

Gruppo
Almaviva

Almaviva

ALMAVIVA S.P.A. AND SUBSIDIARIES
Interim Consolidated Financial Report for nine months period
ended 30 September 2020
Board of Directors November 11th, 2020

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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ALMAVIVA S.P.A. AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

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

<i>(in thousands of Euro)</i>	Note	<u>At September 30,</u> 2020	<u>At December 31,</u> 2019
Intangible assets	7	63,506	63,541
Goodwill		39,256	39,455
Property, plant and equipment	8	74,853	101,435
Investments accounted for using the equity method	9	1,106	1,106
Non-current financial assets	10	4,882	4,884
Deferred tax assets	11	20,617	12,833
Other non-current assets	12	1,370	1,772
Total non-current assets		205,589	225,026
Inventories	13	7,878	5,972
Amount due from customers	13	0	0
Contract assets	14	53,087	47,201
Trade receivables	15	329,199	352,815
Current financial assets	16	3,686	3,415
Other current assets	17	126,761	119,553
Cash and cash equivalents	18	88,231	89,446
Total current assets		608,841	618,402
Non-current assets held for sale	19	2,459	2,459
Total assets		816,889	845,886
Share capital		154,899	154,899
Share premium reserve		17,788	17,788
Other reserves		(190,046)	(170,299)
Profit/(loss) for the period		24,288	12,131
<i>Total group shareholders' equity</i>		6,929	14,520
<i>Non-controlling interests</i>		5,308	6,452
Total shareholders' equity	20	12,238	20,971
Non-current liabilities for employee benefits	21	49,513	51,286
Non-current provisions	22	6,078	6,946
Non-current financial liabilities	23	306,189	322,523
Deferred tax liabilities	24	1,394	1,394
Other non-current liabilities	25	914	1,018
Total non-current liabilities		364,088	383,167
Current provisions	22	6,038	8,547
Trade payables	26	265,700	262,426
Current financial liabilities	27	33,501	34,267
Current tax liabilities	28	30,003	37,729
Other current liabilities	29	105,322	98,778
Total current liabilities		440,564	441,748
Total liabilities		804,652	824,915
Total equity and liabilities		816,889	845,886

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

<i>(in thousands of Euro)</i>	Note	For the nine months ended September 30,	
		2020	2019
Revenues from contracts with customers	30	631,779	631,769
Other Income	31	10,845	7,452
Total revenues and other income		642,624	639,221
Cost of raw materials and services	32	(226,205)	(211,570)
Personnel expenses	33	(330,079)	(351,463)
Depreciation and amortization	34	(29,433)	(30,772)
Losses from sale of non-current assets	34	124	0
Other expenses	35	(6,005)	(6,656)
Operating profit/(loss)		51,025	38,760
Financial income	36	628	414
Financial expenses	36	(22,934)	(24,621)
Exchange gains/(losses)	36	(1,137)	(165)
Profit/(loss) from investments accounted for using equity method	37	0	7
Profit/(Loss) before taxes		27,581	14,396
Income taxes	38	(2,106)	(7,505)
Profit/(Loss) from continuing operations		25,476	6,891
Profit/(Loss) for the period		25,476	6,891
of which:			
Profit/(loss) pertaining to the group		24,288	5,779
Profit/(loss) pertaining to non-controlling interests		1,188	1,112

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

<i>(in thousands of Euro)</i>	Note	For the nine months ended September 30,	
		2020	2019
Profit/(loss) for the period		25,476	6,891
<i>Other components of comprehensive income that may be subsequently reclassified to profit or loss, after taxes:</i>			
Exchange differences on translation of foreign operations	20	(33,354)	(2,190)
Gains/(losses) on cash flow hedging instruments		0	0
Total		(33,354)	(2,190)
<i>Other components of comprehensive income that will not be subsequently reclassified to profit or loss, after taxes:</i>			
Actuarial gains/(losses) on valuation of liabilities for employee benefits	21	0	0
Total		0	0
Comprehensive income/(loss) for the period		(7,878)	4,701
of which:			
Comprehensive income/(loss) pertaining to the group		(7,341)	3,628
Comprehensive income/(loss) pertaining to non-controlling interests		(537)	1,073

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

<i>(in thousands of Euro)</i>	Share capital	Share premium reserve	Other reserves	Profit/(loss) for the year	Total Group shareholders' equity	Reserves pertaining to NCIs	Profit/(loss) for the year	Total non-controlling interests	Total shareholders' equity
Shareholders' Equity at December 31, 2019	154,899	17,788	(170,300)	12,131	14,520	4,901	1,550	6,451	20,971
Profit/(loss) for the year				24,288	24,288		1,188	1,188	25,476
Exchange differences on translation of foreign operations			(31,629)		(31,629)	(1,725)		(1,725)	(33,354)
Gains/(losses) on cash flow hedging instruments					0			0	0
Actuarial gains/(losses) on valuation of liabilities for employee benefits			0		0			0	0
Comprehensive income/(loss) for the year	0	0	(31,629)	24,288	(7,341)	(1,725)	1,188	(537)	(7,879)
Allocation of prior year's profit/(loss)			12,231	(12,231)	0	1,550	(1,550)	0	0
Dividends					0	(704)		(704)	(704)
Other movements			(250)		(250)	98		98	(152)
Shareholders' Equity at September 30, 2020	154,899	17,788	(189,947)	24,188	6,930	4,120	1,188	5,308	12,238

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

<i>(in thousands of Euro)</i>	Share capital	Share premium reserve	Other reserves	Profit/(loss) for the year	Total Group shareholders' equity	Reserves pertaining to NCIs	Profit/(loss) for the year	Total non-controlling interests	Total shareholders' equity
Shareholders' Equity at December 31, 2018	154,899	17,788	(185,465)	16,692	3,915	3,393	1,323	4,716	8,631
Profit/(loss) for the year				5,779	5,779		1,112	1,112	6,891
Exchange differences on translation of foreign operations			(2,151)		(2,151)	(39)		(39)	(2,190)
Gains/(losses) on cash flow hedging instruments					0			0	0
Actuarial gains/(losses) on valuation of liabilities for employee benefits					0			0	0
Comprehensive income/(loss) for the year	0	0	(2,151)	5,779	3,628	(39)	1,112	1,073	4,701
Allocation of prior year's profit/(loss)			16,692	(16,692)	0	1,323	(1,323)	0	0
Dividends					0	(564)		(564)	(564)
Other movements			(35)		(35)	607		607	572
Shareholders' Equity at September 30, 2019	154,899	17,788	(170,958)	5,779	7,508	4,720	1,112	5,832	13,340

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

<i>(in thousands of Euro)</i>	Note	At September 30, 2020	At September 30, 2019
Profit/(loss) for the year		25,476	6,891
<i>Adjustments to reconcile profit before tax to net cash flows:</i>			
Income Taxes	38	2,106	7,505
Financial income	36	(628)	(414)
Financial expenses	36	22,934	24,621
Exchange (gains)/losses	36	1,137	165
Depreciation, amortization and write-downs	34	29,433	30,772
Write-downs/(revaluations) of non-current financial assets and equity investments	37	0	(7)
Losses/(Gains) from sale of non-current assets	34	(124)	0
Interest received		628	414
Interest paid		(13,599)	(15,007)
Income taxes paid		(4,140)	(3,686)
<i>Cash flows generated from operating activities before changes in working capital</i>			
		<i>63,223</i>	<i>51,254</i>
Change in trade receivables excluding of the exchange rate effect and consolidation scope changes	15	15,935	(23,649)
Change in inventories excluding of the exchange rate effect and consolidation scope changes	13	(1,906)	(1,795)
Change in contract assets excluding of the exchange rate effect and consolidation scope changes	14	(5,886)	(10,674)
Change in trade payables excluding of the exchange rate effect and consolidation scope changes	26	6,671	28,589
Change in other assets excluding of the exchange rate effect and consolidation scope changes	12-17	(18,757)	(18,071)
Change in other liabilities excluding of the exchange rate effect and consolidation scope changes	25-29	(1,847)	2,692
Change in liabilities for employee benefits and provisions excluding of exchange rate effect and consolidation scope changes	21-22	(4,903)	5,148
Change in deferred tax liabilities (assets) excluding of exchange rate effect and consolidation scope changes	11-24	0	0
<i>Cash flows generated from operating activities changes in working capital</i>			
		<i>(10,693)</i>	<i>(17,760)</i>
Cash-flow generated from/(absorbed by) operating activities (A)		52,530	33,494
Investments in property, plant and equipment	8	(5,328)	(5,608)
Investments in intangible assets	7	(13,131)	(11,082)
Acquisition of investments accounted for using the equity method	9	0	(7)
Proceeds from divestments of PP&E, intangible assets and investments accounted for using the equity method	8	(41)	0
Acquisition of subsidiaries net of acquired cash and cash equivalents		(10,215)	(744)
Change in non-current financial assets	10	2	409
Cash-flow generated from/(absorbed by) investing activities (B)		(28,713)	(17,032)
Dividends paid		(686)	(564)
Proceeds from borrowings	23	10,953	14,414
Repayment of borrowings	23	(13,194)	(17,850)
Repayment of lease liabilities	23	(7,214)	(10,320)
Change in current financial liabilities	27	(2,382)	(3,439)
Change in current financial assets	16	(272)	0
Cash-flow generated from/(absorbed by) financing activities (C)		(12,795)	(17,759)
Cash flow of the year (A+B+C)		11,022	(1,297)
Effect of foreign exchange rates on cash and cash equivalents (D)		(12,237)	(272)
Cash flow of the year after exchange rates (A+B+C+D)		(1,215)	(1,569)
Cash and cash equivalents at beginning of the year		89,446	71,603
Cash and cash equivalents at end of the year		88,231	70,034

“As required by the applicable accounting standard (IAS 7), the cash flow statement does not take into account any non-monetary elements, such as (i) the effects of exchange rates on items included in the net cash flow from operating activities and in the net cash flow from investment and (ii) the accounting effects generated on the ROU Assets and the related lease liabilities deriving from the application of IFRS 16. In the latter case, therefore, we proceeded to the recognition - within the net cash flow deriving from financing activities - only of rent payments to the lessors. The above clarifications led to some reclassifications also on the cash flow statements as at 30 September 2019 made in order to provide better comparability and consequent understanding of the cash flow statement. Lastly, the investment in new subsidiaries resulting from the acquisitions of the period was classified within the cash flow referred to in letter (B) of the cash flow statement.”

ALMAVIVA S.P.A. AND SUBSIDIARIES EXPLANATORY NOTES

1. GENERAL INFORMATION

AlmavivA The Italian Innovation Company S.p.A. (hereinafter “AlmavivA” or the “Company”) is the parent company of one of the leading Italian groups in the Information & Communication Technology sector, which operates globally with an organisational structure incorporating n45.428 employees and several offices around Italy and abroad.

The Company has its registered office in Via di Casal Boccone n. 188/190, Rome and it is governed by the Italian law.

The unaudited interim condensed consolidated financial statements of the parent company and its subsidiaries (the “AlmavivA Group”) were drafted in compliance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) adopted by the European Union, in particular the international accounting standard applicable for the preparation of interim financial statements (IAS 34 - Interim Financial Reporting) and include the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated shareholders’ equity and the consolidated cash flow statement for the three period ended as at September 30, 2020 compared, as regards the income statement part, cash flow part and change in shareholders’ equity, with the three months period ended as at September 30, 2019, and as regards the balance sheet part, with December 31, 2019, together with the associated notes.

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

The information on the Group’s structure are presented in Paragraph 2.2, while the activities of the Group and its segments are described in Note 5. The information on the Group’s transactions with other related parties is presented in Note 44.

The Interim Condensed Consolidated Financial Statements were approved by the Company’s Board of Directors on November 11, 2020.

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

1.1 Reflections of the Covid-19 pandemic on the condensed consolidated half-year financial statements

The Covid-19 pandemic spread in Italy from the end of February 2020 and subsequently in Latin America, with a particularly pronounced spread in Brazil. To contain the effects of the disease, Governments adopted numerous containment measures, essentially aimed at restricting the free movement of people (i.e. lock-downs). Due to these measures several businesses were forced to stop operations or suffered significant limitations to ordinary operations. On the other hand, local governments also issued several economic measures to support companies to weather the storm of the financial crisis.

The unprecedented events that have taken place in recent months have obviously also affected the activities of the AlmavivA Group, which - thanks also to the high degree of digitization of its structures and processes - was immediately able to activate the tools needed to the application of smart working for its employees in Italy, including resources operating in the CRM sector.

These features, together with the growing demand for IT services by both the public administration and the private sector and the ability even in conditions of objective difficulty to continue to provide services in the CRM, have confirmed the strong Group’s resilience in its segments.

On the other hand, used as a basis for measuring certain balance sheet and income statement items were updated in light of the pandemic, determining the following considerations:

- Assessment of Goodwill and Other Intangible Assets: the positive results achieved by the Group companies for each CGU identified and deriving from the characteristics described above, represented positive indicators that allowed Management to consider the business plans previously approved reliable and useful as a basis for the assessment of goodwill recorded by the Company. For these reasons, it was not considered necessary to evaluate the existence of impairment indicators. The same considerations were made for intangible assets and in general for all the Group’s non-current assets.

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES

- Lease contracts: The Group has some leases contracts related to his offices; the smart-working policy combined with the lockdown period initiated a series of negotiations with the several lessors in order to attempt to redefine the spaces to be rented and / or the price to be paid; these negotiations - as of 30 September 2020 - are still ongoing;
- Assessment of Inventories: during the lockdown period, SADEL S.p.A. was forced to close, with consequent interruption of production. When the activities returned, the company continued to produce for the warehouse pending fulfillment of the orders expected by the main customer. This led to a light increase in inventories which, however, due to the technical characteristics of the product (not subject to rapid physical deterioration / obsolescence) and due to the resumption of activities, also post-period, did not request any write-downs related the inventories or more structural problems of its management;
- Assessment of Trade Receivables' recoverability: Regarding to trade receivables, the Group does not usually update the provision matrix or the various ECLs at the Interim Financial Statements. However, due to the pandemic, the Group carried out an analysis on the average collection period related to the main customers which shows a substantial alignment with the pre-crisis situation; furthermore, there is no significantly worsening evidence on the situation overdue and discussed in the explanatory notes;
- Payments received or expected by States or Social Security System in respect of measures to safeguard the economy: where applicable, the Group has adhered to the support measures issued by the Italian Government (i.e. FIS Covid, postponement of tax payments etc.). There are no adhesions to other forms of subsidies (i.e. subsidized loans) foreseen by the regulations in force.

