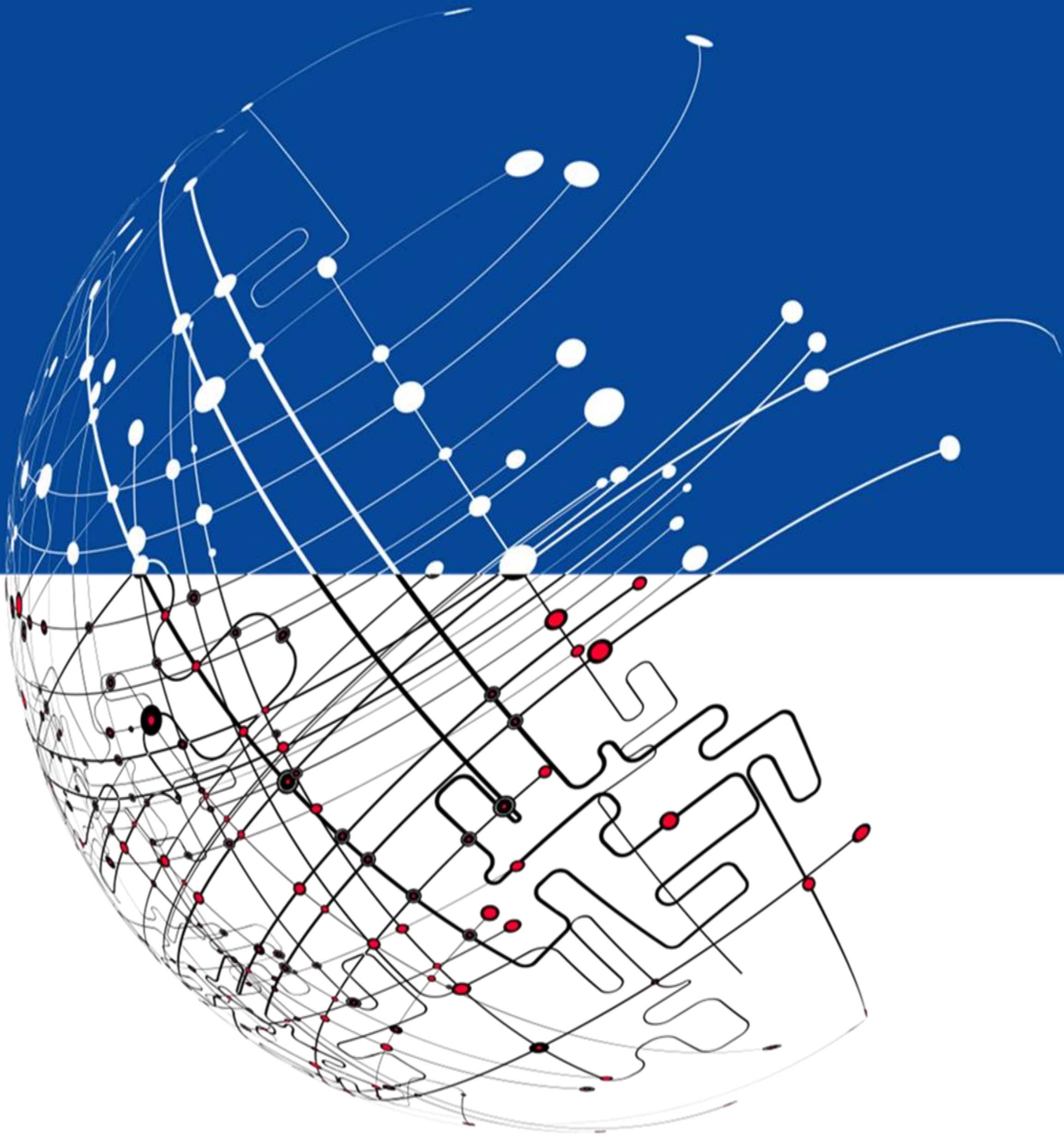
Gruppo Almaviva



ALMAVIVA S.P.A. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

March 2018

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

REPORTS OF INDEPENDENT AUDITORS

Almaviva The Italian Innovation Company S.p.A.

Consolidated financial statements as at December 31, 2017

Independent auditor's report in accordance with article 14 of Legislative Decree n. 39, dated 27 January 2010

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Independent auditor's report in accordance with article 14 of Legislative Decree n. 39, dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders of
Almaviva The Italian Innovation Company S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Almaviva Group (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of income, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.
We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; have designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010

The Directors of Almaviva S.p.A. are responsible for the preparation of the Report on Operation of Group Almaviva as at 31 December 2017, including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the consolidated financial statements of Almaviva Group as at 31 December 2017, and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operation is consistent with the consolidated financial statements of Almaviva Group as at 31 December 2017, and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Rome, 28 March 2018

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.

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AlmavivA The Italian Innovation Company S.p.A.

Consolidated financial statements as of and for the years ended December 31, 2016, 2015 and 2014

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Independent auditor's report

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

We have audited the accompanying consolidated financial statements of AlmavivA The Italian Innovation Company S.p.A. and its subsidiaries (the "AlmavivA Group"), which comprise the consolidated statement of financial position as of December 31, 2016, 2015 and 2014, 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 for the years then ended and the related explanatory notes (the "Consolidated Financial Statements").

Directors' responsibility for the Consolidated Financial Statements

The Directors are responsible for the preparation of the Consolidated Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") as adopted by the European Union. The Directors have prepared the Consolidated Financial Statements solely for their inclusion in the Offering Memorandum for the offering of notes to certain institutional investors outside the United States of America in reliance upon Regulation S of the US Securities Act of 1933, as amended (the "Act"), and to qualified institutional investors in the United States of America in reliance on the exemption from registration provided by Rule 144A under the Act.

Auditor's responsibility

Our responsibility is to express an opinion on the Consolidated Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11 of Legislative Decree n. 39, dated January 27, 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Consolidated Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the Consolidated Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position of the AlmavivA Group as of December 31, 2016, 2015 and 2014, and of its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") as adopted by the European Union.

Other matter

As indicated in the explanatory notes, the Consolidated Financial Statements have been prepared solely for their inclusion in the Offering Memorandum for the offering of notes to certain institutional investors outside the United States of America in reliance upon Regulation S of the Act or to qualified institutional investors in the United States of America in reliance on the exemption from registration provided by Rule 144A under the Act.

Rome, September 15, 2017

EY S.p.A.

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

		At December 31,		
(in thousands of Euro)	**Note**	**2017**	**2016**	**2015**
Intangible assets	5	55,862	54,419	51,803
Goodwill		33,778	33,166	33,051
Property, plant and equipment	6	60,493	76,386	68,808
Investments accounted for using the equity method	7	1,993	1,717	1,807
Non-current financial assets	8	1,446	1,449	1,476
Deferred tax assets	9	13,383	10,777	10,995
Other non-current assets	10	1,658	1,400	2,579
Total non-current assets		**168,614**	**179,314**	**170,518**
Inventories and amount due from customers		0	0	0
Inventories and amount due from customers	11	30,809	33,626	35,300
Trade receivables	12	305,029	297,767	284,903
Current financial assets	13	9,406	7,870	4,421
Other current assets	14	86,087	82,718	71,236
Cash and cash equivalents	15	69,502	48,181	50,645
Total current assets		**500,832**	**470,162**	**446,506**
Non-current assets held for sale	16	2,459	4,249	19,759
Total assets		**671,905**	**653,725**	**636,783**
Share capital		154,899	154,899	154,899
Share premium reserve		17,788	17,788	17,788
Other reserves		(166,659)	(139,563)	(143,704)
Profit/(loss) for the year		221	(16,907)	(1,715)
Total group shareholders' equity		*6,249*	*16,217*	*27,268*
Non-controlling interests		*4,529*	*5,055*	*3,855*
Total shareholders' equity	17	**10,779**	**21,272**	**31,123**
Non-current liabilities for employee benefits	18	52,872	59,043	60,400
Non-current provisions	19	6,346	5,466	5,338
Non-current financial liabilities	20	251,121	25,478	15,279
Deferred tax liabilities	21	1,672	1,794	2,345
Other non-current liabilities	22	892	1,030	1,037
Total non-current liabilities		**312,903**	**92,810**	**84,399**
Current provisions	19	7,162	7,285	5,214
Trade payables	23	204,120	193,897	179,302
Current financial liabilities	24	12,021	150,873	167,730
Current tax liabilities	25	42,932	99,274	95,692
Other current liabilities	26	81,988	88,315	73,323
Total current liabilities		**348,223**	**539,643**	**521,262**
Total liabilities		**661,126**	**632,453**	**605,660**
Total equity and liabilities		**671,905**	**653,725**	**636,783**

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

(in thousands of Euro)	Note	For the year ended December 31 2017	2016	2015
Rendering of services	27	754,991	730,163	709,194
Other Income	28	17,315	9,073	16,495
Total revenues and other income		**772,306**	**739,237**	**725,689**
Cost of raw materials and services	29	(263,902)	(250,056)	(238,853)
Personnel expenses	30	(432,971)	(430,532)	(418,212)
Depreciation and amortization	31	(29,713)	(29,292)	(27,101)
Losses from sale of non-current assets	31	(72)	(75)	(5)
Other expenses	32	(10,332)	(22,918)	(12,295)
Operating profit/(loss)		**35,316**	**6,364**	**29,223**
Financial income	33	926	1,643	723
Financial expenses	33	(34,392)	(27,601)	(27,966)
Exchange gains/(losses)		(280)	1,153	(620)
Profit/(loss) from investments accounted for using equity method	34	(737)	(838)	(1,811)
Profit/(Loss) before taxes		**832**	**(19,279)**	**(450)**
Income taxes	35	30	3,135	(885)
Profit/(Loss) from continuing operations		**862**	**(16,143)**	**(1,334)**
Profit/(Loss) for the year		**862**	**(16,143)**	**(1,334)**
of which:				
Profit/(loss) pertaining to the group		221	(16,908)	(1,715)
Profit/(loss) pertaining to non-controlling interests		642	764	380

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

		For the year ended December 31		
(in thousands of Euro)	**Note**	**2017**	**2016**	**2015**
Profit/(loss) for the year		**862**	**(16,143)**	**(1,334)**
Other components of comprehensive income that may be subsequently reclassified to profit or loss, after taxes:				
Exchange differences on translation of foreign operations		(10,488)	5,522	(5,586)
Gains/(losses) on cash flow hedging instruments	**20**	145	(28)	(48)
Total		**(10,343)**	**5,494**	**(5,634)**
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	**18**	3,453	961	(1,594)
Total		**3,453**	**961**	**(1,594)**
Comprehensive income/(loss) for the year		**(6,028)**	**(9,688)**	**(8,562)**
of which:				
Comprehensive income/(loss) pertaining to the group		(5,984)	(10,645)	(8,968)
Comprehensive income/(loss) pertaining to non-controlling interests		(44)	957	405

ALMAVIVA S.P.A. AND SUBSIDIARIES
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, 2015	**154,899**	**17,788**	**(143,704)**	**(1,715)**	**27,268**	**3,474**	**380**	**3,854**	**31,122**
Profit/(loss) for the year				**(16,908)**	**(16,908)**		**764**	**764**	**(16,144)**
Exchange differences on translation of foreign operations			5,330		5,330	192		192	5,522
Gains/(losses) on cash flow hedging instruments			(28)		(28)			0	(28)
Actuarial gains/(losses) on valuation of liabilities for employee benefits			961		961			0	961
Comprehensive income/(loss) for the year	**0**	**0**	**6,263**	**(16,908)**	**(10,645)**	**192**	**764**	**956**	**(9,689)**
Allocation of prior year's profit/(loss)			(1,715)	1,715	0	380	(380)	0	0
Other movements			(406)		(406)	245		245	(161)
Shareholders' Equity at December 31, 2016	**154,899**	**17,788**	**(139,562)**	**(16,908)**	**16,217**	**4,291**	**764**	**5,055**	**21,274**
Profit/(loss) for the year				**221**	**221**		**642**	**642**	**862**
Exchange differences on translation of foreign operations			(9,803)		(9,803)	(686)		(686)	(10,489)
Gains/(losses) on cash flow hedging instruments			145		145			0	145
Actuarial gains/(losses) on valuation of liabilities for employee benefits			3,453		3,453			0	3,453
Comprehensive income/(loss) for the year	**0**	**0**	**(6,205)**	**221**	**(5,984)**	**(686)**	**642**	**(44)**	**(6,028)**
Allocation of prior year's profit/(loss)			(16,908)	16,908	0	764	(764)	0	0
Other movements			(3,985)		(3,985)	(482)		(482)	(4,467)
Shareholders' Equity at December 31, 2017	**154,899**	**17,788**	**(166,660)**	**221**	**6,249**	**3,887**	**642**	**4,529**	**10,779**

Notes 17 and 18

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

		For the year ended December 31		
(in thousands of Euro)	**Note**	**2017**	**2016**	**2015**
Profit/(loss) for the year		**862**	**(16,143)**	**(1,334)**
Adjustments to reconcile profit before tax to net cash flows:				
Income Taxes	35	(30)	(3,135)	885
Financial income	33	(926)	(1,643)	(723)
Financial expenses	33	34,392	27,601	27,966
Exchange (gains)/losses	33	280	(1,153)	620
Depreciation, amortization and write-downs	31	29,713	29,292	27,101
Write-downs/(revaluations) of non-current financial assets and equity investments		735	(108)	783
Losses from sale of non-current assets		72	75	5
Interest received		926	1,641	350
Interest paid		(32,117)	(25,453)	(26,352)
Income taxes paid		(4,175)	(1,176)	(3,972)
Cash flows generated from operating activities before changes in working capital		*29,733*	*9,798*	*25,329*
Change in trade receivables	12	(7,262)	(12,860)	9,085
Change in inventories and amount due from customers	11	2,731	1,674	5,269
Change in trade payables	23	9,945	14,244	(24,560)
Change in other assets	10-14	(3,627)	(10,303)	260
Change in other liabilities	22-26	(58,601)	22,878	46,304
Foreign exchange rate effect related to items of working capital		12,533	(3,502)	705
Change in liabilities for employee benefits and provisions		(3,370)	670	(5,097)
Change in deferred tax assets (liabilities)		(2,728)	(333)	(626)
Cash-flow generated from/(absorbed by) operating activities (A)		**(20,646)**	**22,264**	**56,669**
Investments in property, plant and equipment	6	(6,181)	(13,796)	(19,529)
Investments in intangible assets	5	(17,452)	(13,551)	(15,654)
Acquisition of investments accounted for using the equity method		(1,250)	(17)	(13)
Proceeds from divestments of PP&E, intangible assets and investments accounted for using the equity mehod		241	162	1,203
Change in non-current asset held for sale	16	1,876	15,510	0
Change in non-current financial assets	8	(50)	27	(15)
Change in current financial assets	13	(1,536)	(3,449)	(915)
Cash-flow generated from/(absorbed by) investing activities (B)		**(24,352)**	**(15,114)**	**(34,923)**
Proceeds from non-controlling interests for payment of share capital of subsidiaries		399	55	804
Dividends paid to non-controlling interests		(5,404)	(343)	(147)
Proceeds from borrowings	20	266,519	51,099	71,181
Repayment of borrowings	20	(42,541)	(52,900)	(90,409)
Change in current financial liabilities	24	(158,491)	(10,000)	13,929
Cash-flow generated from/(absorbed by) financing activities (C)		**60,482**	**(12,089)**	**(4,642)**
Cash flow of the year (A+B+C)		**15,484**	**(4,939)**	**17,104**
Effect of foreign exchange rates on cash and cash equivalents		5,837	2,475	(2,865)
Cash and cash equivalents at beginning of the year	15	48,181	50,645	36,407
Cash and cash equivalents at end of the year	15	69,502	48,181	50,645

The net change current financial assets and current financial liabilities is shown net of exchange differences.

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY 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 43,000 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 Consolidated financial statements of the Company and its subsidiaries (the "AlmavivA Group") are prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union and comprise the Consolidated statement of financial position as at December 31, 2017, 2016 and 2015 and the related Consolidated income statement, Consolidated statement of other comprehensive income, Consolidated statement of changes in shareholders' equity and Consolidated statement of cash flows for the years ended December 31, 2017, 2016 and 2015, together with the related explanatory notes thereto (hereinafter collectively as the "Consolidated Financial Statements").

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 4, 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 41.

The Consolidated Financial Statements were approved by the Company's Board of Directors on March 19, 2018.

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 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 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 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.

The Consolidated financial statements provide comparative information in respect of previous period. In addition, the Group presents an additional Consolidated income statement, Consolidated statement of other comprehensive income and an additional statement of cash flows related to fiscal year 2015 in order to comply with requirements included in offering memorandum.

The accounting standards adopted to draft the financial statements conform to those used to prepare the financial statements as at December 31, 2016 and 2015, with the exception of the new accounting standards, amendments and interpretations in force from January 1, 2017.

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.

IFRS were applied in accordance with the guidelines provided in the "Framework for the Preparation and Presentation of Financial Statements", and 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. Each item of the Consolidated financial statements is compared with the corresponding value of the previous year. The following table indicates the exchange rates adopted:

Exact exchange rates

Amount of currency for 1 Euro

Country	Currency	ISO	31.12.2017	31.12.2016	31.12.2015
Brazilian	Real	BRL	3,973	3,431	4,312
China	Yuan	CNY	7,804	7,320	7,061
Colombian	Peso	COP	3580,190	3169,490	3456,010
Europe	Leu	RON	4,659	4,539	0,000
United States	Dollar	USD	1,199	1,054	1,089
South African	Rand	ZAR	14,805	14,457	16,953
Tunisian	Dinar	TND	2,974	2,450	2,210

Average exchange rates

Amount of currency for 1 Euro

Country	Currency	ISO	31.12.2017	31.12.2016	31.12.2015
Brazilian	Real	BRL	3,604	3,862	3,692
China	Yuan	CNY	7,626	7,350	6,973
Colombian	Peso	COP	3333,837	3378,737	3042,085
Europe	Leu	RON	4,569	4,491	0,000
United States	Dollar	USD	1,129	1,107	1,110
South African	Rand	ZAR	15,044	16,277	14,153
Tunisian	Dinar	TND	2,729	2,374	2,177

2.1 Going Concern

As indicated above, AlmavivA's Board of Directors judged that there are no material uncertainties which could put the AlmavivA Group's capacity to continue operations in doubt. The reasons supporting these conclusions are illustrated in detail below.
In 2017, the AlmavivA Group reinforced the trends of growth in revenue recorded in the previous year. The result as at December 31, 2017 shows a positive and notably increasing value in terms of the operating result and a profit at the consolidated net result level, compared to a loss in the previous year. It should be noted that the results in 2016 were stunted by the effects of the collective dismissal procedure at AlmavivA Contact.

The net positive result of the Group was determined by both the excellent performance recorded by AlmavivA SpA in the IT Services segment, and the lower loss registered by AlmavivA Contact in the CRM Europe segment.
The operating segment of CRM International accounted a net loss, feeling the effects of an unfavourable trend in the Brazilian economy, due to profound changes and uncertainties plaguing the country from both a political and financial perspective.

The 2018 estimate envisages the development of revenues, with a recovery in the IT market (in particular the Central and Local PA thanks to the development of SPC contracts awarded in 2017, Finance and Almawave product sales on the IRIDE platform), an increase in volumes in the international market and a recovery in the CRM Europe market; average profit margins are expected to increase.

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

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

Note should also be taken of the benefits to the cost of labour of Almaviva S.p.A. connected with the agreement signed with the trade union organisations on February 7, 2018, aimed at strengthening the competitive positioning and boosting profit margins. The agreement makes provision, in particular, for the use of Solidarity Contracts for a period of six months and the suspension of some supplementary entitlements.

In the CRM Europe domain, note should be taken of the strong recovery in profit margins recorded thanks to the fact that benefits connected to Almaviva Contact's reorganisation process started to gradually materialise.

