Annual Report 2018

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Contents

Exprivia S.p.A.
Subject to the management and co-ordination of Abaco Innovazione S.p.A.
Registered offices in Via Adriano Olivetti 11, Molfetta, Italy
Share Capital Euro 26,979,658.16 fully paid up
Tax Code and Bari Companies' Register Enrolment No. 0072190298 E&A Index No. BA481202
Company with shares listed in the MTA Star Segment of Borsa Italiana S.p.A.

Letter to Shareholders

Dear Shareholders,

The year 2018 was very intense in terms of objectives set, projects carried out and results achieved.
Indeed, 2018 was the year in which we began our collaboration with Italtel, which joined the group when we acquired 81% of its share capital at the end of December 2017. This year, we began to take advantage of the first areas of synergy identified within the group, from the organisational perspective as well as in terms of identifying joint activities to serve our markets.

During our presentation of the 2018-2023 business plan to the community of investors at the Italian Stock Exchange on 11 July, we presented the group's new organisational structure based on eight "Digital Factories", which we have called our production centres, in which the expertise of Exprivia and Italtel merge to create new solutions and new software products, and five "Vertical" markets: Banking Finance & Insurance, Healthcare and Public Sector, Manufacturing & Distribution, Telco & Media and International.

Today, our group serves the market as a business capable of handling every type of digital transformation challenge while taking advantage of the opportunities offered by the convergence between Information Technology and Communication Technology. The integration between a company specialised in process consulting, tech services and application solutions and a highly industrial operator like Italtel which is able to create software products and solutions for telecommunications as well as develop smart networks, brings to life a robust business never seen before either domestically or internationally, with roughly 4,000 workers, a presence in 20 countries and around 1,000 applied researchers working to develop new solutions capable of offering innovation throughout the value chain.

In the group's geographical areas, EMEA and LATAM, the digital market is expected to grow somewhat in every country and across every one of its business lines: according to the Gartner Group, the compound annual growth rates for EMEA by 2023 are 2.30% for software implementation development services, 6.70% for IT consulting and 6.59% for outsourcing services. The figures are even higher in LATAM. Although rates in Italy are not as impressive, Italian business investments continue to rise, especially for SMEs involved in the digital transformation.

The results achieved are basically in line with our plan targets, confirming the soundness of the reasons underlying the Italtel transaction, put forward by the Board of Directors as well as the management.
Consolidated revenues amounted to Euro 623.2 million compared to 2017 pro-forma when they were Euro 614 million, while profit margins reached Euro 41.8 million compared to Euro 26.9 million in 2017 pro-forma.

The net loss of around Euro 900 thousand, which declined significantly compared to the loss in the previous year, was due for roughly Euro 5 million to exchange losses in Latin American countries.

The net financial position was better than forecast in the business plan.

In the Finance and Insurance market, as well as Telco & Media, our performance was aligned with last year. We saw significant growth in the Industry Energy & Utilities segment, and a number of Industry 4.0 initiatives were launched in the manufacturing sector. Good performance was recorded in the Healthcare and Public Sector markets, also thanks to the awarding of important long-term tender contracts. The results in the international markets were more uneven, due to political and economic difficulties in some Latin American countries and mature, strong competition in EMEA countries.

Again this year, we prepared our “consolidated non-financial statement”, which we prefer to refer to as the “sustainability report”, pursuant to Legislative Decree 254 of 2016, with more complete data regarding the entire scope of consolidation.

The year 2018 saw our shares suffer in the Stock Exchange due to the substantial profit taking by individual savings plans (PIR) and the conditions of uncertainty surrounding the transaction just completed. The price fell from a high of Euro 1.69 in January to a low of Euro 0.82 in November, in line with FTSE index trends, and rebounded considerably in the early months of 2019.
We are convinced that the good results presented will generate greater confidence as to the group’s capacity to reach the business plan targets and that this will have positive effects that will impact our share value.

I am certain, along with the rest of the management, that the valuable work we are doing will drive vigorous growth and the consolidation of a new group that will also continue in the years to come, laying the industrial foundations for robust growth for our group. I know that the management is on the same page and this is what we are striving for as we look to the future each and every day.

In the name of the Board of Directors and the entire management, I would like to warmly thank all of our stakeholders: our Shareholders, our Investors, for their support, and every one of our Employees, for their continuous commitment and the efforts they make every day to continue to build a solid, high calibre Group.

The Chairman
Domenico Favuzzi

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 31 December 2018

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Significant Group Figures and Result Indicators

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

amount in thousand Euro	31.12.2018	31.12.2017
Total revenues	623,210	161,204
net proceeds	590,964	157,122
increase to assets for internal work	10,534	2,533
other proceeds and contributions	21,712	1,549
Difference between costs and production proceeds (EBITDA)	41,822	12,095
% on total revenues	6.7%	7.5%
Net operating result (EBIT)	20,998	6,504
% on total revenues	3.4%	4.0%
Net result	(852)	50
Group net equity	72,262	74,392
Total assets	667,869	645,099
Capital stock	25,083	25,155
Net working capital (1)	21,631	31,401
Cash flow (2)	20,208	5,197
Fixed capital (3)	345,898	344,845
Investment (4)	16,362	3,735
Cash and securities / other financial assets (a)	29,062	44,697
Financial payables / other short-term financial liabilities (b)	(62,981)	(77,456)
Financial payables / other medium / long-term financial liabilities (c)	(180,724)	(190,085)
Net financial position (5)	(214,643)	(222,844)

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

(2) - "Cash flow" represents the cash flow generated (absorbed) by income management.

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

(4) - "Investments" are calculated as the sum of cash flows absorbed by increases in tangible assets, intangible assets and equity investments, net of consideration for disposals.

(5) - Net financial position = a+b+c.

The table below shows the main economic indicators of the Group as at 31 December 2018, compared with the same period of the previous year.

Exprivia Group	31.12.2018	31.12.2017
Index ROE (Net income / Equity Group)	-1.18%	0.07%
Index ROI (EBIT / Net Capital Invested) **(6)**	6.59%	2.00%
Index ROS (EBIT / Revenues)	3.55%	4.14%
Financial charges **(7)** / Net profit	17.06	-72.09

(6) - Net capital employed: Equal to net working capital plus non-current assets net of non-current liabilities (excluding bank debt and bond issues)

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

The indicators shown in the tables above were significantly impacted by the consolidation of the Italtel Group's economic data as of 1 January 2018.

The table below shows the main capital and financial indicators of the Group referring to 31 December 2018 and 31 December 2017.

Exprivia Group	31.12.2018	31.12.2017
Net Financial Debt / Equity Capital	2.97	3.00
Debt ratio (Total Liabilities / Equity Capital)	9.24	8.67

Summary of the Operations in 2018

Below are the main results for the year 2018 compared with the results of the previous year as published for comparative purposes and pro-forma, as if the Italtel Group had been acquired as of 1 January 2017; in this regard, please note that the Italtel Group was consolidated within the Exprivia Group as of 31 December 2017 with respect to the Balance Sheet and 1 January 2018 as concerns the Income Statement.

Financial Statement Data

Exprivia Group (value in thousand Euro)	31.12.2018	31.12.2017	Variations	Variations %
Revenues	623,210	161,204	462,006	286.6%
EBITDA	41,822	12,095	29,727	245.8%
EBIT	20,998	6,504	14,494	222.9%
Pre-tax result	1,780	2,644	(864)	-32.7%
Net financial position	(214,643)	(222,844)	8,201	-3.7%

Exprivia Group pro-forma figures (value in thousand Euro)	31.12.2018	31.12.2017	Variations	Variations %
Revenues	623,210	614,233	8,977	1.5%
EBITDA	41,822	26,929	14,893	55.3%
EBIT	20,998	8,656	12,342	142.6%
Pre-tax result	1,780	(6,180)	7,960	-128.8%
Net financial position	(214,643)	(222,844)	8,201	-3.7%

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

Exprivia Group pro-forma figures (value in thousand Euro)	31.12.2018	31.12.2017	Variations	Variations %
Revenues	161,453	161,204	249	0.2%
EBITDA	15,886	12,095	3,792	31.4%
EBIT	11,757	6,504	5,253	80.8%
Pre-tax result	7,868	2,644	5,224	197.6%
Net financial position	(45,769)	(58,357)	12,588	-21.6%

As can be seen, the revenues of the Exprivia Group for 2018 net of the consolidation of the Italtel Group, amounting to Euro 161.5 million, were basically aligned with 2017; on the other hand, profit margins saw significant growth for the “Exprivia Group”, excluding the Italtel Group. The net financial position as at 31 December 2018 was negative at Euro 45.8 million, marking an improvement of Euro 12.6 million compared to the negative Euro 58.4 million as at 31 December 2017.

Significant Exprivia SpA Figures and Result Indicators

The table below outlines the main economic, capital and financial data taken from the separate financial statements of Exprivia SpA as at 31 December 2018, compared with the figures as at 31 December 2017.

Please note that the data for 2018 reflect the effects of the mergers by incorporation of the subsidiaries Exprivia Enterprise Consulting Srl and Advanced Computer Systems A.C.S. Srl, completed on 1 December 2018 and 27 December 2018, respectively. Both merger transactions were retroactively effective for accounting and tax purposes as of 1 January 2018.

amount in thousand Euro	31.12.2018	31.12.2017
Total revenues	142,402,400	133,233,324
net proceeds	137,535,824	130,742,530
increase to assets for internal work	2,218,756	1,328,166
other proceeds and contributions	2,647,820	1,162,628
Difference between costs and production proceeds (EBITDA)	16,149,840	14,970,965
% on total revenues	11%	11%
Net operating result (EBIT)	10,141,064	4,914,765
% on total revenues	7%	4%
Net result	4,234,366	548,350
Group net equity	80,380,228	73,766,265
Total assets	215,385,832	207,113,976
Capital stock	25,082,911	25,154,899
Net working capital (1)	16,969,765	27,474,304
Cash flow (2)	10,172,181	16,126,711
Fixed capital (3)	132,711,368	117,662,291
Investment (4)	3,477,857	26,801,796
Cash and securities / other financial assets (a)	8,894,752	14,088,855
Short-term intra-group financial receivables (payables) **(b)**	1,530,524	7,007,922
Inter-company financial receivables (payables) with m / l term **(c)**	2,261,811	4,115,838
Short-term financial debts **(d)**	(20,464,883)	(31,851,132)
Medium-/long-term financial debts **(e)**	(37,663,039)	(41,906,696)
Net financial position **(5)**	(45,440,835)	(48,545,213)

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

(2) - "Cash flow" represents the cash flow generated (absorbed) by income management.

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

(4) - "Investments" are calculated as the sum of cash flows absorbed by increases in tangible assets, intangible assets and equity investments, net of consideration for disposals.

(5) - Net financial position = a+b+c+d+e.

The table below shows the main economic indicators of the company for 2018 compared to 2017:

Exprivia	31/12/2018	31/12/2017
Index ROE (Net income / Equity Group)	5.27%	0.74%
Index ROI (EBIT / Net Capital Invested) **(6)**	7.55%	3.63%
Index ROS (EBIT / Revenues)	7.37%	3.76%
Financial charges **(7)** / Net profit	(0.84)	(3.93)

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

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

The table below shows the main financial and equity indicators of the company for 2018 compared to 2017:

Exprivia	31/12/2018	31/12/2017
Net Financial Debt / Equity Capital	0.57	0.66
Debt ratio (Total Liabilities / Equity Capital)	2.68	2.81

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

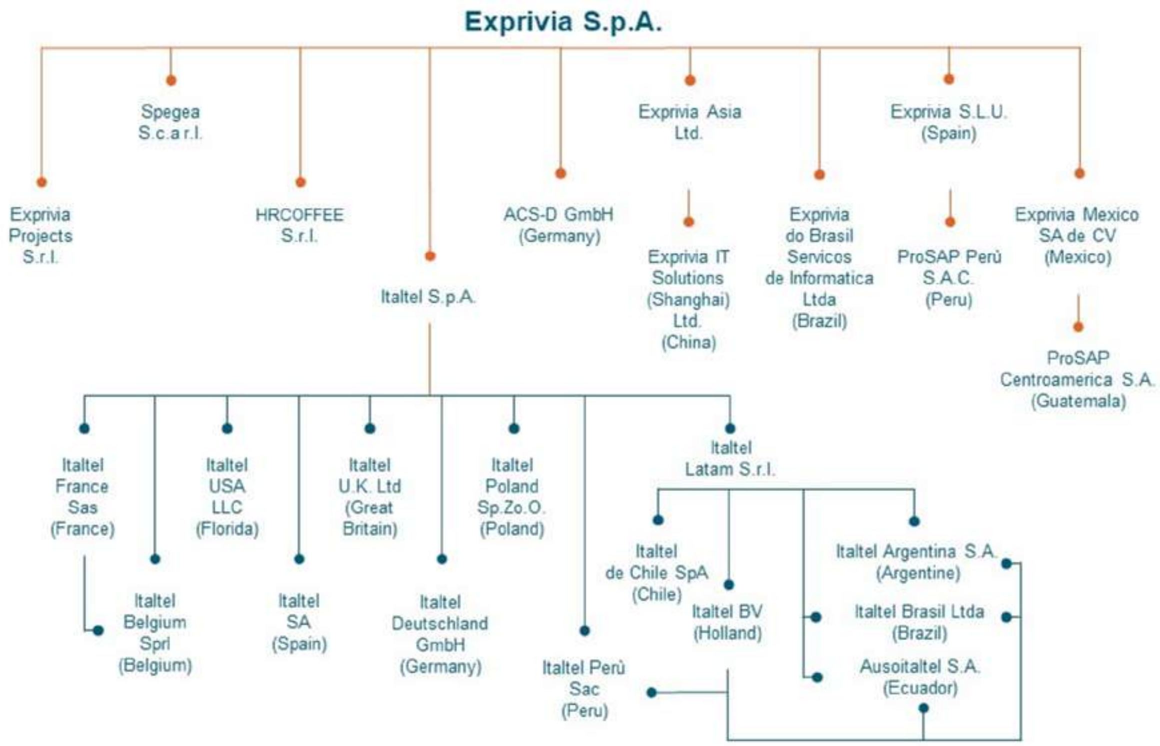
Simple is the fundamental requirement of all our systems, designed to improve people's lives through the availability and usability of information.

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:

Italian companies

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.

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.

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.

Italtel Latam Srl an Italian company with registered office in Italy, wholly owned by Italtel SpA, which manages Italtel SpA’s shareholdings in Latin American countries.

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.

Exprivia Mexico SA de CV, a Mexican company based in Mexico City, 98% owned by Exprivia SpA and 2% by Exprivia SLU, has been operating since 2004 and offers professional services and project development in the SAP environment, development of WEB portals, solutions and information systems for the Healthcare market in Latin American countries, including through its Guatemala-based subsidiary (ProSAP Centroamerica SA).

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.

ACS-D GmbH (Germany), a company operating in Germany for the purpose of acting on behalf of Exprivia SpA, its sole shareholder, in the aerospace and defense sector.

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 Perù 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 de Chile SpA., a company with a sole shareholder, Italtel Latam Srl. The company provides telecommunications and IT services, as well as software programming for telecommunications and IT.

Other investments

Software Engineering Research & Practices S.r.l., established in 2006 and 6% held by Exprivia SpA, is spin-off of the University of Bari. Its goal is to industrialise the results of university research in the field of software engineering and transfer them into business processes.

Consorzio Milano Ricerche, in which Italtel S.p.A. holds an 8.3% investment, with registered office in Milan, pursues the following business purposes: conducting research on technological transfer methodologies;

promotion and support of research activities in common between universities, public research institutes, businesses and public administrations; promotion and management of training and continuous education activities; transfer of know-how to SMEs; support for the development of new entrepreneurs within the area of advanced technologies. Italtel's presence on the Board of Directors and the Scientific Technical Committee makes it possible to extend the research ecosystem to all Consortium partners, direct the scientific activities of the Consortium towards topics of prevalent industrial research interest of the Exprivia/Italtel Group, and generate new research and innovation collaboration initiatives.

MIP Polytechnic of Milan – Graduate School of Business is an international business school in the form of a consortium company. Its registered office is in Milan and Italtel SpA is a consortium member with a stake of 2.98%. MIP aims to: train human capital and teach management skills for the development of businesses, public administrations and the economic system as a whole; design, promote and provide post-graduate and post-experience training programs in the field of management, economics and industrial engineering; carry out applied research activities in a manner functional to training activities. In recent years, the school has internationalised significantly and has obtained instruments capable of making it a laboratory of ideas able to pinpoint new trends and challenges, facilitating the continuous and valuable exchange of knowledge, experience and know-how and making it possible to anticipate changes in the global competitive environment and more effectively meet the need for the increasingly multidisciplinary skills demanded by companies.

Consortia Initiatives

Consorzio Biogene, established in 2005 between public and private partners for the development of the project known as "Public-private laboratory for the development of integrated bioinformatic tools for Genomics, Transcriptomics, and Proteomics (LAB GTP)".

"DAISY – NET" Società cons. a r.l. was formed in 2008 to undertake initiatives for the development of an I.C.T. technology centre to be part of a network of regional technology centres.

Distretto Agroalimentare Regionale ("D.A.Re."), a consortium founded in 2004 based in Foggia, which acts as the interface for technology transfer from the Puglia research system to the agribusiness system. It provides services to support technological innovation by managing complex projects relating to industrial research and competitive development.

Distretto Tecnologico Pugliese ("DHITECH"), a consortium company based in Lecce established in 2006. The consortium intends to develop and integrate an interdisciplinary cluster for nanoscience, bioscience and infoscience according to the guidelines of the seventh framework programme and national research plan.
Distretto Tecnologico Nazionale per l'Energia ("DiTNE"), based in Brindisi, it was formed in 2008 to provide support for research in production sectors in the field of energy, to encourage technology transfer needed by national and international players in the sector, and to favour connections between the worlds of research, production of goods and services, credit and the territory.

Distretto H-BIO Puglia società cons. a r.l., a consortium company based in Bari, it is known as the "Puglia technological district for human healthcare and biotechnologies". It was formed in 2012 to develop its operations in the strategic areas of products for molecular diagnostics and integrated diagnostics, treatment and rehabilitation products and bioinformatics products.

Service Innovation Laboratory by DAISY s.c.ar.l: is a consortium for innovation services set up in 2013 by Daisy-Net as a result of the MIUR funding project for new public and private laboratories. It brings together companies and universities in Puglia and operates in clusters with similar laboratories in Calabria and Sicily. The focus of SI-Lab is the integration of services, which are then experimented in the field of healthcare services. Exprivia SpA has had an 18.37% investment in the company since its establishment.

Consorzio Italy Care, established in March 2014 by Exprivia SpA together with Farmalabor Srl, Villa Maria Care & Research Group, and MASMEC Biomed. The Consortium aims to optimise results and investments in healthcare. Penetration of international markets plays an essential role in the mission of Italy Care. Promoting a winning image in the healthcare chain that crosses borders is the goal of the consortium.

Cefriel Scarl società consortile a responsabilità limitata. This is a consortium in operation since 1988 as a centre of excellence for innovation, research and training in the Information & Communication Technology sector. Its main goal is to strengthen relations between universities and business through a multidisciplinary approach, starting from business needs and integrating the results of research, the best technologies on the market, emerging standards and the reality of industrial processes to innovate or develop new products and services.

Consel – Consorzio Elis per la Formazione Professionale Superiore – S.c.r.l., based in Rome. Italtel S.p.A. has a 2.5% investment in the consortium.

Parco Scientifico e Tecnologico della Sicilia S.c.p.A., based in Palermo, works in the field of research. Italtel S.p.A has a 0.04% investment in the company.

Consorzio Nazionale Imballaggi CONAI, based in Rome, handles packaging management. Italtel SpA has a 0.005% investment in the consortium.

Consorzio COFRIDIP, based in Padua. Italtel SpA has a 9.09% investment in the consortium.

Distretto Tecnologico Sicilia Micro e Nano Sistemi S.c.a.r.l., based in Palermo. Italtel SpA has a 4.55% investment in the district.

SI-LAB Sicilia S.c.r.l., based in Palermo. Italtel SpA has an 18.50% investment in the company.

Open Hub Med S.c.a.r.l., based in Milan. Italtel SpA has a 9.52% investment in the company.

Innovation

The foundry of ideas

Innovation Lab

Innovation to explore and construct new business opportunities

Innovation Lab it 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 accademics and research, which has led to the activation of various prejects 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 eploit public contributions, creates innovative technologies and solutions to he 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.).

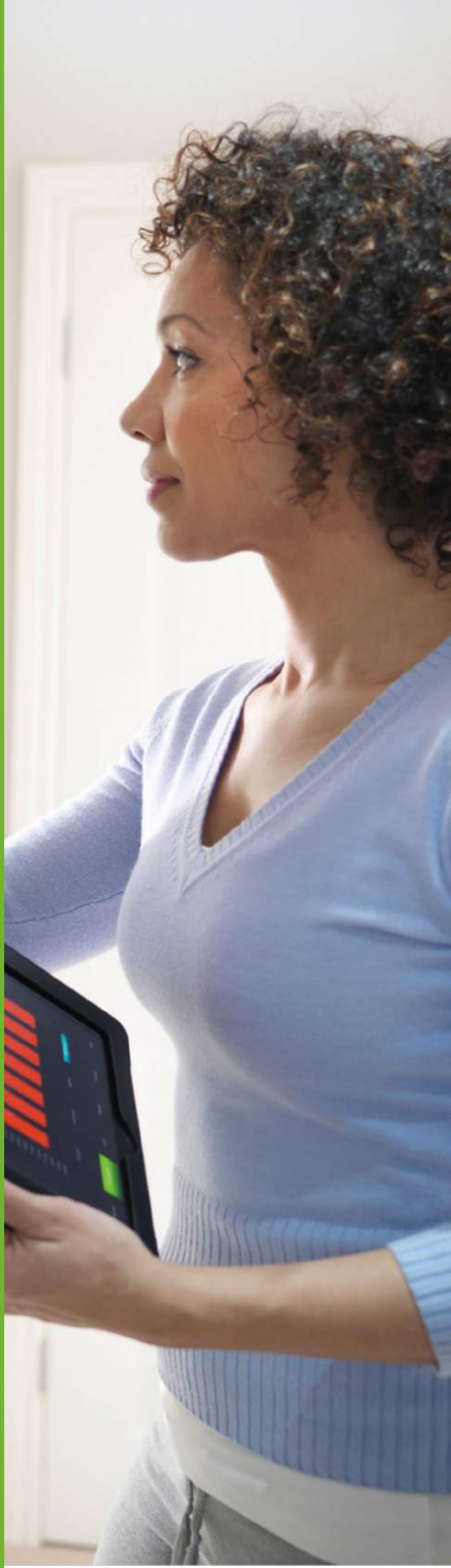
Thus, we are the best partner for service providers for Telco media providers and manufacturing companies to better support their business in programmes for technological innovation and automation and enriching the B2B offer.

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 heterogenous information (images, video, data, text, symbols, voice, sound) generated by a multitude of wearable, fixed and mobile sensors on flights, in navigation, in orbit, in vehicles and in drones.

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

Manufacturing & Distribution

Towards the new industrial revolution

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

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

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

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

Healthcare

Innovative solutions for individual health and efficient administration

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

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

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

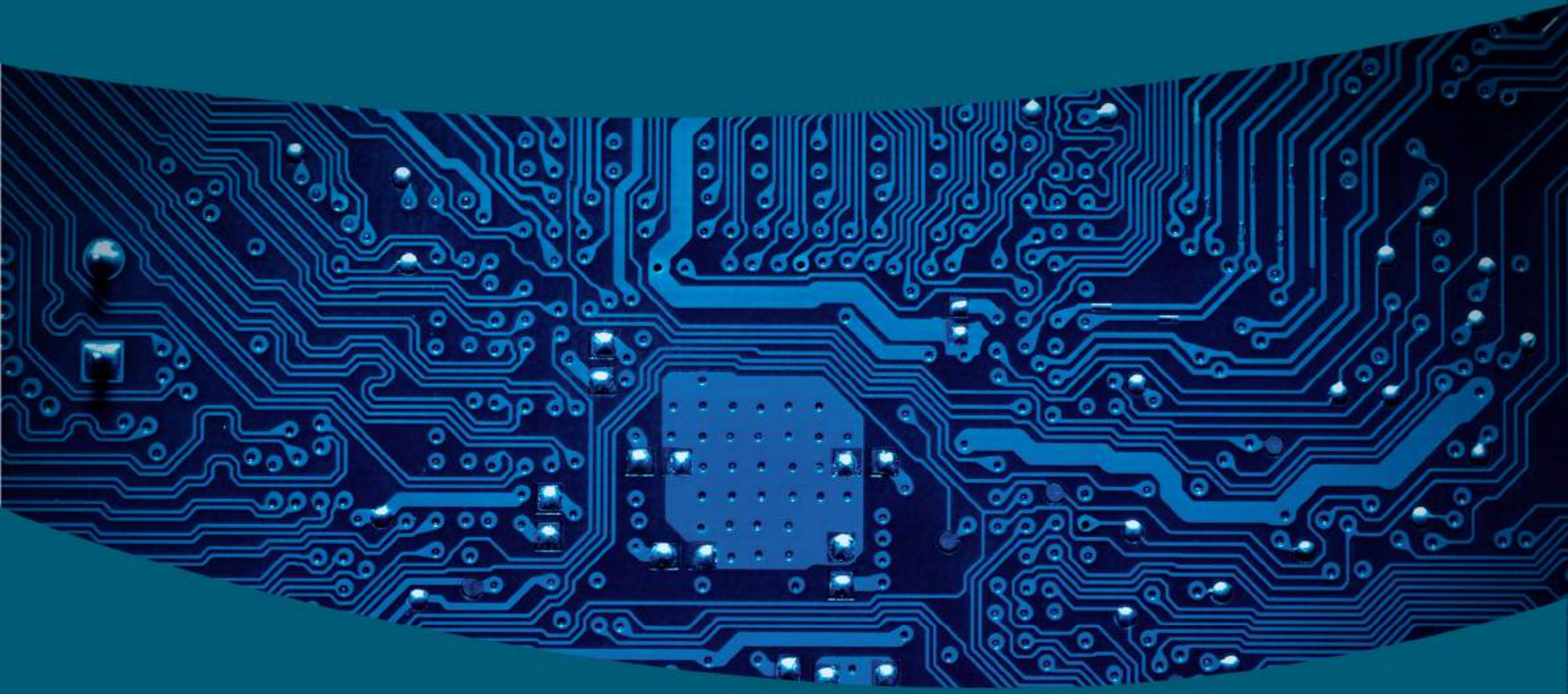
Public Sector

PA digitalisation: the first step towards a reinvigorated country

Some time ago the Public Administration launched a modernisation process based on principles such as innovation, simplicity and reliability to support businesses, residents, public employees and the state itself. Bureaucratic streamlining through the digitalised management of the PA - along with organisational renewal activities - now allows for the reconciliation of spending optimisation with service quality, as it provides users with multiple rapid and effective communication channels that connect residents with public institutions and provide the latter with a series of worry-free and completely secure tools for completing administrative procedures.

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

- products and services for management;
- eGovernment and eProcurement solutions;
- storage and sharing of electronic documents;
- planning and control through business intelligence platforms and business analytics;
- performance measurement in PA processes;
- solutions to support administrative processes (SOA paradigm);
- single point of access for the exchange of information between the entity, residents and businesses;
- system integration for 24/7 operational continuity and automatic repairs.



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 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.

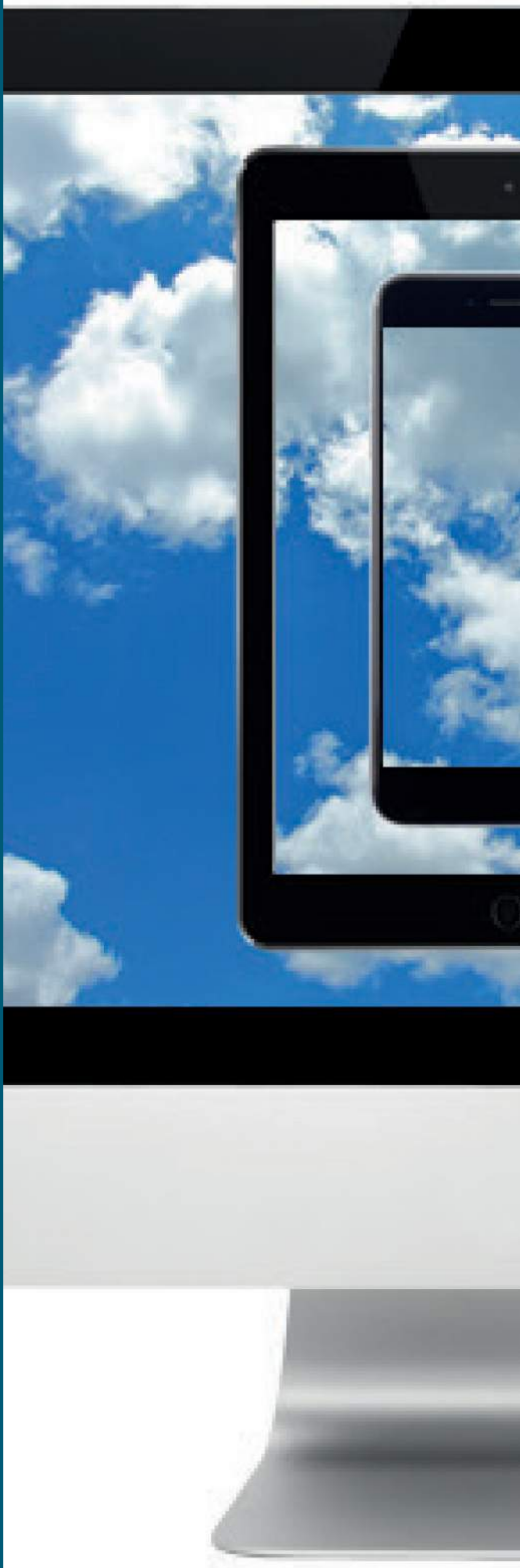
Our cloud services are based on four fundamental models:

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:

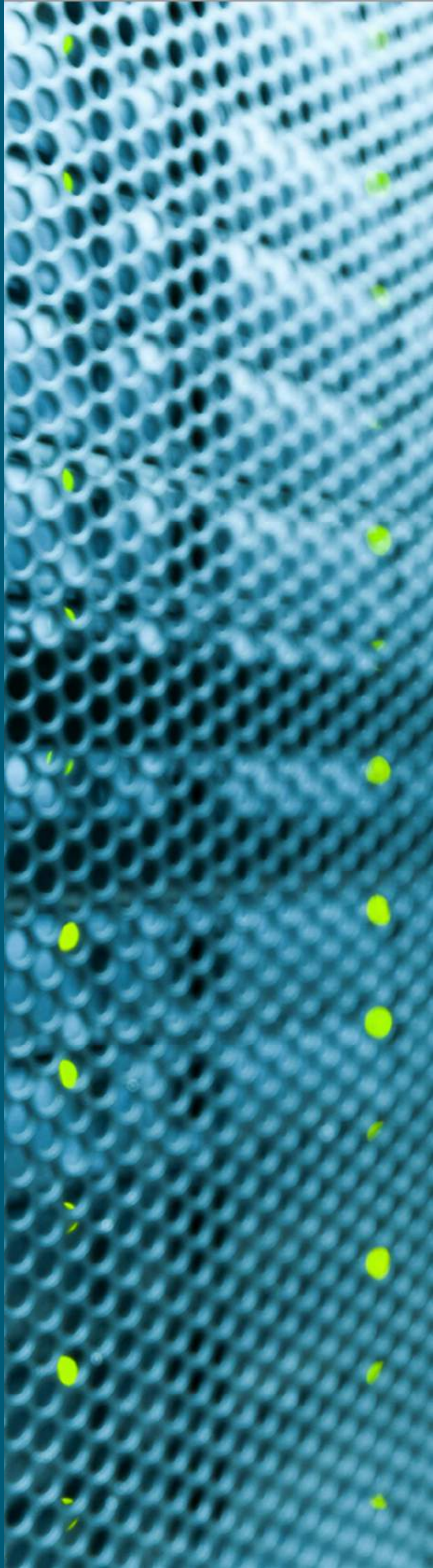
- Industry 4.0 (solutions for the interconnectivity of production machines with IT systems, to increase worker safety, track assets, and for predictive maintenance);
- Digital Healthcare (solutions for remote support for chronic, fragile patients or early hospital release procedures);
- Smart Cities (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

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

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

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 Costumer Relationship

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.

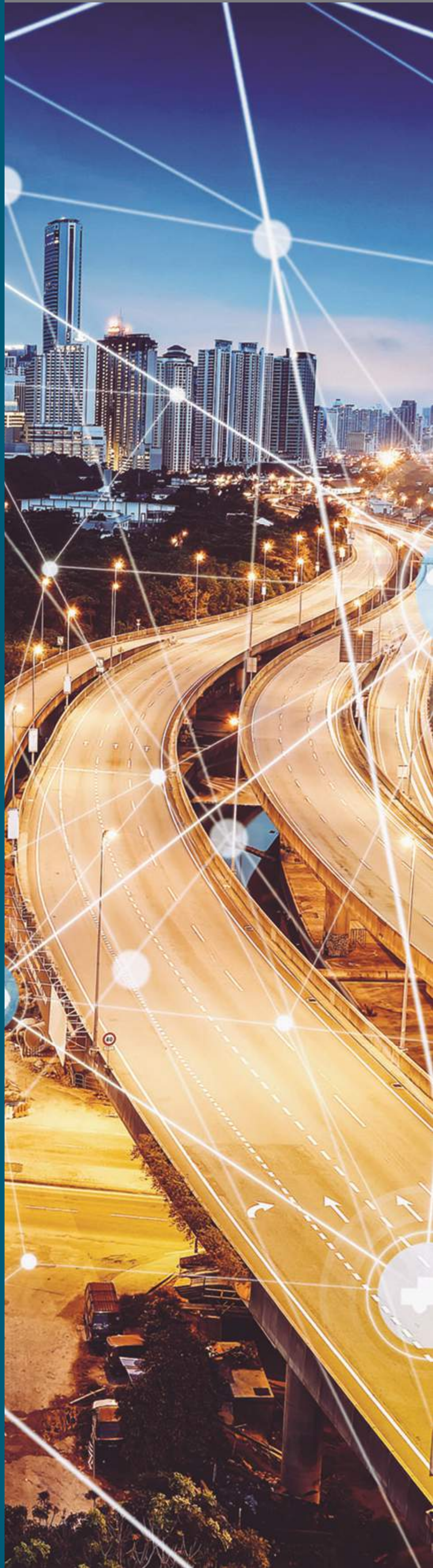
IP Network Infrastructure

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).

UltraBroadBand Design

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.

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.

Performance of Exprivia Group Results

Performance of Exprivia Group Results

The performances by market are indicated below, with a view across the two Operating Segments into which Exprivia Group is organised.

Banking & Finance

The Banking, Finance and Insurance market closed 2018 in line with 2017. Overall consolidated performance was in line with the market as a whole, with the fourth quarter confirming the trend observed in the first part of the year. Investments in the world of finance were limited and in any event very targeted at specific expenditure items, thus leaving room for the activation of limited commercial activities, essentially aimed at tactically exploiting remaining available funds in the budget. On the banking front, ABILab's initial estimate (dated March 2018) that the market would be substantially stable is confirmed (+0.3%). In terms of insurance, spending was once again concentrated on the regulatory domain (essentially: IDD) and on the core insurance business, as well as some limited big data and IoT initiatives.

In general, significant external elements continue to impact the market, such as Italian and foreign policy, the crisis of several domestic banking groups and new regulatory requirements, such as the disposal of the total stock of NPLs. Therefore, no important projects were launched, although there was some interest on the part of certain institutions in taking advantage of the benefits linked to open banking / PSD2, which hopefully will bring about some results in 2019.

An analysis of the vertical business processes covered is provided below:

- In the Finance area, there was good overall growth. This growth was driven by the development and management of customised solutions, particularly in the regulatory sphere, services on "*market management*" platforms, functional advisory services and PMO collaborations, while the component linked to the operational management of systems remains stable and the system evolution area was up.
- Moderate negative growth was seen overall in the Credit, Risk Management & Factoring Solutions area. Factoring operations benefitted from an expansion of solutions and services offered, while on the Credit front solutions supporting creditworthiness assessments had a positive effect on activities in 2018 and other customers were launched on proprietary credit underwriting solutions, confirming their effectiveness.
- There was slight growth in Big Data Analytics, Customer Experience, Cyber Security and Insurance Solutions.

The actions carried out in the **Digital Infrastructure** realm were rewarded by robust volume growth. Alongside the consolidation of the most important customers in the networking and collaboration area with innovative solutions and high value-added engineering services, the data centre revision offer made it possible to obtain a new top national customer.

In conclusion, a year of building, in which the foundations were laid for activities in the years to come, as demonstrated by the results of the business development and pipeline definition actions taken on the various components of the product range.

Telco & Media

The phenomena of Mobility, Big Data and Analytics are consolidating in Italy as well, driven by a technological evolution leading towards a Digital Transformation.
This has resulted in the Italian ICT market reaching Euro 30 billion in 2018, marking growth of 0.7% compared to 2017. According to the ASSINTEL report, this growth is the result of two trends. On one hand, the Telecommunications services market which is slowly yet continuously contracting (-2.2% compared to 2017) and on the other hand the Information Technology (IT) market which marked a growth trend of +1.6% compared to 2018.

The persistence of unfavourable macroeconomic conditions and the competitive and substitution dynamics between telecommunications and internet led to a further drop in the investments of the operators and increasingly notable attention towards the reduction of the TCO (Total Cost Ownership) of the infrastructures with a strong impact on the unit prices and on the margins.
Despite this environment, the Telecommunication operators in 2018 launched important projects for the transformation of the networks based on the development of ultra large band access networks (Fixed and mobile), on the evolution of the Backbone IP networks and on the streamlining of the legacy networks (for example PSTN) which will be progressively replaced by the ALL IP networks.

In the domestic market, despite the very heavy competitive pressure, the development activities resulted in a substantial confirmation of the Exprivia Group's role as a top player, with sales turnover of around Euro 220 million.

Customer relationships are improving in terms of Exprivia's involvement in the main projects, which often see the Group's participation due to the broad range of skills it brings to the table.

In 2018, progress was made in a series of mission-critical projects in various areas, from metropolitan network transformation projects, to important decommissioning or simplification projects on legacy networks with a view to saving money for customers. In other projects, the Group worked on Network Management processes, involving traffic analysis and network analytics. These and many others were also joined by joint go to market activities with the primary customers, intended to bring customers the most current offerings.

As regards the supply of proprietary products and services, the most significant activities were carried out as part of the Full MVNO project for the integration of mobile voice services through the Italtel Gateway MSC solution, and for the IP interconnection of new OLOs through the new Netmatch S Cloud Insight product.

Other significant successes were linked to system integration projects to expand and transform customers' IP Backbone infrastructure, in addition to developing Intelligent traffic management solutions and initiating the first trials in 5G.
The main sector operators thus see the Exprivia Group as a solid, capable player on which they can rely for their strategic projects, to improve their go to market and bring significant savings to the management of their infrastructure.

Energy & Utilities

The energy market is in a moment of profound change, and the key for interpreting this change and quickly adapting to it is to always increasingly focus on research, on new technologies and on sustainability, aiming to innovate business processes as well in order to adopt solutions that meet the needs of a continuously evolving industry.

The transition towards renewable energy sources, the opening up of the electricity market and the drive towards energy efficiency are just some of the aspects that will characterise the energy future.

The new protagonist will be the prosumer (producer and consumer), who is called upon to produce energy in addition to using it.

The main utilities have launched new companies (e.g. A2Asmart City, ENEL-X and Terna Energy Solutions to name just a few) whose function in the market is to diversify the traditional offering and leverage the availability of distinctive assets and competencies, triggering a new impulse in demand for ICT and infrastructural solutions.

The proliferation of the "smart" paradigm based on entities that communicate with each other, exchanging information to adapt systems to the context in which they are operating, has significant positive impacts on ICT cost items, both the traditional and the more innovative.

Hence, the sector is characterised by strong momentum for innovation, with the convergence between ICT and digital: Smart city, Smart home, Smart Metering, IoT, Big Data and the Cloud.

Security, in all its forms, from the management of infrastructures, to applications and data, to compliance with the new European Regulation on privacy, is of critical importance.

The results for 2018 show significant growth compared to the previous year.
The result can also be ascribed to the confirmation of important contracts obtained in the third and fourth quarters of 2018 and is in line with the digital transformation projects in which the group acts as a fundamental partner in those initiatives for the main industry operators.

The revenue component linked to infrastructural adaptations has seen a rise in volumes compared to the previous year, due to the consolidation of existing customers as well as the acquisition of an important new customer.

In the area of System Integration and Services, projects that were most relevant were those involving the main operating processes with impact on the TLC network component, which evolves towards the new NFV and SDN paradigms.

BPO (Business Process Outsourcing), specialised in Customer Care, both front office and back office, also saw significant revenue growth in 2018.

For 2019, the Utilities market has confirmed a sharp focus on the most innovative topics: Big Data, Analytics and AI/cognitive.
In the course of 2019, the Exprivia Group will be committed to consolidating its positioning with large customers both in Italy and abroad, as well as its plan for expanding the customer base by providing innovative solutions based on the offer and market synergies arising from the complementary relationship between Exprivia and Italtel.

Aerospace & Defence

The Space sector is characterised by long-term, medium- to large-sized programmes (space agencies, international agencies for environmental monitoring), which are implemented through one or more international tenders.
In the last few years, opportunities for software development and system integration projects have decreased, in favour of service provisioning projects (data processing, IT infrastructure management, maintenance services and operations support). The competition has also increased considerably, with large corporations even participating in tenders with limited budgets.
In a market context hampered by reorganisation and by a heavy focus on cost containment by the principal entities and industries in the sector, 2018 came to an end with revenues in line with 2017 and a good order backlog.

Positive results were achieved for the Sentinel 6 project, projects based on Virtual Reality technologies and the renewal of long-term maintenance contracts, in addition to our success in the call for tenders for the creation of the fire brigade's CBRN network.

In 2019, commercial development activities will focus primarily on growth abroad, in Germany, the Netherlands, the Czech Republic and the UK for current Space sector customers and thus the main space agencies, as well as with new customers in this sector.
For Defence customers, the Exprivia Group is in the midst of a relaunch and repositioning of its offerings, to take advantage of the new opportunities arising from the Group's integration.

Manufacturing & Distribution

The Italian manufacturing market maintained a positive growth trend in 2018 as well. 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 only exception is industrial automation which, as a result of IoT, transforms production machinery into intelligent systems connected to the network, with new functionalities, increasing their value. These new functionalities bring efficiency and innovation to production chains.

Software vendor strategies have now converged towards a “hybrid” or exclusively “cloud” offer, which requires a review of business ICT architectures, and cloud solutions which simplify implementation processes and as a result the correlated services.

These are the main reasons for the slight dip in revenues, in the application area, compared to the previous year, although this drop recorded a change in trend towards the end of the year, and was offset by an increase in revenues from infrastructural projects.

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.

In the course of 2019, commercial activities in the manufacturing sector will focus primarily on supporting large customers in updating their network infrastructure as well as in the Industry 4.0 realm.

In the Retail market interest is rising in the issues of demand planning and integrated platforms for the digitalisation of sales and logistics processes.

It is also important to note that System and Application Management services are competitive, attracting interest.

In this scenario, the 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.

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 is only apparently expansionary, Exprivia Group has shown that it is able to broaden its market scope and the order portfolio is expected to grow in 2019. 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. 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.

The healthcare segment benefitted particularly from group synergies, marking significant growth compared to the previous year in terms of revenues as well as profit margins. New projects were launched in the clinical/diagnostics area and important projects were completed for nationally and regionally significant entities.

For 2019, significant project launches are already planned in the healthcare segment following the acquisition of orders for the regional deployment of solutions and architectures.

Public Sector

In the course of 2018, the public sector was focused on a spending review policy which halted investments in technological innovation on the part of the central and local public administration.
Within this market scenario, the main reasons for the slowdown in growth are the rationalisation of ICT expenditures imposed by the Stability Law and the greater use of Consip purchasing tools and regional commissioning bodies working on behalf of multiple public administrations 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.

The Three-Year Plan for IT in the Public Administration was long in coming, and its execution is not yet generating the desired significant stimulus. However, it should be emphasised that the Plan is in any event causing a modest recovery in investments. Indeed, 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 starting procurement procedures to build infrastructures and digital ecosystems. In this scenario, data centre 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.

Today, as the Exprivia Group is able to rely on process and application expertise in addition to infrastructural competencies, it is capable of autonomously developing highly complex, large-scale projects with greater competitiveness and market penetration. Therefore, it represents one of the main players for the digitalisation of Italy’s national system. This is reflected in the results for 2018, which show increases in both revenues and profit margins. The significant year-end order portfolio makes it possible to project growth in the first half of 2019.

With regard to central public administration, the market share has been consolidated and has grown, with 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 recourse to Consip agreements by some administrations.

For 2019, significant project launches are already planned in the healthcare segment following the acquisition of orders for the regional deployment of solutions and architectures.

International business

Political, macroeconomic and financial issues, particularly apparent in Latin America, slowed global ICT market development as well as investments. These elements translate into strong price pressure in the Service Providers market and stagnant revenue trends. The “corporate” market however maintains its dynamism, primarily spurred by new technological drivers and new types of digital transformation solutions, although there has not actually been an appreciable rise in volumes.

France and Belgium HUB: the issues mentioned above are certainly less present in Europe, which enjoys greater stability, although in France volumes are slowly declining in the Service Providers market. Therefore, the commercial policy is focused on identifying new types of customers in order to offset the decrease in revenues from traditional customers. In Belgium, efforts are aimed at conquering shares of the Enterprise market. This strategy is pursued through virtualisation and automation solutions for IP networks.

Germany and Poland HUB: the German economy is experiencing a period of deceleration, although the unemployment rate continues to be low and “consumer confidence” remains good. The Telecommunications market is in a phase of consolidation of the main players through M&A transactions. In these countries, the Exprivia Group’s customers are traditionally telephony Operators which purchase consolidated competencies on networks and network virtualisation. At the same time, the Group is aiming to expand its customer base with commercial activities targeting Regional Service Providers for digital transformation projects.

England: the English market continues to suffer from uncertainties surrounding Brexit. In this market, the Group concentrates primarily on telecommunications, and thanks to its skills in this area it was awarded a long-term tender contract for the “Routing Data Base” project of a leading customer with which commercial activities are planned throughout 2019.

Spain: the Spanish economy is recording annual growth of 2.5% and is the right environment for attracting investors, particularly in the digital arena. The ICT market remains quite competitive, with a high number of local and global competitors. The telecommunications market cannot avoid strong price pressures here either but, on the other hand, the Manufacturing or Public Sector market are engaging in digital transformation processes in the industrial realm, in Smart Cities, Cyber Security and Customer Experience. Our traditional focus on this market is linked to our expertise in the area of telecommunications, and our customers include the main operators as well as a series of important international customers. The skills of the Exprivia Group and the Italtel Group will make it possible to exploit new trends by offering customers end-to-end solutions.

Argentina: the financial and political crisis sweeping through this country continues to be very strong, with the Argentinian peso losing more than 80% of its value against the US dollar in 2018. This situation triggered hyper-inflation, freezing all business investment plans. In this scenario, the first strategy adopted was that of preserving business in the portfolio by renegotiating the terms of the main contracts with our top customers. However, this situation does offer opportunities for the future, especially linked to the decreasing cost of labour and the possibility of procuring valuable skills to be resold not only in Argentina, but also in other Latin American countries.

Brazil: 2018 was characterised by political events, like the presidential elections, that had a significant impact on the Brazilian financial system, leading to a sharp depreciation of the local currency against both the euro and the dollar and therefore penalising local companies that purchase foreign technology.

Although the Exprivia Group continues to maintain its presence within large Service Providers, it is increasingly focusing its attention on the medium/large business market, offering telecommunication solutions as well as new professional services such as cybersecurity, a market experiencing significant growth.

The Group is also interested in the Utilities market, in which it is gaining a foothold thanks to its background in this area in Italy.

Peru and Ecuador HUB: like other Latin American countries, Peru and Ecuador have not been unscathed by political and financial turbulence. The first half of the year showed a general decline in ICT market investments, especially in the public sector. The second half showed some signs of a recovery, especially with respect to Digital Transformation areas. The Exprivia Group was awarded an important energy project and is now repositioning its corporate offering so as to cover a broader portfolio of customers starting from infrastructural projects for telephone operators and large enterprises, to digital transformation solutions to be released for the Public Administration and Enterprise markets. In 2019, the Group hopes to leverage its significant skills in the healthcare sector to concentrate on this market.

Colombia: in Colombia, the environment in the country and political elections also caused a slowdown that lasted throughout 2018; public and private investments alike were reduced to a minimum, but are expected to resume in 2019. One of the topics on the agenda of the new government is the digital transformation at the service of education, healthcare and entrepreneurship, based on expanding broadband access. Thus, once again, the Exprivia Group's Telco expertise can act as an important digital enabler for this process. The strategy for this country therefore involves both the consolidation of our positioning in the telecommunications market as well as playing the role of system integrator of solutions capable of enabling the digital transformation.

Mexico and Guatemala: Mexico has not remained unscathed by the financial crisis which saw its local currency lose ground against the euro as well as the US dollar. Nonetheless, commercial activities continue in order to expand in the ERP area as well as in the Healthcare market.

China: the Chinese market continues to grow, although at a slower pace than in the past due to the tariff war with the United States. Within this environment, the Exprivia Group maintains its position in the market of IT infrastructure and ERP solutions, especially amongst Chinese companies belonging to European groups.

Risks and Uncertainties

Internal Risk

Risk related to employment of key staff members

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

Precisely for these reasons, many years ago processes were set up to map and develop certified skills, thereby reducing the risk that the skills of certain key figures might become obsolete and increasing the Group's ability to attract leading figures with a proven record for innovation.

The programme for building loyalty and keeping the most skilled and deserving resources continued through Performance Management schemes, which include systems for rewarding key resources in the organisation.

Risk related to dependence on customers

The Exprivia Group provides services to companies operating in different markets: Banking & Finance, Oil&Gas, Telco&Media, Utilities, Industry, Aerospace & Defence, Healthcare and Public Sector.

The revenue of the Group is well distributed over a broad customer base but, nevertheless, the withdrawal of certain leading customers from the portfolio could have impacts on the economic, capital and financial situation of the Exprivia Group.

Risk related to contractual commitments

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

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

Risk related to internationalisation

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

External Risk

Risk arising from the general conditions of the economy

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

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

Risk related to IT services

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

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

Risk related to competition

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

Risk related to changes in legislation

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

Financial Risk

Interest Rate Risk

In 2016, the Exprivia Group obtained a major medium-long term variable rate loan from a pool of banks; this is combined with other variable rate and below-market fixed rate loans, the latter relating to funded research and development projects, as well as the loans pertaining to the Italtel Group released further to the transaction for the purchase by Exprivia of the equity investment in the share capital. The previous forms of funding are joined by the fixed rate bond issued to finance the purchase of the equity investment in Italtel Spa. Concerning variable rate loans, the Group has interest rate swap agreements or cap agreements to hedge the risk of fluctuating interest rates.

Credit Risk

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

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

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

Liquidity Risk

Prudent management of liquidity risk is pursued by planning cash flows, financing needs and the liquidity of the Exprivia Group to ensure effective management of financial resources by managing any surplus liquidity, and by opening credit lines where necessary, including short-term ones. In April 2016, the Group finalised a medium-term loan with a pool of banks, significantly reducing liquidity risk. The transaction for the purchase of the equity investment in Italtel Spa saw the refinancing of the company as an integral part of said transaction, having taken place on the one hand by means of the conversion of part of the bank debt into Equity financial instruments and on the other hand by means of the contribution of fresh capital and in conclusion the issue of new loan facilities.

Exchange Rate Risk

The majority of the activities carried out by the Exprivia Group takes place in the “Euro Zone” also if the inclusion of the Italtel Group increases the volume of transactions carried out on markets subject to sharp fluctuations (for example Brazil). This could represent a risk to be monitored. Again within the Italtel Group, purchase transactions are concluded and, to a minor extent, sales transactions in US dollars. For the purpose of reducing the effects of the fluctuation of the US dollar, derivative hedging agreements are entered into on this currency. In the financial statements, these derivatives are valued at Fair Value in accordance with the international accounting standards.

Significant Events in 2018

On 27 April 2018, the ordinary shareholders' meeting of Exprivia SpA met on first call to approve the financial statements as at 31 December 2017. The Corporate Governance and Ownership Report, as well as the first section of the Remuneration Report, prepared according to Art. 123-ter of Italian Legislative Decree 58/98, were approved during this meeting, and are available on the company's website, www.exprivia.it, in the section Corporate/Corporate Governance/Shareholders' Meeting/Ordinary Shareholders' Meeting of 27-30 April 2018. The shareholders' meeting also approved the Long-Term Incentive Plan entitled "2018-2020 Share Performance Plan", designed to create value over the long term by ensuring that the interests of the beneficiaries are aligned with those of the shareholders.
The shareholders' meeting approved the issuing of a new authorisation to purchase and dispose of treasury shares, pursuant to Arts. 2357 and 2357-ter of the Italian Civil Code.

On 2 May 2018, contract extensions were signed by Italtel with Open Fiber SpA relating to the development of the Ultra-Broadband network for the "white areas" of the first two Infratel tenders. The initial contracts date back to 2016, when Italtel was chosen as the designated project manager. The total value over the multi-year contract is about Euro 200 million.

On 12 July 2018, Exprivia Group presented its 2018-2023 Five-Year Business Plan to the stock market. The full presentation can be viewed on the website www.exprivia.it, in the section Corporate/Investor Relations/Presentations.

On 31 July 2018, the discontinued Exprivia Healthcare it Srl ("EHIT") and its former legal representative were informed of a citation decree filed by the Trento Public Prosecutor's Office, for acts resulting from the early termination of a contract between EHIT and the Trento vehicle registration office, which was also reported to ANAC and challenged.

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 deed of merger by incorporation of Exprivia Enterprise Consulting Srl into Exprivia SpA was entered into on 22 November 2018, effective for legal and contractual purposes as of 1 December 2018, while that for the merger of Advanced Computer System A.C.S. Srl into Exprivia SpA was entered into on 18 December 2018, effective for legal and contractual purposes as of 27 December 2018.
On 22 November 2018, the merger of Exprivia Project S.r.l., as incorporating company, and Exprivia Process Outsourcing S.r.l. as the company being merged, was also approved. This merger became effective for legal and contractual purposes as of 1 December 2018.

On 21 December 2018 Italtel SpA announced its cancellation of a series of second-level supplementary contracts, some of which dating back to the mid-1970s and therefore excessively onerous and no longer sustainable in the current market and business environment.

Transactions within Exprivia Group

On 17 April 2018, the shareholders' meeting of Exprivia Enterprise Consulting Srl was held to approve the financial statements as at 31 December 2017 and the resolutions pursuant to Art. 2482-bis of the Italian Civil Code. In addition to approving the draft financial statements as at 31 December 2017, the shareholders' meeting resolved matters relating to Art. 2482-bis of the Italian Civil Code. Thus, the resolution provides for the use of available reserves to cover losses and the proportional reduction of share capital from Euro 1,500,000 to Euro 275,489.59.

On 5 June 2018 the company Italtel Latam Srl was established which - based on individual deeds of transfer from Italtel SpA to Italtel Latam Srl - directly and indirectly holds the entire share capital of the following companies: Italtel Brasil LTDA, Italtel Argentina S.A., Ausoitaltel S.A. (Ecuador) and Italtel B.V., plus 90% of Italtel Perù S.A.C.

On 12 June 2018, Italtel de Chile S.p.A. was incorporated with share capital of CLP 1,000,000 subscribed in full by Italtel S.p.A; the equity investment in the company was transferred to Italtel Latam Srl. The company was in the Single Taxpayer’s Code on 6 July 2018.

On 26 June 2018, the Board of Directors of Exprivia SpA approved two separate merger projects: one merger by incorporation of Exprivia Enterprise Consulting Srl into Exprivia SpA and the other merger by incorporation of Advanced Computer Systems Srl into Exprivia SpA. At the same time and, to the extent of their responsibilities, each administrative body of the subsidiaries Exprivia Enterprise Consulting Srl and Advanced Computer Systems Srl, approved the merger by incorporation in its own interest. The merger projects are published on the company's website in the section “Investor Relations - Shareholders and Capital Transactions”.

On 28 June 2018, the administrative bodies of Exprivia Projects Srl and Exprivia Process Outsourcing Srl approved the merger by incorporation of Exprivia Process Outsourcing Srl into Exprivia Projects Srl.

On 28 June 2018, the shareholders' meeting of Prosap SA de C.V. proposed an increase in share capital from the current MXP 50,000 consisting of 50 shares of MXP 1,000 each to MXP 42,000,000, made up of 42,000 shares of MXP 1,000 each. This increase was subscribed by the current shareholders. Exprivia SpA subscribed the increase for 41,159 shares, thereby holding 41,160 shares equal to 98% of the share capital, while Exprivia SLU subscribed 791 shares in the increase, thus arriving at 840 shares equal to 2% of the share capital.

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.