Overall, the direct effects produced by the Covid-19 pandemic on the aforementioned items and on the economic result of this first nine months of 2020 of AlmagivA Group, are not to be considered significant.

2. BASIS OF PREPARATION

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

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

The Interim Condensed Consolidated Financial Statements, prepared by applying the general historical cost principle, with the exception of certain financial statement items that, based on IFRS, are measured at fair value (as indicated in the relevant accounting policies and measurement criteria for each item), consists of the following layouts, consistent with those in IAS 1:

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

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

The following table indicates the exchange rates adopted:

Exact exchange rates					
Amount of currency for 1 Euro					
Country	Currency	ISO	At September 30, 2020	At December 31, 2019	At September 30, 2019
Saudi Arabia	Riyal	SAR	4,391 -	-	
Brazilian	Real	BRL	6,631	4,516	4,529
China	Yuan	CNY	7,972	7,821	7,778
Colombian	Peso	COP	4550,370	3688,660	3768,250
Indonesia	Rupiah	IDR	17497,840	15595,600	15456,940
Europe	Leu	RON	4,873	4,783	4,750
United States	Dollar	USD	1,171	1,123	1,089
Tunisian	Dinar	TND	3,237	3,139	3,128

Average exchange rates					
Amount of currency for 1 Euro					
Country	Currency	ISO	At September 30, 2020	At December 31, 2019	At September 30, 2019
Saudi Arabia	Riyal	SAR	4,422 -	-	
Brazilian	Real	BRL	5,714	4,414	4,365
China	Yuan	CNY	7,887	7,734	7,712
Colombian	Peso	COP	4190,283	3673,073	3639,371
Indonesia	Rupiah	IDR	16526,959	15835,948	15923,486
Europe	Leu	RON	4,826	4,746	4,739
United States	Dollar	USD	1,128	1,120	1,124
Tunisian	Dinar	TND	3,181	3,282	3,327

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

2.1 Going Concern

Almaviva's Board of Directors judged that there are no material uncertainties about going concern of Almaviva Group. The reasons supporting these conclusions are illustrated in detail below.

During the first nine months of 2020, Almaviva Group consolidated the revenue growth trend started in previous periods (Revenues Euro 632 million in line with prior year on current exchange rates + Euro 48,0 million that is +7.6% on constant exchange rates, compared to the same period of last year). As at September 30, 2020 the profit deriving from consolidated operating activities has shown a significant growth compared to the last year and is equal to Euro 51,025 thousand (+ Euro 12,265 thousand compared to September 30, 2019 on current exchange rates and + Euro 17,579 thousand on constant exchange rates). The Net consolidated Profit stood at Euro 25,476 thousand (+ Euro 18,585 thousand compared to net consolidated profit of last year).

As mentioned above, it's highlighted that growth was negatively affected by the rate effect.

In the first nine months of year, related to the health emergency relating to Covid-19, the Almaviva Group highlighted an insignificant impact. Despite a greater but limited impact on some customers and business areas, for the last months of 2020, cannot be excluded. The limitation concerns commercial activity, the slowdown of some projects on some corporate customers that have temporarily postponed them, as well as the reduced timeliness of some customers to issue the approvals necessary for billing. In addition, some of our suppliers, both in services and hardware, had some cash difficulties which prompted them to ask us for advance payments.

The limitations also concern the mandatory closure of Sadel, whose Ateco code was included in those provided by the government decrees for the Covid-19 emergency (today the company has been able to resume its full operation). Moreover, the social distancing, related to health emergency and consequent lockdown, required to close most of the corporate offices of the companies belonging to the Almaviva Group by resorting to the new organizational model, still in progress, based on smart-working.

Each company of the Group promptly adopted all the necessary measures in order to manage the emergency, in line with the regulatory provisions issued by the various countries and local authorities, guaranteeing always maximum safety to their employees, their suppliers and their workplaces. In particular, temporary agile working methods (so-called smart working) have been adopted both in the IT and CRM areas; the technological infrastructure / connectivity has also been improved. It should be noted that, in IT segment, before the Covid-19, about 300 people were already working in telework mode. It is also important to highlight that Almaviva Contact provides the contact center service on the public utility number 1500-Covid-19 to answer questions from Italian citizens about the coronavirus.

Thanks to the experience consolidated in the previous months, a project to revise the working methods is underway for all Group companies, with greater recourse to temporary smart-working methods and new technological support implementations, aimed at achieving significant levels of efficiency and productivity increase.

In the IT sector, the market estimates, considering the effect of the Covid-19 emergency, show a forecast of moderate decrease (-3.1%), after four years of consecutive growth, and a decisive recovery for the year 2021 (+ 3.7%). The area of software, ICT solutions and ICT services show a forecast decrease of 2%, related to 2020. Management is studying, about all segments in which the Group carries out its business activity and in particular on CRM Europe, actions in order to improve productivity and tempering inefficiencies.

Related to impact of the Covid-19 emergency, the IT business is proving very resilient both from the point of view of production and commercial prospects (showing an increase of 9.5% in terms of revenues). In the first case, thanks to the fast activation of smart-working methods and the collaboration of customers, the activity continued in substantial continuity on the majority of customers and activities. In the second case, such trend is due to the opportunities related to the possible increase in investments by customers in the cybersecurity field, digitalization of processes, data science, analytics, big data, resulting from the consolidated experience in this emergency period.

Despite the new investments for the enhancement of the technological support infrastructure and for the adaptation of the offices and logistic structures to the new regulations, no significant economic impacts are expected.

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

From a financial point of view, at the present day, there is a limited impact relating to the slowdown of the testing procedures by the customers, for reasons related to logistical limitations; it is also foreseeable how some minor suppliers may need financial support in this emergency phase, with a consequent impact on the management of payments.

Forecasts for 2020 assume an increase in revenues, especially in the Central and Local Public Administration (PA) areas (thanks also to the continuous development of the SPC Lot 3 and Lot 4 contracts awarded in 2017 and to the LISPA tender awarded in April with the client Aria S.p.A., ex Lombardia Informatica SpA) and in the Finance sector (+12% compared to 2019) on some banking, insurance and trust groups (with a particular focus on the sale of new products developed internally), furthermore on Utilities and Industrial sector (+24% compared to 2019).

With regard to the Transportation area, the publication of some tenders for the renewal of the framework agreements by Ferrovie dello Stato Group (expiring in January 2020 and currently assigned to the RTI led by Almagora) is expected. Covering the period between the expiry of the current outsourcing contract and the development of the new contracts and in order to ensure the stability of the services provided, an extension of the current outsourcing contract entrusted to the RTI led by Almagora (value up to Euro 700 thousand and expiry date on December, 2021) was signed.

In the Transportation area, new contracts/customers are also expected to grow, based on the commercial development of new products (Moova platform, Sadel products and related services provided by Almagora, also due to the LPG market which will be favored by the opportunity offered by the SPC framework contract).

There will also be an increase in activities on the International Market both in terms of activities in the public administration of the European Union ("EU"), developed through the subsidiary Almagora de Belgique (recent award of tenders in EEAS - European External Action Services, TAXUD - European Tax Agency and DIGIT), and in the Transportation sector (recent acquisition of a contract for the supply of PIS systems, Passenger Information Systems, in the UK).

Additionally, certain actions continue, related to all Group's companies, with the maximum amount of attention and intensity of control, which in particular referred to:

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

During 2020 the Group could be able to benefit from the potential positive effects of the new national legislation on pensions, which could lead to an acceleration of the remix of resources in the production area with consequent professional optimization and moderation of wage growth.

Related to CRM Europe segment, in this third quarter of 2020, revenues decrease of 25.3% compared to the same quarter of the last year and for 25.5% compared to the first nine months of the last year.

The expenses, in this third quarter of 2020, decrease of 27.6% compared to the same quarter of the last year and for 27.9% compared to the first nine months of the last year. This decrease compensated the volumes' revenues reduction and reducing the loss at Ebitda level to Euro 1,431 thousand in the quarter, and to Euro 4,703 thousand compared to the first nine months of the last year.

The current year 2020 was logically influenced by the Covid-19 global pandemic.

The company, although belonged the categories that could continue to work in office, adopted, very quickly, the Smart Working modalities, basically closing all its offices, and reaching a percentage of SW resources equal to 98%. This was improved by a review of the CRM model both from a logistical, systems and organizational point of view, supported also by specific investments, which allowed to achieve qualitative and quantitative performances such as to allow the improvements of the margins described above.

This first nine months show an efficiency improvement of the production structure both from a logistical point of view, with the partial reduction of some offices' leases, and an organizational point of view, with the exit of resources towards other competitors due to the loss of turnover, specifically, characterized by negative margins.

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

Workforce constantly decreasing in Italy: 3,768 in September 2020 compared to 7,906 in December 2015 (-4,138 employees, -52.3%); 3,768 employees in September 2020 vs 5,408 in September 2019 (-1,640 -30.3%).

The initiatives already adopted, the actions underway and the new operating models under evaluation make it possible to predict a level of cost containment and a recovery of operating efficiency (which will be fully operational in 2020) such as to confirm a reduction in the loss compared the previous year.

The Brazilian macroeconomic scenario has been also affected by the spread of Covid-19, although the sectors related to services, especially in the ICT and CRM areas, as well as in Italy and other countries in the world, are more resilient than others. The Euro/BRL exchange rate, that in the first quarter of 2020 had a growth trend already, it is estimated that it will continue to be volatile also in the next months of 2020.

The Brazilian market, more than other markets where the Group operates, has characterized by a phase of consolidation and restructuring of the companies operating in the BPO-call center sector. In this situation, there are further opportunities for Almagiva, which boasts a solid financial base, careful and timely cost control and a strict operating process.

In this situation we highlight the approval of the reform of the new social security, which aims to balance a social security system that did not guarantee its sustainability in the medium/long term, and the tax reform which, hopefully, should bring together and simplification of rates. Furthermore, as at November 12, 2019 the Federal Government has published the "provisional measure 905" (comparable to an Italian Decree-law), named "Green and yellow program", whose main purpose is to reduce taxes on labor in order to promote employment. Furthermore, the proposed new rules should serve to pacify a series of tax and social security disputes, with a positive repercussion in employment.

Important benefits are expected for Almagiva do Brasil both from these reforms and from previous provisions regarding the legality of outsourcing and therefore on the possibility for our client companies to outsource activities, with positive effects on the growth of volumes managed.

On this site, as at January 14, 2020, we highlight the equity investment, from Bradesco Group, on the 100% of Acuaris Participações, which owns 100% of the capital of Chain Servicos e Contact Center SA. Through this acquisition Almagiva do Brasil consolidates its position in CRM activities, mainly in finance segment.

As regards the management of the health emergency related to Covid-19, also in Brazil as in the other Group companies, extraordinary measures have been adopted aimed at adapting the production methods, in particular thanks to the use of the methods for providing the service in smart-working and the improvement of the technological infrastructure, aimed at maintaining the 2020 targets.

During the first nine months of 2020, Almagiva- New Technology segment's revenues increase of +32.8% compared to the same period of last year, due to the positive impact of the new contracts SPC acquisition. In the 2020, is expected an increase of revenues in both local and international markets areas. In particular on local market is expected an increase of the On-Premise and Software As-A-Service offer both of the IRIDE® Customer Centric Suite, thanks to the definition of innovative technological solutions in the Business Intelligence, Big Data and Open Data area, to the confirm of leadership in the Speech Analytics sector and growth of self-automated solutions (conversational IVR & chatbot), further growth of activities on the Public Market Administration, linked to the development of contracts with the Central and Local Public Administration on the basis of the SPC Lot 3 and Lot 4 framework agreements awarded in 2017 and to the synergies with the Almagiva Group commercial forces in offering Almagiva products and services to customers of the Public Administration and Individuals.

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

As part of the market expansion process, including through non-organic, vertical and transversal growth, the Group is evaluating possible acquisitions of controlling investments.

In addition, on IT segment, further investment projects are being examined to accelerate growth both in the IT area (aimed at developing the market in particular as regards the production of integrated products and solutions for the transport, industry, public administration, finance.

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

In order to accelerate the development of innovative solutions and services with high technological value, assessments are also underway regarding the possible activation of university spin-off participations.

In this context, the completion in September 2020, of the founding process of the company "ARTificial intelligence for Enterprise systems S.r.l." (ARTE S.r.l.), based in Naples, is highlighted. The company is an academic spin off of the University of Naples Federico II (Department of Electrical Engineering and Information Technologies); its partners are: Almaviva Digitaltec (55%), Almaxwave S.r.l. (25%) and four professors of the aforementioned University (5% each). Following the registration of the Company in the Register of Companies, the process for the recognition of the status of innovative start-up was started.

From a financial perspective, the bond debt (Senior Secured Notes) is in place for a value of Euro 250 million, senior secured, original maturity of five years (October 2022) and coupon at 7.25%. In 2020, both of the half-yearly coupon has been paid (on 15/04/2020 and 15/10/2020); Each coupon amounts to Euro 9,063 thousand, for a total amount of Euro 18.1 million per year.

From a financial prospective, a decrease of NFP is also expected as at December 31, 2020.

2.2 Basis of consolidation

The Interim Condensed Consolidated Financial Statements comprise the financial statements of Almaviva S.p.A. and of the Italian and foreign companies controlled directly or indirectly by Almaviva S.p.A.

The consolidation criteria adopted in the preparation of the Interim condensed consolidated financial statements as at September 30, 2020 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019.

