Annual Report 2019

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Contents

Letter to Shareholders

Dear Shareholders,

2019 and 2020 were years characterised by the start of a path that shows signs of a real new era, increasingly shaped by the presence of digital technology in the daily lives of each individual and of the communities. When we launched our business plan in July 2018, we talked about new business models that will be the digital twins of the new company. We were not mistaken as recent experiences, greatly accelerated by the ongoing health emergency, are proving today.

We are increasingly focused on interpreting the new needs of customers and directing them towards new ways of carrying out their business by leveraging technology-based solutions that our group can design and implement.

It is precisely these technologies that have enabled the whole world not to fall under the weight of the crisis that the pandemic has generated in households, businesses and national communities. The effects of a central role assumed by collaboration, artificial intelligence, remote assistance and big data technologies have yet to be determined, in the widespread certainty that the pandemic indicates new models of relationships, and therefore new models of work organisation.

The IT operating segment, i.e. the scope of the Exprivia Group excluding the Italtel Group, grew in line with the market, in terms of revenues and margins, in both years on almost all markets in which the Group operates. Today, our Group is better equipped to play the complex role facing technology operators.

Italtel has been, and still is, subject to a series of difficulties arising from a number of exceptional, unforeseen and unforeseeable circumstances, including:

The gradual weakening of the Telecommunications market in Italy and abroad;

A major decrease in revenues related to the company's second largest customer due to ongoing project changes;

The persistence of the critical economic situation in Argentina with the consequent strong devaluation of the Peso.

To date, the solution to Italtel's crisis has been addressed through an application for a composition with creditors filed on 5 February 2021, following Italtel Board of Directors' resolution of 31 December 2020. At that time, the Directors of Italtel chose the offer of a third party operator to support the composition process.

On 11 March 2021, the Court of Milan admitted Italtel to the proceedings; this positive signal and the good probabilities of success of the composition process allowed Exprivia to proceed with the preparation and approval of the separate and consolidated financial statements for both years 2019 and 2020.

Exprivia's Board of Directors has also attested the loss of control over Italtel pursuant to IFRS10 as at 31 December 2020.

Accordingly, we have drafted the "consolidated non-financial statement", or "sustainability report", pursuant to Legislative Decree 254 of 2016, with a broad view and with the first year-on-year deviations of the quantitative measures taken. We are thus moving with greater confidence towards new forms of integrated reporting that look at the company in all its aspects and in relation to all its stakeholders.

The pandemic resulting from the spread of the COVID-19 virus has led many companies to revise their operating models. Exprivia reacted with extreme promptness and was able to organise remote working for almost all of its workforce within a few weeks, thus enabling it to continue to provide services for its customers and to protect its employees. The sector in which our Group operates is certainly one of those in which the weight of this pandemic is felt less, at least in the short to medium term. The impact of the pandemic has not had significant repercussions so far on the Group and even less so on business continuity which is therefore preserved.

We will therefore continue, with the same determination as always, to pursue our objectives aimed at the growth of a Group that is increasingly solid and capable of responding to the challenges and opportunities of the immediate future, both in terms of the potential that our sector will be able to find in this crisis, and in terms of a renewed operating model that will take us into the near future.

The Chairman

Domenico Favuzzi

Corporate Bvodies

Board of Directors

Chairman and Chief Executive Officer

Domenico Favuzzi

Directors

Dante Altomare (Vice-Chairman)
Angela Stefania Bergantino (2)
Stefano Pileri (4)
Marina Lalli (2)
Alessandro Laterza (3)
Valeria Savelli (1)
Gianfranco Viesti (2)
Giovanni Castellaneta (5)

Board of Statutory Auditors

Chairman

Ignazio Pellecchia

Standing Auditors

Anna Lucia Muserra
Mauro Ferrante

Independent Auditors

PricewaterhouseCoopers SpA

(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
(4) Resigned on 28/09/2020
(5) Co-opted on 01/12/2020

Directors' Report at 31 December 2019

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Significant Group Figures and Result Indicators

Effective from 1 January 2019, the Group has adopted the IFRS 16 "Leases" standard, which resulted in changes in accounting policies and, in certain cases, adjustments to the amounts recognised in financial statements; the impact on financial statements of adopting these standards is material in that it reclassifies costs previously recognised as costs for leased assets under the item amortisation/depreciation and financial charges; similarly, the right of use of the leased asset is recognised as an asset in the balance sheet and the residual debt is recognised under the item financial liabilities, with the relative burdening of the net financial position. In particular, on 31 December 2019 the adoption of IFRS 16 resulted in:

