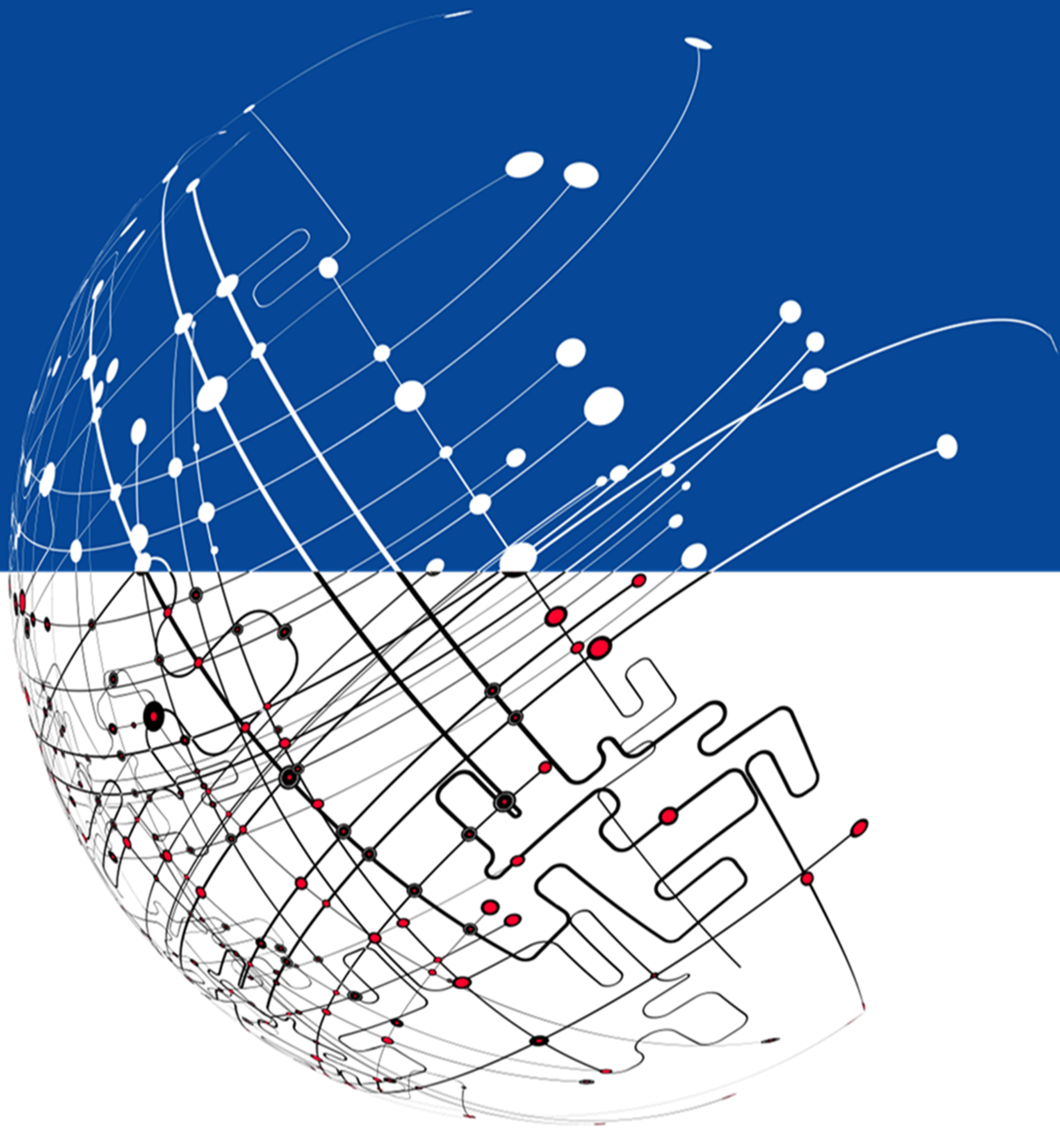
Gruppo AlmavivA



Interim Consolidated Financial Report for the three months period ended March 31st, 2019

Board of Directors May 22nd, 2019

Index

ALMAVIVA S.P.A. AND SUBSIDIARIES
INTERIM CONSOLIDATED FINANCIAL REPORT FOR THREE MONTHS PERIOD ENDED MARCH 31, 2019

ALMAVIVA S.P.A. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At March 31,	At December 31,
(in thousands of Euro)	**Note**	**2019**	**2018**
Intangible assets	6	57,561	57,321
Goodwill		38,840	38,847
Property, plant and equipment	7	104,349	51,085
Investments accounted for using the equity method	8	1,099	1,099
Non-current financial assets	9	1,640	1,643
Deferred tax assets	10	15,213	15,259
Other non-current assets	11	2,517	2,499
Total non-current assets		**221,220**	**167,754**
Inventories	12	5,103	4,684
Contract assets	13	57,024	47,235
Trade receivables	14	312,775	303,731
Current financial assets	15	3,380	4,140
Other current assets	16	115,927	98,893
Cash and cash equivalents	17	53,491	71,603
Total current assets		**547,700**	**530,287**
Non-current assets held for sale	18	2,459	2,459
Total assets		**771,379**	**700,499**
Share capital		154,899	154,899
Share premium reserve		17,788	17,788
Other reserves		(167,558)	(185,465)
Profit/(loss) for the year		3,085	16,692
Total group shareholders' equity		*8,214*	*3,915*
Non-controlling interests		*5,116*	*4,716*
Total shareholders' equity	19	**13,331**	**8,631**
Non-current liabilities for employee benefits	20	48,525	48,470
Non-current provisions	21	5,242	5,006
Non-current financial liabilities	22	317,494	274,902
Deferred tax liabilities	23	1,534	1,534
Other non-current liabilities	24	720	754
Total non-current liabilities		**373,515**	**330,666**
Current provisions	21	6,415	5,611
Trade payables	25	229,882	222,162
Current financial liabilities	26	31,666	14,330
Current tax liabilities	27	31,287	36,143
Other current liabilities	28	85,282	82,957
Total current liabilities		**384,533**	**361,203**
Total liabilities		**758,048**	**691,868**
Total equity and liabilities		**771,379**	**700,499**

The Interim Consolidated Financial Statements as of March 31, 2019 contain the effect deriving from the first application of IFRS 16 – Leases. Mentioned effects have been disclosed in paragraph 3.2 (page F-22) of the notes.

ALMAVIVA S.P.A. AND SUBSIDIARIES
INTERIM CONSOLIDATED INCOME STATEMENT

		For the tree months ended March 31,	
(in thousands of Euro)	**Note**	**2019**	**2018**
Revenues from contracts with customers	29	205,106	187,792
Other Income	30	2,740	2,649
Total revenues and other income		**207,846**	**190,441**
Cost of raw materials and services	31	(65,436)	(59,604)
Personnel expenses	32	(116,230)	(113,405)
Depreciation and amortization	33	(9,767)	(6,565)
Losses from sale of non-current assets	33	(1)	(84)
Other expenses	34	(1,972)	(2,283)
Operating profit/(loss)		**14,441**	**8,500**
Financial income	35	105	51
Financial expenses	35	(7,829)	(7,176)
Exchange gains/(losses)	35	79	67
Profit/(loss) from investments accounted for using equity method	36	0	6
Profit/(Loss) before taxes		**6,795**	**1,447**
Income taxes	37-38	(3,386)	(604)
Profit/(Loss) from continuing operations		**3,409**	**844**
Profit/(Loss) for the year		**3,409**	**844**
of which:			
Profit/(loss) pertaining to the group		3,085	630
Profit/(loss) pertaining to non-controlling interests		324	214

The Interim Consolidated Financial Statements as of March 31, 2019 contain the effect deriving from the first application of IFRS 16 – Leases. Mentioned effects have been disclosed in paragraph 3.2 (page F-22) of the notes.

ALMAVIVA S.P.A. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

		For the tree months ended March 31,	
(in thousands of Euro)	**Note**	**2019**	**2018**
Profit/(loss) for the year		**3,409**	**844**
Other components of comprehensive income that may be subsequently reclassified to profit or loss, after taxes:			
Exchange differences on translation of foreign operations		1,291	(2,998)
Gains/(losses) on cash flow hedging instruments		0	0
Total		**1,291**	**(2,998)**
Other components of comprehensive income that will not be subsequently reclassified to profit or loss, after taxes:			
Actuarial gains/(losses) on valuation of liabilities for employee benefits	**20**	0	0
Total		**0**	**0**
Comprehensive income/(loss) for the year		**4,700**	**(2,154)**
of which:			
Comprehensive income/(loss) pertaining to the group		4,299	(2,213)
Comprehensive income/(loss) pertaining to non-controlling interests		401	59

ALMAVIVA S.P.A. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of Euro)	Share capital	Share premium reserve	Other reserves	Profit/(loss) for the year	Total Group shareholders' equity	Reserves pertaining to NCIs	Profit/(loss) for the year	Total non-controlling interests	Total shareholders' equity
Shareholders' Equity at December 31, 2018	**154.899**	**17.788**	**(185.465)**	**16.692**	**3.915**	**3.393**	**1.323**	**4.716**	**8.631**
Profit/(loss) for the year				**3.085**	**3.085**		**324**	**324**	**3.409**
Exchange differences on translation of foreign operations			1.214		1.214	77		77	1.291
Gains/(losses) on cash flow hedging instruments					0			0	0
Actuarial gains/(losses) on valuation of liabilities for employee benefits					0			0	0
Comprehensive income/(loss) for the year	**0**	**0**	**1.214**	**3.085**	**4.299**	**77**	**324**	**401**	**4.700**
Allocation of prior year's profit/(loss)			16.692	(16.692)	0	1.323	(1.323)	0	0
Dividends					0				0
Other movements					0			0	0
Shareholders' Equity at March 31, 2019	**154.899**	**17.788**	**(167.558)**	**3.085**	**8.214**	**4.793**	**324**	**5.116**	**13.331**

ALMAVIVA S.P.A. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of Euro)	**Share capital**	**Share premium reserve**	**Other reserves**	**Profit/(loss) for the year**	**Total Group shareholders' equity**	**Reserves pertaining to NCIs**	**Profit/(loss) for the year**	**Total non-controlling interests**	**Total shareholders' equity**
Shareholders' Equity at At December 31, 2017	**154.899**	**17.788**	**(166.660)**	**221**	**6.249**	**3.887**	**642**	**4.529**	**10.779**
Profit/(loss) for the period				**630**	**630**		**214**	**214**	**844**
Exchange differences on translation of foreign operations			(2.843)		(2.843)	(155)		(155)	(2.997)
Gains/(losses) on cash flow hedging instruments			0		0			0	0
Actuarial gains/(losses) on valuation of liabilities for employee benefits			0		0			0	0
Comprehensive income/(loss) for the period	**0**	**0**	**(2.843)**	**630**	**(2.213)**	**(155)**	**214**	**59**	**(2.154)**
Allocation of prior year's profit/(loss)			221	(221)	0	642	(642)	0	0
Dividends			0		0	0		0	0
Other movements			(88)		**(88)**	(5)		(5)	(93)
Shareholders' Equity at March 31, 2018	**154.899**	**17.788**	**(169.370)**	**630**	**3.950**	**4.369**	**214**	**4.583**	**8.534**

ALMAVIVA S.P.A. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of Euro)	Note	At March 31, 2019	At March 31, 2018
Profit/(loss) for the year		**3,409**	**844**
Adjustments to reconcile profit before tax to net cash flows:			
Income Taxes	37	3,386	604
Financial income	35	(105)	(51)
Financial expenses	35	7,829	7,176
Exchange (gains)/losses	35	(79)	(67)
Depreciation, amortization and write-downs	33	9,767	6,565
Write-downs/(revaluations) of non-current financial assets and equity investments	33	(0)	(6)
Losses from sale of non-current assets	33	1	84
Interest received		105	51
Interest paid		(1,677)	(5,919)
Income taxes paid		(1,277)	(681)
Cash flows generated from operating activities before changes in working capital		*21,359*	*8,599*
Change in trade receivables	14	(9,044)	22,891
Change in inventories	12	(419)	0
Change in contract assets	13	(9,789)	(23,957)
Change in trade payables	25	7,720	3,923
Change in other assets	16	(17,034)	(6,935)
Change in other liabilities	24-27-28	(4,674)	(13,479)
Foreign exchange rate effect related to items of working capital		(749)	3,662
Change in liabilities for employee benefits and provisions	20-21	1,095	1,075
Change in deferred tax assets (liabilities)	10-23	46	(1,249)
Cash flows generated from operating activities changes in working capital		*(32,848)*	*(14,069)*
Cash-flow generated from/(absorbed by) operating activities (A)		**(11,489)**	**(5,470)**
Investments in property, plant and equipment	7	(1,613)	(2,456)
Investments in intangible assets	6	(3,424)	(4,083)
Acquisition of investments accounted for using the equity method	8-11	(18)	(205)
Proceeds from divestments of PP&E, intangible assets and investments accounted for using the equity mehod		0	205
Change in non-current asset held for sale	18	0	0
Change in non-current financial assets	9	3	(197)
Change in current financial assets	15	760	124
Cash-flow generated from/(absorbed by) investing activities (B)		**(4,293)**	**(6,612)**
Proceeds from non-controlling interests for payment of share capital of subsidiaries		0	(90)
Dividends		0	0
Proceeds from borrowings	22	772	20,717
Repayment of borrowings	22	(2,549)	(560)
Reclassification and change in consolidation area	22	(11)	0
Change in current financial liabilities and others		357	(4,664)
Cash-flow generated from/(absorbed by) financing activities (C)		**(1,431)**	**15,403**
Cash flow of the year (A+B+C)		**(17,212)**	**3,321**
Effect of foreign exchange rates on cash and cash equivalents **(D)**		(900)	2,061
Cash flow of the year after exchange rates (A+B+C+D)		(18,112)	5,382
Cash and cash equivalents at beginning of the year	17	71,603	69,502
Cash and cash equivalents at end of the year	17	53,491	74,883

The Interim Consolidated Financial Statements as of March 31, 2019 contain the effect deriving from the first application of IFRS 16 – Leases. Mentioned effects have been disclosed in paragraph 3.2 (page F-22) of the notes.

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES

Note that the Interim Consolidated Financial Statements for the three months ended March 31, 2019 contain the effect deriving from the application of IFRS 16 – Leases. Mentioned effects have been disclosed in paragraph 3.2 (page F-22) of the notes.

1. GENERAL INFORMATION

AlmavivA The Italian Innovation Company S.p.A. (hereinafter "AlmavivA" or the "Company") is the parent company of one of the leading Italian groups in the Information & Communication Technology sector, which operates globally with an organisational structure incorporating approximately 45,000 employees and several offices around Italy and abroad.
The Company has its registered office in Via di Casal Boccone, 188/190, Rome and it is governed by the Italian law.

The unaudited Interim Consolidated Financial Statements of the parent company and its subsidiaries (the "AlmavivA Group") were drafted in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") adopted by the European Union, in particular the international accounting standard applicable for the preparation of interim financial statements (IAS 34 - Interim Financial Reporting) and include the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated shareholders' equity and the consolidated cash flow statement for the three months period ended as at March 31, 2019 compared, as regards the income statement part, cash flow part and change in shareholders' equity, with three months period ended as at March 31, 2018, and as regards the balance sheet part, with December 31, 2018, together with the associated notes.

The designation "IFRS" also includes all valid International Accounting Standards ("IAS"), as well as all interpretations of the IFRS Interpretations Committee, formerly the Standing Interpretations Committee ("SIC") and then the International Financial Reporting Interpretations Committee ("IFRIC").

The activities of the Group and its segments are described in Note 5, while Paragraph 2.2 presents the information on the Group's structure. The information on the Group's transactions with other related parties is presented in Note 43.

The Interim Consolidated Financial Statements were approved by the Company's Board of Directors on May 22, 2019.

When used in these explanatory notes, unless otherwise specified or the context otherwise indicates, all references to the terms ''AlmavivA Group", "Group'', ''we'', ''us'', ''our'' and the ''Company'' refer to AlmavivA S.p.A., the parent company, and all entities included in the Consolidated Financial Statements.

2. BASIS OF PREPARATION

The Interim Consolidated Financial Statements have been prepared on a going concern basis. In this respect AlmavivA Board of Directors' assessment, presented below in paragraph 2.1, is that no material uncertainties (as defined in paragraph 25 of IAS 1) exist about the AlmavivA Group ability to continue as a going concern.

The Interim Consolidated Financial Statements of the AlmavivA Group were drawn up in compliance with the IFRS issued by the IASB and adopted by the European Commission pursuant to the procedure as per Art. 6 of the (EC) Regulation no. 1606/2002 of the European Parliament and Council dated July 19, 2002. The Interim Consolidated Financial Statements are composed of the Consolidated statement of financial position, the Consolidated income statement, the Consolidated statement of other comprehensive income, the Consolidated statement of changes in shareholders' equity, the Consolidated statement of cash flows and the explanatory notes thereto, and are prepared by applying the general historical cost principle, with the exception of certain financial statement items that, based on IFRS, are measured at fair value, as indicated in the relevant accounting policies and measurement criteria for each item.

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

The Interim Consolidated Financial Statements are drawn up on the basis of the going concern assumption. In this regard, the evaluation of AlmavivA's Board of Directors, presented hereunder in paragraph 2.1, is based on the assumption that there no uncertainties (as defined in paragraph 25 of IAS 1) regarding the AlmavivA Group and its ability to continue its activities.

The layouts adopted for the preparation of the Consolidated financial statement are consistent with those in IAS 1, as follows:

- the **Consolidated statement of financial position** is presented by classifying assets and liabilities according to the current/non-current criterion. Current assets are those intended to be realised, sold or used in the company's normal operating cycle or in the twelve months after the end of the financial year. Current liabilities are those that are expected to be extinguished in the company's normal operating cycle or in the twelve months after the end of the financial year;
- the **Consolidated income statement** was prepared by classifying operating costs by nature, given that this type of presentation is deemed more appropriate to present the Group's specific business, conforms to the internal reporting methods and is in line with the industrial sector practice;
- the **Consolidated statement of other comprehensive income** presents the profit/(loss) for the year and the other changes in shareholders' equity that do not refer to transactions entered into by the owners in their capacity as owners;
- the **Consolidated statement of changes in shareholders' equity** provides separate disclosure of the result of the statement of other comprehensive income and of the transactions with shareholders entered into by the latter in their capacity as owners;
- the **Consolidated statement of cash flows** is prepared according to the "indirect method" as permitted by IAS 7 and presents the cash flows generated by operating activities, investing activities and financing activities.