Consolidation Area

The companies consolidated at September 30, 2020 are listed in the following table. Compared to the consolidated financial statements as at 31 December 2019:

- due to the acquisition of 100% of Aquarius Participações' share capital by Almaviva do Brasil. The company Aquarius Participações, in turn, owns the entire share capital of the company Chain Serviços and Contact Center.
- due to the establishment, in September, of ARTificial intelligence for Enterprise systems S.r.l., an academic spin off of the University of Naples Federico II (Department of Electrical Engineering and Information Technologies). Almaviva Digitaltec S.r.l. and Almaxwave S.r.l. own, respectively, an equity investment equal to 55% and 25% of the share capital;
- due to the establishment of Almaviva Saudi Arabia For Information Technology L.L.C., a company under Saudi law whose single shareholder, owner of 100% of its share capital, is Almaviva S.p.A.;
- due the completion of the merger by incorporation of Almaviva Participações and Serviços Ltda. ("AvPart") into Almaviva do Brasil Telemarketing and Informática S.A.

Compared to the Interim Condensed Consolidated financial statements as of September 30, 2019, the consolidation area has changed due to the following companies added: Wedoo Holding Srl with its subsidiaries Wedoo Srl and Wedoo LLC and Aquarius Participações with its subsidiary Chain Serviços e Contact Center, ARTificial Intelligence for Enterprise Systems S.r.l., Arabia For Information Technology L.L.C.

The consolidated companies as at September 30, 2020, at December 31, 2019 and at September 30, 2019 are listed below:

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EXPLANATORY NOTES (continued)

<i>Companies and method of consolidation</i>	Currency	Share held	At September 30, 2020	At December 31, 2019	At September 30, 2019
Almaviva S.p.A. (Parent Company)	Euro	100,00%	Parent	Parent	Parent
Rome, Italy					
Lombardia Gestione S.r.l.	Euro	51,00%	Full	Full	Full
Milan, Italy					
Almaviva de Belgique S.A.	Euro	100,00%	Full	Full	Full
Brussels, Belgium					
Almaviva Digitaltec S.r.l.	Euro	100,00%	Full	Full	Full
Naples, Italy					
Wave S.r.l.	Euro	100,00%	Full	Full	Full
Pianoro, Italy					
Sadel S.p.A.	Euro	84,05%	Full	Full	Full
Castel Maggiore, Italy					
Wedoo Holding S.r.l. ***	Euro	55,00%	Full	Full	-
Torino, Italy					
Wedoo S.r.l. ***	Euro	100,00%	Full	Full	-
Torino, Italy					
Wedoo LLC ***	US Dollar	100,00%	Full	Full	-
Michigan, U.S.					
Arte S.r.l. **	Euro	100,00%	Full	-	-
Napoli, Italy					
Almaviva Saudi Arabia LLC **	Saudi Riyal	100,00%	Full	-	-
Riyad, Saudi Arabia					
Almaviva Contact S.p.A.	Euro	100,00%	Full	Full	Full
Rome, Italy					
Almaviva do Brasil S.A.	Brazilian Real	94,68%	Full	Full	Full
San Paolo, Brazil					
Almaviva Participações Ltda.*****	Brazilian Real	0,00%	-	Full	Full
Belo Horizonte, Brazil					
Aquarius Participações S.A.*	Brazilian Real	100,00%	Full	-	-
San Paolo, Brazil					
Chain Serviços e Contact Center S.A.*	Brazilian Real	100,00%	Full	-	-
San Paolo, Brazil					
Almacontact	Colombian Peso	100,00%	Full	Full	Full
Bogotá, Colombia					
Italy Call S.r.l.	Euro	100,00%	Full	Full	Full
Rome, Italy					
Almaviva Tunisie S.A.	Tunisian Dinar	56,25%	Full	Full	Full
Ville de Tunisi, Tunisie					
Almaviva Services S.r.l.	Romanian Leu	100,00%	Full	Full	Full
Iasi, Romania					
Almawave S.r.l.	Euro	100,00%	Full	Full	Full
Rome, Italy					
Almawave do Brasil Ltda.	Brazilian Real	100,00%	Full	Full	Full
Belo Horizonte, Brazil					
Pervoice S.r.l.	Euro	58,63%	Full	Full	Full
Trento, Italy					
Almawave USA Inc.	US Dollar	100,00%	Full	Full	Full
San Francisco, U.S.					
Agrisian S.C.p.A. in liquidazione	Euro	50,86%	Full	Full	Full
Rome, Italy					

*Acquired in 2020
**Established in 2020
***Acquired in 2019
***** Merged in Almaviva do Brasil in september 30, 2020

<i>Companies and method of consolidation (continued)</i>	Currency	Share held	At September 30, 2020	At December 31, 2019	At September 30, 2019
Sin S.p.A. *****	Euro	20,02%	-	-	-
Rome, Italy					
CCID – Almaviva Inform. Technol. Co. Ltd	Chinese Yuan	50,00%	Equity	Equity	Equity
Shanghai, People's Republic of China					
Consorzio Hypertix	Euro	49,99%	Equity	Equity	Equity
Rome, Italy					
PT: Almaviva Indonesia	Indonesian Rupiah	49,00%	Equity	Equity	Equity
Kontak					
TVEyes L.T. S.r.l.	Euro	20,00%	Equity	Equity	Equity
Trento, Italy					

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

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EXPLANATORY NOTES (continued)

Note 9 includes more details related to investments at equity method.

2.3 Effects of seasonality

The turnover and economic results of the Group are not significantly impacted by factors relating to the seasonality of the activities carried out in the Group's different operating sectors. The Group's performances actually tend to be generally uniform over the year, also thanks to the distribution to the operating activities in the two hemispheres, which makes it possible to mutually offset the periods of reduced operations of the Brazilian and European subsidiaries in the summer and winter periods. Therefore, taking into account the low economic impact of these trends, no additional financial disclosure is provided (required by IAS 34.21) relating to the trend in the last 12-months period ended as at September 30, 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting policies and measurement criteria

The accounting policies adopted in the preparation of the interim Condensed Consolidated Financial Statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2019, except for the adoption of new standards effective as of January 1, 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3.2 New standards, interpretations and amendments adopted by the Group

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements.

A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards,

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EXPLANATORY NOTES (continued)

to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the consolidated financial statements of the Group.

4. USE OF ESTIMATES AND MANAGEMENT JUDGEMENT

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

Management judgement mainly refers to aspects such as:

- the evaluation of existence of control, joint control or significant influence over group entities, as further described in paragraph 2.2 above;
- the evaluation of the useful lives of Intangible assets and Property, plant and equipment, as further described in paragraph 3.1 above;
- 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 Note 5 below;
- the identification of cash-generating units as the smallest groups of assets that generate largely independent cash inflows and to which goodwill is also allocated.

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

Significant opinion in determining the lease term of contracts that contain an extension option - The Group as a lessee.

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

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Group does not include the renewal period as part of the lease term for leases of plant with shorter non-cancellable period (> 4 years) as these are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term because there would be negative impacts on operations if alternative assets were not available.

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

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

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

Non-current assets (or disposal groups) classified as held for sale are first recognized in compliance with the appropriate IFRS applicable to the specific assets or liabilities and subsequently measured at the lower of the carrying amount and the fair value, net of costs to sell. Any subsequent impairment losses are recognized as a direct adjustment to the non-current assets (or disposal groups) classified as held for sale and expensed in the income statement. The corresponding values for the previous period are not reclassified.

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

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

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

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

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

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

Identification of cash-generating units (CGUs)

In application of IAS 36, the goodwill recognized in the Interim Condensed Consolidated Financial Statements of the Group as a result of business combinations has been allocated to individual CGUs or groups of CGUs that will benefit from the combination.

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

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

Use of estimates and assumptions

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the Interim Condensed Consolidated Financial Statements.

Revenue from contracts with customers

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

The Group determined that the input method is the best method in measuring the progress of the installation services because there is a direct relationship between the Group's effort (i.e., labour hours incurred) and the transfer of service to the customer. The Group recognises revenue on the basis of the labour hours expended relative to the total expected labour hours to complete the service. In other circumstances, the Group considered more correct to use the method based on the outputs as a suitable criterion for measuring the progress of the services provided by the Group. In this last case, the determination of the function points shared with the customer constitutes the basis for the recognition of revenues.

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

Some contracts for the sale of IT and CRM services provide for penalties to the Group for failure to reach contractually indicated KPIs. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration. Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the Interim Condensed Consolidated Financial Statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Recoverability of non-current assets

The carrying amount of non-current assets is subject to periodic verification and whenever the circumstances or events dictate the need to, Goodwill is verified at least annually. These recoverability checks are performed according to the criteria set out in IAS 36, described in more detail in Note 12 below. In particular, the recoverable value of a non-current asset is based on the estimates and assumptions used to determine the amount of the cash flows and the discount rate applied. If it is believed that the carrying amount of a non-current asset has suffered impairment, it is written down to the amount of the associated recoverable value, estimated with reference to its use and any future sale, based on the contents of the most recent company plan approved.

Provisions for risks

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

Pension plans

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

Determination of the fair value of financial instruments

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

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

5. OPERATING AND REPORTABLE SEGMENTS

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

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

The operating segment information based on the above four Operating and reportable segments is consistent with that used by the top management in its collective role as Chief Operating Decision Maker, as they monitor the operating results of these Operating and reportable segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the Consolidated Financial Statements.

The Group's financing strategy (including finance costs and finance income) is managed on a Group basis and therefore is not allocated to Operating and reportable segments. As a result of that, income taxes remain also unallocated.

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

- a. IT Services, provide ICT and Cloud Computing solutions, includes the following companies: AlmavivA, Lombardia Gestione, AlmavivA de Belgique, Agrisian, AlmavivA Digitaltec, Sadel, Wave, Wedoo Holding, Wedoo, Wedoo LLC, ARTificial intelligence for Enterprise systems S.r.l and AlmavivA Saudi Arabia for Information Technology L.L.C .
- b. CRM Europe, provides Contact Centre services and operates predominantly in the European Union, includes the following companies: AlmavivA Contact, Italy Call and AlmavivA Services.
- c. CRM International, provides the same services as those in the previous point in South America and in Tunisia, includes the following companies: AlmavivA do Brasil, Aquarius Participações, Chain Servicos e Contact Center, Almacontact and AlmavivA Tunisie.
- d. Almawave – New Technology, segment operating in the supply of innovative solutions geared towards the best interaction with work instruments, aimed at improving the people experience, includes the following companies: Almawave, Pervoice, Almawave do Brasil and Almawave USA.

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

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

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

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

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

For the nine months ended September 30, 2020

<i>(in thousands of Euro)</i>	IT Services	CRM Europe	CRM International	Almawave New Technology	Total Segments	Adjustments, eliminations and other	Consolidated
Revenue							
Revenues from contracts with customers	390,657	66,032	160,773	14,317	631,779	(0)	631,779
Inter-segment	2,349	5,192	67	3,716	11,324	(11,324)	0
Total revenues from contracts with customers	393,006	71,224	160,840	18,033	643,103	(11,324)	631,779
Income/(Expenses)							
Cost of raw materials and services	(173,531)	(14,912)	(43,451)	(7,770)	(239,663)	13,459	(226,205)
Personnel expenses	(172,362)	(59,258)	(92,209)	(6,531)	(330,360)	281	(330,079)
Depreciation and amortization and write-downs	(17,229)	(2,385)	(8,190)	(1,943)	(29,746)	313	(29,433)
Losses from sale of non-current assets	68	56	0	0	124	0	124
Other operating income	11,525	562	431	354	12,872	(2,027)	10,845
Other operating expenses	(5,387)	(571)	(38)	(91)	(6,087)	82	(6,005)
Operating Profit	36,091	(5,284)	17,383	2,053	50,242	783	51,025
% Revenue	9.2%	n.d.	10.8%	11.4%			8.1%
At September 30, 2020							
Total assets	601,992	136,224	156,427	44,404	939,047	(153,801)	785,245
Total liabilities	363,686	78,074	36,545	19,892	498,198	(64,633)	433,564

For the nine months ended September 30, 2019

<i>(in thousands of Euro)</i>	IT Services	CRM Europe	CRM International	Almawave New Technology	Total Segments	Adjustments, eliminations and other	Consolidated
Revenue							
Revenues from contracts with customers	356,752	90,546	175,321	9,150	631,769	(0)	631,769
Inter-segment	2,151	4,990	44	4,430	11,615	(13,103)	0
Total revenues from contracts with customers	358,903	95,536	175,365	13,580	643,385	(13,103)	631,769
Income/(Expenses)							
Cost of raw materials and services	(155,323)	(18,462)	(47,518)	(4,737)	(226,040)	14,469	(211,570)
Personnel expenses	(156,623)	(84,371)	(104,400)	(6,397)	(351,790)	327	(351,463)
Depreciation and amortization and write-downs	(16,986)	(3,109)	(9,437)	(1,553)	(31,085)	313	(30,772)
Losses from sale of non-current assets	0	0	0	0	0	0	0
Other operating income	8,361	888	148	1,046	10,443	(2,991)	7,452
Other operating expenses	(5,568)	(1,250)	0	(87)	(6,905)	249	(6,656)
Operating Profit	32,764	(10,767)	14,159	1,853	38,008	752	38,760
% Revenue	9.1%	-11.3%	8.1%	13.6%			6.1%
At December 31, 2019							
Total assets	580,034	144,310	196,085	43,233	963,661	(141,366)	822,295
Total liabilities	360,852	86,006	33,970	16,188	497,016	(68,014)	429,002

Reconciliation of Operating profit/(loss)

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

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

Reconciliation of Operating Profit

	For the nine months ended September 30,	
<i>(in thousands of Euro)</i>	2020	2019
Segment profit	51,025	38,760
Finance income	628	414
Finance costs	(22,934)	(24,621)
Exchange gains/(losses)	(1,137)	(165)
Gains/(losses) on equity investments	0	0
Profit/(loss) from investments accounted for using equity method	0	7
Inter-segment income/expenses (elimination)	0	0
Profit/(loss) before taxes	27,581	14,396

Reconciliation of Total assets

<i>(in thousands of Euro)</i>	At September 30, 2020	At December 31, 2019
Segment operating assets	785,245	822,295
Deferred tax assets	20,617	12,833
Current financial assets	3,686	3,415
Non-current financial assets	4,882	4,884
Non-current assets held for sale	2,459	2,459
Total assets	816,889	845,886

Reconciliation of Total liabilities

<i>(in thousands of Euro)</i>	At September 30, 2020	At December 31, 2019
Segment operating liabilities	433,564	429,002
Non-current financial liabilities	306,189	322,523
Current financial liabilities	33,501	34,267
Current tax liabilities	30,003	37,729
Deferred tax liabilities	1,394	1,394
Total liabilities	804,652	824,915

