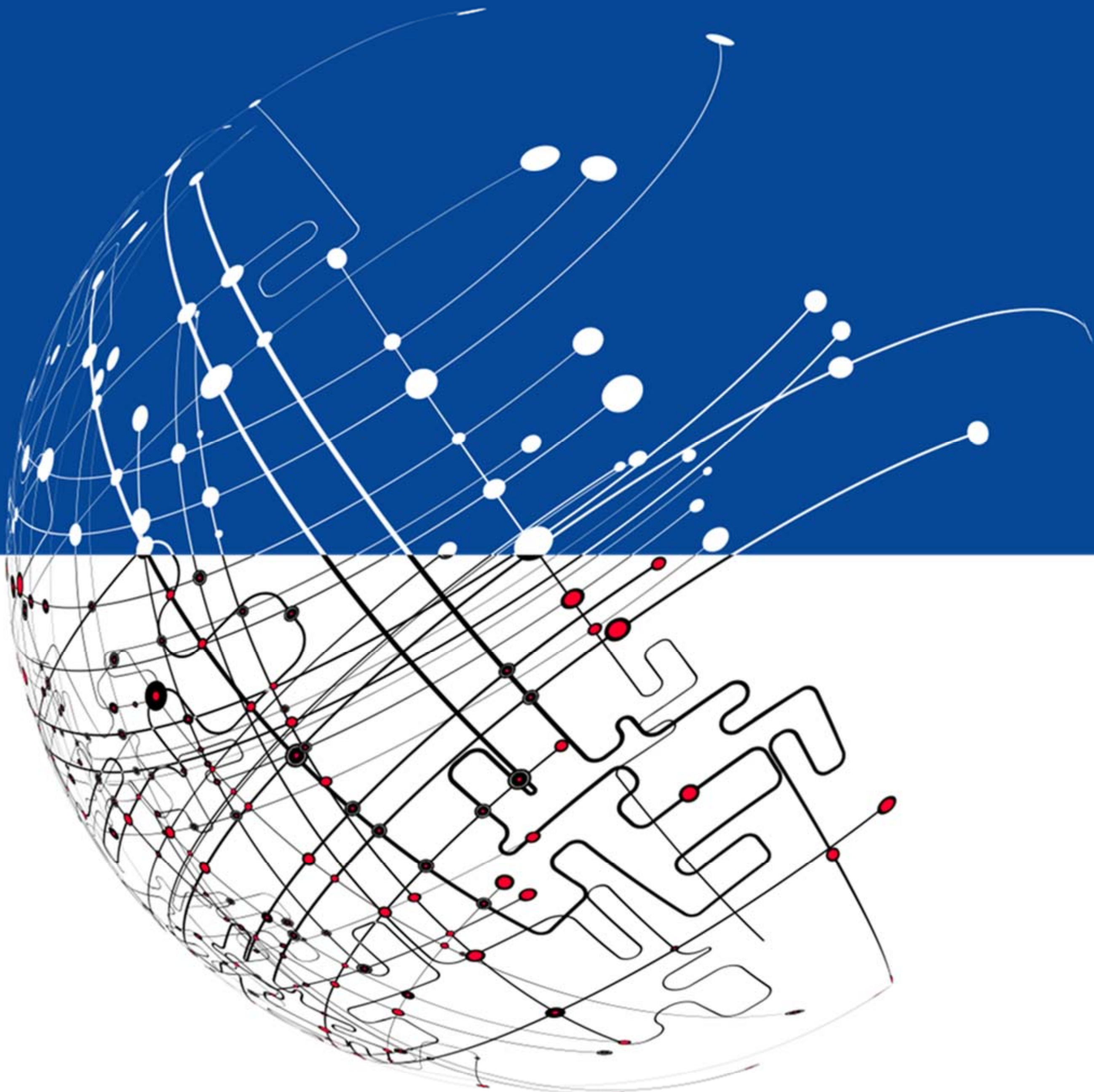

Interim Consolidated Financial Report for nine months period ended 30 September 2017

Board of Directors November 21st, 2017

Index

ALMAVIVA S.P.A. AND SUBSIDIARIES

INTERIM CONSOLIDATED FINANCIAL REPORT FOR NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2017

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

(In thousands of Euro)	Note	At September 30, 2017	At December 31, 2016
Intangible Assets	6	54.509	54.419
Goodwill	6	33.116	33.166
Property, plant and equipment		64.734	76.386
Investments accounted for using the equity method		1.936	1.717
Non-current financial assets	7	2.505	1.449
Deferred tax assets		11.734	10.777
Other non-current assets		1.369	1.400
Total non-current assets		**169.904**	**179.314**
Inventories and amount due from customers	8	41.967	33.626
Trade receivables	9	277.600	297.767
Current financial assets	7	10.920	7.870
Other current assets		108.284	82.719
Cash and cash equivalents		80.363	48.181
Total current assets		**519.134**	**470.163**
Non-current assets held for sale		2.459	4.249
Total assets		**691.497**	**653.726**
Share capital		154.899	154.899
Share premium reserve		17.788	17.788
Other reserves		(162.282)	(139.563)
Profit (loss) for the period		(2.065)	(16.907)
Total group shareholders' equity		*8.340*	*16.217*
Non-controlling interests		*4.551*	*5.055*
Total shareholders' equity	10	**12.891**	**21.272**
Non-current liabilities for employee benefits		55.121	59.043
Non-current provisions		4.346	5.466
Non-current financial liabilities	11	16.008	25.478
Deferred tax liabilities		1.794	1.794
Other non-current liabilities		926	1.030
Total non-current liabilities		**78.195**	**92.811**
Current provisions		8.913	7.285
Trade payables	12	202.265	193.897
Current financial liabilities	13	256.491	150.873
Tax payables		39.591	99.274
Other current liabilities		93.151	88.314
Total current liabilities		**600.411**	**539.643**
Total liabilities		**678.606**	**632.454**
Total equity and liabilities		**691.497**	**653.726**

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

(In thousands of Euro)	Note	For the nine months ended September 30, 2017	2016
Revenues	14	544,273	526,793
Other income		11,195	5,576
Total revenues and other income		**555,468**	**532,369**
Cost of raw materials and services		(176,856)	(170,411)
Personnel expenses	15	(324,571)	(318,696)
Depreciation and amortization	16	(21,872)	(21,127)
(Losses)/Gains from sale of non-current assets	16	(62)	-
Other expenses		(8,116)	(7,347)
Operating profit/(loss)		**23,991**	**14,788**
Financial income	17	773	965
Financial expenses	17	(25,509)	(21,811)
Exchange gains/(losses)		(1,122)	838
Profit/(loss) from investments in associates			94
Profit/(loss) from investments accounted for using equity method		183	51
Profit/(loss) before taxes		**(1,683)**	**(5,076)**
Income taxes	18	(73)	(5,226)
Profit/(Loss) from continuing operations		**(1,756)**	**(10,302)**
Profit/(Loss) for the period		**(1,756)**	**(10,302)**
of which:			
Profit/(Loss) pertaining to the group		(2,065)	(10,994)
Profit /(Loss) pertaining to non-controlling interests		309	692
Earning/(loss) per-share (in Euro)			
Basic, profit/(loss) per-share for the period attributable to ordinary equity holders of the parent		-0.01	-0.10
Diluted, profit/(loss) per-share for the period attributable to ordinary equity holders of the parent		-0.01	-0.09

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

		For the nine months ended September 30,	
(In thousands of Euro)	Note	2017	2016
Profit (loss) for the year		**(1,756)**	**(10,302)**
Other components of comprehensive income that may be subsequently reclassified to profit or loss, after taxes:			
Exchange differences on translation of foreign operations		(3,783)	4,138
Gains/(losses) on cash flow hedging instruments		**-**	**(75)**
Total		**(3,783)**	**4,063**
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		1,462	(1,577)
Total		**1,462**	**(1,577)**
COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**(4,077)**	**(7,816)**
of which:			
Comprehensive income/(loss) pertaining to the group		(4,042)	(8,508)
Comprehensive income/(loss) pertaining to non-controlling interests		(35)	692

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

(In thousands of Euro)	Share Capital	Share premium reserve	Other reserves	Profit/(Loss) for the period	**Total group shareholders' equity**	Reserves pertaining to NCIs	Profit/(Loss) for the period	**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**	**381**	**3,855**	**31,123**
Profit/(loss) for the period				(10,994)	**(10,994)**		692	**692**	**(10,302)**
Exchange differences on translation of foreign operations			4,025		4,025	113		113	4,138
Gains/(losses) on cash flow hedging instruments			(75)		(75)				(75)
Actuarial gains/(losses) on valuation of liabilities for employess benefits			(1,577)		(1,577)				(1,577)
Comprehensive income/(loss) for the year	**0**	**0**	**2,373**	**(10,994)**	**(8,621)**	**113**	**692**	**805**	**(7,816)**
Allocation of prior year's profit/(loss)			(1,715)	1,715	**0**	381	(381)	**0**	**0**
Other movements			(1,178)		**(1,178)**	96		**96**	**(1,082)**
Shareholders' Equity at September 30, 2016	**154,899**	**17,788**	**(144,224)**	**(10,994)**	**17,469**	**4,064**	**692**	**4,756**	**22,225**
Shareholders' Equity at December 31, 2016	**154,899**	**17,788**	**(139,563)**	**(16,907)**	**16,217**	**4,291**	**764**	**5,055**	**21,272**
Profit/(loss) for the period				**(2,065)**	**(2,065)**		**309**	**309**	**(1,756)**
Exchange differences on translation of foreign operations			(3,439)		(3,439)	(344)		(344)	(3,783)
Gains/(losses) on cash flow hedging instruments									
Actuarial gains/(losses) on valuation of liabilities for employess benefits			1,462		1,462				1,462
Comprehensive income/(loss) for the year	**0**	**0**	**(1,977)**	**(2,065)**	**(4,042)**	**(344)**	**309**	**(35)**	**(4,077)**
Allocation of prior year's profit/(loss)			(16,907)	16,907	0	764	(764)	0	0
Other movements			598		598	504		504	1,102
Dividends paid			(4,433)		(4,433)	(973)		(973)	(5,406)
Shareholders' Equity at September 30, 2017	**154,899**	**17,788**	**(162,282)**	**(2,065)**	**8,340**	**4,242**	**309**	**4,551**	**12,891**