The development on international markets continues and is mainly based in Brazil. The CRM market continues to develop and grow in leaps and bounds, despite the profound changes and uncertainty plaguing the country from both a political and economic viewpoint. AlmavivA do Brasil's role is ever more important and of leadership within the market, and its presence on the market is therefore continuously growing, both insofar as customers already present in our portfolio as well as those just recently acquired. To boost development, in the second part of 2017, Almaviva do Brasil implemented major improvements to operations through investments in both production processes and the managerial and sales structures, as well as by preparing, in terms of operating capacity, the company for fulfilling the new contracts to be acquired at the end of the year.

Growth on the international market will also be based on the development of the Colombian CRM market owing to the activities of Almacontact (development aimed both at covering the domestic market and at offering nearshoring services to the other Latin American countries and the USA), and growth in IT activities for the public administration of the European community and for the European Union (growth of the company AlmavivA de Belgique); in addition, the first foreign Transportation activities are being developed (tender awarded to AlmavivA S.p.A. for the management of Customer Information System activities in railway stations for the Finnish transport agency).

From a financial perspective, April 2018 can expect to see the conclusion of the process to acquire 100% of the shares in the company Wave S.r.l. and, therefore, the underlying majority stake in the company Sadel S.p.A., a leading company in Italy in the field of production of PIS and IoT equipment and solutions for transport, with its own factory. The transaction in question basically involved two phases: a first in which AlmavivA SpA subscribed 15% of the shares of the target company and a second one, concurrent with the first, which materialized with the signing of a "crossed" put-call between AlmavivA and the counterparty for the remaining portion (85%) to be exercised by April 2018.

The acquisition allows Almaviva to cover the entire chain of value in relation to the services offered (from solution design, to the production of equipment, the design and writing of software, to maintenance and analysis of the data collected).

On October 5, 2017, the parent company Almaviva S.p.A. successfully completed a bond issue (Senior Secured Notes) for a value of € 250 million, senior secured, maturity of five years (October 2022) and coupon at 7.25%. The company and the transaction were assigned a rating of B+ by S&P and B2 by Moody's. The bond loan is supported by a revolving line (RCF) of € 40 million expiring on February 5, 2022. The half-yearly coupons are expected to be regularly paid in 2018 (April 15 and October 15 respectively).

Based on the above and on the positive results obtained by the AlmavivA Group, the directors drafted the AlmavivA Group Consolidated financial statements on the going concern assumption.

2.2 Basis of consolidation

The 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 Consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.
Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.
A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

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

- items of assets, liabilities, income and expenses of entities consolidated line by line are fully included in the Consolidated Financial Statements;

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

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

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 *IAS 39 Financial instruments: recognition and measurement*, must be recorded in the income statement or other comprehensive income components. If the potential consideration does not fall within the scope of IAS 39, 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 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 Consolidated Financial Statements when the significant influence or the joint control begins, until the date in which this joint control or significant influence cease.

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

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

Consolidation Area

The consolidated companies as at December 31, 2017, 2016 and 2015 are listed below:

Companies and method of consolidation	**Currency**	**Share held (1)**	**For the year ended December 31,**		
			2017	**2016**	**2015**
AlmavivA S.p.A. (Parent Company) Rome, Italy	Euro	100.00%	Full	Full	Full
Lombardia Gestione S.r.l. Milan, Italy	Euro	51.00%	Full	Full	Full
AlmavivA de Belgique S.A. Brussels, Belgium	Euro	100.00%	Full	Full	Full
Almaviva Digitaltec S.r.l. (2)	Euro	100.00%	Full	-	-
AlmavivA Contact S.p.A. Rome, Italy	Euro	100.00%	Full	Full	Full
AlmavivA do Brasil S.A. Belo Horizonte, Brazil	Brazilian Real	94.70%	Full	Full	Full
AlmavivA Participações Ltda. Belo Horizonte, Brazil	Brazilian Real	100.00%	Full	Full	Full
AlmavivA Credit Ltda. Belo Horizonte, Brazil	Brazilian Real	100.00%	Full	Full	Full
Almacontact Bogotà, Colombia	Colombian Peso	100.00%	Full	Full	Full
Italy Call S.r.l. Rome, Italy	Euro	100.00%	Full	Full	Full
AlmavivA Tunisie S.A. Ville de Tunisi, Tunisie	Tunisian Dinar	56.25%	Full	Full	Full
AlmavivA Services S.r.l. Iasi, Romania	Romanian Leu	100.00%	Full	Full	-
Almawave S.r.l. Rome, Italy	Euro	100.00%	Full	Full	Full
Almawave SA (Pty) Ltd (3) Johannesburg, Republic of South Africa	South-African Zar	-	-	Full	Full
Almawave do Brasil Ltda. Belo Horizonte, Brazil	Brazilian Real	100.00%	Full	Full	Full
Pervoice S.r.l. Trento, Italy	Euro	50.90%	Full	Full	Full
Almawave USA Inc. San Francisco, U.S.	US Dollar	100.00%	Full	Full	Full
Agrisian S.C.p.A. in liquidazione Rome, Italy	Euro	50.86%	Full	Full	Full

			For the year ended December 31,		
Companies and method of consolidation (continued)	**Currency**	**Share held** (1)	**2017**	**2016**	**2015**
Sin S.p.A. (4) Rome, Italy	Euro	20.02%	Equity	Equity	Equity
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
TVEyes L.T. S.r.l. Trento, Italy	Euro	20.00%	Equity	Equity	Equity
Wave S.r.l. Pianoro, Italy	Euro	15.00%	Equity	-	-

(1) At December 31, 2017

(2) Established as at October 31, 2017, consolidated from November 30, 2017

(3) Excluded since January 1, 2017

(4) Presented as Non-current assets held for sale in the Consolidated Financial Statements as at December 31, 2017, 2016 and 2015 and for the years then ended.

The changes that affected the consolidation area during the three years December 31, 2017, 2016 and 2015, as well as any change in the share held in each consolidated company are reported here below:

In 2015:

- on January 9, 2015, Almawave SA (Pty) Ltd was established with registered office in Johannesburg (South Africa). Its entire share capital was subscribed by Almawave S.r.l.;
- the liquidation process of the former subsidiaries Xcos in liquidazione and TSF DM in liquidazione concluded;
- AlmavivA S.p.A. acquired a 33% stake in Consorzio Hypertix, a company operating in the IT business which has the aim to develop services for Public Administrations, regarding the implementation, management and maintenance of IT Infrastructure.

In 2016:

- on March 21, 2016, the share capital of the controlled entity AlmavivA do Brasil S.A. was increased to BZR 44,223,065 and, as outcome of the above-mentioned operation, a third parties company, Simest S.p.A. subscribed a portion of the capital increase that led to the acquisition of a 5.5% total interest in the company. Accordingly, the share held by the group in the company went from 100% down to 94.50%;
- on June 27, 2016, AlmavivA Services S.r.l. was established in Romania with a share capital fully subscribed by AlmavivA Contact S.p.A.;
- the share held by the group in the associate Consorzio Hypertix lifted from 33% up to 49.99% as a result of an acquisition by AlmavivA S.p.A. of an additional 16.99% interest in the company.

In 2017:

- on January 1, 2017, the liquidation and termination of the activities by the subsidiary Almawave SA Ltd, wholly-owned by Almawave S.r.l.;
- on July 21, 2017, the acquisition of Wave S.r.l. with a stake of 15% by AlmavivA S.p.A.. This company is valued according to the equity method, despite the presence of a stake of 15%, for the significant influence that AlmavivA S.p.A. can exercise, based on the contractual agreements;
- on October 19, 2017, the incorporation of AlmavivA Digitaltec S.r.l. wholly-owned by AlmavivA S.p.A.;

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:

Name	**Country of incorporation and operation**	**For the year ended December 31,**		
		2017	**2016**	**2015**
Lombardia Gestione S.r.l.	Italy	49,00%	49,00%	49,00%
AlmavivA Tunisie S.A.	Tunisie	43,25%	43,25%	43,25%

Accumulated balances of material non-controlling interest:

(in thousands of Euro)	**For the year ended December 31,**		
	2017	**2016**	**2015**
Lombardia Gestione S.r.l.	1,255	1,592	1,420
AlmavivA Tunisie S.A.	895	1,036	1,095

Profit allocated to material non-controlling interest:

(in thousands of Euro)	**For the year ended December 31,**		
	2017	**2016**	**2015**
Lombardia Gestione S.r.l.	304	515	251
AlmavivA Tunisie S.A.	20	50	61

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

Summarized income statement for 2017

(in thousands of Euro)	**Lombardia Gestione S.r.l.**	**AlmavivA Tunisie S.A.**
Revenues	19,329	2,306
Cost of raw materials and services	(14,732)	(760)
Personnel expenses	(2,523)	(1,241)
Depreciation and amortization	(48)	(169)
Financial expenses	(22)	(11)
Profit before taxes	**1,778**	**127**
Income taxes	(512)	(22)
Profit from continuing operations	**1,266**	**105**
Other comprehensive income for the year	**1,298**	**105**
Other comprehensive income pertaining to the group	626	46
Dividends paid pertaining to non-controlling interests	971	0

Summarized income statement for 2016

(in thousands of Euro)	**Lombardia Gestione S.r.l.**	**AlmavivA Tunisie S.A.**
Revenues	19,731	2,234
Cost of raw materials and services	(15,279)	(666)
Personnel expenses	(2,717)	(1,321)
Depreciation and amortization	(26)	(189)
Financial expenses	(21)	(1)
Profit before taxes	**1,519**	**130**
Income taxes	(480)	(16)
Profit from continuing operations	**1,039**	**114**
Other comprehensive income for the year	**1,051**	**114**
Other comprehensive income pertaining to the group	515	50
Dividends paid pertaining to non-controlling interests	343	0

Summarized income statement for 2015

(in thousands of Euro)	**Lombardia Gestione S.r.l.**	**AlmavivA Tunisie S.A.**
Revenues	17,390	3,000
Cost of raw materials and services	(13,143)	(911)
Personnel expenses	(3,085)	(1,727)
Depreciation and amortization	(7)	(147)
Financial expenses	(23)	(0)
Profit before taxes	**787**	**165**
Income taxes	(257)	(26)
Profit from continuing operations	**530**	**139**
Other comprehensive income for the year	**513**	**139**
Other comprehensive income pertaining to the group	251	61
Dividends paid pertaining to non-controlling interests	147	0

Summarized statement of financial position for 2017

(in thousands of Euro)	**Lombardia Gestione S.r.l.**	**AlmavivA Tunisie S.A.**
Non-current assets	0	18
Trade receivables	3,722	1,572
Current liabilities	(6,028)	(932)
Non-current liabilities	(751)	-
Equity	**2,562**	**2,046**
Pertaining to the group	1,307	1,151
Pertaining to non-controlling interests	1,255	895

Summarized statement of financial position for 2016

(in thousands of Euro)	**Lombardia Gestione S.r.l.**	**AlmavivA Tunisie S.A.**
Non-current assets	0	12
Trade receivables	7,209	1,933
Current liabilities	(7,566)	(681)
Non-current liabilities	(784)	(10)
Equity	**3,249**	**2,367**
Pertaining to the group	1,657	1,331
Pertaining to non-controlling interests	1,592	1,036

Summarized statement of financial position for 2015

(in thousands of Euro)	**Lombardia Gestione S.r.l.**	**AlmavivA Tunisie S.A.**
Non-current assets	0	14
Trade receivables	6,287	1,640
Current liabilities	(6,844)	(629)
Non-current liabilities	(841)	(52)
Equity	**2,898**	**2,502**
Pertaining to the group	1,478	1,407
Pertaining to non-controlling interests	1,420	1,095

Summarized statement of cash flow for 2017

(in thousands of Euro)	**Lombardia Gestione S.r.l.**	**AlmavivA Tunisie S.A.**
Cash-flow generated from operating activities	2,270	952
Cash-flow absorbed by investing activities	(18)	(4)
Cash-flow absorbed by financing activities	(1,985)	(426)
Cash flow of the year	**(267)**	**(522)**

Summarized statement of cash flow for 2016

(in thousands of Euro)	**Lombardia Gestione S.r.l.**	**AlmavivA Tunisie S.A.**
Cash-flow generated from operating activities	879	54
Cash-flow absorbed by investing activities	(238)	(143)
Cash-flow absorbed by financing activities	(700)	(249)
Cash flow of the year	**(59)**	**(339)**

Summarized statement of cash flow for 2015

(in thousands of Euro)	**Lombardia Gestione S.r.l.**	**AlmavivA Tunisie S.A.**
Cash-flow generated from operating activities	1,144	364
Cash-flow generated from/(absorbed by) investing activities	0	(387)
Cash-flow generated from/(absorbed by) financing activities	(317)	50
Cash flow of the year	**827**	**27**

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting policies and measurement criteria

The main accounting policies and measurement criteria used in the preparation of the Consolidated Financial Statements are described hereunder. Such accounting policies and measurement criteria have been consistently applied during the three-years period 2017, 2016 and 2015.

Intangible assets

Intangible assets are identifiable assets lacking physical substance, controlled by the group and able to produce future economic benefits, as well as goodwill deriving from business combinations. Identifiability is defined with reference to the possibility of distinguishing the intangible asset acquired from goodwill. This requirement is normally satisfied when: (i) the intangible asset arises from a legal or contractual right, or (ii) the asset is separable, i.e. can be sold, transferred, leased or exchanged independently or as an integral part of other assets. Company's control consists of the power to obtain future economic benefits from the asset or the possibility of restricting others' access to those benefits.

As part of the transition to IFRS, the AlmavivA Group decided not to retroactively apply *IFRS 3 - Business combinations* to acquisitions made prior to October 1, 2012; consequently, for these acquisitions, the carrying amounts of the intangible assets as at said date were maintained, calculated on the basis of the previous accounting standards.

Intangible assets are booked at historical cost, inclusive of any directly attributable accessory charges. No revaluations are permitted, even in application of specific laws.

Intangible assets with a definite useful life are amortised systematically over their useful life, understood as the estimate of the period in which the assets will be used by the company; amortization is recorded from the moment the asset is available for use, or is potentially able to generate the associated economic benefits. The annual depreciation rates used are as follows:

- Industrial patents and intellectual property rights: 10-33%;
- Concessions, licenses, trademarks and similar rights: 25%
- Other intangible assets: 20%

The costs relating to technological development activities are recorded under balance sheet assets when: (i) the cost attributable to the development activity can be reliably determined; (ii) there is the intention, the availability of financial resources and the technical capacity to render the asset available for use or sale; (iii) it can be demonstrated that the asset is able to produce future economic benefits.

In the presence of specific indicators of the risk of non-recovery of the carrying amount of the Intangible assets with a definite useful life, these are subject to impairment testing, as described in the specific section.

Goodwill and other intangible assets with an indefinite useful life are not subject to amortization; the recoverability of their book values is verified at least annually and, in any case, when events occur that indicate impairment. With reference to goodwill, the test is performed at the smallest aggregate level (cash generating unit) to which goodwill can be attributed on a reasonable and consistent basis; this aggregate represents the basis on which Company Management directly or indirectly assesses the investment return. When the book value of the cash generating unit inclusive of the goodwill attributed to it is higher than the recoverable value, the difference is subject to a write-down which is allocated, on a priority basis, to the goodwill up to the relevant amount; any excess of the write-down with respect to goodwill is charged on a pro-rata basis to the book value of the assets that comprise the cash generating unit.

Property, plant and equipment

Property, plant and equipment, comprising investment property, are booked at historical cost, inclusive of any directly attributable accessory charges. The cost of Property, plant and equipment, whose use is limited over time, is systematically depreciated each year on a straight-line basis in relation to the estimated economic-technical life. If significant parts of these tangible assets have different useful lives, these components are accounted for separately. Depreciation is recorded from the moment the asset is available for use, or is potentially able to generate the associated economic benefits. The annual depreciation rates used are as follows:

- Buildings: 3%;
- Plant and machinery: from 15% to 40%;
- Industrial and commercial equipment: from 15% to 30%;
- Other assets: from 12% to 40%.

In the presence of specific indicators of the risk of non-recovery of the carrying amount of the Property, plant and equipment, these are subject to impairment testing, as described in the specific section.

Property, plant and equipment are no longer stated in the financial statements following their transfer or when no future economic benefits are expected from their use, and any resulting profit or loss (calculated as the difference between the sale value, less costs to sell, and the carrying amount) is booked to the income statement in the year of disposal. Any ordinary maintenance costs are charged to the income statement.

Assets under a financial lease, or relating to agreements that, although not taking on the explicit form of a financial lease, provide for the substantial transfer of risks and rewards of ownership, are booked at fair value, net of contributions due from the lessee, or if lower, at the present value of minimum lease payments, under Property, plant and equipment as a contra-item to the financial liability due to the lessor and depreciated according to the criteria indicated below. When there is no reasonable certainty of exercising the right of redemption, the depreciation is charged in the shorter period between the duration of the lease and the useful life of the asset.

Equity investments classified as financial instruments available-for-sale

Equity investments in other companies, which can be classified under available-for-sale financial instruments, as envisaged by IAS 39, are initially recognised at fair value that normally is the purchase cost, inclusive of directly attributable transaction costs.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited to the AFS reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the income statement in finance costs.

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from OCI and recognised in the income statement. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI. The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Amount due from/(owed to) customers

Contracts relating to works in progress are valued on the basis of the contractual considerations accrued with reasonable certainty in relation to the progress of that works, using the percentage of completion criterion, determined through the "cost to cost" method, so as to allocate the revenues and economic result of the contract to the individual financial years in proportion to the progress status of works. The difference between the contract completion value and that of the advances already received by the customer is booked in the statement of financial position as an asset (if positive) or as a liability (if negative), respectively. In the event that a loss is expected from the completion of the contract activities, this is immediately booked in full to the financial statements, regardless of the progress status of the contract.

Inventories

Inventories are valued at the lower of the purchase or production cost and the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Receivables and Payables

Receivables are initially recognised at fair value and, subsequently valued at amortised cost, using the effective interest rate method, net of any impairment loss.

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Impairment losses are reversed in subsequent years where impairment indicators no longer exist. In this case, the reversal is accounted for in the income statement and cannot, in any case, exceed the amortised cost that the receivable would have had in the absence of the previous adjustments.

Payables are initially recognised at cost, corresponding to the fair value of the liabilities, net of any directly attributable transaction costs. Following initial recognition, payables are measured based on the amortised cost criterion, by using the effective interest rate method.

Trade receivables and payables, whose maturity falls within the normal commercial terms, are not discounted.

Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

Derivatives
All derivatives are measured in the balance sheet at their fair value, determined at the year-end date.
Derivatives are designated as hedging instruments when the relationship between the derivative and the hedged item is formally documented at inception and the periodically verified effectiveness of the hedge falls within the 80%-125% range indicated by IAS 39.
For derivatives that hedge the risk of fluctuation of cash flows of assets and/or liabilities subject to hedging (cash flow hedges), fair value changes are recognised in the statement of comprehensive income, net of the related deferred tax effect, with any ineffective portion recognised directly in the income statement.
Derivatives that are designated as hedging instruments or that do not meet the requirements dictated by IAS 39 to qualify for hedging instruments are recorded at fair value through income statement.

IAS 7 Disclosure Initiative – Amendments to IAS 7
The amendments to IAS 7 Statement of Cash Flows are part of the disclosure initiative of IASB and require an entity to provide additional information that allows users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes related to cash flows and non-monetary changes.

Derecognition of financial assets and liabilities
Financial assets transferred are eliminated from balance sheet assets when the contractual rights connected to obtainment of the cash flows associated with the financial instrument are realised, expire or are transferred to third parties. Financial liabilities are eliminated when they are extinguished, or when the obligation specified in the contract is discharged, cancelled or expires.