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

Reconciliation of EBITDA

For the nine months ended September 30, 2020

<i>(in thousands of Euro)</i>	IT Services	CRM Europe	CRM International	Almaviva New Technology	Total Segments	Adjustments, eliminations and other	Consolidated
Operating profit	36,091	(5,284)	17,383	2,053	50,242	783	51,025
(+) Depreciation and amortization	17,229	2,385	8,190	1,943	29,746	(313)	29,433
(+) Losses from sale of non-current assets	(68)	(56)	0	0	(124)	0	(124)
Earning before interests, taxes, depreciation and amortization (EBITDA)	53,251	(2,955)	25,573	3,996	79,865	470	80,335
% Revenue	13.5%	n.d.	15.9%	22.2%	12.4%		12.7%

For the nine months ended September 30, 2019

<i>(in thousands of Euro)</i>	IT Services	CRM Europe	CRM International	Almaviva New Technology	Total Segments	Adjustments, eliminations and other	Consolidated
Operating profit	32,764	(10,767)	14,159	1,853	38,008	752	38,760
(+) Depreciation and amortization	16,986	3,109	9,437	1,553	31,085	(313)	30,772
(+) Losses from sale of non-current assets	0	0	0	0	0	0	0
Earning before interests, taxes, depreciation and amortization (EBITDA)	49,750	(7,658)	23,595	3,406	69,093	439	69,532
% Revenue	13.9%	n.d.	13.5%	25.1%	10.7%		11.0%

Geographic information

<i>(in thousands of Euro)</i>	At September 30, 2020	At September 30, 2019
<i>Revenues from external customers</i>		
Italy	465,859	452,426
Brazil	151,560	165,206
Tunisia	1,598	1,864
Colombia	7,680	8,712
Europe	4,349	3,561
Other	733	0
Total	631,779	631,769
Of which:		
<i>Revenues recognized over the time</i>	609,644	610,773
<i>Revenues detected at a point in time</i>	14,561	9,369

6. SIGNIFICANT TRANSACTIONS IN THE PERIOD

During the period closed on September 30, 2020 certain corporate transactions took place, which are described briefly below, which involved Almaviva S.p.A. and certain companies which are direct or indirect investees of the latter, the main information regarding said transactions is provided below.

Among the transactions that took place during the period, the most significant one, the purchase of the entire share capital of Aquarius Participações S.A., on January 14, 2020.

On the same date, Aquarius Participações S.A. finalized the purchase of the residual share of Chain, which becomes wholly controlled (indirectly) by Almaviva do Brasil Telemarketing and Informatica SA.

Such acquisition resulted a payment of Euro 90,013 thousand Brazilian reais, corresponding to a value in of Euro 19,932 thousand, gross of the cash acquired in the transaction. The evaluation of the companies identified was in line with the

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

corresponding book value of the net assets acquired, and therefore with the book equity, determining, temporarily, no goodwill to be recorded in the transaction.

On the other hand, the Purchase Price Allocation process, in order to the identification of the fair value related to the assets acquired and the liabilities assumed, will be completed by the end of December 31, 2020.

Data relating to the Chain Servicos e Contact Center SA:

	Accounting values on the acquisition date
<i>(in thousands of Euro)</i>	
Intangible assets	326
Property, plant and equipment	2,043
Non-current financial assets	0
Other non-current assets	708
Total non-current assets	3,078
Inventories and amount due from customers	0
Trade receivables	11,933
Other current assets	2,149
Cash and cash equivalents	9,717
Total current assets	23,800
Total assets	26,877
Non-current liabilities for employee benefits	0
Non-current financial liabilities	479
Total non-current liabilities	479
Trade payables	763
Current financial liabilities	971
Current tax liabilities	4,734
Other current liabilities	0
Total current liabilities	6,467
Total liabilities	6,945
Fair value of net assets	19,932
Minorities	19,932
Goodwill (provisional)	(0)
Cash and cash equivalents acquired	9,717
Consideration paid	(19,932)
Net acquired cash flow	(10,215)

If the acquisition of Aquarius Participações SA and Chain Servicos e Contact Center SA took place at the beginning of the year, revenues from contracts with customers would have been Euro 32,223 thousand and the profit for the year Euro 5,015 thousand.

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

7. INTANGIBLE ASSETS AND GOODWILL

The table below shows for each component of Intangible assets the changes in net carrying value that occurred in 2020:

<i>(in thousands of Euro)</i>	Goodwill	Industrial patent and intellectual property rights	Concessions, licences, trademarks and similar rights	Other intangible assets	Assets under construction	Total
At December 31, 2019	39,455	28,312	387	11,585	23,258	102,996
Additions	0	1,280	309	43	198	1,830
Capitalisation for internal projects	0	458	0	0	10,843	11,301
Amortization	0	(5,573)	(352)	(4,559)	0	(10,484)
Disposals	(52)	0	(5)	0	0	(57)
Reclassifications and other	0	4,400	4	12,211	(16,856)	(241)
Change in consolidation area	0	0	257	0	0	257
Foreign exchange differences	(147)	(2,546)	(111)	0	(36)	(2,840)
At September 30, 2020	39,256	26,331	489	19,280	17,407	102,762

Group investments as at September 30, 2020 amounted to Euro 1,830 thousand and essentially relate to the “industrial patent and intellectual property rights”.

The Group also carried out additional investments in the reference period, through capitalisations for own work, totalling Euro 11,301 thousand relating to costs incurred primarily as part of the creation and internal development of assets (software, IT applications and research activities) also employed in the implementation and management of the services offered in the operating segments in which said Group operates.

On completion of the aforementioned activities, the investments are incorporated primarily in the item “Industrial patent and intellectual property rights” which, at the close of the period, totalled Euro 26,331 thousand and, therefore, highlights the Group’s software and IT applications developed internally and the developmental maintenance carried out them. In relation to these assets, the Group periodically conducts an analysis targeted at verifying their recoverable value with respect to the book value based on the expected future economic benefits related to said assets (active contracts in the portfolio and planned acquisitions). At the close of the financial year, following the analyses conducted, the values booked are fully recoverable.

Amortisation on the intangible assets for the year totalled Euro 10,484 thousand. The main amortisation rates adopted as at September 30, 2020 are included in the following intervals:

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

The change in consolidation area amounted to Euro 257 thousand refers to the intangible assets of the new company “Chain Servicos e Contact Center”.

The exchange differences from the translation to Euro of the financial statements of companies operating in non-Euro areas, amounting to Euro 2,840 thousand, mainly regarding companies that draft their financial statements in Brazilian Real.

Goodwill

Detailed information about the movements affecting the Goodwill during the periods is provided below. The majority of the goodwill recorded in the Interim Condensed Consolidated Financial Statements arose from business combinations that took place before the Group first applied IFRS on October 1, 2012. We remind that at first time application, the Group opted for the exemption for business combinations provided for by IFRS 1 that allowed the adopter to use the net book

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

value resulting from The Interim Condensed Consolidated Financial Statements prepared under Italian accounting standards on the date of transition as the entry value under IFRS.

<i>(in thousands of Euro)</i>	At December 31, 2019	Exchange differences	Disposals	At June 30, 2020
Alicos	2,007			2,007
Almaviva Contact	26,533			26,533
Almaviva do Brasil	1,748			1,748
Almaviva Finance	745			745
Atesia	44			44
Gempliss	198			198
In Action	1,017			1,017
Pervoice	314			314
Wave	5,121			5,121
Wedoo	630			630
Third	1,098	(119)	(52)	927
Total	39,455	(119)	(52)	39,284

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

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

As better indicated in the previous Note 1.1, during this period, cause there are no impairment indicators, the Directors did not consider necessary proceed with the preparation of specific impairment tests.

The plans taken as a reference, for the impairment illustrated below, refer to the period 2019-2024. Impairments are based on assumptions consistent with the company's business model. All the companies included in the plan are respecting the aforementioned assumptions without significant deviations.

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

8. PROPERTY, PLANT AND EQUIPMENT

The table below shows for each component of Property, plant and equipment the changes in net carrying value that occurred in 2020:

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

<i>(in thousands of Euro)</i>	Land and buildings	Plant and machinery owned and leased	Industrial and commercial equipment owned and leased	Other assets owned and leased	ROU Asset	Assets under construction and payments on account	Total
At December 31, 2019	8,141	12,456	364	26,143	53,601	730	101,435
Additions	12	1,777	85	3,235	3,655	207	8,971
Capitalisation for internal projects	0	0	0	0	0	12	12
Depreciation	(586)	(2,204)	(90)	(4,880)	(11,189)	0	(18,949)
Disposals	0	(21)	0	(5)	(3,546)	0	(3,572)
Reclassifications and other	0	28	0	797	0	(585)	240
Change in consolidation area	0	1,105	0	0	515	0	1,620
Foreign exchange differences	0	(3,534)	0	(4,745)	(6,625)	0	(14,904)
Historical cost	19,088	219,348	3,609	155,505	60,270	364	458,184
Accumulated amortization	(11,521)	(209,741)	(3,250)	(134,960)	(23,859)	0	(383,331)
At September 30, 2020	7,567	9,607	359	20,545	36,411	364	74,853

Property, plant and equipment amount to Euro 74,853 thousand as at September 30, 2020 compared to an amount of Euro 101,435 thousand as at December 31, 2019.

In the period, the line item increased by Euro 8,971 thousand due to the investments of the period of the which Euro 3,655 thousand related the investments in ROU Asset.

Depreciation in 2020 amounts to Euro 18,949 thousand.

The main depreciation rates adopted as at September 30, 2020, excluding the right of use related to IFRS 16, are included in the following intervals:

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

The depreciation rates related to ROU Assets are linked to the effective residual duration of the lease contracts and fluctuate over a rather wide range.

The divestments equal to Euro 3,572 thousand mainly refer to the early closure of some leasing contracts for CRM Europe falling within ROU Asset.

The reclassifications and other changes equal to Euro 240 thousand mainly concern the entry into operation of investments made in the previous year

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

The change in consolidation area amounted to Euro 1,620 thousand refers to the fixed assets of the new company “Chain Servicios e Contact Center”.

In 2020 the exchange differences from the translation to Euro of the financial statements of companies operating in non-Euro areas, is negative for an amount of Euro 14,904 thousand, mainly regard companies that draft their financial statements in the Brazilian Real.

The Group presented a balance of the item “land and buildings” of Euro 7,567 thousand related to the building located in Rome at Via dello Scalo Prenestino, owned by the IT Services.

9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The table below shows the balance and composition of the Non-current financial assets as at December 31, 2019, and September 30, 2020:

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

<i>(in thousands of Euro)</i>	At September 30, 2020	At December 31, 2019
CCID – Almaviva Inform. Technol. Co. Ltd	988	988
Consorzio Hypertix in liquidation	99	99
TVEyes L.T. S.r.l.	19	19
SIN S.p.A.	0	0
Total	1,106	1,106

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

Equity investments measured with the equity method as at September 30, 2020 are listed below:

	Registered office	Share Capital	Shares held (%)	Investor
CCID – Almaviva Inform. Technol. Co. Ltd	Shanghai, China	¥ 39,642,000.00	50.00	Almaviva S.p.A.
Consorzio Hypertix in liquidation	Rome, Italy	€ 198,000.00	49.99	Almaviva S.p.A.
TVEyes L.T. S.r.l.	Trento, Italy	€ 20,000.00	20.00	Pervoice S.p.A.

10. NON-CURRENT FINANCIAL ASSETS

The table below shows the balance and composition of the Non-current financial assets as at December 31, 2019, and September 30, 2020:

<i>(in thousands of Euro)</i>	At September 30, 2020	At December 31, 2019
Long-term loans	4,841	4,843
Others Equity investments	41	41
Non-current financial assets	4,882	4,884

Non-current financial receivables

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

<i>(in thousands of Euro)</i>	At September 30, 2020	At December 31, 2019
Amount falling due within 12 months	0	0
Amount falling due between 1-5 years	4,841	4,843
Non-current financial receivables	4,841	4,843

Non-current financial receivables, amounting to Euro 4,841 thousand (Euro 4,843 thousand as at December 31, 2019) are all instrumental to operating activities and concern loans to personnel for Euro 10 thousand and financial assets due to Auselda for Euro 1,181 thousand, and Guardia di Finanza Euro 3,650 thousand refer to a significant financial component on some contracts, which are related to deferred payments on services that Almaviva granted to this client. Furthermore, it should be noted that the parent company Almaviva SpA has entered into an agreement with a customer granting a delay in payments with respect to the services provided. This aspect was considered as a significant financial component of the contract as defined in IFRS 15 and, therefore, a financial asset equal to Euro 3,650 thousand was recognized.

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

Investments on equity instruments

The investments on equity instruments classified as available for sale are investments held in other entities over which the Group has neither control nor joint control or significant influence.

Such equity investments are classified as available-for-sale financial instruments in accordance with IAS 32, and - as such - are accounted for at the cost recognised at the payment date provided that the fair value cannot be reliably determined, as such companies have not shares listed in stock exchange market.

The following table provides the breakdown of the line item by investment at September 30, 2020 and December 31, 2019:

(in thousands of Euro)	At September 30, 2020	At December 31, 2019
Conai	1	1
Calpark	5	5
Banca Brutia	5	5
Uirnet	5	5
Consorzio Namex	3	3
Other	22	22
Total	41	41

Equity investments available for sale of Euro 41 thousand (Euro 41 thousand at December 31, 2019), refer to equity investments in other companies.

Due to irrelevance of the investments in question, the Directors have measured these investments at cost and therefore the fair value has not been determined as reported in drafting criteria to which reference is made.

At September 30, 2020, no impairment losses were recorded on the item in question. In this case, the impairment was determined following the analytical model described in the preparation criteria.

