



Almaviva

**INTERIM CONSOLIDATED FINANCIAL REPORT FOR THE
THREE MONTHS PERIOD ENDED
MARCH 31, 2018**

BOARD OF DIRECTORS MAY 23TH, 2018

Index

	PAGE
Consolidated Financial Statements of the Almagro Group at March 31, 2018	5
Interim Consolidated Statement of Financial Position	7
Interim Consolidated Income Statement	9
Interim Consolidated Statement of other comprehensive Income	10
Interim Consolidated Statement of changes in Shareholders' Equity	11
Interim Consolidated Statement of Cash Flow	12
Explanatory Notes	13

ALMAVIVA S.P.A. AND SUBSIDIARIES
INTERIM CONSOLIDATED FINANCIAL REPORT FOR THREE
MONTHS PERIOD ENDEND MARCH 31, 2018

ALMAVIVA S.P.A. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(in thousands of Euro)</i>	Note	<u>At March 31,</u> 2018	<u>At December 31,</u> 2017
Intangible assets	6	56,536	55,862
Goodwill		33,764	33,778
Property, plant and equipment		58,480	60,493
Investments accounted for using the equity method		1,999	1,993
Non-current financial assets	7	1,643	1,446
Deferred tax assets		14,633	13,383
Other non-current assets		1,874	1,658
Total non-current assets		168,929	168,614
Inventories and amount due from customers		0	0
Inventories and amount due from customers	9	54,766	30,809
Trade receivables	10	282,137	305,029
Current financial assets	8	9,282	9,406
Other current assets		92,806	86,087
Cash and cash equivalents		74,883	69,502
Total current assets		513,875	500,832
Non-current assets held for sale		2,459	2,459
Total assets		685,262	671,905
Share capital	11	154,899	154,899
Share premium reserve		17,788	17,788
Other reserves		(169,367)	(164,846)
Profit/(loss) for the year		630	(1,592)
<i>Total group shareholders' equity</i>		<i>3,950</i>	<i>6,249</i>
<i>Non-controlling interests</i>		<i>4,583</i>	<i>4,529</i>
Total shareholders' equity		8,534	10,779
Non-current liabilities for employee benefits		53,025	52,872
Non-current provisions		6,476	6,346
Non-current financial liabilities	12	271,278	251,121
Deferred tax liabilities		1,672	1,672
Other non-current liabilities		858	892
Total non-current liabilities		333,309	312,903
Current provisions		7,954	7,162
Trade payables	13	208,083	204,120
Current financial liabilities	14	15,984	12,021
Current tax liabilities		34,868	42,932
Other current liabilities		76,530	81,988
Total current liabilities		343,420	348,223
Total liabilities		676,729	661,126
Total equity and liabilities		685,262	671,905

ALMAVIVA S.P.A. AND SUBSIDIARIES

INTERIM CONSOLIDATED INCOME STATEMENT

<u>(in thousands of Euro)</u>	<u>Note</u>	<u>For the three month period ended March, 31</u>	
		<u>2018</u>	<u>2017</u>
Revenues from contracts with customers	15	187,792	186,466
Other Income		2,649	2,528
Total revenues and other income		190,441	188,994
Cost of raw materials and services		(59,604)	(62,096)
Personnel expenses	16	(113,405)	(110,087)
Depreciation and amortization	17	(6,565)	(7,381)
Losses from sale of non-current assets		(84)	(62)
Other expenses		(2,283)	(2,041)
Operating profit/(loss)		8,500	7,327
Financial income	18	51	261
Financial expenses	18	(7,176)	(7,700)
Exchange gains/(losses)	18	67	1
Profit/(loss) from investments accounted for using equity method		6	0
Profit/(Loss) before taxes		1,447	(110)
Income taxes	19	(604)	(1,505)
Profit/(Loss) from continuing operations		844	(1,616)
Profit/(Loss) for the year		844	(1,616)
of which:			
Profit/(loss) pertaining to the group		630	(1,592)
Profit/(loss) pertaining to non-controlling interests		214	(23)

ALMAVIVA S.P.A. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

<u>(in thousands of Euro)</u>	<u>Note</u>	<u>For the three month period ended March, 31</u>	
		<u>2018</u>	<u>2017</u>
Profit/(loss) for the year		844	(1,616)
<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		(2,998)	539
Gains/(losses) on cash flow hedging instruments		-	(42)
Total		(2,998)	497
<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		-	-
Total		-	-
Comprehensive income/(loss) for the year		(2,154)	(1,119)
of which:			
Comprehensive income/(loss) pertaining to the group		(2,213)	(1,124)
Comprehensive income/(loss) pertaining to non-controlling interests		59	6

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

<i>(in thousands of Euro)</i>	share capital	premium reserve	Other reserves	profit/(loss) for the year	shareholders' equity	shareholders' equity	controlling interests	shareholders' equity
Shareholders' Equity at December 31, 2016	154,899	17,788	(139,562)	(16,908)	16,217	4,291	764	21,272
Profit/(loss) for the year								
Exchange differences on translation of foreign operations				221	221	(482)	642	863
Gains/(losses) on cash flow hedging instruments			(9,803)		(9,803)		(482)	(10,285)
Actuarial gains/(losses) on valuation of liabilities for employee benefits			145		145		0	145
			3,453		3,453		0	3,453
Comprehensive income/(loss) for the year	0	0	(6,205)	221	(5,984)	(482)	642	(5,824)
Allocation of prior year's profit/(loss)			(16,908)	16,908	0	764	(764)	0
Other movements			(3,985)		(3,985)	(686)	0	(4,671)
Shareholders' Equity at December 31, 2017	154,899	17,788	(166,660)	221	6,249	3,887	642	10,779
Profit/(loss) for the year								
Exchange differences on translation of foreign operations			(2,930)	630	630	(155)	214	844
Gains/(losses) on cash flow hedging instruments			0		0		(155)	(3,085)
Actuarial gains/(losses) on valuation of liabilities for employee benefits			(0)		(0)		0	(0)
Comprehensive income/(loss) for the year	0	0	(2,930)	630	(2,300)	(155)	214	(2,241)
Allocation of prior year's profit/(loss)			221	(221)	0	642	(642)	0
Other movements			0		0	(5)	(5)	(5)
Shareholders' Equity at March 31, 2018	154,899	17,788	(169,369)	630	3,948	4,369	214	8,534

ALMAVIVA S.P.A. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENT OF CASH FLOW

<i>(in thousands of Euro)</i>	Note	For the year ended March 31	
		2018	2017
Profit/(loss) for the year		844	(1,616)
<i>Adjustments to reconcile profit before tax to net cash flows:</i>			
Income Taxes	19	604	1,505
Financial income	18	(51)	(261)
Financial expenses	18	7,176	7,700
Exchange (gains)/losses	18	(67)	(1)
Depreciation, amortization and write-downs	17	6,565	7,381
Write-downs/(revaluations) of non-current financial assets and equity investments		(6)	47
Losses from sale of non-current assets		84	62
Interest received		51	261
Interest paid		(5,919)	(7,069)
Income taxes paid		(681)	(192)
<i>Cash flows generated from operating activities before changes in working capital</i>		<i>8,599</i>	<i>7,817</i>
Change in trade receivables	10	22,891	5,688
Change in inventories and amount due from customers	13	(23,957)	(10,605)
Change in trade payables		3,923	9,486
Change in other assets		(6,935)	(13,755)
Change in other liabilities		(13,479)	(838)
Foreign exchange rate effect related to items of working capital		3,662	(167)
Change in liabilities for employee benefits and provisions		1,075	(1,443)
Change in deferred tax assets (liabilities)		(1,249)	40
Cash-flow generated from/(absorbed by) operating activities (A)		(5,470)	(3,777)
Investments in property, plant and equipment		(2,456)	(624)
Investments in intangible assets	6	(4,083)	(3,255)
Acquisition of investments accounted for using the equity method		(205)	(11)
Proceeds from divestments of PP&E, intangible assets and investments accounted for using the equity method		205	0
Change in non-current asset held for sale		0	0
Change in non-current financial assets	7	(197)	(2)
Change in current financial assets	8	124	4,302
Cash-flow generated from/(absorbed by) investing activities (B)		(6,612)	410
Proceeds from non-controlling interests for payment of share capital of subsidiaries		(90)	42
Dividends paid to non-controlling interests		0	0
Proceeds from borrowings	12	20,717	11,351
Repayment of borrowings	12	(560)	(331)
Change in current financial liabilities	14	(4,664)	(15,261)
Cash-flow generated from/(absorbed by) financing activities (C)		15,403	(4,199)
Cash flow of the year (A+B+C)		3,321	(7,566)
Effect of foreign exchange rates on cash and cash equivalents		2,061	322
Cash and cash equivalents at beginning of the year		69,502	48,181
Cash and cash equivalents at end of the year		74,883	40,937

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

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES

1. GENERAL INFORMATION

AlmavivA The Italian Innovation Company S.p.A. (hereinafter “AlmavivA” or the “Company”) is the parent company of one of the leading Italian groups in the Information & Communication Technology sector, which operates globally with an organizational structure incorporating more or less 43,000 employees and several offices around Italy and abroad.

