net Financial Position as at 31 March 2018 was Euro -238.8 million compared to Euro -222.8 million as at 31 December 2017. The change occurred, in the amount of Euro 16 million, is made up by a change in Euro 6 million, attributable to the IT operating sector and, for the remaining Euro 10 million, to the ITL operating sector.

As regards the IT operating sector, the change is mainly attributable to lower cash collections, in line with the typical quarterly performance.

Also with regard to the ITL operating sector, the decrease is attributable to lower collections that are in any case consistent with the seasonality characteristic of the first quarter.

## Explanatory notes to the consolidated income statement

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

It should be noted that the figures related to the first quarter of 2018 include the effect of the consolidation of the Italtel Group as from 1 January 2018.

### 2 – Revenue

**Revenue from sales and services** in the first quarter of 2018 amounted to Euro 107,065 thousand compared to Euro 35,872 thousand in the first quarter of 2017.

Details on revenues for the first quarter of 2018 are shown below, compared with the figures for the same period of the previous year and broken down by business segment (€/1000).

Exprivia Group (amount in k Euro)	31/03/2018	31/03/2017	Variation	Variation%
Projects and Services	60,140	30,513	29,627	97.1%
Maintenance	4,052	4,109	(57)	-1.4%
HW/ SW third parties	930	833	97	11.6%
Own licences	5,135	183	4,952	2706.0%
System Integration	36,523		36,523	
Other	285	234	51	21.8%
<b>Total</b>	<b>107,065</b>	<b>35,872</b>	<b>71,193</b>	<b>198.46%</b>

The contribution of the Italtel Group amounted to Euro 71,761 thousand, including Euro 30,638 thousand for projects and services, Euro 4,600 for proprietary solutions and Euro 36,523 for System Integration.

### 3 – Other Income

The item “**other income**” in the first quarter of 2018 amounted to Euro 6,069 thousand compared to Euro 768 thousand in the same period of 2017.

It is noted that the change is mainly attributable to the contribution of the Italtel Group (Euro 1,801 thousand of other revenue and income, Euro 858 thousand of grants for operating expenses and Euro 2,440 thousand for costs for capitalised in-house projects).

The table below provides details on the items.

Description	31/03/2018	31/03/2017	Variation
Other revenues and income	1,850	11	1,839
Grants related to income	1,248	136	1,113
Increase in capitalised expenses for intenal projects	2,971	621	2,350
<b>TOTAL</b>	<b>6,069</b>	<b>768</b>	<b>5,301</b>

## 4 – Costs for Consumables and Finished Products

In the first quarter of 2018, the balance of the item “**costs for consumables and finished products**” amounted to Euro 46,435 thousand compared to Euro 1,107 thousand in the same period of the previous year.

The change is mainly attributable to the contribution of the Italtel Group (Euro 45,129 thousand on the purchase of hw and sw products, Euro 13 thousand of stationary and sundry consumables and Euro 10 thousand of costs for fuels and lubricants).

The table below provides details on the items.

Description	31/03/2018	31/03/2017	Variation
Purchase of HW-SW products	46,354	1,035	45,319
Stationery and consumables	17	22	(5)
Fuel and oil	40	29	12
Other costs	23	22	1
<b>TOTAL</b>	<b>46,435</b>	<b>1,107</b>	<b>45,327</b>

## 5 – Staff Costs

The item “**staff costs**” totalled Euro 48,451 thousand in the first quarter of 2018, compared to Euro 24,988 thousand in the same period of 2017. The table below provides details on the item:

Description	31/03/2018	31/03/2017	Variation
Salaries and wages	36,102	18,412	17,689
Social charges	9,169	4,873	4,296
Severance Pay	2,103	1,148	954
Other staff costs	1,078	554	523
<b>TOTAL</b>	<b>48,451</b>	<b>24,988</b>	<b>23,463</b>

The change is mainly attributable to the contribution of the Italtel Group (Euro 17,132 thousand related to salaries and wages, Euro 4,113 thousand to social security and welfare costs, Euro 899 thousand of costs for employee severance indemnity and Euro 261 thousand for other personnel-related costs).

The number of employees as at 31 March 2018 came to 3,994 (of which 3,979 employees and 15 temporary workers) while the Group employed 2,380 staff as at 31 March 2017, of which 2,368 employees and 12 temporary workers. The average as at 31 March 2018 was 3,986 resources (of which 3,969 employees and 17 temporary workers).

