



# Interim Report 2018

**Issuer: Exprivia S.p.A.**  
**Website: [www.exprivia.it](http://www.exprivia.it)**



future. perfect. simple.



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## Corporate Bodies

### Board of Directors

#### Chairman and Chief Executive Officer

Domenico Favuzzi

#### Directors

Dante Altomare (Vice Chairman)

Angela Stefania Bergantino (2)

Eugenio Di Sciascio (2)

Filippo Giannelli

Marina Lalli (2)

Alessandro Laterza (3)

Valeria Savelli (1)

Gianfranco Viesti (2)

### Board of Statutory Auditors

#### Chairman

Ignazio Pellecchia

#### Standing Auditors

Anna Lucia Muserra

Gaetano Samarelli

#### Independent Auditors

PricewaterhouseCoopers S.p.A.

(1) Directors not vested with operating powers

(2) Independent directors pursuant to the Corporate Governance  
Code of the Corporate Governance Committee

(3) Lead Independent Director



# Directors' Report as at 30 June 2018



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## Significant Group Figures and Result Indicators

The table below gives a summary of the main consolidated economic, capital and financial data of the Group as at 30 June 2018, 30 June 2017, and 31 December 2017.

Effective 1 January 2018, the Group adopted the standards IFRS 15 “Revenue from Contracts with Customers” and IFRS 9 “Financial Instruments”, which resulted in changes to accounting policies and, in some cases, adjustments of amounts recognised in the financial statements. The impact from the adoption of these standards is not significant.

Note that the data as at 30 June 2018 includes the effect of the consolidation of Italtel Group both in terms of the income statement, consolidated beginning on 1 January 2018, as well as for consolidated balance sheet figures from 31 December 2017, and that Italtel Group’s reclassified balance sheet and income statement are presented in the paragraph “Segment Reporting” in the explanatory notes to the financial statements.

amount in thousand Euro			
	30.06.2018	30.06.2017	31.12.2017
Total revenues	286,816	75,665	161,204
net proceeds	271,798	73,867	157,122
increase to assets for internal work	5,703	1,289	2,533
other proceeds and contributions	9,315	509	1,549
Difference between costs and production proceeds (EBITDA)	7,952	4,917	12,095
% on total revenues	2.8%	6.5%	7.5%
Net operating result (EBIT)	(1,489)	2,552	6,504
% on total revenues	-0.5%	3.4%	4.0%
Net result	(13,307)	(135)	50
Group net equity	65,397	74,638	74,392
Total assets	637,313	209,096	645,099
Capital stock	25,155	25,155	25,155
Net working capital (1)	138	25,240	31,401
Cash flow (2)	(7,811)	1,279	5,197
Fixed capital (3)	341,725	102,175	344,845
Investment	7,829	1,880	3,735
Cash and securities / other financial assets (a)	39,641	20,353	44,697
Financial payables / other short-term financial liabilities (b)	(67,058)	(27,576)	(77,456)
Financial payables / other medium / long-term financial liabilities (c)	(183,913)	(26,607)	(190,085)
Net financial position (4)	(211,330)	(33,830)	(222,844)

(1) - "Net working capital" is calculated as the sum of the total current assets, less liquidity and total current liabilities plus current bank debt

(2) - "Cash flow" is calculated as the sum of net profit (loss) adjusted by amortisation, changes in employee severance indemnities, write-downs and provisions

(3) - "Fixed capital" is equal to total non-current assets

(4) - Net financial position = a+b+c

The table below shows the main economic indicators of the Group as at 30 June 2018, compared with the same period of the previous year.

For the calculation of ROE and ROI, it was considered appropriate to use an annual "rolling" approach by taking as a reference the net profit and operating income from 1 July 2017 to 30 June 2018, for the data as at 30 June 2018, and the data from 1 July 2016 to 30 June 2017 for the figures at 30 June 2017.

Exprivia Group	30/06/2018	30/06/2017
Index ROE (Net income / Equity Group)	-20.07%	2.87%
Index ROI (EBIT / Net Capital Invested) (5)	0.82%	7.52%
Index ROS (EBIT / Revenues )	-0.55%	3.46%
Financial charges (6) / Net profit	-0.51	-13.18

(5) **Net capital employed:** equal to net working capital plus non-current assets net of non-current liabilities (excluding bank debt and bond issues)

(6) **Financial Charges:** calculated net of interest cost IAS 19

The table below shows the main capital and financial indicators of the Group as at 30 June 2018 as well as 30 June and 31 December 2017.

Exprivia Group	30/06/2018	30/06/2017	31/12/2017
Net Financial Debt / Equity Capital	3.23	0.45	3.00
Debt ratio (Total Liabilities / Equity Capital)	9.75	2.80	8.67

The above indicators are significantly affected by the highly seasonal nature of Italtel Group's business. This seasonality applies in Italian and international markets, and is linked to both the complexity of projects managed and customers' spending budgets. The seasonal nature of the business affects the annual and interim distribution of revenues, and in particular, the margins realised by the Group.

## Summary of operations in the first half of 2018

The results for the first half of 2018 are compared to the corresponding items of the same period in the previous year, under both the statutory regime as well as pro-forma, which compares the same scope of consolidation for the Group in the two comparison years. In this regard, note that the subsidiary Italtel SpA became a consolidated company of Exprivia Group effective 31 December 2017 for the balance sheet and from 1 January 2018 for the income statement.

Exprivia Group (value in thousand Euro)	30/06/2018	30/06/2017	Variations	Variations %
Revenues	286,816	75,665	211,151	279.1%
EBITDA	7,952	4,917	3,035	61.7%
EBIT	(1,489)	2,552	(4,041)	-158.3%
Pre-tax result	(13,031)	808	(13,839)	-1712.7%
Net financial position	(211,330)	(33,830)	(177,500)	524.7%

The table below shows the pro-forma data that simulate the consolidation of Italtel Group as at 30 June 2017, as indicated in the transaction's disclosure document drafted pursuant to Art. 71 of the Issuers Regulation, to which reference should be made for the standards adopted:

Exprivia Group (value in thousand Euro)	30/06/2018	30/06/2017	Variations	Variations %
Revenues	286,816	290,248	(3,432)	-1.2%
EBITDA	7,952	4,490	3,462	77.1%
EBIT	(1,489)	(3,125)	1,636	-52.4%
Pre-tax result	(13,031)	(10,430)	(2,601)	24.9%

The following table shows the results of Exprivia Group excluding Italtel Group:

Exprivia Group (value in thousand Euro)	30/06/2018	30/06/2017	Variations	Variations %
Revenues	78,854	75,665	3,189	4.2%
EBITDA	6,052	4,917	1,135	23.1%
EBIT	4,023	2,552	1,471	57.6%
Pre-tax result	1,865	808	1,057	130.8%
Net financial position	(59,035)	(33,830)	(25,205)	-74.5%

As can be seen, revenues and margins increased for the "Exprivia Group" area of consolidation prior to the Italtel acquisition. The net financial position is negative for Euro 59 million, compared to Euro -33.8 million as at 30 June 2017, using a comparable consolidated scope and the change compared to 30 June 2017 is related to the bond underwritten to acquire the investment in Italtel SpA.



# **Profile of Exprivia Group**

**Future. Perfect. Simple**



## An international group to enable digital transformation processes

An international ICT specialist, the Exprivia group leverages digital technologies to steer the business drivers of change for its customers.

Exprivia sets itself apart for its reliability in managing complex projects through the connection and integration of vertical and horizontal skills, and for its capacity to create simple solutions to be utilised and updated, as they are based on constant research and innovation activities.

Listed on the stock exchange's MTA STAR segment (XPR) since 2000, Exprivia works alongside its customers in the following markets: Banking, Finance&Insurance, Telco&Media, Energy&Utilities, Aerospace&Defence, Manufacturing&Distribution, Healthcare and Public Sector.

## The founding concepts of our vision

### Future

The future is the point towards which we orient ourselves

In defining scenarios, paths and goals for ourselves and our customers.

### Connection

This is what makes us innovators. It is the capacity to identify unexpected solutions by connecting our skills.

It is the ability to imagine the future by directly combining what we know in the present: technology with customer needs, the world of research with that of business, the city with its residents.

### Perfect

Perfect is the level we commit to reaching in designing innovative and efficient digital solutions for every sector.

### Reliability

For us this is a constant practise that leads us to seek out perfection in everything we do, to always guarantee that we will meet our commitments in every situation, to consider effectiveness and efficiency to be the indispensable requirements of all of the products and services we offer

### Simple

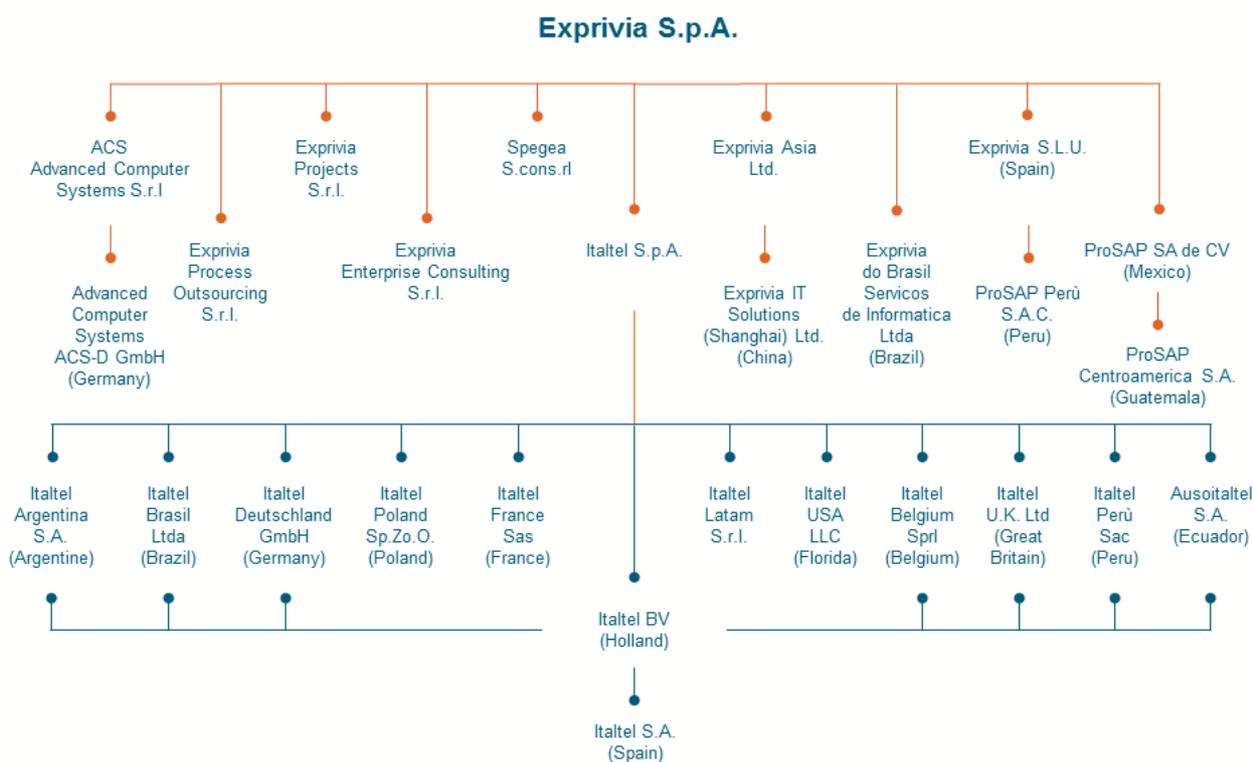
Simple is the fundamental requirement of all our systems, designed to improve people's lives through the availability and usability of information.

### Simplicity

It means for us to deploy the complexity of the technology from a user experience perspective, making innovation and digital transformation accessible to businesses and citizens, through a process of synthesis that aims at the essentiality of solutions.

## The Group

The chart shows the main companies of the Exprivia Group:



The companies that are direct investments of the Holding Company Exprivia SpA are shown below:

**ITALTEL SpA**, of which Exprivia owns 81%, is a multi-national business operating in the Information & Communication Technology (ICT) sector, with a strong capacity for innovation that has been involved for years in industry research projects at the European, national, and regional levels in the field of software for telecommunications and IT. The Italtel portfolio includes solutions for networks, data centres, business collaboration, digital security and the Internet of Things. The solutions consist of proprietary and third-party products, managed services, engineering services, and consultancy. Italtel's reference market is made up of service providers as well as public and private companies, with a specific focus on vertical markets such as Energy, Healthcare, Manufacturing, Defence, Finance and Smart Cities. Italtel has its headquarters and R&D activities in Italy and satellite offices in 13 countries. In Settimo Milanese (Milan), Italtel has over 3000 square meters of test plants dedicated to validating solutions provided to customers, to offer the best possible operational support. The Research and Development labs are in Settimo Milanese and Carini (Palermo), while the company has a sales office in Rome. In 2017, Italtel Group posted consolidated revenues of Euro 430 million, with a total staff of over 1400 individuals, of which more than 350 abroad.

**ACS Srl**, 100%-owned by Exprivia, has operated in the market for more than twenty years and develops ground stations for the reception and processing of satellite data ("Ground Station"), a sector in which it has



reached a top global position. The company is based in Rome and Matera and also has a branch in Germany.

**Exprivia Projects Srl** is 100% owned by Exprivia. It is based in Rome and has share capital of Euro 242,000.00 (fully paid-up). It is specialised in designing and managing services and infrastructure for Call Centres, Contact Centres and Helpdesk services.

**Exprivia Process Outsourcing Srl**, 100% owned by Exprivia, based in Palermo and with a registered capital of Euro 100,000.00, provides Services and Infrastructure for Call Center, Contact Center and Help Desk.

**Exprivia Enterprise Consulting Srl**, wholly-owned by Exprivia, based in Milan and with fully paid-up share capital of Euro 1,500,000.00, represents the ERP / SAP centre of competence for the entire Exprivia Group in Italy and abroad; in addition to directly serving the manufacturing market in Italy, it provides other Group companies with the technical resources needed to develop SAP projects within their relevant product sector.

**Consorzio Exprivia Scarl**, 85% owned by Exprivia SpA, with the remaining 15% held by other Group companies wholly-owned by the holding company. This consortium's objective is to facilitate the Exprivia Group's participation in public tenders for project development and service provision.

**Spegea S.C.a r.l.** is 60% owned by Exprivia and has fully paid-up share capital of Euro 125,000.00. It is a School of Management based in Bari, organises and manages specialised seminars, training courses for companies and public administration in addition to the "Master in Management and Industrial Development" programme certified by ASFOR. It was founded 28 years ago by Confindustria Bari with the support of banks and institutions.

## Foreign Companies

Exprivia SLU, a Spanish company that is 100% owned by Exprivia S.p.A., is the result of the merger by incorporation of the companies previously operating in Spain, Exprivia SL and Profesionales de Sistemas Aplicaciones y Productos SL (ProSap). The company has been operating since 2002, providing professional services and project development in the SAP environment, WEB portal development, and solutions and information systems for the Healthcare sector in the Spanish market.

**ProSAP SA de CV**, a Mexican company with headquarters in Mexico City, of which Exprivia SpA owns 98% and Exprivia SLU holds 2%, has been in operation since 2004 and offers professional services and project development in the SAP environment, WEB portal development, and solutions and information systems for the Healthcare sector in Latin America, including through its subsidiaries, with offices in Guatemala (ProSAP Centroamerica S.A.) and Peru (ProSAP Perú SAC).

**Exprivia do Brasil Serviços de Informatica Ltda**, a Brazilian company specialised in IT Security solutions, operates from its headquarters in Sao Paulo. Exprivia SpA controls the company with a 52.30% share while Simest SpA holds 47.70%.

**Exprivia Asia Ltd**, a company operating in Hong Kong to act on behalf of Exprivia SpA, its sole shareholder, in the Far East in all markets considered strategic for the Exprivia Group. Exprivia Asia Ltd incorporated Exprivia IT Solutions (Shanghai) Co. Ltd of which it is the sole shareholder, specialised in professional services in the fields of IT infrastructure and in SAP systems.

**Italtel B.V. (Netherlands)**, a company located in the Netherlands whose sole shareholder is Italtel S.p.A.; it acts as a holding portfolio providing commercial and operational support for all foreign business activities.

**Italtel Belgium SPRL**, a Belgian company that is 60% owned by Italtel S.p.A. and 40% by Italtel B.V. The company's purpose is to perform manufacturing and/or sales activities and installation in the electro-technology, electronics and information technology sectors - particularly in the field of telecommunication equipment and components - as well as in related and similar fields.

**Italtel Deutschland GMBH**, a German company that is 60% owned by Italtel S.p.A. and 40% by Italtel B.V. The company's purpose is to perform manufacturing and/or sales activities and installation in the electro-



technology and information technology sectors - particularly in the field of telecommunication equipment and components - as well as in related and similar fields.

**Italtel France SAS**, a company operating in France with Italtel S.p.A. as the sole shareholder. The company's purpose is to perform manufacturing and/or sales activities and installation in the electro-technology, electronics and information technology sectors - particularly in the field of telecommunication equipment and components - as well as in related and similar fields.

**Italtel Poland SP. Zo. O.**, a Polish company with Italtel S.p.A. as the sole shareholder. The company's purpose is to perform manufacturing and/or sales activities and installation in the electro-technology, electronics and information technology sectors - particularly in the field of telecommunication equipment and components - as well as in related and similar fields.

**Italtel S.A. (Spain)**, a Spanish company with Italtel B.V. as the sole shareholder. The company's purpose is to perform manufacturing and/or sales activities and installation in the electro-technology, electronics and information technology sectors - particularly in the field of telecommunication equipment and components - as well as in related and similar fields.

**Italtel U.K. LTD**, a company operating in the United Kingdom that is 60% owned by Italtel S.p.A. and 40% by Italtel B.V. The company's purpose is to perform manufacturing and/or sales activities and installation in the electro-technology, electronics and information technology sectors - particularly in the field of telecommunication equipment and components - as well as in related and similar fields.

**Italtel Argentina S.A.**, an Argentinian company, of which 71.46% is held by Italtel B.V. and 28.54% by Italtel S.p.A. The company's purpose is to perform manufacturing and/or sales activities and installation in the electro-technology, electronics and information technology sectors - particularly in the field of telecommunication equipment and components - as well as in related and similar fields.

**Italtel Brasil LTDA**, a company operating in Brazil, of which 85.12% is owned by Italtel S.p.A. and 14.88% by Italtel B.V. The company's purpose is to perform manufacturing and/or sales activities and installation in the electro-technology, electronics and information technology sectors - particularly in the field of telecommunication equipment and components - as well as in related and similar fields.

**AUSOITALTEL S.A. (Ecuador)**, a company operating in Ecuador that is 99% owned by Italtel S.p.A. and 1% owned by Italtel B.V. The company supplies services to customers, both public and private, related to telecommunication networks, telecommunication systems, TLC and IT.

**Italtel Perú SAC**, a company operating in Peru that is 90% owned by Italtel B.V. and 10% by Italtel S.p.A. The company's purpose is to perform manufacturing and/or sales activities and installation in the electro-technology, electronics and information technology sectors - specifically of hardware devices (soft switches) for telecommunications and software for networks and service providers, as well as any device for integrating telecommunication systems (e.g., switches, routers, etc.). The company may also provide the services necessary for the operation of TLC/IT networks.

**Italtel USA LLC**, an American company with Italtel S.p.A. as the sole shareholder. The company's purpose is to perform all activities that are permissible for a limited liability company in the state of Florida.

**Italtel Latam S.r.l.**, a company with Italtel S.p.A. as the sole shareholder, whose scope is the management of corporate holdings.

On 6 July 2018, the deed of incorporation of Italtel de Chile SpA was filed with the Chilean Business Register. Italtel SpA also controls Italtel Telecommunication Hellas EPE in liquidation and Italtel Arabia Ltd in liquidation.



# Innovation

The foundry of ideas





# Forging the future

## Research and innovation

Italtel has been engaged for many years in research projects aimed at driving the internal innovation process with the primary objective of analysing and testing new technologies and solutions that can be quickly adopted in products under development, based on indications from customers and the market.

Italtel's history is linked to innovation in the field of telecommunications. One of the first companies in the world to develop VoIP (Voice over IP) technology, today it is positioned in the most advanced segments of communication. Italtel's current research focuses on the development of innovative products and solutions for the convergence of voice, data and video on broadband networks and on guaranteed service quality.

To maintain its position in a market that is in constant transformation, often including disruptively, Italtel also evaluated the idea of developing its business as a system without borders, with an open collaboration model, interacting with emerging and creative start-ups and entities. Therefore, Italtel has given itself the mission to adopt the Open Innovation paradigm, which mitigates the principal risks associated with innovation strategies that use only "internal" resources: high costs, long time-to-market, and need for various vertical skills.





# Industries

A winning offer in every market



## Banking, Finance & Insurance

### Digital progress and financial technique: the binomial of the future

The financial market is experiencing a radical business model transformation. The need to always offer new services that can be used at any time using any device requires the development of increasingly innovative and efficient IT solutions and services.

Thanks to the skills accrued in more than 25 years of partnerships with the top credit and insurance institutions in Italy and abroad, we have the specialisation and experience to fully meet customer needs through tailor-made and omnichannel digital solutions: from creditworthiness assessments to monitoring, from capital markets to factoring, from data value to customer experience.





## Telco & Media

### Skills and technologies for network virtualisation

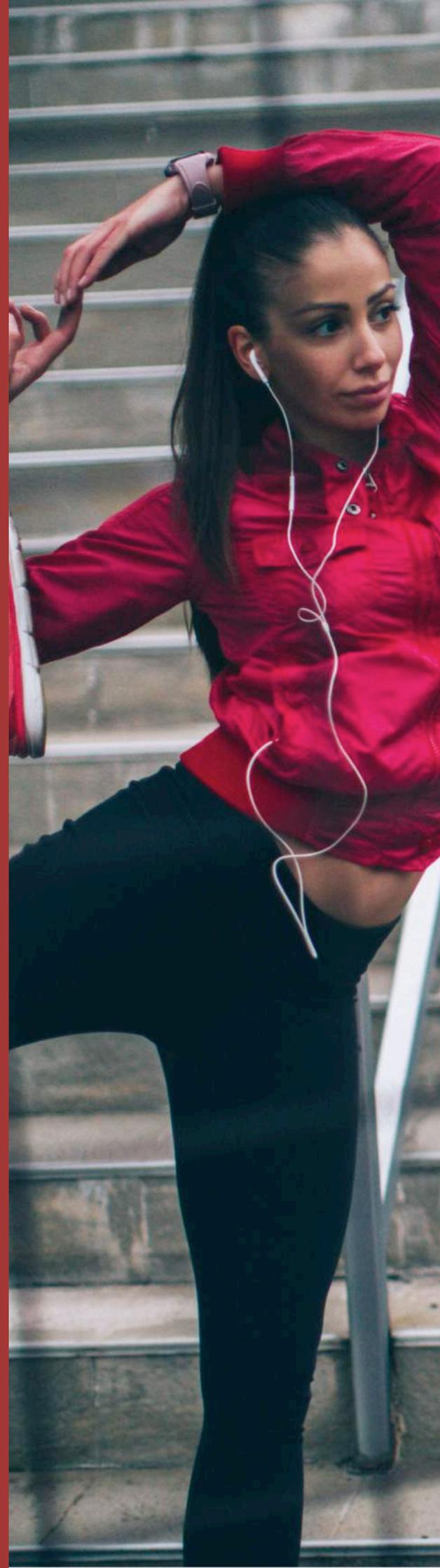
In the Telco & Media market, the strategies on which the key players in the market compete are linked not only to technological innovation but, at the same time, the need to simplify and automate, as well as the need to expand their offer with high value-added services. On all of these three strategies, the Exprivia|Italtel Group now has the best assets in terms of the offer, know-how, and geographical presence to be able to skilfully support its customers in these areas.

We offer our customers products, solutions, and services:

- related to network infrastructures, re-engineered using virtualised logic (NFV and SDN) and with logic that allows access to broadband fibre and LTE/5G;
- to simplify and automate networks and support processes, their monitoring, and automation in DevOps logic;
- to manage and optimise business processes;
- for cloud integration of B2B applications dedicated to specific market segments.

A tangible example, unique for Italian Telcos, is Exprivia Italtel's NFV/5G lab designed to analyse and compare different NFV/SDN/5G architecture solutions, verify interoperability among different technologies and vendors, and accelerate the adoption of orchestration and automation methodologies, processes and solutions. In addition, the initiative enables the delivery of innovative cloud-ready solutions to specific vertical markets (e.g., IoT, e-Health, Smart City, Industry, etc.).

Thus, we are the best partner for service providers for Telco media providers and manufacturing companies to better support their business in programmes for technological innovation and automation and enriching the B2B offer.





## Energy & Utilities

### The technology that optimises energy

The energy & utilities sector is rapidly evolving to adjust to infrastructure technological upgrading processes, the development of new services and the entry into force of new directives on safety, energy efficiency and environmental and consumer protection, which are having a considerable impact on both supply and demand.

In this regard, we offer our customers specific solutions for the development and management of transversal and characteristic processes that aim to ensure greater operational efficiency, high performance and elevated customer service quality to energy, water, environmental and public utility sector businesses. Systems based on technologies like the cloud, XaaS, CRM, big data analytics and business intelligence, IoT, digital channels, social networking, e-mobility and enterprise application governance which place users at the very heart of processes, providing them with increasing autonomy and awareness.





## Aerospace & Defence

### **Military defence, civil safety and digital technology**

The recent geopolitical events require an immediate response from the civil and military aeronautical, naval and terrestrial sectors in the adoption of safety systems in which the technological component plays an increasingly crucial role to guarantee the safety of people, places, machinery and IT systems.

Even more urgent is IT support for taking strategic decisions in critical situations for the implementation of preventive measures based on scenario monitoring and controls.

We offer the sector a real benefit by enabling the analysis of complex heterogeneous information (images, video, data, text, symbols, voice, sound) generated by a multitude of wearable, fixed and mobile sensors on flights, in navigation, in orbit, in vehicles and in drones.

In particular, we develop systems for command and control, surveillance, cartographic representation, processing of geographical maps and rapid prototyping of land-based, naval and aerial consoles which, also thanks to augmented reality techniques, the wealth of georeferenced information and social collaboration, offer the utmost interaction with scenarios that are increasingly faithful to reality



# Manufacturing & Distribution



## Towards the new industrial revolution

The future of industrial processes follows a digital path. The common thread of the various enabling technologies that are changing how we design, create and distribute products by automatically organising and managing an enormous quantity of information in real time.

The fourth industrial revolution is in full swing and very soon will see completely controlled, interconnected and automated production through technological evolution.

Industry 4.0 defines this change through a panorama that is still evolving, but already has precise lines of development coinciding with the knowledge and skills we possess: the use of data and connectivity, analytics and machine learning, human/machine interaction and interaction between reality and the digital realm.

We have taken advantage of this extraordinary opportunity by dedicating ourselves to bringing newfound energy to the entire industrial process with our digital solutions and completely automating the management of huge quantities of information in a simple, streamlined and efficient manner.





## Healthcare

### **Innovative solutions for individual health and efficient administration**

Building a healthcare system that unites savings and efficiency, which takes care of people even before treating them, which eliminates waste and reduces waiting times. With these main objectives, we act as the ideal partner for a healthcare system striving towards a future of excellence.

Our technological solutions applied to the healthcare system make it possible to connect all of the disparate pieces of the entire Regional Healthcare System, from the administrative and management centres of public and private hospitals within the entire supply chain, to individual professionals and online services for users, ensuring the utmost optimisation of every single resource.

A team of 350 specialists, 30 years of presence in the IT sector and solutions and services in 500 healthcare facilities for 20 million patients confirm the effectiveness of our responses to the needs of the healthcare industry, which are fundamental for the economy and development of every region.



# Public Sector

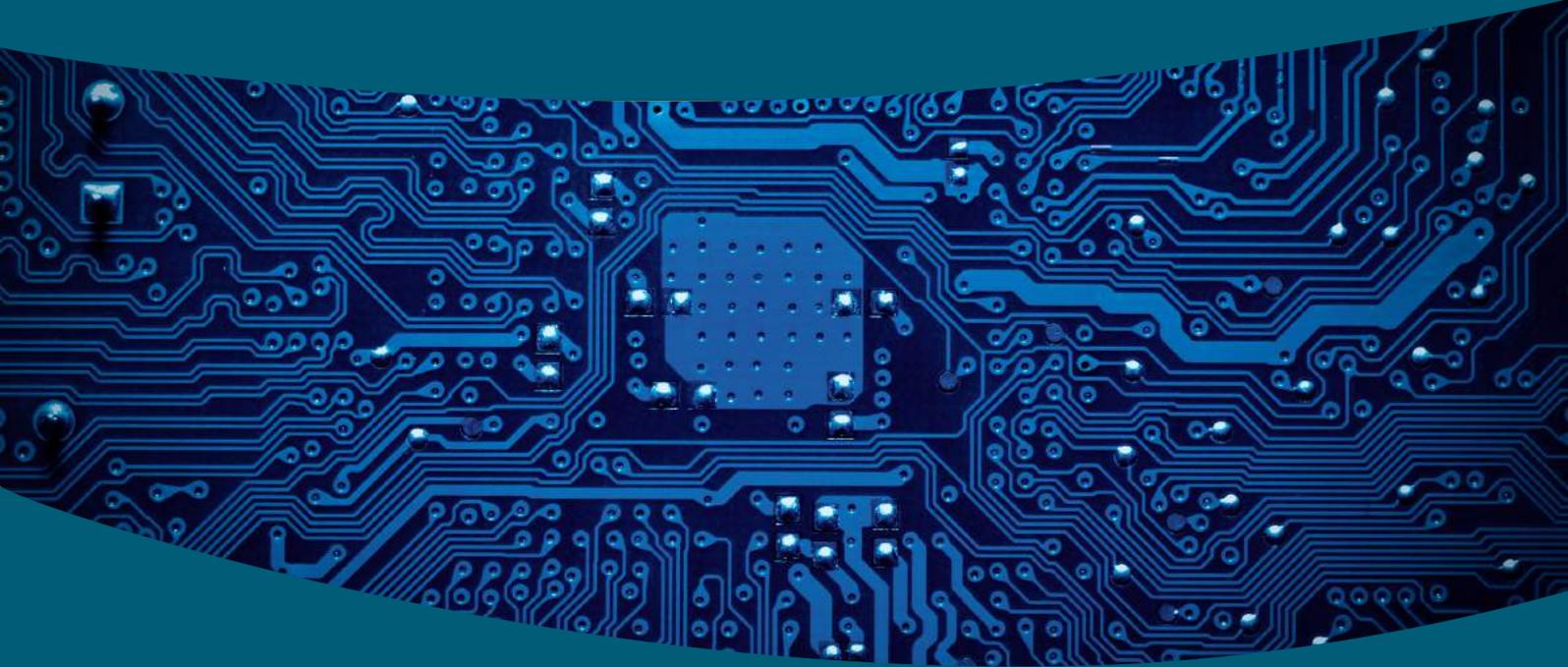
## PA digitalisation: the first step towards a reinvigorated country

Some time ago the Public Administration launched a modernisation process based on principles such as innovation, simplicity and reliability to support businesses, residents, public employees and the state itself. Bureaucratic streamlining through the digitalised management of the PA - along with organisational renewal activities - now allows for the reconciliation of spending optimisation with service quality, as it provides users with multiple rapid and effective communication channels that connect residents with public institutions and provide the latter with a series of worry-free and completely secure tools for completing administrative procedures.

