



**Interim Report
on Operations as at
30 September 2018**

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future. perfect. simple.

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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

Mauro Ferrante

Independent Auditors

PricewaterhouseCoopers S.p.A.

(1) Directors not vested with operating powers

(2) Independent directors pursuant to the Corporate Governance
Code of the Corporate Governance Committee

(3) Lead Independent Director



Directors' Report as at 30 September 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 30 September 2018, 30 September 2017, and 31 December 2017.

Effective 1 January 2018, the Group has adopted IFRS 15 “Revenue from Contracts with Customers” and IFRS 9 “Financial Instruments”, which resulted in changes in accounting policies and, in certain cases, adjustments to the amounts recognised in financial statements; the impact on financial statements of adopting these principles is not material.

It is worth noting that data as at 30 September 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 Income Statement of the Italtel Group are disclosed in the paragraph “Segment reporting” in the Explanatory Notes to the Financial Statements.

amount in thousand Euro			
	30.09.2018	30.09.2017	31.12.2017
Total revenues	433,431	114,631	161,204
net proceeds	411,002	111,614	157,122
increase to assets for internal work	8,084	1,905	2,533
other proceeds and contributions	14,345	1,112	1,549
Difference between costs and production proceeds (EBITDA)	15,048	5,824	12,095
% on total revenues	3.5%	5.1%	7.5%
Net operating result (EBIT)	639	2,237	6,504
% on total revenues	0.1%	2.0%	4.0%
Net result	(16,480)	(1,335)	50
Group net equity	65,882	73,356	74,392
Total assets	634,110	209,449	645,099
Capital stock	25,155	25,155	25,155
Net working capital (1)	24,780	25,130	31,401
Cash flow (2)	(6,543)	2,079	5,197
Fixed capital (3)	338,435	103,602	344,845
Investment	11,999	4,595	3,735
Cash and securities / other financial assets (a)	22,420	17,568	44,698
Financial payables / other short-term financial liabilities (b)	(69,759)	(28,687)	(77,456)
Financial payables / other medium / long-term financial liabilities (c)	(188,828)	(24,985)	(190,086)
Net financial position (4)	(236,167)	(36,104)	(222,844)

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

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

(3) The “**fixed capital**” is equal to total non-current assets

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

The table below shows the main economic indicators of the Group as at 30 September 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, using as the reference the net profit and operating income from 1 October 2017 to 30 September 2018 for the data as at 30 September 2018, and 1 October 2016 to 30 September 2017 for the figures as at 30 September 2017.

Exprivia Group	30.09.2018	30.09.2017
Index ROE (Net income / Equity Group)	-22.91%	-0.78%
Index ROI (EBIT / Net Capital Invested) (5)	1.53%	4.54%
Index ROS (EBIT / Revenues)	0.16%	2.00%
Financial charges (6) / Net profit	0.62	2.05

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

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

The table below shows the main capital and financial indicators of the Group as at 30 September 2018, 30 September 2017, and 31 December 2017.

Exprivia Group	30.09.2018	30.09.2017	31/12/2017
Net Financial Debt / Equity Capital	3.58	0.49	3.00
Debt ratio (Total Liabilities / Equity Capital)	9.62	2.86	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 is connected not only to the complexity of projects managed, but also to expense budgets of customers. This seasonality affects annual and interim apportioning of revenues and especially margins realised by the Group.

Summary of Operations as at 30 September 2018

The results of the first nine months 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 for the two comparison years. In this respect, note that the subsidiary Italtel S.p.A. was included in the scope of Exprivia Group effective 31 December 2017 for the Balance Sheet and 1 January 2018 for the Income Statement.

Exprivia Group (value in thousand Euro)	30.09.2018	30.09.2017	Variations	Variations %
Revenues	433,431	114,631	318,800	278.1%
EBITDA	15,048	5,824	9,224	158.4%
EBIT	639	2,237	(1,598)	-71.4%
Pre-tax result	(15,626)	(713)	(14,912)	2091.1%
Net financial position	(236,167)	(36,104)	(200,063)	554.1%

The pro-forma figures that simulate the consolidation of the Italtel Group as at 30 September 2017 are shown hereunder:

Exprivia Group pro-forma figures (value in thousand Euro)	30.09.2018	30.09.2017	Variations	Variations %
Revenues	433,431	430,574	2,857	0.7%
EBITDA	15,048	7,794	7,254	93.1%
EBIT	639	(4,323)	4,962	-114.8%
Pre-tax result	(15,626)	(15,552)	(73)	0.5%
Net financial position	(236,167)	(265,394)	29,227	-11.0%

The table below provides the results for Exprivia Group excluding Italtel Group:

Exprivia Group pro-forma figures (value in thousand Euro)	30.09.2018	30.09.2017	Variations	Variations %
Revenues	115,574	114,631	943	0.8%
EBITDA	8,895	5,824	3,071	52.7%
EBIT	5,836	2,237	3,599	160.9%
Pre-tax result	2,987	(713)	3,701	-518.9%
Net financial position	(61,599)	(36,104)	(25,495)	70.6%

As is shown, revenues and profits are growing for the “Exprivia Group” perimeter prior to the Italtel acquisition. The net financial position is negative for Euro 62 million, compared to Euro -36 million as at 30 September 2017; the change compared to 30 September 2017 is attributable to the bond subscribed for the acquisition of the equity investment in Italtel S.p.A.



Profile of Exprivia Group

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.

Connection

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

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

Perfect

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

Reliability

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

Simple

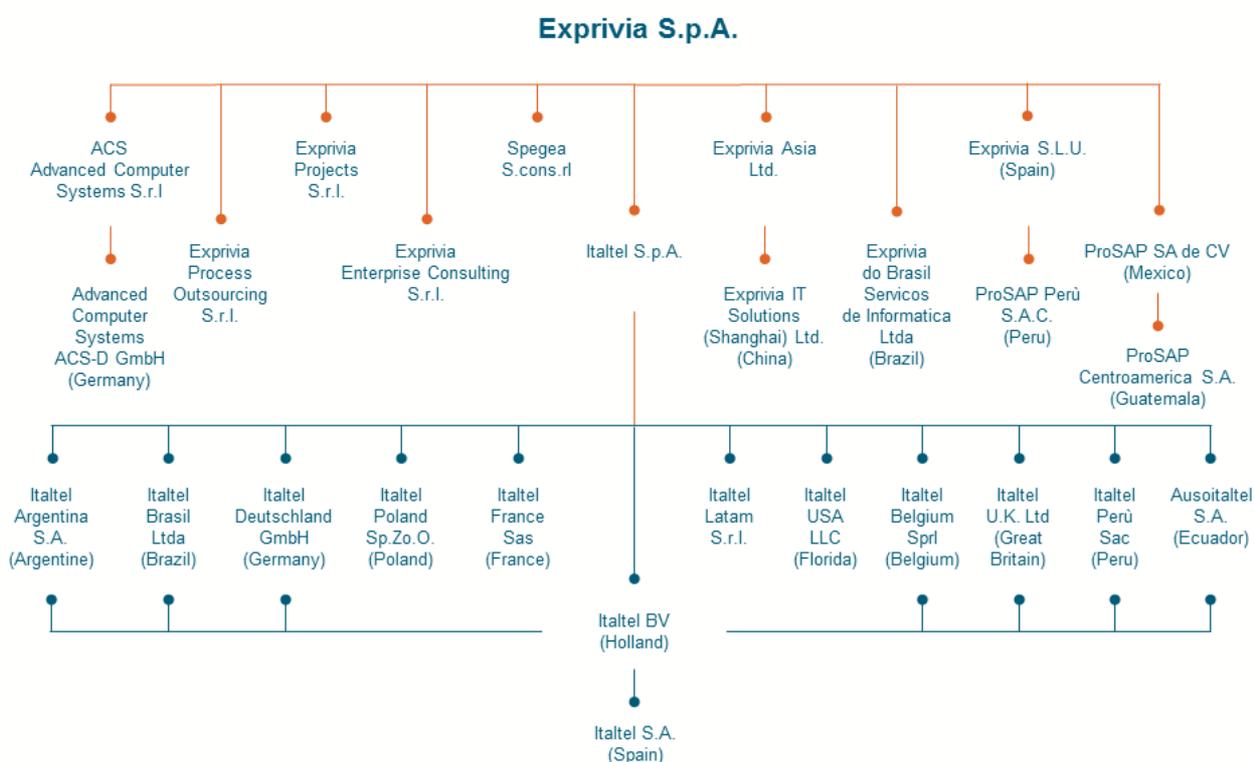
Simple is the fundamental requirement of all our systems, designed to improve people's lives through the availability and usability of information.

Simplicity

It means for us to deploy the complexity of the technology from a user experience perspective, making innovation and digital transformation accessible to businesses and citizens, through a process of synthesis that aims at the essentiality of solutions.

The Group

The chart shows the main companies of the Exprivia Group:



The companies that are direct investments of the Holding Company Exprivia SpA are shown below:

ITALTEL SpA, of which Exprivia owns 81%, is a multi-national business operating in the Information & Communication Technology (ICT) sector, with a strong capacity for innovation that has been involved for years in industry research projects at the European, national, and regional levels in the field of software for telecommunications and IT. The Italtel portfolio includes solutions for networks, data centres, business collaboration, digital security and the Internet of Things. The solutions consist of proprietary and third-party products, managed services, engineering services, and consultancy. Italtel's reference market is made up of service providers as well as public and private companies, with a specific focus on vertical markets such as Energy, Healthcare, Manufacturing, Defence, Finance and Smart Cities. Italtel has its headquarters and R&D activities in Italy and satellite offices in 13 countries. In Settimo Milanese (Milan), Italtel has over 3000 square meters of test plants dedicated to validating solutions provided to customers, to offer the best possible operational support. The Research and Development labs are in Settimo Milanese and Carini (Palermo), while the company has a sales office in Rome. In 2017, Italtel Group posted consolidated revenues of Euro 430 million, with a total staff of over 1400 individuals, of which more than 350 abroad.

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.

HR Coffe S.r.l. is a new company of which Exprivia owns 70% of the share capital, equal to Euro 300,000. The company, established on 31 July 2018 with headquarters in Molfetta, will handle the production and marketing of products and services with high value-added technology in the field of human resource management.

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 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.

ProSAP SA de CV, a Mexican company based in Mexico City, of which Exprivia S.p.A. owns 98% and Exprivia SLU owns 2%, has operated since 2004 and provides professional services and project development in the SAP environment, WEB portal development, and solutions and information systems for the Healthcare sector in Latin American countries, including through its subsidiaries based in Guatemala (ProSAP Centroamerica S.A.) and Peru (ProSAP Perú SAC).

Exprivia do Brasil Serviços de Informatica Ltda, a Brazilian company specialised in IT Security solutions, operates from its headquarters in Sao Paulo. Exprivia S.p.A. controls the company with a 52.30% share while the company Simest S.p.A. holds 47.70%.

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

Italtel B.V. (Netherlands), based in the Netherlands with Italtel S.p.A. as sole shareholder; it acts as a holding portfolio providing commercial and operational support for all foreign business activities.



Italtel Belgium SPRL, a Belgian company owned 60% by Italtel S.p.A. and 40% by Italtel B.V. The company's purpose is to perform manufacturing and/or sales activities and installation in the electro-technology, electronics and information technology sectors - particularly in the field of telecommunication equipment and components - as well as in related and similar fields.

Italtel Deutschland GMBH, a German company owned 60% by Italtel S.p.A. and 40% by Italtel B.V. The company's purpose is to perform manufacturing and/or sales activities and installation in the electro-technology and information technology sectors - particularly in the field of telecommunication equipment and components - as well as in related and similar fields.

Italtel France SAS, a French company with Italtel S.p.A. as the sole shareholder. The company's purpose is to perform manufacturing and/or sales activities and installation in the electro-technology, electronics and information technology sectors - particularly in the field of telecommunication equipment and components - as well as in related and similar fields.

Italtel Poland SP. Zo. O., a Polish company with Italtel S.p.A. as the sole shareholder. The company's purpose is to perform manufacturing and/or sales activities and installation in the electro-technology, electronics and information technology sectors - particularly in the field of telecommunication equipment and components - as well as in related and similar fields.

Italtel S.A. (Spain), a Spanish company with Italtel B.V. as the sole shareholder. The company's purpose is to perform manufacturing and/or sales activities and installation in the electro-technology, electronics and information technology sectors - particularly in the field of telecommunication equipment and components - as well as in related and similar fields.

Italtel U.K. LTD, a company operating in the United Kingdom, owned 60% by Italtel S.p.A. and 40% by Italtel B.V. The company's purpose is to perform manufacturing and/or sales activities and installation in the electro-technology, electronics and information technology sectors - particularly in the field of telecommunication equipment and components - as well as in related and similar fields.

Italtel Argentina S.A., an Argentinian company owned 71.46% by Italtel B.V. and 28.54% by Italtel S.p.A. The company's purpose is to perform manufacturing and/or sales activities and installation in the electro-technology, electronics and information technology sectors - particularly in the field of telecommunication equipment and components - as well as in related and similar fields.

