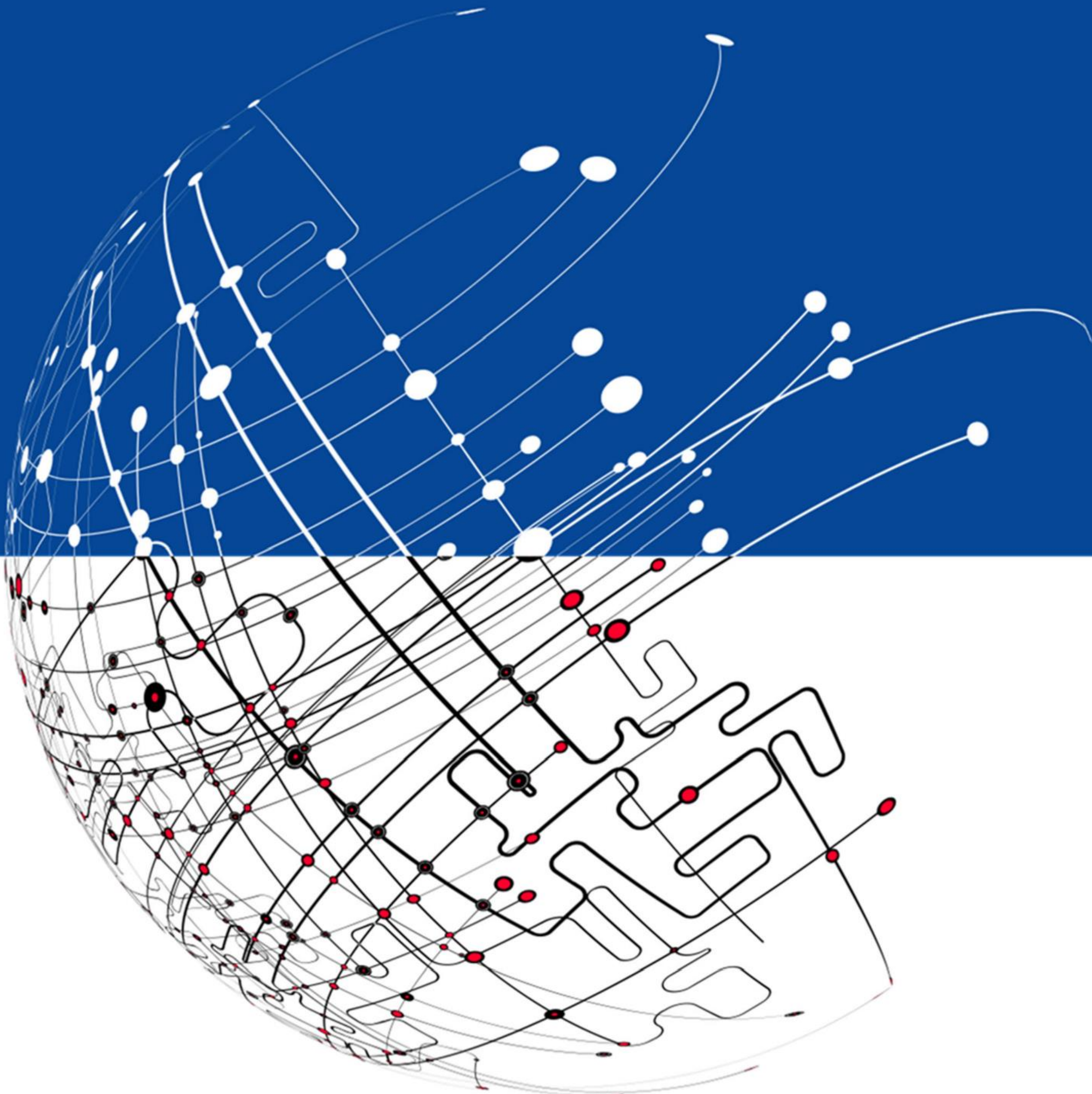

ALMAVIVA S.P.A. AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018

ALMAVIVA S.P.A. AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018

INDEX TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018

ALMAVIVA S.P.A. AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of Euro)	**Note**	**At June 30, 2019**	**At December 31, 2018**
Intangible assets	6	58,689	57,321
Goodwill		38,847	38,847
Property, plant and equipment	7	108,053	51,085
Investments accounted for using the equity method	8	1,106	1,099
Non-current financial assets	9	1,637	1,643
Deferred tax assets	10	16,009	15,259
Other non-current assets	11	2,374	2,499
Total non-current assets		**226,715**	**167,754**
Inventories	12	5,922	4,684
Contract assets	13	50,222	47,235
Trade receivables	14	346,718	303,731
Current financial assets	15	3,966	4,140
Other current assets	16	117,168	98,893
Cash and cash equivalents	17	47,755	71,603
Total current assets		**571,750**	**530,287**
Non-current assets held for sale	18	2,459	2,459
Total assets		**800,924**	**700,499**
Share capital		154,899	154,899
Share premium reserve		17,788	17,788
Other reserves		(166,920)	(185,465)
Profit/(loss) for the year		6,174	16,692
Total group shareholders' equity		*11,941*	*3,915*
Non-controlling interests		*4,917*	*4,716*
Total shareholders' equity	19	**16,859**	**8,631**
Non-current liabilities for employee benefits	20	48,942	48,470
Non-current provisions	21	6,406	5,006
Non-current financial liabilities	22	322,652	274,902
Deferred tax liabilities	23	1,534	1,534
Other non-current liabilities	24	686	754
Total non-current liabilities		**380,220**	**330,666**
Current provisions	21	7,328	5,611
Trade payables	25	238,217	222,162
Current financial liabilities	26	29,705	14,330
Current tax liabilities	27	32,126	36,143
Other current liabilities	28	96,470	82,957
Total current liabilities		**403,845**	**361,203**
Total liabilities		**784,065**	**691,868**
Total equity and liabilities		**800,924**	**700,499**

The Unaudited Interim Condensed Consolidated Financial Statements as of June 30, 2019 contain the effect deriving from the first application of IFRS 16 – Leases. Mentioned effects have been disclosed in paragraph 3.2 of the notes.

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

		For the six months ended June 30,	
(in thousands of Euro)	**Note**	**2019**	**2018**
Revenues from contracts with customers	29	419,577	386,505
Other Income	30	5,728	11,379
Total revenues and other income		**425,305**	**397,884**
Cost of raw materials and services	31	(137,171)	(128,544)
Personnel expenses	32	(232,995)	(225,886)
Depreciation and amortization	33	(20,260)	(13,147)
Losses from sale of non-current assets	33	(1)	(79)
Other expenses	34	(4,984)	(4,335)
Operating profit/(loss)		**29,894**	**25,892**
Financial income	35	233	195
Financial expenses	35	(16,414)	(14,141)
Exchange gains/(losses)	35	(25)	(24)
Profit/(loss) from investments accounted for using equity method	36	7	6
Profit/(Loss) before taxes		**13,695**	**11,928**
Income taxes	37-38	(6,897)	(431)
Profit/(Loss) from continuing operations		**6,798**	**11,498**
Profit/(Loss) for the year		**6,798**	**11,498**
of which:			
Profit/(loss) pertaining to the group		6,174	10,660
Profit/(loss) pertaining to non-controlling interests		624	838

The Unaudited Interim Condensed Consolidated Financial Statements as of June 30, 2019 contain the effect deriving from the first application of IFRS 16 – Leases. Mentioned effects have been disclosed in paragraph 3.2 of the notes.

ALMAVIVA S.P.A. AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(in thousands of Euro)	**Note**	**For the six months ended June 30, 2019**	**2018**
Profit/(loss) for the year		**6,798**	**11,498**
Other components of comprehensive income that may be subsequently reclassified to profit or loss, after taxes:			
Exchange differences on translation of foreign operations		1,845	(10,163)
Gains/(losses) on cash flow hedging instruments		0	0
Total		**1,845**	**(10,163)**
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	1,073
Total		**0**	**1,073**
Comprehensive income/(loss) for the year		**8,643**	**2,408**
of which:			
Comprehensive income/(loss) pertaining to the group		7,892	1,934
Comprehensive income/(loss) pertaining to non-controlling interests		751	474

ALMAVIVA S.P.A. AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED 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				**6,174**	**6,174**		**624**	**624**	**6,798**
Exchange differences on translation of foreign operations			1,718		1,718	127		127	1,845
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**	**1,718**	**6,174**	**7,892**	**127**	**624**	**751**	**8,643**
Allocation of prior year's profit/(loss)			16,692	(16,692)	0	1,323	(1,323)	0	0
Dividends					0	(564)		(564)	(564)
Other movements			134		134	14		14	148
Shareholders' Equity at June 30, 2019	**154,899**	**17,788**	**(166,920)**	**6,174**	**11,941**	**4,293**	**624**	**4,917**	**16,859**

Note 19

ALMAVIVA S.P.A. AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED 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				**10,660**	**10,660**		**838**	**838**	**11,498**
Exchange differences on translation of foreign operations			(8,726)		(8,726)	(364)		(364)	(9,090)
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**	**(8,726)**	**10,660**	**1,934**	**(364)**	**838**	**474**	**2,408**
Allocation of prior year's profit/(loss)			221	(221)	0	642	(642)	0	0
Dividends			(13,342)		(13,342)	0		0	(13,342)
Other movements			942		942	(647)		(647)	295
Shareholders’ Equity at June 30, 2018	**154,899**	**17,788**	**(187,565)**	**10,660**	**(4,217)**	**3,518**	**838**	**4,356**	**139**