From this perspective, we have been able to rely on much of our experience in optimising processes for large private enterprises, which we have reconceptualised based on the needs of central and local governments and broken down into a range of areas, including:

- products and services for management;
- eGovernment and eProcurement solutions;
- storage and sharing of electronic documents;
- planning and control through business intelligence platforms and business analytics;
- performance measurement in PA processes;
- solutions to support administrative processes (SOA paradigm);
- single point of access for the exchange of information between the entity, residents and businesses;
- system integration for 24/7 operational continuity and automatic repairs.





# Expertise

To build the future, we always  
need to keep it present

## Big Data & Analytics



### Managing data to dominate the markets

Before, there were products and services. Today, an increasing number of companies acquire, transform and provide data. And it is precisely around data that the digital transformation creates new business opportunities in areas regarding customer knowledge and customer experience, the generation of statistics and analyses, the creation of agile and flexible architectures and solutions and the 24/7 availability of security and customer care services.

We offer all of the very latest tools for supporting both the decision-making processes and ordinary activities based on the possession of information. Our Big Data & Analytics area is dedicated to developing projects, services and solutions aimed at the strategic use of big data for increasing business.

The assimilation and processing of unstructured data, which, once duly reorganised, become a precious source of information for creating new value for companies, play a particularly important role in the Big Data process.



# Cloud

## The revolution among the clouds

The advent of cloud computing has completely revolutionised how we acquire, implement and execute IT services.

Through the web, users can access network resources, memory, processes, services and applications which can be requested, supplied and released quickly with minimal effort and secure interaction with the supplier.

Our cloud services are based on four fundamental models:

### Public Cloud

The Public Cloud is characterised by computing power, memory and application services according to individual needs with scalable solutions adaptable to small, medium-sized and large businesses.

### Private Cloud

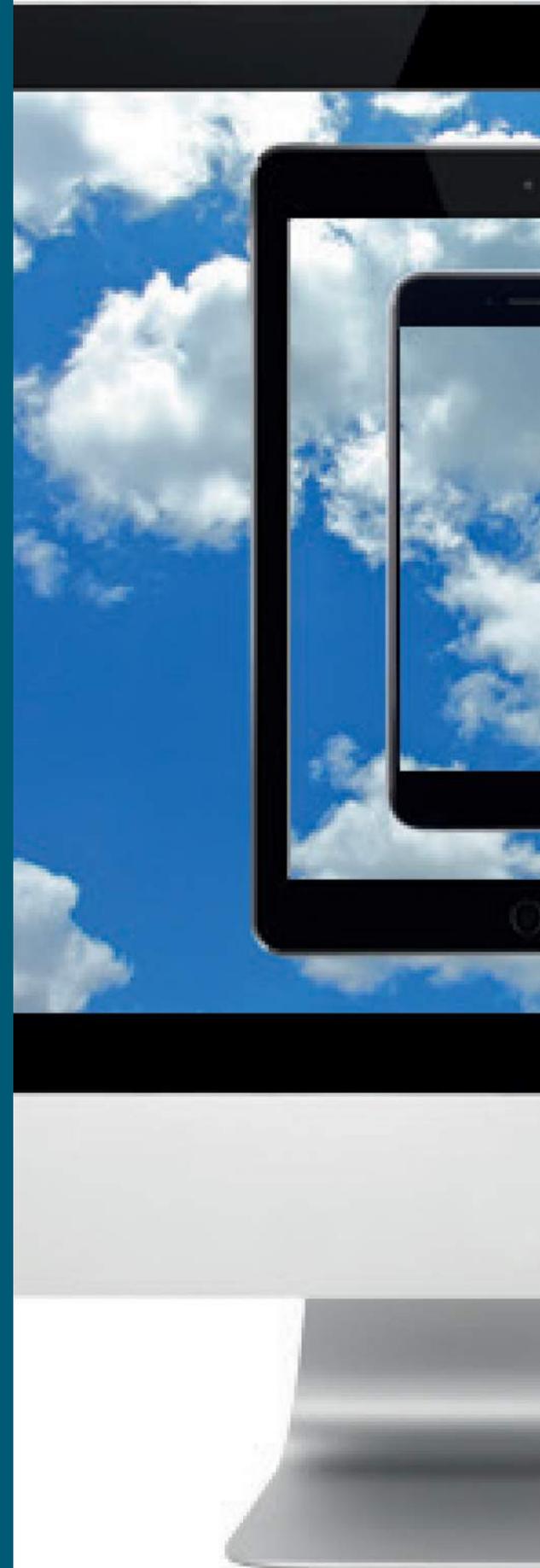
Creating a Private Cloud means providing the range of services, solutions and computational capacity functional to a large organisation, distributed across the area and under continuous evolution, on a single platform.

### Hybrid Cloud

The third model is a mix of Public and Private clouds to give the organisation greater dynamism, overcoming the limits through the open Cloud potential and minimising the loss of the guarantee of absolute security that only the physically isolated Cloud offers.

### Community Cloud

With the Community Cloud, the business shares IT platforms with other nearby organisations to strengthen the scope and common model for the provision of services and the development of new service classes.



# IoT & Contextual Communication

## The immediate future of things

Today, the web has a complementary network: it is called IoT, or the Internet of Things. The challenge that it intends to meet is to equip commonly used items with the ability to interact with the environment and automatically modify their functioning by sending and receiving data via the net. By the year 2020, 20 billion devices will be connected to the Internet and the areas of interaction will increasingly include industrial production processes, logistics, infomobility, energy efficiency, remote assistance and environmental protection. IoT is therefore capable of having a positive effect on the very idea of business, work, study, health and life.

For some time now, we have been committed to developing IoT solutions capable of radically changing our way of living, working, learning and having fun. The key areas in which we are developing competencies are:

- Industry 4.0 (solutions for the interconnectivity of production machines with IT systems, to increase worker safety, track assets, and for predictive maintenance);
- Digital Healthcare (solutions for remote support for chronic, fragile patients or early hospital release procedures);
- Smart Cities (solutions for energy management for buildings, for monitoring the structural stability of bridges and viaducts, and smart metering);
- Smart Grid (solutions to modernise the electricity grid).



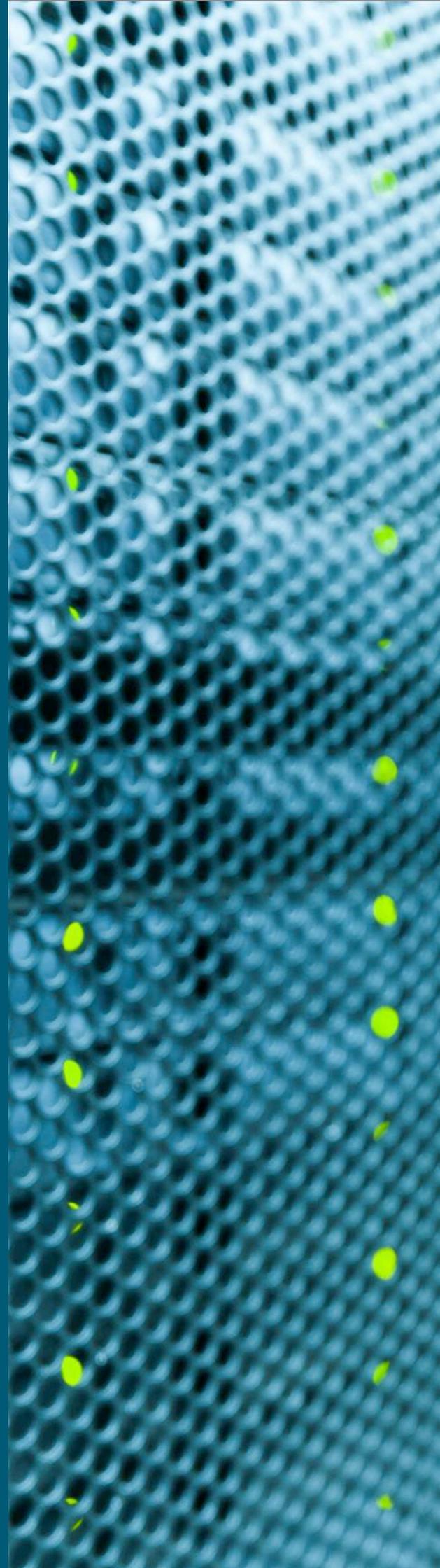
# IT Security

## Total data and system security

Security is becoming an increasingly crucial factor for the credibility of institutions and businesses, which are continuously seeking out new technology tools and solutions to provide security that can protect them from operational risks, attempted fraud, data theft, information leaks and similar events.

We have the experience and technological skill required to act as a “global” partner for security, capable of working alongside the customer with flexible deliverables ranging from consulting to integration and the management of dedicated services, through operational centres to meet security needs at strategic, technological and operational level.

Our skills in the field of data protection include technologies to protect the business perimeter (firewalls), to protect content (email, web), to control access, to protect data centres, to protect operator networks (against DDOS attacks, etc.) and for mobility. Our offer catalogue also includes ethical hacking services (vulnerability and penetration tests) and compliance with standards and laws (such as GDPR).



# Mobile

## Tomorrow within reach

The rapid transition from first-generation mobile phones to new mobile terminals which are increasingly efficient and polyfunctional has literally upended the world of mobile communications in just a few decades, and with it consumer habits, opening up possible interaction scenarios which until now had been unimaginable.

Companies have taken part in this trend to seek out new channels for promotion, communications and sales and expand the confines of smart working, so as to make relationships with their resources easier and more efficient through a precise multichannel strategy which, from a BYOD (Bring Your Own Device) perspective, skilfully overlaps times, places and instruments shared between work and personal lives.

We offer companies and entities the possibility to reap the greatest benefit from latest generation mobile technologies by including them within a broader multichannel strategy which encompasses Mobile Device Management for business devices, Mobile Payment in the various commerce and services sectors, Mobile Health and Mobile Application Development in the areas of health, finance and security.



# SAP

**More digital efficiency. Superior company efficacy. Greater market presence.**

With a strategic partnership that has lasted for more than 20 years, today, we are one of the main reference players in the SAP world in Italy and abroad. With a team of more than 400 professionals specialised in ERP and Extended ERP solutions, including more than 300 certified resources distributed across Italy and overseas, we seek out excellence in the creation of the most innovative solutions for our customers' business processes by taking action throughout the value chain: from analysis to consulting, from implementation to Application and System Management services, also using proprietary vertical solutions.

Our main areas of intervention are: Administration, Finance and Control, Operation & Logistics, Business Analytics and Human Capital Management.



# BPO Business Process Outsourcing



## When outsourcing means optimising

The outsourcing of entire processes is a trend undergoing continuous growth within companies, which are attracted on one hand by the possibility of concentrating on their core business and on the other hand by the significant reduction in operating costs. To offer BPO services specific skills, strategies and professionals who can understand the needs of the customer company and are ready to be partners in change are required.

With the knowledge we have gained working alongside so many important companies, we support and sustain company evolution by taking responsibility for the delicate procedures of end user acquisition, management and retention. The offering ranges from back office outsourcing services relating to typically internal functions such as human resources, accounting and information technology, to front office outsourcing services like customer care and customer service.

All BPO services provided to customers are governed by service performance and quality indicators (Service Level Agreements and Key Performance Indicators).



# Network Transformation

## Modernise infrastructures of Telco operators

The term “Network Transformation” mostly refers to solutions that allow the evolution of real-time services (voice, video, etc.) offered by telephone operators toward infrastructures revised according to a convergence approach, complete with IP protocol.

Our skills in this field are rooted in the history of Italian telecommunications and are reflected in the ability to develop original products, as well as in the ability to integrate complete solutions by combining the best third-party products to support the digital evolution of Telco operators.

We are actively working on the evolution of the peripheral elements of the network (interfaces between operators and between operators and client businesses), in centralised signalling and routing functions, and deployment of cutting-edge IMS solutions.

We have also developed expertise on NFV (Network Function Virtualisation) and SDN (Software Defined Networking) technologies, which allow operator networks to become more dynamic and agile.



# Network Service & Business Management

## Automate to accelerate

Telco operators need to extend their catalogue of services by leveraging new technologies and experimenting with new business models with the adoption of self-service portals that provide users services on demand, with the relative automatic configuration. This requires that objectives are reached associated with operational efficiency and agile management of the life cycle of network services. Telco's Digital Transformation is increasingly building on the concept of OSS (Operation Support Service) Transformation, to support Network Operations in maximising efficiency.

By using NFV and SDN technologies, networks can today be operated with an automatic correlation between "Assurance" and "Fulfilment" procedures; in other words, our skills enable scenarios in which measures and alarms detected on the network are immediately used to reconfigure it and/or instantiate new functions.

We have also developed skills in advanced analytics solutions (including data science methods) that can help improve customer experience and reduce churn rates.



# People Collaboration and Customer Relationship

## Collaboration is the key to all success

These are all the tools that improve collaboration between employees within a company and interaction that each company may have with its customers.

For several years, we have been operating successfully on architectures, including on-site UC&C (Unified Communication and Collaboration) solutions (telephone switchboards enhanced with additional services that allow video conferencing, including on the web, and tools for service quality control), UC&C Cloud solutions provided by the telephone operator, as well as Contact Centre and Proximity Marketing solutions.

We have expertise in the design and implementation of all customer IT application environments, with particular reference to UC&C applications and Customer Engagement scenarios. Activities include IT operations and application migration.



# Data Centre & Virtualisation

## We build natural habitats for applications

Data Centres are presently the cradle of digital innovation in companies. They play an important role in enabling rapid deployment of IT applications, opening up the possibilities of the Cloud, and virtualisation of network functions.

We currently have all the necessary skills to implement, manage, and maintain the most modern Data Centre infrastructures, based on the concept of integration between computing, storage, and networking layers.

Our expertise extends to the ability to design and implement disaster recovery architectures that ensure business continuity in all situations, energy monitoring of data centre architectures, automated centralised provisioning, and the migration of IT applications.



# IP Network Infrastructure

## All for Internet, Internet for All

This refers to the entire collection of technology solutions that range from operator networks to enterprise networks, with a particular focus on mobile and wireless networks.

As for Telco operator networks, over time we have developed skills related to the convergence between IP networks and optical networks and on mobile operators' infrastructure components.

For private networks, we have broad competencies in designing and implementing wired and wireless convergent solutions, Private LTE solutions, and on services for refreshing corporate networks.

We have experience in simulating and measuring Customer Experience, SDWAN technologies, and Deep Packet Inspection (DPI) solutions.



## Managed & Advisory Service

### Managing networks is a question of experience

Increasingly, for Telco operators, large companies and public administration entities, outsourcing the management of their IT infrastructure has become an effective business model capable of bringing significant cost reductions and increases in service quality.

Today we are able to make available to our customers the broad range of experience and knowledge accumulated over the years, managing IT networks and infrastructures for third parties and providing specialist consulting and engineering services.

We have expertise in an exceptionally large number of technologies from different network device vendors, for which we are able to offer technical assistance services that provide for the maintenance and repair of equipment for all different technologies.

Project management skills are also important, supported by a broad array of certifications (ITIL, Prince2, and PMP).



## Ultra-Broadband Design

### In service of the country's digital development

The Italian government's Ultra-Broadband Plan is giving an important boost to the digital transformation of our country. It represents the most important large-scale deployment of UBB FWA in Europe.

During 2017, we carried out significant investments through Italtel to develop the skills necessary to execute the Ultra-Broadband passive network design contract, in the C&D Cluster, within the Infratel tenders that were assigned to Open Fiber.

Thus, Italtel is developing skills that are unparalleled within Italy on the civil and optical design of the passive fibre track and the wireless network in Fixed Wired Access (FWA) technology.





# **Corporate Social Responsibility**

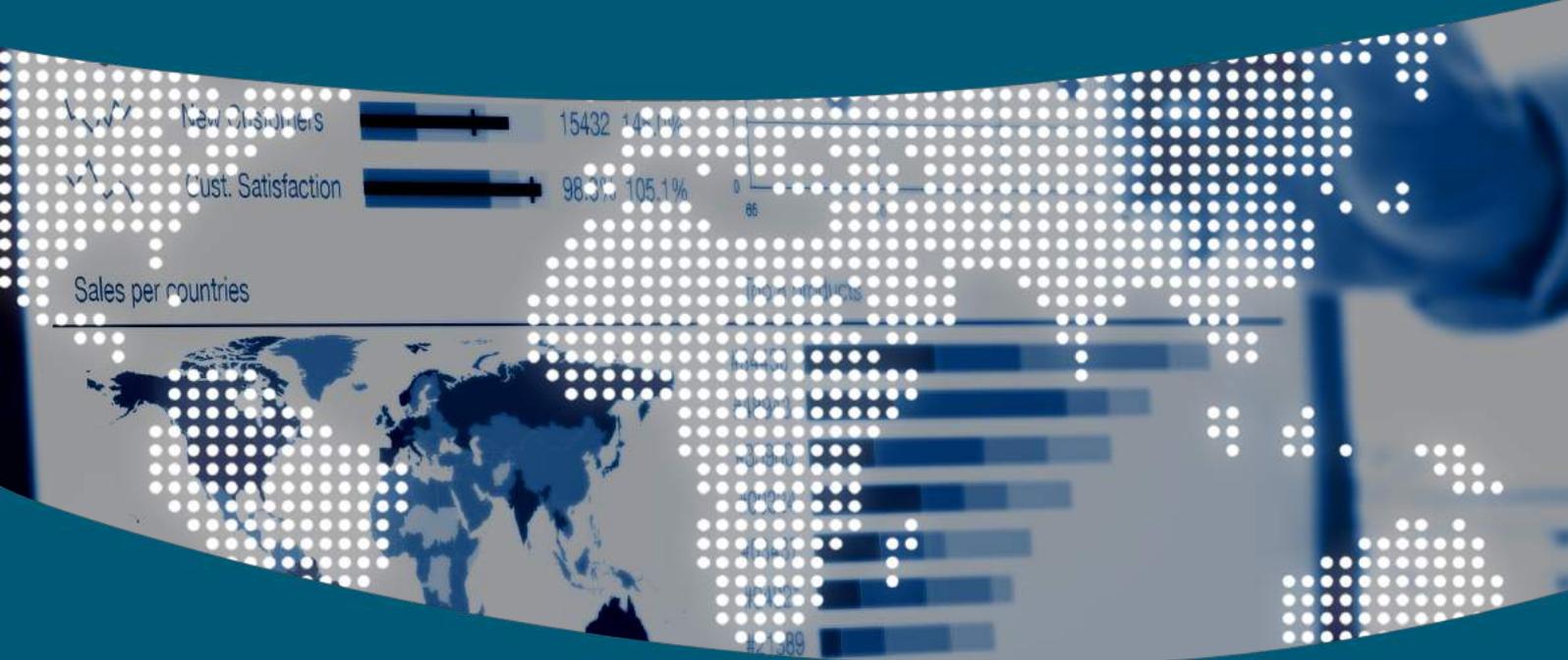
## Environment, health, and safety

Exprivia is an IT services company, whose production processes have labour-intensive characteristics in which the human production factor is more prevalent than machinery. However, the company is highly sensitive to workplace health and safety and environmental issues, in particular, problems posed by global climate change.

The company is aware that, in order for any forward-looking corporate responsibility strategy to be effective, it must include activities aimed at assessing environmental impact, so that it can act in a manner that ensures maximum respect for the environment. For this reason, Exprivia has developed a procedure to identify the main impacts of the business processes, infrastructures, and facilities used, while at the same time monitoring the environmental performance of its headquarters in Molfetta. Since 2006, Exprivia has understood that the implementation of an Environmental Management System (EMS) would allow it to meet the above objectives, as well as facilitate compliance with current environmental legislation and continuous improvement of its environmental performance.

In addition, Exprivia Group has always been committed to developing and promoting protection of workplace health and safety. The Group recognises the fundamental importance of protecting health and safety and ensures the protection and well-being of employees and third parties in all activities at their workplaces. Through a system of prevention and protection that is deeply embedded in all offices, Exprivia Group has achieved significant results over the years, including increased employee awareness of the issue of safety, a significant reduction in accidents at work, and prevention of occupational illnesses.





# Performance of Exprivia Group Results

The performance by market is indicated below, with a cross-functional representation of the two operating segments according to which Exprivia Group is organised.

## Banking & Finance

In the first half of 2018, the Group's **Banking, Finance and Insurance** segment posted excellent performance for the Digital Infrastructure component carried out by Italtel and for the structured services component applied to finance, which also benefited from the acquisition of the ESIET VAS business segment in July 2017.

According to ABI Lab's report, the reference market confirms its intention to resume IT investments; on the other hand, some of the major banking groups experienced organisational dynamics and corporate restructurings that either slowed down the activation of the aforementioned investments, or altered their dynamics by changing their priorities and timing.

As evidence of the above, compared to the forecasts, there has been a partial delay to the second half of the year for investments in the major market trends, such as Open Banking and Open API, Artificial Intelligence (in the customer service area as well as in security and business development), RPA (in the credit, support and payments processes), Blockchain, and DLT, in contrast to, specifically for the insurance market, the use of Big Data/analytics, IoT and telemedicine. Conversely, once again, regulatory requirements (IFRS 9, GDPR and PSD2) have consumed a large share of the total Finance market.

In the **Finance** segment, there is an increase in the demand for Application Maintenance services structured on various market platforms and projects to customise open source solutions, within the regulatory framework, implemented using Big Data management methods, as well as a reduction in large projects on market platforms.

For **Credit & Risk Management**, there is an increase in the component of activities related to regulatory requirements on the adoption of IFRS 9 and the global acquisition of a Banking Group operating in the EEC, with the proprietary offer of Credit Underwriting.

The **Digital Transformation, Big Data Analytics, Customer Experience and Cyber Security** segment saw a lower level of demand than forecasted for the first half. The results for the Factoring area are in line with 2017.

In the **Digital Infrastructure** segment, we have garnered significant interest, due to the impetus provided by our primary customers for these services and decisions to offer ourselves as System Integrator for all issues related to IP networks, WIFI, Communication & Collaboration systems, and Cyber Security solutions/services.

Therefore, we assess the past half-year positively, and are optimistic and determined to reap the benefits of the sales activities in the second half.

## Telco & Media

Only recently, beginning in 2016, has the telecommunications market in Italy shown the initial signs of a turnaround of the prolonged crisis that began in 2009.

This recovery has been largely stimulated by the government's digital agenda and by the related new stimuli in relation to Ultra-Broadband for fixed (fibre) and mobile (LTE/5G) networks that have encouraged investments and driven the entire domestic telecommunications market. As evidence of the above, broadband (> 30 Mbps) penetration in the last few years has gone from 0% in 2012 to 27% in 2017. This boost in new telecommunications technologies is also a structural element that enables, and, in some cases, drives, innovation in new business applications in other market segments, both in the public and private sectors.



There was a significant increase in revenues in this market in 2017, mostly resulting from exceptional investments that did not fully repeat in 2018.

The strategies on which the key players compete in the market are linked not only to technological innovation but, of equal importance, to the need to simplify and automate, as well as to the need to expand their offer with high value-added services for the B2B market.

If technological innovation is a prerequisite to keep up with demand for broadband, simplification and automation are essential, on one hand, to provide customers with more flexible and usable services and, on the other, to reduce management costs.

Finally, the enabling effect of new telecommunications technologies on other sectors offers Telco market players the important opportunity to increase their revenues by proposing specific vertical business applications.

For all of the three strategies noted above, the Exprivia Italtel Group has the right assets in terms of the offer, know-how, and geographical presence to be able to skilfully support its customers in these areas. In fact, we propose products, solutions, and services to our customers that cover the key components related to network infrastructures, re-engineered using virtualised logic (NFV and SDN) and with logic that allows access to broadband, fibre and LTE/5G. We offer products, solutions, and services that simplify and automate networks and support processes, their monitoring, and automation in DevOps logic. We propose products, solutions and services to manage and optimise business processes as well as products, solutions, and services for cloud integration of B2B applications dedicated to specific market segments.

A tangible example, unique for Italian telecommunication businesses, is Exprivia Italtel's NFV/5G lab designed to analyse and compare different NFV/SDN/5G architecture solutions, verify the interoperability among different technologies and vendors, and accelerate the adoption of orchestration and automation methodologies, processes and solutions. This initiative enables the delivery of innovative cloud-ready solutions to specific vertical markets (e.g., IoT, e-Health, Smart City, Industry, etc.).

Therefore, the second half of 2018 will be marked by the consolidation of our positioning with the growth of a series of projects that will further strengthen our offer, making us a market leader for the strategic themes of our offering. At the same time, we plan to start additional and new collaborations with our customers with a highly innovative content, leveraging the experience gained with the NFV/5G lab.

## Energy & Utilities

The increase in the price of oil (+20% for the WTI) brought optimism for the entire sector and positively influenced the financial statements of some of the largest energy companies, which, according to the leading sector analysts, will increase investments during 2018 to improve their technology. Many companies in the energy sector are expanding their range of solutions related to energy efficiency, renewable energy, the electric mobility sector, and services.

All the major Italian energy companies have started long-term programmes for testing and applying new digital technologies to their operating processes.

Hence, the sector is characterised by a significant push for innovation along the lines of Smart Cities, Smart Home, Smart Metering, IoT, Big Data, Cloud.

Security, in all its forms, from the management of infrastructures, to applications and data, to compliance with the new European Regulation on privacy, is of critical importance.

The contract signed by Italtel with Open Fiber (investee company of Enel and CDP) is particularly significant for the design of the ultra-broadband network for areas C and D, known as "market failure" areas.

The activities carried out in the first half of the year is satisfactory, customer demand has been sustained, and the order portfolio has been supplemented with the entry of new customers.

The area of Enterprise Application & Integration was of particular interest, relative to digital transformation projects that impact the main operating processes, revenues on workforce and field management solutions, and solutions enabling the creation of micro-services in an Open API framework. In the area of System Integration and Services, projects that were most relevant were those involving the main operating

processes with impact on the TLC network component, which evolves towards the new NFV and SDN paradigms.

During 2018, Exprivia Group is involved in both the consolidation of its positioning on the Italian market and the programme for developing the customer base by means of a cross-selling plan for transversal supply, including to the Group's foreign customers, leveraging its vertical sector offer.

In particular, synergies with the Group's new strategic partners have strengthened some elements of the offer, specifically:

- IoT offer, specifically for energy efficiency for buildings and management of workplace safety;
- Innovative proposals for training in the areas of Virtual Reality and Immersive Reality;
- Cyber Security offer;
- Interdisciplinary offer for networking/infrastructures;
- Unified Communication offer.

## Aerospace & Defence

The Space sector is characterised, on one hand, by long-term, medium- to large-sized programmes, often announced with a long lead time by customers (space agencies, international agencies for environmental monitoring), which are implemented through one or more global tenders and, on the other hand, by small projects that are announced with short notice with respect to the end of the tender.

In the last few years, opportunities for software development and system integration projects have decreased, in favour of service provisioning projects (data processing, IT infrastructure management, maintenance services and operations support). The competition has also increased considerably, with large corporations even participating in tenders with limited budgets.

In a market context hampered by reorganisation and by a heavy focus on cost containment by the principal entities and industries in the sector, Exprivia Group has consolidated and expanded its position as the preferred supplier with its main customer in the Defence sector. In addition, a new and stable partnership has been established with the body responsible for operational efficiency of air traffic control systems in Italy. Finally, note the satisfactory results obtained with international customers, such as the European Space Agency (ESA), EMSA (European Maritime Traffic Safety Agency), and EUMETSAT (European Agency for Meteorological Satellites).

The growing attention to technologies originating in other ICT sectors, such as Big Data, Cloud, and web-based federated services, should also be highlighted.

## Retail & Manufacturing

The Italian manufacturing market grew 1.3% in 2017, maintaining a positive trend through 2018. However, this market is influenced by two factors of technology and applications that diverge from the past: the emergence of Cloud solutions and innovation linked to the Industry 4.0 framework.

Paradoxically, rather than facilitating a marked recovery in IT investments, these trends are hampering it. Companies are using loans and tax subsidies to modernise their production facilities, but are generally not undertaking process innovation and application solutions projects, as they are worried about choosing the right path and have difficulty assessing the return on investment.

The only exception is industrial automation which, as a result of IoT, transforms production machinery into intelligent systems connected to the network, with new functionalities, increasing their value. These new functionalities bring efficiency and innovation to production chains.



It is also important to note that System and Application Management services are competitive, attracting interest and satisfying demand.

In this context, Exprivia's offer is mainly based on ERP, SCM, and Analytics solutions, on an SAP platform, increasingly integrated with field and IOT systems and network and security infrastructure.

Good results have been obtained in international roll-outs for Italian customers with an overseas presence, in particular the collaboration with the Spanish office has produced satisfactory results, in terms of both commercial successes and production synergies.

## Healthcare

During 2018, the trend noted last year of demand concentrating at regional and central levels rather than at the individual entity level was confirmed, with the announcement of tenders for supplies and services with entire regional governments or large areas within these regions as recipients. This trend is part of a larger context of marginal forecasted growth (+2.3%) for IT healthcare spending in 2018 compared to 2017, although the trend does not appear to be truly expansionary but cyclical, linked to spending in different regions to complete the EHR (electronic health record) and to build centralised infrastructures. Resources allocated to technological innovation and to empowering the public in their relationship with the healthcare system are still scarce.

In this scenario of an essentially stable market, which translates into a drop in absolute terms in the number of tenders announced and the amounts of the opening bids, two different trends can be observed among competitors: in the immediate term, resources are being aggregated, primarily to retain positions already acquired rather than to tackle new market areas; in the medium and long term, greater polarisation as a result of consolidation, due to the merger of new parties in the market with requirements adapted to the broader competition triggered by the current scenario.

The increase in private consumption spending, together with a growing rationalisation of healthcare costs in the context of greater digitisation, leads to the deployment of new technologies and new solutions that increasingly integrate products in more complex platforms. Therefore, the positioning of Exprivia Group in this scenario, changes from IT solution provider and system integrator to "full player", as a result of Italtel joining the Group, which completes the offer portfolio, extending it to the areas of physical, cloud and security infrastructures.

In this context, which is only apparently expansionary, Exprivia Group has shown in the first six months that it is able to broaden its market scope. The order book projects growth over the coming months. Positive results were achieved in consolidating and increasing market share with the reference healthcare agencies.

In the first half of the year, work began on contracts acquired in 2017 although there are still delays in finalising important contracts due to proceedings that have not yet been completed. Results in the second half are expected to be positive for both the expected finalisation of the aforementioned contracts as well as for the Consip contracts that are at an advanced stage of completion, for which Exprivia Group is the principal. Finally, the positioning of telemedicine solutions continues, which will provide significant returns in the coming months, including as a result of developing partnerships with leading insurance and healthcare/hospital facilities.