Italtel Brasil LTDA, a company operating in Brazil, owned 85.12% by Italtel S.p.A. and 14.88% by Italtel B.V. The company's purpose is to perform manufacturing and/or sales activities and installation in the electro-technology, electronics and information technology sectors - particularly in the field of telecommunication equipment and components - as well as in related and similar fields.

AUSOITALTEL S.A. (Ecuador), a company operating in Ecuador, owned 99% by Italtel S.p.A. and 1% by Italtel B.V. The company supplies customers, both public and private, with services related to telecommunication networks and systems, TLC, and IT.

Italtel Perú SAC, a company operating in Peru, owned 90% by Italtel B.V. and 10% by Italtel S.p.A. The company's purpose is to perform manufacturing and/or sales activities and installation in the electro-technology, electronics and information technology sectors - in particular, hardware (soft switches) for telecommunications and software for networks and service providers, as well as any equipment for integrating telecommunication systems (e.g., switches, routers, etc.). In addition, the company may provide the services necessary for the operation of TLC/IT networks.

Italtel USA LLC, an American company with Italtel S.p.A. as the sole shareholder. The company's purpose is to perform all activities that are permissible for a limited liability company in the state of Florida.

Italtel Latam S.r.l., a company with Italtel S.p.A. as the sole shareholder, whose scope is the management of corporate holdings.

On 6 July 2018, the deed of incorporation for Italtel de Chile S.p.A. was filed with the Chilean Business Register. Italtel S.p.A. also controls Italtel Telecommunication Hellas EPE in liquidation and Italtel Arabia Ltd in liquidation.



Innovation

The foundry of ideas



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 the 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.





Forging the future

Research and innovation

Italtel has been engaged for many years in research projects aimed at driving the internal innovation process with the primary objective of analysing and testing new technologies and solutions that can be quickly adopted in products under development, based on indications from customers and the market.

Italtel's history is linked to innovation in the field of telecommunications. One of the first companies in the world to develop VoIP (Voice over IP) technology, today it is positioned in the most advanced segments of communication. Italtel's current research focuses on the development of innovative products and solutions for the convergence of voice, data and video on broadband networks and on guaranteed service quality.

To maintain its position in a market that is in constant transformation, often including disruptively, Italtel also evaluated the idea of developing its business as a system without borders, with an open collaboration model, interacting with emerging and creative start-ups and entities. Therefore, Italtel has given itself the mission to adopt the Open Innovation paradigm, which mitigates the principal risks associated with innovation strategies that use only "internal" resources: high costs, long time-to-market, and need for various vertical skills.





Industries

A winning offer in every market



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, the strategies on which the key players in the market compete are linked not only to technological innovation but, at the same time, the need to simplify and automate, as well as the need to expand their offer with high value-added services. On all of these three strategies, the Exprivia|Italtel Group now has the best assets in terms of the offer, know-how, and geographical presence to be able to skilfully support its customers in these areas.

We offer our customers products, solutions, and services:

- related to network infrastructures, re-engineered using virtualised logic (NFV and SDN) and with logic that allows access to broadband fibre and LTE/5G;
- to simplify and automate networks and support processes, their monitoring, and automation in DevOps logic;
- to manage and optimise business processes;
- for cloud integration of B2B applications dedicated to specific market segments.

A tangible example, unique for Italian Telcos, is Exprivia Italtel's NFV/5G lab designed to analyse and compare different NFV/SDN/5G architecture solutions, verify interoperability among different technologies and vendors, and accelerate the adoption of orchestration and automation methodologies, processes and solutions. In addition, the initiative enables the delivery of innovative cloud-ready solutions to specific vertical markets (e.g., IoT, e-Health, Smart City, Industry, etc.).

Thus, we are the best partner for service providers for Telco media providers and manufacturing companies to better support their business in programmes for technological innovation and automation and enriching the B2B offer.





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 heterogeneous 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.



Expertise

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

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

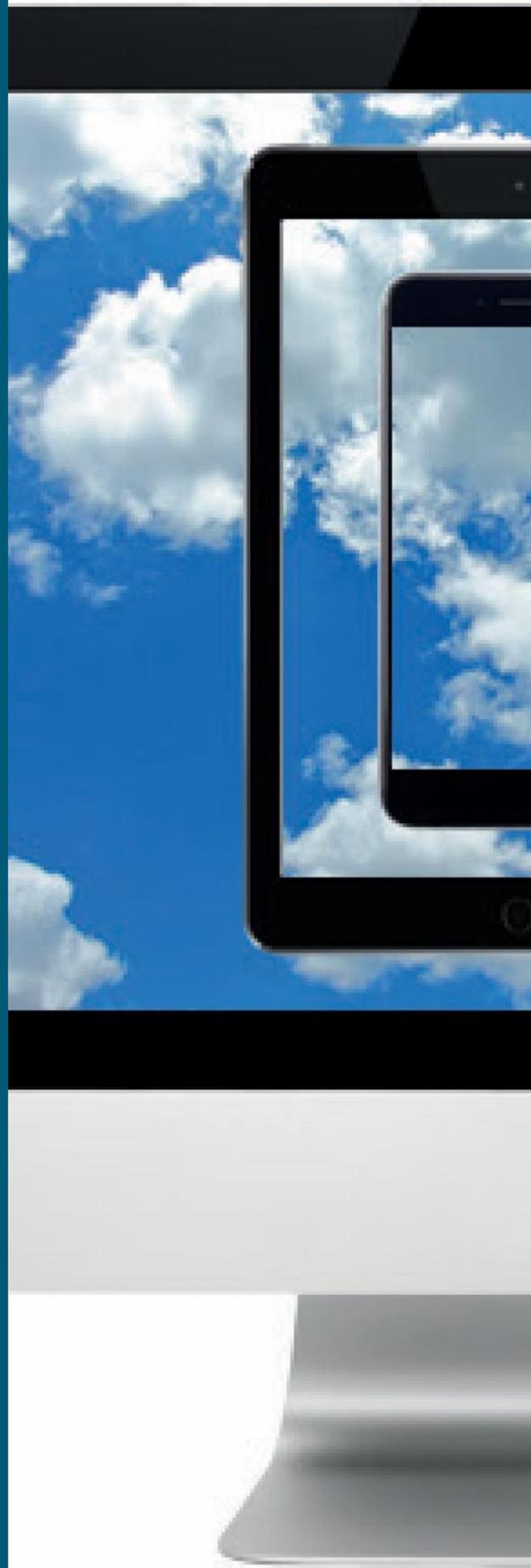
Creating a Private Cloud means providing the range of services, solutions and computational capacity functional to a large organisation, distributed across the area and under continuous evolution, on a single platform.

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 & Contextual Communication

The immediate future of things

Today, the web has a complementary network: 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 areas 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. The key areas in which we are developing competencies are:

- Industry 4.0 (solutions for the interconnectivity of production machines with IT systems, to increase worker safety, track assets, and for predictive maintenance);
- Digital Healthcare (solutions for remote support for chronic, fragile patients or early hospital release procedures);
- Smart Cities (solutions for energy management for buildings, for monitoring the structural stability of bridges and viaducts, and smart metering);
- Smart Grid (solutions to modernise the electricity grid).



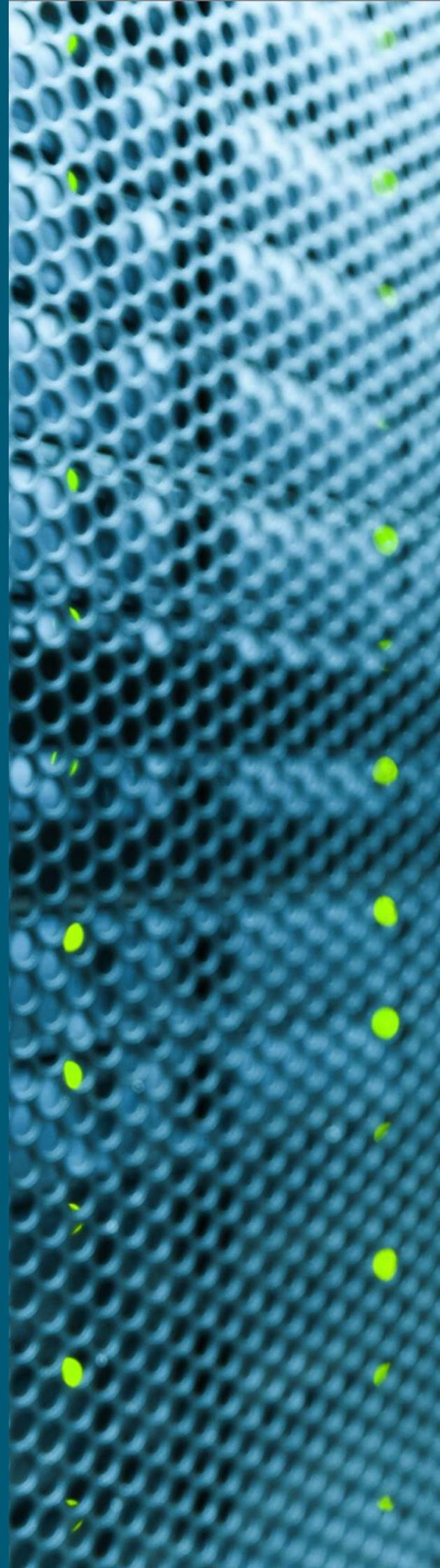
IT Security

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 technology tools and solutions to provide security that can protect them from operational risks, attempted fraud, data theft, information leaks and similar events.

We have the experience and technological skill required to act as a “global” partner for security, capable of working alongside the customer with flexible deliverables ranging from consulting to integration and the management of dedicated services, through operational centres to meet security needs at strategic, technological and operational level.

Our skills in the field of data protection include technologies to protect the business perimeter (firewalls), to protect content (email, web), to control access, to protect data centres, to protect operator networks (against DDOS attacks, etc.) and for mobility. Our offer catalogue also includes ethical hacking services (vulnerability and penetration tests) and compliance with standards and laws (such as GDPR).



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.



BPO 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).



Network Transformation

Modernise infrastructures of Telco operators

The term “Network Transformation” mostly refers to solutions that allow the evolution of real-time services (voice, video, etc.) offered by telephone operators toward infrastructures revised according to a convergence approach, complete with IP protocol.

Our skills in this field are rooted in the history of Italian telecommunications and are reflected in the ability to develop original products, as well as in the ability to integrate complete solutions by combining the best third-party products to support the digital evolution of Telco operators.

We are actively working on the evolution of the peripheral elements of the network (interfaces between operators and between operators and client businesses), in centralised signalling and routing functions, and deployment of cutting-edge IMS solutions.

We have also developed expertise on NFV (Network Function Virtualisation) and SDN (Software Defined Networking) technologies, which allow operator networks to become more dynamic and agile.



Network Service & Business Management

Automate to accelerate

Telco operators need to extend their catalogue of services by leveraging new technologies and experimenting with new business models with the adoption of self-service portals that provide users services on demand, with the relative automatic configuration. This requires that objectives are reached associated with operational efficiency and agile management of the life cycle of network services. Telco's Digital Transformation is increasingly building on the concept of OSS (Operation Support Service) Transformation, to support Network Operations in maximising efficiency.

By using NFV and SDN technologies, networks can today be operated with an automatic correlation between "Assurance" and "Fulfilment" procedures; in other words, our skills enable scenarios in which measures and alarms detected on the network are immediately used to reconfigure it and/or instantiate new functions.

We have also developed skills in advanced analytics solutions (including data science methods) that can help improve customer experience and reduce churn rates.



People Collaboration and Customer Relationship

Collaboration is the key to all success

These are all the tools that improve collaboration between employees within a company and interaction that each company may have with its customers.

For several years, we have been operating successfully on architectures, including on-site UC&C (Unified Communication and Collaboration) solutions (telephone switchboards enhanced with additional services that allow video conferencing, including on the web, and tools for service quality control), UC&C Cloud solutions provided by the telephone operator, as well as Contact Centre and Proximity Marketing solutions.

We have expertise in the design and implementation of all customer IT application environments, with particular reference to UC&C applications and Customer Engagement scenarios. Activities include IT operations and application migration.



Data Centre & Virtualisation

We build natural habitats for applications

Data Centres are presently the cradle of digital innovation in companies. They play an important role in enabling rapid deployment of IT applications, opening up the possibilities of the Cloud, and virtualisation of network functions.

We currently have all the necessary skills to implement, manage, and maintain the most modern Data Centre infrastructures, based on the concept of integration between computing, storage, and networking layers.

Our expertise extends to the ability to design and implement disaster recovery architectures that ensure business continuity in all situations, energy monitoring of data centre architectures, automated centralised provisioning, and the migration of IT applications.