In drafting this Interim Consolidated Financial Statements no critical aspects that required the use of the exceptions set forth in IAS 1 were identified. All amounts are stated in thousands of Euro, except where indicated otherwise. The Euro represents the functional currency of the parent company and subsidiaries, and that used for presenting the financial statements.
The following table indicates the exchange rates adopted:

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

Exact exchange rates

Amount of currency for 1 Euro

Country	Currency	ISO	March 31, 2019	December 31, 2018	March 31, 2018
Brazilian	Real	BRL	4.387	4.444	4.094
China	Yuan	CNY	7.540	7.875	7.747
Colombian	Peso	COP	3570.250	3721.810	3439.760
Indonesia	Rupiah	IDR	15998.640	16500.000	0.000
Europe	Leu	RON	4.761	4.664	4.657
United States	Dollar	USD	1.124	1.145	1.232
Tunisian	Dinar	TND	3.384	3.430	2.973

Average exchange rates

Amount of currency for 1 Euro

Country	Currency	ISO	March 31, 2019	December 31, 2018	March 31, 2018
Brazilian	Real	BRL	4.277	4.309	3.990
China	Yuan	CNY	7.662	7.807	7.815
Colombian	Peso	COP	3559.467	3488.423	3513.937
Indonesia	Rupiah	IDR	16053.497	16512.150	0.000
Europe	Leu	RON	4.737	4.654	4.655
United States	Dollar	USD	1.136	1.182	1.230
Tunisian	Dinar	TND	3.438	3.111	2.971

2.1 Going Concern

As indicated above, AlmavivA's Board of Directors judged that there are no material uncertainties about going concern of AlmavivA Group. The reasons supporting these conclusions are illustrated in detail below.
During the first quarter of 2019, AlmavivA Group consolidated the revenue growth trend started in previous periods (+ 9.2% compared to the same quarter of last year). At 31st March 2019 there was a profit deriving from operating activities and the net consolidated profit have shown a significant growth compared to the same period of last year (Operating Profit + € 5.2 million compared to 31/03/2018; Net Profit + € 2.8 million compared to 31/03/2018).

In the IT area, market estimates consider the sector to grow for the fifth consecutive year, especially in the area of software and ICT services.
Forecasts for 2019 assume an increase in revenues, especially in the Central and Local Public Administration (PA) areas, thanks also to the progressive development of the SPC Lot 3 and Lot 4 contracts (awarded in 2017 and on the beginning of 2018), in the Finance sector (+15 % vs 2018) both on Gruppo Intesa and on other banking, insurance and trust groups (with a particular focus on the sale of new products developed internally), as well as the extension for contracts in the Agriculture sector.

With regard to the Transportation area, the publication of tenders for the renewal of the framework agreements by the Ferrovie dello Stato Group, expiring in the first quarter of 2020, currently assigned to the RTI led by AlmavivA. The activities of defining possible new RTIs are therefore underway; the timing related to the publication of the new tenders is not currently available (it should be noted that the first two tenders published have been discarded following changes in the top management of the Ferrovie dello Stato Group).

The hypothesis of Budget 2019 foresees in any case the continuity in the provision of services and projects in the Transportation area, in line with the extensions of the contracts signed in 2017 and 2018. There will also be an increase in activities on the International Market both in terms of activities in the public administration of the European Union ("EU"), developed through the subsidiary AlmavivA de Belgique, and in the Transportation sector (in addition to the entry into operation of the activities included in the contract for the Finnish railways, the awarding of activities for the

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

FLOW consortium is envisaged relating to the development and management of IT systems to support the operation of 4 Riyad metro lines).

Additionally, certain actions continue, with the maximum amount of attention and intensity of control, which in particular referred to:

- Overhead costs
- Procurement policies
- The reduction of external costs through correct balancing of direct and indirect resources and optimisation of productive processes and management
- Optimisation of the management of working capital, with particular attention to trade related receivables and work in progress
- The redesign of the corporate and organisational structure, in order to improve productive and operational efficiency, with particular focus on technical and managerial skills.

During 2019 the company could be able to benefit from the potential positive effects of the new national legislation on pensions, which could lead to an acceleration of the remix of resources in the production area with consequent professional optimization and moderation of wage growth.

Starting from August 2018, AlmavivA SpA has discontinued the use of social safety nets, which are not envisaged for 2019, and has provided for the restoration of some parts of the supplementary agreements suspended to date (fixed part of the performance bonus and the possibility of severance payments collective), considered fully operational starting from April 2019. The 2019 labor cost budget was therefore estimated considering both the foreseeable incremental items (CCNL, seniority, individual agreements) and (also on a historical basis experience) the usual management items.

We also highlight the role of AlmavivA Digitaltec, whose development led to a workforce of 212 resources at 31/03/2019 and the opening of the new offices in Bari and Cagliari, as a garrison for the AlmavivA Group of the main emerging technologies, in particular in the areas: IoT, GIS, IA, Machine Learning and Blockchain.

In CRM Europe, after the growth of 2018, in the first quarter of 2019 there was a contraction in revenues (mainly on the Telco market) partly offset by cost actions.
On the Public Administration market, the loss of the tender (covered by social clauses) on an important customer is not expected to have an impact on the 2019 revenues, also as a consequence of the latest social norms adopted by the National Government, which have led to a remarkable growth of the CRM support activities, with consequent benefit on AlmavivA Contact.

In particular, on the Naples site, the agreement in force since February 2017, with the activation of tools for measuring productivity and quality at an individual level, has allowed us to improve the site's performance, where, thanks to higher revenues developed, it was possible to change from an average social shock-absorber of 59% in 2017, to 16% in the first half of 2018, to 9% in the second half of the year and to termination at 31 December 2018. In 2019 the Naples operating site did not resort to any social safety nets.

With regard to the Palermo site, a union agreement was signed on March 14th with which various tools have been provided to carry out a correct management of the current surplus of employees. In particular, the appeal to the social shock absorber was renewed from March 20 to June 30, 2019; furthermore, a redundancy incentive scheme was defined, which was closed to personnel protected by the application of the social clause, which will be implemented through non-opposing dismissals carried out in April 2019 of 87 resources (equal to 51.25 FTE) and was, finally, an experimental training project for redevelopment towards information technology profiles was structured to allow the employees who will join it - participation is on a voluntary basis - a better professional position both within the AlmavivA Group and, more generally, at the internal ICT labor market and in particular in the supply chain.
On the other sites, there is no provision for personnel actions.

The decrease in revenues, also recorded in AlmavivA Services, was offset by cost actions, with a consequent reduction in the workforce.

With regard to the International CRM, there was an increase in revenues (+1.7%) and in operating profit (+9.8%).

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

Growth on the Brazilian market is consistent with a Brazilian macroeconomic scenario characterized by an economic recovery forecast (with estimates of GDP growth of 3% in 2019 and 2.5% in 2020) and a phase of consolidation and restructuring of the companies operating in the BPO-call center sector (a scenario that offers further opportunities for AlmavivA, which boasts a solid financial base, careful and timely cost control and a strict operating process). In support of development, in the second half of 2018, AlmavivA do Brasil carried out a significant improvement in operations by investing in both production processes and managerial and commercial structures, as well as the preparation of operational capacity for the exercise of new contracts in acquisition at the end of the year.

On 30th August 2018 the Brazilian Supreme Court also issued a decree concerning the possibility, for Brazilian companies, of unlimited outsourcing in all phases of the production cycle. This act represents an important turning point, recognizing the legality of outsourcing and thus helping our client companies to outsource, with possible positive effects on volume growth.

Additional benefits are also expected from the recent labor reform which, providing that legal expenses are charged to the losing party in the event of a judgment, should lead to a significant reduction in disputes in the labor law area.

Growth on the international market will also be based on the development of the Colombian CRM market thanks to the activities of the subsidiary Almacontact, characterized by the growth in volumes (+30.6% in first quarter of 2019 compared to same quarter of 2018) on both historical and new clients; that growth is oriented to covering both the Colombian domestic market and offering services of nearshoring to other Latin American countries and to the USA.

Furthermore, in the International market is also expected the growth of IT activities both for the public administration and for the European Union (growth of the AlmavivA de Belgique company); we also highlight the development of foreign activities in the Transportation sector.

During first quarter of 2019, Almawave has continued into the process of acquisition of new contracts and new clients linked to the development of framework agreement in SPC project and to the selling of services and licenses related to owned products mainly referred to IRIDE platform. In 2019, is expected an incremental increase of revenues in both local and international markets and an increase of the ratio sales to third parties/sales to intercompany entities.

As part of the market expansion process, including through non-organic, vertical and transversal growth, the Group is evaluating possible acquisitions of controlling investments. In particular, the signing of a binding term sheet for the acquisition of the majority stake in an internationally active company in the design, implementation and supply of services

in the field of interactive multimedia content, augmented reality and virtual reality is being finalized B2C and B2B solution configurators. In addition, further investment projects are being examined to accelerate growth both in the IT area (aimed at developing the market in particular as regards the production of integrated products and solutions for the transport, industry, public administration, finance and Artificial Intelligence sectors) that CRM (BPO activity and Customer Experience Management at international level).

From a financial perspective, the bond debt (Senior Secured Notes) is in place for a value of € 250 million, senior secured, maturity of five years (October 2022) and coupon at 7.25%. In 2019, two half-yearly coupons (15.04.2019 – already paid to date - and 15.10.2019) will be paid, each amounting to € 9.063 million, for a total amount of € 18.1 million
Based on the above and on the positive results obtained by the AlmavivA Group, the Directors drafted the AlmavivA Group Interim Consolidated Financial Statements on the going concern assumption.
Based on the above and on the positive results obtained by the AlmavivA Group, the Directors drafted the AlmavivA Group Interim Consolidated Financial Statements on the going concern assumption.

2.2 Basis of consolidation

The Interim Consolidated Financial Statements comprise the financial statements of AlmavivA S.p.A. and of the Italian and foreign companies controlled directly or indirectly by AlmavivA S.p.A.
Determination of the existence of control over a subsidiary
Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.
Specifically, the Group controls an investee if, and only if, the Group has:

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Interim Consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Consolidation criteria adopted for subsidiaries
The main consolidation criteria are the following:

- items of assets, liabilities, income and expenses of entities consolidated line by line are fully included in the Consolidated Financial Statements;
- the carrying amount of the parent's investment in the subsidiary is netted against the parent's portion of equity of investees. Any difference existing at the date when control is acquired is allocated to items of assets and/or liabilities;
- whenever required, the financial statements of subsidiaries are adjusted to align them to the accounting criteria adopted by the Group;
- minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's ownership interests in them;
- unrealised profit and loss for the Group as resulting from intragroup transactions are fully eliminated, as well as significant amounts that originate intercompany payables and receivables, costs and revenue among consolidated companies;
- consolidation adjustments take into account, when applicable, their deferred tax effect;
- dividends received over the year by a parent from a consolidated subsidiary and recognised in the parent's income statement as gains on equity investments, are eliminated and classified under "retained earnings".

Translation of financial statements prepared in a currency other than the Group's functional currency
All assets and liabilities of foreign companies that prepare their financial statements in a currency other than the Group's functional currency (the Euro) and are included in the consolidation area, are translated by using the exchange rates at the reporting date (current exchange rate method). The related revenues and costs are translated at average exchange rates for the year. Exchange differences, resulting from the application of this method, are recorded as an equity reserve until the equity investment is entirely transferred, or when the investee is no longer qualified as subsidiary. Upon partial transfer, without change on control, the portion of exchange difference related to the portion of investment acquired or sold is attributed to the shareholders' equity of the Group or of the non-controlling interests, respectively. Goodwill and adjustments at fair value, generated when allocating the purchase price of a foreign operation as part of a business combination, are recognized in the related currency and then translated at year-end exchange rate.

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The acquisition cost is determined as the sum of the consideration paid, measured at fair value at the acquisition date, and the amount of the non-controlling interest of the acquired entity. For each single business combination, the Group determined whether the non-controlling interest in the acquired entity should be measured at fair value or on a pro rata basis in relation to the portion of non-controlling interest in the identifiable net assets of the acquired entity. Acquisition costs are charged in the year and stated under administrative expenses. When the Group acquires a business, it classifies or determines the acquired financial assets or liabilities undertaken in compliance with contract terms and conditions, as well as economic conditions and other pertaining terms and conditions at the acquisition date.

If the business combination is carried out in more than one step, the equity investment previously held is remeasured at fair value at the acquisition date and the resulting gain or loss is recognized in the income statement. Any possible consideration to be recognized is measured by the acquiring entity at fair value, at the acquisition date. The fair value change in the contingent consideration classified as an asset or liability, that is a financial instrument and within the scope of *IFRS 9 Financial instruments*, must be recorded in the income statement or other comprehensive income components. If the potential consideration does not fall within the scope of IFRS 9, this amount is measured according to the appropriate IFRS standard. If the potential consideration is classified in equity, its value shall not be re-determined and its subsequent payment shall be recognised in shareholders' equity.

Goodwill is initially recognised at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed. After the initial recognition, goodwill is measured at cost, excluding any accumulated impairment loss and tested for impairment.

Determination of existence of significant influence over an associate or joint control over a joint arrangement
An associated company is an entity on which the Group exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over these policies.

Joint control means the shared control of an entity, on a contract basis, which is exercised solely when decisions on relevant activities require the unanimous approval of all the parties in the joint arrangement. A joint arrangement can be configured as a joint venture or as a joint operation. A joint venture is a joint control agreement in which the parties holding the joint control have rights on the net assets of the agreement. A joint operation is a joint control agreement in which the parties have rights to the assets and obligations for the liabilities relating to the arrangement.

In order to determine the existence of the joint control and the type of joint arrangement, management must apply judgement and assess its rights and obligations arising from the arrangement, considering the structure and legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances. As a result of its assessment, management has not qualified any of its joint arrangements as a joint operation.

Equity investments in associated companies and joint ventures are accounted for in the Interim Consolidated Financial Statements using the equity method, as envisaged, respectively, by IAS 28 (Investments in associates and joint ventures) and IFRS 11 (Joint arrangements). Associated companies and joint ventures are included in the Interim Consolidated Financial Statements when the significant influence or the joint control begins, until the date in which this joint control or significant influence cease.

Recognition and measurement criteria adopted for associates and joint arrangements: investments accounted for using the equity method
In application of the equity method, the equity investment in an associated company, or in a joint venture, is initially recognised at cost. The carrying amount of the equity investment is increased or decreased to recognise the portion, pertaining to the investor, of the profits and losses of the investee realised after the acquisition date. The goodwill related to the associated company or the joint venture is included in the carrying amount of the equity investment and it is neither amortised nor mandatorily tested for impairment on an annual basis. The aggregate portion pertaining to the Group and related to the profit or loss for the year of associated companies and joint ventures is recognised in the income statement for the year, after the operating result, and is the profit or loss excluding taxes and quotas pertaining to other shareholders of the associated company or joint venture. After applying the equity method, the Group evaluates whether the impairment of its investment in the associated companies or joint ventures is to be recognised. At each single reporting date, the Group

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

evaluates whether there are impairment indicators which require its investments in associated companies or joint ventures to be tested for impairment. In this case, the Group calculates the recoverable value of the associated company or joint venture and records any difference (if negative) between the recoverable amount and the book value of the same in the Consolidated Financial Statements. This difference is recognised in the income statement for the year. When the significant influence on an associated company or the joint control of a joint venture is lost, the Group remeasures the investment retained at fair value and recognises in the income statement the difference between the carrying amount of the investment and the fair value of both the residual investment and the amount received.

2.3. Effects of seasonality

The turnover and economic results of the Group are not significantly impacted by factors relating to the seasonality of the activities carried out in the Group’s different operating sectors. The Group’s performances actually tend to be generally uniform over the year, also thanks to the distribution to the operating activities in the two hemispheres, which makes it possible to mutually offset the periods of reduced operations of the Brazilian and European subsidiaries in the summer and winter periods. Therefore, taking into account the low economic impact of these trends, no additional financial disclosure is provided (required by IAS 34.21) relating to the trend in the last 12-months period ended as at March 31, 2019.

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

Consolidation Area

The consolidated companies as at March 31, 2019 and December 31, 2018 are listed below:

Companies and method of consolidation	**Currency**	**Share held**	**At March 31, 2019**	**At December 31, 2018**
AlmavivA S.p.A. (Parent Company) Rome, Italy	Euro	100.00%	Parent	Parent
Lombardia Gestione S.r.l. Milan, Italy	Euro	51.00%	Full	Full
AlmavivA de Belgique S.A. Brussels, Belgium	Euro	100.00%	Full	Full
Almaviva Digitaltec S.r.l. (2) Naples, Italy	Euro	100.00%	Full	Full
Wave S.r.l * Pianoro Italy	Euro	100.00%	Full	-
Sadel S.p.A. * Pianoro Italy	Euro	84.05%	Full	-
AlmavivA Contact S.p.A. Rome, Italy	Euro	100.00%	Full	Full
AlmavivA do Brasil S.A. San Paolo, Brazil	Brazilian Real	94.70%	Full	Full
AlmavivA Participações Ltda. Belo Horizonte, Brazil	Brazilian Real	100.00%	Full	Full
AlmavivA Credit Ltda.** Belo Horizonte, Brazil	Brazilian Real	100.00%	-	-
Almacontact Bogotà, Colombia	Colombian Peso	100.00%	Full	Full
Italy Call S.r.l. Rome, Italy	Euro	100.00%	Full	Full
AlmavivA Tunisie S.A. Ville de Tunisi, Tunisie	Tunisian Dinar	56.25%	Full	Full
AlmavivA Services S.r.l. Iasi, Romania	Romanian Leu	100.00%	Full	Full
Almawave S.r.l. Rome, Italy	Euro	100.00%	Full	Full
Almawave do Brasil Ltda. Belo Horizonte, Brazil	Brazilian Real	100.00%	Full	Full
Pervoice S.r.l. Trento, Italy	Euro	50.90%	Full	Full
Almawave USA Inc. San Francisco, U.S.	US Dollar	100.00%	Full	Full
Agrisian S.C.p.A. in liquidazione Rome, Italy	Euro	50.86%	Full	Full

*Acquired a further 85% stake in April 2018

** Merged into Almaviva do Brasil Ltda in September 2018

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

Companies and method of consolidation (continued)	**Currency**	**Share held**	**At March 31, 2019**	**At December 31, 2018**
Sin S.p.A. *** Rome, Italy	Euro	20.02%	-	-
CCID – AlmavivA Inform. Technol. Co. Ltd Shangai, People's Republic of China	Chinese Yuan	50.00%	Equity	Equity
Consorzio Hypertix Rome, Italy	Euro	49.99%	Equity	Equity
PT: Almaviva Indonesia Kontak*****	Indonesian Rupiah	49.00%	Equity	Equity
TVEyes L.T. S.r.l. Trento, Italy	Euro	20.00%	Equity	Equity
Wave S.r.l.**** Pianoro, Italy	Euro	15.00%	-	-

***Presented as Non-current assets held for sale in the Consolidated Financial Statements.

****Established as at October 31, 2017, consolidated from November 30, 2017

*****Established in 2018

The ultimate parent Company

The ultimate parent company of the AlmavivA Group is AlmavivA Technologies S.r.l, a holding company domiciled in Italy.

Subsidiaries with significant minority interests

The information required by IFRS 12 relating to the significant minority interests that the subsidiaries have in the assets, liabilities and economic/cash flows of the Group is provided below:

		At March 31,	**At December 31,**
Company	**Country**	**2019**	**2018**
Lombardia Gestione S.r.l.	Italy	49.00%	49.00%
Almaviva Tunisie S.A.	Tunisia	43.75%	43.75%

Accumulated balances of material non-controlling interest:

(in thousands of Euro)		**At March 31,**	**At December 31,**
Company	**Country**	**2019**	**2018**
Lombardia Gestione S.r.l.	Italy	1,417	1,273
Almaviva Tunisie S.A.	Tunisia	763	708

Profit allocated to material non-controlling interest:

(in thousands of Euro)		**At March 31,**	**At December 31,**
Company	**Country**	**2019**	**2018**
Lombardia Gestione S.r.l.	Italy	144	147
Almaviva Tunisie S.A.	Tunisia	45	12

The minorities present in Sadel SpA, Pervoice SpA, Agrisian ScpA in Liquidation and AlmavivA do Brasil SA, are not considered significant because: i) Sadel was acquired through Wave Srl in the first half of 2018 with a percentage of 84.05%, and therefore the contribution on the Interim Consolidated Financial Statements at 31 March 2019 is not considered relevant; ii) the PerVoice contribution volumes are irrelevant for the purposes of the disclosure presented in the Interim Consolidated Financial Statements of AlmavivA SpA; iii) for Agrisian ScpA in liquidation and for AlmavivA do Brasil minority interests in these companies are not relevant for the purposes of consolidation.