On 22 November 2018 two separate deeds of merger by incorporation were entered into; the first between Exprivia SpA and the subsidiary Exprivia Enterprise Consulting S.r.l. for the merger of the latter into Exprivia and the second between the subsidiaries Exprivia Process Outsourcing S.r.l. (“EPO”) into Exprivia Projects S.r.l. (“EPJ”). The mergers became effective for legal and contractual purposes as of 1 December 2018, the conventional date established by the Project, after the deed was registered with the respective registers of companies. The mergers became effective retroactively for accounting and tax purposes as of 1 January 2018.

On 11 December 2018, the Shareholders' Meeting of the company Prosap SA de CV approved the change of the company name to Exprivia Messico SA de CV.

On 18 December 2018 the deed of merger by incorporation of Advanced Computer System S.r.l. into Exprivia SpA was signed. The merger became effective for legal and contractual purposes as of 27 December 2018, the date on which the merger was finalised, with the last of the registrations of the deed with the register of companies of the incorporating company. The merger became effective retroactively for accounting and tax purposes as of 1 January 2018.

Events after 31 December 2018

Corporate Events

There were no significant events worth noting.

Acquisitions/Sales in the Exprivia Group

There were no significant events worth noting.

Corporate Governance and Ownership Structures

The report on corporate governance and the ownership structures is published on the www.exprivia.it website in the section Corporate/Corporate Governance/Shareholders' Meeting/Ordinary Shareholders' Meeting of 27-30 April 2018.

Non-financial Data Report

The non-financial statement is published on the www.exprivia.it website in the section Corporate/Corporate Governance/Shareholders' Meeting/Ordinary Shareholders' Meeting of 27-30 April 2019.

Exprivia's Stock Market Performance

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

The share capital as at 31 December 2018 consists of 51,883,958 shares with a nominal unit value of Euro 0.52.

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

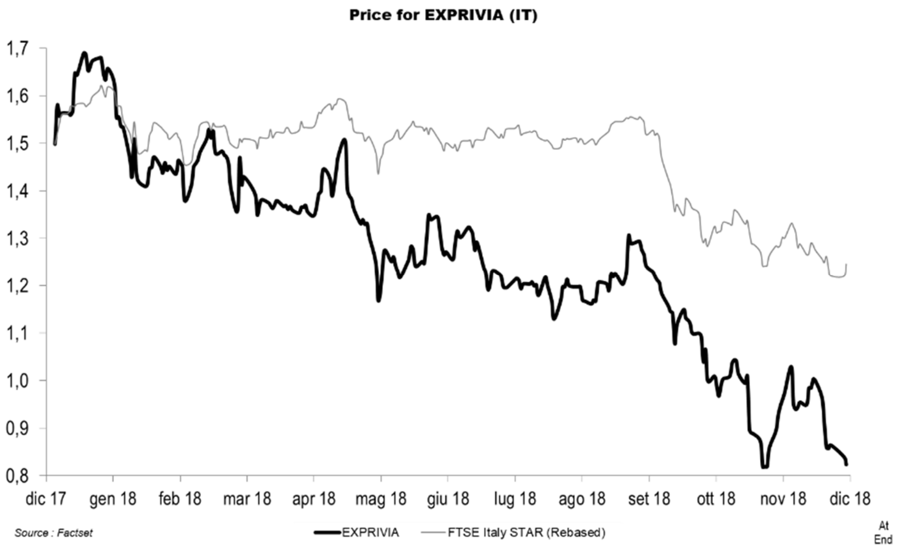
Composition of Shareholders

Based on the entries in the shareholders' register, as supplemented by instructions received in accordance with Art. 120 of the Consolidated Finance Act and available information, as at 31 December 2018, the shareholder structure of Exprivia was as follows:

Azionisti	Azioni	Quote
Abaco Innovazione S.p.A.	24.145.117	46,54%
Azioni Proprie Detenute	3.647.591	7,03%
Altri Azionisti	24.091.250	46,43%
Totale Azioni	**51.883.958**	**100,00%**

Stock Performance

The graph below compares the performance of the Exprivia share price with the FTSE Italia Star index in December 2018 and with reference to the twelve months prior to this date.



Business Outlook

The year 2018 closed with positive results that confirm the effectiveness of the pillars of the 2018-2023 Business Plan presented to the community of investors at the Italian Stock Exchange on 11 July, based on the integration of the skills of Exprivia and Italtel and the development of synergies in line with global tech trends.

The rapid transformation of Information Technology thanks to the development of Cloud technology, the spread of mobile apps for tablets and smartphones, the expansion of connected objects (IoT) and the data they generate and Telecommunications Networks that reduce the number of centres, transforming them into Data Centres and “virtualising” devices through software applications, are all topics that confirm the pillars of the Business Plan, which anticipated the push towards entities capable of developing and offering a broader range of products and services in digitalisation processes.

In this scenario, a reorganisation of the entire group was launched at the end of 2018, which aims to maximise potential synergies in terms of markets as well as the offer.
With the 2018-2023 Business Plan, we presented the group’s new organisational structure based on eight “Digital Factories”, which we have called our production centres, in which the expertise of Exprivia and Italtel merge ideally to create new solutions and new software products, and five “Vertical” markets: Banking Finance & Insurance, Healthcare and Public Sector, Manufacturing & Distribution, Telco & Media and International.
The Staff functions were reorganised to enhance their strategic and promotional functions to support the top management and emphasise the group’s focus on Research and Innovation.

Confirming the decision to create an entity capable of interpreting the IT-Telco convergence, in the course of 2018 the group recorded significant growth in the Industry and Healthcare segments and is in line with expectations in all others, marking stability with respect to last year in the international markets as well, although the political and economic situation in certain Latin American countries has not yet recovered.

Today, the group is present in the national and international scene with 4,000 qualified resources and a presence in 20 countries with an innovative offer to extract increasingly more value from the data gathered and transmitted by new smart networks.

We are looking to the future with confidence, relying on the skills and value we are able to contribute to the transformation of our customers’ business models.

Investments

Real Estate

Exprivia owns a property in Viale PIO XI 40 in Molfetta (BA), which consists of two rooms totalling about 120 sq. m.

The Company's current head offices, located in Molfetta (BA), Via Adriano Olivetti 11, covers a surface area of about 15,000 sq. m. on which there is a complex of buildings (made up of five blocks, four of which are multi-story). All of these are office space and warehouses for a net total of approximately 7,500 sq. m. of office space.

The acquisition of the ACS Srl investment increased the Exprivia Group’s real estate; in particular, ACS owns the site in Rome, in Via della Bufalotta 378. The site is composed of two lots: the first, measuring around 1,250 sq. m. is owned by the company, the second, covering roughly 1,050sq. m., is used under a property lease, with the possibility of redemption at maturity in 2018.

These are joined by the real estate properties of Italtel in Via Reiss Romoli, Castelletto, Settimo Milanese (Mi), comprising a real estate complex for office use. The surface area of the entire lot is 40,704 sq.m. and the retail surface area is 3,767 sq.m. plus that located in Bivio Foresta, Carini (Pa) comprising an industrial complex, which extends over a total area of 117,700 sq.m., of which 35,088 sq. m. covered.

Research & Development

In collaboration with the representatives of the different markets, new projects have been activated according to the development lines defined in this plan: Big Data, IOT, Industry 4.0, Healthcare.
With regard to the admission to the financing of the application for the **"Digital Future" Program Contract**, the related executive project was presented, whose approval was made by resolution of the Puglia Region of 26 October 2018. The project envisages an investment of over 9 million euros and the following achievements:

- • a Center of Excellence in collaboration with the Polytechnic of Bari for the development of solutions in the field of Big Data and IOT;
- o a general purpose platform for collecting field data (IoT sensors) and processing them in order to build data centric application services;
- • a vertical solution for predictive maintenance in the Industry 4.0 area;
- o a vertical solution for the environmental safety of the territory with a focus on the management of urban waste in non-ordinary conditions (exceptional events) and industrial waste;
- • a Telemedicine platform.

In collaboration with Facility Live Exprivia presented the application for the "**MATERA DIGITAL HUB**" Development Contract. With this investment, Exprivia will build an Urban Control Center (UCC) for the city of Matera based on dedicated innovative enabling technologies:
• to the Public Administration, for the analysis and monitoring of the dynamics of information and physical flows of a city;
• citizens to receive useful information on the performance of infrastructures and services;
• to tourists to "discover" the territory by helping them to identify sites, events, experiences of interest among the countless possibilities available.
Exprivia's participation in the MISE Grandi progetti call resulted in the admission to the financing of the following project proposals:
• **BIG IMAGING**: "*BIG DATA*" and Genomic Imaging for the development of innovative nano vector biomarkers and drugs for the diagnosis and therapy of inflammatory processes during dementia;

• **FINDUSTRY 4.0**: with the ultimate goal of defining, implementing and making available a platform able to offer technologies, ICT systems and skills, as well as a methodological support that enables the dissemination and adoption of technologies that enable digital innovation in the Italian manufacturing sector.
Furthermore, the following project proposals were presented on the PON MIUR 2017:

- **DAMPM:** Exprivia will contribute to the development of algorithms for the analysis of omics data, correlation models between heterogeneous data and predictive data for the diagnosis of se pathologies being studied;
- **ESPERIA:** Exprivia will contribute to the Esperia project on different activities and with different aims and results ranging from real time profiling to mixed reality, from the use of the blockchain for micropayments to the creation of conversational agents to support the use of Cultural Heritage;
- **ACROSS**: safe and efficient management of small drone (sUAS) operations in low-altitude, controlled (airport) or non-air space, where the traffic of aircraft with or without a pilot on board coexist. The Project will study and develop innovative capabilities and technologies, on the ground and on board the aircraft, for a clearer view of the sUAS traffic conditions and more accurate management of emergency situations due to dynamic airspace constraints or unexpected events impacting safety and effectiveness of operations;
- **QUANCOM:** Implementation of quantum cryptography systems and an optical network that supports them; integration with other layers of conventional security for the protection of sensitive IP traffic; experimentation on a metropolitan optical network installed in a large city in southern Italy.
- **CRESCIMAR**: Analysis of maritime traffic through acquisition, co-registration and 3D visualization of remote sensing data from drones and acquired by on-board sensors. The developed system will contribute to increasing safety at sea.
- **MiTIGO:** System for the assessment and mitigation of hydrogeological risk. The system involves the development of a system for identifying the fundamental characteristics of landslides and infrastructures present in the Lucanian territory subject to risk. The system will contribute to defining the areas and methods of intervention for risk mitigation.

The EVER-EST project (European Virtual Environment for Research - Earth Science Themes: a solution) is underway within the European Horizon 2020 Research Program. EVER-EST, developed by Advanced Computer Systems A.C.S. Srl (merged into Exprivia SpA on December 27, 2018) with the European Space Agency (ESA) and a team of European partners, aims to create a virtual collaboration environment for Earth scientists. Characteristic elements of the project are:

- The use of Research Objects, digital containers that allow the sharing of data and algorithms among scientists who study the planet;
- • The direct involvement of four scientific communities through INGV, CNR, NERC and European Satellite Center;
- • Intensive use of cloud resources for storage and data processing, in the context of an SOA architecture.

Events and Sponsorships

A selection of the main initiatives in which Exprivia took part in 2018 is provided below:

Mobile World Congress, Barcelona - 26 February 2018
Exprivia and Italtel participated in the Mobile World Congress 2018, the largest global mobile communication technologies event, to present a sneak preview of a selection of the main innovative solutions in Digital Infrastructure, NFV and 5G; Enterprise Services and Industry 4.0; Open Innovation; Customer Experience & Analytics.

STAR Conference 2018, Milan - 27 March 2018
Exprivia and Italtel participated, together for the first time, in the “Star Conference 2018”, where they met with Italian and international investors during two days of plenary presentations and one-to-one meetings.
Exposanità, Bologna - 18 April 2018
Exposanità is the international healthcare and assistance exhibition. Exprivia participated in the Roundtable Discussion entitled “Digital healthcare: are your products really developed for people?” represented by Dr. Francesco Guindani, Sales Manager of Exprivia’s Healthcare Area.

BANCHE E SICUREZZA 2018 - 22 May 2018
Banche e Sicurezza is the event promoted by Italian Banking Association and organised by ABIServizi on physical and digital security in the financial sector. Exprivia participated with SecuPi, with a speech entitled: “The disruptive approach of the GDPR, from Consent, to Forgetting, to Data Protection, without IT invasiveness” by Hadley Taylor, Security Offering Manager of Banking & Insurance at Exprivia Group and Alon Rosenthal, CEO of Secupi.

Festival dell'economia di Trento - 31 May 2018
The Festival dell’economia brought together economists, businesspeople and institutional representatives on Artificial Intelligence and its repercussions in the workplace. Exprivia participated in the discussion on the topic of Artificial Intelligence (AI), work and responsibility, in which Dr. Gianni Sebastiano, Strategic Planning & Communications Manager, took part, and in the Forum entitled “Big Data: the business of memory”, in which Chairman Dr. Domenico Favuzzi took part.

CEBIT – Hanover - 11 June 2018
CEBIT is the largest trade fair of the digital world and telecommunications solutions for workplaces and the home. The Exprivia Group participated in the event with a speech by Luca Ferraris, Head of Strategy, Innovation & Communication at Italtel, entitled “European industry reshoring thanks to digitisation”, meant to present the company’s view of the digitisation that is now changing our lives: from industry 4.0 to smart networks, from e-health to smart cities.

Telco per l'Italia - Rome 14 June 2018
Telco per l’Italia is the annual event for all players in the Telco ecosystem. The Exprivia|Italtel Group took part in this event with the participation of Dr. Stefano Pileri, CEO of Italtel, in the roundtable discussion entitled “5G: a new opportunity for telcos”.

It happened tomorrow. News from the Exprivia Group’s 2018-2023 Business Plan - Italian Stock Exchange, Milan - 12 July 2018
The Exprivia Group’s 2018-2023 business plan developed following the acquisition of an 81% stake in Italtel on 14 December 2018 was presented at the Italian Stock Exchange.

CNI National Conference 2018, Rome - 13 September 2018
The National Conference of Engineers is an opportunity to exchange ideas and concrete proposals to ensure that Engineering plays a key role in the modernisation of our country. Dr. Domenico Favuzzi, Chairman and CEO of Exprivia SpA, participated in the debate.

Forum Mediterraneo in Sanità, Fiera del Levante di Bari - 14 September 2018
The Forum Mediterraneo della Sanità di Bari studies healthcare services in the south and new health and social protection solutions capable of taking advantage of the opportunities offered by technology. Exprivia played a leading role during the session entitled “Telemedicine and teleassistance solutions for the development of new assistance and in-home care models”, with a speech by Dr. Francesco Bellifemine - Production Director of Exprivia’s Healthcare Area, entitled “Innovation and telemedicine”.

The “FEARS” at the Dialoghi di Trani, Bari e dintorni - 18 September 2018
A cultural event now in its seventeenth edition: days for discussion between writers, philosophers, journalists, scientists and artists on pressing current topics. Dr Gianni Sebastiano, Exprivia’s Strategic Planning Director, took part in the debate with the dialogue entitled “Who is afraid of artificial intelligence?”, about the relationship between man and machine in the digital age.

17th edition of the International Expo of Western China 2018 - Chengdu (China) 20 September 2018
Exprivia participated in the event with the theme “The New Age of China, New Developments in Western China”. Of all of the participating countries, Italy was the guest country of honour and had a unique opportunity for visibility to present its best products and create future development synergies. Exprivia took part with a stand in the “Sichuan-Italy” Cooperation Pavilion.

SMART CITY NOW 2018 Arese (MI) - 25 September 2018
Smart City Now is an initiative for companies and public administrations that meet to discuss topics of urban innovation and find more effective solutions in the sector of Smart Cities and Communities. The Exprivia Group participated with an exhibition space to present its 5G and Mobility solutions to experts as well as the general public.

BI-MU - 9-13 October 2018 - Milan - 9 October 2018
BI-MU is the most important Italian event dedicated to the industry for the manufacturing of cutting and forming machine tools, robots, automation, digital manufacturing, auxiliary technologies and enabling technologies. The Exprivia Group participated in the 39th edition of this event along with Cisco for an open discussion on topics surrounding the Digital Transformation and Industry 4.0 and to present three specific solutions: Interconnected production machines and Industrial IoT, Industrial Collaboration and Chatbots and Connected Factory and Enabling Infrastructure.

SAP S/4HANA Cloud for the Digital Transformation - 18 October 2018 - Fiera Milano
SAP NOW 2018 is an event focused on Smart Business, promoting Artificial Intelligence solutions as well as the potential of Machine Learning, IoT and the Cloud. The Exprivia Group participated with its own exhibition space and with a speech entitled “Exprivia presents and uses SAP S/4HANA Cloud. Enable your Digital Transformation”.

“Lessons of History” cycle of meetings - 21 October 2018 - 9 December 2018 - Petruzzelli Theatre in Bari
With “Novels over Time” from 21 October to 9 December 2018, the “Lessons of History” cycle of meetings was held at Petruzzelli Theatre in Bari, organised by Editori Laterza publishing house. The topic “Novels over Time” was chosen to talk about large events and how a certain time period is experienced through the pages of novels which for generations defined ways of thinking and feeling to the current day, leaving an indelible mark within the collective imagination.

Meeting with the Albanian governmental delegation, Molfetta - 24 October
From 22 to 24 October, the Albanian Vice Premier Senida Mesi visited Bari along with Minister Sonila Qato, for the protection of entrepreneurs. On Wednesday 24 October the Albanian delegation went to Exprivia to watch a presentation of its Healthcare & Public Sector offerings.

Vodafone 5G Experience Day: the Internet of Things in 5G in Milan - 7 November
During the “Vodafone 5G Experience Day” event dedicated to partners, start-ups and companies involved in the 5G trial, Vodafone presented its IoT solution for telemedicine for patients suffering from heart failure created by the Exprivia Group with Humanitas and L.I.F.E.

SIRM National Conference, Fiera di Genova - 8-11 November 2018

Congresso Nazionale S.I.R.M. is the reference event for hospital operators in the field of Medical Radiology. The Exprivia Group was present with its exhibition space to highlight its global Healthcare offering.

Medica 2018, Düsseldorf - 12-15 November 2018
MEDICA 2018 is the international trade fair of medicine and medical technology. Here, we presented DoctorLINK, an innovative e-health solution that allows for continuity of at-home care by enabling dialogue between patients and hospitals. Furthermore, at our stand we offered an overview of PACS Enterprise solutions.

China High Tech Fair, Shenzhen, China - 12-18 November
The China High Tech Fair was held from 12 to 18 November in Shenzhen, China. Exprivia, strong from its international presence, including a direct presence in China, participated in the event with its own exhibit space where it showed how to enable the digital transformation based on solutions in the world of health and industry.

AI*IA 2018, Trento - 20-23 November 2018
The conference of the Italian Association for Artificial Intelligence (AI*IA) promotes studies and research on artificial intelligence through its annual event, coordinating activities in this sector in Italy. Artificial Intelligence is increasingly part of our daily life, which is why the Exprivia Group decided to sponsor the conference, in the capacity of IT sector player, which has a clear vision of how Artificial Intelligence will change business and everyday life.

Management Training and Development

The profound transformations taking place in the world of Information Technology, characterised by a strong drive towards technology and innovation, along with the complex challenge of integrating Exprivia and Italtel (Exprivia | Italtel), require a significant change in our cultural and organisational nature. Within this scenario, some of the most important challenges to be faced are without a doubt the enhancement of human capital, the management of skills and the development of new ways of working, to be deployed within the broader change of paradigm that is the digital transformation.
The development of capacities and competencies and the creation of a workplace that offers everyone the same opportunities based on a meritocratic approach are just some of the drivers Exprivia | Italtel are focusing on to achieve their ambitious growth objectives. Bonuses and recognition based on individual contributions and value constitute the underlying assumptions of the pay policy and the performance assessment system, in the same way that the quality of the selection process and the quality of the training process to improve existing business skills in addition to a significant focus on talent development, are all components of an increasingly innovative management model that Exprivia|Italtel aims to implement to attract qualified, motivated and engaged workers, to thus be able to support long-term value creation. In addition, in the course of 2018 Exprivia|Italtel created a new reference model for organisational integration, with a view to enhancing oversight and the stability of markets and customers while pursuing customer satisfaction, as well as driving innovation in our offering through the specialised Digital Factories, with a strong culture of open innovation.

With respect to **Training**, in 2018 a total of 66,169 hours were provided (of which 3,032 in the offices abroad), with 10,058 participants. The total course hours can be broken down into 63% classroom hours and the remaining 37% online.
Training is planned at the start of the year and is continuously updated to make training investments effective and consistent with business objectives and company strategies. In this sense, the largest portion of the

investment was for courses aimed at developing technical-specialist skills related to market needs. Approximately 25% of training costs benefitted from access to loans (Fondimpresa and Fondirigenti). Furthermore, training events were funded by the Lombardy Region (continuing education) dedicated to virtualisation and foreign language skills, as well as by the Puglia Region on the Cloud and Mobile topics, the latter in collaboration with the Spegea Corporate School.

In particular, the training programmes concerned the development of:

- **Specialised technical skills**: measures for developing technical knowledge and skills to support technological innovation and development programmes, through specialised training plans, also for the purpose of obtaining certification. These specialisation courses were held in the belief that improving skills means raising the value of persons and so the competitive advantage of the organisation. Training activities concerned primarily the development of skills in the following areas:
  - IT Governance and Management in order to obtain the relative certification, and ITIL Intermediate Lifecycle courses;
  - Enterprise Platform & Integration;
  - Cloud and Mobile topics: a training plan was designed and provided in collaboration with the Spegea Corporate School, which involved 8 training courses with an average duration of 80 hours each, with the participation of 68 employees.
  - topics relating to Data Centres, Wireless Networking, IP Telephony and Cyber Security on Cisco technology.
  - the innovative topic of Network Programmability;
  - the topics of the Internet of Things, Data Analysis and virtualisation on both VMWare and Openstack technologies;
  - software development, in particular on Oracle DB Administration, Microsoft Skype for Business, Arduino, Phython and Qlik Sense;
  - Ultra-Broadband (UBB) networks: a sort of “internal academy” has been created to spread these skills to senior personnel with a view to retraining on these matters.

- **Managerial skills**: designed to improve the organisational conduct linked to the development of the professional skills, project management and development of behaviours that contribute to creating a specific leadership style to be used in managing teams so as to improve operational effectiveness.

- **Language skills**: classroom training courses have been created to boost the (English) language skills of personnel using funding provided by the Lombardy Region as well as Fondimpresa. Flexible individual English and French courses also continued based on Skype lessons and individual coaching as well as in e-learning mode (FAD Platform).

- **Regulatory compliance**: training activities concerned primarily:
  - the development of knowledge and awareness of the rules of conduct related to ethical values (pursuant to Legislative Decree 231/01);
  - training intended to enable and spread smart working within the company;
  - fundamental management processes of the Exprivia Group’s integrated QMS.

- **Compulsory training**: training activities concerned primarily:
  - Protection of occupational health and safety (pursuant to Legislative Decree 81/08)
    - At Exprivia, training and continuous education courses were conducted for managers and workers at high risk assigned to specific work sites, in addition to low-risk safety training courses.
    - At Italtel, high-risk emergency response training courses for personnel at work sites were provided for new managers, supervisors and new hires, and refresher courses for first-aid

workers. Legal, technical and methodological/organisational courses were also provided to prepare the work site Safety and Coordination Plans.

- GDPR (General Data Protection Regulation) - Privacy Regulation

  As is well known, on 25 May 2018 the new European Regulation EU 2016/679 came into effect. Both Exprivia and Italtel prepared and launched a plan of activities with a view to attaining full compliance with the obligations set forth in the new Regulation, encompassing three types of training activities:

  - GDPR Privacy Awareness e-learning course for all employees.
  - Specific training for all managers, for top level management resources and for sales positions.
  - Specific training for some members of business areas highly impacted by the new regulation, such as: HR, Marketing & Communications, ICT and the Procurement Office.

Overall, 10,089 hours of compulsory training were provided to a total of 2,685 participants.

Exprivia and Italtel have always aimed at the attainment of technical CERTIFICATION for their personnel, in this way ensuring their customers with the objective certification of the technical abilities of their staff involved in the projects.
In 2018, 193 certifications and specialisations/accreditations were obtained/renewed, increasing the number in innovative areas to support investments linked to the business plan, with roughly 24% of the staff becoming certified.

Personnel have been hired to strengthen engineering design skills for fibre optic network infrastructure (FTTH) and in the area of wireless technology (FWA) for the design of ultra-broadband networks; know-how was also reinforced in Video, Data Networks, Data Centre, Cyber Security and Unified Communication & Collaboration with the targeted hiring of expert personnel.
From a Talent Acquisition viewpoint, also in 2018, as in the past, the Exprivia Group invested in the continuous links with schools, universities, polytechnics, research centres and consortia, fully aware of its role in generating innovation and opportunities for young undergraduate students and graduates.

Staff and Turnover

The table below shows the staff of the companies and the number of resources as at 31 December 2018, compared with the figure at 31 December 2017. In particular, around 16.58% are part-time, with various arrangements of contractual working hours:

Company	Employees		Media employees		Temporary workers		Media temporary workers	
	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018
Exprivia SpA	1,691	1,788	1,623	1,821	2	1	2	1
Exprivia Healthcare IT Srl	-	-	-	-	-	-		
Exprivia Enterprise Consulting Srl	107	-	114	-	-	-	-	-
Exprivia Projects Srl	271	581	258	555	-	-	-	-
Exprivia Process Outsourcing Srl	255	-	255	-	-	-	-	-
Advanced Computer Systems Srl	61	-	62	-	-	-	-	-
Exprivia It Solutions Shanghai	12	10	12	10	1	-	1	-
Expriva SLU (Spagna)	38	38	41	39	-	-	-	-
Exprivia Messico SA de CV/Prosap Centramerica SA	48	33	45	38	5	1	2	1
Exprivia do Brasil Servicos de Informatica Ltda	23	28	21	27	4	-	5	-
Spegea Scarl	7	7	7	7	-	-	-	-
HRCOFFEE Srl	-	3	-	3	-	2	-	2
Gruppo Italtel	1,432	1,473	1,399	1,473	1	-	1	-
Totale	**3,945**	**3,961**	**3,837**	**3,973**	**13**	**4**	**11**	**4**
Executives	*88*	*93*						
Middle Managers	*489*	*515*						

In December 2018, the companies Exprivia Enterprise Consulting Srl and Advanced Computer Systems Srl were merged into Exprivia SpA, while Exprivia Process Outsourcing Srl was merged into Exprivia Projects Srl.

Integrated Management System

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

In 2014, it obtained CMMI-DEV level 2 after fine-tuning the software development project process in order to improve the quality of the products/services by reducing poor service and non-compliance, and increase customer satisfaction and performance of the processes. This certification expired in May 2017, but the best practices of the CMMI-DEV continue to be applied by the production units in scope.

In the first half of 2018 the periodic verification of the maintenance of the ISO 22301 certification (Operational Continuity Management) was carried out regularly and with a positive outcome.

In June 2018 Exprivia Projects achieved the Molfetta Contact Center certification with respect to the specific standard ISO 18295-1 - Requirements for customer contact centers and with the following field of application: Contact Center services for inbound and outbound, back office services for the Utilities sector. The certification audit, carried out by the DNV GL certification body, had as its object the management and provision of the contact center service for Enel Energia. That of Exprivia Projects was the first certificate issued in Italy by the certification body with respect to the ISO 18295-1 standard.

Management and Control Organisation Model (pursuant to Italian Legislative Decree 231/2001)

Effective 31 March 2008, Exprivia adopted its Organisation, Management and Control model under Italian Legislative Decree no. 231/2001 and set up a Supervisory Body. None of its members are directors of Group companies. The Model is continuously updated, and the most recent version in force was approved by the Board of Directors on 21 December 2017.

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

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

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

The Italian companies of the Exprivia Group have their own Organisation, Management and Control Models pursuant to art. 6 of Legislative Decree 231/2001 and their Boards of Directors have appointed Supervisory Boards to supervise and control implementation.

In particular, the strategically significant subsidiary Italtel SpA has had an Organisation, Management and Control Model pursuant to Legislative Decree 231/2001 since 2002, which it continuously ensures is both updated and implemented. The version in force for Italtel SpA was adopted by the Board of Directors on 29 March 2016.

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 financial and equity relations between the Exprivia Group and the parent company Abaco Innovazione SpA as at 31 December 2018 compared to 31 December 2017 are laid out below.

Receivables

Non-current Financial Assets

Description	31/12/2018	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 31 December 2018 included Euro 1,784 thousand relating to the receivable for an unsecured loan with no guarantees taken out in 2016 by the parent company Abaco Innovazione SpA, with Euro 1,680 thousand disbursed in cash and Euro 1,305 thousand as a reclassification of payables outstanding as at 31 December 2015.

Current Financial Assets

Description	31/12/2018	31/12/2017	Variazione
Current financial receivables from controlling companies	461	400	61
TOTAL	**461**	**400**	**61**

The balance as at 31 December 2018 of Euro 461 thousand is in relation to the current portion of the aforementioned loan, inclusive of interest income of Euro 49 thousand.

Trade Receivables

Description	31/12/2018	31/12/2017	Variazione
Trade receivables from controlling companies	20	13	7
TOTAL	**20**	**13**	**7**

The balance as at 31 December 2018 amounted to Euro 20 thousand compared to Euro 13 thousand in December 2017, and refers to receivables for administrative and logistics services.

Financial Income and Charges

Description	31/12/2018	31/12/2017	Variazione
Financial costs and expenses from the parent company	433	388	45
TOTAL	**433**	**388**	**45**

The balance of Euro 433 thousand as at 31 December 2018 refers to costs for the guarantee given by the parent company to obtain the Euro 25 million loan disbursed to Exprivia SpA by a pool of banks in April 2016.

Revenue and Income

Description	31/12/2018	31/12/2017	Variazione
Financial income from parent company	76	83	(7)
TOTAL	**76**	**83**	**(7)**

The balance as at 31 December 2018 refers primarily to interest accrued from Abaco Innovazione SpA on a loan disbursed by Exprivia SpA (Euro 71 thousand).

Consolidated Financial Statements of the Exprivia Group as at 31 December 2018

Consolidated Financial Statements as at 31 December 2018

Consolidated Balance Sheet

Amount in thousand Euro	Note	31.12.2018	31.12.2017
Property, plant and machinery	1	27,667	28,209
Goodwill and other assets with an indefinite useful life	2	191,829	206,979
Other Intangible Assets	3	52,615	35,721
Shareholdings	4	466	589
Other financial assets	5	2,700	3,273
Other financial assets	6	1,673	4,436
Deferred tax assets	7	68,948	65,638
NON-CURRENT ASSETS		**345,898**	**344,845**
Trade receivables	8	155,643	148,487
Stock	9	33,946	41,007
Work in progress to order	10	63,975	36,821
Other Current Assets	11	44,629	34,847
Other Financial Assets	12	3,787	1,914
Cash resources	13	19,558	36,508
Other Financial Assets available for sale	14	327	455
CURRENT ASSETS		**321,865**	**300,039**
DISCONTINUED NON CURRENT ASSETS	**15**	**106**	**215**
TOTAL ASSETS		**667,869**	**645,099**

Amount in thousand Euro			
	Note	31.12.2018	31.12.2017
Share capital	16	25,083	25,155
Share Premium Reserve	16	18,082	18,082
Revaluation reserve	16	2,907	2,907
Legal reserve	16	3,959	3,931
Other reserves	16	42,638	44,461
Profits (Losses) for the previous period	16	6,953	6,931
Profit (Loss) for the period	16	(852)	50
SHAREHOLDERS' EQUITY		**98,770**	**101,517**
Minority interest		26,508	27,125
GROUP SHAREHOLDERS' EQUITY		**72,262**	**74,392**
Non-current bond	17	22,550	22,413
Non-current bank debt	18	158,125	167,499
Other financial liabilities	19	49	173
Other no current liabilities	20	3,729	3,354
Provision for risks and charges	21	5,887	14,413
Employee provisions	22	25,783	30,025
Deferred tax liabilities	23	13,435	2,469
NON CURRENT LIABILITIES		**229,558**	**240,346**
Current bank debt	24	58,479	70,717
Trade payables	25	195,255	146,584
Advances payment on work in progress contracts	26	7,492	3,152
Other financial liabilities	27	4,502	6,739
Other current liabilities	28	73,427	75,655
CURRENT LIABILITIES		**339,155**	**302,847**
DISCONTINUED NON CURRENT LIABILITIES	**29**	**386**	**389**
TOTAL LIABILITIES		**667,869**	**645,099**

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Consolidated Income Statement

Amount in thousand Euro	Note	31.12.2018	31.12.2017
Revenues	30	590,964	157,122
Other income	31	32,246	4,082
PRODUCTION REVENUES		**623,210**	**161,204**
Costs of raw, subsid. & consumable mat. and goods	32	210,669	9,516
Salaries	33	192,805	101,358
Costs for services	34	157,326	29,496
Costs for leased assets	35	7,486	3,811
Sundry operating expenses	36	5,567	5,544
Change in inventories of raw materials and finished products	37	6,223	32
Provisions	38	1,312	(648)
TOTAL PRODUCTION COSTS		**581,388**	**149,109**
DIFFERENCE BETWEEN PRODUCTION COSTS AND REVENUES		**41,822**	**12,095**
Amortisation, depreciation and write-downs	39	20,824	5,591
OPERATIVE RESULT		**20,998**	**6,504**
Financial income and charges	40	(19,218)	(3,860)
PRE-TAX RESULT		**1,780**	**2,644**
Income tax	41	2,596	2,594
PROFIT OR LOSS FOR THE YEAR DERIVING FROM ACTIVITIES IN OPERATION		**(816)**	**50**
PROFIT (LOSS) FOR THE EXERCISE DERIVING FROM DISCONTINUED ASSETS	**42**	**(36)**	
PROFIT OR LOSS FOR THE YEAR	**43**	**(852)**	**50**
Attributable to:			
Shareholders of holding company		166	(27)
Minority interest		(1,018)	77
Earnings per share losses	44		
Basic earnings per share		0.0034	(0.0006)
Basic earnings diluted		0.0034	(0.0006)

Consolidated Statement of Comprehensive Income

Amount in thousand Euro			
Description	**Note**	**31.12.2018**	**31.12.2017**
Profit for the year		**(852)**	**50**
Other gains (losses) total will not subsequently be reclassified in profit (loss) for the year			
Profit (loss) Actuarial effect of IAS 19		654	(111)
Tax effect of changes		(157)	27
Total other comprehensive income (loss) will not subsequently be reclassified in profit (loss) for the year	**16**	**497**	**(84)**
Other gains (losses) total that will be subsequently reclassified to profit (loss) for the year			
Change in translation reserve		(3,139)	(343)
Profit (loss) on FVOCI financial assets		(129)	(2)
Profit (loss) on cash flow hedge derivatives		783	12
Tax effect of changes		(187)	
Total other comprehensive income (loss) that will subsequently be reclassified in profit (loss) for the year	**16**	**(2,672)**	**(333)**
NET COMPREHENSIVE INCOME FOR THE YEAR		**(3,027)**	**(367)**
attributable to:			
Group		(1,770)	(318)
Minority interest		(1,257)	(49)

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 year	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		-
Acquisition of minority Exprivia Do Brasil							1		1		1
Distribution of dividend Exprivia Do Brasil							(55)		(55)	(27)	(28)
Other movements							(8)		(8)		(8)
Acquisition of Italtel participation						26,207			26,207	26,207	-
Components of comprehensive income											
Profit (loss for the period)								50	50	77	(27)
Effects of applying IAS 19						(84)			(84)	2	(86)
Translation reserve						(343)			(343)	(128)	(215)
Profit (loss) on cash flow hedge derivatives						12			12		12
Profit (loss) on AFS classified financial assets						(2)			(2)		(2)
Total income (loss) for the year Overall									**(367)**	**(49)**	**(318)**
Balance at 31.12.2017	**26,980**	**(1,825)**	**18,082**	**2,907**	**3,931**	**44,461**	**6,930**	**50**	**101,517**	**27,125**	**74,392**
Adoption of IFRS 15 / IFRS 9						(811)			(811)	(119)	(692)
Balance at 31.12.2017	**26,980**	**(1,825)**	**18,082**	**2,907**	**3,931**	**43,651**	**6,930**	**50**	**100,707**	**27,006**	**73,701**
Reclassification previous year's profit to previous year's profit					27		23	(50)	-		-
Tax effects arising from merger goodwill						(507)			(507)		(507)
IAS effects 29						1,610			1,610	785	825
Figurative value stock grant						180			180	19	161
Other moviments						(51)			(51)	(48)	(3)
urchase of treasury shares		(72)				(72)			(144)		(144)
Change in scope of consolidation, acquisition of minorities						3			3	3	-
Components of comprehensive income											
Profit (loss for the year)								(852)	(852)	(1,018)	166
Effects of applying IAS 19						497			497	291	206
Translation reserve						(3,139)			(3,139)	(643)	(2,496)
Profit (loss) on cash flow hedge derivatives						595			595	113	482
Profit (loss) on FVOCI financial assets						(128)			(128)		(128)
Total income (loss) for the year Overall									**(3,027)**	**(1,257)**	**(1,770)**
Balance at 31.12.2018	**26,980**	**(1,897)**	**18,082**	**2,907**	**3,959**	**42,638**	**6,953**	**(852)**	**98,770**	**26,508**	**72,262**

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Consolidated Cash Flow Statement

Amount in thousand Euro	Note	31.12.2018		31.12.2017	
	45				
Operating activities:					
Profit (loss) for the year	43	(852)	(1)	50	(1)
Amortisation, depreciation and provisions		22,316		4,943	
Provision for Severance Pay Fund		8,374		4,739	
Advances/Payments Severance Pay		(11,961)		(4,549)	
Adjustment of value of financial assets		2,331		14	
Cash flow generated (absorbed) from operating activities	**a**	**20,208**		**5,197**	
Increase/Decrease in net working capital:					
Variation in stock and payments on account		(15,758)		(352)	
Variation in receivables to customers		(9,576)		(234)	
Variation in receivables to parent/subsidiary/associated company		19		828	
Variation in other accounts receivable		(9,810)		1,517	
Variation in payables to suppliers		48,776		5,710	
Variation in payables to parent/subsidiary/associated company		(105)		(2,151)	
Variation in tax and social security liabilities		(2,132)		(2,270)	
Variation in other accounts payable		(554)		1,074	
Cash flow generated (absorbed) from current assets and liabilities	**b**	**10,860**		**4,122**	
Cash flow generated (absorbed) from current activities	**a+b**	**31,067**		**9,319**	
Investment activities:					
Variation in tangible assets		(3,529)		(700)	
Variation in intangible assets		(12,956)		(3,035)	
Variation in financial assets		(216)		163	
Purchase of minority interests				(1)	
Purchase of majory interests				(1,850)	
Purchase of majory shares				(25,000)	
Liquidity acquired company				23,215	
Cash flow generated (absorbed)) from the investment activity	**c**	**(16,701)**		**(7,209)**	
Financial assets and liabilities					
New loans		21,297	(2)	344	(2)
Reimbursement loan		(41,851)	(2)	15,670	(2)
Net variation in other financial debts		(4,715)	(2)	5,897	(2)
Net variation in other financial recivables		(1,129)	(2)	1,455	(2)
Changes in other non-current liabilities and use of risk provisions		(3,245)		(1,056)	
Changes in the fair value of derivative products				(2)	
(Purchase) / Sale of own shares		(144)			
Paid dividends				(55)	
Change in equity		(1,530)		(351)	
Cash flow generated (absorbed) from financing activities	**d**	**(31,316)**		**21,903**	
Increase (decrease) in cash and cash equivalent	**a+b+c+d**	**(16,950)**		**24,013**	
Cash and cash equivalent at the beginning of the year		36,508		12,495	
Cash and cash equivalent at end of year		19,558		36,508	
(1) including taxes and interest paid in the period		9,503		1,454	

2) The sum of the relative amounts (for 2018 equal to Euro -26,398 thousand of Euro and for 2017 of Euro 23,366 thousand of Euro) represents the overall variation of the net liabilities deriving from financing activities. For the reconciliation with the values shown in the statement of financial position, see the comment on the Net financial position reported in note 24 - Non-current payables to banks.

Explanatory Notes to the 2018 Consolidated Financial Statements of the Exprivia Group

Legal references, preparation policies and presentation

In application of European Regulation No. 1606/2002 of 19 July 2002 and Legislative Decree No. 38 of 28 February 2005, the consolidated financial statements of the Exprivia Group and the financial statements of the parent company Exprivia SpA as at 31 December 2018, were drawn up in compliance with International Accounting Standards issued by the International Accounting Standards Board (IASB), approved by the European Union (hereinafter referred to individually as IAS/IFRS or together as IFRS) in force as at 31 December 2018.
The consolidated financial statements were prepared based on the draft financial statements as at 31 December 2018 provided by the management bodies of the consolidated companies. Where necessary, they were duly adjusted to bring them in line with the classification policies and accounting standards adopted by the Group. The consolidated financial statements were prepared under the general policy of giving an accurate and truthful presentation of the Group's financial standing, economic result and cash flows, while adopting the going-concern assumption, and the general policies of accrual basis accounting, presentation coherence, relevance and aggregation, rule against offsetting and comparability of information. The reporting period and the closing date for preparing the consolidated financial statements correspond to those of the financial statements for the Holding Company and for all the consolidated companies. The consolidated financial statements are presented in thousands of Euro, which is the currency used by the Holding Company Exprivia SpA, and all figures are rounded off to thousands of Euro, unless stated otherwise. The consolidated financial statements provide comparative information referring to the previous financial year.

The schedules in the financial statements are the following:

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

Financial statement item name change

Below are the financial statement items that have been renamed:

- the item “Goodwill and other assets with an indefinite useful life” was renamed “Goodwill”, no assets with an indefinite useful life were recognised in this item;
- the item “Cash at bank and on hand” was more properly renamed “Cash and cash equivalents”;
- the item “Costs for raw materials, consumables and goods” was renamed “Costs for consumables and finished products”;

- the item “Provisions” was renamed “Provisions and write-downs on current assets” as the item includes provisions for risks as well as write-downs on current asset items;
- the item “Amortisation, depreciation and write-downs” was renamed “Amortisation, depreciation and write-downs on non-current assets” as the item includes both depreciation relating to tangible assets and amortisation relating to intangible assets as well as write-downs on non-current assets.

Accounting policies and valuation criteria

General information

The annual consolidated financial statements as at 31 December 2018 were drafted in accordance with Article 154-ter of Legislative Decree 58/98, as well as Consob provisions on the matter.

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

On 14 March 2019, the Board of Directors approved the consolidated financial statements and made these available to the public and to Consob, according to the methods and terms set forth in the applicable legislative and regulatory provisions.

Drafting and presentation criteria

The consolidation principles, accounting policies and valuation criteria are the same as those adopted to prepare the consolidated financial statements as at 31 December 2017, with the exception of the information outlined in the next paragraph “Application of new accounting standards”.

The valuation and measurement policies are based on the IFRS standards in effect as at 31 December 2018 and approved by the European Union.

The following table shows the IFRS/Interpretations approved by the IASB and endorsed for adoption in Europe and applied for the first time during the year.

Description	Endorsement date	Publication on G.U.C.E	Effective date provided by principle	Effective date for Group
IFRS 15 Revenue from contracts with customers that includes Amendments to IFRS 15 (Effective Date)	22 sep '16	29 oct. '16	Exercises starting on or starting from 1 Jan '18	1 jan '18
IFRS 9 "Financial instruments"	22 nov. '16	29 nov. '16	Exercises starting on or starting from 1 Jan '18	1 jan '18
Clarifications of IFRS 15 - Revenues from contracts with customers	31 oct. '17	9 nov. '17	Exercises starting on or starting from 1 Jan '18	1 jan '18
Amendments to IFRS 4 "Amendments to IFRS 4 Joint Application of IFRS 9 Financial Instruments and IFRS 4 Insurance Contracts"	3 nov. '17	9 nov. '17	Exercises starting on or starting from 1 Jan '18	1 jan '18
Annual improvements to the IFRS 2014-2016	7 feb. '18	8 feb. '18	Exercises starting on or starting from 1 Jan '18	1 jan '18
Amendments to IFRS 2 "Share-based payments"	26 feb. '18	27 feb. '18	Exercises starting on or starting from 1 Jan '18	1 jan '18
Amendments to IAS 40 "Real estate investments - Changes in the destination of real estate investments"	14 mar '18	15 mar '18	Exercises starting on or starting from 1 Jan '18	1 jan '18
IFRIC 22 "Foreign currency transactions and advances"	28 mar '18	3 apr '18	Exercises starting on or starting from 1 Jan '18	1 jan '18

The IFRS standards and interpretations approved by IASB and endorsed for adoption in Europe during the period are as follows:
- IFRS 15 and IFRS 9, for more details please refer to the next paragraph, “Application of new accounting standards”;
- joint application of IFRS 9 “Financial instruments” and IFRS 4 “Insurance contracts”;
- annual improvements to IFRS standards for the 2014-2016 cycle, which modify IFRS 1, IFRS 12 and IAS 28;
- amendments to IFRS 2 “Share-Based Payment” introduced changes that clarify how to recognise certain share-based payments in the accounts;
- amendments to IAS 40 “Investment Property”.
- interpretation of IFRIC 22 “Foreign Currency Transactions and Advance Consideration” examines the exchange rate to be used for the translation when the payments are made or received before the related asset, cost or income.

The newly adopted standards, with the exclusion of IFRS 15 and IFRS 9, for which please refer to the section “Application of new accounting standards”, had no material impacts on the measurement of assets, liabilities, costs and revenues of the Group.

The table below shows the IFRS and interpretations approved by IASB and approved for adoption by Europe, effective after 31 December 2018.

Description	Endorsement date	Publication on G.U.C.E	Effective date provided by principle	Effective date for Exprivia
IFRS 16 Leases (issued on 13 January 2016)	31 oct. '17	9 nov. '17	Exercises starting on or starting 1 January 2019	1 jan '19
Amendments to IFRS 9 prepayment features with negative compensation	22 mar. '18	26 mar. '18	Exercises starting on or starting 1 January 2019	1 jan '19
IFRIC 23 Uncertainty over Income Tax Treatments	23 oct. '18	24 oct. '18	Exercises starting on or starting 1 January 2019	1 jan '19

With regulation no. 2017/1986, issued by the European Commission on 31 October 2017, the regulatory provisions set forth in IFRS 16 “Leases” issued by the IASB on 13 January 2016 were endorsed, which define a lease as a contract that gives an entity the right to use an asset for a specific period of time in exchange for consideration, and, for the lessee, eliminates the distinction between finance and operating leases, introducing for that party a single accounting model for recognising leases. By applying this model, the entity recognises: (i) in the balance sheet, an asset representing the right of use and a liability representing the obligation to make the payments set forth in the contract for all leases with a term exceeding twelve months for an asset that cannot be considered low value; (ii) in the income statement, the amortisation of the asset recognised and separately the interest on the payable recognised. For lessors, the distinction between operating and finance leases has been maintained. The provisions set forth in IFRS 16, which replace those set forth in IAS 17 “Leases” and in the relative interpretations, are applicable for reporting periods starting on or after 1 January 2019.
On the basis of the analyses carried out, the contracts identified in which the Group is a lessee refer primarily to real estate leases and long-term vehicle leases.
To recognise the impacts deriving from the first time adoption of IFRS 16 in the financial statements, the Group decided to apply the modified retrospective approach. Therefore, it applied the standard retroactively by accounting for the cumulative effect at the initial application date, without restating comparative information, although recognising any cumulative effect as an adjustment in the opening balance of retained earnings (IFRS 16.C5b) and C7). The lease liability is recognised at the present value of the remaining payments due for the lease, discounted using the marginal rate of financing of the lessee at the date of initial application. The right of use asset is recognised at the date of initial application at the carrying amount, as if the standard were applied as of the start date, but discounted using the marginal rate of financing of the lessee at the date of initial application.

The transition to IFRS 16 introduced certain elements of professional judgement which entail the definition of several accounting policies and the use of assumptions and estimates in relation to the lease term and the definition of the incremental borrowing rate. The main ones are summarised below:

- term of the lease: the term was determined on the basis of the individual agreement and consists of the "non-cancellable" period along with the effects of any extension or early termination clauses the exercise of which was deemed reasonably certain and taking into account the clauses of the agreement itself. Specifically, for real estate, that assessment considered the specific facts and circumstances of each asset;
- incremental borrowing rate: in most rental agreements entered into by the Group, the implicit interest rate cannot be determined; therefore, a specific marginal rate of financing for each country in which agreements were entered into was used with maturities commensurate with the term of the specific lease agreement.

The Group has also decided to take advantage of the following practical expedients provided by the IFRS 16 transitional provisions:

- applying the standard to agreements previously classified as lease agreements applying IAS 17 "Leases" and IFRIC 4 "Determining whether an arrangement contains a lease" (IFRS 16.C3);
- not recognising assets and liabilities relating to leases with a duration of less than 12 months from the date of first time adoption; these agreements will be accounted for as short-term leases (IFRS 16.C10c);
- excluding initial direct costs from the valuation of the right of use asset at the date of first time adoption (IFRS 16.C10d).

Low-value assets have also been excluded from the application of IFRS 16.
The main impacts on the Group's consolidated financial statements, still being evaluated and analysed, may be summarised as follows:

- Statement of financial position: higher non-current assets due to the recognition of the right of use on the assets leased, of between Euro 22.5 and Euro 25 million; higher financial liabilities representing the obligation to make the payments established in the contract, of between Euro 24 and Euro 26 million.
- The impact on shareholders' equity, net of the related tax effect, is therefore between Euro 0.5 and Euro 1 million.
- Income statement: different nature, qualification and classification of expenses, with the recognition of "Amortisation on the right of use asset" and "Financial charges for interest" in place of "Costs for the use of third party assets - operating lease payments" in accordance with IAS 17, with the resulting positive impact on EBITDA of between Euro 6 and Euro 7 million annually and on a like-for-like basis.
- In addition, the combination between the straight-line amortisation of the "right of use asset" and the effective interest rate method applied to lease payables entail, compared to IAS 17, higher overall charges in the income statement in the initial years of the lease agreement and decreasing overall charges in the final years.
- Cash flow statement: the lease payments, for the principal amount to repay the debt, will be reclassified from "cash flow from operating activities" to "cash flow from financing activities».

The process of implementing the new accounting standard will entail significant updates and modifications in the IT systems as well as the amendment and updating of control and compliance models and the relative processes. The impacts are based on the results of analyses performed at the date on which these financial statements were drafted, and could change as the implementation process is still under way. The impacts on transition are not indicative of future developments, as capital allocation decisions could change with resulting economic and financial impacts on the recognition in the financial statements.

Commitments for payments to be made relating to operating lease agreements essentially concerning offices, vehicles and IT apparatus amount to Euro 26.5 million as at 31 December 2018.

The document "Amendments to IFRS 9 Financial Instruments - Prepayment Features with Negative Compensation" envisages certain changes to said standard, in order to permit the measurement at amortised cost of financial assets characterised by an early discharge option with so-called "negative compensation". No effects are expected from the application of these amendments.

IFRIC Interpretation 23 clarifies how to apply the recognition and measurement requirements of IAS 12. It was issued as the IASB had observed that entities were applying different reporting methods when the application of tax regulations was uncertain. The interpretation was issued in June 2017 and is applicable for reporting periods beginning on or after 1 January 2019, although early adoption is permitted. No effects are expected from the application of this interpretation.

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

Description	Effective date foreseen by the principle
Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017)	Exercises starting on or starting 1 January 2019
Amendments to IAS 28: Long-term interests in associates and joint ventures (issued on 12 October 2017)	Exercises starting on or starting 1 January 2019
Amendments to IAS 19 : plan Amendment, curtailment or settlement (issued on 7 February 2018)	Exercises starting on or starting 1 January 2019
Amendments to references to the conceptual Framework in IFRS Standars (issued on 29 March 2018)	Exercises starting on or starting 1 January 2020
Amendments to IFRS 3 Definition of Business	Exercises starting on or starting 1 January 2020
Amendments to IAS 1 and IAS 8 Definition of Material	Exercises starting on or starting 1 January 2020
IFRS 17 Insurance Contracts (issued 18 May 2017)	Exercises starting on or starting 1 January 2021

"Annual improvements to IFRS Standards 2015-2017 cycle" which include amendments to IAS 12 "Income Taxes", IAS 23 "Borrowing Costs", IFRS 3 "Business Combinations" and IFRS 11.

The "Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures" clarify that IFRS 9 "Financial Instruments", including the impairment requirements, also applies to other financial instruments held over the long-term issued vis-à-vis an associated company or joint venture which, in essence, form part of the net investment, of the same. The net equity method does not apply to these instruments.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement clarify how pension expenses are determined when there is an amendment to a defined benefit plan.

The revision of the Conceptual Framework for Financial Reporting, which introduced a new chapter related to measurement, better specified certain concepts (such as stewardship, prudence and uncertainty in evaluations) and expanded some definitions.

The IASB issued "Definition of a business (amendments to IFRS 3)" to resolve the difficulties that arise when an entity is deciding whether it acquired a business or a group of assets.

Amendments to IAS 1 and IAS 8: the IASB issued the definition of "material" to align the definition used in the Conceptual Framework and the rules themselves.

The amendment of IFRS 17 "Insurance Contracts" aims to improve the comprehension of the investors, and not only, of the exposure to risk, of the profitability and the financial positions of the insurers.

The standards and interpretations detailed above are not expected to have any material impact on the valuation of the Group's assets, liabilities, costs and revenues upon adoption.

Application of new accounting standards

Effective 1 January 2018, the Group adopted the standards IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments", which resulted in changes to accounting policies and, in some cases, adjustments of amounts recognised in the financial statements.

IFRS 15 "Revenue from Contracts with Customers"
Effective 1 January 2018, Exprivia Group adopted IFRS 15 "Revenue from Contracts with customers" for the first time, applying the standard retroactively and accounting for the cumulative effect from the date of initial application (modified retrospective approach).

The IFRS 15 standard requires revenue recognition to be based on the following 5 steps: (i) identification of the contract with the customer; (ii) identification of the separate performance obligations (i.e., contractual promises to transfer goods and/or services to a customer); (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations identified based on the stand-alone selling price of each good or service; and (v) recognition of revenue when the relative performance obligation is satisfied.

Within the Group, the application of IFRS 15 led to some differences in the approach mainly related to the identification of separate contractual obligations and the consequent adoption of specific and new criteria for the allocation of revenue amongst the different performance obligations based on "stand-alone selling prices".
In particular, the identification of the separate contractual obligations entailed a different revenue recognition for the identification of software license concessions as a separate obligation or, alternatively, as an individual and inseparable obligation with installation, customisation, and start-up services.
Moreover, in the context of some contracts in the healthcare market, the identification of separate contractual obligations entailed the identification of obligations that fall under the definition of leasing, which require IAS 17 to be applied for recognising revenues and the recognition of financial lease receivables equal to the future instalments discounted at the implicit interest rate of the supply contract instead of recognising the assets and the relative amortisation.

The revenue was allocated amongst the different performance obligations based on "stand-alone selling prices" and related performance obligations.
When the price established in the contract for the individual good or service does not represent the stand-alone selling price, the latter is determined from the market if directly observable or is estimated using the expected cost plus margin method when not observable on the market. For a good or service whose price applied by the company is highly variable or for which a price is not set because it is never sold separately, the stand-alone selling price is calculated as the difference between the total price minus the sum of the observable stand-along selling prices of other goods and services.

The Group's obligations to transfer goods or services to the customer for which it received consideration from the customer or for which the amount of the consideration is due, are shown in the liabilities in item "Advance payments on contract work in progress" for the assets recognised in "Contract work in progress" and in the item "Other current payables" in other cases.
Contract costs, or costs for the acquisition and fulfilment of the contract with a long-term duration, are capitalised. On the first time application of IFRS 15, as well as at 31 December 2018, those costs did not emerge.

The application of this new standard did not have a significant impact.

The cumulative effect at the initial application date, net of the relative tax effect, of Euro 88 thousand was recognised as of 1 January 2018 as a reduction of shareholders' equity in a reserve for retained earnings/losses due to changes in standards.
The adoption during the year of the new standard had an immaterial effect on revenues at the consolidated level due to the limited number of contracts that required a different method of revenue recognition and the differential between revenue deferral in some cases and revenue release in others.

IFRS 9 "Financial Instruments"

Effective 1 January 2018, the Group adopted IFRS 9 "Financial Instruments" (with the exception of provisions regarding hedge accounting, for which the Group has chosen to continue applying the provisions contained in IAS 39 as accounting policy).
In particular, the new standard reduces the number of categories of financial assets set forth in IAS 39 and defines: (i) the methods for classifying and measuring financial assets based on the characteristics of the cash flows and the business model according to which the asset is held; (ii) a single model for the impairment of financial assets based on expected losses; (iii) the methods for applying hedge accounting and (iv) the recognition of changes in credit risk in the fair value measurement of liabilities.
The general classification approach is based on the combination of two components:
the business model (BM) of the Group for the management of the financial asset in order to generate cash flows;
the characteristic contractual flows of the financial asset (solely payments of principal and interest, SPPI test).
According to the general classification approach, the following categories can be distinguished:

- Hold to Collect: these are financial instruments held as part of a business model aiming to maintain the instruments to maturity to collect the cash flows set forth in the contract; the financial instruments are characterised by cash flows that represent solely payments of principal and interest accrued on the remaining principal at predetermined dates. This verification is performed by carrying out the SPPI test. The asset is measured at amortised cost;
- Hold to Collect and Sell: these are financial instruments managed within a business model whose objective is to collect contractual cash flows as well as sell; as in the previous case, here as well the financial instrument is subject to the SPPI test. This management model is generally characterised by a greater extent and frequency of disposal activities. The asset is measured at fair value through other comprehensive income (FVOCI);
- Hold to Sell: this residual category includes all financial instruments that cannot be classified in the previous categories or those whose cash flows do not pass the SPPI test, instruments held for trading, derivatives, equity instruments not designated at FVOCI, other financial assets at amortised cost or FVOCI which create an accounting mismatch and for which the fair value option is exercised. The asset is measured at fair value through profit or loss (FVTPL).