IP Network Infrastructure

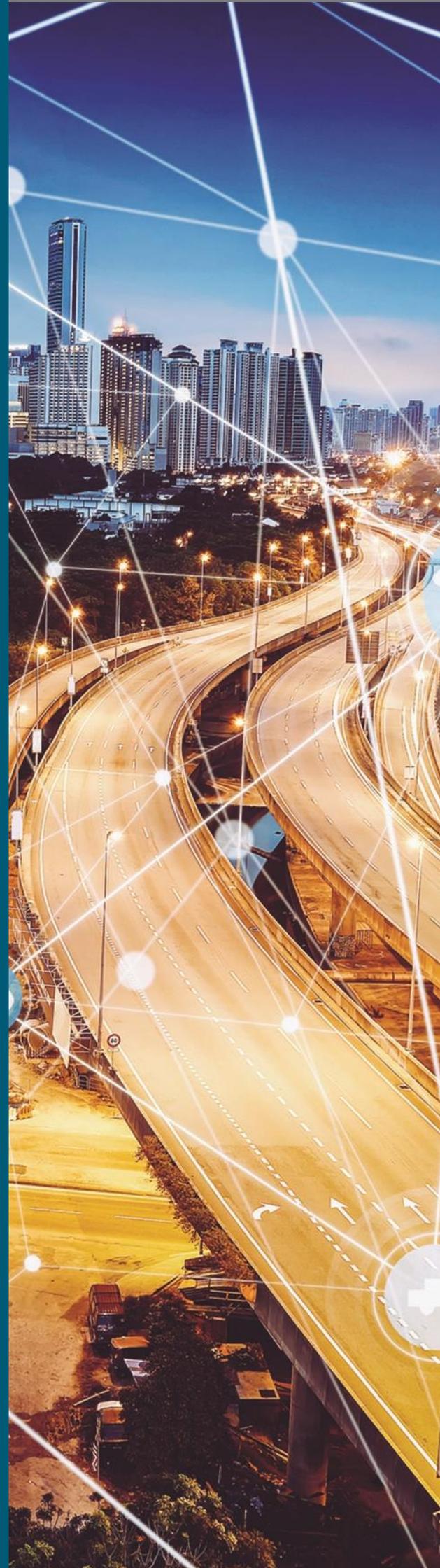
All for Internet, Internet for All

This refers to the entire collection of technology solutions that range from operator networks to enterprise networks, with a particular focus on mobile and wireless networks.

As for Telco operator networks, over time we have developed skills related to the convergence between IP networks and optical networks and on mobile operators' infrastructure components.

For private networks, we have broad competencies in designing and implementing wired and wireless convergent solutions, Private LTE solutions, and on services for refreshing corporate networks.

We have experience in simulating and measuring Customer Experience, SDWAN technologies, and Deep Packet Inspection (DPI) solutions.



Managed & Advisory Service

Managing networks is a question of experience

Increasingly, for Telco operators, large companies and public administration entities, outsourcing the management of their IT infrastructure has become an effective business model capable of bringing significant cost reductions and increases in service quality.

Today we are able to make available to our customers the broad range of experience and knowledge accumulated over the years, managing IT networks and infrastructures for third parties and providing specialist consulting and engineering services.

We have expertise in an exceptionally large number of technologies from different network device vendors, for which we are able to offer technical assistance services that provide for the maintenance and repair of equipment for all different technologies.

Project management skills are also important, supported by a broad array of certifications (ITIL, Prince2, and PMP).



Ultra-Broadband Design

In service of the country's digital development

The Italian government's Ultra-Broadband Plan is giving an important boost to the digital transformation of our country. It represents the most important large-scale deployment of UBB FWA in Europe.

During 2017, we carried out significant investments through Italtel to develop the skills necessary to execute the Ultra-Broadband passive network design contract, in the C&D Cluster, within the Infratel tenders that were assigned to Open Fiber.

Thus, Italtel is developing skills that are unparalleled within Italy on the civil and optical design of the passive fibre track and the wireless network in Fixed Wired Access (FWA) technology.



The image features a solid teal background. A large, black, curved shape, resembling a thick, inverted arc, spans across the upper portion of the frame. In the lower right area, the text "Corporate Social Responsibility" is displayed in a bold, white, sans-serif font, arranged in two lines.

Corporate Social Responsibility

Environment, health, and safety

Exprivia is an IT services company, whose production processes have labour-intensive characteristics in which the human production factor is more prevalent than machinery. However, the company is highly sensitive to workplace health and safety and environmental issues, in particular, problems posed by global climate change.

The company is aware that, in order for any forward-looking corporate responsibility strategy to be effective, it must include activities aimed at assessing environmental impact, so that it can act in a manner that ensures maximum respect for the environment. For this reason, Exprivia has developed a procedure to identify the main impacts of the business processes, infrastructures, and facilities used, while at the same time monitoring the environmental performance of its headquarters in Molfetta. Since 2006, Exprivia has understood that the implementation of an Environmental Management System (EMS) would allow it to meet the above objectives, as well as facilitate compliance with current environmental legislation and continuous improvement of its environmental performance.

In addition, Exprivia Group has always been committed to developing and promoting protection of workplace health and safety. The Group recognises the fundamental importance of protecting health and safety and ensures the protection and well-being of employees and third parties in all activities at their workplaces. Through a system of prevention and protection that is deeply embedded in all offices, Exprivia Group has achieved significant results over the years, including increased employee awareness of the issue of safety, a significant reduction in accidents at work, and prevention of occupational illnesses.





Sales per countries



Top products



Performance of Exprivia Group Results



The performance by market is indicated below, with a cross-functional representation of the two operating segments according to which Exprivia Group is organised.

Banking & Finance

The **Banking & Finance** “component” of Exprivia Group | Italtel closed the first 9 months of 2018 with an increase in volumes compared to the same period in 2017, due in particular to the excellent performance of the Digital Infrastructure component.

The market situation in the third quarter confirmed the prudential approach in launching new projects, especially in the area of applications, which was seen in the first half. In fact, despite the intention stated in the various business plans to associate the relaunch of investments with the optimisation of operating costs, the organisational dynamics of the individual Groups and the overall political situation of the “Italian System” have slowed the start of the aforementioned investments, or rather have focused them, in line with the business plans, on the regulatory initiatives necessary to support the current market phase and the dynamics of corporate transformation.

In keeping with the above, our proposals on the monitored vertical Business Processes show a slight improvement compared to the first nine months of 2017.

In particular, in the **Finance** area, there was significant overall growth despite a partial slowdown in the third quarter. The defining characteristics continue to be the increase in projects, especially in the regulatory area, to the detriment of large projects on market platforms, on which, however, structured Application Maintenance services are starting up.

Credit & Risk Management remained at the same levels overall, as a result of a considerable turnaround in activities for various customers, in which the Credit Risk Management component acquired larger volumes than Credit Underwriting.

Within the **Digital Transformation** sector, **Big Data Analytics, Customer Experience and Cyber Security** posted an essentially stable situation. Despite the business development efforts, this component, typically envisaged for new customers, reflects our lower effectiveness in managing, in appropriate commercial times, the delicate balance arising from the proposal of innovative solutions, especially for the insurance market, despite the significant interest in the business development phase, and lead generation confirmed by the launch of several Proofs of Concept.

In reference to **Factoring**, the revenue trend is consistent with the forecasts made in the Budget, even showing slight improvement. The result, which is positive compared to the Budget, deriving however from the overall performance of the segment, reflects the renewal, albeit optimised, of all expiring contracts and the acquisition of a new small customer.

Excluding Business Processes, in the **Digital Infrastructure** area, revenues for the first nine months of 2018 showed satisfactory growth, driven, especially in the 3rd quarter, by some new customers acquired between the end of 2017 and the first half of 2018, who have brought forward investments that are typically realised in the market only in the 4th quarter.

To conclude a positive but indeterminate quarter, in which the delays that occurred, especially in the Digital Transformation component and the Insurance Sector, represent the primary challenge that must be managed in the 4th quarter, to positively close the full year 2018.

Telco & Media

Beginning in 2016, the TLC market in Italy showed the first reversal in the trend of the persistent crisis that started in 2009.

This recovery has, to a large extent, been supported by the government's Digital Agenda and by the related new incentives for fixed ultra broadband (fibre) and mobile (LTE/5G) that have encouraged investments and spurred the entire domestic telecommunications market. As confirmation, the penetration of broadband (>30 Mbps) in recent years has increased from 0% in 2012 to 27% in 2017. These incentives for new telecommunications technologies is also an enabling structural element and, in some cases, a critical force for innovation in new business applications, including in other market segments, both in the public and private sectors.

In this market, there was a significant increase in revenues in 2017, mostly deriving from exceptional investments that were not repeated in 2018.

Despite the unfavourable macroeconomic conditions, the Telecommunication operators in 2018 launched important projects for the transformation of the networks based on the development of *ultra broadband* access networks, the evolution of Backbone IP networks, and the streamlining of the *legacy networks* (e.g., *PSTN*), which will be progressively replaced by the "all IP" networks. In particular, the recent tender for 5G frequencies will bring about new developmental plans for their network architectures and, therefore, a significant review of their spending.

In this market scenario, the principal segments on which the Group positions its offer are:

- VOIP (Voice over IP) and IMS (IP Multimedia Subsystem) 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 Systems.
- 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 (*NFV-MANO*).
- IP Data Networks Segment, to construct multi-service networks with a developmental usage approach for virtualisation standards (*SDN and NFV*) and new wireless technologies (*4G/5G and Wi-Fi*).
- 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.
- Internet of Things Segment refers to the market generated by applications and services that exploit the interconnectivity of smart "objects" that are able to dynamically provide and exchange data and the architecture that collects, analyses, processes and exports the information received. In this segment, the Group has defined a suite of solutions for Industry 4.0, i.e., creation of converging networks to support industrial automation, able to interconnect all production machinery and systems, ensuring the highest levels of security and monitoring of production lines that is smart, fast, and precise.
- The Cyber Security Segment, which includes the aggregate technologies, processes and services aimed at the protection of systems and IT data in terms of their availability, confidentiality and integrity.

With regard to customers and our results, despite considerable competitive pressure, sales development activities confirm the important positioning of market share and objectives, both quarterly and annually. Exprivia Group remains strong in the traditional areas (IP networks, VoIP networks, IT System Integration). Furthermore, several innovative projects were launched during the year, including:

- As part of IoT/Industry 4.0, solutions for businesses to automate production chains;
- Evolution of Unified Communication and Collaboration solutions for the business market to build the infrastructure and the environment for business collaboration;

- Projects for the realisation of a new-generation Data Center and Automation systems;
- Highly experienced professional services to improve transformation processes of multi-service networks, such as Solution Design, Integration & Testing and Network Transformation.

Energy & Utilities

The increase in the price of oil (+33% for the WTI) continues to positively influence the financial statements of the largest energy companies, which, according to leading sector analysts, will continue investing to improve their technology.

The demand for energy in our country has begun to grow again and the trend is confirmed for all of 2018, a year in which the trend continues also for the components of energy demand.

The trends in domestic energy demand and the National Integrated Energy and Climate Plan are defining the drivers of change for national energy companies:

- Safety and the Environment;
- Modernisation and new infrastructures for maritime and road transportation;
- Investments in former refineries (transition);
- New fuels;
- Building a new relationship with users/customers.

The entire sector has launched programmes for the digital transformation of its production, distribution, and sales processes.

Procurement processes are experiencing a period of profound digital transformation due to the adoption of artificial intelligence approaches, which are gradually supporting or, in some cases, replacing, manual activities, with low added value, in favour of greater operational efficiency.

In terms of production, the drive for renewable energy and distributed micro-generation is imposing a revolution in the management of production assets, as well as processes for business development and engineering & construction, in line with the "Industry 4.0" innovations.

Distribution processes are undergoing significant digital innovations in geographic systems, workforce management, field service management, and predictive maintenance, to support the highest operational efficiency for infrastructures.

Hence, the sector is characterised by strong momentum for innovation: Smart Home, Smart Metering, Smart Grid, and the Digital Plant, exploiting the enabling technologies of IoT, Big Data, and the simplification of the operations allowed by Cloud-based services.

Security, in all its aspects, is of decisive importance: from the management of infrastructures, to applications and data, through adaptations to comply with the new European regulation on privacy.

Exprivia Group confirms its position across the entire Italian Energy & Utility market.

Sales activity in the first three quarters showed offer synergies within the Group, including with proposals for foreign markets (Spain and Latin America). The demand from customers remained at the expected level of growth compared to the prior year, with positive effects in particular relating to: design activities for BUL (ultra broadband) networks, Enterprise Application & Integration, digital transformation projects that affect the primary operational processes, as well as workforce and field management solutions. In the area of System Integration and services, projects involving the TLC network component were significant. The third quarter results showed slight growth compared with the same period of the previous year.

The fourth quarter could see the consolidation of an important portion of the sales pipeline in the Marketing & Sales and Network & Infrastructure areas, as well as a consolidation of revenues on the most common ERP platforms, Business Intelligence, Business Process Management & Integration, Web & Mobile Applications, and HCM.