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

The main activities in which the Group operates are listed in Note n.4 while the Note n.2.1 shows the main information related to Group structure.

The 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, and include the consolidated balance sheet, the statement of changes in consolidated shareholders’ equity for the three months period ended at March 31, 2018 compared with the year ended as at December 31, 2017 and the consolidated income statement, the consolidated statement of comprehensive income and the consolidated cash flow statement for the three months period ended at March 31, 2018 compared with the same period ended as at March 31, 2017, together with the associated Notes.

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.

The Interim Financial Report at March 31, 2018 has been approved by Company’s Board of Directors on May 23th, 2018

2. BASIS OF PREPARATION

The interim financial report of the Company and its subsidiaries (the “AlmavivA Group”) as of and for the three months ended March 31, 2018 and 2017 (hereinafter collectively referred to as the “Interim financial report”) has been prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) as adopted by the European Union and comprise the consolidated statement of financial position as at March 31, 2017 and December 31 2017 the consolidated income statement for the three months ended March 31, 2018 and 2017 with related consolidated statement of comprehensive income, consolidated statement of changes in shareholders’ equity and consolidated statement of cash flows for the three months ended March 31, 2018 and 2017, together with the related explanatory notes thereto.

The Interim financial report has been prepared on the basis of IAS 34 “Interim financial reporting” and therefore do not contain all the information required in the preparation of the annual consolidated financial statements. For this reason, the Interim financial report for the three months ended March 31, 2018 must be read together with the consolidated financial statements as at December 31, 2017.

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

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (Continued)

2. BASIS OF PREPARATION (Continued)

ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* that require restatement of previous financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The Group applied the method of adoption indicated in paragraph C3b) of IFRS 15. The effect of adopting IFRS 15 is not material.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied the method of adoption indicated in paragraph 7 of IFRS 9. The effect of adopting IFRS 9 is not material. In order to define the impairment analysis related to trade receivables, the Group adopted a model aligned to simplified approach as defined in IFRS 9. For these reasons, the Group determined a *provision matrix* on historical data basis which take into account specific *forward-looking* items for each client also related to the business environment in which the latter operates.

The Group considers a defaulted credit when internal factors and external to the Group itself clearly indicate that the entity will probably not receive the amounts due, except through further recovery actions. Following this definition, no further write-downs of receivables were deemed necessary beyond those already carried out until December 31, 2017.

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

- the consolidated statement of financial position is presented by classifying assets and liabilities according to the current/non-current criterion. Current assets are those intended to be realised, sold or used in the company's normal operating cycle or in the twelve months after the end of the financial period. Current liabilities are those that are expected to be extinguished in the company's normal operating cycle or in the twelve months after the end of the financial period;

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (Continued)

2. BASIS OF PREPARATION (Continued)

- 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 comprehensive income** includes not only profit (loss) for the year, but the other changes in shareholders' equity other than those generated by transactions performed with the shareholders;
- the **statement of changes in consolidated shareholders' equity** which provides separate information on the comprehensive income result and the transactions performed with the shareholders;
- the **cash flow statement** was drafted by disclosing the cash flows generated by operating activities according to the "indirect method" as permitted by IAS 7. In the representation with indirect method, the cash flow is reconstructed by adjusting the result of the year of the non-monetary components.

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

Exact exchange rates					
Amount of currency for 1 Euro					
Country	Currency	ISO	31.03.2018	31.12.2017	31.03.2017
Brazilian	Real	BRL	4.094	3.973	3.380
China	Yuan	CNY	7.747	7.804	7.364
Colombian	Peso	COP	3439.760	3580.190	3088.450
Europe	Leu	RON	4.657	4.659	4.553
United States	Dollar	USD	1.232	1.199	1.069
Tunisian	Dinar	TND	2.973	2.974	2.456

Average exchange rates					
Amount of currency for 1 Euro					
Country	Currency	ISO	31.03.2018	31.12.2017	31.03.2017
Brazilian	Real	BRL	3.990	3.604	3.345
China	Yuan	CNY	7.815	7.626	7.334
Colombian	Peso	COP	3513.937	3333.837	3109.977
Europe	Leu	RON	4.655	4.569	4.521
United States	Dollar	USD	1.230	1.129	1.064
Tunisian	Dinar	TND	2.971	2.729	2.445

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (Continued)

2. BASIS OF PREPARATION (Continued)

2.1. Basis of consolidation

The Interim financial report comprises the financial statements of AlmagivA S.p.A. and its Italian and foreign subsidiaries.

Determination of the existence of control over a subsidiary

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

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

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

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (Continued)

2. BASIS OF PREPARATION (Continued)

Consolidation criteria adopted for subsidiaries

The main consolidation criteria are the following:

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

the carrying amount of the parent's investment in the subsidiary is netted against the parent's portion of equity of investees. Any difference existing at the date when control is acquired is allocated to items of assets and liabilities;

whenever required, the financial statements of subsidiaries are adjusted to align them to the accounting criteria adopted by the Group;

minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's ownership interests in them;

unrealized profit and loss for the Group as resulting from intragroup transactions are fully eliminated, as well as significant amounts that originate intercompany payables and receivables, costs and revenue among consolidated companies;

consolidation adjustments take into account, when applicable, their deferred tax effect;

Dividends received over the period by a parent from a consolidated subsidiary and recognized in the parent's income statement as gains on equity investments, are eliminated and classified under "retained earnings".

Translation of financial statements prepared in a currency other than the group's functional currency

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

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The acquisition cost is determined as the sum of the consideration paid, measured at fair value at the acquisition date, and the amount of the non-

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (Continued)

2. BASIS OF PREPARATION (Continued)

controlling interest of the acquired entity. For each single business combination, the Group determined whether the non-controlling interest in the acquired entity should be measured at fair value or on a pro rata

basis in relation to the portion of non-controlling interest in the identifiable net assets of the acquired entity. Acquisition costs are charged in the period and stated under administrative expenses. When the Group acquires a business, it classifies or determines the acquired financial assets or liabilities undertaken in compliance with contract terms and conditions, as well as economic conditions and other pertaining terms and conditions at the acquisition date.

If the business combination is carried out in more than one step, the equity investment previously held is remeasured at fair value at the acquisition date and the resulting gain or loss is recognized in the income statement. Any possible consideration to be recognized is measured by the acquiring entity at fair value, at the acquisition date. The fair value change in the contingent consideration classified as an asset or liability, that is a financial instrument and within the scope of IAS 39 Financial instruments: recognition and measurement, must be recorded in the income statement or other comprehensive income components. If the potential consideration does not fall within the scope of IAS 39, this amount is measured according to the appropriate IFRS standard. If the potential consideration is classified in equity, its value shall not be re-determined and its subsequent payment shall be recognized in shareholders' equity.

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

Determination of existence of significant influence over an associate or joint control over a joint arrangement

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

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

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

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (Continued)

2. BASIS OF PREPARATION (Continued)

Equity investments in associated companies and joint ventures are accounted for in the Unaudited Interim Condensed Consolidated Financial Statements using the equity method, as envisaged, respectively, by IAS

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

Recognition and measurement criteria adopted for associates and joint arrangements: investments accounted for using the equity method

In application of the equity method, the equity investment in an associated company, or in a joint venture, is initially recognized at cost. The carrying amount of the equity investment is increased or decreased to recognize the portion, pertaining to the investor, of the profits and losses of the investee realized after the acquisition date. The goodwill related to the associated company or the joint venture is included in the carrying amount of the equity investment and it is neither amortized nor mandatorily tested for impairment on an annual basis. The aggregate portion pertaining to the Group and related to the profit or loss for the period of associated companies and joint ventures is recognized in the income statement for the period, after the operating result, and is the profit or loss excluding taxes and quotas pertaining to other shareholders of the associated company or joint venture. After applying the equity method, the Group evaluates whether the impairment of its investment in the associated companies or joint ventures is to be recognized. At each single reporting date, the Group evaluates whether there are impairment indicators which require its investments in associated companies or joint ventures to be tested for impairment. In this case, the Group calculates the recoverable value of the associated company or joint venture and records any difference (if negative) between the recoverable amount and the book value of the same in the Consolidated Financial Statements. This difference is recognized in the income statement for the period. When the significant influence on an associated company or the joint control of a joint venture is lost, the Group remeasures the investment retained at fair value and recognizes in the income statement the difference between the carrying amount of the investment and the fair value of both the residual investment and the amount received.