The contribution of the Italtel Group amounted to 1,477 resources (of which 1,472 employees and 5 temporary workers).

## 6 – Costs for Services

The consolidated balance of item “**costs for services**” totalled Euro 40,528 thousand in the first quarter of 2018, compared to Euro 6,336 thousand in the same period of 2017.

The contribution of the Italtel Group amounted to Euro 35,061 thousand.

The table below provides details on the items:

Description	31/03/2018	31/03/2017	Variation
Technical and commercial consultancy	32,620	2,380	30,240
Administrative/company/legal consultancy	694	378	316
Auditors' fees	62	39	23
Travel and transfer expenses	1,512	596	916
Utilities	1,177	317	860
Advertising and agency expenses	91	125	(34)
Bank charges	119	106	13
HW and SW maintenance	1,443	1,608	(165)
Insurance	833	218	615
Other costs	1,975	569	1,407
<b>TOTAL</b>	<b>40,528</b>	<b>6,336</b>	<b>34,192</b>

## 7 – Costs for Leased Assets

The consolidated balance of item “**costs for leased assets**” totalled Euro 1,793 thousand in the first quarter of 2018, compared to Euro 999 thousand in the same period of 2017.

The contribution of the Italtel Group amounted to Euro 972 thousand. The table below provides details on the items:

Description	31/03/2018	31/03/2017	Variation
Rental expenses	1,290	552	738
Car rental/leasing	252	206	45
Rental of other assets	120	189	(69)
Other costs	131	52	79
<b>TOTAL</b>	<b>1,793</b>	<b>999</b>	<b>794</b>

## 8 - Sundry Operating Expenses

The consolidated balance of item “**sundry operating expenses**” totalled Euro 1,023 thousand in the first quarter of 2018, compared to Euro 115 thousand in the same period of 2017.

The contribution of the Italtel Group amounted to Euro 840 thousand.

The table below provides details on the items.

Description	31/03/2018	31/03/2017	Variation
Annual subscriptions	154	29	125
Taxes	413	59	354
Penalties and fines	3	(57)	60
Charitable donations	34		34
Other sundry operating expenses	419	85	335
<b>TOTAL</b>	<b>1,023</b>	<b>115</b>	<b>908</b>

## 9 – Change in Inventories of Raw Materials and Finished Products

In the first quarter of 2018, the consolidated balance of the item “**change in inventories of raw materials and finished products**” amounted to Euro -20,846 thousand compared to Euro -17 thousand in the same period of 2017.

The contribution of the Italtel Group amounted to Euro -20,352 thousand.

## 10 - Provisions

The consolidated balance of the item “**provisions**” amounted to Euro -2 thousand in the first quarter of 2018, compared to Euro 79 thousand in the same period of 2017 and refers to the release of provisions allocated in previous years.

## 11 - Amortisation, Depreciation and Write-downs

In the first quarter of 2018, “**amortisation and depreciation**” amounted to Euro 4,695 thousand compared with Euro 1,057 thousand in the same period of 2017 and refer for Euro 3,691 thousand to amortisation of intangible fixed assets (of which Euro 2,975 thousand attributable to the Italtel Group) and for Euro 1,004 thousand to depreciation of tangible fixed assets (of which Euro 698 thousand attributable to the Italtel Group).

### Write-downs

The “**write-downs**” in the first quarter of 2018 amounted to Euro 89 thousand compared with Euro 103 thousand in the same period of 2017 and include Euro 75 thousand for write-downs of current receivables and around Euro 14 thousand for write-downs of other assets.

## 12 - Financial Income (Charges) and Other Equity Investments

The balance of the item “**financial income (charges) and other equity investments**” amounted to a negative Euro 4,204 thousand in the first quarter of 2018 compared with a negative Euro 321 thousand in the same period of 2017.

The table below provides details on the items.

Description	31/03/2018	31/03/2017	Variation
Proceeds from shareholdings from parents	22	23	(1)
Other income other than the above	137	51	86
Interest and other financial charges	(3,236)	(513)	(2,722)
From parent charges	(96)	(94)	(2)
(Expenses) / Income on foreign exchange	(1,031)	212	(1,243)
<b>TOTAL</b>	<b>(4,204)</b>	<b>(321)</b>	<b>(3,883)</b>

### Income from Parent Companies

The balance of the item “**income from parent companies**” amounted to Euro 22 thousand in the first quarter of 2018 compared to Euro 23 thousand in the same period in 2017 and refers to interest accrued to Abaco Innovazione SpA on a loan disbursed by Exprivia SpA.