Aerospace & Defence

In the Defence & Aerospace market, Exprivia earned revenues in the third quarter of 2018 that were essentially stable compared to the same quarter of 2017.

In the space sector, opportunities related to software development and system integration projects have generally decreased, in favour of service delivery projects (data processing, IT infrastructure management, maintenance services, and operations support).

In a market scenario hampered by reorganisations and the strong focus on containing expenditures by the principal agencies and industries in the sector, the quarterly performance is characterised in part by the contribution from the consolidation of activities with the agency responsible for efficient air traffic control systems in Italy and partly from the refinancing of the development activities for logistics management systems for one of the largest customers.

In addition, it is worth noting the accomplishment of the project milestones for Sentinel-6/Jason-CS (EUMETSAT customer) within the contractual deadlines, the signing of the extension to the maintenance service contract for CosmoSkyMed (ASI) Sentinel 2 PDGS (ESA) for 2018-2021, the extension of activities to develop training solutions with virtual reality tools for ENI, and the signing of the POC for Vodafone for similar issues, in addition to the signing of the contract with the Fire Brigade strengthen the national system of CBRN crisis prevention and management.

The increasing focus on technologies from other ICT sectors, such as Big Data, Cloud, and web-based federated services should be noted.

Retail & Manufacturing

The Italian manufacturing market grew by 1.3% in 2017 and continued the positive trend in 2018. However, this market is influenced by two factors related to technology and applications that differ with respect to the past: the importance of Cloud-based solutions and innovation linked to Industry 4.0.

Paradoxically, rather than bolstering a net recovery in IT investments, these trends represent a constraint. Businesses use loans and tax subsidies to renew their production facilities, but generally are not taking on process innovation and application solution projects, as they are concerned about choosing the right path and have difficulty assessing the return on investment.

The sole exception is industrial automation which, through IoT, transforms production machinery into intelligent systems connected to the network, with new functionalities, increasing the value. These new functionalities bring efficiency and innovation to production chains. In this context, Exprivia Group continues to collaborate with certain large customers to support them in updating network infrastructures according to the Industry 4.0 guidelines.

Software vendor strategies have now converged towards a “hybrid” or exclusively “cloud” offer, making it necessary to review IT architectures and business networks.

The Retail market is demonstrating growing interest in the issues of demand planning and integrated platforms for the digitalisation of sales and logistics processes.

It is also important to emphasise the interest generated by System and Application Management services.

In this scenario, Exprivia’s offer is mainly based on ERP, SCM, and Analytics solutions, on the SAP platform, increasingly integrated with field and IOT systems and network and security infrastructure.

The international roll-outs for Italian customers with a presence overseas showed good results, particularly in the Spanish market, both for the sales achievements and production synergies. At present, the results confirm a marginal growth that will continue during Q4.

Healthcare

During 2018, the trend that was seen last year continued, with demand concentrating at regional and central levels rather than with individual entities, confirmed by the announcement of tenders for supplies and services with entire regional administrations or the larger districts of the same regions as recipients. This trend is part of a scenario of marginal forecasted growth (2.3%) for healthcare IT spending in 2018 compared to 2017, although this trend does not appear to be truly expansive but rather cyclical, linked to spending in different regions to complete electronic health records and build centralised infrastructures. Resources for technological innovation and empowering the public in the relationship with the healthcare system are still lacking.

In this scenario of an essentially stationary market, which is reflected in a drop in absolute terms in the number of tenders announced and the amounts of the opening bids, two different trends among competitors can be observed: in the immediate term, the “joining of 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 market players that have the requirements adapted to the broader competition triggered by the current scenario.

The increase in spending for private consumption, together with a growing optimisation of healthcare costs as part of greater digitisation, results in the widespread availability of new technologies and new solutions that increasingly integrate products into more complex platforms. Therefore, the positioning of Exprivia Group in this scenario evolves from IT solution provider and system integrator to full player, following the inclusion of Italtel in the Group, which completes the offer portfolio, extending it to the areas of physical, cloud and security infrastructures.

In this context, which only seems expansive, Exprivia Group demonstrated its ability to expand its market perimeter in the first three quarters. The order portfolio envisages growth in the coming months. Positive results were achieved in consolidating and increasing market share with the reference healthcare companies.

From the first half of the year, work began on orders acquired in 2017, although there are continued delays in finalising large contracts due to proceedings that have not yet concluded. Due to both the anticipated finalising of these orders, and the launch of contracts in the advanced stages of finalisation under the Consip agreements for which the Exprivia Group is the leader, similarly positive results are expected in the last quarter of the year. Lastly, the positioning of telemedicine solutions continues, which will lead to significant returns in the coming months, including through the development of partnerships with leading insurance and healthcare/hospital businesses.

Public Sector

In 2018, financial resources allocated to technology innovation of the Public Administration still reflect a negative trend (-1.7%) for expenditures by the Central Public Administration, which is consistent with the dynamics of Local Public Administration expenditures (regions, municipalities, provinces and mountain communities), which are down by 1.6%. The main reasons for the negative trend are the rationalisation of ICT expenditures imposed by the Stability Law and the greater use of Consip purchasing tools that allow economies of scale based on aggregated demand. The increasing reuse of software made available in Agid catalogues by the proprietary administrations, as well as the use of central services such as NoiPa, are an important consideration.

However, it should be emphasised that the recent “2017-2019 Three-Year Plan for IT in the Public Administration” seems to indicate a modest recovery in investments. The plan defines the reference model to develop Italian public information technology and the operational strategy for digital transformation of the country in terms of evolving the information systems of the PA: digital ecosystems, physical and intangible infrastructures, security, and interoperability. The large central agencies and the regions, as aggregators for local administrations, are preparing to issue numerous tenders to build infrastructures and digital



ecosystems. Data center consolidation, Cloud development, cyber security, interoperability of systems/applications, Big Data, web services and the application development of the “digital citizen” are the main drivers of the change programme underway.

In this market scenario, Exprivia Group is certainly a reference partner for the digitalisation of the Italian system, by providing the necessary process, application, and infrastructure skills.

With regard to Central Public Administration, the activities carried out to consolidate and increase market share were particularly important in relation to direct contracts with large Public Entities and increasing revenue compared to the same period of the prior year. In Local Public Administration, there is a delay in finalising certain large orders and uncertainty due to the use of Consip agreements by some administrations.

The collaboration with Cisco continues in 2018 as part of technology innovation initiatives that are included in the “Digitaliani” strategic programme, an investment initiative to accelerate digitisation in Italy. In the framework of joint initiatives, the “MILANO PIÙ SICURA (SAFER MILAN)” project was launched with the city of Milan as was the collaboration with Liguria Digitale to build a new generation Data Center to service the region, offering innovative services and, at the same time, better protecting citizens’ data and privacy.

International business

Exprivia Group’s activities in non-Italian markets registered a slight drop in revenues in the first three quarters of 2018. During this period, political, macroeconomic, and financial issues in Latin American countries, particularly Argentina, have caused a delay in many of the scheduled investments, due to the climate of general uncertainty. The infrastructure market for service providers continues to be characterised by heavy pressure on prices linked to the acknowledged situation of extremely strong growth in the need to expand and update networks against substantially “flat” revenues from customers. The Enterprise market has proven to be highly dynamic, especially in relation to new technological and business paradigms, such as the Cloud, automation, and business analytics, in particular as regards vertical solutions.

In **France and Belgium**, our reference market did not show any major changes compared to last year, although there is considerably more focus this year on new issues such as **SDWan** and NFV. The main projects in progress deriving from tenders awarded in the previous year continue to be delivered and a new “scouting” initiative has been launched, aimed at the Enterprise market, focusing on the SDWan/Automation offer in order to be able to respond to future requests in that market. In the fourth quarter, the sales initiatives will continue for the innovative offer to both Service Providers and Enterprise, where, in both cases, the sales team was renewed. In Belgium, sales scouting initiatives will continue, also based on new technology partnerships that were recently developed.

In **Germany and Poland**, the reference market was characterised by heavy pressure to consolidate for the largest market players; instead, a market that is proving to be very dynamic is that of regional metropolitan operators, where Exprivia Group continues its expansion activities. The wide-ranging projects that began in 2017 with the primary telecommunication providers and based on the IP Backbone and network convergence, are now “live” and are seeing growth in volumes. Thus, the last part of the year will be fundamental in strengthening Exprivia Group’s presence with its customers and expanding its presence, as a result of digital transformation projects that are guided by the sales force.

In **Spain**, the market continues to be very dynamic, both in the Service Providers segment and Enterprise segment, both of which are demonstrating tremendous interest in growth in the Cloud and Security areas. Exprivia Group’s positioning in the network integrator market remains significant, especially with the largest telephony player, but is also increasing its presence with players in the Energy and Utilities market and in the public sector. The investments made in NOC are attracting the interest of various customers and partners. In addition to consolidating its position with the aforementioned customers, the company is seeking to expand the portfolio, thus extending the customer base. In the second half of the year, further acceleration is expected in relation to the most innovative issues, especially in the Enterprise market, by proposing specific



vertical solutions. The attention to the expansion of skills and the ability to increase the number of resources to be used remains a constant theme.

In **England**, an important contract with a new customer was recently acquired through the sale of the Italtel iRPS product, which represents an important entry point for the development of the customer network. The other EMEA Markets are overseen both directly by the Group and through a network of Business Partners; this specific market offers various potential opportunities, in this case, initiatives are being taken to position the most innovative offer, for which the initial results are expected in the second half of the year.

In **Spain**, the ICT market is highly competitive, characterised by a large number of multinational companies operating as Service Providers. To date, it is clear that both large companies and companies in the public sector are approaching digital transformation through initiatives related to the innovation of the production system, Smart Cities and Cyber Security. Therefore, Exprivia Group's offer is designed for telecommunications operators, large companies, and the public sector. The Group's objective is to leverage the traditional areas of expertise of Exprivia and Italtel in order to exploit the relative synergies.

In **Argentina**, the market continues to be heavily influenced by macroeconomic elements, such as high inflation and a significant fluctuation in exchange rates, evidenced by the fact that the Argentine peso has lost about 80% of its value compared to the US dollar. These elements are having a considerable impact, especially in the Enterprise market, which is recording a slowdown in investments. In relation to the Telco market, Exprivia Group's expertise continues to be valued by customers, but there is also extremely heavy pressure on prices. Obviously, the sales initiatives continue, with the aim of consolidating and expanding the customer base.

Similarly, the "country system" in **Brazil** presents uncertainties, mainly linked to the result of the recent political elections. It is expected that by the end of the year the situation will be better understood, after the new government is established. Obviously, these elements have led to a series of delays by the principal customers in releasing investment funds and, therefore, in launching projects, especially in the Enterprise market. In the Telco market, the relationship with the largest operator in the country has been strengthened, moving from traditional security areas, such as the NGN network and IP Backbone, to include areas such as policy management (PCRF) and optical transport (DWDM). The sales relationship is also stabilising with other operators, in particular for IT and sell-through segments as well as cyber security. Despite the country's macroeconomic situation, sales efforts continue and will also be focused for the entire fourth quarter on acquiring new customers both in the Telco market and Enterprise market.

Peru and Ecuador have also been affected by the macroeconomic issues in neighbouring countries, with a slowdown in investments seen even in these two countries, particularly in the public sector. Peru in particular demonstrates strong interest in adopting technology solutions for the digitisation of businesses while, for the Telco market, the competition among operators is intensifying. However, Exprivia Group was able to maintain a prominent role among integrators, managing to close several contracts that it had begun working on in 2017. The sales activities are fully underway, seeking to position the company in several infrastructure projects related to the 2019 Pan-American Games and seizing opportunities related to Digital Transformation on various vertical offers such as Healthcare.

Colombia is gradually returning to normal after political elections that resulted in a new government being established. The third quarter was characterised by a considerable devaluation of the Colombian peso compared to the US dollar. This has led to a delay in the primary investments in various sectors, although there is currently a positive outlook. Sales activities in this country continue to be focused on IT connectivity, with the integration of Cisco technologies and other partners. In the fourth quarter, investments in modernisation and digitisation of infrastructures and services are expected to recover, and therefore activities related to Data Centers and migrations to Cloud-based services, for both the Service Provider and Enterprise segments.

In **Mexico**, as in other Latin American countries, there is a climate of uncertainty that makes it decidedly more difficult to increase volumes and margins. Despite this, sales initiatives continue to focus on positioning the offer of IT services, both with Mexican customers and with entities that are already Group customers in Italy and in Spain.



In **China**, the reference market segments are always very dynamic and this results in a series of opportunities, both in the infrastructure and SAP segments. To date, a large contract has been acquired with an Italian customer that presents interesting development opportunities for the future. In the fourth quarter, sales activities will continue on the segments mentioned above, seeking to expand through cross-selling.