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

(In thousands of Euro)	Note	For the nine months ended September 30, 2017	2016
Profit/(Loss) for the period		**(1.756)**	**(10.302)**
Adjustments to reconcile profit before tax to net cash flows:			
Income Taxes		73	5.226
Financial income		(773)	(965)
Financial expenses		25.509	21.811
Exchange (gains)/losses		1.122	(838)
Depreciation and amortization		21.872	21.127
Write-downs/(revaluations) of non-current financial assets and equity investments investments		(130)	(51)
Losses from sale of non-current assets		62	-
Interest received		773	965
Interest paid		(23.962)	(20.476)
Income taxes paid		(2.015)	(1.251)
Cash flows generated from operating activities before changes in working capital		*20.775*	*15.247*
Change in trade receivables		20.167	(10.200)
Change in inventories and amount due from customers		(8.341)	(4.199)
Change in trade payables		8.127	1.950
Change in other assets		(25.535)	(6.025)
Change in other liabilities		(53.009)	8.093
Foreign exchange rate effect related to items of working capital		7.939	(2.772)
Change in liabilities for employee benefits and provisions		(2.645)	5.588
Change in deferred tax assets (liabilities)		(957)	(934)
Cash-flow generated from/(absorbed by) operating activities (A)		**(33.478)**	**6.748**
Investments in property, plant and equipment		(4.160)	(8.127)
Investments in intangible assets		(11.186)	(9.409)
Acquisition of investments accounted for using the equity method		(1.365)	(4)
Proceeds from divestments of PP&E, intangible assets and investments accounted for using the equity method		7	158
Change in non-current asset held for sale		1.790	8.008
Change in non-current financial assets		157	19
Change in current financial assets		(3.050)	1.099
Cash-flow absorbed by investing activities (B)		**(17.807)**	**(8.256)**
Proceeds from non-controlling interests for payment of share capital of subsidiaries		339	(477)
Dividends paid to non-controlling interests and parent shareholders'		(5.405)	(343)
Proceeds from borrowings		30.128	48.880
Repayment of borrowings		(45.598)	(20.449)
Other change in current and non-current financial liabilities		100.505	(35.299)
Cash-flow absorbed by financing activities (C)		**79.969**	**(7.688)**
Cash flow of the period (A+B+C)		**28.684**	**(9.196)**
Effect of foreign exchange rates on cash and cash equivalents		3.497	1.660
Cash and cash equivalents at beginning of the period		48.181	50.645
Cash and cash equivalents at end of the period		80.363	43.109

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 organizational structure incorporating more than 40,000 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 main activities in which the Group operates are listed in Note n.4 while the Note n.2.1 shows the main information related to Group structure.

When used in these EXPLANATORY NOTES (CONTINUED), 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.

The Interim Financial Report at September 30, 2017 has been approved by Company’s Board of Directors on November 21st, 2017

2. BASIS OF PREPARATION

The interim financial report of the Company and its subsidiaries (the “AlmavivA Group”) as of and for the nine months ended September 30, 2017 and 2016 (hereinafter collectively referred to as the “Interim financial report”) has been 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 September 30, 2017 and December 31 2016 the consolidated income statement for the nine months ended September 30, 2017 and 2016 with related consolidated statement of comprehensive income, consolidated statement of changes in shareholders’ equity and consolidated statement of cash flows for the six months ended September 30, 2017 and 2016, together with the related EXPLANATORY NOTES (CONTINUED) thereto.

The Interim financial report has been prepared on the basis of IAS 34 “Interim financial reporting” and therefore do not contain all the information required in the preparation of the annual consolidated financial statements. For this reason, the Interim financial report for the nine months ended September 30, 2017 must be read together with the consolidated financial statements as at December 31, 2016.

Since it is the first interim financial report published by the entity, in the following are listed several information related to basis of consolidation as well as accounting policies and measurement which can be identified also in consolidated financial statements as at December 31, 2016.

The layouts adopted for the preparation of the Interim Financial Report are consistent with those used in the annual consolidated financial statements pursuant to IAS 1, as follows:

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (CONTINUED)

2. BASIS OF PREPARATION (Continued)

- 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 period. 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 period;

- the **consolidated income statement** was prepared by classifying operating costs by nature, given that this type of presentation is deemed more appropiate 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 comprehensive income** presents the profit/(loss) for the period 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 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.

The Euro is the functional currency of the Group. All amounts are stated in thousands of Euro, except when otherwise indicated. The following tables show spot and average currency rate adopted by the Group.

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (CONTINUED)

2. BASIS OF PREPARATION (Continued)

Spot currency rate

Currency/Euro

Country	Currency	ISO	At September 30, 2017	At December 31, 2016	At September 30, 2016
Brazil	Real	BRL	3,764	3,431	3,621
Colombia	Peso	COP	3468,370	3169,490	3207,130
USA	Dollaro	USD	1,181	1,054	1,116
Tunisie	Dinaro	TND	2,917	2,450	2,461

Average currecy rate

Currency/Euro

Country	Currency	ISO	At September 30, 2017	At December 31, 2016	At September 30, 2016
Brazil	Real	BRL	3,531	3,862	3,964
Colombia	Peso	COP	3272,322	3378,737	3420,231
USA	Dollaro	USD	1,113	1,107	1,116
Tunisie	Dinaro	TND	2,660	2,374	2,348

2.1. Basis of consolidation

The Interim financial report comprise the financial statements of AlmavivA S.p.A. and its Italian and foreign subsidiaries as illustrated below

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (CONTINUED)

2. BASIS OF PREPARATION (Continued)

Companies and method of consolidation	Currency	Share held [1]	For the nine months ended Setpember 30, 2017	For the year ended December 31, 2016
AlmavivA S.p.A. (Parent Company) Rome, Italy	Euro	-	Full	Full
Lombardia Gestione S.r.l. Milan, Italy	Euro	51,00%	Full	Full
Almaviva de Belgique S.A. Brussels, Belgium	Euro	100,00%	Full	Full
Almaviva Contact S.p.A. Rome, Italy	Euro	100,00%	Full	Full
Almaviva do Brasil S.A. San Paolo, Brazil	Brazilian Real	94,75%	Full	Full
Almaviva Participacoes Ltda. Belo Horizonte, Brazil	Brazilian Real	94,75%	Full	Full
Almaviva Credit Ltda. Belo Horizonte, Brazil	Brazilian Real	94,75%	Full	Full
Almacontact (ex Almaviva de Colombia) S.A.S. Bogotà, Colombia	Colombian Peso	94,75%	Full	Full
Italy Call S.r.l. Rome, Italy	Euro	100,00%	Full	Full
Almaviva Tunisie S.A. Tunis, Tunisie	Tunisian Dinar	56,25%	Full	Full
Almaviva Services S.r.l. Iasi, Romania	Romanian Leu	100,00%	Full	Full
Almawave S.r.l. Rome, Italy	Euro	100,00%	Full	Full
Almawave SA Ltd. Johannesburg, South Africa	South-African Zar	-	-	Full
Almawave do Brasil Ltda. Belo Horizonte, Brazil	Brazilian Real	100,00%	Full	Full
Pervoice S.p.A. Trento, Italy	Euro	50,90%	Full	Full
Almawave USA Inc. San Francisco, USA	US Dollar	100,00%	Full	Full
Agrisian S.C.p.A. in liquidazione Rome, Italy	Euro	50,86%	Full	Full
CCID-Almaviva Inform.Technol.Co.Ltd. Shangai, People's Republic of China	Chinese Yuan	50,00%	Equity	Equity
Consorzio Hypertix Rome, Italy	Roma	49,99%	Equity	Equity
TVEyes L.T. S.r.l. Trento, Italy	Euro	20,00%	Equity	Equity
Sin S.p.A. Rome, Italy	Euro	20,02%	-	Equity

[1] At September 30, 2017

* outside of the consolidatement area since Jan-2017

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

2. BASIS OF PREPARATION (Continued)

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 period are included in the Unaudited Interim Condensed Consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

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

2. BASIS OF PREPARATION (Continued)

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 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;
- unrealized 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 period by a parent from a consolidated subsidiary and recognized 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 revenue and costs are translated at average exchange rates for the period. 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 period-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

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (CONTINUED)

2. BASIS OF PREPARATION (Continued)

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 period 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 recognized in shareholders' equity.