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES

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

		At June 30,	At June 30,
(in thousands of Euro)	**Note**	**2019**	**2018**
Profit/(loss) for the year		**6,798**	**11,498**
Adjustments to reconcile profit before tax to net cash flows:			
Income Taxes	37	6,897	431
Financial income	35	(233)	(195)
Financial expenses	35	16,414	14,141
Exchange (gains)/losses	35	25	24
Depreciation, amortization and write-downs	33	20,260	13,147
Write-downs/(revaluations) of non-current financial assets and equity investments	33	(7)	(6)
Losses from sale of non-current assets	33	1	79
Interest received		233	119
Interest paid		(10,621)	(11,520)
Income taxes paid		(2,288)	(1,429)
Cash flows generated from operating activities before changes in working capital		*37,478*	*26,289*
Change in trade receivables	14	(42,986)	27,653
Change in inventories	12	(1,238)	(3,582)
Change in contract assets	13	(2,987)	(34,263)
Change in trade payables	25	16,035	7,994
Change in other assets	16	(18,150)	(12,584)
Change in other liabilities	24-28	4,819	333
Foreign exchange rate effect related to items of working capital		(1,186)	13,134
Change in liabilities for employee benefits and provisions	20-21	3,588	(194)
Change in deferred tax assets (liabilities)	10-23	(749)	(1,851)
Cash flows generated from operating activities changes in working capital		*(42,854)*	*(3,360)*
Cash-flow generated from/(absorbed by) operating activities (A)		**(5,376)**	**22,929**
Investments in property, plant and equipment	7	(3,830)	(4,486)
Investments in intangible assets	6	(7,812)	(12,726)
Acquisition of investments accounted for using the equity method	8-11	(89)	(383)
Proceeds from divestments of PP&E, intangible assets and investments accounted for using the equity mehod		89	20
Change in non-current asset held for sale	18	0	0
Change in non-current financial assets	9	6	(194)
Change in current financial assets	15	174	6,022
Cash-flow generated from/(absorbed by) investing activities (B)		**(11,461)**	**(11,747)**
Proceeds from non-controlling interests for payment of share capital of subsidiaries		0	294
Dividends		(564)	(13,342)
Proceeds from borrowings	22	13,000	21,404
Repayment of borrowings	22	(11,097)	(2,834)
Reclassification and change in consolidation area	22	1,521	0
Change in current financial liabilities and others		(8,562)	(26,372)
Cash-flow generated from/(absorbed by) financing activities (C)		**(5,702)**	**(20,850)**
Cash flow of the year (A+B+C)		**(22,539)**	**(9,668)**
Effect of foreign exchange rates on cash and cash equivalents **(D)**		(1,309)	7,593
Cash flow of the year after exchange rates (A+B+C+D)		(23,848)	(2,075)
Cash and cash equivalents at beginning of the year	17	71,603	69,502
Cash and cash equivalents at end of the year	17	47,755	67,427

The Unaudited Interim Condensed Consolidated Financial Statements as of June 30, 2019 contain the effect deriving from the first application of IFRS 16 – Leases. Mentioned effects have been disclosed in paragraph 3.2 of the notes.

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES

Note that the Unaudited Interim Condensed Consolidated Financial Statements for the six months ended June 30, 2019 contain the effect deriving from the application of IFRS 16 – Leases. Mentioned effects have been disclosed in paragraph 3.2 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 condensed 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 years ended as at June 30, 2019 compared, as regards the income statement part, cash flow part and change in shareholders’ equity, with June 30, 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 Condensed Consolidated Financial Statements were approved by the Company's Board of Directors on August 6, 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 Condensed 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 Condensed 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 Condensed 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 Condensed 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 Condensed 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	June 30, 2019	December 31, 2018	June 30, 2018
Brazilian	Real	BRL	4.351	4.444	4.488
China	Yuan	CNY	7.819	7.875	7.717
Colombian	Peso	COP	3638.990	3721.810	3437.560
Indonesia	Rupiah	IDR	16083.350	16500.000	0.000
Europe	Leu	RON	4.734	4.664	4.663
United States	Dollar	USD	1.138	1.145	1.166
Tunisian	Dinar	TND	3.272	3.430	3.052

Average exchange rates

Amount of currency for 1 Euro

Country	Currency	ISO	June 30, 2019	December 31, 2018	June 30, 2018
Brazilian	Real	BRL	4.341	4.309	4.142
China	Yuan	CNY	7.667	7.807	7.710
Colombian	Peso	COP	3601.602	3488.423	3449.147
Indonesia	Rupiah	IDR	16035.902	16512.150	0.000
Europe	Leu	RON	4.742	4.654	4.654
United States	Dollar	USD	1.130	1.182	1.211
Tunisian	Dinar	TND	3.394	3.111	2.982

2.1 Going Concern

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 semester of 2019, AlmavivA Group consolidated the revenue growth trend started in previous periods (+ 8,6% compared to the same semester of last year). At June 30, 2019 the profit deriving from consolidated operating activities has shown a significant growth compared to the same period of last year (Operating Profit + € 4.0 million compared to June 30, 2018). The Net consolidated Profit stood at € 6.8 million.

In the first semester of 2019 growth was negatively affected by the rate effect. The actual figures at constant rates would have shown an increase in terms of Revenue equal to 10.1% and Operating Profit equal to 17.4%.

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 the second semester of 2019 assume an increase in revenues, especially in the Central and Local Public Administration (PA) areas, thanks also to the continuous development of the SPC Lot 3 and Lot 4 contracts (awarded in 2017 and on the beginning of 2018) and in the Finance sector both on Gruppo Intesa and on other banking, insurance and trust groups (with a particular focus on the sale of new products developed internally)
In July 2019 it was also signed, RTI where AlmavivA is an agent, the new contract with Lombardia Informatica for outsourcing of infrastructure services.

With regard to the Transportation area, the publication of tenders for the renewal of the framework agreements by 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; as of the date of this document, two tenders were published: one by RFI, for which the offer is expected to be presented in the last quarter of 2019 and a second one by Ferservizi, for which the application form is expected to be submitted within the third quarter of 2019. The hypothesis of Budget 2019 foresees in any case the continuity in the

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

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 (the awarding of activities for the 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 decrease 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 expected for 2019, and starting from April has provided to restore some parts of the supplementary agreements previously suspended (fixed part of the performance bonus and the possibility of severance payments collective).

In CRM Europe there was a contraction in revenues, compared to the first semester of 2018, equal to about 10%. This decrease is mainly due to the reduction in business volumes entrusted by some operators on the Telco segment; the consequent costs reduction and the growth of PA market didn't able to compensate the decrease of business volumes, with consequent reduction of the operating result (Euro -2.7 million) compared to the first semester of last year. The decrease on business volumes in Telco segment had impacts on the site of Palermo where the following actions have been initiated:

- personnel reduction by non-oppositional dismissal of 91 employees belonging to the basin as of art. 2, subsection 5 of the regional law n. 4 of 2006 and other integrations and covered by the envisaged provisions as of art. 20 law n.8 of 2017 by Sicily Region (ex LSU); dismissal took effect starting from February c.a.;
- personnel reduction by non-oppositional dismissal and early retirement incentives (with consequent negative impact on the first semester) for 87 employees; dismissal took effect starting from mid-April c.a.;
- activation of a redevelopment process toward highly recognizable market IT profiles.

With particular regard to 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 December 31, 2018. Starting from January 1, 2019 the Naples operating site has not social shock absorber.

The experimentation of the new method of sharing and analysis of the qualitative and productive performances gave confirmation and useful and easily verifiable information on the need to extend these initiatives also regarding the other operating sites to recover margins for the sustainability of the business.

The Brazilian macroeconomic scenario confirms an economic recovery, with revised estimates of GDP growth of 1.5% in 2019 and 2.5% in 2020). The Euro/BRL exchange rate, that in 2018 had exceeded 4.8 and had had negative impacts on revenues and Ebitda, decreased and is equal to 4.30 in the first months of 2019. The Brazilian market, more than other markets where the Group operates, has characterized by a phase of consolidation and restructuring of the companies operating in the BPO-call center sector. In this situation, there are further opportunities for AlmavivA, which boasts a

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

solid financial base, careful and timely cost control and a strict operating process. AlmavivA do Brasil has acquired an important leadership role in the market and is constantly growing, both on customers already in the portfolio and on new customers recently acquired. 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.

Important benefits are expected from both recent labor reform and recent decrees issued in the area of production outsourcing. The first case, in the event of a judgment in which the legal fees are charged to the losing party, would lead to a significant reduction in disputes in the labor law field; the second case would instead recognize 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.

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 on historical clients and by the new clients acquisition; 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.

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 semester of 2019, Almawave's revenues increase due to the positive impact of the new contracts SPC acquisition. In the second semester of 2019, is expected an increase of revenues in both local and international markets areas (due to the development of the activities relating to the SPC lot 3 and 4 contracts for the Central and Local Public Administration and the strengthening of the On-Premise and Software As-A-Service offer both of the IRIDE® Customer Centric Suite products and of the technological solutions innovative in Business Intelligence, Big Data and Open Data) and an increase of the ratio sales to third parties/sales to intercompany entities.

On the International market the development of the Brazilian market and Latin America area go on, with an offer characterized by solutions that include the integration of Almawave products with the offer called "IRIDE® Customer Centric Suite" and the commercial synergy with AlmavivA do Brasil and Almacontact Colombia.

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 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) and 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 (April 15, 2019 – already paid to date - and October 15, 2019) will be paid, each amounting to € 9.063 million, for a total amount of € 18.1 million. From a financial prospective, a decrease of NFP is also expected as at December 31, 2019 (without considering the effects on the liabilities relating to the application of the new accounting standard IFRS16).

Based on the above and on the positive results obtained by the AlmavivA Group, the Directors drafted the AlmavivA Group Interim Condensed Consolidated Financial Statements on the going concern assumption.

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

2.2 Basis of consolidation

The Interim Condensed 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:

- 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 Condensed 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

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

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.

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 Condensed 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 Condensed Consolidated Financial Statements when the significant influence or the joint control begins, until the date in which this joint control or significant influence cease.

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

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 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 June 30, 2019.