Consolidation area

The consolidated companies as at March 31, 2018 are listed below. No changes in consolidation area occurred with respect to the consolidated financial statements as at December 31, 2017 while the changes occurred with respect to the consolidated financial statements as at March 31, 2017 are listed below:

- the incorporation of AlmagivA Digitaltec S.r.l. wholly-owned by AlmagivA S.p.A.;
- the acquisition of Wave S.r.l. with a stake of 15% by AlmagivA S.p.A.. This company is valued according to the equity method, despite the presence of a stake of 15%, for the significant influence that AlmagivA S.p.A. can exercise, based on the contractual agreements.

The Group's interim consolidated financial statements include:

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (Continued)

2. BASIS OF PREPARATION (Continued)

<i>Companies and method of consolidation</i>	Currency	Share held ⁽¹⁾	At March 31, 2018	At December 31, 2017	At March 31, 2017
Almaviva S.p.A. (Parent Company) Rome, Italy	Euro	100.00%	Full	Full	Full
Lombardia Gestione S.r.l. Milan, Italy	Euro	51.00%	Full	Full	Full
Almaviva de Belgique S.A. Brussels, Belgium	Euro	100.00%	Full	Full	Full
Almaviva Digitaltec S.r.l. ⁽²⁾ Naples, Italy	Euro	100.00%	Full	Full	-
Almaviva Contact S.p.A. Rome, Italy	Euro	100.00%	Full	Full	Full
Almaviva do Brasil S.A. San Paolo, Brazil	Brazilian Real	94.70%	Full	Full	Full
Almaviva Participações Ltda. Belo Horizonte, Brazil	Brazilian Real	100.00%	Full	Full	Full
Almaviva Credit Ltda. Belo Horizonte, Brazil	Brazilian Real	100.00%	Full	Full	Full
Almacontact Bogotá, Colombia	Colombian Peso	100.00%	Full	Full	Full
Italy Call S.r.l. Rome, Italy	Euro	100.00%	Full	Full	Full
Almaviva Tunisie S.A. Ville de Tunisi, Tunisie	Tunisian Dinar	56.25%	Full	Full	Full
Almaviva Services S.r.l. Iasi, Romania	Romanian Leu	100.00%	Full	Full	Full
Almawave S.r.l. Rome, Italy	Euro	100.00%	Full	Full	Full
Almawave do Brasil Ltda. Belo Horizonte, Brazil	Brazilian Real	100.00%	Full	Full	Full
Pervoice S.r.l. Trento, Italy	Euro	50.90%	Full	Full	Full
Almawave USA Inc. San Francisco, U.S.	US Dollar	100.00%	Full	Full	Full
Agrisian S.C.p.A. in liquidazione Rome, Italy	Euro	50.86%	Full	Full	Full

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (Continued)

2. BASIS OF PREPARATION (Continued)

<i>Companies and method of consolidation (continued)</i>	Currency	Share held ⁽¹⁾	At March 31, 2018	At December 31, 2017	At March 31, 2017
Sin S.p.A. ⁽³⁾ Rome, Italy	Euro	20.02%	-	-	-
CCID – AlmovivA Inform. Technol. Co. Ltd Shanghai, People's Republic of China	Chinese Yuan	50.00%	Equity	Equity	Equity
Consorzio Hypertix Rome, Italy	Euro	49.99%	Equity	Equity	Equity
TVEyes L.T. S.r.l. Trento, Italy	Euro	20.00%	Equity	Equity	Equity
Wave S.r.l. Pianoro, Italy	Euro	15.00%	Equity	Equity	-

1 -At March 31, 2018

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

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

Note 7 contains more details on the equity investments valued according to the equity method.

The ultimate parent Company

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting policies and measurement criteria

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

Intangible assets

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

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Industrial patents and intellectual property rights: 10-33%;

Concessions, licenses, trademarks and similar rights: 25%

Other intangible assets: 20%

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

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

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

Property, plant and equipment

Property, plant and equipment, comprising investment property, are booked at historical cost, inclusive of any directly attributable accessory charges. The cost of Property, plant and equipment, whose use is limited over time, is systematically depreciated each year on a straight-line basis in relation to the estimated economic-technical life. If significant parts of these tangible assets have different useful lives, these components are accounted for separately.

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation is recorded from the moment the asset is available for use, or is potentially able to generate the associated economic benefits. The annual depreciation rates used are as follows:

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

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

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

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

Equity investments classified as financial instruments available-for-sale

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

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

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

ALMAVIVA S.P.A. AND SUBSIDIARIES**EXPLANATORY NOTES (Continued)****3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Amount due from/(owed to) customers

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

Inventories

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

Receivables and Payables

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

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

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Cash and cash equivalents

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

Fair value measurements

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

Leasing

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

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

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

Group as a lessor

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement if the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Restructuring provisions are recognised only when the Group has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline, and the employees affected have been notified of the plan's main features.

Provisions are periodically updated to reflect changes in the estimates of costs, the expected timing of occurrence and discounting rate; changes in estimates are accounted for in the same item of the income statement where previously had been recognised the expense.

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

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

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

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

The provision for employee severance indemnities, which can be construed as a defined-benefit plan, is valued by the Projected Unit Credit Method, based on actuarial and financial assumptions (actuarial assumptions: mortality, turnover, disability of the population included in the plan; financial assumptions: discount rate, rate of wage increases, capitalization rate) and is presented net of advances paid. The valuation of liabilities is performed by independent actuaries.

The increase in the present value of the provision for employee severance indemnities is recognized as personnel expense except for the revaluation of the net liability related to actuarial gains and losses which are

recorded in the statement of comprehensive income and are not subsequently booked to the income statement; the cost for interest is recognised in the income statement, under the line item Financial expenses.

Grants

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

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Credit according to Law 194/2014

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

Costs

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

Income taxes

Current income taxes are calculated on the basis of the estimate of taxable income in accordance with the applicable tax regulations; the expected payable is booked to the item "current tax liabilities". Tax payables and receivables for current income taxes are booked at the value that is expected to be paid/recovered to/from the tax authorities, by applying the applicable tax rates and regulations or essentially approved at the end of the reporting period.

Deferred income taxes are calculated on the temporary differences between the values of assets and liabilities booked to the financial statements and the corresponding values recognised for tax purposes on the basis of the rates and regulations in force. Deferred tax assets are recognised when their recovery is considered likely; the recoverability of deferred tax assets is considered likely when taxable income is expected to be available, in the year in which the temporary difference will be cancelled, such as to allow the tax deduction to be carried out. Similarly, unused tax credits and deferred tax assets on tax losses are recognised within the limits of their recoverability.

Deferred taxes are booked to the income statement, with the exception of those related to items recognised directly in shareholders' equity; based on said assumption, also the associated deferred taxes are booked to shareholders' equity.

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax consolidation

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

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

The economic and financial relations arising from the participation in the tax consolidation are governed by a single contract.

Given that the tax basis of the tax consolidation is the sum of the taxable amounts and the tax losses that the individual entities assign to the consolidating company, any loss transferred to the tax consolidation is recognised under the consolidating company and based on the reasonable certainty of recovery assessed on a consolidated basis.

The agreements also provide the option of assigning to the consolidating company any excess taxes against which the consolidating company and the consolidated companies recognise reciprocal equity balances.

Recognition in equity requires the replacement of the tax payables and receivables with payables and receivables among consolidated entities. In particular, the recognition is made as follows:

Consolidating company

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

Consolidated company

Recognises current tax expenses (income from participation in the tax consolidation) against taxable amounts (losses) concerning a payable (receivable) to the consolidating company.

Where provided for pursuant to specific consolidation agreements, any retrocession of tax losses transferred during the consolidation period requires the adjustment of the payable to the consolidating company against an expense for participation in the tax consolidation.

Operating and reportable segments

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

In addition to the above, management identified a fourth segment, Almagave – New Technology, that it is considered to provide important information to the stakeholders and investors in terms of significant investments made by the

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group in new technology sector in recent years, regardless the fact that it does not exceed the quantitative threshold outlined in IFRS 8.