Goodwill is initially recognized at cost, being the excess of the aggregate of the consideration transferred and the amount recognized 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 those 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 Unaudited Interim Condensed Consolidated Financial Statements using the equity method, as envisaged, respectively, by IAS

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (CONTINUED)

2. BASIS OF PREPARATION (Continued)

28 (Investments in associates and joint ventures) and IFRS 11 (Joint arrangements). Associated companies and joint ventures are included in the Unaudited Interim Condensed Consolidated Financial Statements when the significant influence or the joint control begins, until the date in which this joint control or significant influence cease.

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 recognized at cost. The carrying amount of the equity investment is increased or decreased to recognize the portion, pertaining to the investor, of the profits and losses of the investee realized 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 amortized 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 period of associated companies and joint ventures is recognized in the income statement for the period, 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 recognized. 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 recognized in the income statement for the period. 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 recognizes 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.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting policies and measurement criteria

The main accounting policies and measurement criteria used in the preparation of the Interim financial report are described hereunder.

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

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, licences, 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 period of disposal. Any ordinary maintenance costs are charged to the income statement.

Leasehold improvements are classified in property, plant and equipment, depending on the nature of the cost incurred. The depreciation period corresponds to the lower of the residual useful life of the material immobilization and the residual term of the lease.

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 statement of profit or loss in finance costs.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 statement of profit or loss – is removed from OCI and recognised in the statement of profit or loss. 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 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 periods 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 period-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.

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

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 statement of profit or loss.

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 statement of profit or loss 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 statement of profit or loss 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

Impairment test of assets and corresponding reversal

The Group assesses, at each reporting date, 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 calculation 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 each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

estimates the asset's or CGU's recoverable amount. A previously recognised 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 recognised. 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 recognised for the asset in prior years. Such reversal is recognized in the statement of profit or loss 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 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 recognised. 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 recognised 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 speficic 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.

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.

Revenues related to recurring services is recognized over the term of the contract to which they refer.

Sale of goods

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Costs

Costs are recognized when the related goods and services are sold or consumed during the period, when they are allocated on a systematic basis or when their future economic benefits can not 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 period they are incurred.

Income taxes

Current income taxes are calculated on the basis of the estimate of taxable income in accordance with the applicable tax regulations; 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.

Tax consolidation

AlmavivA S.p.A. and its Italian subsidiaries exercised the option of participating to the Italian tax consolidation mechanism under the ultimate parent company AlmavivA Technologies S.r.l..

The option for the tax consolidation will expire with the filing of the consolidated tax declaration for the year ending December 31, 2018 and the related financial settlement.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 segments. As a result of that, the following three major reportable segments were identified: (a) IT Services; (b) CRM Europe; and (c) CRM International.

In addition to the above, management identified a fourth 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 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 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.

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Use of Estimates and Management Judgement

The preparation of the interim financial report 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 3.1 above;
- 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 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.

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Unaudited Interim Condensed Consolidated Financial Statements of the Group as a result of business combinations has been allocated to individual CGUs or groups of CGUs that will benefit from the combination.

In identifying such CGUs, management took account of the specific nature of the assets and the business acquired through the business combination that originated the goodwill (e.g. geographical area and business area), verifying that the cash flows of a given group of assets were closely interdependent and largely independent of those associated with other assets (or groups of assets). The assets allocated to each CGU were also identified in a way consistent with the manner in which management manages and monitors those assets within the business model adopted.

As a result of this process, the following CGUs were identified where goodwill was allocated: AlmavivA Contact S.p.A.; Alicos; AlmavivA do Brasil S.A.; In Action; AlmavivA Finance; Pervoice; Gempliss; Atesia.

Estimates are mainly related to critical valuation processes and key assumptions used by the Group for IFRS purposes, which could have a material impact on the data presented in the Unaudited Interim Condensed Consolidated Financial

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statements or which entail the risk that there may be material differences compared with the future carrying amounts of assets and liabilities. Estimates are mainly used to recognize:

- any non-recoverable value of non-current assets, including goodwill, deferred tax assets, additions to the allowances for doubtful accounts, additions to provisions;
- the estimate at completion of the costs related to works in progress, which represents one of the main assumptions for the application of the “percentage of completion” method of accounting;
- liabilities for post-employment benefits qualified as defined-benefit obligations, with particular reference to the actuarial assumptions used when applying the Projected Unit Credit Method;
- fair value measurements, including that of derivative contracts and the market value of assets and liabilities recognized in connection with business combinations or related to non-current assets held for sale.

Estimates and assumptions are reviewed on a regular basis and the impact of any change in the estimates is reflected in the result for the period during which the change was made.

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 Seasonality of operations

The Group's revenues and results are not significantly affected by the seasonality of the activities carried out in the different operating sectors in which it operates. The Group's performance tends to be consistent throughout the year, also thanks to the distribution of operating activities in the two hemispheres, which allows to compensate for the periods of reduced operational activity of the Brazilian and European subsidiaries during the summer and winter. Given the limited economic impact of these trends no additional financial information (required by IAS 34.21) is therefore provided with reference to the performance of the Group for the nine months ended September 30, 2017.

3.4 Standard issued but not yet in force

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects relating to the project for the accounting of financial instruments: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for years starting on or after January 1, 2018; early application is permitted. Except for hedge accounting, the standard shall be applied retrospectively, although the supply of comparative information is not mandatory. As regards hedge accounting, the standard generally applied prospectively, with some limited exceptions.

The Group will adopt the new standard at the date of entry into force.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and introduces a new 5-step model that will apply to revenue from contracts with customers. IFRS 15 envisages the recognition of revenues for the amount that reflects the consideration the entity expects to be entitled in exchange for the transfer of goods and services to the customer.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The new standard will replace all current requirements present in the IFRS regarding the recognition of revenues. The standard is effective for years starting on or after January 1, 2018, with full retrospective or modified application. Early application is permitted.

The Group expects to apply the new standard from the mandatory date of effectiveness, by using the method of modified retrospective application.

In order to follow up on the Public Statements "Enforcement Priorities for 2016 financial statements" issued on October 28, 2016 by ESMA, the AlmavivA Group started an activity finalized to identify potential impacts arising from the application, as of 1 January 2018, of the above mentioned new accounting standards IFRS 9 - Financial Instruments and IFRS 15 - Revenues from contracts with customers. In particular, in relation to IFRS 15, the mapping activity of the potentially impacted principles was initiated in order to subsequently identify and analize the accounting effects associated with the application of the new rules. Also with regard to IFRS 9, the Group started in the first half of 2017 a project aimed to identify potential impacts in terms of (i) Classification and evaluation, (ii) Impairment loss and (iii) Hedge accounting for assets, liabilities and financial statements included in the consolidated financial statements of the Group.

In the next months, the Group will continue the assessment activities of the possible impact of the application of IFRS 15 and IFRS 9 on the Group's net assets, as well as those aimed to identify the how to represent on consolidated financial statements the effects on first-time adoption of the new principles, also taking into account the options provided.

IAS 7 Disclosure Initiative – Amendments to IAS 7

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. Entities need not provide comparative information when they first apply the amendments. The amendments are effective for years starting on or after January 1, 2017; early application is permitted. Applying the changes will result in the Company being required to provide additional information.

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.

Entities must apply these amendments retrospectively. However, when they first apply the amendments, the amendment in the net opening equity of the first comparative period could be recognised among retained earnings at the opening (or in another equity item, as the case may be, without allocating the change as retained earnings at the opening and other shareholders' equity items. Entities that apply this facility must disclose it. The amendments are

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

effective for years starting on or after January 1, 2017; early application is permitted. An entity that applies these amendments earlier should disclose this fact in its relevant financial statements. The Group does not expect any impact due to the application of these amendments.

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 specifies how an IFRS reporter will recognise, measure, present and disclose leases and requires lessees to recognise assets and liabilities for 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" when new (such as personal computers) and short-term leases (such as leases with a lease term of 12 months or less). Upon lease commencement, a lessee recognises a lease liability and a right-of-use 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 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. Earlier application is permitted if IFRS 15 Revenue from Contracts with Customers has also been applied. 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

In 2017, the Company expects to define the potential impact of IFRS 16 on its Consolidated Financial Statements.

IFRIC 23 Uncertainty over Income Tax Treatments

In June 2017, the International Accounting Standards Board (IASB) issued IFRS interpretation IFRIC 23 uncertainty over Income Tax Treatments which is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. According to IFRIC 23, companies need to determine the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The standard permits two possible methods of transition: Full retrospective approach – Under this approach, IFRIC 23 will be applied retrospectively to each prior reporting period presented in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. Retrospectively with cumulative effect of initially applying IFRIC 23 recognized by adjusting equity on initial application, without adjusting comparatives. The effective date for adoption of IFRIC 23 is annual periods beginning on or after January 1, 2019, though early adoption is permitted. The Group is yet to evaluate the effect of IFRIC 23 on the 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 reportable segments, as follows:

a) The IT Services segment comprises activities such as software development, upgrade and integration services primarily for public and private sector customers in Italy.

b) The CRM Europe segment comprises CRM business process outsourcing services primarily for customers in Italy.

c) The CRM International segment comprises CRM business process outsourcing services primarily for customers located in Brazil.

d) The Almawave – New Technology segment comprises activities such as software applications in the areas of big data analytics and speech text recognition, sold in approximately equal parts to internal and external customers.