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

Consolidation Area

The consolidated companies as at June 30, 2019 and December 31, 2018 are listed below:

Companies and method of consolidation	**Currency**	**Share held**	**At June 30, 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. Naples, Italy	Euro	100.00%	Full	Full
Wave S.r.l Pianoro Italy	Euro	100.00%	Full	Full
Sadel S.p.A. Pianoro Italy	Euro	84.05%	Full	Full
AlmavivA Contact S.p.A. Rome, Italy	Euro	100.00%	Full	Full
AlmavivA do Brasil S.A. San Paolo, Brazil	Brazilian Real	94.68%	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.	Euro	100.00%	Full	Full
Johannesburg, Republic of South Africa	South-African Zar	-	-	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

* 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 June 30, 2019**	**At December 31, 2018**	**At June 30, 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	Equity
Consorzio Hypertix Rome, Italy	Euro	49.99%	Equity	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	Equity

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

***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:

Company	**Country**	**At June 30, 2019**	**At December 31, 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 June 30,**	**At December 31,**
Company	**Country**	**2019**	**2018**
Lombardia Gestione S.r.l.	Italy	1,022	1,273
Almaviva Tunisie S.A.	Tunisia	831	708

Profit allocated to material non-controlling interest:

(in thousands of Euro)		**At June 30,**	**At December 31,**
Company	**Country**	**2019**	**2018**
Lombardia Gestione S.r.l.	Italy	313	264
Almaviva Tunisie S.A.	Tunisia	86	24

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 Condensed Consolidated Financial Statements at June 30, 2019 is not considered relevant; ii) the PerVoice contribution volumes are irrelevant for the purposes of the disclosure presented in the Interim Condensed 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.

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

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

Summarized income statement for

June 30, 2019	Lombardia Gestione S.r.l.	AlmavivA Tunisie S.A.
(in thousands of Euro)		
Revenues from contracts with customers	10,236	1,233
Cost of raw materials and services	(8,223)	(278)
Personnel expenses	(1,081)	(612)
Depreciation and amortization	(25)	(105)
Depreciation and amortization	0	(13)
Profit before taxes	**891**	**226**
Income taxes	(253)	(29)
Profit from continuing operations	**638**	**197**
Other comprehensive income for the year	**638**	**197**
Other comprehensive income pertaining to the group	313	86
Dividends paid pertaining to non-controlling interests	564	0

Summarized income statement for

June 30, 2018	Lombardia Gestione S.r.l.	AlmavivA Tunisie S.A.
(in thousands of Euro)		
Revenues from contracts with customers	9,227	1,007
Cost of raw materials and services	(7,199)	(321)
Personnel expenses	(1,245)	(539)
Depreciation and amortization	(25)	(77)
Depreciation and amortization	(11)	(7)
Profit before taxes	**733**	**64**
Income taxes	(210)	(9)
Profit from continuing operations	**523**	**55**
Other comprehensive income for the year	**538**	**55**
Other comprehensive income pertaining to the group	264	24
Dividends paid pertaining to non-controlling interests	588	154

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

Summarized statement of financial position at June 30, 2019	Lombardia Gestione S.r.l.	AlmavivA Tunisie S.A.
(in thousands of Euro)		
Non-current assets	180	836
Trade receivables	3,768	1,804
Current liabilities	(7,738)	(1,494)
Non-current liabilities	(555)	(417)
Equity	**2,085**	**1,900**
Pertaining to the group	1,063	1,069
Pertaining to non-controlling interests	1,022	831

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 June 30, 2019	Lombardia Gestione S.r.l.	AlmavivA Tunisie S.A.
(in thousands of Euro)		
Cash-flow generated from operating activities	311	529
Cash-flow absorbed by investing activities	0	(76)
Cash-flow absorbed by financing activities	(1,150)	85
Cash flow of the year	**(839)**	**538**

Summarized statement of cash flow June 30, 2018	Lombardia Gestione S.r.l.	AlmavivA Tunisie S.A.
(in thousands of Euro)		
Cash-flow generated from operating activities	180	418
Cash-flow absorbed by investing activities	(8)	(27)
Cash-flow absorbed by financing activities	(1,200)	(368)
Cash flow of the year	**(1,028)**	**23**

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting policies and measurement criteria

The accounting policies adopted in the preparation of the Interim Condensed Consolidated Financial Statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended December 31, 2018, except for the adoption of new standards effective as of January 1, 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 January 1, 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').

As of January 1, 2019, the effect of the IFRS 16 first time adoption on the financial statement is represented in the table below (increase/(decrease):

(in thousands of Euro)	**January 1, 2018**
Assets	
Property, plan and equipment	64,106
Prepayments	(393)
TOTAL ASSETS	**63,713**
Liabilities	
Lease Liabilities	67,463
Deferred tax liabilities	0
Trade and other payables	(3,750)
TOTAL LIABILITIES	**63,713**
Total adjustment on equity	
Retained earnings	0
Non-controlling interests	0
	0

Based on the foregoing, as at January 1, 2019:

- Right-of-use assets of Euro 64,106 thousand were recognised and presented separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of Euro 310 thousand that were reclassified from Property, plant and equipment.
- Additional lease liabilities of Euro 67.463 thousand (included in Non-current and current financial liabilities) were recognised.
- Prepayments of Euro 393 thousand and trade and other payables of Euro 3,750 thousand related to previous operating leases were derecognised.

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

Leasing liabilities as of January 1, 2019 can be reconcile with the engages deriving from operating leasing as of December 31, 2018 as follows:

(in thousands of Euro)	Italy	Foreign	Total
Operating lease commitments as at 31 December 2018	**17,310**	**7,537**	**24,847**
Weighted average incremental borrowing rate as at 1 January 2019	8.61%	11.48%	
Discounted operating lease commitments at 1 January 2019	41,563	28,987	70,550
Commitments relating to short-term lease	1,450	1,947	3,397
Commitments relating to lease previously classified as finance leases	0	310	310
Lease liabilities as at 1 January 2019	**40,113**	**27,350**	**67,463**

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 January 1, 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.
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

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

- 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;

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

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

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 six 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).

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

c) Amounts recognised in the statement of financial position and profit or loss

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

(in thousands of Euro)	Right of Use as at January 1, 2019	Foreign exchange differences	Additions	Depreciation expenses	Right of Use as at June 30, 2019
Land and buildings	62,396	(86)	1,819	(7,252)	56,877
Other equipment	1,710	(1)	291	(433)	1,567
Right of Use Asset	**64,106**	**(87)**	**2,110**	**(7,685)**	**58,444**

(in thousands of Euro)	Lease Liabilities as at January 1, 2019	Interest expense	Payments	Lease Liabilities as at June 30, 2019
Lease Liabilities	**67,463**	**3,019**	**(7,247)**	**63,235**

The Group did not recognize rent expense from short-term leases, leases of low-value assets and variable lease payments for the six months ended June 30, 2019.

IFRIC Interpretation 23 – Uncertainty over income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 *Income Taxes*. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of the tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The interpretation did not have an impact on the consolidated financial statements of the Group.

IFRIC Interpretation 23 – Uncertainty over income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 *Income Taxes*. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

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

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of the tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The interpretation did not have an impact on the consolidated financial statements of the Group.

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 Condensed 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 Condensed 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 Condensed Consolidated Financial Statements as the Group does not have long-term interests in its associate and joint venture.

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

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 January 1, 2019, with early application permitted.
These amendments had no impact on the Interim Condensed Consolidated Financial Statements as of June 30, 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 January 1, 2019, with early application permitted.
These amendments had no impact on the Interim Condensed Consolidated Financial Statements as of June 30, 2019 of the Group as there is no transaction where a joint control is obtained.

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 January 1, 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 Condensed 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 January 1, 2019, with early application permitted.
Since the Group’s current practice is in line with these amendments, they had no impact on the Interim Condensed Consolidated Financial Statements of the Group.

4. USE OF ESTIMATES AND MANAGEMENT JUDGEMENT

The preparation of the Interim Condensed 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 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;

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

- 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.

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.

Identification of cash-generating units (CGUs)
In application of IAS 36, the goodwill recognized in the Interim Condensed 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.

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

Use of estimates and assumptions
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 Condensed 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 the 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.

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 Condensed 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 11 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.

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

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.

Recovery of prepaid taxes
As at June 30, 2019, the Interim Condensed 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 June 30, 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 percent 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

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

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;
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. Income taxes also remain unallocated.

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

For the six months ended June 30, 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	233,978	62,244	117,169	6,187	419,578	(0)	419,577
Inter-segment	1,525	3,354	29	2,921	7,829	(7,829)	0
Total revenues from contracts with customers	**235,503**	**65,598**	**117,198**	**9,108**	**427,407**	**(7,829)**	**419,577**
Income/(Expenses)							
Cost of raw materials and services	(99,020)	(12,984)	(32,036)	(3,015)	(147,055)	9,884	(137,171)
Personnel expenses	(102,818)	(57,148)	(69,245)	(4,026)	(233,236)	241	(232,995)
Depreciation and amortization and write-downs	(11,071)	(2,040)	(6,323)	(1,035)	(20,469)	209	(20,260)
Losses from sale of non-current assets	(1)	0	0	0	(1)	0	(1)
Other operating income	6,190	627	96	952	7,865	(2,137)	5,728
Other operating expenses	(4,008)	(1,067)	0	(74)	(5,149)	165	(4,984)
Operating Profit	**24,775**	**(7,013)**	**9,689**	**1,910**	**29,361**	**533**	**29,894**
% Revenue	*10.5%*	*n.d.*	*8.3%*	*21.0%*	*6.9%*	n.d.	*7.1%*
At June 30, 2019							
Total assets	**557,058**	**143,160**	**184,362**	**37,677**	**922,258**	**(145,404)**	**776,854**
Total liabilities	**330,404**	**92,108**	**35,117**	**12,958**	**470,587**	**(72,539)**	**398,048**

The Unaudited Interim Condensed Consolidated Financial Statements as of June 30, 2019 contain the effect deriving from the first application of IFRS 16 – Leases. Mentioned effects have been disclosed in paragraph 3.2 of the notes.