Impairment testing on financial assets other than trade receivables is carried out based on the general model that recognises expected credit losses in the 12 subsequent months or over the entire remaining life in the case of a substantial deterioration of credit risk.

The expected credit loss ("ECL") is equal to the product of: (i) the present value at the reporting date of the financial asset, (ii) the likelihood that the counterparty will not meet its payment obligations (probability of default, or "PD"), (iii) the estimate, in percentage terms, of the quantity of credit that it will not be possible to recover in the case of default (loss given default, or "LGD").

The business models adopted by the Group for the management of trade receivables are:

- Hold to Collect: these are receivables generally held to maturity which fall within the IFRS 9 category "Assets at amortised cost";

- Hold to Collect and Sell: these are receivables generally subject to assignment in a large-scale and recurring manner pending sale; these instruments are categorised according to IFRS 9 as "Financial assets at fair value through other comprehensive income". As set forth in IFRS 9, the relative reserve is transferred to the consolidated separate income statement at the time of disposal, or if there is any impairment.

Impairment testing on trade receivables and on contract assets is carried out using the simplified approach permitted by the standard. This approach calls for estimating expected losses throughout the entire life of the receivable at the time of initial recognition and during subsequent measurements. For each customer segment, the estimate is carried out primarily by determining expected average non-collectability, based on historical/statistical indicators, possibly adjusted using forecast elements. For some categories of credit with unique risk elements, specific assessments are instead carried out on individual credit positions.
In general, the methodology for recognising the expected loss adopted by the Group calls for a matrix-type approach based on the following steps:

- historical analysis of losses on trade receivables
- definition of appropriate customer groupings based on the characteristics of credit risk highlighted by the historical analysis
- determination of the historical rate of loss by customer grouping on the basis of the losses recognised in relation to the amount of receivables in the reference period or in relation to the overdue brackets if the relative information is available without excessive effort
- any adjustment of the historical rate of loss based on current and forecast information (changes in the economic, regulatory and technological context, industry outlooks, etc.)

At the transition date (1 January 2018), the Group decided to continue to recognise gains and losses from "other equity investments (other than those in subsidiaries, associates and joint ventures)" classified according to IAS 39 as "financial assets available for sale" and measured at fair value, in other comprehensive income also on the basis of IFRS 9. Therefore, starting from 1 January 2018, the above-mentioned "other equity investments" are measured at fair value through other comprehensive income (FVOCI). Only the dividends from "other equity investments" are recognised in the income statement while all other gains and losses are recognised in other comprehensive income with no reclassification to the separate income statement, as instead was set forth under IAS 39 upon derecognition (disposal) or an impairment loss deemed definitive.

Please also note that, in order to show the impacts deriving from the first time adoption of IFRS 9 in the financial statements, the Group has decided to make use of the modified retrospective method, based on which the cumulative effects associated with the application of the new accounting standard are recognised as an adjustment in initial shareholders' equity reserves as at 1 January 2018 (date of first time adoption), while the comparative data are not restated based on IFRS 9.
In particular, the adoption of IFRS 9 entailed, net of the related tax effect, a Euro 723 thousand reduction in consolidated shareholders' equity essentially deriving from the application of the new impairment model on financial assets.
As concerns the new aspects introduced by IFRS 9, the new method for classifying and measuring financial assets representing equity instruments did not entail any amendment as highlighted in the following table:

Financial Activities at December 31, 2017	IAS 39 valuation	Amount (IAS 39)	IFRS 9 valutation	Amount (IFRS 9)	Variazion
In thousand Euro					
Non-current assets					
Financial activities	Amortized cost	3,253	Amortized cost	3,253	-
Derivative financial instruments	FVTPL	1	FVTPL	1	-
Derivative financial instruments	Hedge Accounting -FVOCI	19	Hedge Accounting -FVOCI	19	-
Investments in associated companies	Cost	194	Cost	194	-
Investments in other companies	Cost	395	Cost	395	-
Other non-current assets	Amortized cost	4,436	Amortized cost	4,436	-
Total non-current assets		**8,298**		**8,298**	-
Current assets					
Commercial credits	Amortized cost	148,487	Amortized cost	148,487	-
Other financial assets	Amortized cost	1,914	Amortized cost	1,914	-
Other financial assets available for sale	Available for sale	455	FVOCI	455	-
Other current assets	Amortized cost	34,847	Amortized cost	34,847	-
Cash and cash equivalents	Amortized cost	36,508	Amortized cost	36,508	-
Total current assets		**222,211**		**222,211**	-
TOTAL		**230,509**		**230,509**	-

Financial liabilities at 31 December 2017	IAS 39 valuation	Amount (IAS 39)	IFRS 9 valutation	Amount (IFRS 9)	Variazion
in thousands of Euros					
Non-current liabilities					
Bond loan	Amortized cost	22,413	Amortized cost	22,413	-
Payables to banks	Amortized cost	167,499	Amortized cost	167,499	-
Other financial liabilities	Amortized cost	173	Amortized cost	173	-
Other non-current liabilities	Amortized cost	3,354	Amortized cost	3,354	-
Total non-current liabilities		**193,439**		**193,439**	-
Current liabilities					
Trade payables and advances	Amortized cost	149,736	Amortized cost	149,736	-
Other financial liabilities	Amortized cost	3,530	Amortized cost	3,530	-
Hedging derivative financial instruments	Hedge Accounting - FVOCI	3,209	Hedge Accounting - FVOCI	3,209	-
Payables to banks	Amortized cost	70,717	Amortized cost	70,717	-
Other current liabilities	Amortized cost	75,655	Amortized cost	75,655	-
Total current liabilities		**302,847**		**302,847**	-
TOTAL		**496,286**		**496,286**	-

Below is a summary of the effects deriving from the application of IFRS 15 and IFRS 9 on the opening balances as at 1 January 2018.

Amounts in thousands of Euro	31.12.2017	Effects before adoption		01.01.2018
	Published	IFRS 15	IFRS 9	Post adoption
Property, plant and machinery	28,209	(31)		28,178
Other intangible assets	35,721	(28)		35,693
Other non-current financial assets	3,273	185		3,458
Advance taxes	65,638	67	31	65,736
Commercial credits	148,487	(296)	(754)	147,437
Works in progress on ordination	36,821	75		36,896
Other current assets	34,847	(28)		34,819
Deferred tax liabilities	(2,469)	(32)		(2,501)
Effects on Equity		**(88)**	**(723)**	

Consolidation criteria

The consolidation area includes the financial statements of the Holding Company Exprivia S.p.A. with those of the subsidiaries and associated companies, except for the shareholdings held for sale.
Companies considered subsidiaries are those where: voting rights, also potential, held by the Group enable achievement of a majority of votes in the ordinary shareholders' meeting of the company; control is obtained

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

Consolidation of Foreign Companies

All assets and liabilities of foreign companies in currency other than the Euro and that fall within the consolidation area are converted using the exchange rate at the reference date of the financial statements. Income and expenses are converted at the average exchange rate. The exchange differences arising from the application of this method are classified under shareholders' equity until disposal of the investment. In preparing the consolidated financial statements the average exchange rates were used to convert foreign subsidiary cash flows.
Goodwill and fair value adjustments generated by the acquisition of a foreign entity are recorded in the relevant currency and are converted using the exchange rate effective at the end of the accounting period.
The primary exchange rates used for conversion into Euro of the financial statements of foreign companies for 31 December 2018 were as follows:

Exchange rate	Average of 12 months to 31 December 2018	At 31 December 2018
Argentine Peso	32.909	43.159
Real brazilian	4.3087	4.4440
Pound Sterling	0.88471	0.89453
Dollar USA	1.1815	1.1450
Zloty polacco	4.2615	4.301
Nuevo Sol peruviano	3.8810	3.8630
Riyal Arabia Saudita	4.4286	4.2938
Dollaro Hong Kong	9.2599	8.9675
Renminbi -Yuan (Cina)	7.8074	7.8751
Mexican Peso	22.7160	22.4921
Guatemalan Quetzal	8.8832	8.8523

Hyperinflation in Argentina - Application of IAS 29 - Financial reporting in hyperinflationary economies

In Argentina, following a long period of observing inflation rates and other indicators, global consensus was reached on the occurrence of conditions of hyperinflation in compliance with international accounting standards (IFRS - International Financial Reporting Standards). As a result, as of 1 July 2018 all companies operating in Argentina are required to apply IAS 29 – Financial Reporting in Hyperinflationary Economies when preparing their financial reports.
With regard to the Group, the consolidated financial results as at 31 December 2018 include the effects deriving from the application of the above-mentioned accounting standard as of 1 January 2018.

The Group presents its consolidated financial data in Euro and, therefore, no restatement of the amounts presented in 2017 was necessary. With respect to the results for the year 2018, please note that the consolidated results reflect the impacts of the revaluations indicated above.

According to IAS 29, the redetermination of the values in the financial statements as a whole requires the application of specific procedures and a valuation process which the Group initiated in the final quarter of 2018.
In particular:

- with regard to the income statement, costs and revenues were revalued by applying the change in the general consumer price index so as to reflect the loss in buying power of the local currency as at 31 December 2018. For the conversion of the income statement thus restated into Euro, the spot exchange rate as at 31 December 2018 was accordingly applied, rather than the average rate for the period. The effect of the application of IAS 29 was a decline of Euro 1,121 thousand in EBITDA;

- with regard to the balance sheet, the monetary elements were not redetermined as they are already expressed in the current unit of measurement at the reporting date; non-monetary assets and liabilities were instead revalued to reflect the loss in buying power of the local currency from the date on which the assets and liabilities were initially recognised until the end of the year closing on 31 December 2018;

- the effect on the net monetary position for the part generated in the course of 2018 was a charge of Euro 757 thousand, posted to the income statement under financial charges, while the effects of the first time application of the standard as at 1 January 2018 were directly recorded as components of shareholders' equity.

Business Combinations

Business combinations are recognised according to the purchase accounting method pursuant to IFRS 3. According to this method, the cost of a business combination is measured at fair value, calculated as the sum of the fair value of assets transferred and liabilities assumed by the Group at the date of acquisition and the equity instruments issued to the seller in exchange for control over the acquired entity. Acquisition-related costs for the transaction are recognised in the income statement when incurred.
The cost of a business combination is compared to the fair value of identifiable assets, liabilities and contingent liabilities on purchase. Any positive difference between the purchase cost and the amount pertaining to the group of the fair value of identifiable assets, liabilities and contingent liabilities on purchase is recognised as goodwill. If the difference is negative, it is charged directly to the Income Statement. If only a temporary initial book value of a business combination can be determined the initial value adjustments are carried within twelve months of the date of acquisition of control. Amounts pertaining to minority shareholders are carried according to the fair value of the net assets purchased. If a business combination is made over several phases with subsequent purchase of shares each phase is valued separately using the cost and information on fair value of assets, liabilities and contingent liabilities at the date of each transaction to determine the amount of any difference. When a subsequent purchase results in obtaining control of an entity the amount previously held is represented according to the fair value of identifiable assets, liabilities and contingent liabilities determined at the date control is achieved. Any contingent consideration is recognised by the buyer at fair value on the date of acquisition.

At the acquisition date, goodwill is recognised by measuring it as the excess of (a) over (b), as described below:

a) the sum of: **i**) the consideration transferred valued in compliance with IFRS 3 which in general requires fair value at the acquisition date; **ii**) the amount of any minority interests held in the acquired company valued in compliance with IFRS 3; and **iii**) in a business combination carried out in multiple phases, the fair value at the acquisition date of the interests in the acquired company previously held by the buyer;

b) the net value of the amounts, at the acquisition date, of the identifiable assets acquired and the identifiable liabilities assumed, valued in compliance with IFRS 3.

For each business combination, the components of minority interests in the acquired company which represent shareholdings and give holders the right to a proportional share of the entity's net assets in the case of liquidation are measured at the acquisition date at a value equal to:

(**a**) the fair value; (**b**) the proportional share of recognised amounts of the identifiable net assets of the acquired company to which current participatory instruments give the right.

All of the other components of minority interests are valued at their respective fair values at the acquisition date, unless IFRS requires a different measurement approach.

The option to purchase a part of minority interests or the option to sell minority interests is taken into consideration when determining whether control has been acquired. Additionally, if control is acquired the amounts related to minority call options are considered financial liabilities as provided for under IAS 32.

Accounting estimates used in preparing the financial statements

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

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

Accounting policies and valuation criteria

The accounting standards adopted for drawing up the consolidated financial statements are the same as those adopted for drawing up the consolidated financial statements of the Group for the financial year which closed as at 31 December 2017, with the exception of what is set forth in the section “Application of new accounting standards”.

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

Property, plant and machinery

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

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

Land	indefinite useful life
Buildings	33 years
Plant and Machinery	4 – 10 years
Industrial and commercial equipment	4 years
Other assets	4 - 10 years

Land, including pertaining to buildings, is accounted for separately and not depreciated as it is a component with indefinite useful life.
The depreciation criteria used, the useful life and residual value are reviewed at the end of each accounting period and, if necessary, redefined to take into account any significant changes.
Industrial buildings are carried at a value periodically reassessed at market value less depreciation and impairment (revaluation model). As set forth by IAS 16, the Group measures fair value and then remeasures it only when there is a significant difference with respect to the book value.
Costs that can be capitalised for improvements to leased assets are attributed to the classes of fixed assets to which they refer and depreciated for the shorter time between the remaining period on the lease agreement and the remaining useful life of the asset to which the improvement was made.
The book value of property, plant and machinery is maintained in the financial statements to the extent that such value can be recovered through use. If significant factors are noticed, which include the likelihood of recovering the net carrying amount, an impairment test is performed to determine any loss of value. A reversal is applied if the conditions at the basis of the impairment no longer apply.

Goodwill

Goodwill is recognised based on the acquisition method in accordance with IFRS 3, as described in the section on business combinations, and is not amortised but is subject to impairment tests at least once a year. To this end these values are allocated to one or more cash generating units starting on the acquisition date or within 12 months.
If goodwill was allocated to a cash generating unit and the entity disposes of an asset that belongs to that unit then the goodwill associated to the asset is included in the book value of the asset when determining the gain or loss from the disposal. This amount is determined according to the values of the assets disposed of and the part kept.

Other Intangible Assets

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

Equity investments in other companies and associates

Equity investments in other companies are measured at FVOCI.

The equity investments in companies in which the Group has significant influence (referred to below as associates), which is expected to exist when the shareholding is between 20% and 50%, are accounted for with the equity method, except when it is evident that the application of that valuation method does not influence the Group’s financial and economic position. In these cases, the equity investment is valued at cost. The methodology for the application of the equity method is described below:

- the carrying amount of the equity investments is aligned with the shareholders' equity of the investee company adjusted, when necessary, to reflect the application of accounting standards compliant with those applied by the Holding Company and includes, when applicable, the recognition of any goodwill identified at the time of acquisition;
- the profit or loss attributable to the Group is accounted for in the consolidated income statement from the date on which significant influence started and until the date on which it stops. If due to losses the company has a negative shareholders' equity, the carrying amount of the equity investment is cancelled and any excess belonging to the Group is recognised in a dedicated provision, only if the Group has committed to fulfilling legal or implicit obligations of the associate or in any event to covering its losses. The changes in shareholders' equity of the associates not resulting from the profit or loss are accounted for as a direct adjustment of the reserves;
- unrealised gains and losses generated on transactions carried out between the Holding Company/Subsidiaries and Associates are eliminated based on the value of the Group’s shareholding in the investee companies. Unrealised losses are eliminated unless they are representative of impairment losses.

Leasing

Machinery owned through financial leasing contracts, for which the Group has substantially assumed the risks and benefits which would arise from ownership, are recognised as assets on the basis of the criteria indicated by IAS 17. They are depreciated according to estimated useful life.
Leasing agreements where the lessor substantially keeps all risks and benefits of ownership are considered as operating leasing. The costs for leasing are carried in consistent amounts in the Income Statement for the duration of the agreement.
The amount payable to the lessor is included in the other financial liabilities.

Government grants

Government grants are reported in the presence of a formal resolution and are accounted for as income in the financial year when related costs are incurred.
Grants received against specific assets whose value is carried under fixed assets are entered in the income statement in relation to the period of amortisation/depreciation for the assets to which they refer.
Advances received for terminated projects, for which a closing report has yet to be issued, have been classified as deductions from receivables. For ongoing projects, advances remain accounted for under liabilities.

Impairment of Property, plant and machinery, Goodwill, Other Intangible Assets, Equity Investments

Impairment occurs every time the book value of an asset is greater than its recoverable value. The existence of any indicators suggesting impairment is checked at every balance sheet date. If those indicators are found the recoverable value of the asset is estimated (impairment test) and a write-down is recognised where necessary. Regardless of the existence of the indicators, an impairment test is carried out at least once a year for the assets not yet available for use and for goodwill.
The recoverable value of an asset is the greater between its fair value, net of sale costs, and its value in use. The recoverable value is calculated with reference to a single asset, unless it is unable to generate incoming cash flow from continued use notably independent of the incoming cash flows generated by other assets or groups of assets, in which case the test is carried out for the smallest unit generating independent flows which includes the asset in question (Cash Generating Unit).
When the write-down has no reason to be maintained, the book value of the asset (or cash generating unit), except for goodwill, is increased to the new value obtained from its estimated recovery value, in any case not over the net carrying amount that the assets would have had if the write-down due to impairment had not been made. The restored value is charged to the income statement, unless the asset is measured at the re-valued figure; in this case the recovered value is posted under the revaluation reserve.

Financial assets (excluding derivative instruments)

The Group’s financial assets are classified on the basis of the business model adopted for their management and the characteristics of the relative cash flows.

a) Financial assets at amortised cost

Financial assets are classified in this category when the following requirements are met: (i) the asset is held within a business model the objective of which is to hold the asset to collect its contractual cash flows; and (ii) the contractual terms of the asset call for cash flows represented solely by payments of principal and interest on the amount of principal outstanding. These are primarily trade receivables, financial assets and other assets.
The trade receivables that do not contain a significant financial component are recognised at the price defined for the relative transaction (determined in accordance with the provisions of IFRS 15 “Revenue from contracts with customers”).
The valuation policy applied following initial recognition is the amortised cost using the effective interest rate method. Long-term loans without an interest rate are accounted for by discounting future cash flows at the market rate if the increase in amounts is due to the passing of time. Amounts for interest are then carried in the income statement under the item “Financial (income) charges and other investments”.
With reference to the impairment model, the Company values is receivables by identifying expected losses.
For trade receivables, the Group adopts a simplified valuation approach which does not require the recognition of periodic changes in credit risk, but rather the recognition of an expected credit loss (ECL) calculated on the entire life of the credit (“lifetime ECL”).

In particular, the policy adopted by the Group calls for a matrix-type approach based on the following steps:

- historical analysis of losses on trade receivables;
- definition of appropriate customer groupings based on the characteristics of credit risk highlighted by the historical analysis;
- determination of the historical rate of loss by customer grouping on the basis of the losses recognised in relation to the amount of receivables in the reference period or in relation to the overdue brackets if the relative information is available without excessive effort;
- any adjustment of the historical rate of loss based on current and forecast information (changes in the economic, regulatory and technological context, industry outlooks, etc.).

If there is no reasonable expectation of recovery, trade receivables are written off.

With reference to non-current financial receivables, the Group adopts the general approach for valuation, which requires the verification of any increase in credit risk at each reporting date.

The write-downs recognised pursuant to IFRS 9 are posted to the income statement net of any positive effects linked to releases or restorations of value and are represented under costs.

b) Financial assets at fair value through other comprehensive income (“FVOCI”)

Financial assets are classified in this category when the following requirements are met: (i) the asset is held within a business model the objective of which is achieved by collecting the contractual cash flows and by selling the asset; and (ii) the contractual terms of the asset call for cash flows represented solely by payments of principal and interest on the amount of principal outstanding.
These assets are initially recognised in the financial statements at fair value plus any accessory costs directly attributable to the transactions that generated them. On subsequent measurement, the valuation carried out upon recognition is updated and any changes in fair value are recognised in the statement of comprehensive income. Please refer to what is described in point a) above with regard to the impairment model.

c) Financial assets at fair value through profit or loss (“FVPL”)

This category includes financial assets that are not classified in either of the previous categories (i.e., residual category). These are primarily derivative instruments that do not meet requirements for hedge accounting.
The assets belonging to this category are recognised at fair value upon initial recognition. The accessory costs incurred on recognition of the assets are charged immediately to the income statement. On subsequent measurement, FVPL financial assets are valued at fair value.
Gains and losses deriving from changes in fair value are accounted for in the income statement in the period in which they are identified, in the item “Profit (Loss) from assets at fair value”. Purchases and sales of financial assets are accounted for at the settlement date.
Financial assets are derecognised when the relative contractual rights expire, or when all risks and rewards of ownership of the financial asset are transferred.

Financial liabilities (excluding derivative instruments)

Financial liabilities include financial payables, trade payables and other payables.
Payables to banks and other lenders are initially recognised at fair value net of directly attributable transaction costs and subsequently measured at amortised cost, applying the effective interest rate approach. If there is a change in expected cash flows, the value of the liabilities is recalculated to reflect that change on the basis of the present value of the new expected cash flows and the internal rate of return initially determined.

Leasing payables are initially recognised at the fair value of the operating assets subject to the contract or, if lower, at the present value of the minimum payments due.

Trade payables are obligations to pay against goods or services acquired from suppliers within the scope of ordinary business activities. Payables to suppliers are classified as current liabilities if payment will take place within one year of the reporting date. Otherwise, those payables are classified as non-current liabilities. Trade payables and other payables are initially recognised at fair value and subsequently measured at amortised cost.

Financial liabilities are derecognised when the underlying obligation is extinguished, cancelled or fulfilled.

Inventories

Inventories are recognised at the lesser value between the purchase price, determined in accordance with the specific cost, and the net sales price. The cost is the fair value of the price paid and any other cost directly attributable with the exception of financial charges. The net sales value is the estimated sales price net of costs for completion and sales. Any write-downs are eliminated in subsequent financial years if the reasons for the write-down no longer apply.
Inventories of replaceable goods relating to raw materials, consumables and goods, as well as finished products and goods for resale, are determined using the FIFO method.

Contract Work in Progress

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

Cash and cash equivalents

Cash and cash equivalents consists of short-term investments (generally not exceeding three months), easily convertible into known amounts of cash and subject to an insignificant risk of changes in value. They are carried at fair value.
For the purpose of the cash flow statement, liquid assets are made up of cash, demand deposits at banks, short-term, highly liquid financial assets (original maturity not exceeding three months), and overdraft facilities. Current account overdrafts are carried under current financial liabilities.

Own Shares

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

Employee benefits

Short-term benefits

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

Defined benefit plans

The Group grants its employees benefits under the Employee Severance Indemnity Fund (TFR). The employee severance indemnity accrued as at 31 December 2006 is considered a defined benefit to be accounted for in accordance with IAS 19. These benefits fall under the definition: defined benefit plan determined in existence and amount but uncertain in when payable.
The total amount of the obligation is calculated on a yearly basis by an external actuary using the Projected Unit Credit Method. Actuarial gains and losses are fully accounted for in the related financial year.
Recognition of the changes in actuarial gain/loss is carried amongst the comprehensive income statement components.

Defined contribution plans

The Group takes part in public or private pension plans with defined contributions on a mandatory, contractual or voluntary basis. Payment of the contributions fulfils the Group's obligation towards its employees. Thus, such contributions form an expense for the period in which they are due.
The employee severance indemnity accrued after 31 December 2006 is considered a defined contribution obligation.

Share-Based Payments – Stock grant

The Group recognises incentives consisting of plans for participation in the share capital ("stock grants") to several members of the top management and to beneficiaries who cover key positions within the Group. The stock grant plans are equity settled, and make it possible to receive shares of the Holding Company free of charge at the end of the vesting period.

As set forth in IFRS 2, equity settled stock grant plans are measured at fair value through profit or loss under staff costs throughout the period between the assignment date and the vesting date and an equity reserve is recognised as an offsetting entry. The fair value of the stock grant is determined at the assignment date, reflecting the market conditions existing at the date in question.
In 2018, the Board of Directors of Exprivia SpA approved the incentive and loyalty plan named "2018-2020 Performance Shares Plan" reserved to executive directors, key executives and employees of Exprivia SpA and its subsidiaries pursuant to art. 93 of the Consolidated Law on Finance, the structure of which was defined by the Board of Directors, at the proposal of the Remuneration Committee.

The above-mentioned plan aims to align the interests of its beneficiaries with those of the Shareholders, linking management remuneration with specific performance objectives, the achievement of which is strictly connected to improvements in the Group's performance and growth in its value in the medium/long-term.

The plan is also an instrument meant to support the capacity to retain key resources of Exprivia and the subsidiaries, in line with best market practices which, typically, involve the implementation of medium/long-term incentive instruments.

The characteristics of the above-mentioned plan are described in the information document prepared by Exprivia SpA pursuant to art. 84-bis of the Issuers' Regulation, provided to the public at the registered office as well as on the Company's website (www.exprivia.it) in the section Corporate - Corporate Governance - Corporate Information Report.

The plan calls for the assignment free of charge, subject to reaching specific performance indicators and the company's capital strength, of ordinary shares of Exprivia SpA with a view to (i) connecting such incentives to the creation of long-term value, thus aligning the management's interests with those of the Shareholders, (ii) offering an incentive instrument to guide and motivate the management to meet the long-term challenges that will see the Company acting as a key player in the market and (iii) maintaining key resources.

The details of the plan are illustrated in the first section of the Remuneration Report and in the "2018-2020 Performance Share" information document drafted and published pursuant to arts. 114-bis of the TUF and 84-bis of the Issuers' Regulation.

The Board of Directors of Exprivia SpA may also identify further plan beneficiaries if new people are assigned to the positions identified or equivalent offices are established.

Potential assets and liabilities

Potential assets and liabilities of an unlikely (but possible) or remote nature are not recognised in the financial statements; nevertheless, adequate information is given concerning possible potential assets and liabilities.
Whenever there is any financial disbursement relating to the obligation, and it occurs after the normal payment terms and the effect of discounting back is significant, the amount set aside corresponds to the current value of future payments expected to cancel the obligation.

Provisions for Risks and Charges

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

Derivative instruments

The Group has chosen to continue applying the provisions contained in IAS 39 with regard to hedge accounting.
Derivative contracts were recognised according to the designation the derivative instruments (speculative or hedging) and the nature of the risk covered (Fair Value Hedge or Cash Flow Hedge).
For contracts designated as speculative, any changes in fair value are directly recognised in the income statement.
In hedging contracts Fair Value Hedge is accounted for by recognising any changes in the fair value of the hedging instrument and the instrument hedged.
If it is identified as Cash Flow Hedge, it is accounted for by floating the fair value portion of change of the hedging instrument, which is recognised as effective cover in the net equity, and charging the ineffective portion to the Income statement. The changes recognised directly under net equity are released in the income statement in the same reporting period or periods in which the asset or liability hedged influences the income statement.

Asset transfers

The assets transferred by way of factoring transactions, which comply with the requirements established by IFRS 9, are derecognised from the balance sheet.

Revenue

Revenue recognition is based on the following 5 steps: (i) identification of the contract with the customer; (ii) identification of the separate performance obligations (i.e., contractual promises to transfer goods and/or services to a customer); (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations identified based on the stand-alone selling price of each good or service; and (v) recognition of revenue when the relative performance obligation is satisfied.

The revenue was allocated amongst the different performance obligations based on “stand-alone selling prices” and related performance obligations.
When the price established in the contract for the individual good or service does not represent the stand-alone selling price, the latter is determined from the market if directly observable or is estimated using the expected cost plus margin method when not observable on the market. For a good or service whose price applied by the company is highly variable or for which a price is not set because it is never sold separately, the stand-alone selling price is calculated as the difference between the total price minus the sum of the observable stand-along selling prices of other goods and services.

The Group’s obligations to transfer goods or services to the customer for which it received consideration from the customer or for which the amount of the consideration is due, are shown in the liabilities in item “Advance payments on contract work in progress” for the assets recognised in “Contract work in progress” and in the item “Other current payables” in other cases.

Below is a description of the nature and methods for recognising revenue by category of goods and services provided by the Group.

Projects and Services

The category in question includes IT services, support services and entire projects for software and/or complex IT system development. With reference to this category, control of the service is transferred to the customer over time, and therefore the Group meets the performance obligation and recognises revenue over time by evaluating the progress of activities with the method that best reflects what was done to transfer control over the promised goods or services to the customer, which is substantially dependent on the way the service is provided.

The methods used to evaluate progress are:

- Time based method for services provided in stand-ready mode, services which consist of providing to the customer an assistance structure which intervenes when and if requested, typically application monitoring, remote assistance and/or network services for applications, training and application instruction, adaptation and corrective maintenance.
- Cost to cost for projects and services provided on a lump-sum basis, services and projects carried out on customer specifications that may include various components that are highly integrated and customised based on customer needs and represent input for the fulfilment of the overall obligation specified by the customer.
- Unit/Hours worked for hourly advisory and support services; these are activities for which the benefit transferred to the customer is measured based on the hours or units worked and the agreed rate.

This category also includes on a residual basis projects and services for which the Group acts in its capacity as agent, without the primary responsibility for fulfilling the obligation.

Maintenance

This category includes maintenance and assistance services on third-party hardware and software and on proprietary software. The service is provided by activating the manufacturers' maintenance service and is managed by the company, which has primary responsibility for it or, with respect to proprietary software, consists of adaptation and corrective maintenance activities, releasing unspecified software updates and providing user support.

The service is provided in stand-ready mode or with constant effort. Revenue is recognised over time with the time based method.

Third-party hardware and software

This category includes revenue for sales of hardware and software acquired from third parties when they represent a distinct obligation, i.e., when they are not closely integrated, interrelated or dependant on other goods and services promised in the contract. The revenue is recognised at a point in time at the moment of delivery and/or installation.

Proprietary licences

This category includes revenue for sales of user licences on proprietary software generally granted as usage rights and for an unlimited period of time.

When the offer scheme does not include installation and configuration services, the revenue is recognised at a point in time when the access code required for use is provided to the customer.

When the offer scheme includes installation and configuration services, the obligation is considered distinct only if the services are not significant and/or do not entail considerable customisation activities and/or integration with other systems used by the customer; the revenue is recognised at a point in time after installation is complete.

In certain cases, proprietary licences are granted under an access right scheme for a limited period of time. In these cases, the customer is provided with a continuous service consisting of access to intellectual property and the revenue is accounted for over time with the time based method.

System Integration

This category includes revenue relating to the provision of services for the design, development and installation of solutions for integrated network systems. This category includes two types:

- Supply of equipment and non-complex installation services with no intermediate contractual milestones. The revenue is recognised at a point in time at the moment of installation.
- Supply of equipment, complex installation services and/or other strictly integrated, interrelated or interdependent professional services, which represent a single performance obligation the revenue of which is recognised over time with the cost to cost method.

Costs

Costs are recognised when they relate to goods and services sold or consumed during the year, by systematically breaking them down or when their future useful life cannot be identified.

Financial income and charges

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

Dividends

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

Taxes

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

Earnings per share

Earnings per share is calculated by dividing net profit for the period attributable to ordinary shareholders of the Holding Company by the average number of ordinary shares in circulation during the period.
For the purpose of calculating basic earnings per share, the economic result for the period minus the amount attributable to minority interests was used in the numerator. In addition, there are no privileged dividends, conversion of privileged shares and other similar effects which could adjust the economic result attributable to holders of ordinary capital instruments.
The diluted earnings per share is equal to the earnings per share adjusted to take into account the theoretical conversion of all potential shares.

Foreign currency

The Group's financial statements are presented in Euro, the functional currency of the Group.
Transactions in foreign currency are converted into the reporting currency at the rate of exchange on the date of the transaction. Gains and losses on exchanges arising from liquidation related to these transactions and the conversion of monetary assets and liabilities into foreign currency are recognised in the income statement.

Financial risk management

The Exprivia Group is exposed to the following financial risks:

Interest Rate Risk

In 2016, Exprivia obtained a major medium/long-term variable rate loan from a pool of banks; this is combined with other variable rate and below-market fixed rate loans, the latter relating to funded research and development projects, as well as the loans pertaining to the Italtel Group reformulated following Exprivia's subscription of the equity investment in Italtel SpA's share capital. The previous forms of funding are joined by the fixed rate bond issued to finance the purchase of the equity investment in Italtel SpA. Concerning variable-rate loans, the Group has interest rate swap agreements or cap agreements to hedge the risk of fluctuating interest rates.

Credit Risk

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

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

All amounts receivable are periodically assessed for each individual customer, and they are written down when they are considered impaired, aside from the assessment required by IFRS 9 on expected credit losses.

Liquidity Risk

Liquidity risk is prudently managed by planning cash flows, financing needs and the liquidity of Exprivia Group to ensure effective adequate financial resources are available, by managing any surplus liquidity, and by opening credit lines where necessary, including short-term ones. Liquidity risk was considerably reduced through the medium-term loan, signed by Exprivia in 2016. The transaction for the purchase of the equity investment in Italtel SpA included, as an integral part, the restructuring of Italtel SpA's debt, which was carried out by converting part of the bank debt into Participating Financial Instruments, as well as by the contribution of fresh capital, and lastly, the issue of new loan facilities.

Exchange Rate Risk

The majority of Exprivia Group's activities are carried out in the "Euro Zone", although the acquisition of Italtel Group has increased the volume of transactions carried out on markets subject to sharp fluctuations in exchange rates (e.g., Brazil). This could represent a risk to be monitored. Again within Italtel Group, purchase transactions and, to a minor extent, sales transactions, are concluded in US dollars. For the purpose of reducing the effects of swings in the US dollar, derivative hedging agreements are entered into on this currency. In the financial statements, these derivatives are valued at fair value in accordance with international accounting standards.

Reconciliation of financial assets and liabilities according to IFRS 7

The table below provides a reconciliation between financial assets and liabilities included in the Group's balance sheet and classes of financial assets and liabilities provided by IFRS 9 (amounts in thousands of euro):

ACTIVITY 'FINANCIAL AT 31 December 2018	Loans and receivables "amortized cost"	Investments valued at "fair value trought OCI (FVOCI)"	Investments valued at "fair value through PL (FVPL)"	Derivative financial instruments "financial assets valued at the income statement"	Derivative financial instruments Hedge Accounting financial assets valued at "fair value through OCI (FVOCI)"	inancial instruments available for sale "FVOCI"	Total
In thousands of Euro							
Non current assets							
Financial assets	2,695						2,695
Derivative financial instruments					5		5
Investments in associated companies			76				76
Investments in other companies		390					390
Other non-current assets	1,673						1,673
Total no current assets	**4,368**	**390**	**76**	-	**5**	-	**4,839**
Current assets							
Trade receivables	155,643						155,643
Other financial assets	3,787					327	4,114
Other current assets	44,629						44,629
Cash and cash equivalents	19,558						19,558
Total Current assets	**223,617**	-	-	-	-	**327**	**223,944**
TOTAL	**227,985**	**390**	**76**	**-**	**5**	**327**	**228,783**

LIABILITIES 'FINANCIAL AT 31 DECEMBER 2018	Loans and borrowings "amortized cost"			Derivative financial instruments "financial liabilities valued at FV in the income statement" (FVPL)	Derivative financial instruments Hedge Accounting financial liabilities valued at "fair value through OCI (FVOCI)"	Financial instruments available for sale "FVOCI"	Total
In thousands of Euro							
Non Current liabilities							
Bond	22,550						22,550
Due to banks	158,125						158,125
Other financial liabilities	41						41
Hedging derivative financial instruments				8			8
Other non-current liabilities	3,729						3,729
Total Non Current liabilities	**184,445**	-		**8**	-	-	**184,453**
Current liabilities							
Trade payables and advances	202,747						202,747
Other financial liabilities	4,383						4,383
Derivative financial instruments				119			119
Due to banks	58,479						58,479
Other current liabilities	73,427						73,427
Total Current liabilities	**339,036**	-	-	**119**	-	-	**339,155**
TOTAL	**523,481**	**-**	**-**	**127**	**-**	**-**	**523,608**

It should be noted that the financial instruments reported above, with reference to loans, receivables, payables and investments, were measured at book value, given it is considered to be an approximation of their fair value.
Derivative financial instruments and those available-for-sale are measured at level 2 on the fair value hierarchy.

Fair Value Hierarchy Measurement

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

Level 1 - quoted prices on an active market for similar assets or liabilities;

Level 2 - inputs other than the quoted prices in level 1, which are directly observable (prices) or indirectly (price-related inputs) observable on the market;

Level 3 - inputs that are not based on observable market data.

Scope of Consolidation

The consolidated financial statements as at 31 December 2018 include the equity, economic and financial situations of the Holding Company Exprivia SpA and subsidiaries, and the only change with respect to 31 December 2017 pertains to the inclusion of Italtel Latam Srl, HRCOFFE Srl and Italtel de Chile SpA in the scope.

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, ProSAP Centroamerica SA and Exprivia IT Solution Shanghai and the subsidiaries controlled by Italtel SpA.

Company	Reference market
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
HR COFFEE Srl	Other
Exprivia Messico SA de CV	International Business
ProSAP Perù SAC	International Business
ProSAP Centroamerica S.A (Guatemala)	International Business
Sucursal Ecuador de Exprivia SLU	International Business
Spegea Scarl	Other
Italtel SpA	Telco & Media
Italtel BV	Telco & Media
Italtel Belgium Sprl	Telco & Media
Italtel Deutschland GmbH	Telco & Media
Italtel Frances Sas	Telco & Media
Italtel S.A.	Telco & Media
Italtel Poland Sp.Zo.O.	Telco & Media
Italtel Tel. Hellas EPE	Telco & Media
Italtel U.K. Ltd	Telco & Media
Italtel Argentina S.A.	Telco & Media
Italtel Brasil Ltda	Telco & Media
Italtel Perù Sac	Telco & Media
Ausoitaltel SA	Telco & Media
Italtel Usa Llc	Telco & Media
Italtel Arabia Ltd in liquidazione	Telco & Media
Italtel Telecommunication Hellas EPE in liquidazione	Telco & Media
Italtel Latam Srl	Telco & Media

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

Company	H.O.	Value	Company capital	Value	Results for period	Net worth	Total revenues	Total Assets	% of holding	
Advanced Computer Systems D- Gmbh	Offenbach (Germania)	amount in Euro	25,000	amount in thousand Euro	(25)	41	503	255	100.00%	Exprivia SpA
Consorzio Exprivia S.c.a.r.l	Milano	amount in Euro	20,000	amount in thousand Euro	0.0	21	6	1,472	95.00% 5.00%	Exprivia SpA Exprivia Projects Srl
Exprivia ASIA Ltd	Hong Kong	amount in Euro	2,937,850	amount in thousand Euro	(8)	(59)	26	564	100.00%	Exprivia SpA
Exprivia It Solutions (Shanghai) Ltd	Shanghai (Cina)	amount in Euro	1,730,000	amount in thousand Euro	(25)	(362)	1,109	352	100.00%	Exprivia ASIA Ltd
Exprivia Do Brasil Servicos Ltda	Rio de Janeiro (Brasile)	amount in Euro	5,890,663	amount in thousand Euro	78	1,562	2,370	1,906	52.30% 47.70%	Exprivia SpA Siemest SpA
Exprivia Projects Srl	Roma	amount in Euro	242,000	amount in thousand Euro	226	626	14,135	4,994	100.00%	Exprivia SpA
HRCOFFEE Srl	Molfetta (BA)		300,000		(43)	257	0	275	70.00% 30.00%	Exprivia SpA persone fisiche
Succursal Ecuador de Exprivia SLU	Quito (Ecuador)	amount in Euro	8,578	amount in thousand Euro	(5)	(10)	0	3	100.00%	Exprivia SLU
Spegea Scarl	Bari	amount in Euro	125,000	amount in thousand Euro	23	232	817	1,238	60.00% 40.00%	Exprivia SpA Confindusria Bari
Exprivia SLU	Madrid (Spagna)	amount in Euro	197,904	amount in thousand Euro	(587)	3,029	1,997	4,759	100.00%	Exprivia SpA
ProSap Centroamerica SA	Città del Guatemala (Guatemala)	amount in Euro	5,000	amount in thousand Euro	(53)	240	311	558	98.00% 2.00%	ProSap Sa de CV Exprivia SpA
Exprivia Messico SA de CV	Città del Messico (Messico)	amount in Euro	41,208,999	amount in thousand Euro	(629)	2,046	1,517	3,062	2.00% 98.00%	Exprivia SLU Exprivia SpA
ProSap Perù 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	20,000,001	amount in thousand Euro	(10,458)	35,619	299,534	399,128	81.00% 19.00%	Exprivia SpA 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% 28.54%	Italtel BV 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% 14.88%	Italtel Latam Srl 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% 0.00%	Italtel SpA 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% 0.00%	Italtel SpA 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% 40.00%	Italtel SpA 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% 10.00%	Italtel BV 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% 99.00%	Italtel BV Iltaltel 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% 10.00%	Italtel SpA 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 31 December 2018 were as follows:

Exchange rate	Average of 12 months to 31 December 2018	At 31 December 2018
Argentine Peso	32.909	43.159
Real brazilian	4.3087	4.4440
Pound Sterling	0.88471	0.89453
Dollar USA	1.1815	1.1450
Zloty polacco	4.2615	4.301
Nuevo Sol peruviano	3.8810	3.8630
Riyal Arabia Saudita	4.4286	4.2938
Dollaro Hong Kong	9.2599	8.9675
Renminbi -Yuan (Cina)	7.8074	7.8751
Mexican Peso	22.7160	22.4921
Guatemalan Quetzal	8.8832	8.8523

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.

Definitive purchase price allocation relating to the acquisition of the controlling interest in Italtel SpA

As already noted, in December 2017, the transaction was finalised for the acquisition via subscription by Exprivia SpA of 81% of the ordinary share capital of Italtel SpA.
Considering that the acquisition was completed close to the end of the year, approximating the date of acquisition of control by Exprivia SpA to 31 December 2017, on preparation of the consolidated financial statements for the year 2017, the fair value of the assets and liabilities acquired was determined on a provisional basis, as permitted by IFRS 3, recognising provisional goodwill equal to Euro 15.6 million more than the goodwill of Euro 122 million recognised in the consolidated financial statements of the Italtel Group.
During the year ending on 31 December 2018, and in any event within 12 months of the date of completion of the transaction as permitted by IFRS 3, the Group obtained, with the support of an independent expert, the information required to measure the fair value of the net assets and liabilities acquired (purchase price allocation), with the resulting definitive identification of the goodwill deriving from the business combination.
The purchase price allocation process identified Customer Relationships as an intangible asset, or a customer portfolio capable of generating future economic benefits thanks to relationships with customers, both contractual and non-contractual, and their commercial loyalty, the fair value of which was measured as Euro 20.8 million (gross of deferred taxes of roughly Euro 5.8 million).
Thus, at the end of the allocation process, residual goodwill of Euro 122.8 million emerged, a difference of around Euro 15 million compared to the goodwill recognised in the consolidated financial statements of the Exprivia Group in 2017.
The values of the purchase price allocation are reported below:

Amounts in thousand Euro	Fair value provisional allocation	Purchase Price Allocation	Fair value final allocation
Property, plant and machinery	12,875		12,875
Goodwill	122,215	(122,215)	0
Other intangible assets	24,192	20,848	45,040
Investments	421		421
Other non-current financial assets	792		792
Other non-current assets	2,441		2,441
Advance taxes	63,045		63,045
NON-CURRENT ASSETS	**225,981**	**(101,367)**	**124,614**
Commercial credits	90,519		90,519
Inventories	40,112		40,112
Works in progress on ordination	20,469		20,469
Other current assets	24,089		24,089
Other current financial assets	948		948
Cash and cash equivalents available	23,215		23,215
CURRENT ASSETS	**199,352**	**0**	**199,352**
NON-CURRENT ASSETS CESSED	**215**		**215**
TOTAL ASSETS (a)	**425,548**	**(101,367)**	**324,181**
Non-current payables to banks	147,195		147,195
Other non-current financial liabilities	71		71
Other non-current liabilities	225		225
Provisions for risks and charges	14,249		14,249
Staff Funds	19,321		19,321
Deferred tax liabilities	1,070	5,817	6,887
TOTAL NON-CURRENT LIABILITIES	**182,131**	**5,817**	**187,948**
Current bank debits	37,698		37,698
Commercial debts	124,392		124,392
Other financial liabilities	4,478		4,478
Other Current Liabilities	40,842		40,842
CURRENT LIABILITIES	**207,410**	**0**	**207,410**
NON-CURRENT LIABILITIES DISCONTINUED	**389**		**389**
TOTAL LIABILITIES (b)	**389,930**	**5,817**	**395,747**
Fair value of net assets acquired (c = a-b)	**35,618**	**(107,184)**	**(71,566)**
Third party interests (d)	**26,207**		**26,207**
Cost of acquisition (e)	**25,000**		**25,000**
Final allocation start (e + d-c)	**15,589**		**122,773**

The definitive purchase price allocation entailed lower profit for the year of Euro 752 thousand (of which euro 609 thousand pertaining to the Group) in the consolidated income statement for the year as at 31 December 2018 due to higher amortisation recognised on intangible assets and net of the tax effect.

Below is the 2017 pro-forma consolidated income statement prepared as if the Italtel acquisition transaction had taken place on 1 January 2017:

Amounts in thousand Euro	IT			TLC			Eliminations			CONSOLIDATED		
Revenues	156,345	157,122	(777)	438,362	430,211	8,151	(3,743)	(5,130)	1,387 1)	590,964	582,203	8,761
Other income	5,108	4,082	1,026	27,666	28,063	(397)	(527)	(115)	(412) 1)	32,246	32,030	217
TOTAL REVENUES	**161,453**	**161,204**	**249**	**466,028**	**458,274**	**7,754**	**(4,270)**	**(5,245)**	**975**	**623,211**	**614,233**	**8,978**
Costs for consumables and finished products	(4,952)	(9,516)	4,564	(205,741)	(232,223)	26,482	24	0	24 1)	(210,669)	(241,739)	31,070
Personnel costs	(104,421)	(101,358)	(3,063)	(88,384)	(85,037)	(3,347)	0	0	0	(192,805)	(186,395)	(6,410)
Costs for services	(31,133)	(29,496)	(1,638)	(130,323)	(114,271)	(16,052)	4,131	5,245	(1,115) 1)	(157,326)	(138,522)	(18,804)
Costs for use of third-party assets	(3,008)	(3,811)	803	(4,478)	(4,240)	(238)	0	0	0	(7,486)	(8,051)	565
Different management charges	(808)	(5,544)	4,736	(4,759)	(5,362)	603	0	0	0	(5,567)	(10,906)	5,339
Change in inventories	(42)	(32)	(10)	(6,181)	1,152	(7,333)	0	0	0	(6,223)	1,120	(7,343)
Provisions and write-downs of current assets	(1,201)	648	(1,849)	(111)	(3,458)	3,347	0	0	0	(1,312)	(2,810)	1,498
TOTAL COSTS	**(145,566)**	**(149,110)**	**3,544**	**(439,977)**	**(443,439)**	**3,462**	**4,154**	**5,245**	**(1,091)**	**(581,389)**	**(587,304)**	**5,915**
EBITDA	**15,886**	**12,094**	**3,793**	**26,051**	**14,835**	**11,216**	**(115)**	**-**	**(115)**	**41,822**	**26,929**	**14,893**
Amortization and depreciation of non-current assets	(4,130)	(5,591)	1,461	(16,728)	(12,682)	(4,046)	34	-	34 1)	(20,824)	(18,273)	(2,551)
EBIT	**11,757**	**6,503**	**5,254**	**9,323**	**2,153**	**7,170**	**(81)**	**-**	**(81)**	**20,998**	**8,656**	**12,342**
Proventi e (oneri) finanziari e da altre partecipazioni	(3,888)	(3,860)	(29)	(15,329)	(10,976)	(4,353)	(1)	-	(1)	(19,218)	(14,836)	(4,383)
RISULTATO ANTE IMPOSTE	**7,868**	**2,643**	**5,225**	**(6,006)**	**(8,823)**	**2,817**	**(82)**	**-**	**(82)**	**1,779**	**(6,180)**	**7,959**
Taxes	(3,106)	(2,594)	(512)	510	(1,349)	1,859	-	-	-	(2,596)	(3,943)	1,347
UTILE (PERDITA) DELL'ESERCIZIO DERIVANTE DALLE ATTIVITA' DI FUNZIONAMENTO	-	-	-	**(36)**	**(286)**	**250**	-	-	-	**(36)**	**(286)**	**250**
PROFIT (LOSS) FOR THE YEAR	**4,762**	**49**	**4,713**	**(5,533)**	**(10,458)**	**4,925**	**(82)**	**-**	**(82)**	**(853)**	**(10,409)**	**9,556**

1) The consolidated figure differs from the aggregation of the data of the two operating sectors due to the elimination of infra-group relations.

In the course of 2018, the second year of the 2017-2023 Italtel Business Plan pursuant to the new Restructuring Agreement approved pursuant to art. 182 bis of the Bankruptcy Law was carried out in full.

Please recall that on 14 December 2017, after the approval decree became definitive, the transaction closing took place, during which the resolutions passed by the Extraordinary Shareholders' Meeting of 27 November 2017 were executed, in particular:

- Exprivia SpA subscribed 25,000,000 category A ordinary shares with no par value (of which Euro 2,000,000 through the conversion of liquid, certain and payable receivables due from Italtel SpA);
- Cisco Systems (Italy) Srl. subscribed 6,000,000 category B ordinary shares with no par value (entirely through the conversion of liquid, certain and payable receivables due from Italtel SpA);
- Cisco Systems (Italy) Srl subscribed 16,000,000 special shares with no par value (entirely through the conversion of liquid, certain and payable receivables due from Italtel SpA);
- the lending banks (UniCredit SpA, Banco BPM SpA, Banca Popolare di Milano SpA, Banca IFIS SpA and UBI Banca SpA) subscribed a total of 66,803,260 C Participating Financial Instruments with no par value (through the partial conversion of the financial receivable for an equal amount due from Italtel SpA);
- the Loan Agreements were entered into;
- deeds of guarantee were signed in favour of the lending banks (pledge on newly issued shares, mortgage and privilege) and to free up the guarantees previously offered by Italtel Group SpA and its shareholders.

The share capital of Italtel SpA is therefore equal to Euro 20,000,001.

The new shareholders of the Company are therefore Exprivia SpA, with a shareholding of 81%, and Cisco Systems (Italy) S.r.l., with a shareholding of 19%.

The transaction for the acquisition of Italtel SpA took place in a context of recapitalisation and restructuring of the debt of said company vis-à-vis banks, carried out pursuant to Article 182 bis of the Italian Bankruptcy Law on the basis of an agreement approved in November 2017, which also envisaged the conversion of part of the receivables due from the banks in Participating Financial Instruments ("PFI").
The Directors of Italtel believe that, as things currently stand, there are no elements of uncertainty with respect to whether the Italtel Group will continue as a going concern.

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 31 December 2018, the segments subject to reporting were:

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

Note that the TLC operating segment was identified following the inclusion of Italtel SpA and its subsidiaries in the scope of consolidation. Considering that the economic figures of the Italtel Group were consolidated starting from 1 January 2018, unlike the balance sheet figures which were consolidated starting from 31 December 2017, the economic performance of the TLC segment reported below does not include the comparative data for the year 2017.

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

The assets and liabilities by operating segment as at 31 December 2018 are indicated below.

Reclassified Balance Sheet

amount in thousand Euro	IT			TLC			Elision			CONSOLIDATED		
	31.12.2018	31.12.2017	Variazion	31.12.2018	31.12.2017	Variazion	31.12.2018	31.12.2017	Variazion	31.12.2018	31.12.2017	Variazion
Property, plant and machinery	15,039	15,334	(295)	12,653	12,875	(222)	(25)	0	(25)	27,667	28,209	(542)
Goodwill	79,235	84,774	(5,539)	112,594	122,215	(9,621)	0	(11)	11	191,829	206,979	(15,150)
Other Intangible Assets	11,127	11,529	(402)	41,630	24,192	17,438	(142)	0	(142)	52,615	35,721	16,893
Shareholdings	163	168	(5)	303	421	(118)	(0)	(0)	0	466	589	(123)
Other financial assets	53	1,995	(1,942)	1,622	2,441	(819)	0	0	0	1,675	4,436	(2,761)
Deferred tax assets	2,373	2,593	(221)	66,575	63,045	3,530	0	0	0	68,948	65,638	3,309
NON-CURRENT ASSETS	**107,989**	**116,393**	**(8,404)**	**235,377**	**225,189**	**10,188**	**(167)**	**(11)**	**(157)**	**343,199**	**341,571**	**1,627**
Trade recivables	51,238	61,153	(9,915)	107,491	90,519	16,972	(3,085)	(3,185)	100	155,643	148,487	7,156
Stock	766	895	(129)	33,180	40,112	(6,932)	0	0	0	33,946	41,007	(7,061)
Work in progress to order	19,769	16,517	3,252	44,270	20,469	23,801	(65)	(165)	101	63,975	36,821	27,154
Other Current Assets	11,322	10,404	917	34,912	24,089	10,823	(1,604)	354	(1,958)	44,630	34,848	9,782
CURRENT ASSETS	**83,095**	**88,969**	**(5,875)**	**219,853**	**175,189**	**44,664**	**(4,754)**	**(2,996)**	**(1,758)**	**298,193**	**261,162**	**37,031**
DISCONTINUED NON CURRENT ASSETS	**0**	**0**	**0**	**106**	**215**	**(109)**	**0**	**0**	**0**	**106**	**215**	**(109)**
Commercial debts	(24,123)	(25,183)	1,060	(174,275)	(124,392)	(49,883)	3,143	2,991	152	(195,255)	(146,584)	(48,671)
Advances on contract work in progress	(5,349)	(3,152)	(2,197)	(2,143)	-	(2,143)	0	0	0	(7,492)	(3,152)	(4,340)
Other current liabilities	(33,029)	(34,813)	1,784	(42,002)	(40,842)	(1,160)	1,604	0	1,604	(73,427)	(75,655)	2,228
CURRENT LIABILITIES	**(62,501)**	**(63,148)**	**647**	**(218,420)**	**(165,234)**	**(53,186)**	**4,747**	**2,991**	**1,756**	**(276,174)**	**(225,391)**	**(50,783)**
DISCONTINUED NON CURRENT LIABILITIES	**0**	**0**	-	**(386)**	**(389)**	**3**	**0**	**0**	**0**	**(386)**	**(389)**	**3**
NON-CURRENT FUNDS AND LIABILITIES	**(15,680)**	**(15,395)**	**(285)**	**(33,155)**	**(34,865)**	**1,710**	**0**	**0**	**0**	**(48,835)**	**(50,260)**	**1,426**
NET INVESTED CAPITAL	**112,903**	**126,819**	**(13,917)**	**203,375**	**200,105**	**3,270**	**(175)**	**(16)**	**(159)**	**316,103**	**326,908**	**(10,805)**
NET FINANCIAL POSITION	**48,460** 2)	**60,904** 2)	**(12,445)**	**168,874**	**164,487**	**4,387**	**0**	**(0)**	**0**	**217,334** 2)	**225,391** 2)	**(8,058)**

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.

Reclassified Income Statement

amount in thousand Euro	IT			TLC			Elision			1) CONSOLIDATED		
	31.12.2018	31.12.2017	Variazion	31.12.2018	31.12.2017	Variazion	31.12.2018	31.12.2017	Variazion	31.12.2018	31.12.2017	Variazion
Revenues	156,345	157,122	(777)	438,362		438,362	(3,743)	0	(3,743)	590,964	157,122	433,842
Other income	5,108	4,082	1,026	27,666		27,666	(527)	0	(527)	32,246	4,082	28,165
TOTAL REVENUES	**161,453**	**161,204**	**249**	**466,028**	**0**	**466,028**	**(4,270)**	**0**	**(4,270)**	**623,211**	**161,204**	**462,007**
Costs for consumables and finished products	(4,952)	(9,516)	4,564	(205,741)		(205,741)	24	0	24	(210,669)	(9,516)	(201,153)
Personnel costs	(104,421)	(101,358)	(3,063)	(88,384)		(88,384)	0	0	0	(192,805)	(101,358)	(91,447)
Costs for services	(31,133)	(29,496)	(1,638)	(130,323)		(130,323)	4,131	0	4,131	(157,326)	(29,496)	(127,830)
Costs for use of third-party assets	(3,008)	(3,811)	803	(4,478)		(4,478)	0	0	0	(7,486)	(3,811)	(3,675)
Different management charges	(808)	(5,544)	4,736	(4,759)		(4,759)	0	0	0	(5,567)	(5,544)	(23)
Change in inventories	(42)	(32)	(10)	(6,181)		(6,181)	0	0	0	(6,223)	(32)	(6,191)
Provisions and write-downs of current assets	(1,201)	648	(1,849)	(111)		(111)	0	0	0	(1,312)	648	(1,960)
TOTAL COSTS	**(145,566)**	**(149,110)**	**3,544**	**(439,977)**	**0**	**(439,977)**	**4,154**	**0**	**4,154**	**(581,389)**	**(149,110)**	**(432,279)**
EBITDA	**15,886**	**12,094**	**3,793**	**26,051**	**0**	**26,051**	**(115)**	**0**	**(115)**	**41,822**	**12,094**	**29,728**
Amortization and depreciation of non-current assets	(4,130)	(5,591)	1,461	(16,728)		(16,728)	34	0	34	(20,824)	(5,591)	(15,233)
EBIT	**11,757**	**6,503**	**5,254**	**9,323**	**0**	**9,323**	**(81)**	**0**	**(81)**	**20,998**	**6,503**	**14,495**
Financial income and (expense) from equity investments	(3,888)	(3,860)	(29)	(15,329)		(15,329)	(1)	0	(1)	(19,218)	(3,860)	(15,359)
RESULT ANTE TAXES	**7,868**	**2,643**	**5,225**	**(6,006)**	**0**	**(6,006)**	**(82)**	**0**	**(82)**	**1,779**	**2,643**	**(864)**
Taxes	(3,106)	(2,594)	(512)	510		510	0	0	0	(2,596)	(2,594)	(2)
PROFIT (LOSS) FOR THE YEAR DERIVING FROM OPERATING ACTIVITIES	0	0	0	(36)		(36)	0	0	0	(36)	-	(36)
PROFIT (LOSS) FOR THE YEAR	**4,762**	**49**	**4,713**	**(5,533)**	**0**	**(5,533)**	**(82)**	**0**	**(82)**	**(853)**	**49**	**(902)**

1) The consolidated figure differs from the aggregation of the data of the two operating sectors due to the elimination of infra-group relations.