11. DEFERRED TAX ASSETS

The tables below show the amount of Almagiva Group's Deferred tax assets as at September 30, 2020 and December 31, 2019:

(in thousands of Euro)	At September 30, 2020	At December 31, 2019
Deferred Tax Assets	20,617	12,833

The table below shows a breakdown of deferred tax assets by Italian and foreign subsidiaries for years ended September 30, 2020 and December 31, 2019:

(in thousands of Euro)	At September 30, 2020	At December 31, 2019
Italian subsidiaries	9,400	8,280
Foreign subsidiaries	11,217	4,553
Total Deferred Tax Assets	20,617	12,833

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

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EXPLANATORY NOTES (continued)

The table below shows the changes occurred in deferred tax assets in each of the three years:

<i>(in thousands of Euro)</i>	At September 30, 2020	At December 31, 2019
Balance at the beginning of the year	12,833	15,259
Increases	10,736	0
Decreases	0	(2,630)
Effect of currency translation	(3,169)	(64)
Other changes	217	268
Balance at the end of the year	20,617	12,833

Deferred tax assets amounted to Euro 20,617 thousand (Euro 12,833 thousand as at December 31, 2019) and are stated net of deferred tax liabilities that can be offset, and were allocated, up to the limits of the amounts that are expected to be recovered in future years based on the availability of expected taxable income, mainly in relation to the deductible temporary differences (allocations to provisions for risks and other deferred expenses) and, for a residual part, to previous tax losses.

The most significant changes, equal to Euro 6,664 thousand, refer to foreign companies and more specifically to the CRM International sector. Mainly, the deferred tax assets mentioned, are related to the result of the tax losses recorded also due to the significant differences in exchange rates for the reference period.

As at September 30, 2020, the Management believes that there are no impairment indicators related to deferred tax assets. In fact, as already illustrated in this explanatory notes, forecasts included in the business plans appear reliable thanks to the final results of the Group and strengthen the forecast of future taxable income able to guarantee the recoverability of the amounts recorded, in continuity with 31 December 2019. The increase in these months, moreover, is attributable to an exceptional and extemporaneous event, as the exchange rate losses, which will not affect future taxable income for the CRM International sector.

12. OTHER NON-CURRENT ASSETS

Other non-current assets amount to Euro 1,370 thousand as at September 30, 2020 compared to an amount of Euro 1,772 thousand as at December 31, 2019, as illustrated in the table below:

<i>(in thousands of Euro)</i>	At September 30, 2020	At December 31, 2019
Security deposits	765	881
Prepaid expenses	601	887
Other receivables	4	4
Other non-current assets	1,370	1,772

Security deposits are equal to Euro 765 thousand as at September 30, 2020.

Prepaid expenses mainly refer to the training of AlmagivA Contact (Euro 220 thousand), AlmagivA Services (Euro 328 thousand) and AlmagivA Digitaltec (Euro 51 thousand) and Sadel (Euro 2 thousand).

13. INVENTORIES

Inventories of the Group are equal to Euro 7,878 thousand and are composed as follows:

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

<i>(in thousands of Euro)</i>	At September 30, 2020	At December 31, 2019
Raw materials (at cost)	2,416	2,005
Work in progress (at cost)	1,816	1,274
Finished goods (at lower of cost and net realizable value)	3,646	2,693
Total inventories at the lower of cost and net realizable value	7,878	5,972

During 2020, have not been accounted any expenses for inventories to carry them at net realizable value. The total amount related to Sadel S.p.A.is Euro 6,448 thousand, to AlmavivA S.p.A.is Euro 1,425 thousand and Pervoice Euro 5 thousand.

14. CONTRACT ASSETS

At September 30, 2020, the Group had contract assets totalling Euro 53,087 thousand (Amount due from customers was Euro 47,201 thousand at December 31, 2019).

The overall increase of Euro 5,886 thousand, refers essentially to the increase in IT Services activities which generated further contractual activities, not yet completed or not yet tested by the client.

15. TRADE RECEIVABLES

The table below shows the amount of AlmavivA Group's Trade receivables as at September 30, 2020, and December 31, 2019 together with the related gross amount, the amount retained as a guarantee and the bad debt provision.

<i>(in thousands of Euro)</i>	At September 30, 2020	At December 31, 2019
Trade receivables, gross amount	346,128	368,377
Trade receivables, amount retained as a guarantee	4,146	5,475
Bad debt provision	(21,075)	(21,037)
Trade receivables	329,199	352,815

Trade receivables decremented by Euro 23,616 thousand in 2020, from an amount of Euro 352,815 thousand as at December 31, 2019 to an amount of Euro 329,199 thousand as at September 30, 2020. The decrease in trade receivables, partly also due to the exchange rate effect, is mainly related to IT Services, CRM International and Almawave New Technologies even has though an increment on revenues.

Starting from 2018 financial year, the bad debt provision was determined by the practical expedient of the Provision Matrix for private customers. For customers in the public sector, the ECL (Expected Credit Loss) was determined based on information obtained from external info-providers.

The following table shows the ageing of the gross amount of trade receivables, excluding the portion retained by customers as a guarantee, as at September 30, 2020 and December 31, 2019:

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EXPLANATORY NOTES (continued)

<i>(in thousands of Euro)</i>	At September 30, 2020	At December 31, 2019
Amount not yet due	270,192	293,249
Amount due by less than 30 days	4,303	16,103
Amount due between 30-60 days	12,344	4,639
Amount due between 61-90 days	4,421	3,077
Amount due between 91-120 days	5,587	2,882
Amount due by more than 120 days	49,281	48,427
Trade receivables, gross amount	346,128	368,377

As mentioned in 2017 Financial Statements, on May 2, 2017 the Italian Ministry of Economic Development made an order that put into special administration under Decree-Law “Marzano”, the company Alitalia – Società Aerea Italiana S.p.A, With the same order a College of Commissioners has been appointed, The College consist of Luigi Gubitosi, Enrico Laghi and Stefano Paleari. On December 6, 2019 the College of Commissioners left the charge and instead of them it was appointed the Lawyer Giuseppe Leogrande, as sole commissioner.

The entity – supported by an internal and external legal opinion further substantiated by recent case-law – considers pre-deductible the net receivables from Alitalia Società Aerea Italiana S.p.A, (for an amount equal to Euro 5,999 thousand).

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

The following table shows the changes in the bad debt provision for each period ended September 30, 2020 and December 31, 2019:

<i>(in thousands of Euro)</i>	At September 30, 2020	At December 31, 2019
Balance at the beginning of the year	21,037	20,513
Provisions	38	494
Uses	(13)	0
Other	13	30
Balance at the end of the year	21,075	21,037

16. CURRENT FINANCIAL ASSETS

The following table shows the amount of the Current financial assets as at December 31, 2019, and September 30, 2020.

<i>(in thousands of Euro)</i>	At September 30, 2020	At December 31, 2019
Current financial assets	3,686	3,415

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

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

17. OTHER CURRENT ASSETS

Other current assets amount to Euro 126,761 thousand as at September 30, 2020, compared to Euro 119,553 thousand as at December 31, 2019.

The amount is composed as follow:

<i>(in thousands of Euro)</i>	At September 30, 2020	At December 31, 2019
Receivables due from personnel	3,606	3,349
Receivables due from social security institutions	2,107	2,740
Receivables due from tax authorities	34,291	18,705
Receivables related to tax consolidation	28,840	27,357
Prepaid expenses	12,024	7,111
Advances to suppliers	5,650	7,934
Sundry items	40,243	52,357
Other current assets	126,761	119,553

Other current assets increase by Euro 7,208 thousand in 2020, corresponding to a 6% growth rate.

In particular, note that almost all receivables from INPS not yet collected and regarding mainly the following fall under the item Receivables due from social security institutions, which amounted to Euro 2,107 thousand (Euro 2,740 thousand as at December 31, 2019):

- Credit towards INPS treasury
- Credit “Cig in derogation” and “Fis Covid” of AlmagivA Contact.

Receivables due from the tax authorities of Euro 34,291 thousand (Euro 18,705 thousand as at December 31, 2019).

The receivables from tax consolidation of Euro 28,840 thousand (Euro 27,357 thousand as at December 31, 2019) derive from the transfer to the parent company AlmagivA Technologies S.r.l. of the tax positions of the companies participating in the scheme in question. The increase of Euro 1,483 thousand relates to higher intercompany receivables relating to national IRES tax consolidation as a consequence of the results made in the period.

Prepaid expenses of Euro 12,024 thousand (Euro 7,111 thousand as at December 31, 2019) include costs pertaining to the future, primarily of AlmagivA S.p.A. (Euro 11,022 thousand), AlmagivA Contact (Euro 515 thousand), AlmagivA Services (Euro 295 thousand) and, to a lesser extent, the other Group companies.

Sundry items, amounting to Euro 40,243 thousand as at September 30, 2020 (Euro 52,357 thousand as at December 31, 2019), mainly include the receivables of the Brazilian companies for deposits for outstanding litigation with employees, receivables due from the Government and public entities and receivables for reimbursements.

Sundry items also included the receivables of:

- receivables due from the State and Public Authorities for projects financed
- receivables for reimbursements which refer:
 - to the amounts paid in advance by AlmagivA Contact to former employees in respect of a reinstatement judgment readily contested through an appeal in the process of being settled;
 - the receivable for the request for reimbursement of the legal expenses incurred for the dispute initiated by Loop AI Labs Inc. against some of the Group companies (the “AlmagivA Companies” collectively) as well as third parties, explained in the paragraph on Legal Issues and Litigation in the report on operations (the “US Dispute”). This receivables - which according to the Company’s assessments, also supported by the opinion of its lawyers, originates from a certain contractual right related to the stipulation of a policy called “ Civil Liability Insurance for Directors ” signed with a known insurance

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company - is currently subject to a further dispute and, due to this divergence, led to the institution of a judgment between the parties to the Court of Milan.

The insurance company, appeared before the court, requested the rejection of the demands submitted by the AlmagivA Companies and with a first instance judgment of June 16, 2020, the Court of Milan ruled in its favor. In the meantime, the US Dispute concluded both in the first and in the second instance, with the rejection of all demands of Loop AI Labs Inc. (the "US Decision").

Against the judgment of the Court of Milan, the AlmagivA Group companies recently lodged an appeal on July 30, 2020 and now, believe - also on the basis of the assessments made by their defense college and in consideration of the US Decision - to have valid arguments in order to be able to support their position, the instrumentality of the reservations and exceptions made by the insurance company and, consequently, to be able to subvert the first instance judgment in the next instance.

In consideration of these aspects, the receivable related to the insurance company continues to be considered, at present, fully recoverable.

18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents amounted to Euro 88,231 thousand as at September 30, 2020 compared to Euro 89,446 thousand as at December 31, 2019. The line item refers to credit balances at banks in existence at the end of each period and the amounts held at the Group treasuries. These voices are not subject to any restriction and are not foresee disinvestment costs.

19. NON-CURRENT ASSETS HELD FOR SALE

Assets held for sale amounting to Euro 2,459 thousand (Euro 2,459 thousand as at December 31, 2019), concern the residual amount to be collected relating to the sale, not yet perfected, of the 20.02% equity investment in the associated company SIN S.p.A. the sale of which is based on the "Sale of shares" contract signed on September 19, 2007 between AGEA - Agenzia per le Erogazioni in Agricoltura and the private Shareholders and the subsequent "Amendment deed to the sale of shareholdings and pledge" whereby the parties agreed that the deadline relating to the effectiveness of the transfer of all shares representing the equity investments held by the private shareholders in SIN S.p.A., originally scheduled for September 19, 2016, would be postponed until the completion by Consip S.p.A. of the public procedure and the handover to the new supplier. The receivable of Euro 2,459 thousand is the residual amount still to be collected of the original receivable of Euro 19,759 thousand booked to the financial statements as at December 31, 2015 was, on one hand, collected in 2016-2017 in the amount of Euro 16,336 thousand and, on the other hand, decreased by Euro 964 thousand in 2016 due to costs deriving from the recalculation of the price based on the amendment deed for the sale of the shareholding of October 27, 2016, mentioned above. The collection of Euro 16,336 thousand took place in the amount of Euro 8,008 thousand through the distribution of reserves by SIN S.p.A. on September 19, 2016 and Euro 6,538 thousand through the payment of a first tranche on October 28, 2016 and Euro 1,790 thousand through the payment of a second tranche on April 18, 2017 as set forth in the agreement.

20. SHAREHOLDERS' EQUITY

The total Shareholders' equity amount to Euro 12,238 thousand as at September 30, 2020 compared to Euro 20,971 thousand as at December 31, 2019.

The composition of the Shareholders' equity is as follows:

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EXPLANATORY NOTES (continued)

<i>(in thousands of Euro)</i>	At September 30, 2020	At December 31, 2019
Share capital	154,899	154,899
Share premium reserve	17,788	17,788
Legal reserve	7,619	6,320
Other reserves:		
<i>FTA reserve</i>	4,493	4,493
<i>OCI reserve</i>	2,921	2,921
<i>Translation reserve</i>	(51,603)	(19,974)
<i>Other reserves</i>	(153,476)	(164,061)
	(197,665)	(176,620)
Profit/(loss) for the year	24,288	12,131
Total group shareholders' equity	6,929	14,520
Reserves pertaining to NCIs:		
<i>Translation reserve</i>	(2,716)	(991)
<i>Other reserves</i>	6,836	5,892
	4,120	4,901
Profit/(loss) for the year pertaining to NCIs	1,188	1,550
Total non-controlling interests	5,308	6,452
Total Shareholders' equity	12,238	20,971

The Share capital as at September 30, 2020 amounted to Euro 154,899 thousand and due to the collateral agreements signed concurrently with the conclusion of the loan agreement, in previous years, the amount was fully paid-in and consisted of:

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

Consider that in August 2017, the parent company Almagiva Technologies S.r.l. acquired all the shares owned by Interbanca S.p.A., therefore the share of Almagiva Technologies S.r.l. reached 95.11%. The shares, all of which have a nominal value of Euro 1.00 each, are held by:

<i>in number of shares</i>	Ordinary shares	"Class A" special shares	"Class B" special shares	Total shares	% of Total shares
Almagiva 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%
Fintecna S.p.A. (*)	1,119,894			1,119,894	0.72%
Confagricoltura	1,093,172			1,093,172	0.71%
Conf. Italiana Agricoltori	1,093,172			1,093,172	0.71%
Conf. Nazionale Coldiretti	1,093,172			1,093,172	0.71%
Assicurazioni Generali S.p.A.	1,056,490			1,056,490	0.68%
Visualnet S.r.l.	819,879			819,879	0.53%
Share capital	107,567,301	32,331,764	15,000,000	154,899,065	100.00%

(*) From 1 January 2020 the merger by incorporation of Ligestra Due S.r.l. was formalized in Fintecna S.p.A.