Fair value measurements
The fair value is the price that would be received for the sale of an asset or would be paid to transfer a liability in a regular market transaction (i.e. not in a forced liquidation or a below-cost sale) at the valuation date (exit price). The fair value of an asset or a liability is determined by adopting the valuation techniques that market operators would use in determining the price of the asset or liability. The fair value measurement also presumes that the asset or liability is exchanged in the principal market or, in its absence, in the most advantageous market the company has accessed. In calculating the fair value of a financial asset, it is necessary to include a fair value adjustment factor relating to counterparty risk defined as CVA - Credit Valuation Adjustment. This credit risk must be quantified in the same way in which a market operator would determine it in defining the purchase price of a financial asset. As for the determination of the fair value of a financial liability, as more expressly set forth in IFRS 13, it is necessary to quantify a fair value adjustment factor relating to own credit risk, i.e. DVA - Debit Valuation Adjustment. In determining the fair value, a hierarchy of criteria is defined based on the origin, type and quality of information used in the calculation. This classification aims to establish a hierarchy in terms of fair value reliability, prioritising the use of parameters observable on the market that reflect the assumptions that market investors would use in valuing assets/liabilities. The fair value hierarchy provides for the following levels: (i) level 1: inputs represented by prices quoted (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date; (ii) level 2: inputs other than quoted prices included in level 1, that are directly or indirectly observable for the asset or liability to be measured; (iii) level 3: unobservable inputs for the asset or liability.

Treasury shares
Treasury shares are recognised at cost and booked as a reduction of shareholders' equity. The economic effects of any subsequent sales are booked to shareholders' equity.

Leasing
The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Group as a lessee
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. Finance leases are 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 are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statement net of any reimbursement.
If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.
Restructuring provisions are recognised only when the Group has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline, and the employees affected have been notified of the plan's main features.
Provisions are periodically updated to reflect changes in the estimates of costs, the expected timing of occurrence and discounting rate; changes in estimates are accounted for in the same item of the income statement where previously had been recognised the expense.

Employee benefits
The cost related to short-term benefits granted to employees is mainly related to salaries and wages and is recognized by the Group during the course of the employment relationship based on the contractual arrangements in force with each employee.

Costs and related liabilities to employee benefits also include post-employment benefits such as the employee severance indemnities. The provision for employee severance indemnities, which is mandatory for Italian companies, is considered:

- a defined-benefit plan with respect to the benefits that vested up to December 31, 2006, as well as with respect to benefits vesting from January 1, 2007 (or, where applicable, until the subsequent date of subscription to the supplementary pension fund);
- a defined-contribution plan with respect to benefits vesting from January 1, 2007 on for employees who opted for alternative pension plans and, in the case of companies with more than 50 employees, employees who chose to leave their vested benefits with the company.

The provision for employee severance indemnities, which can be construed as a defined-benefit plan, is valued by the Projected Unit Credit Method, based on actuarial and financial assumptions (actuarial assumptions: mortality, turnover, disability of the population included in the plan; financial assumptions: discount rate, rate of wage increases, capitalization rate) and is presented net of advances paid. The valuation of liabilities is performed by independent actuaries.
The increase in the present value of the provision for employee severance indemnities is recognized as personnel expense except for the revaluation of the net liability related to actuarial gains and losses which are recorded in the statement of other comprehensive income and are not subsequently booked to the income statement; the cost for interest is recognised in the income statement, under the line item Financial expenses.

Grants
Capital grants are recognised when there is reasonable assurance that the conditions required by the granting government bodies to obtain them will be satisfied and are recorded on an accrual basis through the gradual recognition to the income statement based on the process of amortisation of the assets to which they refer.
Operating grants are recognised in the income statement on an accrual basis, consistent with the costs incurred to which they are related.

Tax Credit according to Law 194/2014

The tax credit deriving from Art. 1, paragraph 35 of the Law of 23 December 2014, n. 190 was assimilated, in the absence of specific indications, to a public contribution and as such treated pursuant to IAS 20. The credit in question is calculated on the basis of specific expenses recognized in the income statement and on the basis of development costs capitalized then among the intangible assets. The Company, in accounting for contributions pursuant to IAS 20, applies the income method and the systematic recognition criterion can be summarized as follows: the amount of accrued credit passes to the income statement up to the total of the specific expenses that generated it and only on a residual basis it refers to development costs capitalized among intangible assets. In the latter case, the benefit deriving from the tax credit is accrued in the income statement in the years in which the amortization of the aforementioned intangible assets is charged and in the same proportion.

Impairment test of assets and corresponding reversal

At the balance sheet date or at least once per year, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculations on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years.

For assets excluding goodwill, an assessment is made at the balance sheet date or at least once per year to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31 December or at least once per year and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes.

Rendering of services

Revenue from rendering of IT services is recognized by reference to the stage of completion. Stage of completion is measured by reference to labour and other direct costs incurred to date as a percentage of total estimated costs for each contract. When the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered. Revenue recognition by reference to stage of completion requires use of estimation related to several terms of contracts (e.g. contract costs, project period, etc.). The estimates are determined by the judgement of management of the Group, supplemented by past experience and by specific indicators and considering specific circumstances concerning specific clients and agreements. In case of events that could affect revenues, costs or stage of completion, the estimates will be reviewed as consequence. The variation may lead to an increase or decrease in contract revenues or contract costs.

In the case of recurring services for maintenance contracts, revenue is recognized proportionately over the term of the contract to which they refer.

Revenue related to services rendered on time-consuming basis is recognized by reference to actual time. In case of contract revenues based on amount of calls managed or based on workstation number and assigned staff, the revenue is recognized by reference to effective quantity provided to client. Revenue related to quantitative targets is recognized only when a specific target is met. Revenue related to qualitative target is recognized when the client communicates to be satisfied.

Sale of goods
Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Costs
Costs are recognized when the related goods and services are sold or consumed during the year, when they are allocated on a systematic basis or when their future economic benefits cannot be identified.
Operating lease fees are booked to the income statement over the duration of the lease.
Costs incurred for the acquisition of new know-how, the study of alternative products or processes, of new techniques or models, for the design and construction of prototypes or, nonetheless, incurred for other scientific research or technological development activities that do not meet the conditions for recognition in balance sheet assets are considered current costs and booked to the income statement in the year they are incurred.

Income taxes
Current income taxes are calculated on the basis of the estimate of taxable income; the expected payable is booked to the item “current tax liabilities”. Tax payables and receivables for current income taxes are booked at the value that is expected to be paid/recovered to/from the tax authorities, by applying the applicable tax rates and regulations or essentially approved at the end of the reporting period.
Deferred income taxes are calculated on the temporary differences between the values of assets and liabilities booked to the financial statements and the corresponding values recognised for tax purposes on the basis of the rates and regulations in force. Deferred tax assets are recognised when their recovery is considered likely; the recoverability of deferred tax assets is considered likely when taxable income is expected to be available, in the year in which the temporary difference will be cancelled, such as to allow the tax deduction to be carried out. Similarly, unused tax credits and deferred tax assets on tax losses are recognised within the limits of their recoverability.
Deferred taxes are booked to the income statement, with the exception of those related to items recognised directly in shareholders’ equity; based on said assumption, also the associated deferred taxes are booked to shareholders’ equity.
Prepaid and deferred taxes are offset where there is a legal right which allows current tax assets and current tax liabilities to be offset and deferred taxes refer to the same taxpayer and same tax authority.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12
The amendments clarify that an entity must consider whether tax laws limit the sources of taxable income against which it may make deductions related to the reversal of deductible temporary differences. Moreover, the amendment provides guidelines on how an entity should determine future taxable income and explains the circumstances in which taxable income could include the recovery of some assets for a value greater than their carrying value.

Tax consolidation
Up to December 31, 2018, the parent company and its Italian investees, as they met the legal requirements, exercised the option of participating in the tax consolidation under the parent company AlmavivA Technologies Srl.
The economic and financial relations arising from the participation in the tax consolidation are governed by a single contract.
Given that the tax basis of the tax consolidation is the sum of the taxable amounts and the tax losses that the individual entities assign to the consolidating company, any loss transferred to the tax consolidation is recognised under the consolidating company and based on the reasonable certainty of recovery assessed on a consolidated basis.
The agreements also provide the option of assigning to the consolidating company any excess taxes against which the consolidating company and the consolidated companies recognise reciprocal equity balances.
Recognition in equity requires the replacement of the tax payables and receivables with payables and receivables among consolidated entities. In particular, the recognition is made as follows:

Consolidating company
Only recognitions in equity (Tax Authorities and the consolidated company) are made against the taxable amounts acquired, with the deferred tax assets recognised only if the requirements above are satisfied.

Consolidated company
Recognises current tax expenses (income from participation in the tax consolidation) against taxable amounts (losses) concerning a payable (receivable) to the consolidating company.
Where provided for pursuant to specific consolidation agreements, any retrocession of tax losses transferred during the consolidation period requires the adjustment of the payable to the consolidating company against an expense for participation in the tax consolidation.

Operating and reportable segments
From an IFRS 8 perspective, management identified its Operating and reportable segments based on the criteria stated in the standard, which requires the identification of those segments whose reported revenue, from both external customers and intersegment sales or transfers, is 10 per cent or more of the combined revenue, internal and external, of all Operating and reportable segments. As a result of that, the following three major Operating and reportable segments were identified: (a) *IT Services*; (b) *CRM Europe*; and (c) *CRM International*.
In addition to the above, management identified a fourth operating segment, *Almawave – New Technology*, that it is considered to provide important information to the stakeholders and investors in terms of significant investments made by the Group in new technology sector in recent years, regardless the fact that it does not exceed the quantitative threshold outlined in IFRS 8.
The operating segment information based on the above four Operating and reportable segments is consistent with that used by the top management in its collective role as Chief Operating Decision Maker, as they monitor the operating results of these Operating and reportable segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the Consolidated Financial Statements.
The Group’s financing strategy (including finance costs and finance income) is managed on a Group basis and therefore is not allocated to Operating and reportable segments. As a result of that, income taxes remain also unallocated.

Offsetting of financial assets and liabilities
Financial assets and liabilities are offset in the balance sheet when an entity currently has a legally enforceable right of set-off and intends either to settle on a net basis or to realise the financial asset and settle the liability simultaneously.

Assets held for sale and discontinued operations
Non-current assets and current and non-current assets of disposal groups are classified as held for sale if the relative carrying amount will be recovered mainly through sale rather than continuous use. This condition is considered respected when the sale is highly probable and the asset or disposal group is available for immediate sale in its present conditions. An entity that is committed to a sale plan involving a loss of control of a subsidiary should classify all the assets and liabilities of the subsidiary as held for sale, regardless of whether the entity will retain a non-controlling interest in its former subsidiary after the sale. Verification of respect for the conditions set forth for the classification of an item as held for sale requires the company management to carry out subjective evaluations by formulating reasonable and realistic assumptions based on the information available. Non-current assets held for sale, current and non-current assets relating to disposal groups and directly associated liabilities are booked to the balance sheet separately from other company assets and liabilities. Immediately prior to the classification as held for sale, assets and liabilities falling under a disposal group are measured according to the applicable accounting standards. Subsequently, non-current assets held for sale are not subject to amortisation/depreciation and are measured at the lower of the carrying amount and the associated fair value, less costs to sell. The classification of an equity investment valued according to the equity method, or a portion of said shareholding, as an asset held for sale, entails the suspension of the application of said measurement method to the entire equity investment or solely to the portion classified as asset held for sale; therefore, in this case, the carrying amount is actually equal to the value deriving from the application of the equity method at the reclassification date. Any shareholdings not classified as held for sale continue to be measured according to the equity method until the conclusion of the sale plan. Following the sale, the residual shareholding is measured by applying the criteria indicated in previous point “Non-current financial assets - Equity investments”, except where said item continues to be measured according to the equity method. Any difference between the carrying amount of the non-current assets and the fair value less the costs to sell is booked to the income statement as impairment; any subsequent write-backs are recognised up to the amount of the write-downs recorded previously, including therein those recognised prior to the qualification of the asset as held for sale. Non-current assets and current and non-current assets of disposal groups, classified as held for sale, constitute discontinued operations if, either: (i) they represent a separate major line of business or geographical area of operations (ii) are part of a plan to dispose of a separate major line of business or geographical area of operations; or (iii) are a subsidiary acquired exclusively with a view to resale. The results of discontinued operations, as well as any capital gain/loss realised as a result of disposal, are indicated separately in the appropriate item of the income statement, net of the associated tax effects; the income statement values of discontinued operations are also indicated for the years being

compared. When events are verified that no longer allow non-current assets or disposal groups to be classified as held for sale, they are reclassified to the respective items of the balance sheet and recognised at the lower between: (i) the carrying amount on the date of classification as held for sale, adjusted for amortisation/depreciation, impairment and write-backs that would have been recognised if the assets or disposal groups had not been classified as held for sale; and (ii) the recoverable value at the reclassification date. If the interruption of the sale plan concerns a subsidiary, a joint operation, a joint venture or an associated company, or a shareholding in a joint venture or an associated company, the values presented in the financial statements are re-stated from the moment of the classification as held for sale/discontinued operations. In the event in which a discontinued operation is reclassified as held for use, the economic results, previously stated in a separate item of the income statement, are reclassified and included under continuing operations for all the years presented.

3.2 Use of Estimates and Management Judgement

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

Management judgement mainly refers to aspects such as:

- the evaluation of existence of control, joint control or significant influence over group entities, as further described in paragraph 2.2 above;
- the evaluation of the useful lives of Intangible assets and Property, plant and equipment, as further described in paragraph 3.1 above;
- the analysis about whether the conditions to qualify assets or operations as Non-current assets held for sale in accordance with IFRS 5 are met and if those assets or operations also represent discontinued operations or not;
- the definition of the Group's Operating and reportable segments that are relevant to the business and reflect the regular review process in terms of operating results performed by the entity's chief operating decision maker to make decisions about resources to be allocated to segments and assess their performance, as further described in paragraph 4 below;
- the identification of cash-generating units as the smallest groups of assets that generate largely independent cash inflows and to which goodwill is also allocated.

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

Non-current assets (or disposal groups) classified as held for sale and discontinued operations

Non-current assets (or disposal groups) whose carrying amount will be recovered through sale, rather than through ongoing use, are classified as held for sale and shown separately from the other assets in the statement of financial position. The liabilities associated with assets held for sale are also shown separately from the other liabilities in the statement of financial position. This only occurs when the sale is highly probable and the non-current assets (or disposal groups) are available in their current condition for an immediate sale. Managements evaluates as to whether such conditions are met to qualify the non-current asset (or disposal group) as Non-current assets held for sale in accordance with IFRS 5.

Non-current assets (or disposal groups) classified as held for sale are first recognized in compliance with the appropriate IFRS applicable to the specific assets or liabilities and subsequently measured at the lower of the carrying amount and the fair value, net of costs to sell. Any subsequent impairment losses are recognized as a direct adjustment to the non-current assets (or disposal groups) classified as held for sale and expensed in the income statement.

The corresponding values for the previous period are not reclassified.

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 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.

Use of estimates

Estimates mainly relate to the critical evaluation processes and key assumptions used by the Group for IFRS purposes, which could have a significant impact on the data presented in the Consolidated financial statements or which involve the risk of possible substantial differences with respect to the future values of the amounts of assets and liabilities. The main areas in which estimates are used as reported below.

Recoverability of non-current assets

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

Provisions for risks

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

Pension plans

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

Determination of the fair value of financial instruments

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

Recovery of prepaid taxes

As at December 31, 2017, the 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.

3.3 New accounting standards, interpretations and amendments adopted by the Group

The Company has not opted for an early adoption of any standard, interpretation or amendment issued, but not yet in effect.

3.4 Standard issued but not yet in force

IFRS 9 Financial Instruments
In the month of July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which replaces IAS 39 Financial Instruments: Recognition and measurement, and all prior versions of IFRS 9. IFRS 9 gathers together all three aspects concerning the project on recognising financial instruments: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for the financial years starting on January 1, 2018 or afterwards; early application is allowed. With the exception of hedge accounting, retrospective application of the standard is required, but it is not mandatory to provide comparative reporting. With regard to hedge accounting, the standard generally applies prospectively, with some limited exceptions.
The Group will adopt the new standard starting from the date it comes into effect and will not re-state comparative information.

During 2017, the Group completed the general analysis phase with the aim of determining the most impacted areas and to get a first quantitative measurement of the impacts. A further wrap-up of the calculation related to aforementioned effects is still underway but, in general, they are not relevant.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014 and introduces a new five-step model that will apply to revenues generated by contracts with customers. IFRS 15 requires revenues to be recognised for an amount that reflects the consideration to which the entity considers it is entitled in exchange for transfer of goods or services to the customer.

The new standard will replace all the current requisites in the IFRSs on the subject of recognition of revenues and is effective for years starting on or after January 1, 2018, with full retrospective or modified application. Early application is allowed.

The Group plans to apply the new standard starting on the date of mandatory effectiveness, using the modified retrospective application method.

During 2017, the Group completed the general analysis phase with the aim of determining the most impacted areas and to get a first quantitative measurement of the impacts. A further wrap-up of the calculation related to aforementioned effects is still underway but, in general, they are not relevant.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments deal with the conflict between IFRS 10 and IAS 28 with reference to the loss of control of a subsidiary sold or transferred to an associated company or by a joint venture. The amendments clarify that the profit or loss arising from the sale or transfer of assets forming a business, as defined in IFRS 3, between an investor and its associated company or joint venture must be recognised in full. Any profit or loss resulting from the sale or transfer of assets not forming a business is, on the other hand, recognised only within the limits of the interest held by minority investors in the associated

company or joint venture. The IASB deferred the date of application of these amendments indefinitely, but if an entity decides to apply them early it should do so prospectively. The Group will apply these amendments when they come into force.These amendments are not expected to have any impact.

IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2
The IASB issued amendments to IFRS 2 Share-based payments that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. These amendments are effective for years starting on or after January 1, 2018; early application is permitted. The Company is considering the effects of these amendments on its own separate financial statements.

IFRS 16 Leases
IFRS 16 was published in January 2016 and replaces 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. IFRS 16 defines the principles for recognising, measuring, presenting and disclosing leases and requires lessees to recognise all leases based on a single lessee accounting model similar to that used to recognise financial leases pursuant to IAS 17. The standard envisages two recognition exemptions for the lessee – leases where the underlying asset has a “low value” (such as personal computers) and short-term leases (such as leases with a lease term of 12 months or less). At the start date of the lease, the lessee will recognise a liability in respect of lease payments (i.e. the leasing liability) and an asset that represents the right to use the underlying asset for the duration of the lease (i.e. right to use the asset). The lessees will have to recognise separately interest expenses on a lease liability and the amortisation of a right-of-use asset.

The lessees will also have to re-measure the lease liability when certain events occur (e.g.: change in the lease term, change in future lease payments resulting from a change in an index or a rate used to determine those payments). The lessee will recognise generally the re-measurements of the lease liability as adjustments to the right-of-use asset.

The accounting by lessors envisaged by IFRS 16 is essentially unchanged from the current accounting in accordance with IAS 17. Lessors will continue to classify all leases using the same classification principle provided by IAS 17 and by distinguishing two types of leases: operating lease and finance lease.

IFRS 16 requires lessees and lessors more extended disclosure compared to IAS 17.

IFRS 16 is effective for years starting on or after January 1, 2019. Early application is allowed, but not before the entity has adopted IFRS 15. A lessee shall either apply the standard with full retrospective effect or modified retrospective effect. The transitional provisions envisaged by the standard allow for some benefits.

In 2018, the Group will continue to define the potential impact of IFRS 16 on its Consolidated financial statements.

Annual Improvements 2014-2016 Cycle (issued in December 2016)
These improvements include:

<u>IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters</u>

The short-term exemptions set out in paragraphs E3-E7 of IFRS1 were cancelled as they have fulfilled their purpose. The amendment is in force from January 1, 2018. This amendment is not applicable to the Group.

<u>IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice</u>

The amendments clarify:

- An entity that is a venture capital organisation, or another qualifying entity, may elect, at the time of initial recognition and with reference to the individual investment, to measure its equity investments in associates and joint ventures at fair value through profit or loss.

