



**Interim Report on
Operations as at 31
March 2019
Issuer: Exprivia SpA
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future. perfect. simple.

Contents

Contents	3
Corporate Bodies	4
Directors' Report as at 31 March 2019	5
Significant Group Figures and Result Indicators	6
Summary of the operations in the first quarter of 2019	9
Exprivia: Future, Perfect, Simple	10
Performance of Exprivia Group Results	44
Significant Events in the first quarter 2019	52
Events after 31 March 2019	52
Business Outlook	53
Staff and Turnover	54
Inter-company Relations	54
Relations with related parties	55
Information regarding management and coordination	55
Group relations with parent Company	56
Quarterly Consolidated Financial Statements of the Exprivia Group as at 31 March 2019	58
Consolidated Financial Statements as at 31 March 2019	59
Explanatory Notes	65
Certification of the Consolidated Financial Statement	82

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 March 2019



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Significant Group Figures and Result Indicators

The table below gives a summary of the main consolidated economic, capital and financial data of the Group as at 31 March 2019, 31 March 2018, and 31 December 2018.

Effective from 1 January 2019, the Group has adopted the IFRS 16 “Leases” standard, 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 standards is material in that it reclassifies costs previously recognised as costs for leased assets under the item amortisation/depreciation and financial liabilities; similarly, the right of use of the leased asset is recognised as an asset in the balance sheet and the residual debt is recognised under the item financial liabilities, with the relative burdening of the net financial position. In particular, on 31 March 2019 the adoption of IFRS 16 resulted in:

- **Statement of financial position:** non-current assets due to the recognition of the right of use of the assets leased for an amount of Euro 22.7 million; the recognition of financial liabilities representing the obligation to make the payments established in the contract for an amount of Euro 23.2 million; an impact of first application on the net Shareholders' equity, net of the relative tax effect, of Euro 0.9 million.
- **Income statement:** different nature, qualification and classification of expenses, with the recognition of “Amortisation on the right of use of the 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 Euro 1.8 million, on EBIT of Euro 0.2 million, and, as it resulted in higher financial expenses of Euro 0.2 million, a non-significant impact on the profit (loss) for the period.

Further information on the details of the impact of the adoption of the new standard are included in the paragraph “Application of new accounting standards”.

It is worth noting that data as at 31 March 2019 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 2018, and that the reclassified Balance Sheet and Income Statement of the Italtel Group are disclosed in the paragraph “Segment reporting” in the Explanatory Notes to the Financial Statements.

amount in thousand Euro

	31.03.2019	31.03.2018	31.12.2018
Total revenues	107,081	113,135	623,210
net proceeds	101,173	107,065	590,964
increase to assets for internal work	2,035	2,972	10,535
other proceeds and contributions	3,873	3,098	21,713
Difference between costs and production proceeds (EBITDA)	(3,759)	(4,245)	41,822
% on total revenues	-3.5%	-3.8%	6.7%
Net operating result (EBIT)	(10,594)	(9,029)	20,998
% on total revenues	-9.9%	-8.0%	3.4%
Net result	(13,294)	(13,605)	(852)
Group net equity	68,165	65,066	72,262
Total assets	673,965	640,447	667,869
Capital stock	25,083	25,155	25,083
Net working capital (1)	18,521	33,158	21,631
Cash flow (2)	(6,646)	(10,205)	5,197
Fixed capital (3)	365,072	344,544	345,898
Investment (4)	2,745	3,735	3,735
Cash and securities / other financial assets (a)	26,700	24,718	29,062
Financial payables / other short-term financial liabilities (b)	(71,794)	(73,308)	(62,981)
Financial payables / other medium / long-term financial liabilities (c)	(199,859)	(190,149)	(180,724)
Net financial position (5)	(244,953)	(238,740)	(214,643)

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

(2) Cash flow represents the cash flow generated (absorbed) by the 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 and intangible assets and equity investments, net of payments for sales

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

The table below shows the main economic indicators of the Group as at 31 March 2019, compared with the same period of the previous year.

For the calculation of ROE and ROI, it was considered appropriate to use an annual "rolling" approach by taking as a reference the net profit and operating income from 1 April 2018 to 31 March 2019, for the data as at 31 March 2019, and from 1 April 2017 to 31 March 2018, for the data as at 31 March 2018.

Exprivia Group	31/03/2019	31/03/2018
Index ROE (Net income / Equity Group)	0.79%	-22.27%
Index ROI (EBIT / Net Capital Invested) (6)	6.13%	-1.34%
Index ROS (EBIT / Revenues)	-10.47%	-8.43%
Financial charges (7) / Net profit	0.26	0.22

(6) **Capital invested Net:** 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 capital and financial indicators of the Group as at 31 March 2019, 31 March 2018, and 31 December 2018.

Exprivia Group	31/03/2019	31/12/2018
Net Financial Debt / Equity Capital	3.59	2.97
Debt ratio (Total Liabilities / Equity Capital)	9.89	9.24

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

Summary of Operations as at 31 March 2019

The data relating to the main economic and financial indicators as at 31 March 2019 compared with their equivalents as at 31 March 2018 are reported below:

Exprivia Group (value in thousand Euro)	31/03/2019	31/03/2018	Variations	Variations %
Revenues	107,081	113,135	(6,054)	-5.4%
EBITDA	(3,759)	(4,245)	486	11.5%
EBIT	(10,594)	(9,029)	(1,565)	-17.3%
Pre-tax result	(13,209)	(13,233)	24	0.2%

Exprivia Group (value in thousand Euro)	31/03/2019	31/12/2018	Variations	Variations %
Net financial position	(244,953)	(214,643)	(30,311)	-14.1%

With regard to the Net Financial Position, as already previously stated, the adoption of the new IFRS 16 accounting standard has involved a change of around Euro 23.2 million. Therefore, net of this effect, the change with respect to 31 December 2018 was around Euro -7 million.

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

Exprivia Group pro-forma figures (value in thousand Euro)	31/03/2019	31/03/2018	Variations	Variations %
Revenues	38,340	37,127	1,213	3.3%
EBITDA	2,873	2,910	(37)	-1.3%
EBIT	1,315	1,799	(483)	-26.9%
Pre-tax result	433	1,105	(672)	-60.8%

Exprivia Group pro-forma figures (value in thousand Euro)	31/03/2019	31/12/2018	Variazioni	Variazioni %
Net financial position	(57,958)	(45,913)	(12,045)	-26.2%

As it can be noted, revenues for the Exprivia Group before the acquisition of Italtel show a growth, while the gross operating margin, even though including the positive effect of IFRS 16 of around Euro 0.6 million, shows a contraction compared to the first quarter of the previous year due to the delay in the start of some projects. The Net Financial Position was Euro -58 million compared to Euro 46 million as at 31 December 2018; the change of Euro 6.1 million is attributable to the adoption of the new accounting standard IFRS 16.





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

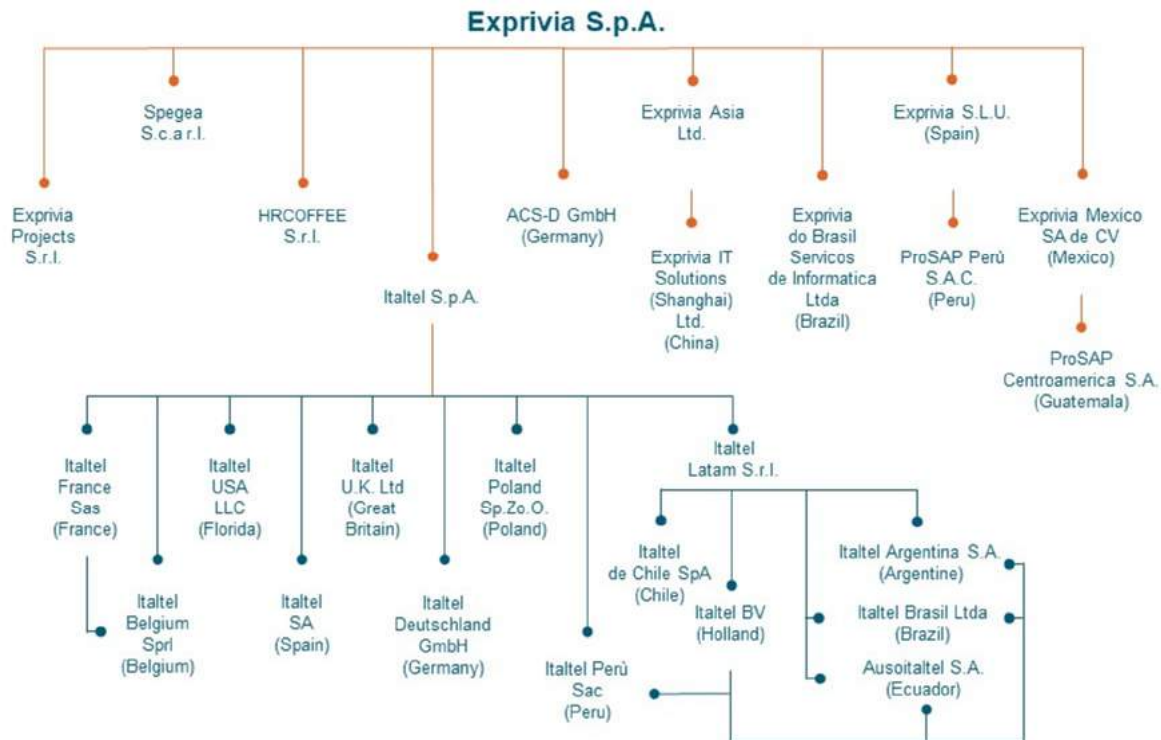
Simple is the fundamental requirement of all our systems, designed to improve people's lives through the availability and usability of information.

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 defence 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 Peru 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.



Innovation

The foundry of ideas

Innovation Lab

Innovation to explore and construct new business opportunities

Innovation Lab is the load-bearing structure of the research, development and integration of Exprivia technologies.