As required by IFRS 8 (paragraphs 32-34) and IFRS 15 information regarding revenues by type of product and service is provided below based on each segment subject to disclosure:

Exprivia Group (amount in thousand Euro)	31/12/2018			31/12/2017			Variazions		
	IT	TLC	Totale	IT	TLC	Totale	IT	TLC	Total
Projects and Services	133,455	85,825	**219,280**	129,176	-	**129,176**	4,279	85,825	**90,104**
Maintenance	13,528	61,224	**74,752**	17,092	-	**17,092**	(3,564)	61,224	**57,660**
HW / SW third parties	3,933	-	**3,933**	7,565	-	**7,565**	(3,632)	-	**(3,632)**
Ownership licenses	2,165	22,523	**24,688**	2,478	-	**2,478**	(313)	22,523	**22,210**
System Integration	-	267,557	**267,557**	-	-	-	-	267,557	**267,557**
Other	754	-	**754**	811	-	**811**	(57)	-	**(57)**
Total Revenues from Third Parties (a)	**153,835**	**437,129**	**590,964**	**157,122**	-	**157,122**	**(3,287)**	**437,129**	**433,842**
Intersectoral Revenues (b)	2,510	1,233	**3,743**	-	-	-	2,510	1,233	**3,743**
Total Revenues (a + b)	**156,345**	**438,362**	**891,639**	**167,976**	-	**167,976**	**(4,779)**	**728,442**	**723,663**

Below is information regarding revenues by customer type, public or private, and by geographical area.

Exppriva Group (amount in thousand Euro)	31/12/2018	Incidenza%	31/12/2017	Incidenza %
Private	554,072	93.8%	134,070	85.3%
Public	36,892	6.2%	23,052	14.7%
TOTALI	**590,964**		**157,122**	

Gruppo Exprivia (valori in k Euro)	31/12/18	Incidenza%	31/12/17	Incidenza %
Italia	424.717	71,9%	140.939	89,7%
Estero	166.247	28,1%	16.183	10,3%
TOTALI	**590.964**		**157.122**	

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Explanatory Notes on the Consolidated Balance Sheet

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

NON-CURRENT ASSETS

Note 1 - Property, plant and machinery

The net balance relating to the item "**Property, plant and machinery**" amounted to Euro 27,667 thousand as at 31 December 2018 compared to Euro 28,209 thousand at 31 December 2017.

Categorie	Valore netto al 01/01/2018	Incrementi al 31/12/2018	Decrementi costo storico al 31/12/2018	Amm.to dell'esercizio	Decrementi fondo ammortamento al 31/12/2018	Valore netto al 31/12/2018
Terreni	1.663	-	-	-	-	1.663
Fabbricati	19.235	114	(141)	(1.045)	13	18.176
Impianti e macchinari	1.311	426	(251)	(581)	76	981
Attrezzature industriali	1.357	1.121	(1.150)	(709)	1.150	1.769
Altri beni	4.511	2.338	(9.851)	(1.711)	9.349	4.635
Immobilizzazioni in corso	132	431	(120)	-	-	443
TOTALI	**28.209**	**4.430**	**(11.512)**	**(4.046)**	**10.588**	**27.667**

The increase in the item **"industrial equipment"**, equal to Euro 1,121 thousand, refers to the purchase of devices used to develop software solutions relating to products intended for the TLC market, while the increase in the item "**other assets**", equal to Euro 2,338 thousand, refers almost exclusively to purchases of electronic office machines for the technology renewal of information systems and updating of the data network of the companies, while Work in progress refers to investments for the year relating to the new methanisation network for the Italtel office in Settimo Milanese, instruments for research activities, IT devices and extraordinary maintenance interventions for the building and systems of the Settimo Milanese office.

Decreases can be mostly ascribed to the disposal of assets no longer in use.

With regard to the item "**buildings**" also see the comments made in the section "Investment property" in the directors' report.

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

The net book value of leased assets came to Euro 292 thousand and relates to electronic office equipment (Euro 88 thousand) and furniture and furnishings (Euro 204 thousand). It should also be noted that minimum future payments within one year amount to Euro 142 thousand, while those due in one to five years amount to Euro 31 thousand.

Note 2 - Goodwill

The item "**Goodwill**" amounted to Euro 191,829 thousand as at 31 December 2018 compared to Euro 206,979 thousand as at 31 December 2017.

Changes in this item are reported below:

Goodwill	01.01.2018	Movements 2018	31.12.2018
Goodwill Exprivia Projects Srl	1,335		1,335
Exprivia SLU goodwill	694		694
Exprivia goodwill	64,912	(18)	64,894
Exprivia Do Brasil goodwill	339		339
Italtel goodwill	137,804	(15,031)	122,773
ESIET VAS Srl goodwill	1,894	(100)	1,794
TOTAL	**206,978**	**(15,149)**	**191,829**

The change is almost exclusively due to the definitive Italtel purchase price allocation.

In addition, the item changed in the amount of Euro 100 thousand due to the failure to reach the objectives based on which a price adjustment would be recognised for the earn out on the Esiet Vas business unit acquisition.

Information Related to Impairment Tests Performed on Goodwill

Scope

Accounting standard IAS 36 requires that impairment tests should be performed on tangible and intangible assets in the presence of indicators, which suggest that this problem could exist.
In the case of goodwill, such impairment tests should be performed on a yearly basis or more frequently in the case of special negative events that might result in impairment.
During the year ended as at 31 December 2018, the purchase price allocation (PPA) process was completed relating to the acquisition of the controlling interest in Italtel SpA. For the details, please refer to the section "Definitive purchase price allocation relating to the acquisition of the controlling interest in Italtel SpA". At the end of the Purchase Price Allocation process, the initial allocation to goodwill was determined on a definitive basis as Euro 122.8 million.

Identification of CGU (Cash Generating Unit) and Allocation of Goodwill

Not representing goodwill, according to international accounting standards, an asset that is unable to generate cash flow independently from other assets or groups of assets cannot be tested for impairment separately from other related assets.
For this purpose, goodwill is allocated to a CGU or groups of CGUs in compliance with the maximum aggregation consistent with the notion of operating segment referred to in IFRS 8.
The CGUs identified according to the specificity of the management and co-ordination structures of the business, as well as the related sector in the ICT market, are:

- **IT CGU**, software and IT services corresponding to the scope of consolidation of the Exprivia Group excluding the Italtel Group;
- **TLC CGU**, TLC network infrastructures and services corresponding to the scope of sub-consolidation of the Italtel Group.

The allocation of the goodwill to the reference CGUs is carried out on the basis of the transactions from which its originates, in particular goodwill arising from business combinations through which assets were acquired and assigned to specific CGUs from an operational standpoint was allocated to the respective CGUs.

The IT CGU is allocated goodwill amounting to Euro 79.2 million made up as follows:

- Euro 69 million, equal to the overall value of the goodwill assigned to the IT Software, Solutions and Services CGU coinciding with the scope of the Exprivia Group prior to the acquisition of Italtel Spa. This is goodwill arising from business combinations through which assets were acquired included in the previous scope of the Group;
- Euro 10.2 million relating to the allocation of part of the goodwill totalling Euro 122.8 million deriving from the acquisition of Italtel SpA as determined on a definitive basis at the end of the Purchase Price Allocation process. The allocation to the IT CGU was done on the basis of the value of the synergies of the CGU due to increases in the market share as well as cost savings arising from the business combination.

Goodwill of Euro 112.6 million was allocated to the TLC CGU, relating to the allocation of part of the goodwill totalling Euro 122.8 million deriving from the acquisition of Italtel SpA as determined on a definitive basis at the end of the Purchase Price Allocation process. The allocation to the TLC CGU was done on the basis of the inseparable and non-contractual customer portfolio as well as the value of the synergies of the CGU due to increases in the market share as well as cost savings arising from the business combination.

Impairment Test Process and Assessment System

The recoverability of the amount of goodwill carried in the financial statements is checked by comparing the book value allocated to each CGU and the recoverable amount in the definition of value in use. At the date of analysis, the latter is identified as the current value of future cash flow expected to be generated by the CGUs. The “DCF - Discounted Cash Flow” model was used in determining the value in use. The DCF discounts estimated future cash flow by applying an appropriate discount rate.
For the purpose of the projections required by IAS 36, strict reference was made to the current condition of use of each CGU regardless of the cash flow from any investment plans and extraordinary transactions that may constitute a “break” from normal company operations.
The operating cash flow projections for the explicit 5-year period used for value measurement purposes are based on the budget and the plans subject to approval of the Board of Directors.
The terminal value was calculated as the present value of the perpetuity obtained by capitalising the cash flow generated in the last analytical forecast period at a long-term growth rate (G-rate) equal to the average of the long-term inflation rates expected for the main countries in which the CGUs operate.
The Wacc (Weighted Average Cost of Capital) discount rates used to discount the cash flows of each CGU were determined as the average of the specific discount rates for the main countries in which the CGUs operate, weighted on the basis of the respective weight envisaged in the last year of the plan.
The Beta ratios have been estimated on the basis of a panel of comparable companies specific for each CGU.
The weighted average cost of capital was increased to incorporate an execution risk of the plans, calculated on the basis of the average deviation percentage between the EBITDA achieved and the EBITDA estimated in the last three years.
With reference to the IT CGU, the operating cash flow projections for the explicit 5-year period used for value measurement purposes are based on the budget and the plans subject to approval of the Board of Directors.
The main economic-financial assumptions underlying the 2019-2023 financial forecasts are listed below:

- for 2019 the projections reflect budget data for the year;
- for 2020-2023 the projections reflect an annual compound average growth rate of Total Revenue of 3.5% (CAGR 2019-2023) and average profit margin of 12.4%.

The valuation parameters used for establishing the value in use of the IT CGU are presented below:

Parametri	Italia	Brasile	Hong Kong	Spagna	Messico
Risk free rate	2,73%	0,24%	0,24%	1,41%	0,24%
Market risk premium	6%	6%	6%	6%	6%
D/E	32%	32%	32%	32%	32%
Beta unlevered	68%	68%	68%	68%	68%
Beta levered	85%	82%	86%	84%	83%
Risk Premium	5,1%	4,9%	5,2%	5,1%	5,0%
Country Risk Premium	0,0%	6,0%	0,7%	0,0%	1,7%
Premio per il rischio addizionale	1,2%	1,2%	1,2%	1,2%	1,2%
Costo del capitale proprio (Ke)	**8,99%**	**12,34%**	**7,29%**	**7,66%**	**8,09%**
Kd (IRS 10 anni)	0,8%	0,8%	0,8%	0,8%	0,8%
Spread	5,4%	5,4%	5,4%	5,4%	5,4%
Costo del debito (Kd Pre tax)	**6,21%**	**6,21%**	**6,21%**	**6,21%**	**6,21%**
Aliquota IRES / IS	24,0%	34,0%	16,5%	25,0%	30,0%
Costo del debito (Kd after Tax)	**4,72%**	**4,10%**	**5,19%**	**4,66%**	**4,35%**
D/D+E	24,2%	24,2%	24,2%	24,2%	24,2%
E/D+E	75,8%	75,8%	75,8%	75,8%	75,8%
WACC	**7,96%**	**10,34%**	**6,78%**	**6,93%**	**7,18%**
Fattore di ponderazione (EBITDA per paese)	***94,7%***	***2,1%***	***0,5%***	*0,4%*	*2,3%*
WACC Medio ponderato per Paese	**7,98%**				

Parametri	Italia	Brasile	Hong Kong	Spagna	Messico
G Rate (CPI di lungo termine per paese)	**1,9%**	**3,8%**	**2,0%**	**1,8%**	**3,1%**
Fattore di ponderazione (EBITDA per paese)	*94,7%*	*2,1%*	*0,5%*	*0,4%*	*2,3%*
G rate medio ponderato con EBITDA medio per paese	**1,9%**				

With reference to the TLC CGU, the operating cash flow projections for the explicit 5-year period used for value measurement purposes are based on the plan of the Italtel Group approved by the Board of Directors on 19 July 2017 and subjected to asseveration within the sphere of the debt restructuring transaction pursuant to Article 182 bis of the Italian bankruptcy law. This Plan has been considered as still suitable for the performance of the impairment test as at 31 December 2018. Indeed, management deemed the Plan assumptions relating to subsequent years to still be valid.

The main economic-financial assumptions underlying the 2019-2023 financial forecasts are listed below:

- for 2019 the projections reflect budget data for the year;
- for 2020-2023 the projections reflect an annual compound average growth rate of Total Revenue of 3.1% (CAGR 2019-2023) and average profit margin of 9%.

The valuation parameters used for establishing the value in use of the TLC CGU are presented below:

Parametri	Italia	Brasile	Francia	Argentina	Perù	Colombia	Spagna	Germania
Risk free rate	2,73%	0,24%	0,71%	0,24%	0,24%	0,24%	1,41%	0,24%
Market risk premium	6%	6%	6%	6%	6%	6%	6%	6%
D/E	11%	11%	11%	11%	11%	11%	11%	11%
Beta unlevered	95%	95%	95%	95%	95%	95%	95%	95%
Beta levered	103%	102%	102%	103%	102%	104%	103%	102%
Risk Premium	6,2%	6,1%	6,1%	6,2%	6,1%	6,2%	6,2%	6,1%
Country Risk Premium	0,0%	6,0%	0,0%	7,6%	1,7%	2,6%	0,0%	0,0%
Premio per il rischio addizionale	1,8%	1,8%	1,8%	1,8%	1,8%	1,8%	1,8%	1,8%
Costo del capitale proprio (Ke)	**10,70%**	**14,12%**	**8,62%**	**15,85%**	**9,82%**	**10,90%**	**9,38%**	**8,17%**
Kd (IRS 10 anni)	0,8%	0,8%	0,8%	0,8%	0,8%	0,8%	0,8%	0,8%
Spread	5,4%	5,4%	5,4%	5,4%	5,4%	5,4%	5,4%	5,4%
Costo del debito (Kd Pre tax)	**6,21%**	**6,21%**	**6,21%**	**6,21%**	**6,21%**	**6,21%**	**6,21%**	**6,21%**
Aliquota fiscale	24,0%	34,0%	25,0%	25,0%	29,5%	33,0%	25,0%	30,0%
Costo del debito (Kd after Tax)	**4,72%**	**4,10%**	**4,66%**	**4,66%**	**4,38%**	**4,16%**	**4,66%**	**4,35%**
D/D+E	10,2%	10,2%	10,2%	10,2%	10,2%	10,2%	10,2%	10,2%
E/D+E	89,8%	89,8%	89,8%	89,8%	89,8%	89,8%	89,8%	89,8%
WACC	**10,09%**	**13,09%**	**8,21%**	**14,70%**	**9,26%**	**10,21%**	**8,89%**	**7,78%**
Fattore di ponderazione (EBITDA per paese)	*60,5%*	*8,5%*	*1,2%*	*13,1%*	*6,9%*	*1,9%*	*4,2%*	*3,7%*
WACC Medio ponderato per Paese	**10,73%**							

Parametri	Italia	Brasile	Francia	Argentina	Perù	Colombia	Spagna	Germania
G Rate (CPI di lungo termine per paese)	**1,9%**	**3,8%**	**1,9%**	**5,0%**	**2,5%**	**3,0%**	**1,8%**	**2,0%**
Fattore di ponderazione (EBITDA per paese)	*60,5%*	*8,5%*	*1,2%*	*13,1%*	*6,9%*	*1,9%*	*4,2%*	*3,7%*
G rate medio ponderato con EBITDA medio per paese	**2,5%**							

Sensitivity Analysis

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

- an increase in the weighted average cost of capital of up to 1%;
- a decrease in the growth rate “G” up to 1%;
- a change in the estimated EBITDA in the projections up to a 10% decrease;
- the combined change in all three of the variables indicated above.

The sensitivity analysis shows that the values used are higher than the book values.

Conclusions

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

Note 3 - Other intangible assets

The item "**Other intangible assets**" amounted to Euro 52,615 thousand as at 31 December 2018 (net of amortisation) compared to Euro 35,721 thousand as at 31 December 2017.

The table below provides a summary of the item.

Categories	Net value at 01/01/2018	Increases at 31/12/2018	PPA final allocation Italtel	Decreases in historical cost at 12/31/2018	Amortization charge for the year	Depreciation provision decreases at 12/31/2018	Net value at 31/12/2018
Cost of plant and extension	3,586	111	20,848	(3,845)	(1,905)	3,815	22,611
Development of advertising	22,247	11,549	-	(9,367)	(13,417)	9,367	20,379
Patents and Intellectual Property Rights	1,743	1,428	-	(2)	(1,440)	-	1,729
Permits, brands	-	-	-	-	-	-	-
Assets under construction and Advances	8,145	1,187	-	(1,436)	-	-	7,896
TOTAL	**35,721**	**14,275**	**20,848**	**(14,649)**	**(16,762)**	**13,181**	**52,615**

The item "**Italtel definitive PPA**" relates to the fair value of intangible assets, equal to Euro 20.8 million, identified following the Italtel purchase price allocation process (for more details, please refer to the section "Definitive purchase price allocation relating to the acquisition of the controlling interest in Italtel SpA").

The increase in the item **"costs for capitalised internal projects"** is mainly due to the development of software applications in the TLC, Banking & Finance, Healthcare and Defence & Aerospace markets, while the increase in the item **"patents and rights to the use of intellectual property"** refers primarily to the acquisition of user licences valid for an unlimited period of time on application software acquired as well as internal software development projects.

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

Note 4 - Equity investments

The balance of the item **"Equity investments"** as at 31 December 2018 amounted to Euro 466 thousand compared to Euro 589 thousand as at 31 December 2017.

The composition of equity investments is described below.

Equity investments in associates

The balance of the item **"equity investments in associates"** as at 31 December 2018 amounted to Euro 76 thousand.

The table below provides details on the items and the relative changes:

Description	31/12/2018	31/12/2017	Variation
Cored - Consorzio Reti 2000 in liquidation	76	76	-
Consorzio Hermes in liquidation	-	118	(118)
TOTAL	**76**	**194**	**(118)**

The aforementioned equity investment is held by Italtel SpA and is valued with the equity method. On 3 December 2018, Consorzio Hermes in liquidation (in which Italtel SpA held a 24% stake) was struck off from the Register of Companies.

Equity investments in other companies

The balance of the item **"equity investments in other companies"** as at 31 December 2018 amounted to Euro 390 thousand compared to Euro 395 thousand as at 31 December 2017.

The table below provides details on the item:

Description	31/12/2018	31/12/2017	Variation
Ultimo Miglio Sanitario	3	3	-
Certia	1	1	-
Conai	1	1	-
Software Engineering Research	12	12	-
Consorzio Biogene	3	3	-
Consorzio DARe	1	1	-
Consorzio DHITECH	17	17	-
H.BIO Puglia	12	12	-
Consorizio Italy Care	10	10	-
Consorzio DITNE	6	6	-
SELP	0	0	-
Consorzio Daisy-Net Partecipation	14	14	-
Cattolica Popolare Soc. Cooperativa	23	23	-
Banca di Credito Cooperativo	0	0	-
Innoval Scarl	3	3	-
Partecipazione Consorzio SILAB-Daisy	7	7	-
ENFAPI CONFIND Partecipation	1	1	-
Moda Mediter Partecipation	0	0	-
Partecipazione Consorzio GLOCAL ENABLER	2	2	-
Consorzio Campus Virtuale	0	0	0
Consorzio CLIO COM	0	0	0
Centro di Competenza ICT	0	0	0
Consorzio Heath Innovation HUB/Consorzio Semantic Valley	-	3	(3)
Cefriel Scarl	69	69	-
Consorzio Semantic Valley	0	0	0
Consorzio Azimut	-	2	(2)
Banca di Credito Cooperativo di Roma	9	9	-
Consorzio Createc	7	7	-
Consorzio Milano Ricerche	15	15	-
Consel- Consorzio Elis per la Formazione Professionale Superiore Scarl	1	1	-
SISTEL - Comunicacose Automacoa e Sistemas SA	36	36	-
Parco Scientifico e Tecnologico della Sicilia ScpA	2	2	-
MIP - Politecnico Milano Scrl	0	0	-
Consorzio COFRIDIP	3	3	-
Distretto Teconoligico, Sicilia Micro e Nano Sistemi Scarl	27	27	-
SI-LAB Sicilia Scarl	6	6	-
Open Hub Med Scarl	100	100	-
TOTAL	**390**	**395**	**(5)**

Note 5 - Other non-current financial assets

The balance of the item "**Other non-current financial assets**" as at 31 December 2018 amounted to Euro 2,700 thousand compared to Euro 3,273 thousand as at 31 December 2017.

Details on the item in question are provided below:

Description	31/12/2018	31/12/2017	Variation
Non-current financial receivables from parent companies	1,784	2,258	(474)
Non-current financial receivables from others	911	995	(84)
Derivative financial instruments	5	20	(16)
TOTAL	2,700	3,273	(574)

Non-current financial receivables from parent companies

The balance of the item **"non-current financial receivables from parent companies"**, amounting to Euro 1,784 thousand as at 31 December 2018, compared to Euro 2,258 thousand at 31 December 2017, refers to the receivable due to the Holding Company Exprivia SpA from its parent company Abaco Innovazione SpA as a result of the loan agreement stipulated by the parties in 2016. The loan, totalling Euro 2,985 thousand, was disbursed in the form of Euro 1,680 thousand in cash and Euro 1,305 thousand through the reclassification of payables outstanding as at 31 December 2015. The loan term has been established as 7 equal, deferred annual instalments with increasing principal repayments. The third instalment of Euro 413 thousand is due on 4 April 2019. The amount, reclassified to the item "other current financial assets", increased by Euro 49 thousand for interest accrued.

Other non-current financial receivables

The balance of the item **"other non-current financial receivables"** as at 31 December 2018 amounted to Euro 911 thousand compared to Euro 995 thousand as at 31 December 2017.

The item includes Euro 471 thousand referring to long-term guarantee deposits; Euro 343 thousand referring to financial receivables for leases deriving from some contracts with customers containing obligations that qualify as leases and for which IAS 17 was applied to recognise revenue, with the resulting recognition of financial receivables for leases equal to the future payments discounted at the implicit rate of the supply agreement; lastly, Euro 97 thousand refers to the long-term portion, maturing in 2020, of costs incurred for the disbursement of loans for research projects entitled PAIMS and SIS disbursed during 2015.

Derivative financial instruments

As at 31 December 2018, the item "**derivative financial instruments**" amounted to Euro 5 thousand compared to Euro 20 thousand at 31 December 2017.

The derivative financial instruments are represented by instruments not listed on organised markets, subscribed for the purpose of hedging the interest rate risk. The fair value of these instruments was determined by an independent expert applying the Shifted Lognormal Model ("Displaced Diffusion Model") valuation model.

The fair value of these derivative instruments as at the reporting date is presented below:

Hedge Accounting	Operation date	Starting date	Expiration date	Value	Reference amount	Fair value
Interest Rate Cape - BNL	06/05/2016	30/06/2016	31/12/2022	EUR	3,015	2
Interest Rate Cape - BPM	11/05/2016	30/06/2016	30/12/2022	EUR	1,692	1
Interest Rate Cape - UNICREDIT	09/05/2016	30/06/2016	30/12/2022	EUR	3,015	2
TOTAL					7,722	5

With reference to the derivative instruments shown in the table above, it should be noted that Exprivia SpA subscribed those financial instruments in order to neutralise the interest rate risk determined by an underlying variable interest rate loan (Euribor). These are cash flow hedges, measured at level 2 in the fair value hierarchy.

Changes in fair value, equal to Euro 14 thousand, relate to the time component and, therefore, were recognised in the income statement.

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

- upon a change of +1%, the fair value of the derivatives presented above would amount to around Euro 42 thousand;
- upon a change of -1%, the fair value would be basically nil.

Note 6 - Other non-current assets

The balance of the item **"Other non-current assets"** as at 31 December 2018 amounted to Euro 1,673 thousand compared to Euro 4,436 thousand as at 31 December 2017.

The table below provides details on the item in question with a comparison with the composition as at 31 December 2017.

Description	31/12/2018	31/12/2017	Variation
Receivables from tax authorities	370	1,078	(708)
Receivables from tax authorities requested for reimbursement	163	1,825	(1,662)
Other receivables	1,140	1,533	(393)
TOTAL	**1,673**	**4,436**	**(2,763)**

The item **"tax receivables"**, totalling Euro 370 thousand, refer primarily to amounts due from the tax authorities for withholding tax incurred abroad, expected to mature in the medium/long-term, within a period of between 2 and 8 years. Please note that the receivables from the tax authorities amount to a total of Euro 2,470 thousand and were written down by Euro 2,100 thousand due to the risk of recoverability.
The decline compared to the balance as at 31 December 2017 was due to the derecognition of receivables for withholding tax incurred abroad by the Italtel Group as the period of eight years established by tax law for recoverability in the tax return has lapsed.

The item **"receivables from tax authorities requested for rebate"** amounting to Euro 163 thousand refer to sundry receivables of the Italtel Group (Euro 111 thousand) and to the non-current part of the receivable for the rebate request relating to the deductibility of the IRAP tax calculated on staff costs (Euro 53 thousand). Similarly to previous years, this item includes receivables relating to refunds for the years 2009 to 2011, while those relating to 2007 and 2008 were included in the item **"current tax receivables"**. The change is primarily related to collections during the year.

The item **"other receivables"** amounting to Euro 1,140 thousand refers to the suspension of costs pertaining to subsequent years; Euro 833 thousand of the balance refers to prepaid rent for the Castelletto offices of the subsidiary Italtel SpA.

Note 7 – Deferred tax assets

The item **"Deferred tax assets"** amounted to Euro 68,948 thousand as at 31 December 2018 compared to Euro 65,638 thousand at 31 December 2017, and refers to taxes on temporary deductible changes or future tax benefits.

Description	Amount temporary differ	Tax effect 31/12/2018	Amount temporary differ	Tax effect 31/12/2017
Depreciation	199	48	99	24
Goodwill	37	11	42	12
Allowance for doubtful accounts	4,689	1,125	5,292	1,270
Fund risks	5,519	1,529	3,421	947
Wip	47,576	12,455	48,645	12,754
Tax losses	198,498	47,842	191,744	46,145
Adjustments for IFRS	4,299	1,025	5,380	1,285
Others	20,356	4,913	13,259	3,201
TOTAL	**281,173**	**68,948**	**267,882**	**65,638**

The prepaid taxes recognised against tax losses relate, for Euro 46,857 thousand, to the tax losses of the Italtel Group whose forecast recoverability is in line with the 2017-2023 Business Plan approved by the Board of Directors of Italtel on 9 January 2017, subsequently amended by means of resolution dated 19 July 2017, and with the Probability Test. As at 31 December 2018, the company Italtel SpA had prepaid taxes not recognised in the financial statements relating to temporary differences and tax losses of Euro 22.1 million (Euro 23 million as at 31 December 2017).

The balance of the item as at 31 December 2018 relates to the Italtel Group for Euro 67 million (Euro 65 million Italtel SpA and Euro 2 million foreign Italtel Group companies).

CURRENT ASSETS

Note 8 - Trade receivables

The balance of the item **"Trade receivables"** as at 31 December 2018 amounted to Euro 155,643 thousand compared to Euro 148,487 thousand as at 31 December 2017.

The balance of the item as at 31 December 2018 and as at 31 December 2017 breaks down as follows:

Description	31/12/2018	31/12/2017	Variation
Trade receivables from customers	155,564	148,388	7,176
Trade receivables from associated companies	59	86	(27)
Trade receivables from parent companies	20	13	7
TOTAL	**155,643**	**148,487**	**7,156**

Trade receivables - customers

As at 31 December 2018, the item **"trade receivables - customers"** amounted to Euro 155,564 thousand (net of the bad debt provision) compared to Euro 148,388 thousand as at 31 December 2017.

The table below provides details on the item in question with a comparison with 31 December 2017.

Description	31/12/2018	31/12/2017	Variation
To Italian customers	95,629	98,226	(2,597)
To foreign customers	64,029	52,432	11,597
To public bodies	4,718	6,048	(1,330)
S-total receivables to customers	**164,376**	**156,706**	**7,670**
Less: provision for bad debts	(8,812)	(8,318)	(494)
Total receivables to customers	**155,564**	**148,388**	**7,176**

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

Details	31/12/2018	31/12/2017	Variation
To third parties	146,434	132,130	14,304
Invoices for issue to third parties	17,942	24,576	(6,634)
TOTAL	**164,376**	**156,706**	**7,670**

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

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

Amount of receivables	in		days past due								Allowance for doubtful accounts	Receivables net of the bad debt provision
	expire	due	1 - 30	31- 60	61 - 90	91-120	121-180	181-270	271-365	beyond		
146,434	113,046	33,388	3,779	2,714	2,359	1,657	2,182	1,999	1,875	16,823	808	147,242
100.0%	77%	23%	3%	2%	2%	1%	1%	1%	1%	11%		

Receivables from associates

The balance of **"receivables from associates"** as at 31 December 2018 amounted to Euro 59 thousand compared to Euro 86 thousand as at 31 December 2017 and refers to trade receivables due from the associated company Cored - Consorzio Reti Duemila in liquidation.

Receivables from parent companies

The balance of **"receivables from parent companies"** as at 31 December 2018 amounted to Euro 20 thousand compared to Euro 13 thousand as at 31 December 2017 and refers to the receivable due to Exprivia SpA from the parent company Abaco Innovazione SpA for the charging of administrative and logistics services governed by an outline agreement existing between the parties.

Note 9 - Inventories

"Inventories" amounted to Euro 33,946 thousand as at 31 December 2018 compared to Euro 41,007 thousand at 31 December 2017 and refer to software and hardware purchased and destined to be resold in future periods.

The table below provides the detailed breakdown:

Description	31/12/2018	31/12/2017	Variation
Work in progress and products in progress	7,382	9,251	(1,869)
Finished products and goods	26,564	31,756	(5,192)
TOTAL	**33,946**	**41,007**	**(7,061)**

"**Work in progress**" represents pending costs relating to the supply of goods and services based on contracts entered into with customers. As at 31 December 2018 the item relates to the Italtel Group for an amount of Euro 33.2 million.

Note 10 – Contract work in progress

"Contract work in progress" amounted to Euro 63,975 thousand as at 31 December 2018 (of which Euro 44.3 million referring to the Italtel Group) compared to Euro 36,821 thousand as at 31 December 2017 (of which Euro 20.5 million referring to the Italtel Group) and refers to the percentage of completion of contracts in progress. The most significant change relates to the contract entered into by Italtel with the customer Open Fiber on the basis of the progress of activities, equal to Euro 27,775 thousand.

Note 11 - Other current assets

At 31 December 2018, the item **"Other current assets"** amounted to Euro 44,629 thousand compared to Euro 34,847 thousand at 31 December 2018. The table below provides a breakdown:

Description	31/12/2018	31/12/2017	Variation
Current tax credits	16,603	8,291	8,312
Receivables for current taxes	760	2,877	(2,117)
Receivables for contrib.	20,483	15,967	4,516
Advances on grants for projects completed	1	-	1
Sundry credits	2,472	1,641	831
Receivables to welfare institutes/INAIL	378	1,349	(971)
Receivables to employees	650	1,461	(811)
Costs in future years expertise	3,282	3,261	21
TOTAL	**44,629**	**34,847**	**9,782**

As at 31 December 2018, the items "Current tax receivables" and "receivables for current taxes" amounted to Euro 17,363 thousand compared to Euro 11,168 thousand at 31 December 2017. The increase is primarily due to the effect of the application for the entire year of the split payment regime to transactions carried out by listed companies, companies directly or indirectly controlled by the State or companies controlled by local public bodies, according to the provisions of art. 17-ter, paragraph 1-bis of Italian Presidential Decree 633/72 in force as of 1 July 2017.

The item "**grants receivable**" amounting to Euro 20,483 thousand refers to the amounts receivable from the government, regional authorities and public bodies for operating and capital grants for research & development projects in relation to which reasonable certainty exists of the acknowledgement as envisaged in section 7 of the international accounting standard IAS 20. The balance relates to the Italtel Group for Euro 14.4 million and to Exprivia for Euro 6 million.

The item "**other receivables**" of Euro 2,472 thousand increased by Euro 831 thousand compared to 31 December 2017.

"Receivables from pension institutions/INAIL", totalling Euro 378 thousand, refer:

- for Euro 142 thousand, to the receivable from INPS for amounts paid in advance by the subsidiary Italtel SpA as a result of salary integration to staff on solidarity contracts for the period 1 January 2017 - 31 December 2018; this receivable declined in the course of the year by Euro 763 thousand due to the authorisation for the adjustment by the Palermo INPS, valid for amounts disbursed throughout 2017, and the adjustment applied in January 2018 for the staff of all company offices on the amounts of employee severance indemnity recognised to be borne by INPS;

- for Euro 161 thousand to receivables from INPS for amounts paid in advance for the salary integration by Exprivia SpA;
- and for Euro 75 thousand to receivables from social security entities of the Argentinian subsidiary of Italtel SpA.

“Receivables from employees" amounting to Euro 650 thousand are mainly attributable to receivables of the Italtel Group due from employees for advances paid for work-related travel for Euro 500 thousand (Euro 599 thousand as at 31 December 2017) and advances to employees for the Solidarity Contact made in December and withheld in January 2019 for Euro 123 thousand (Euro 493 thousand as at 31 December 2017).

The item “expenses pertaining to future financial years” for Euro 3,282 thousand refers to suspended costs pertaining to the following year.

Note 12 – Other current financial assets

The balance of the item “**Other current financial assets**” as at 31 December 2018 amounted to Euro 3,787 thousand compared to Euro 1,914 thousand as at 31 December 2017.

The following table provides details on the item as well as a comparison with 31 December 2017.

Description	31/12/2018	31/12/2017	Variation
Current financial receivables from others	3,325	1,514	1,812
Current financial receivables from parent companies	461	400	61
TOTAL	**3,787**	**1,914**	**1,873**

Current financial receivables from others

The balance of “**current financial receivables from others**” amounted at 31 December 2018 to Euro 3,325 thousand compared to Euro 1,514 thousand as at 31 December 2017 and includes receivables primarily of Exprivia due from leading factoring firms relating to without recourse agreements for Euro 1,559 thousand (Euro 533 thousand as at 31 December 2017) and sundry financial receivables of Euro 1,766 thousand, of which Euro 1,315 thousand (Euro 875 thousand as at 31 December 2017) referring to investments of the Italtel Group in monetary funds comprising Argentinian Government public debt securities which can be settled and collected over the very short-term.

Current financial receivables from parent companies

As at 31 December 2018, the balance of “**current financial receivables from parent companies**” amounted to Euro 461 thousand compared to Euro 400 thousand at 31 December 2017 and related to the current portion of the Holding Company’s financial receivable (principal and interest) due from the parent company Abaco Innovazione SpA.

Note 13 - Cash and cash equivalents

The item **“Cash and cash equivalents”** amounted to Euro 19,558 thousand as at 31 December 2018 compared to Euro 36,508 thousand at 31 December 2017 and refers to Euro 19,180 thousand held at banks (of which Euro 13.4 relating to the Italtel Group and Euro 5.7 million relating to Exprivia SpA and its direct subsidiaries) and Euro 378 thousand in cheques and cash in hand.

The cheques are mainly held by Italtel Argentina SA for Euro 331 thousand and are securities collectable within sixty days of the reporting date; these cheques can be promptly converted into cash and are subject to an insignificant value change risk.

Additionally, the bank balance includes secured deposits of Exprivia SpA for guarantees amounting to Euro 490 thousand undertaken in favour of banks.

Note 14 - Other financial assets available for sale

The item "**Other financial assets available for sale**" amounted to Euro 327 thousand as at 31 December 2018, compared to Euro 455 thousand at 31 December 2017. It relates to financial instruments issued by Banca Popolare di Bari, more specifically:

(i) 35,998 shares of the above-mentioned bank for a total value of Euro 194 thousand as at 31 December 2018;

(ii) 200,562 "Banca Popolare di Bari 6.50% 2014/2021 subordinate Tier II" bonds for Euro 6.00 each, for a total of Euro 133 thousand as at 31 December 2018.

These financial instruments were booked at fair value (level 2).

Note 15 - Non-current assets disposed of

"Non-current assets disposed of", amounting to Euro 106 thousand (Euro 215 thousand as at 31 December 2017), refer to Italtel Telecommunication Hellas EPE in liquidation and Italtel Arabia Ltd in liquidation.

Italtel Telecommunication Hellas EPE, with effect as from 7 April 2017, further to resolution dated 31 March 2017, was placed in liquidation and is represented in the consolidated financial statements as destined to be disposed of. The appointment as liquidator was entrusted by the previous director of the company. The company completed the liquidation process and on 4 December 2018 was struck off from the local companies' register. It is still recognised under assets disposed of in these financial statements as the final liquidation capital, of Euro 94 thousand, was collected on 25 January 2019.

Italtel Spa's Board of Directors on 24 July 2014 resolved the placement in liquidation of Italtel Arabia Ltd. Consequently, the appointment as liquidator was granted to a local legal advisor so as to accomplish the necessary activities in accordance with local law.
The liquidation activities of the company are still underway.

The assets, for a total of Euro 106 thousand (Euro 215 thousand as at 31 December 2017) are made up of cash and cash equivalents of Euro 94 thousand of the Greek company and Euro 12 thousand of the Arab company.

SHAREHOLDERS' EQUITY

Note 16 - Share capital

The "**Share Capital**", fully paid-up, amounted to Euro 25,083 thousand as at 31 December 2018 compared to Euro 25,155 thousand at 31 December 2017; the change of Euro 72 thousand is attributable to the purchase of own shares. The share capital 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 3,647,591 own shares held as at 31 December 2018, with a value of Euro 1,897 thousand.

Note 16 - Share Premium Reserve

At 31 December 2018, the "**Share premium reserve**" amounted to Euro 18,082 thousand and is the same as 31 December 2017.

Note 16 - Revaluation reserve

At 31 December 2018, the "**Revaluation reserve**" amounted to Euro 2,907 thousand and is the same as 31 December 2017.

Note 16 - Legal reserve

As at 31 December 2018 the "**Legal reserve**" amounted to Euro 3,959 thousand compared to Euro 3,931 thousand as at 31 December 2017; the change of Euro 28 thousand is attributable to the allocation of Exprivia SpA profit from 2017, as resolved by the shareholders' meeting of 27 April 2018.

Note 16 – Other reserves

The balance of the item **"Other reserves"** as at 31 December 2018 amounted to Euro 42,638 thousand compared to Euro 44,461 thousand as at 31 December 2017. Movements in 2018 refer to:

- the positive effect on shareholders' equity of the adoption of IAS 29 for Euro 1,610 thousand;
- the negative effect on shareholders' equity deriving from the first-time adoption of IFRS 15 and IFRS 9 equal to Euro 811 thousand;
- the negative effect of the change in the currency translation reserve, for Euro 3,139 thousand;
- the positive effect relating to cash flow hedge instruments amounting to Euro 595 thousand;
- the negative effect on shareholders' equity of Euro 507 thousand deriving from the tax effect of goodwill acquired by the Holding Company Exprivia SpA following mergers by incorporation carried out in the previous year;
- the negative effect on shareholders' equity deriving from the share premium paid in 2018 for the purchase of own shares for Euro 72 thousand;
- the positive effect on shareholders' equity of the application of IAS 19 with the associated recognition in the statement of comprehensive income of actuarial gains net of the tax effect of Euro 497 thousand;
- the positive effect on shareholders' equity deriving from the recognition of a reserve of Euro 180 thousand representing the figurative value of the shares that will be assigned to the beneficiaries of the "2018-2020 Performance Share Plan";
- the negative effect on shareholders' equity deriving from the financial assets at FVOCI for Euro 129 thousand;
- other negative changes for Euro 47 thousand.

Note 16 - Profit/loss from previous periods

The item "**Profit/loss from previous periods**" as at 31 December 2018 came to Euro 6,953 thousand compared to Euro 6,931 thousand at 31 December 2017. It increased by Euro 22 thousand compared to the previous year due to the allocation of profit.

Note 16 - Minority shareholders' interests

The "**Minority shareholders' interests"** (Euro 26.5 million as at 31 December 2018) mainly relate to the Italtel Group; when establishing the non-controlling interest, account was taken of the forecasts relating to the economic-equity rights of the minority shareholders and holders of PFIs of Italtel SpA.

Reconciliation between Shareholders' Equity and Profit for the year of the Holding Company and Consolidated Shareholders' Equity and Profit for the year

Below is the statement of reconciliation between Shareholders' Equity and the Profit for the year resulting from the separate financial statements of the Holding Company Exprivia SpA and those in the consolidated financial statements.

Description	Result as at 31.12.2017	Shareholders' equity as at 31.12.2017	Result as at 31.12.2018	Shareholders ' equity as at 31.12.2018
Exprivia SpA	**548**	**73,766**	**4,234**	**80,380**
Contribution from the consolidated companies (PN and Result)	(7,106)	42,449	(5,840)	37,163
Shareholdings elision	7,014	(41,895)	2,061	(35,732)
goodwill		27,120		2,823
Dividend elimination	(278)		(435)	
Greater values attributed to the net assets of the subsidiaries			(752)	14,280
Other consolidation adjustments	(128)	77	(121)	(144)
Third-party equity	(77)	(27,125)	1,018	(26,508)
Total Group Equity	**(27)**	**74,392**	**166**	**72,262**

NON-CURRENT LIABILITIES

Note 17 - Non-current bond issues

The balance as at 31 December 2018 came to Euro 22,550 thousand and relates to the non-current portion of the bond issued entitled "Exprivia SpA - 5.80% 2017 - 2023", which the Holding Company issued to finance the subscription by Exprivia SpA of 81% of Italtel SpA's share capital.

Il prestito obbligazionario, di tipo unsecured, è costituito da 230 titoli al portatore del valore nominale unitario di Euro 100.000,00 ciascuno, regolato ad un tasso fisso pari al 5,8% annuo (che potrà essere aumentato o diminuito in funzione del valore del covenant finanziario PFN/Ebitda), con cedole semestrali posticipate rimborsate alla pari e un piano di ammortamento di tipo "amortizing" non lineare che prevede il rimborso del 20% del capitale per ciascuna annualità a partire dal 2020 e il restante 40% al 2023.

Il Regolamento del Prestito prevede covenant usuali secondo la prassi di mercato per operazioni analoghe.
Il Prestito Obbligazionario è stato sottoscritto dai seguenti soggetti:
1) 80 titoli da Anthilia Capital Partners SGR SpA.;
2) 65 titoli da Banca Popolare di Bari S.c.p.a.;
3) 15 titoli da Consultinvest Asset Management SGR SpA.;
4) 10 titoli da Confidi Systema! S.c..
5) 60 titoli da Mediobanca SGR SpA

I titoli sono stati immessi nel sistema di gestione accentrata presso Monte Titoli SpA e sono stati ammessi alla quotazione nel sistema multilaterale di negoziazione gestito da Borsa Italiana SpA, mercato ExtraMOT segmento PRO riservato ad investitori professionali.
Il Documento di Ammissione alla negoziazione e il Regolamento del Prestito sono disponibili sul sito web della Società all'indirizzo www.exprivia.it, sezione Investor Relation.

It is pointed out that the amount pertains fully to the scope of the Exprivia Group in the composition prior to the acquisition of Italtel SpA.

The bond envisages the observance of the financial parameters relating to the NFP/SE and NFP/EBITDA ratios as listed below, for the entire duration:

Reference date	Net Financial Position / Equity	Net Financial Position / EBITDA
31.12.2018	≤ 1,1	≤ 5,5
31.12.2019	≤ 1,0	≤ 5,0
31.12.2020	≤ 1,0	≤ 4,5
31.12.2021	≤ 1,0	≤ 4,0
31.12.2022	≤ 1,0	≤ 4,0

These parameters are calculated on a consolidated basis excluding Italtel SpA and all of its direct or indirect subsidiaries, and refer to the 12 months prior to the reference date, using the normal calculation criteria agreed between the parties.
As at 31 December 2018, the parameters had been observed.

Note 18 - Non-current payables to banks

As at 31 December 2018, the item **"Non-current payables to banks"** amounted to Euro 158,125 thousand compared to Euro 167,499 thousand at 31 December 2017, and pertains to medium-term bank debt from major credit and financial institutions and to low-interest loans for specific investment programmes.

The balance is attributable to the contribution of the Italtel Group, which amounts to Euro 142,827 thousand, while Euro 15,298 thousand refers to the residual scope of the Exprivia Group.

The table below provides details on the items and breaks down the non-current portion (Euro 158,125 thousand) and the current portion (Euro 43,570 thousand) of the payable.

Financial Institute	Typology	Contract amount	Amount paid 31.12.2018	Date contract	Expiration date	Repayment installment	Rate applied	Residual capital 31.12.2018	To be repaid within 12 months	To be repaid over 12 months
Ministero dello Sviluppo Economico	Financing	2,019,162	2,019,162	27/12/2009	27/12/2019	annual	0.87%	233	233	-
Monte dei Paschi di Siena	Financing	2,000,000	2,000,000	30/07/2018	31/01/2019	montly	1.20%	666	666	-
Banco BPM	Financing	2,000,000	2,000,000	30/07/2018	31/01/2019	montly	Euribor + 1.65%	335	335	-
Banco BPM	Financing	2,000,000	2,000,000	03/12/2018	03/06/2019	montly	Euribor + 1.65%	1,999	1,999	-
Pool – Capofila Banca Nazionale del Lavoro	Financing	25,000,000	25,000,000	01/04/2016	31/12/2022	semi-annual	Euribor + 2.65%	15,079	3,737	11,342
Simest	Financing	1,955,000	1,198,063	19/04/2013	19/04/2020	semi-annual	0.50%	360	240	120
Banca del Mezzogiorno	Financing	3,500,000	3,500,000	23/06/2017	23/06/2027	quarterly	Euribor + 2.75%	2,954	347	2,607
Deutsche Bank	Financing	1,250,000	1,250,000	01/10/2018	01/10/2019	single payment	Euribor + 0.75%	1,240	1,240	-
Banca Popolare Puglia e Basilicata	Financing	2,000,000	2,000,000	24/03/2017	a revoca	single payment	Euribor + 2.40%	2,000	2,000	-
Banca Popolare di Bari	Financing	500,000	500,000	04/12/2014	31/12/2019	quarterly	Euribor + 2.20%	105	105	-
Ministero dello Sviluppo Economico	Financing	863,478	863,478	14/09/2016	17/11/2025	annual	0.31%	707	93	614
Banca di Credito Cooperativo di Roma	Financing	1,130,000	1,130,000	11/08/2014	31/10/2019	montly	Euribor+ 4.25%	205	205	-
Ministero dello Sviluppo Economico	Financing	929,129	387,894	16/02/2017	30/06/2026	half-yearly	0.80%	429	41	388
Banco de Santander	Financing	95,000	95,000	17/10/2018	17/01/2019	montly	4.95%	32	32	-
Banco Popular	Financing	300,000	300,000	25/02/2015	25/02/2020	montly	5.40%	71	60	11
Banco Popular	Financing	100,000	100,000	25/04/2012	10/05/2019	montly	4.26	7	7	-
Banco Popular	Financing	610,000	610,000	29/07/2016	29/07/2021	montly	6.61%	340	125	215
Pool – Capofila Unicredit	Financing	132,005,030	132,005,030	14/12/2017	31/12/2024	amortizing not linear	Euribor + 2.5%	132,005	5,000	127,005
Pool – Capofila Unicredit	Financing	2,024,819	(*)	14/12/2017	31/12/2024	amortizing not linear	Euribor + 3.00%	2,025	-	2,025
Pool – Capofila Unicredit	Financing	152,512	(*)	14/12/2017	31/12/2024	amortizing not linear	Euribor + 3.00%	153	-	153
Pool – Capofila Unicredit	Financing	827,501	(*)	14/12/2017	31/12/2024	amortizing not linear	0.50%	828	-	828
Cassa Depositi e Prestiti	Financing	1,230,705	822,517	10/10/2017	31/12/2020	amortizing not linear	0.50%	822	410	412
Cassa Depositi e Prestiti	Financing	1,272,580	1,272,580	25/08/2015	30/12/2020	amortizing not linear	Euribor + 4.00%	1,273	635	638
Cassa Depositi e Prestiti	Financing	141,398	141,398	10/10/2017	31/12/2020	amortizing not linear	Euribor + 4.00%	141	-	141
Cassa Depositi e Prestiti	Financing	11,453,217	4,615,632	25/08/2015	31/12/2020	amortizing not linear	0.50%	4,616	2,302	2,314
Cassa Depositi e Prestiti	Financing	1,272,580	850,503	10/10/2017	31/12/2020	amortizing not linear	0.50%	850	424	426
Cassa Depositi e Prestiti	Financing	1,230,705	1,230,705	25/08/2015	30/12/2020	amortizing not linear	Euribor + 4.00%	1,231	614	617
Cassa Depositi e Prestiti	Financing	136,745	136,745	10/10/2017	31/12/2020	amortizing not linear	Euribor + 4.00%	137	-	137
Cassa Depositi e Prestiti	Financing	11,076,346	4,463,753	25/08/2015	31/12/2020	amortizing not linear	0.50%	4,463	2,226	2,237
Ministero dell'Istruzione dell'Università e della Ricerca	Financing	6,233,536	1,490,607	22/02/2012	01/02/2020	amortizing not linear	0.50%	1,491	743	748
Ministero dell'Istruzione dell'Università e della Ricerca	Financing	572,480	165,613	05/11/2013	01/07/2020	amortizing not linear	0.50%	166	83	83
Cassa Depositi e Prestiti	Financing	2,645,116	2,645,116	27/07/2018	30/06/2028	amortizing not linear	0.17%	2,585	-	2,585
Cassa Depositi e Prestiti	Financing	2,536,779	2,536,779	27/07/2018	30/06/2028	amortizing not linear	0.17%	2,479	-	2,479
Pool – Capofila Unicredit	Revolving	17,208,612	17,200,000	14/12/2017	31/03/2019			17,200	17,200	-
Pool – Capofila Unicredit	Revolving	6,314,939	2,468,000	14/12/2017	30/04/2019			2,468	2,468	-
Total								**201,695**	**43,570**	**158,125**

(*) Euro 3,005 thousand relating to interest payable accrued on the lines listed above for the period from 14 December 2018, the loan agreement closing date, to 31 December 2018. This interest does not increase the value of the credit lines, but represents a medium/long-term payable to the pool of lending banks collectable on the final maturity date of the loan.

Medium-term loan agreement

On 1 April 2016, Exprivia SpA stipulated a medium-term loan for a total of Euro 25,000 thousand with a pool of banks consisting of BNL and Unicredit, also as lead bank and lead arranger, and Banca Popolare di Bari and Banca Popolare di Milano, consisting of a single amortising credit line to be repaid by 31 December 2022, at an annual rate equal to the Euribor plus a 2.65% spread, to which one-off fees of 1.40% were also added when the agreement was entered into.

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

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

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

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

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

Low-interest loan from the Ministry of Economic Development - Ubi Banca (formerly Centrobanca) POR Puglia Bank

A loan resolved and fully paid for Euro 2,019 thousand as at 31 December 2018 in favour of the parent company Exprivia SpA. This loan was targeted at financing a research and development project under Law 46/82 F.I.T. Art. 14 Circular No. 1034240 of 11 May 2001, expires on 27 February 2019 and bears a below-market fixed rate of interest of 0.87% annually.

Simest loan

A loan of Euro 1,955 thousand resolved in favour of the holding company Exprivia SpA, entered into on 19 April 2013, of which Euro 1,198,063 disbursed on 31 December 2017, is to be repaid in six-month instalments starting from 19.10.2015 until 19.04.2020. The loan is targeted at supporting international development in China and bears a below-market fixed rate of interest (0.50% yearly).

Banca del Mezzogiorno loan

A loan of Euro 3,500 thousand resolved in favour of the Holding Company Exprivia SpA, entered into on 23 June 2017, to be repaid in quarterly instalments starting from 23 September 2017 until 23 June 2027. This is intended in part to fully repay the loan taken out in 2014 from the lending bank early, and in part to meet working capital requirements.

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

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

It should be pointed out that, by contract the entire amount of the next two instalments was secured in a current account at 31 December 2018.

CUP 2.0 low-interest loan

Loan totalling Euro 863 thousand resolved in favour of Exprivia SpA (formerly Exprivia Healthcare IT Srl), of which the full amount approved was disbursed as at 31 December 2018. This loan is targeted at financing a research and development project pursuant to financial law 46/82 F.I.T - PON R & C 2007/2013 – MD 24-09-2009, Project A01/002043/01/X 17 regarding: Innovative services for booking CUP 2.0 healthcare services. The loan will expire on 17 November 2025 and bears a below-market fixed rate of interest of 0.3120%.

Low-interest loan from the Ministry of Economic Development - Banca del Mezzogiorno Bank

The low-interest loan resolved in favour of Exprivia SpA (formerly ACS Srl) up to a maximum of Euro 929 thousand and disbursed for Euro 388 thousand as at 31 December 2018, which requires repayment in six-month instalments, expires on 30 June 2026 and bears a below-market fixed rate of interest of 0.80%.

Term loan and restructuring agreements

On 14 December 2017, Italtel SpA stipulated a Term Loan for a total of Euro 132,005 thousand with a pool of banks comprising BPM, Interbanca and Unicredit, leading bank, divided up into three amortising credit lines to be repaid by 31 December 2024, at an annual rate equal to the 12-month Euribor plus a 2.5% spread.

In 2018, this loan generated interest payable of Euro 3,868 thousand, of which Euro 863 thousand paid as at 31 December 2018 and Euro 3,004 thousand recognised as an increase in the payable in accordance with the loan agreement (Step-Up option).

The loans with secured guarantees, equal to Euro 132,005 thousand, are divided up into 3 credit lines, and in greater detail:

- Euro 36,353 thousand relating to the Restructuring line will be repayable as follows:
  - Euro 2,110 thousand as at 31 December 2019;
  - Euro 4,220 thousand as at 31 December 2020;
  - Euro 3,377 thousand as at 31 December 2023;
  - Euro 26,646 thousand as at 31 December 2024.

- Euro 6,700 thousand of TERM - E line, used in full, and will be repayable as follows:
  - Euro 390 thousand as at 31 December 2019;
  - Euro 780 thousand as at 31 December 2020;
  - Euro 622 thousand as at 31 December 2023;
  - Euro 4,908 thousand as at 31 December 2024.

- Euro 88,952 thousand of TERM - D/E line, used in full, and will be repayable as follows:
  - Euro 2,500 thousand as at 31 December 2019;
  - Euro 5,000 thousand as at 31 December 2020;
  - Euro 81,452 thousand as at 31 December 2024.

The covenants envisaged by the loans agreements in force as at the following date are indicated by way of disclosure:

Reference date	Leverege Ratio	Interest Cover Ratio	Capitale Expenditure
31.12.2018	≤71,1	≥ 3,4	≤ 18.700.000 €
30.06.2019	≤ 6,7	≥ 4,4	
31.12.2019	≤ 5,6	≥ 4,7	≤ 17.400.000 €
30.06.2020	≤ 5,7	≥ 4,9	
31.12.2020	≤ 4,4	≥ 5,6	≤ 17.600.000 €
30.06.2021	≤ 4,4	≥ 5,9	
31.12.2021	≤ 3,6	≥ 6,2	≤ 17.600.000 €
30.06.2022	≤ 3,6	≥ 7,5	
31.12.2022	≤ 3	≥ 8,0	≤ 17.600.000 €
30.06.2023	≤ 3	≥ 8,4	
31.12.2023	≤ 3	≥ 8,8	≤ 17.600.000 €
30.06.2024	≤ 3	≥ 8,8	

Leverage Ratio: indicates the ratio between Net Financial Position and EBITDA.

Interest Cover Ratio: indicates the ratio between EBITDA and Net Financial Charges.

Capital Expenditure: refers to total investments.

As at 31 December 2018, the parameters had been observed.