## Public Sector

In 2018, financial resources allocated to technological innovation by the Public Administration are still showing a negative trend (-1.7%) in expenditures of the Central PA, which is aligned with the dynamics of Local PA spending (regions, municipalities, provinces and mountain villages), down 1.6%. The primary reasons for the negative trend are the rationalisation of ICT spending imposed by the stability law and the



greater use of Consip purchasing tools that allow economies of scale based on aggregate demand. The increasing reuse of software made available on Agid catalogues by proprietary administrations is noteworthy, as is the use of central services such as NoiPa.

It should, however, be emphasised that the recent "2017-2019 Three-Year Plan for IT in Public Administration" indicates a weak recovery in investments. The plan defines the benchmark model for the development of IT in Italian government agencies and the operational strategy of digital transformation for the country in terms of the evolution of the Public Administration's information systems: digital ecosystems, physical and intangible infrastructures, security and interoperability. The large central agencies and the regions, as aggregators for local administrations, are preparing to issue numerous tenders to build infrastructures and digital ecosystems. The main drivers of the chosen transformation path are Data Centre consolidation, Cloud development, cyber security, systems/applications interoperability, Big Data, web services and application development related to "digital citizenship".

In this market scenario, Exprivia Group is certainly a reference partner for the digitalisation of Italy's national system, by providing the necessary expertise in processes, applications, and infrastructures.

Consolidation and growth of market share was significant for the National Public Administration, as a result of direct contractual relations with the largest public entities and revenues increasing over the same period last year. In Local Public Administration, there is a delay in the finalising of some significant contracts and uncertainty related to the use of Consip agreements by some administrations.

In the second half of the year, an important contract in the area of Public Safety will be launched, which was awarded in the first half. The call for 2018 ICT strategic tenders that AgID and Consip have defined to supply solutions and services to the National Strategic Hubs is also expected in the second half.

The collaboration with Cisco on technology innovation initiatives that are part of the "Digitaliani" strategic programme continues in 2018, an investment plan to accelerate digitisation in Italy. In the framework of joint initiatives, implementation began on the "MILANO PIÙ SICURA" (Safer Milan) project with the City of Milan, as well as a project with Liguria Digitale to build a new-generation Data Centre for the region that will offer innovative services and, at the same time, better protect citizens' data and privacy.

## International Business

Exprivia Group's activities in non-Italian markets registered a slight drop in revenues in the first half of 2018. In general, political, macroeconomic and financial issues in Latin American countries, particularly Argentina, had an effect on the first half, causing a delay in many of the planned investments due to the general climate of uncertainty. The Service Providers' infrastructure market continues to be characterised by intense price pressure linked to the much-discussed issue of the pressing need to expand and update networks against essentially "flat" revenues from customers. The Enterprise market is highly dynamic, especially in relation to the new technology and business paradigms such as the Cloud, automation and Business Analytics, especially for vertical solutions.

In **France and Belgium**, our reference market did not present any major changes compared to the previous year, even though the focus on new issues such as SDWan and NFV is decidedly greater this year. The main projects underway, resulting from tenders awarded in the previous year, continue to deliver and a new "scouting" initiative has been launched for the Enterprise market focused on the SDWan/Automation offer in order to be able to respond to the market's future needs. In the second half of the year, sales initiatives will continue, both for the innovative offer, as well as for Service Providers and Enterprise, whose sales team has been revamped. In Belgium, commercial scouting initiatives will continue, based on new, recently established technology partnerships.

In **Germany and Poland**, the reference market was characterised by intense pressures on the leading market players to consolidate. Instead, a market that is showing marked dynamism is that of the metropolitan



regional operators, where Exprivia Group continues its growth activities. The wide-ranging projects that began in 2017 with the main telecommunications providers and based on IP Backbone and network convergence are now coming onto the market and are posting increasing volumes. Hence, the second half of the year will be essential to consolidate the presence of Exprivia Group with its customers and expand its presence.

The market in **Spain** continues to be highly dynamic in both the Service Providers and Enterprise segments, with each segment heavily involved in growth in the Cloud and Security sectors. The positioning of Exprivia Group in the network integrator market remains significant, especially with the largest telephone company, but its presence with players in the Energy and Utilities market and in the public sector is also strengthening. Investments made in NOC are attracting the interest of various customers and partners. In addition to consolidating its position with the aforementioned customers, we are seeking to expand the portfolio, thus broadening the customer base. In the second half of the year, further growth is expected in the most innovative areas, especially in the Enterprise market as specific vertical solutions are proposed. The focus on expanding skills and the ability to increase the number of resources that can be deployed continues to be a persistent theme.

In **Other EMEA Markets**, an important contract with a new customer was recently obtained through the sale of the Italtel iRPS product, which represents an important entry point for the evolution of the customer network. The Other EMEA Markets are overseen both directly by the Group and through a network of Business Partners; this market offers considerable potential, specifically, initiatives are being implemented to position the most innovative offer, for which initial results are expected in the second half of the year.

In **Argentina**, the market continues to be heavily affected by macroeconomic issues, such as high inflation and considerable fluctuations in exchange rates. These elements are having a strong impact, particularly in the Enterprise market, where investments have slowed down. In terms of the Telco market, Exprivia Group's skills continue to be valued by customers, but there is significant pressure on prices. Obviously, sales activities continue with the aim of consolidating and expanding the customer base.

The "national system" in **Brazil** also presents uncertainties, in particular with regard to the upcoming political elections. This situation has caused a series of delays, by primary customers, in allocating funds and therefore in launching projects, especially in the Enterprise market. In the Telco market, the relationship with the largest company in Brazil has been strengthened, moving from the traditional areas of expertise, such as the NGN network and IP Backbone, into areas such as policy management (PCRF) and optical transport (DWDM). The commercial relationship with other operators is also improving, in particular for the IT and Sell-Through segments, as well as Cyber Security. Despite the macroeconomic situation in the country, commercial efforts continue and are focused, for the entire second half of the year, on acquiring new customers both in the Telco sector and Enterprise sector.

**Peru and Ecuador** are also feeling the effects of the macroeconomic issues in neighbouring countries, reflected in a slowdown in investments, in this case particularly in the public sector. Especially in Peru, there is a strong interest in adopting technology solutions for digitising businesses while, for the Telco market, the competition among players is becoming more intense. However, Exprivia Group was able to maintain a primary role with integrators, managing to finalise several contracts for which work had begun in 2017. Sales activities continue at full pace, designed to position the Group in several infrastructure projects related to the 2019 Pan-American Games and seize opportunities deriving from Digital Transformation in various vertical offers such as Healthcare.

**Colombia** has also experienced a climate of uncertainty, which we have observed is higher in sectors such as Finance and Oil & Gas. Sales activities in this country are focused on IT connectivity with the integration of Cisco technologies and other partners. In the second half of the year, investments to modernise and digitise infrastructures and services are expected, and therefore activities related to Data Centres and migrations to services offered in the Cloud, for both the Service Provider and Enterprise segments.

In **Mexico**, as in other Latin American countries, the climate of uncertainty makes it decidedly more difficult to increase volumes and margins. Despite this climate, sales activities continue to focus on positioning the offer of services in the IT sector both with Mexican customers and with companies in Italy and Spain that are already customers of the Group.



In **China**, the reference market segments continue to be very dynamic, bringing a series of opportunities both in the infrastructure and SAP offer. An important contract has recently been acquired with an Italian customer that has interesting development opportunities for the future. In the second half of the year, sales activities will continue in the segments mentioned above, using cross-selling to expand the potential.

## Risks and Uncertainties

### Internal Risk

#### Risk related to dependency on key resources

Exprivia is aware that the success of the Group mainly depends on the skills and the professionalism of its workers. In addition to the executive directors of the Group and subsidiaries, the Exprivia Group also has senior managers with many years of experience in the sector who play a decisive role in managing the operations.

Precisely for these reasons, many years ago processes were set up to map and develop certified skills, thereby reducing the risk that the skills of certain key figures might become obsolete and increasing the Group's ability to attract leading figures with a proven record for innovation.

The programme for building loyalty and keeping the most skilled and deserving resources continued through Performance Management schemes, which include systems for rewarding key resources in the organisation.

#### Risk related to dependence on customers

The Exprivia Group provides services to companies operating in different markets: Banking & Finance, Oil&Gas, Telco&Media, Utilities, Industry, Aerospace & Defence, Healthcare and Public Sector.

The revenue of the Group is well distributed over a broad customer base but, nevertheless, the withdrawal of certain leading customers from the portfolio could have impacts on the economic, capital and financial situation of the Exprivia Group.

#### Risk related to contractual commitments

Exprivia Group develops high-value solutions with a high technological content and related underlying contracts may provide for the application of penalties for compliance with stipulated terms and quality standards. The application of these penalties could have negative effects on the economic and financial results of the Exprivia Group.

The Exprivia Group has, therefore, stipulated insurance policies with leading insurance companies, considered adequate to safeguard itself from the risks arising from professional liability (the policy covering "all IT risks"). Should this coverage be insufficient and Exprivia Group be required to pay for damages amounting to higher than the limit stipulated, the economic, capital and financial situation of Exprivia Group could suffer significant negative effects, in line, in any event, with risk parameters for the sector.

#### Risk related to internationalisation

In its internationalisation strategy, the Group could be exposed to typical risks deriving from performing business at an international level, which include changes in politics, macro-economic outlook, taxation and/or regulations, as well as currency variations. Nevertheless, the Group is considerably active in foreign markets, where country risk is considered under control and minor.

## External Risk

### Risk arising from the general conditions of the economy

The Information Technology market is naturally linked to trends in the economy.

An unfavourable economic phase, particularly at a domestic level, could slow demand, which would have a capital, economic and financial impact. The Group has proven its ability to react, raising and maintaining the necessary profitability even in periods of stagnation in the global economy. The risks in this regard are related to the duration of this cycle and the number of variables connected to the national and international political-economic system.

### Risk related to ICT services

The ICT consulting services sector in which Exprivia Group operates features rapid and profound technological changes and constant evolution of the composition of professionals and skills to bring together in creating services, together with a need for constant development and updating of new products and services.

Exprivia Group has always been able to anticipate these changes, and be ready for the needs of the market, including because of substantial investment in research and development.

### Risk related to competition

Exprivia Group competes in markets consisting of companies that are typically rather large, hence, remaining competitive depends on economies of scale and adequate pricing policies. Exprivia Group mitigates this risk with continuous research and development, facilitated by the near-shoring centres of Molfetta and Carini, which provide access to professional skills that are always in line with trends in the sector, especially considering the proximity of universities and other centres of competence and the extensive collaboration with them.

### Risk related to changes in legislation

The work conducted by Exprivia Group is not subject to any specific legislation in the sector.

## Financial Risk

### Interest Rate Risk

In 2016, Exprivia Group obtained a large, medium/long-term, variable-rate loan from a pool of banks; this is combined with other variable-rate and below-market fixed rate loans, the latter relating to funded research and development projects, as well as loans pertaining to Italtel Group issued following the transaction by Exprivia to acquire an equity investment in the share capital. The previous forms of funding are joined by the fixed rate bond issued to finance the purchase of the equity investment in Italtel Spa. Concerning variable-rate loans, the Group has interest rate swap agreements or cap agreements to hedge the risk of fluctuating interest rates.

## Credit Risk

Exprivia Group does not have significant concentrations of credit risk except for work carried out in the Public Sector, where delays are recorded mainly due to the payment policies adopted by public bodies. They often do not respect the conditions set forth in contracts but, nevertheless, they do not lead to the risk of bad debts.

Exprivia Group also manages this risk by selecting counterparts considered by the market to be solvent and with high credit standing.

All amounts receivable are periodically assessed and are written down when they are considered impaired.

## Liquidity Risk

Liquidity risk is prudently managed by planning cash flows, financing needs and the liquidity of Exprivia Group to ensure effective adequate financial resources are available, by managing any surplus liquidity, and by opening credit lines where necessary, including short-term ones. In April 2016, Exprivia finalised a medium-term loan with a pool of banks, significantly reducing liquidity risk. An integral part of the transaction to purchase the equity investment in Italtel Spa involved the refinancing of the company, achieved, on one hand, by converting part of the bank debt into Participating Financial Instruments and, on the other hand, through contributions of fresh capital and, finally, with the issue of new loan facilities and rescheduling the old loans.

## Exchange Rate Risk

The majority of Exprivia Group's activities are carried out in the "Euro Zone", although the acquisition of Italtel Group has increased the volume of transactions carried out on markets subject to sharp fluctuations in exchange rates (e.g., Brazil). This could represent a risk to be monitored. Again, within Italtel Group, purchase transactions and, to a minor extent, sales transactions, are concluded in US dollars. For the purpose of reducing the effects of swings in the US dollar, derivative hedging agreements are entered into on this currency. In the financial statements, these derivatives are valued at fair value in accordance with international accounting standards.

## Significant Events of the first half of 2018

**On 27 April 2018**, the ordinary shareholders' meeting of Exprivia SpA met on first call to approve the financial statements as at 31 December 2017. The Corporate Governance and Ownership Report, as well as the first section of the Remuneration Report, prepared according to Art. 123-*ter* of Italian Legislative Decree 58/98, were approved during this meeting, and are available on the company's website, [www.exprivia.it](http://www.exprivia.it), in the Investor Relations - Corporate Governance - Corporate Information section. The shareholders' meeting also approved the Long-Term Incentive Plan entitled "2018-2020 Share Performance Plan", designed to create value over the long term by ensuring that the interests of the beneficiaries are aligned with those of the shareholders.

The shareholders' meeting approved the issuing of a new authorisation to purchase and dispose of treasury shares, pursuant to Arts. 2357 and 2357-*ter* of the Italian Civil Code.

**On 2 May 2018**, contract extensions were signed with Open Fiber SpA relating to the development of the Ultra-Broadband network for the "white areas" of the first two Infratel tenders. The initial contracts date back to 2016, when Italtel was chosen as the designated project manager. The total value over the multi-year contract is about Euro 200 million.

Note that, between **May and June 2018**, the discontinued Exprivia Healthcare it Srl ("EHIT") and its former legal representative were informed of a citation decree filed by the Trento Public Prosecutor's Office, for acts resulting from the early termination of a contract between EHIT and the Trento vehicle registration office, which was also reported to ANAC.

The events are linked to incorrect behaviour and failure to apply controls, provided for in the Organisational Manual of Exprivia and its subsidiaries, by some subordinate employees. The company has implemented "self-cleaning" actions to prevent financial damages to the customer with whom, after the situation had been resolved, a financial agreement was reached on the amount due and paid against the balance of services received.

Based on the analysis and documentation, the company is confident of being able to prove that it was not involved with the events and has not deemed it necessary to set aside any specific risk fund.

## Exprivia Group Transactions

**On 17 April 2018**, the shareholders' meeting of Exprivia Enterprise Consulting Srl was held to approve the financial statements as at 31 December 2017 and the resolutions pursuant to Art. 2482-*bis* of the Italian Civil Code. In addition to approving the draft financial statements as at 31 December 2017, the shareholders' meeting resolved matters relating to Art. 2482-*bis* of the Italian Civil Code. Thus, the resolution provides for the use of available reserves to cover losses and the proportional reduction of share capital from Euro 1,500,000 to Euro 275,489.59.

**On 12 June 2018**, Italtel de Chile S.p.A. was incorporated with share capital of CLP 1,000,000 held in full by Italtel S.p.A. The company was in the Single Taxpayer's Code on 6 July 2018.

**On 26 June 2018**, the Board of Directors of Exprivia SpA approved two separate merger projects: one merger by incorporation of Exprivia Enterprise Consulting Srl into Exprivia SpA and the other merger by incorporation of Advanced Computer Systems Srl into Exprivia SpA. At the same time and, to the extent of their responsibilities, each administrative body of the subsidiaries Exprivia Enterprise Consulting Srl and Advanced Computer Systems Srl, approved the merger by incorporation in its own interest. The merger



projects are published on the company's website in the “Investor Relations - Shareholders and Capital Transactions” section.

**On 28 June 2018**, the administrative bodies of Exprivia Projects Srl and Exprivia Process Outsourcing Srl approved the merger by incorporation of Exprivia Process Outsourcing Srl into Exprivia Projects Srl.

**On 28 June 2018**, the shareholders' meeting of Prosap SA de C.V. proposed an increase in share capital from the current MXP 50,000 consisting of 50 shares of MXP 1,000 each to MXP 42,000,000, made up of 42,000 shares of MXP 1,000 each. This increase was subscribed by the current shareholders. Exprivia SpA subscribed the increase for 41,159 shares, thereby holding 41,160 shares equal to 98% of the share capital, while Exprivia SLU subscribed 791 shares in the increase, thus arriving at 840 shares equal to 2% of the share capital.

## Events after 30 June 2018

**On 12 July 2018**, Exprivia Group presented its 2018-2023 Five-Year Business Plan to the stock market. The entire presentation can be viewed on the website [www.exprivia.it](http://www.exprivia.it), in the Investor Relations/Business Plan section.



## Exprivia's Stock Market Performance

Exprivia shares have been listed on the Electronic Stock Market of Borsa Italiana (MTA - STAR segment) since August 2000 and on 28 September 2007 Exprivia was admitted to the STAR segment (high performance securities).

The share capital as at 30 June 2018 consists of 51,883,958 shares with a nominal unit value of Euro 0.52.

**Stock Exchange ISIN code:** IT0001477402  
**Symbol:** XPR  
**Specialist** Banca Akros

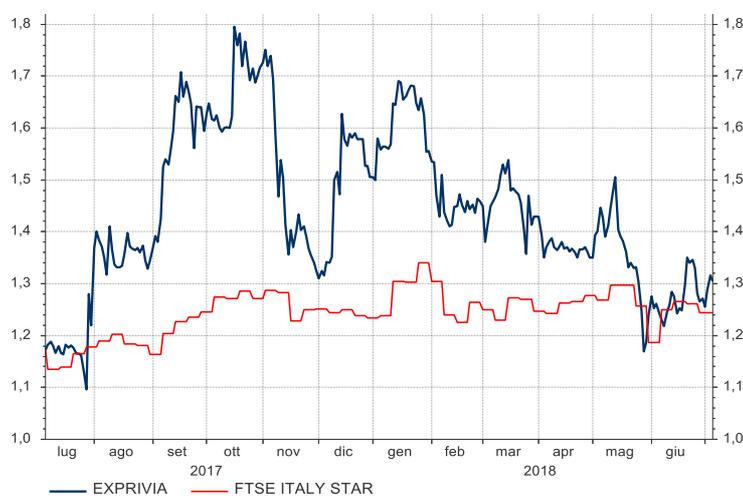
## Composition of Shareholders

Based on the entries in the shareholders' register, as supplemented by instructions received in accordance with Art. 120 of the Consolidated Finance Act and available information, as at 30 June 2018, the shareholder structure of Exprivia was as follows:

Abaco Innovazione SpA:	24,145,117	46.54%
Treasury shares held:	3,509,153	6.76%
Other shareholders:	24,229,688	46.70%
<b>Total shares</b>	<b>51,883,958</b>	<b>100%</b>

## Stock Performance

The graph below compares the performance of the Exprivia share price with the FTSE Italia Star index in June 2018 and with reference to the twelve months prior to this date.



Fonte: Thomson Reuters Datastream

## Business Outlook

With the completion of the acquisition, through the subscription of 81% of the share capital of Italtel SpA at the end of 2017, the income statement of the new subsidiary is included in the abridged half-year consolidated financial statements of Exprivia Group as at 30 June 2018.

The integration between Exprivia, specialising in process consulting, technological services and Information Technology solutions, and Italtel, which boasts more than 90 years of history in planning, developing, and creating software solutions and products for telecommunications, represents an unprecedented player in the Italian and international panorama, capable of developing and proposing a more extensive range of products and services for digitalisation processes. Today Exprivia is a group present in about 30 countries, with significant business volumes on the global market.

On 12 July, Exprivia presented the 2018-2023 Strategic Plan, which aims to achieve revenues of up to Euro 760 million in 2023, an increase of more than Euro 150 million compared to 2017, and a CAGR of 3.8% as well as synergies deriving from integration on the reference markets, which in 2023 is expected to reach a value of Euro 60 million.

The performance during this first half of the year shows results in line with the plan recently presented to the financial community, which, for Italtel, reflects the forecasts included in the debt restructuring plan prepared by the company pursuant to Art. 182-*bis* of the Italian Bankruptcy Law.

The new group is developing integration synergies in its business activities in the reference markets, similar to the exchange of best practices in the operating procedures of reciprocal organisational structures, bringing a broader portfolio of innovative solutions to all its customers.

Hence, the forecasts for 2018 remain optimistic, both as regards the markets in which Exprivia has historically been active, and in the new ones served by Italtel, whose business has seasonal characteristics that normally entail a strong recovery of revenues and margins in the last quarter of the year.

## Investments

### Real Estate

Exprivia owns a real estate property in Viale PIO XI 40 in Molfetta (BA) which consists of two rooms totalling about 120 sq. m.

The Company's current headquarters, located in Molfetta (BA), Via Adriano Olivetti 11, covers a surface area of about 15,000 sq. m on which there is a complex of buildings (made up of five blocks, four of which are multi-story). All of these are office spaces and warehouses for a net total of approximately 7,500 sq. m of office space.

The subsidiary ACS owns the office in Rome, in via della Bufalotta 378. The site is composed of two lots: the first, measuring around 1,250 sq. m is owned by the company, the second, covering roughly 1,050 sq. m, is used under a property lease, with the possibility of redemption at maturity in 2018.

These are joined by the real estate properties of Italtel in Via Reiss Romoli, Castelletto, Settimo Milanese (Milan), comprising an Executive Centre with a villa dating back to the beginning of the 20th century, a side building equipped with classrooms and a data processing centre, as well as two small buildings, together totalling 2,684 sq. m of indoor space. In addition, there is a facility in Bivio Foresta, Carini (Palermo) consisting of a manufacturing facility with a total surface area of 116,700 sq. m, of which 38,000 indoors.

### Research & Development

In collaboration with the contact individuals of the various markets, new projects were activated according to the development lines defined in this plan: Big Data, IOT, Industry 4.0, Healthcare.

With regard to admission to funding for the “Digital Future” programme agreement, the related executive project was presented, currently under assessment care of the competent bodies of the Puglia Regional Authority. The project envisages an investment of over Euro 9 million and the following aims:

- a Centre of Excellence in collaboration with Bari Polytechnic for the development of Big Data and IOT solutions;
  - a general purpose platform for the collecting data from the field (IoT sensors) and processing it in order to create data-centric applications services;
- a vertical solution for predictive maintenance as part of Industry 4.0;
  - a vertical solution for environmental safety of the region with focus on the management of municipal waste under extraordinary conditions (exceptional events) and industrial waste;
- a Telemedicine platform.

In collaboration with Facility Live, Exprivia presented the application for the “**MATERA DIGITAL HUB**” development agreement. Through this investment, Exprivia will create an Urban Control Centre (UCC) for the city of Matera based on innovative enabling technologies dedicated:

- to Public Administration, for the analysis and monitoring of the dynamics of the information and physical flows of the city;
- to citizens, so they can receive useful information on the performance of infrastructures and services;
- to tourists, so they can “discover” the area, helping them to identify locations, events, and interesting experiences among the countless possibilities available.

Exprivia's participation in the MISE Grandi Progetti Call resulted in admission to funding for the following project proposals:

- **BIG IMAGING:** "BIG DATA" and Genomic Imaging for the development of innovative nano-vector biomarkers and drugs for the diagnosis and treatment of inflammatory processes in the presence of dementia;
- **FINDUSTRY 4.0:** ultimate objective is to define, create and provide a platform able to offer technologies, ICT systems and expertise, as well as methodological support which enables the dissemination and adoption of technologies that enable digital innovation in the Italian manufacturing sector.

Furthermore, the following project-related proposals have been presented on PON MIUR 2017:

- **DAMPM:** Exprivia will contribute to the fine-tuning of algorithms for the analysis of omic data, correlation models between fixed data and predictive data for the diagnosis of the pathologies being studied;
- **ESPERIA:** Exprivia will contribute to the Esperia project in various activities and with different purposes and results, which range from real-time profiling to mixed reality, the use of blockchain for micro-payments to the creation of conversational agents supporting the use of cultural assets;
- **ACROSS:** safe and efficient handling of the operations of small drones (sUAS) in low altitude airspace, controlled (airport-based) or otherwise, where the traffic of aircraft with or without an on-board pilot coexists. The project will study and develop innovative technologies and abilities, on the ground and on-board aircraft, for a clear view of the conditions of the traffic of sUAS and a more accurate handling of emergency situations due to dynamic restrictions of the airspace or unforeseeable events affecting the safety and efficacy of the operations;
- **QUANCOM:** Creation of quantic encryption systems and an optic network that supports it; integration with the other conventional security layers for the protection of sensitive IP traffic; experimentation on a metropolitan-type optic network, installed in a large city in the south of Italy;
- **CRESCIMAR:** Analysis of maritime traffic via acquisition, co-registration and 3D visualisation of data sensed remotely by drones and acquired from on-board sensors. The system developed will contribute to increasing safety during navigation;
- **MiTIGO:** System for the assessment and mitigation of the hydrogeologic risk. It envisages the development of a system for identifying the fundamental features of landslides and the infrastructures present throughout the Lucano area subject to risk. The system will contribute towards the definition of the areas and the methods of intervention for mitigating the risk.

Part of Horizon 2020 - EU Framework Programme for Research and Innovation, the EVER-EST (European Virtual Environment for Research - Earth Science Themes: a solution). EVER-EST, developed by Exprivia ACS with the European Space Agency (ESA) and a team of European partners, has the objective of creating a virtual collaboration environment for Earth scientists. Elements characterising the project include:

- The use of Research Objects, digital containers which make it possible to share data and algorithms between scientists who study the planet;
- The direct involvement of four scientific communities via INGV, CNR, NERC and the European Satellite Centre;
- The intensive use of cloud resources for storage and data processing, within the context of an SOA architecture.

## Management Training and Development

Exprivia Group invests by focusing, in particular, on developing the skills and expertise of its employees in a context strongly geared towards innovation and digital transformation.

The Organisation Development office provides support to the Group by:

- Managing performance and remuneration plans;
- Developing professional skills;
- Hiring and retraining personnel;
- Managing Total Rewarding policies.

For all companies in the Group, compensation is linked to results achieved by each individual, and is designed to be sustainable in relation to business results, while ensuring a merit-based approach.

Exprivia, at the end of 2017, made a significant investment, further developing the Group's organisational and market perimeter, as a result of acquiring 81% of the share capital of Italtel SpA. This entails for Exprivia Group an important opening towards new practices, new projects to integrate reference markets, and new skills, which together will contribute to increasing the value of the investment, aimed at creating a new Italian player, with tremendous ambitions for growth, both domestically and globally.

In the first half of 2018, we continued the programme for individual and organisational well-being in both Exprivia and Italtel, implementing the following Total Rewarding programmes within the business:

- **Company Welfare:** the company welfare plan enhances the total reward system by responding to a broad range of employee expectations and needs, not only financial. This project stems from the sensitivity in both companies towards creating policies and tools that can help achieve work-life balance, including with the objective of establishing a collaborative business environment. Our employees are able to use a technology platform to choose services under a components approach, based on individual needs.

The contract for engineering workers, for the period from 2016 to 2019, provides significant changes for employees in the sector; in particular, the agreement to renew the 2017 engineering workers' National Collective Labour Agreement introduced corporate welfare initiatives to be provided to employees effective 1 June 2017 in the amount of Euro 100, which will become Euro 150 in 2018 and Euro 200 for 2019. For this purpose, Exprivia has further revised the welfare offer, including the welfare portion envisaged in the contract.

The training activities carried out by Exprivia and Italtel since the beginning of the year are reported below. With regard to Exprivia companies (excluding the Italtel perimeter, which will be discussed later), the final total for the first half of 2018 amounts to 8,752 training hours with 1,697 participants. The total course hours can be broken down into 70% classroom hours and the remaining 30% online. Approximately 36% of the training hours benefitted from subsidised funding.

In detail, the training programmes were focused on:

- **Development of specialised technical skills:** measures for developing technical knowledge and skills to support technological innovation and development programmes, through specialised training plans, also for the purpose of obtaining certification.
- **Development of managerial skills:** designed to improve the organisational conduct linked to the development of the professional skills, project management and development of behaviours that contribute to creating a specific conduct and leadership style to be used in managing teams so as to improve operational effectiveness.
- **Development of language skills:** training courses designed in e-learning mode (FAD platform) have been designed.



- **Development of knowledge and awareness** of the rules of conduct related to ethical values, coinciding with the updates to the Organisational Model pursuant to 231/01 regulations. At the end of 2017, we launched the Exprivia Ethics programme for the entire business population, which will extend through July 2018.

With regard to **Safety and Compliance**, high-risk safety courses have been created for workers assigned to specific work sites as well as low-risk safety training courses.

For the Contact Centre market, 13,680 hours of training were provided, with 1,786 participants.

As part of the training activities planned for 2018 for the Contact Centre market, also note the start-up, at the end of May 2018, of the training plan: from call centre to “feel” centre.

Exprivia has been committed to supporting school education through **Alternating School-Work Projects** for 3 years. In 2018, it continued to offer the alternation projects launched in 2016. The alternating school-work projects in Exprivia involved creating internships jointly designed by Exprivia and the educational institution for students in technical or secondary schools, after drafting a specific School-Business Agreement and, subsequently, a specific Training Plan.

For the first half of 2018, Exprivia welcomed 88 students who carried out projects for a total of 4,586 hours. Since 2016, the company has welcomed 120 students from 9 secondary schools.

With regard to **Italtel**, the final total for the first half of 2018 amounts to 6,978 training hours with 1,431 participants and 83 training events. The total course hours can be broken down into 60% classroom hours and the remaining 40% online.

The largest portion of the investment was for courses aimed at developing technical-specialist skills related to market needs. Approximately 30% of training costs are covered by Fondimpresa loans. Furthermore, in the first half of the year, three training events were funded by the Lombardy Region (continuing education) dedicated to virtualisation and English language skills.

Specifically, the training programmes concerned the development of:

- **Specialised technical skills;**
- **Management skills;**
- **Language skills.**

With regard to **Safety and Compliance**, training courses were provided for managers and supervisors (pursuant to Italian Legislative Decree 81/08), high-risk emergency response courses for personnel at work sites, and refresher courses for first-aid workers.

Training initiatives aimed at enabling and promoting smart-working in the company continued: all project members participated in a classroom training session that included issues of risk assessment, compliance with safety standards, behavioural aspects to be followed with the appropriate due diligence when outside the office, and rules for processing personal data and company information.

Training on data protection in relation to the new EU Regulation 2016/679 (GDPR - General Data Protection Regulation), or Privacy Regulation, was also provided via e-learning to all employees.

Moreover, new intermediate-level ITIL certifications were obtained, in addition to those already achieved at the Foundation level.

There are a total of approximately 950 certifications and specialisations/accreditations enabling the maintenance and evolution of technology partnerships necessary, which represents a slight increase compared to 2017.

Concerning **Recruiting and Selection** in the Exprivia perimeter, 105 new staff were hired in 2018, including new university graduates and personnel qualified in technical/IT fields, process experts, and IT management experts. A total of 49 new workers were placed in contact centre activities (Business Process Outsourcing Business Unit).