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

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



Forging the future

Research and innovation

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

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

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





Industries

A winning offer in every market

Banking, Finance & Insurance

Digital progress and financial technique: the binomial of the future

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

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



Telco & Media

Skills and technologies for network virtualisation

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

We offer our customers products, solutions, and services:

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

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

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

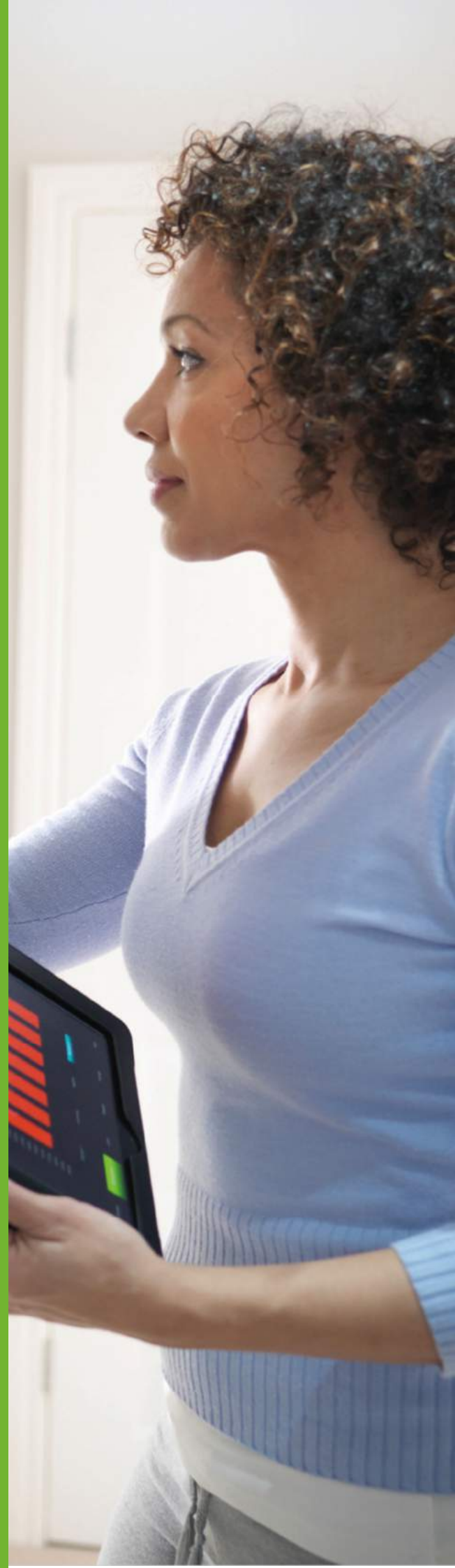


Energy & Utilities

The technology that optimises energy

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

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



Aerospace & Defence

Military defence, civil safety and digital technology

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

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

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

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



Manufacturing & Distribution

Towards the new industrial revolution

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

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

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

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



Healthcare

Innovative solutions for individual health and efficient administration

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

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

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



Public Sector

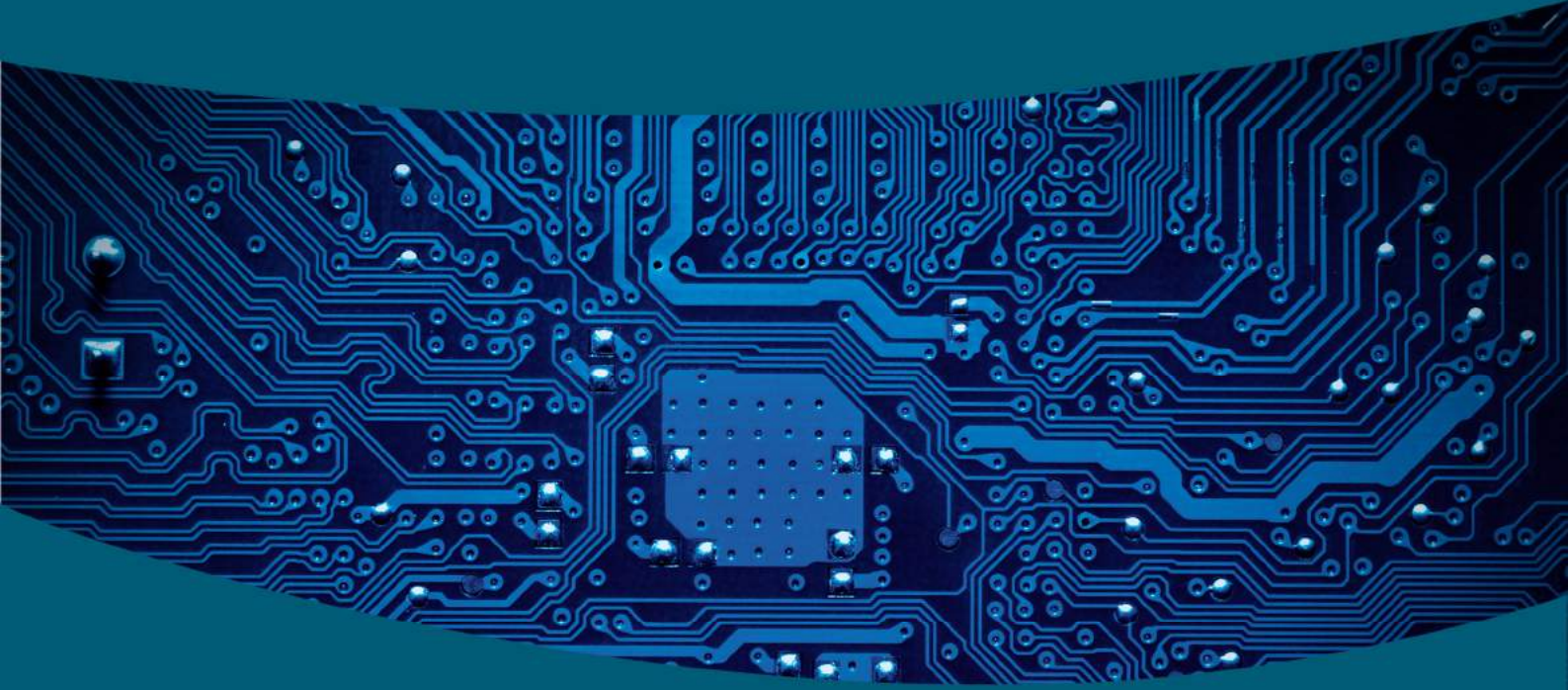
PA digitalisation: the first step towards a reinvigorated country

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

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

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





Expertise

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

Big Data & Analytics

Managing data to dominate the markets

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

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

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



Cloud

The 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

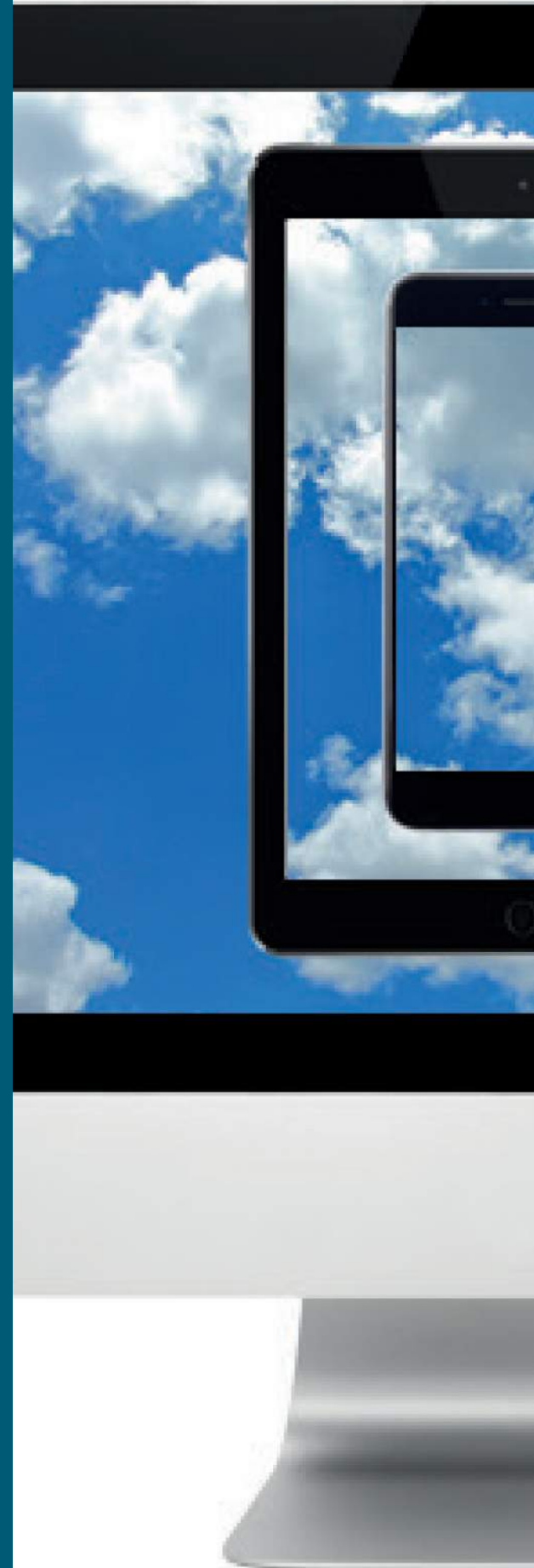
Creating a Private Cloud means providing the range of services, solutions and computational capacity functional to a large organisation, distributed across the area and under continuous evolution, on a single platform.

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, info-mobility, 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).

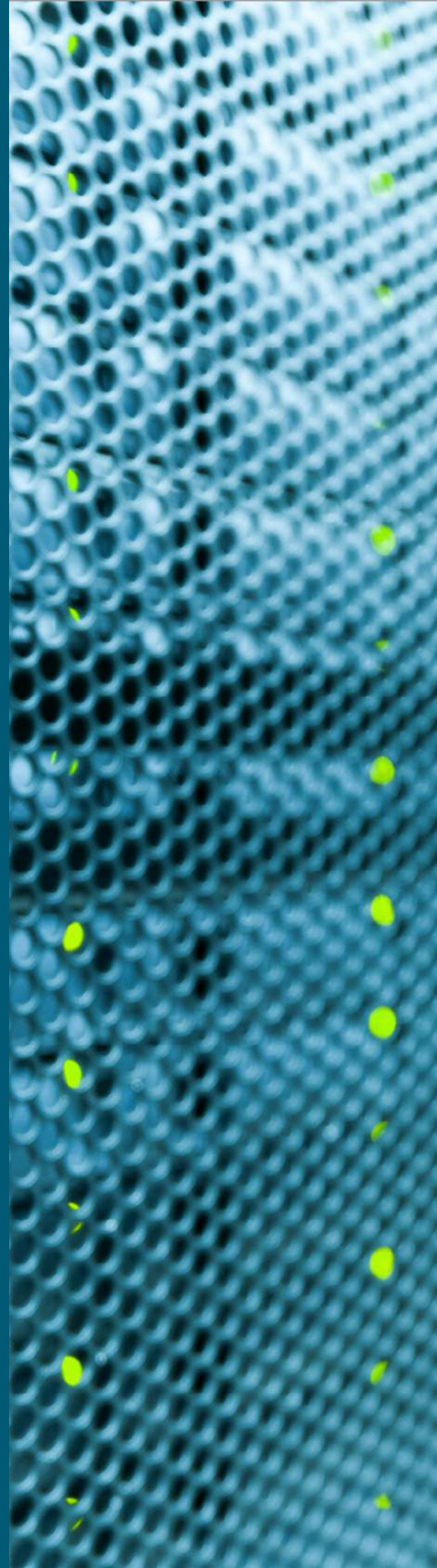


IT Security

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 Customer 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.