No operating segments have been aggregated to form the above reportable segments.

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (CONTINUED)

4. OPERATING AND REPORTABLE SEGMENTS (Continued)

Management has identified the operating and reportable segments that meet the quantitative requirements described in the IFRS 8 accounting principle, with particular reference to the percentage of the sector's revenues compared to the Group's total revenues (provided by the accounting principle of at least 10%). In this regard, it is noted that despite the Almawave - New Technology segment does not meet the aforementioned quantitative requirements set out in IFRS 8, management believes that sector information are useful for the stakeholders. Almawave, in fact, is the result of significant investments made in recent years by the Group in the new technologies business.

The top management monitor the operating results of its business units 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 Interim Financial Report for the nine months ended September 30, 2017. The Group’s financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating and reportable segments. The price of transactions between entities belonging to different operating and reportable segments are determined on an arm’s length basis in a manner similar to transactions with third parties.

Inter-segments revenues, income and expenses are eliminated or adjusted upon consolidation and reflected in “Adjustments, eliminations and other” column.

Finance income and costs as well as gains and losses from equity investments are not allocated to individual segments as the underlying instruments are managed on a group basis.

Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on a group basis.

For the nine months ended September 30, 2017

(in thousands of Euro)	IT Services	CRM Europe	CRM International	Almawave - New Technology	Adjustments eliminations and other	Consolidated
Revenues						
External customers	249,354	92,836	198,077	4,007	0	544,273
Inter-segments	2,749	4,902	29	5,423	(13,103)	0
Total revenues	**252,103**	**97,738**	**198,106**	**9,430**	**(13,103)**	**544,273**
Income/(Expenses)						
Cost of raw materials and services	(106,446)	(24,657)	(58,393)	(2,700)	15,341	(176,856)
Personnel expenses	(124,348)	(77,784)	(117,314)	(5,396)	270	(324,571)
Depreciation and amortization	(11,509)	(1,665)	(7,832)	(1,179)	313	(21,872)
Losses from sale of non-current assets	(52)	0	0	(10)	0	(62)
Other operating income	11,629	1,342	155	657	(2,588)	11,195
Other operating expenses	(4,948)	(1,822)	(1,866)	0	520	(8,116)
Operating profit	**16,429**	**(6,848)**	**12,857**	**802**	**752**	**23,991**
At September 30, 2017						
Total assets related to reportable Operating Segments	**408,831**	**131,338**	**181,372**	**29,087**	**(86,749)**	**663,878**
Total liabilities related to reportable Operating Segments	**263,847**	**88,615**	**45,816**	**12,716**	**(46,273)**	**364,722**

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (CONTINUED)

4. OPERATING AND REPORTABLE SEGMENTS (Continued)

For the nine months ended September 30, 2016

(in thousands of Euro)	IT Services	CRM Europe	CRM International	Almawave - New Technology	Adjustments eliminations and other	Consolidated
Revenues						
External customers	246.266	99.993	175.870	4.664	(0)	526.793
Inter-segments	3.028	4.751	396	4.060	(12.235)	
Total revenues	**249.294**	**104.744**	**176.266**	**8.724**	**(12.235)**	**526.793**
Income/(Expenses)						
Cost of raw materials and services	(103.653)	(28.036)	(52.053)	(2.425)	15.756	(170.411)
Personnel expenses	(122.532)	(92.026)	(99.444)	(5.064)	369	(318.696)
Depreciation and amortization	(11.576)	(1.725)	(7.214)	(926)	313	(21.127)
Losses from sale of non-current assets	0	0	0	0	0	0
Other operating income	8.434	506	0	138	(3.502)	5.576
Other operating expenses	(5.579)	(1.895)	0	(5)	132	(7.347)
Operating profit	**14.388**	**(18.431)**	**17.555**	**442**	**833**	**14.788**
At September 30, 2016						
Total assets related to reportable Operating Segments	**387.718**	**121.663**	**172.000**	**26.657**	**(78.658)**	**629.381**
Total liabilities related to reportable Operating Segments	**254.028**	**90.974**	**40.409**	**11.725**	**(42.100)**	**355.035**

Reconciliation of Operating profit

(in thousands of Euro)	For the nine months ended September 30, 2017	For the nine months ended September 30, 2016
Operating profit	**23,991**	**14,788**
Finance income	773	965
Finance costs	(25,509)	(21,811)
Exchange gains/(losses)	(1,122)	838
Gains/(losses) on equity investments	0	94
Profit/(loss) from investments accounted for using equity method	183	51
Profit/(loss) before taxes	**(1,683)**	**(5,076)**

Reconciliation of Total assets

(in thousands of Euro)	At September 30, 2017	At December 31, 2016
Segment operating assets	**663.878**	**629.381**
Deferred tax assets	11.734	10.777
Current financial assets	10.920	7.870
Non-current financial assets	2.505	1.449
Non-current assets held for sale	2.459	4.249
Totale Assets	**691.497**	**653.726**

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (CONTINUED)

4. OPERATING AND REPORTABLE SEGMENTS (Continued)

Reconciliation of Total liabilities

(in thousands of Euro)	At September 30, 2017	At December 31, 2016
Segment operating liabilities	**364,722**	**355,035**
Non-current financial liabilities	16,008	25,478
Current financial liabilities	256,491	150,873
Current tax liabilities	39,591	99,274
Deferred tax liabilities	1,794	1,794
Totale liabilities	**678,606**	**632,454**

	For the nine months ended	
(in thousands of Euro)	2017	2016
Revenues from external customers		
Italy	342,806	350,002
Brazil	191,755	173,924
Tunisia	1,565	1,620
Colombia	4,936	1,000
Others	3,211	247
Revenues	**544,273**	**526,793**

On following tables are presented, for each operating segments, the alternative performance measure EBITDA determined as follows:

Operating profit
(+) Depreciation and amortization
(+) Losses from sale of non-current assets
Earning before intersts, taxes, depreciation and amortization (EBTDA)

Furthermore the EBITDA measure have been determined for nine months period ended at September 2017 as well as those ended at September 2016

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (CONTINUED)

4. OPERATING AND REPORTABLE SEGMENTS (Continued)

For the nine months ended September 30, 2017

(in thousands of Euro)	IT Services	CRM Europe	CRM International	Almawave - New Technology	Adjustments eliminations and other	Consolidated
Operating profit	**16,429**	**(6,848)**	**12,857**	**802**	**752**	**23,991**
(+) Depreciation and amortization	11,509	1,665	7,832	1,179	(313)	21,872
(+) Losses from sale of non-current assets	52	0	0	10	0	62
Earning before intersts, taxes, depreciation and amortization (EBTDA)	**27,990**	**(5,183)**	**20,688**	**1,991**	**439**	**45,925**

For the nine months ended September 30, 2016

(in thousands of Euro)	IT Services	CRM Europe	CRM International	Almawave - New Technology	Adjustments eliminations and other	Consolidated
Operating profit	**14,388**	**(18,431)**	**17,555**	**442**	**833**	**14,788**
(+) Depreciation and amortization	11,576	1,725	7,214	926	(313)	21,127
(+) Losses from sale of non-current assets	0	0	0	0	0	0
Earning before intersts, taxes, depreciation and amortization (EBTDA)	**25,964**	**(16,706)**	**24,769**	**1,368**	**520**	**35,916**

5. SIGNIFICANT TRANSACTIONS IN THE PERIOD

During the nine months period ended on September 30, 2017, certain corporate transactions took place, which are described briefly below, and involved AlmavivA S.p.A. or other certain companies which are direct or indirect investees of the latter.

Provided below is the main information regarding said transactions:

ALMACONTACT SAS

On April 7, 2017 the share capital was increased and amounted to COP 5.885.661.000.

ALMAVIVA SPA

On April 18, 2017 AlmavivA SpA has raised 1,790 thousands of Euro as part of Non-current assets held for sale (balance as of December 31, 2016 equal to 4,249 thousands of Euro) and related to sale of investment in Sin SpA. The remaining credit, equal to 2,459 thousands of Euro, has not been raised yet. For further details please refer to Note 18.

LOMBARDIA GESTIONE S.r.l. – SHARE CAPITAL DECREASE

On April 27, 2017 the share capital was decreased and amounted to 1 million of Euros.

ALMAWAVE SA (Pty) Ltd

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (CONTINUED)

5. SIGNIFICANT TRANSACTIONS IN THE PERIOD (Continued)

On March 23, 2017 all documentation related to termination of the company (with effect from 1st January 2017) has been presented. Therefore, as described above, the entity has been excluded from Area of consolidation from 1st March, 2017.

ALMAVIVA SPA

On July 21, 2017 the entity signed the purchase agreement of 15% of share capital of Wave S.r.l.

ALMACONTACT SAS – SHARE CAPITAL INCREASE -

On August 9, 2017 the share capital was increased and amounted to COP COP 6,885,661,000.