Also in 2018, as in the past, Exprivia invested in the continuous links with schools, universities, polytechnics and research centres, fully aware of its role in generating innovation and opportunities for young undergraduate students and graduates. This collaboration takes the form of:

- **alternating school-work projects**, which was discussed earlier in this report;
- **internships for final-year university students** to carry out innovative projects for specific markets;
- **post-graduate internships** to provide the opportunity to gain experience in areas directly related to business administration, or research projects in research and development laboratories;
- funding for **doctoral programmes or high-level internships** to combine research with market needs;
- active participation in **Career Day**, in collaboration with local universities;
- collaboration with the University of Bari in launching **innovation competitions**; in particular, reference is made to Exprivia's Call for Ideas Project. University students developed 25 case studies in the field of human-machine interaction. A ceremony was held on 20 February 2018 to present the projects and grant awards to the top three. The award presented by Exprivia to the winning students included the opportunity to participate in the Codemotion event, a technology and innovation conference, held on 13 and 14 April 2018 in Rome.

With regard to Italtel, in the first half of 2018, Recruiting and Selection activities resulted in 57 new hires, of which 24 falling under the Junior qualification and 33 as Senior.

The largest portion of hiring, 46 resources or 81%, were in relation to strengthening Ultra-Broadband skills. Since 2016, Italtel has been involved, as project manager, in the Ultra-Broadband network in over 6,700 Italian cities in the "White Areas" of the country, therefore it was necessary, also in the first half of 2018, to recruit personnel with network, radio, permitting, and project management skills with various levels of experience.

Both new graduates and expert resources were hired in the Rome and Settimo Milanese offices. For the Junior-level roles, it was decided that hiring should be preceded by a highly specialised training course, lasting four weeks; specifically, new graduates were offered a programme that included theoretical and practical training, focused on network architectures and specific tools to be used for project design.

This allowed young graduates to be able to quickly take on tasks with high levels of performance and reliability upon joining the company. Instead, other new-graduate hires received on-the-job training. Approximately 19% of the hires were designated to the following technology/organisational areas:

'Cisco 7 Multivendor' technology areas, for roles concerning the design and integration of architectural infrastructures, supervision of professional services, and technical assistance for networks in operation.

Staff areas, for the purpose of creating turnover by adding young staff to support more experienced personnel.

During 2018, Italtel continued to offer the Alternating School-Work Projects that were launched in 2016. In collaboration between the company and the educational institution, the projects in the first half of 2018 involved 28 students of the 3rd and 4th years of certain secondary schools in the Provinces of Milan and Palermo. Overall, projects totalling 3,120 hours were carried out.

## Staff and Turnover

The tables show the Exprivia Group workforce as at 30 June 2018, compared with 30 June 2017 and 31 December 2017. Specifically, the table shows the number of resources, of which 16.3% are part-time (with various arrangements of contractual working hours).

Company	Employees			Average employees			Temporary workers			Average temporary workers		
	30/06/2017	31/12/2017	30/06/2018	30/06/2017	31/12/2017	30/06/2018	30/06/2017	31/12/2017	30/06/2018	30/06/2017	31/12/2017	30/06/2018
Exprivia SpA	684	1691	1674	668	1623	1676	1	2	2	2	2	2
Exprivia Healthcare IT Srl	326	-	-	326	-	-	-	-	-	-	-	-
Exprivia Enterprise Consulting Srl	114	107	97	116	114	102	-	-	-	1	-	-
Exprivia Digital Financial Solutions Srl	202	-	-	201	-	-	-	-	-	-	-	-
Exprivia Projects Srl	252	271	293	251	258	271	-	-	-	-	-	-
Exprivia Process Outsourcing Srl	257	255	270	254	255	264	-	-	-	-	-	-
Exprivia Telco & Media Srl	372	-	-	365	-	-	1	-	-	-	-	-
Advanced Computer Systems Srl	62	61	62	63	62	63	-	-	-	-	-	-
Exprivia It Solutions Shanghai	12	12	10	12	12	10	1	1	3	1	1	2
Exprivia SLU (Spagna)/Prosap SA de CV/Prosap Centramerica SA	85	86	77	83	86	81	2	5	3	1	2	4
Exprivia do Brasil Servicos de Informatica Ltda	20	23	23	21	21	25	5	4	5	6	5	5
Spegea Scarl	7	7	7	7	7	7	-	-	-	1	-	-
Gruppo Italtel	-	1432	1463	-	1399	1469	-	1	1	-	1	1
<b>Total</b>	<b>2393</b>	<b>3945</b>	<b>3976</b>	<b>2367</b>	<b>3837</b>	<b>3968</b>	<b>10</b>	<b>13</b>	<b>14</b>	<b>12</b>	<b>11</b>	<b>14</b>
<i>Executives</i>	46	88	86	46	88	87	-	-	-	-	-	-
<i>Middle Managers</i>	193	489	477	194	492	483	-	-	-	-	-	-

## Integrated Management System

The Company has developed an Integrated Management System that meets the requirements of the ISO 9001, ISO 13485, ISO/IEC 20000-1, ISO/IEC 27001 and ISO 22301 international standards. This system is supplemented with specific standards for the engineering of software and systems with a view to developing working methodologies and processes capable of combining standardisation with flexibility and self-improvement capabilities through the support of competent, knowledgeable and motivated individuals.

In 2014, it obtained CMMI-DEV level 2 after fine-tuning the software development project process in order to improve the quality of the products/services by reducing poor service and non-compliance, and increasing customer satisfaction and performance of the processes. This certification expired in May 2017, but the CMMI-DEV best practices continue to be applied by the production units in scope.

In the first half of 2018, the periodic audit to maintain ISO 22301 certification (Operational Continuity Management) took place with successful results.

In June 2018, Exprivia Projects obtained certification for the Molfetta Contact Centre in relation to the specific ISO 18295-1 standard - Requirements for customer contact centres, with the following field of application: Inbound and outbound contact centre services, and back office services for the utilities sector. The certification audit - carried out by the certification body DNV GL - focused on the management and provision of the contact centre service for Enel Energia. Exprivia Projects was the first ISO 18295-1 certification issued in Italy by the certification body.

## Management and Control Organisation Model (pursuant to Italian Legislative Decree 231/2001)

Effective 31 March 2008, Exprivia adopted its Organisation, Management and Control model under Italian Legislative Decree no. 231/2001 and set up a Supervisory Body. None of its members are directors of Group companies.

This model is integrated with the principles and provisions of the Exprivia Ethics Code. The unique nature of Exprivia's governance system, processes and policies is thus confirmed, which also focuses on developing a corporate culture that fully complies with the principals of conduct for all of Exprivia.

The Supervisory Board meets periodically and carries out its activities in observance of the tasks assigned to it by the Model and Regulations/Articles of Association it has independently adopted, all with the aim of supervising the model's operation and of updating it.

The Organisation, Management and Control model is published on the Company website in the section "Investor Relations - Corporate Governance – Corporate Information Report".

This model is adopted by the Exprivia Group companies with the exception of Italtel SpA and its investee companies which have their own Organisation, Management and Control Model adopted by the Board of Directors on 29 March 2016.

## Inter-Company Relations

The organisational structure of the Exprivia Group functionally integrates, with the exception of Italtel SpA and its subsidiaries, all staff services of the Group subsidiaries within the consolidation area, thereby optimising the operational structures of each company to ensure effectiveness and efficiency in supporting the business of that which will be defined as the “Group” for this section, as defined above and not including Italtel Group.

The Administration and Control Department centrally manages all “Group” companies.

The Finance Department handles financial activities at “Group” level.

The Human Resources Department defines policies and procedures for the “Group”.

The Internal Audit, Merger & Acquisition, Corporate Affairs and International Business Departments also report to the Chairman.

The “Group” companies constantly collaborate with each other for commercial, technological and application development. In particular, the following should be noted:

- widespread use of specific corporate marketing and communication competencies within the “Group”, including the production of paper, digital and web-based promotional material;
- centralised management for the supply of specialist technical resources between “Group” companies to manage critical points in turnover and to give all operational units access to highly specialised technical competencies;
- coordinated participation by Exprivia in public contract tenders, with the contribution of all companies according to their specific competencies.

The majority of the Italian “Group” companies adhere to tax consolidation based on a specific regulation and they are also party to a cash pooling relationship.

## Relations with Related Parties

In compliance with applicable legislative and regulatory provisions, and in particular with: (i) the "Regulations on transactions with affiliated parties – CONSOB resolution no. 17221 of 12 March 2010" as amended by resolution no. 17389 of 23 June 2010; (ii) the outcome of the subsequent "consultation" published by CONSOB on 24 September 2010; (iii) the CONSOB notice on guidelines for applying the regulations published on 24 September 2010; (iv) CONSOB notice no. 10094530 of 15 November 2010 with additional clarifications, on 4 December 2017 the Board of Directors of the Company adopted a new “Procedure for Transactions with Related Parties” (the “Procedure”), setting forth provisions concerning transactions with related parties in order to ensure the transparency and substantive and procedural correctness of operations with related parties carried out directly or through companies that are directly and/or indirectly controlled by Exprivia (“Exprivia Group”).

This new procedure, which replaced the one previously in force and introduced on 27 November 2010, is available on the company’s website in the section “Corporate > Corporate Governance > Corporate Information”.

The transactions with related parties carried out during 2017 fall within the scope of normal business operations and were carried out on an arm’s length basis. No atypical or unusual transactions were carried out with related parties.



Italtel SpA has an internal procedure for transactions with related parties, approved by the company's Board of Directors on 15 February 2018.

## Information regarding management and coordination

In accordance with Art. 2497 *et seq.* of the Italian Civil Code, governing transparency in the exercise of company management and coordination, it is recognised that this is exercised by the parent company Abaco Innovazione SpA, with head offices in Viale Adriano Olivetti 11, Molfetta (Bari, Italy), tax code and VAT No. 05434040720.

In exercising management and coordination activities:

- Abaco Innovazione SpA has not caused any damage to the interests and assets of the Exprivia Group;
- full transparency of inter-company relations was ensured, in order to allow anyone who may be interested to verify whether this principle is being observed;
- transactions with Abaco Innovazione SpA were carried out on an arm's length basis, i.e., under conditions that would have been applied by independent parties.

Relations with Abaco Innovazione SpA of an economic, capital and financial nature are set forth in the following section of this Directors' Report "Group Relations with the Parent Company".

In accordance with Art. 2.6.2(10) of the Regulations for Markets organised and managed by Borsa Italiana SpA, the Directors declare that, as at 30 June 2018, the company does not meet the conditions provided under art. 37(1) of CONSOB regulation no. 16191/2007.

## Group Relations with the Parent Company

The financial and equity relations (expressed in thousands of Euro) between Exprivia Group and the parent company Abaco Innovazione SpA are provided in the table below, comparing data as at 30 June 2018 with those of 30 June 2017 (for income statement items), and those of 31 December 2017 (for balance sheet items).

### Receivables

#### Non-current financial assets

Description	30/06/2018	31/12/2017	Variation
Non-current financial receivables from controlling companies	1,783	2,258	(475)
<b>TOTAL</b>	<b>1,783</b>	<b>2,258</b>	<b>(475)</b>

The balance as at 30 June 2018 included Euro 1,783 thousand relating to the residual receivable for an unsecured loan with no guarantees taken out in 2016 by the parent company Abaco Innovazione SpA, with Euro 1,680 thousand disbursed in cash and Euro 1,305 thousand as a reclassification of payables outstanding as at 31 December 2015. It also includes Euro 19 thousand for interest receivable accrued on this loan.

#### Current financial assets

Description	30/06/2018	31/12/2017	Variation
Current financial receivables from controlling companies	432	400	32
<b>TOTAL</b>	<b>432</b>	<b>400</b>	<b>32</b>

The balance as at 30 June 2018 of 432 thousand refers to the current portion of the loan described above.

#### Trade receivables

Description	30/06/2018	31/12/2017	Variation
Trade receivables from controlling companies	13	13	0
<b>TOTAL</b>	<b>13</b>	<b>13</b>	<b>0</b>

The balance as at 30 June 2018 amounted to Euro 13 thousand, the same as at 31 December 2017, and refers to trade receivables with the parent company Abaco Innovazione SpA.

### Financial income and charges

Description	30/06/2018	30/06/2017	Variation
Financial costs and expenses from the parent company	206	192	14
<b>TOTAL</b>	<b>206</b>	<b>192</b>	<b>14</b>



The balance as at 30 June 2018 of Euro 206 thousand refers to costs for the guarantee given by the parent company to obtain the Euro 25 million loan disbursed to Exprivia SpA by a pool of banks in April 2016.

## Revenue and Income

Description	30/06/2018	30/06/2017	Variation
Financial income from parent company	42	24	18
<b>TOTAL</b>	<b>42</b>	<b>24</b>	<b>18</b>

The balance as at 30 June 2018 refers to interest accrued from Abaco Innovazione SpA on a loan disbursed by Exprivia SpA.



**Abridged Half-Year  
Consolidated Financial Statements  
of the Exprivia Group  
as at 30 June 2018**

# Consolidated financial statements as at 30 June 2018

## Consolidated Balance Sheet

Amount in thousand Euro			
	Note	30.06.2018	31.12.2017
Property, plant and machinery	1	27,206	28,209
Goodwill	2	206,861	206,979
Other Intangible Assets	3	35,244	35,721
Shareholdings	4	586	589
Other non current financial assets	5	2,682	3,273
Other non current assets	6	3,680	4,436
Deferred tax assets	7	65,466	65,638
<b>NON-CURRENT ASSETS</b>		<b>341,725</b>	<b>344,845</b>
Trade receivables	8	120,339	148,487
Stock	9	50,256	41,007
Work in progress to order	10	49,460	36,821
Other Current Assets	11	41,000	34,847
Other Current Financial Assets	12	1,699	1,914
Cash and cash equivalents available	13	32,259	36,508
Other Financial Assets available for sale	14	455	455
<b>CURRENT ASSETS</b>		<b>295,468</b>	<b>300,039</b>
<b>DISCONTINUED NON CURRENT ASSETS</b>		<b>120</b>	<b>215</b>
<b>ASSETS</b>		<b>637,313</b>	<b>645,099</b>

Amount in thousand Euro			
	Note	30.06.2018	31.12.2017
Share capital	15	25,155	25,155
Share Premium Reserve	15	18,082	18,082
Revaluation reserve	15	2,907	2,907
Legal reserve	15	3,959	3,931
Other reserves	15	42,696	44,461
Profits (Losses) for the previous period	15	7,052	6,931
Profit (Loss) for the period	15	(13,307)	50
<b>SHAREHOLDERS' EQUITY</b>		<b>86,544</b>	<b>101,517</b>
Minority interest		21,147	27,125
<b>GROUP SHAREHOLDERS' EQUITY</b>		<b>65,397</b>	<b>74,392</b>
Non-current bond	16	22,480	22,413
Non-current bank debt	17	161,331	167,499
Other non current financial liabilities	18	102	173
Other non current liabilities	19	3,673	3,354
Provision for risks and charges	20	8,244	14,413
Employee provisions	21	28,094	30,025
Deferred tax liabilities	22	3,069	2,469
<b>NON CURRENT LIABILITIES</b>		<b>226,993</b>	<b>240,346</b>
Current bond			
Current bank debt	23	60,319	70,717
Trade payables	24	172,617	146,584
Advances payment on work in progress contracts	25	2,330	3,152
Other financial liabilities	26	6,739	6,739
Other current liabilities	27	81,385	75,655
<b>CURRENT LIABILITIES</b>		<b>323,390</b>	<b>302,847</b>
<b>DISCONTINUED NON CURRENT LIABILITIES</b>		<b>386</b>	<b>389</b>
<b>TOTAL LIABILITIES</b>		<b>637,313</b>	<b>645,099</b>

## Consolidated Income Statement

Amount in thousand Euro			
	Note	30.06.2018	30.06.2017
Revenues	28	271,798	73,867
Other income	29	15,018	1,798
<b>PRODUCTION REVENUES</b>		<b>286,816</b>	<b>75,665</b>
Cost for consumables and finished products	30	108,905	2,663
Salaries	31	99,451	50,429
Costs for services	32	74,844	13,916
Costs for leased assets	33	3,712	2,012
Sundry operating expenses	34	2,714	2,195
Change in inventories	35	(10,912)	111
Provisions and write-down of current assets	36	150	(579)
<b>TOTAL PRODUCTION COSTS</b>		<b>278,864</b>	<b>70,748</b>
<b>DIFFERENCE BETWEEN PRODUCTION COSTS AND REVENUES</b>		<b>7,952</b>	<b>4,917</b>
Depreciation and write-downs	37	9,441	2,365
<b>OPERATIVE RESULT</b>		<b>(1,489)</b>	<b>2,552</b>
Financial income (expenses) and other sharholdings	38	(11,542)	(1,744)
<b>PRE-TAX RESULT</b>		<b>(13,031)</b>	<b>808</b>
Income tax	39	250	943
<b>PROFIT (LOSS) FOR THE CEsSED ACTIVITIES</b>		<b>(26)</b>	
<b>PROFIT OR LOSS FOR THE PERIOD</b>	<b>40</b>	<b>(13,307)</b>	<b>(135)</b>
Attributable to:			
Shareholders of holding company		(7,272)	(161)
Minority interest		(6,035)	26
<b>Earnings per share losses</b>	<b>41</b>		
Basic earnings per share		(0.1503)	(0.0033)
Basic earnings diluted		(0.1503)	(0.0033)

## Consolidated Statement of Comprehensive Income

Amount in thousand Euro			
Description	Note	30.06.2018	30.06.2017
<b>Profit for the period</b>		(13,307)	(135)
<i>Other gains (losses) total will not subsequently be reclassified in profit (loss)</i>			
Profit (loss) Actuarial effect of IAS 19		367	326
Tax effect of changes		(88)	(78)
<b>Total other comprehensive income (loss) will not subsequently be reclassified in profit (loss)</b>	<b>15</b>	<b>279</b>	<b>248</b>
<i>Other gains (losses) total that will be subsequently reclassified to profit (loss) for the period we</i>			
Change in translation reserve		(1,920)	(245)
Profit (loss) on cash flow hedge derivatives		575	
Tax effect of changes		(139)	
<b>Total other comprehensive income (loss) that will subsequently be reclassified in profit (loss)</b>	<b>15</b>	<b>(1,484)</b>	<b>(245)</b>
<b>NET COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>(14,512)</b>	<b>(132)</b>
<i>attributable to:</i>			
Group		(8,573)	(80)
Minority interest		(5,939)	(52)

## Statement of Changes in Consolidated Shareholders' Equity

Amount in thousand Euro	Company Capital	Own shares	Share Premium Fund	Reval. Reserve	Legal Reserve	Other Reserves	Profits (Losses) brought forward	Profit (Loss) for the period	Total Net Worth	Minority Interests	Total Group Net Worth
<b>Balance at 31/12/2016</b>	<b>26,980</b>	<b>(1,825)</b>	<b>18,082</b>	<b>2,907</b>	<b>3,931</b>	<b>20,579</b>	<b>2,246</b>	<b>2,838</b>	<b>75,739</b>	<b>994</b>	<b>74,745</b>
Reclassification previous year's profit to previous year's profit						(1,908)	4,747	(2,838)	0		0
Acquisition of minority Exprivia Do Brasil							1		1		1
Distribution of dividend Exprivia Do Brasil							(55)		(55)	(27)	(28)
<b>Components of comprehensive income</b>											
Profit (loss) for the period								(135)	(135)	26	(161)
Effects of applying IAS 19						248			248	2	246
Translation reserve						(245)			(245)	(81)	(165)
Profit (loss) on cash flow hedge derivatives									0		0
Profit (loss) on AFS classified financial assets									0		0
<b>Total income (loss) for the year Overall</b>									<b>(132)</b>	<b>(52)</b>	<b>(79)</b>
<b>Balance at 30/06/2017</b>	<b>26,980</b>	<b>(1,825)</b>	<b>18,082</b>	<b>2,907</b>	<b>3,931</b>	<b>18,674</b>	<b>6,939</b>	<b>(135)</b>	<b>75,553</b>	<b>915</b>	<b>74,638</b>
<b>Balance at 31/12/2017</b>	<b>26,980</b>	<b>(1,825)</b>	<b>18,082</b>	<b>2,907</b>	<b>3,931</b>	<b>44,461</b>	<b>6,931</b>	<b>50</b>	<b>101,517</b>	<b>27,125</b>	<b>74,392</b>
Reclassification previous year's profit to previous year's profit					27		23	(50)	0		0
Tax effects arising from merger goodwill						(445)			(445)		(445)
Change in consolidation scope						(88)			(88)		(88)
Third-party change in Italtel's shareholding						(28)	98		70	(38)	108
<b>Components of comprehensive income</b>											
Profit (loss) for the period								(13,307)	(13,307)	(6,035)	(7,272)
Effects of applying IAS 19						279			279	78	201
Translation reserve						(1,920)			(1,920)	(422)	(1,498)
Profit (loss) on cash flow hedge derivatives						436			436	440	(4)
<b>Total income (loss) for the year Overall</b>									<b>(14,512)</b>	<b>(5,939)</b>	<b>(8,573)</b>
<b>Balance at 30/06/2018</b>	<b>26,980</b>	<b>(1,825)</b>	<b>18,082</b>	<b>2,907</b>	<b>3,959</b>	<b>42,696</b>	<b>7,052</b>	<b>(13,307)</b>	<b>86,544</b>	<b>21,147</b>	<b>65,397</b>

## Consolidated Cash Flow Statement

Amount in thousand Euro	Note		
	42	30.06.2018	30.06.2017
<b>Operating activities:</b>			
Profit (loss)	40	(13,307) (1)	(135) (1)
Amortisation, depreciation and provisions		9,590	1,785
Provision for Severance Pay Fund		3,955	2,122
Advances/Payments Severance Pay		(5,518)	(2,494)
Adjustment of value of financial assets		(2,530)	
<b>Cash flow arising from operating activities</b>		<b>(7,811)</b>	<b>1,279</b>
<b>Increase/Decrease in net working capital:</b>			
Variation in stock and payments on account		(22,613)	(3,161)
Variation in receivables to customers		27,704	(1,135)
Variation in receivables to parent/subsidiary/associated company		43	0
Variation in other accounts receivable		(6,224)	943
Variation in payables to suppliers		26,032	1,304
Variation in payables to parent/subsidiary/associated company		(19)	0
Variation in tax and social security liabilities		(5,134)	(654)
Variation in other accounts payable		4,693	5,608
<b>Cash flow arising (used) from current assets and liabilities</b>		<b>24,482</b>	<b>2,905</b>
<b>Cash flow arising (used) from current activities</b>		<b>16,671</b>	<b>4,184</b>
<b>Investment activities:</b>			
Variation in tangible assets		(1,036)	(390)
Variation in intangible assets		(6,966)	(1,547)
Variation in financial assets		1,093	(9)
Purchase of minority interests			(1)
<b>Cash flow deriving (used) from the investment activity</b>		<b>(6,909)</b>	<b>(1,947)</b>
<b>Financial assets and liabilities</b>			
New loans	(2)	3,000 (2)	15,027
Reimbursement loan	(2)	(23,749) (2)	(10,657)
Net variation in other financial debts	(2)	7,385 (2)	(6,377)
Net variation in other financial receivables	(2)	992 (2)	1,433
Changes in other non-current liabilities and use of risk provisions		211	20
Paid dividends			(55)
Change in equity		(1,849)	(244)
<b>Cash flow deriving (used) from financing activities</b>		<b>(14,011)</b>	<b>(851)</b>
<b>Increase (decrease) in cash</b>		<b>(4,249)</b>	<b>1,386</b>
Cash and cash equivalent at the beginning of the year		36,508	12,495
Cash and cash equivalent at end of period		32,259	13,881
<b>Increase (decrease) in liquidity</b>		<b>(4,249)</b>	<b>1,386</b>
(1) including taxes and interest paid in the period		4,101	1,391
2) The sum of the relative amounts represents the overall change in net liabilities deriving from financing activities. For the reconciliation with the balance sheet values, see the note on "Net financial position" in the note "Payables to non-current banks"		(12,373)	(573)

# Explanatory notes

## Introduction

These abridged half-year consolidated financial statements as at 30 June 2018 were drafted in compliance with Art. 154-ter of Italian Legislative Decree 58/1998 and subsequent amendments, as well as the Issuer Regulation issued by CONSOB. They were prepared in observance of international accounting standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union and were drafted according to IAS 34 - Interim Financial Reporting.

The financial statements were drawn up in accordance with IAS 1 while the notes were prepared in a condensed form, applying the right set out by IAS 34, and consequently do not include all the information required for an annual report drawn up in accordance with IFRS.

## Adjustments to comparative data

In order to make the disclosure of data more intelligible and also for the purpose of standardising the classifications of Exprivia Group with those of the Italtel Group, the presentation was changed for certain items in the comparative data of the income statement, presented in accordance with IAS 1, with respect to data published in the abridged half-year consolidated financial statements as at 30 June 2017. This had no effect on the result and shareholders' equity at that date. The tables highlighting the changes made are presented below.

The following changes were made to the balance sheet:

- The item "Goodwill and other assets with an indefinite useful life" was renamed "Goodwill";
- The item "Cash at bank and on hand" was renamed "Cash and cash equivalents";
- The item "Bonds" was renamed "Non-current bonds".

### Reclassifications to the Consolidated Income Statement as at 30.06.2017

Financial Statement approved 30.06.2018 (values in thousands of euros)	Reclassifications to the Consolidate Income Statement as at 30.06.2018	Reclassifications	Note
Revenues	73,867	73,867	-
Other income	1,873	1,798	75 29
Change in inventories of raw materials and finished products	(111)		111 35
<b>TOTAL REVENUES</b>	<b>75,630</b>	<b>75,665</b>	<b>35.00</b>
Costs of raw, subsid. & consumable mat. and goods	6,058	2,663	3,395 30
Salaries	50,399	50,429	30 31
Costs for services	10,571	13,916	3,345 32
Costs for leased assets	2,087	2,012	75 33
Sundry operating expenses	2,175	2,195	20 34
		Change in inventories of raw materials and finished products	111 35
Provisions	(579)	(579)	
<b>TOTAL COSTS</b>	<b>70,711</b>	<b>70,748</b>	<b>36.00</b>
<b>DIFFERENCE BETWEEN PRODUCTION COSTS AND REVENUES</b>	<b>4,917</b>	<b>DIFFERENCE BETWEEN PRODUCTION COSTS AND REVENUES</b>	<b>4,917</b>
Ordinary amortisement of intangible assets	1,448	1,448	-
Ordinary amortisement of tangible assets	697	697	-
Devaluation of credits included in working capital	220	220	-
Amortisation, depreciation and write-downs	2,365	2,365	-
<b>OPERATIVE RESULT</b>	<b>2,552</b>	<b>OPERATIVE RESULT</b>	<b>2,552</b>
Financial income and (charges)	(1,745)	(1,745)	-
<b>PRE-TAX RESULT</b>	<b>808</b>	<b>PRE-TAX RESULT</b>	<b>808</b>
Income tax	943	943	-
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>(136)</b>	<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>(136)</b>

The item “Change in inventories of raw materials and finished products” was reclassified to costs rather than an offsetting entry to revenue, for Euro 111 thousand.

The balance of the item “Costs for raw materials, consumables and goods” passed from Euro 6,058 thousand to Euro 2,663 thousand, due to the reclassification of:

- Euro 3,345 thousand into “Costs for services”;
- Euro 30 thousand into “Staff costs”;
- Euro 20 thousand in “Sundry operating expenses”.

The balance of the item “Costs for leased assets” passed from Euro 2,087 thousand to Euro 2,012 thousand due to the reclassification of “Other income” as an offset to these costs.

In addition, certain items in the income statement were renamed, as detailed below:

- the item “Costs for raw materials, consumables and goods” was renamed “Costs for consumables and finished products”;
- the item “Change in inventories of raw materials and finished products” was renamed “Change in inventories”;
- the item “Provisions” was renamed “Provisions and write-downs on current assets”.

## Accounting policies and valuation criteria

### General information

The abridged half-year consolidated financial statements as at 30 June 2018 were drafted in accordance with Art. 154-*ter* of Italian Legislative Decree 58/98, as well as the relevant CONSOB provisions and according to the provisions of IAS 34 - Interim financial reporting. In particular, they were prepared in condensed form as at 30 June 2018 and do not show all the information and notes required for annual consolidated financial statements and must, therefore, be read together with the annual consolidated financial statements as at 31 December 2017, available on the website [www.exprivia.it](http://www.exprivia.it) in the section “Corporate - Investor Relation - See all financial statements”.

The abridged half-year consolidated financial statements include the balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders’ equity, cash flow statement and these explanatory notes, in line with the requirements of IFRS.

On 3 August 2018, the Board of Directors approved the abridged half-year consolidated financial statements and made these available to the public and to CONSOB, according to the methods and terms set forth in the applicable legislative and regulatory provisions.

### Drafting and presentation criteria

The consolidation principles, accounting policies and valuation criteria are the same as those adopted to prepare the consolidated financial statements as at 31 December 2017, to which explicit reference should be made, with the exception of the information outlined in the next paragraph “Application of new accounting standards”.

The valuation and measurement policies are based on the IFRS standards in effect as at 30 June 2018 and approved by the European Union.

The following table shows the IFRS/Interpretations approved by the IASB and endorsed for adoption in Europe and applied for the first time to the period under review.

Description	Endorsement date	Publication on G.U.C.E	Effective date provided by principle	Effective date for Exprivia
IFRIC 22 "Foreign currency transactions and advances"	28 mar '18	3 apr '18	Exercises starting on or starting from 1 Jan '18	1 jan '18
Amendments to IAS 40 "Real estate investments - Changes in the destination of real estate investments"	14 mar '18	15 mar '18	Exercises starting on or starting from 1 Jan '18	1 jan '18
Amendments to IFRS 2 "Share-based payments"	26 feb '18	27 feb '18	Exercises starting on or starting from 1 Jan '18	1 jan '18
Annual improvements to the IFRS 2014-2016	7 feb '18	8 feb '18	Exercises starting on or starting from 1 Jan '18	1 jan '18
IFRS 15 Revenue from contracts with customers that includes Amendments to IFRS 15 (Effective Date)	22 sep '16	29 oct '16	Exercises starting on or starting from 1 Jan '18	1 jan '18
Clarifications of IFRS 15 - Revenues from contracts with customers	31 oct '17	9 nov '17	Exercises starting on or starting from 1 Jan '18	1 jan '18
Amendments to IFRS 4 "Amendments to IFRS 4 Joint Application of IFRS 9 Financial Instruments and IFRS 4 Insurance Contracts"	3 nov '17	9 nov '17	Exercises starting on or starting from 1 Jan '18	1 jan '18
IFRS 9 "Financial instruments"	22 nov '16	22 nov '16	Exercises starting on or starting from 1 Jan '18	1 jan '18

The IFRS standards and interpretations approved by IASB and endorsed for adoption in Europe during the period are as follows:

- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" examines the exchange rate to be used for the translation when the payments are made or received before the related asset, cost or income;
- amendments to IFRS 2 "Share-Based Payment" introduced changes that clarify how to recognise certain share-based payments in the accounts;
- annual improvements to IFRS standards for the 2014-2016 cycle, which modify IFRS 1, IFRS 12 and IAS 28;
- amendments to IAS 40 "Investment Property".