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

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

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%.

For both of the share classes described above, there are no unconditional obligations to pay money. The shares mentioned comply with the definition of equity instrument pursuant to IAS 32.

Legal reserve

The Legal reserve amounted to Euro 7,619 thousand as at September 30, 2020 and increased by Euro 1,299 thousand compared to December 31, 2019.

Share premium reserve

The Share premium reserve amounted to Euro 17,788 thousand as at September 30, 2020 and remained unchanged compared to December 31, 2019.

FTA reserve

The FTA reserve amounted to Euro 4,493 thousand as at September 30, 2020, as detailed below, and remained unchanged compared to December 31, 2019:

- AlmovivA for Euro 4,782 thousand;
- AlmovivA Contact for negative Euro 141 thousand;
- AlmovivA do Brasil for Euro 122 thousand.

OCI reserve

The OCI reserve totalled Euro 2,921 thousand as at September 30, 2020 (compared to Euro 2,921 thousand as at December 31, 2019) and includes the actuarial valuation of TFR (employee severance indemnity) of the Group companies.

Translation reserve

The Translation reserve concerns the exchange differences from the translation to Euro of the financial statements of companies operating in non-Euro value.

As at September 30, 2020, it totalled negative Euro 54,319 thousand (of which the Group's share was a negative Euro 51,603 thousand and the portion pertaining to non-controlling interests amounted to negative Euro 2,716 thousand).

As at December 31, 2019, it was a negative Euro 20,965 thousand (of which the Group's share was a negative Euro 19,974 thousand and the portion pertaining to non-controlling interests amounted to negative Euro 991 thousand).

Other reserves

The Other reserves equalled to a negative Euro 146,640 thousand as at September 30, 2020 (Euro negative 158,169 thousand as at December 31, 2019) and are represented by consolidation reserves and by undistributed profits or losses carried forward. Out of this amount, the portion pertaining to the Group is negative Euro 153,476 thousand (Euro negative 164,061 thousand as at December 31, 2019), while the portion attributable to non-controlling interests is Euro 6,836 thousand (Euro 5,892 thousand as at December 31, 2019).

Capital management

The Group's objectives in terms of capital management are the protection of business continuity, the creation of value for stakeholders and support for Group development. In particular, the Group monitors the maintaining to an adequate level of capitalisation which makes it possible to achieve an economic return for shareholders, guarantee access to external

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EXPLANATORY NOTES (continued)

sources of financing and satisfy investors. In this context, the Group manages its capital structure and makes adjustments to it, if rendered necessary by changes to economic conditions. To this end, the Group constantly monitors the evolution of the level of indebtedness in relation to shareholders' equity, whose situation as at September 30, 2020 is summarised in the following table.

<i>(in thousands of Euro)</i>	<i>Note</i>	At September 30, 2020	At December 31, 2019
Non current Net Financial Position	23	(306,189)	(322,523)
Current Net Financial Position	16-18-27	58,416	58,594
Non current financial receivables	10	4,882	4,884
Financial indebtness ("Debt")	0	(242,891)	(259,045)
Total Group Shareholder Equity	20	6,929	14,520
Non Controlling Interests	20	5,308	6,452
Total Shareholders' Equity ("Equity")	20	12,238	20,971
Debt/Equity ratio		(19.8)	(12.4)

Financial debt at September 30, 2020, equal to Euro 242,891 thousand, includes values deriving from the application of the standard IFRS 16 equal to Euro 46,337 thousand (Euro 27,227 thousand related to non-current financial liabilities and Euro 19,110 thousand related to current financial liabilities). The Financial debt before effect mentioned before would be equal to Euro 196,554 thousand.

21. LIABILITIES FOR EMPLOYEE BENEFITS

Liabilities for employee benefits as at September 30, 2020 are reported below:

<i>(in thousands of Euro)</i>	At September 30, 2020	At December 31, 2019
Liabilities for employee benefits	49,513	51,286

The line item decreased by Euro 1,773 thousand in 2020, from Euro 51,286 thousand as at December 31, 2019 to Euro 49,513 thousand as at September 30, 2020.

The liability for employee severance indemnity, governed by Art. 2120 of the Italian Civil Code, includes the estimate of the obligation, determined on the basis of actuarial techniques, relating to the amount to be paid to the employees of Italian companies when their employment is terminated.

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

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EXPLANATORY NOTES (continued)

22. PROVISIONS

Provisions as at September 30, 2020 are reported below:

<i>(in thousands of Euro)</i>	At September 30, 2020	At December 31, 2019
Non-current portion of provisions for risks and charges	6,078	6,946
Current portion of provisions for risks and charges	6,038	8,547
Provisions for risks and charges	12,116	15,493

The line item decreased by Euro 3,378 thousand in 2020, from Euro 15,493 thousand as at December 31, 2019 to Euro 12,116 thousand as at September 30, 2020.

<i>(in thousands of Euro)</i>	Provision for taxes	Provision for redundancy incentives	Provision for guarantees granted	Provisions for legal disputes	Other provisions for risks and charges	Total
Balance as at January 1, 2020	585	2,591	134	2,201	9,982	15,493
Accruals	0	0	0	160	2,228	2,388
Utilizations	0	0	0	0	(2,532)	(2,532)
Decreases	0	(2,540)	0	(233)	(882)	(3,655)
Other changes not recorded through income statement	0	0	0	394	28	422
Balance as at September 30, 2020	585	51	134	2,522	8,824	12,116
of which:						
Non-current portion	585	22	134	0	5,337	6,078
Current portion	0	29	0	2,522	3,487	6,038

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

Information and comments on the various provisions are provided below.

Provisions for taxes

The line item amounts to Euro 585 thousand as at September 30, 2020 (Euro 585 thousand as at December 31, 2019) and include provisions for taxes:

- for Euro 370 thousand (Euro 370 thousand as at December 31, 2019) pertaining to Almagiva for an eventual notice of assessment relative to the 1999 tax period;
- for Euro 68 thousand (unchanged from 2015) pertaining to Almagiva and originating from the incorporated company Almagiva Sud;
- for Euro 65 thousand (unchanged from 2015) pertaining to Almagiva and originating from the incorporated company Almagiva Finance S.p.A.;
- for Euro 16 thousand (unchanged from 2015) pertaining to Almagiva and referring to a tax assessment made by the Italian Tax Police – Customs and Intracommunity VAT originating from the incorporated company Almagiva Tsf S.p.A.;

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- for Euro 66 thousand (unchanged from 2015) pertaining to Almaviva Contact and established in connection with the risks associated to the deduction of costs considered by the Tax Authorities to be non-deductible following a tax audit that took place in 2004 with respect to the fiscal year 2002;

Provisions for redundancy incentives

The Provision for redundancy incentives "Fondo esodi agevolati" equal to Euro 51 thousand as at September 30, 2020 (Euro 2,591 thousand as at December 31, 2019) is related to the trade union agreement of October 11, 2019 of Almaviva S.p.A., aimed at employees who had accrued the pension requirement during 2019 through "quota 100", early retirement, female option (in the latter case "opzione donna", the requirements must be matured by December 31, 2018) and that they had voluntarily decided to leave the company, except for those who will accrue the old-age pension requirement during the year 2020.

Provisions for guarantees granted

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

Provisions for legal disputes

The Provision for legal disputes amounts to Euro 2,522 thousand as at September 30, 2020 (compared to Euro 2,201 thousand as at December 31, 2019) mainly recorded by Almaviva for Euro 1,177 thousand (Euro 1,146 thousand as at December 31, 2019), Almaviva Contact for Euro 444 thousand (Euro 548 thousand as at December 31, 2019), Almaviva do Brasil for Euro 891 thousand (Euro 497 thousand as at December 31, 2019) and to a smaller extent by other Group companies.

Other provisions

The line items, including non-current and current portion, amount to Euro 8,824 thousand as at September 30, 2020, with a decrease of Euro 1,158 thousand in 2020, corresponding to a 11.6%. The amount includes other provisions for risks recorded by Almaviva for Euro 6,140 thousand as at September 30, 2020 (Euro 6,299 thousand as at December 31, 2019), Almaviva Contact for Euro 751 thousand as at September 30, 2020 (Euro 710 thousand as at December 31, 2019), Lombardia Gestione for Euro 496 thousand as at September 30, 2020 (Euro 589 thousand as at December 31, 2019), Agrisian in Liquidation for Euro 1,437 thousand as at September 30, 2020 (Euro 2,086 thousand as at December 31, 2019).

23. NON-CURRENT FINANCIAL LIABILITIES

Non-current financial liabilities as at September 30, 2020 are reported below:

<i>(in thousands of Euro)</i>	At September 30, 2020	At December 31, 2019
Banks	22,120	28,443
Bond	242,118	239,492
Amounts due to other lenders	14,724	14,363
Financial liabilities associated with leasing	27,227	40,225
Non-current financial liabilities	306,189	322,523

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

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

<i>(in thousands of Euro)</i>	At January 1, 2020	Proceeds from borrowings	Repayments of borrowings	Reclassification and other adjustments	At September 30, 2020
AlmavivA S.p.A.	257,854	10,727	(10,365)	2,627	260,843
Sadel S.p.A.	1,570	226	(777)	0	1,019
AlmavivA do Brasil	11,671	0	(1,975)	(3,722)	5,974
SIMEST Operation	11,000	0	0	0	11,000
Wedoo S.r.l.	203	0	(77)	0	126
Financial liabilities associated with leasing	40,225	3,655	(2,753)	(13,900)	27,227
Non-current financial liabilities	322,523	14,608	(15,947)	(14,995)	306,189

<i>(in thousands of Euro)</i>	At January 1, 2019	Proceeds from borrowings	Repayments of borrowings	Reclassification and other adjustments	At December 31, 2019
AlmavivA S.p.A.	259,705	13,343	(18,364)	3,170	257,854
Sadel S.p.A.	1,338	943	(711)	0	1,570
AlmavivA do Brasil	2,859	11,669	(2,614)	(243)	11,671
SIMEST Operation	11,000	0	0	0	11,000
Wedoo S.r.l.	0	0	0	203	203
Financial liabilities associated with leasing	0	0	0	40,225	40,225
Non-current financial liabilities	274,902	25,955	(21,689)	43,355	322,523

The balance of the line item as at September 30, 2020 is Euro 306,189 thousand, with a decrease of Euro 16,334 thousand compared to the prior year.

Long-term financial liabilities of Euro 306,189 thousand refer primarily to the bond of Euro 250,000 thousand issued on October 5, 2017, 7.25% coupon with half-yearly payment on October 15 and April 15 of each year and final maturity on October 15, 2022. The bond was listed on the Luxembourg stock exchange on the Euro MTF Market (unregulated market). The issue and placement were performed by the merchant bank Goldman Sachs as Sole Book Runner and banca UBI in the role of co-Manager.

The issue was preceded by a Road Show in the main European financial markets including London, Paris, Frankfurt, Amsterdam and Milan, achieving resounding success among investors. Demand was 4 times higher than supply, concentrated among large international investors high profile. The issue was also supported by a Revolving Facility for an original amount of Euro 20,000 thousand, increased to Euro 40,000 thousand on October 5, 2017 (The line is fully committed for Euro 40,000 thousand and without any clean-down condition). The Revolving line expires on February 5, 2022 and can be used for general purposes relating to company business.

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

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

The new sources of financing were used to repay mainly the financial indebtedness of AlmavivA S.p.A. deriving from the loan agreement signed on August 13, 2012 with a pool of banks.

Thanks to the Senior Secured Bridge and Revolving transaction before the bond issue and the increase from Euro 20,000 thousand to Euro 40,000 thousand of the Revolving line after, AlmavivA made the Group's debt structure more stable, extending the average term of the loans by making provision for medium-term repayments in a single expiry and reducing the overall cost of debt between liabilities in Italy and Brazil.

The bond is accounted in the financial statements using the amortised cost method and has a value of Euro 242,118 thousand as at September 30, 2020.

Bank liabilities totaled Euro 22,120 thousand and relate to AlmavivA S.p.A. for Euro 15,001 thousand mainly for the draw of the Revolving line, to AlmavivA do Brasil for Euro 5,974 thousand, and to Sadel for Euro 1,019 thousand and Wedoo for Euro 126 thousand. With regard to the Revolving Credit Facility line, every quarter, the observance of a covenant called "Net Consolidated Leverage Ratio" is assessed, only if the use of the line is higher than 40%.

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EXPLANATORY NOTES (continued)

Liabilities to other lenders amounting to Euro 14,724 thousand refer primarily to the subsidised loans received on the financed projects of AlmagivA S.p.A. (Euro 3,724 thousand) and, for Euro 11,000 thousand relating to the payable due to Simest.

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

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

<i>(in thousands of Euro)</i>	> 12 months	< 5 years	> 5 years
Banks	22,120	22,120	0
Bond	242,118	242,118	0
Amounts due to other lenders	14,724	14,262	462
Financial liabilities associated with leasing	27,227	26,898	329
	306,189	305,398	791

Non-current financial liabilities related to IFRS 16 adoption are equal to Euro 27,227 thousand; the reclassifications for Euro 9,711 thousand refer to (i) the change in the consolidation area due to the Chain’s acquisition; (ii) to the exchange rate differences related to companies with functional currencies other than the Euro and (iii) to the reclassification of the debt from non-current liabilities to current liabilities.

24. DEFERRED TAX LIABILITIES

The tables below show the amount of AlmagivA Group’s Deferred tax liabilities as at September 30, 2020 and the related changes occurred in each of these periods.

<i>(in thousands of Euro)</i>	At September 30, 2020	At December 31, 2019
Deferred tax liabilities	1,394	1,394

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

25. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities amount to Euro 914 thousand as at September 30, 2020 compared to an amount of Euro 1,018 thousand as at December 31, 2019, as illustrated in the table below:

<i>(in thousands of Euro)</i>	At September 30, 2020	At December 31, 2019
Deferred income on capital grants	914	1,018
Other non-current liabilities	914	1,018

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EXPLANATORY NOTES (continued)

The fully amount refers to deferred income on capital grants.