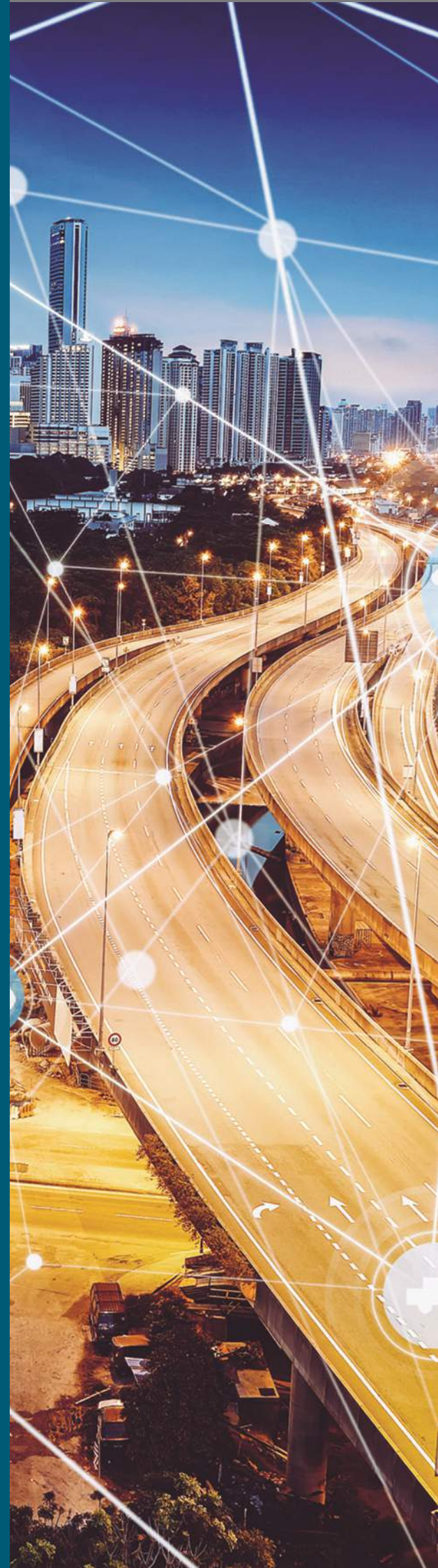
IP Network Infrastructure

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

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

Banking & Finance

In the first quarter, the Banking, Finance and insurance market sector is traditionally focussed on the identification of priority project initiatives to be started. This “historical” trend is emphasised by the high level of volatility deriving from geopolitical factors, including: the Brexit process, postponed to a much later date than the one initially planned, the still unresolved trade tension between the USA and China and the imminent European political elections. On the one hand, the uncertainty has postponed the start of projects planned for the first quarter but on the other it has led to encouraging signals that have not yet, however, being translated into business opportunities. Various banking groups are in fact focussing on reorganising their own structures in terms of finance, while others have made it known that they are willing to exploit, from a proactive and business point of view and not only in a passive way, the important developments deriving from the application of regulations such as PSD2 and Open Banking. In the insurance sector attention remains focussed on the use of data, analytics and artificial intelligence technologies to offer customers a completely improved experience and access method to services.

The trend described above is also reflected in the Exprivia Group results on this market, which are slightly down compared to those of the first quarter of 2018.

In summary, it has been a challenging quarter, with many postponements, when high added value activities have been pursued and where the market has rewarded the most innovative component of our offer, a quarter when the bases for the following quarters have been laid, in terms of development of the pipeline.

Telco & Media

In the Telecommunications sector, according to the data of the Communication Observatory, published by AGCOM, overall accesses to the fixed network were reduced compared to the previous quarter but still show changes in the composition of the technologies used for the service supply: in fact, access through FTTC, FTTH and FWA technologies have grown. This dynamic reflects an increase in the network service in terms of connection speed.

Conversely, in relation to the mobile network, an overall increase in the number of SIMs was noted, due mainly to the growth of those dedicated to M2M; on the other hand, “voice only” and “voice and data” ones are reduced, but the recorded broadband traffic volumes have increased.

On the one hand, therefore, a market can be observed where operators experienced a downward trend in terms of revenues and profitability but, on the other, the change in the mix towards the use of broadband implies increased interventions for structural adjustments and therefore greater investments on the part of operators. Precisely because of what reported above, the main global players in the telecommunications market are planning the necessary developments in the year to prepare their networks for 5G services, a priority for those who have been awarded the necessary frequencies for the launch of services.

In the domestic market this pressure on investments and expenditure reviews has resulted in a very marked attention to the expenses to be incurred which, however, become essential for operators; in this context, the Exprivia Group shows a reduction in revenues on the domestic market, produced by the events summarised above, which are at the root of the drop in revenues observed at consolidated level.

With respect to the above-mentioned context, the Exprivia Group is placed among the sector big players also thanks to the expansion of its offer which, starting from solutions for the infrastructural innovation of networks, also envisages solutions for digital transformation thanks to the great experience in the field of IT, such as, for example, on the issues of Big Data, Analytics and so on.

In the first part of the year we have in fact carried out important transformation projects for the development of ultra-broadband networks, metro optic and backbone networks and on service management systems.

In brief, the main sector operators confirm the Exprivia Group as the preferred player for its solidity, expertise and innovation, to trust with strategic projects so as to be able to improve their own offer and competitiveness.

Energy & Utilities

The main Energy Companies have started transformation programmes to adapt their own business models to the new market landscape. The objectives that drive change are the integration of operating processes, new technologies and the search for efficiency in the value chain.

Digital transformation enables new business models, makes changes more rapid and reduces operating costs. The Exprivia Group is committed to work alongside and support Energy Companies in the adoption of new technologies and in their integration with operating processes.

The Group's positioning on the Utilities market sees a consolidation of the company's positioning on the big players of the Italian market. In the first quarter of 2019, the Exprivia Group confirms a slight growth compared to the correspondent period of the previous year.

The backlog of project initiatives started on the main Group customers allows to forecast a growth also for the following quarter. It is these same project activities, attributable to the transformation processes of the main Customers, that supports the growth, but also the projects in the Administration, Finance and Control areas deriving from new regulations.

Our main customer sees the Group as an innovative and proactive partner, a medium size company able to compete with large global system integrators. In the last year the Group has positioned itself both in the SCADA sector, as supplier of the service for Latin America (with the exception of Brazil), and in the "digital channels" sector for the ENEL free market, which are added to the activities in the smart grid and infrastructure sector that the Group continues to provide for the customer.

With other customers, in addition to the inclusion of new strands of innovative offer, the strategy is to maintain the current position in the SAP area with potential expansions in the context of customer management systems.

BPO (Business Process Outsourcing), specialised in both front office and back office Customer Care, saw the revenues of the first quarter of 2019 in line with the results of the same period in 2018.

Aerospace & Defence

In the first quarter of 2019, the Aerospace division's revenues were in line with those of the comparable quarter in 2018.

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

The merger by incorporation of the Account Unit Aerospace of ACS Srl, an innovative company with similar and complementary areas of expertise which develops terrestrial stations for the reception and processing of satellite data ("Ground Station"), allows a significant expansion of Exprivia's offer in this specific sector,

where the trend of the main operators and industries rationalising supplies through few large suppliers will open further market areas.

In the first quarter of 2019, in keeping with the actions of 2018, Exprivia, even though in a market scenario hampered by reorganisations and the strong focus on containing expenditures by the principal agencies and industries in the sector, consolidated its position of preferential supplier in the defence sector, signing framework agreements with the main companies in the sector, and saw the consolidation of the cooperation with the agency responsible for efficient air traffic control systems.

During the first few months of 2019, the final negotiations were concluded for three important tenders submitted at the end of 2018. Two of them relate to multi-annual service agreements. The order backlog is therefore strengthened, and the ability to also offer IT services is recognised by customers, with the opening of future opportunities. Again at the start of the year, an important service agreement for the maintenance of the control centre of a prominent European spatial agency was renewed for the Sentinel-3 mission.

In conclusion, the first few months of 2019 have confirmed a number of short and medium-term opportunities in our reference sector and with historical customers.

Retail & Manufacturing

The Italian manufacturing market maintained a slightly positive growth trend in the first few months of 2019 as well. The market is showing greater interest in Connect Machine, Industrial Analytics and Cloud Manufacturing solutions.

Industrial automation, through IoT, transforms production machinery into intelligent systems connected to the network, with new functionalities, therefore increasing the value of the entire production process. These new functionalities, therefore enabled to use new technologies and supported by new data connection systems, bring efficiency and innovation to production chains.

The change in the tax benefits procedures has led to a temporary stand-by in investments, which should resume in particular in SME companies.

Software vendor strategies have now converged towards a “cloud” or “hybrid” offer, which requires a review of business ICT architectures.

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 from customers.

In this scenario, therefore, 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.

Revenues for the first quarter of 2019 are in line with the results of the same period in 2018.

In the course of 2019, commercial activities in the manufacturing sector will focus primarily on supporting large customers in updating their data centre and collaboration network infrastructure needed to implement digital transformation.

Transportation

The following estimates (Source: Transport Economic Observatory - Confcommercio-Conftrasporti) refer mainly to the last two quarters of 2018, whose trend, in terms of transports, for both passengers and goods, shows a slowdown.

The Italian intelligent technologies market for transport (ITS) is worth Euro 1.5 billion (2014 data), a value that is three times the level of 2004 (Euro 550 million), with an average annual growth rate of 13.8% from

2017. Top of the list, in terms of turnover, are connected car technologies, followed by traffic control and management systems and info-mobility.

The railway market continues to benefit from large investments. The flagship company, Gruppo Ferrovie dello Stato Italiane, dominates the sector and incorporates RFI, the company responsible for the overall management of the national rail network.

Invitations to tender are expected from the Ferrovie dello Stato group which will characterise investments for the next five years in terms of technological innovation, particularly in the ICT, Data Centre, IoT and services areas.

The market is dominated by large Groups with aggregation dynamics (Big to Big - Big to Medium/Small) in constant development, especially linked to aspects of merger/transformation of operators in the sector.

The Exprivia Group's positioning on the railway market sees a consolidation of the company's positioning on the big players in the areas of Videocommunication, IT and ICT SAP services.

The airport market shows a positive trend of new investments in the next few months/years, in the area of technological innovation linked both to the Business and Operations world.

At present the Exprivia Group is marginally active, with activities or customisation of airport applications, Cisco system integration. However, this represents a sector of interest for the Group which is trying to position itself on the value chain of the main sector operators to bring its own offer in the area of Security and to put forward new solutions, in particular Cisco Stealthwatch.

The road transport market, regulated by tenders, is characterised by a constant internal need for greater efficiency of processes and infrastructure security, which impacts on the ICT, IoT and network infrastructure investments.

The Group is present through framework agreements for the provision of professional services. We are working to increase demand for these services, in order to maximise the use of current framework agreements, and on the positioning in the infrastructure and IoT areas.

We are proactively putting forward solutions in the IoT and infrastructure safety areas. We are supporting customers with the provision and implementation of Cisco solutions in the area of Security.

Healthcare

In the first quarter of 2019, the Healthcare market recorded a significant stability, confirming the trend already identified during 2018 of demand concentrating at regional and central level rather than at individual entity level, and this is demonstrated by the announcement of tenders for supplies and services with entire regional administrations or the greater districts of the same regions as recipients.

The market has shown a good recovery in investments in the "Objective 1" regions, where the combined provisions of the availability of European funds and the activation of Consip conventions has generated the acceleration in the procurement processes with the start of important Digital Transformation projects. Generally speaking, resources for technological innovation and empowering the public in the relationship with the healthcare system are still lacking.