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

The summarized financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

Summarized income statement for

March 31, 2019	**Lombardia Gestione S.r.l.**	**AlmavivA Tunisie S.A.**
(in thousands of Euro)		
Revenues from contracts with customers	4,957	603
Cost of raw materials and services	(3,974)	(161)
Personnel expenses	(522)	(291)
Depreciation and amortization	(12)	(27)
Depreciation and amortization	0	(4)
Profit before taxes	**412**	**116**
Income taxes	(118)	(14)
Profit from continuing operations	**294**	**102**
Other comprehensive income for the year	**294**	**102**
Other comprehensive income pertaining to the group	144	45
Dividends paid pertaining to non-controlling interests	0	0

Summarized income statement for

March 31, 2018	**Lombardia Gestione S.r.l.**	**AlmavivA Tunisie S.A.**
(in thousands of Euro)		
Revenues	4,692	463
Cost of raw materials and services	(3,540)	(116)
Personnel expenses	(646)	(274)
Depreciation and amortization	(13)	(36)
Depreciation and amortization	0	(3)
Profit before taxes	**418**	**33**
Income taxes	(118)	(5)
Profit from continuing operations	**300**	**28**
Other comprehensive income for the year	**300**	**28**
Other comprehensive income pertaining to the group	147	12
Dividends paid pertaining to non-controlling interests	0	0

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

Summarized statement of financial position at March 31, 2019	Lombardia Gestione S.r.l.	AlmavivA Tunisie S.A.
(in thousands of Euro)		
Non-current assets	196	291
Trade receivables	3,407	1,541
Current liabilities	(8,157)	(1,439)
Non-current liabilities	(549)	0
Equity	**2,891**	**1,745**
Pertaining to the group	1,474	982
Pertaining to non-controlling interests	1,417	763

Summarized statement of financial position at December 31, 2018	Lombardia Gestione S.r.l.	AlmavivA Tunisie S.A.
(in thousands of Euro)		
Non-current assets	198	314
Trade receivables	3,322	1,947
Current liabilities	(6,707)	(1,248)
Non-current liabilities	(545)	0
Equity	**2,597**	**1,618**
Pertaining to the group	1,324	910
Pertaining to non-controlling interests	1,273	708

Summarized statement of cash flow March 31, 2019	Lombardia Gestione S.r.l.	AlmavivA Tunisie S.A.
(in thousands of Euro)		
Cash-flow generated from operating activities	667	746
Cash-flow absorbed by investing activities	0	(4)
Cash-flow absorbed by financing activities	0	24
Cash flow of the year	**667**	**766**

Summarized statement of cash flow March 31, 2018	Lombardia Gestione S.r.l.	AlmavivA Tunisie S.A.
(in thousands of Euro)		
Cash-flow generated from operating activities	(2,309)	59
Cash-flow absorbed by investing activities	0	0
Cash-flow absorbed by financing activities	0	1
Cash flow of the year	**(2,309)**	**60**

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting policies and measurement criteria

The accounting policies adopted in the preparation of the Interim Consolidated Financial Statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

3.2 New standards, interpretations and amendments adopted by the Group

IFRS 16 – Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.
Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

a) Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of plant, machinery, vehicles and other equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and other payables, respectively.
Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 was applied to these leases from 1 January 2019.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

As provided by the standard, both right-of-use assets and lease liabilities has been classified within existing line item of statement of financial position. Right-of-use assets have been classified following the nature of underlying asset and the lease liabilities have been classified within current or no current financial liabilities based on lease term.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease;

Based on the foregoing, as at 1 January 2019, Right-of-use assets equal to Keuro 58,267 and lease liabilities equal to Keuro 58,267. Furthermore, lease liabilities have been increased to reflect the impact, as at 1 January 2019, of reclassification related to lease liabilities classified in trade payables as at 31 December 2018. The effect in income statement started at first application date.

b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.
In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date
and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below €5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.
Significant judgement in determining the lease term of contracts with renewal options

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of four to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).
Set out below are the effect on statement of financial position and income statement as of March 31, 2019 related to the application of IFRS 16. The first column of each table, shows the financial position and the income statement as of March 31, 2019 in absence of the application of new standard; the second column reports the amount of the effect of the adoption and the last column shows the statement of financial position and income statement of Interim Consolidated Financial Statements at reporting date.

In applying the new principle, the AlmavivA Group has relied on all the interpretations, even doctrinal ones, available at the date of preparation of the quarterly report, even if in the awareness of the interpretative evolution, still in progress, which could lead to refinements and changes.

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Effect of IFRS 16 Adoption)

(in thousands of Euro)	At March 31, 2019 Pre IFRS 16 Adoption	Effect deriving from adoption of IFRS 16	At March 31, 2019 Post IFRS 16 Adoption
Intangible assets	57,561		57,561
Goodwill	38,840		38,840
Property, plant and equipment	50,131	54,218	104,349
Investments accounted for using the equity method	1,099		1,099
Non-current financial assets	1,640		1,640
Deferred tax assets	15,191	22	15,213
Other non-current assets	2,517		2,517
Total non-current assets	**166,980**	**54,240**	**221,220**
Inventories	5,103		5,103
Amount due from customers	0		0
Contract assets	57,024		57,024
Trade receivables	312,775		312,775
Current financial assets	3,380		3,380
Other current assets	115,975	(48)	115,927
Cash and cash equivalents	53,491		53,491
Total current assets	**547,748**	**(48)**	**547,700**
Non-current assets held for sale	2,459		2,459
Total assets	**717,187**	**54,192**	**771,379**
Share capital	154,899		154,899
Share premium reserve	17,788		17,788
Other reserves	(167,558)		(167,558)
Profit/(loss) for the year	3,323	(237)	3,086
Total group shareholders' equity	*8,451*	*(237)*	*8,214*
Non-controlling interests	*5,119*	*(2)*	*5,117*
Total shareholders' equity	**13,570**	**(239)**	**13,331**
Non-current liabilities for employee benefits	48,525		48,525
Non-current provisions	5,242		5,242
Non-current financial liabilities	273,114	44,380	317,494
Deferred tax liabilities	1,534		1,534
Other non-current liabilities	720		720
Total non-current liabilities	**329,135**	**44,380**	**373,515**
Current provisions	6,403	12	6,415
Trade payables	233,165	(3,283)	229,882
Current financial liabilities	18,288	13,378	31,666
Current tax liabilities	31,202	85	31,287
Other current liabilities	85,423	(141)	85,282
Other current liabilities for dividends to be paid	0		0
Total current liabilities	**374,482**	**10,051**	**384,533**
Total liabilities	**703,617**	**54,431**	**758,048**
Total equity and liabilities	**717,187**	**54,192**	**771,379**

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

CONSOLIDATED INCOME STATEMENT (Effect IFRS 16 Adoption)

(in thousands of Euro)	For the tree months ended March 31, 2019 Pre IFRS 16 Adoption	Effect deriving from adoption of IFRS 16	For the three months ended March 31, 2019 Post IFRS 16 Adoption
Revenues from contracts with customers	205,106	0	205,106
Other Income	2,740	0	2,740
Total revenues and other income	**207,846**	**0**	**207,846**
Cost of raw materials and services	(69,630)	4,195	(65,436)
Personnel expenses	(116,230)	0	(116,230)
Other expenses	(1,972)	0	(1,972)
EBITDA	**20,014**	**4,195**	**24,208**
Depreciation and amortization	(6,299)	(3,467)	(9,767)
Losses from sale of non-current assets	(1)	0	(1)
Operating profit/(loss)	**13,713**	**727**	**14,441**
Financial income	105	0	105
Financial expenses	(6,807)	(1,022)	(7,829)
Exchange gains/(losses)	79	0	79
Profit/(loss) from investments accounted for using equity method	0	0	0
Profit/(Loss) before taxes	**7,090**	**(294)**	**6,795**
Income taxes	(3,441)	55	(3,386)
Profit/(Loss) from continuing operations	**3,649**	**(239)**	**3,409**
Profit/(Loss) for the year	**3,649**	**(239)**	**3,409**
of which:			
Profit/(loss) pertaining to the group	3,323	(237)	3,085
Profit/(loss) pertaining to non-controlling interests	326	(2)	324

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

The tables below show the Consolidated Statement of Financial Position and the Consolidated Income Statement excluding the effects deriving from the IFRS 16 adoption.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Pre IFRS 16 Adoption)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Pre IFRS 16 Adoption	
(in thousands of Euro)	**At March 31, 2019**	**At December 31, 2018**
Intangible assets	57,561	57,321
Goodwill	38,840	38,847
Property, plant and equipment	50,131	51,085
Investments accounted for using the equity method	1,099	1,099
Non-current financial assets	1,640	1,643
Deferred tax assets	15,191	15,259
Other non-current assets	2,517	2,499
Total non-current assets	**166,980**	**167,754**
Inventories	5,103	4,684
Amount due from customers	0	0
Contract assets	57,024	47,235
Trade receivables	312,775	303,731
Current financial assets	3,380	4,140
Other current assets	115,975	98,893
Cash and cash equivalents	53,491	71,603
Total current assets	**547,748**	**530,287**
Non-current assets held for sale	2,459	2,459
Total assets	**717,187**	**700,499**
Share capital	154,899	154,899
Share premium reserve	17,788	17,788
Other reserves	(167,558)	(185,465)
Profit/(loss) for the year	3,323	16,692
Total group shareholders' equity	*8,451*	*3,915*
Non-controlling interests	*5,119*	*4,716*
Total shareholders' equity	**13,570**	**8,631**
Non-current liabilities for employee benefits	48,525	48,470
Non-current provisions	5,242	5,006
Non-current financial liabilities	273,114	274,902
Deferred tax liabilities	1,534	1,534
Other non-current liabilities	720	754
Total non-current liabilities	**329,135**	**330,666**
Current provisions	6,403	5,611
Trade payables	233,165	222,162
Current financial liabilities	18,288	14,330
Current tax liabilities	31,202	36,143
Other current liabilities	85,423	82,957
Other current liabilities for dividends to be paid	0	0
Total current liabilities	**374,482**	**361,203**
Total liabilities	**703,617**	**691,868**
Total equity and liabilities	**717,187**	**700,499**

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

CONSOLIDATED INCOME STATEMENT (Pre IFRS 16 Adoption)

	Pre IFRS 16 Adoption	
(in thousands of Euro)	**For the tree months ended March 31, 2019**	**For the tree months ended March 31, 2018**
Revenues from contracts with customers	205,106	187,792
Other Income	2,740	2,649
Total revenues and other income	**207,846**	**190,441**
Cost of raw materials and services	(69,630)	(59,604)
Personnel expenses	(116,230)	(113,405)
Other expenses	(1,972)	(2,283)
EBITDA	**20,014**	**15,149**
Depreciation and amortization	(6,299)	(6,565)
Losses from sale of non-current assets	(1)	(84)
Operating profit/(loss)	**13,713**	**8,500**
Financial income	105	51
Financial expenses	(6,807)	(7,176)
Exchange gains/(losses)	79	67
Profit/(loss) from investments accounted for using equity method	0	6
Profit/(Loss) before taxes	**7,090**	**1,447**
Income taxes	(3,441)	(604)
Profit/(Loss) from continuing operations	**3,649**	**844**
Profit/(Loss) for the year	**3,649**	**844**
of which:		
Profit/(loss) pertaining to the group	3,323	630
Profit/(loss) pertaining to non-controlling interests	326	214

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

Amendments to IFRS 9: Prepayment Features with Negative Compensation
Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the Interim Consolidated Financial Statements of the Group.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).
These amendments had no impact on the Interim Consolidated Financial Statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

Amendments to IAS 28: Long-term interests in associates and joint ventures
The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.
The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.
These amendments had no impact on the Interim Consolidated Financial Statements as the Group does not have long-term interests in its associate and joint venture.

Annual Improvements 2015-2017 Cycle

IFRS 3 Business Combinations
The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.
An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.
These amendments had no impact on the Interim Consolidated Financial Statements as of March 31, 2019 of the Group as there is no transaction where a joint control is obtained.

IFRS 11 Joint Arrangements
A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.
An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.
These amendments had no impact on the Interim Consolidated Financial Statements as of March 31, 2019 of the Group as there is no transaction where a joint control is obtained.

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

IAS 12 Income Taxes
The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.
An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.
Since the Group's current practice is in line with these amendments, they had no impact on the Interim Consolidated Financial Statements of the Group.

IAS 23 Borrowing Costs
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.
The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.
Since the Group's current practice is in line with these amendments, they had no impact on the Interim Consolidated Financial Statements of the Group.

4. Use of Estimates and Management Judgement

The preparation of the Interim Consolidated Financial Statements in accordance with IFRS requires the adoption of judgement by management as well as the formulation of estimates and assumptions that have an impact on the amounts of assets and liabilities and on revenues and expenses. These estimates were based on past experience and on other factors that were deemed to be reasonable under the relevant circumstances. However, the actual results that will ultimately be recognized may be different from the estimates.

Management judgement mainly refers to aspects such as:
- the evaluation of existence of control, joint control or significant influence over group entities, as further described in paragraph 2,2 above;
- the evaluation of the useful lives of Intangible assets and Property, plant and equipment, as further described in paragraph 3,1 above;
- the analysis about whether the conditions to qualify assets or operations as Non-current assets held for sale in accordance with IFRS 5 are met and if those assets or operations also represent discontinued operations or not;
- the definition of the Group's Operating and reportable segments that are relevant to the business and reflect the regular review process in terms of operating results performed by the entity's chief operating decision maker to make decisions about resources to be allocated to segments and assess their performance, as further described in paragraph 4 below;
- the identification of cash-generating units as the smallest groups of assets that generate largely independent cash inflows and to which goodwill is also allocated.

Critical management judgement that are not covered in other parts of this document are commented here below.

Non-current assets (or disposal groups) classified as held for sale and discontinued operations
Non-current assets (or disposal groups) whose carrying amount will be recovered through sale, rather than through ongoing use, are classified as held for sale and shown separately from the other assets in the statement of financial position. The liabilities associated with assets held for sale are also shown separately from the other liabilities in the statement of financial position. This only occurs when the sale is highly probable and the non-current assets (or disposal groups) are available in their current condition for an immediate sale. Managements evaluates as to whether such conditions are met to qualify the non-current asset (or disposal group) as Non-current assets held for sale in accordance with IFRS 5.
Non-current assets (or disposal groups) classified as held for sale are first recognized in compliance with the appropriate IFRS applicable to the specific assets or liabilities and subsequently measured at the lower of the carrying amount and the fair value, net of costs to sell. Any subsequent impairment losses are recognized as a direct adjustment to the non-current assets (or disposal groups) classified as held for sale and expensed in the income statement.
The corresponding values for the previous period are not reclassified.

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

A discontinued operation is a component of an entity that has been divested or classified as held for sale and:

- represents a major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Gains or losses on discontinued operations – whether disposed of or classified as held for sale – are shown separately in the income statement, net of the tax effects. The corresponding values for the previous period, where present, are reclassified and reported separately in the income statement, net of tax effects, for comparative purposes.

Management applies judgement to assess whether the non-current assets held for sale or the disposal group qualify as discontinued operations.

Non-current assets that no longer meet the requirements for classification as held for sale or which cease to belong to a disposal group classified as held for sale are measured as the lower of:

- the book value before the asset (or disposal group) was classified as held for sale, adjusted for depreciation, amortization, write-downs or write-backs that would have been recognized if the asset (or disposal group) had not been classified as held for sale; and
- the recoverable value, which is equal to the greater of its fair value net of costs to sell and its value in use, as calculated at the date on which the decision not to sell was taken.

<u>*Identification of cash-generating units (CGUs)*</u>
In application of IAS 36, the goodwill recognized in the Interim Consolidated Financial Statements of the Group as a result of business combinations has been allocated to individual CGUs or groups of CGUs that will benefit from the combination.
In identifying such CGUs, management took account of the specific nature of the assets and the business acquired through the business combination that originated the goodwill (e,g, geographical area and business area), verifying that the cash flows of a given group of assets were closely interdependent and largely independent of those associated with other assets (or groups of assets), The assets allocated to each CGU were also identified in a way consistent with the manner in which management manages and monitors those assets within the business model adopted.
As a result of this process, the following CGUs were identified where goodwill was allocated: AlmavivA Contact S,p,A,; Alicos; AlmavivA do Brasil S,A,; In Action; AlmavivA Finance; Pervoice; Gempliss; Atesia.

<u>*Use of estimates and assumptions*</u>
In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the Interim Consolidated Financial Statements.

Revenue from contracts with customers
The Group concluded that revenues related to services rendered in IT business have to be recognized over time because the customer simultaneously receives and consumes the benefits provided by the Group. The same conclusion has been reached for main contract in CRM business.

The Group determined that the input method is the best method in measuring progress of the installation services because there is a direct relationship between the Group's effort (i,e., labour hours incurred) and the transfer of service to the customer. The Group recognises revenue on the basis of the labour hours expended relative to the total expected labour hours to complete the service, In other circumstances, the Group considered more correct to use the method based on the outputs as a suitable criterion for measuring the progress of the services provided by the Group. In this last case, the determination of the function points shared with the customer constitutes the basis for the recognition of revenues.
Some contracts for the sale of IT and CRM services provide for penalties to the Group for failure to reach contractually indicated KPIs. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration. Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the Interim Consolidated Financial Statements were prepared. Existing circumstances and assumptions about future

developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Provision for expected credit losses of trade receivables and contract assets
The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).
The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i,e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 14.

Recoverability of non-current assets
The carrying amount of non-current assets is subject to periodic verification and whenever the circumstances or events dictate the need to, Goodwill is verified at least annually. These recoverability checks are performed according to the criteria set out in IAS 36, described in more detail in Note 9 below. In particular, the recoverable value of a non-current asset is based on the estimates and assumptions used to determine the amount of the cash flows and the discount rate applied. If it is believed that the carrying amount of a non-current asset has suffered impairment, it is written down to the amount of the associated recoverable value, estimated with reference to its use and any future sale, based on the contents of the most recent company plan approved.

Provisions for risks
In relation to the legal risks to which the AlmavivA Group is exposed, provisions have been allocated to cover all significant liabilities for cases in which the legal representatives have verified the likelihood of an unfavourable outcome and a reasonable estimate of the loss amount.

Pension plans
Some Group employees benefit from pension plans that offer social security benefits based on the salary history and respective years of service. The calculations of the costs and liabilities associated to these plans are based on the estimates made by actuarial consultants, who use a combination of statistical-actuarial factors, including statistical data relating to previous years and forecasts of future costs. Mortality and withdrawal indexes, assumptions regarding the future evolution of discount rates, salary growth rates and inflation rates are also considered as estimate components. These estimates may differ substantially from the actual results, due to the evolution of the economic and market conditions, increases/reductions in withdrawal rates and the life span of the participants. These differences may have a significant impact on the quantification of the pension costs and the other related expenses.