26. TRADE PAYABLES

Trade payables amounts to Euro 265,700 thousand as at September 30, 2020 compared to an amount of Euro 262,426 thousand as at December 31, 2019, as illustrated in the table below:

<i>(in thousands of Euro)</i>	At September 30, 2020	At December 31, 2019
Trade payables	265,700	262,426

They mainly include payables for the provision of services, as well as those relating to various services for activities carried out in the year. More specifically, trade-related payables past due amounted to Euro 79,951 thousand (Euro 62,775 thousand in 2019), while those falling due in under 12 months amounted to Euro 185,749 thousand (Euro 199,651 thousand in 2019).

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

27. CURRENT FINANCIAL LIABILITIES

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

<i>(in thousands of Euro)</i>	At September 30, 2020	At December 31, 2019
Payables due to banks	5,224	10,297
Current portion bonds	8,320	3,813
Payables due to other lenders	592	734
Financial lease payables	8	64
Accrued liabilities from financial expenses	247	269
Other financial payables	0	1
Financial liabilities for leasing IFRS 16	19,110	19,089
Current financial liabilities	33,501	34,267

Short-term financial liabilities of Euro 33,501 thousand refer to payables for short-term loans taken out with banks, the portion of payables for interest accrued vis-à-vis bondholders whose payment is set for October 15, 2020 and financial liabilities for leasing IFRS 16.

28. TAX PAYABLES

Tax payables as at September 30, 2020 are reported below:

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<i>(in thousands of Euro)</i>	At September 30, 2020	At December 31, 2019
Income taxes	3,205	2,514
Other taxes	26,798	35,215
Tax payables	30,003	37,729

Tax payables amount to Euro 30,003 thousand as at September 30, 2020 compared to Euro 37,729 thousand as at December 31, 2019, thus recording a decrease of Euro 7,726 thousand in 2020.

They refer primarily to payables for IRPEF to be paid, to payables for IRAP direct taxes, to payables for deferred VAT, payables for ordinary VAT, as well as to the taxes of foreign companies, in particular in Brasil. It should be noted that the Group does not present payables for past due taxes given that thanks to the financial transaction which took place in 2017, the Group settled, at the date of the transaction, all debts for taxes past due, also through the division into instalments agreed with the tax authorities.

29. OTHER CURRENT LIABILITIES

Other current liabilities as at December 31, 2019, and September 30, 2020 are reported below:

<i>(in thousands of Euro)</i>	At September 30, 2020	At December 31, 2019
Payables due to social security institutions	10,861	18,417
Payables due to personnel	48,913	37,193
Miscellaneous payables	32,722	28,329
Deferred income	12,826	14,839
Other current liabilities	105,322	98,778

The line item increased by Euro 6,544 thousand in 2020, from an amount of Euro 98,778 thousand at December 31, 2019 to an amount of Euro 105,322 thousand at September 30, 2020. The increased of the period is around 6.6%.

The payables due to social security and welfare institutions amounted to Euro 10,861 thousand and refer to mandatory contributions accrued and payable to social security institutions for wages and salaries and remuneration paid.

The payables due to personnel refer, primarily, to the provision for holidays and leave accrued by personnel and still not utilised, as well as, as regards the subsidiaries appertain to CRM Europe segment, the monthly pay relating to September 2020, which was paid in the first few days of October 2020, as per the ordinary management of the payments of wages and salaries.

Miscellaneous payables of Euro 32,722 thousand mainly include the payables due to corporate bodies, payables to project workers, payables to insurance companies, amounts due for collections to be repaid to partners and payables related to the fiscal consolidation to AlmagivA Technologies S.r.l.

Deferred income of Euro 12,826 thousand related to the economic components pertaining to future years.

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EXPLANATORY NOTES (continued)

30. REVENUE

Revenue from contracts with customers for each of the periods ended September 30, 2020, and September 30, 2019 are reported in the following table:

Please consider that label “Revenue” has to be read as “Revenues from contracts with customers” as defined in IFRS 15.

<i>(in thousands of Euro)</i>	For the nine months ended September 30,	
	2020	2019
Revenues from sales and services	609,644	610,773
Revenues from sale of goods	14,561	9,369
Revenues from contract work in progress	7,574	11,627
Revenues from contracts with customers	631,779	631,769

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

<i>(in thousands of Euro)</i>	For the nine months ended September 30,	
	2020	2019
<i>Type of goods or service</i>		
ICT Services rendered	390,413	356,533
CRM Services rendered	226,805	265,867
Goods transferred in Transportation business	14,561	9,369
Total revenue from contracts with customers	631,779	631,769

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

Revenues increased by Euro 9 thousand from Euro 631,769 thousand for the year ended September 30, 2019 to Euro 631.779 thousand for the period ended September 30, 2020.

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

The table below shows a breakdown of revenues by Operating and reportable segments for the periods ended September 30, 2019, and 2020, Inter-segment elimination has not been considered and eliminated.

<i>(in thousands of Euro)</i>	For the nine months ended September 30,	
	2020	2019
IT Services	390,657	356,752
CRM Europe	66,032	90,546
CRM International	160,773	175,321
AlmagivA – New Technology	14,317	9,150
Revenues from contracts with customers	631,779	631,769

The revenues of the IT Services segment as at September 30, 2020 arose by Euro 33,905 thousand, equal to 9.5% compared to the previous year. This increase is due mainly to the growth in revenues, the increase in demand for services,

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with respect to customers of Welfare, Ministries, Health, Treasury and public finance, Banking and Insurance, Agriculture-Environment business areas and, to a lesser extent, in other areas. This growth was partially offset by a reduction in revenues attributable to Transport and Other areas.

The revenues of the CRM Europe segment recorded a decrease of Euro 24,515 thousand (27.1%) in the period ended as at September 30, 2020 compared to the previous period. The decrease mainly concerned the Telco, Government and Transport areas and in a lesser extent Utilities, partially offset by an increase in Other areas.

The revenues of the CRM International segment recorded an decrease of Euro 14,548 thousand, 8.3% as at September 30, 2020 when compared to the previous period. The decrease mainly concerned the Telco and Media, Government and other partially offset by an increase in Other areas.

The revenues of the Almaxwave-New Technology segment rose by Euro 5,167 thousand, 56.5% compared to the previous year. The rise is due primarily to the increase in revenues deriving from the sale of software technologies to customers in the Finance, Government and other areas, partially offset by the fall in revenues from customers in the Telco/Media, Utilities, and Transport areas.

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

The transaction price, net of variable consideration, allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at September 30, 2020 are, as follows:

<i>(in thousands of Euro)</i>	Total at September 30, 2020	To be absorb within the current financial year	To be absorb within the next financial year
Backlog (*)	1,430,318	(566,569)	(863,749)

(*) IT Services and Almaxwave New Technology segments

31. OTHER INCOME

Other income for each of the periods ended September 30, 2020, and September 30, 2019 are reported in the following table:

<i>(in thousands of Euro)</i>	For the nine months ended September 30,	
	2020	2019
Recovery of personnel costs	660	645
Recovery of costs of service provision	2,054	2,507
Recovery of costs of use of assets	39	33
Reversal of provisions	3,209	1,417
Other income	677	686
Operating grants	3,475	1,856
Reversal of over-accruals of trade payables	731	308
Other income	10,845	7,452

Other income are equal to Euros 10,845 thousand (Euro 7,452 thousand at September 30 .2019) and are mainly related to: (i) the absorption of other ordinary provisions for guarantees; (ii) to the recovery of personnel costs, provision of services and cost of use of third-party assets (equal to respectively Euro 660 thousand, Euro 2,054 thousand, Euro 39 thousand) connected to personnel seconded to third parties and to the complex of activities and services rendered to third parties; (iii) to other proceeds for adjustments of items allocated in previous years.

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32. COST OF RAW MATERIALS AND SERVICES

Cost of raw materials and services for each of the periods ended at September 30, 2020, and 2019 are reported in the following table:

<i>(in thousands of Euro)</i>	For the nine months ended September 30,	
	2020	2019
Raw materials, consumables, supplies and goods	22,919	18,064
Costs for services	201,869	191,092
Costs of use of third party assets	4,222	5,654
Costs for services capitalised for assets created internally	(2,394)	(2,165)
Changes in inventories	(411)	(1,075)
Cost of raw materials and services	226,205	211,570

The item increased by Euro 14,635 thousand in the period. The increase is, generally speaking, attributable to the higher revenues in the IT Services segment, with a subsequent increase in the costs for services (Euro 18,208 thousand, from an amount of Euro 155,323 thousand in 2019 to Euro 173,531 thousand in 2020), in the CRM Europa segment (in which the costs for services decrease by Euro 3,550 thousand from Euro 18,462 thousand in 2019 to Euro 14,912 thousand in 2020), in Almaxwave-New Technology segment (increase in costs of Euro 3,033 thousand, up from Euro 4,737 thousand in 2019 to Euro 7,770 thousand in 2020) and in the CRM International segment (due to the decrement of the costs for services for Euro 4,067 thousand from Euro 47,518 thousand in 2019 to Euro 43,451 thousand in 2020).

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

<i>(in thousands of Euro)</i>	For the nine months ended September 30,	
	2020	2019
Maintenance	21,821	19,599
Insurance	2,005	1,920
Consultancy and professional services	91,791	85,971
Advertising, promotion and entertainment	249	678
Telephone expenses	3,684	3,913
Travel and stays	1,499	4,137
Energy and fluids	6,211	7,257
Distribution and warehousing	3,302	2,845
Other costs for services	71,307	64,766
Costs for services	201,869	191,086

The item Other costs for services includes the operating expenses and various services such as corporate protection expenses, canteen expenses and meal vouchers for employees, legal and notary expenses, commissions and expenses for bank services, training course expenses, cleaning expenses and costs incurred on behalf of group companies that basically refer to charges for insurance policies and travel and transfer expenses. In these months the item also includes expenses for corporate protection related to Covid 19 (costs for sanitization, cleaning, purchase of masks and gloves).

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

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EXPLANATORY NOTES (continued)

33. PERSONNEL EXPENSES

Personnel expenses for each of the periods ended September 30, 2020 and 2019 are broken down as follows:

<i>(in thousands of Euro)</i>	For the nine months ended September 30,	
	2020	2019
Salaries and wages	269,937	287,079
Social security contributions	52,249	53,802
Employee benefit expenses	12,806	12,282
Other costs	1,767	3,064
Agency work	2,217	2,780
Personnel expenses capitalised for assets created internally	(8,918)	(7,611)
Personnel expenses	330,079	351,463

Personnel expenses decrease by Euro 21,384 thousand, or 6.1%, from Euro 351,463 thousand in the period ended September 30, 2019 to Euro 330,079 thousand in the period ended September 30, 2020.

The average number of employees of companies included in the consolidation area, broken down by category, for each period ended September 30, 2020 and 2019 is as follows:

	At September 30, 2020	At September 30, 2019
Executives	248.2	240.3
Middle managers	884.1	840.7
White-collar employees	45,206.7	42,922.6
Total Group average employees	46,339.0	44,003.6
Agency workers	95.4	157.7
Total workforce	46,434.4	44,161.3

34. DEPRECIATION AND AMORTIZATION, PROFIT/(LOSS) FROM SALE OF ASSETS

Depreciation and amortization for each period ended September 30, 2020 and 2019 are broken down as follows:

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EXPLANATORY NOTES (continued)

<i>(in thousands of Euro)</i>	For the nine months ended September 30,	
	2020	2019
Industrial patent and intellectual property rights	5,037	5,333
Concession, licence and trademarks	719	222
Other	4,728	4,527
Total Amortisation	10,484	10,082
Civil and industrial buildings	586	586
Industrial and commercial equipment	90	101
Plants and machinery owned	2,199	2,604
Other assets owned and leased	4,885	5,590
ROU Asset - Civil and industrial buildings IFRS16	10,414	11,109
ROU Asset - Other assets owned and leased IFRS16	775	699
Total Depreciation	18,949	20,689
Total Depreciation and Amortisation	29,433	30,772

<i>(in thousands of Euro)</i>	For the nine months ended September 30,	
	2020	2019
<i>Disposals of Intangible Assets</i>	(52)	0
<i>Disposals of Tangible Assets</i>	176	0
Total losses from sale on non-current assets	124	0

35. OTHER EXPENSES

Other operating expenses for each period ended September 30, 2020 and 2019 are broken down as follows:

<i>(in thousands of Euro)</i>	For the nine months ended September 30,	
	2020	2019
Write-down of receivables	38	270
Provisions for risks	2,228	3,418
Taxes and duties	255	414
Membership fees	519	516
Other expenses	2,460	1,983
Accruals to provisions	0	0
Reversal of over-accruals of trade receivables	505	55
Other operating expenses	6,005	6,656

Other operating expenses decreased by Euro 651 thousand, or -9.8%, from Euro 6,656 thousand in the period ended September 30, 2019 to Euro 6,005 thousand in the period ended September 30, 2020. Net allocations to provisions for risks and charges were booked by the IT Services segment. Information on the provisions for risks and charges is provided in Note 22, to which the reader is referred. Other operating costs non-recurring portion which includes almost exclusively the economic effect recorded due to the settlement of previous receivables.

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

Financial income, Financial expenses and Exchange gains/(losses) for each of the periods ended September 30, 2020 and 2019 are reported below:

<i>(in thousands of Euro)</i>	For the nine months ended September 30,	
	2020	2019
Financial income	628	414
Financial expenses	(19,555)	(20,251)
Exchange gains/(losses)	(1,137)	(165)
Financial expenses for leasing IFRS 16	(3,379)	(4,370)
Net financial result	(23,444)	(24,371)

As per the previous table, the result of financial income and expenses was negative Euro 23,444 thousand as at September 30, 2020, compared to a negative result of Euro 24,371 thousand as at September 30, 2019, notwithstanding an increase of Exchange losses.

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

Gains/(losses) on equity investments and loss from investments accounted for using equity method was zero for each period ended September 30, 2020 (Euro 7 thousand at September 30, 2019).