Cassa Depositi e Prestiti Project PA_IMS loan - Banca Intesa and Mediocredito Bank

Loan resolved for a total of Euro 14,140 thousand, and disbursed as at 31 December 2018 for Euro 6,880 thousand in favour of Italtel Spa with repayment in six-month instalments as at 30 June and 31 December of each year of duration of the loan with last maturity date on 31 December 2020.

The purpose of the loan was to fund a research and development project under the financing law 46/82 F.I.T concerning: “Access platform – Internet Protocol Multimedia Subsystem (PA_IMS)”.

The rate applied is the Euribor plus a 4.00% spread for the bank loans amounting to Euro 1,414 thousand and a low-interest rate equal to 0.5% on the part of the soft loans amounting to Euro 12,726 thousand.

There are no real guarantees for this loan.

Cassa Depositi e Prestiti Project SIS loan - Banca Intesa and Mediocredito Bank

Loan resolved for a total of Euro 13,674 thousand, and disbursed as at 31 December 2018 for Euro 6,654 thousand in favour of Italtel Spa with repayment in six-month instalments as at 30 June and 31 December of each year of duration of the loan with last maturity date on 31 December 2020.

The purpose of the loan was to fund a research and development project under the financing law 46/82 F.I.T concerning: “SIS-Solutions OSS/BSS/DSS Integrated Oriented at Services (SIS)”.

The rate applied is the Euribor plus a 4.00% spread for the bank loans amounting to Euro 1,367 thousand and a low-interest rate equal to 0.5% on the part of the soft loans amounting to Euro 12,307 thousand.

There are no real guarantees for this loan.

Ministry of Education, Universities and Research Project PNGN loan - Banca Intesa and Mediocredito Bank

Loan under the form of facilitated credit and grant towards costs using the fund for concessions and research (FAR) for the development of the “Platform for Next Generation Network – PNGN” research project, amounting to Euro 6,806 thousand and disbursed as at 31 December 2018 for Euro 1,656 thousand, taken out by Italtel Spa on 22 February 2012 with reimbursement in 20 quarterly instalments until 1 July 2020.

The interest rate applied is 0.50%.

There are no real guarantees for this loan.

Ministry of Economic Development (MISE) Agile Networks Project loan - Mediocredito Bank

Loan under the form of facilitated credit and grant towards costs using axis 1, action 1.1.3 of the Business and Competitiveness 2014-2020 ERDF National Operating Programme, for the "Agile Networks" research and development project identified with number F/080010/00/x35.

Loan resolved for a total of Euro 2,645 thousand, and disbursed as at 31 December 2018 for Euro 2,645 thousand in favour of Italtel Spa with repayment in six-month instalments as at 30 June and 31 December of each year of duration of the loan with last maturity date on 30 June 2028.

The rate applied is 0.17%, inclusive of a pre-amortisation period lasting 3 years.

There are no real guarantees for this loan.

Ministry of Economic Development (MISE) Reactor Project loan - Mediocredito Bank

Loan under the form of facilitated credit and grant towards costs using axis 1, action 1.1.3 of the Business and Competitiveness 2014-2020 ERDF National Operating Programme, for the "Re-Actor" – Rich Environment- Appliance and fog Computing platform for internet of Things Optimizer Real time research and development project.

Loan resolved for a total of Euro 2,537 thousand, and disbursed as at 31 December 2018 for Euro 2,537 thousand in favour of Italtel Spa with repayment in six-month instalments as at 30 June and 31 December of each year of duration of the loan with last maturity date on 30 June 2028.

The rate applied is 0.17%, inclusive of a pre-amortisation period lasting 3 years.

There are no real guarantees for this loan.

NET FINANCIAL POSITION

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

Amount in thousand Euro		31.12.2018	31.12.2017
A.	Cash	378	900
B.	Other liquid assets	19,180	35,608
C 1.	Securities held for trading	327	455
C 2.	Own shares	2,691	2,547
D	**Liquid (A)+(B)+(C)**	**22,576**	**39,510**
E.	**Current financial receivables**	3,787	1,914
F.	Current bank debts	(41,384)	(59,438)
G.	Current portion of non-current bank debts	(17,095)	(11,279)
H.	Other current financial debts	(4,502)	(6,739)
I.	**Current financial debts (F) + (G) + (H)**	**(62,981)**	**(77,456)**
J.	**Net current financial debts (I) + (E) + (D)**	**(36,618)**	**(36,032)**
K.	Non-current bank debts	(158,125)	(167,499)
L.	Bond	(22,550)	(22,413)
M.	Other non- current financial payables net of non-current financial recivables and derivate financial istruments	2,650	3,100
N.	**Non-current financial debts (K) + (L) + (M)**	**(178,025)**	**(186,812)**
O.	**Net financial debits (J) + (N)**	**(214,643)**	**(222,844)**

Own shares held by the Holding Company (Euro 2,691 thousand) are included in the calculation of the net financial position.

The changes in net 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 flows	No cash flows	31.12.2018
Current financial receivables	1,914	1,873	0	3,787
Current bank debts and current portion of non-current debt	(70,717)	12,238	0	(58,479)
Other current financial payables	(6,739)	3,671	(1,433)	(4,502)
Non-current bank debts	(167,499)	9,374	0	(158,125)
Bonds issued	(22,413)	(137)	0	(22,550)
Other non-current net financial payables	3,100	(620)	170	2,650
Net liabilities deriving from financing activities	**(262,354)**	**26,399 (*)**	**(1,263)**	**(237,219)**
Liquid assets	39,510 (**)	(16,805) (***)	(129) (****)	22,576 (**)
Net financial debt	**(222,844)**	**9,594**	**(1,392)**	**(214,643)**

*) Cash flows shown in the cash flow statement (generated) from financing activities (see note 2 at the end of the cash flow statement)

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

(***) The cash flow includes the changes due to the purchase of treasury shares (143,868 euros) not included in the cash flow and equivalent means in the cash flow statement

(****) The non-cash liquidity flow includes the changes in securities held for trading (€ 128,596) not included in the cash and cash equivalents Flow in the cash flow statement.

Note 19 - Other non-current financial liabilities

The balance of **"Other non-current financial liabilities"** as at 31 December 2018 amounted to Euro 49 thousand compared to Euro 173 thousand as at 31 December 2017. The details are provided below:

Description	31/12/2018	31/12/2017	Variation
Non-current payables to suppliers	31	163	(132)
Payables to other non-current lenders	10	10	-
Non-current derivative financial instruments	8	-	8
TOTAL	49	173	(124)

Non-current trade payables

The balance of **"non-current trade payables"** as at 31 December 2018 came to Euro 31 thousand compared to Euro 163 thousand at 31 December 2017 and refers to the medium/long-term payment relating to contracts for leased assets.

Amounts payable to other lenders

The balance of **"amounts payable to other lenders"** as at 31 December 2018 amounted to Euro 10 thousand, unchanged from 31 December 2017.

Derivative financial instruments

The balance of **"derivative financial instruments"** as at 31 December 2018 is equal to Euro 8 thousand and refers to a derivative product subscribed by the Holding Company Exprivia Spa with Unicredit, initially linked to a loan with a floating interest rate and which, further to the renegotiation of the loan, no longer satisfies the requirements envisaged for hedge accounting and therefore the related fair value change has been recognised in the income statement.

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

- upon a change of +1%, the fair value would be a positive Euro 42 thousand;
- upon a change of -1%, the fair value would be a negative Euro 61 thousand.

This is an instrument valued at fair value level 2.

Note 20 - Other non-current liabilities

The balance of **"Other non-current liabilities"** as at 31 December 2018 amounted to Euro 3,729 thousand compared to Euro 3,354 thousand as at 31 December 2017.

Description	31/12/2018	31/12/2017	Variation
Debts v / social security and social security institutions	266	420	(154)
Non-current tax liabilities	2,818	2,298	520
Debts to others	645	636	9
TOTAL	3,729	3,354	375

Amounts payable to pension and social security institutions

The balance of **"amounts payable to pension and social security institutions"** amounted to Euro 266 thousand as at 31 December 2018 compared to Euro 420 thousand at 31 December 2017 and refers to the division into medium/long-term instalments of the expired pension payables attributable to Exprivia SpA as a result of the amortisation plans obtained.

Non-current tax liabilities

The item **"non-current tax liabilities"** as at 31 December 2018 amounted to Euro 2,818 thousand compared to Euro 2,298 thousand at 31 December 2017. They refer to the division into medium/long-term instalments of the expired tax liabilities (Euro 2,751 thousand) and the division into medium/long-term instalments of the tax payable (Euro 67 thousand), which arose following the tax payment slip received from the Italian Internal Revenue Agency in October 2017 and which refers to the IRES from the national tax consolidation scheme related to the years 2013-2014.

The tax payables are attributable to Exprivia SpA and refer mainly to the division into instalments, which became due for payment in 2016 and the amounts relating to scrapping of tax demands.

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

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

Amounts payable to others

The balance of **"amounts payable to others"** amounted at 31 December 2018 to Euro 645 thousand compared to Euro 636 thousand as at 31 December 2017 and includes Euro 202 thousand in amounts due to employees of Exprivia SpA and Euro 441 thousand relating to the suspended portion of public capital grants received by the subsidiary Italtel SpA, for which the recognition in the income statement is linked to the amortisation schedule on investments falling under the "Telecom Italia & Italtel Development Contract".

Note 21 - Provisions for Risks and Charges

At 31 December 2018, the item "**Provision for risks and charges**" amounted to Euro 5,887 thousand compared to Euro 14,413 thousand at 31 December 2017. The breakdown is shown in the table below:

Description	31/12/2018	31/12/2017	Variation
Fund risks disputes	274	250	24
Risk fund tax dispute	984	957	27
Risk provisions staff	4,511	11,622	(7,111)
Provision for other risks	118	1,584	(1,466)
TOTAL	**5,887**	**14,413**	**(8,526)**

Changes are reported below:

Description	31/12/2017	Uses / Payments	Other decrements	Provisions	31/12/2018
Fund risks disputes	250	-	-	25	274
Risk fund tax dispute	957	-	(19)	46	984
Risk provisions staff	11,622	(6,799)	(472)	160	4,511
Provision for other risks	1,584	(1,114)	(401)	49	118
TOTAL	**14,413**	**(7,913)**	**(892)**	**280**	**5,887**

The "**provision for dispute risks**" amounting to Euro 275 thousand, refers for Euro 250 thousand to a dispute with a former lessor of Italtel SpA.

The "**provision for tax dispute risks**" amounting to Euro 984 thousand mainly refers to tax risks associated with the activities of foreign Italtel subsidiaries (Euro 943 thousand).

The "**provision for staff risks**", amounting to Euro 4,524 thousand, includes Euro 4,014 thousand for amounts set aside by the Italtel Group for employees within the sphere of the restructuring envisaged by the 2017-2023 Business Plan; in the course of the year, Euro 6,950 thousand was used.

The "**provision for other risks**" amounting to Euro 105 thousand as at 31 December 2018 primarily refers to the estimated value of costs to be incurred for technical support guaranteed on systems sold by the Italtel Group (Euro 87 thousand).

With respect to the criminal proceedings for events resulting from the early termination of an agreement between the discontinued company Exprivia Healthcare Srl and the Trento vehicle registration office, please note that, on the basis of the opinions expressed by external legal advisors, there is a risk of a possible unfavourable decision, consisting of fine of an irrelevant amount. The events are linked to incorrect behaviour and failure to apply controls, provided for in the Organisational Manual of Exprivia and its subsidiaries, by some subordinate employees. The termination was not accompanied by either the imposition of penalties or demands for compensation, since the company implemented "self-cleaning" actions to prevent financial damages to the customer with whom, after the termination, a financial agreement was reached on the amount due and paid against the balance of services received.

Based on the analysis and documentation, Exprivia SpA is confident of being able to prove that it was not involved with the events and has not deemed it necessary to set aside any specific risk fund.

Note 22 - Employee provisions

As at 31 December 2018, the item "**Employee provisions**" amounted to Euro 25,783 thousand compared to Euro 30,025 thousand as at 31 December 2017. The breakdown is shown in the table below.

Severance indemnity fund

The balance of the item "**severance indemnity fund**" as at 31 December 2018 amounting to Euro 3 thousand compared to Euro 453 thousand as at 31 December 2017, relates to the Italtel Group's contribution and concerns deferred benefits of employees of foreign companies; the change of Euro 450 thousand refers to utilisations of the above-mentioned fund.

Employee severance indemnity fund

The amounts for the employee severance indemnity accrued after 31 December 2006 were paid to the INPS pension fund and union pension funds. The residual amount of the employee severance indemnity fund was Euro 25,780 thousand as at 31 December 2018, compared to Euro 29,572 thousand at 31 December 2017. The fund is net of amounts deposited in funds and the treasury. An actuarial valuation was performed on the liability in accordance with IAS 19.

Description	31/12/2018	31/12/2017
Discount rate	1,55% - 1,57%	1.30%
Inflation rate	1.50%	1.50%
Annual rate of wage growth	0 - 3%	2.50%
Annual rate of TFR growth	2.62%	2.62%
Mortality	av ISTAT 2007 & 2011	Tav ISTAT 2011
Inability	Tav. INAIL	Tav. INAIL
Turn-over	3% - 5,5%	3% - 5,5%
Probability advance	2,5% - 3%	2,5% - 3%
Amount% of the severance pay in advance	70.00%	70.00%

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

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

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

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

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

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

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

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

For revaluation purposes, employee severance indemnities increased, with the exclusion of the amount accrued at the close of the period, through the application of a rate comprised of a fixed 1.50% and 75% of the inflation rate recorded by ISTAT with respect to December of the previous year; taxes of 17% were due on said revaluation.

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

Note 23 - Deferred tax liabilities

The item "**Provision for deferred taxes**" amounted to Euro 13,435 thousand compared to Euro 2,469 thousand as at 31 December 2017, and refers to allocations for temporary changes that will be reversed in subsequent financial years.

Description	31/12/2018		31/12/2017	
	Amount temporary differences	Tax effect	Amount temporary differences	Tax effect
TFR	163	63	(51)	(9)
Intangible assets	19,807	5,526	1	-
Goodwill	3,935	1,119	1,714	483
Buildings	3,043	869	3,186	910
Contributions	21,263	5,103	894	215
Others	75	18	734	176
Provision for bad credit	-	-	26	7
Adjustments for IFRS	3,048	737	2,856	687
TOTAL	**51,334**	**13,435**	**9,360**	**2,469**

The main changes relate to the recognition of deferred tax liabilities calculated on the intangible assets identified following the conclusion of the purchase price allocation process relating to the acquisition of Italtel, net of the tax effect recognised in the income statement in the year 2018 (Euro 5,526 thousand) and temporary differences relating to capital and operating grants (Euro 4,888 thousand).

CURRENT LIABILITIES

Note 24 - Current bank debt

As at 31 December 2018, the item "**Current bank debt**" amounted to Euro 58,479 thousand compared to Euro 70,717 thousand at 31 December 2017. Euro 43,570 thousand refers to the current portion of payables for loans and mortgages (previously described under the item "non-current bank debt", note 18) and Euro 14,909 thousand refers to current account overdrafts at major credit institutions.

Note 25 - Trade payables

"Trade payables" amounted to Euro 195,255 thousand compared to Euro 146,584 thousand at 31 December 2017. The breakdown is shown in the table below:

Description	31/12/2018	31/12/2017	Variation
Trade payables to suppliers	195,175	146,399	48,776
Trade payables to associated companies	80	185	(105)
Trade payables to parent companies	0	0	0
TOTAL	**195,255**	**146,584**	**48,671**

Trade payables - suppliers

"**Trade payables - suppliers**" amounted to Euro 195,175 thousand compared to Euro 146,399 thousand as at 31 December 2017.

The table below provides details on the item:

Description	31/12/2018	31/12/2017	Variation
Invoices received Italy	114,873	68,218	46,655
Invoices received foreing	26,235	23,873	2,362
Invoices to consultants	451	359	92
Invoices to be received	53,616	53,949	(333)
TOTAL	**195,175**	**146,399**	**48,776**

The contribution of the Italtel Group came to Euro 172,226 thousand and includes Euro 99,650 thousand for invoices received (Italy), Euro 24,672 thousand for invoices received (abroad), Euro 116 thousand for invoices from consultants and Euro 47,788 thousand for invoices to be received.

The table below provides details of payables past due and falling due.

Trade payables	in		days past due							
	expire	due	1 - 30	31- 60	61 - 90	91-120	121-180	181-270	271-365	beyond
141,559	85,153	56,405	33,262	8,411	2,932	4,025	3,303	1,644	541	2,288
100.0%	60%	40%	23%	6%	2%	3%	2%	1%	0%	2%

Payables to associates

The **"payables to associates"** amounted to Euro 80 thousand compared to Euro 185 thousand as at 31 December 2017 and refers to payables of the Italtel Group to the associated company Cored - Consorzio Reti Duemila in liquidation.

Note 26 - Advance payments on work in progress contract

Advance Payments

As at 31 December 2018 the item "**advance payments**" amounted to Euro 7,492 thousand compared with Euro 3,152 thousand at 31 December 2017 and refers to contract work in progress for which the payments on account and advance payments ended up being higher than the work in progress in financial terms at period-end.

Note 27 - Other financial liabilities

"**Other financial liabilities**" amounted to Euro 4,502 thousand as at 31 December 2018 compared to Euro 6,739 thousand at 31 December 2017. The contribution of the Italtel Group was Euro 4,144 thousand.

The table below provides details on the item:

Description	31/12/2018	31/12/2017	Variation
Payables for the purchase of investments	16	116	(100)
Current financial payables to others	4,225	2,655	1,570
Current financial instruments	119	3,209	(3,090)
Payables to suppliers current leasing assets	142	759	(617)
TOTAL	**4,502**	**6,739**	**(2,237)**

The item "**current financial payables for the purchase of equity investments**" as at 31 December 2018 amounted to Euro 16 thousand compared to Euro 116 thousand as at 31 December 2017 and refers to the payable of Exprivia SpA for the purchase of the Esiet Vas Srl business segment; the change refers to the contractual earn-out that was not obtained.

Current financial payables to others

The balance of the item "**current financial payable to others**" amounted to Euro 4,225 thousand, compared to Euro 2,655 thousand at 31 December 2017 and mainly refers for Euro 3,871 thousand to payables due to factoring companies for advances received for the receivables transferred with recourse by Italtel Perù.

Current financial instruments

The balance of the item "current financial instruments" as at 31 December 2018, amounting to Euro 119 thousand compared to Euro 3,209 thousand as at 31 December 2017, refers to the fair value measurement of derivative contracts to cover the net exposure in dollars, entered into by the Italtel Group.

The exchange rate hedging transactions opened as at 31 December 2018 all had a maturity date between January and June 2019.

Certain subsidiaries of the Italtel Group are located in countries not belonging to the European Monetary Union. Since the reporting currency for the Italtel Group is the Euro, the income statements of these companies are converted into Euro using the average exchange rate of the period and, revenues and local current margins being equal, changes in the exchange rates may lead to effects on the equivalent value in Euro of revenues, costs and profit/loss.

The assets and liabilities of the consolidated companies whose currency is different from the Euro may adopt equivalent values in Euro according to the performance of the exchange rates. As envisaged by the accounting standards adopted, the effects of these changes are recognised directly under shareholders' equity, in the item Reserve for translation differences.

Current Trade Payables - suppliers of leased assets

The balance of the item "**current trade payables - suppliers of leased assets**" as at 31 December 2018 amounted to Euro 142 thousand compared to Euro 759 thousand as at 31 December 2017 and refers to the current portion of the payable for lease agreements.

Note 28 - Other current liabilities

"**Other current liabilities**" amounted to Euro 73,427 thousand as at 31 December 2018 compared to Euro 75,655 thousand at 31 December 2017.

The table below provides details on the item:

Description	31/12/2018	31/12/2017	Variation
Current payables to social security and social security institutions	10,402	10,220	182
Other tax payables	12,779	15,098	(2,319)
Personnel debts	27,760	31,572	(3,812)
Other debts	22,486	18,765	3,722
TOTAL	**73,427**	**75,654**	**(2,228)**

Current amounts payable to pension and social security institutions

The balance of the item "**current amounts payable to pension and social security institutions**" as at 31 December 2018 amounted to Euro 10,402 thousand compared to Euro 10,220 thousand as at 31 December 2017; the contribution of the Italtel Group is Euro 3,147 thousand.

Other tax liabilities

The balance of the item "**other tax liabilities**" as at 31 December 2018 amounted to Euro 12,779 thousand compared to Euro 15,098 thousand as at 31 December 2017; this relates primarily to Euro 8,525 thousand in payables for VAT and withholdings applied.

Payables related to staff

The balance of the item "**payables related to staff**" as at 31 December 2018 amounted to Euro 27,760 thousand compared to Euro 31,572 thousand as at 31 December 2017. The change was due mainly to the payment for incentives for Italtel SpA personnel which, as part of the ongoing restructuring, were settled in January 2018.

Other payables

The balance of the item "**other payables**" as at 31 December 2018 amounted to Euro 22,486 thousand compared to Euro 18,765 thousand as at 31 December 2017; it consists primarily of accrued expenses and deferred income of Euro 17,000 thousand, which includes pending revenue attributable to the subsequent year (of which Euro 14 million relating to the Italtel Group).

Note 29 - Non-current liabilities disposed of

The balance of the item **"Non-current liabilities disposed of"** as at 31 December 2018 amounted to Euro 386 thousand compared to Euro 389 thousand as at 31 December 2017 and relates to the company Italtel Arabia Ltd. in liquidation.

Italtel Spa's Board of Directors on 24 July 2014 resolved the placement in liquidation of Italtel Arabia Ltd. Consequently, the appointment as liquidator was granted to a local legal advisor so as to accomplish the necessary activities in accordance with local law.
The liquidation activities of the company are still underway.

The "non-current liabilities disposed of" as at 31 December 2018 had a balance of Euro 386 thousand compared to Euro 389 thousand as at 31 December 2017 and all relate to the company Italtel Arabia Ltd.

Explanatory Notes to the Consolidated Income Statement

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

The data for the year 2017 do not include those of the Italtel Group, which were consolidated only as of 1 January 2018.

Note 30 – Revenue

“Revenue from sales and services” in 2018 amounted to Euro 590,964 thousand compared to Euro 157,122 thousand in the same period of 2017.

Exprivia Group (amount in thousand Euro)	31/12/2018	31/12/2017	Variation
Projects and Services	219,281	129,177	90,104
Maintenance	74,753	17,092	57,661
HW / SW third parties	3,927	7,565	(3,638)
Ownership licenses	24,688	2,478	22,210
System Integration	267,557	-	267,557
Other	758	810	(52)
TOTAL	**590,964**	**157,122**	**433,842**

Note 31 - Other Income

“**Other income**” in 2018 amounted to Euro 32,246 thousand compared to Euro 4,082 thousand in the same period of 2017. The table below provides details on the items.

Description	31/12/2018	31/12/2017	Variation
Other revenues and income	12,838	258	12,579
Grants related to income	8,874	1,291	7,583
Increase in capitalised expenses for intenal projects	10,534	2,532	8,002
TOTAL	**32,246**	**4,082**	**28,164**

Other Revenue and Income

The “**other revenue and income**” in 2018 amounted to Euro 12,838 thousand compared to Euro 258 thousand in 2017. The change was primarily due to the Italtel Group (Euro 12.3 million).

Grants for Operating Expenses

In 2018 “**grants for operating expenses**” amounted to Euro 8,874 thousand compared to Euro 1,291 thousand in 2017 and refer to grants and tax credits pertaining to the year or authorised in the period relating to funded research and development projects. The grants are carried net of the amount allocated to the risk provision for any minor grants that might not be received. The change was primarily due to the Italtel Group (Euro 6.7 million).

Increases in fixed assets for internal work

“**Increases in fixed assets for internal work**” amounted to Euro 10,534 thousand in 2018 compared to Euro 2,532 thousand in the same period of 2017 and refer to costs incurred in the year to develop products for the Banking & Finance, Healthcare, Aerospace & Defence and Telco & Media segments. The increase is due mainly to the contribution of the subsidiary Italtel SpA.

The change was primarily due to the Italtel Group (Euro 8.3 million).

Note 32 - Costs for Sundry Consumables and Finished Products

The balance of the item "**Costs for sundry consumables and finished products**" in 2018 amounted to Euro 210,669 thousand compared to Euro 9,516 thousand in the previous year. The table below provides details on the items.

Description	31/12/2018	31/12/2017	Variation
Purchase of HW-SW products	210,389	8,751	201,638
Stationery and consumables	106	76	30
Fuel and oil	117	148	(31)
Other costs	57	541	(484)
TOTAL	**210,669**	**9,516**	**201,154**

The increase in this item was caused mainly by the contribution of the Italtel Group.

Note 33 - Staff Costs

The item "**Staff costs**" amounted to Euro 192,805 thousand in total in 2018 compared to Euro 101,358 thousand in the same period of 2017. The table below provides details on the item:

Description	31/12/2018	31/12/2017	Variation
Salaries and wages	141,403	74,408	66,995
Social charges	38,823	19,434	19,389
Severance Pay	8,149	4,739	3,410
Other staff costs	4,430	2,777	1,653
TOTAL	**192,805**	**101,358**	**91,447**

The item "**Other staff costs**" includes the costs of stock grants (Euro 180 thousand) representing the figurative value of the shares that will be assigned to the beneficiaries of the "2018-2020 Performance Share Plan" approved by the Exprivia SpA Board of Directors on 22 March 2018.

The number of employees at 31 December 2018 came to 3,965, of which 3,961 employees and 4 temporary workers, while as at 31 December 2017, excluding the Italtel Group, there were 1,693 workers, of which 1,691 employees and 2 temporary workers.

The average for 2018 was 3,973 employees and 5 temporary workers, while the average for 2017, excluding the Italtel Group, was 1,623 employees and 2 temporary workers.

Note 34 – Costs for Services

The consolidated balance of the item "**Costs for services**" amounted to Euro 157,326 thousand in 2018 compared to Euro 29,496 thousand in 2017. The table below provides details on the items:

Description	31/12/2018	31/12/2017	Variation
Technical and commercial consultancy	121,503	13,788	107,715
Administrative/company/legal consultancy	4,132	1,723	2,409
Auditors' fees	417	198	219
Travel and transfer expenses	6,467	2,547	3,920
Utilities	4,484	1,181	3,303
Advertising and agency expenses	651	485	166
Bank charges	766	475	291
HW and SW maintenance	6,574	7,261	(687)
Insurance	1,908	453	1,455
Other costs	10,424	1,385	9,039
TOTAL	**157,326**	**29,496**	**127,830**

The increase in this item was caused mainly by the contribution of the Italtel Group.

The statement below is provided in accordance with Art. 149-duodecies of CONSOB Issuer Regulations to show amounts paid to the independent auditors in 2018 for audit services and for other services provided by PricewaterhouseCoopers SpA and other entities belonging to its network.

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

Type of services	Recipient	Amount
Revision services	Parent Company	183
	Subsidiaries	500
Services other than auditing *	Parent Company	25
Services other than auditing **	Subsidiaries	41
TOTAL		**749**

* Non-audit services related to high-level analysis of guidance on newly adopted IFRSs.

** Non-audit services related to the subsidiaries regard only the Italtel Group. The fees can be attributed to high-level analysis of guidance on newly adopted IFRSs (Euro 29 thousand), agreed audit procedures to verify respect for covenants (Euro 10 thousand) and the signing of tax returns (Euro 2 thousand).

Note 35 – Costs for Leased Assets

The consolidated balance of the item "**Costs for leased assets**" amounted to Euro 7,486 thousand in 2018 compared to Euro 3,811 thousand in 2017. The table below provides details on the items:

Description	31/12/2018	31/12/2017	Variation
Rental expenses	5,744	1,813	3,931
Car rental/leasing	1,167	832	335
Rental of other assets	158	954	(796)
Other costs	417	212	205
TOTAL	**7,486**	**3,811**	**3,675**

Note 36 - Sundry Operating Expenses

In 2018, the consolidated balance of the item "**Sundry operating expenses**" amounted to Euro 5,566 thousand, compared to Euro 5,544 thousand in 2017. The table below provides details on the item.

Description	31/12/2018	31/12/2017	Variation
Annual subscriptions	458	141	317
Taxes	1,679	360	1,319
Penalties and fines	124	-	124
Charitable donations	59	-	59
Write-offs	66	-	66
Penalties and damages	635	69	566
Other sundry operating expenses	2,546	4,974	(2,429)
TOTAL	**5,566**	**5,544**	**22**

The change in the item **"taxes and duties"** refers to the contribution of the Italtel Group for Euro 1,401 thousand.

In the item "**other operating expenses**" there was a decline of Euro 2,429 thousand; this change is the net effect of the contribution of the Italtel Group, which resulted in an increase of Euro 2.3 million in this item, and the reduction of Euro 4.9 million relating to charges accounted for in 2017 with regard to the "facilitated settlement" of notices of assessment received in previous years by the subsidiary Exprivia Enterprise Consulting Srl.

Note 37 - Changes in Inventories

In 2018, the balance of the item "**Changes in inventories**" amounted to Euro 6,223 thousand compared to Euro 32 thousand in the same period of the previous year. It refers to changes in finished products.

Note 38 – Provisions and Write-downs of Current Assets

The consolidated balance of the item "**Provisions and write-downs of current assets**" amounted to Euro 1,312 thousand in 2018 compared to a negative balance of Euro 6 thousand in 2017.

The table below provides details on the items.

Description	31/12/2018	31/12/2017	Variation
Provision for bad debts provision	950	-	950
Provision for tax litigation risks	71	(700)	771
Provision for legal disputes with employees	209	72	137
Other provisions	82	(20)	102
TOTAL	**1,312**	**(648)**	**1,960**

Note 39 - Amortisation, Depreciation and Write-downs of non-current assets

The consolidated balance of the item "**Amortisation, depreciation and write-downs of non-current assets**" amounted to Euro 20,824 thousand in 2018 compared to a balance of Euro 5,591 thousand in 2017.

Amortisation and Depreciation

In 2018, "**Amortisation and depreciation**" amounted to Euro 20,808 thousand compared with Euro 4,520 thousand in 2017 and refers for Euro 16,768 thousand to amortisation of intangible fixed assets and for Euro 4,040 thousand to depreciation of tangible fixed assets. Details of the aforementioned items are provided in notes 1 and 3.

Write-downs

"**Write-downs**" amounted to Euro 16 thousand in 2018 compared to Euro 1,071 thousand last year.

Note 40 - Financial income and (charges) and other investments

The balance of the item "**Financial income and (charges) and other investments**" amounted to a negative Euro 19,218 thousand in 2018 compared with a negative balance of Euro 3,860 thousand in 2017. The table below provides details on the items.

Description	31/12/2018	31/12/2017	Variation
Proceeds from shareholdings from parents	71	78	(7)
Income from other investments	13	13	-
Other income other than the above	884	246	638
Interest and other financial charges	(14,668)	(3,790)	(10,878)
From parent charges	(433)	(388)	(45)
Profit and loss on currency exchange	(5,083)	(19)	(5,064)
TOTAL	**(19,218)**	**(3,860)**	**(15,358)**

Income from Parent Companies

The balance of the item "**income from parent companies**" amounted to Euro 71 thousand in 2018 compared to Euro 78 thousand in 2017 and refers to interest accrued from Abaco Innovazione SpA on a loan disbursed by Exprivia SpA.

Income from Other Financial Assets Available for Sale

The balance of the item "**income from other financial assets available for sale**" totalled Euro 13 thousand in 2018 and did not undergo any changes with respect to 2017; it refers to dividends received by minority interests.

Income Other Than the Above

The balance of the item "**income other than the above**" stood at Euro 884 thousand in 2018 compared to Euro 246 thousand in 2017. The table below provides details on the item.

Description	31/12/2018	31/12/2017	Variation
Bank interest receivable	332	2	330
Interest income from securities	-	119	(119)
Other interest income	520	111	409
Rounding up of assets	32	14	18
TOTAL	**884**	**246**	**638**

Interest and Other Financial Charges

The item "**interest and other financial charges**" in 2018 amounted to Euro 14,668 thousand compared to Euro 3,790 thousand in 2017. The change is mainly due to the Italtel Group contribution (Euro 10,819 thousand). The table below provides details on the items.

Description	31/12/2018	31/12/2017	Variation
Bank interest payable	6,153	374	5,779
Interest on loans and mortgages	2,365	1,159	1,206
Sundry interest	5,948	1,779	4,169
Charges on financial products and sundry items	53	74	(21)
Rounding up/down	10	244	(234)
Interest cost IAS 19	139	160	(21)
TOTAL	**14,668**	**3,790**	**10,878**

Other interest

The item "other interest" includes the loss recognised in the financial statements of the Argentinian subsidiary of Italtel SpA on the net monetary position arising from the recalculation of the income statement, non-monetary assets and own capital, amounting to Euro 757 thousand.

The remainder, of Euro 5,191 thousand, refers to interest on factoring**.**

Charges from Parent Companies

The balance of the item "**charges from parent companies**" amounted to Euro 433 thousand in 2018 compared with Euro 388 thousand in 2017 and refers to the portion applicable to the period of charges recognised by Exprivia SpA to the parent company Abaco Innovazione SpA for guarantees issued by the latter with respect to its subsidiary.

Gains/(Losses) on Currency Exchange

In 2018, the item "**losses on currency exchange**" amounted to Euro 5,083 thousand compared with a loss of Euro 19 thousand in 2017 and mainly refers to the fluctuations in exchange rates due to the commercial transactions conducted in currencies other than the national currency used by the foreign companies in the Italtel Group (Euro 5 million).

Note 41 - Taxes

In 2018, "**Taxes**" amounted to Euro 2,596 thousand compared to Euro 2,594 thousand in 2017; the table below provides details on the changes compared to the previous year:

Description	31/12/2018	31/12/2017	Variation
IRES	-	1,457	(1,457)
IRAP	988	764	224
Foreing tax	1,525	87	1,438
Taxes from prior years	(119)	4	(123)
Defered tax	(121)	7	(128)
Deferred tax assets	323	275	48
TOTAL	**2,596**	**2,594**	**2**

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

Each company under Tax Consolidation contributes taxable income or tax loss to Exprivia SpA, recognising a payable/receivable for the subsidiaries, equal to the applicable IRES and tax losses used in the Tax Consolidation. The consolidated financial statements include the payable to the tax authorities for the Group's IRES taxes net of tax credits.

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 42 - Profit (loss) for the year from assets disposed of

In 2018, the balance of this item was a loss of Euro 36 thousand, referring to the Italtel Group.

Note 43 - Profit (loss) for the year

The 2018 Income Statement closed with a consolidated loss (after tax) of Euro 852 thousand compared with a consolidated profit of Euro 50 thousand in 2017.

Note 44 - Basic/diluted earnings

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 year 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 year.

For the purpose of calculating basic earnings per share, the economic result for the year 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.

At 31 December 2018 the basic and diluted earnings per share amounted to Euro 0.0034.

Profit / (loss) values in Euro	31/12/2018
Profits for determining basic earnings per share (Net profit due to shareholders of parent company)	165,853
Profit for determining the earnings per basic share	165,853
Number of shares	**31/12/2018**
Number of ordinary shares at 1 January 2018	51,883,958
Purchase of own shares at 31 December 2018	3,647,591
Average weighted number ordinary shares for calculation of basic profit	48,352,706
Earnings per share (Euro)	**31/12/2018**
Profit (loss) per basic share	0.0034
Diluted earnings (loss) per share	0.0034

Note 45 - Information on the Cash Flow Statement

The cash flows deriving from income management were a positive Euro 20.2 million, the management of working capital generated positive cash flows of Euro 11.1 million, investments absorbed liquidity of Euro 16.7 million and financing activities absorbed cash of Euro -31.6 million.

Contributions and economic benefits received from public administrations

Pursuant to Art. 1 paragraph 125 of Law no. 124 of 2017, the statement below provides information relating to contributions and other economic benefits received in cash from the Italian public administrations in the course of 2018; the amounts are expressed in thousands of Euro.

Type	Financing Body	Project	Discount rate	Amount collected 12/31/2018
Lost Fund	MISE	Login		16
Lost Fund	MIUR	Active Adge @ Home		329
Lost Fund	Unione Europea	Ilham		29
Lost Fund	Unione Europea	Isitep		122
Facilitated financing	MISE	Fondo crescita sostenibile - primo bando Horizon 2020	0.31%	155
Facilitated financing	SIMEST	Sviluppo internazionale in Cina - L. 100/90 ART. 4 1101/1/10	0.50%	5
Lost Fund	Unione Europea	Softfire		50
Lost Fund	Unione Europea	OTW S A Horizon Sesame		24
Lost Fund	Unione Europea	5G Essence		35
Lost Fund	Unione Europea	5G City		41
Lost Fund	MISE	CDS 2		2,537
Lost Fund	MIUR	Bigger Data		60
Facilitated financing	Cassa Depositi e Prestiti	Progetto di ricerca e sviluppo "Agile Networks"	0.17%	2,645
Facilitated financing	Cassa Depositi e Prestiti	Progetto di ricerca e sviluppo "Re-Actor"	0.17%	2,537
Total				**8,585**

Related parties

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

Inter-company Relations

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

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

The tables below show amounts for commercial relations, financial relations and those of other kinds with companies included in the scope of consolidation.

Non-current Financial Receivables

Description	31/12/2018	31/12/2017	Variazioni
Advanced Computer Systems Srl	-	1,858,318	(1,858,318)
Exprivia Slu	60,942	-	60,942
Exprivia Asia	417,311	-	417,311
TOTAL	**478,253**	**1,858,318**	**(1,380,065)**

Trade Receivables

Description	31/12/2018	31/12/2017	Variation
Consorzio Exprivia	831,425	89,459	741,966
Advanced Computer Systems Spa	-	346,129	(346,129)
Exprivia Projects Srl	427,508	197,599	229,909
Exprivia Do Brasil			
Gruppo Exprivia SLU	616,982	739,111	(122,129)
Spegea S. c. a.r.l.	56,041	17,413	38,628
Exprivia Enterprise Consulting Srl	-	261,573	(261,573)
ACS DE Gmbh	160,000	-	160,000
HR Coffee	3,111	-	3,111
Exprivia Process Outsoursing Srl	-	365,040	(365,040)
Italtel S.p.A.	1,744,045	2,252,476	(508,431)
TOTAL	**3,839,112**	**4,268,800**	**(429,688)**

Current Financial Receivables

Description	31/12/2018	31/12/2017	Variation
Advanced Computer Systems Srl	-	600,000	(600,000)
Exprivia Projects Srl	1,293,080	-	1,293,080
Exprivia Enterprise Consulting Srl	-	1,009,253	(1,009,253)
Gruppo ProSap	-	1,267,434	(1,267,434)
Exprivia Asya	171,809	356,641	(184,832)
Exprivia SI	-	4,005,623	(4,005,623)
Exprivia Process Outsourcing	-	30,521	(30,521)
TOTAL	**1,464,889**	**7,269,472**	**(5,804,583)**

Trade Payables

Description	31/12/2018	31/12/2017	Variation
Consorzio Exprivia Scarl	2,418	-	2,418
Advanced Computer Systems Srl	-	51,013	(51,013)
Exprivia Projects Srl	4,057,273	1,628,688	2,428,585
ACS GMBH	142,923	-	142,923
Exprivia Enterprise Consulting Srl	-	328,078	(328,078)
Exprivia It Solution Shanghai	50,903	-	50,903
Spegea S.c. a r.l.	40,971	52,519	(11,548)
Gruppo ProSap	3,000	3,000	-
Exprivia Asya	-	1,521	(1,521)
Exprivia Sl	16,740	108,091	(91,351)
Exprivia Process Outsourcing	-	16,527	(16,527)
Italtel	1,078,098	395,784	682,314
TOTAL	**5,392,326**	**2,585,221**	**2,807,105**

Current Financial Payables

Description	31/12/2018	31/12/2017	Variation
Exprivia Projects Srl	-	493,923	(493,923)
HRCOFFEE	222,750	-	222,750
ProSap Sa de CV	363	-	363
Spegea S.c. a r.l.	172,686	168,096	4,590
TOTAL	**395,799**	**662,019**	**(266,220)**

Other payables

Description	31/12/2018	31/12/2017	Variation
Spegea Exprivia Projects for consolidated ires	-	12,360	(12,360)
Exprivia Projects for consolidated ires	-	3,582	(3,582)
Exprivia Projects for ires application on irap	-	15,699	(15,699)
Italtel for ires application on irap	1,514,922	-	1,514,922
Exprivia Process Outosoucing for ires application on irap	-	135,835	(135,835)
Exprivia Enterprise Consulting for ires application on irap	-	178,413	(178,413)
HR Coffee for consolidated ires	13,506	-	13,506
TOTAL	**1,528,428**	**345,889**	**1,182,539**

exprivia

Trade Costs

Description	31/12/2018	31/12/2017	Variation
Spegea Scarl	24,006	117,613	(93,607)
Exprivia Projects Srl	668,613	82,794	585,819
Exprivia Enterprise Consulting Srl	-	4,417,450	(4,417,450)
Exprivia Process Outsourcing Srl	-	16,527	(16,527)
Exprivia SLU	667,298	329,824	337,474
Exprivia Shanghai	49,382	114,409	(65,027)
Consorzio Exprivia Scarl	5,700	-	5,700
Advanced Computer Systems Srl	-	26,774	(26,774)
ACS Gmbh	144,000	-	144,000
Italtel SpA	1,043,695	-	1,043,695
Exprivia Messico SA De CV	174,418	98,321	76,097
TOTAL	**2,777,112**	**5,203,712**	**(2,426,600)**

Financial Charges

Description	31/12/2018	31/12/2017	Variation
Spegea Scarl	5,286	5,952	(666)
Exprivia Projects Srl	1,420	10,190	(8,770)
Exprivia Process Outsourcing Srl	-	735	(735)
TOTAL	**6,706**	**16,877**	**(10,171)**

Income from Investments

Description	31/12/2018	31/12/2017	Variation
Exprivia Projects Srl	345,263	277,650	67,613
Exprivia Do Brasil	90,006	-	90,006
TOTAL	**435,269**	**277,650**	**157,619**

Financial Income

Description	31/12/2018	31/12/2017	Variation
Advanced Computer Systems A.C.S. Srl	-	101,241	(101,241)
Exprivia Enterprise Consulting Srl	-	13,661	(13,661)
Exprivia Projects Srl	32,788	7,500	25,288
Exprivia SLU	103,782	197,867	(94,085)
Exprivia ASIA Ltd	15,840	12,409	3,431
Exprivia Messico SA De CV	19,656	34,851	(15,195)
Exprivia Process Outsourcing Srl	-	9,241	(9,241)
TOTAL	**172,066**	**376,770**	**(204,704)**

Relations with Parent Companies

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

Relations with other related parties

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

The table below provides information on relations with other related parties of the Exprivia Group:

Equity investments in other companies

Description (amount in thousand Euro)	31/12/2018	31/12/2017	Variation
Daisy-Net- Driving Advances of ICT in South Italya	-	14	-
DHITECH Srl	-	17	(17)
Consorzio DITNE	6	6	-
Consorzio Biogene	3	3	-
Innoval S.C. A.R.L.	-	3	(3)
TOTAL	**9**	**42**	**(20)**

Trade receivables - customers

Description (amount in thousand Euro)	31/12/2018	31/12/2017	Variation
Balance Srl	23		23
TOTAL	**23**	**0**	**23**

Trade payables - suppliers

Description (amount in thousand Euro)	31/12/2018	31/12/2017	Variation
Kappa Emme Sas	5	73	(68)
Brave Srl	15	-	15
Daisy-Net- Driving Advances of ICT in South Italya	-	112	(112)
Consorzio DITNE	-	5	(5)
Innovision International Ltd	-	25	(25)
SER&Praticces Srl	-	3	(3)
TOTAL	**20**	**217**	**(197)**

Revenue

Description (amount in thousand Euro)	31/12/2018	31/12/2017	Variation
Balance Srl	20		20
TOTAL	**20**	**0**	**20**

Costs

Description (amount in thousand Euro)	31/12/2018	31/12/2017	Variation
Kappa Emme Sas	5	195	(190)
Brave Srl	120	-	120
Innovision International Ltd	-	25	(25)
Consorzio Biogene	7	12	(5)
Consorzio DITNE	15	10	5
TOTAL	**147**	**242**	**(95)**

The table below provides information on remuneration for directors, statutory auditors and key executives of the Exprivia Group:

Offices	31/12/2018				31/12/2017			
	Fixed remuneration	Equity compensation committees	Wages and salaries	Other incentives	Fixed remuneration	Equity compensation committees	Wages and salaries	Other incentives
Administrators	671	119	1,282	301	626	87	806	141
Statutory Auditors	157				150			
Strategic managers	4		1,860	50			97	5
TOTAL	**832**	**119**	**3,142**	**351**	**776**	**87**	**903**	**146**

There are no advances or loans to directors or statutory auditors and no commitments have been undertaken on behalf of the management body due to guarantees of any kind having been given.

The table below provides information on relations with other related parties of only the Italtel Group:

Trade receivables - customers

Description (amount in thousand Euro)	31/12/2018	31/12/2017	Variation
Consorzio Hermes in liquidazione		27	(27)
Gruppo Cisco Systems	1,317	4,162	(2,845)
Consorzio Cored in liquidazione	59	59	-
TOTALI	**1,376**	**4,248**	**(2,872)**

Trade payables - suppliers

Description (amount in thousand Euro)	31/12/2018	31/12/2017	Variation
Gruppo Cisco Systems	64,074	46,629	17,445
Consorzio Cored in liquidazione	80	-	80
TOTAL	**64,154**	**46,629**	**17,525**

Revenue

Description (amount in thousand Euro)	31/12/2018	31/12/2017	Variation
Gruppo Cisco Systems	1,154	4,793	(3,639)
TOTAL	**1,154**	**4,793**	**(3,639)**

Costs

Description (amount in thousand Euro)	31/12/2018	31/12/2017	Variation
Gruppo Cisco Systems	208,355	(218)	208,573
TOTAL	**208,355**	**(218)**	**208,573**

Potential liabilities

There are no potential liabilities not recorded in the balance sheet.

Subsequent Events

No significant events were reported between the close of the 2018 financial year and 14 March 2019.

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

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

- the adequacy, in relation to the characteristics of the Group and
- the effective application of administrative and accounting procedures to draft the consolidated financial statements for the reporting period at 31 December 2018.

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

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

b) the Interim Directors' Report of the Group includes a reliable analysis that is consistent with the financial statements, operating trends and results, and also the situation of the company and group of subsidiaries included in consolidation, together with the description of the main risks and uncertainties and transactions with related parties.

Molfetta, 14 March 2019

Domenico Favuzzi

Chairman and Chief Executive Officer

Valerio Stea

Executive manager responsible for preparing the corporate accounts

Independent auditor's report

in accordance with article 14 of Legislative Decree No.39 of 27 January 2010 and article 10 of Regulation (EU) No.537/2014

To the shareholders of Exprivia SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Exprivia Group (the Group), which comprise the consolidated balance sheet as of 31 December 2018, the consolidated income statement, consolidated statement of comprehensive income, statement of changes in consolidated shareholders' equity, consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2018, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Exprivia SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Goodwill Note 2 to the consolidated financial statements of the Exprivia Group as of 31 December 2018 ("Goodwill"). The value of goodwill as of 31 December 2018 amounted to Euro 192 million, corresponding to 29 per cent of total assets. We focused our audit on such financial statement area in consideration of: - the significance of the amount of goodwill compared to the Group shareholders' equity as of 31 December 2018; - the impact of the estimates made by the directors in relation to the future cash flows and the discounting rate applied to them on the determination of the recoverable amount, namely the value in use of the related cash generating units ("CGU"). The recoverability of the values of goodwill recognised in the financial statements was verified by the directors through the comparison between the carrying value of the CGUs to which goodwill is allocated and the related value in use, identifiable as the present value of future cash flows that are expected to be generated from the CGUs using the Discounted Cash Flow model. The discount rate (WACC), as the long-term growth rate (g), used by the directors were determined with the support of an independent expert who prepared the relevant report.	As part of our audit, we analysed the allocation of the goodwill amounts to the CGUs identified by the Company on the basis of what provided for by international accounting standards. We analysed, with the support of the PwC network experts in evaluation models, the impairment tests of goodwill prepared by the Group; we also analysed the methodology used by management to develop the impairment tests in consideration of the prevailing professional evaluation practice and in particular of what envisaged by international accounting standards and specifically by IAS 36 adopted by the European Union. We verified the mathematical accuracy of the tests. With reference to the future cash flows expected for the CGUs, we verified that these agreed with data approved by the Boards of Directors of the Company and of the subsidiary Italtel SpA. Moreover, as regards the future plans related to Italtel SpA we verified that these were consistent with the debt rescheduling plan prepared by the Company pursuant to article 182 bis of the Italian Bankruptcy Law, certified by an external expert and validated by the Court of Milan. We analysed the main assumptions used in the preparation of the CGUs' forecast plans. We evaluated the reasonableness and consistency of the prospective data used by the Company in relation to the purposes of the impairment tests, in consideration of the future plans approved by the directors and of the results achieved in the prior years. We analysed, with the support of the PwC network experts, the methodology for the determination of the discounting rates used by the Company (WACC), and of the long-

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
	term growth rate (g) on the basis of the prevailing professional evaluation practice and under the market conditions at the reporting date. We also reperformed the sensitivity analyses carried out by the Company.
Deferred tax assets Note 7 to the consolidated financial statements of the Exprivia Group as of 31 December 2018 ("Deferred tax assets"). The value of deferred tax assets as of 31 December 2018 amounted to Euro 69 million, corresponding to 10 per cent of total assets. We focused our audit activity on such financial statement area in consideration of: - the significant amount of deferred tax assets, mainly related to Italtel SpA and its subsidiaries (Euro 65 million and Euro 2 million respectively); - the impact on the determination of the recoverable amount of deferred tax assets of the directors' evaluations on future results that the company business can generate.	As part of our audit activities, we analysed, with the support of PwC network experts, the temporary differences on which the deferred tax assets were recorded, verifying that these were correct and accurate. With reference to the future taxable income underlying the analysis for the recoverability of deferred tax assets prepared by the directors of Exprivia SpA and Italtel SpA, we verified that these were consistent with the budget data approved by the boards of directors of the Company and of the subsidiary Italtel SpA. In particular, with reference to the future plans related to Italtel SpA, we verified that these were consistent with the debt restructuring plan prepared by the Company pursuant to article 182 bis of the Italian Bankruptcy Law, certified by an external expert and validated by the Court of Milan. We analysed the main assumptions used in the preparation of the forecast plans.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree

No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate Exprivia SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

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

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 23 April 2014, the shareholders of Exprivia SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2014 to 31 December 2022.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Exprivia SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Exprivia Group as of 31 December 2018, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the Exprivia Group as of 31 December 2018 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Exprivia Group as of 31 December 2018 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of Exprivia SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.
We have verified that the directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by another auditor.

Bari, 29 March 2019

PricewaterhouseCoopers SpA

Signed by

Corrado Aprico
(Partner)

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

Exprivia S.p.A.

Head Office Molfetta (BA), Via Adriano Olivetti 11

Tax Code 00721090298

VAT no. 09320730154

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

Dear Shareholders,

During the financial year ending at 31 December 2018 the Board of Statutory Auditors of Exprivia S.p.A. (the "Company") conducted oversight activities required by law, also taking into consideration CONSOB instructions on company audits and activities exercised by the Board of Statutory Auditors and "Standards for the Board of Statutory Auditors of companies listed on regulated capital markets" provided by the Italian National Board of Chartered Accountants.

During the financial year ending at 31 December 2018, the Board of Statutory Auditors oversaw (i) compliance with the law and articles of association, (ii) compliance with the standards of correct administration, (iii) the adequacy of the company's organisation structure under its competence, the internal control system and the administrative/accounting system as well as the accuracy of the latter in correctly representing events in operations, (iv) procedures for actual implementation of the governance rules under the Corporate Governance Code provided by the Committee for Corporate Governance of listed companies and adopted by the Company and (v) the adequacy of rules issued to subsidiaries pursuant to art. 114(2), T.U.F. (Consolidated Finance Law).

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

In particular, the following is pointed out:

1. The Board oversaw significant economic, equity and financial transactions conducted by the

Company of which it had knowledge by participating in meetings held by the board of directors and shareholders' meetings and by communicating with senior management. The transactions were found to be compliant with the law and the articles of association.

In particular, the most significant events and transactions are noted below:

- as of 27 December 2018, following the registration of the deed of merger at the Companies' Registers of Rome and Bari on 20 December 2018 and 27 December 2018, respectively, the merger by incorporation of the company Advanced Computer Systems ACS S.r.l. into Exprivia S.p.A. was completed, effective retroactively for accounting and tax purposes as of 1 January 2018;
- as of 1 December 2018, following the registration of the deed of merger at the Companies' Registers of Milan and Bari on 26 November 2018 and 1 December 2018, respectively, the merger by incorporation of the company Exprivia Enterprise Consulting S.r.l. into Exprivia S.p.A. was completed, effective retroactively for accounting and tax purposes as of 1 January 2018;

2. In 2018, the Board did not find any irregular and/or unusual transactions with companies in the Group, third parties or related parties.

The ordinary transactions conducted with companies in the Group and related parties described in the Directors' Report on Operations, which contains a detailed description of the risks and uncertainties the Company and Group are exposed to, and the Explanatory Notes, to which reference should be made, are consistent with the interests of the Company. Information on the events characterising operations and business outlook is provided in an extensive and clear manner.

3. Concerning the transactions mentioned above (point 2), the Board considers the information provided in the Directors' Report on Operations and Explanatory Notes to be adequate.

4. The reports of the Independent Auditor PricewaterhouseCoopers S.p.A (hereinafter also the "Independent Auditor") on the separate and consolidated financial statements, issued in accordance with articles 14 and 16 of Italian Legislative Decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537/2014 on 29 March 2019, do not contain any irregularities. The report on the separate financial statements refers to a key aspect regarding goodwill and contains a specific disclosure in relation to the extraordinary mergers by incorporation of the subsidiaries Exprivia Enterprise Consulting S.r.l. and Advanced Computer Systems A.C.S. S.r.l. On the other hand, the report on the consolidated financial statements refers to two key aspects regarding goodwill and deferred tax assets. The reports of the Independent Auditor, which should be referred to for the details, certify that the separate and consolidated financial statements were drafted clearly and in compliance with the regulations that govern their drafting and provide a true and fair view of the financial standing, economic result and cash flows of the Company and of the Group for the year ended as at 31 December 2018. The reports mentioned above also certify that the directors' report and disclosures required under art. 123-bis, paragraph 1, letters c), d), f), l), and m) and paragraph 2, letter b) of T.U.F. provided in the corporate governance and ownership report are consistent with the year-end separate financial statements and consolidated financial statements.

The Board of Statutory Auditors has examined the annual confirmation of independence pursuant to article 6, paragraph 2), letter a) of European Regulation 537/2014 and pursuant to paragraph 17 of International Standard on Auditing ISA 260 issued on 28 March 2019, in which PricewaterhouseCoopers S.p.A. confirmed that it had respected the ethical principles pursuant to articles 9 and 9 bis of Italian Legislative Decree 39/2010 and that it had not identified situations that could compromise the independence of the Independent Auditor pursuant to articles 10 and 17 of Italian Legislative Decree 39/2010 and articles 4 and 5 of European Regulation 537/2014.

5. No reports provided under art. 2408 of the Italian Civil Code were submitted during the year.

6. The Board is not aware of any notices of complaint or objection to be mentioned in this report.

7-8. In 2018, the Company disbursed Euro 183,000.00 to PricewaterhouseCoopers S.p.A. for audit services and Euro 25,000.00 for non-audit services, whereas the subsidiaries of Exprivia S.p.A. disbursed Euro 500,000.00 to PricewaterhouseCoopers S.p.A. for audit services and Euro 41,000.00 for non-audit services.

Taking account of the type of professional services provided, and the confirmation of independence and absence of incompatibility issued by PricewaterhouseCoopers S.p.A., the Board of Statutory Auditors believes that no critical aspects emerged with respect to the independence of the Independent Auditor.

9. In 2018, the Board of Statutory Auditors issued its opinions and statements required by law.

In accordance with the Corporate Governance Code, the Board of Statutory Auditors also ensured:

a) The correct application of policies and procedures adopted by the Board of Directors to assess the independence of its members in accordance with the law and the Corporate Governance Code;

b) The continuity of requirements for Statutory Auditors to be considered independent - already ensured prior to their appointment - in accordance with the law and the Corporate Governance Code.

Each member of the Board also states their compliance with the limit on the number of offices they can hold in accordance with art. 148-bis(1) TUF. The members of the Board of Statutory Auditors agree on the need to notify the Board of Directors and other members of the Board of Statutory Auditors in the event of any transactions that might be for personal interest or for the interest of others.

10. In 2018, the Company's Board of Directors held ten meetings, the Control and Risk Committee held two meetings and the Appointments and Remuneration Committee held three meetings. In the same year, the Board of Statutory Auditors held nine meetings. The Board also participated in all the board meetings and shareholders' meetings held during the year.

The Board of Statutory Auditors, represented by the Chairman, also participated in meetings held by the Control and Risk Committee and Appointments and Remuneration Committee.

11. The Board of Statutory Auditors acquired information on the matters within its competence and oversaw compliance with the standards of correct administration and adequacy of the Company's administrative structure for the purpose of complying with such standards.

In particular, concerning the Board of Directors' decision-making processes, the Board of Statutory Auditors ensured the decisions made by the Directors comply with the law and the articles of association and ensured that related resolutions did not conflict with the interests of the Company.