Determination of the fair value of financial instruments
The fair value of financial instruments is determined on the basis of the prices directly observable on the market, where available, or, for unlisted financial instruments, by using specific valuation techniques that maximise the observable inputs on the market. In circumstances where this is not possible, the inputs are estimated by the management by taking into account the characteristics of the instruments subject to valuation. In compliance with IFRS 13, the Group includes the measurement of credit risk, both of the counterparty (Credit Valuation Adjustment or CVA) and its own credit risk (Debit Valuation Adjustment or DVA), in order to be able to adjust the fair value of the derivatives for the corresponding measurement of the counterparty risk, by applying the methodology reported in the section "Information on fair value measurements". Variations in the assumptions made in estimating the input data could impact the fair value recognised in the financial statements for these instruments.

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

Recovery of prepaid taxes
As at March 31, 2019, the Interim Consolidated Financial Statements include prepaid taxes, connected to the recognition of tax losses that can be used in future years and income components subject to deferred deductibility of taxes, for an amount whose recovery in future years is considered highly likely by the directors. The recoverability of the aforementioned prepaid taxes is subject to the achievement of sufficient future taxable income to absorb the

aforementioned tax losses and for the use of the benefits of other deferred tax assets. Significant management judgments are required in order to determine the amount of prepaid taxes that can be recognised in the financial statements, based on the timing and amount of the future taxable income as well as the future tax planning strategies and tax rates in force at the moment of their reversal. However, at the moment the Group should ascertain that it is unable to recover, in future years, all or part of the prepaid taxes recognised, the consequent adjustment will be booked to the income statement in the year in which said circumstance is verified.

Please refer to paragraph 3,1 "Accounting policy and measurement criteria" above, for more details on each relevant financial item included in each category of estimates.

Development costs
The Group capitalises costs for product development projects. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model, In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. At 31 March 2019, the carrying amount of capitalised development costs was Euro 3,030 thousand (Euro 14,720 thousand as of December 31, 2018).

5. OPERATING AND REPORTABLE SEGMENTS

From an IFRS 8 perspective, management identified its Operating and reportable segments based on the criteria stated in the standard, which requires the identification of those segments whose reported revenue, from both external customers and intersegment sales or transfers, is 10 per cent or more of the combined revenue, internal and external, of all Operating and reportable segments. As a result of that, the following three major Operating and reportable segments were identified: (a) *IT Services*; (b) *CRM Europe*; and (c) *CRM International.*

In addition to the above, management identified a fourth operating segment, *Almawave – New Technology*, that it is considered to provide important information to the stakeholders and investors in terms of significant investments made by the Group in new technology sector in recent years, regardless the fact that it does not exceed the quantitative threshold outlined in IFRS 8.

The operating segment information based on the above four Operating and reportable segments is consistent with that used by the top management in its collective role as Chief Operating Decision Maker, as they monitor the operating results of these Operating and reportable segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the Consolidated Financial Statements.
The Group's financing strategy (including finance costs and finance income) is managed on a Group basis and therefore is not allocated to Operating and reportable segments. As a result of that, income taxes remain also unallocated.

For management purposes, the Group is organised into business units based on its products and services and on geographic area. The Group has four Operating and reportable segments, as follows:

a. IT Services, provide ICT and Cloud Computing solutions, includes the following companies: AlmavivA, Lombardia Gestione, AlmavivA de Belgique, Agrisian, AlmavivA Digitaltec, Sadel and Wave;
b. CRM Europe, provides Contact Centre services and operates predominantly in the European Union, includes the following companies: AlmavivA Contact, Italy Call and AlmavivA Services;
c. CRM International, provides the same services as those in the previous point in South America and in Tunisia, includes the following companies: AlmavivA do Brasil, AlmavivA Participacoes, Almacontact and AlmavivA Tunisie;

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

d. Almawave – New Technology, segment operating in the supply of innovative solutions geared towards the best interaction with work instruments, aimed at improving the people experience, includes the following companies: Almawave, Pervoice, Almawave do Brasil and Almawave USA.

No segment combinations took place for the purpose of determining the reportable operating segments.

The directors observe the results achieved by the business units separately for the purpose of taking decisions regarding the allocation of resources and performance assessment. The transfer prices between the operating segments are negotiated internally using similar methods to transactions with third parties.

The Group's financing strategy (including financial costs and financial income) is managed at Group level and, therefore, is not allocated to the operating segments and the reportable segments. Consequently, income taxes also remain unallocated.

The following tables outline the main economic results of the Group's business segments, Intra-segment revenues and costs are eliminated or adjusted after consolidation and reflected in the column "Netting and eliminations", Financial income and expense and gains and losses on equity investments are not allocated to the single segments given the underlying instruments are managed centrally on a Group basis. The income taxes also remain unallocated.

For the tree months ended March 31, 2019

(in thousands of Euro)	IT Services	CRM Europe	CRM International	Almawave New Technology	Total Segments	Adjustments, eliminations and other	Consolidated
Revenue							
Revenues from contracts with customers	110,501	32,578	59,382	2,645	205,106	(0)	205,106
Inter-segment	653	1,709	15	1,310	3,687	(3,687)	0
Total revenues from contracts with customers	**111,154**	**34,287**	**59,397**	**3,955**	**208,793**	**(3,687)**	**205,106**
Income/(Expenses)							
Cost of raw materials and services	(44,869)	(7,568)	(16,444)	(1,396)	(70,276)	4,840	(65,436)
Personnel expenses	(50,916)	(28,687)	(34,799)	(1,967)	(116,370)	139	(116,230)
Depreciation and amortization and write-downs	(5,349)	(774)	(3,229)	(519)	(9,871)	104	(9,767)
Losses from sale of non-current assets	(1)	0	0	0	(1)	0	(1)
Other operating income	3,394	308	41	100	3,843	(1,103)	2,740
Other operating expenses	(1,765)	(185)	0	5	(1,945)	(27)	(1,972)
Operating Profit	**11,648**	**(2,618)**	**4,966**	**178**	**14,175**	**266**	**14,441**
At March 31, 2019							
Total assets	**534,260**	**152,694**	**182,411**	**36,453**	**905,818**	**(157,132)**	**748,687**
Total liabilities	**315,478**	**90,949**	**33,906**	**12,052**	**452,385**	**(76,319)**	**376,066**

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

For the tree months ended March 31, 2018

(in thousands of Euro)	IT Services	CRM Europe	CRM International	Almawave New Technology	Total Segments	Adjustments, eliminations and other	Consolidated
Revenue							
Revenues from contracts with customers	92,810	34,773	58,254	1,955	187,791	(0)	187,792
Inter-segment	824	1,773	6	1,719	4,322	(13,103)	0
Total revenues from contracts with customers	**93,634**	**36,546**	**58,260**	**3,674**	**192,113**	**(13,103)**	**187,792**
Income/(Expenses)							
Cost of raw materials and services	(39,211)	(8,009)	(16,769)	(945)	(64,935)	5,331	(59,604)
Personnel expenses	(45,020)	(30,127)	(36,394)	(1,926)	(113,467)	62	(113,405)
Depreciation and amortization and write-downs	(3,461)	(520)	(2,244)	(444)	(6,669)	104	(6,565)
Losses from sale of non-current assets	0	(84)	0	0	(84)	0	(84)
Other operating income	3,479	104	44	59	3,686	(1,037)	2,649
Other operating expenses	(2,075)	(281)	0	(54)	(2,410)	127	(2,283)
Operating Profit	**7,346**	**(2,371)**	**2,896**	**364**	**8,235**	**265**	**8,500**
At December 31, 2018							
Total assets	**489,692**	**142,483**	**151,648**	**35,325**	**819,148**	**(142,150)**	**676,998**
Total liabilities	**300,396**	**94,889**	**33,697**	**11,951**	**440,933**	**(75,973)**	**364,961**

Reconciliation of Operating profit/(loss)

The income statement and balance sheet reconciliations between the operating result attributable to the individual segments and the net income of the Group and between total assets attributable to the operating segments and total Group assets are shown below, as well as between total liabilities attributable to the operating segments and total Group liabilities excluding shareholders' equity.

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

	For the tree months ended March 31,	
(in thousands of Euro)	**2019**	**2018**
Segment profit	**14,441**	**8,500**
Finance income	105	51
Finance costs	(7,829)	(7,176)
Exchange gains/(losses)	79	67
Gains/(losses) on equity investments	0	0
Profit/(loss) from investments accounted for using equity method	0	6
Inter-segment income/expenses (elimination)	0	0
Profit/(loss) before taxes	**6,795**	**1,447**

Reconciliation of Total assets

(in thousands of Euro)	**At March 31, 2019**	**At December 31, 2018**
Segment operating assets	**748,687**	**676,998**
Deferred tax assets	15,213	15,259
Current financial assets	3,380	4,140
Non-current financial assets	1,640	1,643
Non-current assets held for sale	2,459	2,459
Total assets	**771,379**	**700,499**

Reconciliation of Total liabilities

(in thousands of Euro)	**At March 31, 2019**	**At December 31, 2018**
Segment operating liabilities	**376,066**	**364,961**
Non-current financial liabilities	317,494	274,902
Current financial liabilities	31,666	14,330
Current tax liabilities	31,287	36,143
Deferred tax liabilities	1,534	1,534
	0	
Total liabilities	**758,048**	**691,868**

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

	For the three months ended March 31,	
(in thousands of Euro)	**2019**	**2018**
Revenues from external customer		
Italy	144,334	128,023
Brazil	56,063	55,617
Tunisia	588	458
Colombia	2,889	2,212
Europe	1,232	1,482
Total	**205,106**	**187,792**

Reconciliation of EBITDA

For the tree months ended March 31, 2019

(in thousands of Euro)	IT Services	CRM Europe	CRM International	Almawave New Technology	Total Segments	Adjustments, eliminations and other	Consolidated
Operating profit	**11,648**	**(2,618)**	**4,966**	**178**	**14,175**	**266**	**14,441**
(+) Depreciation and amortization	5,349	774	3,229	519	9,871	(104)	9,767
(+) Losses from sale of non-current assets	1	0	0	0	1	0	1
Earning before intersts, taxes, depreciation and amortization (EBITDA)	**16,998**	**(1,844)**	**8,195**	**697**	**24,046**	**162**	**24,208**

For the tree months ended March 31, 2018

(in thousands of Euro)	IT Services	CRM Europe	CRM International	Almawave New Technology	Total Segments	Adjustments, eliminations and other	Consolidated
Operating profit	**7,346**	**(2,371)**	**2,896**	**364**	**8,235**	**265**	**8,500**
(+) Depreciation and amortization	3,461	520	2,244	444	6,669	(104)	6,565
(+) Losses from sale of non-current assets	0	84	0	0	84	0	84
Earning before intersts, taxes, depreciation and amortization (EBITDA)	**10,807**	**(1,767)**	**5,140**	**808**	**14,988**	**161**	**15,149**

6. INTANGIBLE ASSETS AND GOODWILL

The table below shows for each component of Intangible assets the changes in net carrying value that occurred in 2019:

(in thousands of Euro)	Goodwill	Start-up and expansion costs	Industrial patent and intellectual property rights	Concessions, licences, trademarks and similar rights	Other intangible assets	Assets under construction	Total
At December 31, 2018	**38.847**		**24.437**	**663**	**12.738**	**19.483**	**96.168**
Additions			317	4		113	434
Capitalisation for internal projects			31			2.959	2.990
Amortization			(1.743)	(75)	(1.489)		(3.307)
Disposals							0
Reclassifications and other			5.205	(1)	1.707	(6.910)	1
Foreign exchange differences	(7)		95	28	(1)		115
At March 31, 2019	**38.840**	**0**	**28.342**	**619**	**12.955**	**15.645**	**96.401**

Group investments as at March 31, 2019, amounted to Euro 434 thousand and essentially related to the "industrial patent and intellectual property rights"; the increases refer to the costs for the acquisition of open-ended and proprietary user licenses and software development costs incurred by almost all operating segments, in addition to reclassifications from assets under construction for assets that were deployed during the year; the decrease is mainly due to the amortisation in the year calculated on a straight-line basis in relation to the residual possibility of use of said assets.
The Group also carried out additional investments in the reference period, through capitalisations for own work, totalling Euro 2,990 thousand relating to costs incurred primarily as part of the creation and internal development of assets

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

(software, IT applications and research activities) also employed in the implementation and management of the services offered in the operating segments in which said Group operates.

On completion of the aforementioned activities, the investments are incorporated primarily in the item "Industrial patent and intellectual property rights" which, at the close of the financial year, totalled Euro 28,342 thousand and, therefore, highlights the Group's software and IT applications developed internally and the developmental maintenance carried out them. In relation to these assets, the Group periodically conducts an analysis targeted at verifying their recoverable value with respect to the book value based on the expected future economic benefits related to said assets (active contracts in the portfolio and planned acquisitions). At the close of the financial year, following the analyses conducted, the values booked are fully recoverable.
Amortisation on the intangible assets for the period totalled Euro 3,307 thousand. The main amortisation rates adopted as at March 31, 2019 are included in the following intervals:

	Rates %
Industrial patent and intellectual property rights	10~33
Concessions, licences, trademarks and similar rights	25
Other intangible assets	~20

The exchange differences from the translation to Euro of the financial statements of companies operating in non-euro areas, amounting to Euro 115 thousand, mainly regarding companies that draft their financial statements in the Brazilian Real.

Goodwill and Impairment testing
Detailed information about the movements affecting the Goodwill during the periods is provided below. The majority of the goodwill recorded in the Interim Consolidated Financial Statements arose from business combinations that took place before the Group first applied IFRS on October 1, 2012. We remind that at first time application, the Group opted for the exemption for business combinations provided for by IFRS 1 that allowed the adopter to use the net book value resulting from the Interim Consolidated Financial Statements prepared under Italian accounting standards on the date of transition as the entry value under IFRS.

The goodwill recognised following business combinations was attributed to the cash generating units (CGU) that benefit from the synergies that emerged from the acquisition. The recoverable value is determined by discounting the expected cash flows coming from use of the CGUs and applying the perpetuity method to estimate the terminal value. The cash flows are determined on the basis of the information available at the time of the estimate, deducible: (i) for the first five years of the estimate, from the business plan approved by Company Management and containing the forecasts on volumes, investments, operating costs, and the margins and industrial and commercial structures; (ii) for the years after the fifth, cash flow projections based on the perpetuity method of the last year of the business plan are taken, and a zero growth rate is used.

AlmavivA Group generally calculates the recoverable amount of goodwill at the end of each fiscal year or where there are impairment indicators and at least once per year.

At March 31, 2019, AlmavivA representatives' test the absence of impairment indicators and then they used the calculation made during Interim Consolidated Financial Statement as of June 30, 2018 after checking criterion illustrated below and aligned to IAS 36 requirements:

a) No substantially changes of assets and liabilities in CGUs have occurred;
b) No new business plan approved;
c) Any substantial changes in market scenario that could impact on discount rate calculation;
d) Impairment test made during last semester showed significant headroom in goodwill of all operating segments: CRM Europe (which includes goodwill of Atesia S,p,A., Alicos S,p,A., AlmavivA Contact S,p,A., AlmavivA do Brasil S,A, e In Action S,r,l,), IT Services (which includes goodwill of AlmavivA Finance SpA) and Almawave – New Technology (which includes goodwill in Pervoice and Gempliss) and CRM International;
e) Considering *sub b)* point and based on analysis of events occurred in the second half of the fiscal year, the entities consider remote the likelihood that the recoverable amount could be lower than carrying amount.

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

The business plans taken as a reference for the impairment described below are related to the period 2019-2022 and are based on assumptions consistent with the company's business model. All the companies included in the business plans are complying with the aforementioned assumptions without significant deviations.

Impairment tests made in June 30, 2018 confirmed, as mentioned above, such headrooms. This is confirmed also in case of shock-down (-20%) of margin and shock-up (+2%) of discount rates of considered cash flows.

The goodwill of the new acquired company Wave, allocated in IT Services segment, has been verified at acquisition date and for the half-year financial statements as of June 30, 2018.

Discount rates corresponding to WACC related to CRM Segment (which includes goodwill of Atesia S,p,A., Alicos S,p,A., AlmavivA Contact S,p,A., AlmavivA do Brasil S,A, e In Action S,r,l,) has been determined as follow:

CRM Business	Brazil	Colombia	Others
Beta	1	1	1
Risk Free Rate	11%	7%	1.3%
Expected Market Return	4.0%	4.0%	4.0%
Average Cost of Debt	10%	10%	8.6%
Debt/Equity Ratio (%)	70.0	30.0	30.0
Gordon Growth Rate	7.0%	7.0%	0.0%
Taxes	34%	33%	24.0%
WACC	**11.0%**	**10.5%**	**6.6%**

The reference to cash flows and discount rates after taxes is adopted because it gives results basically equivalent to those coming from a pre-tax evaluation. The impairment tests revealed a recoverable value relating to the CRM business CGUs higher than the relevant book values. The difference of the value in use of the CRM business CGUs compared to the book values, including the goodwill referring to it, remains positive also when the following events occur, alternatively:

- average 20% decrease of the margins expected on the terminal value; or
- increase of 2 percentage points of the discount rate.

The discount rate corresponding to the weighted average cost of capital (WACC) of the *Finance business* (attributable to the goodwill coming from AlmavivA Finance) was determined for each period using the following assumptions:

Finance Business	2018
Beta	1
Risk Free Rate	1.29%
Expected Market Return	4.0%
Average Cost of Debt	8.61%
Debt/Equity Ratio (%)	30-70
Gordon Growth Rate	0.0%
Taxes	24%
WACC	**6.6%**

The reference to cash flows and discount rates after taxes is adopted because it gives results basically equivalent to those coming from a pre-tax evaluation. Please note that the impairment test revealed a recoverable value relating to the Finance sector CGU higher than the relevant book values. The surplus of the value in use of the Finance Sector CGU compared to the book value, including the goodwill referring to it, is positive also when the following events occur, alternatively:

- average 20% decrease of the margins expected on the terminal value; or
- increase of 2 percentage points of the discount rate.

The discount rate corresponding to the weighted average cost of capital (WACC) of Almawave Group (attributable to the goodwill coming from Gempliss and Pervoice) was determined for each period using the following assumptions:

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

Almawave - New Technology	2018
Beta	1
Risk Free Rate	1.29%
Expected Market Return	4.00%
Average Cost of Debt	8.61%
Debt/Equity Ratio (%)	30-70
Gordon Growth Rate	0.00%
Taxes	24.00%
WACC	**6.60%**

The reference to cash flows and discount rates after taxes is adopted because it gives results basically equivalent to those coming from a pre-tax evaluation. Please note that the impairment test revealed a recoverable value relating to the Almawave S,r,l. CGU higher than the relative book values. The surplus of the value in use of the Almawave S,r,l, CGU compared to the book value, including the goodwill referring to it, is positive also when the following events occur, alternatively:

- average 20% decrease of the margins expected on the terminal value; or
- increase of 2 percentage points of the discount rate.