Significant events of the third quarter of 2018

On 12 July 2018, Exprivia Group presented its five-year business plan for 2018-2023 to the stock exchange. The full presentation can be viewed on the website www.exprivia.it, in the Investor Relations-Business Plan section.

On 11 September 2018, the Exprivia S.p.A. Board of Directors approved the merger by incorporation of Exprivia Enterprise Consulting S.r.l. and Advanced Computer System S.r.l., both companies controlled at 100%. The merger of Exprivia Enterprise Consulting S.r.l. into Exprivia S.p.A. is expected to take place on 22 November 2018, while the merger of Advanced Computer System S.r.l. into Exprivia S.p.A. is envisaged in December 2018.

In addition, on the same date, the merger of Exprivia Project S.r.l., as incorporating company, and Exprivia Process Outsourcing S.r.l. as the company being merged, was approved. The merger is scheduled for 22 November 2018.

Transactions within Exprivia Group

On 31 July 2018, the innovative start-up HRCOFFEE S.r.l. was established, based in Molfetta, via Adriano Olivetti 11, with share capital of Euro 300,000, of which 70% is held by Exprivia S.p.A. The company handles the development, production and sales of products and services with high technological value for human resource management.

Events after 30 September 2018

There are no events to report.

Business Outlook

The financial statements as at 30 September 2018 show increased revenues compared to the same period of the previous year; this growth is even more pronounced if taking into account only the third quarter. In addition, profitability expressed by EBITDA is significantly higher than last year, considering both the financial statement figures as well as pro-forma figures, which include the results of Italtel Group as at 30 September 2017.

The project to merge the Italian companies in the Holding Company, which began in 2017 with the mergers by incorporation of the three largest companies, continues in 2018, with the merger of Exprivia Enterprise Consulting S.r.l. and Advanced Computer System S.r.l., which will be completed by the end of year and become effective for accounting purposes on 1 January 2018.

The projects designed to digitalise processes and reorganise structures continue and, together with mergers, aim to develop integration synergies in business activities in the Group's reference markets, as well as the exchange of best practices with regard to the functioning of organisational structures.

Given the above, we view the last quarter of the year with optimism and motivation, determined to make advances in the strategy undertaken to consolidate the presence of a new market player able to provide its customers with an end-to-end offer.

Staff and Turnover

The table below provides the staff of Exprivia Group companies as at 30 September 2018 compared with those as at 30 September 2017 and 31 December 2017. In particular, the table shows the number of resources, around 16.3% of whom are part-time (with various arrangements of contractual working hours).

Company	Employees			Media employees			Temporary workers			Media temporary workers		
	30/09/2017	31/12/2017	30/09/2018	30/09/2017	31/12/2017	30/09/2018	30/09/2017	31/12/2017	30/09/2018	30/09/2017	31/12/2017	30/09/2018
Exprivia SpA	690	1691	1645	675	1623	1668	1	2	2	2	2	2
Exprivia Healthcare IT Srl	331	-	-	327	-	-	0	-	-	-	-	0
Exprivia Enterprise Consulting Srl	110	107	91	115	114	99	0	-	-	1	-	0
Exprivia Digital Financial Solutions Srl	290	-	-	231	-	-	0	-	-	-	-	0
Exprivia Projects Srl	260	271	310	253	258	284	0	-	-	-	-	0
Exprivia Process Outsourcing Srl	257	255	263	255	255	265	0	-	-	-	-	0
Exprivia Telco & Media Srl	381	-	-	369	-	-	1	-	-	1	-	1
Advanced Computer Systems Srl	60	61	63	62	62	63	0	-	-	-	-	0
Exprivia It Solutions Shanghai	12	12	10	12	12	10	1	1	0	1	1	1
Exprivia SLU (Spagna)	44	38	38	42	41	39	0	0	2	0	0	2
Prosap SA de CV/Prosap Centramerica SA	46	48	36	42	45	40	4	5	2	2	2	2
Exprivia do Brasil Servicos de Informatica Ltda	19	23	33	21	21	26	4	4	5	5	5	5
Spegea Scarl	7	7	7	7	7	7	-	-	-	-	-	-
Gruppo Italtel	-	1432	1465	-	1399	1467	-	1	1	-	1	1
Total	2507	3945	3961	2411	3837	3968	11	13	12	12	11	14
<i>Executives</i>	49	88	86	46	88	87	-	-	-	-	-	-
<i>Middle managers</i>	201	489	477	197	492	481	-	-	-	-	-	-

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 that which will be defined as the “Group” for this section, as defined above and not including Italtel Group.

The Administration and Control Department centrally manages all “Group” companies.

The Finance Department handles financial activities at “Group” level.

The Human Resources Department defines policies and procedures for the “Group”.

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 noted:

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

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

Relations with Related Parties

In compliance with applicable legislative and regulatory provisions, and in particular with: (i) the "Regulations on transactions with affiliated parties – CONSOB resolution no. 17221 of 12 March 2010" as amended by resolution no. 17389 of 23 June 2010; (ii) the outcome of the subsequent "consultation" published by CONSOB on 24 September 2010; (iii) the CONSOB notice on guidelines for applying the regulations published on 24 September 2010; (iv) CONSOB notice no. 10094530 of 15 November 2010 with additional clarifications, on 4 December 2017 the Board of Directors of the Company adopted a new “Procedure for Transactions with Related Parties” (the “Procedure”), 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 new procedure, which replaced the one previously in force and introduced on 27 November 2010, is available on the company’s website in the section “Corporate > Corporate Governance > Corporate Information”.

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

Italtel SpA has an internal procedure for transactions with related parties, approved by the company’s Board of Directors on 15 February 2018.

Information regarding management and coordination

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

In exercising management and coordination activities:

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



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

In accordance with Art. 2.6.2(10) of the Regulations for Markets organised and managed by Borsa Italiana SpA, the Directors declare that, as at 30 June 2018, the company does not meet the conditions provided under art. 37(1) of CONSOB regulation no. 16191/2007.

Group Relations with the Parent Company

The table below provides the financial and equity relations (in thousands of Euro) between Exprivia Group and the parent company Abaco Innovazione S.p.A. as at 30 September 2018 compared to 30 September 2017, for income statement data, and with 31 December 2017, for balance sheet data.

Receivables

Non-current Financial Assets

Description	30/09/2018	31/12/2017	Variation
Non-current financial receivables from controlling companies	1,784	2,258	(474)
TOTAL	1,784	2,258	(474)

The balance as at 30 September 2018 included Euro 1,784 thousand relating to the residual receivable for an unsecured loan with no guarantees taken out in 2016 by the parent company Abaco Innovazione S.p.A. totalling Euro 2,985 thousand, with Euro 1,680 thousand disbursed in cash and Euro 1,305 thousand as a reclassification of payables outstanding as at 31 December 2015. It also included Euro 55 thousand for interest receivable accrued on the same loan.

Current Financial Assets

Description	30/09/2018	31/12/2017	Variation
Current financial receivables from controlling companies	413	400	13
TOTAL	413	400	13

The balance as at 30 September 2018 of Euro 413 thousand is in relation to the current portion of the aforementioned loan.

Trade Receivables

Description	30/09/2018	31/12/2017	Variation
Trade receivables from controlling companies	47	13	34
TOTAL	47	13	34

The balance as at 30 September 2018 amounts to Euro 47 thousand and refers to trade receivables with the parent company Abaco Innovazione S.p.A.

Financial Income and Charges

Description	30/09/2018	30/09/2017	Variation
Financial costs and expenses from the parent company	320	290	30
TOTAL	320	290	30

The balance as at 30 September 2018 refers to costs for the guarantee given by the parent company to obtain the Euro 25 million loan disbursed to Exprivia S.p.A. by a pool of banks in April 2016.

Revenue and Income

Description	30/09/2018	30/09/2017	Variation
Financial income from parent company	55	64	(9)
TOTAL	55	64	(9)

The balance as at 30 September 2018 refers to interest accrued in relation to Abaco Innovazione S.p.A. on a loan disbursed by Exprivia S.p.A.



Consolidated Financial Statements of the Exprivia Group as at 30 September 2018

Consolidated financial statements as at 30 September 2018

Consolidated Balance Sheet

Amount in thousand Euro			
	Note	30.09.2018	31.12.2017
Property, plant and machinery		27,306	28,209
Goodwill and other assets with an indefinite useful life		206,949	206,979
Other Intangible Assets		34,258	35,721
Shareholdings		468	589
Other financial assets		2,723	3,273
Other financial assets		2,248	4,436
Deferred tax assets		64,483	65,638
NON-CURRENT ASSETS		338,435	344,845
Trade receivables and other		117,761	148,487
Stock		52,940	41,007
Work in progress to order		63,934	36,821
Other Current Assets		43,778	34,847
Other Financial Assets		1,881	1,914
Cash resources		14,813	36,508
Other Financial Assets available for sale		455	455
CURRENT ASSETS		295,563	300,039
DISCONTINUED NON CURRENT ASSETS		112	215
ASSETS		634,110	645,099

Amount in thousand Euro			
	Note	30.09.2018	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	3,959	3,931
Other reserves	1	42,041	44,461
Profits (Losses) for the previous period	1	7,142	6,931
Profit (Loss) for the period	1	(16,480)	50
SHAREHOLDERS' EQUITY		82,806	101,517
Minority interest		16,924	27,125
GROUP SHAREHOLDERS' EQUITY		65,882	74,392
Non-current bond		22,852	22,413
Non-current bank debt		165,914	167,499
Other financial liabilities		63	173
Other no current liabilities		4,808	3,354
Provision for risks and charges		7,256	14,413
Employee provisions		27,105	30,025
Deferred tax liabilities		3,103	2,469
NON CURRENT LIABILITIES		231,099	240,346
Current bond			
Current bank debt		63,850	70,717
Trade payables		172,887	146,584
Advances payment on work in progress contracts		3,956	3,152
Other financial liabilities		5,909	6,739
Other current liabilities		73,218	75,655
CURRENT LIABILITIES		319,819	302,847
DISCONTINUED NON CURRENT LIABILITIES		387	389
TOTAL LIABILITIES		634,110	645,099

Consolidated Income Statement

Amount in thousand Euro					
	Note	Q3 2018	Q3 2017	30.09.2018	30.09.2017
Revenues	2	139,203	37,747	411,002	111,614
Other income	3	7,411	1,219	22,429	3,017
PRODUCTION REVENUES		146,615	38,966	433,431	114,631
Costs of raw, subsid. & consumable mat. and goods	4	52,380	2,681	161,285	5,344
Salaries	5	44,813	23,966	144,264	74,395
Costs for services	6	42,766	7,643	117,610	21,558
Costs for leased assets	7	1,871	878	5,583	2,889
Sundry operating expenses	8	1,192	3,072	3,907	5,267
Change in inventories of raw materials and finished products	9	(3,745)	(172)	(14,657)	(61)
Provisions	10	241	(7)	390	(586)
TOTAL PRODUCTION COSTS		139,519	38,060	418,383	108,807
DIFFERENCE BETWEEN PRODUCTION COSTS AND REVENUES		7,096	906	15,048	5,824
Amortisation, depreciation and write-downs	11	4,968	1,222	14,409	3,587
OPERATIVE RESULT		2,128	(316)	639	2,237
Financial income and charges	12	(4,723)	(1,206)	(16,265)	(2,950)
PRE-TAX RESULT		(2,595)	(1,522)	(15,626)	(713)
Income tax	13	569	(321)	819	622
PROFIT (LOSS) FOR THE EXERCISE DERIVING FROM OPERATING ACTIVITIES		(9)		(35)	
PROFIT OR LOSS FOR THE PERIOD	14	(3,173)	(1,201)	(16,480)	(1,335)
Attributable to:					
Shareholders of holding company		1,113	(1,205)	(6,159)	(1,366)
Minority interest		(4,286)	4	(10,322)	30
Earnings per share losses	15				
Basic earnings per share		0.0230	(0.0282)	(0.1273)	(0.0033)
Basic earnings diluted		0.0230	(0.0282)	(0.1273)	(0.0033)

Consolidated Statement of Comprehensive Income

Amount in thousand Euro			
Description	Note	30.09.2018	30.09.2017
Profit for the period		(16,480)	(1,335)
Profit (loss) Actuarial effect of IAS 19		367	327
Tax effect of changes		(88)	(78)
Total other comprehensive income (loss) will not subsequently be reclassified in profit (loss)	1	279	248
Change in translation reserve		(2,821)	(320)
Profit (loss) on cash flow hedge derivatives		783	
		(188)	
Total other comprehensive income (loss) that will subsequently be reclassified in profit (loss)	1	(2,226)	(320)
NET COMPREHENSIVE INCOME FOR THE PERIOD		(18,427)	(1,407)
<i>attributable to:</i>			
Group		(8,174)	(1,362)
Minority interest		(10,253)	(46)