ALMAVIVA DO BRASIL TELEMARKETING E INFORMATICA

On September 29, 2017 the share capital was increased and amounted to R$ 46,282,171,00. The mentioned increase has been fully subscribed by Almaviva Contact S.p.A.. On the outcome of abovementioned increase, the share capital of the entity is held by following entities (with related percentages)

- Almaviva Contact S.p.A. (94.680%)
- SIMEST S.p.A. (5.255%)
- Almawave S.r.l. (0.065%)

6. INTANGIBLE ASSETS AND GOODWILL

The intangible assets and goodwill of the Group are equal to Euro 87,626 thousands (Euro 87,585 as of December 31, 2016). The table below shows for each component of Intangible assets the changes in net carrying value that occurred in 2017 and 2016:

(in thousands of Euro)	**Goodwill**	**Industrial patent and intellectual property rights**	**Concessions, licences, trademarks and similar rights**	**Other Intangibl e assets**	**Assets under construction**	**Total**
At December 31, 2016	**33.166**	**28.548**	**236**	**14.659**	**10.976**	**87.585**
Additions		855	7	3	197	**1.062**
Capitalisation for internal projects		47	0	0	10.077	**10.124**
Amortization		(5.455)	(50)	(4.763)	-	**(10.268)**
Disposals						**0**
Reclassifications and other		2.145		3.171	(5.307)	**9**
Foreign exchange differences	(50)	(820)	(17)			**(887)**
At September 30, 2017	**33.116**	**25.320**	**176**	**13.070**	**15.943**	**87.625**

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (CONTINUED)

6. INTANGIBLE ASSETS AND GOODWILL (Continued)

(in thousands of Euro)	Goodwill	Industrial patent and intellectual property rights	Concessions, licences, trademarks and similar rights	Other Intangible assets	Assets under construction	Total
At December 31, 2015	**33.050**	**23.167**	**19**	**16.435**	**12.182**	**84.854**
Additions		399		4	607	**1.010**
Capitalisation for internal projects					8.399	**8.399**
Amortization		(4.949)	(4)	(4.574)	-	**(9.527)**
Disposals						**0**
Reclassifications and other		6.877		1.155	(8.019)	**13**
Foreign exchange differences	86	1.468				**1.554**
At September 30, 2016	**33.136**	**26.962**	**15**	**13.020**	**13.169**	**86.302**

Group's investments at September 30, 2017 amount to Euro 1,062 thousands and are mainly referred to "Industrial patents and intellectual property rights". The additions are related to the acquisitions made in the period of software licenses and to costs incurred for software development mainly used in the IT Services and Almawave - New Technology operating and reportable segments. The change occurred in the period compared to the previous is also due to reclassifications from "Asset under construction" for assets that whose development has been completed; other changes are mainly due to the amortization portion of the period calculated on a straight-line basis in relation to the residual utilization of the assets.

Furthermore, the Group has made further investments of Euro 10,124 thousands related to internal development of assets (software and applications) employed in the realization and management of the services offered in the operating sectors in which the Group operates.

At the completion of these activities, the investments made mainly referred to "Industrial patents and intellectual property rights", which totaled Euro 25,320 thousands as at September 30, 2017 and therefore highlights the Group's assets of software and applications both developed internally and for evolutionary maintenance carried out on the same. The Group, in relation to such assets, periodically conducts an analysis to find its recoverable amount as compared to that recognized in the financial statements on the basis of the expected future economic benefits associated with them (portfolio contracts and expected acquisition). At the end of the period, based on the analyses carried out, no impairment losses were reported.

Amortization of intangible assets amounted to Euro 10,268 thousands determined according to the rates described in the accounting policies adopted by the Group.

Foreign exchange differences on translation of financial statements of subsidiaries outside the euro zone for negative Euro 887 thousands mainly relates to companies that prepare financial statements in Brazilian Real.

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (CONTINUED)

6. INTANGIBLE ASSETS AND GOODWILL (Continued)

Goodwill

Detailed information of the movements affecting the Goodwill during the nine months ended September 30, 2017 is provided below

(in thousands of Euro)	At December 31, 2016	Additions	Exchange differences	At September 30, 2017
Atesia	**44**			**44**
Alicos	**2,007**			**2,007**
Almaviva Finance	**745**			**745**
Almaviva Contact	**26,533**			**26,533**
Almaviva do Brasil	**1,748**			**1,748**
Gempliss	**198**			**198**
In Action	**1,017**			**1,017**
Pervoice	**314**			**314**
Other	**560**		(50)	**510**
Total	33,166		**(50)**	33,116

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.

AlmavivA Group verifies the recoverability of Goodwill at least once a year at year-end, or more frequently if impairment indicators are detected. As at September 30, 2017, the Directors, did not identify any impairment indicators and therefore any impairment tests have been performed. Furthermore, the Directors have been also considered the risultes of impairment tests carried out during interim report as of June 30, 2017 which had demonstrated the full recoverability of such values. In fact, the results confirmed the existence of an headroom against the book values for all the goodwill recorded including that of the CGU CRM Europe (attributable to the goodwill arising from Atesia SpA, Alicos SpA, AlmavivA Contact SpA, AlmavivA do Brasil SA and In Action Srl), IT Services sector (resulting from the launch of AlmavivA Finance SpA), Almawave - New Technology segment (resulting from the launch of Pervoice and Gempliss) and CRM International segment. The sensitivity analysis performed by the management also confirms this result in case of shock-down and shock-up on the financial assumption considered. At the close of the financial year 2017, the

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (CONTINUED)

6. INTANGIBLE ASSETS AND GOODWILL (Continued)

Management will re-evaluate the need to proceed with the verification of the recoverability of goodwill in lieu of any impairment indicators.

7. CURRENT AND NON-CURRENT FINANCIAL ASSETS

Current and non-current financial assets amounted to Euro 13,425 thousands (compared to Euro 9,319 at December 31, 2016) are classified as follows:

(in thousands of Euro)	At September 30, 2017	At December 31, 2016
Other current financial assets	10,920	7,870
Total other current financial assets	10,920	7,870

(in thousands of Euro)	At September 30, 2017	At December 31, 2016
Non-current financial receivables	1,207	1,364
Equity investments classified as available for sale	1,298	85
Non-current financial assets	**2,505**	**1,449**

(in thousands of Euro)	At September 30, 2017	At December 31, 2016
Amount failling due within 12 months	0	148
Amount failling due between 1-5 years	1,207	1,216
Non-current financial receivables	**1,207**	**1,364**

Current financial assets as at September 30, 2017 amount to Euro 10,920 thousands (compared to Euro 7,870 thousands as at December 31, 2016). The line item refers to AlmavivA SpA for Euro 3,239 thousands for financial receivables related to "Guardia di Finanza" customer, for Euro 16 thousands for accruals and for Euro 7,665 thousands towards other lenders main of them related to factored receivables of AlmavivA SpA (Euro 7,057 thousands) and AlmavivA Contact (Euro 583 thousands).

Non-current financial receivables amount to Euro 1,207 thousands at September 30, 2017 (compared to Euro 1,364 thousands as at December 31, 2016) and are related to loans to personnel for Euro 26 thousands and financial receivables towards Auselda for Euro 1,181 thousands. Non-current financial receivables relates entirely to Almaviva SpA, do not accrue interest and are not denominated in foreign currencies.

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. As at September 30, 2017 the balance is Euro 1,298 thousands (compared to Euro 85 thousands at December 31, 2016).

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (CONTINUED)

7. CURRENT AND NON-CURRENT FINANCIAL ASSETS (Continued)

The following table provides the breakdown of the line item by investment as at September 30, 2017 and as at December 31, 2016:

(in thousands of Euro)	At September 30, 2017	At December 31, 2016
Technapoli	0	52
Calpark	5	5
Banca Brutia	5	5
Uirnet	5	5
Consorzio Namex	3	3
Semantic Valley	2	2
CONAI	1	1
Wave	1.264	0
Other	13	12
Equity investments classified as available for sale	**1.298**	**85**

8. INVENTORIES AND AMOUNT DUE FROM CUSTOMERS

The Amount due from customer refer to the contract work in progress of AlmavivA and are measured on the basis of the criteria stated in paragraph 3.1 above.

The amount is also presented net of the bad debt provision and advances received.

The table below shows the composition for the six months ended September 30, 2017 and for the year ended December 31, 2016 between gross work in progress and write-down provision.

(in thousands of Euro)	At September 30, 2017	At December 31, 2016
Amount due from customers (gross)	42.152	33.811
Prepayments from customers	(204)	(204)
Write-down provision	(676)	(676)
Inventories	695	695
Inventories and amount due from customers	*41.967*	*33.626*

The increase of Euro 8,341 thousands refers to contract work in progress of IT Services segment.

The amount of work in progress under way is shown net of write-down provision quantified by the Group in Euro 676 thousands (unchanged compared to the comparison period) and advances received for Euro 204 thousands.

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (CONTINUED)

9. TRADE RECEIVABLES

The below table show the amount of AlmavivA Group's Trade receivables as at September 30, 2017 and as at December 31, 2016 together with the related gross amount, the amount retained as a guarantee and the bad debt provision.