Please refer to the next paragraph, "Application of new accounting standards" for the discussion of the effect of adopting IFRS 15 and IFRS 9.

The table below shows the IFRS standards and interpretations approved by IASB and endorsed for adoption by Europe, whose mandatory effective date is subsequent to 30 June 2018.

Description	Endorsement date	Publication on G.U.C.E	Effective date provided by principle	Effective date for Exprivia
IFRS 16 Leases (issued on 13 January 2016)	22 oct '17	9 nov '17	Exercises starting on or starting 1 January 2019	1 jan '19
Amendments to IFRS 9 prepayment features with negative compensation	22 mar '18	26 mar '18	Exercises starting on or starting 1 January 2019	1 jan '19

The new accounting standard IFRS 16 "Leases" replaces the accounting rules laid out in IAS 17, requiring all leasing contracts to be recognised in the balance sheet as assets and liabilities whether they are "finance" or "operating". With reference to its application, Exprivia Group is conducting analyses to determine the impacts on its consolidated financial statements and to identify solutions to be implemented in its reporting systems. No significant impacts are envisaged.

The document "Amendments to IFRS 9 Financial Instruments - Prepayment Features with Negative Compensation" envisages certain changes to said standard, in order to permit the measurement at amortised cost of financial assets characterised by an early discharge option with so-called "negative compensation".

The table below shows the international accounting standards, interpretations and amendments to existing accounting standards and interpretations, which are specific provisions contained in the standards and interpretations approved by the IASB, which were not yet approved for adoption in Europe at the date of this annual report:

Description	Effective date foreseen by the principle
Amendments to references to the conceptual Framework in IFRS Standards (issued on 29 March 2018)	Exercises starting on or starting 1 January 2020
Amendments to IAS 19 : plan Amendment, curtailment or settlement (issued on 7 February 2018)	Exercises starting on or starting 1 January 2019
IFRS 17 Insurance Contracts (issued 18 May 2017)	Exercises starting on or starting 1 January 2021
IFRIC 23 Uncertainty over Income Tax Treatments (issued on 7 June 2017)	Exercises starting on or starting 1 January 2019
Amendments to IAS 28: Long-term interests in associates and joint ventures (issued on 12 October 2017)	Exercises starting on or starting 1 January 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017)	Exercises starting on or starting 1 January 2019

Amendments approved by IASB during 2018 are as follows:

- the revision of the Conceptual Framework for Financial Reporting, which introduced a new chapter related to measurement, better specified certain concepts (such as stewardship, prudence and uncertainty in evaluations) and expanded some definitions;
- some amendments to IAS 19 concerning the accounting treatment of changes to plans.

Please refer to the financial statements as at 31 December 2017 for a description of the remaining interpretations, amendments to existing accounting standards, or new accounting standards, approved by IASB in previous years which have not yet been endorsed.

The standards and interpretations detailed above are not expected to have any material impact on the valuation of the Group's assets, liabilities, costs and revenues upon adoption.

## Application of new accounting standards

Effective 1 January 2018, the Group adopted the standards IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments", which resulted in changes to accounting policies and, in some cases, adjustments of amounts recognised in the financial statements.

### IFRS 15 "Revenue from Contracts with Customers"

Effective 1 January 2018, Exprivia Group adopted IFRS 15 "Revenue from Contracts with customers" for the first time, applying the standard retroactively and accounting for the cumulative effect from the date of initial application (modified retrospective approach).

The IFRS 15 standard requires revenue recognition to be based on the following 5 steps: (i) identification of the contract with the customer; (ii) identification of the separate performance obligations (i.e., contractual promises to transfer goods and/or services to a customer); (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations identified based on the stand-alone selling price of each good or service; and (v) recognition of revenue when the relative performance obligation is satisfied.

Within the Group, the application of IFRS 15 led to some differences in the approach mainly related to the identification of separate contractual obligations and the consequent adoption of specific and new criteria for the allocation of revenue amongst the different performance obligations based on "stand-alone selling prices".

In particular, the identification of the separate contractual obligations entailed a different revenue recognition for the identification of software license concessions as a separate obligation or, alternatively, as an individual and inseparable obligation with installation, customisation, and start-up services.

Moreover, in the context of some contracts in the healthcare market, the identification of separate contractual obligations entailed the identification of obligations that fall under the definition of leasing, which require IAS 17 to be applied for recognising revenues and the recognition of financial lease receivables equal to the future instalments discounted at the implicit interest rate of the supply contract instead of recognising the assets and the relative amortisation.

The revenue was allocated amongst the different performance obligations based on “stand-alone selling prices” and related performance obligations.

When the price established in the contract for the individual good or service does not represent the stand-alone selling price, the latter is determined from the market if directly observable or is estimated using the expected cost plus margin method when not observable on the market. For a good or service whose price applied by the company is highly variable or for which a price is not set because it is never sold separately, the stand-alone selling price is calculated as the difference between the total price minus the sum of the observable stand-alone selling prices of other goods and services.

Obligations to be performed are presented under liabilities in the financial statements in the item “Advance payments on work in progress contract”.

As previously discussed, the application of this new standard did not have a material impact when preparing the financial report.

The cumulative effect at the initial application date, net of the relative tax effect, of Euro 88 thousand was recognised as of 1 January 2018 as a reduction of shareholders' equity in a reserve for retained earnings/losses due to changes in standards. The details of the effects recognised are reported below:

<b>Application effect IFRS 15</b>	<b>Amount in thousand Euro</b>
Property, plant and machinery	(31)
Intangible assets	(28)
Financial receivables	185
Work in progress	75
Credits v / Customers	(296)
Other current assets	(28)
Prepaid Taxes	67
Passive Deferred Taxes	(32)
<b>Effect on net assets</b>	<b>(88)</b>

The adoption in the first half of the new standard had an immaterial effect on revenues at the consolidated level due to the limited number of contracts that required a different method of revenue recognition and the differential between revenue deferral in some cases and revenue release in others.

#### **IFRS 9 “Financial Instruments”**

Effective 1 January 2018, the Group adopted IFRS 9 “Financial Instruments” (with the exception of provisions regarding hedge accounting, for which the Group has chosen to continue applying the provisions contained in IAS 39 as accounting policy).

IFRS 9 envisages a different model for the classification and measurement of financial assets, introducing the concept of expected losses and was applied retrospectively as at 1 January 2018, with an immaterial effect.

## Accounting estimates used in preparing the financial statements

Preparation of the financial statements in accordance with applicable accounting standards required the use of estimates and assumptions based on historical experience and on other factors that are deemed reasonable with respect to the circumstances and knowledge available as at the reference date of the financial statements. Actual results may depart from these estimates. The estimates and assumptions are revised constantly. The effects of revised estimates are recognised in the income statement for the period in which the estimates are revised. The estimates mainly concern: amounts allocated to provisions for bad or doubtful debts, made according to the expected sale value of related assets; amounts allocated to provisions for risks, made according to the reasonable estimate of the amount of the potential liability, also with respect to any demands from the counterparty; amounts allocated for employee benefits, recognised according to actuarial valuations; amortisation/depreciation of tangible and intangible assets, recognised according to their remaining useful life and their recoverable value; income taxes, determined according to the best estimate of the rate expected for the entire financial year; and development costs, which are initially capitalised based on the technical and financial feasibility of the project (future cash flow projections are made for each project).

It should also be noted that certain valuation processes, in particular the more complex ones such as the determination of any impairment of non-current assets, are generally only fully carried out upon drafting the annual financial statements, when all the necessary information is available, except cases in which there are indicators of impairment which call for an immediate impairment assessment.

## Financial risk management

The Exprivia Group is exposed to the following financial risks:

### Interest Rate Risk

In 2016, Exprivia obtained a major medium/long-term variable rate loan from a pool of banks; this is combined with other variable rate and below-market fixed rate loans, the latter relating to funded research and development projects, as well as the loans pertaining to the Italtel Group reformulated following Exprivia's subscription of the equity investment in Italtel SpA's share capital. The previous forms of funding are joined by the fixed rate bond issued to finance the purchase of the equity investment in Italtel SpA. Concerning variable-rate loans, the Group has interest rate swap agreements or cap agreements to hedge the risk of fluctuating interest rates.

### Credit Risk

Exprivia Group does not have significant concentrations of credit risk except for work carried out in the Public Sector, where delays are recorded mainly due to the payment policies adopted by public bodies. They often do not respect the conditions set forth in contracts but, nevertheless, they do not lead to the risk of bad debts.

Exprivia Group also manages this risk by selecting counterparts considered by the market to be solvent and with high credit standing.

All amounts receivable are periodically assessed for each individual customer, and they are written down when they are considered impaired.

## Liquidity Risk

Liquidity risk is prudently managed by planning cash flows, financing needs and the liquidity of Exprivia Group to ensure effective adequate financial resources are available, by managing any surplus liquidity, and by opening credit lines where necessary, including short-term ones. Liquidity risk was considerably reduced through the medium-term loan, signed by Exprivia in 2016. The transaction for the purchase of the equity investment in Italtel SpA included, as an integral part, the restructuring of Italtel SpA's debt, which was carried out by converting part of the bank debt into Participating Financial Instruments, as well as by the contribution of fresh capital, and lastly, the issue of new loan facilities.

## Exchange Rate Risk

The majority of Exprivia Group's activities are carried out in the "Euro Zone", although the acquisition of Italtel Group has increased the volume of transactions carried out on markets subject to sharp fluctuations in exchange rates (e.g., Brazil). This could represent a risk to be monitored. Again within Italtel Group, purchase transactions and, to a minor extent, sales transactions, are concluded in US dollars. For the purpose of reducing the effects of swings in the US dollar, derivative hedging agreements are entered into on this currency. In the financial statements, these derivatives are valued at fair value in accordance with international accounting standards.

The table below provides a reconciliation between financial assets and liabilities included in the Group's balance sheet and classes of financial assets and liabilities provided by IFRS 7 (amounts in thousands of euro):

ACTIVITY 'FINANCIAL AT 30 June 2018	Loans and receivables "amortized cost"	Investments valued at cost	Derivative financial instruments "financial assets valued at the income statement"	Derivatives "financial liabilities designated at FV through profit or loss"	Securities available for sale "fair value level 2"	Total
In thousands of Euro						
<i>Non current assets</i>						
Financial assets	2,667					2,667
Derivative financial instruments				15		15
Investments in other companies / associated companies		586				586
Other non-current assets	3,680					3,680
<b>Total no current assets</b>	<b>6,347</b>	<b>586</b>	<b>0</b>	<b>15</b>	<b>-</b>	<b>6,948</b>
<i>Current assets</i>						
Trade receivables	120,339					120,339
Other financial assets	1,699				455	2,154
Other current assets	41,000					41,000
Cash	32,259					32,259
<b>Total Current assets</b>	<b>195,296</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>455</b>	<b>195,752</b>
<b>TOTAL</b>	<b>201,643</b>	<b>586</b>	<b>0</b>	<b>15</b>	<b>455</b>	<b>202,700</b>

LIABILITIES FINANCIAL AT 30 JUNE 2018	Loans and borrowings "amortized cost"	Investments held to maturity "amortized cost"	Derivative financial instruments "financial liabilities valued at the income statement"	Derivatives "financial liabilities designated at FV through profit or loss"	Securities available for sale "fair value level 2"	Total
In thousands of Euro						
<b>Non Current liabilities</b>						
Bond	22,480					22,480
Due to banks	161,331					161,331
Other financial liabilities	98					98
Hedging derivative financial instruments				4		4
Other non-current liabilities	3,673					3,673
<b>Total Non Current liabilities</b>	<b>187,582</b>	-	-	<b>4.00</b>	-	<b>187,586</b>
<b>Current liabilities</b>						
Trade payables and advances	172,617					172,617
Other financial liabilities	6,645					6,645
Financial derivative instruments for hedging				94		94
Due to banks	60,319					60,319
Bond						-
Other current liabilities	81,835					81,835
<b>Total Current liabilities</b>	<b>321,416</b>	-	-	<b>94</b>	-	<b>321,510</b>
<b>TOTAL</b>	<b>508,998</b>	-	-	<b>98</b>	-	<b>509,096</b>

It should be noted that the financial instruments reported above, with reference to loans, receivables, payables and investments, were measured at book value, given it is considered to be an approximation of their fair value.

Derivative financial instruments and those available-for-sale are measured at level 2 on the fair value hierarchy.

## Fair Value Hierarchy Measurement

For financial instruments carried in the balance sheet at fair value, IFRS 7 requires that these values be classified according to a hierarchy reflecting the significance of input used in determining fair value. There are three levels as follows:

**Level 1** - quoted prices on an active market for similar assets or liabilities;

**Level 2** - inputs other than the quoted prices in level 1, which are directly observable (prices) or indirectly observable on the market;

**Level 3** - inputs that are not based on observable market data.

## Scope of Consolidation

The consolidated financial statements as at 30 June 2018 include the equity, economic and financial situations of the Holding Company Exprivia SpA and subsidiaries, and the only change with respect to 31 December 2017 pertains to the inclusion of Italtel Latam Srl in the scope.

The abridged half-year consolidated financial statements as at 30 June 2018 include the effects on both the balance sheet and income statement of the consolidation of the Italtel Group, while the comparative figures as at 31 December 2017 only include the balance sheet effects of the consolidation of Italtel Group, as the first consolidation date is 31 December 2017, a date that approximates the finalisation date of the transaction, 14 December 2017, which coincides with the acquisition of control. The figures as at 30 June 2017 do not include any effect for Italtel Group.

Exprivia is analysing the final allocation of the acquisition through the subscription of 81% of Italtel's share capital; the provisional allocation of the price paid, unchanged compared to 31 December 2017, not directly attributable to the fair value of assets and liabilities but relating to the expectation of obtaining a positive cash flow contribution for an indefinite period, resulted in the recognition of goodwill for Euro 15.6 million.

As envisaged by the revised IFRS 3, the posting of any additional items, which should be recognisable at the acquisition date, will be made within 12 months of the acquisition date.

The table below shows the companies under consolidation; the investments shown below are all controlled directly by the Holding Company Exprivia, apart from the indirect subsidiaries ProSap SA de CV, ProSap Perú Sac, Sucursal Ecuador de Exprivia SLU, and Advanced Computer Systems D-GmbH, as well as the subsidiaries controlled by Italtel SpA and Italtel BV:

Company	Reference market
Advanced Computer Systems Srl	Defence & Aerospace
Advanced Computer Systems D - Gmbh	Defence & Aerospace
Consorzio Exprivia S.c.ar.l.	Other
Exprivia Asia Ltd	International Business
Exprivia IT Solutions (Shanghai) Co Ltd	International Business
Exprivia Projects Srl	Utilities
Exprivia do Brasil Serviços de Informatica Ltda	International Business
Exprivia SLU	International Business
Exprivia Process Outsourcing Srl	Utilities
ProSap SA de CV (Messico)	International Business
ProSAP Perú SAC	International Business
ProSAP Centroamerica S.A (Guatemala)	International Business
Sucursal Ecuador de Exprivia SLU	International Business
Exprivia Enterprise Consulting Srl	Oil & Gas/Industry/Utilities
Spegea Scarl	Other
Italtel SpA	Telco & Media
Italtel BV	Telco & Media
Italtel Belgium Sprl	Telco & Media
Italtel Deutschland GmbH	Telco & Media
Italtel Frances Sas	Telco & Media
Italtel S.A.	Telco & Media
Italtel Poland Sp.Zo.O.	Telco & Media
Italtel Tel. Hellas EPE	Telco & Media
Italtel U.K. Ltd	Telco & Media
Italtel Argentina S.A.	Telco & Media
Italtel Brasil Ltda	Telco & Media
Italtel Perú Sac	Telco & Media
Ausoitaltel SA	Telco & Media
Italtel Usa Llc	Telco & Media
Italtel Arabia Ltd in liquidazione	Telco & Media
Italtel Telecommunication Hellas EPE in liquidazione	Telco & Media
Italtel Latam Srl	Telco & Media

The main data for the aforementioned subsidiaries consolidated using the line-by-line method are provided below (as at 30 June 2018).

Amount in thousand Euro									
Company	H.O.		Company capital	Results for period	Net worth	Total revenues	Total Assets	% of holding	
Advanced Computer Systems Srl	Roma	Euro	2,301,307	(129)	4,549	4,296	20,466	100.00%	Exprivia SpA
Advanced Computer Systems D- GmbH	Offenbach (Germania)	Euro	25,000	11	77	255	225	100.00%	Advanced Computer Systems Srl
Consorzio Exprivia S.c.a.r.l.	Milano	Euro	20,000	(2.0)	19	0	1,382	85.00%	Exprivia SpA
								10.00%	Exprivia Enterprise Consulting Srl
								5.00%	Exprivia Projects Srl
Exprivia ASIA Ltd	Hong Kong	Dollaro	321,189	(17)	(58)	25	552	100.00%	Exprivia SpA
Exprivia It Solutions (Shanghai) Ltd	Shanghai (Cina)	Renminbi	224,180	(41)	(385)	546	536	100.00%	Exprivia ASIA Ltd
Exprivia Enterprise Consulting Srl	Milano	Euro	275,490	(187)	35	2,476	5,801	100.00%	Exprivia SpA
Exprivia Process Outsourcing Srl	Palermo	Euro	100,000	87	196	3,281	1,299	100.00%	Exprivia SpA
Exprivia Do Brasil Services Ltda	Rio de Janeiro (Brasile)	Real	1,312,653	112	1,558	1,463	2,247	52.30%	Exprivia SpA
								47.70%	Siemest SpA
Exprivia Projects Srl	Roma	Euro	242,000	185	476	3,818	3,285	100.00%	Exprivia SpA
Succursal Ecuador de Exprivia SLU	Quito (Ecuador)	USD	8,578	(2)	(8)	0	3	100.00%	Exprivia SLU
Spegea Scari	Bari	Euro	125,000	13	218	414	1,226	60.00%	Exprivia SpA
								40.00%	Confindustria Bari
Exprivia SLU	Madrid (Spagna)	Euro	197,904	(39)	1,577	1,015	7,832	100.00%	Exprivia SpA
ProSap Centroamerica SA	Città del Guatemala (Guatemala)	Quetzal	572	(19)	281	173	979	98.00%	ProSap Sa de CV
								2.00%	Exprivia SpA
ProSap Sa de CV	Città del Messico (Messico)	Pesos messicani	1,835,528	(451)	80	949	3,819	2.00%	Exprivia SLU
								98.00%	Exprivia SpA
ProSap Perú SAC	Lima (Perù)	Nuevo Sol	189,904	96.0	16	0	29	100.00%	Exprivia SLU
Italtel SpA	Settimo Milanese (MI)	Euro	20,000,001	(14,168)	20,317	144,803	395,852	81.00%	Exprivia SpA
								19.00%	Cisco Srl
Italtel BV	Amsterdam (Olanda)	Euro	6,000,000	1,099	12,139	0	12,460	100.00%	Italtel SpA
Italtel S.A.	Madrid (Spagna)	Euro	7,353,250	(193)	8,443	10,559	18,804	100.00%	Italtel BV
Italtel Argentina S.A.	Buenos Aires (Argentina)	Pesos argentini	4,030,000	(965)	3,347	13,832	13,505	71.46%	Italtel BV
								28.54%	Italtel SpA
Italtel Brasil Ltda	San Paolo (Brasile)	Real	6,586,636	(2,314)	95	13,782	21,062	85.12%	Italtel SpA
								14.88%	Italtel BV
Italtel Deutschland GmbH	Düsseldorf (Germania)	Euro	40,000	(488)	2,152	3,279	8,445	60.00%	Italtel SpA
								40.00%	Italtel BV
Italtel France Sas	Courbevoie (Francia)	Euro	40,000	(193)	(944)	2,744	3,064	100.00%	Italtel SpA
Italtel U.K. Ltd	London (Gran Bretagna)	Sterlina	26,000	(5)	(5)	0	4	60.00%	Italtel SpA
								40.00%	Italtel BV
Italtel Belgium Sprl	Bruxelles (Belgio)	Euro	500,000 (di cui versato 200,000)	(3)	697	0	698	60.00%	Italtel SpA
								40.00%	Italtel BV
Italtel Poland Sp. Zo O.	Varsavia (Polonia)	Zloty	400,000	80	(51)	363	560	100.00%	Italtel SpA
Italtel Perú Sac	Lima (Perù)	Nuevo Sol	3,028,000	(174)	2,473	13,071	14,191	90.00%	Italtel BV
								10.00%	Italtel SpA
Ausotaltel S.A.	Quito (Ecuador)	USD	500,000	92	(622)	2,299	2,563	1.00%	Italtel BV
								99.00%	Italtel SpA
Italtel USA LLC	Miami (Florida)	USD	150,000	(374)	(229)	41	249	100.00%	Italtel SpA
Italtel Telecommunication Hellas EPE in liquidazione	Arene (Grecia)	Euro	729,750	(26)	103	0	108	100.00%	Italtel SpA
Italtel Arabia Ltd in liquidazione	Riyadh (Arabia Saudita)	SAR	3,287,980	0	(1,576)	0	12	90.00%	Italtel SpA
								10.00%	Italtel BV
Italtel Latam Srl	Settimo Milanese (MI)	Euro	10,000	0	10	0	10	100.00%	Italtel SpA

The primary exchange rates used for conversion into euro of the financial statements of foreign companies for 30 June 2018 were as follows:

Exchange rate	Average of 6 months to 30 June 2018	At 30 June 2018
Argentine Peso	26.025	32.705
Real brazilian	4.1414	4.4876
Pound Sterling	0.87973	0.88605
Dollar USA	1.2108	1.1658
Zloty polacco	4.2200	4.373
Nuevo Sol peruviano	3.9324	3.8187
Riyal Arabia Saudita	4.5407	4.3718
Dollaro Hong Kong	9.4902	9.1468
Renminbi -Yuan (Cina)	7.7100	7.7170
Mexican Peso	23.0803	22.8817
Guatemalan Quetzal	8.9668	8.7403

Transactions in foreign currency are initially converted into the reporting currency at the exchange rate applicable on the date of the transaction. At the end of the period in question, the monetary assets and liabilities in foreign currency are converted into the reporting currency at the exchange rate applicable on the closing date. Exchange differences are recognised in the income statement. Non-monetary assets and liabilities in foreign currency, valued at cost, are converted at the exchange rate applicable at the date of the transaction, whereas those measured at fair value are converted at the exchange rate applicable on the date the measurement is made.

## SEGMENT REPORTING

Results by operating segments are presented based on the approach used by management to monitor the Group's performance. In particular, the Group has identified the segments subject to reporting on the basis of the organisation criterion, with reference to the related coordination and control structures and in accordance with the sector it belongs to within the reference ICT market.

As at 30 June 2018, the segments subject to reporting were:

- IT (Information Technology), including software, information technology solutions and services, and IT. The segment corresponds to the scope of consolidation of the Exprivia Group prior to the acquisition of control of Italtel SpA;
- TLC (Telecommunications), including the design, development and installation of solutions for integrated network systems and services within the sphere of the new generation technologies based on the IP protocol. This segment corresponds to the scope of sub-consolidation of Italtel Group.

Note that the TLC operating segment was identified following the inclusion of Italtel SpA and its subsidiaries in the scope of consolidation effective 31 December 2017, therefore the information about the TLC sector reported below does not show comparative data for 30 June 2017.

The following table shows the reclassified balance sheet, which presents the structure of invested capital and sources of financing for each operating segment as at 30 June 2018, compared with the figures as at 31 December 2017 for the reclassified balance sheet and with the figures as at 30 June 2017 for the income statement.

## Reclassified Balance Sheet

Amount in thousand Euro	IT			TLC			CONSOLIDATED		
			Variation	30.06.2018	31.12.2017	Variation	30.06.2018	31.12.2017	Variation
Property, plant and machinery	14,955	15,334	(379)	12,251	12,875	(624)	27,206	28,209	(1,003)
Goodwill	69,057	69,174	(117)	122,216	122,215	0	205,851	205,979	(117)
Other Intangible Assets	11,296	11,529	(233)	23,848	24,152	(244)	35,244	35,721	(477)
Shareholdings	26,165	25,166	999	421	421	0	596	595	1
Other non current assets	1,167	1,595	(527)	2,213	2,441	(228)	3,680	4,436	(755)
Deferred tax assets	2,522	2,593	71	52,844	53,045	(201)	55,496	55,638	(142)
<b>ATTIVITA' NON CORRENTI</b>	<b>124,561</b>	<b>125,793</b>	<b>(1,232)</b>	<b>223,892</b>	<b>225,189</b>	<b>(1,297)</b>	<b>339,043</b>	<b>341,571</b>	<b>(2,529)</b>
Trade receivables	58,431	61,153	(2,722)	64,932	90,519	(25,587)	120,338	148,487	(28,149)
Stock	878	895	(17)	49,378	40,112	9,266	50,256	41,007	9,249
Work in progress to order	22,091	16,617	5,474	27,807	20,469	7,338	49,460	36,821	12,639
Other current assets	11,729	10,404	1,325	29,334	24,089	5,245	41,081	34,847	6,234
<b>ASSETS</b>	<b>93,129</b>	<b>88,969</b>	<b>4,160</b>	<b>171,451</b>	<b>175,189</b>	<b>(3,738)</b>	<b>261,055</b>	<b>261,161</b>	<b>(106)</b>
<b>DISCONTINUED NON CURRENT ASSETS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>120</b>	<b>215</b>	<b>(95)</b>	<b>120</b>	<b>215</b>	<b>(95)</b>
Trade payables	(24,204)	(25,183)	979	(151,878)	(124,392)	(27,486)	(172,519)	(146,594)	(25,925)
Advances payment on work in progress contracts	(2,350)	(3,152)	922	-	-	0	(2,350)	(3,152)	922
Other current liabilities	(38,154)	(34,813)	(3,341)	(42,693)	(40,842)	(1,851)	(81,385)	(75,655)	(5,730)
<b>CURRENT LIABILITIES</b>	<b>(65,288)</b>	<b>(63,148)</b>	<b>(2,140)</b>	<b>(194,571)</b>	<b>(165,234)</b>	<b>(29,337)</b>	<b>(256,333)</b>	<b>(225,391)</b>	<b>(30,942)</b>
<b>DISCONTINUED NON CURRENT LIABILITIES</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>(366)</b>	<b>(369)</b>	<b>3</b>	<b>(366)</b>	<b>(369)</b>	<b>3</b>
<b>PROVISION AND NON CURRENT LIABILITIES</b>	<b>(15,185)</b>	<b>(15,385)</b>	<b>210</b>	<b>(27,894)</b>	<b>(34,865)</b>	<b>6,971</b>	<b>(43,079)</b>	<b>(50,260)</b>	<b>7,181</b>
<b>NET INVESTED CAPITAL</b>	<b>137,218</b>	<b>136,219</b>	<b>998</b>	<b>172,612</b>	<b>200,105</b>	<b>(27,493)</b>	<b>300,421</b>	<b>326,907</b>	<b>(26,487)</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>75,636</b>	<b>75,315</b>	<b>321</b>	<b>20,317</b>	<b>35,618</b>	<b>(15,301)</b>	<b>86,544</b>	<b>101,517</b>	<b>(14,973)</b>
<b>NET FINANCIAL POSITION</b>	<b>61,582</b> 2)	<b>60,904</b> 2)	<b>678</b>	<b>152,295</b>	<b>164,487</b>	<b>(12,192)</b>	<b>213,877</b> 2)	<b>225,390</b> 2)	<b>(11,513)</b>
<b>SOURCES OF FINANCING</b>	<b>137,218</b>	<b>136,219</b>	<b>998</b>	<b>172,612</b>	<b>200,105</b>	<b>(27,493)</b>	<b>300,421</b>	<b>326,907</b>	<b>(26,487)</b>

1) The consolidated figure differs from the aggregation of data for the two operating segments due to the elimination of intragroup relations.

2) The above net financial position differs from that reported in the notes to the financial statements (note 17 "Payables to non-current banks") due to the treasury shares held by the Parent Company, which are shown in the Net Equity item in the table above.

## Income Statement

amount in thousand Euro	IT			TLC			CONSOLIDATED		
	30.06.2018	30.06.2017	Variation	30.06.2018	30.06.2017	Variation	30.06.2018	30.06.2017	Variation
Revenues	76,751	73,867	2,884	197,246	197,246	1)	271,798	73,867	197,932
Other income	2,103	1,798	304	13,196	13,196	1)	15,018	1,798	13,220
<b>TOTAL REVENUES</b>	<b>78,854</b>	<b>75,665</b>	<b>3,189</b>	<b>210,442</b>	<b>0</b>	<b>210,442</b>	<b>286,816</b>	<b>75,665</b>	<b>211,151</b>
Costs for raw materials, ancillaries, consumables and goods	(2,567)	(2,663)	96	(106,338)	(106,338)		(108,905)	(2,663)	(106,242)
Salaries	(53,297)	(50,429)	(2,868)	(46,154)	(46,154)		(99,451)	(50,429)	(49,022)
Costs for services	(14,795)	(13,916)	(879)	(62,521)	(62,521)	1)	(74,844)	(13,916)	(60,928)
Costs for leased assets	(1,570)	(2,012)	442	(2,142)	(2,142)		(3,712)	(2,012)	(1,700)
Sundry operating expenses	(406)	(2,195)	1,789	(2,307)	(2,307)		(2,714)	(2,195)	(519)
Change in inventories of raw materials and finished products	(12)	(111)	99	10,924	10,924		10,912	(111)	11,023
Provisions	(150)	579	(729)	0	0		(150)	579	(729)
<b>TOTAL COSTS</b>	<b>(72,801)</b>	<b>(70,746)</b>	<b>(2,055)</b>	<b>(208,538)</b>	<b>0</b>	<b>(208,538)</b>	<b>(278,864)</b>	<b>(70,746)</b>	<b>(208,118)</b>
<b>DIFFERENCE BETWEEN PRODUCTION COSTS AND REVENUES</b>	<b>6,052</b>	<b>4,919</b>	<b>1,133</b>	<b>1,904</b>	<b>0</b>	<b>1,904</b>	<b>7,952</b>	<b>4,919</b>	<b>3,033</b>
Depreciation and write-downs	(2,029)	(2,365)	336	(7,412)	(7,412)		(9,441)	(2,365)	(7,076)
<b>OPERATIVE RESULT</b>	<b>4,023</b>	<b>2,554</b>	<b>1,469</b>	<b>(5,508)</b>	<b>0</b>	<b>(5,508)</b>	<b>(1,489)</b>	<b>2,554</b>	<b>(4,043)</b>
Financial income (expenses) and other shareholder	(2,158)	(1,744)	(414)	(9,384)	(9,384)		(11,542)	(1,744)	(9,798)
<b>PRE-TAX RESULT</b>	<b>1,865</b>	<b>811</b>	<b>1,055</b>	<b>(14,892)</b>	<b>0</b>	<b>(14,892)</b>	<b>(13,031)</b>	<b>811</b>	<b>(13,841)</b>
Income tax	(1,001)	(943)	(58)	750	750		(250)	(943)	693
<b>PROFIT (LOSS) FOR THE EXERCISE DERIVING FROM OPERATING ACTIVITIES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(26)</b>	<b>(26)</b>		<b>(26)</b>	<b>-</b>	<b>(26)</b>
<b>PROFIT (LOSS) FOR THE YEAR</b>	<b>965</b>	<b>(132)</b>	<b>997</b>	<b>(14,168)</b>	<b>0</b>	<b>(14,168)</b>	<b>(13,306)</b>	<b>(132)</b>	<b>(13,174)</b>

1) The consolidated figure differs from the aggregation of data for the two operating segments due to the elimination of intragroup relations.