- If an entity does not qualify as an investment entity, has an equity investment in an associated company or joint venture that is an investment entity, the entity can, when applying the equity method, decide to maintain the fair value applied by that investment entity (no matter whether this is an associated company or a joint venture) in the measurement of its own (associated company or joint venture) equity investments. This decision is made separately for each associated company or joint venture that is an investment entity at the latest (in terms of realisation) of the following dates: (a) date of initial recognition of the equity investment in the associated company or joint venture that is an investment entity; (b) date on which the associated company or joint venture becomes an investment entity; and (c) date on which the associated company or joint venture that is an investment entity becomes a parent company for the first time.

The amendments should be applied retrospectively from January 1, 2018; early application is permitted. If an entity applies these amendments earlier, it must disclose the fact. These amendments are not applicable to the Group.

<u>IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration</u>

The interpretation clarifies that, in defining the spot exchange rate for the initial recognition of the associated asset, costs or revenues (or part of these) at the moment of the cancellation of a non-monetary asset or a non-monetary liability relating to considerations received in advance, the date of the transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability relating to the considerations received in advance. In the case of multiple payments or advances, the entity must define the date of the transaction for each payment or consideration advance. The entities can apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, costs and revenues that fall within its scope that were initially recognised at the following dates or subsequently:

(i) At the start of the year in which the entity applies the interpretation for the first time

or

(ii) At the start of the previous year presented for comparative purposes in the financial statements for the year in which the entity applies the interpretation for the first time.

The interpretation is in force for years starting on or after January 1, 2018. Early application is allowed, and entities doing so must disclose this. However, given that the Group's current accounting policy is aligned with the interpretation, the Group does not expect any impact on its Consolidated financial statements.

<u>IFRIC Interpretation 23 Uncertainty over Income Tax Treatment</u>

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation 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 treatment.

The interpretation specifically addresses the following areas:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (or 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 should be followed. The Interpretation is in force for years starting on or after January 1, 2019, but some temporary concessions are available. As outlined previously, the AlmavivA Group still has to evaluate the effects of IFRIC 23 on its Consolidated financial statements.

4. OPERATING AND REPORTABLE SEGMENTS

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 and Almaviva Digitaltec;
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, AlmavivA Credit, 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. The income taxes also remain unallocated.

For the year ended December 31, 2017

(in thousands of Euro)	IT Services	CRM Europe	CRM International	Almawave New Technology	Total Segments	Adjustments eliminations and other	Consolidated
Revenue							
External customers	366,471	126,239	256,008	6,273	754,991	0	754,991
Inter-segment	3,640	6,573	45	7,591	17,849	(17,849)	0
Total revenue	**370,111**	**132,812**	**256,053**	**13,864**	**772,840**	**(17,849)**	**754,991**
Income/(Expenses)							
Cost of raw materials and services	(165,691)	(33,670)	(81,969)	(3,809)	(285,139)	21,237	(263,902)
Personnel expenses	(167,935)	(104,387)	(153,781)	(7,246)	(433,350)	379	(432,971)
Depreciation and amortization and write-downs	(15,903)	(2,316)	(10,355)	(1,557)	(30,130)	417	(29,713)
Losses from sale of non-current assets	(61)	(1)	0	(10)	(72)	0	(72)
Other operating income	16,667	2,825	201	1,264	20,957	(3,642)	17,315
Other operating expenses	(8,037)	(2,531)	(67)	(2)	(10,636)	304	(10,332)
Operating Profit	**29,151**	**(7,269)**	**10,083**	**2,504**	**34,469**	**847**	**35,316**
Total assets	**421,795**	**127,650**	**160,052**	**30,590**	**740,088**	**(94,877)**	**645,211**
Total liabilities	**275,252**	**82,635**	**35,130**	**11,272**	**404,289**	**(50,909)**	**353,380**

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

For the year ended December 31, 2016

(in thousands of Euro)	IT Services	CRM Europe	CRM International	Almawave New Technology	Total Segments	Adjustments eliminations and other	Consolidated
Revenue							
External customers	352,112	130,057	241,297	6,697	730,163	(0)	730,163
Inter-segment	4,210	6,706	0	6,287	17,203	(18,132)	0
Total revenue	**356,322**	**136,763**	**241,297**	**12,984**	**747,366**	**(18,132)**	**730,163**
Income/(Expenses)							
Cost of raw materials and services	(155,093)	(38,051)	(75,870)	(3,484)	(272,498)	22,442	(250,056)
Personnel expenses	(163,925)	(122,096)	(137,864)	(6,820)	(430,705)	173	(430,532)
Depreciation and amortization and write-downs	(16,513)	(2,389)	(9,501)	(1,306)	(29,709)	417	(29,292)
Losses from sale of non-current assets	0	(75)	0	0	(75)	0	(75)
Other operating income	12,745	791	205	257	13,998	(4,925)	9,073
Other operating expenses	(12,884)	(9,979)	0	(11)	(22,874)	(44)	(22,918)
Operating Profit	**20,652**	**(35,035)**	**18,267**	**1,620**	**5,503**	**861**	**6,364**
Total assets	**387,718**	**121,663**	**172,000**	**26,657**	**708,038**	**(78,658)**	**629,380**
Total liabilities	**254,028**	**90,974**	**40,409**	**11,725**	**397,136**	**(42,101)**	**355,035**

For the year ended December 31, 2015

(in thousands of Euro)	IT Services	CRM Europe	CRM International	Almawave New Technology	Total Segments	Adjustments and eliminations	Consolidated
Revenue							
External customers	327,829	145,313	229,289	6,763	709,195	0	709,195
Inter-segment	4,165	7,581	242	6,144	18,132	(18,132)	0
Total revenue	**331,994**	**152,894**	**229,531**	**12,907**	**727,327**	**(18,132)**	**709,195**
Income/(Expenses)							
Cost of raw materials and services	(142,448)	(42,767)	(72,422)	(3,889)	(261,526)	22,672	(238,853)
Personnel expenses	(165,678)	(119,554)	(126,316)	(7,398)	(418,946)	734	(418,212)
Depreciation and amortization and write-downs	(14,860)	(2,151)	(9,494)	(1,033)	(27,539)	438	(27,101)
Losses from sale of non-current assets	(5)	0	0	0	(5)	0	(5)
Other operating income	18,469	2,878	0	625	21,972	(5,477)	16,495
Other operating expenses	(9,466)	(2,845)	(51)	(136)	(12,498)	203	(12,295)
Operating Profit	**18,006**	**(11,545)**	**21,248**	**1,076**	**28,785**	**438**	**29,223**
Total assets	**352,839**	**152,368**	**123,299**	**22,379**	**650,885**	**(50,753)**	**600,132**
Total liabilities	**244,172**	**77,723**	**27,953**	**10,568**	**360,416**	**(35,802)**	**324,614**

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.

Reconciliation of Operating profit/(loss)

(in thousands of Euro)	2017	2016	2015
Segment profit	**35,316**	**6,364**	**29,223**
Finance income	926	1,643	723
Finance costs	(34,392)	(27,601)	(27,966)
Exchange gains/(losses)	(280)	1,153	(620)
Gains/(losses) on equity investments	0	94	0
Profit/(loss) from investments accounted for using equity method	(737)	(932)	(1,811)
Inter-segment income/expenses (elimination)	0	0	0
Profit/(loss) before taxes	**832**	**(19,279)**	**(450)**

Reconciliation of Total assets

(in thousands of Euro)	2017	2016	2015
Segment operating assets	**645,211**	**629,380**	**600,132**
Deferred tax assets	13,383	10,777	10,995
Current financial assets	9,406	7,870	4,421
Non-current financial assets	1,446	1,449	1,476
Non-current assets held for sale	2,459	4,249	19,759
Total assets	**671,905**	**653,725**	**636,783**

Reconciliation of Total liabilities

(in thousands of Euro)	2017	2016	2015
Segment operating liabilities	**353,380**	**355,035**	**324,614**
Non-current financial liabilities	251,121	25,478	15,279
Current financial liabilities	12,021	150,873	167,730
Current tax liabilities	42,932	99,274	95,692
Deferred tax liabilities	1,672	1,794	2,345
	0		
Total liabilities	**661,126**	**632,453**	**605,660**

Geographic information

(in thousands of Euro)	2017	2016	2015
Revenues from external customers			
Italy	493.963	487.589	478.934
Brazil	247.029	237.031	227.166
Tunisia	2.261	2.234	3.000
Colombia[(1)]	6.974	2.495	94
Europe[(2)]	4.764	814	-
Total	**754.991**	**730.163**	**709.194**
Of which:			
Rendering of services	752.570	726.136	705.263
Sales of goods	2.421	4.027	3.931

(1) Almacontact, a company which operates in Colombia, was established in late 2015;

(2) AlmavivA Services was established in early 2016

5. INTANGIBLE ASSETS AND GOODWILL

The table below shows for each component of Intangible assets the changes in net carrying value that occurred in 2017, 2016 and 2015:

(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
Historical cost							
Accumulated amortization							
At January 1, 2015	**33,202**		**22,328**	**24**	**19,552**	**7,649**	**82,755**
Additions			4,438		16	323	4,777
Capitalisation for internal projects			42			10,835	10,877
Amortization			(5,166)	(6)	(5,909)		(11,082)
Disposals							0
Reclassifications and other			4,106	1	2,778	(6,625)	260
Foreign exchange differences	(151)		(2,581)		(2)		(2,734)
At December 31, 2015	**33,051**	**0**	**23,167**	**19**	**16,435**	**12,182**	**84,854**
Additions			2,133	250	4		2,387
Capitalisation for internal projects			807		49	10,307	11,163
Amortization			(6,802)	(47)	(6,122)		(12,971)
Disposals					(12)		(12)
Reclassifications and other			7,219		4,305	(11,513)	11
Foreign exchange differences	115		2,024	14			2,153
At December 31, 2016	**33,166**		**28,548**	**236**	**14,659**	**10,976**	**87,585**
Additions	701		1,928	653	15	19	3,316
Capitalisation for internal projects	0		350		0	13,786	14,136
Amortization	0		(7,717)	(227)	(6,209)	0	(14,153)
Disposals			0				0
Reclassifications and other	0		4,609		3,800	(8,232)	177
Foreign exchange differences	(89)		(1,278)	(54)			(1,421)
At December 31, 2017	**33,778**		**26,440**	**608**	**12,265**	**16,549**	**89,640**

Group investments as at December 31, 2017 amounted to Euro 3,316 thousand and essentially relate to the "industrial patent and intellectual property rights"; the increases refer to the costs for the acquisition of open-ended and proprietary user licenses and software development costs incurred by almost all operating segments, in addition to reclassifications from assets under construction for assets that were deployed during the year; the decrease is mainly due to the amortisation in the year calculated on a straight-line basis in relation to the residual possibility of use of said assets.
The Group also carried out additional investments in the reference period, through capitalisations for own work, totalling Euro 14,136 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.
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 26,440 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 year totalled Euro 14,136 thousand. The main amortisation rates adopted as at December 31, 2017 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 a negative Euro 1,421 thousand, mainly regard companies that draft their financial statements in the Brazilian Real.

The main changes 2016 are referred to internal capitalizations charged on Assets under construction for a total amount of Euro 11,163 thousand and to total additions for Euro 2,387 thousand, basically referred to industrial patent rights and, more specifically, to the costs for the acquisition of open-ended and proprietary user licenses and software development costs incurred mainly by AlmavivA and Almawave.
Amortization for the period were calculated based on the amortization rates disclosed in paragraph 3.1 above and totalled Euro 12,971 thousand.
The exchange differences from the translation to Euro of the financial statements of companies operating in non-euro areas, amounting to Euro 2,153 thousand, mainly relate to the Brazilian companies that prepare their financial statements in Brazilian Real.
In addition to the above, Assets under construction of AlmavivA, Pervoice, Almawave, and AlmavivA Contact for a total amount of Euro 11,513 thousand became ready for use during the year and were reclassified to the appropriate categories of Intangibles assets. The amortization process for such intangibles started accordingly.

The main changes occurred in 2015 also refer to internal capitalizations charged on Assets under construction for a total amount of Euro 10,835 thousand and to total additions for Euro 4,777 thousand, mainly related to the acquisition of open-ended and proprietary user licenses and software development costs incurred by AlmavivA do Brasil and AlmavivA. Amortization for the period totalled Euro 11,081 thousand, while exchange differences were negative for Euro 2,734 thousand.
In addition to the above, Assets under construction of AlmavivA, Pervoice, Almawave, AlmavivA Contact and AlmavivA do Brasil for a total amount of Euro 6,625 thousand were deployed in the year and were reclassified to the appropriate categories of Intangibles assets with the start of the related amortization process.

Goodwill and Impairment testing

Detailed information of the movements affecting the Goodwill during the three-year period 2017, 2016 and 2015 is provided below. The majority of the goodwill recorded in the 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 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, 2015	Additions	Exchange differences	At December 31, 2016	Additions	Exchange differences	At December 31, 2017
Alicos	**2,007**			**2,007**			**2,007**
Almaviva Contact	**26,533**			**26,533**			**26,533**
Almaviva do Brasil	**2,193**		115	**2,308**	701	(89)	**2,920**
Almaviva Finance	**745**			**745**			**745**
Atesia	**44**			**44**			**44**
Gempliss	**198**			**198**			**198**
In Action	**1,017**			**1,017**			**1,017**
Pervoice	**314**			**314**			**314**
Total	**33,051**	**0**	**115**	**33,166**	**701**	**(89)**	**33,778**

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

AlmavivA Group generally calculate the recoverable amount of goodwill at the end of each fiscal year or where there are impairment indicators.
During this year, the Group made the impairment test of the goodwill during the interim financial statement as of June 30, 2017 to prepare the offering memorandum made by parent company AlmavivA SpA to bond issue purposes.
At year end, AlmavivA representatives' test the absence of impairment indicators and then they used the calculation made during interim financial statement as of June 30, 2017 after checking criterion illustrated below and aligned to IAS 36 requirements:

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

Impairment tests made in June 30, 2017 confirmed, as mentioned above, such headrooms. This is confirmed also in case of shock-down (-20%) of margin and shoc-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:

	At December 31, 2017			At December 31, 2016			At December 31, 2015		
CRM Business	**Brazil**	**Colombia**	**Others**	**Brazil**	**Colombia**	**Others**	**Brazil**	**Colombia**	**Others**
Beta	1	1	1	1	1	1	1	1	1
Risk Free Rate	10.00%	7.50%	1.50%	10.00%	7.50%	1.46%	1.74%	1.74%	1.74%
Expected Market Return	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	5.5%	5.5%	5.5%
Average Cost of Debt	17.0%	15.0%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%
Debt/Equity Ratio (%)	70-30	30-70	30-70	70-30	30-70	30-70	30-70	30-70	30-70
Gordon Growth Rate	7.5%	8.0%	0.0%	7.5%	8.0%	0.0%	0.0%	0.0%	0.0%
Taxes	34%	33%	24%	34%	33%	24%	24%	24%	24%
WACC	**13.9%**	**11.9%**	**6.0%**	**13.9%**	**11.9%**	**6.0%**	**7.4%**	**7.4%**	**7.4%**

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

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

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

Finance Business	**At December 31,**		
	2017	**2016**	**2015**
Beta	1	1	1
Risk Free Rate	1.46%	1.46%	1.74%
Expected Market Return	4.0%	4.0%	5.0%
Average Cost of Debt	5.6%	5.6%	5.6%
Debt/Equity Ratio (%)	30-70	30-70	30-70
Gordon Growth Rate	0.0%	0.0%	0.0%
Taxes	24%	24%	24%
WACC	**6.0%**	**6.0%**	**7.1%**

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

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

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

Almawave	**At December 31,**		
	2016	**2016**	**2015**
Beta	1	1	1
Risk Free Rate	1.46%	1.46%	1.74%
Expected Market Return	4.0%	4.0%	5.0%
Average Cost of Debt	5.6%	5.6%	5.6%
Debt/Equity Ratio (%)	30-70	30-70	30-70
Gordon Growth Rate	0.0%	0.0%	0.0%
Taxes	24%	24%	24%
WACC	**6.0%**	**6.0%**	**7.1%**

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

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

6. 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 2017, 2016 and 2015:

(in thousands of Euro)	Land and buildings	Plant and machinery owned and leased	Industrial and commercial equipment owned and leased	Other assets owned and leased	Assets under construction and payments on account	Total
At January 1, 2015	**11.570**	**27.439**	**544**	**37.746**	**1.029**	**78.328**
Additions	129	7.846	152	11.226	176	19.529
Capitalisation for internal projects						0
Depreciation	(769)	(6.552)	(182)	(8.515)	(1)	(16.020)
Disposals						0
Reclassifications and other		(4.409)	(2)	5.062	(948)	(297)
Foreign exchange differences		(5.580)		(7.154)		(12.734)
Historical cost	18.748	206.759	2.914	144.963	257	**373.641**
Accumulated amortization	(7.818)	(188.015)	(2.402)	(106.598)	(1)	**(304.834)**
At December 31, 2015	**10.930**	**18.744**	**512**	**38.365**	**256**	**68.808**
Additions	252	7.341	109	5.614	400	13.716
Capitalisation for internal projects				80		80
Depreciation	(775)	(7.101)	(167)	(8.279)		(16.322)
Disposals		(12)				(12)
Reclassifications and other	4	133	(1)	111	(256)	(9)
Foreign exchange differences		4.099		6.027		10.126
Historical cost	19.004	221.796	3.022	159.193	401	**403.416**
Accumulated amortization	(8.593)	(198.592)	(2.570)	(117.276)	0	**(327.030)**
At December 31, 2016	**10.411**	**23.204**	**452**	**41.917**	**401**	**76.386**
Additions	72	2.090	84	3.796	139	6.181
Capitalisation for internal projects						0
Depreciation	(780)	(6.165)	(149)	(8.467)		(15.561)
Disposals		(4)		(8)	(7)	(19)
Reclassifications and other	0	0	3	214	(394)	(177)
Foreign exchange differences		(2.484)		(3.831)		(6.315)
Historical cost	19.076	221.398	3.108	159.364	139	**403.085**
Accumulated amortization	(9.373)	(204.757)	(2.719)	(125.743)	0	**(342.592)**
At December 31, 2017	**9.703**	**16.641**	**389**	**33.621**	**139**	**60.493**

Property, plant and equipment amount to Euro 60,493 thousand as at December 31, 2017 compared to an amount of Euro 76,386 thousand as at December 31, 2016 and to an amount of Euro 68,808 thousand as at December 31, 2015.
In 2017, the line item decreased by Euro 15,893 thousand compared to the preceding year, with a 20.8% reduction in percentage, while in 2016 the balance of Property, plant and equipment showed an increase of Euro 7,578 thousand compared to the preceding year, corresponding to an 11.0% growth-rate on a year-on-year basis.

Property, plant and equipment amount to Euro 60,493 thousand as at December 31, 2017. The investments amounted to Euro 6,181 thousand as at December 31, 2017; they mainly refer to the item “Other assets owned and leased”, for the purchase of the hardware equipment, network and plant upgrades of the IT Services and CRM International segments, and to a lesser extent, the other segments. Tangible fixed assets under construction recorded an increase of Euro 139 thousand, relating primarily to the IT Services operating segment and, to a lesser extent, the CRM Europe segment.
Depreciation in 2017 amounts to Euro 15,561 thousand.

The main depreciation rates adopted as at December 31, 2017 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 year. At the end of the year, the Company verified the absence of indicators of permanent value losses.

The exchange differences from the translation to Euro of the financial statements of companies operating in non-euro areas, Euro 6,315 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 9,703 thousand regarding the building located in Rome at Via dello Scalo Prenestino, owned by the IT Services segment. The property is depreciated at 3%.

The main changes occurred in 2016 that led to the increase of Euro 7,578 thousand compared to the preceding year are attributable to: (i) additions for Euro 13,716 thousand in connection with the purchase of plant and machinery (Euro 7,341 thousand) such as hardware, network and plant upgrades of AlmavivA, AlmavivA do Brasil and, to a lesser extent, other Group companies, with the purchase of other assets (Euro 5,614 thousand) and with costs incurred for the installation, still in progress, of equipment and systems for mass storage, filing and management of data, classified as assets under construction (Euro 400 thousand); (ii) a positive foreign exchange difference of Euro 10,126 thousand; net of (iii) depreciations for Euro 16,322 thousand calculated in accordance with the depreciation rates disclosed in paragraph 3.1 above.