- **Balance sheet:** non-current assets due to the recognition of the right of use of the assets leased for an amount of Euro 22.1 million; the recognition of financial liabilities representing the obligation to make the payments established in the contract for an amount of Euro 23 million; the impact of first application on the Shareholders' equity, net of the relative tax effect, of negative Euro 1.1 million;

- **Income statement**: different nature, qualification and classification of lease payments, with the recognition of the amortisation on the right of use of the asset and financial charges in place of costs for leased assets - operating lease payments in accordance with IAS 17, with the resulting positive impact on EBITDA of Euro 7.4 million, on EBIT of Euro 0.9 million, and, as it resulted in higher financial charges of Euro 40 thousand, a non-significant impact on the profit (loss) for the period.

Further information on the details of the impact of the adoption of the new standard are included in the paragraph "Application of new accounting standards" of the Report at 31 December 2019.

The following is a summary of the main consolidated economic, equity and financial data of Exprivia S.p.A. (hereinafter also referred to as "Exprivia" or the "Company" or the "Parent Company") and its subsidiaries (hereinafter also referred to jointly as the "Exprivia Group" or the "Group") at 31 December 2019 and 31 December 2018.

amount in thousand Euro	31.12.2019	31.12.2018
Total revenues	526,450	623,385
net proceeds	500,135	590,964
increase to assets for internal work	8,072	10,534
other proceeds and contributions	18,243	21,886
Difference between costs and production proceeds (EBITDA)	14,458	41,822
% on total revenues	2.7%	6.7%
Net operating result (EBIT)	(170,491)	20,998
% on total revenues	-32.4%	3.4%
Net result	(239,150)	(852)
Group net equity	(103,953)	72,262
Total assets	418,746	667,869
Capital stock	24,866	25,083
Net working capital (1)	(26,956)	21,631
Cash flow (2)	2,198	20,208
Fixed capital (3)	135,629	345,898
Investment (4)	15,732	16,362
Cash and securities / other financial assets (a)	36,881	29,062
Financial payables / other short-term financial liabilities (b)	(224,879)	(62,981)
Financial payables / other medium / long-term financial liabilities (c)	(37,692)	(180,724)
Net financial position (5)	(225,690)	(214,643)

(1) - "Net working capital" is calculated as the sum of total current assets less cash and cash equivalents and total current liabilities plus current payables to banks.

(2) - "Cash flow" represents the cash flow generated (absorbed) by income management.

(3) - The "fixed capital" is equal to total non-current assets.

(4) - "Investments" are calculated as the sum of cash flows absorbed by increases in tangible assets, intangible assets and equity investments, net of consideration for disposals.

(5) - Net financial position = a+b+c.

The table below shows the main economic indicators of the Group at 31 December 2019, compared with the same period of the previous year.

Exprivia Group	31.12.2019	31.12.2018
Index ROE (Net income / Equity Group)	(*)	-1.18%
Index ROI (EBIT / Net Capital Invested) (6)	-295.37%	6.59%
Index ROS (EBIT / Revenues)	-34.09%	3.55%
Financial charges (7) / Net profit	-0.08	-17.06

(6) For 31 December 2019, the indicator cannot be determined due to the negative result for the year and the negative value of the Group's equity

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

(8) **Financial charges:** calculated net of interest cost IAS 19

The table below shows the main capital and financial indicators of the Group referring to 31 December 2019 and 31 December 2018.

Exprivia Group		31.12.2019	31.12.2018
Net Financial Debt / Equity Capital	-	2.17	2.97
Debt ratio (Total Liabilities / Equity Capital)	-	4.03	9.24

Summary of the Operations in 2019

The table below also provides the results for Exprivia Group excluding Italtel Group:

Exprivia Group excluding Italtel Group (value in thousand Euro)	31.12.2019	31.12.2018	Variations	Variations %
Revenues	168,544	161,453	7,091	4.4%
EBITDA	16,840	15,886	954	6.0%
EBIT	(14,598)	11,757	(26,355)	-224.2%
Pre-tax result	(18,367)	7,868	(26,236)	-333.4%
Pre-tax result	(20,995)	(3,106)	(17,889)	-575.9%
Net financial position	(43,892)	(45,769)	1,877	4.1%

As shown, the revenues of the Exprivia Group for 2019 net of the sub-consolidation of the Italtel Group alone, amounting to Euro 168.5 million, are up compared to the 2018 financial year; EBITDA also shows growth for the "Exprivia Group" not including the Italtel Group. The net financial position at 31 December 2019 was negative at Euro 43.9 million, marking an improvement of Euro 1.9 million compared to the negative Euro 45.8 million at 31 December 2018.