As required by IFRS 8 (paragraphs 32-34), information regarding revenues by type of product and service as well as revenues by customer type, public or private, and by geographical area, is provided below.

Exprivia Group (amount in thousand Euro)	30/06/2018	30.06.2017	Variation	Variation%
Projects and Services	97,248	63,216	34,032	53.8%
Maintenance	37,225	6,789	30,436	448.3%
HW/ SW third parties	2,120	2,229	(109)	-4.9%
Own licences	13,120	1,214	11,906	980.7%
System Integration	121,675	0	121,675	100.0%
Other	410	419	(9)	-2.1%
<b>Total</b>	<b>271,798</b>	<b>73,867</b>	<b>197,931</b>	<b>267.96%</b>

Exprivia Group (amount in thousand Euro)	30/06/2018	Incidence%	30.06.2017	Incidence %	Variations %
Private	254,457	93.6%	62,556	84.7%	306.8%
Public	17,341	6.4%	11,311	15.3%	53.3%
<b>TOTAL</b>	<b>271,798</b>		<b>73,867</b>		<b>267.96%</b>

Exprivia Group (amount in thousand Euro)	30/06/2018	Incidence%	30.06.2017	Incidence %	Variations %
Italy	200,268	73.7%	66,017	89.4%	203.4%
Abroad	71,530	26.3%	7,850	10.6%	811.2%
<b>TOTAL</b>	<b>271,798</b>		<b>73,867</b>		<b>267.96%</b>

## Explanatory notes on the Consolidated Balance Sheet

All the figures reported in the tables below are in thousands of Euro, unless expressly indicated.

### NON-CURRENT ASSETS

#### Note 1 - Property, plant and machinery

The net balance relating to the item “**property, plant and machinery**” amounted to Euro 27,206 thousand as at 30 June 2018 compared to Euro 28,209 thousand at 31 December 2017.

Categories	Historical cost 01/01/2018	Inc.	Dec.	Historical cost at 30/06/2018	Reserve prov. at 01/01/2018	Provision for period	Dec.	Cum. prov. 30/06/2018	Net value at 30/06/2018
Land	1,663	0	0	1,663	0	0	0	0	1,663
Buildings	41,872	14	0	41,886	(22,637)	(528)	1	(23,164)	18,722
Plant and machinery	26,563	13	(19)	26,557	(25,252)	(289)	18	(25,523)	1,035
Industrial equipment	50,548	230	(988)	49,790	(49,191)	(340)	1,012	(48,519)	1,271
Others	95,193	727	(2,298)	93,623	(90,682)	(851)	2,244	(89,290)	4,334
Fixed assets in progress	132	167	(118)	181	0	0	0	0	181
<b>TOTAL</b>	<b>215,971</b>	<b>1,152</b>	<b>(3,423)</b>	<b>213,700</b>	<b>(187,762)</b>	<b>(2,008)</b>	<b>3,276</b>	<b>(186,494)</b>	<b>27,206</b>

The increase in the item “**industrial equipment**” refers to investments in industrial equipment totalling Euro 230 thousand, mostly in reference to devices used to develop software solutions and for test plants of products intended for the TLC market, while the increase in the item “**other assets**”, equal to Euro 728 thousand, refers almost exclusively to purchases of electronic office machines and computers for the technology renewal of information systems and updating of the data network of Group companies (of which Euro 101 thousand for lease purchases).

The increase in “**work in progress**” mainly refers (Euro 151 thousand) to projects for the new methanisation network for the Italtel office in Settimo Milanese, electronic and computer equipment, and extraordinary maintenance interventions for the building in which Carini office is located. The decreases refer to the completion of investments, consequently reclassified in the items to which they belong.

The decreases in the period are mainly attributable to scrapping of assets that have been fully depreciated and have already been excluded from the production process.

As at 30 June 2018, land, industrial buildings, plant and machinery, industrial equipment and other assets of the Italtel Group included assets subject to first mortgages, pledge and special liens, in relation to the loans received by Italtel SpA as described in the comments to note 17.

Please note that there is a first mortgage on the real estate complex located in Molfetta (BA) at Via Olivetti 11, owned by Exprivia SpA, for a maximum amount of Euro 50 million to guarantee the precise fulfilment of obligations arising from the Euro 25 million loan taken out on 1 April 2016 from a pool of banks (for additional details, please see note 17).

The net book value of leased assets came to Euro 1,506 thousand and relates to land and buildings for Euro 1,158 thousand, electronic office machinery for Euro 101 thousand, and furniture and furnishings for Euro 247 thousand. It should also be noted that minimum future payments within one year amount to Euro 670 thousand, while those due in one to five years amount to Euro 88 thousand.

## Note 2 - Goodwill

The item “goodwill” amounted to Euro 206,861 thousand as at 30 June 2018 compared to Euro 206,979 thousand as at 31 December 2017.

During the first half of 2018, the Purchase Price Allocation (PPA) process was completed for the acquisition on 1 July 2017 of the ESIET VAS Srl business unit operating in the IT services and consulting market for banking and financial sector customers. The completion of the Purchase Price Allocation process did not reveal any differences in the fair value of the assets and liabilities acquired or of intangible assets not previously recognised. At the end of the Purchase Price Allocation process, the initial allocation to goodwill, amounting to Euro 1.894 thousand, was reduced by Euro 100 thousand for the elimination of the earn out, as the planned objectives had not been achieved.

With reference to the acquisition by subscription of 81% of the share capital of Italtel SpA, the initial allocation of the purchase price relating to the business combination was not completed at the reporting date, as management made use of the option granted by paragraph 45 of IFRS 3, which allows the provisional allocation of the purchase price. In fact, management is still acquiring the information necessary to define the fair value of the assets, liabilities and contingent liabilities of the acquired entity. This allocation will be completed as soon as the information is available to define the fair value of the assets, liabilities and contingent liabilities of the acquired entity and, in any case, within one year of the acquisition date, as envisaged in the relevant accounting standard. Following an initial analysis of the fair value of assets and liabilities, the difference between the price paid and the portion of share capital attributable to Exprivia, equal to Euro 15.6 million, was temporarily allocated to goodwill. In the specific case in question, therefore, the final determination of the goodwill could change with respect to the initial allocation due to the final definition of the overall value of the investment and the definition of the fair value of the assets and liabilities acquired.

Consistent with the Group’s strategic vision, the following CGUs were identified according to the specificity of the related management and coordination structures of the business, as well as the related sector in the ICT market:

- **IT CGU**, software and IT services corresponding to the scope of consolidation of the Exprivia Group prior to the acquisition of control over Italtel Spa;
- **TLC CGU**, TLC network infrastructures and services corresponding to the scope of sub-consolidation of the Italtel Group.

Goodwill is allocated to the reference CGUs based on the transactions from which it originates. In particular, goodwill arising from business combinations through which assets were acquired and assigned to specific CGUs from an operational standpoint, was allocated to the respective CGUs.

The table below summarises allocation of goodwill to CGUs identified:

Goodwill	Value at 30/06/2018
<b>Amount in thousand Euro</b>	
CGU IT	84,646
CGU TLC	122,215
<b>TOTAL</b>	<b>206,861</b>

### Note 3 - Other intangible assets

The item “**Other intangible assets**” amounted to Euro 35,244 thousand as at 30 June 2018 (net of amortisation) compared to Euro 35,721 thousand as at 31 December 2017.

The table below provides a summary of the item.

Categories	Historic cost 01/01/2018	Increases at 30/06/2018	Dec. al 30/06/2018	Total historic cost at 30/06/2018	Deprec. fund at 01/01/2018	Deprec. quota for period	Decreases	Cumulated deprec. 30/06/2018	Net value at 30/06/2018
Cost of plant and extension	10,836	116	(61)	10,891	(7,250)	(438)	35	(7,653)	3,239
Development of advertising	406,157	6,426	(600)	411,983	(383,911)	(6,237)	600	(389,548)	22,436
Patents and Intellectual Property Rights	141,557	1,039	(3)	142,593	(139,814)	(745)	0	(140,559)	2,034
Assets under constr. & payment on a/c	8,145	815	(1,424)	7,536	0	0	0	0	7,536
<b>TOTAL</b>	<b>566,695</b>	<b>8,395</b>	<b>(2,088)</b>	<b>573,003</b>	<b>(530,974)</b>	<b>(7,419)</b>	<b>634</b>	<b>(537,759)</b>	<b>35,244</b>

The increase in the item “**costs for capitalised internal projects**” is mainly due to the development of software applications in the TLC, Banking & Finance, Healthcare and Defence & Aerospace markets.

It should be noted that the item “**work in progress**” mainly relates to “costs for capitalised internal projects” as a result of projects that have not yet entered into production, attributable to Advanced Computer System Srl (Euro 3,653 thousand) and Italtel (Euro 3,883 thousand).

### Note 4 - Equity investments

The balance of the item “**equity investments**” as at 30 June 2018 amounted to Euro 586 thousand compared to Euro 589 thousand as at 31 December 2017.

The composition of equity investments is described below.

#### Equity investments in associates

The balance of the item “**equity investments in associates**” as at 30 June 2018 amounted to Euro 194 thousand and is unchanged compared to 31 December 2017.

The table below provides details on the items:

Description	30/06/2018	31/12/2017	Variation
Cored- Consorzio Reti 2000 in liquidation	76	76	0
Consorzio Hermes in liquidation	118	118	0
<b>TOTAL</b>	<b>194</b>	<b>194</b>	<b>0</b>

The aforementioned equity investments are held by Italtel SpA and are valued with the equity method.

## Equity investments in other companies

The balance of the item “equity investments in other companies” as at 30 June 2018 amounted to Euro 392 thousand compared to Euro 395 thousand as at 31 December 2017.

The table below provides details on the item:

Description	30/06/2018	31/12/2017	Variation
Ultimo Miglio Sanitario	3	3	0
Certia	1	1	0
Conai	0	0	0
Software Engineering Research	12	12	0
Consorzio Biogene	3	3	0
Consorzio DARE	1	1	0
Consorzio DHITECH	17	17	0
H.BIO Puglia	12	12	0
Consorzio Italy Care	10	10	0
Consorzio DITNE	6	6	0
SELP	0	0	0
Consorzio Daisy-Net Participation	14	14	0
Cattolica Popolare Soc. Cooperativa	23	23	0
Banca di Credito Cooperativo	0	0	0
Innoval Scarl	3	3	0
Partecipazione Consorzio SILAB-Daisy	7	7	0
ENFAPI CONFIND Partecipation	1	1	0
Moda Mediter Partecipation	0	0	0
Partecipazione Consorzio GLOCAL ENABLER	2	2	0
Consorzio Heath Innovation HUB/Consorzio Semantic Valley	0	3	-3
Cefriel Scarl	69	69	0
Consorzio Semantic Valley	0	0	0
Consorzio Azimut	2	2	0
Banca di Credito Cooperativo di Roma	9	9	0
Consorzio Createc	7	7	0
Consorzio Milano Ricerche	15	15	0
Consel- Consorzio Elis per la Formazione Professionale Superiore Scarl	1	1	0
SISTEL - Comunicacose Automacoa e Sistemas SA	36	36	0
Parco Scientifico e Tecnologico della Sicilia	2	2	0
MIP - Politecnico Milano Scrl	0	0	0
Consorzio COFRIDIP	3	3	0
Distretto Teconologico, Sicilia Micro e Nano Sistemi Scarl	27	27	0
SI-LAB Sicilia Scarl	6	6	0
Open Hub Med Scarl	100	100	0
<b>TOTAL</b>	<b>392</b>	<b>395</b>	<b>-3</b>

## Note 5 - Other non-current financial assets

The balance of the item “**other non-current financial assets**” as at 30 June 2018 amounted to Euro 2,682 thousand compared to Euro 3,273 thousand as at 31 December 2017.

The composition of item is described below.

### Receivables from parent companies

The balance of the item “**receivables from parent companies**”, amounting to Euro 1,783 thousand as at 30 June 2018, compared to Euro 2,258 thousand at 31 December 2017, refers to the receivable due to the Holding Company Exprivia SpA from its parent company Abaco Innovazione SpA as a result of the loan agreement stipulated by the parties in 2016. The loan, totalling Euro 2,985 thousand, was disbursed in the form of Euro 1,680 thousand in cash and Euro 1,305 thousand through the reclassification of payables outstanding as at 31 December 2015. The loan term has been established as 7 equal, deferred annual instalments with increasing principal repayments. The decrease relates to the amount reclassified from the item “receivables from parent companies” to “other financial assets” for the instalment due on 4 April 2019 (note 12).

### Other receivables

The balance of the item “**other receivables**” as at 30 June 2018 amounted to Euro 884 thousand compared to Euro 995 thousand as at 31 December 2017.

The item includes Euro 763 thousand referring to long-term guarantee deposits, Euro 121 thousand referring to long-term financial receivables, maturing in 2020, for costs incurred for the disbursement of loans for research projects entitled PAIMS and SIS disbursed during 2015.

### Derivative financial instruments

As at 30 June 2018, the item “**derivative financial instruments**” amounted to Euro 15 thousand compared to Euro 20 thousand as at 31 December 2017.

The derivative financial instruments are represented by instruments not listed on organised markets, subscribed for the purpose of hedging the interest rate risk. The fair value of these instruments was determined by an independent expert applying the Shifted Lognormal Model (“Displaced Diffusion Model”) valuation model.

The fair value of these derivative instruments as at the reporting date which satisfy the requirements for being a cash flow hedge are presented below.

Contract	Date Operation	Initial Date	Expiration Date	Value	Amount of Reference at 30 June 2018	Fair value
Interest Rate Cape - BNL	06/05/2016	30/06/2016	31/12/2022	EUR	3,392	6
Interest Rate Cape - BPM	11/05/2016	30/06/2016	30/12/2022	EUR	1,904	3
Interest Rate Cape - UNICREDIT	09/05/2016	30/06/2016	30/12/2022	EUR	3,392	6
<b>TOTAL</b>					<b>8,688</b>	<b>15</b>

With reference to the cash flow derivative instruments, it should be noted that the Holding Company Exprivia subscribed the financial instruments described above in order to neutralise the interest rate risk determined by an underlying variable interest rate loan (Euribor). These are cash flow hedges, measured at level 2 in the fair value hierarchy.

The fair value changes have been recognised in the income statement for the part relating to the timing value and in the cash flow hedge reserve for the part relating to the intrinsic value.

The sensitivity analysis conducted on the change in the fair value of derivatives after a shift of 1 percentage point in the spot interest rates curve highlights that:

- upon a change of +1%, the fair value of derivatives would be positive for Euro 100 thousand;
- upon a change of -1%, the fair value would be nil.

## Note 6 - Other non-current assets

The balance of the item “**other non-current assets**” as at 30 June 2018 amounted to Euro 3,680 thousand compared to Euro 4,436 thousand as at 31 December 2017.

The change is shown in the table below.

Description	30/06/2018	31/12/2017	Variation
Receivables from tax authorities	1,028	1,078	(50)
Receivables due from tax authorities requested as reimbursement	1,323	1,825	(502)
Other credits	1,329	1,533	(204)
<b>TOTAL</b>	<b>3,680</b>	<b>4,436</b>	<b>(755)</b>

Receivables from tax authorities totalling Euro 1,028 thousand refer:

- for Euro 469 thousand to withholding taxes applied abroad for Italtel SpA with an envisaged maturity in a period of between 2 and 8 years; the receivable is recognised net of a bad debt provision amounting to Euro 4,725 thousand in relation to receivables of dubious recovery;
- for Euro 559 thousand to other receivables of Italtel SpA due from the tax authorities which are difficult to recover and are net of a write-down of Euro 372 thousand.

The “receivables from tax authorities requested for rebate” amounting to Euro 1,323 thousand mainly relate to the amounts requested by Exprivia Group with the exception of Italtel Group companies, for the rebate request relating to the deductibility of the IRAP tax calculated on staff costs, which generated a recovery of IRES tax mainly attributable to Exprivia SpA (Euro 1,159 thousand). Similarly to previous years, the refunds for the years 2009 to 2011 are recognised in the item, while those relating to 2007 and 2008 were included in the item “**other current assets**”. The change in the item “receivables from tax authorities requested for rebate” is due to the amounts collected in April 2018 for requests submitted and refers only to part of the amounts for which reimbursements were requested.

The item “other receivables” amounting to Euro 1,329 thousand mainly refers to the prepayment of costs pertaining to subsequent years. The balance mainly relates to the prepayment of fees paid in advance by the subsidiary Italtel SpA in 2016 for the rental of the Castelletto offices for the period 2016-2024 (Euro 1,074 thousand).

## Note 7 - Prepaid taxes

The balance of the item “**prepaid taxes**”, as at 30 June 2018, amounting to Euro 65,466 thousand compared with Euro 65,638 thousand as at 31 December 2017, refers to the taxation on deductible temporary changes or on future tax benefits; it is almost exclusively related to Italtel Group (Euro 62,844 thousand) and mainly concerns the tax losses whose forecast recoverability is in line with the 2017-2023 Business Plan approved by the Board of Directors of Italtel on 9 January 2017, subsequently amended by means of resolution dated 19 July 2017.

Prepaid taxes are stated in the financial statements if there is reasonable certainty they will be recovered, and are measured on the basis of the ability to generate taxable income in future years.

Description	Amount of temporary differences	Tax effect at 30 June 2018	Amount of temporary differences	Tax effect at December 31, 2017
Depreciation	99	24	99	24
Goodwill	42	12	42	12
Allowance for doubtful accounts	4,953	1,229	5,292	1,270
Fund risks	3,464	958	3,421	947
Wip	48,645	12,754	48,645	12,754
Tax losses	192,650	46,341	191,744	46,145
Adjustments for IFRS	4,985	1,191	5,380	1,285
Others	12,175	2,957	13,259	3,201
<b>TOTAL</b>	<b>267,013</b>	<b>65,466</b>	<b>267,882</b>	<b>65,638</b>

## CURRENT ASSETS

### Note 8 - Trade receivables

The balance of the item “**trade receivables**” as at 30 June 2018 amounted to Euro 120,339 thousand compared to Euro 148,487 thousand as at 31 December 2017.

The following table provides details on the item as well as a comparison with 30 June 2017.

Description	30/06/2018	31/12/2017	Variation
Trade receivables from customers	120,240	148,388	-28,148
Trade receivables from associated companies	86	86	0
Trade receivables from controlling companies	13	13	0
<b>Total trade receivables</b>	<b>120,339</b>	<b>148,487</b>	<b>(28,148)</b>

### Trade receivables - customers

As at 30 June 2018, the item “**trade receivables - customers**” amounted to Euro 120,240 thousand (net of the bad debt provision) compared to Euro 148,388 thousand as at 31 December 2017.

The following table provides details on the item as well as a comparison with 31 December 2017.

Description	30/06/2018	31/12/2017	Variation
To Italian customers	76,641	98,226	(21,585)
To foreign customers	46,714	52,432	(5,717)
To public bodies	5,246	6,048	(802)
<b>S-total receivables to customers</b>	<b>128,601</b>	<b>156,706</b>	<b>(28,104)</b>
Less: provision for bad debts	(8,361)	(8,318)	(43)
<b>Total receivables to customers</b>	<b>120,240</b>	<b>148,388</b>	<b>(28,147)</b>

Trade receivables - customers, including the write-down provision, can be broken down as follows.

Details	30/06/2018	31/12/2017	Variation
To third parties	101,857	132,130	(30,273)
Invoices for issue to third parties	26,744	24,576	2,168
<b>TOTAL</b>	<b>128,601</b>	<b>156,706</b>	<b>(28,105)</b>

The value of invoices to be issued reflects the particular type of business in which Group companies operate, hence, although many contracts can be invoiced on a monthly basis, others must follow an authorisation process which does not necessarily end in the month of reference. The amount shown in the financial statements is the amount that had been accrued up until the close of the period and which will be invoiced in the following months.

The table below shows a breakdown of receivables by date of maturity, net of invoices/credit notes to be issued and including receivables carried under the bad debts provision.

Amount of receivables	in										Allowance for doubtful accounts	Credits net of the Fund
	expire	due	days past due									
			1 - 30	31- 60	61 - 90	91-120	121-180	181-270	271-365			
101,857	64,535	37,322	6,697	2,379	1,964	1,434	3,046	2,581	754	18,467	-8,361	93,496
100.0%	63%	37%	7%	2%	2%	1%	3%	3%	1%	18%		

### Receivables from associates

The balance of “**receivables from associates**” as at 30 June 2018 amounted to Euro 86 thousand, unchanged from 31 December 2017, of which Euro 59 thousand refers to trade receivables due from Cored - Consorzio Reti Duemila in liquidation and Euro 27 thousand due from Consorzio Hermes in liquidation.

### Receivables from parent companies

The balance of “**receivables from parent companies**” as at 30 June 2018 amounted to Euro 13 thousand, unchanged from 31 December 2017, and refers to the receivable due to Exprivia SpA from the parent company Abaco Innovazione SpA for the charging of administrative and logistics services disciplined by an outline agreement existing between the parties.

### Note 9 - Inventories

“**Inventories**” amounted to Euro 50,256 thousand as at 30 June 2018 compared to Euro 41,007 thousand at 31 December 2017 and refer to software and hardware purchased and destined to be resold in future periods.

The table below provides the detailed breakdown.

Description	30/06/2018	31/12/2017	Variation
Work in progress and products in progress	13,472	9,251	4,221
Finished products and goods	36,784	31,756	5,028
<b>TOTAL</b>	<b>50,256</b>	<b>41,007</b>	<b>9,249</b>

“**Work in progress**” is stated net of a write-down provision for Euro 2,199 thousand. “Finished products and goods for resale” are stated net of a write-down provision for Euro 47,950 thousand.

### Note 10 – Contract work in progress

“**Contract work in progress**” amounted to Euro 49,460 thousand as at 30 June 2018 compared to Euro 36,821 thousand as at 31 December 2017 and refers to the percentage of completion of contracts in progress. The figure is broken down into the two different operating segments below:

Business Areas	30/06/2018	31/12/2017	Variation
IT	21,653	16,300	5,353
TLC	27,807	20,521	7,286
<b>TOTAL</b>	<b>49,460</b>	<b>36,821</b>	<b>12,639</b>

## Note 11 - Other current assets

As at 30 June 2018, the item “**other current assets**” amounted to Euro 41,000 thousand compared to Euro 34,847 thousand at 31 December 2017. The table below provides a breakdown:

Description	30/06/2018	31/12/2017	Variation
Current tax credits	10,692	8,291	2,401
Credits for current taxes	2,848	2,877	(29)
Receivables for contrib.	20,179	15,967	4,212
Sundry credits	1,919	1,641	278
Receivables to welfare institutes/INAIL	706	1,349	(643)
Receivables to employees	1,001	1,461	(460)
Costs in future years expertise	3,655	3,261	394
<b>TOTAL</b>	<b>41,000</b>	<b>34,847</b>	<b>6,153</b>

The item “**grants receivable**” amounting to Euro 20,179 thousand refers to the amounts receivable from the government, regional authorities and public bodies for operating and capital grants for research & development projects in relation to which reasonable certainty exists of the acknowledgement as envisaged in section 7 of the international accounting standard IAS 20.

These entries will be brought to zero when the balance of the grants is collected following the final assessments made by the respective Ministries and Local Bodies. The receivables are carried net of the risk provision for any minor grants that might not be received.

As at 30 June 2018, the items “**current tax receivables**” and “**receivables for current taxes**” amounted to Euro 13,539 thousand compared to Euro 11,168 thousand at 31 December 2017. The VAT tax credit amounted to Euro 6,991 thousand as at 30 June 2018.

The item “**other receivables**” amounted to Euro 1,919 thousand, while the balance as at 31 December 2017 was Euro 1,641 thousand.

“**Receivables from pension institutions/INAIL**” amounted to Euro 706 thousand compared to Euro 1,349 thousand as at 31 December 2017 and referred to the receivables from INPS for amounts paid in advance by Italtel SpA as a result of salary integration to staff on solidarity contracts for the period 1 January 2017 - 30 June 2018.

“**Receivables from employees**” amounted to Euro 1,001 thousand, referring for Euro 936 thousand to Italtel Group, of which Euro 550 thousand is for receivables due from employees for advances paid for work-related travel.

The item “**expenses pertaining to future financial years**” for Euro 3,655 thousand refers to suspended costs pertaining to the following year.

## Note 12 – Other current financial assets

The balance of the item “**other current financial assets**” as at 30 June 2018 amounted to Euro 1,699 thousand compared to Euro 1,914 thousand as at 31 December 2017.

The following table provides details on the item as well as a comparison with 31 December 2017.

Description	30/06/2018	31/12/2017	Variation
Current financial receivables from others	1,267	1,514	(247)
Current financial receivables from parent companies	432	400	32
<b>TOTAL</b>	<b>1,699</b>	<b>1,914</b>	<b>(215)</b>

## Financial receivables from others

The balance of “**financial receivables from others**” amounted to Euro 1,267 thousand as at 30 June 2018 compared to Euro 1,514 thousand as at 31 December 2017 and includes Euro 601 thousand in amounts due from leading factoring firms relating to non-recourse agreements and Euro 666 thousand relating to sundry financial receivables for investments in monetary funds comprising Argentinian government public debt securities which can be settled and collected over the very short-term (Euro 308 thousand) as well as prepayments on low-interest loans (Euro 211 thousand).

## Financial receivables from parent companies

As at 30 June 2018, the balance of “**financial receivables from parent companies**” amounted to Euro 432 thousand compared to Euro 400 thousand as at 31 December 2017 and related to the current portion of the Holding Company’s financial receivable due from the parent company Abaco Innovazione SpA.

## Note 13 - Cash and cash equivalents

The item “**cash and cash equivalents**” amounted to Euro 32,259 thousand as at 30 June 2018 compared to Euro 36,508 thousand at 31 December 2017 and refers to Euro 30,823 thousand held at banks and Euro 1,436 thousand in cheques and cash in hand.

The cheques are mainly held by Italtel Argentina SA for Euro 1,385 thousand and are securities collectable within sixty days of the reporting date; these cheques can be promptly converted into cash and are subject to an insignificant value change risk.

Additionally, the bank balance includes secured deposits for guarantees amounting to Euro 464 thousand undertaken in favour of two banks.

## Note 14 - Other financial assets available for sale

The item “**other financial assets available for sale**” amounted to Euro 455 thousand as at 30 June 2018, unchanged from 31 December 2017. It relates to financial instruments issued by Banca Popolare di Bari, specifically:

- 33,427 shares of said bank for an amount of Euro 7.5 each, totalling Euro 251 thousand;
- 33,427 “Banca Popolare di Bari 6.50% 2014/2021 subordinate Tier II” bonds for Euro 6.00 each, amounting to Euro 204 thousand.

These financial instruments were booked at fair value (level 2).

Description	30/06/2018	31/12/2017	Variation
Bonds BPM	204	204	0
Shares BPB	251	251	(0)
<b>TOTAL</b>	<b>454</b>	<b>454</b>	<b>(0)</b>

## NON-CURRENT ASSETS DISPOSED OF

Non-current assets disposed of, amounting to Euro 120 thousand, refer to Italtel Telecommunication Hellas EPE in liquidation and Italtel Arabia Ltd in liquidation.

Italtel Telecommunication Hellas EPE, with effect as from 7 April 2017, further to resolution dated 31 March 2017, was placed in liquidation and is represented in the consolidated financial statements as destined to be disposed of. The appointment as liquidator was entrusted by the previous director of the company.

Italtel Spa’s Board of Directors on 24 July 2014 resolved the placement in liquidation of Italtel Arabia Ltd. Consequently, the appointment as liquidator was granted to a local legal advisor so as to accomplish the necessary activities in accordance with local law.

The liquidation activities of the company are still underway.

The assets, for a total of Euro 120 thousand, are made up of cash and cash equivalents.

## Note 15 - SHAREHOLDERS' EQUITY

### Share capital

As at 30 June 2018, "**share capital**" amounted to Euro 25,155 thousand and is unchanged from 31 December 2017. It consists of 51,883,958 ordinary shares with a par value of Euro 0.52 each for a total of Euro 26,980 thousand, net of 3,509,153 treasury shares held at 30 June 2018 for a value of Euro 1,825 thousand which have not changed with respect to 31 December 2017.

### Share premium reserve

As at 30 June 2018, the "**share premium reserve**" amounted to Euro 18,082 thousand and is the same as 31 December 2017.

### Revaluation reserve

As at 30 June 2018, the "**revaluation reserve**" amounted to Euro 2,907 thousand and is the same as 31 December 2017.

### Legal reserve

As at 30 June 2018, the "**legal reserve**" amounted to Euro 3,959 thousand, up Euro 28 thousand from Euro 3,931 thousand as at 31 December 2017, as a result of the allocation of the 2017 profit.

### Other reserves

The balance of the item "**other reserves**" as at 30 June 2018 amounted to Euro 42,696 thousand compared to Euro 44,461 thousand as at 31 December 2017 and is made up as follows:

- Euro 15,295 thousand for the "extraordinary reserve" compared to Euro 19,301 thousand as at 31 December 2017. The change is attributable for Euro 521 thousand to the allocation of the 2017 profit and for Euro -4,527 thousand to the creation of the "Digital Future Project restricted reserve", for the relative investment programme, as resolved by the Exprivia SpA shareholders' meeting of 27 April 2018.
- Euro 27,401 thousand for "**other reserves**" compared with Euro 25,160 thousand in 2017. The movements in the first half of 2018 are mainly related to:
  - the positive effect on shareholders' equity of actuarial gains and losses deriving from the adoption of IAS 19 for Euro 279 thousand;
  - the negative effect of the first-time adoption of the IFRS 15 accounting standard for Euro 88 thousand;
  - the negative effect of the change in the currency translation reserve, for Euro 1,920 thousand;
  - the positive net effect relating to Cash Flow Hedge and AFS instruments amounting to Euro 436 thousand;
  - tax effects resulting from the merger goodwill for Euro 445 thousand.

## Profit/loss from previous periods

The reserve for profit/loss related to previous periods as at 30 June 2018 came to Euro 7,052 thousand compared to Euro 6,931 thousand as at 31 December 2017. The changes compared to the previous year are essentially a result of the following factors:

- Euro 23 thousand due to the allocation of the result from the previous year;
- Euro 98 thousand due to changes relating to Group companies.

## Minority interests

The minority shareholders' interests (Euro 21.1 million as at 30 June 2018) mainly relate to the Italtel Group; when establishing the minority interest, account was taken of the forecasts relating to the economic-equity rights of the minority shareholders and holder of SFP of Italtel SpA.

## NON-CURRENT LIABILITIES

### Note 16 - Bond issues

The balance as at 30 June 2018 came to Euro 22,480 thousand and relates to the non-current portion of the bond issued entitled "Exprivia SpA - 5.80% 2017 - 2023", which the Holding Company issued to finance the subscription by Exprivia SpA of 81% of Italtel SpA's share capital.