The redefinition of Governance of Government Agencies in the area of Digital Transformation has not facilitated the acceleration of routes towards Digital Healthcare even though these had been clearly identified in the planning documents.

The trend for the widespread availability of new technologies and new solutions that increasingly integrate products into more complex platforms continues. 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 market context, in the first quarter of 2019 the Exprivia Group experienced an improvement in its performance compared to the same period in 2018, with an increase in Revenues both for the Digital Service and the Digital Infrastructure components. Also in the first quarter of 2019, the Exprivia Group experienced a significant increase in the order portfolio also as a result of the start of the Consip conventions relative to the healthcare sector.

Public Sector

In the first quarter, there was a substantial stability in the Public Sector market, in continuity with the events of the last few years. The public sector continues to focus on a spending review policy which halted investments in technological innovation on the part of the central and local public administration, and the effects of the Digital Transformation indicated in the Three-Year Plan are not yet apparent.

In an essentially static market, the Exprivia Group was able to expand its market areas. In fact, the significant orders portfolio at the end of 2018 allowed the recording, in the first quarter, of a significant increase in revenues compared to the same period last year, with an overall growth projection in the first half of 2019; the volume of new opportunities opened demonstrate commercial activities aimed at acquiring new customers and new market areas and, in parallel, a continuing management of existing customers with the objective of maintaining and increase the volume of system integration, system and application management services.

In a market still characterised by a high fragmentation of data centres, high heterogeneity of services provided to citizens, companies and public authorities, an element of discontinuity that in 2019 could produce positive effects in the development of value services is the PA's Cloud strategic model, that the Digital Agency for Italy has commented and reiterated in updating the 2019-2021 Three-Year Plan for IT in PAs, which will guide the next Consip calls for tender announced in the last few months.

The adoption of the cloud system represents the key to digital transformation, allowing a veritable revolution in the way of thinking and the provision of services from the PA to the citizens. In this context the role of aggregators, central or regional, which carry out activities for the rationalisation of ICT resources and the coordination by PAs of their reference territories (communes, healthcare bodies, territorial bodies), finalised at the migration of services offered toward the Cloud, becomes more and more important.

It is in this context that the Exprivia Group, having at its disposal process and applicational as well as infrastructure expertise, must take new opportunities to widen its market scope with particular reference to recurring services.

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 yet.

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 corporate customers in order to offset the decrease in revenues from traditional Service Provider customers through IP network virtualisation and automation solutions. In Belgium efforts are targeted at the positioning of the Group's offer both to the local market and to the EU market.

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 service providers 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.

United Kingdom: 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 has experienced good growth and represents the right scenario for the Digital Transformation projects object of the new Group’s offer. The Service Providers 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 Smart Cities, Cyber Security and Customer Experience industrial areas. Straddling the end of 2018 and the start of 2019, two contracts were obtained: one for the Core network (iRPS platform) and one for automation on the NSO/WAE platform with two prominent Operators.

Argentina: with the growing uncertainty relating to the results of the national electoral campaign, the financial and political crisis continues to be very strong. The Argentinian Pesos lost further ground with respect to the US dollar with the consequent effect of hyperinflation (around 50% in the last 12 months) which has frozen most investment plans on the part of enterprises. 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, also exploiting the new “software promotion” law, now in the process to be approved by the Senate.

Brazil: After a 2018 characterised by significant critical issues affecting the Brazilian financial system, 2019 seems set for an improved performance. Although the Exprivia Group continues to maintain its presence within large Service Providers (in relation to which a large contract for the “backbone” network of the main Brazilian operator was recently won), 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.

HUB Peru and Ecuador: Peru and Ecuador were affected to a lesser extent compared to other countries in the region by political and financial issues and 2019 started with a good acceleration of Digital Transformation projects. The Exprivia Group continues its business policy both in the areas of Service Providers, and Enterprise (banking, energy, health, etc.) and Public Sector where, for example, a significant commission was won for the Panamerican Games which will take place in Lima in 2019.

Colombia: in Colombia, the environment in the country and political elections also caused a slowdown and public and private investments alike were reduced to a minimum and in any case temporarily delayed. One of the topics on the agenda of the new government is the digital transformation at the service of education, healthcare and entrepreneurship, all depending on the expansion of 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 and political turbulence downstream of the



inauguration of the new government. 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, which is intensifying. 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.

Significant events in the first quarter of 2019

There are no significant events to report.

Transactions within Exprivia Group

On 14 March 2019 the Exprivia's Board of Directors, after the resignation of the director Filippo Giannelli, co-opted Mr Stefano Pileri to serve as director.

Events after 31 March 2019

On 29 April 2019 the Shareholders' Meeting of Exprivia SpA appointed Mr Stefano Pileri as director, alongside with the rest of the Board of Directors, until the approval of the financial statements as at 31 December 2019.

Business Outlook

The first quarter of 2019 closed with results almost in line with those of last year, after the positive result achieved at the end of 2018. The quarter showed the usual seasonal trends of the Group business.

The performance on the domestic market was affected by the investment dynamics of large customers, which have postponed some important expense decisions, while the performance on foreign markets is encouraging, showing how the combination of an infrastructural and an application system integrator is a success factor that confirms the planning assumptions made.

The new IFRS 16 - Leases accounting standard, which disciplines the accounting treatment of lease contracts for subjects adopting international accounting standards, was introduced in 2019. The introduction of this new standard has had positive effects on profitability and negative effects on the group's NFP, but without affecting the overall interpretation of performance.

We remain of the opinion that digital transformation processes will drive the investments of end customers, also supported by the growth forecasts of the entire ICT sector, both in terms of the speeding up of the innovation of networks and services, and in terms of the mass adoption of 5G, AI, Blockchain and Cybersecurity.

the market performance and Group's results in the next few months will allow us to better calibrate our short term strategies in the light of the Business Plan's expectations and assumptions.

Staff and Turnover

The table below provides details of the staff of Exprivia Group companies as at 31 March 2019 compared with those as at 31 December 2018. In particular, the table shows the number of resources, around 16.3% of whom are part-time (with various arrangements of contractual working hours).

Company	Employees		Media employees		Temporary workers		Media temporary workers	
	31/12/2018	31/03/2019	31/12/2018	31/03/2019	31/12/2018	31/03/2019	31/12/2018	31/03/2019
Exprivia SpA	1,788	1,773	1,821	1,777	1	1	1	1
Exprivia Healthcare IT Srl	-	-	-	-	-	-	-	-
Exprivia Enterprise Consulting Srl	-	-	-	-	-	-	-	-
Exprivia Projects Srl	581	582	555	581	-	-	-	-
Exprivia Process Outsourcing Srl	-	-	-	-	-	-	-	-
Advanced Computer Systems Srl	-	-	-	-	-	-	-	-
Exprivia It Solutions Shanghai	10	10	10	10	-	-	-	-
Exprivia SLU (Spagna)	38	39	39	39	-	-	-	-
Exprivia Messico SA de CV/Prosap	-	-	-	-	-	-	-	-
Centramerica SA	33	25	38	30	1	-	1	-
Exprivia do Brasil Servicos de Informatica Ltda	28	30	27	30	-	2	-	3
Spegea Scarl	7	7	7	7	-	-	-	-
HRCOFFEE Srl	3	3	3	3	2	-	2	-
Gruppo Italtel	1,473	1,498	1,473	1,490	-	4	-	4
Totale	3,961	3,967	3,973	3,967	4	7	4	8
<i>Executives</i>	93	93	-	-	-	-	-	-
<i>Middle Managers</i>	515	531	-	-	-	-	-	-

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” in 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 Group tax and VAT consolidation based on a specific regulation and some of them 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 2018 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 S.p.A. were carried out on an arm's length basis, i.e., under conditions that would have been applied by independent parties.

Relations with Abaco Innovazione S.p.A. of an economic, capital and financial nature are set forth in the next paragraph 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 31 March 2019, the company does not meet the conditions provided under art. 37(1) of CONSOB regulation no. 16191/2007.

Group Relations with the Parent Company

The table below provides the financial and equity relations (in thousands of Euro) between Exprivia Group and the parent company Abaco Innovazione S.p.A. as at 31 March 2019 compared to 31 March 2018, for income statement data, and with 31 December 2018, for balance sheet data.

Receivables

Non-current Financial Assets

Description	31/03/2019	31/12/2018	Variation
Non-current financial receivables from controlling companies	1,784	1,784	0
TOTAL	1,784	1,784	0

The balance as at 31 March 2019 included Euro 1,784 thousand relating to the residual receivable for an unsecured loan with no guarantees taken out in 2016 by the parent company Abaco Innovazione S.p.A. totalling Euro 2,985 thousand, with Euro 1,680 thousand disbursed in cash and Euro 1,305 thousand as a reclassification of payables outstanding as at 31 December 2015. It also included Euro 55 thousand for interest receivable accrued on the same loan.

Current Financial Assets

Description	31/03/2019	31/12/2018	Variation
Current financial receivables from controlling companies	477	461	16
TOTAL	477	461	16

The balance as at 31 March 2019 of Euro 477 thousand is in relation to the current portion of the aforementioned loan.

Trade Receivables

Description	31/03/2019	31/12/2018	Variation
Trade receivables from controlling companies	20	20	(0)
TOTAL	20	20	(0)

The balance as at 31 March 2019 amounts to Euro 20 thousand and refers to trade receivables with the parent company Abaco Innovazione S.p.A.

Financial Income and Charges

Description	31/03/2019	31/03/2018	Variation
Financial costs and expenses from the parent company	111	94	17
TOTAL	111	94	17

The balance as at 31 March 2019 refers to costs for the guarantee given by the parent company to obtain the Euro 25 million loan disbursed to Exprivia S.p.A. by a pool of banks in April 2016.

Revenue and Income

Description	31/03/2019	31/03/2018	Variation
Financial income from parent company	15	22	(6)
TOTAL	15	22	(6)

The balance as at 31 March 2019 refers to interest accrued in relation to Abaco Innovazione S.p.A. on a loan disbursed by Exprivia S.p.A.