(in thousands of Euro)	At September 30, 2017	At December 31, 2016
Trade receivables, gross amount	293,829	315,204
Trade receivables, amount retained as a guarantee	4,219	3,011
Bad debt provision	(20,448)	(20,448)
Trade receivables	**277,600**	**297,767**

The amount of bad debt provisions remain flat at September 30, 2017 for an amount of Euro 20,448 thousands and therefore no changes have occurred during nine months period ended in September 30, 2017 as showed in below table:

(in thousands of Euro)	For the nine months ended September 30, 2017	For the year ended December 31, 2016
Balance at the beginning of the period	**20,448**	**20,446**
Provisions	-	93
Uses	-	(91)
Balance at the end of the period	**20,448**	**20,448**

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (CONTINUED)

10. SHAREHOLDERS' EQUITY

The total Shareholders' equity amount to Euro 12,891 as shown in following table:

(in thousands of Euro)	At September 30, 2017	At December 31, 2016
Share capital	154,899	154,899
Share premium reserve	17,788	17,788
Other reserves:		
legal reserve	3,951	*3,951*
FTA reserve	4,493	*4,493*
OCI reserve	(94)	*(1,556)*
CFH reserve	0	*(145)*
translation reserve	(4,609)	*(1,170)*
other reserves	(166,023)	*(145,136)*
	(162,282)	(139,563)
Profit/(loss) for the year/period	(2,065)	(16,907)
Total group shareholders' equity	**8,340**	**16,217**
Reserves pertaining to NCIs:		
Translation reserve	(157)	187
Other reserves	4,399	4,104
	4,242	4,291
Profit/(loss) for the year/period pertaining to NCIs	309	764
Total non-controlling interests	***4,551***	***5,055***
Total Shareholders'equity	**12,891**	**21,272**

Share capital

The Share capital as at September 30, 2017 amounted to Euro 154,899 thousands, 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.

During August 2017 the parent company AlmavivA Technologies S.r.l. together with the shareholder Interbanca S.p.A. entered into an agreement related to the purchase of 20,584,400 ordinary shares and

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (CONTINUED)

10. SHAREHOLDERS' EQUITY (Continued)

32,331,764 special Class A shares of AlmavivA S.p.A. owned by Interbanca S.p.A. and to be sold to AlmavivA Technologies S.r.l.
As a result of the transfer of ownership, AlmavivA Technologies owns 95.11% of AlmavivA's share capital, while Interbanca S.p.A. is completely out of the shareholders of the latter company.
Simultaneously to the sign-off of abovementioned agreement, G.B.L. Fiduciaria S.p.A is not more the accountholder of shares owned by AlmavivA Technologies and Interbanca S.p.A.
The shares, all of which have a nominal value of Euro 1.00 each, are held by:

number of shares	Ordinary shares	"Class A" special shares	"Class B" special shares	Total shares	% of Total shares
ALMAVIVA TECHNOLOGIES S.r.L.	100,000,000	32,331,764	15,000,000	147,331,764	95.11%
RAI S.p.A.	1,291,522			1,291,522	0.83%
LIGESTRA DUE S.r.l. 2	1,119,894			1,119,894	0.72%
CONFRAGRICOLTURA	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%**

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%.

On July 2017, the Ordinary Shareholders' Meeting of AlmavivA SpA, convened for approval of the financial statements for the year ended December 31, 2016, and resolved to allocate a 4,433 Euro share of the profit as of December 31, 2016, to Shareholders as a dividend. The dividends have been paid in August 2017.

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (CONTINUED)

11. NON-CURRENT FINANCIAL LIABILITIES

Non-current financial liabilities as at September 30, 2017 are equal to Euro 16,008 thousands (compared to Euro 25,478 thousands as at December 31, 2016) and are referred to long-term liabilities.

(in thousands of Euro)	At September 30, 2017	At December 31, 2016
Banks	1	9,940
Amounts due to other lenders	16,007	15,538
Non-current financial liabilities	**16,008**	**25,478**

Of which as at September 30, 2017

(in thousands of Euro)	Due over 12 months	Due within 5 years	Due over 5 years
Banks	1	1	
Amounts due to other lenders	16,007	5,007	11,000
Non-current financial liabilities	16,008	5,008	11,000

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

(in thousands of Euro)	As at January 1, 2017	Proceeds from borrowings	Repayements of borrowings	Reclassification and other adjustments	As at September 30, 2017
Almaviva S.p.A.	2,001	2,518	(6,449)	6,000	4,070
Almaviva do Brasil	12,477	27,512	(39,051)		938
SIMEST Operation	11,000	98	(98)		11,000
Non-current financial liabilities	**25,478**	**30,128**	**(45,598)**	**6,000**	**16,008**

(in thousands of Euro)	At January 1, 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)		12,477
SIMEST Operation	0	11404	(404)		11,000
Non-current financial liabilities	**15,279**	**51,099**	**(52,900)**	**12,000**	**25,478**

The long-term debt as at December 31, 2016, arising from AlmavivA S.p.A. and the subsidiary AlmavivA do Brasil, had been classified into short-term financial liabilities due to non-compliance with financial covenants. In the current period, as a result of waivers obtained during the first two months of 2017 by both companies, the outstanding amount of long term loans should have been classified as non-current liabilities. This was not the case since in the first half of 2017 the Group carried out a restructuring of its financial structure. The new financing operation involves the extinguishing of the Senior Loan financing with AlmavivA SpA's pool of banks and extinguishing most of the indebtedness, including the medium and long-term positions of Almaviva do Brasil.

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (CONTINUED)

11. NON-CURRENT FINANCIAL LIABILITIES (Continued)

Non-current financial liabilities to other lenders include the reclassification of the share capital and the premium of AlmavivA do Brasil, which is subscribed by SIMEST, for Euro 11,000. This transaction includes, amongst other things, the irrevocable obligation of the subsidiary AlmavivA Contact to purchase by SIMEST (which is obliged to sell) the shares subscribed by the latter by June 30, 2023. There are certain conditions that may anticipate the exercise date of the options that can not fall before June 30, 2019. Therefore, ascertaining the terms of IAS 32 "Financial Instruments: Exposure to the Financial Statements", therefore, the entire amount subscribed by Simest has been classified among the financial liabilities and valued in accordance with the provisions of IAS 39 "Financial instruments: recognition and measurement".

12. TRADE PAYABLES

The trade payables amount to Euro 202,265 thousands compared to amount of Euro 193,897 thousands as at December 31, 2016 as illustrated in table below:

(in thousands of Euro)	At September 30, 2017	At December 31, 2016
Trade payables	202,265	193,897

Trade payables are mainly related to purchases of services and other activities performed during nine months period. Trade payables overdue amount to Euro 74,228 thousands (Euro 57,444 thousands as at December 31, 2016), while trade payables due within 12 months are equal to Euro 128,037 thousands compared to an amount of Euro 136,453 thousands compared to December 31, 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.

13. CURRENT FINANCIAL LIABILITIES

Current financial liabilities as at September 30, 2017 and as at December 31, 2016 are reported below:

(in thousands of Euro)	At September 30, 2017	At December 31, 2016
Payables due to banks	252,468	112,396
Payables due to other lenders	623	34,872
Financial lease payables	3,124	3,482
Accrued liabilities from financial expenses	268	115
Other financial payables	8	8
Current financial Liabilities	**256,491**	**150,873**

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (CONTINUED)

13. CURRENT FINANCIAL LIABILITIES (Continued)

Current financial liabilities are mainly referred to Loan Agreement SENIOR SECURED BRIDGE AND REVOLVING signed on 3rd August 2017 between AlmavivA Spa e Goldman Sachs International for a total funding of Euro 270,000 thousands, consisting of the following two lines:

1 - Facility B of Euro 250.000.000,00;

2 - Revolving Facility of Euro 20.000.000,00.

The use of the Financing is conditioned both by the resolution of the trust agreements existing between AlmavivA Technologies S.r.l., Interbanca S.p.A. and G.B.L. Fiduciaria S.p.A. and to the pledge granted by AlmavivA Technologies S.r.l. of its shares in Almaviva S.p.A. at the date of use, equal to 95,11%. In addition, the loan agreement provides for the possibility of refinancing the Financing by issuing a bond for this purpose. AlmavivA S.p.A. and the lending bank were therefore initiating the preparatory activities in the process of issuing a bond loan which has been issued, as described in Note 19 “Subsequent events” on early October

On 9 August 2017, the closing of the SENIOR SECURED BRIDGE AND REVOLVING Financing Agreement was completed with the settlement in multiple tranches of Facility B by Goldman Sachs International. The new financial sources have been used for the payement of debts related to AlmavivA S.p.A. arising from the loan agreement entered into on August 13, 2012 with the pool of banks above mentioned, the payment of the expired VAT debt of AlmavivA S.p.A. and Almaviva Contact S.p.A., amounting respectively to Euro 32,766 thousands and Euro 33,758 thousands, including penalties and interests, as well as reimbursement of such factor with recourse agreements, repayment of financial indebtedness of subsidiary AlmavivA do Brasil and settlement of all costs directly related to that financial operation.

The line item also include payable due to other lenders which are main referred to financial liabilities related to factor agreement of AlmavivA SpA, financial lease liabilities mainly related to AlmavivA and other short-term accrual and financial liabilities.

14. REVENUES

Revenue for the nine months ended September 30, 2017 and 2016 are reported in the following table:

	For the nine months ended September 30	
(in thousands of Euro)	**2017**	**2016**
Revenues from services	534,627	519,467
Revenues from sale of goods	1,305	3,127
Revenues from contract work in progress	8,341	4,199
Revenues	**544,273**	**526,793**

Revenues from Group ordinary activities include revenues from contract work in progress determined following percentage of completion method and revenues deriving from services and sale of goods reported to client.