Thus, the Board considers that the standards of correct administration were respected.

The Board of Statutory Auditors oversaw the compliance of Exprivia's Consolidated non-financial statement for the year 2018 with the provisions of Italian Legislative Decree no. 254/2016 and the adequacy of the procedures, processes and structures governing the production, reporting, measurement and presentation of the results and information of that nature. In this regard, the Supervisory Body reviewed the report issued by BDO Italia S.p.a. on 28 March 2019 pursuant to article 3, paragraph 10, of Italian Legislative Decree no. 254/2016 and article 5 of CONSOB Regulation no. 20267/2018.

In application of the regulation pursuant to article 1, paragraphs 125 and 126 of Italian Law 124/2017, the Company provided a disclosure in its Annual Report as at 31 December 2018 regarding contributions from government administrations or equivalent entities.

12. The Board of Statutory Auditors oversaw the Company's organisation structure. In light of the oversight activities performed and to the extent of its competence, the Board considers the structure to be adequate on the whole.

13. The Board of Statutory Auditors oversaw the Company's internal control system by interacting and coordinating with the Control and Risk Committee, the head of Internal Audit, the Chief Executive Officer in his position as Officer in charge of the internal control and risk management system and with the Supervisory Body.

In addition, in its role as Committee for internal control and audit pursuant to art. 19 of Italian Legislative Decree no. 39 of 27 January 2010, the Board of Statutory Auditors also acknowledges that in the customary exchange of information with the Independent Auditor and based on the additional report set forth under article 11 of Regulation (EU) no. 537/2014, pursuant to the same article 19 of Italian Legislative Decree no. 39 of 27 January 2010, there were no significant deficiencies in the internal control system with respect to financial disclosures. The Board ensured a constant flow of information and liaised with the Independent Auditor and with the Control and Risk Committee.

Furthermore, the Board of Statutory Auditors oversaw transactions carried out by the Company with related parties, ensuring the implementation and correct application of the procedure approved by the Board of Directors following the issue of CONSOB Regulation no. 17221 of 12 March 2010.

In light of the oversight activities performed and also taking into consideration the assessment of adequacy, effectiveness and actual functioning of the internal control system made by the Control and Risk Committee and by the Board of Directors, the Board of Statutory Auditors finds, to the extent of its competence, that the system is adequate on the whole.

14. The Board of Statutory Auditors oversaw the Company's accounting/administration system and its accuracy in correctly representing events in operations by gathering information from the financial reporting officer and the heads of related departments, by reviewing company documentation and by analysing the results of the work performed by the Independent Auditor.

In particular, the Board reports that the Financial Reporting Officer, with the support of the Internal Audit department, completed for the Company and its key subsidiaries the assessment on the adequacy and actual application of the administration and accounting procedures prescribed under art. 154-bis T.U.F. This activity made it possible to certify that the financial statements and documents provide a truthful and accurate representation of the Company's financial standing as well as that of the entities included in the scope of consolidation.

It should also be mentioned that again in 2018 the Company continued its process of updating the risk control system and procedures set up in compliance with Italian Legislative Decree 262/05, which will be completed with the integration of the procedures of the Italtel group.

15. We have no comments to make on the adequacy of information flows from the subsidiaries to ensure the disclosures and notices required by law.

16. During the year, the Board of Statutory Auditors met with the Independent Auditors in order to exchange data and information required under art. 150(3) T.U.F.

At these meetings, the Independent Auditor did not report any significant event or irregularity that would need mentioning in this report.

17. The Company adhered to the Corporate Governance Code for listed companies approved by the Corporate Governance Committee and fostered by Borsa Italiana S.p.A.

The corporate governance system adopted by the Company is described in detail in the Corporate Governance and Ownership Report for 2018 approved by the Board of Directors on 14 March 2019.

18. Within the scope of oversight and control activities performed during the year, there were no signs of reprehensible events, omissions or significant irregularities that would require mentioning in this report.

19. The Board of Directors acknowledges that on 14 March 2019 the Chief Executive Officer and the Financial Reporting Officer issued the statement prescribed by art. 154-bis(5) of Italian Legislative Decree no. 58/1998, following the model indicated under art. 81-ter of CONSOB Regulation no. 11971/1999.

To its knowledge, the Board found that there were no departures from legal rules when preparing the year-end consolidated and separate financial statements.

The Board, also considering the results of activities conducted by the audit committee, within the scope of its competence on its general compliance with the law with respect to its presentation and structure and completeness, does not have any reasons to prevent approval of the financial statements as at 31 December 2018 as well as the draft prepared and approved by the Board of Directors on 14 March 2019, and the Board agrees with the latter on how to distribute year-end profit.

Bari, 29 March 2019

Board of Statutory Auditors

Ignazio Pellecchia - Chairman

Anna Lucia Muserra - Standing Auditor

Mauro Ferrante - Standing Auditor

Exprivia SpA's Separate Financial Statements as at 31 December 2018

Financial statements of EXPRIVIA SPA as at 31 December 2018

Exprivia SpA - Balance sheet

Importi in Euro	Note	31/12/2018	31/12/2017
Immobili, Impianti e macchinari	1	14,608,649	11,468,570
Avviamento	2	66,791,188	54,072,211
Altre Attività Immateriali	3	11,010,531	3,219,723
Partecipazioni	4	35,854,870	42,039,447
Altre Attività Finanziarie non correnti	5	2,691,909	4,177,126
Altre Attività non correnti	6	52,736	1,661,051
Imposte Anticipate	7	1,701,485	1,024,163
ATTIVITA' NON CORRENTI		**132,711,368**	**117,662,291**
Crediti Commerciali	8	45,424,999	51,074,549
Rimanenze	9	754,546	149,924
Lavori in corso su ordinazione	10	19,145,370	12,259,211
Altre Attività correnti	11	9,649,524	6,817,576
Altre Attività Finanziarie correnti	12	3,566,476	8,229,458
Disponibilità Liquide e mezzi equivalenti	13	3,806,809	10,465,631
Altre Attività Finanziarie disponibili per la vendita	14	326,740	455,336
ATTIVITA' CORRENTI		**82,674,464**	**89,451,685**
TOTALE ATTIVITA'		**215,385,832**	**207,113,976**

Importi in Euro	Note	31/12/2018	31/12/2017
Capitale Sociale	15	25,082,911	25,154,899
Riserva da Sovrapprezzo	15	18,081,738	18,081,738
Riserva da Rivalutazione	15	2,907,138	2,907,138
Riserva Legale	15	3,958,799	3,931,382
Altre Riserve	15	26,115,276	23,142,758
Utile/(Perdita) dell'esercizio		4,234,366	548,350
PATRIMONIO NETTO		**80,380,228**	**73,766,265**
Prestiti obbligazionari non correnti	16	22,550,163	22,413,056
Debiti v/banche non correnti	17	15,071,317	19,443,788
Altre Passività finanziarie non correnti	18	41,559	49,852
Altre Passività non correnti	19	3,285,607	163,388
Fondi per Rischi e Oneri	20	233,820	114,874
Fondi Relativi al Personale	21	9,708,411	8,627,001
Imposte Differite Passive	22	2,074,945	785,478
TOTALE PASSIVITA' NON CORRENTI		**52,965,822**	**51,597,437**
Debiti v/banche correnti	23	20,141,892	30,238,523
Debiti commerciali	24	26,932,736	23,438,059
Anticipi su lavori in corso su ordinazione	25	4,905,593	1,948,507
Altre Passività Finanziarie	26	718,790	2,274,628
Altre Passività Correnti	27	29,340,771	23,850,557
PASSIVITA' CORRENTI		**82,039,782**	**81,750,274**
TOTALE PASSIVITA'		**215,385,832**	**207,113,976**

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Exprivia SpA - Income Statement as at 31.12.2018

Importi in Euro	Note	31/12/2018	31/12/2017
Ricavi	28	137,535,824	130,742,530
Altri proventi	29	4,866,576	2,490,794
TOTALE RICAVI		**142,402,400**	**133,233,324**
Costi per materiale di consumo e prodotti finiti	30	4,179,181	8,760,845
Costi per il personale	31	88,888,618	77,583,644
Costi per servizi	32	29,505,775	28,536,901
Costi per godimento beni di terzi	33	2,564,963	2,881,021
Oneri diversi di gestione	34	747,648	447,510
Variazione delle rimanenze	35	42,401	32,436
Accantonamenti e svalutazioni delle attività correnti	36	323,974	20,002
TOTALE COSTI		**126,252,560**	**118,262,359**
MARGINE OPERATIVO LORDO		**16,149,840**	**14,970,965**
Ammortamenti e svalutazioni delle attività non correnti	37	6,008,776	10,056,200
MARGINE OPERATIVO NETTO		**10,141,064**	**4,914,765**
Proventi e (oneri) finanziari e da partecipazioni	38	(3,102,959)	(1,812,015)
RISULTATO ANTE IMPOSTE		**7,038,105**	**3,102,750**
Imposte	39	2,803,739	2,554,400
UTILE (PERDITA) DELL'ESERCIZIO	**40**	**4,234,366**	**548,350**

Exprivia SpA - Statement of Comprehensive Income as at 31.12.2018

Amount in Euro			
Description	**Note**	**31/12/2018**	**31/12/2017**
Profit for the year		**4,234,366**	**548,350**
Other gains (losses) total will not subsequently be reclassified in profit (loss) for the year			
Profit (loss) Actuarial effect of IAS 19		263,950	(133,615)
Tax effect of changes		(63,348)	32,068
Total other comprehensive income (loss) will not subsequently be reclassified in profit (loss) for the year	**15**	**200,602**	**(101,547)**
Other gains (losses) total that will be subsequently reclassified to profit (loss) for the year			
Profit (loss) on FVOCI financial assets		(128,596)	(1,705)
Profit (loss) on cash flow hedge derivatives			12,243
Tax effect of changes			
Total other comprehensive income (loss) that will subsequently be reclassified in profit (loss) for the year	**15**	**(128,596)**	**10,538**
NET COMPREHENSIVE INCOME FOR THE YEAR		**4,306,372**	**457,341**

Exprivia SpA - Statement of Changes in Shareholders' Equity as at 31.12.2018

Amount in Euro	amount in Euro	Company Capital	Own shares	Share Premium Fund	Reval. Reserve	Legal Reserve	Other Reserves	Profit (Loss) for the period	Total Net Worth
Balance at 31/12/2016	**Saldo al 31/12/2016**	**26,979,658**	**(1,824,759)**	**18,081,738**	**2,907,138**	**3,931,382**	**20,334,649**	**(1,908,465)**	**68,501,341**
Reclassification previous year's profit	Destinazione del risultato anno precedente						(1,908,465)	1,908,465	-
Merger reserve	Riserva da fusione						5,293,171		5,293,171
Merger reserve due to effects deriving from the application of IAS 19	Riserva da fusione per effetti derivanti dall'applicazione IAS 19						(485,588)		(485,588)
Components of comprehensive income:	**Componenti del risultato complessivo:**								
Profit (loss) for the year	Utile /(perdita) dell'esercizio							548,350	548,350
Effects of applying IAS 19	Effetti derivanti dall'applicazione IAS 19						(101,547)		(101,547)
Profit (loss) on cash flow hedge derivatives	Utile (perdita) su strumenti derivati di cash flow hedge						12,243		12,243
Profit (loss) on financial assets classified as AFS	Utile (perdita) su attività finanziarie classificate AFS						(1,705)		(1,705)
Total comprehensive income (loss) for the year	**Totale Utile (Perdita) Complessivo dell'esercizio**								**457,341**
Balance at 31/12/2017	**Saldo al 31/12/2017**	**26,979,658**	**(1,824,759)**	**18,081,738**	**2,907,138**	**3,931,382**	**23,142,758**	**548,350**	**73,766,265**
Adoption of IFRS 15 / IFRS 9	Adozione IFRS 15/IFRS 9						(185,528)		(185,528)
Balance adjusted as at 31/12/2017	**Saldo rettificato al 31/12/2017**	**26,979,658**	**(1,824,759)**	**18,081,738**	**2,907,138**	**3,931,382**	**22,957,230**	**548,350**	**73,580,737**
Reclassification previous year's profit	Destinazione del risultato anno precedente					27,417	520,933	(548,350)	-
Tax effect from goodwill due to mergers	Effetto fiscale da avviamenti da fusioni						(507,000)		(507,000)
Purchase of treasury shares	Acquisto azioni proprie		(71,988)				(71,880)		(143,868)
Merger reserve	Riserva da fusione						3,062,948		3,062,948
Figurative value stock grant	Valore figurativo stock grant						81,039		81,039
Components of comprehensive income:	**Componenti del risultato complessivo:**								
Profit / (loss) for the year	Utile /(perdita) dell'esercizio							4,234,366	4,234,366
Effects of applying IAS 19	Effetti derivanti dall'applicazione IAS 19						200,602		200,602
Profit (loss) on FVOCI financial assets	Utile (perdita) su attività finanziarie FVOCI						(128,596)		(128,596)
Total comprehensive income (loss) for the year	**Totale Utile (Perdita) Complessivo dell'esercizio**								**4,306,372**
Balance at 31/12/2018	**Saldo al 31/12/2018**	**26,979,658**	**(1,896,747)**	**18,081,738**	**2,907,138**	**3,958,799**	**26,115,276**	**4,234,366**	**80,380,228**

Exprivia SpA - Cash Flow Statement as at 31.12.2018

Amount in Euro	NOTE	31.12.2018		31.12.2017	
Financial statement	**41**				
Operating activities:					
Profit (loss) for the year	40	4,234,366	(1)	548,350	(1)
Amortisation, depreciation and provisions		6,413,788		10,076,202	
Provision for Severance Pay Fund		4,387,702		3,699,481	
Advances/Payments Severance Pay		(4,887,583)		1,787,880	
Adjustment of value of financial assets		23,908		14,797	
Cash flow generated (absorbed) from operating activities	a	**10,172,181**		**16,126,711**	
Increase/Decrease in net working capital:					
Variation in stock and payments on account		(999,650)		(2,548,574)	
Variation in receivables to customers		7,931,433		(28,788,093)	
Variation in receivables to parent/subsidiary/associated company		(356,032)		2,743,701	
Variation in other accounts receivable		(783,883)		(1,061,037)	
Variation in payables to suppliers		(1,119,834)		12,137,895	
Variation in payables to parent/subsidiary/associated company		4,425,328		(1,198,133)	
Variation in tax and social security liabilities		(2,990,922)		5,187,247	
Variation in other accounts payable		(559,042)		7,968,967	
Cash flow generated (absorbed) from current assets and liabilities	b	**5,547,398**		**(5,558,028)**	
Cash flow generated (absorbed) from current activities	a+b	**15,719,579**		**10,568,683**	
Investment activities:					
Purchases of tangible fixed assets net of payments for sales		(925,061)		(766,156)	
Variation in intangible assets		(2,481,543)		(46,402,794)	
Variation in financial assets		2,200,780		36,353,404	
Cash and cash equivalents arising from corporate transactions		519,419			
Purchase of majory shares		(74,250)		(25,000,000)	
Cash flow generated (absorbed) from the investment activity	c	**(760,655)**		**(35,815,546)**	
Financial assets and liabilities					
New loans		12,405,611	(2)	17,000,000	(2)
Reimbursement loan		(28,065,190)	(2)	(15,118,878)	(2)
Net variation in other financial debts		(2,880,304)	(2)	28,199,963	(2)
Net variation in other financial recivables		(2,823,882)	(2)	(2,386,700)	(2)
Changes in the fair value of derivative products				(14,797)	
Changes in other non-current liabilities and use of risk provisions		(110,117)		(901,948)	
(Purchase) / Sale of own shares		(143,864)			
Change in equity		- 0		4,716,574	
Cash flow generated (absorbed) from financing activities	d	**(21,617,746)**		**31,494,214**	
Increase (decrease) in cash and cash equivalent	a+b+c+d	**(6,658,822)**		**6,247,351**	
Cash and cash equivalent at the beginning of the year		10,465,631		4,218,280	
Cash and cash equivalent at end of year		3,806,809		10,465,631	
(1) including taxes and interest paid in the period		*4,546,142*		*3,508,976*	

(2) The sum of the relative amounts (for 2018 equal to Euro -21,363,765, for 2017 equal to Euro 27,694,385) represents the overall change in net liabilities deriving from financing activities. For the reconciliation with the values shown in the statement of financial position, see the comment on the Net financial position reported in note 17 - Non-current payables to banks.

Explanatory Notes to Exprivia SpA's Separate Financial Statements for 2018

Exprivia SpA Activities

With regard to the other companies in the Group, the Holding Company Exprivia S.p.A plays a highly industrial role which includes research & development, developing solutions and projects, customer service and, naturally, sales support. The Holding Company carried out co-ordination and management activities as per Article 2497 et seq. of the Italian Civil Code over all the Exprivia Group companies, with the exception of Italtel SpA and its subsidiaries.

Information regarding management and coordination

In accordance with Art. 2497 et seq. of the Italian Civil Code aiming to regulate transparency in the exercise of company management, the tables below provide summary data referring to the most recently approved financial statements of Abaco Innovazione SpA.

The essential data of the parent company Abaco Innovazione SpA, shown in the schedule in accordance with article 2497-bis of the Italian Civil Code, were taken from the year-end financial statements as at 31 December 2017. For further information on the financial standing of Abaco Innovazione SpA at 31 December 2017, and the economic result of the company please see the financial statements, which are available in the form and manner provided for by law, as well as the report by the independent auditor.

The Abaco Group also represents the larger scope within which the Exprivia Group is consolidated.

	Bigger together
Company name	Abaco Innovazione SpA
City	Molfetta (BA) - Via Adriano Olivetti 11
Tax code (for Italian companies)	05434040720
Place of deposit of the consolidated financial statements	Registered office

Amount in Euro	31.12.2017	31.12.2016
Shareholdings	29,856,647	29,856,647
NON-CURRENT ASSETS	**29,856,647**	**29,856,647**
Other Current Assets	5,716	10,313
Cash resources	417,419	865,855
CURRENT ASSETS	**423,135**	**876,168**
ASSETS	**30,279,782**	**30,732,815**
Share capital	941,951	979,301
Revaluation reserve	200,188	200,000
Other reserves	25,118,637	24,760,704
Profits/Losses for previous periods	4,586	4,586
Profit/Loss for the year	185,354	582,221
SHAREHOLDERS' EQUITY	**26,450,716**	**26,526,812**
Other financial liabilities	2,257,520	2,596,910
NON CURRENT LIABILITIES	**2,257,520**	**2,596,910**
Current bank debt	24,528	44
Trade payables	186,559	178,167
Other financial liabilities	400,469	469,678
Other current liabilities	959,990	961,204
CURRENT LIABILITIES	**1,571,546**	**1,609,093**
TOTAL LIABILITIES	**30,279,782**	**30,732,815**

Amount in Euro	31.12.2017	31.12.2016
Revenues	388,226	276,231
PRODUCTION REVENUES	**388,226**	**276,231**
Salaries	52,200	53,169
Costs for services	32,910	39,049
Sundry operating expenses	29,659	17,471
TOTAL PRODUCTION COSTS	**114,769**	**109,690**
DIFFERENCE BETWEEN PRODUCTION COSTS AND REVENUES	**273,457**	**166,541**
OPERATIVE RESULT	**273,457**	**166,541**
Financial income and charges	(75,678)	421,450
PRE-TAX RESULT	**197,779**	**587,992**
Income tax	12,425	5,771
PROFIT OR LOSS FOR YEAR	**185,354**	**582,221**

Form and content of separate financial statements

Introduction

The separate financial statements for Exprivia SpA as at 31 December 2018 were prepared in accordance with art. 4 of Italian Legislative Decree no. 38 of 28 February 2005 and the international accounting standards (IFRS) issued by the International Accounting Standard Board (IASB) in force as at 31 December 2018, as well as all the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") formerly called the Standing Interpretations Committee ("SIC"), and in accordance with the regulatory provisions issued to implement art. 9 of Italian Legislative Decree no. 38/2005 (CONSOB Resolution no. 15519 of 27 July 2006 providing the "Rules for financial statement schedules", CONSOB Resolution no. 15520 of 27 July 2006 providing the "Changes and amendments to the Issuer Regulations adopted under Resolution no. 11971/99", CONSOB notice no. 6064293 of 28 July 2006 providing rules for "Company disclosure pursuant to art. 114(5), Italian Legislative Decree 58/98").
The schedules in the financial statements are the following:

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

The statements were drafted in compliance with IAS 1 and 7.
The separate financial statements were prepared under the general policy of giving an accurate and truthful presentation of the Company's financial standing, economic result and cash flows, while adopting the going-concern assumption, and the general policies of accrual basis accounting, presentation coherence, relevance and aggregation, rule against offsetting and comparability of information.

Merger by incorporation into Exprivia SpA

The corporate reorganisation project that started in 2017 continued in 2018. Last year, the Holding Company Exprivia SpA merged by incorporation its three wholly owned subsidiaries: Exprivia Digital Financial Solution Srl, Exprivia Healthcare IT Srl and Exprivia Telco & Media Srl. The year 2018 saw the continuation of this project through the merger by incorporation into Exprivia SpA of another two wholly owned subsidiaries: Advanced Computer Systems A.C.S. Srl and Exprivia Enterprise Consulting Srl. The above-mentioned mergers by incorporation, approved by the shareholders' meeting of both subsidiaries on 11 September 2018, were completed on 1 December 2018 as regards Exprivia Enterprise Consulting Srl and on 27 December 2018 as concerns Advanced Computer Systems A.C.S. Srl, following enrolment in the Milan, Rome and Bari Companies' Registers, pursuant to the matters laid down by Article 70.3 of Consob Regulation No. 11971/1999 and to supplement the documentation already filed, with retroactive effectiveness for accounting and tax purposes as from 1 January 2018. This transaction, which was highly desired by the management, aims to boost synergies within only Exprivia SpA from the perspective of commercial efforts as well as the improved and more efficient allocation of resources. The merger transactions carried out in 2018 fall within the sphere of those which the revised OPI 2 defines as "restructuring merger", mergers in which the Holding Company incorporates one or more subsidiaries. Given the elements characterising the parent-subsidiary mergers via incorporation (absence of economic exchange

with third economies and persistence of control over the entity acquired), these transactions cannot be considered to be business combinations. Accordingly, they are excluded from the sphere of application of IFRS 3. Their recognition in the accounts, therefore, must be carried out in accordance with the guidelines of IAS 8.10. Since these transactions, by their very nature, lack significant influence over the cash flows of the companies subject to merger, the choice of the accounting policies must therefore favour standards suitable for ensuring the continuity of the values. In other words, a restructuring merger leads to the convergence of the consolidated financial statements of the absorbing entity as of the merger date towards the separate financial statements of the absorbing entity post-merger, implementing the so-called “legal consolidation”.
Given that, as illustrated above, the effectiveness of the accounting and tax effects is back-dated to 1 January 2018 and given that it is believed that the control over the activities of the absorbed companies has not changed but rather direct control replaces indirect control, the accounting approach used needs to be consistent with the treatment of the costs and revenues of the absorbed companies/subsidiaries in the consolidated financial statements, which is achieved via their inclusion in the income statement of the absorbing company as from the start of the previous year, presented for comparative purposes with respect to that in which the merger via incorporation took place, or as from the date of effective acquisition from third parties if subsequent. This approach would lead to the accounting back-dating of the effects of the merger also with reference to the costs and revenues of the absorbed company in the previous year and their consequent restatement for comparative purposes in the financial statements for the current year.
Given the difficulty of carrying out this restatement from a legal standpoint, revised OPI 2 specifies that the back-dating for accounting purposes of the costs and revenues of the absorbed company for the previous year can be represented in specific pro-forma financial statements schedules so as to facilitate the comments on the economic performance for the current year.
Likewise, the fact that the presentation of the post-merger balance sheet figures (sum of the assets and liabilities of the absorbing and absorbed companies, as well as the allocation of the difference from cancellation) is also carried out for the previous year, presented for comparative purposes, is deemed consistent with this approach.

The pro-forma financial statement schedule of Exprivia SpA, which - for the balances as at 31 December 2017 - reflects the contribution of Exprivia Enterprise Consulting Srl and Advanced Computer Systems A.C.S. Srl due to the merger, is shown below.

Importi in Euro		Pro Forma
	31.12.2018	31.12.2017
Immobili, Impianti e macchinari	14,608,649	14,830,323
Awiamento	66,791,188	66,897,594
Altre Attività Immateriali	11,010,531	11,380,622
Partecipazioni	35,854,870	31,729,346
Altre Attività Finanziarie non correnti	2,691,909	2,366,616
Altre Attività non correnti	52,736	1,994,681
Imposte Anticipate	1,701,485	1,858,948
ATTIVITA' NON CORRENTI	**132,711,368**	**131,058,130**
Crediti Commerciali	45,424,999	53,781,700
Rimanenze	754,546	877,278
Lavori in corso su ordinazione	19,145,370	15,227,806
Altre attività correnti	9,649,524	8,815,942
Altre Attività Finanziarie correnti	3,566,476	6,620,205
Disponibilita' Liquide e mezzi equivalenti	3,806,809	10,985,050
Altre Attività Finanziarie disponibili per la vendita	326,740	455,336
ATTIVITA' CORRENTI	**82,674,464**	**96,763,317**
TOTALE ATTIVITA'	**215,385,832**	**227,821,447**

Importi in Euro	31.12.2018	31.12.2017
Capitale Sociale	25,082,911	25,154,899
Riserva da Sovrapprezzo	18,081,738	18,081,738
Riserva da Rivalutazione	2,907,138	2,907,138
Riserva Legale	3,958,799	3,931,382
Altre Riserve	26,115,276	26,444,828
Utile/(Perdita) dell'esercizio	4,234,366	309,226
PATRIMONIO NETTO	**80,380,228**	**76,829,211**
Prestiti obbligazionari non correnti	22,550,163	22,413,056
Debiti v/banche non correnti	15,071,317	19,874,378
Altre Passività finanziarie non correnti	41,559	59,852
Altre Passività non correnti	3,285,607	3,200,710
Fondi per Rischi e Oneri	233,820	129,053
Fondi Relativi al Personale	9,708,411	10,472,241
Imposte Differite Passive	2,074,945	1,386,366
TOTALE PASSIVITA' NON CORRENTI	**52,965,822**	**57,535,656**
Debiti v/banche correnti	20,141,892	31,707,284
Debiti commerciali	26,932,736	24,988,194
Anticipi su lavori in corso su ordinazione	4,905,593	2,105,080
Altre Passività Finanziarie	718,790	2,877,955
Altre Passivita' Correnti	29,340,771	31,778,067
PASSIVITA' CORRENTI	**82,039,782**	**93,456,580**
TOTALE PASSIVITA'	**215,385,832**	**227,821,447**

Importi in Euro		
	31.12.2018	**31.12.2017**
Ricavi	137,535,824	138,658,532
Altri proventi	4,866,576	3,958,670
TOTALE RICAVI	**142,402,400**	**142,617,202**
Costi per materiale di consumo e prodotti finiti	4,179,181	8,912,068
Costi per il personale	88,888,618	86,937,051
Costi per servizi	29,505,775	26,621,149
Costi per godimento beni di terzi	2,564,963	3,100,640
Oneri diversi di gestione	747,648	5,470,171
Variazione delle rimanenze	42,401	32,436
Accantonamenti e svalutazioni delle attività correnti	323,974	(679,998)
TOTALE COSTI	**126,252,560**	**130,393,517**
MARGINE OPERATIVO LORDO	**16,149,840**	**12,223,685**
Ammortamenti e svalutazioni delle attività non correnti	6,008,776	6,144,295
MARGINE OPERATIVO NETTO	**10,141,064**	**6,079,390**
Proventi e (oneri) finanziari e da partecipazioni	(3,102,959)	(3,286,068)
RISULTATO ANTE IMPOSTE	**7,038,105**	**2,793,322**
Imposte	2,803,739	2,484,096
UTILE (PERDITA) DELL'ESERCIZIO	**4,234,366**	**309,226**

Financial statement item name change

Below are the financial statement items that have been renamed:

- the item “Goodwill and other assets with an indefinite useful life” was renamed “Goodwill”; no assets with an indefinite useful life were recognised in this item;
- the item “Cash at bank and on hand” was more properly renamed “Cash and cash equivalents”;
- the item “Costs for raw materials, consumables and goods” was renamed “Costs for consumables and finished products”;
- the item “Provisions” was renamed “Provisions and write-downs on current assets” as the item includes provisions for risks as well as write-downs on current asset items;
- the item “Amortisation, depreciation and write-downs” was renamed “Amortisation, depreciation and write-downs on non-current assets” as the item includes both depreciation relating to tangible assets and amortisation relating to intangible assets as well as write-downs on non-current assets.

Drafting and presentation criteria

The accounting principles and valuation criteria are the same as those adopted to prepare the separate financial statements as at 31 December 2017, with the exception of the information outlined in the next paragraph “Application of new accounting standards”.

The valuation and measurement policies are based on the IFRS standards in effect as at 31 December 2018 and approved by the European Union.

The following table shows the IFRS/Interpretations approved by the IASB and endorsed for adoption in Europe and applied for the first time during the year.

Description	Endorsement date	Publication on G.U.C.E	Effective date provided by principle	Effective date for Exprivia
IFRS 15 Revenue from contracts with customers that includes Amendments to IFRS 15 (Effective Date)	22 sep '16	29 oct. '16	Exercises starting on or starting from 1 Jan '18	1 jan '18
IFRS 9 "Financial instruments"	22 nov. '16	29 nov. '16	Exercises starting on or starting from 1 Jan '18	1 jan '18
Clarifications of IFRS 15 - Revenues from contracts with customers	31 oct. '17	9 nov. '17	Exercises starting on or starting from 1 Jan '18	1 jan '18
Amendments to IFRS 4 "Amendments to IFRS 4 Joint Application of IFRS 9 Financial Instruments and IFRS 4 Insurance Contracts"	3 nov. '17	9 nov. '17	Exercises starting on or starting from 1 Jan '18	1 jan '18
Annual improvements to the IFRS 2014-2016	7 feb. '18	8 feb. '18	Exercises starting on or starting from 1 Jan '18	1 jan '18
Amendments to IFRS 2 "Share-based payments"	26 feb. '18	27 feb. '18	Exercises starting on or starting from 1 Jan '18	1 jan '18
Amendments to IAS 40 "Real estate investments - Changes in the destination of real estate investments"	14 mar '18	15 mar '18	Exercises starting on or starting from 1 Jan '18	1 jan '18
IFRIC 22 "Foreign currency transactions and advances"	28 mar '18	3 apr '18	Exercises starting on or starting from 1 Jan '18	1 jan '18

The IFRS standards and interpretations approved by IASB and endorsed for adoption in Europe during the period are as follows:
- IFRS 15 and IFRS 9, for more details please refer to the next paragraph, “Application of new accounting standards”;
- joint application of IFRS 9 “Financial instruments” and IFRS 4 “Insurance contracts”;
- annual improvements to IFRS standards for the 2014-2016 cycle, which modify IFRS 1, IFRS 12 and IAS 28;
- amendments to IFRS 2 “Share-Based Payment” introduced changes that clarify how to recognise certain share-based payments in the accounts;
- amendments to IAS 40 “Investment Property”.

- interpretation of IFRIC 22 “Foreign Currency Transactions and Advance Consideration” examines the exchange rate to be used for the translation when the payments are made or received before the related asset, cost or income.

The newly adopted standards, with the exclusion of IFRS 15 and IFRS 9, for which please refer to the section “Application of new accounting standards”, had no material impacts on the measurement of assets, liabilities, costs and revenues of the Company.

The table below shows the IFRS and interpretations approved by IASB and approved for adoption by Europe, effective after 31 December 2018.

Description	Endorsement date	Publication on G.U.C.E	Effective date provided by principle	Effective date for Exprivia
IFRS 16 Leases (issued on 13 January 2016)	31 oct. '17	9 nov. '17	Exercises starting on or starting 1 January 2019	1 jan '19
Amendments to IFRS 9 prepayment features with negative compensation	22 mar. '18	26 mar. '18	Exercises starting on or starting 1 January 2019	1 jan '19
IFRIC 23 Uncertainty over Income Tax Treatments	23 oct. '18	24 oct. '18	Exercises starting on or starting 1 January 2019	1 jan '19

With regulation no. 2017/1986, issued by the European Commission on 31 October 2017, the regulatory provisions set forth in IFRS 16 “Leases” issued by the IASB on 13 January 2016 were endorsed, which define a lease as a contract that gives an entity the right to use an asset for a specific period of time in exchange for consideration, and, for the lessee, eliminates the distinction between finance and operating leases, introducing for that party a single accounting model for recognising leases. By applying this model, the entity recognises: (i) in the balance sheet, an asset representing the right of use and a liability representing the obligation to make the payments set forth in the contract for all leases with a term exceeding twelve months for an asset that cannot be considered low value; (ii) in the income statement, the amortisation of the asset recognised and separately the interest on the payable recognised. For lessors, the distinction between operating and finance leases has been maintained. The provisions set forth in IFRS 16, which replace those set forth in IAS 17 “Leases” and in the relative interpretations, are applicable for reporting periods starting on or after 1 January 2019.

On the basis of the analyses carried out, the contracts identified in which the Company is a lessee refer primarily to real estate leases and long-term vehicle leases.

To recognise the impacts deriving from the first time adoption of IFRS 16 in the financial statements, the Company decided to apply the modified retrospective approach. Therefore, it applied the standard retroactively by accounting for the cumulative effect at the initial application date, without restating comparative information, although recognising any cumulative effect as an adjustment in the opening balance of retained earnings (IFRS 16.C5b) and C7). The lease liability is recognised at the present value of the remaining payments due for the lease, discounted using the marginal rate of financing of the lessee at the date of initial application. The right of use asset is recognised at the date of initial application at the carrying amount, as if the standard were applied as of the start date, but discounted using the marginal rate of financing of the lessee at the date of initial application.

The transition to IFRS 16 introduced certain elements of professional judgement which entail the definition of several accounting policies and the use of assumptions and estimates in relation to the lease term and the definition of the incremental borrowing rate. The main ones are summarised below:

- term of the lease: the term was determined on the basis of the individual agreement and consists of the “non-cancellable” period along with the effects of any extension or early termination clauses the exercise of which was deemed reasonably certain and taking into account the clauses of the agreement itself. Specifically, for real estate, that assessment considered the specific facts and circumstances of each asset;
- incremental borrowing rate: in most rental agreements entered into by the Company, the implicit interest rate cannot be determined; therefore, a specific marginal rate of financing for each country in which agreements were entered into was used with maturities commensurate with the term of the specific lease agreement.

The Company has also decided to take advantage of the following practical expedients provided by the IFRS 16 transitional provisions:

- applying the standard to agreements previously classified as lease agreements applying IAS 17 “Leases” and IFRIC 4 “Determining whether an arrangement contains a lease” (IFRS 16.C3);
- not recognising assets and liabilities relating to leases with a duration of less than 12 months from the date of first time adoption; these agreements will be accounted for as short-term leases (IFRS 16.C10c);
- excluding initial direct costs from the valuation of the right of use asset at the date of first time adoption (IFRS 16.C10d).

Low-value assets have also been excluded from the application of IFRS 16.
The main impacts on the Company’s financial statements, still being evaluated and analysed, may be summarised as follows:

- • Statement of financial position: greater non-current assets for the recording of the right to use the assets leased for an amount between 5 and 6 million euros; greater liabilities of a financial nature representing the obligation to make the payments envisaged by the contract for an amount between € 5.5 and € 6.5 million.
  The impact on shareholders' equity, net of the related tax effect, will therefore not be significant.
- Separate income statement: different nature, qualification and classification of expenses, with the recording of the "Amortization of the right to use the asset" and "Financial charges for interest", instead of the "Costs for the use of assets of third parties - operating lease payments ”, as per IAS 17, with a consequent positive impact on the EBITDA of between 2 and 2.5 million euro per year and on a like-for-like basis
  In addition, the combination between the straight-line amortisation of the “right of use asset” and the effective interest rate method applied to lease payables entail, compared to IAS 17, higher overall charges in the income statement in the initial years of the lease agreement and decreasing overall charges in the final years.
- Cash flow statement: the lease payments, for the principal amount to repay the debt, will be reclassified from “cash flow from operating activities” to “cash flow from financing activities”.

The process of implementing the new accounting standard will entail significant updates and modifications in the IT systems as well as the amendment and updating of control and compliance models and the relative processes. The impacts are based on the results of analyses performed at the date on which these financial statements were drafted, and could change as the implementation process is still under way. The impacts on transition are not indicative of future developments, as capital allocation decisions could change with resulting economic and financial impacts on the recognition in the financial statements.

Commitments for fees to be paid, relating to operating lease contracts essentially concerning offices, cars and IT equipment, amount to Euro 6.5 million at 31 December 2018. The document “Amendments to IFRS 9 Financial Instruments - Prepayment Features with Negative Compensation” envisages certain changes to said standard, in order to permit the measurement at amortised cost of financial assets characterised by an early discharge option with so-called “negative compensation”. No effects are expected from the application of these amendments.

IFRIC Interpretation 23 clarifies how to apply the recognition and measurement requirements of IAS 12. It was issued as the IASB had observed that entities were applying different reporting methods when the application of tax regulations was uncertain. The interpretation was issued in June 2017 and is applicable for reporting periods beginning on or after 1 January 2019, although early adoption is permitted. No effects are expected from the application of this interpretation.

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

Description	Effective date foreseen by the principle
Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017)	Exercises starting on or starting 1 January 2019
Amendments to IAS 28: Long-term interests in associates and joint ventures (issued on 12 October 2017)	Exercises starting on or starting 1 January 2019
Amendments to IAS 19 : plan Amendment, curtailment or settlement (issued on 7 February 2018)	Exercises starting on or starting 1 January 2019
Amendments to references to the conceptual Framework in IFRS Standars (issued on 29 March 2018)	Exercises starting on or starting 1 January 2020
Amendments to IFRS 3 Definition of Business	Exercises starting on or starting 1 January 2020
Amendments to IAS 1 and IAS 8 Definition of Material	Exercises starting on or starting 1 January 2020
IFRS 17 Insurance Contracts (issued 18 May 2017)	Exercises starting on or starting 1 January 2021

"Annual improvements to IFRS Standards 2015-2017 cycle" which include amendments to IAS 12 "Income Taxes", IAS 23 "Borrowing Costs", IFRS 3 "Business Combinations" and IFRS 11.

The "Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures" clarify that IFRS 9 "Financial Instruments", including the impairment requirements, also applies to other financial instruments held over the long-term issued vis-à-vis an associated company or joint venture which, in essence, form part of the net investment, of the same. The net equity method does not apply to these instruments.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement clarify how pension expenses are determined when there is an amendment to a defined benefit plan.

The revision of the Conceptual Framework for Financial Reporting, which introduced a new chapter related to measurement, better specified certain concepts (such as stewardship, prudence and uncertainty in evaluations) and expanded some definitions.

The IASB issued "Definition of a business (amendments to IFRS 3)" to resolve the difficulties that arise when an entity is deciding whether it acquired a business or a group of assets.

Amendments to IAS 1 and IAS 8: the IASB issued the definition of "material" to align the definition used in the Conceptual Framework and the rules themselves.

The amendment of IFRS 17 "Insurance Contracts" aims to improve the comprehension of the investors, and not only, of the exposure to risk, of the profitability and the financial positions of the insurers.

The standards and interpretations detailed above are not expected to have any material impact on the valuation of the Company's assets, liabilities, costs and revenues upon adoption.

Application of new accounting standards

Effective 1 January 2018, the Company adopted the standards IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments", which resulted in changes to accounting policies and, in some cases, adjustments of amounts recognised in the financial statements.

IFRS 15 "Revenue from Contracts with Customers"
Effective 1 January 2018, Exprivia adopted IFRS 15 "Revenue from Contracts with customers" for the first time, applying the standard retroactively and accounting for the cumulative effect from the date of initial application (modified retrospective approach).

The IFRS 15 standard requires revenue recognition to be based on the following 5 steps: (i) identification of the contract with the customer; (ii) identification of the separate performance obligations (i.e., contractual promises to transfer goods and/or services to a customer); (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations identified based on the stand-alone selling price of each good or service; and (v) recognition of revenue when the relative performance obligation is satisfied.
Within the Company, the application of IFRS 15 led to some differences in the approach mainly related to the identification of separate contractual obligations and the consequent adoption of specific and new criteria for the allocation of revenue amongst the different performance obligations based on "stand-alone selling prices".
In particular, the identification of the separate contractual obligations entailed a different revenue recognition for the identification of software license concessions as a separate obligation or, alternatively, as an individual and inseparable obligation with installation, customisation, and start-up services.
Moreover, in the context of some contracts in the healthcare market, the identification of separate contractual obligations entailed the identification of obligations that fall under the definition of leasing, which require IAS 17 to be applied for recognising revenues and the recognition of financial lease receivables equal to the future instalments discounted at the implicit interest rate of the supply contract instead of recognising the assets and the relative amortisation.
The revenue was allocated amongst the different performance obligations based on "stand-alone selling prices" and related performance obligations.
When the price established in the contract for the individual good or service does not represent the stand-alone selling price, the latter is determined from the market if directly observable or is estimated using the expected cost plus margin method when not observable on the market. For a good or service whose price applied by the company is highly variable or for which a price is not set because it is never sold separately, the stand-alone selling price is calculated as the difference between the total price minus the sum of the observable stand-along selling prices of other goods and services.
The Company's obligations to transfer goods or services to the customer for which it received consideration from the customer or for which the amount of the consideration is due, are shown in the liabilities in item "Advance payments on contract work in progress" for the assets recognised in "Contract work in progress" and in the item "Other current payables" in other cases.
Contract costs, or costs for the acquisition and fulfilment of the contract with a long-term duration, are capitalised. On the first time application of IFRS 15, as well as at 31 December 2018, those costs did not emerge.
The application of this new standard did not have a significant impact.
The cumulative effect at the initial application date, net of the relative tax effect, of Euro 88 thousand was recognised as of 1 January 2018 as a reduction of shareholders' equity in a reserve for retained earnings/losses due to changes in standards.
The adoption during the year of the new standard had an immaterial effect on revenues at the consolidated level due to the limited number of contracts that required a different method of revenue recognition and the differential between revenue deferral in some cases and revenue release in others.

IFRS 9 "Financial Instruments"
Effective 1 January 2018, the Comapny adopted IFRS 9 "Financial Instruments" (with the exception of provisions regarding hedge accounting, for which the Company has chosen to continue applying the provisions contained in IAS 39 as accounting policy).
In particular, the new standard reduces the number of categories of financial assets set forth in IAS 39 and defines: (i) the methods for classifying and measuring financial assets based on the characteristics of the cash flows and the business model according to which the asset is held; (ii) a single model for the impairment of financial assets based on expected losses; (iii) the methods for applying hedge accounting and (iv) the recognition of changes in credit risk in the fair value measurement of liabilities.
The general classification approach is based on the combination of two components:

the business model (BM) of the Group for the management of the financial asset in order to generate cash flows;
the characteristic contractual flows of the financial asset (solely payments of principal and interest, SPPI test).
According to the general classification approach, the following categories can be distinguished:

- Hold to Collect: these are financial instruments held as part of a business model aiming to maintain the instruments to maturity to collect the cash flows set forth in the contract; the financial instruments are characterised by cash flows that represent solely payments of principal and interest accrued on the remaining principal at predetermined dates. This verification is performed by carrying out the SPPI test. The asset is measured at amortised cost;
- Hold to Collect and Sell: these are financial instruments managed within a business model whose objective is to collect contractual cash flows as well as sell; as in the previous case, here as well the financial instrument is subject to the SPPI test. This management model is generally characterised by a greater extent and frequency of disposal activities. The asset is measured at fair value through other comprehensive income (FVOCI);
- Hold to Sell: this residual category includes all financial instruments that cannot be classified in the previous categories or those whose cash flows do not pass the SPPI test, instruments held for trading, derivatives, equity instruments not designated at FVOCI, other financial assets at amortised cost or FVOCI which create an accounting mismatch and for which the fair value option is exercised. The asset is measured at fair value through profit or loss (FVTPL).

Impairment testing on financial assets other than trade receivables is carried out based on the general model that recognises expected credit losses in the 12 subsequent months or over the entire remaining life in the case of a substantial deterioration of credit risk.

The expected credit loss (“ECL”) is equal to the product of: (i) the present value at the reporting date of the financial asset, (ii) the likelihood that the counterparty will not meet its payment obligations (probability of default, or “PD”), (iii) the estimate, in percentage terms, of the quantity of credit that it will not be possible to recover in the case of default (loss given default, or “LGD”).
For the determination of PD and LGD reference is made to the Bloomberg credit risk model.

The business models adopted by the Company for the management of trade receivables are:

- Hold to Collect: these are receivables generally held to maturity which fall within the IFRS 9 category “Assets at amortised cost”;
- Hold to Collect and Sell: these are receivables generally subject to assignment in a large-scale and recurring manner pending sale; these instruments are categorised according to IFRS 9 as “Financial assets at fair value through other comprehensive income”. As set forth in IFRS 9, the relative reserve is transferred to the consolidated separate income statement at the time of disposal, or if there is any impairment.

Impairment testing on trade receivables and on contract assets is carried out using the simplified approach permitted by the standard. This approach calls for estimating expected losses throughout the entire life of the receivable at the time of initial recognition and during subsequent measurements. For each customer segment, the estimate is carried out primarily by determining expected average non-collectability, based on historical/statistical indicators, possibly adjusted using forecast elements. For some categories of credit with unique risk elements, specific assessments are instead carried out on individual credit positions.
In general, the methodology for recognising the expected loss adopted by the Company calls for a matrix-type approach based on the following steps:

- historical analysis of losses on trade receivables
- definition of appropriate customer groupings based on the characteristics of credit risk highlighted by the historical analysis

- determination of the historical rate of loss by customer grouping on the basis of the losses recognised in relation to the amount of receivables in the reference period or in relation to the overdue brackets if the relative information is available without excessive effort
- any adjustment of the historical rate of loss based on current and forecast information (changes in the economic, regulatory and technological context, industry outlooks, etc.).

At the transition date (1 January 2018), the Company decided to continue to recognise gains and losses from “other equity investments (other than those in subsidiaries, associates and joint ventures)” classified according to IAS 39 as “financial assets available for sale” and measured at fair value, in other comprehensive income also on the basis of IFRS 9. Therefore, starting from 1 January 2018, the above-mentioned “other equity investments” are measured at fair value through other comprehensive income (FVOCI). Only the dividends from “other equity investments” are recognised in the income statement while all other gains and losses are recognised in other comprehensive income with no reclassification to the separate income statement, as instead was set forth under IAS 39 upon derecognition (disposal) or an impairment loss deemed definitive.

Please also note that, in order to show the impacts deriving from the first time adoption of IFRS 9 in the financial statements, the Company has decided to make use of the modified retrospective method, based on which the cumulative effects associated with the application of the new accounting standard are recognised as an adjustment in initial shareholders' equity reserves as at 1 January 2018 (date of first time adoption), while the comparative data are not restated based on IFRS 9. In particular, the adoption of IFRS 9 led, net of the related tax effect, to a reduction in the shareholders' equity of Euro 98 thousand deriving essentially from the application of the new impairment model on financial assets.

As concerns the new aspects introduced by IFRS 9, the new method for classifying and measuring financial assets representing equity instruments did not entail any amendment as highlighted in the following table:

Financial Activities at December 31, 2017	IAS 39 valuation	Amount (IAS 39)	IFRS 9 valutation	Amount (IFRS 9)	Variazion
In thousand Euro					
Non-current assets					
Financial activities	Amortized cost	4,157	Amortized cost	4,157	-
Derivative financial instruments	FVTPL	1	FVTPL	1	-
Derivative financial instruments	Hedge Accounting -FVOCI	19	Hedge Accounting - FVOCI	19	-
Investments in other companies	Cost	149	FVOCI	149	-
Other non-current assets	Amortized cost	1,661	Amortized cost	1,661	-
Total non-current assets		**5,987**		**5,987**	-
Current assets					
Commercial credits	Amortized cost	51,075	Amortized cost	51,075	-
Other financial assets	Amortized cost	8,229	Amortized cost	8,229	-
Other financial assets available for sale	Available for sale	455	FVOCI	455	-
Other current assets	Amortized cost	6,818	Amortized cost	6,818	-
Cash on hand	Amortized cost	10,466	Amortized cost	10,466	-
Total current assets		**77,043**		**77,043**	-
TOTAL		**83,030**		**83,030**	-

Financial liabilities at 31 December 2017	IAS 39 valuation	Amount (IAS 39)	IFRS 9 valutation	Amount (IFRS 9)	Variazion
In thousands of Euros					
Non-current liabilities					
Bond loan	Amortized cost	22,413	Amortized cost	22,413	-
Payables to banks	Amortized cost	19,444	Amortized cost	19,444	-
Other financial liabilities	Amortized cost	50	Amortized cost	50	-
Other non-current liabilities	Amortized cost	163	Amortized cost	163	-
Total non-current liabilities		**42,070**		**42,070**	-
Current liabilities					
Trade payables and advances	Amortized cost	25,386	Amortized cost	25,386	-
Other financial liabilities	Amortized cost	2,275	Amortized cost	2,275	-
Payables to banks	Amortized cost	30,239	Amortized cost	30,239	-
Other current liabilities	Amortized cost	23,850	Amortized cost	23,850	-
Total current liabilities		**81,750**		**81,750**	-
TOTAL		**123,820**		**123,820**	-

Below is a summary of the effects deriving from the application of IFRS 15 and IFRS 9 on the opening balances as at 1 January 2018.

amount in thousand Euro	31.12.2017 Posted	Effects first adoption IFRS 15	IFRS 9	01.01.2018 Post Adozione
Property, plant and machinery	11,469	(31)		11,438
Other intangible assets	3,220	(28)		3,192
Other non-current financial assets	8,229	185		8,414
Advance taxes	1,024	67	31	1,122
Commercial credits	51,075	(296)	(129)	50,650
Works in progress on ordination	12,259	75		12,334
Other current assets	6,818	(28)		6,790
Deferred tax liabilities	(785)	(32)		(817)
Effects on Equity		**(88)**	**(98)**	

Accounting estimates used in preparing the financial statements

Preparation of the financial statements in accordance with applicable accounting standards required the use of estimates and assumptions based on historical experience and on other factors that are deemed reasonable with respect to the circumstances and knowledge available as at the reference date of the financial statements. Actual results may depart from these estimates. The estimates and assumptions are revised constantly. The effects of revised estimates are recognised in the income statement for the period in which the estimates are revised. The estimates mainly concern: amounts allocated to provisions for bad or doubtful debts, made according to the expected sale value of the assets to which they refer, in particular for financial assets the impairment model based on expected losses is used; amounts allocated to provisions for risks, made according to the reasonable estimate of the amount of the potential liability, also with respect to any demands of the counterparty; amounts allocated for employee benefits, recognised according to actuarial valuations; amortisation/depreciation of tangible and intangible assets, recognised according to their remaining useful life and their recoverable value; income taxes, determined according to the best estimate applying the current rate for the financial year; development costs, initial capitalisation for which is based on the technical and financial feasibility of the project (future cash flow projections are made for each project). The Company conducts impairment tests on goodwill at least once per year. For such tests an estimate is made on the value of the cash generating unit to which the goodwill pertains. This estimate requires a projection of future cash flows and the estimate of the discount rate after tax, which reflects the market conditions at the date of the assessment.

Accounting policies and valuation criteria

The accounting standards adopted for drawing up the separate financial statements are the same as those adopted for drawing up the separate financial statements of the Company for the financial year which closed as at 31 December 2017.
IFRS is intended as the International Accounting Standards (IAS) now in force, as well as all the interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) formerly called the Standing Interpretations Committee (“SIC”), and in accordance with the regulatory provisions issued to implement art. 9 of Italian Legislative Decree no. 38/2005 (CONSOB Resolution no. 15519 of 27 July 2006 providing the "Rules for financial statement schedules”, CONSOB Resolution no. 15520 of 27 July 2006 providing the “Changes and amendments to the Issuer Regulations adopted under Resolution no. 11971/99", CONSOB notice no. 6064293 of 28 July 2006 providing rules for "Company disclosure pursuant to art. 114(5), Italian Legislative Decree 58/98").

Property, plant and machinery

Property, plant and machinery are recognised at the cost of acquisition or production. The cost of acquisition or production is the price paid to acquire or build the asset and any other cost incurred to prepare the asset for use. The price paid to acquire or produce the asset is the cash price equivalent at the time of accounting; therefore, if payment is deferred beyond normal credit extension terms, the difference with respect to the equivalent cash price is recorded as interest for the extension period. The financial charges incurred for the acquisition or production of the asset are never capitalised. The capitalisation of costs relating to the expansion, modernisation or improvement of leased assets is done only in so far as they satisfy the requirements for being classified as an asset or part of an asset.
After initial recognition, plant, machinery and other assets are entered at cost, net of accumulated depreciation and any impairment. The depreciated value of each significant component of a tangible asset, with a different useful life, is amortised by the straight-line method over the expected period of use. Considering the homogeneity of the assets included in the individual categories of the financial statements, it

is assumed that the useful life by category of assets is the following (with the exception of certain significant cases):

Land	indefinite useful life
Buildings	33 years
Plant and Machinery	4 – 10 years
Industrial and commercial equipment	4 years
Other assets	4 - 10 years

Land, including pertaining to buildings, is accounted for separately and not depreciated as it is a component with indefinite useful life.
The depreciation criteria used, the useful life and residual value are reviewed at the end of each accounting period and, if necessary, redefined to take into account any significant changes.
Industrial buildings are carried at a value periodically reassessed at market value less depreciation and impairment (revaluation model). As set forth by IAS 16, the Group measures fair value and then remeasures it only when there is a significant difference with respect to the book value.
Costs that can be capitalised for improvements to leased assets are attributed to the classes of fixed assets to which they refer and depreciated for the shorter time between the remaining period on the lease agreement and the remaining useful life of the asset to which the improvement was made.
The book value of property, plant and machinery is maintained in the financial statements to the extent that such value can be recovered through use. If significant factors are noticed, which include the likelihood of recovering the net carrying amount, an impairment test is performed to determine any loss of value. A reversal is applied if the conditions at the basis of the impairment no longer apply.

Goodwill

Goodwill is recognized in the financial statements on the occasion of a business combination and initially recorded at the cost incurred, equal to the excess of the cost of the business combination with respect to the net fair value of the assets, liabilities and potential liabilities acquired. Goodwill is classified among intangible assets. From the date of acquisition, the goodwill acquired in a business combination is allocated to each cash-generating unit or group of cash-generating units.
After initial recognition, goodwill is not amortized but valued at cost less any accumulated losses in value. If goodwill was allocated to a cash generating unit and the entity disposes of an asset that belongs to that unit then the goodwill associated to the asset is included in the book value of the asset when determining the gain or loss from the disposal. This amount is determined according to the values of the assets disposed of and the part kept.

Other Intangible Assets

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

at the end of each accounting period and, if necessary, redefined to take into account any significant changes.
Costs for development projects are capitalised under the item “costs for capitalised internal projects” only when the development phase has ended and the product developed begins to generate economic benefit. They are subject to amortisation. During the period in which costs are incurred for capitalised internal development projects they are floated in the Income Statement as increases in fixed assets for internal work and classed under “costs for capitalised internal projects”.

Investments in subsidiaries and other companies

Investments in subsidiaries are valued at purchase cost net of any impairment losses. Should the reasons for the write-downs cease to exist, the investments are revalued within the limit of the devaluation itself. Equity investments in other companies are measured at FVOCI.
The rights to acquire part of the interests of third parties or the right of third parties to sell minority shares are taken into consideration in determining whether or not there is a control over the participation. Furthermore, if there is a control, the quotas relating to calls on minorities are considered financial liabilities as reported by IAS 32..

Leasing

Machinery owned through financial leasing contracts, for which the Company has substantially assumed the risks and benefits which would arise from ownership, are recognised as assets on the basis of the criteria indicated by IAS 17. They are depreciated according to estimated useful life.
Leasing agreements where the lessor substantially keeps all risks and benefits of ownership are considered as operating leasing. The costs for leasing are carried in consistent amounts in the Income Statement for the duration of the agreement.
The amount payable to the lessor is included in the other financial liabilities.

Government grants

Government grants are reported in the presence of a formal resolution and are accounted for as income in the financial year when related costs are incurred.
Grants received against specific assets whose value is carried under fixed assets are entered in the income statement in relation to the period of amortisation/depreciation for the assets to which they refer.
Advances received for terminated projects, for which a closing report has yet to be issued, have been classified as deductions from receivables. For ongoing projects, advances remain accounted for under liabilities.