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

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

3.2 Use of Estimates and Management Judgement

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

Management judgement mainly refers to aspects such as:

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

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

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

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

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

conditions are met to qualify the non-current asset (or disposal group) as Non-current assets held for sale in accordance with IFRS 5.

Non-current assets (or disposal groups) classified as held for sale are first recognized in compliance with the appropriate

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

The corresponding values for the previous period are not reclassified.

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

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

Gains or losses on discontinued operations – whether disposed of or classified as held for sale – are shown separately in the income statement, net of the tax effects. The corresponding values

for the previous period, where present, are reclassified and reported separately in the income statement, net of tax effects, for comparative purposes.

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

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

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

Identification of cash-generating units (CGUs)

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

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

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Estimates are mainly related to critical valuation processes and key assumptions used by the Group for IFRS purposes, which could have a material impact on the data presented in the Unaudited Interim Condensed Consolidated Financial Statements or which entail the risk that there may be material differences compared with the future carrying amounts of assets and liabilities. Estimates are mainly used to recognize:

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

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

Please refer to paragraph 3.1 “Accounting policy and measurement criteria” above, for more details on each relevant financial item included in each category of estimates.

3.3 Seasonality of operations

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

3.4 Standard issued but not yet in force

IFRS 16 Leases

IFRS 16 was published in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 defines the principles for recognising, measuring, presenting and disclosing leases and requires lessees to recognise all leases based on a single lessee accounting model similar to that used to recognise financial leases pursuant to IAS 17. The standard envisages two recognition exemptions for the lessee – leases where the underlying asset has a “low value” (such as personal computers) and short-term leases (such as leases with a lease term of 12 months or less). At the start date of the lease, the lessee will recognise a liability in respect of lease payments (i.e. the leasing liability) and an asset that represents the right to use the underlying asset for the duration of the lease

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i.e. right to use the asset). The lessees will have to recognise separately interest expenses on a lease liability and the amortisation of a right-of-use asset.

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

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

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

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

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

4. OPERATING AND REPORTABLE SEGMENTS

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

- a) IT Services, which the following entities or business lines: AlmagivA, Lombardia Gestione, AlmagivA de Belgique, Agrisian and AlmagivA Digitaltec and comprises activities such as software development, upgrade and integration services for public and private sector customers in Italy;
- b) CRM Europe, which includes the following entities or business lines: AlmagivA Contact, Italy Call and AlmagivA Services;
- c) CRM International, which includes the following entities or business lines: AlmagivA do Brasil, AlmagivA Participações, AlmagivA de Colombia and AlmagivA Tunisie;
- d) AlmagivA – New Technology which includes the following entities or business lines: AlmagivA, Pervoice, AlmagivA do Brasil and AlmagivA USA and comprises activities such as software applications in the areas of big data analytics and speech text recognition, sold in approximately equal parts to internal and external customers.

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

The top management monitor the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. The price of transactions between entities belonging to different operating and reportable segments are determined on an arm's length basis in a manner similar to transactions with third parties.

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (Continued)

4. OPERATING AND REPORTABLE SEGMENTS (Continued)

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

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

For the three months ended March 31, 2018

<i>(in thousands of Euro)</i>	IT Services	CRM Europe	CRM International	Almawave New Technology	Total Segments	Adjustments eliminations and other	Consolidated
Revenue							
External customers	92,810	34,773	58,255	1,955	187,792	(0)	187,792
Inter-segment	824	1,773	5	1,719	4,321	(4,321)	0
Total revenue	93,634	36,546	58,260	3,674	192,113	(4,321)	187,792
Income/(Expenses)							
Cost of raw materials and services	(39,211)	(8,009)	(16,769)	(945)	(64,935)	5,331	(59,604)
Personnel expenses	(45,020)	(30,127)	(36,394)	(1,926)	(113,467)	62	(113,405)
Depreciation and amortization and write-downs	(3,461)	(520)	(2,244)	(444)	(6,669)	104	(6,565)
Losses from sale of non-current assets	0	(84)	0	0	(84)	0	(84)
Other operating income	3,479	104	44	59	3,686	(1,037)	2,649
Other operating expenses	(2,075)	(281)	0	(54)	(2,410)	127	(2,283)
Operating Profit	7,346	(2,371)	2,896	364	8,235	265	8,500
Total assets	445,556	137,925	155,413	32,136	771,030	(113,785)	657,246
Total liabilities	273,888	87,671	36,973	11,664	410,196	(57,270)	352,926

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (Continued)

4. OPERATING AND REPORTABLE SEGMENTS (Continued)

For the year ended March 31, 2017

(in thousands of Euro)

	IT Services	CRM Europe	CRM International	Almawave New Technology	Total Segments	Adjustments eliminations and other	Consolidated
Revenue							
External customers	84,377	29,520	71,289	1,281	186,466	(0)	186,466
Inter-segment	1,062	1,624	0	1,413	4,099	(4,099)	0
Total revenue	85,439	31,144	71,289	2,694	190,565	(4,099)	186,466
Income/(Expenses)							
Cost of raw materials and services	(36,092)	(8,252)	(21,971)	(724)	(67,039)	4,943	(62,096)
Personnel expenses	(41,680)	(25,447)	(41,153)	(1,836)	(110,116)	29	(110,087)
Depreciation and amortization and write-downs	(3,796)	(554)	(2,741)	(394)	(7,485)	104	(7,381)
Losses from sale of non-current assets	(52)	0	0	(10)	(62)	0	(62)
Other operating income	2,805	335	57	60	3,257	(729)	2,528
Other operating expenses	(1,455)	(581)	0	(7)	(2,043)	2	(2,041)
Operating Profit	5,169	(3,355)	5,480	(217)	7,077	250	7,327
Total assets	421,795	127,650	160,052	30,590	740,088	(94,877)	645,211
Total liabilities	275,252	82,635	35,130	11,272	404,289	(50,909)	353,380

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

RECONCILIATION OF OPERATING PROFIT

(in thousands of Euro)	31/03/2018	31/03/2017
Segment profit	8,500	7,327
Finance income	51	261
Finance costs	(7,176)	(7,700)
Exchange gains/(losses)	67	1
Gains/(losses) on equity investments	0	0
Profit/(loss) from investments accounted for using equity method	6	0
Inter-segment income/expenses (elimination)	0	0
Profit/(loss) before taxes	1,447	(110)

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

4. OPERATING AND REPORTABLE SEGMENTS (Continued)

Reconciliation of Total assets

<i>(in thousands of Euro)</i>	2018	2017
Segment operating assets	657,246	645,211
Deferred tax assets	14,633	13,383
Current financial assets	9,282	9,406
Non-current financial assets	1,643	1,446
Non-current assets held for sale	2,459	2,459
Total assets	685,262	671,905

Reconciliation of Total liabilities

<i>(in thousands of Euro)</i>	2018	2017
Segment operating liabilities	352,926	353,380
Non-current financial liabilities	271,278	251,121
Current financial liabilities	15,984	12,021
Current tax liabilities	34,868	42,932
Deferred tax liabilities	1,672	1,672
	0	
Total liabilities	676,729	661,126

The table below represents the Revenues by geographical area:

Geographic information

<i>(in thousands of Euro)</i>	2018	2017
Revenues from external customers		
Italy	128,023	114,401
Brazil	55,617	69,347
Tunisia	458	536
Colombia ⁽¹⁾	2,212	1,502
Europe ⁽²⁾	1,482	680
Total	187,792	186,466
Of which:		
Rendering of services	187,235	186,193
Sales of goods	557	273

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (Continued)

4. OPERATING AND REPORTABLE SEGMENTS (Continued)

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

Operating profit
 (+) Depreciation and amortization
 (+/-) Losses/(gains) from sale of non-current assets
**Earning before interests, taxes, depreciation and amortization
 (EBITDA)**

OPERATING SEGMENTS

At March 31, 2018

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

OPERATING SEGMENTS

At March 31, 2017

<i>(in thousands of Euro)</i>	IT Services	CRM Europe	CRM International	Almawave New Technology	Total Segments	Adjustments and eliminations	Consolidated
Operating Profit	5,169	(3,355)	5,480	(217)	7,077	250	7,327
(+) Depreciation and amortization and write-downs	3,796	554	2,741	394	7,485	(104)	7,381
(+/-) Losses/(gains) from sale of non-current assets	52	0	0	10	62	0	62
EBITDA	9,017	(2,801)	8,221	187	14,624	146	14,770

5. SIGNIFICANT TRANSACTIONS IN THE PERIOD

During the three months period ended on March 31, 2018, the ordinary activities of the Group are continuing, there are no special corporate or extraordinary transactions to report.