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (CONTINUED)

14. REVENUES (Continued)

The table below shows a breakdown of revenues by operating and reportable segments for the nine months ended September 30, 2017 and 2016, net of effect of inter-segment revenues.

(in thousands of Euro)

	30.09.2017	30.09.2016
IT Services	249.354	246.266
CRM Europe	92.836	99.993
CRM International	198.077	175.870
Almawave – New Technology	4.007	4.664
	544.273	**526.793**

Revenues in IT Services segment in the nine months ended September 30, 2017 are increased by Euro 3,088 thousands, or 1.3% compared to previous period. The increase is mainly due to growth of revenues related to sector Bank and Insurance as well as Transportation, and to a lesser extent to other sectors. The mentioned increase has been partially offset by a decrease in Local and Government sector due to spending review implemented by Italian Government in last years.

Revenues from the CRM Europe segment show a decrease for the period ended September 30, 2017, compared to the previous period of 7,157 Euro, equal to -7.2%.The reduction was related to all sectors except for the Transport business area. Overall, this decrease confirmed the decline in demand for our services already experienced in previous years, resulting from the 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.

To the opposite, revenues in CRM International sector shows an increase of Euro 22,207, or 12.6% in the nine months ended September 30, 2017 in comparison with the previous period.

The increase was mainly driven by the growth in revenues from customers in the Telco / Media business sector and the Government and Others sectors. In the period observed. The increase of revenues in the CRM International sector increased also as a consequence of geographic expansion into Colombia.

Revenues in Almawave-New technology decreased by Euro 657 thousands, or -14.1% compared to previous period, but total revenues, including intercompany revenues, were incremented. This increase resulted primarily from increased revenues from sales of its proprietary software technology to customers (included other segments) in the telecommunications and media sector and local government clients in the public administration sector.

Revenues from works include the contractual revenues deriving from production recorded in the year, determined according to the percentage of completion method.

AlmavivA Group revenues are mainly realised in Italy.

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (CONTINUED)

15. PERSONNEL EXPENSES

Personnel expenses for the nine months ended September 30, 2017 and 2016 are broken down as follows:

(in thousands of Euro)	For the nine months ended September 30 2017	2016
Salaries and wages	266,927	260,598
Social security contributions	46,414	49,077
Employee benefit expenses	9,285	10,680
Other costs	2,145	1,759
Agency work	8,198	1,869
Costs of seconded personnel	-	12
Expenses for redundancy incentives	-	1,076
Personnel expenses capitalised for assets created internally	(8,398)	(6,375)
Personnel expenses	324,571	318,696

Personnel expenses increased by Euro 5,875 thousands, or 1.8%, from Euro 318,696 thousands in the nine months ended September 30, 2016 to Euro 324,571 thousands in the nine months ended September 30, 2017.

The increase is aligned to revenues growth and has been mainly driven by an increase of salaries. The mentioned increase is mainly referred to the policies of personnel adopted by CRM International, this effect was partially offset by the decreased of personnel expenses in CRM Europe. Furthermore, the increase in these costs was partially offset by an increase by Euro 1,023 thousands 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 the period indicated is as follows:

(in thousands of Euro)	At September 30, 2017	At December 31, 2016	At September 30, 2016
Executives	210	185	207
Middle managers	770	750	728
White-collar employees	39,093	40,766	42,936
Total in Group companies' employee register	**40,073**	**41,701**	**43,871**
Agency workers	456	1,073	1,000
Total workforce	**40,529**	**42,774**	**44,871**

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (CONTINUED)

16. DEPRECIATION, AMORTIZATION AND LOSSES FROM SALE OF NON-CURRENT ASSETS

The items are broken dows as follows:

	For the nine months ended September 30	
(in thousands of Euro)	**2017**	**2016**
Industrial patent and intellectual property rights	4,245	3,806
Concession, licence and trademarks	1,260	1,147
Other	4,763	4,574
Total amortization	**10,268**	**9,527**
Civil and industrial building	586	578
Industrial and commercial equipment	106	122
Plants and machinery owned	4,600	4,450
Plants and machinery leased	166	243
Other assets owned and leased	6,146	6,207
Total depreciation	**11,604**	**11,600**
Total depreciation and amortization	**21,872**	**21,127**
Gains/(Losses) from disposal of non-current assets	**(62)**	**0**

17. FINANCIAL INCOME/(EXPENSES)

Profit from investments accounted for using equity method

The valuation effect of the equity method shows a positive balance of Euro 183 thousands and relates to the CCID-AlmavivA Information Technology Shanghai co

Financial income/(expenses)

The line item is broken down as follows:

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (CONTINUED)

17. FINANCIAL INCOME/(EXPENSES) (Continued)

	For the nine months ended September 30	
(in thousands of Euro)	**2017**	**2016**
Dividends from investments	-	94
Financial income	773	965
Financial expenses	(25,509)	(21,811)
Exchange gains/(losses)	(1,122)	838
Net financial result	**(25,858)**	**(19,915)**

As shown in the table above, the Net financial result is negative for the nine months ended September 30, 2017 for Euro 28,858, compared to a negative results of Euro 19,915 thousands for the nine months ended September 30, 2016, with a worsening of Euro 5,943 thousands.The increase of financial expenses occurred in the period is related to the increase of financial indebtness of Brazilian entities. The difference in exchange gains/(losses) recorded in the period compared to the previous is related to fluctuations in conversion of the Brazilian Real to the Euro.

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (CONTINUED)

18. INCOME TAXES

The line item is broken down as follows:

(in thousands of Euro)	For the nine months ended September 30 2017	2016
Italian companies		
IRAP (Regional business tax)	780	859
IRES (Corporate income tax)	2.448	3.497
Income (expenses) from compliance with tax consolidation	(2.385)	0
	843	4.356
Foreign companies		
Other current taxes	501	1.444
	501	1.444
Current taxes	**1.344**	**5.800**
Italian companies		
IRAP (Regional business tax)	31	(49)
IRES (Corporate income tax)	632	(646)
	663	(695)
Foreign companies		
Other deferred taxes	(1.965)	181
	(1.965)	181
Deferred taxes	**(1.302)**	**(514)**
Income taxes for the year - non recurring portion	**31**	**(60)**
Total Income taxes	**73**	**5.226**

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (CONTINUED)

18. INCOME TAXES (Continued)

Reconciliation of tax expense and the accounting profit multiplied by Group Almaviva's domestic tax rate for the nine months ended September 30, 2017 and 2016 is presented below:

	For the nine months ended September 30	
(**In Thousands of Euro**)	**2017**	**2016**
Income before taxes	(3,515)	(5,076)
Theoretical taxe rate	24%	27.5%
Theoretical taxes	**(844)**	**(1,396)**
Effect of different foreign tax rates	1,462	1,333
Non-deductible expenses	2,331	3,450
Tax losses previous years / consolidated tax revenues	(2,385)	0
Effect of writedowns for deferred tax assets and redetermination of tax rates	0	1,555
Effect on deferred taxation of changes in tax rates	780	810
IRAP (Italian regional business tax)	(1,302)	(465)
Other differences and minor items	31	(60)
Total	**73**	**5,226**

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (CONTINUED)

19. SUBSEQUENT EVENTS

ALMAVIVA CONTACT: PURCHASE OF BUSINESS BRANCHES

On 29th September 2017, AlmavivA Contact entered into purchase agreement of a business branch in Cagliari (address: Via Monastir, 104) with Conduent Business Services Italy S.r.l with effect from 1st October 2017. The purchase price relating to such purchase was partially paid upon the subscription of the related acts and in part will be paid by March 28, 2018, subject to any adjustment as agreed between the parties.

BOND ISSUE

On October 5, 2017, AlmavivA SpA issued a bond loan reserved to institutional investors of Euro 250,000,000.00 at a fixed rate of 7.25% for the five-year period listed on the Luxembourg Stock Exchange on the Euro MTF Market unregulated).

The proceeds deriving from that bond have been used to reimbursement of Facility B related to SENIOR SECURED BRIDGE AND REVOLVING Financial Agreement signed-off on 3rd August 2017 by AlmavivA SpA and Goldman Sachs International.

Revolving Facility related to abovementioned agreement originally equal to Euro 20,000,000 was extended to Euro 40,000,000 following the entry of two others banks into the contract.

ALMAVIVA DIGITALTEC S.r.l. – ESTABLISHMENT OF A COMPANY

On October, 19 2017 the company AlmavivA Digitaltec Srl was formed. The company mainly focuses on the assumption and implementation, in whatever form, of initiatives in the field of information technology applications.

ALMAVIVA CONTACT

In November 2017, with reference to restructuring occurred in 2016 on the site of Rome, a single magistrate of the Labor Court, contrary to previous judgments, declared unlawful some layoffs. AlmavivA Contact is providing immediate appeal in order to revoke its effects in a short time through an accelerated process.

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (CONTINUED)

20. LEGAL ISSUES AND LITIGATIONS

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", proclaimed 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 valuation did not lead to the need to write provisions.

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 valuation did not lead to the need to write provisions.