It should be noted that the above data differ from those entered in the reclassified income statement by CGU inserted in the "Sector information" paragraph of this Management Report as the latter includes the goodwill impairment of 10 million allocated to the IT CGU in the PPA.

With regard to the net financial position, the adoption of the new accounting standard IFRS 16 led to a change of around Euro 6.5 million. Therefore, net of this effect, the change compared to 31 December 2018 is negative by around Euro 8.4 million.

Significant Exprivia Figures and Result Indicators

Effective from 1 January 2019, the Company has adopted the IFRS 16 "Leases" standard, which resulted in changes in accounting policies and, in some cases, adjustments to the amounts recognised in the financial statements. In particular, the adoption of IFRS 16 had mainly the following impacts at 31 December 2019:

- **Balance sheet:** non-current assets due to the recognition of the right of use of the assets leased for an amount of Euro 4.8 million; the recognition of financial liabilities representing the obligation to make the payments established in the contract for an amount of Euro 5.6 million; the impact of first application on the Shareholders' equity, net of the relative tax effect, of Euro 0.5 million;

- **Income statement**: different nature, qualification and classification of lease payments, with the recognition of the amortisation on the right of use of the asset and financial charges in place of costs for leased assets - "operating lease payments" in accordance with IAS 17, with the resulting positive impact on EBITDA of Euro 2.2 million, on EBIT of Euro 0.4 million, and, as it resulted in higher financial charges of Euro 0.3 million, a non-significant impact on the profit (loss) for the period.

Further information on the details of the impact of the adoption of the new standard are included in the paragraph "Application of new accounting standards" of the Report at 31 December 2019.

The table below shows the main economic, capital and financial data taken from the separate financial statements of Exprivia at 31 December 2019, compared with the figures at 31 December 2018.

amount in thousand Euro	31.12.2019	31.12.2018
Total revenues	148,787,080	142,577,258
net proceeds	142,441,761	137,535,824
increase to assets for internal work	1,868,161	2,218,756
other proceeds and contributions	4,477,158	2,822,678
Difference between costs and production proceeds (EBITDA)	16,862,408	16,149,840
% on total revenues	11%	11%
Net operating result (EBIT)	(17,248,754)	10,141,064
% on total revenues	-12%	7%
Net result	(22,864,575)	4,234,366
Group net equity	56,353,648	80,380,228
Total assets	194,990,588	215,385,832
Capital stock	24,866,060	25,082,911
Net working capital (1)	2,845,026	16,969,765
Cash flow (2)	12,357,295	10,172,181
Fixed capital (3)	189,796,846	132,711,368
Investment	4,238,866	3,477,857
Cash and securities / other financial assets (a)	10,981,184	8,894,752
Short-term intra-group financial receivables (payables) (b)	(1,913,819)	1,530,524
Inter-company financial receivables (payables) with m / l term (c)	2,281,800	2,261,811
Short-term financial debts (d)	(33,421,908)	(20,464,883)
Medium-/long-term financial debts (e)	(23,692,664)	(37,663,039)
Net financial position (4)	(45,665,406)	(45,440,835)

(1) - "Net working capital" is calculated as the sum of total current assets less cash and cash equivalents and total current liabilities plus current payables to banks.

(2) - "Cash flow" represents the cash flow generated (absorbed) by income management.

(3) - The "fixed capital" is equal to total non-current assets.

(4) - "Investments" are calculated as the sum of cash flows absorbed by increases in tangible assets, intangible assets and equity investments, net of consideration for disposals.

(5) - Net financial position = a+b+c+d+e.

The table below shows the main economic indicators of the company for 2019 compared to 2018:

Exprivia	31/12/2019	31/12/2018
Index ROE (Net income / Equity)	-40.57%	5.27%
Index ROI (EBIT / Net Capital Invested) (6)	-18.16%	7.55%
Index ROS (EBIT / Revenues)	-12.11%	7.37%
Financial charges (7) / Net profit	0.14	(0.84)

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

(7) **Financial charges:** calculated net of interest cost IAS 19

The table below shows the main financial and equity indicators of the Company for 2019 compared to 2018:

Exprivia	31/12/2019	31/12/2018
Net Financial Debt / Equity Capital	0.81	0.57
Debt ratio (Total Liabilities / Equity Capital)	3.46	2.68

Profile of Exprivia Group: Future. Perfect. Simple.