For the six months ended June 30, 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	196,303	69,500	115,711	4,992	386,506	(0)	386,505
Inter-segment	1,676	3,574	28	3,449	8,727	(13,103)	0
Total revenues from contracts with customers	**197,979**	**73,074**	**115,739**	**8,441**	**395,233**	**(13,103)**	**386,505**
Income/(Expenses)							
Cost of raw materials and services	(86,482)	(17,162)	(33,402)	(2,525)	(139,572)	11,028	(128,544)
Personnel expenses	(91,611)	(59,036)	(71,936)	(3,536)	(226,120)	234	(225,886)
Depreciation and amortization and write-downs	(7,572)	(1,045)	(4,321)	(919)	(13,856)	709	(13,147)
Losses from sale of non-current assets	5	(84)	0	0	(79)	0	(79)
Other operating income	11,853	386	85	1,245	13,569	(2,190)	11,379
Other operating expenses	(3,804)	(452)	0	(59)	(4,315)	(21)	(4,335)
Operating Profit	**20,368**	**(4,320)**	**6,165**	**2,646**	**24,859**	**1,033**	**25,892**
% Revenue	*10.3%*	*n.d.*	*5.3%*	*31.3%*	*6.3%*	n.d.	*6.7%*
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**

<u>Reconciliation of Operating profit/(loss)</u>

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)

Reconciliation of Operating Profit

	For the six months ended June 30,		
(in thousands of Euro)	**2019**	**2018**	**2017**
Segment profit	**29,894**	**25,892**	**51,099**
Finance income	233	195	600
Finance costs	(16,414)	(14,141)	(29,900)
Exchange gains/(losses)	(25)	(24)	(335)
Gains/(losses) on equity investments	0	0	0
Profit/(loss) from investments accounted for using equity method	7	6	6
Inter-segment income/expenses (elimination)	0	0	0
Profit/(loss) before taxes	**13,695**	**11,928**	**21,469**

Reconciliation of Total assets

(in thousands of Euro)	**At June 30, 2019**	**At December 31, 2018**	**At December 31, 2017**
Segment operating assets	**776,854**	**676,998**	**664,594**
Deferred tax assets	16,009	15,259	15,234
Current financial assets	3,966	4,140	3,384
Non-current financial assets	1,637	1,643	1,649
Non-current assets held for sale	2,459	2,459	2,459
Total assets	**800,924**	**700,499**	**687,320**

Reconciliation of Total liabilities

(in thousands of Euro)	**At June 30, 2019**	**At December 31, 2018**	**At December 31, 2017**
Segment operating liabilities	**398,048**	**364,961**	**370,020**
Non-current financial liabilities	322,652	274,902	271,451
Current financial liabilities	29,705	14,330	11,470
Current tax liabilities	32,126	36,143	32,569
Deferred tax liabilities	1,534	1,534	1,672
Total liabilities	**784,065**	**691,868**	**687,181**

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

Reconciliation of EBITDA

For the six months ended June 30, 2019

(in thousands of Euro)	IT Services	CRM Europe	CRM International	Almawave New Technology	Total Segments	Adjustments, eliminations and other	Consolidated
Operating profit	**24,775**	**(7,013)**	**9,689**	**1,910**	**29,361**	**533**	**29,894**
(+) Depreciation and amortization	11,071	2,040	6,323	1,035	20,469	(209)	20,260
(+) Losses from sale of non-current assets	1	0	0	0	1	0	1
Earning before intersts, taxes, depreciation and amortization (EBITDA)	**35,847**	**(4,974)**	**16,013**	**2,945**	**49,831**	**324**	**50,155**
% Revenue	*15.2%*	*n.d.*	*13.7%*	*32.3%*	*11.7%*	*n.d.*	*12.0%*

For the six months ended June 30, 2018

(in thousands of Euro)	IT Services	CRM Europe	CRM International	Almawave New Technology	Total Segments	Adjustments, eliminations and other	Consolidated
Operating profit	**20,368**	**(4,320)**	**6,165**	**2,646**	**24,859**	**1,033**	**25,892**
(+) Depreciation and amortization	7,572	1,045	4,321	919	13,856	(709)	13,147
(+) Losses from sale of non-current assets	(5)	84	0	0	79	0	79
Earning before intersts, taxes, depreciation and amortization (EBITDA)	**27,935**	**(3,191)**	**10,486**	**3,565**	**38,794**	**324**	**39,118**
% Revenue	*14.1%*	*n.d.*	*9.1%*	*42.2%*	*9.8%*	*n.d.*	*10.1%*

The Unaudited Interim Condensed Consolidated Financial Statements as of June 30, 2019 contain the effect deriving from the first application of IFRS 16 – Leases. Mentioned effects have been disclosed in paragraph 3.2 of the notes.

Geographic information

(in thousands of Euro)	At June 30, 2019	At June 30, 2018
Revenues from external customers		
Italy	299,662	267,620
Brazil	110,481	110,411
Tunisia	1,204	980
Colombia	5,838	4,336
Europe	2,392	3,158
Total	**419,577**	**386,505**

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			737	4		400	1,141
Capitalisation for internal projects			31			6,639	6,670
Amortization			(3,512)	(150)	(2,966)		(6,628)
Disposals							0
Reclassifications and other			5,214	0	3,742	(8,946)	10
Foreign exchange differences	0		159	16	0		175
At June 30, 2019	**38,847**	**0**	**27,066**	**533**	**13,514**	**17,576**	**97,536**

Group investments as at June 30, 2019, amounted to Euro 1,141 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. Investments are mainly related to IT Services and Almawave – New Technology.

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

The Group also carried out additional investments in the reference period, through capitalisations for own work, totalling Euro 6,670 thousand relating to costs incurred primarily as part of the creation and internal development of assets (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. These capitalisations are also related to IT Services and Almawave – New Technology segments.

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 27,066 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 6,628 thousand. The main amortisation rates adopted as at June 30, 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 175 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 Condensed 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 Condensed Consolidated Financial Statements prepared under Italian accounting standards on the date of transition as the entry value under IFRS.

(in thousands of Euro)	**At December 31, 2018**	**Exchange differences**	**Additions**	**At June 30, 2019**
Alicos	**2,007**			**2,007**
Almaviva Contact	**26,533**			**26,533**
Almaviva do Brasil	**1,748**			**1,748**
Almaviva Finance	**745**			**745**
Atesia	**44**			**44**
Gempliss	**198**			**198**
In Action	**1,017**			**1,017**
Pervoice	**314**			**314**
Wave	**5,121**			**5,121**
Third	**1,120**	0		**1,120**
Total	**38,847**	**0**	**0**	**38,847**

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

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.

In the current half-year, although there are no indicators of impairment losses, the management, checking criteria established by IAS 36, prudently carried out the impairment test based on the current business plan.

The business plans taken as a reference, for the impairment described below, are related to the period 2019-2023 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, 2019 confirmed headrooms in goodwill of Cash Generating Units related to CRM Europe and CRM International segments (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 Wave S.r.l) and Almawave – New Technology (which includes goodwill in Pervoice and Gempliss). Such headrooms exclude potential impacts on the AlmavivA Group's interim condensed consolidated financial statements due to the recognition of impairment losses on the goodwill analysed.

This is confirmed also in case of shock-down (-20%) of margin and shock-up (+2%) of discount rates of considered cash flows.

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:

	Al 30/6/2019		
CRM Business	**Brasile**	**Colombia**	**Altri**
Beta	1	1	1
Risk Free Rate	7,3%	5,8%	2,8%
Expected Market Return	4,0%	4,0%	4,0%
Average Cost of Debt	10%	10%	8,6%
Debt/Equity Ratio (%)	70,0	70,0	30,0
Gordon Growth Rate	4,0%	4,0%	0,0%
Taxes	34%	33%	24,0%
WACC	**9,9%**	**9,5%**	**7,7%**

In the previous evaluation the assumptions were as follows:

	Al 30/6/2018		
CRM Business	**Brasile**	**Colombia**	**Altri**
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 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:

IT SERVICES	**2019**
Beta	1
Risk Free Rate	2,84%
Expected Market Return	4,00%
Average Cost of Debt	8.61%
Debt/Equity Ratio (%)	30-70
Gordon Growth Rate	0.0%
Taxes	24%
WACC	**7,7%**

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

In the previous evaluation the assumptions were as follows:

IT SERVICES	**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	0.0%
Taxes	24%
WACC	**6,6%**

The discount rate corresponding to the Weighted Average Cost of Capital (WACC) of Almawave - New Technology (attributable to the goodwill coming from Gempliss and Pervoice) was determined for each period using the following assumptions:

Almawave - New Technology	**2019**
Beta	1
Risk Free Rate	2,84%
Expected Market Return	4,00%
Average Cost of Debt	9%
Debt/Equity Ratio (%)	30-70
Gordon Growth Rate	0.0%
Taxes	24%
WACC	**7,7%**

In the previous evaluation the assumptions were as follows:

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	0.0%
Taxes	24%
WACC	**6,6%**

The Other intangible assets mainly include the costs relative to software products, incurred to make changes to the products used as part of contract under way.

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	ROU Asset	Assets under construction and payments on account	Total
At December 31, 2018	**8,969**	**13,216**	**372**	**28,338**		**190**	**51,085**
ROU Asset at January 01, 2019					64,106		64,106
Additions		854	96	2,063	2,110	816	5,939
Capitalisation for internal projects							0
Depreciation	(391)	(1,813)	(65)	(3,678)	(7,685)		(13,632)
Disposals				0			0
Reclassifications and other	(45)	45		65		(74)	(9)
Foreign exchange differences		250	0	401	(87)		564
Historical cost	18,636	218,259	3,482	160,764	66,129	932	**468,202**
Accumulated amortization	(10,103)	(205,707)	(3,079)	(133,575)	(7,685)	0	**(360,149)**
At June 30, 2019	**8,533**	**12,552**	**403**	**27,189**	**58,444**	**932**	**108,053**

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

Property, plant and equipment amount to Euro 108,053 thousand as at June 30, 2019 compared to an amount of Euro 51,085 thousand as at December 31, 2018.
In 2019, the line item increased by Euro 5,939 thousand due to the investments of the period and Euro 64,106 due to the adoption of IFRS 16.