The unsecured bond was originally made up of 170 bearer securities with a par value of Euro 100,000.00 each, at a fixed rate of 5.8% per annum (which may be increased or decreased in relation to the value of the NFP/EBITDA financial covenant), with deferred six-month coupons reimbursed on par and a non-linear amortising repayment plan which envisages the repayment of 20% of the principal for each year as from 2020 and the remaining 40% in 2023. The Bond Regulations envisage customary covenants in accordance with market practices for similar transactions.

The bond was subscribed by the following parties:

- 1) 80 securities by Anthilia Capital Partners SGR S.p.A.;
- 2) 65 securities by Banca Popolare di Bari S.c.p.a.;
- 3) 15 securities by Consultinvest Asset Management SGR S.p.A.;
- 4) 10 securities by Confidi Systema! S.c.

On 29 December 2017, Exprivia exercised the right to increase the bond issue by an additional Euro 6 million, by means of the issue of an additional 60 securities, subscribed by Mediobanca SGR S.p.A..

The securities have been placed in the centralised management system of Monte Titoli SpA and have been admitted for listing in the multilateral trading system managed by Borsa Italiana SpA, ExtraMOT market PRO segment reserved for professional investors.

The trading Admission Document and the Bond Regulations are available on the Company's website at the following address [www.exprivia.it](http://www.exprivia.it), Investor Relations section.

It is pointed out that the amount pertains fully to the scope of the Exprivia Group in the composition prior to the acquisition of Italtel SpA.

The bond envisages the observance of the financial parameters relating to the NFP/SE and NFP/EBITDA ratios as listed below, for the entire duration:

Reference date	Net Financial Position/ Shareholders' Equity	Net Financial Position/ EBITDA
31.12.2018	≤ 1.1	≤ 5.5
31.12.2019	≤ 1.0	≤ 5.0
31.12.2020	≤ 1.0	≤ 4.5
31.12.2021	≤ 1.0	≤ 4.0
31.12.2022	≤ 1.0	≤ 4.0

These parameters are calculated on a consolidated basis excluding Italtel SpA and all of its subsidiaries, and refer to the previous 12 months respectively of each year, using the normal calculation criteria agreed between the parties.

### Note 17 - Non-current payables to banks

As at 30 June 2018, the item “non-current payables to banks” amounted to Euro 161,331 thousand compared to Euro 167,499 thousand at 31 December 2017, and pertains to medium-term bank debt from major credit and financial institutions and to low-interest loans for specific investment programmes.

The Italtel Group’s portion amounts to Euro 143,481 thousand, while Euro 17,850 thousand refers to the residual scope of Exprivia Group.

The table below provides details on the items and breaks down the non-current portion (Euro 161,331 thousand) and the current portion (Euro 20,358 thousand) of the payable.

Financial Institute	Typology	Contract amount	Amount paid 30.06.2018	Date contract	Expiration date	Repayment installment	Rate applied	Residual capital 30.06.2018	To be repaid within 12 months	To be repaid over 12 months
Ministero dello Sviluppo Economico	Financing	2,019	2,019	27/12/2009	27/02/2019	annual	0.87%	464	231	233
Monte dei Paschi di Siena	Financing	2,000	2,000	13/04/2017	30/09/2018	monthly	Euribor + 1,75%	428	428	0
Intesa San Paolo	Financing	3,000	3,000	13/12/2017	13/12/2018	monthly	1.9%	1,506	1,506	0
Pool – Capofila Banca Nazionale del Lavoro	Financing	25,000	25,000	01/04/2016	31/12/2022	semi-annual	Euribor + 2.65%	16,922	3,720	13,202
ICCREA Banca Impresa	Mutuo	3,000	3,000	26/05/2017	31/10/2018	monthly	Euribor + 2.9%	716	716	0
ICCREA Banca Impresa	Financing	1,020	1,020	18/07/2013	30/09/2018	quarterly	Euribor + 3.80%	56	56	0
Simest	Financing	1,955	1,198	19/04/2013	19/04/2020	semi-annual	0.5%	480	240	240
Banca del Mezzogiorno	Financing	3,500	3,500	23/06/2017	23/06/2027	quarterly	Euribor + 2.75%	3,127	347	2,780
Ubi Banca	Financing	1,500	1,500	25/05/2017	25/11/2018	monthly	Euribor + 1.8%	420	420	0
Banca Popolare dell'Emilia Romagna	Financing	1,000	1,000	28/07/2017	28/10/2018	monthly	Euribor + 1.85%	269	269	0
Deutsche Bank	Financing	500	500	21/12/2017	21/12/2018	quarterly	Euribor + 0.5%	246	246	0
Deutsche Bank	Financing	1,000	1,000	25/09/2017	25/09/2018	monthly	Euribor + 0.5%	1,023	1,023	0
Banca Popolare Puglia e Basilicata	Financing	2,000	2,000	24/03/2017	a revoca	single payment	Euribor + 2.4%	2,000	2,000	0
Credito Emiliano	Financing	3,000	3,000	28/02/2017	31/08/2018	annual	Euribor + 1.38%	1,200	1,200	0
Banca Popolare di Bari	Financing	500	500	04/12/2014	31/12/2019	quarterly	Euribor + 2.20%	157	104	53
Ministero dello Sviluppo Economico	Financing	863	863	14/09/2016	17/11/2025	annual	0.312%	810	92	718
Banca di Credito Cooperativo di Roma	Financing	288	288	20/06/2013	30/09/2018	quarterly	0.5%	15	15	0
Banca di Credito Cooperativo di Roma	Financing	288	288	20/06/2013	30/09/2018	quarterly	Euribor+ 5.25%	16	16	0
Banca di Credito Cooperativo di Roma	Financing	87	87	30/08/2013	30/09/2018	quarterly	0.5%	4	4	0
Banca di Credito Cooperativo di Roma	Financing	87	87	30/08/2013	30/09/2018	quarterly	Euribor+ 5.75%	5	5	0
Banca di Credito Cooperativo di Roma	Financing	1,130	1,130	11/08/2014	31/10/2019	monthly	Euribor+ 4.25%	326	244	82
Ministero dello Sviluppo Economico	Financing	929	232	16/02/2017	30/06/2026	half-yearly	0.8%	240	30	210
Banco de Santander	Financing	571	571	28/07/2016	28/08/2018	monthly	5.0%	46	46	
Banco de Santander	Financing	88	88	18/04/2018	18/07/2018	monthly	4.95%	29	29	
Banco Popular	Financing	100	100	26/10/2015	26/10/2018	monthly	4.5%	12	12	
Banco Popular	Financing	300	300	25/02/2015	25/02/2020	monthly	5.50%	100	58	42
Banco Popular	Financing	100	100	25/04/2012	10/05/2019	monthly	4.25%	15	14	1
Banco Popular	Financing	610	610	29/07/2016	29/07/2021	monthly	6.75%	400	111	289
Pool – Capofila Unicredit	Financing	132,005	132,005	14/12/2017	31/12/2024	amortizing not linear	Euribor + 2.5%	132,005	0	132,005
Cassa Depositi e Prestiti	Financing	6	2	25/09/2014	31/12/2018	amortizing not linear	Euribor + 3.00%	2	2	0
Cassa Depositi e Prestiti	Financing	531	178	25/09/2014	31/12/2018	amortizing not linear	Euribor + 3.00%	178	178	0
Cassa Depositi e Prestiti	Financing	58	7	25/09/2014	31/12/2018	amortizing not linear	0.50%	7	7	0
Cassa Depositi e Prestiti	Financing	4,783	603	25/09/2014	31/12/2018	amortizing not linear	0.50%	603	603	0
Cassa Depositi e Prestiti	Financing	1,273	1,273	25/08/2015	30/12/2020	amortizing not linear	Euribor + 4.00%	1,273	317	956
Cassa Depositi e Prestiti	Financing	141	141	10/10/2017	31/12/2020	amortizing not linear	Euribor + 4.00%	141	0	141
Cassa Depositi e Prestiti	Financing	11,453	5,762	25/08/2015	31/12/2020	amortizing not linear	0.50%	5,762	2,296	3,466
Cassa Depositi e Prestiti	Financing	1,273	1,062	10/10/2017	31/12/2020	amortizing not linear	0.50%	1,062	423	639
Cassa Depositi e Prestiti	Financing	1,231	1,231	25/08/2015	30/12/2020	amortizing not linear	Euribor + 4.00%	1,231	307	924
Cassa Depositi e Prestiti	Financing	137	137	10/10/2017	31/12/2020	amortizing not linear	Euribor + 4.00%	137	0	137
Cassa Depositi e Prestiti	Financing	11,076	5,573	25/08/2015	31/12/2020	amortizing not linear	0.50%	5,573	2,221	3,352
Cassa Depositi e Prestiti	Financing	1,231	1,027	10/10/2017	31/12/2020	amortizing not linear	0.50%	1,027	409	618
Ministero dell'Istruzione dell'Università e della Ricerca	Financing	6,234	1,491	22/02/2012	01/02/2020	amortizing not linear	0.50%	1,491	372	1,118
Ministero dell'Istruzione dell'Università e della Ricerca	Financing	572	166	05/11/2013	01/07/2020	amortizing not linear	0.50%	165	41	123
<b>Total</b>								<b>181,689</b>	<b>20,358</b>	<b>161,331</b>

## Medium-term loan agreement

On 1 April 2016, Exprivia SpA stipulated a medium-term loan for a total of Euro 25,000 thousand with a pool of banks consisting of BNL and Unicredit, also as lead bank and lead arranger, and Banca Popolare di Bari and Banca Popolare di Milano, consisting of a single amortising credit line to be repaid by 31 December 2022, at an annual rate equal to the Euribor plus a 2.65% spread, to which one-off fees of 1.40% were also added when the agreement was entered into.

The loan is backed by ordinary guarantees typical of transactions of this type, including the guarantee issued by SACE SpA in the amount of Euro 6 million, in addition to guarantees issued by the Holding Company Abaco Innovazione SpA, described in more detail in the Disclosure Document prepared pursuant to Art. 5, first paragraph, of the CONSOB Regulation, which was published on 8 April 2016 on the company's website in the "Corporate - Corporate Governance - Corporate Information" section.

The loan has the standard market conditions for loans of an equal amount and term, such as: representations and warranties, covenants (pari passu, negative pledge, etc.), limitations on significant extraordinary transactions (with the exception of intercompany transactions, which are exclusively allowed within the corporate scope applicable as at 1 April 2016, and smaller transactions), the obligation to maintain adequate insurance coverage, compulsory and optional early repayment clauses, cross defaults, etc.

Lastly, the loan also includes a limitation on the distribution of dividends, which cannot exceed 25% of the net profit, in line with what is set forth in the Business Plan approved by the Company.

The loan also includes several financial covenants - Net borrowing/EBITDA, Net borrowing/Own funds, EBITDA/Net financial charges - which were amended further to the authorisation to acquire Italtel granted by the banks in the pool in July 2017, and which will be measured on a half-yearly basis, as well as limitations on total investments and the acquisition of own shares, as described in more detail in the table below.

Reference date	Net Financial Position/ EBITDA	Net Financial Position/ Own funds	EBITDA/ Net Financial Charges	Investments
30.06.2018	≤ 5.5	≤ 1.2	≥ 3.0	≤ 3,8 ml
31.12.2018	≤ 5.5	≤ 1.1	≥ 3.0	≤ 6,0 ml
30.06.2019	≤ 5.5	≤ 1.1	≥ 3.0	≤ 6,0 ml
31.12.2019	≤ 5.0	≤ 1.0	≥ 3.5	≤ 6,0 ml
30.06.2020	≤ 5.0	≤ 1.0	≥ 3.5	≤ 6,0 ml
31.12.2020	≤ 4.5	≤ 1.0	≥ 4.0	≤ 6,0 ml
30.06.2021	≤ 4.5	≤ 1.0	≥ 4.0	≤ 6,0 ml
31.12.2021	≤ 4.0	≤ 1.0	≥ 4.0	≤ 6,0 ml
30.06.2022	≤ 4.0	≤ 1.0	≥ 4.0	≤ 6,0 ml

These parameters calculated on a consolidated basis, excluding the Italtel Group, must be communicated by 30 April and 30 September of each year and will refer to the previous 12 months respectively at 30 June and 31 December of each year, using the normal calculation criteria agreed between the parties.

The financial parameter "Investments" does not take account of the acquisitions of equity investments exempt from authorisation or those subject to a specific written authorisation issued by banks.

As at 30 June 2018, the remaining debt amounted to Euro 18,757 thousand, Euro 3,678 thousand of which is to be repaid within the next twelve months (and therefore recorded under current liabilities) and the remaining Euro 15,080 thousand to be repaid in 2018-2022 (carried under non-current liabilities).

The Financial Parameters have been observed as at 31 December 2017.

### **Low-interest loan from the Ministry of Economic Development - Istituto Finanziario Ubi Banca (formerly Centrobanca) POR Puglia**

A loan resolved and fully paid for Euro 2,019 thousand as at 30 June 2018 in favour of the parent company Exprivia SpA; it was targeted at financing a research and development project under Law 46/82 F.I.T. Art. 14 Circular No. 1034240 of 11 May 2001, expires on 27 February 2019 and bears a below-market fixed rate of interest of 0.87% annually.

### **Iccrea Banca Impresa loan**

A loan for Euro 1,020 thousand stipulated by Exprivia SpA on 18 July 2013 to be repaid in quarterly instalments starting from 30 September 2013 until 30 September 2018. It is targeted at supporting international development in Brazil through the subsidiary Exprivia do Brasil. The interest rate applied is the Euribor + a 3.80% spread.

The loan is backed by a SACE guarantee of Euro 536 thousand.

### **Simest loan**

A loan of Euro 1,955 thousand resolved in favour of the Holding Company Exprivia SpA, entered into on 19 April 2013, of which Euro 1,198 thousand disbursed as at 30 June 2018, is to be repaid in six-month instalments starting from 19 October 2015 until 19 April 2020. The loan is targeted at supporting international development in China and bears a below-market fixed rate of interest (0.50% yearly).

### **Banca del Mezzogiorno loan**

A loan of Euro 3,500 thousand resolved in favour of the Holding Company Exprivia SpA, entered into on 23 June 2017, to be repaid in quarterly instalments starting from 23 September 2017 until 23 June 2027. This is intended in part to fully repay the loan taken out in 2014 from the lending bank early, and in part to meet working capital requirements.

The interest rate applied is the Euribor + a 2.75% spread.

The loan in question is backed by a first mortgage on the property located in via Giovanni Agnelli no. 5 in Molfetta for a total of Euro 7 million.

It should be pointed out that, by contract the entire amount of the next two instalments was secured in a current account at 30 June 2018.

### **Banca Popolare di Bari loan**

A loan for Euro 500 thousand stipulated by Exprivia SpA (formerly Exprivia Healthcare IT Srl) to be repaid in quarterly instalments starting from 31 March 2015 until 31 December 2019.

The interest rate applied is the Euribor + a 2.20% spread.

There are no real guarantees for this loan.

### **CUP 2.0 low-interest loan**

Loan totalling Euro 863 thousand resolved in favour of Exprivia SpA (formerly Exprivia Healthcare IT Srl), of which the full amount approved was disbursed as at 30 June 2018. This loan is targeted at financing a research and development project pursuant to financial law 46/82 F.I.T - PON R & C 2007/2013 – MD 24-09-2009, Project A01/002043/01/X 17 regarding: Innovative services for booking CUP 2.0 healthcare services. The loan will expire on 17 November 2025 and bears a below-market fixed rate of interest of 0.3120%.

### **Ordinary loan from Banca di Credito Cooperativo di Roma**

Loan 121/446091 taken out by the subsidiary ACS Srl for Euro 1,130 thousand stipulated on 11 August 2014 and provided on 11 August 2014 to be repaid in monthly instalments starting from 31 August 2014 until 31 October 2019.

The interest rate applied is the Euribor + a 4.25% spread.

### **Low-interest loan from Banca di Credito Cooperativo di Roma**

Loan 121/416528 of Euro 288 thousand stipulated by the subsidiary ACS Srl on 20 June 2013, to be repaid in 22 quarterly instalments starting from 30 June 2013 until 30 September 2018.

The interest rate applied is 0.50%.

### **Ordinary loan from Banca di Credito Cooperativo di Roma**

Loan 121/416527 of Euro 288 thousand stipulated by the subsidiary ACS Srl on 20 June 2013, to be repaid in 22 quarterly instalments starting from 30 June 2013 until 30 September 2018.

The interest rate applied is the Euribor + 5.25%.

### **Low-interest loan from Banca di Credito Cooperativo di Roma**

Loan 121/420830 of Euro 87 thousand stipulated by the subsidiary ACS Srl on 30 August 2013, to be repaid in 21 quarterly instalments starting from 30 September 2013 until 30 September 2018.

The interest rate applied is 0.50%.

### **Ordinary loan from Banca di Credito Cooperativo di Roma**

Loan 121/420832 of Euro 87 thousand stipulated by the subsidiary ACS Srl on 30 August 2013, to be repaid in quarterly instalments starting from 30 September 2013 until 30 September 2018.

The interest rate applied is the Euribor + 5.75%.

### **Low-interest Loan from Ministry of Economic Development - Istituto Finanziario Banca del Mezzogiorno**

The low-interest loan up to a maximum of Euro 929 thousand and disbursed for Euro 232 thousand as at 31 December 2017 taken out by the subsidiary ACS Srl on 16 February 2017, expiring on 30 June 2026, bears a below-market fixed rate of interest of 0.80%.

There are no real guarantees for this loan.

### **Term loan and restructuring agreements**

On 14 December 2017, Italtel SpA stipulated a Term Loan for a total of Euro 132,005 thousand with a pool of banks comprising BPM, Interbanca and Unicredit, leading bank, divided up into three amortising credit lines to be repaid by 31 December 2024, at an annual rate equal to the 12-month Euribor plus a 2.5% spread, and more specifically:

- Euro 36,353 thousand relating to the Restructuring line will be repayable as follows:
  - Euro 2,110 thousand as at 31 December 2019;
  - Euro 4,220 thousand as at 31 December 2020;

- Euro 3,377 thousand as at 31 December 2023;
  - Euro 26,645 thousand as at 31 December 2024.
- Euro 6,700 thousand of TERM - E line, used in full, and will be repayable as follows:
    - Euro 390 thousand as at 31 December 2019;
    - Euro 780 thousand as at 31 December 2020;
    - Euro 622 thousand as at 31 December 2023;
    - Euro 4,907 thousand as at 31 December 2024.
- Euro 88,952 thousand of TERM - D line, used in full, and will be repayable as follows:
    - Euro 2,500 thousand as at 31 December 2019;
    - Euro 5,000 thousand as at 31 December 2020;
    - Euro 79,238 thousand as at 31 December 2024.

The afore-mentioned loans with secured guarantee include Euro 3,496 thousand for interest due to the lending banks and capitalised on the medium/long-term credit lines as envisaged by the 2017 Restructuring Agreement subject to renegotiation with the lending banks.

The covenants envisaged by the loans agreements in force as at the following date are indicated by way of disclosure:

Data di riferimento	Leverage Ratio	Interest Cover Ratio	Capital Expenditure
30.06.2018	≤ 11,3	≥ 2,3	
31.12.2018	≤ 7,1	≥ 3,4	≤ € 18.700.000
30.06.2019	≤ 6,7	≥ 4,4	
31.12.2019	≤ 5,6	≥ 4,7	≤ € 17.400.000
30.06.2020	≤ 5,7	≥ 4,9	
31.12.2020	≤ 4,4	≥ 5,6	≤ € 17.600.000
30.06.2021	≤ 4,4	≥ 5,9	
31.12.2021	≤ 3,6	≥ 6,2	≤ € 17.600.000
30.06.2022	≤ 3,6	≥ 7,5	
31.12.2022	≤ 3,0	≥ 8,0	≤ € 17.600.000
30.06.2023	≤ 3,0	≥ 8,4	
31.12.2023	≤ 3,0	≥ 8,8	≤ € 17.600.000
30.06.2024	≤ 3,0	≥ 8,8	

**Leverage Ratio:** indicates the ratio between Net Financial Position and EBITDA.

**Interest Cover Ratio:** indicates the ratio between EBITDA and Net Financial Charges.

**Capital Expenditure:** refers to total investments.

### **Cassa Depositi e Prestiti Project ASIC - Istituto Finanziario Banca Intesa and Mediocredito loan**

A loan for Euro 5,380 thousand (Rotating fund for supporting the businesses and for investment in research), of which Euro 790 thousand disbursed on 30 June 2018, stipulated by Italtel Spa with repayment in six-month instalments starting from 30 December 2014 until 31 December 2018.

The rate applied is the Euribor plus a 3.00% spread for the bank loans amounting to Euro 538 thousand and a low-interest loan equal to 0.5% on the part of the soft loans amounting to Euro 4,842 thousand.

There are no real guarantees for this loan.

### **Cassa Depositi e Prestiti Project PA\_IMS - Istituto Finanziario Banca Intesa and Mediocredito loan**

Loan resolved for a total of Euro 14,140 thousand, of which Euro 8,238 thousand disbursed as at 30 June 2018, in favour of Italtel Spa with repayment in six-month instalments as at 30 June and 31 December of each year of duration of the loan with last maturity date on 31 December 2020.

The purpose of the loan was to fund a research and development project under the financing law 46/82 F.I.T concerning: "Access platform – Internet Protocol Multimedia Subsystem (PA\_IMS)".

The rate applied is the Euribor plus a 4.00% spread for the bank loans amounting to Euro 1,414 thousand and a low-interest rate equal to 0.5% on the part of the soft loans amounting to Euro 12,726 thousand.

There are no real guarantees for this loan.

### **Cassa Depositi e Prestiti Project SIS - Istituto Finanziario Banca Intesa and Mediocredito loan**

Loan resolved for a total of Euro 13,675 thousand, of which Euro 7,967 disbursed as at 30 June 2018, in favour of Italtel Spa with repayment in six-month instalments as at 30 June and 31 December of each year of duration of the loan with last maturity date on 31 December 2020.

The purpose of the loan was to fund a research and development project under the financing law 46/82 F.I.T concerning: "SIS-Solutions OSS/BSS/DSS Integrated Oriented at Services (SIS)".

The rate applied is the Euribor plus a 4.00% spread for the bank loans amounting to Euro 1,367 thousand and a low interest rate equal to 0.5% on the part of the soft loans amounting to Euro 12,307 thousand.

There are no real guarantees for this loan.

### **Ministry of Education, Universities and Research Project PNGN - Istituto Finanziario Banca Intesa and Mediocredito loan**

Loan under the form of facilitated credit and grant towards costs using the fund for concessions and research (FAR) for the development of the "Platform for Next Generation Network – PNGN" research project, amounting to Euro 6,806 thousand and disbursed as at 30 June 2018 for Euro 1,656 thousand, taken out by Italtel Spa on 22 February 2012 with reimbursement in 20 quarterly instalments until 1 July 2020.

The interest rate applied is 0.50%.

There are no real guarantees for this loan.

## NET FINANCIAL POSITION

In accordance with the CONSOB notice of 28 July 2006 and CESR recommendation of 10 February 2005 “Recommendations for standard implementation of European Commission regulations on disclosure schedules”, the table below shows the net financial position of the Exprivia Group as at 30 June 2018 and as at 31 December 2017.

	30.06.2018	31.12.2017
A. Cash	1,436	900
B. Other liquid assets	30,823	35,608
C 1. Securities held for trading	455	455
C 2. Own shares	2,547	2,547
<b>D</b>	<b>Liquidity (A)+(B)+(C)</b>	<b>35,261</b>
<b>E. Current financial receivables</b>	<b>1,699</b>	<b>1,914</b>
F. Current bank payables	(48,745)	(59,438)
G. Current part of non-current debt	(11,574)	(11,279)
H. Other current financial debts	(6,739)	(6,739)
<b>I.</b>	<b>Current financial indebtedness (F) + (G) + (H)</b>	<b>(67,058)</b>
<b>J.</b>	<b>Net current financial indebtedness (I) + (E) + (D)</b>	<b>(30,098)</b>
K. Non-current bank debt	(161,331)	(167,499)
L. Bonds	(22,480)	(22,413)
M. Other non-current financial debts net of non-current financial receivables and derivative financial instruments	2,579	3,100
<b>N.</b>	<b>Non-current financial debt (K) + (L) + (M)</b>	<b>(181,232)</b>
<b>O.</b>	<b>Net financial indebtedness (J) + (N)</b>	<b>(211,330)</b>

Treasury shares held by the Holding Company (Euro 2,547 thousand) are included in the calculation of the net financial position.

Pursuant to IAS 7 “Statement of Cash Flows”, the changes in liabilities resulting from financing activities is presented below:

amount in thousand Euro

	31.12.2017	Cash flows	Non-monetary flows	30.06.2018
Current financial receivables	1,914	(209)	(6)	1,699
Current bank payables and current portion of non-current debt	(70,717)	10,398	0	(60,319)
Other current financial debts	(6,739)	(3,215)	3,215	(6,739)
Non-current bank debt	(167,499)	6,168	0	(161,331)
Bonds	(22,413)	(67)	0	(22,480)
Other non-current net financial debt	3,100	(702)	181	2,579
<b>Net liabilities arising from financing activities</b>	<b>(262,354) (*)</b>	<b>12,373</b>	<b>3,390</b>	<b>(246,591)</b>
Liquidity	39,510 (**)	(4,249)	0	35,261 (**)
<b>Net financial debt</b>	<b>(222,843)</b>	<b>8,124</b>	<b>3,390</b>	<b>(211,330)</b>

(\*) Flows shown in the cash flow statement.

(\*\*) The item "liquidity" also includes the treasury shares held by the Parent Company and the "Other financial assets available for sale"

## Note 18 - Other non-current financial liabilities

The balance of "other non-current financial liabilities" as at 30 June 2018 amounted to Euro 102 thousand compared to Euro 173 thousand as at 31 December 2017.

Description	30/06/2018	31/12/2017	Variation
Payables to non-current suppliers	88	163	(75)
Payables to other non-current lenders	10	10	0
Non-current derivative financial instruments	4	0	4
<b>TOTAL</b>	<b>102</b>	<b>173</b>	<b>(71)</b>

### Non-current trade payables

The balance of "non-current trade payables" as at 30 June 2018 came to Euro 88 thousand compared to Euro 163 thousand at 31 December 2017 and refers to the medium/long-term payment relating to contracts for leased assets.

### Amounts payable to other lenders

The balance of "amounts payable to other lenders" as at 30 June 2018 amounted to Euro 10 thousand, unchanged from 31 December 2017, and refers to the company ACS Srl.

### Derivative financial instruments

The balance of the item "derivative financial instruments" as at 30 June 2018 was Euro 4 thousand compared with zero as at 31 December 2017.

Contract	Date Operation	Initial Date	Expiration Date	Value	Amount of Reference at 30 June 2018	Value MtM	Fair value
IRS Payer	06/06/2016	30/06/2016	28/03/2024	EUR	1,937	EUR	(4)
<b>TOTAL</b>					<b>1,937</b>		<b>(4)</b>

Note that the derivative product, as indicated in the previous table, subscribed by the Holding Company Exprivia with Unicredit was initially linked to a distinct loan with a floating interest rate which, further to the renegotiation of the loan, no longer satisfies the requirements envisaged for hedge accounting and therefore the related fair value change has been recognised in the income statement.

This is an instrument valued at fair value level 2.

## Note 19 - Other non-current liabilities

The balance of “**other non-current liabilities**” as at 30 June 2018 amounted to Euro 3,673 thousand compared to Euro 3,354 thousand as at 31 December 2017.

Description	30/06/2018	31/12/2017	Variation
Debts for social security institutions	355	420	(65)
Non-current tax payables	2,019	2,298	(279)
Debts towards others	1,299	636	663
<b>TOTAL</b>	<b>3,673</b>	<b>3,354</b>	<b>319</b>

Amounts payable to pension and social security institutions

The balance of “amounts payable to pension and social security institutions” amounted to Euro 355 thousand as at 30 June 2018 compared to Euro 420 thousand at 31 December 2017 and mainly refers to the division into medium/long-term instalments of the expired pension payables attributable to ACS Srl as a result of the instalment plans obtained.

### Non-current tax liabilities

The item “**non-current tax liabilities**” as at 30 June 2018 amounted to Euro 2,019 thousand compared to Euro 2,298 thousand at 31 December 2017. It refers to the division into medium/long-term instalments of the expired tax liabilities pertaining to the subsidiary ACS Srl (Euro 1,928 thousand) and the division into medium/long-term instalments of the tax payable (Euro 91 thousand), which arose following the tax payment slip received from the Inland Revenue Agency in October 2017 for the IRES from the national tax consolidation scheme related to the years 2013-2014.

The tax liability pertaining to ACS Srl refers mainly to the division into instalments, which became due for payment in 2016.

With reference to all other tax liabilities, for which a tax payment slip is pending, the liability was considered a short-term payable and classified under “other current liabilities”.

### Amounts payable to others

The balance of “amounts payable to others” amounted at 30 June 2018 to Euro 1,299 thousand compared to Euro 636 thousand as at 31 December 2017 and includes Euro 302 thousand in amounts due to employees of the subsidiary ACS Srl, and Euro 937 thousand relating to the suspended portion of hardware and software maintenance revenues for the Spanish subsidiary Italtel SA.

## Note 20 - Provision for risks and charges

At 30 June 2018, the item “**provision for risks and charges**” amounted to Euro 8,244 thousand (Euro 8,057 thousand pertaining to Italtel) compared to Euro 14,413 thousand as at 31 December 2017 (Euro 14,249 thousand pertaining to Italtel). The breakdown is shown in the table below:

Description	30/06/2018	31/12/2017	Variation
Fund risks disputes	250	250	0
Risk fund tax dispute	942	957	(15)
Risk provisions staff	6,310	11,622	(5,312)
Provision for other risks	741	1,584	(843)
<b>TOTAL</b>	<b>8,244</b>	<b>14,413</b>	<b>(6,169)</b>

The “**provision for dispute risks**” amounting to Euro 250 thousand, refers to a dispute with a former lessor of Italtel SpA.

The “**provision for tax dispute risks**” amounting to Euro 943 thousand refers to tax liabilities associated with the collection of receivables from foreign Italtel Group companies.

The “**provision for staff risks**” is equal to Euro 6,310 thousand, of which Euro 6,137 thousand refers to for amounts set aside by Italtel Group in previous years for employees as part of the restructuring envisaged in the 2017-2023 Business Plan. The decrease of Euro 5,312 thousand mainly concerns payments to former employees that were dismissed during the first half of 2018 (Euro 418 thousand), and the reclassification in “payables related to staff” under other current liabilities following the agreements signed in June for outgoing employees during July 2018 (Euro 4,725 thousand). The residual amount of the “provision for staff risks” pertains to allocations made by Group companies in prior years to cover the risk associated with ongoing litigation with former employees.

The “**provision for other risks**” amounting to Euro 741 thousand as at 30 June 2018 essentially refers to the Italtel Group provision for a total of Euro 728 thousand, of which Euro 280 thousand relating to future losses on work in progress. This item includes Euro 448 thousand to cover risks of various types that arose in previous years. The change in “provision for other risks” refers for Euro 830 thousand to realised losses on work in progress.