6. INTANGIBLE ASSETS

The intangible assets of the Group are equal to Euro 90,300 thousand (Euro 89,640 as of December 31, 2017) and are indicated below:

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (Continued)

6. INTANGIBLE ASSETS (Continued)

<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, 2017	33,778	26,440	608	12,265	16,549	89,640
Additions	0	355	0	0	66	421
Capitalisation for internal projects	0	0	311	0	3,351	3,662
Amortization	0	(1,829)	(53)	(1,305)	0	(3,187)
Disposals	0	0	0	0	0	0
Reclassifications and other	0	2,235	0	0	(2,254)	(19)
Foreign exchange differences	(14)	(233)	29	0	0	(218)
At March 31, 2018	33,764	26,968	895	10,960	17,712	90,300

<i>(in thousands of Euro)</i>	Goodwill	Start-up and expansion costs	Industrial patent and intellectual property rights	Concessions, licences, trademarks and similar rights	Other intangible assets	Assets under construction	Total
At December 31, 2016	33,166	0	28,548	236	14,659	10,976	87,585
Additions	0	0	343	0	0	0	343
Capitalisation for internal projects	0	0	0	0	0	2,912	2,912
Amortization	0	0	(1,833)	(18)	(1,533)	0	(3,384)
Disposals	0	0	0	0	0	0	0
Reclassifications and other	0	0	2,136	0	1,636	(3,772)	0
Foreign exchange differences	8	0	146	6	0	0	160
At March 31, 2017	33,174	0	29,340	224	14,762	10,116	87,616

Group's investments at March 31, 2018 amount to Euro 421 thousand and are mainly referred to "Industrial patents and intellectual property rights". The increase relates to costs for the acquisition of long-term use licenses and in ownership and costs for software development performed by almost all the operating segments, as well as for reclassifications from assets in progress for assets entered into operation in the year; the decrease mainly due to the depreciation charge for the year calculated on a straight-line basis in relation to the residual possibility of utilization of the assets themselves.

Furthermore, the Group has made further investments of Euro 3,662 thousand related to internal development of assets (software and applications) employed in the realization and management of the services offered in the operating sectors in which the Group operates.

At the completion of these activities, the investments made mainly referred to "Industrial patents and intellectual property rights", which totaled Euro 26,968 thousand as at March 31, 2018 and therefore highlights the Group's assets of software and applications both developed internally and for evolutionary maintenance carried out on the same. The Group, in relation to such assets, periodically conducts an analysis to find its recoverable amount as compared to that recognized in the financial statements on the basis of the expected future economic benefits associated with them (portfolio contracts and expected acquisition). At the end of the period, based on the analyses carried out, no impairment losses were reported.

Amortization of intangible assets amounted to Euro 3,187 thousand determined according to the rates described in the accounting policies adopted by the Group.

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (Continued)

6. INTANGIBLE ASSETS (Continued)

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

Foreign exchange differences on translation of financial statements of subsidiaries outside the euro zone for negative Euro 218 thousand mainly relates to companies that prepare financial statements in Brazilian Real.

Detailed information of the movements affecting the Goodwill during the three months ended March 31, 2018 is provided below:

<i>(in thousands of Euro)</i>	At December 31, 2017	Exchange differences	Additions	At March 31, 2018
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
Third	1,172	(14)		1,158
Total	33,778	(14)	0	33,764

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

Almaviva Group generally calculate the recoverable amount of goodwill at the end of each fiscal year or where there are impairment indicators.

During this year, the Group made the impairment test of the goodwill during the interim financial statement as of June 30, 2017 to prepare the Offering Memorandum made by parent company Almaviva SpA to bond issue purposes.

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

6. INTANGIBLE ASSETS (Continued)

At year end, Almoviva representatives' test the absence of impairment indicators and then they used the calculation made during interim financial statement as of June 30, 2017 after checking criterion illustrated below and aligned to IAS 36 requirements:

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

Impairment tests made in June 30, 2017 confirmed, as mentioned above, such headroom. This is confirmed also in case of shock-down (-20%) of margin and shock-up (+2%) of discount rates of considered cash flows.

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

CRM Business	Brazil	Colombia	Others
Beta	1	1	1
Risk Free Rate	10.00%	7.50%	1.50%
Expected Market Return	4.0%	4.0%	4.0%
Average Cost of Debt	17.0%	15.0%	5.6%
Debt/Equity Ratio (%)	70-30	30-70	30-70
Gordon Growth Rate	7.5%	8.0%	0.0%
Taxes	34%	33%	24%
WACC	13.9%	11.9%	6.0%

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

Finance Business	
Beta.....	1
Risk Free Rate	1.46%
Expected Market Return	4.0%
Average Cost of Debt	5.6%
Debt/Equity Ratio (%)	30-70
Gordon Growth Rate.....	0.0%
Taxes	24%
WACC	6,0%

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (Continued)

6. INTANGIBLE ASSETS (Continued)

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

Almaxwave	
Beta	1
Risk Free Rate.....	1.46%
Expected Market Return	4.0%
Average Cost of Debt.....	5.6%
Debt/Equity Ratio (%).....	30-70
Gordon Growth Rate	0.0%
Taxes	24%
WACC	6,0%

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

Other intangible assets mainly comprise costs relating to software products incurred to make changes to products used in the context of contracts in progress.

7. NON-CURRENT FINANCIAL ASSETS

Non-current financial assets are equal to Euro 1,643 thousand (Euro 1,446 thousand as at December 31, 2017) and are reported below:

<i>(in thousands of Euro)</i>	At March 31, 2018	At March 31, 2017
Long-term loans	1,611	1,414
Equity investments classified as available for sale	32	32
Non-current financial assets	1,643	1,446

<i>(in thousands of Euro)</i>	At March 31, 2018	At March 31, 2017
Amount failling due within 12 months	0	0
Amount failling due between 1-5 years	1,611	1,414
Non-current financial receivables	1,611	1,414

Non-current financial receivables, amounting to Euro 1,611 thousand (Euro 1,414 thousand as at December 31, 2017) are all instrumental to operating activities and concern loans to personnel for Euro 430 thousand and financial assets due to Auselda for Euro 1,181 thousand. The aforementioned financial receivables relate entirely to Almaxviva SpA.

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (Continued)

7. NON-CURRENT FINANCIAL ASSETS (Continued)

The Equity investments classified as available for sale are investments held in other entities over which the Group has neither control nor joint control or significant influence. As at March 31, 2018 the balance is Euro 32 thousand (compared to Euro 32 thousand at December 31, 2017).

<u>In thousands of Euros</u>	Mar-2018	Dec-2017
<i>CONAI</i>	1	1
<i>CALPARK</i>	5	5
<i>BANCA BRUTIA</i>	5	5
<i>UIRNET</i>	5	5
<i>CONSORZIO NAMEX</i>	3	3
<i>ALTRE</i>	13	13
<i>Total</i>	32	32

8. CURRENT FINANCIAL ASSETS

At March 31, 2018, current financial assets amounted to Euro 9,282 thousand (Euro 9,406 thousand as of 31 December 2017), all of which are instrumental to operations and refer mainly to AlmavivA SpA, specifically, for Euro 3,207 thousand, the receivables from the "Guardia di Finanza" customer, for Euro 5,600 thousand, to the commitment to purchase the additional 85% stake in the Wave shareholding related to the aforementioned transaction. Additional Euro 336 thousand relate to the purchase and sale transaction by AlmavivA Contact of the Conduent Business Services Italy Srl business unit, whose payment will take place by 28 March 2018 and Euro 139 thousand relating to the deed of sale, by AlmavivA Services, of the Xerox business line, whose collection will take place in March 2018. The residual Euro 92 thousand refer to various financial receivables.

<i>(in thousands of Euro)</i>	At March 31, 2018	At March 31, 2017
Current financial assets	9,282	9,406

There are no financial assets neither expired nor written down.

9. INVENTORIES AND AMOUNT DUE FROM CUSTOMERS

The table below shows the composition for the three months ended March 31, 2018 and for the year ended December 31, 2017 between gross work in progress and write-down provision.