7. PROPERTY, PLANT AND EQUIPMENT

The table below shows for each component of Property, plant and equipment the changes in net carrying value that occurred in 2019:

(in thousands of Euro)	Land and buildings	Plant and machinery owned and leased	Industrial and commercial equipment owned and leased	Other assets owned and leased	Assets under construction and payments on account	Total
At December 31, 2018	**8,969**	**13,216**	**372**	**28,338**	**190**	**51,085**
Adoption IFRS 16	55,939	99	538	1,691		58,267
Additions		485	1	441	686	1,613
Capitalisation for internal projects						0
Depreciation	(3,439)	(958)	(67)	(1,996)		(6,460)
Disposals				(1)		(1)
Reclassifications and other	(3)			15	(13)	(1)
Foreign exchange differences	(571)	179	(2)	239		(155)
Historical cost	74,493	217,676	3,923	159,995	863	**456,950**
Accumulated amortization	(13,598)	(204,655)	(3,081)	(131,268)	0	**(352,602)**
At March 31, 2019	**60,895**	**13,021**	**842**	**28,727**	**863**	**104,349**

Property, plant and equipment amount to Euro 104,349 thousand as at March 31, 2019 compared to an amount of Euro 51,085 thousand as at December 31, 2018.
In 2019, the line item increased by Euro 1,613 thousand due to the investments of the period and Euro 58,267 due to the adoption of IFRS 16.

Depreciation in 2019 amounts to Euro 6,460 thousand.

The main depreciation rates adopted as at March 31, 2019, excluding the right of use related to IFRS 16, are included in the following intervals:

	Rates %
Buildings	3
Plants and machinery	15~40
Industrial and commercial equipment	15~30
Other assets	12~30

There were no write-downs or write-backs during the period.

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

The exchange differences from the translation to Euro of the financial statements of companies operating in non-euro areas, a negative amount of Euro 155 thousand, mainly regard companies that draft their financial statements in the Brazilian Real.
The Group presented a balance of the item "land and buildings" of Euro 60,895 thousand of which Euro 8,762 thousand, related to the building located in Rome at Via dello Scalo Prenestino, owned by the IT Services segment and Euro 52,133 thousand related to the adoption of IFRS 16. The property is depreciated at 3% per year.

8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The table below shows the balance of the Investments accounted for using the equity method and related changes occurred since December 31, 2018, to March 31, 2019.

(in thousands of Euro)	At December 31, 2018	Income Statement effect	Increases (Decreases)	At March 31, 2019
CCID – Almaviva Inform. Technol. Co. Ltd	988	0	0	988
Consorzio Hypertix in liquidation	99	0	0	99
TVEyes L.T. S.r.l.	12	0	0	12
Wave S.r.l.	0	0	0	0
SIN S.p.A.	0	0	0	0
Total	**1,099**	**0**	**0**	**1,099**

The sole joint venture of the Group is the 50% equity investment in CCID-AlmavivA Inform, Technol, Co, Ltd. a Chinese company operating the local call centre segment.

The line does not present any changes during the period.

Equity investments measured with the equity method as at March 31, 2019 are listed below:

	Registered office		Share Capital	Shares held (%)	Investor
CCID – Almaviva Inform. Technol. Co. Ltd	Shangai, China	¥	39,642,000.00	50.00	AlmavivA S.p.A.
Consorzio Hypertix in liquidation	Rome, Italy	€	198,000.00	49,99	AlmavivA S.p.A.
TVEyes L.T. S.r.l.	Trento, Italy	€	20,000.00	20.00	Pervoice S.p.A.

9. NON-CURRENT FINANCIAL ASSETS

The table below shows the balance and composition of the Non-current financial assets as at December 31, 2018, and March 31, 2019:

(in thousands of Euro)	At March 31, 2019	At December 31, 2018
Long-term loans	1,599	1,602
Others Equity investments	41	41
Non-current financial assets	**1,640**	**1,643**

Non-current financial receivables
The Non-current financial receivables fully regard long-term loans instrumental to operating activities. The line shows a value of Euro 1,599 thousand in 2019, in line with the previous period (Euro 1,602 thousand as at December 31, 2018).

The following table reports the portions of the long-term loans due within or over twelve months:

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

(in thousands of Euro)	At March 31, 2019	At December 31, 2018
Amount failling due within 12 months	0	0
Amount failling due between 1-5 years	1,599	1,602
Non-current financial receivables	**1,599**	**1,602**

Non-current financial receivables, amounting to Euro 1,599 thousand (Euro 1,602 thousand as at December 31, 2018) are all instrumental to operating activities and concern loans to personnel for Euro 418 thousand, and financial assets due to Auselda for Euro 1,181 thousand. The aforementioned financial receivables relate entirely to AlmavivA SpA, do not accrue interest and are not in foreign currency.

Equity investments classified as available for sale
The Equity investments classified as available for sale are investments held in other entities over which the Group has neither control nor joint control or significant influence.
Such equity investments are classified as available-for-sale financial instruments in accordance with IAS 39, and - as such - are accounted for at the cost recognised at the payment date provided that the fair value cannot be reliably determined, as such companies have not shares listed in stock exchange market.

The following table provides the breakdown of the line item by investment at March 31, 2019 and December 31, 2018:

Other Equity Investments

(in thousands of Euro)	At March 31, 2019	At December 31, 2018
CONAI	1	1
CALPARK	5	5
BANCA BRUTIA	5	5
UIRNET	5	5
CONSORZIO NAMEX	3	3
OTHER	22	22
Total	**41**	**41**

Due to irrelevance of the investments in question, the Directors have measured these investments at cost and therefore the fair value has not been determined as reported in drafting criteria to which reference is made.
At 31 March 2019, no impairment losses were recorded on the item in question. In this case, the impairment was determined following the analytical model described in the preparation criteria.

10. DEFERRED TAX ASSETS

The tables below show the amount of AlmavivA Group's Deferred tax assets as at March 31, 2019 and December 31, 2018:

(in thousands of Euro)	At March 31, 2019	At December 31, 2018
Deferred Tax Assets	**15,213**	**15,259**

The table below shows a breakdown of deferred tax assets by Italian and foreign subsidiaries for year ended December 31, 2018, and March 31, 2019:

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

(in thousands of Euro)	At March 31, 2019	At December 31, 2018
Italian subsidiaries	10,245	8,362
Foreign subsidiaries	4,968	6,897
Total Deferred Tax Assets	**15,213**	**15,259**

The Deferred tax assets related to Italian subsidiaries do not include tax losses due to inclusion in tax consolidation of parent company AlmavivA Technologies. The nature of deferred tax assets related to Italian and foreign subsidiaries are mainly related to tax increases (i,e, provisions, remuneration to the BoD members).

The table below shows the changes occurred in deferred tax assets in each period:

(in thousands of Euro)	At March 31, 2019	At December 31, 2018
Balance at the beginning of the year	**15,259**	**13,383**
Increases	709	2,771
Decreases	(897)	0
Effect of currency translation	142	(662)
Other changes	0	(233)
Balance at the end of the year	**15,213**	**15,259**

The Group evaluated the recoverability of the prepaid taxes recognised by considering the estimates of future taxable income based on the forecasts in the latest business plan approved by the Board of Directors, and in light of which the management concluded that the taxable income will be sufficient to allow the use of the deferred tax assets in question.

11. OTHER NON-CURRENT ASSETS

Other non-current assets amount to Euro 2,517 thousand as at March 31, 2019 compared to an amount of Euro 2,499 thousand as at December 31, 2018, as illustrated in the table below:

(in thousands of Euro)	At March 31, 2019	At December 31, 2018
Security deposits	849	811
Prepaid expenses	1,664	1,684
Other receivables	4	4
Other non-current assets	**2,517**	**2,499**

Prepaid expenses mainly refer to the training of AlmavivA Contact (Euro 497 thousand), AlmavivA Services (Euro 697 thousand) and AlmavivA Digitaltec (Euro 199 thousand).

12. INVENTORIES

Inventories of the Group are equal to Euro 5,103 thousand and are composed as follows:

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

(in thousands of Euro)	At March 31, 2019	At December 31, 2018
Raw materials (at cost)	2,041	1,311
Work in progress (at cost)	1,039	1,141
Finished goods (at lower of cost and net realizable value)	2,023	2,232
Total inventories at the lower of cost and net realizable value	**5,103**	**4,684**

During 2019 has not been accounted any expenses for inventories to carry them at net realizable value.

The total amount related to AlmavivA SpA is Euro 1,043 thousand and the amount related to Sadel SpA is Euro 4,055 thousand and Pervoice SpA Euro 5.0 thousand

13. CONTRACT ASSETS

At March 31, 2019, the Group had contract assets totalling Euro/thousand 57,024 (Amount due from customers were Euro 47,235 thousand at December 31, 2018).
The overall increase of Euro 9,789, refers essentially to the increase in IT Services activities which generated further contractual activities, not yet completed or not yet tested by the client.

14. TRADE RECEIVABLES

The table below shows the amount of AlmavivA Group's Trade receivables as at March 31, 2019, and December 31, 2018 together with the related gross amount, the amount retained as a guarantee and the bad debt provision.

(in thousands of Euro)	At March 31, 2019	At December 31, 2018
Trade receivables, gross amount	326,663	317,742
Trade receivables, amount retained as a guarantee	6,627	6,502
Bad debt provision	(20,515)	(20,513)
Trade receivables	**312,775**	**303,731**

Trade receivables increased by Euro 9,044 thousand in 2019, from an amount of Euro 303,731 thousand as at December 31, 2018 to an amount of Euro 312,775 thousand as at March 31, 2019.

This trend is essentially related to the gross amount of trade receivables, which increased by Euro 8,921 thousand in 2019.
The amounts of trade receivables retained as a guarantee show an increase of Euro 125 thousand during the period.
Starting from the 2018 financial year, the bad debt provision was determined by the practical expedient of the Provision Matrix for private customers. For customers in the public sector, the ECL (Expected Credit Loss) was determined based on information obtained from external info-providers.
The following table shows the ageing of the gross amount of trade receivables, excluding the portion retained by customers as a guarantee, as at March 31, 2019 and December 31, 2018:

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

(in thousands of Euro)	At March 31, 2019	At December 31, 2018
Amount not yet due	256,734	257,178
Amount due by less than 30 days	12,639	6,913
Amount due between 30-60 days	8,104	4,855
Amount due between 61-90 days	3,709	3,827
Amount due between 91-120 days	1,477	1,718
Amount due by more than 120 days	44,000	43,251
Trade receivables, gross amount	**326,663**	**317,742**

As mentioned in the precedents Financial Statements, on May 2, 2017 the Italian Ministry of Economic Development made an order that put into special administration under Decree-Law "Marzano", the company Alitalia – Società Aerea Italiana S,p,A, With the same order a College of Commissioners has been appointed, The College consist of Daniele Discepolo (in place of Luigi Gubitosi), Enrico Laghi and Stefano Paleari. The entity – supported by an internal and external legal opinion further substantiated by recent case-law – considers pre-deductible the net receivables from Alitalia Società Aerea Italiana S,p,A, (for an amount equal to Euro 5,999 thousand). For these reasons, mentioned receivables have been considered fully recoverable; on the other hand, considering that the collection period could depends on the development of the special administration. Next steps of special administration will be closely monitored to evaluate any changes in conditions on the basis of actual decision taken by representatives as well as the accounting effects.

It should be noted that Note 40 "Guarantees, commitments, risks and other information" provides additional information regarding the credit risk management policy adopted by the Group and the ageing of the receivables past due but not written down.

The following table shows the changes in the bad debt provision for each period ended December 31, 2018, and March 31, 2019:

(in thousands of Euro)	At March 31, 2019	At December 31, 2018
Balance at the beginning of the year	**20,513**	**20,509**
Provisions	0	124
Uses	0	(143)
Other	2	23
Balance at the end of the year	**20,515**	**20,513**

15. CURRENT FINANCIAL ASSETS

The following table shows the amount of the Current financial assets as at December 31, 2018, and March 31, 2019. The line item shows a decrease of Euro 760 thousand in 2019, corresponding to a 18,4%.

(in thousands of Euro)	At March 31, 2019	At December 31, 2018
Current financial assets	**3,380**	**4,140**

The current financial assets are all instrumental for operating activities and refer primarily to AlmavivA SpA
There are no financial assets either past due or written down. These are measured, as indicated above, at amortized cost having passed the Solely for Payments of Principal and Interests (SPPI) test.

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

16. OTHER CURRENT ASSETS

Other current assets amount to Euro 115,927 thousand as at March 31, 2019, compared to Euro 98,893 thousand as at December 31, 2018.
The amount is composed as follow:

(in thousands of Euro)	**At March 31, 2019**	**At December 31, 2018**
Receivables due from personnel	2,883	2,619
Receivables due from social security institutions	1,524	1,688
Receivables due from tax autorithies	20,371	15,725
Receivables related to tax consolidation	20,438	19,788
Prepaid expenses	13,906	4,317
Advances to suppliers	8,334	5,330
Sundry items	48,471	49,426
Other current assets	**115,927**	**98,893**

Other current assets increase by Euro 17,034 thousand in 2019, corresponding to a 17.2% growth rate.

In particular, note that almost all receivables from INPS not yet collected and regarding mainly the following fall under the item Receivables due from social security institutions, which amounted to Euro 1,524 thousand (Euro 1,688 thousand as at December 31, 2018):

- the contribution reduction arising from the adoption of the industry sector "solidarity contract";
- recovery of the solidarity cheque paid in advance to the AlmavivA Contact employees.

Receivables due from the tax authorities of Euro 20,371 thousand (Euro 15,725 thousand as at December 31, 2018) are distinguished into receivables for direct taxes of Euro 5,291 thousand, (Euro 3,147 thousand relating to AlmavivA SpA, Euro 1,157 thousand to AlmavivA Contact and, to a lesser extent, other Group companies); receivables for indirect taxes for Euro 15,080 thousand related mainly to Brazilian companies.

The receivables from tax consolidation of Euro 20,438 thousand (Euro 19,788 thousand as at December 31, 2018) derive from the transfer to the parent company AlmavivA Technologies S.r.l. of the tax positions of the companies participating in the scheme in question. The increase of Euro 650 thousand relates to higher intercompany receivables relating to national IRES tax consolidation as a consequence of the results made in the period.
Prepaid expenses of Euro 13,906 thousand (Euro 4,317 thousand as at December 31, 2018) include costs pertaining to the future, primarily of AlmavivA SpA (Euro 11,281 thousand), AlmavivA Contact (Euro 812 thousand), AlmavivA Services (Euro 474 thousand) and, to a lesser extent, the other Group companies.

Sundry items, amounting to Euro 48,471 thousand as at March 31, 2019 (Euro 49,429 thousand as at December 31, 2018), mainly include the receivables of the Brazilian companies for deposits for outstanding litigation with employees, receivables due from the Government and public entities and receivables for reimbursements.

Sundry items also included the receivable of:

- receivables due from the State and Public Authorities for financed projects;
- receivables for reimbursements which refer:
    - to the amounts paid in advance by AlmavivA Contact to former employees in respect of a reinstatement judgment readily contested through an appeal in the process of being settled;
    - the receivable for the request for reimbursement of the legal expenses incurred for the dispute initiated by Loop AI Labs Inc. against some of the Group companies (the "AlmavivA Companies" collectively) as well as third parties, explained in the paragraph on Legal Issues and Litigation in the report on operations (the "US Dispute"). This receivable was also subject to a further dispute given that the AlmavivA companies summoned before the court an insurance company that had underwritten a policy named "Civil Liability Insurance for Directors", requesting that it be sentenced to reimburse expenses

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

and defence costs that they have incurred and will incur in the US Dispute (the "Expenses"), in addition to providing compensation for damages caused by the failure to provide an advance for the Expenses. The insurance company appeared before the court to request the rejection of the demands submitted by the AlmavivA Companies. After the parties filed their preliminary briefs, the Judge invited the insurance company to submit a settlement proposal. In the meantime, the US Dispute concluded both in the first and in the second instance, with the rejection of all demands of Loop AI Labs Inc. (the "US Decision"). The lawyers hired by the defence of the AlmavivA Companies believe that, also considering the US Decision, the justification of the action lodged against the insurance company and the self-serving nature of the procedural position, reservations and objections of the latter are confirmed. The Group, as required by IAS 37, has monitored the evolution of the situation and, based on the assertion of the external lawyer and by virtue of the more than positive evolution of the US affair, considers virtually certain the credit claimed against the insurer.

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents amounted to Euro 53,491 thousand as at March 31, 2019 compared to Euro 71,603 thousand as at December 31, 2018. The line item refers to credit balances at banks in existence at the end of each period and the amounts held at the Group treasuries. These voices are not subject to any restriction and are not foresee disinvestment costs.

18. NON-CURRENT ASSETS HELD FOR SALE

Assets held for sale amounting to Euro 2,459 thousand (Euro 2,459 thousand as at December 31, 2018), concern the residual amount to be collected relating to the sale, not yet perfected, of the 20.02% equity investment in the associated company SIN S.p.A., the sale of which is based on the "Sale of shares" contract signed on September 19, 2007 between AGEA - Agenzia per le Erogazioni in Agricoltura and the private Shareholders and the subsequent "Amendment deed to the sale of shareholdings and pledge" whereby the parties agreed that the deadline relating to the effectiveness of the transfer of all shares representing the equity investments held by the private shareholders in SIN S.p.A., originally scheduled for September 19, 2016, would be postponed until the completion by Consip S.p.A. of the public procedure and the handover to the new supplier. The receivable of Euro 2,459 thousand is the residual amount still to be collected of the original receivable of Euro 19,759 thousand booked to the financial statements as at December 31, 2015 was, on one hand, collected in 2016-2017 in the amount of Euro 16,336 thousand and, on the other hand, decreased by Euro 964 thousand in 2016 due to costs deriving from the recalculation of the price based on the amendment deed for the sale of the shareholding of October 27, 2016, mentioned above. The collection of Euro 16,336 thousand took place in the amount of Euro 8,008 thousand through the distribution of reserves by SIN SpA on September 19, 2016 and Euro 6,538 thousand through the payment of a first tranche on October 28, 2016 and Euro 1,790 thousand through the payment of a second tranche on April 18, 2017 as set forth in the agreement.

19. SHAREHOLDERS' EQUITY

The total Shareholders' equity amount to Euro 13,331 thousand as at March 31, 2019 compared to Euro 8,631 thousand as at December 31, 2018.

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

The composition of the Shareholders' equity is as follows:

(in thousands of Euro)	**At March 31, 2019**	**At December 31, 2018**
Share capital	154,899	154,899
Share premium reserve	17,788	17,788
Legal reserve	*5,073*	*5,073*
Other reserves:		
FTA reserve	*4,493*	*4,493*
OCI reserve	*5,763*	*5,763*
Translation reserve	*(20,133)*	*(21,347)*
Other reserves	*(162,756)*	*(179,448)*
	(172,631)	(190,538)
Profit/(loss) for the year	3,085	16,692
Total group shareholders' equity	***8,214***	***3,915***
Reserves pertaining to NCIs:		
Translation reserve	*(1,062)*	*(1,139)*
Other reserves	*5,855*	*4,532*
	4,793	3,393
Profit/(loss) for the year pertaining to NCIs	324	1,323
Total non-controlling interests	***5,116***	***4,716***
Total Shareholders' equity	**13,331**	**8,631**

The Share capital as at March 31, 2019 amounted to Euro 154,899 thousand and due to the collateral agreements signed concurrently with the conclusion of the loan agreement, in previous years, the amount was fully paid-in and consisted of:

- no. 107,567,301 ordinary shares;
- no. 32,331,764 special Class A shares;
- no. 15,000,000 special Class B shares.