## Note 21 - Employee provisions

As at 30 June 2018, the item “**employee provisions**” amounted to Euro 28,094 thousand compared to Euro 30,025 thousand as at 31 December 2017. The breakdown is shown in the table below:

### Severance indemnity fund

The balance of the item “**severance indemnity fund**”, amounting to Euro 450 thousand, pertains to the indemnity for the early termination of the employment relationship for Italtel Group.

### Employee severance indemnity fund

The amounts for the employee severance indemnity accrued after 31 December 2006 were paid to the INPS pension fund and union pension funds. The residual amount of the employee severance indemnity fund was Euro 27,644 thousand as at 30 June 2018, compared to Euro 29,572 thousand at 31 December 2017. The fund is net of amounts deposited in funds and the treasury. An actuarial valuation was performed on the liability in accordance with IAS 19.

Description	30/06/2018	31/12/2017
Discount rate	1,45% - 1,5%	1.30%
Inflation rate	1.50%	1.50%
Annual rate of wage growth	0-2,5%	2.50%
Annual rate of TFR growth	2.62%	2.62%
Mortality	Tav ISTAT 2007 & 2011	Tav ISTAT 2011
Inability	Tav. INAIL	Tav. INAIL
Turn-over	3% -5,5%	3-5,5%
Probability advance	2,5% - 3%	2,5-3%
Amount% of the severance pay in advance	70.00%	70.00%

Some of the general criteria used for the projections are described below. In order to meet the need to make assessments based on all the information available, a technical procedure was used known in the actuarial literature as MAGIS (actuarial method of years in operation on an individual basis and by means of random drawings).

This method is a Monte Carlo-based stochastic simulation that makes it possible to develop projections of amounts payable for each employee while taking into account the demographic and salary data of each position without making aggregations and without introducing average values.

To make the procedure possible, draws are made for each employee year by year to determine elimination by death, invalidity and incapacity, resignation or termination.

Reliability is ensured by replicating the procedure a certain number of times until the results are stable.

The calculations were made by the number of years necessary for all the workers currently employed are no longer in service.

The projections were made on a closed group, meaning no new recruits were included.

In accordance with IAS 19, actuarial valuations were carried out using the Projected Unit Credit Method. This method makes it possible to calculate employee severance indemnities accrued at a certain date based on actuarial assumptions, distributing the charge for all remaining years workers are employed. It is no longer an expense to be paid if the company winds up its business at the reporting date, but gradually provisioning the charge according to the remaining service period of employees.

The method makes it possible to calculate certain demographic and financial variables at the date of assessment, especially charges relating to service already rendered by employees represented by the DBO – Defined Benefit Obligation (also called Past Service Liability). It is obtained by calculating the present value of amounts due to the worker (severance indemnities) arising from seniority gained at the date of assessment.

For revaluation purposes, employee severance indemnities increased, with the exclusion of the amount accrued at the close of the period, through the application of a rate comprised of a fixed 1.50% and 75% of the inflation rate recorded by ISTAT with respect to December of the previous year; taxes of 17% were due on said revaluation.

The legislation also provides the possibility of requesting a partial advance of TFR accrued when the employment relationship is still in progress.

## Note 22 - Deferred tax liabilities

The item “**deferred tax liabilities**” amounted to Euro 3,069 thousand compared to Euro 2,469 thousand as at 31 December 2017, and refers to allocations for temporary changes that will be reversed in subsequent financial years.

Description	30/06/2018		31/12/2017	
	Amount temporary differences	Tax effect	Amount temporary differences	Tax effect
TFR	174	44	-51	-9
Depreciation	1	0	1	
Goodwill	3,722	1,020	1,714	483
Buildings	3,128	893	3,186	910
Contributions	894	215	894	215
Others	742	178	734	176
Taxes	0	0		
Provision for bad credit	0	0	26	7
Adjustments for IFRS	2,969	719	2,855	686
<b>TOTAL</b>	<b>11,630</b>	<b>3,069</b>	<b>9,360</b>	<b>2,469</b>

## CURRENT LIABILITIES

### Note 23 - Current bank debt

As at 30 June 2018, the item “**current bank debt**” amounted to Euro 60,319 thousand compared to Euro 70,717 thousand at 31 December 2017. Euro 20,358 thousand refers to the current portion of payables for loans and mortgages (previously described under the item “non-current payables to banks”, note 17) and Euro 39,961 thousand refers to current account overdrafts at major credit institutions.

### Note 24 - Trade payables

**Trade payables** amounted to Euro 172,617 thousand compared to Euro 146,584 thousand at 31 December 2017. The breakdown is shown in the table below:

Description	30/06/2018	31/12/2017	Variation
Trade payables to suppliers	172,431	146,399	26,032
Trade payables to associated companies	186	185	1
<b>TOTAL</b>	<b>172,617</b>	<b>146,584</b>	<b>26,033</b>

#### Trade payables - suppliers

“**Trade payables - suppliers**” amounted to Euro 172,431 thousand as at 30 June 2018 compared to Euro 146,399 thousand as at 31 December 2017.

The table below provides details on the item:

Description	30/06/2018	31/12/2017	Variation
Invoices received Italy	88,027	68,218	19,809
Invoices received foreing	25,589	23,873	1,716
Invoices to consultants	535	359	176
Invoices to be received	58,280	53,949	4,331
<b>TOTAL</b>	<b>172,431</b>	<b>146,399</b>	<b>26,032</b>

The table below provides details of payables past due and falling due for invoices received.

Trade payables	in									
	expire	due	1 - 30	31- 60	61 - 90	91-120	121-180	181-270	271-365	beyond
114,151	80,941	33,210	11,870	5,906	7,508	2,122	1,723	854	203	3,024
100%	71%	29%	10%	5%	7%	2%	2%	1%	0%	3%

### Note 25 - Advance payments on work in progress contract

As at 30 June 2018, the item amounted to Euro 2,330 thousand compared with Euro 3,152 thousand at 31 December 2017 and refers to contract work in progress for which the payments on account and advance payments were higher than the work in progress in financial terms at the end of the period.

### Note 26 - Other financial liabilities

As at 30 June 2018, “**other financial liabilities**” amounted to Euro 6,739 thousand, unchanged from 31 December 2017.

The table below provides details on the item:

Description	30/06/2018	31/12/2017	Variation
Payables for the purchase of investments	16	116	(100)
Current financial payables to others	5,959	2,655	3,304
Current financial instruments	94	3,209	(3,115)
Payables to suppliers of current leasing assets	670	759	(89)
<b>TOTAL</b>	<b>6,739</b>	<b>6,739</b>	<b>0</b>

### Payables for equity investments

The item “**payables for equity investments**” as at 30 June 2018 amounted to Euro 16 thousand compared to Euro 116 thousand as at 31 December 2017; the change is due to the elimination of the earn out that the parent company had to pay to acquire the Esiet Vas business unit, as more fully described in Note 2 - Goodwill.

### Current financial payables to others

The balance of the item “**current financial payable to others**” amounted to Euro 5,959 thousand, compared to Euro 2,655 thousand at 31 December 2017 and mainly refers to payables due to factoring companies for advances received for the receivables transferred.

### Current financial instruments

The balance of the item “**current financial instruments**” as at 30 June 2018 amounted to Euro 94 thousand compared to Euro 3,209 thousand as at 31 December 2017.

Italtel SpA has derivative contracts for hedging the net exposure in US dollars for a notional amount of Euro 39,372 thousand at the exchange rate as at 30 June 2018.

Derivative contracts were entered into as from May 2017 for the hedging of the exchange rate risk in relation to the OPM sales agreements entered into with the customer TIM. On the basis of international standard IAS 39, these hedging transactions relating to the future cash flows, associated with an asset or liability recognised in the financial statements, are measured and stated in the financial statements according to the Cash Flow Hedge methods.

As at 30 June 2018, in relation to these hedging transactions, having a notional amount of Euro 5,146 thousand at the exchange rate as at 30 June 2018, Italtel recognised a negative equity reserve of Euro 204 thousand, gross of the tax effect of Euro 49 thousand.

The exchange rate hedging transactions outstanding as at 30 June 2018 all had a maturity date between July 2018 and January 2019.

Certain subsidiaries of the Italtel Group are located in countries not belonging to the European Monetary Union. Since the reporting currency for the Italtel Group is the Euro, the income statements of these companies are converted into Euro using the average exchange rate of the period and, revenues and local current margins being equal, changes in the exchange rates may lead to effects on the equivalent value in Euro of revenues, costs and profit/loss.

The assets and liabilities of the consolidated companies whose currency is different from the Euro may adopt equivalent values in Euro according to the performance of the exchange rates. As envisaged by the accounting standards adopted, the effects of these changes are recognised directly under shareholders' equity, in the item Reserve for translation differences.

## Trade Payables - suppliers of leased assets

The balance of the item “**Trade payables - suppliers of leased assets**” as at 30 June 2018 amounted to Euro 670 thousand compared to Euro 759 thousand as at 31 December 2017 and refers to the current portion of the payable for lease agreements.

## Note 27 - Other current liabilities

“**Other current liabilities**” amounted to Euro 81,385 thousand as at 30 June 2018 compared to Euro 75,655 thousand at 31 December 2017.

The table below provides details on the item:

Description	30/06/2018	31/12/2017	Variation
Payables current social security and social security institutions	8,109	10,220	(2,111)
Other tax debts	12,074	15,098	(3,024)
Payables related to personnel	38,950	31,572	7,378
Other debts	22,252	18,765	3,487
<b>TOTAL</b>	<b>81,385</b>	<b>75,655</b>	<b>5,730</b>

## Amounts payable to pension and social security institutions

The balance of the item “**amounts payable to pension and social security institutions**” as at 30 June 2018 amounted to Euro 8,109 thousand compared to Euro 10,220 thousand as at 31 December 2017.

## Other tax liabilities

The balance of the item “**other tax liabilities**” as at 30 June 2018 amounted to Euro 12,074 thousand compared to Euro 15,098 thousand as at 31 December 2017.

The item comprises Euro 564 thousand for other tax liabilities, Euro 3,116 thousand for VAT payables, Euro 6,681 thousand for withholding taxes to be paid, and Euro 1,713 thousand for current income taxes.

## Payables related to staff

The balance of the item “**payables related to staff**” amounted to Euro 38,950 thousand as at 30 June 2018 compared with Euro 31,572 thousand as of 31 December 2017 and mainly refers to the amount payable to employees inclusive of the incentive for outgoing staff as at 30 June 2018 and paid in July 2018 and the allocation for deferred compensation that accrued during the year.

## Other payables

The balance of the item “**other payables**” amounted to Euro 22,252 thousand, compared to Euro 18,765 thousand at 31 December 2017 and mainly refers to portions of suspended revenue pertaining to the subsequent year.

## NON-CURRENT LIABILITIES DISPOSED OF

The balance as at 30 June 2018 of non-current liabilities disposed of, amounting to Euro 386 thousand, relates to the liabilities of Italtel Group for Italtel Telecommunication Hellas EPE in liquidation and Italtel Arabia Ltd in liquidation (the liquidation for the company is currently in progress).

The liabilities totalling Euro 386 thousand are made up of sundry payables for Euro 65 thousand and amounts due to the tax authorities for Euro 321 thousand.

## Explanatory notes to the consolidated income statement

All the figures reported in the tables below are in thousands of Euro, unless expressly indicated.

As indicated previously, the consolidated income statement and consolidated statement of comprehensive income include Italtel Group's consolidated figures effective 1 January 2018.

### Note 28 - Revenue

“Revenue from sales and services” as at 30 June 2018 amounted to Euro 271,798 thousand compared to Euro 73,867 thousand in the same period of 2017. The change is almost entirely attributable to the Italtel Group contribution (Euro 196,848 thousand).

Details of the revenues relating to 30 June 2018 by type of services compared with the data from the previous period are shown below.

Exprivia Group (amount in thousand Euro)	30/06/2018	30.06.2017	Variation	Variation%
Projects and Services	97,248	63,216	34,032	53.8%
Maintenance	37,225	6,789	30,436	448.3%
HW/ SW third parties	2,120	2,229	(109)	-4.9%
Own licences	13,120	1,214	11,906	980.7%
System Integration	121,675	0	121,675	100.0%
Other	410	419	(9)	-2.1%
<b>Total</b>	<b>271,798</b>	<b>73,867</b>	<b>197,931</b>	<b>267.96%</b>

### Note 29 - Other income

The item “Other income” as at 30 June 2018 amounted to Euro 15,018 thousand compared to Euro 1,798 thousand in the same period of 2017. The change is mainly due to the Italtel Group contribution (Euro 12,915 thousand). The details are reported below:

Description	30/06/2018	30/06/2017	Variation
Other revenues and income	4,738	215	4,523
Grants related to income	4,576	294	4,282
Increase in capitalised expenses for intenal projects	5,704	1,289	4,414
<b>TOTAL</b>	<b>15,018</b>	<b>1,798</b>	<b>13,220</b>

### Other revenue and income

“Other revenue and income” as at 30 June 2018 amounted to Euro 4,738 thousand compared to Euro 215 thousand as at 30 June 2017. The change is almost entirely attributable to Italtel Group (Euro 4,661 thousand), primarily from contributions from suppliers for incentive programmes.

### Grants related to income

The item “grants related to income” as at 30 June 2018 amounted to Euro 4,576 thousand compared to Euro 294 thousand in the same period of 2017. The change is almost entirely attributable to the Italtel Group contribution (Euro 3,637 thousand). This item refers to grants and tax credits pertaining to the period for funded research and development projects. The grants are carried net of the amount allocated to the risk provision for any minor grants that might not be received.

## Costs for capitalised internal projects

“Costs for capitalised internal projects” amounted to Euro 5,704 thousand as at 30 June 2018 compared to Euro 1,289 thousand in the same period of 2017. These are costs incurred during the period by Italtel Group for product development in the sectors of TLC (Euro 4,617 thousand), Banking & Finance (Euro 145 thousand), Healthcare (Euro 490 thousand), and Aerospace & Defence (Euro 452 thousand).

## Note 30 – Costs for raw materials, consumables and finished goods

The balance of the item “costs for raw materials, consumables and finished goods” passed from Euro 108,905 thousand as at 30 June 2018 to Euro 2,663 thousand in the same period last year. The table below provides details on the items. The change is primarily due to Italtel’s contribution for Euro 106,338 thousand. The details of this items are reported below:

Description	30/06/2018	30/06/2017	Variation
Purchase of HW-SW products	108,773	2,476	106,297
Stationery and consumables	55	47	8
Fuel and oil	33	75	(42)
Other costs	44	65	(21)
<b>TOTAL</b>	<b>108,905</b>	<b>2,663</b>	<b>106,242</b>

## Note 31 - Staff costs

The item “staff costs” as at 30 June 2018 totalled Euro 99,451 thousand compared to Euro 50,429 thousand in the same period of 2017. The change is almost entirely attributable to the Italtel Group contribution (Euro 46,154 thousand).

The table below provides details on the item:

Description	30/06/2018	30/06/2017	Variation
Salaries and wages	73,840	37,236	36,604
Social charges	18,859	9,824	9,035
Severance Pay	3,955	2,122	1,833
Other staff costs	2,797	1,247	1,550
<b>TOTAL</b>	<b>99,451</b>	<b>50,429</b>	<b>49,022</b>

The number of employees as at 30 June 2018 came to 3,990 (of which 3,976 employees and 14 temporary workers) compared to 2,403 at 30 June 2017 (of which 2,393 employees and 10 temporary workers).

The average for the first half of 2018 was 3,968 employees and 14 temporary workers.

## Note 32 - Costs for services

The item “costs for services” as at 30 June 2018 amounted to Euro 74,844 thousand compared to Euro 13,916 thousand in the same period of 2017. The change is almost entirely attributable to the Italtel Group contribution (Euro 62,521 thousand), partially offset by the reduction in certain cost items.

The table below provides details on the items:

Description	30/06/2018	30/06/2017	Variation
Technical and commercial consultancy	57,454	5,542	51,912
Administrative/company/legal consultancy	1,833	870	963
Auditors' fees	124	82	42
Travel and transfer expenses	3,174	1,305	1,869
Utilities	1,890	566	1,325
Advertising and agency expenses	199	267	(68)
Bank charges	394	241	153
HW and SW maintenance	3,228	3,395	(167)
Insurance	1,025	235	790
Other costs	5,523	1,413	4,110
<b>TOTAL</b>	<b>74,844</b>	<b>13,916</b>	<b>60,928</b>

The most significant change was caused by the increase in costs for professional and commercial services, other costs for services, and travel expenses, closely correlated with the increase in revenues.

### Note 33 - Costs for leased assets

The consolidated balance of the item “**costs for leased assets**” as at 30 June 2018 amounted to Euro 3,712 thousand compared to Euro 2,012 thousand in the same period of 2017. The change is due to the Italtel Group contribution (Euro 2,142 thousand), partially offset by the reduction of costs in other Exprivia Group companies (Euro 442 thousand). The table below provides details on the items:

Description	30/06/2018	30/06/2017	Variation
Rental expenses	2,729	929	1,800
Car rental/leasing	572	410	162
Rental of other assets	197	559	(362)
Other costs	214	114	100
<b>TOTAL</b>	<b>3,712</b>	<b>2,012</b>	<b>1,700</b>

### Note 34 - Sundry operating expenses

The consolidated balance of the item “**sundry operating expenses**” as at 30 June 2018 amounted to Euro 2,714 thousand compared to Euro 2,195 thousand as at 30 June 2017. The change is due to the Italtel Group contribution (Euro 2,307 thousand), as well as the charges recognised in the first half of 2017 for the tax dispute with the Inland Revenue Agency and the parent company Exprivia Enterprise Consulting Srl (Euro -1,788 thousand).

Description	30/06/2018	30/06/2017	Variation
Annual subscriptions	253	71	183
Taxes	830	141	689
Penalties and fines	4	(36)	39
Charitable donations	14	4	10
Write-offs	31	3	28
Penalties and damages	452	20	433
Other sundry operating expenses	1,129	1,992	(863)
<b>TOTAL</b>	<b>2,714</b>	<b>2,195</b>	<b>519</b>

### Note 35 - Change in inventories

As at 30 June 2018, the balance of the item “**change in inventories**” amounted to Euro 10,902 thousand compared to Euro 111 thousand in the same period of the previous year and mainly refers to the Italtel Group contribution.

### Note 36 - Provisions

As at 30 June 2018, the balance of the item “**provisions**” amounted to Euro 150 thousand compared to a negative balance of Euro 579 thousand in the same period of the previous year and mainly refers to write-downs on current receivables of the subsidiary ProSap SA de CV in Mexico (Euro 148 thousand).

The table below provides details on the items.

Description	30/06/2018	30/06/2017	Variation
Provision of devaluation of credits	148	0	148
Provision for tax litigation risks	0	(700)	700
Provision for legal disputes with employees	0	130	(130)
Other provisions	2	(9)	11
<b>TOTAL</b>	<b>150</b>	<b>(579)</b>	<b>729</b>

The release of the allocation made as at 30 June 2017 of Euro 700 thousand relates to the final settlement of the tax demands received by the subsidiary Exprivia Enterprise Consulting Srl.

### Note 37 - Amortisation, depreciation and write-downs

#### Amortisation and depreciation

As at 30 June 2018, “**amortisation and depreciation**” amounted to Euro 9,427 thousand compared with Euro 2,145 thousand in the same period of 2017 and refer for Euro 7,419 thousand to amortisation of intangible fixed assets (of which Euro 6,011 thousand for Italtel) and for Euro 2,008 thousand to depreciation of tangible fixed assets (of which Euro 1,401 thousand for Italtel).

#### Write-downs

“**Write-downs**” passed from Euro 14 thousand as at 30 June 2018 to Euro 220 thousand in the same period of 2017.

### Note 38 - Financial (income) charges and other investments

The balance of the item “**financial (income) charges and other investments**” amounted to a negative Euro 11,542 thousand as at 30 June 2018 compared with a negative Euro 1,744 thousand in the same period last year, a deterioration of Euro 9,797 thousand, mainly due to the Italtel Group contribution.

The table below provides details on the items.

Description	30/06/2018	30/06/2017	Variation
Proceeds from shareholdings from parents	42	24	18
Income from other investments	0	7	(7)
Other income other than the above	266	105	161
Interest and other financial charges	(6,989)	(1,843)	(5,146)
From parent charges	(206)	(192)	(14)
Profit and loss on currency exchange	(4,655)	155	(4,810)
<b>TOTAL</b>	<b>(11,542)</b>	<b>(1,744)</b>	<b>(9,797)</b>

### Income from parent companies

The balance of the item “**income from parent companies**” amounted to Euro 42 thousand as at 30 June 2018 compared to Euro 24 thousand in the same period in 2017 and refers to interest accrued to Abaco Innovazione SpA on a loan disbursed by Exprivia SpA.

### Other financial income

The item “**other financial income**” as at 30 June 2018 amounted to Euro 266 thousand compared to Euro 105 thousand in the same period of 2017. The change is almost entirely attributable to the Italtel Group contribution. The table below provides details on the item.

Description	30/06/2018	30/06/2017	Variation
Bank interest receivable	186	12	174
Revenues from financial derivatives	0	0	0
Capital gains from own shares	0	0	0
Interest income from securities	24	0	24
Other interest income	53	92	(39)
Rounding up of assets	3	1	2
<b>TOTAL</b>	<b>266</b>	<b>105</b>	<b>161</b>

### Interest and other financial charges

The item “**interest and other financial charges**” as at 30 June 2018 amounted to Euro 6,989 thousand compared to Euro 1,843 thousand in the same period of 2017. The change is mainly due to the Italtel Group contribution (Euro 5,143 thousand). The table below provides details on the items.

Description	30/06/2018	30/06/2017	Variation
Bank interest payable	3,088	164	2,924
Interest on loans and mortgages	1,339	692	647
Sundry interest	2,340	875	1,465
Charges on financial products and sundry items	18	19	(1)
Rounding up/down	16	26	(11)
Interest cost IAS 19	188	67	121
<b>TOTAL</b>	<b>6,988</b>	<b>1,843</b>	<b>5,146</b>

### Charges from parent companies

The balance of the item “**charges from parent companies**” amounted to Euro 206 thousand as at 30 June 2018 compared with Euro 192 thousand for the same period in 2017 and refers to the portion applicable to the period of charges recognised by Exprivia SpA to the parent company Abaco Innovazione SpA for guarantees issued by the latter with respect to its subsidiary.

## Exchange gains and losses

As at 30 June 2018, **exchange losses** were recognised for Euro 4,655 thousand compared to income of Euro 155 thousand in the same period of 2017. The change is almost entirely attributable to the Italtel Group contribution (Euro 4,447 thousand). The amount refers to fluctuations in exchange rates due to the commercial transactions carried out by foreign companies of the Group in currencies other than the functional currency as well as the change in the fair value measurement of hedges on exchange risk.

## Note 39 - Taxes

As at 30 June 2018, “**taxes**” amounted to Euro 250 thousand compared to Euro 943 thousand in the same period of 2017; the table below provides details on the changes compared to the previous period:

Description	30/06/2018	30/06/2017	Variation
IRES	474	589	(115)
IRAP	387	372	15
Foreing tax	48	58	(10)
Taxes from prior years	(351)	5	(356)
Defered tax	(334)		(334)
Deferred tax assets	26	(81)	107
<b>TOTAL</b>	<b>250</b>	<b>943</b>	<b>(693)</b>

The Holding Company Exprivia SpA acts as the consolidating company and determines a single taxable result for the companies under National Tax Consolidation in accordance with art. 117 of T.U.I.R.

Each company under Tax Consolidation contributes taxable income or tax loss to Exprivia SpA as a payable/receivable for the consolidating company, depending on their IRES.

Please note that the Group has benefitted from the income tax break deriving from the use of intellectual property, introduced by art. 1, paragraphs 37-45, of Italian Law no. 190/2014 “2015 Stability Law” (the “patent box”).

## Note 40 - Profit (loss) for the period

The income statement as at 30 June 2018 closed with a consolidated loss (after tax) of Euro 13,307 thousand compared to the consolidated loss of Euro 135 thousand in the same period of 2017.

## Note 41 - Earnings (loss) per share

Information on figures used to calculate earnings per share and diluted earnings is provided below in accordance with IAS 33.

Earnings (loss) per share is calculated by dividing net profit for the period as reported in the consolidated financial statements drawn up in accordance with IAS/IFRS, attributable to ordinary shareholders of the Holding Company, excluding treasury shares, by the average number of ordinary shares in circulation during the period.

For the purpose of calculating basic earnings per share, the economic result for the period minus the amount attributable to minority interests was used in the numerator. In addition, there are no privileged dividends, conversion of privileged shares and other diluting shares, which could adjust the economic result attributable to holders of ordinary capital instruments.

At 30 June 2018, the basic loss per share and diluted loss amounted to Euro -0.1503.

<b>Profit / (loss) in Euro</b>	<b>30/06/2018</b>
Profits for determining basic earnings per share (Net profit due to shareholders of	(7,271,944)
Profit for determining the earnings per basic share	(7,271,944)
<b>Number of shares</b>	<b>30/06/2018</b>
Number of ordinary shares at 1 January 2018	51,883,958
Purchase of own shares at 30 June 2018	(3,509,153)
Average weighted number ordinary shares for calculation of basic profit	48,374,805
<b>Earnings per share (Euro)</b>	<b>30/06/2018</b>
Profit (loss) per basic share	-0.1503
Diluted earnings (loss) per share	-0.1503

## Note 42 - Information on the Cash Flow Statement

The decrease in cash and cash equivalents of Euro 4.2 million during the period is due to the negative flows deriving from the financing activities for Euro 14 million, as well as the positive flows deriving from operations for Euro 17 million, partly offset by the negative flows deriving from the investment activities for Euro 7 million.

## RELATED PARTIES

In the Exprivia Group, there are relations between entities, parent companies, subsidiaries and associates and with other related parties.

### Relations with other related parties

Transactions made by the Group with other related parties essentially consist in services and the exchange of products. They are part of ordinary operations conducted at market conditions, meaning at the conditions that would be applied between independent parties. All transactions are carried out in the interest of the companies involved.

The table below provides information on relations with other related parties expressed in units of Euro:

## Equity investments in other companies

Description	30/06/2018	31/12/2017	Variation
Daisy-Net- Driving Advances of ICT in South Italya	14	14	0
DHITECH Srl	0	17	(17)
Consorzio DITNE	6	6	0
Consorzio Biogene	3	3	0
Innoval S.C. A.R.L.	3	3	0
<b>TOTAL</b>	<b>26</b>	<b>43</b>	<b>(17)</b>

## Trade receivables - customers

Description	30/06/2018	31/12/2017	Variation
Gruppo Cisco Systems	2.244	2.908	(664)
<b>TOTAL</b>	<b>2,244</b>	<b>2,908</b>	<b>(664)</b>

## Trade payables - suppliers

Description	30/06/2018	31/12/2017	Variation
Kappa Emme Sas	0	73	(73)
Canizzo Saetta Marco	9	0	9
Studio Barco	2	0	2
Gruppo Cisco Systems	60,688	66,258	(5,570)
Daisy-Net- Driving Advances of ICT in South Italya	112	112	0
Consorzio DITNE	0	5	(5)
SER&Praticces Srl	0	3	(3)
Innovision International Ltd	0	25	(25)
<b>TOTAL</b>	<b>60,811</b>	<b>66,476</b>	<b>(5,665)</b>

## Costs

Description	30/06/2018	30/06/2017	Variation
Canizzo Saetta Marco	13	0	13
Studio Barco	4	0	4
Brave Srl	30	0	30
Gruppo Cisco Systems	98,806	0	98,806
Kappa Emme Sas	0	75	(75)
Consorzio Biogene	2	0	2
Consorzio DITNE	3	0	3
Innovision International Ltd	0	14	(14)
<b>TOTAL</b>	<b>98,858</b>	<b>89</b>	<b>98,769</b>

The table below provides information on remuneration for directors, statutory auditors and key executives; amounts are in Euro thousands:

Offices	30/06/2018				30/06/2017			
	Fixed remuneration	Equity compensation committees	Wages and salaries	Other incentives	Fixed remuneration	Equity compensation committees	Wages and salaries	Other incentives
Administrators	561	60	437	247	326	43	630	74
Statutory Auditors	103	3			76			
Strategic managers			806	15			82	15
<b>TOTAL</b>	<b>664</b>	<b>63</b>	<b>1,244</b>	<b>262</b>	<b>402</b>	<b>43</b>	<b>712</b>	<b>89</b>

The figure as at 30 June 2017 does not include the fees related to Italtel Group companies.

## Potential liabilities

There are no potential liabilities not recorded in the balance sheet.

On 30 June 2018, there was a pledge on Security No. 9 representative of 25,000,000 category A shares corresponding to 81% of the ordinary share capital of Italtel, granted to guarantee the obligations deriving from loan agreements taken out by Italtel. The voting rights and the dividend right remain with the shareholder.

## Statement for Consolidated Financial Statements pursuant to Art. 154-*bis* of Italian Legislative Decree 58/98

The undersigned Domenico Favuzzi, Chairman and CEO, and Valerio Stea, Executive manager responsible for preparing the corporate accounts of Exprivia S.p.A., certify the following, taking into account the provisions of Art. 154-*bis* (3, 4) of Legislative Decree no. 58 of 24 February 1998:

- adequacy, in relation to the characteristics of the group and
- actual application of administrative and accounting procedures to draft the abridged half-year consolidated financial statements for the first half-year as at 30 June 2018.

Furthermore, it is certified that the interim report:

- a) was prepared in accordance with International Financial Reporting Standards, which were adopted by the European Commission with regulation 1725/2003 as amended, and is suitable for giving an accurate and correct representation of the equity-financial and economic situation of the company;
- b) the Directors' Report of the Group includes a reliable analysis that is consistent with the financial statements, operating trends and results, and also the situation of the company and group of subsidiaries included in consolidation, together with the description of the main risks and uncertainties and transactions with related parties.

Molfetta, 3 August 2018

**Domenico Favuzzi**

Chairman and Chief Executive Officer

**Valerio Stea**

The Reporting Officer

## REVIEW REPORT ON CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

To the shareholders of  
Exprivia SpA

### Foreword

We have reviewed the accompanying consolidated condensed interim financial statements of Exprivia SpA and its subsidiaries (the Exprivia Group) as of 30 June 2018, comprising the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, statement of changes in consolidated shareholders' equity, consolidated cash flow statement and related explanatory notes. The directors of Exprivia SpA are responsible for the preparation of the consolidated condensed interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

### Scope of review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution No. 10867 of 31 July 1997. A review of consolidated condensed interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the consolidated condensed interim financial statements.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial statements of the Exprivia Group as of 30 June 2018 are not prepared, in all material respects, in accordance with International Accounting

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#### *PricewaterhouseCoopers SpA*

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Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Bari, 6 August 2018

PricewaterhouseCoopers SpA

Signed by

Corrado Aprico  
(Partner)

*This report has been translated into English from the Italian original solely for the convenience of international readers. We have not examined the translation of the consolidated condensed interim financial statements referred to in this report.*