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (Continued)

9. INVENTORIES AND AMOUNT DUE FROM CUSTOMERS (Continued)

<i>(in thousands of Euro)</i>	At March 31, 2018	At March 31, 2017
Amount due from customers (gross)	43,224	30,876
Write-down provision	(676)	(676)
Amount due from customers due to IFRS 15	11,609	-
Inventories	609	609
Inventories and Amount due from customers	54,766	30,809

The items are mainly referred to work in progress related to Almoviva S.p.A. that are not yet invoiced to client. The work in progress activities has been determined following abovementioned criteria. The increase of Euro 23,957 thousand is mainly related to:

- Amount due from customers equal to Euro 12,348 thousand totally related to IT services area net of advance payment received from customers and equal to Euro 204 thousand;
- The write-down provision equal to Euro 676 thousand has no changes compared to previous period and refers to the amounts considered uncollectable;
- Furthermore, from 01 January 2018 following the application of new IFRS 15, have been reclassified in "Amounts due from customers ex IFRS 15" the contract assets related to the entities of the Group and referred to amounts for which no unconditional rights to collect the amount from customers have been gathered. These amounts equal to Euro 11,609 thousand refer to activities not yet concluded and classified, in previous period, in trade receivables;
- The inventories equal to Euro 609 thousand have no changes compared to previous period

10. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

The below table show the amount of Almoviva Group's Trade receivables as at March 31, 2018 (Euro 282,137 thousand) and as at December 31, 2017 (Euro 305,029 thousand) together with the related gross amount, the amount retained as a guarantee and the bad debt provision.

<i>(in thousands of Euro)</i>	At March 31, 2018	At December 31, 2017
Trade receivables, gross amount	297,255	321,189
Trade receivables, amount retained as a guarantee	5,247	4,349
Bad debt provision	(20,365)	(20,509)
Trade receivables	282,137	305,029

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (Continued)

10. TRADE RECEIVABLES AND OTHER CURRENT ASSETS (Continued)

The amount of bad debt provisions remain is equal to Euro 20,365 thousand (Euro 20,509 thousand as at December 31, 2017) as showed in below table:

<i>(in thousands of Euro)</i>	At March 31, 2018	At December 31, 2017
Balance at the beginning of the year	20,509	20,448
Provisions	0	67
Uses	(144)	0
Other	0	(6)
Balance at the end of the year	20,365	20,509

The amount of bad debt provisions is referred to trade receivable overdue form 120+ days.

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. The entity – supported by an internal and external legal opinion further substantiated by recent case-law – considers pre-deductible the net receivables from Alitalia Società Aerea Italiana S.p.A. (for an amount equal to Euro 5,999 thousand). For these reasons, mentioned receivables have been considered fully recoverable; on the other hand, considering that the collection period could depends on the development of the special administration, the entity calculated the present value of abovementioned receivables. Next steps of special administration will be closely monitored to evaluate any changes in conditions on the basis of actual decision taken by representatives as well as the accounting effects.

11. SHAREHOLDERS' EQUITY

The total Shareholders' equity amount to Euro 8,534 thousand as shown in following table:

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

11. SHAREHOLDERS' EQUITY (Continued)

<i>(in thousands of Euro)</i>	At March 31, 2018	At March 31, 2017
Share capital	154,899	154,899
Share premium reserve	17,788	17,788
Other reserves:		
<i>legal reserve</i>	4,384	4,384
<i>FTA reserve</i>	4,493	4,493
<i>OCI reserve</i>	1,897	1,897
<i>CFH reserve</i>	0	0
<i>translation reserve</i>	(13,814)	(10,972)
<i>other reserves</i>	(166,329)	(166,462)
	(169,369)	(166,660)
Profit/(loss) for the year	630	221
Total group shareholders' equity	3,950	6,249
Reserves pertaining to NCIs:		
<i>translation reserve</i>	(654)	(499)
<i>other reserves</i>	5,023	4,386
	4,369	3,887
Profit/(loss) for the year pertaining to NCIs	214	642
Total non-controlling interests	4,583	4,529
Total Shareholders' equity	8,534	10,779

Share capital

The Share capital as at March 31, 2018 amounted to Euro 154,899 thousand. The amount was fully paid-in and consisted of:

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

During August 2017 the parent company AlmagivA Technologies S.r.l. together with the shareholder Interbanca S.p.A. entered into an agreement related to the purchase of 20,584,400 ordinary shares and 32,331,764 special Class A shares of AlmagivA S.p.A. owned by Interbanca S.p.A. and to be sold to AlmagivA Technologies S.r.l.

As a result of the transfer of ownership, AlmagivA Technologies owns 95.11% of AlmagivA's share capital, while Interbanca S.p.A. is completely out of the shareholders of the latter company.

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (Continued)

11. SHAREHOLDERS' EQUITY (Continued)

Simultaneously to the sign-off of abovementioned agreement, G.B.L. Fiduciaria S.p.A is not more the accountholder of shares owned by Almoviva Technologies and Interbanca S.p.A.

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

<u>number of shares</u>	<u>Ordinary shares</u>	<u>"Class A" special shares</u>	<u>"Class B" special shares</u>	<u>Total shares</u>	<u>% of Total shares</u>
ALMAVIVA TECHNOLOGIES S.r.L.	100,000,000	32,331,764	15,000,000	147,331,764	95.11%
RAI S.p.A.	1,291,522			1,291,522	0.83%
LIGESTRA DUE S.r.l. 2	1,119,894			1,119,894	0.72%
CONFRAGRICOLTURA	1,093,172			1,093,172	0.71%
CONF. ITALIANA AGRICOLTORI	1,093,172			1,093,172	0.71%
COLDIRETTI	1,093,172			1,093,172	0.71%
ASSICURAZIONI GENERALI S.p.A.	1,056,490			1,056,490	0.68%
VISUALNET S.r.l.	819,879			819,879	0.53%
Share Capital	107,567,301	32,331,764	15,000,000	154,899,065	100%

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

- ✓ Class A shares allow holders to receive a profit increased by 10% when dividends are distributed; this is deferred in the case of losses; they are convertible into ordinary shares at a ratio of one to one upon the request of the shareholder in the event of the listing of the company or disposal to third parties, or they will acquire, upon the application of the shareholder, the right to vote in the Company's ordinary and extraordinary shareholders' meetings; in the event of the liquidation of the company, they are entitled to receive a percentage of the liquidation proceeds, increased by 10%;
- ✓ Class B shares allow holders to receive a profit increased by 10.1% when dividends are distributed; this is deferred in the case of losses; they are convertible into ordinary shares at a ratio of one to one upon the request of the shareholder in the event of the listing of the company or disposal to third parties, or they will acquire, upon the application of the shareholder, the right to vote in the Company's ordinary and extraordinary shareholders' meetings; in the event of the liquidation of the company, they are entitled to receive a percentage of the liquidation proceeds, increased by 10.1%.

12. NON-CURRENT FINANCIAL LIABILITIES AND DERIVATIVES

Non-current financial liabilities as at March 31, 2018 are equal to Euro 271,278 thousand (compared to Euro 251,121 thousand as at December 31, 2017) and are referred to long-term liabilities.

<i>(in thousands of Euro)</i>	At March 31, 2018	At December 31, 2017
Banks	20,001	1
Bond	234,144	233,427
Amounts due to other lenders	17,133	17,693
Non-current financial liabilities	271,278	251,121

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (Continued)

12. NON-CURRENT FINANCIAL LIABILITIES AND DERIVATIVES (Continued)

Of which as at March 31, 2018

<i>(in thousands of Euro)</i>	> 12 months	< 5 years	> 5 years
Banks	20,001	20,001	0
Bond	234,144	234,144	0
Amounts due to other lenders	17,133	15,936	1,197
	271,278	270,081	1,197

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

<i>(in thousands of Euro)</i>	At January1, 2018	Proceeds from borrowings	Repayments of borrowings	Reclassification and other adjustments	At March 31, 2018
AlmavivA S.p.A.	239,620	20,717	(452)	0	259,885
AlmavivA do Brasil	501	0	(108)	0	393
SIMEST Operation	11,000	0	0	0	11,000
Non-current financial liabilities	251,121	20,717	(560)	0	271,278

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

<i>(in thousands of Euro)</i>	At January1, 2017	Proceeds from borrowings	Repayments of borrowings	Reclassification and other adjustments	March 31, 2017
AlmavivA S.p.A.	2,001	0	(331)	0	1,670
AlmavivA do Brasil	12,477	11,351	0	0	23,828
Simest	11,000	0	0	0	11,000
Non-current financial liabilities	25,478	11,351	(331)	0	36,498

Long-term financial liabilities of Euro 271,278 thousand refer primarily to the bond of Euro 250,000 thousand issued on October 5, 2017, 7.25% coupon with half-yearly payment on October 15 and April 15 of each year and final maturity on October 15, 2022. The bond was listed on the Luxembourg stock exchange on the Euro MTF Market (unregulated market).