Depreciation in 2019 amounts to Euro 13,632 thousand.

The main depreciation rates adopted as at June 30, 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.

The exchange differences from the translation to Euro of the financial statements of companies operating in non-euro areas, is positive for an amount of Euro 564 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 8,533 thousand related to the building located in Rome at Via dello Scalo Prenestino, owned by the IT Services.

At June 30, 2019 the Right of Use amount to Euro 58,444 thousand and include all assets deriving from contracts in scope under new Lease accounting standard IFRS 16 mainly related to “Land and buildings” and “Other assets owned”.

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 June 30, 2019.

(in thousands of Euro)	**At December 31, 2018**	**Income Statement effect**	**Increases (Decreases)**	**At June 30, 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	7	0	19
SIN S.p.A.	0	0	0	0
Total	**1,099**	**7**	**0**	**1,106**

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.

Equity investments measured with the equity method as at June 30, 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.

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

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 June 30, 2019:

(in thousands of Euro)	At June 30, 2019	At December 31, 2018
Long-term loans	1,596	1,602
Others Equity investments	41	41
Non-current financial assets	**1,637**	**1,643**

Non-current financial receivables

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

(in thousands of Euro)	At June 30, 2019	At December 31, 2018
Amount failling due within 12 months	0	0
Amount failling due between 1-5 years	1,596	1,602
Non-current financial receivables	**1,596**	**1,602**

Non-current financial receivables, amounting to Euro 1,596 thousand (Euro 1,602 thousand as at December 31, 2018) are all instrumental to operating activities and concern loans to personnel for Euro 415 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 June 30, 2019 and December 31, 2018:

Other Equity Investments

(in thousands of Euro)	At June 30, 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 the 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 June 30, 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.

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

10. DEFERRED TAX ASSETS

The tables below show the amount of AlmavivA Group's Deferred tax assets as at June 30, 2019 and December 31, 2018:

(in thousands of Euro)	**At June 30, 2019**	**At December 31, 2018**
Deferred Tax Assets	**16,009**	**15,259**

The table below shows a breakdown of deferred tax assets by Italian and foreign subsidiaries for year ended December 31, 2018, and June 30, 2019:

(in thousands of Euro)	**At June 30, 2019**	**At December 31, 2018**
Italian subsidiaries	11,504	8,362
Foreign subsidiaries	4,505	6,897
Total Deferred Tax Assets	**16,009**	**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 June 30, 2019**	**At December 31, 2018**
Balance at the beginning of the year	**15,259**	**13,383**
Increases	1,967	2,771
Decreases	(1,372)	0
Effect of currency translation	155	(662)
Other changes	0	(233)
Balance at the end of the year	**16,009**	**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 2,374 thousand as at June 30, 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 June 30, 2019**	**At December 31, 2018**
Security deposits	882	811
Prepaid expenses	1,488	1,684
Other receivables	4	4
Other non-current assets	**2,374**	**2,499**

Prepaid expenses mainly refer to the training of AlmavivA Contact (Euro 511 thousand), AlmavivA Services (Euro 533 thousand), AlmavivA Digitaltec (Euro 172 thousand) and Almacontact (Euro 264 thousand).

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

12. INVENTORIES

Inventories of the Group are equal to Euro 5,922 thousand and are composed as follows:

(in thousands of Euro)	**At June 30, 2019**	**At December 31, 2018**
Raw materials (at cost)	2,157	1,311
Work in progress (at cost)	1,339	1,141
Finished goods (at lower of cost and net realizable value)	2,426	2,232
Total inventories at the lower of cost and net realizable value	**5,922**	**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 4,874 thousand and Pervoice SpA Euro 5 thousand.

13. CONTRACT ASSETS

At June 30, 2019, the Group had contract assets totalling Euro/thousand 50,222 (Amount due from customers were Euro 47,235 thousand at December 31, 2018).
The overall increase of Euro 2.987, 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 June 30, 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 June 30, 2019**	**At December 31, 2018**
Trade receivables, gross amount	360,583	317,742
Trade receivables, amount retained as a guarantee	6,926	6,502
Bad debt provision	(20,791)	(20,513)
Trade receivables	**346,718**	**303,731**

Trade receivables increased by Euro 42,987 thousand in 2019, from an amount of Euro 303,731 thousand as at December 31, 2018 to an amount of Euro 346,718 thousand as at June 30, 2019. This growth is mainly related to the increment on revenues.

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 424 thousand during the period.
Starting from 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 June 30, 2019 and December 31, 2018:

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

(in thousands of Euro)	**At June 30, 2019**	**At December 31, 2018**
Amount not yet due	292,368	257,178
Amount due by less than 30 days	10,437	6,913
Amount due between 30-60 days	5,658	4,855
Amount due between 61-90 days	5,279	3,827
Amount due between 91-120 days	1,408	1,718
Amount due by more than 120 days	45,433	43,251
Trade receivables, gross amount	**360,583**	**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 “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 June 30, 2019:

(in thousands of Euro)	**At June 30, 2019**	**At December 31, 2018**
Balance at the beginning of the year	**20,513**	**20,509**
Provisions	270	124
Uses	0	(143)
Other	8	23
Balance at the end of the year	**20,791**	**20,513**

15. CURRENT FINANCIAL ASSETS

The following table shows the amount of the Current financial assets as at December 31, 2018, and June 30, 2019. The line item shows a decrease of Euro 174 thousand in 2019, corresponding to a 4,2%.

(in thousands of Euro)	**At June 30, 2019**	**At December 31, 2018**
Current financial assets	**3,966**	**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 117,168 thousand as at June 30, 2019, compared to Euro 98,893 thousand as at December 31, 2018.
The amount is composed as follow:

(in thousands of Euro)	**At June 30, 2019**	**At December 31, 2018**
Receivables due from personnel	3,172	2,619
Receivables due from social security institutions	2,768	1,688
Receivables due from tax autorithies	22,477	15,725
Receivables related to tax consolidation	21,341	19,788
Prepaid expenses	14,932	4,317
Advances to suppliers	6,594	5,330
Sundry items	45,884	49,426
Other current assets	**117,168**	**98,893**

Other current assets increase by Euro 18,275 thousand in 2019, corresponding to an 18.5% 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 2,768 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 22,477 thousand (Euro 15,725 thousand as at December 31, 2018) are distinguished into receivables for direct taxes of Euro 5,480 thousand, (Euro 3,388 thousand relating to AlmavivA SpA, Euro 1,170 thousand to AlmavivA Contact and, to a lesser extent, other Group companies); receivables for indirect taxes for Euro 16,997 thousand related mainly to Brazilian companies and to AlmavivA SpA.

The receivables from tax consolidation of Euro 21,341 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 1,553 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 14,932 thousand (Euro 4,317 thousand as at December 31, 2018) include costs pertaining to the future, primarily of AlmavivA SpA (Euro 13,178 thousand), AlmavivA Contact (Euro 650 thousand), Almawave (Euro 317 thousand) and, to a lesser extent, the other Group companies.

Sundry items, amounting to Euro 45,884 thousand as at June 30, 2019 (Euro 49,426 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

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

named "Civil Liability Insurance for Directors", requesting that it be sentenced to reimburse expenses 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 positive evolution of the US affair, considers recoverable the credit claimed against the insurer.

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents amounted to Euro 47,755 thousand as at June 30, 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 16,859 thousand as at June 30, 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 June 30, 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	*(19,629)*	*(21,347)*
Other reserves	*(162,622)*	*(179,448)*
	(171,995)	(190,538)
Profit/(loss) for the year	6,174	16,692
Total group shareholders' equity	***11,941***	***3,915***
Reserves pertaining to NCIs:		
Translation reserve	*(1,012)*	*(1,139)*
Other reserves	*5,305*	*4,532*
	4,293	3,393
Profit/(loss) for the year pertaining to NCIs	624	1,323
Total non-controlling interests	***4,917***	***4,716***
Total Shareholders' equity	**16,859**	**8,631**

The Share capital amounts 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 June 30, 2019 and remained unchanged compared to December 31, 2018.

Legal reserve
The Legal reserve amounted to Euro 5,073 thousand as at June 30, 2019 and remained unchanged compared to December 31, 2018.

FTA reserve
The FTA reserve amounted to Euro 4,493 thousand as at June 30, 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 June 30, 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 June 30, 2019, it totalled negative Euro 20,641 thousand (of which the Group's share was a negative Euro 19,629 thousand and the portion pertaining to non-controlling interests amounted to negative Euro 1,012 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 162,622 thousand as at June 30, 2019 (Euro negative 174,448 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 171,995 thousand and Euro negative 179,448 thousand as at December 31, 2018), while the portion attributable to non-controlling interests is Euro 5,305 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 June 30, 2019 is summarised in the following table.

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

(in thousands of Euro)	*Note*	**At June 30, 2019**	**At December 31, 2018**
Non current Net Financial Position	*22*	(322,652)	(274,902)
Current Net Financial Position	*15-17-26*	22,016	61,414
Non current financial receivables	*9*	1,596	1,602
Financial indebtness ("Debt")	*0*	(299,040)	(211,886)
Total Group Shareholder Equity	*19*	11,941	3,915
Non Controlling Interests	*19*	4,917	4,716
Total Shareholders' Equity ("Equity")	*19*	16,859	8,631
Debt/Equity ratio		**(17.7)**	**(24.5)**

Financial debt at June 30, 2019, equal to Euro 299,040 thousand, includes values deriving from the application of the new standard IFRS 16 equal to Euro 63,235 thousand (Euro 44,326 thousand related to non-current financial liabilities and Euro 18,909 thousand related to current financial liabilities), therefore the gross amount inclusive effect mentioned before would be equal to Euro 235,805 thousand. Financial debt at December 31, 2018 did not include effect related to new standard IFRS, which came into effect on January 1, 2019.