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. The hearing to discuss the appeal was held on May 18, 2017, and a decision in this case is pending. We are awaiting the judgment. The outcome of the risk valuation did not lead to the need to write provisions.
RTI Exitone S.p.A. (mandataria del RTI con Dedalus S.p.A. e Lutech S.p.A.) / Consip S.p.A. / RTI AlmavivA S.p.A. (mandataria del RTI costituito con Telecom Italia S.p.A. e Agriconsulting S.r.l.)

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

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (CONTINUED)

20. LEGAL ISSUES AND LITIGATIONS (Continued)

determination the award measure of August 4, 2016. By judgement 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 made a counter-appeal. Subsequently, RTI Exitone waived the precautionary measure. The hearing on the merits was held on June 7, 2017, and a decision in this case is pending. We are awaiting the judgment. The outcome of the risk valuation did not lead to the need to write provisions.

R*TI Datacontact S.r.l. (as the agent of RTI with Lucana Sistemi S.r.l. and Gruppo Servizi informatici S.r.l.) / Regione Basilicata / Televita S.p.A. (as the agent of RTI formed with Publisis S.p.A. and Almaviva S.p.A.).*

RTI Datacontact requested the cancellation, subsequent to the adoption of precautionary measures, of the measure of final award to RTI Televita (Almaviva S.p.A. as agent) of the tender for “Open procedure for the evolution of advanced solutions and services in support of the Digital Agenda for the period 2016-2020 - CIG: 6515399557”. At the hearing in the Chamber of Advocates for the Pre-trial Case, held on 23 March 2017, RTI requested Datacontact to deal with the pre-trial hearing and the administrative court of Basilicata established the hearing for 20 April 2017. Following this hearing, the case was held in the decision. Almaviva S.p.A. is awaiting for the judgment. The outcome of the risk valuation did not lead to the need to write provisions.

RTI Capgemini Italia (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 formed with Almawave S.r.l., Indra Italia S.p.A. and PricewaterhouseCoopers Advisory S.p.A.).

RTI Capgemini Italia requested the cancellation, subsequent to the adoption of precautionary measures, of the measure of final award to RTI AlmavivA of Lot 4 of the tender "Restricted Procedure, subdivided into 4 lots, for relying on cloud computing, security, portal and on-line services and application for public administration (ID SIGEF 1403) services", banned by Consip S.p.A.. RTI AlmavivA has filed for interim relief. Following the retirement of RTI Capgemini to the precautionary proceedings, the hearing was scheduled for 21 June 2017. Subsequently to that hearing, by judgment of 26 June 2017, the administrative court dismissed the appeal brought by RTI Capgemini and the contract was consequently the assigned to RTI Almaviva on August 4, 2017. The appellant RTI has given up the precautionary case, and the next February 8th will be the court hearing. The outcome of the risk valuation did not lead to the need to write provisions.

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

Loop AI Labs Inc./AlmavivA S.p.A + others
In 2014, Loop AI Labs, Inc. filed suit in the United States District Court for the Northern District of California against a former senior manager of Almawave USA, Inc., Almawave USA, Inc., Almawave S.r.l., Almaviva S.p.A. and other third parties. Loop asserted claims for, among other things, trade secret misappropriation, fraud, and interference with actual and prospective contractual relations. On March 9, 2017, the District Court dismissed all of Loop’s claims with prejudice. Loop has appealed the dismissal to the United States Court of Appeals for the Ninth Circuit; the AlmavivA Group companies also have appealed the District Court’s order denying them fees and costs incurred in defending the litigation. The appeals are pending. We believe we have strong arguments on appeal, that Loop’s appeal will be unsuccessful, and the judgment of dismissal

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (CONTINUED)

20. LEGAL ISSUES AND LITIGATIONS (Continued)

affirmed. The risk assessment carried out also with the support of the lawyer in charge, did not lead to any provisions.

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 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 to the hearing on June 28, 2017. At that hearing, the judge, having acknowledged the failure to reach an agreement between the parties and, having dissolved the reserve, postponed the case for clarification of the findings at the hearing of 27 February 2019. The outcome of the risk valuation did not lead to the need to write provisions.

Almaviva Contact S.p.A.

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

3G S.p.A. 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 valuation did not lead to the need to write provisions.

Alicos S.p.A., ora Almaviva Contact S.p.A./Alitalia Linee Aeree Italiane S.p.A. in A.S.

On November 14, 2008, Alicos S.p.A. applied for inclusion in proving a debt in bankruptcy with regard to Alitalia Linee Aeree Italiane S.p.A. under E.A., requesting recognition as a secured creditor for the call centre services it provided. Alicos S.p.A., admitted as an unsecured creditor, appealed in accordance with art. 111 bis of the Bankruptcy Law, then rejected. Against this decision of rejection, AlmavivA Contact S.p.A. filed an appeal, then rejected. With appeal in accordance with art. 98 of the Bankruptcy Law, AlmavivA Contact S.p.A. challenged the debt in bankruptcy. The appeal was rejected and AlmavivA Contact S.p.A. filed an appeal at the Court of Cassation. The outcome of the risk valuation did not lead to the need to write provisions while it was considered prudent to accrue a provision for bad debts.

Alicos S.p.A., ora Almaviva Contact S.p.A./Alitalia Airport S.p.A. in A.S.

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

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (CONTINUED)

20. LEGAL ISSUES AND LITIGATIONS (Continued)

appeal. The outcome of the risk valuation did not lead to the need to write provisions while it was considered prudent to accrue a provision for bad debts.

Alicos S.p.A., ora Almaviva Contact S.p.A./Alitalia Servizi S.p.A. in A.S.

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. Against this decision of rejection, AlmavivA Contact S.p.A. filed an appeal, rejected later on. 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 outcome of the risk valuation did not lead to the need to write provisions while it was considered prudent to accrue a provision for bad debts.

Alicos S.p.A., ora Almaviva Contact S.p.A./Volare S.p.A. in A.S.

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. Against this decision of rejection, AlmavivA Contact S.p.A. filed an appeal, 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. The outcome of the risk valuation did not lead to the need to write provisions while it was considered prudent to accrue a provision for bad debts.

RTI Datacontact S.r.l. (mandataria del RTI con Exprivia S.p.A.) / RTI Almaviva Contact S.p.A. (mandataria) - 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. The hearing to discuss the appeal was held on May 18, and a decision in this case is pending. We are awaiting the judgment. The outcome of the risk valuation did not lead to the need to write provisions.

Gruppo Distribuzione S.p.A. in proprio e quale mandataria del RTI costituito con le mandanti Youtility Center S.r.l. e Distribuzione Italia S.r.l. / GSE S.p.A. / Almaviva Contact S.p.A. in proprio e quale mandataria del RTI costituito con la mandante Almaviva S.p.A.

RTI Gruppo Distribuzione requested the cancellation, subsequent to the adoption of precautionary measures, of the measure by which the GSE assigned, following the ranking of the list, the final award to RTI Almaviva Contact of the “Inbound and outbound Contact Centre Services supporting the institutional activities assigned

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (CONTINUED)

20. LEGAL ISSUES AND LITIGATIONS (Continued)

to GSE for the promotion and development of the production of energy from renewable sources and energy efficiency and IT Technical Support" and the note by which the GSE rejected the request of RTI Gruppo Distribuzione of the assignement of the tender in favor of RTI Almaviva Contact. At the hearing of May 10, 2017, RTI Gruppo Distribuzione withdrew the request for interim relief and the administrative court will decide the merits of the judgment on October 11, 2017. The contract was assigned by GSE in June, 23 2017 to RTI Almaviva Contact. Subsequently to the hearing on 11 October 2017, by judgment of 8 November 2017, Tar Lazio dismissed the action. The outcome of the risk valuation did not lead to the need to write provisions.

AlmavivA Contact 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 envisaged, for what concerns the headquarters of Naples, the continuation of the confrontation, until March 31, 2017, and for what concerns the headquarters of Rome, the company's right to dismiss. Then, the Company notified the dismissals to the redundant staff (with the exception of subjects protected by law). With reference to the financial year under examination, this procedure did not give rise to litigations.

At the end of September 30, 2017, several complaints were filed by the dismissed workers.

In this regard, we must point out that to date all the decisive cases have been concluded with a rejection of the applicants' claim and the declaration of the lawfulness of the dismissal. In all the judgments the Tribunale di Roma has widely argued by stating the correctness of the business operation and the legitimacy of the procedure.

On another front, as already shown in the report accompanying the financial statements of last years, based on the ASSTEL-ASSOCONTACT/OO.SS collective labour contract of August 1, 2013, which regulated the project-based work in the call centres pursuant to art. 24 bis of Italian Law Decree 83/12 as amended, - the entity is signing such conciliation agreements with project-based associates were renewed, already signed in the previous year, in order to ensure the inclusion of these associates in the scope of pre-emption for the signing of new contracts. The percentage of adherence to the conciliation path of the contracted collaborators was very high at the venues involved, so that they did not come out of court extradition in 2017.

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

With reference to the described dispute, it should be noted that in 2016 the Company carried out a series of settlements before the court that resulted in a significant reduction in the pending dispute by assigning the workers conciliating amounts less than the corresponding allocations to the financial statements.

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

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (CONTINUED)

20. LEGAL ISSUES AND LITIGATIONS (Continued)

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.