The shares, all of which have a nominal value of Euro 1.00 each, are held by:

in number of shares	**Ordinary shares**	**"Class A" special shares**	**"Class B" special shares**	**Total shares**	**% of Total shares**
Almaviva Technologies S.r.l.	100,000,000	32,331,764	15,000,000	147,331,764	95.11%
RAI S.p.A.	1,291,522			1,291,522	0.83%
Ligestra Due S.r.l.	1,119,894			1,119,894	0.72%
Confagricoltura	1,093,172			1,093,172	0.71%
Conf. Italiana Agricoltori	1,093,172			1,093,172	0.71%
Conf. Nazionale Coldiretti	1,093,172			1,093,172	0.71%
Assicurazioni Generali S.p.A.	1,056,490			1,056,490	0.68%
Visualnet S.r.l.	819,879			819,879	0.53%
Share capital	**107,567,301**	**32,331,764**	**15,000,000**	**154,899,065**	**100.00%**

The special Class A and Class B shares have the following differences compared to the ordinary shares:

- Class A shares allow holders to receive a profit increased by 10% when dividends are distributed; this is deferred in the case of losses; they are convertible into ordinary shares at a ratio of one to one upon the request of the shareholder in the event of the listing of the company or disposal to third parties, or they will acquire, upon the application of the shareholder, the right to vote in the Company's ordinary and extraordinary shareholders' meetings; in the event

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

of the liquidation of the company, they are entitled to receive a percentage of the liquidation proceeds, increased by 10%;

- Class B shares allow holders to receive a profit increased by 10.1% when dividends are distributed; this is deferred in the case of losses; they are convertible into ordinary shares at a ratio of one to one upon the request of the shareholder in the event of the listing of the company or disposal to third parties, or they will acquire, upon the application of the shareholder, the right to vote in the Company's ordinary and extraordinary shareholders' meetings; in the event of the liquidation of the company, they are entitled to receive a percentage of the liquidation proceeds, increased by 10.1%.

Share premium reserve
The Share premium reserve amounted to Euro 17,788 thousand as at March 31, 2019 and remained unchanged compared to December 31, 2018.

Legal reserve
The Legal reserve amounted to Euro 5,073 thousand as at March 31, 2019 and remained unchanged compared to December 31, 2018.

FTA reserve
The FTA reserve amounted to Euro 4,493 thousand as at March 31, 2019, as detailed below, and remained unchanged compared to December 31, 2018:

- AlmavivA for Euro 4,782 thousand;
- AlmavivA Contact for negative Euro 141 thousand;
- Almawave for negative Euro 270 thousand;
- AlmavivA do Brasil for Euro 122 thousand.

OCI reserve
The OCI reserve totalled Euro 5,763 thousand as at March 31, 2019 (Euro 5,763 thousand as at December 31, 2018) and includes the actuarial valuation of TFR (employee severance indemnity) of the Group companies.

Translation reserve
The Translation reserve concerns the exchange differences from the translation to Euro of the financial statements of companies operating in non-Euro value.
As at March 31, 2019, it totalled negative Euro 21,195 thousand (of which the Group's share was a negative Euro 20,133 thousand and the portion pertaining to non-controlling interests amounted to negative Euro 1,062 thousand).
As at December 31, 2018, it was a negative Euro 22,486 thousand (of which the Group's share was a negative Euro 21,347 thousand and the portion pertaining to non-controlling interests amounted to negative Euro 1,139 thousand).

Other reserves
The Other reserves equalled to a negative Euro 156,901 thousand as at March 31, 2019 (Euro negative 174,916 thousand as at December 31, 2018) and are represented by consolidation reserves and by undistributed profits or losses carried forward. Out of this amount, the portion pertaining to the Group is a negative Euro thousand (Euro negative 162,756 thousand and Euro negative 179,448 thousand as at December 31, 2018), while the portion attributable to non-controlling interests is Euro 5,855 thousand (Euro 4,532 thousand as at December 31, 2018).

Capital management

The Group's objectives in terms of capital management are the protection of business continuity, the creation of value for stakeholders and support for Group development. In particular, the Group aims to maintain an adequate level of capitalisation which makes it possible to achieve an economic return for shareholders, guarantee access to external sources of financing and satisfy investors. In this context, the Group manages its capital structure and makes adjustments to it, if rendered necessary by changes to economic conditions. To this end, the Group constantly monitors the evolution of the level of indebtedness in relation to shareholders' equity, whose situation as at March 31, 2019 is summarised in the following table.

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

(in thousands of Euro)	*Note*	**At March 31, 2019**	**At December 31, 2018**
Non current Net Financial Position	*22*	(317,494)	(274,902)
Current Net Financial Position	*15-17-26*	25,205	61,414
Non current financial receivables	*9*	1,640	1,643
Financial indebtness ("Debt")	*0*	(290,649)	(211,845)
Total Group Shareholder Equity	*19*	8,214	3,915
Non Controlling Interests	*19*	5,116	4,716
Total Shareholders' Equity ("Equity")	*19*	13,331	8,631
Debt/Equity ratio		**(21.8)**	**(24.5)**

Financial debt at March 31, 2019 includes the portion of financial liabilities deriving from the application of IFRS 16 (Euro 57,758 thousand, please see paragraph 3.2, page F-22)

), while net financial debt at December 31, 2018 did not include it.
Excluding IFRS 16 effects the Financial indebtness (as at March 31, 2019) would be Euro 232,891 thousand.

20. LIABILITIES FOR EMPLOYEE BENEFITS

Liabilities for employee benefits as at March 31, 2019 and December 31, 2018 are reported below:

(in thousands of Euro)	**At March 31, 2019**	**At December 31, 2018**
Liabilities for employee benefits	**48,525**	**48,470**

The line item increased by Euro 55 thousand in 2019, from Euro 48,470 thousand as at December 31, 2018 to Euro 48,525 thousand as at March 31, 2019.

The liability for employee severance indemnity, governed by Art. 2120 of the Italian Civil Code, includes the estimate of the obligation, determined on the basis of actuarial techniques (of which the last valuation is December 31, 2018), relating to the amount to be paid to the employees of Italian companies when their employment is terminated.
The indemnity, provided in the form of capital, is equal to the sum of the allocation amounts calculated on the salaries paid in relation to the employment contract and revalued until the termination of said employment. As a result of the legislative amendments introduced on January 1, 2007, employee severance indemnity accruing will be allocated to pension funds, to the treasury fund set up by INPS (National Social Security Institute) or, in the case of companies with less than 50 employees, may be retained in the company. This means that a significant portion of the employee severance indemnity accruing is classified as a defined contribution plan, given that the company's obligation is represented exclusively by the payment of contributions to the pension fund or to INPS. The liability related to employee severance indemnity prior to January 1, 2007 continues to represent a defined benefit plan to be evaluated according to actuarial techniques.

21. PROVISIONS

Provisions as at December 31, 2018, and March 31, 2019 are reported below:

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

(in thousands of Euro)	At March 31, 2019	At December 31, 2018
Non-current portion of provisions for risks and charges	5,242	5,006
Current portion of provisions for risks and charges	6,415	5,611
Provisions for risks and charges	**11,657**	**10,617**

The line item increased by Euro 1,040 thousand in 2019, from Euro 10,617 thousand as at December 31, 2018 to Euro 11,657 thousand as at March 31, 2019.

(in thousands of Euro)	Provision for taxes	Provision for redundacy incentives	Provision for guarantees granted	Provisions for contractual and commercial risks	Provisions for legal disputes	Provisions for mobility	Other provisions for risks and charges	Total
Balance as at December 31, 2018	**585**	**22**	**134**	**0**	**2,157**	**0**	**7,719**	**10,617**
of which:								
Non-current portion	0	0	0	0	0	0	0	5,006
Current portion	0	0	0	0	0	0	0	5,611
Balance as at January 1, 2019	**585**	**22**	**134**	**0**	**2,157**	**0**	**7,719**	**10,617**
Accruals	900	0	0	0	150	0	1,146	2,196
Utilizations	0	0	0	0	0	0	(909)	(909)
Decreases	0	0	0	0	(169)	0	(84)	(253)
Other changes not recorded through income statement	0	0	0	0	6	0	0	6
Balance as at March 31, 2019	**1,485**	**22**	**134**	**0**	**2,144**	**0**	**7,872**	**11,657**
of which:								
Non-current portion	0	0	0	0	0	0	0	5,242
Current portion	0	0	0	0	0	0	0	6,415

Tax, administrative, civil and labour disputes are handled by the AlmavivA Group's legal department that provided, for the preparation of the financial statements, a comprehensive and exhaustive overview of the different proceedings in progress. In respect of these disputes, the Company carries out an accurate assessment of the risk of being the losing party which determined the recognition of the appropriate provisions for disputes likely to have a negative outcome and, which could be reasonably quantified, as represented and commented on in this paragraph, under "Provisions for risks and charges". For those proceedings whose negative outcome, owing to the different case law positions, is only considered possible, no specific provision is recorded in accordance with the regulations governing the preparation of the financial statements.

Information and comments on the various provisions are provided below.

Provisions for taxes
The line item amounts to Euro 1,485 thousand as at March 31, 2019 (Euro 585 thousand as at December 31, 2018) and include provisions for taxes (current for Euro 900 thousand related to the interim periods and non current Euro 585 thousand):

- for Euro 370 thousand (Euro 370 thousand as at December 31, 2018) pertaining to AlmavivA for an eventual notice of assessment relative to the 1999 tax period;
- for Euro 68 thousand (unchanged from 2018) pertaining to AlmavivA and originating from the incorporated company AlmavivA Sud;
- for Euro 65 thousand (unchanged from 2018) pertaining to AlmavivA and originating from the incorporated company AlmavivA Finance S.p.A.;
- for Euro 16 thousand (unchanged from 2018) pertaining to AlmavivA and referring to a tax assessment made by the Italian Tax Police – Customs and Intracommunity VAT originating from the incorporated company AlmavivA Tsf S.p.A.;
- for Euro 66 thousand (unchanged from 2018) pertaining to AlmavivA Contact and established in connection with the risks associated to the deduction of costs considered by the Tax Authorities to be non-deductible following a tax audit that took place in 2004 with respect to the fiscal year 2002;

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

Provisions for legal disputes
The Provision for legal disputes amounts to Euro 2,144 thousand as at March 31, 2019 (compared to Euro 2,157 thousand as at December 31, 2018) mainly recorded by AlmavivA for Euro 1,224 thousand (Euro 1,171 thousand as at December 31, 2018), AlmavivA Contact for Euro 341 thousand (Euro 413 thousand as at December 31, 2018), AlmavivA do Brasil for Euro 511 thousand (Euro 505 thousand as at December 31, 2018) and to a smaller extent by other Group companies.

Other provisions
The line items, including non-current and current portion, amount to Euro 7,872 thousand as at March 31, 2019, with an increase of Euro 153 thousand in 2019. The amount includes other provisions for risks recorded by AlmavivA for Euro 4,856 thousand as at March 31, 2019 (Euro 4,139 thousand as at December 31, 2018), AlmavivA Contact for Euro 809 thousand as at March 31, 2019 (Euro 855 thousand as at December 31, 2018), Lombardia Gestione for Euro 89 thousand as at March 31, 2019 (Euro 89 thousand as at December 31, 2018), Agrisian in Liquidation for Euro 2,118 thousand as at March 31, 2019 (Euro 2,119 thousand as at December 31, 2018) and by other Group companies.

22. NON-CURRENT FINANCIAL LIABILITIES

Non-current financial liabilities as at December 31, 2018, and March 31, 2019 are reported below:

(in thousands of Euro)	At March 31, 2019	At December 31, 2018
Banks	21,628	23,899
Bond	237,093	236,322
Amounts due to other lenders	14,393	14,681
Adoption IFRS16	44,380	0
Non-current financial liabilities	**317,494**	**274,902**

Followings the tables of proceeds, repayments and reclassifications of borrowings occurred in the period:

(in thousands of Euro)	At December 31, 2018	Proceeds from borrowings	Repayements of borrowings	Reclassification and other adjustments	At March 31, 2019
AlmavivA S.p.A.	259,705	0	(2,001)	772	258,476
Sadel S.p.A.	1,338	0	(113)	(11)	1,214
AlmavivA do Brasil	2,859	0	(435)	0	2,424
SIMEST Operation	11,000	0	0	0	11,000
Adoption IFRS16	0	0	0	44,380	44,380
Non-current financial liabilities	**274,902**	**0**	**(2,549)**	**45,141**	**317,494**

The balance of the line item as at March 31, 2019 is Euro 317,494 thousand, with an increase of Euro 42,592 thousand compared to the prior year. The increase is mainly related to the adoption of IFRS 16 (Euro 44,380 thousand).

Long-term financial liabilities of Euro 317,494 thousand, refer primarily to the bond of Euro 250,000 thousand issued on October 5, 2017, 7.25% coupon with half-yearly payment on October 15 and April 15 of each year and final maturity on October 15, 2022. The bond was listed on the Luxembourg stock exchange on the Euro MTF Market (unregulated market). The issue and placement were performed by the merchant bank Goldman Sachs as Sole Book Runner and banca UBI in the role of co-Manager.
The issue was preceded by a Road Show in the main European financial markets including London, Paris, Frankfurt, Amsterdam and Milan, achieving resounding success among investors. Demand was actually 4 times higher than supply, concentrated among large international investors high profile. The issue was also supported by a Revolving Facility for an original amount of Euro 20,000 thousand, increased to Euro 40,000 thousand on October 5, 2017 (The line is fully committed for Euro 40,000 thousand and without any clean-down condition). The Revolving line expires on February 5, 2022 and can be used for general purposes relating to company business.

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

The bond issue was used for the full reimbursement of the Senior Secured Bridge and Revolving loan agreement, signed on August 3, 2017, between AlmavivA Spa and Goldman Sachs International which made provision for total financing of Euro 270,000 thousand composed of the following two lines:

1 - Facility B of Euro 250,000 thousand;
2 - Revolving Facility of Euro 20,000 thousand.

The new sources of financing were used to repay the financial indebtedness of AlmavivA S.p.A. deriving from the loan agreement signed on August 13, 2012 with a pool of banks, the extinguishment of the expired VAT payable of AlmavivA S.p.A., amounting to Euro 32,766 thousand at said date, including sanctions and interest, and of the subsidiary AlmavivA Contact S.p.A., amounting to Euro 33,758 thousand at said date, including sanctions and interest, plus the reimbursement of some with-recourse factoring contracts, the reimbursement of the financial indebtedness of the subsidiary AlmavivA do Brasil and the payment of costs relating to the transaction.

Thanks to the Senior Secured Bridge and Revolving transaction before the bond issue and the increase from Euro 20,000 thousand to Euro 40,000 thousand of the Revolving line after, AlmavivA made the Group's debt structure more stable, extending the average term of the loans by making provision for medium-term repayments in a single expiry and reducing the overall cost of debt between liabilities in Italy and Brazil.
The bond is accounted in the financial statements using the amortised cost method and has a value of Euro 237,093 thousand as at March 31, 2019.

Bank liabilities totaled Euro 21,628 thousand and relate to AlmavivA S.p.A. for Euro 18,001 thousand mainly for the draw of the Revolving line, to AlmavivA do Brasil for Euro 2,424 thousand, and to Sadel for Euro 1,203 thousand. With regard to the Revolving Credit Facility line every quarter, the observance of a covenant called "Net Consolidated Leverage Ratio" is assessed. This covenant is complied with at March 31, 2019.

Liabilities to other lenders amounting to Euro 14,393 thousand refer primarily to the subsidised loans received on the financed projects of AlmavivA S.p.A. (Euro 3,382 thousand) and, for Euro 11,000 thousand relating to the payable due to Simest.

In particular, non-current financial liabilities to Simest, in the amount of Euro 11,000 thousand, relate to the portion of share capital and the share premium of AlmavivA do Brasil subscribed by SIMEST. This transaction makes provision, inter alia, for the irrevocable obligation of the subsidiary AlmavivA Contact to acquire from SIMEST (which has committed to sell) the shares subscribed by the latter by June 30, 2023. There are several conditions that can anticipate the date of exercise of the options, which in any case cannot fall before June 30, 2019. As the conditions laid out in IAS 32 "Financial instruments: presentation" were met, the entire amount subscribed by Simest was classified under financial liabilities and measured in accordance with the requirements laid out in IAS 39 "Financial instruments: recognition and measurement".

The tables below provide an analysis of the main loans, with an indication of the maturity. The values indicated include only the medium-long term financial liabilities, excluding the related current portions, which are classified as current financial liabilities.

(in thousands of Euro)	> 12 months	< 5 years
Banks	21,628	21,628
Bond	237,093	237,093
Amounts due to other lenders	14,393	13,627
Adoption IFRS16	44,380	44,380
	317,494	**316,728**

* The amount is classified "Due over 5 years" but, as indicated above, the exercise of the options between AlmavivA Contact and SIMEST could be anticipated, but in any case, it cannot occur before March 31, 2020.

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

23. DEFERRED TAX LIABILITIES

The tables below show the amount of AlmavivA Group's Deferred tax liabilities as at December 31, 2018, and March 31, 2019 and the related changes occurred in each of these periods.

(in thousands of Euro)	**At March 31, 2019**	**At December 31, 2018**
Deferred tax liabilities	**1,534**	**1,534**

	For the three months ended March 31, 2019	**At December 31, 2018**
Balance at the beginning of the year	**1,534**	**1,672**
Increases	0	0
Decreases	0	(138)
Balance at the end of the year	**1,534**	**1,534**

Deferred tax liabilities refer exclusively to AlmavivA S,p,A, and mainly concern fiscal impact of fair value as deemed cost applied (as defined in and allowed by IFRS 1) to land and buildings owned by abovementioned entity.

24. OTHER NON-CURRENT LIABILITES

Other non-current liabilities amount to Euro 720 thousand as at March 31, 2019 compared to an amount of Euro 754 thousand as at December 31, 2018, as illustrated in the table below:

(in thousands of Euro)	**At March 31, 2019**	**At December 31, 2018**
Deferred income on capital grants	720	754
Other non-current liabilities	**720**	**754**

The fully amount refers to deferred income on capital grants.

25. TRADE PAYABLES

Trade payables amounts to Euro 229,882thousand as at March 31, 2019 compared to an amount of Euro 222,162 thousand as at December 31, 2018, as illustrated in the table below:

(in thousands of Euro)	**At March 31, 2019**	**At December 31, 2018**
Trade payables	**229,882**	**222,162**

They mainly include payables for the provision of services, as well as those relating to various services for activities carried out in the year. More specifically, trade-related payables past due amounted to Euro 55,144 thousand (Euro 51,380

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

thousand in 2018), while those falling due in under 12 months amounted to Euro 174,738 thousand (Euro 170,782 thousand in 2018).

Due to the adoption of IFRS 16, the amount of Euro 3,283 thousand was reclassified from Trade Payables to Current Financial Liabilities.

Please note that the trade-related payables are regulated based on the contractual conditions and specific agreements with the Group’s suppliers.

26. CURRENT FINANCIAL LIABILITIES

Current financial liabilities as at December 31, 2018, and March 31, 2019 are reported below:

(in thousands of Euro)	**At March 31, 2019**	**At December 31, 2018**
Payables due to banks	5,989	6,499
Current portion bonds	8,316	3,834
Payables due to other lenders	3,472	3,222
Financial lease payables	254	315
Accrued liabilities from financial expenses	257	459
Other financial payables	0	1
Adoption 'IFRS 16	13,378	
Current financial liabilities	**31,666**	**14,330**

Short-term financial liabilities of Euro 31,666 thousand refer to payables for short-term loans taken out with banks, the portion of payables for interest accrued vis-à-vis bondholders whose payment is set for April 15, 2019.
The item includes payables for the financial leases (ex IAS 17), primarily AlmavivA do Brasil, financial accruals and sundry short-term payables.
The increment related to the adoption of IFRS 16 amounts Euro 13,378 thousand.