Conversely, in 2015 the reduction of Euro 9,520 thousand compared to the preceding year was mainly due to the combined effect of negative foreign exchange difference for Euro 12,734 thousand, essentially related to the Brazilian entities of the Group, and depreciation for Euro 16,018 thousand, only partly offset by additions for the year totalling Euro 19,529 thousand and basically related to the same categories of expenses also incurred in 2016.

The amount recorded as Land and buildings almost exclusively consists of the book value of the building located in Rome at Via dello Scalo Prenestino, owned by AlmavivA. The book value amounted to Euro 9,703 thousand, Euro 10,411 thousand and Euro 10,930 thousand at December 31, 2017, 2016 and 2015, respectively. The property is depreciated at a rate of 3%.

Plant and machinery also includes assets under a finance lease. The amount of Plant and machinery under a finance lease at December 31, 2017, 2016 and 2015 is reported in the following table and is mostly related to plants and machinery leased by AlmavivA do Brasil.

(in thousands of Euro)	**At December 31, 2017**	**At December 31, 2016**	**At December 31, 2015**
Property, plant and equipment under a finance lease	473	449	568

7. 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 as at December 31, 2017, 2016 and 2015.

(in thousands of Euro)	**At December 31, 2015**	**Income Statement effect**	**Reclassification to Non-current assets held for sale**	**At December 31, 2016**	**Income Statement effect**	**Increases**	**At December 31, 2017**
CCID – Almaviva Inform. Technol. Co. Ltd	1.704	(90)	0	1.614	(626)		988
Consorzio Hypertix	99	0	0	99	0		99
TVEyes L.T. S.r.l.	4	0	0	4	2		6
Wave S.r.l.	0	0	0	0	0	900	900
SIN S.p.A.	0	0	0	0	0		0
Total	**1.807**	**(90)**	**0**	**1.717**	**(624)**	**900**	**1.993**

Equity investments accounted for using the equity method amount to Euro 1,993 thousand as at December 31, 2017, compared to an amount of Euro 1,717 thousand as at December 31, 2016 and to an amount of Euro 1,807 thousand as at December 31, 2015.

The sole joint venture of the Group is the 50% equity investment in CCID-AlmavivA Inform. Technol. Co. Ltd., a Chinese company operating the local call centre segment.
The Group's equity investment in the aforementioned company is accounted for in the Consolidated financial statements using the equity method. The main data relating to both the joint venture and the associated companies are summarised below, based on the latest available financial statements, prepared in accordance with the IFRS as well as the reconciliation with the carrying amounts of the equity investments in the Consolidated financial statements.

The equity investment in Wave S.r.l. is measured using the equity method, despite the presence of a stake of 15%, for the significant influence that AlmavivA S.p.A. can exercise, based on the contractual agreements, as commented above.

The other changes recorded in 2015 and 2016 related to Income statement effects associated with the registration of the profit or loss for each year corresponding to the share of net result of the equity investment.

Equity investments measured with the equity method as at December 31, 2017 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	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.
Wave S.r.l.	Pianoro (BO), Italy	€	460.000,00	15	AlmavivA S.p.A.

None of the above-mentioned companies is listed.

8. NON-CURRENT FINANCIAL ASSETS

The table below shows the balance and composition of the Non-current financial assets as at December 31, 2017, 2016 and 2015:

(in thousands of Euro)	At December 31, 2017	At December 31, 2016	At December 31, 2015
Long-term loans	1,414	1,364	1,391
Equity investments classified as available for sale	32	85	85
Non-current financial assets	**1,446**	**1,449**	**1,476**

Non-current financial receivables
The Non-current financial receivables fully regard long-term loans instrumental to operating activities. The line item shows a decrease of Euro 3 thousand in 2017, corresponding to a fall of 0.2%, and a decrease of Euro 27 thousand in 2016, corresponding to a decrease of 1.8%.
The following table reports the portions of the long-term loans due within or over twelve months:

(in thousands of Euro)	At December 31, 2017	At December 31, 2016	At December 31, 2015
Amount failling due within 12 months	0	148	150
Amount failling due between 1-5 years	1,414	1,216	1,241
Non-current financial receivables	**1,414**	**1,364**	**1,391**

Non-current financial receivables, amounting to Euro 1,414 thousand (Euro 1,364 thousand as at December 31, 2016 and Euro 1,391 thousand as at December 31, 2015) are all instrumental to operating activities and concern loans to personnel for Euro 233 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 December 31, 2017, 2016 and 2015:

Equity investments classified as available for sale

	Dec-2017	Dec-2016	Dec-2015
CONAI	1	1	1
CONSORZIO TECHNAPOLI (*)	-	52	52
CALPARK	5	5	5
BANCA BRUTIA	5	5	5
SEMANTIC VALLEY	-	-	2
UIRNET	5	5	5
CONSORZIO NAMEX	3	3	3
ALTRE	13	14	12
Total	**32**	**85**	**85**

(*) exercised the withdrawal by the Consorzio during the 2017 financial year

Equity investments available for sale of Euro 32 thousand (Euro 85 thousand as at December 31, 2016 and 2015), refer to equity investments in other companies.

9. DEFERRED TAX ASSETS

The tables below show the amount of AlmavivA Group's Deferred tax assets as at December 31, 2017, 2016 and 2015.

(in thousands of Euro)	At December 31, 2017	At December 31, 2016	At December 31, 2015
Deferred Tax Assets	**13,383**	**10,777**	**10,995**

The table below shows a breakdown of deferred tax assets by Italian and foreign subsidiaries for years ended December 31, 2017, 2016 and 2015:

	At December 31,		
(in thousands of Euro)	**2017**	**2016**	**2015**
Italian subsidiaries	8.317	8.329	8.691
Foreign subsidiaries	5.066	2.448	2.304
Total Deferred Tax Assets	**13.383**	**10.777**	**10.995**

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 of the three years:

(in thousands of Euro)	For the year ended December 31		
	2017	**2016**	**2015**
Balance at the beginning of the year	**10,777**	**10,995**	**11,863**
Increases	4,279	627	0
Decreases	(821)	(408)	(204)
Effect of currency translation	(730)	511	(674)
Other changes	(122)	(948)	10
Balance at the end of the year	**13,383**	**10,777**	**10,995**

Deferred tax assets amounted to Euro 13,383 thousand (Euro 10,777 thousand as at December 31, 2016 and Euro 10,995 thousand as at December 31, 2015) and are stated net of deferred tax liabilities that can be offset, and were allocated, up to the limits of the amounts that are expected to be recovered in future years based on the availability of expected taxable income, mainly in relation to the deductible temporary differences (allocations to provisions for risks and other deferred expenses) and, for a residual part, to previous tax losses.

The line item increased by Euro 2,606 thousand in 2017, from an amount of Euro 10,777 thousand at December 31, 2016 to an amount of Euro 13,383 thousand at December 31, 2017 and reduced by Euro 218 thousand in 2016 from an amount of Euro 10,995 thousand at December 31, 2015.

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.

10. OTHER NON-CURRENT ASSETS

Other non-current assets amount to Euro 1,658 thousand as at December 31, 2017 compared to an amount of Euro 1,400 thousand as at December 31, 2016 and to an amount of Euro 2,579 thousand as at December 31, 2015, as illustrated in the table below:

(in thousands of Euro)	**At December 31, 2017**	**At December 31, 2016**	**At December 31, 2015**
Security deposits	723	576	748
Prepaid expenses	931	820	1,827
Other receivables	4	4	4
Other non-current assets	**1,658**	**1,400**	**2,579**

The overall increase recorded in 2017 amounts to Euro 258 thousand, corresponding to a 18.4% growth-rate, is mainly related to an increase of Euro 147 thousand of Security deposits and Euro 111 thousand of Prepaid expenses.
The decrease recorded in 2016 amounts to Euro 1,179 thousand, corresponding to a 45.7 % fall in percentage, is mainly related to a reduction of Euro 1,007 thousand in Prepaid expenses together with a reduction of Euro 172 thousand in Security deposits.
Prepaid expenses refer to the correct accrual in the year of the "Sign in Bonus" recognised to Alitalia by AlmavivA Contact and the training of AlmavivA Contact (Euro 400 thousand) and of AlmavivA Services (Euro 531 thousand).

11. INVENTORIES AND AMOUNT DUE FROM CUSTOMERS

Inventories mainly refer to amount due from customer and related to the contract work in progress of AlmavivA, which are measured on the basis of the criteria stated in paragraph 3.1 above and, to a lesser extent, to other inventories.
The amount due from customer is presented net of advances received.
The table below shows the composition for each of the three years ended December 31, 2017, 2016 and 2015 between the gross amount due from customers for contract work in progress, the related write-down provision and other inventories.

(in thousands of Euro)	**At December 31, 2017**	**At December 31, 2016**	**At December 31, 2015**
Amount due from customers (gross)	30,876	33,607	35,281
Write-down provision	(676)	(676)	(676)
Inventories	609	695	695
Inventories and Amount due from customers	**30,809**	**33,626**	**35,300**

The gross Amount due from customer decreased by Euro 2,817 thousand in 2017 and decreased by Euro 1,674 thousand in 2016, corresponding to a reduction of 8.4% and 4.7%, respectively.
The reduction refers to the contract work in progress of the parent company.
They mainly refer to the contract work in progress relating to the activities performed by the parent company AlmavivA S.p.A. and are measured on the basis of the criteria explained previously. The overall decrease of Euro 2,817 thousand mainly refers to the IT Services segment.
The amount of contract work in progress is stated net of advances received for Euro 204 thousand. The associated write-down provision of Euro 676 thousand remained unchanged with respect to the previous year and refers to the amounts considered uncollectable.

12. TRADE RECEIVABLES

The below table shows the amount of AlmavivA Group's Trade receivables as at December 31, 2017, 2016 and 2015 together with the related gross amount, the amount retained as a guarantee and the bad debt provision.

(in thousands of Euro)	**At December 31, 2017**	**At December 31, 2016**	**At December 31, 2015**
Trade receivables, gross amount	321,189	315,204	303,271
Trade receivables, amount retained as a guarantee	4,349	3,011	2,078
Bad debt provision	(20,509)	(20,448)	(20,446)
Trade receivables	**305,029**	**297,767**	**284,903**

Trade receivables increased by Euro 7,262 thousand in 2017, from an amount of Euro 297,767 thousand as at December 31, 2016 to an amount of Euro 305,029 thousand as at December 31, 2017, and Euro 12,864 thousand in 2016, from an amount of Euro 284,903 thousand as at December 31, 2015.
This trend is essentially related to the gross amount of trade receivables, which increased by Euro 5,985 thousand in 2017 and Euro 11,933 thousand in 2016.
The amounts of trade receivables retained as a guarantee show a different trend as they rise both in 2016 and 2017 by Euro 933 thousand and Euro 1,338 thousand, respectively.

The following table show the ageing of the gross amount of trade receivables, excluding the portion retained by customers as a guarantee, as at December 31, 2017, 2016 and 2015:

(in thousands of Euro)	**At December 31, 2017**	**At December 31, 2016**	**At December 31, 2015**
Amount not yet due	255,429	248,380	240,652
Amount due by less than 30 days	11,065	30,177	25,192
Amount due between 30-60 days	4,471	2,702	14,029
Amount due between 61-90 days	1,352	2,756	4,320
Amount due between 91-120 days	1,725	1,719	4,387
Amount due by more than 120 days	47,147	29,470	14,691
Trade receivables, gross amount	**321,189**	**315,204**	**303,271**

On May 2, 2017 the Italian Ministery 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 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, the entity calculated the present value of abovementioned receivables and accrued €404 thousands as financial expenses. 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 37 "Guarantees, commitments, risks and other information" provides additional information regarding the credit risk management policy adopted by the Group and the ageing of the receivables past due but not written down.

The following table shows the changes in the bad debt provision for each of the three years ended December 31, 2017, 2016 and 2015:

(in thousands of Euro)	**For the year ended December 31**		
	2017	**2016**	**2015**
Balance at the beginning of the year	**20,448**	**20,446**	**20,375**
Provisions	67	93	71
Uses	0	(91)	0
Other	(6)	0	0
Balance at the end of the year	**20,509**	**20,448**	**20,446**

Provisions are related to receivables overdue by more than 120 days.

13. CURRENT FINANCIAL ASSETS

The following table shows the amount of the Current financial assets as at December 31, 2017, 2016 and 2015. The line item shows an increase of Euro 1,536 thousand in 2017, corresponding to a 19.5% growth, and an increase of Euro 3,449 thousand in 2016, corresponding to a 78.0% growth.

(in thousands of Euro)	At December 31, 2017	At December 31, 2016	At December 31, 2015
Current financial assets	**9,406**	**7,870**	**4,421**

The current financial assets are all instrumental for operating activities and refer primarily to AlmavivA SpA, and more specifically, are composed, for Euro 3,239 thousand, of the receivable due from the customer "Guardia di Finanza" (Italian Finance Police), for Euro 5,600 thousand, of the commitment to purchase an additional share of 85% in Wave, related to the operation commented above. An additional Euro 336 thousand relates to the purchase by AlmavivA Contact of the business unit Conduent Business Services Italy Srl, whose payment will be made by March 28, 2018 and Euro 139 thousand relates to the purchase, by AlmavivA Services, of the Xerox business unit, whose collection will take place in March 2018. The residual Euro 92 thousand refers to sundry financial receivables.

14. OTHER CURRENT ASSETS

Other current assets amount to Euro 86,087 thousand as at December 31, 2017, compared to Euro 82,718 thousand as at December 31, 2016 and to Euro 71,236 thousand as at December 31, 2015.
The amount is composed as follows:

(in thousands of Euro)	At December 31, 2017	At December 31, 2016	At December 31, 2015
Receivables due from personnel	1,335	1,102	349
Receivables due from social security institutions	1,908	6,759	13,873
Receivables due from tax autorithies	12,684	11,470	11,660
Receivables related to tax consolidation	17,622	19,884	15,222
Prepaid expenses	4,552	3,692	6,148
Advances to suppliers	3,713	2,956	2,336
Sundry items	44,273	36,855	21,648
Other current assets	**86,087**	**82,718**	**71,236**

Other current assets increase by Euro 3,369 thousand in 2017, corresponding to a 4.1% growth rate, and by Euro 11,482 thousand in 2016, corresponding to a 16.1% growth rate.

In particular, note that almost all receivables from INPS not yet collected and regarding mainly the following fall under the item Receivables due from social security institutions, which amounted to Euro 1,908 thousand (Euro 6,759 thousand as at December 31, 2016 and Euro 13,873 thousand as at December 31, 2015):

- 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.

Decrease in 2017 for Euro 4,851 thousand is due to collection of them.

Receivables due from the tax authorities of Euro 12,684 thousand (Euro 11,470 thousand as at December 31, 2016 and Euro 11,660 thousand as at December 31, 2015) are distinguished into receivables for direct taxes of Euro 4,025 thousand, (Euro 2,049 thousand relating to AlmavivA SpA, Euro 1,163 thousand to AlmavivA Contact and, to a lesser extent, other Group companies); receivables for indirect taxes for Euro 8,659 thousand related mainly to Brazilian companies.

The receivables from tax consolidation of Euro 17,622 thousand (Euro 19,884 thousand as at December 31, 2016 and Euro 15,222 thousand as at December 31, 2015) 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 decrease of Euro 2,262 thousand relates to minor intercompany receivables relating to national IRES tax consolidation as a result of the uses made in 2017.

Prepaid expenses of Euro 4,552 thousand (Euro 3,692 thousand as at December 31, 2016 and Euro 6,148 thousand as at December 31, 2015) include costs pertaining to the future, primarily of AlmavivA SpA (Euro 3,590 thousand), Lombardia Gestione (Euro 430 thousand), AlmavivA Contact (Euro 411 thousand) and, to a lesser extent, the other Group companies.

Sundry items, amounting to Euro 44,273 thousand as at December 31, 2017 (Euro 36,855 thousand and Euro 21,648 thousand as at December 31, 2016 and 2015, respectively), 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 projects financed;
- receivables for reimbursements which refer:
    - to the amounts paid for settling the disputes with project workers for wages, for social security contributions and for damages deriving from the stabilisation of project workers whose reimbursement by the seller is provided for in the indemnity clause set forth in the purchase agreement of Atesia, subsequently merged in the acquirer AlmavivA Contact;
    - to the amounts paid in advance by AlmavivA Contact to former employees in respect of a reinstatement judgment readily contested through an appeal in the process of being settled;
    - the receivable for the request for reimbursement of the legal expenses incurred for the dispute initiated by Loop AI Labs Inc. against some of the Group companies (the “AlmavivA Companies” collectively) as well as third parties, explained in the paragraph on Legal Issues and Litigation in the report on operations (the “US Dispute”). This receivable was also subject to a further dispute given that the AlmavivA companies summoned before the court an insurance company that had underwritten a policy named “Civil Liability Insurance for Directors”, requesting that it be sentenced to reimburse expenses 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 in the first 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.

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents amounted to Euro 69,502 thousand as at December 31, 2017 compared to Euro 48,181 thousand as at December 31, 2016 and to Euro 50,645 thousand as at December 31, 2015. The line item refers to credit balances at banks in existence at the end of the period and the amounts held at the Group treasuries. These voices are not subject to any restriction and are not foresee unfreezing costs.

16. NON-CURRENT ASSETS HELD FOR SALE

Assets held for sale amounting to Euro 2,459 thousand (Euro 4,249 thousand as at December 31, 2016 and Euro 19,759 thousand as at December 31, 2015), 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.

17. SHAREHOLDERS' EQUITY

The total Shareholders' equity amount to Euro 10,779 thousand as at December 31, 2017 compared to Euro 21,272 thousand as at December 31, 2016 and to Euro 31,123 thousand as at December 31, 2015.
The composition of the Shareholders' equity is as follows:

(in thousands of Euro)	**At December 31, 2017**	**At December 31, 2016**	**At December 31, 2015**
Share capital	154,899	154,899	154,899
Share premium reserve	17,788	17,788	17,788
Other reserves:			
legal reserve	*4,384*	*3,951*	*3,951*
FTA reserve	*4,493*	*4,493*	*4,493*
OCI reserve	*1,897*	*(1,556)*	*(2,517)*
CFH reserve	*0*	*(145)*	*(117)*
translation reserve	*(10,972)*	*(1,170)*	*(6,500)*
other reserves	*(166,462)*	*(145,135)*	*(143,014)*
	(166,660)	(139,562)	(143,704)
Profit/(loss) for the year	221	(16,908)	(1,715)
Total group shareholders' equity	***6,249***	***16,217***	***27,268***
Reserves pertaining to NCIs:			
translation reserve	*(499)*	*186*	*(5)*
other reserves	*4,386*	*4,105*	*3,479*
	3,887	4,291	3,474
Profit/(loss) for the year pertaining to NCIs	642	763	380
Total non-controlling interests	***4,529***	***5,054***	***3,854***
Total Shareholders' equity	**10,779**	**21,272**	**31,123**

The Share capital as at December 31, 2017 amounted to Euro 154,899 thousand and due to the collateral agreements signed concurrently with the conclusion of the loan agreement, in previous years, the amount was fully paid-in and consisted of:

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

In August 2017, the parent company AlmavivA Technologies S.r.l. and the shareholder Interbanca S.p.A. signed a contract for the sale of 20,584,400 ordinary shares and 32,331,764 Class A shares of AlmavivA – The Italian Innovation Company S.p.A. owned by Interbanca S.p.A. to AlmavivA Technologies S.r.l..
As a result of the aforementioned transfer of ownership, the stake in AlmavivA SpA held by the parent company AlmavivA Technologies S.r.l. reached 95.11%, while Interbanca S.p.A. completely left AlmavivA S.p.A.'s shareholding structure.
At the same time as signing of the contract, the trust registration of the AlmavivA shares held by G.B.L. Fiduciaria S.p.A. was discarded.

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 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%
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 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 December 31, 2017 and remained unchanged compared to December 31, 2016 and 2015.