Quarterly Consolidated Financial Statements of Exprivia Group as at 31 March 2019

Consolidated Financial Statements as at 31 March 2019

Consolidated Balance Sheet

Amount in thousand Euro			
	Note	31.03.2019	31.12.2018
Property, plant and machinery		49,536	27,667
Goodwill and other assets with an indefinite useful life		191,829	191,829
Other Intangible Assets		50,659	52,615
Shareholdings		470	466
Other financial assets		2,707	2,700
Other financial assets		681	1,673
Deferred tax assets		69,190	68,948
NON-CURRENT ASSETS		365,072	345,898
Trade receivables and other		132,174	155,643
Stock		51,963	33,946
Work in progress to order		64,726	63,975
Other Current Assets		38,716	44,629
Other Financial Assets		5,718	3,787
Cash resources		15,257	19,558
Other Financial Assets available for sale		327	327
CURRENT ASSETS		308,881	321,865
DISCONTINUED NON CURRENT ASSETS		12	106
TOTAL ASSETS		673,965	667,869

Amount in thousand Euro			
	Note	31.03.2019	31.12.2018
Share capital	1	25,083	25,083
Share Premium Reserve	1	18,082	18,082
Revaluation reserve	1	2,907	2,907
Legal reserve	1	4,171	3,959
Other reserves	1	40,972	42,638
Profits (Losses) for the previous period	1	6,937	6,953
Profit (Loss) for the period	1	(13,294)	(852)
SHAREHOLDERS' EQUITY		84,859	98,770
Minority interest		16,694	26,508
GROUP SHAREHOLDERS' EQUITY		68,165	72,262
Non-current bond		22,885	22,550
Non-current bank debt		158,350	158,125
Other financial liabilities		18,624	49
Other no current liabilities		3,716	3,729
Provision for risks and charges		5,535	5,887
Employee provisions		25,490	25,783
Deferred tax liabilities		13,308	13,435
NON CURRENT LIABILITIES		247,908	229,558
Current bond			
Current bank debt		65,707	58,479
Trade payables		187,087	195,255
Advances payment on work in progress contracts		8,838	7,492
Other financial liabilities		6,087	4,502
Other current liabilities		73,091	73,427
CURRENT LIABILITIES		340,810	339,155
DISCONTINUED NON CURRENT LIABILITIES		386	386
TOTAL LIABILITIES		673,965	667,869

Consolidated Income Statement

Amount in thousand Euro			
	Note	31.03.2019	31.03.2018
Revenues	2	101,173	107,065
Other income	3	5,908	6,070
PRODUCTION REVENUES		107,081	113,135
Costs of raw, subsid. & consumable mat. and goods	4	40,527	46,435
Salaries	5	50,890	48,451
Costs for services	6	35,994	40,528
Costs for leased assets	7	311	1,793
Sundry operating expenses	8	1,148	1,023
Change in inventories of raw materials and finished products	9	(18,077)	(20,846)
Provisions	10	47	(2)
TOTAL PRODUCTION COSTS		110,840	117,380
DIFFERENCE BETWEEN PRODUCTION COSTS AND REVENUES		(3,759)	(4,245)
Amortisation, depreciation and write-downs	11	6,835	4,784
OPERATIVE RESULT		(10,594)	(9,029)
Financial income and charges	12	(2,615)	(4,204)
PRE-TAX RESULT		(13,209)	(13,233)
Income tax	13	86	347
PROFIT OR LOSS FOR THE YEAR DERIVING FROM ACTIVITIES IN OPERATION		(13,295)	(13,580)
PROFIT (LOSS) FOR THE EXERCISE DERIVING FROM DISCONTINUED ASSETS	14		(25)
PROFIT OR LOSS FOR THE YEAR	15	(13,294)	(13,605)
Attributable to:			
Shareholders of holding company		(3,535)	(10,946)
Minority interest		(9,758)	(2,659)
Earnings per share losses	16		
Basic earnings per share		(0.0733)	(0.0002)
Basic earnings diluted		(0.0733)	(0.0002)

Consolidated Statement of Comprehensive Income

Amount in thousand Euro			
Description	Note	31/03/2019	31/03/2018
Profit for the period		(13,294)	(13,605)
<i>Other gains (losses) total will not subsequently be reclassified in profit (loss)</i>			
Profit (loss) Actuarial effect of IAS 19		0	0
Tax effect of changes		0	0
Total other comprehensive income (loss) will not subsequently be reclassified in profit (loss)	16	0	0
<i>Other gains (losses) total that will be subsequently reclassified to profit (loss) for the period we</i>			
Change in translation reserve		(136)	(599)
Profit (loss) on AFS classified financial assets		0	
Profit (loss) on cash flow hedge derivatives		0	(75)
		0	
Total other comprehensive income (loss) that will subsequently be reclassified in profit (loss)	16	(136)	(674)
NET COMPREHENSIVE INCOME FOR THE PERIOD		(13,430)	(14,279)
<i>attributable to:</i>			
Group		(3,639)	(11,474)
Minority interest		(9,791)	(2,805)

Statement of Changes in Consolidated Shareholders' Equity

amount in thousand Euro	Company Capital	Own shares	Share Premium Fund	Reval. Reserve	Legal Reserve	Other Reserves	Profits (Losses) brought forward	Profit (Loss) for the period	Total Net Worth	Minority Interests	Total Group Net Worth
Saldo al 31/12/2017	26,980	(1,825)	18,082	2,907	3,931	44,461	6,930	50	101,517	27,125	74,392
Adozione IFRS 15 / IFRS 9						(811)			(811)	(119)	(692)
Saldo rettificato al 31/12/2017	26,980	(1,825)	18,082	2,907	3,931	43,651	6,930	50	100,707	27,006	73,701
Destinazione risultato esercizio precedente					27		23	(50)	-		-
Effetto fiscale da avviamenti da fusioni						(507)			(507)		(507)
Effetti IAS 29						1,610			1,610	785	825
Valore figurativo stock grant						180			180	19	161
Purchase Price Allocation partecipazione Italtel									0	0	0
									0		0
Variazione area di consolidamento, acquisizioni di minoranze						3			3	3	-
Componenti del risultato complessivo											
Utile (perdita) dell'esercizio								(852)	(852)	(1,018)	166
Effetti derivanti dall'applicazione IAS 19						497			497	291	206
Riserva di conversione						(3,139)			(3,139)	(643)	(2,496)
Utile (perdita) su strumenti derivati di cash flow hedge						595			595	113	482
Utile (perdite) su attività finanziarie FVOCI						(128)			(128)		(128)
Totale Utile (Perdita) Complessivo dell'esercizio									(3,027)	(1,257)	(1,770)
Saldo al 31.12.2018	26,980	(1,897)	18,082	2,907	3,959	42,638	6,953	(852)	98,770	26,508	72,262
Adozione IFRS 16						(945)			(945)	(102)	(842)
Saldo rettificato al 31/12/2018	26,980	(1,897)	18,082	2,907	3,959	41,693	6,953	(852)	97,825	26,406	71,420
Destinazione risultato esercizio precedente					212	(1,064)		852	0	0	0
Effetti IAS 29						360			360	68	292
Valore figurativo stock grant						59			59	11	48
Altri movimenti						60	(16)		44		44
Componenti del risultato complessivo											
Utile (perdita) del periodo								(13,294)	(13,294)	(9,758)	(3,536)
Riserva di conversione						(136)			(136)	(32)	(105)
Totale Utile (Perdita) Complessivo del periodo									(13,430)	(9,791)	(3,639)
Saldo al 31/03/2019	26,980	(1,897)	18,082	2,907	4,171	40,972	6,937	(13,294)	84,859	16,694	68,165

Consolidated Cash Flow Statement

Amount in thousand Euro		Note	31.03.2019	31.03.2018
Operating activities:				
Profit (loss) for the year	15	(13,294)	(1)	(13,605) (1)
Amortisation, depreciation and provisions		6,941		4,782
Provision for Severance Pay Fund		1,965		2,103
Advances/Payments Severance Pay		(2,258)		(3,485)
Cash flow generated (absorbed) from operating activities	a	(6,646)		(10,205)
Increase/Decrease in net working capital:				
Variation in stock and payments on account		(17,447)		(30,629)
Variation in receivables to customers		23,469		20,761
Variation in receivables to parent/subsidiary/associated company		0		-
Variation in other accounts receivable		4,956		(4,879)
Variation in payables to suppliers		(7,901)		19,052
Variation in payables to parent/subsidiary/associated company		0		-
Variation in tax and social security liabilities		(5,473)		(5,570)
Variation in other accounts payable		5,137		1,167
Cash flow generated (absorbed) from current assets and liabilities	b	2,740		(98)
Cash flow generated (absorbed) from current activities	a+b	(3,906)		(10,304)
Investment activities:				
Purchases of tangible fixed assets net of payments for sales		(229)		(633)
Variation in intangible assets		(2,412)		(3,902)
Variation in financial assets		1,005		(514)
Cash flow generated (absorbed) from the investment activity	c	(1,636)		(5,049)
Financial assets and liabilities				
New loans		8,872		2,118 (2)
Reimbursement loan		(5,049)		(8,164) (2)
Net variation in other financial debts		(401)		2,019 (2)
Net variation in other financial receivables		(1,939)		421 (2)
Changes in other non-current liabilities and use of risk provisions		(509)		520
Change in equity		268		(1,120)
Cash flow generated (absorbed) from financing activities	d	1,241		(4,206)
Increase (decrease) in cash and cash equivalent	a+b+c+d	(4,301)		(19,559)
Cash and cash equivalent at the beginning of the year		19,558		36,508
Cash and cash equivalent at end of year		15,257		16,950
(1) including taxes and interest paid in the period		963		1,454

Explanatory Notes

Declaration of compliance with IFRS

This quarterly report, as at 31 March 2019, was drafted in compliance with Art. 154-ter of Legislative Decree 58/1998 and subsequent amendments, as well as the Issuer Regulation issued by Consob. This report was prepared in observance of the international accounting standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union and was drafted according to IAS 34 - Interim Financial Reporting.

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

The abbreviated consolidated interim financial statements as at 31 March 2019 were prepared in compliance with international accounting standards as well as the provisions issued in implementation of art. 9 of Italian Legislative Decree no. 38 of 28 February 2005. These standards include the set of IAS and IFRS standards issued by the International Accounting Standard Board, as well as the SIC and IFRIC interpretations issued by the International Financial Reporting Interpretations Committee, which have been adopted according to the procedure referred to in art. 6 of the (EC) Regulations no. 1606 of 19 July 2002 by 31 March 2019. The international accounting standards possibly adopted after this date and before the preparation of these financial statements are used in the preparation of the consolidated financial statements only if their early adoption is allowed by the implementation Regulation and by the accounting standard to be adopted, and in case the Group has chosen this option. The abbreviated consolidated interim financial statements as at 31 March 2019 does not include all the supplementary information required in the preparation of the annual reports and accounts and must be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2018. The main changes brought by the international accounting standards are reported below.

Changes to accounting standards, amendments and interpretations that apply as of 1 January 2019:

- IFRS 16 Leases, issued by the IASB on 13 January 2016, which replaces IAS 17 and its relative interpretations, intended to improve the accounting reporting of lease contracts, was adopted with (EU) Regulations no. 2017/1986 of the Commission of 31 October 2017, published in the Official Gazette L 291 of 9 November 2017. IFRS 16 defines a lease as a contract that gives a customer (lessee) the right to use an asset for a specific period of time in exchange for consideration. The new accounting standard eliminates the classification of leases as operative or financial leases for the purposes of the preparation of financial statements of companies that operate as lessee; for all lease contracts of a duration of over 12 months, excluding leases of low value items, it is necessary to recognise an asset, represented by the right of use, and a financial liability, represented by the obligation to pay according to the contract and equal to the current value of future payments. These provisions must be applied from 1 January 2019 and their early application is allowed together with the adoption of IFRS 15 "Revenues from contracts with customers".
- The amendments to IFRS 9 "Advance payment elements with negative compensation", issued by IASB on 12 October 2017, were adopted at Community level with (EU) Regulations no. 2018/498 of 22 March 2018, published in the Official Gazette L 82 of 26 March 2018. The amendments are aimed at clarifying the classification of some financial assets which can be reimbursed early when IFRS 9 is applied.
- IFRIC 23 Interpretation "Uncertainty over income tax treatment", a document issued by IASB on 7 June 2017, was adopted with (EU) Regulations no. 2018/1595 of the Commission of 23 October 2018,

published in the Official Gazette L 265 of 24 October 2018. The Interpretation specifies how to reflect the uncertainty of income taxes in accounting records.