The following table shows the composition of the item "Net change in other current and non-current financial liabilities" of the Cash flow statement:

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

As at March 31, 2019

	At March 31, 2019	At December 31, 2018	Changes
Current financial liabilities	31,666	14,330	17,336
Adoption IFRS16			(13,378)
Exchange rate differences on cash and cash equivalents			900
Exchange rate differences on net working capital			739
Exchange rate differences on shareholders' equity			1,291
Exchange rate differences on tangible and intangible assets			40
Non-paid interests expenses and amortization cost effects			(6,141)
Exchange rate differences from P/L			80
OTher changes and reclassification from non current to current liabilities			(510)
			357

As at March 31, 2018

	At March 31, 2018	At December 31, 2017	Changes
Current financial liabilities	15,984	12,021	3,963
Exchange rate differences on cash and cash equivalents			(2,061)
Exchange rate differences on net working capital			(3,662)
Exchange rate differences on shareholders' equity			(2,998)
Exchange rate differences on tangible and intangible assets			1,244
Non-paid interests expenses and amortization cost effects			(1,217)
Exchange rate differences from P/L			67
Other changes and reclassification from non current to current liabilities			0
			(4,664)

27. TAX PAYABLES

Tax payables as at December 31, 2018, and March 31, 2019 are reported below:

(in thousands of Euro)	At March 31, 2019	At December 31, 2018
Income taxes	3,134	3,258
Other taxes	28,153	32,885
Tax payables	**31,287**	**36,143**

Tax payables amount to Euro 31,287 thousand as at March 31, 2019 compared to Euro 36,143 thousand as at December 31, 2018, recording a decrease of Euro 4,856 thousand in 2019.
The refer primarily to payables for IRPEF to be paid, to payables for IRAP direct taxes, to payables for deferred VAT, payables for ordinary VAT, as well as to the taxes of foreign companies, in particular the AlmavivA do Brasil Group.

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

28. OTHER CURRENT LIABILITIES

Other current liabilities as at December 31, 2018, and March 31, 2019 are reported below:

(in thousands of Euro)	At March 31, 2019	At December 31, 2018
Payables due to social security institutions	12,957	19,980
Payables due to personnel	40,735	34,230
Miscellaneous payables	21,815	17,231
Deferred income	9,775	11,516
Other current liabilities	**85,282**	**82,957**

The line item increased by Euro 2,325 thousand in 2019, from an amount of Euro 82,957 thousand at December 31, 2018 to an amount of Euro 85,282 thousand at March 31, 2019. The increase of the period is around 2.8%.
The payables due to social security and welfare institutions amounted to Euro 12,957 thousand and refer to mandatory contributions accrued and payable to social security institutions for wages and salaries and remuneration paid;

The payables due to personnel refer, primarily, to the provision for holidays and leave accrued by personnel and still not utilised, as well as, as regards the subsidiary AlmavivA Contact SpA. and Sadel SpA, the monthly pay relating to March, which was paid in the first few days of April 2019, as per the ordinary management of the payments of wages and salaries.

Miscellaneous payables of Euro 21,815 thousand mainly include the payables due to corporate bodies, payables to project workers, payables to insurance companies, amounts due for collections to be repaid to partners and payables related to the fiscal consolidation to AlmavivA Technologies Srl.
Deferred income of Euro 9,775 thousand related to the economic components pertaining to future years.

29. REVENUE

Revenue from contracts with customers for each of the periods ended December 31, 2018, and March 31, 2019 are reported in the following table:
Please consider that label "Revenue" has to be read as "Revenues from contracts with customers" as defined in IFRS 15.

	For the three months ended March 31,	
(in thousands of Euro)	**2019**	**2018**
Revenues from sales and services	192,932	175,444
Revenues from sale of goods	2,554	0
Revenues from contract work in progress	9,620	12,348
Revenues from contracts with customers	**205,106**	**187,792**

The following is a breakdown of revenues deriving from contracts with customers based on the timing of recognition of the same for the 2018 financial year in which IFRS 15 was applied for the first time.

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

	For the three months ended March 31,	
(in thousands of Euro)	**2019**	**2018**
Type of goods or service		
ICT Services rendered	110,592	94,766
CRM Services rendered	91,960	93,026
Goods transferred in Transportation business	2,554	0
Total revenue from contracts with customers	**205,106**	**187,792**

Revenues deriving from contracts with Group customers include estimated revenues based on the input and output method as indicated in the drafting criteria. Revenues from assets transferred at a point in time result from deliveries made by AlmavivA SpA in the contracts relating to the Transportation sector.

Revenues increased by Euro 17,314 thousand from Euro 187,792 thousand for the year ended March 31, 2018 to Euro 205,106 thousand for the period ended March 31, 2019.

Revenues from ordinary operations of the Group include the contractual revenues accrued from production recorded in the year, determined according to the percentage of completion method and revenues recorded in relation to the provision of services and sale of assets.

The table below shows a breakdown of revenues by Operating and reportable segments for the periods ended March 31, 2018, and 2019, Inter-segment elimination has not been considered and eliminated.

	For the three months ended March 31,	
(in thousands of Euro)	**2019**	**2018**
IT Services	110,501	92,810
CRM Europe	32,578	34,773
CRM International	59,382	58,254
Almawave – New Technology	2,645	1,955
Revenues from contracts with customers	**205,106**	**187,792**

The revenues of the IT Services segment as at March 31, 2019 rose by Euro 17,691 thousand, equal to 19.1% compared to the previous year. This increase is due mainly to the growth in revenues, the increase in demand for services, with respect to customers of the Transport, Local government, Utilities, Homeland Security, Ministries, Agriculture and Welfare business areas and, to a lesser extent, in other areas. This growth was partially offset by a reduction in revenues attributable to the Banking Insurance area.

The revenues of the CRM Europe segment recorded a decrease of Euro 2,195 thousand (6.3%) respect the same period of the previous year. The decrease concerned all the business areas excepting Utilities that registered an increase in revenues.

The revenues of the CRM International segment recorded an increase of Euro 1,129 thousand, 1.9% as at March 31, 2019 when compared to the previous year. The increase was mainly determined by areas Telco/Media, Government and Others, the whole growth was influenced by the exchange rate.

The revenues of the Almawave-New Technology segment rose by Euro 691,35 thousand, 3.0% compared to the previous year. Intersegment revenues decreased by Euro 635 thousand compared to the previous year. The rise is due primarily to the increase in revenues deriving from the sale of software technologies to customers (including other segments) in the Utilities, Government and other areas, partially offset by the reduction in revenues from customers in the Telco/Media, and Banking/Insurance areas.

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

AlmavivA Group revenues are mainly realised in Italy. Revenues produced abroad primarily regard Brazil and to a lesser extent, Tunisia and Colombia. For more details on the breakdown by geographical area, please refer to Note 5.

The transaction price, net of variable consideration, allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at March 31, 2019 are, as follows:

(in thousands of Euro)	Total at March 31, 2019	To be absorb within the current financial year	To be absorb within the next financial year
Backlog (*)	**1,303,801**	**(286,432)**	**1,017,369**

(*) IT Services and Almawave New Technology segments

30. OTHER INCOME

Other income for each of the periods ended March 31, 2018, and March 31, 2019 are reported in the following table:

(in thousands of Euro)	For the three months ended March 31,	
	2019	2018
Recovery of personnel costs	221	348
Recovery of costs of service provision	770	438
Recovery of costs of use of assets	4	6
Reversal of provisions	911	859
Other income	365	346
Operating grants	370	580
Reversal of over-accruals of trade payables	99	72
Other income	**2,740**	**2,649**

Other revenues and income amounted to Euro 2,740 thousand and Euro 2,649 thousand as at March 31, 2019 and 2018 respectively. Although all the items were changed they show slightly variations.

31. COST OF RAW MATERIALS AND SERVICES

Cost of raw materials and services for each of the periods ended at March 31, 2019, and 2018 are reported in the following table:

(in thousands of Euro)	For the three months ended March 31,	
	2019	2018
Raw materials, consumables, supplies and goods	6,047	4,603
Costs for services	58,321	50,062
Costs for services capitalised for assets created internally	(396)	(948)
Costs of use of third party assets	2,194	5,887
Changes in inventories	(730)	0
Cost of raw materials and services	**65,436**	**59,604**

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

The item increased by Euro 5,832 thousand in the period. The increase is, generally speaking, attributable to the higher revenues in the IT Services segment, with a subsequent increase in the costs for services (Euro 5,658 thousand, from an amount of Euro 39,211 thousand in 2018 to Euro 44,869 thousand in 2019), and in Almawave-New Technology segment (increase in costs of Euro 451 thousand, up from Euro 945 thousand in 2018 to Euro 1,396 thousand in 2019). This effect was partially offset in the CRM Europe segment (in which the costs for services decrease by Euro 441 thousand from Euro 8,009 thousand in 2018 to Euro 7,568 thousand in 2019) and in the CRM International segment due to the decrease of the costs for services for Euro 325 thousand from Euro 16,769 thousand in 2018 to Euro 16,444 thousand in 2019).

The cost of use of third-party assets decreased compared to the previous period, due to the adoption in the quarter ended March 31, 2019 of the new accounting standard IFRS 16 - Leases.

The table below shows, in more details, the disaggregation of cost of services for the periods:

(in thousands of Euro)	**For the three months ended March 31,**	
	2019	**2018**
Maintenance	6,156	5,367
Insurance	563	540
Consultancy and professional services	24,041	19,712
Advertising, promotion and entertainment	160	155
Telephone expenses	1,343	1,814
Travel and stays	1,225	1,099
Energy and fluids	2,378	2,287
Distribution and warehousing	1,480	1,371
Other costs for services	20,975	17,717
Costs for services	**58,321**	**50,062**

The item Other costs for services includes the operating expenses and various services such as corporate protection expenses, canteen expenses and meal vouchers for employees, legal and notary expenses, commissions and expenses for bank services, training course expenses, cleaning expenses and costs incurred on behalf of group companies that basically refer to charges for insurance policies and travel and transfer expenses.

32. PERSONNEL EXPENSES

Personnel expenses for each of the periods ended March 31, 2019, and 2018 are broken down as follows:

(in thousands of Euro)	**For the three months ended March 31,**	
	2019	**2018**
Salaries and wages	95,737	92,669
Social security contributions	17,662	17,166
Employee benefit expenses	3,845	2,962
Other costs	622	819
Agency work	998	2,503
Personnel expenses capitalised for assets created internally	(2,634)	(2,714)
Personnel expenses	**116,230**	**113,405**

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

Personnel expenses increased by Euro 2,825 thousand, or 2.5%, from Euro 113,405 thousand in the period ended March 31, 2018 to Euro 116,230 thousand in the period ended December 31, 2019.

The average number of employees of companies included in the consolidation area, broken down by category, for each period ended March 31, 2019 and 2018 is as follows:

	At March 31, 2019	At March 31, 2018
Executives	234.0	206.7
Middle managers	830.3	763.8
White-collar employees	44,009.7	42,677.8
Total Group average employees	***45,074.0***	***43,648.3***
Agency workers	155.0	352.4
Total workforce	***45,229.0***	***44,000.7***

33. DEPRECIATION AND AMORTIZATION

Depreciation and amortization for each period ended March 31, 2019 and 2018 are broken down as follows:

(in thousands of Euro)	For the three months ended March 31,	
	2019	**2018**
Industrial patent and intellectual property rights	1,743	1,829
Concession, licence and trademarks	75	53
Other	1,489	1,305
Total Amortisation	***3,307***	***3,187***
Civil and industrial buildings	204	195
Industrial and commercial equipment	31	32
Plants and machinery owned	958	1,252
Other assets owned and leased	1,799	1,899
Capital (gains) from disposals of fixed assets	0	0
Civil and industrial buildings IFRS16	3,235	
Plants and machinery owned and leased IFRS16	36	
Other assets owned and leased IFRS16	197	
Total Depreciation	***6,460***	***3,378***
Total Depreciation and Amortisation	**9,767**	**6,565**

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

34. OTHER EXPENSES

Other operating expenses for each period ended March 31, 2019 and 2018 are broken down as follows:

(in thousands of Euro)	For the three months ended March 31,	
	2019	**2018**
Write-down of receivables	0	0
Provisions for risks	1,146	1,227
Other provisions	0	0
Taxes and duties	65	32
Membership fees	176	151
Other expenses	489	720
Accruals to provisions	-	23
Reversal of over-accruals of trade receivables	96	130
Other operating expenses	**1,972**	**2,283**

Other operating expenses decreased by Euro 311 thousand, or -13.6%, from Euro 2,283 thousand in the period ended March 31, 2018 to Euro 1,972 thousand in the period ended March 31, 2019. Net allocations to provisions for risks and charges were booked by the IT Services segment (Euro 1,146 thousand). Information on the provisions for risks and charges is provided in Note 21, to which the reader is referred. Other operating costs - non-recurring portion which include almost exclusively the economic effect recorded due to settlement of previous receivables.

35. FINANCIAL INCOME/(EXPENSES) AND EXCHANGE GAINS/(LOSSES)

Financial income, Financial expenses and Exchange gains/(losses) for each of the periods ended March 31, 2019 and 2018 are reported below:

	For the three months ended March 31,	
(in thousands of Euro)	**2019**	**2018**
Financial income	105	51
Financial expenses	(6,807)	(7,176)
Exchange gains/(losses)	79	67
Adoption IFRS 16	(1,022)	
Net financial result	**(7,645)**	**(7,058)**

As per the previous table, the result of financial income and expenses was negative Euro 7,645 thousand as at March 31, 2019, compared to a negative result of Euro 7,058 thousand as at March 31, 2018, marking an worsening of Euro 587 thousand, due to the adoption of IFRS 16 (Euro 1,022 thousand). Excluding this effect, the line could show an improvement of Euro 435 thousand.

36. GAINS/(LOSSES) ON EQUITY INVESTMENTS INCLUDING THOSE RESULTING FROM VALUATION AT EQUITY METHOD

Gains/(losses) on equity investments and loss from investments accounted for using equity method for each period ended March 31, 2018 and 2019 are reported below:

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

(in thousands of Euro)	For the three months ended March 31,	
	2019	2018
Other gains on equity investments	0	0
Share of lossesa from investments accounted for using equity method	0	6
Net result from equity investments	**0**	**6**

The analysis is provided in Note 8, "Equity investments accounted for using the equity method".

37. INCOME TAXES

Income taxes for each of the periods ended March 31, 2019, and 2018 are broken down as follows:

(in thousands of Euro)	For the three months ended March 31,	
	2019	2018
Italian Companies		
IRAP (Regional business tax)	627	396
IRES (Corporate income tax)	2,521	1,496
(Income) expenses from compliance with tax consolidation	(649)	(619)
	2,499	**1,273**
Foreign companies		
Other current taxes	699	724
	699	**724**
Current Taxes	**3,198**	**1,997**
Italian Companies		
IRAP (Regional business tax)	(5)	(12)
IRES (Corporate income tax)	(704)	(738)
	(709)	**(750)**
Foreign companies		
Other deferred taxes	897	(643)
	897	**(643)**
Deferred taxes	**188**	**(1,393)**
Income taxes for the year - Non recurring portion	**0**	**0**
Total Income taxes	**3,386**	**604**

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

38. INCOME TAXES RECONCILIATION

Reconciliation of tax expense and the accounting profit multiplied by Group AlmavivA's domestic tax rate for the periods ended March 2019 and 2018:

	For the three months ended March 31,	
(in thousands of Euro)	**2019**	**2018**
Income before taxes	6,795	1,447
Theoretical taxe rate	24.0%	24.0%
Theoretical taxes	**1,631**	**347**
Effect of different foreign tax rates	(66)	(10)
Non-deductible expenses	1,251	1,177
Tax losses previous years / consolidated tax revenues	(650)	(619)
Effect of writedowns for deferred tax assets and redetermination of tax rates	0	0
IRAP (Italian regional business tax)	620	396
Effect on deferred taxation of changes in tax rates	195	(1,393)
Other differences and minor items	405	706
Total	**3,386**	**604**

39. GUARANTEES AND COMMITTMENTS

The Group granted the following guarantees as at March 31, 2019:

- personal guarantees of Euro 238,062 thousand (Euro 239,046 thousand as at December 31, 2018), which are "in favour of subsidiaries" recorded by AlmavivA S.p.A. for co-obligations issued to various insurance companies in the interest of Agrisian S.c.p.A. in Liquidation amounting to Euro 206,583 thousand and relative to the contract with the Ministry of Agricultural and Forest Resources; "in favour of other parties" in the amount of Euro 31,479 thousand, guarantees recorded by Lombardia Gestione of Euro 12,165 thousand for the execution of the 6-year service agreement and AlmavivA Contact S.p.A. in the amount of Euro 19,314 thousand;
- collateral given of Euro 29,025 thousand refers to 100% pledges of shares held by AlmavivA S.p.A. in AlmavivA Contact S.p.A. (Euro 3,000 thousand), to pledges on 94.68% of the shares held by AlmavivA Contact S.p.A. in AlmavivA do Brasil (Euro 26,025 thousand) to guarantee the new bond loan which has already been detailed in full in these Notes. In relation to these bonds, in order to guarantee the fulfilment of the secured credits, the following were established: a pledge contract on trade receivables and intercompany items of AlmavivA SpA and any other credit due to AlmavivA SpA from AlmavivA Technologies; a pledge contract on the trade receivables and intercompany items of AlmavivA Contact S.p.A., Almawave S.r.l. and AlmavivA do Brasil; a pledge contract on certain bank accounts of AlmavivA S.p.A, AlmavivA Contact S.p.A. and AlmavivA do Brasil. To further secure this loan, the shares held by AlmavivA Technologies S.r.l. equal to 95.11% of the share capital of AlmavivA S.p.A. were also pledged;
- To date there are no risks of enforcement of the aforementioned guarantees and the Group also does not receive commissions related to the commitments made.

Other guarantees, commitments and risks
These amounted to Euro 8,645 thousand (Euro 8,546 thousand as at December 31, 2018) and refer to third party assets held by AlmavivA S.p.A. (Euro 8,577 thousand) and Lombardia Gestione (Euro 68 thousand).

40. RISKS AND OTHER INFORMATION

Credit risk

The maximum theoretical exposure to credit risk for the AlmavivA Group as at March 31, 2019 is represented by the carrying amount of financial assets reported in the financial statements, in addition to the nominal value of guarantees given on the payables or commitments of third parties.

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

Trade receivables due from customers represent the greatest exposure to credit risk. In respect of the risk of customer default, an appropriate write-down provision is recorded in the financial statements, the amount of which is periodically reviewed. The write-down process adopted by AlmavivA S.p.A. requires trade positions to be subject to an individual write-down based on the age of the receivable, the reliability of the individual debtor and the progress of debt management and collection procedures. Trade receivables are generated by the Group operations in different regions/countries (predominantly in Italy and Brazil) with diversified customers and counterparties from a geographical and sector point of view (industrial, energy, telephone firms, public administrations, commercial companies, etc.) and in terms of dimensions (large corporate, small and medium enterprises, residential customers).

The following table shows the overall exposure of AlmavivA Group's receivables, together with a breakdown by amounts falling due and past due. For more detailed information, please refer to Note 14 above.