Legal reserve
The Legal reserve amounted to Euro 4,384 thousand as at December 31, 2017 and increased by Euro 433 thousand compared to December 31, 2016 and 2015.

FTA reserve
The FTA reserve amounted to Euro 4,493 thousand as at December 31, 2017, as detailed below, and remained unchanged compared to December 31, 2016 and 2015:

- 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 1,897 thousand as at December 31, 2017 (compared to negative Euro 1,556 thousand as at December 31, 2016 and negative Euro 2,517 thousand as at December 31, 2015) and includes the actuarial valuation of TFR (employee severance indemnity) of the Group companies.

CFH reserve
The Cash flow hedge reserve amounted Euro 0 as at December 31, 2017 (compared to negative Euro 145 thousand as at December 31, 2016 and negative Euro 117 thousand as at December 31, 2015) and pertains to AlmavivA.
The changes during the three-year period are related to the difference in the fair value valuation of derivative contracts entered into for hedging purposes.

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 December 31, 2017, it was a negative Euro 11,471 thousand (of which the Group's share was a negative Euro 10,972 thousand and the portion pertaining to non-controlling interests amounted to negative Euro 499 thousand).
As at December 31, 2016, it totalled negative Euro 984 thousand (of which the Group's share was a negative Euro 1,170 thousand and the portion pertaining to non-controlling interests amounted to Euro 186 thousand).
As at December 31, 2015, it totalled negative Euro 6,505 thousand (of which the Group's share was a negative Euro 6,500 thousand and the portion pertaining to non-controlling interests amounted to negative Euro 5 thousand).

Other reserves
The Other reserves equalled to a negative Euro 162,076 thousand as at December 31, 2017 (Euro negative 141,030 thousand and Euro negative 139,535 thousand as at December 31, 2016 and 2015, respectively) and are represented by consolidation reserves and by undistributed profits or losses brought forward. Out of this amount, the portion pertaining to the Group is a negative Euro 166,462 thousand (Euro negative 145,135 thousand and Euro negative 143,014 thousand as at December 31, 2016 and 2015, respectively), while the portion attributable to non-controlling interests is Euro 4,386 thousand (Euro 4,105 thousand and Euro 3,479 thousand as at December 31, 2016 and 2015, respectively).

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 and guarantee access to external sources of financing. 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 December 31, 2017 is summarised in the following table.

(in thousands of Euro)	*Note*	**At December 31, 2017**	**At December 31, 2016**	**At December 31, 2015**
Non current Net Financial Position	*20*	(251,121)	(25,478)	(15,279)
Current Net Financial Position	*13 15 24*	66,887	(94,822)	(112,664)
Non current financial receivables	*8*	1,414	1,364	1,476
Financial indebtness ("Debt")	*0*	(182,820)	(118,936)	(126,467)
Total Group Shareholder Equity	*17*	6,249	16,217	27,268
Non Controlling Interests	*17*	4,529	5,055	3,854
Total Shareholders' Equity ("Equity")	*17*	10,779	21,272	31,122
Debt/Equity ratio		**-16.96**	**-5.59**	**-4.06**

The change in net financial indebtedness is mainly due to repeatedly mentioned bond issue, while the change in Group Equity can be attributed mainly to negative effect of Forex €/R$ occurred during fiscal year.

18. LIABILITIES FOR EMPLOYEE BENEFITS

Liabilities for employee benefits as at December 31, 2017, 2016 and 2015 are reported below:

(in thousands of Euro)	**At December 31, 2017**	**At December 31, 2016**	**At December 31, 2015**
Liabilities for employee benefits	**52,872**	**59,043**	**60,400**

The line item decreased by Euro 6,171 thousand in 2017, from Euro 59,043 thousand as at December 31, 2016 to Euro 52,872 thousand as at December 31, 2017 and by Euro 1,357 thousand in 2016 from Euro 60,400 thousand.

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, 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.

Liabilities for employee benefits valued on the basis of actuarial techniques are analysed as follows:

(in thousands of Euro)	**For the year ended December 31,**		
	2017	**2016**	**2015**
Balance at the beginning of the year	**59,043**	**60,400**	**59,146**
Service cost	185	270	265
Interest cost	1,395	1,468	1,573
Payments / Utilizations	(4,298)	(2,134)	(2,178)
Actuarial gains/(losses) recognized in OCI	(3,453)	(961)	1,594
Balance at the end of the year	**52,872**	**59,043**	**60,400**
of which:			
Non-current portion	52,671	56,533	60,266
Current portion	201	2,510	134

The main assumptions made for the actuarial estimate process of the employee severance indemnity as at December 31, 2017, 2016 and 2015 are summarised below:

Financial Assumptions	**For the year ended December 31,**		
	2017	**2016**	**2015**
Discount rate	3.05%	2.36%	2.43%
Inflation rate	2.00%	2.00%	2.00%
Annual rate of TFR increase	3.00%	3.00%	3.00%
Annual rate of salary increase	variable according to seniority	variable according to seniority	variable according to seniority
Annual turnover rate	variable according to seniority	variable according to seniority	variable according to seniority
Annual rate of disbursement of advances	variable according to seniority	variable according to seniority	variable according to seniority

A sensitivity analysis is reported below which outlines the effects on the liability relating to the provision for Employee Severance Indemnity defined following the variations, reasonably possible at the end of the year, in the individual relevant actuarial assumptions adopted in estimating the aforementioned liability.

Financial Assumptions	Discount rate	
	+50bps	-50bps
December 31, 2017 effect on DBO	(1,927)	2,052
December 31, 2016 effect on DBO	(2,204)	2,354
December 31, 2015 effect on DBO	(2,547)	2,729

It should be noted that the discount rate used to calculate the present value of the obligation was determined, consistent with paragraph 78 of IAS 19, with reference to the average return curve deriving from the IBoxx Overall BBB 10+, commensurate with the average length of the collective agreement subject to valuation.

In consideration of the particular phase of the bond markets, for the discounting of the flows of payments, the company used the structure of rates of corporate bonds of issuers with a BB rating and denominated in Euro recorded by Thomson Reuters at the reference date.

Demographic Assumptions	For each of the years ended December 31, 2017, 2016 and 2015
Mortality	Table RG 48 State General Accounting Office
Disability	INPS Table - Commerce Sector
Retirement	General Mandatory Insurance requirements

No payments of contributions on defined benefit plans to employees are envisaged for the next year.

19. PROVISIONS

Provisions as at December 31, 2017, 2016 and 2015 are reported below:

(in thousands of Euro)	At December 31, 2017	At December 31, 2016	At December 31, 2015
Non-current portion of provisions for risks and charges	6,346	5,466	5,338
Current portion of provisions for risks and charges	7,162	7,285	5,214
Provisions for risks and charges	**13,508**	**12,751**	**10,552**

The line item increased by Euro 2,199 thousand in 2016, from Euro 10,552 thousand as at December 31, 2015 to Euro 12,751 thousand as at December 31, 2016 and then increased by Euro 757 thousand in 2017 to Euro 13,508 thousand.

(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, 2015	**1,459**	**22**	**134**	**57**	**3,251**	**571**	**8,541**	**14,035**
Accruals	0	0	0	0	696	0	2,567	3,263
Utilizations	0	0	0	0	0	0	(1,325)	(1,325)
Decreases	0	0	0	(57)	(1,645)	(571)	(3,630)	(5,903)
Other changes not recorded through income statement	0	0	0	0	(186)	0	668	482
Balance as at December 31, 2015	**1,459**	**22**	**134**	**0**	**2,116**	**0**	**6,821**	**10,552**
of which:								
Non-current portion	1,459	22	134	0	0	0	3,723	5,338
Current portion	0	0	0	0	2,116	0	3,098	5,214
Balance as at January 1, 2016	**1,459**	**22**	**134**	**0**	**2,116**	**0**	**6,821**	**10,552**
Accruals	0	0	0	0	662	0	4,616	5,278
Utilizations	(374)	0	0	0	(229)	0	(831)	(1,434)
Decreases	0	0	0	0	(350)	0	(1,574)	(1,924)
Other changes not recorded through income statement	0	0	0	0	134	0	145	279
Balance as at December 31, 2016	**1,085**	**22**	**134**	**0**	**2,333**	**0**	**9,177**	**12,751**
of which:								
Non-current portion	1,085	22	134	0	0	0	4,225	5,466
Current portion	0	0	0	0	2,333	0	4,952	7,285
Balance as at January 1, 2017	**1,085**	**22**	**134**	**0**	**2,333**	**0**	**9,177**	**12,751**
Accruals	0	0	0	0	515	0	4,031	4,546
Utilizations	0	0	0	0	0	0	(1,440)	(1,440)
Decreases	0	0	0	0	(323)	0	(2,268)	(2,591)
Other changes not recorded through income statement	0	0	0	0	(89)	0	331	242
Balance as at December 31, 2017	**1,085**	**22**	**134**	**0**	**2,436**	**0**	**9,831**	**13,508**
of which:								
Non-current portion	0	0	0	0	0	0	0	6,346
Current portion	0	0	0	0	0	0	0	7,162

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

Information and comments on the various provisions are provided below.

Provisions for taxes

The line item amounts to Euro 1,085 thousand as at December 31, 2017 (Euro 1,085 thousand as at December 31, 2016 and Euro 1,459 thousand as at December 31, 2015) and include provisions for taxes:

- for Euro 370 thousand (Euro 362 thousand as at December 31, 2016 and Euro 744 thousand as at December 31, 2015) pertaining to AlmavivA for an eventual notice of assessment relative to the 1999 tax period;
- for Euro 68 thousand (unchanged from 2015) pertaining to AlmavivA and originating from the incorporated company AlmavivA Sud;
- for Euro 65 thousand (unchanged from 2015) pertaining to AlmavivA and originating from the incorporated company AlmavivA Finance S.p.A.;
- for Euro 16 thousand (unchanged from 2015) 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 500 thousand (unchanged from 2015) pertaining to AlmavivA Contact and originating from incorporated company Atesia S.p.A. for allocation regarding the ongoing dispute with the Inland Revenue Agency relative to the tax credits pursuant to law 388/2000;

- for Euro 66 thousand (unchanged from 2015) 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 redundancy incentives
The Provision for redundancy incentives relates to additional restructuring expenses, in line with the Business plan, for the reorganisation of the personnel that began in 2007.

Provisions for guarantees granted
The Provision for guarantees granted of a non-commercial nature is related to provisions recorded by the parent company AlmavivA. The balance of the line item has remained unchanged from 2015.

Provisions for contractual and commercial risks
The Provision for contractual and commercial risks was related to provisions recorded by the parent company AlmavivA. The balance recorded in previous years was fully absorbed in 2015.

Provisions for legal disputes
The Provision for legal disputes amounts to Euro 2,436 thousand as at December 31, 2017 (compared to Euro 2,333 thousand and Euro 2,116 thousand as at December 31, 2016 and 2015, respectively) mainly recorded by AlmavivA for Euro 1,110 thousand (Euro 923 thousand and Euro769 thousand as at December 31, 2016 and 2015, respectively), AlmavivA Contact for Euro 693 thousand (Euro 688 thousand and Euro 679 thousand as at December 31, 2016 and 2015, respectively), AlmavivA do Brasil for Euro 562 thousand (Euro 650 thousand and Euro 517 thousand as at December 31, 2016 and 2015, respectively) and to a smaller extent by other Group companies.

Provisions for mobility
The Provision for guarantees granted is related to provisions recorded by the parent company AlmavivA. The balance of the balance recorded in previous years was fully absorbed in 2015.

Other provisions
The line items, including non-current and current portion, amount to Euro 9,831 thousand as at December 31, 2017, with an increase of Euro 654 thousand in 2017, corresponding to a 7.1% growth, and an increase by Euro 2,356 thousand in 2016, corresponding to a 34.5% growth.The amount includes other provisions for risks recorded by AlmavivA for Euro 6,255 thousand as at December 31, 2017 (Euro 5,021 thousand and Euro 2,773 thousand as at December 31, 2016 and 2015, respectively), AlmavivA Contact for Euro 1,333 thousand as at December 31, 2017 (Euro 1,724 thousand and Euro 1,567 thousand as at December 31, 2016 and 2015, respectively), Lombardia Gestione for Euro 115 thousand as at December 31, 2017 (Euro 82 thousand and Euro 113 thousand as at December 31, 2016 and 2015, respectively), Agrisian in Liquidation for Euro 2,107 thousand as at December 31, 2017 (Euro 2,340 thousand and Euro 2,316 thousand as at December 31, 2016 and 2015, respectively) and by other Group companies.

20. NON-CURRENT FINANCIAL LIABILITIES

Non-current financial liabilities as at December 31, 2017, 2016 and 2015 are reported below:

(in thousands of Euro)	**At December 31, 2017**	**At December 31, 2016**	**At December 31, 2015**
Banks	1	9,940	9,910
Bond	233,427	0	0
Amounts due to other lenders	17,693	15,538	5,369
Non-current financial liabilities	**251,121**	**25,478**	**15,279**

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

(in thousands of Euro)	At January1, 2017	Proceeds from borrowings	Repayements of borrowings	Reclassification and other adjustments	At December 31, 2017
AlmavivA S.p.A.	2,001	234,375	(2,756)	6,000	239,620
AlmavivA do Brasil	12,477	27,512	(39,488)		501
SIMEST Operation	11,000	0	0		11,000
Non-current financial liabilities	**25,478**	**261,887**	**(42,244)**	**6,000**	**251,121**

(in thousands of Euro)	At January1, 2016	Proceeds from borrowings	Repayements of borrowings	Reclassification and other adjustments	At December 31, 2016
AlmavivA S.p.A.	1,068	933	(12,000)	12,000	2,001
AlmavivA do Brasil	14,211	38,762	(40,496)	0	12,477
Simest		11,404	(404)	0	11,000
Non-current financial liabilities	**15,279**	**51,099**	**(52,900)**	**12,000**	**25,478**

(in thousands of Euro)	At January1, 2015	Proceeds from borrowings	Repayements of borrowings	Reclassification and other adjustments	At December 31, 2015
AlmavivA S.p.A.	42,250	0	(12,787)	(28,395)	1,068
AlmavivA do Brasil	20,652	71,181	(77,622)	0	14,211
Non-current financial liabilities	**62,902**	**71,181**	**(90,409)**	**(28,395)**	**15,279**

The balance of the line item as at December 31, 2017 is Euro 251,121 thousand, with an increase of Euro 225,643 thousand compared to the prior year. The line item shows also an increase of Euro 10,199 thousand in 2016, when the balance was Euro 25,478 thousand, as at December 31, 2015 the balance was Euro 15,279 thousand.

Long-term financial liabilities of Euro 251,121 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 high profile investors. The issue was also supported by a Revolving Facility for an original amount of Euro 20,000 thousand, increased to Euro 40,000 thousand on October 5, 2017. The 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 use of the loan was subject to both the termination of the trustee agreements in place between AlmavivA Technologies S.r.l., Interbanca S.p.A. and G.B.L. Fiduciaria S.p.A. and the granting of a pledge, directly by AlmavivA Technologies S.r.l. on the entire shareholding held by the latter, at the date of use, in AlmavivA S.p.A., equal to 95.11% of the latter's share capital. In addition, the loan agreement made provision for the possibility of refinancing the loan through the issuing of a bond for said purpose. The bond was issued on October 5, 2017 as described below.
On August 9, 2017, the Senior Secured Bridge and Revolving Loan Agreement was closed, with the disbursement by Goldman Sachs International of the Facility B line in several tranches. The new sources of financing were used to repay the financial indebtedness of AlmavivA SpA deriving from the loan agreement signed on August 13, 2012 with a pool of banks, the extinguishment of the expired VAT payable of AlmavivA SpA, 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 233,427 thousand as at December 31, 2017.
Bank liabilities totalled Euro 1 thousand and relate to AlmavivA SpA.
Liabilities to other lenders amounting to Euro 17,693 thousand refer, for Euro 501 thousand, to the financial liabilities of AlmavivA do Brasil, for Euro 2,178 thousand to the registration of the medium/long-term portion of the debt for the acquisition of the additional 85% in the investee Wave Srl, for Euro 4,014 thousand relating to the medium and long-term financial payables in the form of subsidised loans received on financed projects 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”.

In December 31, 2016 and 2015 the long-term debts of AlmavivA and AlmavivA do Brasil, were reclassified as Current financial liabilities. In this respect, in application of IAS 1, paragraphs 69 and 74, the outstanding amount due under the loan agreements of AlmavivA and AlmavivA do Brasil, for which several financial parameters had not been complied with as at the verification date of December 31, 2016, and one parameter was not complied with as at the verification date of December 31, 2015, was reclassified to current financial liabilities.
The main change occurred in 2016 which explains the increase of the line item compared to December 31, 2015 is related to the registration of Amounts due to other lenders for total Euro 11,000 thousand related to Simest.
In 2017, the lending banks granted AlmavivA do Brasil and AlmavivA a waiver in line with the requests submitted.
AlmavivA and AlmavivA do Brasil have always honoured payment of the portions of amortisation according to what is established in the Loan Arrangement.

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	**Total**
Banks	1	0	0	1
Bond		233,427		233,427
Amounts due to other lenders	2,395	14,101	1,197	17,693
	2,396	**247,528**	**1,197**	**251,121**

[*] The amount is classified “Due over 5 years” but, as indicated above, the exercise of the options between AlmavivA Contact and SIMEST could be anticipated, but in any case, it cannot occur before June 30, 2019.

21. DEFERRED TAX LIABILITIES

The tables below show the amount of AlmavivA Group’s Deferred tax liabilities as at December 31, 2017, 2016 and 2015 and the related changes occurred in each of the three years.

(in thousands of Euro)	At December 31, 2017	At December 31, 2016	At December 31, 2015
Deferred tax liabilities	**1,672**	**1,794**	**2,345**

(in thousands of Euro)	For the year ended December 31		
	2017	2016	2015
Balance at the beginning of the year	**1,794**	**2,345**	**3,839**
Increases	0	285	0
Decreases	(122)	(836)	(1,494)
Effect of currency translation	0	0	0
Other changes	0	0	0
Balance at the end of the year	**1,672**	**1,794**	**2,345**

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

The line item decreased by Euro 551 thousand in 2016, from an amount of Euro 2,345 thousand at December 31, 2015 to an amount of Euro 1,794 thousand at December 31, 2016, and further reduced by Euro 122 thousand in 2017 to an amount of Euro 1,672 thousand.

22. OTHER NON-CURRENT LIABILITES

Other non-current liabilities amount to Euro 892 thousand as at December 31, 2017 compared to an amount of Euro 1,030 thousand as at December 31, 2016 and to an amount of Euro 1,037 thousand as at December 31, 2015, as illustrated in the table below:

(in thousands of Euro)	At December 31, 2017	At December 31, 2016	At December 31, 2015
Deferred income on capital grants	892	1,030	1,037
Other non-current liabilities	**892**	**1,030**	**1,037**

The fully amount refers to deferred income on capital grants.

23. TRADE PAYABLES

Trade payables amounts to Euro 204,120 thousand as at December 31, 2017 compared to an amount of Euro 193,897 thousand as at December 31, 2016 and to an amount of Euro 179,302 thousand as at December 31, 2015, as illustrated in the table below:

(in thousands of Euro)	At December 31, 2017	At December 31, 2016	At December 31, 2015
Trade payables	**204,120**	**193,897**	**179,302**

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 64,337 thousand (Euro 58,112 thousand in 2016), while those falling due in under 12 months amounted to Euro 139,783 thousand (Euro 135,785 thousand in 2016).

Please note that the trade-related payables do not generate interest expenses and are regulated based on the contractual conditions and specific agreements with the Group's suppliers.