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
Balance at 31.12.2016	26,980	(1,825)	18,082	2,907	3,931	20,579	2,246	2,838	75,739	994	74,745
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)
Components of comprehensive income											
Profit (loss for the period)								(1,335)	(1,335)	30	(1,365)
Effects of applying IAS 19						248			248	2	246
Translation reserve						(320)			(320)	(79)	(241)
Profit (loss) on cash flow hedge derivatives									0		0
Profit (loss) on AFS classified financial assets									0		0
Total income (loss) for the year Overall									(1,407)	(47)	(1,360)
Balance at 30.09.2017	26,980	(1,825)	18,082	2,907	3,931	18,599	6,939	(1,335)	74,278	921	73,356
Balance at 31.12.2017	26,980	(1,825)	18,082	2,907	3,931	44,461	6,931	50	101,517	27,125	74,392
Reclassification previous year's profit to previous year's profit					27		23	(50)	0		0
Tax effects arising from merger goodwill						(445)			(445)		(445)
Change in consolidation scope						(88)			(88)		(88)
Third-party change in Italtel's shareholding						(31)	188		158	(40)	199
Change in scope of consolidation, acquisition of minorities						90			90	90	0
Components of comprehensive income											
Profit (loss for the period)								(16,480)	(16,480)	(10,319)	(6,161)
Effects of applying IAS 19						279			279	78	201
Translation reserve						(2,821)			(2,821)	(605)	(2,216)
Profit (loss) on cash flow hedge derivatives						595			595	595	0
Total income (loss) for the year Overall									(18,427)	(10,251)	(8,176)
Balance at 30.09.2018	26,980	(1,825)	18,082	2,907	3,959	42,041	7,142	(16,480)	82,806	16,924	65,882

Consolidated Cash Flow Statement

Amount in thousand Euro	Nota		
	16	30.09.2018	30.09.2017
Operating activities:			
Profit (loss)	1	(16,480)	(1,335)
Amortisation, depreciation and provisions		14,799	3,001
Provision for Severance Pay Fund		3,955	3,289
Advances/Payments Severance Pay		(6,508)	(2,877)
Adjustment of value of financial assets		(2,310)	
Cash flow arising from operating activities		(6,543)	2,079
Increase/Decrease in net working capital:			
Variation in stock and payments on account		(38,167)	(3,198)
Variation in receivables to customers		30,124	(403)
Variation in receivables to parent/subsidiary/associated company		(7)	0
Variation in other accounts receivable		(8,959)	(1,264)
Variation in payables to suppliers		26,408	3,970
Variation in payables to parent/subsidiary/associated company		(105)	0
Variation in tax and social security liabilities		(5,724)	(1,124)
Variation in other accounts payable		3,955	5,738
Cash flow arising (used) from current assets and liabilities		7,525	3,719
Cash flow arising (used) from current activities		982	5,798
Investment activities:			
Variation in tangible assets		(2,170)	(621)
Variation in intangible assets		(10,002)	(4,059)
Variation in financial assets		3,634	155
Purchase of minority interests			
Cash flow deriving (used) from the investment activity		(8,538)	(4,524)
Financial assets and liabilities			
New loans	(1)	10,286	13,750
Reimbursement loan	(1)	(26,724)	(12,829)
Net variation in other financial debts	(1)	10,676	(3,438)
Net variation in other financial receivables	(1)	768	967
Changes in other non-current liabilities and use of risk provisions		(6,570)	(1,213)
Paid dividends			
Change in equity		(2,573)	(374)
Cash flow deriving (used) from financing activities		(14,137)	(3,137)
Increase (decrease) in cash		(21,695)	(1,865)
Cash and cash equivalent at the beginning of the year		36,508	12,495
Cash and cash equivalent at end of period		14,813	10,630
Increase (decrease) in liquidity		(21,695)	(1,865)

1) The sum of the relative amounts represents the overall change in net liabilities deriving from financing activities. For the reconciliation with the balance sheet values, see the note on "Net financial position" in the note "Payables to non-current banks"

(4,994) (1,550)

Explanatory Notes

Declaration of compliance with IFRS

This quarterly report, as at 30 September 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 option 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 30 September 2018 include the equity, economic and financial position of the Holding Company Exprivia S.p.A. and its subsidiaries and differs with respect to 31 December 2017 only for the inclusion of Italtel Latam S.r.l. and HR Coffee S.r.l.

The consolidated financial statements as at 30 September 2018 include the income statement and balance sheet effects of the consolidation of Italtel Group, while the comparative figures as at 31 December 2017 only include the balance sheet effects of the consolidation of the Italtel Group, as the date of first consolidation is 31 December 2017, which approximates the date the transaction was finalised, 14 December 2017, coinciding with the acquisition of control. The figures as at 30 September 2017 do not include any effects related to Italtel Group.

Exprivia is conducting the analysis of the final allocation of the acquisition price through the subscription of 81% of Italtel's share capital; the provisional allocation of the price paid, unchanged compared to 31 December 2017, that is not directly attributable to the fair value of assets and liabilities but rather the expectation of obtaining a positive cash flow contribution for an indefinite period, resulted in the recognition of goodwill for Euro 15.6 million.

As envisaged by the revised IFRS 3, any additional items, which should be evident at the acquisition date, will be recognised within 12 months following the acquisition date.

The table below shows the companies under consolidation; the investments shown below are all controlled directly by the Holding Company Exprivia apart from the indirect subsidiaries ProSap Perù Sac, Sucursal Ecuador de Exprivia SLU, Advanced Computer Systems D-GmbH, Exprivia IT Solutions (Shanghai) Co Ltd, and the subsidiaries controlled by Italtel S.p.A. and Italtel BV:

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
HR COFFEE Srl	Other
ProSap SA de CV (Messico)	International Business
ProSAP Perú 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 Perú 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
Italtel Latam Srl	Telco & Media

The main data on the aforementioned subsidiaries consolidated using the line-by-line method are provided below (as at 30 September 2018).



Amount in thousand Euro										
Company	H.O.	Value	Company capital	Value	Results for period	Net worth	Total revenues	Total Assets	% of holding	
Advanced Computer Systems Srl	Roma	amount in Euro	2,931,307	amount in thousand Euro	(365)	4,813	6,465	20,174	100.00%	Exprivia SpA
Advanced Computer Systems D- Gmbh Offenbach (Germania)		amount in Euro	25,000	amount in thousand Euro	(12)	54	378	221	100.00%	Advanced Computer Systems Srl
Consorzio Exprivia S.c.a.r.l	Milano	amount in Euro	20,000	amount in thousand Euro	(3.0)	18	0	1,668	85.00%	Exprivia SpA
									10.00%	Exprivia Enterprise Consulting Srl
									5.00%	Exprivia Projects Srl
Exprivia ASIA Ltd	Hong Kong	amount in Euro	2,937,850	amount in thousand Euro	(20)	(72)	26	558	100.00%	Exprivia SpA
Exprivia It Solutions (Shanghai) Ltd	Shanghai (Cina)	amount in Euro	1,730,000	amount in thousand Euro	(31)	(362)	895	430	100.00%	Exprivia ASIA Ltd
Exprivia Enterprise Consulting Srl	Milano	amount in Euro	275,499	amount in thousand Euro	(296)	(74)	3,385	5,488	100.00%	Exprivia SpA
Exprivia Process Outsourcing Srl	Palermo	amount in Euro	100,000	amount in thousand Euro	4	113	4,577	1,320	100.00%	Exprivia SpA
Exprivia Do Brasil Servicos Ltda	Rio de Janeiro (Brasile)	amount in Euro	5,890,663	amount in thousand Euro	59	1,474	1,822	1,917	52.30%	Exprivia SpA
									47.70%	Siemest SpA
Exprivia Projects Srl	Roma	amount in Euro	242,000	amount in thousand Euro	201	492	5,742	3,325	100.00%	Exprivia SpA
Succursal Ecuador de Exprivia SLU	Quito (Ecuador)	amount in Euro	10,000	amount in thousand Euro	(3)	(9)	0	3	100.00%	Exprivia SLU
Spegea Scarl	Bari	amount in Euro	125,000	amount in thousand Euro	12	217	593	1,360	60.00%	Exprivia SpA
									40.00%	Confindustria Bari
Exprivia SLU	Madrid (Spagna)	amount in Euro	197,909	amount in thousand Euro	(106)	1,509	1,464	7,766	100.00%	Exprivia SpA
HR COFFE SRL	Molfetta (BA)		300,000		(8)	292	0	306	70.00%	Exprivia Spa
									30.00%	persone fisiche
ProSap Centroamerica SA	Città del Guatemala (Guatemala)	amount in Euro	5,000	amount in thousand Euro	(49)	280	240	1,279	98.00%	ProSap Sa de CV
									2.00%	Exprivia SpA
ProSap Sa de CV	Città del Messico (Messico)	amount in Euro	42,000,000	amount in thousand Euro	(550)	(18)	1,269	3,678	2.00%	Exprivia SLU
									98.00%	Exprivia SpA
ProSap Perà SAC	Lima (Perù)	amount in Euro	706,091	amount in thousand Euro	0.0	16	0	32	100.00%	Exprivia SLU
Italtel SpA	Settimo Milanese (MI)	amount in Euro	20,000,000	amount in thousand Euro	(10,458)	35,619	299,534	399,128	81.00%	Exprivia SpA
									19.00%	Cisco Srl
Italtel BV	Amsterdam (Olanda)	amount in Euro	6,000,000	amount in thousand Euro	541	11,040		11,386	100.00%	Italtel Latam Srl
Italtel S.A.	Madrid (Spagna)	amount in Euro	7,353,250	amount in thousand Euro	836	9,387	24,446	19,228	100.00%	Italtel SpA
Italtel Argentina S.A.	Buenos Aires (Argentina)	amount in P.A.	4,030,000	amount in thousand Euro	934	6,646	42,937	12,685	71.46%	Italtel BV
									28.54%	Italtel Latam Srl
Italtel Brasil Ltda	San Paolo (Brasile)	amount in Brazilian Real	6,586,636	amount in thousand Euro	(1,154)	2,519	32,642	22,547	85.12%	Italtel Latam Srl
									14.88%	Italtel BV
Italtel Deutschland GmbH	Dusseldorf (Germania)	amount in Euro	40,000	amount in thousand Euro	11	2,640	8,672	9,551	100.00%	Italtel SpA
									0.00%	Italtel BV
Italtel France Sas	Courbevoie (Francia)	amount in Euro	40,000	amount in thousand Euro	(779)	(751)	6,173	4,093	100.00%	Italtel SpA
Italtel U.K. Ltd	London (Gran Bretagna)	amount in UK Sterling	26,000	amount in thousand Euro	(11)	(28)		4	100.00%	Italtel SpA
									0.00%	Italtel BV
Italtel Belgium Sprl	Bruxelles (Belgio)	amount in Euro	500.000 (di cui versato 200.000)	amount in thousand Euro	(6)	700		701	60.00%	Italtel SpA
									40.00%	Italtel France Sas
Italtel Poland Sp Zo O.	Varsavia (Polonia)	amount in Zloty	400,000	amount in thousand Euro	(225)	(133)	1,070	650	100.00%	Italtel SpA
Italtel Perù Sac	Lima (Perù)	amount in Nuevo Sol	3,028,000	amount in thousand Euro	347	2,619	29,540	13,766	90.00%	Italtel BV
									10.00%	Italtel SpA
Ausoitaltel S.A.	Quito (Ecuador)	amount in US dollar	500,000	amount in thousand Euro	(776)	(698)	2,831	2,065	1.00%	Italtel BV
									99.00%	Italtel Latam Srl
Italtel USA LLC	Miami (Florida)	amount in US dollar	150,000	amount in thousand Euro	17	156		216	100.00%	Italtel SpA
Italtel Telecommunication Hellas EPE in liquidazione	Atene (Grecia)	amount in Euro	729,750	amount in thousand Euro	(286)	129		203	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
Italtel Chile Spa	Santiago (Chile)	amount in Chile Pesos	1,000,000	amount in thousand Euro					100.00%	Italtel SpA

The primary exchange rates used for conversion into Euro of the financial statements of foreign companies for 30 September 2018 were as follows:

Exchange rate	Average of 9 months to 30 September 2018	At 30 September 2018
Argentine Peso	29.741	46.050
Real brazilian	4.2957	4.6535
Pound Sterling	0.88392	0.88730
Dollar USA	1.1949	1.1576
Zloty polacco	4.2478	4.277
Nuevo Sol peruviano	3.8979	3.8192
Riyal Arabia Saudita	4.4810	4.3410
Dollaro Hong Kong	9.3683	9.0579
Renminbi -Yuan (Cina)	7.7792	7.9662
Mexican Peso	22.7447	21.7800
Guatemalan Quetzal	8.9062	8.9171

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.

As at 30 September 2018, the segments subject to reporting were:

- IT (Information Technology), including software, information technology solutions and services and IT. This sector corresponds to the scope of consolidation of Exprivia Group prior to the acquisition of control over Italtel S.p.A.;
- 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 S.p.A. and its subsidiaries as from 31 December 2017. Therefore, information, supplied hereunder on the TLC sector do not include the comparative balances as at 30 September 2017.