The Exprivia Group is an international business group specialised in *Information and Communication Technology*. It uses digital technologies to steer its customers' business change drivers.

The Group stands out for its reliability in managing complex projects through the connection and integration of vertical and horizontal skills and the ability to create solutions that are easy to use and update, as they are based on continuous research and innovation.

Listed on the Italian Stock Exchange since 2000, in the MTA Market (XPR), Exprivia supports its clients belonging to the 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, processes and goals for ourselves and our customers.

Connection

This is what makes us innovators. It is the capacity to identify unexpected solutions by linking 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 strive to achieve in the planning of innovative and efficient IT solutions in each specific sector.

Reliability

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

Simple

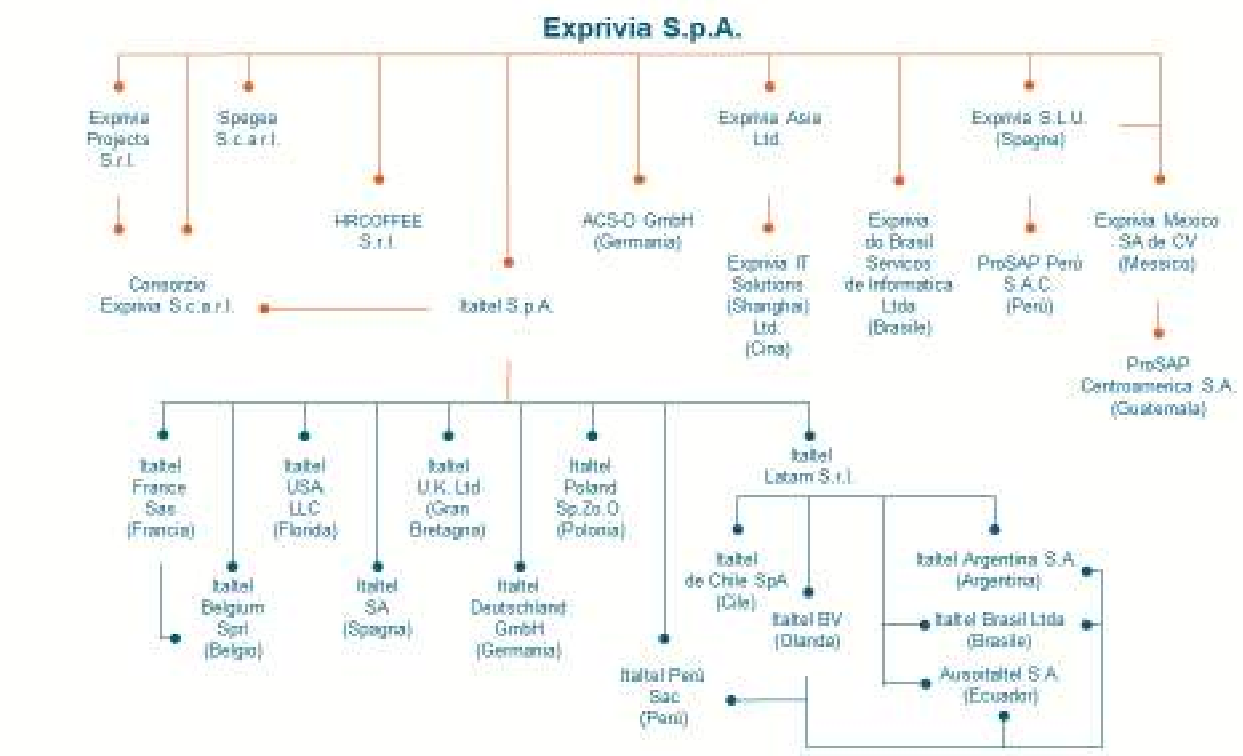
Simple is the fundamental requirement of all of our systems, designed to improve people's lives through the availability and usability of information.

Simplicity

For us, this means mobilizing complex technologies to ensure a sleek user experience, making innovation and digital transformation accessible to businesses and the public through a process of extreme streamlining which strives for simple solutions.