24. CURRENT FINANCIAL LIABILITIES

Current financial liabilities as at December 31, 2017, 2016 and 2015 are reported below:

(in thousands of Euro)	**At December 31, 2017**	**At December 31, 2016**	**At December 31, 2015**
Payables due to banks	497	112,396	103,296
Coupon	4,335	0	0
Payables due to other lenders	4,126	34,872	61,699
Financial lease payables	2,820	3,482	2,406
Accrued liabilities from financial expenses	168	115	216
Other financial payables	75	8	113
Current financial liabilities	**12,021**	**150,873**	**167,730**

Short-term financial liabilities of Euro 12,021 thousand refer to payables for short-term loans taken out with banks, the portion of payables for interest accrued vis-à-vis bondholders whose payment is set for April 15, 2018. The item also includes payables to other lenders relating to both the short-term portion of the payable for the acquisition of an additional 85% in the investee Wave Srl by AlmavivA SpA and the payables to be paid for the purchases of the two business units by AlmavivA Contact and by AlmavivA Services and, to a lesser extent, other payables.
The decrease of Payables due to banks is mainly due to the AlmavivA's debts reimbursement (for more details see Note 20). Lastly, the item includes payables for the financial leases, primarily AlmavivA do Brasil, financial accruals and sundry short-term payables.

In connection with the existing loan agreements of AlmavivA and AlmavivA do Brasil, several financial parameters for each of the two loans had not been complied with as at the verification date of December 31, 2016 and, as a result, the entire amount of the residual debt regarding said loans (for a total of Euro 34,380 thousand) was reclassified to current financial liabilities. Also in the previous year, due to failure to comply with just one financial parameter on the loan taken out by AlmavivA and just one financial parameter on the loan taken out by AlmavivA do Brasil, the residual debt (equal to Euro 46,776 thousand) was reclassified to current financial liabilities for both loans.
In 2017, the lending banks granted AlmavivA do Brasil and AlmavivA a waiver in line with the requests submitted.
AlmavivA and AlmavivA do Brasil have always honoured payment of the portions of amortisation according to what is established in the Loan Arrangement.

25. TAX PAYABLES

Tax payables as at December 31, 2017, 2016 and 2015 are reported below:

(in thousands of Euro)	At December 31, 2017	At December 31, 2016	At December 31, 2015
Income taxes	4,269	6,327	6,009
Other taxes	38,663	92,947	89,683
Tax payables	**42,932**	**99,274**	**95,692**

Tax payables amount to Euro 42,932 thousand as at December 31, 2017 compared to Euro 99,274 thousand as at December 31, 2016 and to Euro 95,692 thousand as at December 31, 2015, thus recording a decrease of Euro 56,342 thousand in 2017 and an increase of Euro 3,582 thousand in 2016.
The refer primarily to payables for IRPEF to be paid, to payables for IRAP direct taxes, to payables for deferred VAT, payables for ordinary VAT, as well as to the taxes of foreign companies, in particular the AlmavivA do Brasil Group. It should be noted that the Group does not present payables for past due taxes given that thanks to the financial transaction which took place in 2017, the Group settled, at the date of the transaction, all debts for taxes past due, also through the division into instalments agreed with the tax authorities.

In December 31, 2016 and 2015, the line item mainly refers to: IRPEF (personal income tax) payable, amounts payable for suspended VAT and amounts payable for VAT of Euro 62,447 thousand (Euro 60,296 thousand as at December 31, 2015), of which Euro 56,210 thousand (Euro 54,214 thousand as at December 31, 2015) also includes penalties and interest with reference to the part overdue of AlmavivA (Euro 32,143 thousand as at December 31, 2016 compared to Euro 28,548 thousand as at December 31, 2015) and AlmavivA Contact (Euro 24,067 thousand as at December 31, 2016 compared to Euro 25,666 thousand as at December 31, 2015), and direct IRAP (regional business tax) payable of Euro 6,327 thousand (Euro 6,009 thousand as at December 31, 2015) of which Euro 2,003 thousand (Euro 5,864 thousand as at December 31, 2016) related to late payments for tax periods 2013 and 2014, including interest and penalties.

26. OTHER CURRENT LIABILITIES

Other current liabilities as at December 31, 2017, 2016 and 2015 are reported below:

(in thousands of Euro)	At December 31, 2017	At December 31, 2016	At December 31, 2015
Payments on account	933	1,435	1,300
Payables due to social security institutions	25,015	24,197	19,649
Payables due to personnel	32,146	40,558	31,751
Miscellaneous payables	10,142	11,876	12,247
Deferred income	13,752	10,248	8,376
Other current assets	**81,988**	**88,315**	**73,323**

The line item increased by Euro 14,991 thousand in 2016, from an amount of Euro 73,323 thousand at December 31, 2015 to an amount of Euro 88,315 thousand at December 31, 2016 and a decrement by Euro 6,327 thousand in 2017 to an amount of Euro 81,988 thousand. The decrease of fiscal year 2017 (-7,2% compared to fiscal year 2016 and +20.4% compared to FY 2015) is mainly referred to accruals related to costs for mobility procedures started in AlmavivA Contact and booked in Payables due to personnel and payables due to social security institutions for more or less Euro 8 million.
The payables due to social security and welfare institutions amounted to Euro 25,015 thousand and refer to mandatory contributions accrued and payable to social security institutions for wages and salaries and remuneration paid, plus the payables past due for which AlmavivA Contact, following the request for the payment extension, accepted the proposal for the division into instalments received by INPS;

The payables due to personnel refer, primarily, to the provision for holidays and leave accrued by personnel and still not paid, as well as, as regards the subsidiary AlmavivA Contact S.p.A., the monthly pay relating to December, which was paid in the first few days of January 2018, as per the ordinary management of the payments of wages and salaries.
Miscellaneous payables of Euro 10,142 thousand mainly include the payables due to corporate bodies, payables to project workers, payables to insurance companies and amounts due for collections to be repaid to partners.
Deferred income of Euro 13,752 thousand related to the economic components pertaining to future years.

27. REVENUES

Revenue for each of the three years ended December 31, 2017, 2016 and 2015 are reported in the following table:

(in thousands of Euro)	**For the year ended December 31**		
	2017	**2016**	**2015**
Revenues from sales and services	755,301	727,810	712,022
Revenues from sale of goods	2,421	4,027	3,931
Revenues from contract work in progress	(2,731)	(1,674)	(6,759)
Revenues	**754,991**	**730,163**	**709,194**

Revenues increased by Euro 20,969 thousand from Euro 709,194 thousand for the year ended December 31, 2015 to Euro 730,163 thousand for the year ended December 31, 2016 and further grew by Euro 24,827 thousand to Euro 754,991 thousand for the year ended December 31, 2017.

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 years ended December 31, 2017, 2016 and 2015. Inter-segment elimination has not been considered and eliminated.

(in thousands of Euro)	**For the year ended December 31**		
	2017	**2016**	**2015**
IT Services	366,471	352,112	327,829
CRM Europe	126,239	130,057	145,313
CRM International	256,008	241,297	229,289
Almawave – New Technology	6,273	6,697	6,763
Consolidated revenues	754,991	730,163	709,194

The revenues of the IT Services segment as at December 31, 2017 rose by Euro 14,359 thousand, equal to 4% 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, Homeland Security, Banking and Insurance, Welfare business areas and, to a lesser extent, in other areas. This growth was partially offset by a reduction in revenues attributable to the Agriculture-Environment and Ministries areas due to the public spending review policies implemented by the Italian Government in the last few years.
The revenues of the CRM Europe segment recorded a decrease of Euro 3,818 thousand (-3%) in the financial year ended as at December 31, 2017 compared to the previous period. The reduction concerned the two business areas of the segment (-49% in the Transport area and -10% in the Government area), while the Telco/Media business area registered an increase in revenues of Euro 4,161 thousand, or 5% compared to the previous year, the Utilities areas recorded an increase in revenues of Euro 1,171 thousand, equal to 6%, and to a lesser extent, other areas recorded an increase. On the whole, the contained decrease in revenues demonstrated a recovery in the production of the segment following the personnel restructuring operation implemented in 2016.

The revenues of the CRM International segment recorded an increase of Euro 14,711 thousand, up by 6% as at December 31, 2017 when compared to the previous period. The increase was mainly determined by the growth in revenues deriving from customers of the business Government and Others area (Euro 27,046 thousand compared to the previous year), partially offset by the reduction in the revenues of the Telco/Media (-Euro 10,884 thousand compared to the previous year) and Financial (-Euro 1,406 thousand) business areas.
The revenues of the Almawave-New Technology segment fell by Euro 425 thousand, down 6% compared to the previous year, but total revenues, including intersegment revenues, rose by Euro 879 thousand, up by 7% compared to the previous year. This rise is due primarily to the increase in revenues deriving from the sale of software technologies to customers (including other segments) in the Telco/Media, Government and Transport areas, partially offset by the fall in revenues from customers in the Banking/Insurance, Utilities and Other areas.
Revenues from contract work in progress include the contractual revenues deriving from production recorded in the year from customers and still not completed, net of billings occurred during the year and related to works not completed in previous years, whose value was determined according to the percentage of completion method.
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 4.

Revenues in IT Services in fiscal year 2016 are increased by 24,283 thousand, or 7.4%. This increase was primarily due to growth in revenue from customers in key industry sectors of transportation and banking and insurance as well as certain local government customers. However, the growth in revenue was partially offset by a decline in revenue attributable to public welfare sector due to spending review policies implemented by Italian Government and delay in new tenders' award procedures. The growth in revenues occurred in fiscal year 2016 is higher compared to previous year (+7.4% equal to an increase in absolute values of 24,283 thousand). The mentioned growth has been primary driven by an increase in demand for services from customers in the transportation and the banking and insurance sectors in connection with strategic initiatives of several customers in those segments. The growth in revenues in these sectors was partially offset by a decline in revenue from customers in the public administration sector in connection to abovementioned spending review policies which unavoidably impact on our segment revenues.

Revenues in CRM Europe show a significant decrease during the last years: -15,256 thousand, or -10.5%, from December 31, 2015 to December 31, 2016. Furthermore, the decrease has impacted all sectors of segment (telecommunication sector, utilities, government sector) except for transportation sector where revenues are stable. This decrease was due to a decline in demand for our services resulting from strong competitive pressure in the market for CRM services in Italy related to an increasing trend by some of our competitors to offshore CRM outsourcing services to low-cost locations outside of the European Union, such as Albania.

As opposed to just commented revenues in CRM Europe, the sales in CRM International are increased by 12,008 thousand, or 5.2%, during the 2015 and 2016. In fiscal year 2016, the increase of revenues was primarily due to growth in revenue from customers in the telecommunications and media sector, including as a consequence of geographic expansion into Colombia. The growth in revenue was partially offset by negative exchange rate trends as the Brazilian Real weakened against the Euro.

Revenues in Almawave - New Technology sector during the period 2015-2016, revenues segment remained flat as demand for Almawave products and services was stable.

The Group basically operates in multiple sectors of operations, as further described in Paragraph 4 above.
AlmavivA Group revenues are mainly realised in Italy. Revenues produced abroad regard primarily Brazil and to a lesser extent Tunisia (for any further details please refer to Paragraph 4 – Geographic information).

28. OTHER INCOME

Other income for each of the three years ended December 31, 2017, 2016 and 2015 are reported in the following table:

(in thousands of Euro)	For the year ended December 31		
	2017	**2016**	**2015**
Recovery of personnel costs	1,610	1,873	3,078
Recovery of costs of service provision	4,534	2,566	2,714
Recovery of costs of use of assets	261	21	22
Reversal of provisions	1,722	1,202	1,381
Other income	1,916	1,021	911
Operating grants	4,996	1,074	1,684
Reversal of over-accruals of trade payables	2,276	1,316	6,704
Other income	**17,315**	**9,073**	**16,494**

Other revenues and income amounted to Euro 17,315 thousand (Euro 9,073 thousand as at December 31, 2016) and the most significant item regards the recovery of personnel costs, for the provision of services and use of third party assets (totalling respectively Euro 1,610 thousand, Euro 4,534 thousand, Euro 261 thousand), connected with the personnel seconded to third parties and the collection of activities and services provided to third parties.
As fully detailed in the Report on Operations, the company made use of the Research and Development tax credit set forth in Art. 1, paragraph 35, of Law no. 190 of December 23, 2014, based on the methods set out in the aforementioned legislation.

This credit, according to the methodology described in the drafting criterion, is accrued in the operating grants for an amount equal to Euro 3.818 thousand. The Group recognizes this credit only when there is the virtual certainty of the contribution. This last criterion is only satisfied when an opinion is obtained from companies qualified to evaluate these activities. For these reasons, the research and development tax credit recorded in the financial statements as at 31 December 2017 refers to the years 2015 and 2016 for AlmavivA SpA and Almawave Srl and only to the year 2017 for Pervoice SpA,
The method adopted by the companies for the calculation of the tax credit due has followed the indications of the law and started by determining the average of the research and development activities, capitalized or directly expensed in the income statement, carried out in the three-year period 2012-2014. The activities carried out both in 2015 and in 2016 and for Pervoice only in the 2017 financial year, were compared with the average value described above in order to determine the incremental value. The formulas were then applied to the incremental value in order to obtain the value of the contribution to be assigned to the entity.

The line item decreased by Euro 7,421 thousand from an amount of Euro 16,494 thousand for the year ended December 31, 2015 to an amount of Euro 9,073 thousand for the year ended December 31, 2016. This decrease resulted from a reduction in the reversal of over-accruals of trade payables by Euro 5,388 thousand, reduced recoveries of personnel costs in connection with employees seconded to customers by Euro 1,205 thousand and reduced income from operating grants in the form of governmental funding of projects by Euro 610 thousand.

29. COST OF RAW MATERIALS AND SERVICES

Cost of raw materials and services for each of the three years ended December 31, 2017, 2016 and 2015 are reported in the following table:

(in thousands of Euro)	For the year ended December 31		
	2017	**2016**	**2015**
Raw materials, consumables, supplies and goods	19,399	19,279	17,450
Costs for services	224,070	212,676	203,923
Costs for services capitalised for assets created internally	(3,113)	(3,722)	(3,775)
Costs of use of third party assets	23,546	21,823	21,255
Changes in inventories			
Cost of raw materials and services	**263,902**	**250,056**	**238,853**

The item increased by Euro 13,846 thousand in the year. 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 10,512 thousand, from an amount of Euro 155,093 thousand in 2016 to Euro 165,605 thousand in 2017), and also in the CRM International segment (in which the costs for services rose by Euro 6,099 thousand from Euro 75,870 thousand in 2016 to Euro 81,969 thousand in 2017), in the Almawave-New Technology segment (increase in costs of Euro 325 thousand, up from Euro 3,484 thousand in 2016 to Euro 3,809 thousand in 2017) and for Euro 1,005 thousand, to the increase deriving from the lower intersegment items between 2016 and 2017. This effect was partially offset in the CRM Europe segment, owing to the drop in costs for services as a result of the decrease in revenues (down by Euro 4,381 thousand, from Euro 38,051 thousand in 2016 to Euro 33,670 thousand in 2017).

The line item increased by Euro 11,203 thousand from an amount of Euro 238,853 thousand for the year ended December 31, 2015 to an amount of Euro 250,056 thousand for the year ended December 31, 2016. The increase occurred in fiscal year 2016 was broadly in line with revenue trends, in particular the increased revenues in IT Services resulting primarily in an increased cost of services (in IT Services increased by Euro 12,645 thousand from an amount of Euro 142,448 thousand to an amount of Euro 155,093 thousand) and the decreased revenues in CRM Europe resulting primarily in a decrease of cost of services related to this segment (decreased by Euro 4,716 thousand from an amount of Euro 42,767 thousand to an amount of Euro 38,051 thousand). This increase was mainly a consequence of increased costs for consultancy and professional services, which increased by Euro 9.851 thousand, from Euro 78,805 thousand in 2015 to Euro 88.656 thousand in 2016 in response to demand for services from our transportation and logistics and banking and insurance customers, and maintenance costs, which increased by Euro 2.957 thousand from Euro 17.095 thousand in 2015 to Euro 20,052 thousand in 2016. This increase was partially offset by reduced costs for distribution and warehousing in the amount of Euro 3,540 thousand, which declined from Euro 11,838 thousand in 2015 to Euro 8,298 thousand in 2016 because of successful implementation of cost efficiency measures. The increase in these costs also include the stable effect in services expenses capitalized for assets created internally related to IT Services segments and Almawave - New Technology segments.

The table below shows, in more details, the disaggregation of cost of services for all three years' period:

(in thousands of Euro)	For the year ended December 31,		
	2017	**2016**	**2015**
Maintenance	26,239	20,052	17,095
Insurance	2,105	2,038	1,841
Consultancy and professional services	88,013	88,656	78,805
Advertising, promotion and entertainment	642	650	560
Telephone expenses	7,066	6,449	6,292
Travel and stays	4,896	4,937	5,167
Energy and fluids	9,604	10,678	10,473
Distribution and warehousing	5,936	8,298	11,838
Other costs for services	79,569	70,918	71,852
Costs for services	**224,070**	**212,676**	**203,923**

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.
In addition, in 2017, they include the fees due to Directors totalling Euro 1,666 thousand, fees due to the Board of Statutory Auditors for Euro 205 thousand and fees due to the independent auditors for Euro 445 thousand.

Costs for services amount to Euro 224,070 thousand in 2017 compared to Euro 212,676 thousand in 2016 and to Euro 203,923 thousand in 2015 and contribute to the aggregate amount of Cost of raw materials and services for 84.9% in 2017, compared to a contribution of 85.1% in 2016 and of 85.4% in 2015.

30. PERSONNEL EXPENSES

Personnel expenses for each of the three years ended December 31, 2017, 2016 and 2015 are broken down as follows:

(in thousands of Euro)	For the year ended December 31		
	2017	**2016**	**2015**
Salaries and wages	356,986	352,437	345,393
Social security contributions	62,686	65,972	61,961
Employee benefit expenses	11,582	13,950	15,320
Other costs	2,743	2,086	2,239
Agency work	9,989	3,191	34
Costs of seconded personnel	8	39	21
Expenses for redundancy incentives	0	378	364
Personnel expenses capitalised for assets created internally	(11,023)	(7,521)	(7,120)
Personnel expenses	**432,971**	**430,532**	**418,212**

Personnel expenses increased by Euro 2,439 thousand, or 0.6%, from Euro 430,532 thousand in the financial year ended December 31, 2016 to Euro 432,971 thousand in the financial year ended December 31, 2017. This increase, as well as cost for raw materials and services, was in line with the overall revenue trend and resulted primarily from increased expense for salaries and wages, which increased by Euro 4,548 thousand from Euro 352,437 thousand in 2016 to Euro 356,986 thousand in 2017. This increase was a consequence of higher workforce. The increase in these costs was partially offset by an increase by Euro 3,502 thousand in personal expenses capitalized for assets created internally related to IT Services segment and Almawave - New Technology segment.
Personnel expenses increased, by Euro 7,044 thousand from Euro 345,393 thousand in 2015 to Euro 352,437 thousand in 2016. This increase was a consequence of higher workforce and restructuring costs in connection with the closure of our

CRM Europe site in Rome and social security contributions, which increased by Euro 4,011 thousand from Euro 61,961 thousand to Euro 65,972 thousand. The increase in these costs was partially offset by an increase by Euro 401 thousand in personal expenses capitalized for assets created internally related to IT Services segments and Almawave - New Technology segments.