The following statement shows the restated financial situation, which highlights the structure of invested capital and funding resources for each individual operating sector as at 30 September 2018 compared with data from 31 December 2017, for the reclassified Balance Sheet, and 30 September 2017, for the Income Statement.

Reclassified Balance Sheet

Amount in thousand Euro	IT			TLC			CONSOLIDATED		
	30.09.2018	31.12.2017	Variation	30.09.2018	31.12.2017	Variation	30.09.2018	31.12.2017	Variation
Property, plant and machinery	14,837	15,334	(497)	12,469	12,875	(406)	27,306	28,209	(903)
Goodwill	69,145	69,174	(30)	122,215	122,215	0	206,949	206,979	(30)
Other Intangible Assets	11,196	11,529	(333)	23,062	24,192	(1,130)	34,258	35,721	(1,463)
Shareholdings	25,165	25,168	(3)	303	421	(118)	468	589	(121)
Other financial assets	267	1,995	(1,728)	1,981	2,441	(460)	2,248	4,436	(2,188)
Deferred tax assets	2,536	2,593	(57)	61,947	63,045	(1,098)	64,483	65,638	(1,155)
NON-CURRENT ASSETS	123,145	125,793	(2,648)	221,977	225,189	(3,212)	335,712	341,571	(5,860)
Trade receivables	58,694	61,153	(2,459)	63,155	90,519	(27,364)	117,761	148,487	(30,726)
Stock	826	895	(69)	52,114	40,112	12,002	52,940	41,007	11,933
Work in progress to order	23,756	16,517	7,239	40,409	20,469	19,940	63,934	36,821	27,113
Other Current Assets	12,479	10,404	2,075	32,248	24,089	8,159	43,779	34,847	8,932
CURRENT ASSETS	95,755	88,969	6,786	187,926	175,189	12,737	278,414	261,161	17,253
DISCONTINUED NON CURRENT ASSETS	0	0	0	112	215	(103)	112	215	(103)
Commercial debts	(24,673)	(25,183)	510	(152,529)	(124,392)	(28,137)	(172,888)	(146,584)	(26,303)
Advances on contract work in progress	(3,956)	(3,152)	(804)	-	-	0	(3,956)	(3,152)	(804)
Other current liabilities	(33,654)	(34,813)	1,159	(40,518)	(40,842)	324	(73,218)	(75,655)	2,437
CURRENT LIABILITIES	(62,282)	(63,148)	866	(193,047)	(165,234)	(27,813)	(250,061)	(225,391)	(24,671)
DISCONTINUED NON CURRENT LIABILITIES	0	0	-	(387)	(389)	2	(387)	(389)	2
NON-CURRENT FUNDS AND LIABILITIES	(16,304)	(15,395)	(909)	(25,966)	(34,865)	8,899	(42,270)	(50,260)	7,990
NET INVESTED CAPITAL	140,314	136,219	4,095	190,615	200,105	(9,490)	321,519	326,907	(5,389)
SHAREHOLDERS' EQUITY	76,168	75,315	853	16,047	35,618	(19,571)	82,805	101,517	(18,712)
NET FINANCIAL POSITION	64,146 ²⁾	60,904 ²⁾	3,242	174,568	164,487	10,081	238,714 ²⁾	225,390 ²⁾	13,324
SOURCES OF FINANCING	140,314	136,219	4,095	190,615	200,105	(9,490)	321,519	326,907	(5,389)

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

2) The net financial position indicated above differs from that reported in the notes to the financial statements as a result of the treasury shares held by the Parent Company, which are shown in the Net Equity item in the table above.

Income Statement

Amount in thousand Euro	IT			TLC			CONSOLIDATED		
	30.09.2018	30.09.2017	Variation	30.09.2018	30.09.2017	Variation	30.09.2018	30.09.2017	Variation
Revenues	112,092	111,614	478	301,756	301,756		1) 411,002	111,614	299,388
Other income	3,482	3,017	465	19,382	19,382		1) 22,429	3,017	19,412
TOTAL REVENUE	115,574	114,631	943	321,138	0	321,138	433,431	114,631	318,800
Costs of raw, subsid. & consumable mat. and goods	(3,585)	(5,344)	1,759	(157,724)	(157,724)		(161,285)	(5,344)	(155,941)
Salaries	(77,549)	(74,395)	(3,154)	(66,715)	(66,715)		(144,264)	(74,395)	(69,869)
Costs for services	(22,129)	(21,558)	(570)	(98,739)	(98,739)		1) (117,610)	(21,558)	(96,051)
Costs for leased assets	(2,317)	(2,889)	572	(3,266)	(3,266)		(5,583)	(2,889)	(2,694)
Sundry operating expenses	(650)	(5,267)	4,617	(3,257)	(3,257)		(3,907)	(5,267)	1,360
Change in inventories of raw materials and finished	(58)	61	(119)	14,715	14,715		14,657	61	14,596
Provisions	(390)	586	(977)	0	0		(390)	586	(977)
TOTAL COSTS	(106,679)	(108,807)	2,128	(314,986)	0	(314,986)	(418,383)	(108,807)	(309,576)
EBITDA	8,895	5,824	3,071	6,152	0	6,152	15,048	5,824	9,224
Amortisation, depreciation and write-downs	(3,059)	(3,587)	528	(11,350)	(11,350)		(14,409)	(3,587)	(10,822)
EBIT	5,836	2,237	3,599	(5,198)	0	(5,198)	639	2,237	(1,598)
Financial income and charges	(2,849)	(2,950)	101	(13,416)	(13,416)		(16,265)	(2,950)	(13,315)
PRE-TAX RESULT	2,987	(713)	3,701	(18,614)	0	(18,614)	(15,626)	(713)	(14,912)
Income tax	(1,754)	(622)	(1,132)	935	935		(819)	(622)	(197)
PROFIT (LOSS) FOR THE EXERCISE DERIVING FROM OPERATING ACTIVITIES	0	0	0	(35)	(35)		(35)	-	(35)
PROFIT (LOSS) FOR THE YEAR	1,233	(1,335)	2,568	(17,714)	0	(17,714)	(16,480)	(1,335)	(15,145)

1) The consolidated figure differs from the aggregation of data from 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 thousand Euro)	30/09/2018	30/09/2017	Variation	%Variation	30/06/2018	Q3 2018	Q3 2017	Variation	Variation%
Projects and Services	149,731	95,674	54,057	56.50%	97,248	52,482	35,794	16,688	46.6%
Maintenance	57,716	10,712	47,004	438.80%	37,225	20,491	449	20,042	4463.7%
HW/ SW third parties	3,432	3,194	238	7.45%	2,120	1,312	1,103	209	18.9%
Own licences	16,620	1,538	15,082	980.62%	13,120	3,500	324	3,176	980.2%
System Integration	182,945		182,945		121,675	61,270		61,270	
Other	558	496	62	12.50%	410	148	77	71	92.2%
Total	411,002	111,614	299,388	268.24%	271,798	139,203	37,747	101,456	268.78%

Exprivia Group (amount in thousand Euro)	30/09/2018	Effect%	30/09/2017	Effect%	Variations%	Q3 2018	Effect %	Q3 2017	Effect %	Variations%
Private	381,224	92.8%	94,886	85.0%	301.8%	126,766	91.1%	32,330	85.6%	292.1%
Public	29,778	7.2%	16,728	15.0%	78.0%	12,437	8.9%	5,417	14.4%	129.6%
TOTAL	411,002		111,614		268.24%	139,203		37,747		268.78%

Exprivia Group (amount in thousand Euro)	30/09/2018	Effect%	30/09/2017	Effect%	Variations%	Q3 2018	Effect %	Q3 2017	Effect %	Variations%
Italy	299,216	65.6%	100,060	89.6%	199.0%	98,947	71.1%	34,042	90.2%	190.7%
Abroad	111,786	34.4%	11,555	10.4%	867.4%	40,256	28.9%	3,705	9.8%	986.5%
TOTAL	411,002		111,615		268.23%	139,203		37,747		268.78%

Explanatory Notes on the Consolidated Balance Sheet

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

Note 1 - SHAREHOLDERS' EQUITY

Share Capital

“Share capital”, fully paid up, amounted to Euro 25,155 thousand as at 30 September 2018 and is unchanged compared to the figure as 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 as at 30 September 2018 for a value of Euro 1,825 thousand, which have not changed with respect to 31 December 2017.

Share Premium Reserve

As at 30 September 2018, the “share premium reserve” amounted to Euro 18,082 thousand and is the same as 31 December 2017.

Revaluation Reserve

As at 30 September 2018, the “revaluation reserve” amounted to Euro 2,907 thousand and is the same as 31 December 2017.

Legal Reserve

The “legal reserve” amounted to Euro 3,959 thousand as at 30 September 2018, reflecting an increase of Euro 28 thousand compared to Euro 3,931 thousand as at 31 December 2017, due to the allocation of the 2017 profit.

Other Reserves

The balance of the item “other reserves” as at 30 September 2018 amounted to Euro 42,041 thousand compared to Euro 44,461 thousand as at 31 December 2017 and is made up as follows:

- Euro 15,295 thousand for “extraordinary reserve”
- Euro 26,746 thousand for “other reserves” compared with Euro 25,160 thousand in 2017. The movements as at 30 September 2017 related to:
 - the positive effect on shareholders' equity of actuarial gains and losses deriving from the adoption of IAS 19 for Euro 279 thousand;
 - the negative effect from the first adoption of IFRS 15 for Euro 88 thousand;
 - the negative effect of the change in the currency translation reserve, for Euro 2,821 thousand;
 - the net positive effect relating to Cash Flow Hedge and AFS instruments amounting to Euro 595 thousand;
 - the tax effects resulting from goodwill from mergers amounting to Euro 445 thousand;

Profits (Losses) from Previous Periods

The reserve for **profits (losses) from previous periods** as at 30 September 2018 came to Euro 7,142 thousand compared to Euro 6,931 thousand at 31 December 2017. It changed as compared to the previous year, essentially as a result of the following factors:

- by Euro 23 thousand due to the allocation of the result from the previous year;
- by Euro 188 thousand for changes related to Group companies.

Minority Interests

The minority shareholders' interests (Euro 16.9 million as at 30 September 2018) mainly relate to the Italtel Group; when establishing the minority interest, the forecasts relating to the economic-equity rights of the minority shareholders and holders of SFP of Italtel S.p.A. were taken into account.

NET FINANCIAL POSITION

In accordance with the CONSOB notice of 28 July 2006 and CESR recommendation of 10 February 2005 "Recommendations for standard implementation of European Commission regulations on disclosure schedules", the table below shows the net financial position of the Exprivia Group as at 30 September 2018 and as at 31 December 2017.

Amount in Euro		30.09.2018	31.12.2017
A.	Cash	2,601,530	900,341
B.	Other liquid assets	12,211,692	35,607,692
C 1.	Securities held for trading	455,336	455,336
C 2.	Own shares	2,547,084	2,547,084
D	Liquid (A)+(B)+(C)	17,815,643	39,510,453
E.	Current financial receivables	1,881,459	1,914,051
F.	Current bank debts	(50,866,036)	(59,098,018)
G.	Current portion of non-current bank debts	(12,983,746)	(11,619,198)
H.	Other current financial debts	(5,908,998)	(6,739,209)
I.	Current financial debts (F) + (G) + (H)	(69,758,779)	(77,456,425)
J.	Net current financial debts (I) + (E) + (D)	(50,061,677)	(36,031,921)
K.	Non-current bank debts	(165,913,888)	(167,499,444)
L.	Bond	(22,851,856)	(22,413,056)
M.	Other non-current financial payables net of non-current financial receivables and derivative financial instruments	2,660,525	3,100,116
N.	Non-current financial debts (K) + (L) + (M)	(186,105,218)	(186,812,384)
O.	Net financial debts (J) + (N)	(236,166,895)	(222,844,305)

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

The changes in liabilities resulting from financing activities is shown below, in accordance with IAS 7 - Statement of Cash Flows.

Amount in thousand Euro

	31.12.2017	Cash Flow	Non-monetary	30.09.2018
Current financial receivables	1,914	(27)	(6)	1,881
Debiti bancari correnti e Parte corrente dell'indebitamento non corrente	(70,717)	6,867	0	(63,850)
Other current financial debts	(6,739)	(2,385)	3,215	(5,909)
Non-current bank debt	(167,499)	1,586	0	(165,914)
Bonds issued	(22,413)	(439)	0	(22,852)
Other non-current net financial debt	3,100	(608)	168	2,660
Net liabilities arising from financing activities	(262,353) (*)	4,994	3,377	0
Liquidity	39,510 (**)	(24,242)	0	15,269 (**)
Net financial debt	(222,843)	(19,248)	3,377	15,269

(*) Flows shown in the cash flow statement.