38. INCOME TAXES

Income taxes for each of the periods ended September 30, 2020, and 2019 are broken down as follows:

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<i>(in thousands of Euro)</i>	For the nine months ended September 30,	
	2020	2019
Italian Companies		
<i>IRAP (Regional business tax)</i>	1,852	1,902
<i>IRES (Corporate income tax)</i>	7,251	7,874
<i>(Income) expenses from compliance with tax consolidation</i>	(1,576)	(2,530)
	7,527	7,246
Foreign companies		
<i>Other current taxes</i>	5,563	2,501
	5,563	2,501
Current Taxes	13,090	9,747
Italian Companies		
<i>IRAP (Regional business tax)</i>	146	(97)
<i>IRES (Corporate income tax)</i>	(1,265)	(2,745)
	(1,119)	(2,842)
Foreign companies		
<i>Other deferred taxes</i>	(9,617)	600
	(9,617)	600
Deferred taxes	(10,736)	(2,242)
Income taxes for the year - Non recurring portion	(248)	0
Total Income taxes	2,106	7,505

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39. INCOME TAXES RECONCILIATION

Income taxes reconciliation for each of the periods ended September 30, 2020, and 2019 are broken down as follows:

<i>(in thousands of Euro)</i>	For the nine months ended September 30,			
	2020		2019	
Income before taxes	27,581	100.0%	14,396	100.0%
Theoretical taxes (*)	6,620	24.0%	3,455	24.0%
Effective tax charge	2,106	7.6%	7,505	52.1%
differences between theoretical and effective tax charge	(4,514)	-16.4%	4,050	28.1%
1) different foreign tax rates	(1,271)	-4.6%	2,134	14.8%
	(6,855)	-24.9%		
2) permanent differences:				
2a) IRAP and other italian regional taxes	1,852	6.7%	1,902	13.2%
2b) taxes of prior periods	0	0.0%	0	0.0%
2c) tax credit R&D	0	0.0%	0	0.0%
2d) consolidation adjustments	147	0.5%	101	0.7%
2e) IAS 19	0	0.0%	0	0.0%
2f) other differences (**)	1,613	5.8%	373	2.6%
Total differences	(4,514)	-16.4%	4,510	31.3%

(*) Theoretical tax charge calculated by applying IRES (italian statutory tax rate)

(**) Other differences are mainly related to these fiscal effects: IFRS 16 adoption, deduction for super-amortization, non-deductible occurrence

40. GUARANTEES AND COMMITMENTS

The Group granted the following guarantees as at September 30, 2020:

- personal guarantees of Euro 220.930 thousand (Euro 227,548 thousand as at December 31, 2019), which are “in favour of subsidiaries” recorded by Almagiva S.p.A. for co-obligations issued to various insurance companies in the interest of Agrisian S.C.p.A. in Liquidation amounting to Euro 206,583 thousand and relative to the contract with the Ministry of Agricultural and Forest Resources; “in favour of other parties” in the amount of Euro 14,347 thousand, guarantees recorded by Lombardia Gestione of Euro 1,052 thousand for the execution of the service agreement and Almagiva Contact S.p.A. in the amount of Euro 13,011 thousand; Sadel S.p.A. in the amount of Euro 284 thousand; and others.
- collateral given of Euro 29,025 thousand refers to 100% pledges of shares held by Almagiva S.p.A. in Almagiva Contact S.p.A. (Euro 3,000 thousand), to pledges on 94.68% of the shares held by Almagiva Contact S.p.A. in Almagiva do Brasil (Euro 26,025 thousand) to guarantee the new bond loan which has already been detailed in full in these Notes. In relation to these bonds, in order to guarantee the fulfilment of the secured credits, the following were established: a pledge contract on trade receivables and intercompany items of Almagiva S.p.A. and any other credit due to Almagiva S.p.A. from Almagiva Technologies; a pledge contract on the trade receivables and intercompany items of Almagiva Contact S.p.A., Almagiva S.r.l. and Almagiva do Brasil; a pledge contract on certain bank accounts of Almagiva S.p.A., Almagiva Contact S.p.A. and Almagiva do Brasil. To further secure this loan, the shares held by Almagiva Technologies S.r.l. equal to 95.11% of the share capital of Almagiva S.p.A. were also pledged.
- To date there are no risks of enforcement of the aforementioned guarantees and the Group also does not receive commissions related to the commitments made.

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Other guarantees, commitments and risks

These amounted to Euro 8,577 thousand (Euro 8,546 thousand as at December 31, 2019) and refer to third party assets held by AlmagivA S.p.A.

41. RISKS AND OTHER INFORMATION

Credit risk

The maximum theoretical exposure to credit risk for the AlmagivA Group as at September 30, 2020 is represented by the carrying amount of financial assets reported in the financial statements, in addition to the nominal value of guarantees given on the payables or commitments of third parties.

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

The following table shows the overall exposure of AlmagivA Group's receivables, together with a breakdown by amounts falling due and past due. For more detailed information, please refer to Note 15 above.

<i>(in thousands of Euro)</i>	At September 30, 2020	At December 31, 2019
- Amount falling due	270,192	293,249
- Past due	54,861	54,091
Trade receivables net of Bad debt provision	325,053	347,340

Liquidity risk

Liquidity risk, according to generally accepted definition, represents the risk that available financial resources could be not sufficient to cover maturing financial liabilities. AlmagivA S.p.A. evaluated this risk as remote for the company and for the Group. During the assessment, the entity considered its own capability to generate cash flows from operating activities and from sources of financing that, after renewed financial structure, allow to get a significant saving on cost of borrowing. The condensed consolidated half-year financial statements at 30 September 2020 were significantly impacted by the worsening of the EUR / R \$ exchange rates

Exchange rate risk

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

42. INFORMATION ON FAIR VALUE MEASUREMENT

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

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43. LEGAL ISSUES AND LITIGATIONS

Tax, administrative, civil and labour disputes are handled by the AlmagivA Group's competent departments that provided, for the drafting of the financial statements, a comprehensive and exhaustive overview of the different proceedings in progress. In respect of these disputes, the company, also with the help of the opinions provided by the Group's external legal representatives, carried out an accurate assessment of the risk of being the losing party which determined the recognition of the appropriate provisions for disputes likely to have a negative outcome and, which could be reasonably quantified, as represented and commented on in these notes, under "Provisions for risks and charges" - Note 22. For those proceedings whose negative outcome, owing to the different case law positions, was only considered possible, no specific allocations were made in accordance with the regulations governing the drafting of the financial statements.

Contingent liabilities

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

Shown below are the main contingent liabilities as at September 30, 2020 not recorded in the financial statements owing:

AlmagivA S.p.A.

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

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

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

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

RTI AlmagivA S.p.A. (agent of the RTI with Telecom Italia S.p.A. and Agriconsulting S.r.l.) / Consip S.p.A. / Ministry of the Environment and Protection of the Land and the Sea ("MATTIM") / The Presidency of the Council of Ministers

The RTI AlmagivA lodged an appeal at Lazio's TAR, for the jointly sentence of MATTIM, Consip and The Presidency of the Council of Ministers in order to pay the indemnity and other amounts due as of damage refund. This refund was requested due to the MATTIM's provision that revoked the tender for the concession of the Waste Traceability Control System (SISTR), announced by Consip and assigned to RTI AlmagivA. Lazio's TAR has set the hearing date as at November 18, 2020.

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

RTI Agriconsulting lodged an appeal at Lazio's TAR for the cancellation, of the admission order and the measures of announcing the final award in favour of RTI AlmagivA related to Lot 2 of the split procedure race. This procedure was

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due to for the entrustment of the development and management services of the National Agricultural Information System (SIAN) for Agea. With a sentence of August 27, 2019, the Lazio's TAR rejected partially the appeal. RTI Agriconsulting lodged an appeal at Council of State and RTI AlmagivA lodged an incidental autonomous appeal. With sentence of October 2, 2020, the Council of State rejected the appeal of the RTI Agriconsulting and the incidental appeal of RTI AlmagivA.

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

RTI AlmagivA S.p.A lodged an appeal at Lazio's TAR requesting the cancellation, upon the adoption of precautionary measures, of the measures of announcing the final award in favour of RTI Leonardo related to Lot 3 of the split procedure race. This procedure was due to for the entrustment of the development and management services of the National Agricultural Information System (SIAN) for Agea. With a sentence of November 6, 2019, the Lazio's TAR accepted the appeal. RTI Leonardo lodged an appeal at Council of State. With sentence of June 11, 2020, the Council of State accepted the appeal of the RTI Leonardo. As at September 8, 2020, RTI AlmagivA lodged a revocation appeal. At the outcome of the precautionary hearing in the council chamber on October 8, 2020, the Council of State set the hearing on March 4, 2021.

RTI Enterprise Services Italia S.r.l. (Agent of RTI with KPMG Advorsy S.p.A, Dedagroup Public Service S.r.l, Eustema S.p.A; Exprivia S.p.A)/ Consip S.p.A/ Anti-corruption National Authority/AlmagivA S.p.A (Agent of RTI formed with Consorzio Reply Public Sector, Business Integration Partners S.p.A)/ Accenture S.p.A (Agent of RTI with Accenture Technology Solution S.r.l; Pricewaterhouse Coopers Advisory S.p.A; GPI S.p.A)/ Leonardo S.p.A (Agent of RTI with Dedalus Italia S.p.A, Deloitte Consulting S.r.l, NTT Data Italia S.p.A)/Capgemini Italia S.p.A (Agent of RTI with Fincons S.p.A, Tbridge S.p.A., Indra Italia S.p.A, Progesi S.p.A).

RTI Enterprise requested the cancellation of the measures of announcing the final award in favour of RTI AlmagivA related to Lot 2 of the split procedure race. This procedure was due for a Framework agreement related to IT Application services for Public Administrations – ID 1881. RTI AlmagivA has notified a cross-appeal as at October 16, 2019. At the outcome of the hearing on March 4, 2020, with sentence of April 6, 2020, the Lazio TAR rejected the appeal of the RTI Enterprise

AlmagivA S.p.A. and other / Lloyd's insurers (at the Lloyd's General Representative for Italy)

AlmagivA S.p.A. and other Group companies, as policyholders, with a deed notified on July 13, 2016, have asked the Court of Milan to order Lloyd's Insurers to reimburse legal expenses and defense costs incurred and to be incurred in the context of an American dispute, in addition to compensation for damages. With sentence of June 18, 2020, the Court rejected the claim. AlmagivA S.p.A. and other Group companies lodged an appeal. The hearing date has been set as at February 25, 2021. The outcome of the risk assessment did not determine the need to enter risk funds.

AlmagivA Contact S.p.A.

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

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

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

On November 14, 2008, Alicos S.p.A. applied for inclusion in proving a debt in bankruptcy with regard to Alitalia Linee Aeree Italiane S.p.A. under E.A., requesting recognition as a secured creditor for the call centre services it provided.

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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, AlmovivA Contact S.p.A. filed an appeal, then rejected. With appeal in accordance with art. 98 of the Bankruptcy Law, AlmovivA Contact S.p.A. challenged the debt in bankruptcy. The appeal was rejected and AlmovivA Contact S.p.A. filed an appeal at the Court of Cassation. The Court dismissed the appeal by order, against which AlmovivA Contact S.p.A. has brought an appeal. Management, in consideration of the risk assessment conducted, saw fit to allocate a bad debt provision in relation to the ongoing dispute.

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

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

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

With a sentence of July 2, 2019, the Lazio's TAR rejected the appeal filed by the RTI Covisian related to the cancellation, of the measures of announcing the final award in favour of RTI Comdata of the "procedure tender for the award of the concession for Inps-Equitalia Contact Center Services". RTI Covisian lodged an appeal at Council of State and RTI Comdata lodged an incident appeal. At the outcome of the hearing on February 27, 2020, with sentence of April 24, 2020, the Council of State rejected the appeal.

44. TRANSACTIONS WITH RELATED PARTIES

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

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

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

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

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

Trade and other relations

Trade and other relations are analysed as follows:

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(in thousands of Euro)	At September 30, 2020		For the year ended September 30, 2020			
	Receivables	Payables	Costs of Services	Other Costs	Revenues from Services	Other Income
Relationships with the controlling company of AlmagivA S.p.A.						
AlmagivA Technologies Srl	28,979	17,497	225	0	8	2
Relationships with the controlling companies valued at equity method						
Consorzio Hypertix	67	0	0	0	0	0
Sin Srl	7,505	174	8	0	23,120	565
TVEyes L.T.	4	0	0	0	0	11
AlmagivA CCID	119	0	0	0	0	8
PT AlmagivA Indonesia Kontak	3	0	0	0	0	0
Other						
Elvit Consultoria e Participacoes LTDA	0	0	32	0	0	0
Totale	36,677	17,671	265	0	23,128	586

(in thousands of Euro)	At December 31, 2019		For the year ended December 31, 2019			
	Receivables	Payables	Costs of Services	Other Costs	Revenues from Services	Other Income
Relationships with the controlling company of AlmagivA S.p.A.						
AlmagivA Technologies Srl	27,516	10,485	300	0	0	2
Relationships with the controlling companies valued at equity method						
Consorzio Hypertix	68	0	0	0	0	0
Sin Srl	15,301	167	151	0	28,199	796
Consorzio Namex	0	0	11	0	0	0
TVEyes L.T.	4	62	0	0	0	19
AlmagivA CCID	112	2	0	0	0	5
PT AlmagivA Indonesia Kontak	6	0	0	0	9	0
Other						
Elvit Consultoria e Participacoes LTDA	0	5	61	0	0	0
Totale	43,007	10,721	523	0	28,208	822

(in thousands of Euro)	At September 30, 2019		For the year ended September 30, 2019			
	Receivables	Payables	Costs of Services	Other Costs	Revenues from Services	Other Income
Relationships with the controlling company of AlmagivA S.p.A.						
AlmagivA Technologies Srl	22,477	9,973	225	0	0	2
Relationships with the controlling companies valued at equity method						
Consorzio Hypertix	68	0	0	0	0	0
Sin Srl	16,401	167	150	15	14,964	591
Consorzio Namex	0	0	8	0	0	0
TVEyes L.T.	4	0	0	0	0	15
AlmagivA CCID	113	3	0	0	0	4
Other						
Elvit Consultoria e Participacoes LTDA	0	5	47	0	0	0
Totale	39,063	10,148	430	15	14,964	612

45. SUBSEQUENT EVENTS

The adoption of “smart working”, which has affected the majority of employees of Italian companies, is still ongoing.

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EXPLANATORY NOTES (continued)