(in thousands of Euro)	**At March 31, 2019**	**At December 31, 2018**
- Amount falling due	256,734	257,178
- Past due	49,414	40,051
Trade receivables net of Bad debt provision	**306,148**	**297,229**

Financial leasing and redemption commitments (ex IAS 17)

The Group signed financial leases and redemption commitments for various plants and machinery. The Group's obligation deriving from these contracts is guaranteed by the property deed of the lessor on the leased assets.

Liquidity risk

Liquidity risk, according to generally accepted definition, represents the risk that available financial resources could be not sufficient to cover maturing financial liabilities. AlmavivA SpA evaluated this risk as remote for the company and for the Group. During the assessment, the entity considered its own capability to generate cash flows from operating activities and from sources of financing that, after renewed financial structure, allow to get a significant saving on cost of borrowing.

Exchange rate risk

Exposure to the risk of exchange rates changing derives from the company's transactions in non-euro currencies (mainly the Brazilian Real) and affects the Interim Consolidated Financial Statements (economic result and shareholders' equity) due to translating assets and liabilities of companies that draft their financial statements with functional currency other than the Euro. The risk arising from translating assets and liabilities of companies that draft their financial statements with non-euro functional currency is not usually subject to hedging, barring another specific assessment.

41. INFORMATION ON FAIR VALUE MEASUREMENT

Thanks to the financial transaction realised by the Group in August 2017 which determined the repayment of the financial indebtedness of AlmavivA SpA deriving from the loan agreement signed on August 13, 2012 with a pool of banks, the interest rate swap contracts targeted at protecting the company and the Group from the risk of fluctuations in interest rates relative to the aforementioned loan were consequently extinguished.

42. LEGAL ISSUES AND LITIGATIONS

Tax, administrative, civil and labour disputes are handled by the AlmavivA Group's competent departments that provided, for the drafting of the financial statements, a comprehensive and exhaustive overview of the different proceedings in progress. In respect of these disputes, the company, also with the help of the opinions provided by the Group's external legal representatives, carried out an accurate assessment of the risk of being the losing party which determined the recognition of the appropriate provisions for disputes likely to have a negative outcome and, which could be reasonably quantified, as represented and commented on in these notes, under "Provisions for risks and charges" - Note 19. For those proceedings whose negative outcome, owing to the different case law positions, was only considered possible, no specific allocations were made in accordance with the regulations governing the drafting of the financial statements.

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

Contingent liabilities

The disputes for which, also based on the opinions provided by the Group's external legal representatives, it was only deemed possible that the legal proceedings would result in an unfavourable outcome are indicated below. Therefore, no specific allocations were made in accordance with the regulations governing the drafting of the financial statements.

Shown below are the main contingent liabilities as at March 31, 2019 not recorded in the financial statements owing to the absence of the necessary requirements set out in reference standard IAS 37.

AlmavivA S.p.A.

Aubay Research & Technologies S.p.A./Sogei S.p.A./AlmavivA S.p.A. (as the agent of RTI with Bit Media S.p.A.)

Aubay S.p.A. requested, upon suspension of effectiveness, the annulment of the communication of its exclusion from the open procedure for the assignment of the support service for usage of the ETL product "*Informatica Power Centre*. *Call for Tenders E 901*", announced by Sogei S.p.A. At the council chambers on October 14, 2009, Aubay S.p.A. asked for postponement of the precautionary claim in order to bring forth additional reasons against the final award which had taken place in the meantime. On November 20, 2009, Aubay S.p.A. notified RTI AlmavivA of the additional reasons. RTI AlmavivA completed the activities as required by the contract. The relative hearing date has not been set yet. The outcome of the risk assessment did not determine the need to record any provisions for risks.

Eustema S.p.A./FAPI-Fondo Formazione Piccole Medie Imprese/AlmavivA TSF S.p.A., currently AlmavivA S.p.A.

Eustema S.p.A. requested the annulment, upon suspension of effectiveness, of the call for tenders and the resolution of the Board of Directors of FAPI reached on November 9, 2010, in relation to the appointment of the Awarding Committee for the call for tenders initiated by FAPI, for the creation of a new IT system and the relative activities in support of the automation of the flows relating to funding for training. The Lazio Tar rejected the precautionary application. The relative hearing date has not been set yet. The outcome of the risk assessment did not determine the need to record any provisions for risks.

RTI Exitone S.p.A. (as the agent of RTI with Dedalus S.p.A. and Lutech S.p.A.) / Consip S.p.A. / RTI AlmavivA S.p.A. (as the agent of RTI formed with Telecom Italia S.p.A. and Agriconsulting S.r.l.)

RTI Exitone requested the cancellation, upon the adoption of precautionary measures, of the measure of August 4, 2016, announcing the final award in favour of RTI AlmavivA of the "*Restricted procedure tender for the award of the concession for the SISTRI waste tracking system for the Ministry of the Environment and Protection of the Land and the Sea - ID 1642*" announced by the sole shareholder company Consip S.p.A. The precautionary claim was rejected. By resolution of November 30, 2016, Consip S.p.A. cancelled by its own determination the award measure of August 4, 2016. By means of judgment of January 25, 2017, the appeal of RTI Exitone was as a result declared barred to further proceedings. Consip S.p.A., after once again conducting the procedure to verify the anomaly of RTI AlmavivA, awarded the tender to the same RTI by measure dated February 1, 2017. RTI Exitone requested the annulment, following the adoption of precautionary measures, of the measure of February 1, 2017. RTI AlmavivA has filed a cross-appeal. Subsequently, RTI Exitone waived the precautionary measure. The Regional Administrative Court ordered the CTU (court-appointed expert witness) and deferred a discussion of the case to the hearing of January 24, 2018. With a sentence of February 22, 2019, the Lazio TAR rejected the appeal filed by the RIT Exitone. The outcome of the risk assessment did not determine the need to record any provisions for risks.

RTI AlmavivA S.p.A. (agent of the RTI with Fastweb S.p.A., and Infoblu S.p.A.)/Ministry of Infrastructures and Transport/RTI Engineering S.p.A. (agent of the RTI with Leonardo S.p.A., Telecom Italia S.p.A., and Intersistemi Italia S.p.A.)/RTI Enterprise Services Italia S.r.l. (agent of the RTI with Abramo Customer Care S.p.A., Ecosfera Servizi S.r.l. and Postel S.p.A.)

RTI AlmavivA requested the cancellation, upon the adoption of precautionary measures, of the measure for the final award to RTI Engineering of the Tender for the assignment of Information System Management and Development Services for the Department of Transport, Navigation, General Matters and Personnel, called by the Ministry of Infrastructures and Transport. RTI Engineering and RTI Enterprise appeared in court and filed a cross-appeal. At the hearing on June 20, 2018, with the precautionary claim having been waived, a public hearing was set for October 17,

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

2018, based on the amalgamation of the proceedings with those already initiated by RTI Enterprise. With rulings of November 6, 2018, the TAR accepted the appeal of the RTI Enterprise - cancelling the tender documents - and rejected the appeal of the RTI AlmavivA.

RTI Accenture S.p.A. (agent of the RTI with AlmavivA S.p.A., Avanade Italy S.r.l., Datamanagement Pa S.p.A. and Datamanagement Italia S.r.l.) / I.N.P.S. National Social Security Institute / RTI Engineering S.p.A. (agent of the RTI with Eustema S.p.A.)

The RTI Accenture has requested the annulment, subject to the adoption of precautionary measures, of the definitive awarding measure, in favor of RTI Engineering, of lots 1 and 2 of the tender within the EU, divided into 7 lots, aimed at awarding "Services of Application Development and Maintenance of the INPS ". At the hearing in the council chamber the parties renounced the precautionary petition and the public hearing of merit was set for December 11, 2018, subject to the express commitment of the INPS not to sign the contract. Subsequently, the hearing was postponed to 12 February 2019 and, subsequently, the case was withheld in the decision. The outcome of the risk assessment did not determine the need to record any provisions for risks.

RTI Present S.p.A. (agent of the RTI with Pricewaterhouseandcoopers Advisory S.p.A. and Consulthink S.p.A.) / I.N.A.I.L. National Institute against Accidents at Work / AlmavivA S.p.A.

The RTI Present has requested the annulment, subject to the adoption of precautionary measures, of the definitive awarding measure in favor of AlmavivA of the open procedure tender for the assignment of qualitative analysis and software certification services and performance testing services for INAIL. At the hearing in the council chamber held on 6 February 2019, the Lazio TAR rejected the precautionary motion proposed by the RTI Present and postponed the discussion of the merits of the dispute at the hearing of 5 June 2019. The outcome of the risk assessment did not determine the need to record any provisions for risks.

AlmavivA S.p.A., Almawave S.r.l. and Almawave USA Inc.

Loop AI Labs Inc./AlmavivA S.p.A + others

A Californian start-up subpoenaed a former senior manager of Almawave USA Inc. together with Almawave S.r.l., AlmavivA S.p.A. and third parties before a U.S. court regarding the alleged conduct of the senior manager of Almawave USA Inc. Those summoned appeared before the court and contested the claim. With a decision of March 9, 2017, the U.S. court rejected the demands of Loop AI Labs Inc., which appealed the decision. The AlmavivA Group companies lodged an appeal for the recovery of legal costs, and any further procedural initiatives are currently under assessment. With decision of November 9, 2018, the ruling of the court of first instance was confirmed. The outcome of the risk assessment did not determine the need to record any provisions for risks.

AlmavivA S.p.A. + others/ Lloyd's Insurers (at the General Representative for Italy of Lloyd's)

AlmavivA S.p.A. and other Group companies, as policyholders, have asked the Court of Milan to order Lloyd's Insurers to reimburse legal expenses and defence costs incurred and to be incurred in the context of the American dispute described above, in addition to compensation for damages. At the preliminary hearing of 16 May 2017, the judge invited the Insurers to formulate a case of settlement of the dispute and updated the discussion of the case, for the same duties, at the hearing of 28 June 2017. At this hearing, the judge - having acknowledged the failure to reach an agreement between the parties and, upon termination of the reserve assumed, postponed the case to clarify the conclusions first at the hearing of 27 February 2019 and, subsequently, on 14 January 2020. of the risk assessment did not determine the need to enter risk funds.

AlmavivA Contact S.p.A.

3G S.p.A. / Consip S.p.A. /AlmavivA Contact S.p.A.

3G S.p.A. has requested annulment, upon suspension, of the ruling based on which Consip S.p.A. excluded it from the call for tenders for a "*Framework Agreement with several operators based on which several specific tenders will be awarded, pursuant to Art. 2, par. 225 of Law no. 191/2009 for the provision of Contact Centre services*." In its meeting in the council chambers of January 22, 2014, the TAR of Lazio rejected the application for an injunction. The relative

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

hearing date has not been set yet. The outcome of the risk assessment did not determine the need to record any provisions for risks.

Alicos S.p.A., currently AlmavivA Contact S.p.A./Alitalia Linee Aeree Italiane S.p.A. under E.A.

On November 14, 2008, Alicos S.p.A. applied for inclusion in proving a debt in bankruptcy with regard to Alitalia Linee Aeree Italiane S.p.A. under E.A., requesting recognition as a secured creditor for the call centre services it provided. Alicos S.p.A., admitted as an unsecured creditor, appealed in accordance with art. 111 bis of the Bankruptcy Law, then rejected. Against this decision of rejection, AlmavivA Contact S.p.A. filed an appeal, then rejected. With appeal in accordance with art. 98 of the Bankruptcy Law, AlmavivA Contact S.p.A. challenged the debt in bankruptcy. The appeal was rejected and AlmavivA Contact S.p.A. filed an appeal at the Court of Cassation. Management, in consideration of the risk assessment conducted, saw fit to allocate a bad debt provision in relation to the ongoing dispute.

Alicos S.p.A., currently AlmavivA Contact S.p.A./Alitalia Servizi S.p.A. under E.A.

On January 19, 2009, Alicos S.p.A. applied for inclusion in proving a debt in bankruptcy with regard to Alitalia Servizi S.p.A. under E.A., requesting recognition as a preferential lender for the call centre services it provided. Alicos S.p.A., which had not been admitted as the Administrator considered its debt to have been paid in full, appealed pursuant to art. 111 bis of the Bankruptcy Law, then rejected. AlmavivA Contact S.p.A. filed an appeal against this rejection decision, later rejected. With appeal in accordance with art. 98 of the Bankruptcy Law, AlmavivA Contact S.p.A. challenged the debt in bankruptcy. The appeal was rejected and AlmavivA Contact S.p.A. filed an appeal at the Court of Cassation. Management, in consideration of the risk assessment conducted, saw fit to allocate a bad debt provision in relation to the ongoing dispute. The management, in consideration of the risk assessment carried out, considered appropriate to proceed with the allocation of a provision for bad debts related to the ongoing dispute.

Labour Disputes

During 2016, AlmavivA Contact started a collective dismissal procedure with a declaration of 2,511 redundant staff including no. 1,666 people working at the headquarters of Rome (1,063 full time equivalent positions) and 845 people working at the headquarters of Naples (560 full time equivalent positions). This procedure was concluded, at the Ministry of Economic Development, in the presence of the Ministry of Labour and Social Policy, on December 22, 2016, by signing a Statement of Agreement. This Agreement made provision, as regards the headquarters of Rome, for the company's right to proceed with the dismissal of surplus workers and, as regards the Naples headquarters, the continuation of meetings, following which, it was possible to stipulate an agreement to reduce the cost of labour and to apply the call centre "cassa integrazione guadagni" (wages guarantee fund) on February 28, 2017.

In 2017, the first appeals submitted by the dismissed workers were received.

In this regard, we must point out that, in April 2017 the Civil Court of Rome, labour division (by means of decree of April 22, 2017, GR no. 2342/2017), rejected an appeal lodged by CGIL - Rome and Lazio region – with which the trade-union organisation requested the sentencing of the company for anti-union behaviour, deducing the unlawfulness of the dismissal procedure. The Court of Rome widely argued pointing out the correctness of the company's behaviour and the lawfulness of the procedure.

In terms of individual disputes, all five courts of Court of Appeal (second instance judge) in Rome confirmed the absence of procedural defects and the legitimacy of layoffs.

On another front, continuing on with the approach of previous years, the company, in application of the ASSTEL-ASSOCONTACT/OO.SS (trade unions) collective agreement of August 1, 2013 and subsequent amendments and updates - which regulated the call centre collaborations - stipulated the transactions with associates obligated in the previous year in order to guarantee their inclusion in the scope of pre-emption for the stipulation of new contracts and to eliminate the risk of disputes targeted at requalification of collaborations as employment relationships.

In the last year no extrajudicial appeals have been received.

With reference to the residual dispute initiated by former associates of the company of the headquarters of Catania and Palermo, we must point out that the Court of Appeal of Palermo confirmed the line favourable to AlmavivA Contact. The

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

Court of Catania has, up until now, declared the appeals lodged by certain associates to be inadmissible for procedural reasons.

With regard to the temporary employees subject-matter of a stabilisation offer during 2007-2008 by the company Atesia S.p.A. (then merged into AlmavivA Contact S.p.A.), there were no new court appeals concerning the qualification of the relation during the half-year; whereas some appeals relating to the quantification of salary differences that are being defined were notified by subjects who were already reinstated by virtue of the judgement.

In this case as in the case of further disputes, the risks based on the individual cases were assessed, and where necessary, the appropriate provisions for risks were made in the financial statements.

43. TRANSACTIONS WITH RELATED PARTIES

The transactions carried out by the group with related parties basically concerned:

a) natural persons who directly or indirectly hold the power to vote in the company that prepares the financial statements that confers upon them a dominating influence on the company and their close relatives;
b) managers with strategic responsibilities, that is those persons that have the power and responsibility to plan, manage and control the activities of the company compiling the financial statements, including directors and company officials and the close relatives of those persons;
c) companies in which a significant voting power is held, whether directly or indirectly, by any natural person described in (a) or in (b) or on which this natural person is able to exercise significant influence. This case includes companies owned by directors or the major shareholders of the company that prepares the financial statements and the companies that have a manager with strategic responsibilities in common with the company that prepares the financial statement.

All transactions were carried out in the company’s interest and, except for the transactions with the entities that pursue humanitarian, cultural and scientific initiatives, they are usually carried out on an arm’s length basis, i.e. under conditions that would be applied between two independent parties.

The jointly controlled companies, associated companies and subsidiaries outside the consolidation area are listed in the attachment “Significant companies and equity investments”, considered an integral part of these notes.

The amounts of all the relationships initiated with the related parties are reported in the following tables, together with the nature of the most significant transactions.

Trade and other relations

Trade and other relations are analysed as follows:

(in thousands of Euro)	At March 31, 2019		For the year ended March 31, 2019			
	Receivables	Payables	Costs of Services	Other Costs	Revenues from Services	Other Income
Relationships with the controlling company of AlmavivA S.p.A.						
AlmavivA Technologies Srl	20,605	5,309	75	0	0	1
Relationships with the controlling companies valued at equity method						
Consorzio Hypertix	218	0	0	0	424	210
Sin Srl	13,795	17	0	0	0	0
Consorzio Namex	0	0	0	0	0	4
TVEyes L.T.	4	0	0	0	0	0
Almaviva CCID	106	0	0	0	0	0
Other						
Elvit Consultoria e Partcipacoes LTDA	0	0	16	0	0	0
Totale	**34,728**	**5,326**	**91**	**0**	**424**	**215**

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES (Continued)

(in thousands of Euro)	At March 31, 2018 Receivables	Payables	For the year ended March 31, 2018 Costs of Services	Other Costs	Revenues from Services	Other Income
Relationships with the controlling company of AlmavivA S.p.A.						
AlmavivA Technologies Srl	18,278	0	75	0	0	0
Relationships with the controlling companies valued at equity method						
Consorzio Hypertix	217	15	0	44	0	0
Sin Srl	14,167	260	0	0	1,311	213
TVEyes L.T.	3	0	0	0	0	3
Wave Srl	0	0	0	0	0	2
Sadel S.p.A	0	6,777	433	0	0	3
Almaviva CCID	106	0	0	0	0	0
Other						
Dentons Europe Studio Legale e Trib.	0	5	5	0	0	0
Elvit Consultoria e Partcipacoes LTDA	0	0	16	0	0	0
Totale	**32,771**	**7,057**	**529**	**44**	**1,311**	**221**

(in thousands of Euro)	At December 31, 2018 Receivables	Payables	For the year ended December 31, 2018 Costs of Services	Other Costs	Revenues from Services	Other Income
Relationships with the controlling company of AlmavivA S.p.A.						
AlmavivA Technologies Srl	19,908	2,975	300	0	10	1
Relationships with the controlling companies valued at equity method						
Consorzio Hypertix	218	0	0	44	0	0
Sin Srl	14,387	17	0	0	25,956	1,029
Consorzio Namex	0	0	10	0	0	0
TVEyes L.T.	4	14	33	10	0	12
Almaviva CCID	106		0	0	0	0
Other						
Elvit Consultoria e Partcipacoes LTDA	0	16	61	0	0	0
Totale	**34,623**	**3,022**	**404**	**54**	**25,966**	**1,042**

44. SUBSEQUENT EVENTS

AlmavivA Contact S.p.A.

On April 16, 2019, following the new trade union agreement for the Palermo site, signed on March 13, 2019, was defined the number of non-opposing layoffs of the employees that joined the exit incentive program included in the agreement. The acceptances received were 87.