Impairment of Property, plant and machinery, Goodwill, Other Intangible Assets, Equity Investments

Impairment occurs every time the book value of an asset is greater than its recoverable value. The existence of any indicators suggesting impairment is checked at every balance sheet date. If those indicators are found the recoverable value of the asset is estimated (impairment test) and a write-down is recognised where necessary. Regardless of the existence of the indicators, an impairment test is carried out at least once a year for the assets not yet available for use and for goodwill.
The recoverable value of an asset is the greater between its fair value, net of sale costs, and its value in use. The recoverable value is calculated with reference to a single asset, unless it is unable to generate incoming cash flow from continued use notably independent of the incoming cash flows generated by other assets or

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

Financial assets (excluding derivative instruments)

The Company's financial assets are classified on the basis of the business model adopted for their management and the characteristics of the relative cash flows.

a) Financial assets at amortised cost

Financial assets are classified in this category when the following requirements are met: (i) the asset is held within a business model the objective of which is to hold the asset to collect its contractual cash flows; and (ii) the contractual terms of the asset call for cash flows represented solely by payments of principal and interest on the amount of principal outstanding. These are primarily trade receivables, financial assets and other assets.
The trade receivables that do not contain a significant financial component are recognised at the price defined for the relative transaction (determined in accordance with the provisions of IFRS 15 "Revenue from contracts with customers").
The valuation policy applied following initial recognition is the amortised cost using the effective interest rate method.
With reference to the impairment model, the Company values is receivables by identifying expected losses.
For trade receivables, the Company adopts a simplified valuation approach which does not require the recognition of periodic changes in credit risk, but rather the recognition of an expected credit loss (ECL) calculated on the entire life of the credit ("lifetime ECL").
In particular, the policy adopted by the Group calls for a matrix-type approach based on the following steps:

- historical analysis of losses on trade receivables;
- definition of appropriate customer groupings based on the characteristics of credit risk highlighted by the historical analysis;
- determination of the historical rate of loss by customer grouping on the basis of the losses recognised in relation to the amount of receivables in the reference period or in relation to the overdue brackets if the relative information is available without excessive effort;
- any adjustment of the historical rate of loss based on current and forecast information (changes in the economic, regulatory and technological context, industry outlooks, etc.).

If there is no reasonable expectation of recovery, trade receivables are written off.

With reference to non-current financial receivables, relating to loans granted to the parent company and subsidiaries, the Company adopts the so-called general approach for valuation, which requires verification of any increase in credit risk at each balance sheet date.

The write-downs recognised pursuant to IFRS 9 are posted to the income statement net of any positive effects linked to releases or restorations of value and are represented under costs.

b) Financial assets at fair value through other comprehensive income ("FVOCI")

Financial assets are classified in this category when the following requirements are met: (i) the asset is held within a business model the objective of which is achieved by collecting the contractual cash flows and by selling the asset; and (ii) the contractual terms of the asset call for cash flows represented solely by payments of principal and interest on the amount of principal outstanding.
These assets are initially recognised in the financial statements at fair value plus any accessory costs directly attributable to the transactions that generated them. On subsequent measurement, the valuation carried out upon recognition is updated and any changes in fair value are recognised in the statement of comprehensive income. Please refer to what is described in point a) above with regard to the impairment model.

c) Financial assets at fair value through profit or loss ("FVPL")

This category includes financial assets that are not classified in either of the previous categories (i.e., residual category). These are primarily derivative instruments that do not meet requirements for hedge accounting.
The assets belonging to this category are recognised at fair value upon initial recognition. The accessory costs incurred on recognition of the assets are charged immediately to the income statement. On subsequent measurement, FVPL financial assets are valued at fair value.
Gains and losses deriving from changes in fair value are accounted for in the income statement in the period in which they are identified, in the item "Profit (Loss) from assets at fair value". Purchases and sales of financial assets are accounted for at the settlement date.
Financial assets are derecognised when the relative contractual rights expire, or when all risks and rewards of ownership of the financial asset are transferred.

Financial liabilities (excluding derivative instruments)

Financial liabilities include financial payables, trade payables and other payables.
Payables to banks and other lenders are initially recognised at fair value net of directly attributable transaction costs and subsequently measured at amortised cost, applying the effective interest rate approach. If there is a change in expected cash flows, the value of the liabilities is recalculated to reflect that change on the basis of the present value of the new expected cash flows and the internal rate of return initially determined.

Leasing payables are initially recognised at the fair value of the operating assets subject to the contract or, if lower, at the present value of the minimum payments due.

Trade payables are obligations to pay against goods or services acquired from suppliers within the scope of ordinary business activities. Payables to suppliers are classified as current liabilities if payment will take place within one year of the reporting date. Otherwise, those payables are classified as non-current liabilities.
Trade payables and other payables are initially recognised at fair value and subsequently measured at amortised cost.

Financial liabilities are derecognised when the underlying obligation is extinguished, cancelled or fulfilled.

Inventories

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

Contract Work in Progress

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

Cash and cash equivalents

Cash and cash equivalents consists of short-term investments (generally not exceeding three months), easily convertible into known amounts of cash and subject to an insignificant risk of changes in value. They are carried at fair value.
For the purpose of the cash flow statement, liquid assets are made up of cash, demand deposits at banks, short-term, highly liquid financial assets (original maturity not exceeding three months), and overdraft facilities. Current account overdrafts are carried under current financial liabilities.

Own Shares

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

Employee benefits

Short-term benefits

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

Defined benefit plans

The Company grants its employees benefits under the Employee Severance Indemnity Fund (TFR). The employee severance indemnity accrued as at 31 December 2006 is considered a defined benefit to be accounted for in accordance with IAS 19. These benefits fall under the definition: defined benefit plan determined in existence and amount but uncertain in when payable.
The total amount of the obligation is calculated on a yearly basis by an external actuary using the Projected Unit Credit Method. Actuarial gains and losses are fully accounted for in the related financial year.
Recognition of the changes in actuarial gain/loss is carried amongst the comprehensive income statement components.

Defined contribution plans

The Company takes part in public or private pension plans with defined contributions on a mandatory, contractual or voluntary basis. Payment of the contributions fulfils the Company's obligation towards its employees. Thus, such contributions form an expense for the period in which they are due.
The employee severance indemnity accrued after 31 December 2006 is considered a defined contribution obligation.

Share-Based Payments – Stock grant

The Company recognises incentives consisting of plans for participation in the share capital ("stock grants") to several beneficiaries who cover key positions within the Group. The stock grant plans are equity settled, and make it possible to receive shares of the Company free of charge at the end of the vesting period.

As set forth in IFRS 2, equity settled stock grant plans are measured at fair value through profit or loss under staff costs throughout the period between the assignment date and the vesting date and an equity reserve is recognised as an offsetting entry. The fair value of the stock grant is determined at the assignment date, reflecting the market conditions existing at the date in question.
At each balance sheet date, the Company verifies the hypotheses regarding the number of stock grants that are expected to mature and recognizes the effect of any change in the estimate in the income statement, adjusting the corresponding net equity reserve.
In 2018, the Board of Directors of Exprivia SpA approved the incentive and loyalty plan named "2018-2020 Performance Shares Plan" reserved to executive directors, key executives and employees of Exprivia SpA and its subsidiaries pursuant to art. 93 of the Consolidated Law on Finance, the structure of which was defined by the Board of Directors, at the proposal of the Remuneration Committee.

The above-mentioned plan aims to align the interests of its beneficiaries with those of the Shareholders, linking management remuneration with specific performance objectives, the achievement of which is strictly connected to improvements in the Group's performance and growth in its value in the medium/long-term.

The plan is also an instrument meant to support the capacity to retain key resources of Exprivia and the subsidiaries, in line with best market practices which, typically, involve the implementation of medium/long-term incentive instruments.

The characteristics of the above-mentioned plan are described in the information document prepared by Exprivia SpA pursuant to art. 84-bis of the Issuers' Regulation, provided to the public at the registered office as well as on the Company's website (www.exprivia.it) in the section Corporate - Corporate Governance - Corporate Information Report.

The plan calls for the assignment free of charge, subject to reaching specific performance indicators and the company's capital strength, of ordinary shares of Exprivia SpA with a view to (i) connecting such incentives to the creation of long-term value, thus aligning the management's interests with those of the Shareholders, (ii) offering an incentive instrument to guide and motivate the management to meet the long-term challenges that will see the Company acting as a key player in the market and (iii) maintaining key resources.

The details of the plan are illustrated in the first section of the Remuneration Report and in the "2018-2020 Performance Share" information document drafted and published pursuant to arts. 114-bis of the TUF and 84-bis of the Issuers' Regulation.

The Board of Directors may also identify further plan beneficiaries if new people are assigned to the positions identified or equivalent offices are established.

Potential assets and liabilities

Potential assets and liabilities of an unlikely (but possible) or remote nature are not recognised in the financial statements; nevertheless, adequate information is given concerning possible potential assets and liabilities.
Whenever there is any financial disbursement relating to the obligation, and it occurs after the normal payment terms and the effect of discounting back is significant, the amount set aside corresponds to the current value of future payments expected to cancel the obligation.

Provisions for Risks and Charges

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

Derivative instruments

The Company has chosen to continue applying the provisions contained in IAS 39 with regard to hedge accounting.
Derivative contracts were recognised according to the designation the derivative instruments (speculative or hedging) and the nature of the risk covered (Fair Value Hedge or Cash Flow Hedge).
For contracts designated as speculative, any changes in fair value are directly recognised in the income statement.
In hedging contracts Fair Value Hedge is accounted for by recognising any changes in the fair value of the hedging instrument and the instrument hedged.
If it is identified as Cash Flow Hedge, it is accounted for by floating the fair value portion of change of the hedging instrument, which is recognised as effective cover in the net equity, and charging the ineffective portion to the Income statement. The changes recognised directly under net equity are released in the income statement in the same reporting period or periods in which the asset or liability hedged influences the income statement.

Asset transfers

The assets transferred by way of factoring transactions, which comply with the requirements established by IFRS 9, are derecognised from the balance sheet.

Revenue

Revenue recognition is based on the following 5 steps: (i) identification of the contract with the customer; (ii) identification of the separate performance obligations (i.e., contractual promises to transfer goods and/or services to a customer); (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations identified based on the stand-alone selling price of each good or service; and (v) recognition of revenue when the relative performance obligation is satisfied.

The revenue was allocated amongst the different performance obligations based on “stand-alone selling prices” and related performance obligations.
When the price established in the contract for the individual good or service does not represent the stand-alone selling price, the latter is determined from the market if directly observable or is estimated using the expected cost plus margin method when not observable on the market. For a good or service whose price applied by the company is highly variable or for which a price is not set because it is never sold separately, the stand-alone selling price is calculated as the difference between the total price minus the sum of the observable stand-along selling prices of other goods and services.
The Company’s obligations to transfer goods or services to the customer for which it received consideration from the customer or for which the amount of the consideration is due, are shown in the liabilities in item “Advance payments on contract work in progress” for the assets recognised in “Contract work in progress” and in the item “Other current payables” in other cases.
Below is a description of the nature and methods for recognising revenue by category of goods and services provided by the Company.

Projects and Services

The category in question includes IT services, support services and entire projects for software and/or complex IT system development. With reference to this category, control of the service is transferred to the customer over time, and therefore the Group meets the performance obligation and recognises revenue over time by evaluating the progress of activities with the method that best reflects what was done to transfer control over the promised goods or services to the customer, which is substantially dependent on the way the service is provided.

The methods used to evaluate progress are:

- Time based method for services provided in stand-ready mode, services which consist of providing to the customer an assistance structure which intervenes when and if requested, typically application monitoring, remote assistance and/or network services for applications, training and application instruction, adaptation and corrective maintenance.
- Cost to cost for projects and services provided on a lump-sum basis, services and projects carried out on customer specifications that may include various components that are highly integrated and customised based on customer needs and represent input for the fulfilment of the overall obligation specified by the customer.
- Unit/Hours worked for hourly advisory and support services; these are activities for which the benefit transferred to the customer is measured based on the hours or units worked and the agreed rate.

This category also includes on a residual basis projects and services for which the Group acts in its capacity as agent, without the primary responsibility for fulfilling the obligation.

Maintenance

This category includes maintenance and assistance services on third-party hardware and software and on proprietary software. The service is provided by activating the manufacturers’ maintenance service and is managed by the company, which has primary responsibility for it or, with respect to proprietary software, consists of adaptation and corrective maintenance activities, releasing unspecified software updates and providing user support.

The service is provided in stand-ready mode or with constant effort. Revenue is recognised over time with the time based method.

Third-party hardware and software

This category includes revenue for sales of hardware and software acquired from third parties when they represent a distinct obligation, i.e., when they are not closely integrated, interrelated or dependant on other goods and services promised in the contract. The revenue is recognised at a point in time at the moment of delivery and/or installation.

Proprietary licences

This category includes revenue for sales of user licences on proprietary software generally granted as usage rights and for an unlimited period of time.

When the offer scheme does not include installation and configuration services, the revenue is recognised at a point in time when the access code required for use is provided to the customer.

When the offer scheme includes installation and configuration services, the obligation is considered distinct only if the services are not significant and/or do not entail considerable customisation activities and/or integration with other systems used by the customer; the revenue is recognised at a point in time after installation is complete.

In certain cases, proprietary licences are granted under an access right scheme for a limited period of time. In these cases, the customer is provided with a continuous service consisting of access to intellectual property and the revenue is accounted for over time with the time based method.

System Integration

This category includes revenue relating to the provision of services for the design, development and installation of solutions for integrated network systems. This category includes two types:

- Supply of equipment and non-complex installation services with no intermediate contractual milestones. The revenue is recognised at a point in time at the moment of installation.
- Supply of equipment, complex installation services and/or other strictly integrated, interrelated or interdependent professional services, which represent a single performance obligation the revenue of which is recognised over time with the cost to cost method.

Costs

Costs are recognised when they relate to goods and services sold or consumed during the year, by systematically breaking them down or when their future useful life cannot be identified.

Financial income and charges

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

Dividends

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

Taxes

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

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

Foreign currency

The Group's financial statements are presented in Euro, the functional currency of the Company.
Transactions in foreign currency are converted into the reporting currency at the rate of exchange on the date of the transaction. Gains and losses on exchanges arising from liquidation related to these transactions and the conversion of monetary assets and liabilities into foreign currency are recognised in the income statement.

Sector information

The Company has identified, based on the internal organizational structure, a single operating segment corresponding to the IT (Information Technology) sector which corresponds to the legal entity Exprivia SpA.

Financial risk management

Exprivia SpA is exposed to the following financial risks:

Interest Rate Risk

Over the years, the Company has contracted various loans, some of which are medium-long term at variable rates and others with subsidized fixed rates, the latter linked to funded research and development projects. In relation to variable rate contracts, the Company, where appropriate, enters into interest rate swap or cap type derivative hedging contracts, with the aim of reducing the risk of unexpected changes in rates.
The change in interest rates that occurred during the year did not have significant effects on the financial statements.

Credit Risk

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

The Company also manages this risk by selecting counterparts considered by the market to be solvent and with high credit standing.
Periodically, all the receivables are subjected to an analytical assessment for each client proceeding to the write-down in the event that there is a possible loss of value. The risk for the Company is mainly related to trade receivables.

Liquidity Risk

Liquidity risk is prudently managed by planning cash flows, financing needs and the liquidity of the Company to ensure effective adequate financial resources are available, by managing any surplus liquidity, and by opening credit lines where necessary, including short-term ones.This management, taking into account the liquidity of the loans and credit lines already in place as well as the cash flows that the Company is able to generate, makes it possible to consider the liquidity risk as not significant at least in the short term.

Exchange Rate Risk

The predominant activity carried out by the Company in the Euro Area limits its exposure to exchange rate risks deriving from transactions in currencies other than the functional currency (Euro). Exchange fluctuations during the year did not have a significant effect on the Company.

Reconciliation of financial assets and liabilities according to IFRS 7

To complete the disclosure on financial risks, a reconciliation is shown between the financial assets and liabilities included in the statement of financial position of the Company and the classes of financial assets and liabilities envisaged by IFRS 9 (amounts in thousands of Euro).

FINANCIAL ASSETS AS AT 31 DECEMBER 2018	Loans and receivables "amortized cost"	Participants evaluate the "fair value through OCI (FVOCI)"	Derivative financial instruments "financial assets valued at FV in the income statement"	Derivative financial instruments Hedge Accounting "financial assets valued at FVOCI"	Financial instruments available for sale "FVOCI"	Total
In thousands of Euro						
Non current assets						
Financial assets	2,687					2,687
Investments in other companies		162				162
Derivative financial instruments				5		5
Non-current assets	53					53
Total no current assets	**2,740**	**162**	-	**5**	-	**2,907**
Current assets						
Trade receivables	45,425					45,425
Other financial assets	3,566				327	3,893
Other current assets	9,650					9,650
Cash and cash equivalents	3,807					3,807
Total Current assets	**62,448**	-	-	-	**327**	**62,775**
TOTAL	**65,188**	**162**	-	**5**	**327**	**65,682**

LIABILITIES 'FINANCIAL IN December 31, 2018	Loans and payables "amortized cost"	Derivative financial instruments "financial liabilities valued at FV in the income statement"	Derivative financial instruments Hedge Accounting "financial liabilities valued at FVOCI"	Financial instruments available for sale "FVOCI"	Total
In thousands of Euros					
Non-current liabilities					
Bond loan	22,550				22,550
Payables to banks	15,071				15,071
Other financial liabilities	34	8			42
Other non-current liabilities	3,286				3,286
Total non-current liabilities	**40,941**	**8**	-	-	**40,949**
Current liabilities					
Trade payables and advances	31,838				31,838
Other financial liabilities	719				719
Payables to banks	20,142				20,142
Other liabilities	29,341				29,341
Total current liabilities	**82,040**	-		-	**82,040**
TOTAL	**122,981**	**8**	-	-	**122,989**

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It should be noted that the financial instruments reported above, with reference to loans, receivables, payables and investments, were measured at book value, given it is considered to be an approximation of their fair value.
Derivative financial instruments and those available-for-sale are measured at level 2 on the fair value hierarchy.

Fair Value Hierarchy Measurement

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

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

Explanatory Notes on the Exprivia SpA Balance Sheet

Details are provided below on the entries making up the assets and liabilities that comprise the consolidated financial position, which is drawn up in accordance with international accounting standards (IAS/IFRS).
All the figures reported in the tables below are in Euro, unless expressly indicated.

NON-CURRENT ASSETS

Note 1 - Property, plant and machinery

As at 31 December 2018, the balance of the item "**Property, plant and machinery**", net of depreciation, amounted to Euro 14,608,649 compared to Euro 11,468,570 at 31 December 2017.

The table below shows movements in the reporting period:

Categories	Historical cost 01/01/18	Additions by merger	Increase	Dec.	Historical cost at 31/12/18	Reserve prov. at 01/01/18	Additions by merger	Provision for period	Dec.	Cum. prov. at 31/12/18	Net value at 31/12/18
Land	540,754	795,640	-	-	1,336,394	-	-	-	-	-	1,336,394
Buildings	13,316,901	3,682,558	40,260	(140,894)	16,898,825	(3,821,146)	(1,262,959)	(514,954)	12,844	(5,586,215)	11,312,610
Others	13,982,737	3,858,967	1,108,101	(6,729,578)	12,220,227	(12,550,676)	(3,713,181)	(600,781)	6,519,206	(10,345,431)	1,874,794
Fixed assets in progress	-	-	84,851	-	84,851	-	-	-	-	-	84,851
TOTAL	**27,840,392**	**8,337,165**	**1,233,212**	**(6,870,472)**	**30,540,297**	**(16,371,822)**	**(4,976,140)**	**(1,115,735)**	**6,532,050**	**(15,931,648)**	**14,608,649**

The columns **"Incre. due to merger**" and "**Accum. deprec. due to merger**" include the effects of the mergers by incorporation of Exprivia Enterprise Consulting Srl and Advanced Computer Systems A.C.S. Srl.

The increase in the item "**other assets**", equal to Euro 1,108,101, pertains primarily to plant costs (Euro 202,446), electronic office equipment (Euro 748,453), furniture and furnishings (Euro 74,082) and mobile telephony (Euro 81,574).

Decreases can be mostly ascribed to the disposal of assets no longer in use, nearly fully depreciated.

Please note that there is a first mortgage on the real estate complex located in Molfetta (BA) at Via Olivetti 11 for a maximum amount of Euro 50 million to guarantee the precise fulfilment of obligations arising from the Euro 25 million loan taken out on 1 April 2016 from a pool of banks (for additional details, please see note 17).

The net book value of financially leased assets amounted to Euro 204,365 and pertains to furniture and furnishings. It should also be noted that minimum future payments within one year amount to Euro 8,064.

Note 2 - Goodwill

The item “**Goodwill**” as at 31 December 2018 amounted to Euro 66,791,188 compared to Euro 54,072,211 at 31 December 2017.

The table below provides details on the item.

Categories	Net value as of 01/01/2018	Increment for fusion effect	Period decrease	Net value at 12/31/18
Goodwill from merger Exprivia Digital Financial Solution Srl	11,643,982			11,643,982
Goodwill from merger Exprivia Healthcare It Srl	27,947,396			27,947,396
Start-up of acquisition of the Esiet Vas branch	1,894,287		(100,000)	1,794,287
Start-up by merger Exprivia Enterprise Consulting Srl		12,372,388		12,372,388
Start-up by merger of Advanced Computer Systems A.C.S. Srl		452,995		452,995
Goodwill	12,586,546		(6,406)	12,580,140
TOTAL	**54,072,211**	**12,825,383**	**(106,406)**	**66,791,188**

The increase, amounting to Euro 12,825,383, relates to the goodwill which was created further to the mergers of the companies Exprivia Enterprise Consulting Srl for Euro 12,372,388 and Advanced Computer Systems A.C.S. Srl for Euro 452,995.

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

The decrease of Euro 100,000 can be attributed to the cancellation of the earn out relating to the ESIET Vas business unit. Indeed, in 2018 the Purchase Price Allocation (PPA) process was completed for the acquisition on 1 July 2017 of the ESIET VAS Srl business unit operating in the IT services and consulting market for banking and financial sector customers. The completion of the Purchase Price Allocation process did not reveal any differences in the fair value of the assets and liabilities acquired or of intangible assets not previously recognised. At the end of the Purchase Price Allocation process, the initial allocation to goodwill, amounting to Euro 1,894 thousand, was reduced by Euro 100 thousand for the elimination of the earn out, as the planned objectives had not been achieved.

Information Related to Impairment Tests Performed on Goodwill

Scope

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

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

Identification of CGU (Cash Generating Unit) and Allocation of Goodwill

Not representing goodwill, according to international accounting standards, an asset that is unable to generate cash flow independently from other assets or groups of assets cannot be tested for impairment separately from other related assets.

For this purpose, goodwill is allocated to a CGU or groups of CGUs in compliance with the maximum aggregation consistent with the notion of operating segment referred to in IFRS 8.

The goodwill is allocated in full to the single IT, software and IT services CGU.

Impairment Test Process and Assessment System

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

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

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

The terminal value was calculated as the present value of the perpetuity obtained by capitalising the cash flow generated in the last analytical forecast period at a long-term growth rate (G-rate) of 1.9%, equal to the long-term inflation rate forecast for Italy.

The Beta ratio has been estimated on the basis of a panel of comparable companies.

The weighted average cost of capital or WACC, was increased to incorporate an execution risk of the plans, calculated on the basis of the average deviation percentage between the EBITDA achieved and the EBITDA estimated in the last three years.

The main economic-financial assumptions underlying the 2019-2023 financial forecasts are listed below:

- for 2019 the projections reflect budget data for the year;
- for 2020-2023 the projections reflect an average compound annual growth rate of Total Revenue of 2.6% (CAGR 2019-2023) and average profit margin of 13.5%.

The WACC (Weighted Average Cost of Capital) used to discount cash flows was equal to 7.96% and was determined using the following parameters:

Parametri	Italia
Risk free rate	2,73%
Market risk premium	6%
D/E	32%
Beta unlevered	68%
Beta levered	85%
Risk Premium	5,1%
Country Risk Premium	0,0%
Premio per il rischio addizionale	1,2%
Costo del capitale proprio (Ke)	**8,99%**
Kd (IRS 10 anni)	0,8%
Spread	5,4%
Costo del debito (Kd Pre tax)	**6,21%**
Aliquota IRES / IS	24,0%
Costo del debito (Kd after Tax)	**4,72%**
D/D+E	24,2%
E/D+E	75,8%
WACC	**7,96%**

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

- a 0.5 percentage point increase in the weighted average cost of capital;
- a 0.5 percentage point decrease in the growth rate "G";
- the combined change in both the variables indicated above.

The sensitivity analysis shows that the values used are higher than the book values.

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

Note 3 - Other intangible assets

As at 31 December 2018, the balance of the item "**Other intangible assets**" amounted, net of amortisation applied, to Euro 11,010,531 compared with Euro 3,219,723 at 31 December 2017.

The table below shows movements in the reporting period:

Categories	Historical cost 01/01/18	Increment for melting effect	Inc/ at 31/12/18	Decrementi al 31/12/18	Total historical cost 31/12/18	Reserve prov/ at 01/01/18	Increment for melting effect	Dep/ of the perdiod	Decrease	Accumulated depreciation 31/12/18	Net value at 31/12/18
Cost of plant and extension	3,672,466	263,023	7,388,610	(3,831,803)	7,492,295	(3,422,493)	(4,201,425)	(841,731)	3,803,615	(4,662,033)	2,830,262
Development of advertising	11,693,984	2,518,550	9,939,358	(9,366,602)	14,785,290	(8,724,234)	(9,366,602)	(1,981,904)	9,366,602	(10,706,138)	4,079,152
Assets under constr. & payment on a/c	-	900,372	4,400,911	(1,200,166)	4,101,117	-	-	-	-	-	4,101,117
TOTAL	**15,366,450**	**3,681,945**	**21,728,879**	**(14,398,571)**	**26,378,702**	**(12,146,727)**	**(13,568,027)**	**(2,823,635)**	**13,170,217**	**(15,368,171)**	**11,010,531**

The columns **"Incre. due to merger**" and "**Accum. amort. due to merger**" include the effects of the mergers by incorporation of Exprivia Enterprise Consulting Srl and Advanced Computer Systems A.C.S. Srl. The increase in the item "**other intangible assets**" for Euro 263,023 is mainly due to the purchase of software licenses.

The increase of Euro 2,518,550 in the item "**costs for capitalised internal projects**" is due to the development of software applications in the Banking & Finance, Healthcare and Defence & Aerospace markets.
The increase in the item "**work in progress and payments on account**" of Euro 900,372 can be attributed to the creation of software applications not yet completed for the Defence & Aerospace market.

Note 4 - Equity investments

The balance of the item **"Equity investments**" as at 31 December 2018 amounted to Euro 35,854,870 compared with Euro 42,039,447 at 31 December 2017.

The item is broken down below.

Equity Investments in Subsidiaries

At 31 December 2018, the item "**equity investments in subsidiaries**" amounted to Euro 35,693,241 compared with Euro 41,890,563 at 31 December 2017. The table below provides details on the item:

Description	31/12/2018	31/12/2017	Variation
Exprivia Projects Srl	1,709,366	1,391,391	317,975
Group Exprivia S.L.U	4,479,868	2,479,868	2,000,000
Exprivia Enterprise Consulting Srl	-	5,954,869	(5,954,869)
Exprivia Do Brasil	1,671,481	1,671,481	-
ProSap SA de CV (Messico)	1,833,523	-	1,833,523
Advanced Computer Systems Srl	-	4,400,818	(4,400,818)
Advanced Computer Systems Gmbh	25,000	-	25,000
Spegea S.c.a r.l.	300,000	300,000	-
HRCOFFEE Srl	297,000	-	297,000
Consorzio Exprivia S.c. a r.l.	27,003	24,161	2,842
Exprivia Asia Ltd	350,000	350,000	-
Italtel S.p.A.	25,000,000	25,000,000	-
Exprivia Process Outsoursing Srl	-	317,975	(317,975)
TOTAL	**35,693,241**	**41,890,563**	**(6,197,322)**

The investments were subjected to impairment tests where impairment indicators were detected.

In particular, the recoverability of the book value of the equity investment in Exprivia Messico SA de CV (Mexico) was verified, amounting to Euro 3.9 million, due to the transactions carried out on the share capital in 2018, commented on below. The recoverability of the book value of the equity investment was verified based on the cash flow projections deriving from the economic-financial forecasts for the years 2019-2023 approved by the company's Board of Directors which envisage the following main assumptions:

- for 2019 the projections reflect budget data for the year;
- for the years 2020-2023 the projections reflect an average compound annual growth rate of Total Revenue of 9.1% (CAGR 2019-2023), justified mainly by the effect of the business synergies, especially in the Latam market, which are expected to emerge vis-à-vis the foreign subsidiary due to the business combination with Italtel SpA.

The impairment test was performed by applying the methodology indicated in note 2 with reference to Goodwill, however using specific G and WACC parameters established with reference to the Countries in which the company operates, Mexico and Guatemala, and equal respectively to 3.10% and 7.18%.
The impairment test brought to light impairment of Euro 2.1 million compared to the carrying amount of the equity investment in Exprivia Messico SA de CV (Mexico); impairment was therefore recognised on the basis of the results of the test performed, as the fair value of the equity investment net of selling costs was lower than the value in use. The fair value was determined on the basis of the market multiples relating to a sample of comparable companies with reference to sector multiples applied to the average forecast 2019 EBITDA values of the company (fair value level III).

Furthermore, the recoverability of the book value of the equity investment in Exprivia SLU was verified, amounting to Euro 4.5 million, based on the cash flow projections deriving from the economic-financial forecasts for the years 2019-2023 approved by the company's Board of Directors, which envisage the following main assumptions:

- for 2019 the projections reflect budget data for the year;
- for the years 2020-2023 the projections reflect an average compound annual growth rate of Total Revenue of 28.2% (CAGR 2019-2023), justified mainly by the effect of the business synergies in the Spanish market, which are expected to emerge vis-à-vis the foreign subsidiary due to the business combination with Italtel SpA.

The impairment test was performed by applying the methodology indicated in note 2 with reference to Goodwill, however using specific G and WACC parameters established with reference to the country in which the company operates, and equal respectively to 1.80% and 6.93%.

The test performed did not show any impairment loss with respect to the book value of the investment in Exprivia SLU.

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

- a 0.5 percentage point increase in the weighted average cost of capital;
- a 0.5 percentage point decrease in the growth rate "G";
- the combined change in both the variables indicated above.

The sensitivity analysis shows that by performing the impairment test and changing the above parameters, the values in use would be lower than the book values with reference to the equity investment in Exprivia Messico SA de CV (Mexico) by Euro 2.3 million (instead of the Euro 2.1 million accounted for as a write-down on the equity investment in 2018), as well as with reference to the equity investment in Exprivia SLU by Euro 0.4 million.

The changes in investments in subsidiaries during 2018 compared with 2017 are attributable to:

- the decrease of Euro 10,355,687 relating to the investments held by Exprivia SpA in the two companies merged via incorporation in 2018 (Euro 5,954,869 relating to Exprivia Enterprise Consulting Srl and Euro

4,400,818 relating to Advanced Computer Systems A.C.S. Srl). For more details on these mergers, please refer to the section “Transactions for merger via incorporation in Exprivia SpA”;

- the increase of Euro 297,000 relating to the establishment of a start-up, a 70% investee, named HRCOFFEE Srl, which is part of the Open Innovation strategies the Exprivia Group has focused on to accelerate competitiveness in the ICT market;

- the reclassification of Euro 317,975 relating to the equity investment that Exprivia SpA held as at 31 December 2017 in Exprivia Process Outsourcing Srl, which, legally effective as of 1 December 2018, was merged by incorporation into Exprivia Projects Srl, a company which is also wholly owned by Exprivia SpA;

- the increase of Euro 25,000 relating to the equity investment in ACS DE GmbH held originally by Advanced Computer Systems A.C.S. Srl, merged by incorporation into Exprivia SpA in 2018;

- the increase of Euro 2,842 concerning the Exprivia Scarl consortium. The change is attributable to the share held by Exprivia Enterprise Consulting Srl, merged by incorporation into Exprivia SpA in 2018;

- the increase of Euro 2,000,000 relating to the waiver of the receivables due to Exprivia SpA from its subsidiary Exprivia SLU for the purpose of conversion in conferrals towards capital to endow the company with a suitable capital structure for the development of the business;

- the increase of Euro 1,833,523 relating to the equity investment held in Exprivia Messico SA de CV (Mexico). In particular, on 28 June 2018, the shareholders' meeting of the Mexican company proposed an increase in share capital from MXP 50,000 consisting of 50 shares of MXP 1,000 each to MXP 42,000,000, made up of 42,000 shares of MXP 1,000 each. This increase was subscribed by the current shareholders. Exprivia SpA subscribed the increase for 41,159 shares, thereby holding 41,160 shares equal to 98% of the share capital (the subscription took place by way of waiving the receivable of Euro 1,767,080), while Exprivia SLU subscribed 791 shares in the increase, thus arriving at 840 shares equal to 2% of the share capital. Furthermore, in December 2018 Exprivia SpA waived receivables due from the subsidiary Exprivia Messico SA de CV (Mexico) of Euro 2,127,443 for the purpose of conversion in conferrals towards capital to endow the company with a suitable capital structure for the development of the business. Lastly, on the basis of the results of the impairment test performed on the value of the equity investment as at 31 December 2018, an impairment loss of Euro 2,061,000 emerged, which made it necessary to write down the above-mentioned equity investment by an equal amount.

Company	H.O.	Value	Company capital	Value	Results for period	Net worth	Total revenues	Total Assets	% of holding	
Advanced Computer Systems D- Gmbh	Offenbach (Germania)	amount in Euro	25,000	amount in thousand Euro	(25)	41	503	255	100.00%	Exprivia SpA
Consorzio Exprivia S.c.a.r.l	Milano	amount in Euro	20,000	amount in thousand Euro	0.0	21	6	1,472	95.00% 5.00%	Exprivia SpA Exprivia Projects Srl
Exprivia ASIA Ltd	Hong Kong	amount in Euro	2,937,850	amount in thousand Euro	(8)	(59)	26	564	100.00%	Exprivia SpA
Exprivia Do Brasil Servicos Ltda	Rio de Janeiro (Brasile)	amount in Euro	5,890,663	amount in thousand Euro	78	1,562	2,370	1,906	52.30% 47.70%	Exprivia SpA Siemest SpA
Exprivia Projects Srl	Roma	amount in Euro	242,000	amount in thousand Euro	226	626	14,135	4,994	100.00%	Exprivia SpA
HRCOFFEE Srl	Molfetta (BA)		300,000		(43)	257	0	275	70.00% 30.00%	Exprivia SpA persone fisiche
Spegea Scarl	Bari	amount in Euro	125,000	amount in thousand Euro	23	232	817	1,238	60.00% 40.00%	Exprivia SpA Confindusria Bari
Exprivia SLU	Madrid (Spagna)	amount in Euro	197,904	amount in thousand Euro	(587)	3,029	1,997	4,759	100.00%	Exprivia SpA
Exprivia Messico SA de CV	Città del Messico (Messico)	amount in Euro	41,208,999	amount in thousand Euro	(629)	2,046	1,517	3,062	2.00% 98.00%	Exprivia SLU Exprivia SpA
Italtel SpA	Settimo Milanese (MI)	amount in Euro	20,000,001	amount in thousand Euro	(10,458)	35,619	299,534	399,128	81.00% 19.00%	Exprivia SpA Cisco Srl

It should be noted that, as at 31 December 2018, there is a first-rank pledge on the equity investments in Exprivia Projects Srl, representing 100% of its share capital, granted in respect of the loan of Euro 25 million taken out on 1 April 2016 with a pool of banks.
On 31 December 2018, there was a pledge on Security No. 9 representative of 25,000,000 category A shares corresponding to 81% of the ordinary share capital of Italtel, granted to guarantee the obligations deriving from loan agreements taken out by Italtel. The voting rights and the dividend right remain with the shareholder.

Equity investments in other companies

As at 31 December 2018, the item "**equity investments in other companies**" amounted to Euro 161,629 compared to Euro 148,885 as at 31 December 2017. The table below provides details on this item:

Description	31/12/2018	31/12/2017	Variation
Consor. Daisy-Net	13,939	13,939	-
Certia	516	516	-
Conai	9	9	-
Software Engineering Research	12,000	12,000	-
Consorzio Biogene	3,000	3,000	-
Consorzio DARe	1,000	1,000	-
Consorzio DHITECH	17,000	17,000	-
H.BIO Puglia	12,000	12,000	-
Consorizio Italy Care	10,000	10,000	-
Consorzio DITNE	5,582	5,582	-
Ultimo Miglio Sanitario	2,500	2,500	-
Banca Cattolica Popolare s.c.a.r.l.	23,492	23,492	-
Partecipazione Consorzio HEALTH INNOVATION HUB	-	3,000	(3,000)
Innoval Scarl	2,500	2,500	-
Partecipazione Consorzio SILAB-Daisy	7,347	7,347	-
Partecipazione Consorzio GLOCAL ENABLER	2,000	2,000	-
Cefriel Scarl	33,000	33,000	-
Banca Credito Cooperativo	8,773	-	8,773
Consorzio Createc	6,971	-	6,971
TOTAL	**161,629**	**148,885**	**12,744**

The changes refer to the equity investments in Banca Credito Cooperativo and the Consorzio Createc acquired by Exprivia SpA further to the merger via incorporation of the subsidiary Advanced Computer Systems (ACS) Srl in 2018.

Note 5 - Other non-current financial assets

The balance of the item "**Other non-current financial assets**" as at 31 December 2018 amounted to Euro 2,691,909 compared to Euro 4,117,126 at 31 December 2017. The table below provides details on the item:

Description	31/12/2018	31/12/2017	Variation
Receivables from subsidiaries	478,253	1,858,318	(1,380,065)
Receivables from parent companies	1,783,558	2,257,520	(473,962)
Financial receivables from others	425,468	41,077	384,391
Derivative financial instruments	4,630	20,210	(15,580)
TOTAL	**2,691,909**	**4,177,126**	**(1,485,217)**

Receivables from Subsidiaries

The item "**receivables from subsidiaries**" as at 31 December 2018 amounted to Euro 478,253 compared to Euro 1,858,318 at 31 December 2017. The table below provides details on the item:

Description	31/12/2018	31/12/2017	Variation
Advanced Computer Systems Srl	-	1,858,318	(1,858,318)
Exprivia Slu	60,942	-	60,942
Exprivia Asia	417,311	-	417,311
TOTAL	**478,253**	**1,858,318**	**(1,380,065)**

Please note that the increases relating to the companies Exprivia SLU and Exprivia Asia Ltd relate to the non-current share of loans granted by the Holding Company Exprivia SpA.

The decline can be attributed to the effect of the merger by incorporation of the company Advanced Computer Systems ACS Srl into Exprivia SpA.

Receivables from parent companies

The balance of the item "**receivables from parent companies**", amounting to Euro 1,783,558 as at 31 December 2018, compared to Euro 2,257,520 at 31 December 2017, refers to the receivable due to the Holding Company Exprivia SpA from its parent company Abaco Innovazione SpA as a result of the loan agreement stipulated by the parties in 2016. The loan, amounting to Euro 2,985,338, was disbursed in cash (Euro 1,680,000) and through the reclassification of payables outstanding as at 31 December 2015 (Euro 1,305,338). The loan term has been established as 7 equal, deferred annual instalments with increasing principal repayments. The third instalment of Euro 412,883 is due on 4 April 2019; the amount was reclassified under "receivables from parent companies" under "other current financial assets" (note 12). The latter increased by Euro 48,549 against interest accrued.

Financial receivables from others

The balance of the item "financial receivables from others" as at 31 December 2018 totals Euro 425,468, compared to Euro 41,077 as at 31 December 2017 and refers to medium/long-term guarantee deposits of Euro 82,900 and Euro 345,568 referring to financial receivables for leases deriving from some contracts with customers containing obligations that qualify as leases and for which IAS 17 was applied to recognise revenue, and the resulting recognition of financial receivables for leases equal to the future payments discounted at the implicit rate of the supply agreement.

Derivative financial instruments

As at 31 December 2018, the item "**derivative financial instruments**" amounted to Euro 4,630 compared to Euro 20,210 at 31 December 2017.
The derivative financial instruments are represented by instruments not listed on organised markets, subscribed for the purpose of hedging the interest rate risk. The fair value of these instruments was

determined by an independent expert applying the Shifted Lognormal Model ("Displaced Diffusion Model") valuation model.
The fair value of these derivative instruments as at the reporting date is presented below:

Hedge Accounting	Operation date	Starting date	Expiration date	Value	Reference amount	Fair value
Interest Rate Cape - BNL	06/05/2016	30/06/2016	31/12/2022	EUR	3,015,385.00	1,820.00
Interest Rate Cape - BPM	11/05/2016	30/06/2016	30/12/2022	EUR	1,692,308.00	990.00
Interest Rate Cape - UNICREDIT	09/05/2016	30/06/2016	30/12/2022	EUR	3,015,385.00	1,820.00
TOTAL					**7,723,077**	**4,630.00**

With reference to the derivative instruments shown in the table above, it should be noted that the Company subscribed those financial instruments in order to neutralise the interest rate risk determined by an underlying variable interest rate loan (Euribor). These are cash flow hedges, measured at level 2 in the fair value hierarchy.
Changes in fair value, equal to Euro 14 thousand, relate to the time component and, therefore, were recognised in the income statement.
The sensitivity analysis conducted on the change in the fair value of derivatives after a shift of 1 percentage point in the spot interest rates curve highlights that:

- upon a change of +1%, the fair value of the derivatives presented above would amount to around Euro 42 thousand;
- upon a change of -1%, the fair value would be basically nil.

Note 6 - Other non-current assets

Other non-current assets

The item "**Other non-current assets**" amounted to Euro 52,736 as at 31 December 2018 compared to Euro 1,661,051 at 31 December 2017 and refers to the residual credit relating to the deductibility of the IRAP calculated on staff costs which generated a recovery of IRES; the change is attributable to the collection of the receivable.

Note 7 - Prepaid taxes

As at 31 December 2018, the item "**Prepaid taxes**" amounted to Euro 1,701,485 compared to Euro 1,024,163 at 31 December 2017. The table below provides details of the item, compared with the figures at 31 December 2017:

Description	31/12/2018		31/12/2017	
	Amount temporary differ	tax effect	Amount temporary differ	tax effect
Depreciation	110,550	26,532	8,522	2,045
Goodwill	37,347	10,557	42,015	11,878
Allowance for doubtful accounts	2,009,630	482,311	2,078,748	498,908
Fund risks	942,383	253,010	633,455	174,899
Tax losses	1,481,738	355,617		
Adjustments for IFRS	785,088	182,161	638,162	146,899
Others	1,532,320	391,297	712,660	189,534
TOTAL	**6,899,056**	**1,701,485**	**4,113,562**	**1,024,163**

The item “Other” refers, for Euro 1,081,712, to fees still not paid as at 31 December 2018 (tax effect of Euro 307,341 thousand), for Euro 174,821, to fair value changes in FVOCI instruments (tax effect of Euro 7,168 thousand), for Euro 40,235 thousand to inventory write-downs (tax effect of Euro 9,656 thousand) and for Euro 235,552 to the effect of the application of IFRS 15 (tax effect of Euro 67,132).

CURRENT ASSETS

Note 8 - Trade receivables

The item “**Trade receivables**” went from Euro 51,074,549 as at 31 December 2017 to Euro 45,424,999 as at 31 December 2018. The table below provides details on the items:

Description	31/12/2018	31/12/2017	Variation
Trade receivables from customers	41,565,515	46,792,915	(5,227,400)
Trade receivables from controlled companies	3,839,112	4,268,800	(429,688)
Trade receivables from parent companies	20,372	12,834	7,538
TOTAL	**45,424,999**	**51,074,549**	**(5,649,550)**

Trade Receivables - Customers

“**Trade receivables - customers**” went from Euro 46,792,915 at 31 December 2017 to Euro 41,565,515 as at 31 December 2018 and are recorded under assets net of the bad debts provision of Euro 2,535,339 as an adjustment for the risk of doubtful debts.

The table below provides details on the composition of the year-end balance.

Description	31/12/2018	31/12/2017	Variation
To Italian customers	37,127,931	40,237,303	(3,109,372)
To foreign customers	2,254,206	3,103,041	(848,835)
To public bodies	4,718,717	6,038,977	(1,320,260)
S-total receivables to customers	**44,100,854**	**49,379,321**	**(5,278,467)**
Less: provision for bad debts	(2,535,339)	(2,586,406)	51,067
Total receivables to customers	**41,565,515**	**46,792,915**	**(5,227,400)**
Details	**31/12/2018**	**31/12/2017**	**Variation**
To third parties	32,438,994	37,798,752	(5,359,758)
Invoices for issue to third parties	11,661,860	11,580,569	81,291
TOTAL	**44,100,854**	**49,379,321**	**(5,278,467)**

The value of invoices to be issued reflects the particular type of business in which the Company operates so, although many contracts can be invoiced on a monthly basis, others must follow an authorisation process, which does not necessarily end in the month of reference. The figures shown in the financial statements are the amounts accrued up to 31 December 2018 inclusive and will be invoiced in the following months.

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

Amount of receivables	in expire	due	days past due 1 - 30	31- 60	61 - 90	91-120	121-180	181-270	271-365	beyond	Allowance for doubtful	Net recivables
32,438,994	22,707,765	9,731,229	1,972,712	903,660	720,707	316,175	489,393	771,685	567,268	3,989,629	(2,535,339)	29,903,655
100.0%	70%	30%	6%	3%	2%	1%	2%	2%	2%	12%		

Trade Receivables - Subsidiaries

The item "**trade receivables - subsidiaries**" as at 31 December 2018 amounted to Euro 3,839,112 compared to Euro 4,268,800 in the previous year.

The table below provides details on this item:

Description	31/12/2018	31/12/2017	Variation
Consorzio Exprivia	831,425	89,459	741,966
Advanced Computer Systems Spa	-	346,129	(346,129)
Exprivia Projects Srl	427,508	197,599	229,909
Exprivia Do Brasil			
Gruppo Exprivia SLU	616,982	739,111	(122,129)
Spegea S. c. a.r.l.	56,041	17,413	38,628
Exprivia Enterprise Consulting Srl	-	261,573	(261,573)
ACS DE Gmbh	160,000	-	160,000
HR Coffee	3,111	-	3,111
Exprivia Process Outsoursing Srl	-	365,040	(365,040)
Italtel S.p.A.	1,744,045	2,252,476	(508,431)
TOTAL	**3,839,112**	**4,268,800**	**(429,688)**

Receivables from subsidiaries are all regulated by framework agreements and mainly refer to charges for corporate and logistics services, in addition to special resources provided from one company to another.

Trade Receivables - Parent Companies

The balance of item "**trade receivables - parent companies**" as at 31 December 2018 amounted to Euro 20,372 compared to Euro 12,834 as at 31 December 2017 and refers to receivables for administrative services of Exprivia recharged to the parent company Abaco Innovazione SpA.

Note 9 - Inventories

As at 31 December 2018, the item "**Inventories**" amounted to Euro 754,546 compared with Euro 149,924 at 31 December 2017 and refers to software and hardware products held for resale.

Note 10 – Contract work in progress

As at 31 December 2018 the item "**Contract work in progress**" amounted to Euro 19,145,370 compared to Euro 12,259,211 at 31 December 2017 and refers to the value of work in progress contracts valued according to contractual payments accrued. The item is stated net of the work risk provision for Euro 132,933.

Note 11 - Other current assets

The balance of the item "**Other current assets**" as at 31 December 2018 amounted to Euro 9,649,524 compared with Euro 6,817,576 at 31 December 2017.

The table below provides the breakdown of the item:

Description	31/12/2018	31/12/2017	Variation
Other receivables from subsidiaries	77,699	840	76,859
Tax credits	1,112,245	766,052	346,193
Other current assets	8,459,580	6,050,684	2,408,896
TOTAL	**9,649,524**	**6,817,576**	**2,831,948**

Other Receivables from Subsidiaries

As at 31 December 2018, the "**other receivables from subsidiaries**" amounted to Euro 77,699, compared with Euro 840 as at 31 December 2017, and relates to the receivables of Exprivia from its subsidiaries as a result of participation in tax consolidation.

The table below provides details on the items.

Description	31/12/2018	31/12/2017	Variation
Cred.V / Exprivia Projects for IRES from tax consolidation	75,232	-	75,232
Cred.V / ACS Srl for IRES from tax consolidation	-	840	(840)
Credit v / Spegea for IRES from tax consolidation	2,467	-	2,467
TOTAL	**77,699**	**840**	**76,859**

Tax Receivables

As at 31 December 2018, the item "**tax receivables**" amounted to Euro 1,112,245 compared to Euro 766,052 at 31 December 2017. The table below provides a breakdown and a comparison with the previous year:

Description	31/12/2018	31/12/2017	Variation
Credit for IRAP taxes	40,631	(32,954)	73,585
Credit for irap application on ires	749,096	587,588	161,508
Inland revenue account on foreign payments	188,673	10,849	177,824
Receivables for VAT	45,016	81,785	(36,769)
Receivables from tax authorities	88,829	118,784	(29,955)
TOTAL	**1,112,245**	**766,052**	**346,193**

It should be pointed out that the amounts receivable for the IRAP tax on IRES pertain to the amounts receivable for the deductibility of the IRAP tax calculated on staff costs, which generated a recovery of IRES tax. Tax receivables pertaining to 2007 and 2008 were reclassified under current tax receivables.
The most significant change in the item "**receivables for IRAP application on IRES**" is attributable to the effect of the merger via incorporation in Exprivia of Exprivia Enterprise Consulting Srl.

Other Current Assets

The balance of “**other current assets**” as at 31 December 2018 amounted to Euro 8,459,580 compared with Euro 6,050,684 at 31 December 2017.

The table below provides details on the item and respective changes:

Description	31/12/2018	31/12/2017	Variation
Receivables for contrib.	6,075,281	4,171,962	1,903,319
Advances to suppliers for services	16,788	-	16,788
Sundry credits	420,402	71,557	348,845
Receivables to welfare institutes/INAIL	161,150	161,047	103
Costs in future years expertise	1,785,959	1,646,118	139,841
TOTAL	**8,459,580**	**6,050,684**	**2,408,896**

The amounts receivable in relation to “**government grants**” refer to grants accrued and/or accounted for to date in relation to costs incurred. These entries will be brought to zero when the balance of the grants is collected following the final assessments made by the respective Ministries and Local Bodies. The receivables are carried net of the risk provision amounting to Euro 475,630 for any minor grants that might not be received and the advances received on completed projects for Euro 1,278,446.

The item “**expenses pertaining to future financial years**” for Euro 1,785,959 mainly refers to maintenance costs for future reporting periods.

Note 12 – Other current financial assets

The item “**Other current financial assets**” as at 31 December 2018 amounted to Euro 3,566,476 compared with Euro 8,229,458 at 31 December 2017.

The table below provides details on the item.

Description	31/12/2018	31/12/2017	Variation
Receivables from others	1,640,154	559,517	1,080,637
Receivables from subsidiaries	1,464,889	7,269,472	(5,804,583)
Receivables from parent companies	461,433	400,469	60,964
TOTAL	**3,566,476**	**8,229,458**	**(4,662,982)**

Other receivables

The balance of “**other receivables**” totalled Euro 1,640,154 as at 31 December 2018 compared with Euro 559,517 as at 31 December 2017 and mainly refers to receivables due from factoring companies for receivables transferred on a non-recourse basis as detailed below:

Description	31/12/2018	31/12/2017	Variation
Factoring receivables	1,559,179	532,780	1,026,399
Security deposits	14,219	12,719	1,500
Other credits	66,756	14,018	52,738
TOTAL	**1,640,154**	**559,517**	**1,080,637**

Receivables from Subsidiaries

As at 31 December 2018, the balance of "receivables from subsidiaries" amounted to Euro 1,464,889, compared with Euro 7,269,472 as at 31 December 2017, and relates to the financial receivables for loans and the cash pooling granted by Exprivia to its subsidiaries. The table below indicates the subsidiaries vis-à-vis which Exprivia has such amounts receivable.

Description	31/12/2018	31/12/2017	Variation
Advanced Computer Systems Srl	-	600,000	(600,000)
Exprivia Projects Srl	1,293,080	-	1,293,080
Exprivia Enterprise Consulting Srl	-	1,009,253	(1,009,253)
Gruppo ProSap	-	1,267,434	(1,267,434)
Exprivia Asya	171,809	356,641	(184,832)
Exprivia SI	-	4,005,623	(4,005,623)
Exprivia Process Outsourcing	-	30,521	(30,521)
TOTAL	**1,464,889**	**7,269,472**	**(5,804,583)**

Please note that the change relating to the company Exprivia SLU can be attributed:

- for Euro 2,000,000 to the conversion of the loan into capital;
- for Euro 2,005,623 to the assignment of receivables from Exprivia SLU to the subsidiary Exprivia Messico SA de CV, subsequently converted into capital.

The decrease relating to the company Advanced Computer Systems A.C.S. Srl and Exprivia Enterprise Consulting Srl can be attributed to the merger by incorporation of the above-mentioned companies into Exprivia SpA.
The decrease relating to the company Exprivia Messico SA de CV relates mainly to the conversion into capital of the loan used for the acquisition by Exprivia SpA of the 98% equity investment (see note 4).

Receivables from parent companies

As at 31 December 2018, the balance of "**receivables from parent companies**" amounted to Euro 461,433 compared to Euro 400,469 as at 31 December 2017 and related to the current portion of the Holding Company's financial receivable due from the parent company Abaco Innovazione SpA, inclusive of interest (Euro 48,549).

Note 13 - Cash and cash equivalents

As at 31 December 2018 the item "**Cash and cash equivalents**" amounted to Euro 3,806,809 compared with Euro 10,465,631 at 31 December 2017 and refers to Euro 3,773,869 held at banks and Euro 32,941 in cash on hand. Additionally, the bank balance includes secured deposits for guarantees amounting to Euro 489,752 undertaken in favour of banks.

Note 14 - Other financial assets available for sale

The item "**Other financial assets available for sale**" amounted to Euro 326,740 as at 31 December 2018, compared to Euro 455,336 at 31 December 2017. It relates to financial instruments issued by Banca Popolare di Bari, more specifically:

(iii) 35,998 shares of the above-mentioned bank for a total value of Euro 194,389 as at 31 December 2018;

(iv) 200,562 "Banca Popolare di Bari 6.50% 2014/2021 subordinate Tier II" bonds for Euro 6.00 each, for a total of Euro 132,351 as at 31 December 2018.

These financial instruments were booked at fair value (level 2).

SHAREHOLDERS' EQUITY

Note 15 - Share capital

The "**Share Capital**", fully paid-up, amounted to Euro 25,082,911 compared to Euro 25,154,899 at 31 December 2017; the change of Euro 71,988 is attributable to the purchase of own shares. The share capital is represented by 51,883,958 ordinary shares with a par value of Euro 0.52 each for a total of Euro 26,979,658, net of 3,647,591 own shares held as at 31 December 2018, with a value of Euro 1,896,747.

Exprivia Shares Held Directly by Members of the Board of Directors

As at 31 December 2018, Domenico Favuzzi, Chairman and CEO of Exprivia SpA, directly held 290,434 Exprivia shares. In addition, 8,400 Exprivia shares were held by the Vice-President Dante Altomare, 50,000 shares by the director Filippo Giannelli and 7,000 shares by the director Valeria Savelli.
None of the other members of the Board of Directors, their spouses not legally separated, or their underage children hold, directly or indirectly, any shares in Exprivia SpA.

Note 15 - Share Premium Reserve

At 31 December 2018, the "**Share premium reserve**" amounted to Euro 18,081,738 and is the same as 31 December 2017.

Note 15 - Revaluation reserve

As at 31 December 2018 the "**Revaluation reserve**" amounted to Euro 2,907,138 and is the same as at 31 December 2017.

Note 15 - Legal reserve

The "**Legal reserve**" amounted to Euro 3,958,799 as at 31 December 2018, rising by Euro 27,417 compared to 31 December 2017 due to the allocation of the profit from the previous year, as resolved by the shareholders' meeting of 27 April 2018.

Note 15 – Other reserves

The balance of the item "**Other reserves**" amounted to Euro 26,115,276 as at 31 December 2018 compared to Euro 23,142,758 at 31 December 2017 and pertains to:

- Euro 15,295,224 for the "**extraordinary reserve**" compared to Euro 19,301,316 as at 31 December 2017. The change is attributable for Euro 520,933 to the allocation of the 2017 profit and for Euro -4,527,025 to the creation of the "Digital Future Project restricted reserve", for the relative investment programme, as resolved by the shareholders' meeting of 27 April 2018;
- Euro 10,820,052 for the "**other reserves**" compared to Euro 3,841,442 at 31 December 2017. Movements in 2018 refer to:
    - the positive effect on shareholders' equity of Euro 3,062,948 relating to the mergers by incorporation into Exprivia SpA of the subsidiaries Exprivia Enterprise Consulting Srl and Advanced Computer Systems A.C.S. Srl;
    - the negative effect on shareholders' equity deriving from the first-time adoption of IFRS 15 and IFRS 9 equal to Euro 185,528;
    - the creation of the "Digital Future Project restricted reserve" of Euro 4,527,025 through the restriction of part of the extraordinary reserve;
    - the negative effect on shareholders' equity deriving from the share premium paid in 2018 for the purchase of own shares for Euro 71,880;
    - the positive effect on shareholders' equity of the application of IAS 19 with the associated recognition in the statement of comprehensive income of actuarial gains net of the tax effect of Euro 200,602;
    - the positive effect on shareholders' equity deriving from the recognition of a reserve of Euro 81,039 representing the figurative value of the shares that will be assigned to the beneficiaries of the "2018-2020 Performance Share Plan" approved by the Board of Directors of Exprivia SpA of 22 March 2018;
    - the negative effect on shareholders' equity of Euro 507,000 deriving from the tax effect of goodwill acquired by Exprivia SpA following mergers by incorporation carried out in the previous year;
    - the negative effect on shareholders' equity deriving from the financial assets classified as FVOCI for Euro 128,596.

NON-CURRENT LIABILITIES

Note 16 - Non-current bond issues

The balance as at 31 December 2018 came to Euro 22,550,163 and relates to the non-current portion of the bond issued entitled "Exprivia SpA - 5.80% 2017 - 2023", which the Holding Company issued to finance the subscription by Exprivia SpA of 81% of Italtel SpA's share capital.