The Group

The chart shows the main companies of the Exprivia Group at 31 December 2019:



The companies making up the Exprivia Group at 31 December 2019 are shown below, broken down into Italian and foreign companies:

Italian companies

ITALTEL S.p.A. is 81% owned by Exprivia. It is a multinational company operating in the Information & Communication Technology (ICT) sector with a strong focus on innovation. It has dealt for many years with business research projects at European, national and regional level in the telecommunications sector. The Italtel S.p.A.'s (hereinafter also "Italtel") portfolio includes solutions for networks, data centres, business collaboration, digital security, and the Internet of things. The solutions consist of own and third-party products, managed services, and engineering and consulting services. Italtel's reference market comprises service providers, public and private companies, with specific focus on vertical markets such as Energy, Health, Industry, Defence, Finance and Smart Cities. Italtel's headquarters and its R&S activities are based in Italy, and it has foreign offices in 13 countries. Italtel has over 3,000 square meters of testing facilities in Settimo Milanese (Milan) which it uses for validating the solutions it provides to customers and to offer excellent operational support. Its Research and Development labs are located in Settimo Milanese and Carini (Palermo), while its commercial offices are based in Rome.

Exprivia Projects Srl is 100% owned by Exprivia. It is based in Rome and has a 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.

Consorzio Exprivia Scarl, 70% owned by Exprivia, 25% owned by Italtel and the remaining 5% by Exprivia Projects Srl, a stable consortium of Exprivia Group companies. This consortium's objective is to facilitate the participation of the Exprivia Group companies in public tenders for project development and service provision.

Spegea Scarl 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 30 years ago by Confindustria Bari with the support of banks and institutions.

HRCOFFEE Srl is a company of which Exprivia owns 70% of the share capital, equal to Euro 300,000. The company, established on 31 July 2018 with headquarters in Molfetta, is engaged in the production and marketing of products and services with high value-added technology in the field of human resource management.

Italtel Latam Srl, an Italian company with registered office in Italy, wholly owned by Italtel, which manages Italtel's shareholdings in Latin American countries.

Foreign Companies

Exprivia SLU, a Spanish company 100% owned by Exprivia, 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 operated 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. The company controls 99.9% of ProSAP Perù SAC.

Exprivia Mexico SA de CV, a Mexican company with headquarters in Mexico City, of which Exprivia 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 subsidiary, with offices in Guatemala (ProSAP Centroamerica S.A.).

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

Exprivia Asia Ltd, a company operating in Hong Kong to act on behalf of Exprivia, its sole shareholder, in all market sectors in the Far East 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.

ACS-D GmbH (Germany), a company operating in Germany for the purpose of acting on behalf of Exprivia, its sole shareholder, in the aerospace and defence sector.

Italtel B.V. (Netherlands), a company located in the Netherlands whose sole shareholder is Italtel Latam Srl; it acts as a holding portfolio providing commercial and operational support for all foreign business activities. Following the corporate reorganisation, from the second half of 2018 the company has held only the direct and indirect investments of Italtel in the LATAM area, with the exception of Italtel Arabia Ltd in liquidation (10% owned by Italtel BV and 90% by Italtel).

Italtel Belgium SPRL, a Belgian company 60% owned by Italtel and 40% by Italtel France SAS. 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 with Italtel as the sole shareholder. The company's purpose is to perform manufacturing and/or sales and installation activities 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 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 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 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 UK LTD, a company operating in the United Kingdom with Italtel 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 Argentina SA, an Argentinian company 71.46% owned by Italtel B.V. and 28.54% by Italtel Latam Srl. 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 85.12% owned by Italtel Latam Srl 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 99% owned by Italtel Latam Srl 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 Perù SAC, a company operating in Peru, 90% owned by Italtel B.V. and 10% by Italtel. The company's purpose is to perform manufacturing and/or sales activities and installation in the electro-technology, electronics and information technology sectors - in particular, hardware (soft switches) for telecommunications and software for networks and service providers, as well as any equipment for integrating telecommunication systems (e.g., switches, routers, etc.). In addition, the company may provide the services necessary for the operation of TLC/IT networks.

Italtel USA LLC, a US company with Italtel 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 de Chile SpA., a company with Italtel Latam Srl as the sole shareholder. The company provides telecommunications and IT services, as well as software programming for telecommunications and IT.

Equity Investments

The main non-controlling equity investments are shown below.

Software Engineering Research & Practices Srl, established in 2006 and 6% held by Exprivia, is a spin-off of the University of Bari. Its goal is to industrialise the results of university research in the field of software engineering and transfer them into business processes.