### Other Financial Income

In the first quarter of 2018 the item “**other financial income**” amounted to Euro 137 thousand compared to Euro 51 thousand in the same period of 2017.

The table below provides details on the item.

Description	31/03/2018	31/03/2017	Variation
Bank interest receivable	93	1	92
Other interest income	43	50	(7)
Rounding up of assets	1	-	1
<b>TOTAL</b>	<b>137</b>	<b>51</b>	<b>86</b>

The contribution of the Italtel Group amounted to Euro 103 thousand (of which Euro 93 thousand for bank interest receivable and Euro 10 thousand for other interest receivable).

### Interest and Other Financial Charges

In the first quarter of 2018 the item “**interest and other financial charges**” amounted to Euro 3,236 thousand compared to Euro 513 thousand in the same period of the previous year. The table below provides details on the items.

Description	31/03/2018	31/03/2017	Variation
Bank interest payable	1,515	105	1,411
Interest on loans and mortgages	556	270	286
Sundry interest	865	129	736
Charges on financial products and sundry items	12	10	2
Rounding up/down	288		288
<b>TOTAL</b>	<b>3,236</b>	<b>513</b>	<b>2,723</b>

The contribution of the Italtel Group amounted to Euro 2,415 thousand (of which Euro 1,426 thousand for bank interest payable and Euro 673 thousand for other interest payable and Euro 316 thousand for other charges).

### Charges from Parent Companies

The balance of the item “**charges from parent companies**” amounted to Euro 96 thousand in the first quarter of 2018 compared with Euro 94 thousand in the first quarter 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.

### (Charges) Income on Currency Exchange

In the first quarter of 2018, the item “**charges on currency exchange**” amounted to Euro 1,031 thousand compared with a gain of Euro 212 thousand in the first quarter of 2017 and mainly refers to the fluctuations in exchange rates due to the commercial transactions conducted in currencies other than the national currency used by the foreign companies in the Exprivia Group.

As regards “**charges on currency exchange**”, the contribution of the Italtel Group amounts to Euro 1,198 thousand.

## 13 - Taxes

In the first quarter of 2018, “**taxes**” amounted to Euro 347 thousand compared to Euro 620 thousand in 2017; the table below provides details on the changes compared to the previous period:

Description	31/03/2018	31/03/2017	Variation
IRES	317	369	(52)
IRAP	168	183	(14)
Foreign tax	20	55	(35)
Taxes from prior years	0	9	(9)
Deferred tax	49		49
Deferred tax assets	(207)	4	(211)
<b>TOTAL</b>	<b>347</b>	<b>620</b>	<b>(273)</b>



## 14 - Profit (Loss) for the Period

The Income Statement, for the first quarter of 2018, closed with a consolidated loss, after taxes, of Euro 13,605 thousand compared to the consolidated profit of Euro 932 thousand reported in the same period of 2017, the contribution of the Italtel Group amounted to a loss of Euro 14,120 thousand.

## 15 - Earnings (Loss) Per Share

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

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

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

At 31 March 2018, the basic and diluted loss per share amounted to Euro 0.0002.

	<b>31/03/2018</b>
Profits for determining basic earnings per share (Net profit due to shareholders of parent company)	(10,946)
Profit for determining the earnings per basic share	(10,946)

<b>Number of shares</b>	<b>31/03/2018</b>
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

<b>Earnings per share (Euro)</b>	<b>31/03/2018</b>
Profit (loss) per basic share	-0.0002
Diluted earnings (loss) per share	-0.0002

## **STATEMENT PURSUANT TO art. 154-bis(2) OF ITALIAN Legislative DECREE NO. 58 OF 24 FEBRUARY 1998 ON THE PROVISIONS CONCERNING BROKERAGE AND SUBSEQUENT AMENDMENTS**

The undersigned, Valerio Stea, financial reporting officer responsible for preparing the corporate accounts, in accordance with Art. 154-bis(2) of Italian Legislative Decree no. 58 of 24 February 1998, introduced by Italian Law no. 262 of 28 December 2005, hereby states that the information and data on the economic, capital and financial standing contained in this Interim Report on Operations as at 31 March 2018 referring to the Consolidated Financial Statements correspond to the accounting documents, books and records.

Molfetta, 14 May 2018.

**Financial Reporting Officer Responsible for Preparing  
Corporate Accounting Documents  
Valerio Stea**