20. LIABILITIES FOR EMPLOYEE BENEFITS

Liabilities for employee benefits as at June 30, 2019 and December 31, 2018 are reported below:

(in thousands of Euro)	**At June 30, 2019**	**At December 31, 2018**
Liabilities for employee benefits	**48,942**	**48,470**

The line item increased by Euro 472 thousand in 2019, from Euro 48,470 thousand as at December 31, 2018 to Euro 48,942 thousand as at June 30, 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.
According to "Accounting policies and measurement criteria", in the Condensed Consolidated Financial Statement as of June 30, 2019, actuarial valuation has not been calculated.

21. PROVISIONS

Provisions as at December 31, 2018, and June 30, 2019 are reported below:

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

(in thousands of Euro)	At June 30, 2019	At December 31, 2018
Non-current portion of provisions for risks and charges	6,406	5,006
Current portion of provisions for risks and charges	7,328	5,611
Provisions for risks and charges	**13,734**	**10,617**

The line item increased by Euro 3,117 thousand in 2019, from Euro 10,617 thousand as at December 31, 2018 to Euro 13,734 thousand as at June 30, 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 January 1, 2019	**585**	**22**	**134**		**2,157**		**7,719**	**10,617**
Accruals	1,927				185		2,570	4,682
Utilizations					(58)		(1,198)	(1,256)
Decreases					(228)		(121)	(349)
Other changes not recorded through income statement					11		29	40
Balance as at June 30, 2019	**2,512**	**22**	**134**		**2,067**		**8,999**	**13,734**
of which:								
Non-current portion	585	22	134				5,665	6,406
Current portion	1,927				2,067		3,334	7,328

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 2,512 thousand as at June 30, 2019 (Euro 585 thousand as at December 31, 2018) and include provisions for taxes (current for Euro 1,927 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;

Provisions for legal disputes
The Provision for legal disputes amounts to Euro 2,067 thousand as at June 30, 2019 (compared to Euro 2,157 thousand as at December 31, 2018) mainly recorded by AlmavivA for Euro 1,104 thousand (Euro 1,171 thousand as at December 31, 2018), AlmavivA Contact for Euro 437 thousand (Euro 413 thousand as at December 31, 2018), AlmavivA do Brasil for Euro 516 thousand (Euro 505 thousand as at December 31, 2018) and to a smaller extent by other Group companies.

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

Other provisions
The line items, including non-current and current portion, amount to Euro 8,999 thousand as at June 30, 2019, with an increase of Euro 1,127 thousand in 2019. The amount includes other provisions for risks recorded by AlmavivA for Euro 5,963 thousand as at June 30, 2019 (Euro 4,139 thousand as at December 31, 2018), AlmavivA Contact for Euro 800 thousand as at June 30, 2019 (Euro 855 thousand as at December 31, 2018), Lombardia Gestione for Euro 89 thousand as at June 30, 2019 (Euro 89 thousand as at December 31, 2018), Agrisian in Liquidation for Euro 2,147 thousand as at June 30, 2019 (Euro 2,119 thousand as at December 31, 2018) and by other Group companies.

22. NON-CURRENT FINANCIAL LIABILITIES

Non-current financial liabilities, equal to Euro 322,652 thousand (Euro 274.902 thousand at December 31, 2018), refer to long-term payables and include the non-current portion of financial liabilities for leases deriving from the application of IFRS 16.
Non-current financial liabilities as at December 31, 2018, and June 30, 2019 are reported below:

(in thousands of Euro)	At June 30, 2019	At December 31, 2018
Banks	26,151	23,899
Bond	237,844	236,322
Amounts due to other lenders	14,331	14,681
Lease liabilities IFRS 16	44,326	0
Non-current financial liabilities	**322,652**	**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 June 30, 2019
AlmavivA S.p.A.	259,705	13,000	(10,090)	1,521	264,136
Sadel S.p.A.	1,338	0	(274)	0	1,064
AlmavivA do Brasil	2,859	0	(733)	0	2,126
SIMEST Operation	11,000	0	0	0	11,000
Financial liabilities for leasing IFRS 16	0	0	0	44,326	44,326
Non-current financial liabilities	**274,902**	**13,000**	**(11,097)**	**45,847**	**322,652**

(in thousands of Euro)	At January 1, 2018	Proceeds from borrowings	Repayements of borrowings	Reclassification and other adjustments	At December 31, 2018
AlmavivA S.p.A.	239,620	22,895	(2,810)	0	259,705
Sadel S.p.A.	0	0	(83)	1,421	1,338
AlmavivA do Brasil	501	2,358	0	0	2,859
SIMEST Operation	11,000	0	0	0	11,000
Non-current financial liabilities	**251,121**	**25,253**	**(2,893)**	**1,421**	**274,902**

The balance of the line item as at June 30, 2019 is Euro 322,652 thousand, with an increase of Euro 47,750 thousand compared to the prior year. The increase is mainly related to the adoption of IFRS 16 (Euro 44,326 thousand).

Long-term financial liabilities of Euro 322,652 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

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

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.
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 237,844 thousand as at June 30, 2019.

Bank liabilities totaled Euro 26,151 thousand and relate to AlmavivA S.p.A. for Euro 23,001 thousand mainly for the draw of the Revolving line, to AlmavivA do Brasil for Euro 2,097 thousand, and to Sadel for Euro 1,053 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 June 30, 2019.

Liabilities to other lenders amounting to Euro 14,331 thousand refer primarily to the subsidised loans received on the financed projects of AlmavivA S.p.A. (Euro 3,291 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	> 5 years
Banks	26,151	26,151	0
Bond	237,844	237,844	0
Amounts due to other lenders	14,331	13,869	462
Financial liabilities for leasing IFRS 16	44,326	38,860	5,466
	322,652	**316,724**	**5,928**

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 June 30, 2019 and the related changes occurred in each of these periods.

(in thousands of Euro)	At June 30, 2019	At December 31, 2018
Deferred tax liabilities	**1,534**	**1,534**

	For the six months ended June 30, 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 the abovementioned entity.

24. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities amount to Euro 686 thousand as at June 30, 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 June 30, 2019	At December 31, 2018
Deferred income on capital grants	686	754
Other non-current liabilities	**686**	**754**

The fully amount refers to deferred income on capital grants.

25. TRADE PAYABLES

Trade payables amounts to Euro 238,217 thousand as at June 30, 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 June 30, 2019	At December 31, 2018
Trade payables	**238,217**	**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 61,707 thousand (Euro 51,380 thousand in 2018), while those falling due in under 12 months amounted to Euro 176,510 thousand (Euro 170,782 thousand in 2018).

The debt increase is mainly due to higher activities related to IT Services segment.

Due to the adoption of IFRS 16, the amount of Euro 3,793 thousand was reclassified from Trade Payables to Current Financial Liabilities.

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

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 analysis, that include current lease liabilities related to new standard IFRS 16 application, is reported below:

(in thousands of Euro)	**At June 30, 2019**	**At December 31, 2018**
Payables due to banks	5,855	6,499
Current portion bonds	3,764	3,834
Payables due to other lenders	476	3,222
Financial lease payables	268	315
Accrued liabilities from financial expenses	423	459
Other financial payables	10	1
Financial liabilities for leasing IFRS 16	18,909	
Current financial liabilities	**29,705**	**14,330**

Short-term financial liabilities of Euro 29,705 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 October 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 18,909 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 June 30, 2019

	At June 30, 2019	At December 31, 2018	Changes
Current financial liabilities	29,705	14,330	15,376
Finncial liabilities for leasing IFRS 16			(18,909)
Exchange rate differences on cash and cash equivalents			1,309
Exchange rate differences on net working capital			1,186
Exchange rate differences on shareholders' equity			1,845
Exchange rate differences on tangible and intangible assets			(740)
Non-paid interests expenses and amortization cost effects			(5,773)
Exchange rate differences from P/L			(25)
OTher changes and reclassification from non current to current liabilities			(2,831)
			(8,562)

As at June 30, 2018

	At June 30, 2018	At December 31, 2017	Changes
Current financial liabilities	11,470	12,021	(551)
Exchange rate differences on cash and cash equivalents			(7,593)
Exchange rate differences on net working capital			(13,134)
Exchange rate differences on shareholders' equity			(10,163)
Exchange rate differences on tangible and intangible assets			4,945
Non-paid interests expenses and amortization cost effects			(1,904)
Exchange rate differences from P/L			(24)
Other changes and reclassification from non current to current liabilities			2,052
			(26,372)

27. TAX PAYABLES

Tax payables as at December 31, 2018, and June 30, 2019 are reported below:

(in thousands of Euro)	At June 30, 2019	At December 31, 2018
Income taxes	2,708	3,258
Other taxes	29,418	32,885
Tax payables	**32,126**	**36,143**

Tax payables amount to Euro 32,126 thousand as at June 30, 2019 compared to Euro 36,143 thousand as at December 31, 2018, recording a decrease of Euro 4,017 thousand in 2019.
They refer primarily to payables for IRPEF to be paid, to payables for IRAP direct taxes, deferred VAT, ordinary VAT, as well as to the taxes of foreign companies, in particular 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 June 30, 2019 are reported below:

(in thousands of Euro)	**At June 30, 2019**	**At December 31, 2018**
Payables due to social security institutions	13,283	19,980
Payables due to personnel	49,052	34,230
Miscellaneous payables	24,604	17,231
Deferred income	9,531	11,516
Other current liabilities	**96,470**	**82,957**

The line item increased by Euro 13,513 thousand in 2019, from an amount of Euro 82,957 thousand at December 31, 2018 to an amount of Euro 96,470 thousand at June 30, 2019. The increase of the period is around 16.3%.
The payables due to social security and welfare institutions amounted to Euro 13,283 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 June, which was paid in the first few days of July 2019, as per the ordinary management of the payments of wages and salaries.

Miscellaneous payables of Euro 24,604 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 S.r.l.
Deferred income of Euro 9,531 thousand related to the economic components pertaining to future years.