- Amendments to IAS 28 “Long term investments in associates and joint ventures” issued by the IASB on 12 October 2017 was adopted with (EU) Regulations no. 2019/237 of the Commission of 11 February 2019, published in the Official Gazette L 39 of 11 February 2019. The amendments clarify that the provisions relating to the reduction of value of IFRS 9 Financial instruments are applied to long-term investments in associated companies and joint ventures.

The newly adopted standards, with the exclusion of IFRS 16, 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.

There were no amendments to the other standards with respect to those used in the financial statements as at 31 December 2018.

Application of new accounting standards

Effective from 1 January 2019, the Group has adopted IFRS 16 “Leases”, which resulted in changes in accounting policies and adjustments to the amounts recognised in financial statements.

IFRS 16 Leases, issued by the IASB on 13 January 2016, which replaces IAS 17 and its relative interpretations, intended to improve the accounting reporting of lease contracts, was adopted with (EU) Regulations no. 2017/1986 of the Commission of 31 October 2017, published in the Official Gazette L 291 of 9 November 2017. IFRS 16 “Leases” defines 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.

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 impacts of the first application on the Group consolidated financial statements are summarised as follows:

- Statement of financial position: higher non-current assets due to the recognition of the right of use on the assets leased for an amount of around Euro 24 million; higher financial liabilities representing the obligation to make the payments established in the contract for an amount of around Euro 24.4 million.
- The impact on shareholders' equity, net of the related tax effect, is therefore around Euro 1 million.

The application of this new standard in the quarter has meant that:

- Statement of financial position: non-current assets due to the recognition of the right of use on the assets leased for an amount of Euro 22.7 million; the recognition of financial liabilities representing the obligation to make the payments established in the contract for an amount of Euro 23.2 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 around Euro 1.8 million, on EBIT of Euro 0.2 million, and involving higher financial expenses of Euro 0.2 million, a non-significant impact on the profit (loss) for the period.
- Cash flow statement: the lease payments, for the principal amount to repay the debt, are reclassified from "cash flow from operating activities" to "cash flow from financing activities".

Scope of Consolidation

The consolidated financial statements as at 31 March 2019 include the equity, economic and financial position of the Holding Company Exprivia S.p.A. and its subsidiaries and differs with respect to 31 December 2018 only for the inclusion of Italtel Latam S.r.l., HR Coffee S.r.l. and Italtel de Chile SpA.

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 Perú 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 as at 31 March 2019 for the aforementioned subsidiaries, consolidated using the line-by-line method, are provided below:

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)		Euro	25,000	valori in K Euro	7	48	114	238	100.00%	Exprivia SpA
Consorzio Exprivia S.c.a.r.l	Milano	Euro	20,000	valori in K Euro	(2,2)	19	0	1,592	70.00%	Exprivia SpA
									25.00%	Italtel SpA
									5.00%	Exprivia Projects Srl
Exprivia ASIA Ltd	Hong Kong	Dollaro Hong Kong	2,937,850	valori in K Euro	4	(57)	0	575	100.00%	Exprivia SpA
Exprivia It Solutions (Shanghai) Ltd	Shanghai (Cina)	Renminbi	1,730,000	valori in K Euro	10	(367)	246	471	100.00%	Exprivia ASIA Ltd
Exprivia Do Brasil Servicos Ltda	Rio de Janeiro (Brasile)	Real	5,890,663	valori in K Euro	11	1,593	394	2,012	52.30%	Exprivia SpA
									47.70%	Siemest SpA
Exprivia Projects Srl	Roma	Euro	242,000	valori in K Euro	77	465	4,090	7,207	100.00%	Exprivia SpA
HRCOFFEE Srl	Molfetta (BA)	Euro	300,000	valori in K Euro	(26)	231	0	268	70.00%	Exprivia SpA
									30.00%	persone fisiche
Succursal Ecuador de Exprivia SLU	Quito (Ecuador)	USD	8,578	valori in K Euro	(1)	(12)	0	3	100.00%	Exprivia SLU
Spegea Scarl	Bari	Euro	125,000	valori in K Euro	30	261	204	1,173	60.00%	Exprivia SpA
									40.00%	Confindustria Bari
Exprivia SLU	Madrid (Spagna)	Euro	197,904	valori in K Euro	(83)	2,941	496	4,870	100.00%	Exprivia SpA
ProSap Centroamerica SA	Città del Guatemala (Guatemala)	Quetzal	5,000	valori in K Euro	(16)	230	56	557	98.00%	ProSap Sa de CV
									2.00%	Exprivia SpA
Exprivia Messico SA de CV	Città del Messico (Messico)	Pesos messicani	41,208,999	valori in K Euro	(149)	1,972	194	3,165	2.00%	Exprivia SLU
									98.00%	Exprivia SpA
ProSap Perù SAC	Lima (Perù)	Nuevo Sol	706,091	valori in K Euro	0.0	17	0	33	100.00%	Exprivia SLU
Italtel SpA	Settimo Milanese (MI)	valori in Euro	20,000,001	valori in K Euro	(10,741)	18,724	39,491	409,455	81.00%	Exprivia SpA
									19.00%	Cisco Srl
Italtel BV	Amsterdam (Olanda)	valori in Euro	6,000,000	valori in K Euro	(20)	3,640	0	3,822	100.00%	Italtel Latam Srl
Italtel S.A.	Madrid (Spagna)	valori in Euro	7,353,250	valori in K Euro	(434)	9,373	6,198	23,121	100.00%	Italtel SpA
Italtel Argentina S.A.	Buenos Aires (Argentina)	valori in P.A.	4,030,000	valori in K Euro	(292)	3,107	3,296	10,329	71.46%	Italtel BV
									28.54%	Italtel Latam Srl
Italtel Brasil Ltda	San Paolo (Brasile)	valori in Real brasiliano	6,586,638	valori in K Euro	(1,681)	308	4,602	19,911	93.66%	Italtel Latam Srl
									6.34%	Italtel BV
Italtel Deutschland GmbH	Dusseldorf (Germania)	valori in Euro	40,000	valori in K Euro	(451)	1,805	578	7,006	100.00%	Italtel SpA
Italtel France Sas	Courbevoie (Francia)	valori in Euro	40,000	valori in K Euro	(101)	(352)	1,379	4,481	100.00%	Italtel SpA
Italtel U.K. Ltd	London (Gran Bretagna)	valori in Lira sterlina	26,000	valori in K Euro	(3)	(14)	0	2	100.00%	Italtel SpA
Italtel Belgium Sprl	Bruxelles (Belgio)	valori in Euro	500,000 (di cui versato 200,000)	valori in K Euro	(2)	193	0	194	60.00%	Italtel SpA
									40.00%	Italtel France Sas
Italtel Poland Sp.Zo.O.	Varsavia (Polonia)	valori in Zloty	400,000	valori in K Euro	127	220	300	652	100.00%	Italtel SpA
Italtel Perù Sac	Lima (Perù)	valori in Nuovo Sol	3,028,000	valori in K Euro	356	3,959	11,740	28,127	90.00%	Italtel BV
									10.00%	Italtel SpA
Ausoitaltel S.A.	Quito (Ecuador)	valori in USD	500,000	valori in K Euro	(1)	(597)	565	3,038	1.00%	Italtel BV
									99.00%	Italtel Latam Srl
Italtel USA LLC	Miami (Florida)	valori in USD	150,000	valori in K Euro	(234)	(57)	0	1,096	100.00%	Italtel SpA
Italtel Arabia Ltd in liquidazione	Riyadh (Arabia Saudita)	valori in SAR	3,287,980	valori in K Euro	0	(1,576)		12	90.00%	Italtel SpA
									10.00%	Italtel BV
Italtel Chile Spa	Santiago (Chile)	valori in Peso cileno	1,000,000	valori in K Euro	0	1		1	100.00%	Italtel Latam Srl
Italtel Latam S.r.l.	Settimo Milanese (MI)	valori in Euro	10,000	valori in migliaia di Euro	0	9,843	0	10,422	100.00%	Italtel SpA

The primary exchange rates used for conversion into Euro of the financial statements of foreign companies as at 31 March 2019 were as follows:

Exchange rate	Average of 3 months to 31 March 2019	At 31 March 2019
Argentine Peso	44.237	48.935
Real brazilian	4.2768	4.3865
Pound Sterling	0.87230	0.85830
Dollar USA	1.3560	1.1235
Zloty polacco	4.3020	4.301
Nuevo Sol peruviano	3.7752	3.7292
Riyal Arabia Saudita	4.2588	4.2131
Dollaro Hong Kong	8.9109	8.8195
Renminbi -Yuan (Cina)	7.6619	7.5397
Mexican Peso	21.8038	21.6910
Guatemalan Quetzal	8.7692	8.6376
Peso Cileno	757.51	766.02

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

SEGMENT REPORTING

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

As at 31 March 2019, the segments subject to reporting were:

- IT (Information Technology), including software, information technology solutions and services and IT. This sector corresponds to the scope of consolidation of Exprivia Group prior to the acquisition of 81% of the share capital of Italtel S.p.A.;
- TLC (Telecommunications), including the design, development and installation of solutions for integrated network systems and services within the sphere of the new generation technologies based on the IP protocol. The sector corresponds to the scope of sub-consolidation of the Italtel Group.

Note that the TLC operating segment was identified following the inclusion of Italtel SpA and its subsidiaries in the scope of consolidation as from 31 December 2017.

The following statement shows the restated financial and capital situation, which highlights the structure of invested capital and funding resources for each individual operating sector as at 31 March 2019 compared with data from 31 December 2018, for the reclassified Balance Sheet, and 31 March 2018, for the Income Statement.