The issue and placement were performed by the merchant bank Goldman Sachs as Sole Book Runner and Banca UBI in the role of co-Manager.

The issue was preceded by a Road Show in the main European financial markets including London, Paris, Frankfurt, Amsterdam and Milan, achieving resounding success among investors. Demand was actually 4 times higher than supply, concentrated among a large international investors high profile. The issue was also supported by a Revolving Facility for

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (Continued)

12. NON-CURRENT FINANCIAL LIABILITIES AND DERIVATIVES (Continued)

an original amount of Euro 20,000 thousand, increased to Euro 40,000 thousand on October 5, 2017. The Revolving line expires on February 5, 2022, and can be used for general purposes relating to company business.

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

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

The use of the loan was subject to both the termination of the trustee agreements in place between AlmagivA Technologies S.r.l., Interbanca S.p.A. and G.B.L. Fiduciaria S.p.A. and the granting of a pledge, directly by AlmagivA Technologies S.r.l. on the entire shareholding held by the latter, at the date of use, in AlmagivA S.p.A., equal to 95.11% of the latter's share capital. In addition, the loan agreement made provision for the possibility of refinancing the loan through the issuing of a bond for said purpose. The bond was issued on October 5, 2017 as described below.

On August 9, 2017, the Senior Secured Bridge and Revolving Loan Agreement was closed, with the disbursement by Goldman Sachs International of the Facility B line in several tranches. The new sources of financing were used to repay the financial indebtedness of AlmagivA SpA deriving from the loan agreement signed on August 13, 2012 with a pool of banks, the extinguishment of the expired VAT payable of AlmagivA SpA, amounting to Euro 32,766 thousand at said date, including sanctions and interest, and of the subsidiary AlmagivA Contact S.p.A., amounting to Euro 33,758 thousand at said date, including sanctions and interest, plus the reimbursement of some with-recourse factoring contracts, the reimbursement of the financial indebtedness of the subsidiary AlmagivA do Brasil and the payment of costs relating to the transaction.

Thanks to the Senior Secured Bridge and Revolving transaction before the bond issue and the increase from Euro 20,000 thousand to Euro 40,000 thousand of the Revolving line after, AlmagivA 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 234,144 thousand as at March 31, 2018.

The Revolving Facility amounted to Euro 20,000 thousand as at March 31, 2018.

Bank liabilities totalled Euro 1 thousand and relate to AlmagivA SpA.

Liabilities to other lenders amounting to Euro 17,133 thousand refer, for Euro 393 thousand, to the financial liabilities of AlmagivA do Brasil, for Euro 2,178 thousand to the registration of the medium/long-term portion of the debt for the acquisition of the additional 85% in the investee Wave Srl, for Euro 3,562 thousand relating to the medium and long-term financial payables in the form of subsidized loans received on financed projects and, for Euro 11,000 thousand relating to the payable due to Simest.

In particular, non-current financial liabilities to Simest, in the amount of Euro 11,000 thousand, relate to the portion of share capital and the share premium of 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 are several conditions that can anticipate the date of exercise of the options, which in any case cannot fall before June 30, 2019. As the conditions laid out in IAS

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (Continued)

12. NON-CURRENT FINANCIAL LIABILITIES AND DERIVATIVES (Continued)

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 IFRS 9.

13. TRADE PAYABLES

The trade payables amount to Euro 208,083 thousand compared to amount of Euro 204,120 thousand as at December 31, 2017 as illustrated in table below:

<i>(in thousands of Euro)</i>	At March 31, 2018	At December 31, 2017
Trade payables	208,083	204,120

Trade payables are mainly related to purchases of services and other activities performed during three months period. Trade payables overdue amount to Euro 60,123 thousand (Euro 64,337 thousand as at December 31, 2017), while trade payables due within 12 months are equal to Euro 147,960 thousand compared to an amount of Euro 139,783 thousand compared to December 31, 2017.

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

14. CURRENT FINANCIAL LIABILITIES

Current financial liabilities as at March 31, 2018 and as at December 31, 2017 are reported below:

<i>(in thousands of Euro)</i>	At March 31, 2018	At December 31, 2017
Payables due to banks	479	497
Obbligazioni	8,819	4,335
Payables due to other lenders	4,158	4,126
Financial lease payables	2,162	2,820
Accrued liabilities from financial expenses	291	168
Other financial payables	75	75
Current financial liabilities	15,984	12,021

Short-term financial liabilities of Euro 15,984 thousand refer to payables for short-term loans taken out with banks, the portion of payables for interest accrued vis-à-vis bondholders whose payment is set for April 15, 2018. The item also includes payables to other lenders relating to both the short-term portion of the payable for the acquisition of an additional 85% in the investee Wave Srl by AlmagivA SpA and the payables to be paid for the purchases of the two business units by AlmagivA Contact and by AlmagivA Services and, to a lesser extent, other payables. The line item also includes payable due to other lenders which are main referred to financial lease liabilities mainly related to AlmagivA do Brasil, other short-term accrual and financial liabilities.

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (Continued)

15. REVENUES FROM CONTRACTS WITH CUSTOMERS

Revenue from contract with customers for the three months ended March 31, 2018 and 2017 are reported in the following table:

<i>(in thousands of Euro)</i>	For the three period ended in March 31,	
	2018	2017
Revenues from sales and services	174,887	175,588
Revenues from sale of goods	557	273
Revenues from contract work in progress	12,348	10,605
Revenues from contracts with customers	187,792	186,466

<i>(in thousands of Euro)</i>	Revenues detected at a point in time	Revenues recognized over the time	Total at March 31, 2018
Revenues from contracts with customers	557	187,235	187,792

Revenues from Group ordinary activities include revenues from contract work in progress determined following percentage of completion method and revenues deriving from services and sale of goods reported to client. The revenues are further split into those recognized at a point in time and those recognized overtime in order to represent how economic factors affect the nature, amount, timing and degree of uncertainty of the revenues and cash flows.

The table below shows a breakdown of revenues by operating and reportable segments for the three months ended March 31, 2018 and 2017, net of effect of inter-segment revenues.

<i>(in thousands of Euro)</i>	For the three period ended in March 31,	
	2018	2017
IT Services	92,810	84,377
CRM Europe	34,773	29,520
CRM International	58,255	71,289
Almawave – New Technology	1,955	1,281
Consolidated revenues	187,792	186,466

Revenues in IT Services segment in the three months ended March 31, 2018 are increased by Euro 8,433 thousand, or 10% compared to previous period. The increase is mainly due to growth of revenues related to sector Transport, Homeland Security, Local Government and Welfare.

The mentioned increase has been partially offset by a decrease in Agriculture-Environment and Ministries sector. The others sector present positive and negative marginal variations.

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (Continued)

15. REVENUES FROM CONTRACTS WITH CUSTOMERS (Continued)

Revenues from the CRM Europe segment show an increase compared to the period ended March 31, 2017, of Euro 5,253 thousand, equal to 18%. The increase was related to business area: Government and Telco, while Utilities area was impacted from a decrease of revenues compared to previous period.

Revenues from CRM International sector show a decrease of Euro 13,034 thousand, or 18% in the three months ended March 31, 2018 in comparison with the previous period. The decrease is referred to lower revenues in all business area and more significantly in Telco and Media area.

Revenues in Almawave-New Technology increased by Euro 674 thousand, or 53%, compared to previous period and total revenues have increased by Euro 980 thousand, or 36%, compared to previous period. This increase resulted primarily from increased revenues from sales of its proprietary software technology to customers (included other segments) in following areas: Telco/Media, Banking/insurance as well as Utilities, partially offset by a decrease for revenues from customers in Transport, Governments and Other areas.

Revenues from works in progress include the contractual revenues deriving from production recorded in the period and not yet concluded net of amounts billed to customers during the period and related to production recorded in previous fiscal years. The value has been determined according to the percentage of completion method.

Almaviva Group revenues are mainly realised in Italy. Revenues deriving from abroad countries are mainly recorded in Brazil and, for minor amounts, in Tunisia and Colombia. For any further information related to geographical information, please refer to Note 4.

The following table shows the amount related to the performance obligation not completed or partially completed at reporting date according to paragraph 122 in IFRS 15:

<i>(in thousands of Euro)</i>	Total	To absorb within the current financial year	To absorb within the next financial year	To absorb beyond the next financial year
Backlog at March 31, 2018 (*)	1,240,677	(275,167)	(280,421)	(685,089)

(*) IT Services and Almawave New Technology segments

The table does not include variable fees that are not determined or determinable at the reporting date.