29. REVENUE

Revenue from contracts with customers for each of the periods ended June 30, 2018, and June 30, 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 six months ended June 30,	
(in thousands of Euro)	**2019**	**2018**
Revenues from sales and services	410,309	361,517
Revenues from sale of goods	5,655	956
Revenues from contract work in progress	3,613	24,032
Revenues from contracts with customers	**419,577**	**386,505**

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.

Timing of revenue recognition	**2019**	**2018**
Goods transferred at a point in time	5,655	956
Services transferred over time	413,922	385,549
Total revenue from contracts with customers	**419,577**	**386,505**

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.

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

Revenues increased by Euro 33,072 thousand from Euro 386,505 thousand for the year ended June 30, 2018 to Euro 419,577 thousand for the period ended June 30, 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 June 30, 2018, and 2019, Inter-segment elimination has not been considered and eliminated.

	For the six months ended June 30,	
(in thousands of Euro)	**2019**	**2018**
IT Services	233,978	196,303
CRM Europe	62,244	69,500
CRM International	117,169	115,711
Almawave – New Technology	6,187	4,992
Revenues from contracts with customers	**419,577**	**386,505**

The revenues of the IT Services segment as at June 30, 2019 rose by Euro 37,675 thousand, equal to 19.2% 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, International, 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 and others.

The revenues of the CRM Europe segment recorded a decrease of Euro 7,255 thousand (10.4%) respect the same period of the previous year. The decrease concerned Telco area and less in Transport area partially set offset by Utilities and Government that registered an increase in revenues.

The revenues of the CRM International segment recorded an increase of Euro 1,457 thousand, 1.3% as at June 30, 2019 when compared to the previous year. The increase was mainly determined by areas Government and Others, while Finance area decrease slightly, the other areas maintained the same level of revenues. The whole growth was influenced by the exchange rate.

The revenues of the Almawave - New Technology segment rose by Euro 1,195 thousand, 23.9% compared to the previous year. Intersegment revenues decreased by Euro 528 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, Banking/Insurance, partially offset by the reduction in revenues from customers in the Telco/Media, and Transport e others.

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 June 30, 2019 are, as follows:

(in thousands of Euro)	Total at June 30, 2019	To be absorb within the current financial year	To be absorb within the next financial year
Backlog (*)	1,292,503	(215,503)	1,077,000

(*) IT Services e Almawave New Technology segment

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

30. OTHER INCOME

Other income for each of the periods ended June 30, 2018, and June 30, 2019 are reported in the following table:

(in thousands of Euro)	For the six months ended June 30,	
	2019	**2018**
Recovery of personnel costs	432	692
Recovery of costs of service provision	1,664	1,037
Recovery of costs of use of assets	22	12
Reversal of provisions	1,258	2,040
Other income	601	1,820
Operating grants	1,495	4,430
Reversal of over-accruals of trade payables	256	1,348
Other income	**5,728**	**11,379**

Other revenues and income amounted to Euro 5,728 thousand and Euro 11,379 thousand as at June 30, 2019 and 2018 respectively.

31. COST OF RAW MATERIALS AND SERVICES

Cost of raw materials and services for each of the periods ended at June 30, 2019, and 2018 are reported in the following table:

(in thousands of Euro)	For the six months ended June 30,	
	2019	**2018**
Raw materials, consumables, supplies and goods	12,107	8,459
Costs for services	123,864	110,405
Costs of use of third party assets	3,699	11,727
Costs for services capitalised for assets created internally	(1,653)	(1,738)
Changes in inventories	(846)	(309)
Cost of raw materials and services	**137,171**	**128,544**

The item increased by Euro 8,627 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 12,538 thousand, from an amount of Euro 86,481 thousand in 2018 to Euro 96,020 thousand in 2019), and in Almawave - New Technology segment (increase in costs of Euro 490 thousand, up from Euro 2,525 thousand in 2018 to Euro 3,015 thousand in 2019). This effect was partially offset in the CRM Europe segment (in which the costs for services decrease by Euro 4,178 thousand from Euro 17,162 thousand in 2018 to Euro 12,984 thousand in 2019) and in the CRM International segment due to the decrease of the costs for services for Euro 1,367 thousand from Euro 33,402 thousand in 2018 to Euro 32,036 thousand in 2019). Other decreases are related to minor intersectoral costs of Euro 1,144 thousand.

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

At June 30, 2019 this value is related to rent expense from short-term leases (less 12 months), leases of low-value assets (less Euro 5 thousand) and other contracts out of the scope of new accounting standard IFRS 16.

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

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

(in thousands of Euro)	For the six months ended June 30,	
	2019	**2018**
Maintenance	12,421	11,806
Insurance	1,235	1,059
Consultancy and professional services	54,406	46,759
Sales commissions	4	0
Advertising, promotion and entertainment	421	266
Telephone expenses	2,510	3,388
Travel and stays	3,034	2,662
Energy and fluids	4,750	4,162
Distribution and warehousing	2,089	3,133
Other costs for services	42,994	37,170
Costs for services	**123,864**	**110,405**

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.
The increase of the costs is correlated to the revenues increase.

32. PERSONNEL EXPENSES

Personnel expenses for each of the periods ended June 30, 2019 and 2018 are broken down as follows:

(in thousands of Euro)	For the six months ended June 30,	
	2019	**2018**
Salaries and wages	190,663	185,683
Social security contributions	35,485	33,856
Employee benefit expenses	8,108	5,365
Other costs	2,157	2,222
Agency work	1,637	3,990
Personnel expenses capitalised for assets created internally	(5,100)	(5,230)
Personnel expenses	**232,995**	**225,887**

Personnel expenses increased by Euro 7,108 thousand, or 3.1%, from Euro 225,887 thousand in the period ended June 30, 2018 to Euro 232,995 thousand in the period ended June 30, 2019.

The average number of employees of companies included in the consolidation area, broken down by category, for each period ended June 30, 2019 and 2018 is as follows:

	At June 30, 2019	**At December 31, 2018**	**At June 30, 2018**
Executives	235.7	206.7	212.5
Middle managers	833.2	763.8	796.3
White-collar employees	43,249.0	42,677.8	42,051.2
Total Group average employees	***44,317.8***	***43,648.3***	***43,060.0***
Agency workers	132.2	352.4	343.0
Total workforce	***44,450.0***	***44,000.7***	***43,403.0***

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

33. DEPRECIATION AND AMORTIZATION

Depreciation and amortization for each period ended June 30, 2019 and 2018 are broken down as follows:

(in thousands of Euro)	**For the six months ended June 30,**	
	2019	**2018**
Industrial patent and intellectual property rights	3,512	3,199
Concession, licence and trademarks	150	125
Other	2,966	3,128
Total Amortisation	***6,628***	***6,452***
Civil and industrial buildings	391	403
Industrial and commercial equipment	65	71
Plants and machinery owned	1,813	2,417
Other assets owned and leased	3,678	3,804
ROU Asset - Civil and industrial buildings IFRS16	7,252	0
ROU Asset - Other assets owned and leased IFRS16	433	0
Total Depreciation	***13,632***	***6,695***
Total Depreciation and Amortisation	**20,260**	**13,147**

Depreciation increased, in the six months ended June 30, 2019, compared to the previous period, exclusively due to the adoption of the new accounting standard IFRS 16 - Leases.

34. OTHER EXPENSES

Other operating expenses for each period ended June 30, 2019 and 2018 are broken down as follows:

(in thousands of Euro)	**For the six months ended June 30,**	
	2019	**2018**
Write-down of receivables	270	0
Provisions for risks	2,570	1,899
Other provisions	0	0
Taxes and duties	310	178
Membership fees	339	312
Other expenses	1,313	1,572
Accruals to provisions	-	9
Reversal of over-accruals of trade receivables	182	365
Other operating expenses	**4,984**	**4,335**

Other operating expenses increased by Euro 649 thousand, or 15.0%, from Euro 4,335 thousand in the period ended June 30, 2018 to Euro 4,984 thousand in the period ended June 30, 2019. Net allocations to provisions for risks and charges were booked by the IT Services segment. 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 includes almost exclusively the economic effect recorded due to the settlement of previous receivables.

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

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

Financial income, Financial expenses and Exchange gains/(losses) for each of the periods ended June 30, 2019 and 2018 are reported below:

	For the six months ended June 30,	
(in thousands of Euro)	**2019**	**2018**
Financial income	233	195
Financial expenses	(13,395)	(14,141)
Exchange gains/(losses)	(25)	(24)
Financial expenses for leasing IFRS 16	(3,019)	
Net financial result	**(16,206)**	**(13,970)**

As per the previous table, the result of financial income and expenses was negative Euro 16,206 thousand as at June 30, 2019, compared to a negative result of Euro 13,970 thousand as at June 30, 2018, marking a worsening of Euro 2,236 thousand, due to the adoption of IFRS 16 (Euro 3,019 thousand). Excluding this effect, the line could show an improvement of Euro 783 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 June 30, 2018 and 2019 are reported below:

(in thousands of Euro)	For the six months ended June 30,	
	2019	**2018**
Other gains on equity investments	0	0
Share of lossesa from investments accounted for using equity method	7	6
Net result from equity investments	**7**	**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 June 30, 2019, and 2018 are broken down as follows:

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

(in thousands of Euro)	For the six months ended June 30,	
	2019	**2018**
Italian Companies		
IRAP (Regional business tax)	1,434	737
IRES (Corporate income tax)	6,071	2,480
(Income) expenses from compliance with tax consolidation	(1,629)	(1,287)
	5,876	**1,930**
Foreign companies		
Other current taxes	1,616	1,512
	1,616	**1,512**
Current Taxes	**7,492**	**3,442**
Italian Companies		
IRAP (Regional business tax)	(53)	57
IRES (Corporate income tax)	(1,914)	(963)
	(1,967)	**(906)**
Foreign companies		
Other deferred taxes	1,372	(1,658)
	1,372	**(1,658)**
Deferred taxes	**(595)**	**(2,564)**
Income taxes for the year - Non recurring portion	**0**	**(447)**
Total Income taxes	**6,897**	**431**

The increase on Income Taxes for IRAP and IRES is mainly due to AlmavivA SpA which had a substantial increase in the pre-tax result from June 2018 to June 2019. In facts as of June 30, 2018 the consolidated financial statement had been affected by the tax credit for R&D equal to approximately Euro 3,700 thousand.