Consorzio Milano Ricerche, in which Italtel holds an 8.3% investment, with registered office in Milan, pursues the following business purposes: conducting research on technological transfer methodologies; promotion and support of research activities in common between universities, public research institutes, businesses and public administrations; promotion and management of training and continuous education activities; transfer of know-how to SMEs; support for the development of new entrepreneurs within the area of advanced technologies. The presence of Italtel in the Board of Directors and the Technical Scientific Committee makes it possible to extend the research ecosystem to all Consortium members, to direct the Consortium's scientific activities towards topics of industrial research that are of prevailing interest to the Exprivia/Italtel Group, and to generate new collaborative research and innovation initiatives.

MIP Polytechnic of Milan - Graduate School of Business is an international business school in the form of a consortium company. It is based in Milan and Italtel is a consortium member holding a 2.98% share. The purpose and aim of MIP are: the formation of human capital and management skills for the development of businesses, public administrations and the economic system as a whole; planning, promotion and delivery of post-graduate and post-experience training programmes in the field of management, economics and industrial engineering; and research activities functionally applied to training. In recent years, the school has taken on an increasingly international dimension and has equipped itself with tools that have allowed it to turn into a laboratory of ideas for identifying new trends and challenges. It fosters ongoing and valuable exchange of knowledge, experience and know-how, and is able to anticipate changes in the global competitive environment and to respond more effectively to the need for increasingly multidisciplinary skills required by companies.

Consortium Initiatives

Consorzio Biogene is a consortium established in 2005 between public and private partners for the development of the project called "Public-private laboratory for the development of integrated bio-information tools for genomics, transcriptomics and proteomics (LAB GTP)".

"**DAISY - NET**" **Società cons. a r.l.**, was established in 2008 with the aim of undertaking initiatives suitable for the development of a Technological Competence Centre on I.C.T., divided into a network of Regional Competence Centres.

Distretto Agroalimentare Regionale ("**D.A.Re.**"**),** a limited liability consortium company based in Foggia and established in 2004, is the interface for the technological transfer of the research system from Apulia to the agri-food system. It provides services to encourage technological innovation, through the management of complex projects related to business research and precompetitive development.

Distretto Tecnologico Pugliese ("**DHITECH**"**),** a consortium company based in Lecce and established in 2006. The consortium intends to develop and integrate an interdisciplinary cluster for nanoscience, bioscience and infoscience according to the guidelines of the seventh framework programme and national research plan.

Distretto Tecnologico Nazionale per l'Energia ("**DiTNE**"**)**, based in Brindisi and established in 2008. It was founded to provide support for research in production sectors in the field of energy, to encourage technology transfer needed by national and international players in the sector, and to favour connections between the worlds of research, production of goods and services, credit and the territory.

Distretto H-BIO Puglia società cons. a r.l., a consortium company based in Bari, it is known as the "Puglia technological district for human healthcare and biotechnologies". It was formed in 2012 to develop its operations in the strategic areas of products for molecular diagnostics and integrated diagnostics, treatment and rehabilitation products and bioinformatics products.

Service Innovation Laboratory by DAISY s.c.ar.l: is a consortium for innovation services set up in 2013 by Daisy-Net as a result of the MIUR funding project for new public and private laboratories. It groups companies and universities from Apulia and operates in clusters with similar laboratories in Calabria and Sicily. SI-Lab focuses on the integration of industry chain services which will be tested in the field of health services. Exprivia has had an 18.37% investment in the company since its establishment.

Consorzio Italy Care, a consortium established in March 2014 by Exprivia together with Farmalabor Srl, Gruppo Villa Maria Care & Research, and MASMEC Biomed. The Consortium aims to optimise results and investments in healthcare. The strong drive towards internationalisation plays a key role in Italy Care's mission. Promoting a winning image of the health supply chain well beyond the national borders is in fact an essential objective of the consortium.

Cefriel Scarl, limited liability consortium. This is a consortium in operation since 1988 as a centre of excellence for innovation, research and training in the Information & Communication Technology sector. Its main goal is to strengthen relations between universities and business through a multidisciplinary approach, starting from business needs and integrating the results of research, the best technologies on the market, emerging standards and the reality of business processes to innovate or develop new products and services.

Consel - Consorzio Elis per la Formazione Professionale Superiore - S.c.r.l., based in Rome. Italtel S.p.A. holds a 2.5% share in the consortium.

Parco Scientifico e Tecnologico della Sicilia S.c.p.A., located in Palermo, deals with research. Italtel S.p.A. holds a 0.04% share in the company.

Consorzio Nazionale Imballaggi CONAI, located in Rome, deals with packaging management. Italtel S.p.A. holds a 0.005% share in the consortium.

Consorzio COFRIDIP, located in Padua. Italtel S.p.A. holds a 9.09% share in the consortium.