16. PERSONNEL EXPENSES

Personnel expenses for the three months ended March 31, 2018 and 2017 are broken down as follows:

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

16. PERSONNEL EXPENSES (Continued)

<i>(in thousands of Euro)</i>	For the three period ended in March 31,	
	2018	2017
Salaries and wages	92,669	89,899
Social security contributions	17,166	15,643
Employee benefit expenses	2,962	3,750
Other costs	819	736
Agency work	2,503	2,512
Costs of seconded personnel	0	0
Expenses for redundancy incentives	0	34
Personnel expenses capitalised for assets created internally	(2,714)	(2,488)
Personnel expenses	113,405	110,087

Personnel expenses increased by Euro 3,318 thousand, or 3% also related to increase in number of employees. Furthermore, mentioned increase in these costs was partially offset by an increase by Euro 226 thousand in personal expenses capitalized for assets created internally related to IT Services segments and Almaxwave-New Technology segments.

The average number of employees of companies included in the consolidation area, broken down by category, for the period indicated is as follows:

	At March 31, 2018	At December 31, 2017	At March 31, 2017
Executives	208	217	189
Middle managers	795	759	749
White-collar employees	41,656	41,313	40,679
Total Group average employees	42,659	42,289	41,617
Agency workers	265	522	489
Total workforce	42,924	42,811	42,106

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

17. DEPRECIATION, AMORTIZATION AND GAINS (LOSSES) FROM SALE OF NON-CURRENT ASSETS

The items are broken downs as follows:

<i>(in thousands of Euro)</i>	For the three months period ended March 31	
	2018	2017
Industrial patent and intellectual property rights	1,829	1,803
Concession, licence and trademarks	53	47
Other	1,305	1,534
Total Amortization	3,187	3,384
Civil and industrial buildings	195	195
Industrial and commercial equipment	32	36
Plants and machinery owned and leased	1,252	1,688
Other assets owned and leased	1,899	2,078
Capital (gains) from disposals of fixed assets	0	0
Total Depreciation	3,378	3,997
Total Depreciation and amortization	6,565	7,381

18. FINANCIAL INCOME/(EXPENSES)

The line item is broken down as follows:

<i>(in thousands of Euro)</i>	For the three months period ended March 31	
	2018	2017
Financial income	51	261
Financial expenses	(7,176)	(7,700)
Exchange gains/(losses)	67	1
Net financial result	(7,058)	(7,438)

As shown in the table above, the Net financial result is negative for the three months ended March 31, 2018 for Euro 7,058 thousand, compared to negative results of Euro 7,438 thousand for the three months ended March 31, 2017, with an improvement of Euro 380 thousand.

The decrease in the period is mainly due to the Group's financial transaction occurred in the third and fourth quarter of 2017.

The difference in exchange gains/(losses) recorded in the period compared to the previous is related to fluctuations in conversion of the Brazilian Real to the Euro.

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

19. INCOME TAXES

The line item is broken down as follows:

<i>(in thousands of Euro)</i>	For the three months period ended March 31	
	2018	2017
Italian Companies		
<i>IRAP (Regional business tax)</i>	396	254
<i>IRES (Corporate income tax)</i>	1,496	1,043
<i>(Income) expenses from compliance with tax consolidation</i>	(619)	0
	1,273	1,297
Foreign companies		
<i>Other current taxes</i>	724	124
	724	124
Current Taxes	1,997	1,421
Italian Companies		
<i>IRAP (Regional business tax)</i>	(12)	32
<i>IRES (Corporate income tax)</i>	(738)	0
	(750)	32
Foreign companies		
<i>Other deferred taxes</i>	(643)	49
	(643)	49
Deferred taxes	(1,393)	81
Income taxes for the year - non recurring portion	0	3
Total Income taxes	604	1,505

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

20. INCOME TAXES RECONCILIATION

	For the year ended March 31	
	2018	2017
Income before taxes	1,447	(110)
Theoretical tax rate	24.0%	24.0%
Theoretical taxes	347	(26)
Effect of different foreign tax rates	(10)	(118)
Non-deductible expenses	1,177	1,119
Tax losses previous years / consolidated tax revenues	(619)	0
Effect of writedowns for deferred tax assets and redetermination of tax rates	0	0
IRAP (Italian regional business tax)	396	254
Effect on deferred taxation of changes in tax rates	(1,393)	81
Other differences and minor items	706	196
Total	604	1,505

21. 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 19. For those proceedings whose negative outcome, owing to the different case law positions, was only considered possible, no specific allocations were made in accordance with the regulations governing the drafting of the financial statements.

Contingent liabilities

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

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (Continued)

21. LEGAL ISSUES AND LITIGATIONS (Continued)

Shown below are the main contingent liabilities as at March 31, 2018 not recorded in the financial statements owing to the absence of the necessary requirements set out in reference standard IAS 37.

AlmavivA S.p.A.

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

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

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

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

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

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

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

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (Continued)

21. LEGAL ISSUES AND LITIGATIONS (Continued)

RTI Datacontact requested the cancellation, upon the adoption of precautionary measures, of the measure for the final award to RTI Televita (with AlmagivA S.p.A. as principal) of the "Open procedure for the contract for the evolution of advanced solutions and services supporting the Digital Agenda for the period 2016-2020 - Cig: 6515399557". At the hearing in the council chambers for the discussion of the precautionary claim, held on March 23, 2017, RTI Datacontact requested that the precautionary claim be dealt with during the hearing on the merits and the Basilicata Tar (regional administrative court) scheduled the hearing for April 20, 2017. The hearing was held, and a decision in this case is pending. We are awaiting the judgment. The outcome of the risk assessment did not determine the need to record any provisions for risks.

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

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

AlmagivA S.p.A., AlmagivA S.r.l. and AlmagivA USA Inc.

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

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

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

AlmagivA S.p.A. and the other Group companies, as the insured parties, requested the Court of Milan to order Lloyd's Insurers to be sentenced to reimburse expenses and the legal defence costs that they incurred and will be incurred as part of the dispute pending in the USA (described above), in addition to compensation for damages. At the preliminary hearing on May 16, 2017, the judge invited the Insurers to submit a proposal for the settlement of the dispute and

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (Continued)

21. LEGAL ISSUES AND LITIGATIONS (Continued)

postponed the discussion of the case, for the same parties to the action, to the hearing on June 28, 2017. At said hearing, the judge - having acknowledged the failure of the parties to reach an agreement and, disregarding the reservation assumed previously, adjourned the case for the presentation of final conclusions to the hearing on February 27, 2019. The outcome of the risk assessment did not determine the need to record any provisions for risks.

AlmavivA Contact S.p.A.

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

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

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

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

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

On January 23, 2009, Alicos S.p.A. applied for inclusion in proving a debt in bankruptcy with regard to Alitalia Airport S.p.A. under E.A., requesting recognition as a preferential lender for the call centre services it provided.

Alicos S.p.A., which had not been admitted as the Administrator considered its debt to have been paid in full, appealed pursuant to art. 111 bis of the Bankruptcy Law, then rejected. Against this decision of rejection, AlmavivA Contact S.p.A. filed an appeal, then barred to further proceedings. With appeal in accordance with art. 98 of the Bankruptcy Law, AlmavivA Contact S.p.A. challenged the debt in bankruptcy. The appeal was rejected and AlmavivA Contact S.p.A. filed an appeal at the Court of Cassation.

The Court dismissed the appeal. Management, in consideration of the risk assessment conducted, saw fit to allocate a bad debt provision in relation to the ongoing dispute.

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

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (Continued)

21. LEGAL ISSUES AND LITIGATIONS (Continued)

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

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

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

Labour Disputes

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

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

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

ALMAVIVA S.P.A. AND SUBSIDIARIES

EXPLANATORY NOTES (Continued)

21. LEGAL ISSUES AND LITIGATIONS (Continued)

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

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

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

With reference to the residual dispute initiated by former associates of the company of the headquarters of Catania and Palermo, we must point out that the Court of Appeal of Palermo confirmed the line favourable to AlmagivA Contact. The Court of Catania has, up until now, declared the appeals lodged by certain associates to be inadmissible for procedural reasons.

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

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

22. SUBSEQUENT EVENTS

AlmagivA – Investments acquisition

On 19 April 2018 the acquisition of 85% of the share capital of Wave S.r.l. was completed. For this reason, the entity became wholly owned by AlmagivA.

Wave S.r.l., in turn, holds 84.05% of the share capital of Sadel S.p.A.