Reclassified Balance Sheet

amount in thousand Euro	IT			TLC			Eliminations			CONSOLIDATED		
	31.03.2019	31.12.2018	Variation	31.03.2019	31.12.2018	Variation	31.03.2019	31.12.2018	Variation	31.03.2019	31.12.2018	Variation
Property, plant and machinery	20,078	15,039	5,039	30,245	12,653	17,592	(787)	(25)	(762)	49,536	27,667	21,869
Goodwill	79,235	79,235	0	112,594	112,594	0	(0)	0	(0)	191,829	191,829	(0)
Other Intangible Assets	11,125	11,127	(3)	39,669	41,630	(1,961)	(134)	(142)	8	50,659	52,615	(1,955)
Shareholdings	160	163	(3)	310	303	7	(0)	(0)	0	470	466	5
Other financial assets	59	53	6	622	1,622	(1,000)	0	0	0	681	1,675	(994)
Deferred tax assets	2,517	2,373	145	66,661	66,575	86	11	0	11	69,190	68,948	242
NON-CURRENT ASSETS	113,174	107,589	5,185	250,101	235,377	14,724	(910)	(167)	(743)	362,365	343,199	19,167
Trade receivables	55,605	51,238	4,367	78,768	107,491	(28,723)	(2,198)	(3,085)	887	132,174	155,643	(23,469)
Stock	1,019	766	254	50,944	33,180	17,764	0	0	0	51,963	33,946	18,018
Work in progress to order	22,885	19,769	3,115	41,859	44,278	(2,411)	(18)	(65)	47	64,726	63,975	751
Other Current Assets	13,754	11,322	2,432	28,553	34,912	(6,359)	(3,591)	(1,604)	(1,986)	38,716	44,630	(5,914)
CURRENT ASSETS	93,262	83,095	10,167	200,124	219,853	(19,729)	(5,807)	(4,754)	(1,053)	287,579	298,193	(10,614)
DISCONTINUED NON-CURRENT ASSETS	0	0	0	12	106	(94)	0	0	0	12	106	(94)
Commercial debts	(24,347)	(24,123)	(224)	(164,828)	(174,275)	9,447	2,089	3,143	(1,054)	(187,087)	(195,255)	8,169
Advances on contract work in progress	(6,712)	(5,349)	(1,364)	(2,126)	(2,143)	17	0	0	0	(8,838)	(7,492)	(1,347)
Other current liabilities	(34,629)	(33,029)	(1,600)	(42,171)	(42,002)	(169)	3,709	1,604	2,105	(73,091)	(73,427)	336
CURRENT LIABILITIES	(65,689)	(62,501)	(3,188)	(209,125)	(218,420)	9,295	5,798	4,747	1,051	(269,017)	(276,174)	7,158
DISCONTINUED NON-CURRENT LIABILITIES	0	0	-	(386)	(386)	0	0	0	0	(386)	(386)	0
NON-CURRENT FUNDS AND LIABILITIES	(15,554)	(15,680)	126	(32,495)	(33,155)	660	0	0	0	(48,049)	(48,835)	786
NET INVESTED CAPITAL	125,193	112,903	12,290	208,231	203,375	4,856	(919)	(175)	(744)	332,505	316,103	16,402
NET FINANCIAL POSITION	60,649 ²⁾	48,460 ²⁾	12,189	187,796	168,874	18,922	(798)	0	(798)	247,647 ²⁾	217,334 ²⁾	30,313

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

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

Income Statement

Amount in thousand Euro	IT			TLC			Eliminations			CONSOLIDATED		
	31.03.2019	31.03.2018	Variazione	31.03.2019	31.03.2018	Variazione	31.03.2019	31.03.2018	Variazione	31.03.2019	31.03.2018	Variazione
Revenues	37,053	36,157	896	64,636	71,823	(7,187)	(516)	(915)	398	101,173	107,065	(5,892)
Other income	1,287	970	317	4,883	5,099	(216)	(262)	0	(262)	5,908	6,069	(161)
TOTAL REVENUES	38,340	37,127	1,213	69,519	76,922	(7,403)	(778)	(915)	137	107,081	113,134	(6,053)
Costs for consumables and finished products	(735)	(1,283)	548	(39,792)	(45,152)	5,360	0	0	0	(40,527)	(46,435)	5,908
Personnel costs	(26,915)	(26,046)	(869)	(23,915)	(22,405)	(1,510)	(0)	0	(0)	(50,890)	(48,451)	(2,439)
Costs for services	(7,679)	(6,391)	(1,287)	(29,095)	(35,087)	5,992	780	915	(135)	(35,994)	(40,528)	4,534
Costs for use of third-party assets	(125)	(821)	696	(134)	(972)	838	(52)	0	(52)	(311)	(1,783)	1,482
Different management charges	(186)	(183)	(3)	(962)	(840)	(122)	(0)	0	(0)	(1,148)	(1,023)	(125)
Change in inventories	278	494	(216)	17,799	20,352	(2,553)	(0)	0	(0)	18,077	20,846	(2,769)
Provisions and write-downs of current assets	(47)	2	(49)	0	0	0	(0)	0	(0)	(47)	2	(49)
TOTAL COSTS	(35,467)	(34,218)	(1,250)	(75,099)	(84,078)	7,979	726	915	(188)	(110,840)	(117,381)	6,541
EBITDA	2,873	2,910	(37)	(6,580)	(7,156)	576	(52)	0	(52)	(3,759)	(4,246)	487
Amortization and depreciation of non-current assets	(1,557)	(1,111)	(446)	(5,395)	(3,673)	(1,722)	117	0	117	(6,835)	(4,784)	(2,051)
EBIT	1,315	1,799	(483)	(11,975)	(10,829)	(1,146)	65	0	65	(10,594)	(9,030)	(1,564)
Financial income and (expense) from equity investments	(882)	(694)	(188)	(1,739)	(3,510)	1,771	5	0	6	(2,615)	(4,284)	1,589
RESULT ANTE TAXES	433	1,105	(672)	(13,714)	(14,339)	625	72	0	72	(13,209)	(13,234)	25
Taxes	(197)	(591)	394	(14)	244	(258)	125	0	125	(86)	(347)	261
PROFIT (LOSS) FOR THE YEAR DERIVING FROM OPERATING ACTIVITIES	0	0	0	0	(25)	25	0	0	0	0	(25)	25
PROFIT (LOSS) FOR THE YEAR	236	514	(278)	(13,727)	(14,120)	393	196	0	196	(13,295)	(13,666)	371

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

Exprivia Group (amount in thousand Euro)	31/03/2019	31/03/2018	Variation
Projects and Services	46,755	47,168	(413)
Maintenance	14,773	17,024	(2,251)
HW/ SW third parties	372	930	(558)
Own licences	2,084	5,135	(3,051)
System Integration	36,985	36,523	462
Other	204	285	(81)
Total	101,173	107,065	(5,892)

Exprivia Group (amount in thousand Euro)	31/03/2019	Effect%	31/03/2018	Effect %
Private	91,171	90.1%	98,835	92.3%
Public	10,002	9.9%	8,230	7.7%
TOTAL	101,173		107,065	

Exprivia Group (amount in thousand Euro)	31/03/2019	Effect%	31/03/2018	Effect%
Italy	68,825	68.0%	80,511	75.2%
Foreign	32,348	32.0%	26,554	24.8%
TOTAL	101,173		107,065	

Explanatory Notes on the Consolidated Balance Sheet

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

Note 1 - SHAREHOLDERS' EQUITY

Share Capital

“**Share capital**”, fully paid up, amounted to Euro 25,155 thousand as at 31 March 2019 and is unchanged compared to the figure as at 31 December 2018. It is represented by 51,883,958 ordinary shares with a par value of Euro 0.52 each for a total of Euro 26,980 thousand, net of 3,509,153 own shares held as at 31 March 2019 for a value of Euro 1,825 thousand, which have not changed with respect to 31 December 2018.

Share Premium Reserve

At 31 March 2019, the “**Share premium reserve**” amounted to Euro 18,082 thousand and is the same as 31 December 2018.

Revaluation Reserve

At 31 March 2019, the “**Revaluation reserve**” amounted to Euro 2,907 thousand and is the same as 31 December 2018.

Legal Reserve

At 31 March 2019, the “**legal reserve**” amounted to Euro 4,171 thousand, reflecting an increase of Euro 212 thousand compared to Euro 3,959 thousand as at 31 December 2018, due to the allocation of the parent company's 2018 profit.

Other Reserves

The balance of the item “Other reserves” as at 31 March 2019 amounted to Euro 40,972 thousand compared to Euro 42,638 thousand as at 31 December 2018. The change for the period relates to:

- the negative effect of the first adoption of IFRS 16 of Euro 945 thousand;
- the negative effect of the allocation of profit for the previous year of Euro 1,064 thousand;
- the positive effect on shareholders' equity of the adoption of IAS 29 accounting standard for Euro 360 thousand;
- the positive effect on shareholders' equity of Euro 59 thousand deriving from the increasing of a reserve representing the figurative value of the shares that will be assigned to the beneficiaries of the “2018-2020 Performance Share Plan”;
- other positive changes for Euro 60 thousand;
- the negative effect of the currency translation reserve, for Euro 136 thousand.

Profits (Losses) from Previous Periods

The reserve for **profits (losses) from previous periods** as at 31 March 2019 came to Euro 6,937 thousand compared to Euro 6,953 thousand at 31 December 2018.

Minority Interests

The Minority shareholders' interests (Euro 16 million as at 31 March 2019) 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.

NET FINANCIAL POSITION

In accordance with the CONSOB notice of 28 July 2006 and CESR recommendation of 10 February 2005 “Recommendations for standard implementation of European Commission regulations on disclosure schedules”, the table below shows the net financial position of the Exprivia Group as at 31 March 2019 and as at 31 December 2018.

Amount in thousand Euro			
		31.03.2019	31.12.2018
A.	Cash	1,423	378
B.	Other liquid assets	13,834	19,180
C 1.	Securities held for trading	327	327
C 2.	Own shares	2,691	2,691
D	Liquid (A)+(B)+(C)	18,275	22,576
E.	Current financial receivables	5,718	3,787
F.	Current bank debts	(48,610)	(47,435)
G.	Current portion of non-current bank debts	(17,097)	(11,044)
H.	Other current financial debts	(6,087)	(4,502)
I.	Current financial debts (F) + (G) + (H)	(71,794)	(62,981)
J.	Net current financial debts (I) + (E) + (D)	(47,801)	(36,618)
K.	Non-current bank debts	(158,350)	(158,125)
L.	Bond	(22,885)	(22,550)
M.	Other non-current financial payables net of non-current financial receivables and derivative financial instruments	(15,917)	2,650
N.	Non-current financial debts (K) + (L) + (M)	(197,152)	(178,025)
O.	Net financial debts (J) + (N)	(244,953)	(214,643)

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

As already previously highlighted, the adoption of the new IFRS 16 accounting standard has involved the recognition of financial liabilities of around Euro 23.2 million (around Euro 4.6 million for current financial liabilities and around Euro 18.6 million for non-current financial liabilities).

Explanatory Notes to the Consolidated Income Statement

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

As indicated previously, the consolidated income statement and consolidated statement of comprehensive income include the balances of Italtel Group from 1 January 2018.

Note 2 – Revenue

Revenue from sales and services in the first quarter of 2019 amounted to Euro 101,173 thousand compared to Euro 107,065 thousand in the same period of 2018.

Details of the revenues for the first quarter of 2019 by type of services compared with the same period of the previous year are shown below.

Exprivia Group (amount in thousand Euro)	31/03/2019	31/03/2018	Variation
Projects and Services	46,755	47,168	(413)
Maintenance	14,773	17,024	(2,251)
HW/ SW third parties	372	930	(558)
Own licences	2,084	5,135	(3,051)
System Integration	36,985	36,523	462
Other	204	285	(81)
Total	101,173	107,065	(5,892)

Note 3 - Other Income

Other income in the first quarter of 2019 amounted to Euro 5,908 thousand compared to Euro 6,070 thousand in the same period of 2018. The table below provides details on the item:

Description	31/03/2019	31/03/2018	Variation
Other revenues and income	1,603	1,850	(247)
Grants related to income	2,270	1,248	1,022
Increase in capitalised expenses for internal projects	2,035	2,972	(937)
TOTAL	5,908	6,070	(162)

Other Revenue and Income

Other income and revenues in the first quarter of 2019 amounted to Euro 1,603 thousand compared to Euro 1,850 thousand in the same period of 2018.