Distretto Tecnologico Sicilia Micro e Nano Sistemi S.c.a.r.l., located in Palermo. Italtel S.p.A. holds a 4.55% share in the district.

SI-LAB Sicilia S.c.a.r.l., located in Palermo. Italtel S.p.A. holds an 18.50% share in the company.

Open Hub Med S.c.a.r.l., located in Milan. Italtel S.p.A. holds a 9.52% investment in the company.

MADE S.c.a.r.l., located in Milan. The objective of the company, owned by Italtel SpA with a 1% share and established on 11 January 2019, is to support manufacturing companies in the digital transformation process towards Industry 4.0.

Innovation Lab
The foundry of ideas

Innovation Lab

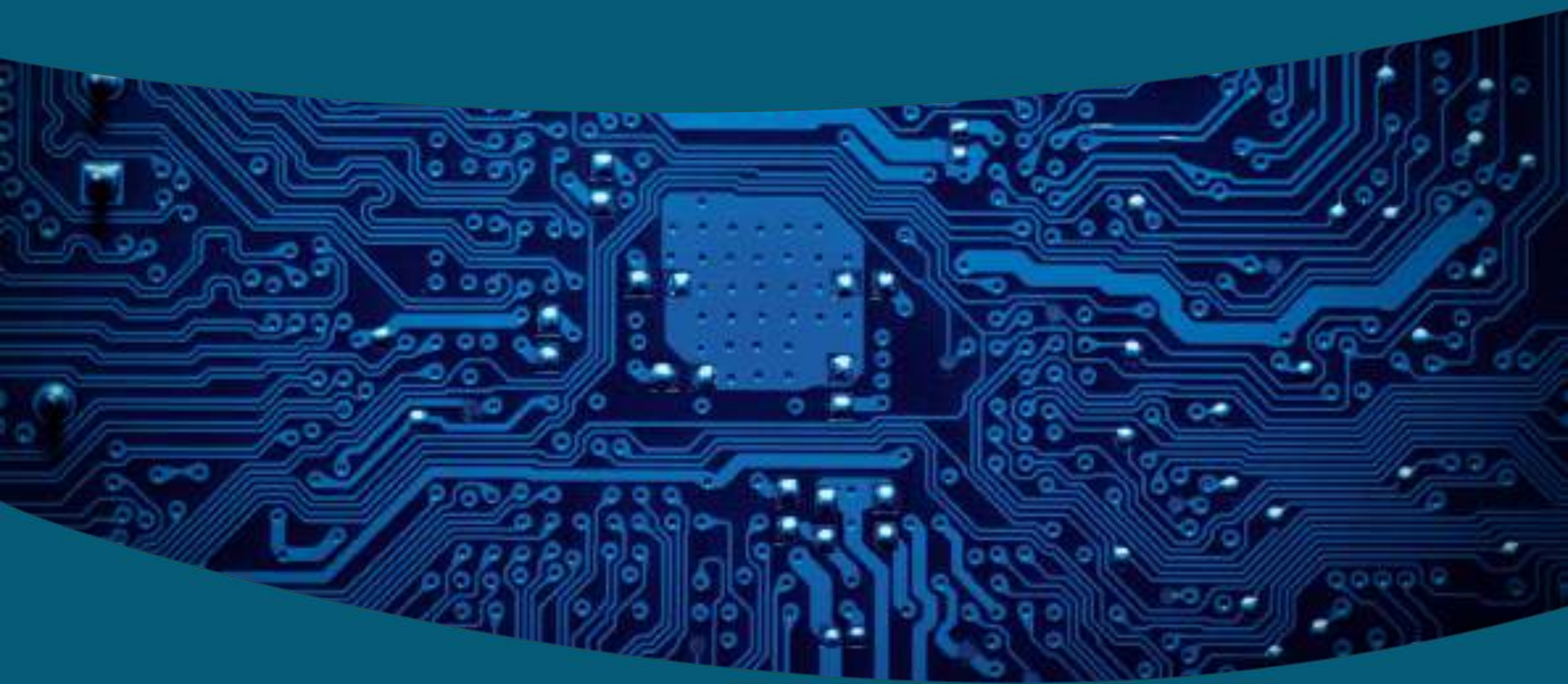
Innovation to explore and construct new business opportunities

Innovation Lab is the backbone structure of the research, development and integration of Exprivia technologies.