The average number of employees of companies included in the consolidation area, broken down by category, for each of the three years ended December 31, 2017, 2016 and 2015 is as follows:

	At December 31, 2017	At December 31, 2016	At December 31, 2015
Executives	207.0	204.0	210.0
Middle managers	751.5	716.3	693.5
White-collar employees	40,145.8	42,127.3	40,524.9
Total Group average employees	***41,104.3***	***43,047.6***	***41,428.4***
Agency workers	521.5	456.8	22.8
Total workforce	***41,625.8***	***43,504.4***	***41,451.2***

31. DEPRECIATION AND AMORTIZATION

Depreciation and amortization for each of the three years ended December 31, 2017, 2016 and 2015 are broken down as follows:

(in thousands of Euro)	For the year ended December 31		
	2017	2016	2015
Industrial patent and intellectual property rights	7,717	6,802	5,166
Concession, licence and trademarks	227	47	6
Other	6,208	6,122	5,909
Total Amortization	***14,153***	***12,971***	***11,081***
Civil and industrial buildings	780	775	769
Industrial and commercial equipment	149	167	182
Plants and machinery owned and leased	6,165	7,101	6,552
Other assets owned and leased	8,467	8,279	8,517
Capital (gains) from disposals of fixed assets	0	0	0
Total Depreciation	***15,561***	***16,321***	***16,020***
Total Depreciation and amortization	**29,713**	**29,292**	**27,101**

32. OTHER EXPENSES

Other operating expenses for each of the three years ended December 31, 2017, 2016 and 2015 are broken down as follows:

(in thousands of Euro)	For the year ended December 31		
	2017	**2016**	**2015**
Write-down of receivables	67	93	71
Provisions for risks	3,939	4,222	2,045
Other provisions	0	0	0
Taxes and duties	192	166	13
Membership fees	602	700	734
Other expenses	4,309	14,923	7,230
Accruals to provisions	92	394	522
Reversal of over-accruals of trade receivables	1,131	2,420	1,680
Other operating expenses	**10,332**	**22,918**	**12,295**

Other operating expenses decreased by Euro 12,586 thousand, or -55%, from Euro 22,918 thousand in the financial year ended December 31, 2016 to Euro 10,332 thousand in the financial year ended December 31, 2017. This decrease was primarily due to expenses relating to the closure of the site in Rome in 2016 as part of the restructuring of our CRM Europe Division.
Net allocations to provisions for risks and charges were booked by the IT Services segment (Euro 3,523 thousand), the CRM Europe segment (Euro 416 thousand) and the CRM International segment (Euro 611 thousand). Information on the provisions for risks and charges is provided in Note 19, to which the reader is referred. Other operating costs - non-recurring portion which include almost exclusively the economic effect recorded due to settlement of previous receivables.

Other operating expenses increased by Euro 10,623 thousand, or 86.4%, from Euro 12,295 thousand in the financial year ended December 31, 2015 to Euro 22,918 thousand the financial year ended December 31, 2016. This increase was primarily due to expenses relating to the closure of the site in Rome in 2016 as part of the restructuring of our CRM Europe Division.

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

Financial income, Financial expenses and Exchange gains/(losses) for each of the three years ended December 31, 2017, 2016 and 2015 are reported below:

(in thousands of Euro)	For the year ended December 31		
	2017	**2016**	**2015**
Financial income	**926**	**1,643**	**723**
Financial expenses	**(34,392)**	**(27,601)**	**(27,966)**
Exchange gains/(losses)	**(280)**	**1,153**	**(620)**
Net financial result	**(33,746)**	**(24,805)**	**(27,862)**

As per the previous table, the result of financial income and expenses was a negative Euro 33,746 thousand as at December 31, 2017, compared to a negative result of Euro 24,805 thousand as at December 31, 2016, marking a worsening of Euro 8,941 thousand.
The increase in the year is connected to the rise in the financial indebtedness of Brazilian companies in the months prior to the Group financial transaction implemented during the year. The difference between exchange gains/(losses) registered in the current year compared to the previous year is related to fluctuations in the conversions carried out by foreign companies on items in foreign currency.

As shown in the table above, the Net financial result improved by Euro 3,057 thousand in 2016 from an amount of negative Euro 27,862 thousand for the year ended December 31, 2015 to an amount of negative Euro 24,805 thousand for the year ended December 31, 2016.

34. 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 of the three years ended December 31, 2017, 2016 and 2015 are reported below:

(in thousands of Euro)	For the year ended December 31		
	2017	**2016**	**2015**
Other gains on equity investments	**0**	**94**	**0**
Share of lossesa from investments accounted for using equity method	**(737)**	**(932)**	**(1,811)**
Net result from equity investments	**(737)**	**(838)**	**(1,811)**

As shown in the table above, the Net result from equity investments improved by Euro 973 thousand in 2016 from an amount of negative Euro 1,811 thousand for the year ended December 31, 2015 to an amount of negative Euro 838 thousand for the year ended December 31, 2016 and further improved by Euro 101 thousand in 2017 to an amount of negative Euro 737 thousand for the year ended December 31, 2017.
In 2017 there’s no gains or losses on equity investments, for the year ended December 31, 2016 amount to Euro 94 thousand and refer to dividends recognised by AlmavivA in connection with the investment in SIN. The amount was recognized as a dividend in the year 2016 as a result of the fact that the effect of the related share of income of 2015 was basically written-down in the Consolidated Financial Statements as at December 31, 2015 when the investment in SIN was reclassified as Non-current asset held for sale and valued at fair value less cost of disposal accordingly.

The analysis is provided in Note 7, “Equity investments accounted for using the equity method”.

35. INCOME TAXES

Income taxes for each of the three years ended December 31, 2017, 2016 and 2015 are broken down as follows:

(in thousands of Euro)	For the year ended December 31		
	2017	**2016**	**2015**
Italian Companies			
IRAP (Regional business tax)	1,524	1,338	855
IRES (Corporate income tax)	4,409	4,341	3,354
(Income) expenses from compliance with tax consolidation	(3,117)	(8,787)	(2,353)
	2,816	(3,108)	1,856
Foreign companies			
Other current taxes	418	1,419	1,014
	418	1,419	1,014
Current Taxes	**3,234**	**(1,689)**	**2,870**
Italian Companies			
IRAP (Regional business tax)	(18)	(210)	(409)
IRES (Corporate income tax)	821	(173)	(498)
	803	(383)	(907)
Foreign companies			
Other deferred taxes	(4,261)	(388)	(501)
	(4,261)	(388)	(501)
Deferred taxes	**(3,458)**	**(771)**	**(1,408)**
Income taxes for the year - non recurring portion	**194**	**(676)**	**(577)**
Total Income taxes	**(30)**	**(3,135)**	**885**

36. INCOME TAXES RECONCILIATION

Reconciliation of tax expense and the accounting profit multiplied by Group Almaviva’s domestic tax rate for 2015, 2016 and 2017:

	For the year ended December 31		
	2017	**2016**	**2015**
Income before taxes	832	(19,278)	(449)
Theoretical taxe rate	24.0%	27.5%	27.5%
Theoretical taxes	**200**	**(5,301)**	**(123)**
Effect of different foreign tax rates	(35)	(300)	(50)
Non-deductible expenses	4,662	502	2,697
Tax losses previous years / consolidated tax revenues	(3,117)	0	(509)
Effect of writedowns for deferred tax assets and redetermination of tax rates	0	2,073	0
IRAP (Italian regional business tax)	1,524	1,128	446
Effect on deferred taxation of changes in tax rates	(3,458)	(561)	(999)
Other differences and minor items	194	(676)	(577)
Total	**(30)**	**(3,135)**	**885**

37. GUARANTEES AND COMMITTMENTS

The Group granted the following guarantees as at December 31, 2017:

- personal guarantees of Euro 235,926 thousand (Euro 250,138 thousand as at December 31, 2016), 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 29,343 thousand, guarantees recorded by Lombardia Gestione of Euro 12,611 thousand for the execution of the 6-year service agreement and AlmavivA Contact S.p.A. in the amount of Euro 16,732 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.

Other guarantees, commitments and risks

These amounted to Euro 8,625 thousand (Euro 8,642 thousand as at December 31, 2016) and refer to third party assets held by AlmavivA S.p.A. (Euro 8,557 thousand) and Lombardia Gestione (Euro 68 thousand).

38. RISKS AND OTHER INFORMATION

Credit risk

The maximum theoretical exposure to credit risk for the AlmavivA Group as at December 31, 2017 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 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 12 above.

(in thousands of Euro)	**At December 31, 2017**	**At December 31, 2016**	**At December 31, 2015**
- Amount falling due	255,429	248,380	240,652
- Past due	45,251	46,376	42,173
Trade receivables net of Bad debt provision	**300,680**	**294,756**	**282,825**

Financial leasing and redemption commitments

The Group signed financial leases and redemption commitments for various plants and machinery. The Group's obligation deriving from these contracts is guaranteed by the property deed of the lessor on the leased assets. The renewal can be effected, if desired by the lessee company. The following table details the amount of the future fees of AlmavivA S.p.A.

(for 2016) and AlmavivA do Brasil S.A. (for 2016 and 2017) deriving from the financial leases and rental contracts and the present value of these fees:

(in thousands of Euro)	**Residual debt as at December 31,**		
	2017	**2016**	**2015**
Within 1 year	2,766	4,737	3,954
Between 1 and 5 years	225	2,998	5,736
After 5 years	0	0	0
Total minimum payments	*2,991*	*7,735*	*9,690*
less: Interest expenses	*(218)*	*(1,715)*	*(2,983)*
Present value of leasing payments	**2,773**	**6,020**	**6,707**

Liquidity risk

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

Exchange rate risk

Exposure to the risk of exchange rates changing derives from the company's transactions in non-euro currencies (mainly the Brazilian Real) and affects the 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.

39. 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.

40. LEGAL ISSUES AND LITIGATIONS

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

Contingent liabilities

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

Shown below are the main contingent liabilities as at December 31, 2017 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 Datacontact S.r.l. (as the agent of RTI with Exprivia S.p.A.) / RTI AlmavivA Contact S.p.A. - AlmavivA S.p.A. (principal) / GSE S.p.A.

RTI Datacontact requested the cancellation, subsequent to the adoption of precautionary measures, of the measure whereby GSE cancelled the final award to RTI Datacontact of the tender for "*Inbound and outbound Contact Centre Services supporting the institutional activities assigned to GSE for the promotion and development of the production of energy from renewable sources and energy efficiency and IT Technical Support*", as well as the subsequent decision announcing the final award of the tender in favour of RTI AlmavivA Contact/AlmavivA based on the order of the ranking. The Lazio Tar rejected the precautionary application and, with judgement of March 18, 2016, the appeal. RTI Datacontact lodged an appeal. Subsequently, at the hearing on the merits on May 18, 2017, by means of judgment dated June 7, 2017, the Council of State rejected the appeal. On June 23, 2017 GSE (Energy Services Operator) stipulated the tender contract with the RTI (temporary association of enterprises) AlmavivA Contact. 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. The outcome of the risk assessment did not determine the need to record any provisions for risks.

RTI Datacontact S.r.l. (as agent of RTI with Lucana Sistemi S.r.l. and Gruppo Servizi Informatici S.r.l.) / Regione Basilicata / Televita S.p.A. (as agent of RTI formed with Publysis S.p.A. and AlmavivA S.p.A.)

RTI Datacontact requested the cancellation, upon the adoption of precautionary measures, of the measure for the final award to RTI Televita (with AlmavivA S.p.A. as principal) of the "*Open procedure for the contract for the evolution of advanced solutions and services supporting the Digital Agenda for the period 2016-2020 - Cig: 6515399557*".

At the hearing in the council chambers for the discussion of the precautionary claim, held on March 23, 2017, RTI Datacontact requested that the precautionary claim be dealt with during the hearing on the merits and the Basilicata Tar (regional administrative court) scheduled the hearing for April 20, 2017. The hearing was held, and a decision in this case is pending. We are awaiting the judgment. The outcome of the risk assessment did not determine the need to record any provisions for risks.

RTI Capgemini Italia S.p.A. (as the agent of RTI with Aruba S.p.A., Sirti S.p.A. and Maggioli S.p.A.) / Consip S.p.A. / RTI AlmavivA S.p.A. (as the agent of RTI with Almawave S.r.l., Indra Italia S.p.A. and PricewaterhouseCoopers Advisory S.p.A.)

RTI Capgemini Italia requested the cancellation, upon the adoption of precautionary measures, of the measure for the final award to RTI AlmavivA of lot 4 of the "*Restricted procedure, broken down into 4 Lots, for the assignment of Cloud Computing, Security, Portal and Online Service Creation and Application Cooperation services for Public Administrations (ID SIGEF 1403)*", announced by the sole shareholder company Consip S.p.A. RTI AlmavivA has filed a cross-appeal. After RTI Capgemini's waiver of the precautionary measure, the hearing on the merits was scheduled for June 21, 2017. Following said hearing, by means of judgment of June 26, 2017, the Tar rejected the appeal submitted by the RTI Capgemini and the administration subsequently stipulated the tender contract with the RTI AlmavivA on August 4, 2017. The outcome of the risk assessment did not determine the need to record any provisions for risks.

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

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

A Californian start-up subpoenaed a former senior manager of Almawave USA Inc. together with Almawave S.r.l., AlmavivA S.p.A. and third parties before a U.S. court regarding the alleged conduct of the senior manager of Almawave USA Inc. Those summoned appeared before the court and contested the claim. With a decision of March 9, 2017, the U.S. court rejected the demands of Loop AI Labs Inc., which appealed the decision. The AlmavivA Group companies lodged an appeal for the recovery of legal costs, and any further procedural initiatives are currently under assessment. 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 the other Group companies, as the insured parties, requested the Court of Milan to order Lloyd's Insurers to be sentenced to reimburse expenses and the legal defence costs that they incurred and will be incurred as part of the dispute pending in the USA (described above), in addition to compensation for damages. At the preliminary hearing on May 16, 2017, the judge invited the Insurers to submit a proposal for the settlement of the dispute and postponed the discussion of the case, for the same parties to the action, to the hearing on June 28, 2017. At said hearing, the judge - having acknowledged the failure of the parties to reach an agreement and, disregarding the reservation assumed previously, adjourned the case for the presentation of final conclusions to the hearing on February 27, 2019. The outcome of the risk assessment did not determine the need to record any provisions for risks.

AlmavivA Contact S.p.A.

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

3G S.p.A. has requested annulment, upon suspension, of the ruling based on which Consip S.p.A. excluded it from the call for tenders for a "*Framework Agreement with several operators based on which several specific tenders will be awarded, pursuant to Art. 2, par. 225 of Law no. 191/2009 for the provision of Contact Centre services*." In its meeting in the council chambers of January 22, 2014, the TAR of Lazio rejected the application for an injunction. The relative hearing date has not been set yet. The outcome of the risk assessment did not determine the need to record any provisions for risks.

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

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

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

On January 23, 2009, Alicos S.p.A. applied for inclusion in proving a debt in bankruptcy with regard to Alitalia Airport 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. Against this decision of rejection, AlmavivA Contact S.p.A. filed an appeal, then barred to further proceedings. 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. 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.

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

Alicos S.p.A. applied for inclusion in proving a debt in bankruptcy with regard to Volare 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, then abandoned. 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.

RTI Datacontact S.r.l. (as the agent of RTI with Exprivia S.p.A.) / RTI AlmavivA Contact S.p.A. (agent) - AlmavivA S.p.A. / GSE S.p.A.

RTI Datacontact requested the cancellation, subsequent to the adoption of precautionary measures, of the measure whereby GSE cancelled the final award to RTI Datacontact of the tender for "*Inbound and outbound Contact Centre Services supporting the institutional activities assigned to GSE for the promotion and development of the production of energy from renewable sources and energy efficiency and IT Technical Support*", as well as the subsequent decision announcing the final award of the tender in favour of RTI AlmavivA Contact/AlmavivA based on the order of the ranking. The Lazio Tar rejected the precautionary application and, with judgement of March 18, 2016, the appeal. RTI Datacontact lodged an appeal. Subsequently, at the hearing on the merits on May 18, 2017, by means of judgment dated June 7, 2017, the Council of State rejected the appeal. On June 23, 2017 GSE (Energy Services Operator) stipulated the tender contract with the RTI (temporary association of enterprises) AlmavivA Contact. The outcome of the risk assessment did not determine the need to record any provisions for risks.

Gruppo Distribuzione S.p.A., on its own behalf and as agent of RTI formed with the principals Youtility Center S.r.l. and Distribuzione Italia S.r.l. / GSE S.p.A. / AlmavivA Contact S.p.A. (on its own behalf and as agent of RTI formed with the principal AlmavivA S.p.A.)

RTI Gruppo Distribuzione requested the cancellation, subsequent to the adoption of precautionary measures, of the measure whereby GSE decided, based on the order of the ranking, on the final award to RTI AlmavivA Contact of the tender for "*Inbound and outbound Contact Centre Services supporting the institutional activities assigned to GSE for the promotion and development of the production of energy from renewable sources and energy efficiency and IT Technical Support*", as well as the memorandum whereby GSE rejected the request of RTI Gruppo Distribuzione to revoke the tender award to RTI AlmavivA Contact. At the hearing on May 10, 2017, RTI Gruppo Distribuzione waived the precautionary measure and the Tar set the hearing on the merits for October 11, 2017. On June 23, 2017 GSE (Energy Services Operator) stipulated the tender contract with the RTI (temporary association of enterprises) AlmavivA Contact. The outcome of the risk assessment did not determine the need to record any provisions for risks.

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.

At the end of the financial year in question, the first appeals submitted by the dismissed workers were received.

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

In particular, judges of Rome Court who have confirmed the correctness of the procedure are 34 on 35 that have been involved in the proceedings in question. In the only unfavorable judgement, the entity immediately filed notice of opposition that will be considered by a Judge of Rome Court who have already decided in favor of the Company.

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.

The level of participation of contracted associates in the conciliation procedure was extremely high in the headquarters involved, so that no out-of-court appeals were received in the first financial statements of 2017.

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 SpA (then merged into AlmavivA Contact SpA), there were no new court appeals concerning the qualification of the relation during the year, whereas some appeals relating to the quantification of salary differences that are being defined were notified by subjects who were already reinstated by virtue of the judgement.

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

41. TRANSACTIONS WITH RELATED PARTIES

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

(a) the exchange of goods, the supply of services, the funding and use of financial means with the companies under joint control, associated companies and the subsidiaries outside the consolidation area, as better described hereunder;

(b) the exchange of goods and the supply of services with other subsidiaries in of the Italian State, as better described hereunder.

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:

	At December 31, 2017		For the year ended December 31, 2017			
	Receivables	Payables	Costs for Services	Other Costs	Revenues for Services	Other Income
Relationships with the controlling company of AlmavivA S.p.A.						
AlmavivA Technologies Srl	19,151	15	300	-	10	-
Relationships with the controlling companies valued at equity method						
Consorzio Hypertix			-	-	165	
Sin Srl	20,574	260	271	57	28,288	945
Consorzio Namex	433		8	-	-	-
TVEyes L.T.	3		22	-	-	14
Other						
Sadel S.p.A.		8,617	3,974	-	-	-
Almaviva CCID	106		-	-	-	-
Dentons Europe Studio Legale e Trib.		5	16	-	-	-
Elvit Consultoria e Partcipacoes LTDA			72	-	-	-
Totale	**40,267**	**8,897**	**4,663**	**57**	**28,463**	**959**

	At December 31, 2016		For the year ended December 31, 2016			
	Receivables	Payables	Costs for Services	Other Costs	Revenues for Services	Other Income
Relationships with the controlling company of AlmavivA S.p.A.						
AlmavivA Technologies Srl	20,084	45	317	55	10	-
Relationships with the controlling companies valued at equity method						
Consorzio Hypertix	1,564	-	-	-	1,823	-
Consorzio Technapoli	-	52	-	-	-	-
Sin Srl	13,440	776	237	280	26,902	1,177
TVEyes L.T.	3	-	21	-	-	11
Other						
DLA Piper	-	143	113	-	-	-
Elvit Consultoria e Partcipacoes LTDA		-	74			
Totale	**35,091**	**1,016**	**762**	**335**	**28,735**	**1,188**

	At December 31, 2015		For the year ended December 31, 2015			
	Receivables	Payables	Services	Other Costs	Services	Income
Relationships with the controlling company of AlmavivA S.p.A.						
AlmavivA Technologies Srl	15,372	15		300	10	-
Relationships with the controlling companies valued at equity method						
Consorzio Hypertix	2,622	-		-	3,564	-
Consorzio Technapoli	-	52		-	-	-
Sin Srl	9,738	522	302	-	31,904	-
TVEyes L.T.	3	7	28	-	11	-
Other						
DLA Piper	-	86	122	-	-	-
Elvit Consultoria e Partcipacoes LTDA			54			
Totale	**27,735**	**682**	**506**	**300**	**35,489**	**-**

42. SUBSEQUENT EVENTS

There’s no significant events to be mentioned.