The income and expenses from adhering to the tax consolidation refer mainly to AlmavivA Contact and have increased due to the greater loss compared to the same period of the previous year.

There is also an increase in deferred tax of Italian companies mainly related to AlmavivA SpA due to temporary differences of releases and provisions to funds, and to AlmavivA Contact due to the non-deductibility of a portion of financial expenses.

Meanwhile foreign companies have shown the same level of taxation related to current income taxes and a considerable utilization, especially in CRM International segment, of the prepaid taxes allocated in previous years on the tax losses accounted. This effect led an increase in taxes of approximately Euro 3,030 thousand.

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 June 2019 and 2018:

	For the six months ended June 30,	
(in thousands of Euro)	**2019**	**2018**
Income before taxes	13,695	11,928
Theoretical taxe rate	24.0%	24.0%
Theoretical taxes	**3,287**	**2,863**
Effect of different foreign tax rates	280	(1,823)
Non-deductible expenses	2,504	1,441
Tax losses previous years / consolidated tax revenues	(1,629)	(1,287)
Effect of writedowns for deferred tax assets and redetermination of tax rates	0	0
IRAP (Italian regional business tax)	1,434	737
Effect on deferred taxation of changes in tax rates	(595)	(2,564)
Other differences and minor items	1,616	1,065
Total	**6,897**	**432**

39. GUARANTEES AND COMMITMENTS

The Group granted the following guarantees as at June 30, 2019:

- personal guarantees of Euro 231,194 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 24,611 thousand, guarantees recorded by Lombardia Gestione of Euro 4,768 thousand in its final phase and AlmavivA Contact S.p.A. in the amount of Euro 19,843 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 8,625 thousand (Euro 8,546 thousand as at December 31, 2018) and refer to third party assets held by AlmavivA S.p.A. (Euro 8,557 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 June 30, 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.
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

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

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 June 30, 2019**	**At December 31, 2018**
- Amount falling due	292,368	257,178
- Past due	47,424	40,051
Trade receivables net of Bad debt provision	**339,792**	**297,229**

Financial leasing and redemption commitments (ex IAS 17)

The Group signed, for the period antecedent to December 31, 2018, 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 enough 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 Condensed 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 20. 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 unfavorable 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 June 30, 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. RTI Exitone, after appeal received on May 22, 2019, has appealed the judgment by Lazio's TAR at Council of State. The relative hearing date has been set on December 5, 2019.
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 PricewaterhouseCoopers 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 February 6, 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 June 5, 2019. The outcome of the risk assessment did not determine the need to record any provisions for risks.

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

On June 4, 2019, RTI Present S.p.A notified to the counterparty and filed in court the appeal renounced. Consequently with a sentence of June 24, 2019, TAR declared the appeal closed.

RTI Agriconsulting S.p.A. (Agent of RTI With Consorzio Stabile Arcodrea Engineering Soc. Consortile a r.l., Consorzio Stabile Reply Public Sector, Agrifuturo Soc. Coop. a mutualità prevalente, CGR Compagnia Generale Ripreseaeree S.p.a.)/ Consip S.p.A./ RTI AlmavivA S.p.A.(Agent of RTI con Engineering Ingegneria Informatica S.p.A., Sistemi Informativi Geografici S.R.L.)/ Ministry of Agriculture and Forestry / Ministry of Economy and Finance / Agriculture Disbursement Agency / Anti-corruption National Authorit.

RTI Agriconsulting requested the cancellation, of the admission order and the measures of announcing the final award in favour of RTI AlmavivA related to Lot 2 of the split procedure race. This procedure was divided in 4 lots and was due to for the entrustment of the development and management services of the National Agricultural Information System (SIAN) for Agea.

At the hearing in the council chamber, RTI Agriconsulting waived the discussion of the pre-trial application, and TAR Lazio set the hearing of merit for July 10, 2019. After that hearing, the case was withheld in a decision.

RTI AlmavivA S.p.A. (Agent ofl RTI con Engineering Ingegneria Informatica SpA/ Consip S.p.A./ RTI Leonardo Finmeccanica SpA (Agent of RTI con HPE Services Italia Srl, e-GEOS SpA, Green Aus SpA, ABACO SpA)/ Ministry of Agriculture and Forestry / Ministry of Economy and Finance / Agriculture Disbursement Agency / Anti-corruption National Authority.

RTI Almaviva S.p.A requested the cancellation, upon the adoption of precautionary measures, of the measures of announcing the final award in favour of RTI Leonardo related to Lot 3 of the split procedure race.

This procedure was divided in 4 lots and was due to for the entrustment of the development and management services of the National Agricultural Information System (SIAN) for Agea. TAR Lazio set the hearing of merit for July 10, 2019.

After that hearing, the case was withheld in a decision.

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 May 16, 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 June 28, 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 February 27, 2019 and, subsequently, on January 14, 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*

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

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 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. The Court dismissed the appeal by order, against which AlmavivA Contact S.p.A has brought an appeal. 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.

RTI Covisian S.p.A. (agent of RTI with Transcom Worldwide SpA/ AlmavivA Contact S.p.A./Fastweb S.p.A.)/ INPS – Istituto Nazionale di Previdenza Sociale/ Anti-corruption National Authority/ RTI Comdata S.p.A. (agent of RTI with Network Contacts S.r.l./ Telesurvey Italia S.r.l. in liquidation/ Telesurvey S.r.l. in liquidation)/ RTI GPI S.p.A (agent of RTI con Nethex Care S.p.A./ NTT Data Italia S.p.A.)/ RTI Abramo Customer Care S.p.A.(agent of RTI con Youtility Center S.r.l./ Ennova Services S.p.A.)/ Tax Authority / Agenzia per l'Italia Digitale

RTI Covisian requested the cancellation, upon the adoption of precautionary measures, of the measures of announcing the final award in favour of RTI Comdata of the "procedure tender for the award of the concession for Inps-Equitalia Contact Center Services". The case was withheld in the decision and with a sentence of July 2, 2019, the Lazio TAR rejected the appeal filed by the RTI Covisian.

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

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

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, the few judgments of a different nature which were handed down in the Court of First Instance are being reformed.

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 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.

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:

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

(in thousands of Euro)	At June 30, 2019 Receivables	At June 30, 2019 Payables	For the year ended June 30, 2019 Costs of Services	Other Costs	Revenues from Services	Other Income
Relationships with the controlling company of AlmavivA S.p.A.						
AlmavivA Technologies Srl	21,469	8,478	150	0	0	1
Relationships with the controlling companies valued at equity method						
Consorzio Hypertix	218	0	0	0	0	0
Sin Srl	21,482	17	0	1	13522	397
Consorzio Namex	0	0	0	0	0	0
TVEyes L.T.	4	0	0	0	0	12
Almaviva CCID	108	0	0	0	0	2
Other						
Elvit Consultoria e Partcipacoes LTDA	0	0	31	0	0	0
Totale	**43,281**	**8,495**	**181**	**1**	**13,522**	**412**

(in thousands of Euro)	At June 30, 2018 Receivables	At June 30, 2018 Payables	For the year ended June 30, 2018 Costs of Services	Other Costs	Revenues from Services	Other Income
Relationships with the controlling company of AlmavivA S.p.A.						
AlmavivA Technologies Srl	17,889	10,140	175	0	0	0
Relationships with the controlling companies valued at equity method						
Consorzio Hypertix	218	0	0	44	0	0
Sin Srl	11,940	498	239		2,528	421
Consorzio Namex	0	0	8	0	0	0
TVEyes L.T.	3	6	11	0	0	5
Almaviva CCID	106	0	0	0	0	0
Other						
Elvit Consultoria e Partcipacoes LTDA	21	0	32	0	0	0
Totale	**30,177**	**10,644**	**465**	**44**	**2,528**	**426**

(in thousands of Euro)	At December 31, 2018 Receivables	At December 31, 2018 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 July 1, 2019 has been activated a social shock absorber on the Palermo site (Wage Integration Fund - Ordinary check) which provides for an hourly reduction up to 60% in order to manage the expected volume declines.
As a result of the volume contractions, the company has initiated comparisons with OO.SS., local and central institutions to identify structural solutions in order to face the current issues in the world of telecommunications.

AlmavivA S.P.A.

On July 25, 2019, AlmavivA concluded the purchase of 55% of the Italian law company, Wedoo Holding's S.r.l. share capital. This firm holds the whole share capital of the Italian law company Wedoo S.r.l. and the US law company Wedoo LLC (Michigan).
Wedoo, is an internationally active company in the design, implementation and supply of services in the field of interactive multimedia content, augmented reality and virtual reality, B2C and B2B solution configurators.
This acquisition is focused on enhancing the offering and presence in some specific verticals with both private and public customers.

ALMAVIVA S.P.A. AND SUBSIDIARIES

AlmavivA The Italian Innovation Company S.p.A.

Review report on the interim condensed consolidated financial statements

Translation from the original Italian text

ALMAVIVA S.P.A. AND SUBSIDIARIES

Review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)

To the Board of Directors of
AlmavivA The Italian Innovation Company S.p.A.

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the statement of financial position, the statements of income, the statement of comprehensive income, the statement of changes in equity and cash flows and the related explanatory notes of AlmavivA The Italian Innovation Company S.p.A. and its subsidiaries (the "AlmavivA Group") as of 30th June 2019. The Directors of AlmavivA The Italian Innovation Company S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with *International Standard on Review Engagements* 2410, *"Review of Interim Financial Information Performed by Independent Auditor of the Entity"*. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of AlmavivA Group as of June 30, 2019 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Rome, 7 August 2019

EY S.p.A.
Signed by: Roberto Tabarrini, Partner

This report has been translated into the English language solely for the convenience of international readers

ALMAVIVA S.P.A. AND SUBSIDIARIES