(**) The item "liquidity" also includes the treasury shares held by the Parent Company and the "Other financial assets available for sale"

Explanatory Notes to the Consolidated Income Statement

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

As indicated previously, the consolidated income statement and consolidated statement of comprehensive income do not include the balances of Italtel Group, which was included in the scope of consolidation effective 1 January 2018.

Note 2 – Revenue

Revenue from sales and services in the third quarter of 2018 amounted to Euro 139,203 thousand compared to Euro 37,747 thousand in the same period of 2017. The change is almost entirely attributable to the contribution of Italtel Group (Euro 104,268 thousand).

Details of the revenues for the third quarter of 2018 by type of services compared with the same period of the previous year are shown below.

Exprivia Group (amount in thousand Euro)	Q3 2018	Q3 2017	Variation	Variation%
Projects and Services	52,482	35,794	16,688	46.6%
Maintenance	20,491	449	20,042	4463.7%
HW/ SW third parties	1,312	1,103	209	18.9%
Own licences	3,500	324	3,176	980.2%
System Integration	61,270		61,270	
Other	148	77	71	92.2%
Total	139,203	37,747	101,456	268.78%

Note 3 - Other Income

"**Other income**" in the third quarter of 2018 amounted to Euro 7,411 thousand compared to Euro 1,219 thousand in the same period of 2017. The change is primarily due to the contribution of Italtel Group (Euro 6,186 thousand). The table below provides details on the item:

Descrizione	Q3 2018	Q3 2017	Variazioni
Altri ricavi e proventi	2.672	39	2.633
Contributi in conto esercizio	2.358	563	1.795
Costi per progetti interni capitalizzati	2.381	616	1.765
TOTALI	7.411	1.219	6.193

Other Revenue and Income

“Other revenue and income” in the third quarter of 2018 amounted to Euro 2,672 thousand compared to Euro 39 thousand in the same period of 2017. The change is almost entirely attributable to the contribution of Italtel Group, mainly in reference to contributions from suppliers linked to incentive programmes.

Grants for Operating Expenses

“Grants for operating expenses” in the third quarter of 2018 amounted to Euro 2,358 thousand compared to Euro 563 thousand in the same period of 2017. The change is almost entirely attributable to the contribution of Italtel Group (Euro 1,691 thousand). This item refers to grants and tax credits pertaining to the period for funded research and development projects. The grants are carried net of the amount allocated to the risk provision for any minor grants that might not be received.

Costs for Capitalised Internal Projects

“Costs for capitalised internal projects” totalled Euro 2,381 thousand in the third quarter of 2018, compared to Euro 616 thousand in the same period of 2017. These are costs incurred during the period by Italtel Group for product development in the TLC area for Euro 1,825 thousand, in the Banking & Finance area for Euro 74 thousand, in Healthcare for Euro 257 thousand, and in Aerospace & Defence for Euro 225 thousand.

Note 4 - Costs for Sundry Consumables and Finished Products

The balance of the item “costs for sundry consumables and finished products” in the third quarter of 2018 increased to Euro 52,380 thousand compared to Euro 2,681 thousand in the same period of the previous year. The table below provides details on the items. The change is mainly due to Italtel’s contribution, equivalent to Euro 51,386 thousand. The table below provides details on the item:

Description	Q3 2018	Q3 2017	Variation
Purchase of HW-SW products	52,331	2,557	49,774
Stationery and consumables	18	19	(1)
Fuel and oil	31	40	(9)
Other costs	0	65	(65)
TOTAL	52,380	2,681	49,699

Note 5 - Staff Costs

The balance of the item “staff costs” in the third quarter of 2018 amounted to Euro 44,813 thousand compared to Euro 23,966 thousand in the same period of 2017. The change is almost entirely attributable to the contribution of Italtel Group (Euro 20,561 thousand).

The table below provides details on the item:

Description	Q3 2018	Q3 2017	Variation
Salaries and wages	32,897	17,591	15,306
Social charges	8,967	4,526	4,441
Severance Pay	1,998	1,167	831
Other staff costs	950	682	269
TOTAL	44,813	23,966	20,847

The number of employees as at 30 September 2018 came to 3,973 (of which 3,961 employees and 12 temporary workers) while the Group employed 2,518 staff as at 30 September 2017 (of which 2,507 employees and 11 temporary workers).

The average as at 30 September 2018 was 3,968 employees and 12 temporary workers.

Note 6 – Costs for Services

The balance of the item “**costs for services**” in the third quarter of 2018 amounted to Euro 42,766 thousand compared to Euro 7,643 thousand in the same period of 2017. The change is primarily due to the contribution of Italtel Group (Euro 35,764 thousand).

The table below provides details on the items:

Description	Q3 2018	Q3 2017	Variation
Technical and commercial consultancy	33,851	3,566	30,285
Administrative/company/legal consultancy	940	620	320
Auditors' fees	82	40	42
Travel and transfer expenses	1,483	550	933
Utilities	1,389	242	1,147
Advertising and agency expenses	201	77	124
Bank charges	167	94	73
HW and SW maintenance	1,511	2,106	(596)
Insurance	409	121	288
Other costs	2,733	227	2,506
TOTAL	42,766	7,643	35,123

The most significant change was caused by the increase in costs for professional and commercial services, other service costs, utilities, and travel expenses, which are closely related with the rise in revenues.

Note 7 – Costs for Leased Assets

The balance of the item “**costs for leased assets**” in the third quarter of 2018 amounted to Euro 1,871 thousand compared to Euro 878 thousand in the same period of 2017. The change is due to the contribution of Italtel Group (Euro 1,124 thousand). The table below provides details on the items:

Description	Q3 2018	Q3 2017	Variation
Rental expenses	1,363	399	965
Car rental/leasing	291	207	84
Rental of other assets	99	226	(127)
Other costs	117	46	71
TOTAL	1,871	878	994

Note 8 - Sundry Operating Expenses

The consolidated balance of the item “**sundry operating expenses**” in the third quarter of 2018 amounted to Euro 1,192 thousand compared to Euro 3,072 thousand in the same period of 2017. The change is primarily due to the charges recognised in the third quarter of 2017 for the tax dispute (item “other operating expenses”) between the Inland Revenue Agency and the subsidiary Exprivia Enterprise Consulting S.r.l.

Description	Q3 2018	Q3 2017	Variation
Annual subscriptions	125	35	90
Taxes	440	111	329
Penalties and fines	88	(48)	136
Charitable donations	29	2	27
Write-offs	0	14	(14)
Penalties and damages	0	17	(17)
Other sundry operating expenses	511	2,941	(2,430)
TOTAL	1,192	3,072	(1,879)

Note 9 - Changes in Inventories

In the third quarter of 2018, the balance of the item “**changes in inventories**” was negative for Euro 3,745 thousand compared to Euro -172 thousand in the same period of the previous year. It refers primarily to the contribution of Italtel Group.

Note 10 – Provisions and Write-downs of Current Assets

The consolidated balance of “**provisions and write-downs of current assets**” in the third quarter of 2018 amounted to Euro 241 thousand compared to a negative balance of Euro 7 thousand in the corresponding period of the prior year. This change includes the write-downs of receivables in current assets of the subsidiary ProSap SA de CV (Mexico) for Euro 166 thousand.

The table below provides details on the items.

Description	Q3 2018	Q3 2017	Variation
Provision for bad debts	166		166
Provision for tax litigation risks	0		0
Provision for legal disputes with employees	0	(10)	10
Other provisions	75	3	72
TOTAL	241	(7)	248

Note 11 - Amortisation, Depreciation and Write-downs

Amortisation and Depreciation

In the third quarter of 2018, “**amortisation and depreciation**” amounted to Euro 4,968 thousand compared with Euro 1,117 thousand in the same period of 2017, of which Euro 3,934 thousand for amortisation of intangible fixed assets and Euro 1,034 thousand for depreciation of tangible fixed assets.

Write-downs

“**Write-downs**” had a zero balance in the third quarter of 2018, compared to Euro 105 thousand in the same period of 2017.

Note 12 - Financial (Income) Charges and Other Investments

The balance of the item “**financial (income) charges and other investments**” amounted to a negative Euro 4,723 thousand in the third quarter of 2018 compared with a negative Euro 1,206 thousand in the same period last year. The deterioration for this item is due to the contribution of Italtel Group for Euro 4,032 thousand.

The table below provides details on the items.

Description	Q3 2018	Q3 2017	Variation
Proceeds from shareholdings from parents	14	40	(26)
Income from other investments	7		7
Other income other than the above	378	25	354
Interest and other financial charges	(3,621)	(965)	(2,656)
From parent charges	(113)	(98)	(15)
Profit and loss on currency exchange	(1,387)	(207)	(1,180)
TOTAL	(4,723)	(1,206)	(3,517)

Income from Parent Companies

The balance of the item “**income from parent companies**” amounted to Euro 14 thousand in the third quarter of 2018 compared to Euro 40 thousand in the same period in 2017 and refers to interest accrued in relation to Abaco Innovazione S.p.A. for a loan disbursed by Exprivia S.p.A.

Income Other Than the Above

The balance of the item “**income other than the above**” in the third quarter of 2018 amounted to Euro 378 thousand compared to Euro 25 thousand in the same period of 2017. The change is primarily due to the item “other interest income”, which includes interest on receivables related to the IRES and IRAP reimbursement request for Euro 141 thousand and interest income for legal disputes for Euro 172 thousand. The table below provides details on the item.

Description	Q3 2018	Q3 2017	Variation
Bank interest receivable	(9)	3	(12)
Interest income from securities	5		5
Other interest income	345	19	326
Rounding up of assets	37	2	35
TOTAL	378	25	354

Interest and Other Financial Charges

The balance of the item “**interest and other financial charges**” in the third quarter of 2018 amounted to Euro 3,621 thousand compared to Euro 965 thousand in the same period of 2017. The change is primarily due to the contribution of Italtel Group (Euro 2,598 thousand). The table below provides details on the items.

Description	Q3 2018	Q3 2017	Variation
Bank interest payable	1,546	30	1,516
Interest on loans and mortgages	605	267	338
Sundry interest	1,076	651	425
Charges on financial products and sundry items	(5)	10	(15)
Rounding up/down	227	8	219
Interest cost IAS 19	172		172
TOTAL	3,621	965	2,655

Charges from Parent Companies

The balance of the item “**charges from parent companies**” amounted to Euro 113 thousand in the third quarter of 2018 compared with Euro 98 thousand in the corresponding period of 2017 and refers to the portion of charges relative to the period recognised by Exprivia S.p.A. to the parent company Abaco Innovazione S.p.A. for guarantees issued by the latter with respect to its subsidiary.

Exchange Gains and Losses

In the third quarter of 2018, “**exchange gains and losses**” amounted to Euro 1,387 thousand compared to Euro 207 thousand in the same period of 2017. The change is almost exclusively due to the contribution of Italtel Group (Euro 1,445 thousand). This amount refers to the fluctuations in exchange rates due to the commercial transactions carried out by the Group’s foreign companies in currencies other than the domestic currency and in the change of the fair value of hedging transactions on exchange risk.

Note 13 - Taxes

In the third quarter of 2018, “**taxes**” amounted to Euro 569 thousand compared to the negative balance of Euro 321 thousand in the same period of 2017; the table below provides details on the changes compared to the previous period:

Description	Q3 2018	Q3 2017	Variation
IRES	(465)	(589)	124
IRAP	179	165	14
Foreing tax	44	15	29
Taxes from prior years	107	(64)	171
Defered tax	631	28	603
Deferred tax assets	73	124	(51)
TOTAL	569	(321)	890

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

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

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

Note 14 - Profit (Loss) for the Period

The income statement for the third quarter of 2018 closed with a consolidated loss, after taxes, of Euro 3,173 thousand compared to the consolidated loss of Euro 1,201 thousand reported in the same period of 2017.

Note 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 diluting shares, which could adjust the economic result attributable to holders of ordinary capital instruments.

As at 30 September 2018 the basic and diluted loss per share amounted to Euro -0.1273.

Profit / (loss) in Euro	30/09/2018
Profits for determining basic earnings per share (Net profit due to shareholders of parent company)	(6,159,255)
Profit for determining the earnings per basic share	(6,159,255)
Number of shares	30/09/2018
Number of ordinary shares at 1 January 2018	51,883,958
Purchase of own shares at 30 September 2018	3,509,153
Average weighted number ordinary shares for calculation of basic profit	48,374,805
Earnings per share (Euro)	30/09/2018
Profit (loss) per basic share	-0.1273
Diluted earnings (loss) per share	-0.1273

Note 16 - Information on the Cash Flow Statement

The decrease in cash and cash equivalents during the period, equivalent to Euro 22.5 million, is due to the negative flows deriving from financing activities for Euro 14 million, as well as negative flows deriving from investment activities for Euro 8 million, partly offset by positive flows deriving from operations for Euro 152 thousand.

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 30 September 2018 referring to the Consolidated Financial Statements correspond to the accounting documents, books and records.

Molfetta, 14 November 2018.

Valerio Stea

Financial Reporting Officer Responsible for Preparing
Corporate Accounting Documents