Grants for Operating Expenses

Grants received pertaining to the current year in the first quarter of 2019 amounted to Euro 2,270 thousand compared to Euro 1,248 thousand in the same period of 2018. This item refers to grants and tax credits pertaining to the period for funded research and development projects. The grants are carried net of the amount allocated to the risk provision for any minor grants that might not be received.

Costs for Capitalised Internal Projects

Costs for capitalised internal projects totalled Euro 2,035 thousand in the first quarter of 2019, compared to Euro 2,972 thousand in the same period of 2018. These are costs incurred during the period by Italtel Group for product development in the TLC area, in the Banking & Finance area, in Healthcare and in Aerospace & Defence.

Note 4 - Costs for Sundry Consumables and Finished Products

The balance of the item **costs for sundry consumables and finished products** in the first quarter of 2019 amounted to Euro 40,527 thousand compared to Euro 46,435 thousand in the same period of the previous year. The table below provides details on the items:

Description	31/03/2019	31/03/2018	Variation
Purchase of HW-SW products	40,453	46,354	(5,901)
Stationery and consumables	39	17	22
Fuel and oil	17	40	(23)
Other costs	19	23	(4)
TOTAL	40,527	46,435	(5,907)

Note 5 - Staff Costs

The item **staff costs** totalled Euro 50,890 thousand in the first quarter of 2019, compared to Euro 48,451 thousand in the same period of 2018.

The table below provides details on the item:

Description	31/03/2019	31/03/2018	Variation
Salaries and wages	37,811	36,102	1,709
Social charges	9,645	9,169	476
Severance Pay	1,968	2,103	(135)
Other staff costs	1,466	1,078	388
TOTAL	50,890	48,451	2,439

The number of employees as at 31 March 2019 came to 3,961 (of which 3,957 employees and 4 associates) while the Group employed 3,967 staff as at 31 March 2018 (of which 3,960 employees and 7 associates).

The average as at 31 March 2019 was 3,973 employees and 4 temporary workers. The increase in personnel costs relates for the most part to less holiday time taken in the first quarter of this year compared to the same period last year.

Note 6 – Costs for Services

The consolidated balance of item **costs for services** totalled Euro 35,994 thousand in the first quarter of 2019, compared to Euro 40,528 thousand in the same period of 2018.

The table below provides details on the items:

Description	31/03/2019	31/03/2018	Variation
Technical and commercial consultancy	28,220	32,620	(4,400)
Administrative/company/legal consultancy	1,809	694	1,115
Auditors' fees	80	62	18
Travel and transfer expenses	1,339	1,512	(173)
Utilities	1,027	1,177	(150)
Advertising and agency expenses	96	91	5
Bank charges	133	119	14
HW and SW maintenance	1,552	1,443	109
Insurance	580	833	(253)
Other costs	1,156	1,975	(819)
TOTAL	35,994	40,528	(4,533)

The most significant change was caused by the decrease in costs for professional and commercial services and other costs for services, while consultancy costs for administrative and corporate services increased.

Note 7 – Costs for Leased Assets

The consolidated balance of item **costs for leased assets** totalled Euro 311 thousand in the first quarter of 2019, compared to Euro 1,793 thousand in the same period of 2018. The main changes are recorded in the item Rental expenses and Car Hire/Leases mainly for the effect of the adoption of the new IFRS 16 accounting standard. The table below provides details on the items:

Description	31/03/2019	31/03/2018	Variation
Rental expenses	175	1,290	(1,115)
Car rental/leasing	15	252	(237)
Rental of other assets	29	120	(91)
Other costs	92	131	(39)
TOTAL	311	1,793	(1,482)

Note 8 - Sundry Operating Expenses

The consolidated balance of item **sundry operating expenses** totalled Euro 1,148 thousand in the first quarter of 2019, compared to Euro 1,023 thousand in the same period of 2018. The main change relates to the item Penalties and damages.

Description	31/03/2019	31/03/2018	Variation
Annual subscriptions	116	154	(38)
Taxes	480	413	67
Penalties and fines	2	3	(1)
Charitable donations	2	34	(32)
Write-offs	0	0	0
Penalties and damages	175	0	175
Other sundry operating expenses	374	419	(46)
TOTAL	1,148	1,023	123

Note 9 - Changes in Inventories

In the first quarter of 2019, the balance of the item **changes in inventories** was Euro -18,977 thousand compared to Euro -20,846 thousand in the same period of the previous year.

Note 10 – Provisions and Write-downs of Current Assets

The consolidated balance of **provisions and write-downs of current assets** in the first quarter of 2019 amounted to Euro 47 thousand compared to a balance of Euro -2 thousand in the corresponding period of the prior year and refers to provisions for ongoing disputes.

The table below provides details on the items.

Description	31/03/2019	31/03/2018	Variation
Provision for bad debts provision	1	-	1
Provision for legal disputes with employees	21	(2)	23
Other provisions	25		25
TOTAL	47	(2)	49

Note 11 - Amortisation, Depreciation and Write-downs

Amortisation and Depreciation

In the first quarter of 2019, **amortisation and depreciation** amounted to Euro 6,834 thousand compared with Euro 4,784 thousand in the same period of 2018, of which Euro 4,376 thousand for amortisation of intangible fixed assets and Euro 2,458 thousand for depreciation of tangible fixed assets. The adoption of the IFRS 16 accounting standard has involved the recognition of depreciation and amortisation expense on the right of use for around Euro 1,533 thousand.

Write-downs

Write-downs had a zero balance in the first quarter of 2019, compared to Euro 89 thousand in the same period of 2018.

Note 12 - Financial Income (Charges) and Other Investments

The balance of the item **financial income (charges) and other investments** amounted to Euro -2,615 thousand in the first quarter of 2019 compared with Euro -4,204 thousand in the same period last year; the adoption of the accounting standard IFRS 16 has involved the recognition of interest expenses for around Euro 239 thousand.

The table below provides details on the items.

Description	31/03/2019	31/03/2018	Variation
Proceeds from shareholdings from parents	15	22	(7)
Other income other than the above	325	137	188
Interest and other financial charges	(3,399)	(3,236)	(163)
From parent charges	(111)	(96)	(15)
Profit and loss on currency exchange	555	(1,031)	1,586
TOTAL	(2,615)	(4,204)	1,588

Income from Parent Companies

The balance of the item **income from parent companies** amounted to Euro 15 thousand in the first quarter of 2019 compared to Euro 22 thousand in the same period in 2018 and refers to interest accrued in relation to Abaco Innovazione S.p.A. for a loan disbursed by Exprivia S.p.A.

Income Other Than the Above

The balance of item **income other than the above** totalled Euro 325 thousand in the first quarter of 2019, compared to Euro 137 thousand in the same period of 2018. The table below provides details on the item.

Description	31/03/2019	31/03/2018	Variation
Bank interest receivable	292	93	199
Interest income from securities	12		12
Other interest income	18	43	(25)
Rounding up of assets	2	1	1
TOTAL	325	137	189

Interest and Other Financial Charges

The balance of the item **interest payable and other financial charges** in the first quarter of 2019 amounted to Euro 3,399 thousand compared to Euro 3,236 thousand in the same period of 2018. The table below provides details on the items.

Description	31/03/2019	31/03/2018	Variation
Bank interest payable	1,518	1,515	3
Interest on loans and mortgages	496	556	(60)
Sundry interest	742	865	(123)
Charges on financial products and sundry items	1	12	(11)
Rounding up/down	640	288	352
Interest cost IAS 19	2		2
TOTAL	3,399	3,236	163

Charges from Parent Companies

The balance of the item **charges from parent companies** amounted to Euro 111 thousand in the first quarter of 2019 compared with Euro 96 thousand in the corresponding period of 2018 and refers to the portion of charges relative to the period recognised by Exprivia S.p.A. to the parent company Abaco Innovazione S.p.A. for guarantees issued by the latter with respect to its subsidiary.

Gains (Losses) on Currency Exchange

In the first quarter of 2019, **exchange gains** amounted to Euro 555 thousand compared to losses of Euro 1,031 thousand in the same period of 2018. This amount refers to the fluctuations in exchange rates due to the commercial transactions carried out by the Group's foreign companies in currencies other than the domestic currency and in the change of the fair value of hedging transactions on exchange risk.

Note 13 - Taxes

In the first quarter of 2019, **taxes** amounted to Euro 88 thousand compared to Euro 347 thousand in the same period of 2018; the table below provides details on the changes compared to the previous period:

Description	31/03/2019	31/03/2018	Variation
IRES	-	317	(317)
IRAP	178	168	10
Foreing tax	176	20	156
Taxes from prior years	0	0	0
Deferred tax	(268)	49	(317)
Deferred tax assets	2	(207)	209
TOTAL	88	347	(260)

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

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

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

Note 14 - Profit (Loss) for the Period

The income statement for the first quarter of 2019 closed with a consolidated loss, after taxes, of Euro 13,296 thousand compared to the consolidated loss of Euro 13,580 thousand reported in the same period of 2018.

Note 15 - Earnings (Loss) Per Share

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

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

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

As at 31 March 2019 the basic and diluted loss per share amounted to Euro -0.0733.

Profit/ (Loss) amount in Euro	31.03.2019
Profits for determining basic earnings per share (Net profit due to shareholders of parent company)	(3,535,236)
Profit for determining the earnings per basic share	(3,535,236)
Number of shares	31.03.2019
Number of ordinary shares at 1 January 2019	51,883,958
Purchase of own shares at 31 March 2019	3,647,591
Average weighted number ordinary shares for calculation of basic profit	48,236,367
Earnings per share (Euro)	31.03.2019
Profit (loss) per basic share	-0.0733
Diluted earnings (loss) per share	-0.0733

Note 16 - Information on the Cash Flow Statement

The decrease in cash and cash equivalents during the period, equivalent to Euro 4.3 million, is due to the negative flows deriving from operating activities for Euro 3.9 million, as well as negative flows deriving from investment activities for Euro 1.6 million, partly offset by positive flows deriving from financing activities for Euro 1.2 thousand.

Statement for Consolidated Financial Statements in accordance with art. 154-bis par. 2 of legislative decree no. 58 of 24 February 1998 - Consolidation Act, on the provisions on broking and subsequent amendments

The undersigned Valerio Stea, Executive manager responsible for preparing the corporate accounts, in accordance with Art. 154-bis, par. 2 of Legislative Decree no. 58 of 24 February 1998, introduced by Law no. 262 of 28 December 2005, states that the information and data on the economic, capital and financial situation contained in this Interim Report on Operations as at 31 March 2019 referring to the Consolidated Financial Statements correspond to the documentary results of the accounting records.

Molfetta, 14 May 2019

Valerio Stea

The Reporting Officer