The unsecured bond was made up of 230 bearer securities with a par value of Euro 100,000.00 each, at a fixed rate of 5.8% per annum (which may be increased or decreased in relation to the value of the NFP/EBITDA financial covenant), with deferred six-month coupons reimbursed on par and a non-linear amortising repayment plan which envisages the repayment of 20% of the principal for each year as from 2020 and the remaining 40% in 2023.

The Bond Regulations envisage customary covenants in accordance with market practices for similar transactions.

The bond was subscribed by the following parties:

1) 80 securities by Anthilia Capital Partners SGR S.p.A.;
2) 65 securities by Banca Popolare di Bari S.c.p.a.;
3) 15 securities by Consultinvest Asset Management SGR S.p.A.;
4) 10 securities by Confidi Systema! S.c.;
5) 60 securities by Mediobanca SGR SpA.

The securities have been placed in the centralised management system of Monte Titoli SpA and have been admitted for listing in the multilateral trading system managed by Borsa Italiana SpA, ExtraMOT market PRO segment reserved for professional investors.

The trading Admission Document and the Bond Regulations are available on the Company's website at the following address www.exprivia.it, section Corporate - Investor Relations - Exprivia Bond.

The bond envisages the observance of the financial parameters relating to the NFP/SE and NFP/EBITDA ratios as listed below, for the entire duration:

Date of Reference	Net Financial Position/Shareholders' Equity	Net Financial Position / EBITDA
31.12.2018	≤ 1.1	≤ 5.5
31.12.2019	≤ 1.0	≤ 5.0
31.12.2020	≤ 1.0	≤ 4.5
31.12.2021	≤ 1.0	≤ 4.0
31.12.2022	≤ 1.0	≤ 4.0

These parameters are calculated on a consolidated basis excluding Italtel SpA and all of its direct or indirect subsidiaries, and refer to the 12 months prior to the reference date, using the normal calculation criteria agreed between the parties.
As at 31 December 2018, the parameters had been observed.

Note 17 - Non-current payables to banks

At 31 December 2018 the item "**Non-current payables to banks**" amounted to Euro 15,071,317 compared to Euro 19,443,788 at 31 December 2017, and pertains to medium-term bank debt from major credit and financial institutions and to low-interest loans for specific investment programmes.

The table below provides details on the items and breaks down the non-current portion (Euro 15,071,317) and the current portion (Euro 11,241,520) of the payable

Financial Institute	Typology	Contract amount	Amount paid 31.12.201	Date contract	Expiration date	Repayment installment	Rate applied	Residual capital 31.12.2018	To be repaid within 12	To be repaid over 12 months
Ministero dello Sviluppo Economico	Financing	2,019,162	2,019,162	27/12/2009	27/12/2019	annual	0.87%	232,986	232,986	0
Monte dei Paschi di Siena	Financing	2,000,000	2,000,000	30/07/2018	31/01/2019	montly	1.20%	665,999	665,999	0
Banco BPM	Financing	2,000,000	2,000,000	30/07/2018	31/01/2019	montly	Euribor + 1.65%	334,466	334,466	0
Banco BPM	Financing	2,000,000	2,000,000	03/12/2018	03/06/2019	montly	Euribor + 1.65%	1,998,797	1,998,797	0
Pool – Capofila Banca Nazionale del Lavoro	Financing	25,000,000	25,000,000	01/04/2016	31/12/2022	semi-annual	Euribor + 2.65%	15,079,597	3,737,427	11,342,170
Simest	Financing	1,955,000	1,198,063	19/04/2013	19/04/2020	semi-annual	0.50%	359,903	240,097	119,806
Banca del Mezzogiorno	Financing	3,500,000	3,500,000	23/06/2017	23/06/2027	quarterly	Euribor + 2.75%	2,954,461	347,254	2,607,207
Deutsche Bank	Financing	1,250,000	1,250,000	01/10/2018	01/10/2019	single payment	Euribor + 0.75%	1,240,002	1,240,002	0
Banca Popolare Puglia e Basilicata	Financing	2,000,000	2,000,000	24/03/2017	a revoca	single payment	2.07%	2,000,000	2,000,000	0
Banca Popolare di Bari	Financing	500,000	500,000	04/12/2014	31/12/2019	quarterly	Euribor + 2.20%	105,020	105,020	0
Ministero dello Sviluppo Economico	Financing	863,478	863,478	14/09/2016	17/11/2025	annual	0.31%	706,762	93,003	613,759
Banca di Credito Cooperativo di Roma	Financing	1,130,000	1,130,000	11/08/2014	31/10/2019	montly	Euribor+ 4.25%	205,714	205,714	0
Ministero dello Sviluppo Economico	Financing	929,129	387,894	16/02/2017	30/06/2026	half-yearly	0.80%	429,129	40,754	388,375
Totale								**26,312,837**	**11,241,520**	**15,071,317**

Medium-term loan agreement

On 1 April 2016 Exprivia SpA stipulated a medium-term loan for a total of Euro 25,000,000 with a pool of banks consisting of BNL and Unicredit, also as lead bank and lead arranger, and Banca Popolare di Bari and Banca Popolare di Milano, consisting of a single amortising credit line to be repaid by 31 December 2022, at an annual rate equal to the Euribor plus a 2.65% spread, to which one-off fees of 1.40% were also added when the agreement was entered into.

The loan is backed by ordinary guarantees typical of transactions of this type, including the guarantee issued by SACE SpA in the amount of Euro 6 million, in addition to guarantees issued by the parent company Abaco Innovazione SpA, described in more detail in the Disclosure Document prepared pursuant to Art. 5, first paragraph, of the CONSOB Regulation, which was published on 8 April 2016 on the company's website in the section "Corporate - Corporate Governance - Corporate Information".
The loan has the standard market conditions for loans of an equal amount and term, such as: representations and warranties, covenants (pari passu, negative pledge, etc.), limitations on significant extraordinary transactions (with the exception of intercompany transactions, which are exclusively allowed within the corporate scope applicable as at 1 April 2016, and smaller transactions), the obligation to maintain adequate insurance coverage, compulsory and optional early repayment clauses, cross defaults, etc.
Lastly, the loan also includes a limitation on the distribution of dividends, which cannot exceed 25% of the net profit, in line with what is set forth in the Business Plan approved by the Company.
The loan also includes several financial covenants - Net borrowing/EBITDA, Net borrowing/Own funds, EBITDA/Net financial charges - which were amended further to the authorisation to acquire Italtel granted by the banks in the pool in July 2017, and which will be measured on a half-yearly basis, as well as limitations on total investments and the acquisition of own shares, as described in more detail in the table below:

Date of Reference	Net Borrowing/ EBITDA	Net Borrowing/Own funds	EBITDA / Net financial charges	Investments
31.12.2018	≤ 5.5	≤ 1.1	≥ 3.0	≤ 6.0 ml
30.06.2019	≤ 5.5	≤ 1.1	≥ 3.0	≤ 6.0 ml
31.12.2019	≤ 5.0	≤ 1.0	≥ 3.5	≤ 6.0 ml
30.06.2020	≤ 5.0	≤ 1.0	≥ 3.5	≤ 6.0 ml
31.12.2020	≤ 4.5	≤ 1.0	≥ 4.0	≤ 6.0 ml
30.06.2021	≤ 4.5	≤ 1.0	≥ 4.0	≤ 6.0 ml

Date of Reference	Net Borrowing/ EBITDA	Net Borrowing/Own funds	EBITDA / Net financial charges	Investments
31.12.2021	≤ 4.0	≤ 1.0	≥ 4.0	≤ 6.0 ml
30.06.2022	≤ 4.0	≤ 1.0	≥ 4.0	≤ 6.0 ml

These parameters calculated on a consolidated basis, excluding the Italtel Group, must be communicated by 30 April and 30 September of each year and will refer to the previous 12 months respectively at 30 June and 31 December of each year, using the normal calculation criteria agreed between the parties.
The financial parameter "Investments" does not take account of the acquisitions of equity investments exempt from authorisation or those subject to a specific written authorisation issued
by banks.
At 31 December 2018, the remaining debt amounted to Euro 15,079,597, Euro 3,737,427 of which should be repaid within twelve months (carried under short-term liabilities) and the remaining Euro 11,342,170 to be repaid in 2018-2022 (carried under long-term liabilities).
The Financial Parameters have been observed as at 31 December 2018.

Low-interest loan from the Ministry of Economic Development - Ubi Banca (formerly Centrobanca) POR Puglia Bank

A loan resolved and fully paid for Euro 2,019,162 as at 31 December 2018 in favour of the parent company Exprivia SpA, targeted at financing a research and development project under Law 46/82 F.I.T. art. 14 Circular no. 1034240 of 11 May 2001. The loan expires on 27 December 2019 and bears a below-market fixed rate of interest of 0.87% annually.

Simest loan

A loan of Euro 1,955,000 resolved in favour of the Holding Company Exprivia SpA, entered into on 19 April 2013, of which Euro 1,198,063 disbursed on 31 December 2018, is to be repaid in six-month instalments starting from 19.10.2015 until 19.04.2020. The loan is targeted at supporting international development in China and bears a below-market fixed rate of interest (0.50% yearly).

Banca del Mezzogiorno loan

A loan of Euro 3,500,000 resolved in favour of the Holding Company Exprivia SpA, entered into on 23 June 2017, to be repaid in quarterly instalments starting from 23.09.2017 until 23.06.2027.
This is intended in part to fully repay the loan taken out in 2014 from the lending bank early, and in part to meet working capital requirements.
The interest rate applied is the Euribor + a 2.75% spread.

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

It should be pointed out that, by contract the entire amount of the next two instalments was secured in a current account at 31 December 2018.

CUP 2.0 low-interest loan

Loan totalling Euro 863,478 resolved in favour of Exprivia SpA (formerly Exprivia Healthcare IT Srl), of which the full amount approved was disbursed as at 31 December 2018. This loan is targeted at financing a research and development project pursuant to financial law 46/82 F.I.T - PON R & C 2007/2013 – MD 24-09-2009, Project A01/002043/01/X 17 regarding: Innovative services for booking CUP 2.0 healthcare services. The loan will expire on 17 November 2025 and bears a below-market fixed rate of interest of 0.3120%.

Low-interest loan from the Ministry of Economic Development - Banca del Mezzogiorno Bank

The low-interest loan resolved in favour of Exprivia SpA (formerly ACS Srl) up to a maximum of Euro 929,129 and disbursed for Euro 387,894 as at 31 December 2018. The loan requires repayment in six-month instalments, expires on 30 June 2026 and bears a below-market fixed rate of interest of 0.80%.

Net financial position

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

amount in Euro		31.12.2018	31.12.2017
A.	Cash	32,940	31,713
B.	Other liquid assets	3,773,869	10,433,918
C 1.	Securities held for trading	326,740	455,336
C 2.	Own shares	2,690,952	2,547,084
D	**Liquid (A)+(B)+(C)**	**6,824,501**	**13,468,051**
E.	**Current financial receivables**	**3,566,476**	**8,229,458**
F.	Current bank debts	(15,683,357)	(25,549,399)
G.	Current portion of non-current bank debts	(4,458,535)	(4,689,124)
H.	Other current financial debts	(718,790)	(2,274,628)
I.	**Current financial debts (F) + (G) + (H)**	**(20,860,682)**	**(32,513,151)**
J.	**Net current financial debts (I) + (E) + (D)**	**(10,469,705)**	**(10,815,642)**
K.	Non-current bank debts	(15,071,317)	(19,443,788)
L.	Bond	(22,550,163)	(22,413,056)
M.	Other non- current financial payables net of non-current financial recivables and derivate financial istruments	2,650,350	4,127,274
N.	**Non-current financial debts (K) + (L) + (M)**	**(34,971,130)**	**(37,729,570)**
O.	**Net financial debits (J) + (N)**	**(45,440,835)**	**(48,545,213)**

Own shares held by the Company (Euro 2,690,952) are included in the calculation of the net financial position.
The changes in net liabilities resulting from financing activities is shown below, in accordance with IAS 7 - Statement of Cash Flows:

	31.12.2017		Cash flows		No cash flows		31.12.2018	
Current financial receivables	8,229,458		2,668,012		(7,330,993)		3,566,476	
Current bank debts and current portion of non-current bank debts	(30,238,523)		11,565,392		(1,468,761)		(20,141,892)	
Other current financial debts	(2,274,628)		2,281,915		(726,077)		(718,790)	
Non-current bank debts	(19,443,788)		4,803,062		(430,591)		(15,071,317)	
Bond	(22,413,056)		(137,107)		0		(22,550,163)	
Other non-current net financial payables	4,127,274		182,492		(1,659,416)		2,650,350	
Net liabilities from financing activities	**(62,013,263)**		**21,363,765**	(*)	**(11,615,838)**		**(52,265,336)**	
Liquid	13,468,051	(**)	(6,514,955)	(***)	(128,596)	(****)	6,824,501	(**)
Net current financial debts	**(48,545,212)**		**14,848,810**		**(11,744,433)**		**(45,440,835)**	

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

(***) The cash flow includes the changes due to the purchase of treasury shares (143,868 euros) not included in the cash flow and equivalent means in the cash flow statement

(****) The non-cash liquidity flow includes the changes in securities held for trading (€ 128,596) not included in the cash and cash equivalents Flow in the cash flow statement.

Note 18 - Other non-current financial liabilities

As at 31 December 2018 the item "**Other non-current financial liabilities**" amounted to Euro 41,559 compared to Euro 49,852 at 31 December 2017.

Description	31/12/2018	31/12/2017	Variation
Financial payables to non-current suppliers	23,231	49,852	(26,621)
Debts sold other lenders	10,000	-	10,000
Non-current derivative financial measures	8,328	-	8,328
TOTAL	**41,559**	**49,852**	**(8,293)**

As at 31 December 2018, the item "**non-current financial payables to suppliers**" amounted to Euro 23,231 and refers to the medium/long-term portion of the amounts due to leasing companies.

The balance of **"non-current derivative financial instruments"** as at 31 December 2018 is equal to Euro 8,328 and refers to a derivative product subscribed by the Holding Company Exprivia Spa with Unicredit, initially linked to a loan with a floating interest rate and which, further to the renegotiation of the loan, no longer satisfies the requirements envisaged for hedge accounting and therefore the related fair value change has been recognised in the income statement.

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

- upon a change of +1%, the fair value would be a positive Euro 42 thousand;
- upon a change of -1%, the fair value would be a negative Euro 61 thousand.

This is an instrument valued at fair value level 2.

Note 19 - Other non-current liabilities

As at 31 December 2018 the balance of the item “Other non-current liabilities” amounted to Euro 3,285,607 compared to Euro 163,388 at 31 December 2017**.**

Description	31/12/2018	31/12/2017	Variation
Non-current social security and security debts	265,251	0	265,251
Non-current tax liabilities	2,818,291	91,005	2,727,286
Payables to non-current subsidiaries	0	72,383	(72,383)
Non-current payables to others	202,065	0	202,065
TOTAL	**3,285,607**	**163,388**	**3,122,219**

Non-current amounts payable to pension and social security institutions

The balance of the item “non-current amounts payable to social security institutions” at 31 December 2018 amounted to Euro 265,251 and refers to the long-term portion relating to tax payment slips received and in relation to which instalment payment plans have been agreed. The change compared to the previous year is attributable to the contribution of the company Advanced Computer Systems A.C.S. Srl, merged by incorporation into Exprivia SpA**.**

Non-current tax liabilities

The balance of the item “non-current tax liabilities” at 31 December 2018 amounted to Euro 2,818,291 and refers to the long-term portion relating to tax payment slips received and in relation to which instalment payment plans have been agreed. The change compared to the previous year is mainly attributable to the contribution of the company Advanced Computer Systems A.C.S. Srl, merged by incorporation into Exprivia SpA**.**

Non-current amounts payable to others

The balance of the item “**non-current amounts payable to others**” at 31 December 2018 amounted to Euro 202,065 and refers to the long-term portion of wages and holiday bonuses for 2012 which were broken down into instalments based on agreements between the employees and the company Advanced Computer Systems A.C.S. Srl, which merged into Exprivia SpA.

Note 20 - Provisions for risks and charges

The balance of the item “**Provisions for risks and charges**” as at 31 December 2018 amounted to Euro 233,820 compared with Euro 114,874 at 31 December 2017 and refers to provisions for the opening of disputes outstanding with former employees. With respect to the criminal proceedings for events resulting from the early termination of an agreement between the discontinued company Exprivia Healthcare Srl and the Trento vehicle registration office, please note that, on the basis of the opinions expressed by external legal advisors, there is a risk of a possible unfavourable decision, consisting of fine of an irrelevant amount. The events are linked to incorrect behaviour and failure to apply controls, provided for in the Organisational Manual of Exprivia and its subsidiaries, by some subordinate employees. The termination was not accompanied by either the imposition of penalties or demands for compensation, since the company implemented “self-cleaning” actions to prevent financial damages to the customer with whom, after the termination, a financial agreement was reached on the amount due and paid against the balance of services received.

Based on the analysis and documentation, Exprivia SpA is confident of being able to prove that it was not involved with the events and has not deemed it necessary to set aside any specific risk fund.

Note 21 - Employee provisions

Employee severance indemnity fund

The amounts for the "**Employee severance indemnity"** accrued after 31 December 2006 were paid to the INPS pension fund and union pension funds. The residual employee severance indemnity at 31 December 2018 amounted to Euro 9,708,411 compared with Euro 8,627,001 at 31 December 2017.

The following table shows changes in the provision in the year.

Description	31/12/2018
Initial existence	**8,627,001**
Fusions effect	1,564,334
Interest Cost	136,139
Uses / liquidations of the exercise	(355,114)
(Profit) actuarial losses	(263,950)
Final existence as at 31 December 2018	**9,708,410**

The fund is net of amounts deposited. An actuarial assessment was performed on the liability in accordance with IAS 19 using the retrospective method, which requires recognition of actuarial gains/losses in the comprehensive income statement. The cost regarding service and the interest payable concerning the "time value" component in the actuarial calculations are still recognised in the income statement.

The table below shows the primary actuarial and financial assumptions used in the calculation:

Description	31/12/2018	31/12/2017
Discount rate	1.55%	1.30%
Inflation rate	1.50%	1.50%
Annual rate of wage growth	2.50%	2.50%
Annual rate of TFR growth	2.62%	2.62%
Mortality	Tav ISTAT 2011	Tav ISTAT 2011
Inability	Tav. INAIL	Tav. INAIL
Turn-over	5.50%	5.50%
Probability advance	2.50%	2.50%
Amount% of the severance pay in advance	70.00%	70.00%

Some of the general criteria used for the projections are described below. In order to meet the need to make assessments based on all the information available, a technical procedure was used known in the actuarial literature as MAGIS (actuarial method of years in operation on an individual basis and by means of random drawings).
This method is a Monte Carlo-based stochastic simulation that makes it possible to develop projections of amounts payable for each employee while taking into account the demographic and salary data of each position without making aggregations and without introducing average values.

To make the procedure possible, draws are made for each employee year by year to determine elimination by death, invalidity and incapacity, resignation or termination.
Reliability is ensured by replicating the procedure a certain number of times until the results are stable.
The calculations were made by the number of years necessary for all the workers currently employed are no longer in service.
The projections were made on a closed group, meaning no new recruits were included.
In accordance with IAS 19, actuarial valuations were carried out using the Projected Unit Credit Method. This method makes it possible to calculate employee severance indemnities accrued at a certain date based on actuarial assumptions, distributing the charge for all remaining years workers are employed. It is no longer an expense to be paid if the company winds up its business at the balance sheet date, but gradually provisioning the charge according to the remaining service period of employees.
The method makes it possible to calculate certain demographic and financial variables at the date of assessment, especially charges relating to service already rendered by employees represented by the DBO – Defined Benefit Obligation (also called Past Service Liability). It is obtained by calculating the present value of amounts due to the worker (severance indemnities) arising from seniority gained at the date of assessment.
For revaluation purposes, employee severance indemnities increased, with the exclusion of the amount accrued at the close of the period, through the application of a rate comprising 1.50% to a fixed extent and 75% of the inflation rate recorded by ISTAT with respect to December of the previous year.
The legislation also provides the possibility of requesting a partial advance of TFR accrued when the employment relationship is still in progress.
It should be noted that the calculations include the 17% annual tax charged on the revaluation of employee severance indemnity provisions.

Note 22 - Deferred tax liabilities

Provisions for Deferred Taxes

The item “**Deferred tax liabilities**” as at 31 December 2018 amounted to Euro 2,074,945 compared to Euro 785,478 at 31 December 2017. The table below provides details on the items.

Description	31/12/2018		31/12/2017	
	Amount temporary differences	Tax effect	Amount temporary differences	Tax effect
TFR	162,582	54,819	(185,629)	(44,551)
Goodwill	3,935,280	1,119,194	900,858	258,096
Buildings	3,042,884	868,702	1,990,547	570,291
Provision for bad credit	0	0	4,164	999
Adjustments for IFRS	113,087	32,230	2,244	643
TOTAL	**7,253,833**	**2,074,945**	**2,712,184**	**785,478**

La voce “**rettifiche per adeguamento IFRS**”, di Euro 32.230, è relativa all’effetto fiscale della prima adozione dell’applicazione dell’IFRS 15.
L’incremento della voce è principalmente dovuto all’effetto delle fusioni per incorporazione avvenute nel 2018.

The item “**adjustments for application of IFRS**” of Euro 32,230 relates to the tax effect of the first time adoption of IFRS 15.

The increase in this item is mainly due to the effect of the mergers via incorporation during 2018.

CURRENT LIABILITIES

Note 23 - Current bank debt

As at 31 December 2018, the item "**Current bank debt**" amounted to Euro 20,141,892 compared with Euro 30,238,523 at 31 December 2017. Euro 11,241,520 refers to the current amount of payables for loans and mortgages (as already described under the item "**non-current payables to banks**" in note 17) and Euro 8,900,372 refers to bank payables due to major credit institutions stemming from current operations (credit facilities for future advances, credit facilities relating to cash overdrafts).

Note 24 - Trade payables

The item "**Trade payables**" amounted to Euro 26,932,736 as at 31 December 2018 compared to Euro 23,438,059 at 31 December 2017.

Description	31/12/2018	31/12/2017	Variation
Trade payables to suppliers	21,540,410	20,852,838	687,572
Trade payables to subsidiaries	5,392,326	2,585,221	2,807,105
TOTAL	**26,932,736**	**23,438,059**	**3,494,677**

Trade Payables - Suppliers

The item "**trade payables - suppliers**" amounted to Euro 21,540,410 at 31 December 2018 compared to Euro 20,852,838 at 31 December 2017. The table below provides details on the item.

Description	31/12/2018	31/12/2017	Variation
Invoices received Italy	14,759,396	14,527,567	231,829
Invoices received foreing	886,911	1,151,297	(264,386)
Invoices to consultants	330,989	248,947	82,042
Invoices to be received	5,563,114	4,925,026	638,088
TOTAL	**21,540,410**	**20,852,838**	**687,572**

The change is mainly attributable to the effect of the mergers by incorporation of Exprivia Enterprise Consulting Srl and Advanced Computer Systems A.C.S. Srl into Exprivia SpA.

The table below provides details on the payables by due date, net of invoices to be received:

Trade payables	in expire	due	days past due 1 - 30	31- 60	61 - 90	91-120	121-180	181-270	271-365	beyond
(15,977,296)	(9,082,988)	(6,894,308)	(2,394,286)	(1,094,015)	(1,066,604)	(630,735)	(387,297)	(481,254)	(198,809)	**(641,308)**
100.0%	57%	43%	15%	7%	7%	4%	2%	3%	1%	4%

Trade Payables - Subsidiaries

As at 31 December 2018, the item "**trade payables - subsidiaries**" amounted to Euro 5,392,326 compared with Euro 2,585,221 at 31 December 2017 and refers to commercial transactions with the company and its subsidiaries under normal market conditions regulated by specific agreements. The table below shows its breakdown.

Description	31/12/2018	31/12/2017	Variation
Consorzio Exprivia Scarl	2,418	-	2,418
Advanced Computer Systems Srl	-	51,013	(51,013)
Exprivia Projects Srl	4,057,273	1,628,688	2,428,585
ACS GMBH	142,923	-	142,923
Exprivia Enterprise Consulting Srl	-	328,078	(328,078)
Exprivia It Solution Shanghai	50,903	-	50,903
Spegea S.c. a r.l.	40,971	52,519	(11,548)
Gruppo ProSap	3,000	3,000	-
Exprivia Asya	-	1,521	(1,521)
Exprivia Sl	16,740	108,091	(91,351)
Exprivia Process Outsourcing	-	16,527	(16,527)
Italtel	1,078,098	395,784	682,314
TOTAL	**5,392,326**	**2,585,221**	**2,807,105**

Note 25 - Advance payments on work in progress contract

Advance Payments

As at 31 December 2018, the item "**advance payments**" amounted to Euro 4,905,593 compared to Euro 1,948,507 at 31 December 2017 and refers to advance payments received for contract work in progress.
The increase in this item is mainly due to the effect of the mergers via incorporation during 2018.

Note 26 - Other financial liabilities

The balance of the item "**Other financial liabilities**" as at 31 December 2018 amounted to Euro 718,790 compared with Euro 2,274,628 at 31 December 2017.

Description	31/12/2018	31/12/2017	Variation
Financial payables to subsidiaries	395,799	662,019	(266,220)
Payables for the purchase of investments	15,875	115,875	(100,000)
Debts to others	299,053	1,488,893	(1,189,840)
Payables to suppliers of leasing goods	8,063	7,841	222
TOTAL	**718,790**	**2,274,628**	**(1,555,838)**

Financial Payables - Subsidiaries

As at 31 December 2018, the item "**financial payables to subsidiaries**" amounted to Euro 395,799 compared with Euro 662,019 at 31 December 2017 and refers to financial transactions with the Company and its subsidiaries under normal market conditions regulated by specific agreements, specifically cash pooling transactions detailed below.

Description	31/12/2018	31/12/2017	Variation
Exprivia Projects Srl	-	493,923	(493,923)
HRCOFFEE	222,750	-	222,750
ProSap Sa de CV	363	-	363
Spegea S.c. a r.l.	172,686	168,096	4,590
TOTAL	**395,799**	**662,019**	**(266,220)**

Payables for equity investments

The balance of "**payables for equity investments**" as at 31 December 2018 amounted to Euro 15,875 compared to Euro 115,875 as at 31 December 2017, and the change relates to the derecognition of the payable for the earn out relating to the acquisition of the Esiet Srl business segment as the relative requirements were not met.

Amounts payable to others

The item "**amounts payable to others**" as at 31 December 2018 amounted to Euro 299,053 compared to Euro 1,488,893 as at 31 December 2017. The table below provides details on the items.

Description	31/12/2018	31/12/2017	Variation
Advances on projects	0	141,909	(141,909)
Payables to factoring	279,053	471,981	(192,928)
Financial payables to others	20,000	875,003	(855,003)
TOTAL	**299,053**	**1,488,893**	**(1,189,840)**

The change was primarily due to the payment of the payable to a leading financial company that was agreed to in 2017 for the acquisition of software licences.

Note 27 - Other current liabilities

The balance of "**Other current liabilities**" as at 31 December 2018 amounted to Euro 29,340,771 compared with Euro 23,850,557 at 31 December 2017. The table below provides details on the items:

Description	31/12/2018	31/12/2017	Variation
Debts v / social security and social security institutions	6,440,545	5,346,417	1,094,128
Tax payables	5,781,855	4,491,529	1,290,326
Payables to subsidiaries	1,528,428	345,889	1,182,539
Other debts	15,589,943	13,666,722	1,923,221
TOTAL	**29,340,771**	**23,850,557**	**5,490,214**

Payables to Pension and Social Security Institutions

As at 31 December 2018 the item "**payables to pension and social security institutions**" amounted to Euro 6,440,545 compared with Euro 5,346,417 at 31 December 2017. The table below shows the breakdown and comparison with 2017.

Description	31/12/2018	31/12/2017	Variation
INPS with contributions	3,651,294	3,216,289	435,005
Payables to pension funds	265,953	237,109	28,844
Enter other social security and welfare	156,975	106,839	50,136
Payables for penalties and interest	2,304,101	1,823,357	480,744
INAIL with contributions	62,222	(37,177)	99,399
TOTAL	**6,440,545**	**5,346,417**	**1,094,128**

The change is mainly attributable to the contribution of Exprivia Enterprise Consulting Srl and Advanced Computer Systems A.C.S. Srl, which were merged by incorporation into Exprivia SpA.

Tax Liabilities

The item "**tax liabilities**" amounted to Euro 5,781,855 as at 31 December 2018 compared to Euro 4,491,529 at 31 December 2017. The table below provides details on the items.

Description	31/12/2018	31/12/2017	Variation
Payables to tax authority for VAT	585,745	773,558	(187,813)
Payables to tax authority for IRAP	173,609	-	173,609
Payables to tax authority for IRES	216,256	633,107	(416,851)
Payables to tax authority for IRPEF employees	3,346,614	2,851,460	495,154
Payables to tax authority for IRPEF freelance workers	17,783	46,270	(28,487)
Payables to tax authority for IRPEF collaborators	65,239	54,371	10,868
Payables to tax authority	1,308,573	96,849	1,211,724
Payables to tax authority for interest and penalties	68,036	35,914	32,122
TOTAL	**5,781,855**	**4,491,529**	**1,290,326**

“**Other payables to the tax authorities**” include the current portion of the instalments owed by Advanced Computer Systems A.C.S. Srl which was merged into Exprivia SpA (Euro 1,147,415) relating to IRES tax for the year 2013, IRAP for 2014 and IRPEF for 2013 to 2015.

Payables to Subsidiaries

The item “**payables to subsidiaries**” amounted to Euro 1,528,428 as at 31 December 2018 compared to Euro 345,889 at 31 December 2017. The table below provides details on the items.

Description	31/12/2018	31/12/2017	Variation
Spegea Exprivia Projects for consolidated ires	-	12,360	(12,360)
Exprivia Projects for consolidated ires	-	3,582	(3,582)
Exprivia Projects for ires application on irap	-	15,699	(15,699)
Italtel for ires application on irap	1,514,922	-	1,514,922
Exprivia Process Outosoucing for ires application on irap	-	135,835	(135,835)
Exprivia Enterprise Consulting for ires application on irap	-	178,413	(178,413)
HR Coffee for consolidated ires	13,506	-	13,506
TOTAL	**1,528,428**	**345,889**	**1,182,539**

The change is mainly attributable to the participation of the subsidiary Italtel SpA in the tax consolidation and the effect of the mergers by incorporation of Exprivia Enterprise Consulting Srl into Exprivia SpA and Exprivia Process Outsourcing Srl into Exprivia Projects Srl.

Other payables

As at 31 December 2018, the item “**other payables**” amounted to Euro 15,589,943 compared with Euro 13,666,722 at 31 December 2017.

The table below provides details on the item:

Description	31/12/2018	31/12/2017	Variation
Directors' pay for settlement	45,395	35,121	10,274
Employees/Collaborators for fees accrued	4,882,711	4,217,966	664,745
Accrued holidays, festivities, summer & yr-end bonuses	6,811,570	5,864,772	946,798
Payables to associations	198,963	270,275	(71,312)
Sundry payables	534,443	523,676	10,767
Maintenance/services/contributions competence in future years	3,116,861	2,754,912	361,949
TOTAL	**15,589,943**	**13,666,722**	**1,923,221**

The change is mainly attributable to the contribution of Exprivia Enterprise Consulting Srl and Advanced Computer Systems A.C.S. Srl, which were merged by incorporation into Exprivia SpA.

Explanatory Notes on the Exprivia SpA Income Statement

Details are provided below on the entries making up the costs and revenue in the income statement, which was drawn up in accordance with international accounting standards (IAS/IFRS).
All the figures reported in the tables below are in Euro, unless expressly indicated.

Note 28 – Revenue

Revenue from Sales and Services

"**Revenue from sales and services**", also including changes in work in progress, totalled Euro 137,535,824 in 2018, compared to Euro 130,742,530 in 2017, and include intercompany revenues for a net value of Euro -1,308,036 (revenue of Euro 6,074,551 netted against costs for Euro 7,382,587).
The change is mainly attributable to the contribution of Exprivia Enterprise Consulting Srl and Advanced Computer Systems A.C.S. Srl, which were merged by incorporation into Exprivia SpA.

Description	31/12/2018	31/12/2017	Variation
Projects and Services	118,764,097	103,533,044	15,231,053
Maintenance	12,934,472	18,761,000	(5,826,528)
HW/ SW third parties	3,672,380	3,303,921	368,459
Own licences	2,164,875	5,144,565	(2,979,690)
Total	**137,535,824**	**130,742,530**	**6,793,294**

The table below provides details on the items and intercompany relations:

Description	Italtel SpA	Exprivia Projects Srl	ACS GMBH	Spegea S.c.a.r.l.	Abaco Innovazione	Exprivia SLU	Consorzio Exprivia	Total
Professional services	2,003,648	(7,025,542)		41,369		36,261	2,404,993	(2,539,271)
Commercial Consultancy / Management Services		205,063						205,063
Corporate services and logistics		941,172	80,000		5,000			1,026,172
TOTAL	**2,003,648**	**(5,879,307)**	**80,000**	**41,369**	**5,000**	**36,261**	**2,404,993**	**(1,308,036)**

Transactions with subsidiaries are all regulated by framework agreements and specific contracts.
In relation to the aforementioned revenues, it should be noted that the item is stated net of costs of Euro 7,208,095 for services provided by the subsidiary Exprivia Projects Srl in relation to a contract in the BPO area, whose final contract with the customer is held by Exprivia SpA, and Euro 174,492 for services performed by the subsidiary Italtel SpA in relation to a SAP contract, whose final contract with the customer is held by Exprivia SpA.

Note 29 - Other Income

The item "**Other income**" amounted to Euro 4,866,576 in 2018 compared to Euro 2,490,794 as at 31 December 2017. The table below provides details on the items.

Description	31/12/2018	31/12/2017	Variation
Other revenue	522,988	137,072	385,916
Operating grants	2,124,832	1,025,556	1,099,276
Costs for capitalized internal projects	2,218,756	1,328,166	890,590
TOTAL	**4,866,576**	**2,490,794**	**2,375,782**

Other Revenue and Income

The balance of the item "**other revenue and income**" in 2018 amounted to Euro 522,988 compared to Euro 137,072 in the previous year. The table below provides details on the items.

Description	31/12/2018	31/12/2017	Variation
Other revenue	161,415	126,276	35,140
Other operating income	181,468	10,797	170,671
Capital gains	20,942	-	20,942
Active rentals to subsidiaries	159,163	-	159,163
TOTAL	**522,988**	**137,072**	**385,916**

Please note that the item "**amounts receivable for rent from subsidiaries**" refers to payments charged by Exprivia SpA to its subsidiary Italtel SpA for the offices in Rome.

Grants for Operating Expenses

In 2018, the item "**grants for operating expenses**" amounted to Euro 2,124,832 compared to Euro 1,025,556 in the previous year and refers to grants and tax credits pertaining to the period or authorised in the period for funded research and development projects.

Costs for Capitalised Internal Projects

The balance of the item "**costs for capitalised internal projects**" in 2018 amounted to Euro 2,218,756 compared to Euro 1,328,166 in the previous year and refers to internal projects capitalised attributable to the Defence & Aerospace (due to the merger by incorporation of the company Advanced Computer Systems A.C.S. Srl into Exprivia SpA), Banking & Finance and Healthcare markets.

Note 30 - Costs for Sundry Consumables and Finished Products

In 2018 "**Costs for sundry consumables and finished products**" amounted to Euro 4,179,181 compared with Euro 8,760,845 in the previous year. The table below provides details on the items.

Description	31/12/2018	31/12/2017	Variation
Purchase of HW-SW products	3,979,181	8,066,486	(4,087,305)
Stationery and consumables	72,340	59,672	12,668
Fuel and oil	51,209	108,405	(57,196)
Other costs	52,551	526,282	(473,731)
Purchases from subsidiaries	23,900	-	23,900
TOTAL	**4,179,181**	**8,760,845**	**(4,581,664)**

The change was mainly attributable to the closure of orders for the supply of hardware and software products.

Note 31 - Staff Costs

The balance of the item "**Staff costs**" in 2018 came to Euro 88,888,618 in total compared to Euro 77,583,644 in 2017.

The table below provides details on the items.

Descrizione	31/12/18	31/12/17	Variazioni
Retribuzioni e compensi	63.516.815	55.690.780	7.826.035
Oneri Sociali	17.653.484	14.851.608	2.801.876
Trattamento di fine rapporto	4.387.702	3.676.068	711.634
Altri costi del personale	3.330.617	3.365.188	(34.571)
TOTALI	**88.888.618**	**77.583.644**	**11.304.974**

The number of employees as at 31 December 2018 amounted to 1,789 workers (1,788 employees and 1 temporary worker), compared to 1,693 in 2017 (1,691 employees and 2 temporary workers).
The average number of employees as at 31 December 2018 was 1,823.

The item "**other staff costs**" includes Euro 81,038 for the figurative value of the Stock Grants to be assigned to 2018-2020 Performance Share Plan beneficiaries and Euro 538,985 for the net amount relating to costs and revenues for charge-backs for seconded staff of Group companies:

- Exprivia Projects Srl costs for Euro 431,614;
- Italtel Spa costs for Euro 107,371.

Note 32 – Costs for Services

In 2018, the balance of the item "**Costs for services**" amounted to Euro 29,505,775 compared with Euro 28,536,901 in the previous year. The table below provides the 2018 figures, compared with those of 2017:

Description	31/12/2018	31/12/2017	Variation
Technical and commercial consultancy	13,646,590	9,457,542	4,189,048
Administrative/company/legal consultancy	1,949,158	1,900,588	48,570
Consultancy to associated companies	2,747,512	5,203,713	(2,456,201)
Auditors' fees	104,713	156,437	(51,724)
Travel and transfer expenses	2,058,080	1,819,814	238,266
Utilities	980,037	905,265	74,772
Advertising and agency expenses	573,155	480,541	92,614
Bank charges	452,635	365,444	87,191
HW and SW maintenance	5,289,997	6,702,489	(1,412,492)
Insurance	426,030	364,929	61,101
Costs of temporary staff	280,895	166,437	114,458
Other costs	996,973	1,013,702	(16,729)
TOTAL	**29,505,775**	**28,536,901**	**968,874**

The change in "**costs for intercompany services**" and "**technical and commercial consulting**" is attributable to the effect of the mergers by incorporation of Exprivia Enterprise Consulting Srl and Advanced Computer Systems A.C.S. Srl.

The table below provides details on intercompany services, amounting to Euro 2,747,512, broken down by company. Please note that the intercompany costs incurred in 2018 are entirely attributable to professional services performed on the basis of framework agreements and specific contracts entered into by the parties.

Description	vs. Spegea	vs. Projetcs	vs. Italtel S.p.A.	vs. Exprivia SL	vs. Exprivia Shangai	vs. ACS GMBH	Exprivia Messico SA de CV	Totale
Professional services	24,006	668,613	1,019,795	667,298	49,382	144,000	174,418	2,747,512
TOTAL	**24,006**	**668,613**	**1,019,795**	**667,298**	**49,382**	**144,000**	**174,418**	**2,747,512**

The statement below is provided in accordance with Art. 149-duodecies of CONSOB Issuer Regulations to show amounts paid to the independent auditors in 2018 for audit services and for other services provided by PricewaterhouseCoopers SpA and other entities belonging to its network.
The fees are shown net of the CONSOB contribution and reimbursement for expenses.

Type of services	Subject that provided the service	Recipient	Corresponding
Revision services	PricewaterhouseCoopers SpA	Capogruppo	183
Services other than auditing *	PricewaterhouseCoopers SpA	Capogruppo	25
TOTAL			**208**

* Non-audit services related to high-level analysis of guidance on newly adopted IFRSs.

Note 33 – Costs for Leased Assets

In 2018, the item "**Costs for leased assets**" amounted to Euro 2,564,963 compared to Euro 2,881,021 in the previous year and is broken down in the table below:

Description	31/12/2018	31/12/2017	Variation
Rental expenses	1,162,564	1,360,940	(198,376)
Car rental/leasing	881,858	650,227	231,631
Rental of other assets	111,417	695,477	(584,061)
Royalties	124,946	110,494	14,452
Other costs	284,179	63,884	220,296
TOTAL	**2,564,963**	**2,881,021**	**(316,058)**

The decrease in the item "**rental of other assets**" is attributable to the conclusion of an order in the Healthcare market.

Note 34 - Sundry Operating Expenses

In 2018, "**Sundry operating expenses**" amounted to Euro 747,648 compared to Euro 447,510 in the previous year and is broken down in the table below:

Description	31/12/2018	31/12/2017	Variation
Annual subscriptions	127,703	132,233	(4,530)
Taxes	252,770	269,791	(17,021)
Penalties and fines	124,176	47,019	77,157
Charitable donations	34,430	25,645	8,785
Contingency liabilities	162,340	(88,683)	251,023
Write-offs	42,973	2,758	40,215
Penalties and damages	155	40,529	(40,374)
Capital losses on disposals	3,101	18,219	(15,118)
TOTAL	**747,648**	**447,510**	**300,138**

The increase is mainly attributable to the effect of the mergers by incorporation of Exprivia Enterprise Consulting Srl and Advanced Computer Systems A.C.S. Srl, referring to the items "**penalties and fines**" and "**other operating expenses**".

Note 35 - Changes in Inventories

In 2018, the balance of the item "**Change in inventories**" amounted to Euro 42,401 compared with Euro 32,436 in the previous year. It refers to changes in hardware/software products purchased from the resale by the various business units.

Note 36 – Provisions and Write-downs of Current Assets

The item "**Provisions and write-downs of current assets**" in 2018 amounted to Euro 323,974 compared to Euro 20,002 in 2017. The table below provides details on the item:

Description	31/12/2018	31/12/2017	Variation
Provision for legal disputes with employees	137,726	20,002	117,724
Provision for bad debts	105,917	0	105,917
Svalutazione magazzino	80,331	0	80,331
TOTAL	**323,974**	**20,002**	**303,972**

Please note that the item “**provision for bad debts**” reflects the impact of the application of IFRS 9 (expected credit loss) equal to Euro 50,300.

Note 37 - Amortisation, Depreciation and Write-downs of non-current assets

In 2018, the balance of the item “**Amortisation, depreciation and write-downs of non-current assets**” amounted to Euro 6,008,776 compared with Euro 10,056,200 in the previous year and comprises amounts pertaining to the reporting period for amortisation and depreciation of intangible and tangible assets and write-downs.

Amortisation and Depreciation

Amortisation of intangible assets amounted to Euro 2,830,040 in 2018 compared to Euro 1,765,981 in 2017 and the change is detailed under notes 2 and 3.
Depreciation of tangible assets amounted to Euro 1,115,735 compared to Euro 1,164,672; the change is detailed in note (1).

Write-downs

The balance of the item “**write-downs**” in 2018 came to Euro 2,063,000 in total compared to Euro 7,125,547 in 2017 and refers primarily to the write-down of the equity investment in the subsidiary Exprivia Messico SA de CV.

Note 38 - Financial income and (charges) and investments

In 2018, the balance of the item “**Financial income and (charges) and investments**” was a negative Euro 3,102,959 compared with a negative balance of Euro 1,812,015 in 2017. The breakdown between income and charges is shown below.

Description	31/12/2018	31/12/2017	Variation
Income from investments in subsidiaries	435,269	277,650	157,619
Income from parent companies	70,815	78,474	(7,659)
Income from subsidiaries	172,066	376,770	(204,704)
Income from other financial assets available for sale	13,117	13,037	80
Income other than the previous ones	411,636	110,281	301,355
Interest and other financial charges	(3,711,020)	(2,263,124)	(1,447,896)
Charges from parent companies	(433,334)	(388,226)	(45,108)
Charges from subsidiaries	(6,706)	(16,877)	10,171
Exchange gains / (losses)	(54,802)	-	(54,802)
TOTAL	**(3,102,959)**	**(1,812,015)**	**(1,290,944)**

Income from Equity Investments

In 2018, "**income from equity investments**" amounted to Euro 435,269 compared to Euro 277,650 in the previous year and refers to dividends received from the subsidiaries Exprivia Projects Srl (Euro 345,263) and Exprivia Do Brasil (Euro 90,006).

Income from Parent Companies

In 2018, the item "**income from parent companies**" amounted to Euro 70,815 compared with Euro 78,474 in the previous year and related to interest accrued on the loan in place with the parent company Abaco Innovazione SpA.

Income from Subsidiaries

In 2018, "**income from subsidiaries**" amounted to Euro 172,066 compared with Euro 376,770 in the previous year and refers to interest accrued from cash pooling and for loans in place with its subsidiaries. The change is primarily attributable to the mergers by incorporation which took place in 2018, the change in the interest rate applied to cash pooling and loan relationships and the reduction of loans outstanding.

Income from Other Financial Assets Available for Sale

In 2018, the item "**income from other financial assets available for sale**" amounted to Euro 13,117 compared to Euro 13,037 in 2017 and mainly refers to income from Banca Popolare di Bari for bonds and shares subscribed.

Income Other Than the Above

The item "**other income other than the above**" in 2018 amounted to Euro 411,636 compared to Euro 110,281 in 2017.

Description	31/12/2018	31/12/2017	Variation
Bank interest receivable	1,247	1,466	(219)
Discounts and rebates from suppliers	13,560	13,980	(420)
Other interest income	378,827	94,756	284,071
Rounding up of assets	18,002	79	17,923
TOTAL	**411,636**	**110,281**	**301,355**

The change concerning the item "**other interest income**" is mainly ascribed to interest received following the collection of the IRAP application on IRES for staff costs and repayments of interest on final rulings from customers.

Interest and Other Financial Charges

In 2018 the item "**interest and other financial charges**" amounted to Euro 3,711,020 compared with Euro 2,263,124 in 2017.

Description	31/12/2018	31/12/2017	Variation
Bank interest payable	386,084	214,347	171,737
Interest on loans and mortgages	2,144,463	1,128,968	1,015,495
Sundry interest	990,858	746,466	244,392
Charges on financial products and sundry items	53,476	66,601	(13,125)
Interest cost IAS 19	136,139	106,742	29,397
TOTAL	**3,711,020**	**2,263,124**	**1,447,896**

The change is mainly attributable to the effect of the mergers by incorporation of Exprivia Enterprise Consulting Srl and Advanced Computer Systems A.C.S. Srl.

Charges from Parent Companies

The balance of the item "**charges from parent companies**" amounted to Euro 433,334 in 2018 compared with Euro 388,226 as at 31 December 2017 and refers to the portion applicable to the period of charges recognised to the parent company Abaco Innovazione SpA for guarantees issued by the latter.

Charges from Subsidiaries

In 2018 the item "**charges from subsidiaries**" amounted to Euro 6,706 compared with Euro 16,877 in 2017 and refers to interest for the cash pooling in place with its subsidiaries.

Gains/(Losses) on Currency Exchange

The balance of the item "**gains/(losses) on currency exchange**" was a negative Euro 54,802 in 2018 due to foreign exchange transactions.

Note 39 - Taxes

In 2018, the item "**Taxes**" amounted to Euro 2,803,739 compared with Euro 2,554,400 in 2017. The table below provides details on the items.

Description	31/12/2018	31/12/2017	Variation
IRES	1,450,698	1,683,992	(233,294)
IRAP	868,244	688,774	179,470
Taxes from prior years	117,558	21,229	96,329
Defered tax	92,159	7,070	85,089
Deferred tax assets	275,080	153,335	121,745
TOTAL	**2,803,739**	**2,554,400**	**249,339**

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

Each company under Tax Consolidation contributes taxable income or tax loss to Exprivia SpA; Exprivia SpA recognises a payable/receivable for the subsidiaries, equal to the applicable IRES and tax losses used in the Tax Consolidation.

The table below shows the reconciliation between the theoretical IRES charge reported in the balance sheet and the actual tax charge:

exprivia

Description	31/12/2018		31/12/2017	
	AMOUNT	%	AMOUNT	%
RECONCILIATION OF THEORETICAL AND EFFECTIVE RATE				
PROFIT BEFORE TAXES	7,038,105		3,102,750	
TAX THEORY	**1,689,145**	**24.0%**	**744,660**	**24.0%**
COSTS AND EXPENSES NOT DEDUCTIBLE	4,883,171		8,807,268	
REVENUES NOT TAXABLE	(1,909,152)		(3,077,082)	
AMORTIZATION	78,843		(106,453)	
OTHER DECREASES	(1,588,695)		(511,442)	
USE EXISTING TAX LOSSES	(2,457,695)		(1,198,414)	
TAXABLE INCOME TAX	6,044,577		7,016,627	
IRES YEAR	**1,450,698**		**1,683,992**	
EFFECTIVE RATE		**20.6%**		**54.3%**

Note 40 - Profit (Loss) for the Year

The income statement closed with a profit (after tax) of Euro 4,234,066 and is confirmed in the balance sheet as well.

Note 41 - Information on the Cash Flow Statement

The cash flows deriving from income management were a positive Euro 10.2 million, the management of working capital generated positive cash flows of Euro 5.5 million, the level of investments was Euro -0.8 million and the cash flow absorbed by financing activities was Euro 21.6 million.

Contributions and economic benefits received from public administrations

Pursuant to Art. 1 paragraph 125 of Law no. 124 of 2017, the statement below provides information relating to contributions and other economic benefits received in cash from the Italian public administrations in the course of 2018.

Tipologia	Financing Body	Project	Discount rate	Amount collected 12/31/2018
Lost Fund	MISE	Login		16,116
Lost Fund	MIUR	Active Adge @ Home		328,500
Lost Fund	Unione Europea	Ilham		29,000
Lost Fund	Unione Europea	Isitep		121,501
Facilitated financing	MISE	Fondo crescita sostenibile - primo bando Horizon 2020	0.31%	155,611
Facilitated financing	SIMEST	Sviluppo Internazionale in Cina - L. 100/90 ART. 4 1101/1/10	0.50%	4,949
Total				**655,677**

Related parties

As per the requirements of CONSOB resolution No. 11520 of 1 July 1998, the table below illustrates the remuneration for Directors, Statutory Auditors and Key Executives. For further information, see the "Remuneration Report" available on the Company website (www.exprivia.it) in the section Corporate – Corporate Governance - Corporate Information.

Description	31/12/2018				31/12/2017			
	Fixed remuneration	Equity compensation committees	Wages and salaries	Other incentives	Fixed remuneration	Equity compensation committees	Wages and salaries	Other incentives
Administrators	445,596	95,000	788,517	300,512	535,000	86,667	388,668	52,068
Statutory Auditors	62,779				110,562			
Strategic managers	4,000		220,357	49,819			96,678	4,725
TOTAL	**512,375**	**95,000**	**1,008,874**	**350,331**	**645,562**	**86,667**	**485,346**	**56,793**

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

There are no advances or loans to directors or statutory auditors and no commitments have been undertaken on behalf of the management body due to guarantees of any kind having been given.

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

Equity investments in other companies

Description	31/12/2018	31/12/2017	Variation
Daisy-Net- Driving Advances of ICT in South Italya	-	13,939	-
DHITECH Srl	-	17,000	(17,000)
Consorzio DITNE	5,582	5,582	-
Consorzio Biogene	3,000	3,000	-
Innoval S.C. A.R.L.	-	2,500	(2,500)
TOTAL	**8,582**	**42,021**	**(19,500)**

Trade receivables - customers

Description	31/12/2018	31/12/2017	Variation
Balance Srl	22,753	-	22,753
TOTAL	**22,753**	**-**	**22,753**

Trade payables - suppliers

Descrizione	31/12/18	31/12/17	Variazione
Kappa Emme Sas	5.000	72.750	(67.750)
Brave Srl	15.000	-	15.000
Daisy-Net- Driving Advances of ICT in South Italya	-	111.599	(111.599)
Consorzio DITNE	-	5.000	(5.000)
SER&Praticces Srl	-	2.806	(2.806)
TOTALI	**20.000**	**192.155**	**(172.155)**

Revenue

Descrizione	31/12/18	31/12/17	Variazione
Balance Srl	19.900	-	19.900
TOTALI	**19.900**	**-**	**19.900**

Costs

Description	31/12/2018	31/12/2017	Variation
Kappa Emme Sas	5,000	195,000	(190,000)
Brave Srl	120,000		120,000
Consorzio Biogene	7,055	11,937	(4,882)
Consorzio DITNE	15,000	10,357	4,643
TOTAL	**147,055**	**217,294**	**(70,239)**

Transactions Deriving from Atypical/unusual Operations

In accordance with Consob notice No. 6064293 of 28 July 2006, it should be pointed out that in 2018 the Company did not undertake any atypical and/or unusual operations, as defined in the notification itself.

Potential liabilities

There are no potential liabilities not recorded in the balance sheet.

Subsequent Events

No significant events were reported between the close of the 2018 financial year and 14 March 2019.

Molfetta, 14 March 2019

On behalf of the Board of Directors
Chairman and Chief Executive Officer
Domenico Favuzzi

Board of Directors' Proposal to the Shareholders' Meeting

Dear Shareholders,

We would like to thank you for your trust and we encourage you to approve the year-end financial statements as at 31 December 2018. We propose that the profit of Euro 4,234,366.23 be distributed as follows:

- Euro 211,718.31 (two hundred eleven thousand seven hundred and eighteen/31) to the "Legal Reserve", thus constituting a total legal reserve of Euro 4,170,517.68 (four million one hundred seventy thousand five hundred seventeen/68), equal to 15.45% of the share capital;
- Euro 4,022,647.92 (four million twenty-two thousand six hundred forty-seven/92) to the "Extraordinary Reserve", in order to form an extraordinary reserve totalling Euro 19,317,871.70 (nineteen million three hundred seventeen eight hundred seventy-one/70).

Molfetta, 14 March 2019

On behalf of the Board of Directors
Chairman and Chief Executive Officer
Domenico Favuzzi

Certification of the financial statements pursuant to Art. 154 bis of Italian Legislative Decree 58/98

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

- the adequacy, in relation to the characteristics of the Company and
- the effective application of administrative and accounting procedures to draft the year-end financial statements for the reporting period at 31 December 2018.

Furthermore, it is certified that the financial statements:

a) correspond to accounting records;
b) were prepared in accordance with International Financial Reporting Standards, which were adopted by the European Commission with regulation 1725/2003 as amended, and are suitable for giving an accurate and correct representation of the equity, economic and financial situation of the company.
c) The Directors' Report for the group includes a reliable analysis that is consistent with the financial statements, operating trends and results, and also the situation of the company, together with the description of the main risks and uncertainties.

Molfetta, 14 March 2019

Domenico Favuzzi
Chairman and Chief Executive Officer

Valerio Stea
The Reporting Officer

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of Exprivia SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Exprivia SpA (the Company), which comprise the balance sheet as of 31 December 2018, the income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2018, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Goodwill	
Note 2 to the financial statements of Exprivia SpA as of 31 December 2018 ("Goodwill"). The value of goodwill as of 31 December 2018 amounted to Euro 67 million, corresponding to 31 per cent of total assets. We focused our audit on such financial statement area in consideration of: - the significance of the amount of goodwill also compared to the Company shareholders' equity as of 31 December 2018; -the impact of the estimates made by the directors in relation to the future cash flows and the discounting rate applied to them, on the determination of the recoverable amount, namely the value in use of the related cash generating units ("CGU"). The recoverability of the values of goodwill recognised in the financial statements was verified by the directors through the comparison between the carrying value of the CGU to which goodwill is allocated and the related value in use, identifiable as the present value of future cash flows that are expected to be generated from the CGU using the Discounted Cash Flow model. The discount rate (WACC), as the long-term growth rate (g) used by the directors were determined with the support of an independent expert who prepared the relevant report.	We analysed the allocation of the goodwill amounts to the CGU identified by the Company on the basis of what provided for by international accounting standards. We analysed, with the support of the PwC network experts in evaluation models, the impairment test of goodwill prepared by the Company; we also analysed the methodology used by management to develop the impairment test in consideration of the prevailing professional evaluation practice and in particular of what envisaged by international accounting standards and specifically by IAS 36 adopted by the European Union. We verified the mathematical accuracy of the tests. With reference to the future cash flows expected for the CGU identified, we verified that these agreed with data approved by the Board of Directors of the Company. We analysed the main assumptions used by the Company in the preparation of the CGUs' forecast plans. We evaluated the reasonableness and consistency of the prospective data used by the Company in relation to the purposes of the impairment tests, in consideration of the future plans approved by the directors and of the results achieved in the prior years. We analysed, with the support of the PwC network experts, the methodology for the determination of the discounting rate used by the Company (WACC), and of the long-term growth rate (g) on the basis of the prevailing professional evaluation practice and under the market conditions at the reporting date. We also reperformed the sensitivity analyses carried out by the Company.

Emphasis of matter

We draw your attention to note "Mergers by incorporation into Exprivia SpA" to the financial statements that describes the mergers by incorporation, carried out in 2018, of the subsidiaries Exprivia Enterprise Consulting Srl and Advanced Computer Systems A.C.S. Srl and the related effects on the financial statements of Exprivia SpA.
Our opinion is not qualified in respect of this matter.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 23 April 2014, the shareholders of Exprivia SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2014 to 31 December 2022.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Exprivia SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Exprivia SpA as of 31 December 2018, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of Exprivia SpA as of 31 December 2018 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Exprivia SpA as of 31 December 2018 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Bari, 29 March 2019

PricewaterhouseCoopers SpA

Signed by

Corrado Aprico
(Partner)

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