A hotbed open to sharing experience and knowledge with the world of academics and research, which has led to the activation of various projects with the main Universities of Apulia (Polytechnic and University of Bari, University of Salento), of Milan (Polytechnic of Milan) and of Rome (La Sapienza), with CNR and with Cefriel, with which it has specifically launched a commercial partnership programme to promote "technological frontier" projects.

Innovation Lab identifies and adapts innovation opportunities to the company's business model, coordinates projects which exploit public contributions, creates innovative technologies and solutions to be transferred to company production areas and enriches the company's wealth of knowledge, contributing to creating new distinctive competencies.

Industries: a winning bid on each market



Big Data & Analytics

We offer all of the very latest tools for supporting both 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.

Data Centre & Virtualisation

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

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

IP Network Infrastructure

For Telco Operator networks, 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 know-how in designing and implementing wired and wireless convergent solutions, Private LTE solutions, and 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

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

UltraBroadBand Design

Through Italtel, we have developed the skills necessary for executing the Ultra-Broadband passive network design contract, in the C&D Clusters, within the Infratel tenders that were assigned to Open Fiber.

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

Cloud

Our cloud services are based on four fundamental models: Public Cloud, Private Cloud, Hybrid Cloud and Community Cloud.

IoT & Contextual Communication

The IoT is capable of having a positive effect on the very idea of business, work, study, health and life.

The main areas in which we are developing know-how are: Industry 4.0, Digital Healthcare, Smart Cities and Smart Grid.

IT Security

Our skills include technologies for the protection of the company's perimeter (firewall), for the protection of content (emails, web), for mobility, for access control, for the protection of data centres, and for the protection of operator networks. Our offer catalogue also includes ethical hacking services and compliance with standards and laws

Mobile

We offer companies and entities the possibility of reaping the maximum benefit from the latest-generation mobile technologies by including them within a broader multi-channel strategy which encompasses Mobile Device Management for business devices, Mobile Payment in the various commerce and service sectors, Mobile Health and Mobile Application Development in the areas of health, finance and security.

SAP

With a strategic partnership that has lasted for more than 20 years, we are now one of the main reference players in the SAP world in Italy and abroad. Our main areas of intervention are: Administration, Finance and Control, Operation & Logistics, Business Analytics and Human Capital Management.

Business Process Outsourcing

We support and sustain company evolution by taking responsibility for the 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 such as customer care and customer service.

Network Transformation

We are actively involved in 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 in the deployment of cutting-edge IMS solutions. We have 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

By using NFV and SDN technologies, networks can operate with an automatic correlation between 'Assurance' and 'Fulfilment' procedures. 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 developed skills in Advanced Analytics solutions (including Data Science methods) that help improve Customer Experience and reduce churn rates.

People Collaboration and Customer Relationship

For several years, we have been operating successfully on architectures, including on-premises UC&C (Unified Communication and Collaboration) solutions (telephone switchboards enhanced with additional services that allow video conferencing, also 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.

Corporate Social Responsability

Corporate Social Responsability

Environment, health, and safety

Exprivia is an ICT services company, whose production processes involve human intensive features on which the human production factor prevails rather than the 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 of the fact that, for the purposes of the effectiveness of any far-reaching corporate responsibility strategy, it must undertake activities aimed at the assessment of the environmental impact, so that it can act in a manner that ensures the maximum respect for the environment. For this purpose, Exprivia has carried out a process aimed, on the one hand, at identifying the main impacts of the business processes, the infrastructures and the structures used, and on the other hand, at monitoring the environmental performances of its central headquarters in Molfetta. Since 2006 Exprivia has understood that the implementation of an Environmental Management System (EMS) would have made it possible to satisfy the aforementioned objectives, as well as facilitate the compliance with current environmental legislation and the ongoing improvement of the environmental performances.

The Exprivia Group has also always been involved in the development and promotion of the protection of health and safety in the workplaces. It recognises the fundamental importance of protecting health and safety and ensuring the safeguarding and wellbeing of the workers and the third parties in all the activities care of its workplaces. By means of a prevention and protection system ingrained in all the venues, the Exprivia Group has achieved significant results over the years, including a greater awareness among the employees with regard to the aspects of safety, a significant containment of accidents in the workplace and the prevention of occupational diseases.

Performance trend of the Exprivia Group

Performance trend of the Exprivia Group

The performances trends by market are indicated below, with a view across the two operating segments into which the Exprivia Group is organised.

Banking and Finance

The Banking & Insurance market witnessed a gradual improvement in the general context that had a significant impact in the first part of the year. The above-mentioned improvement contributed, especially in the case of banks, to ease the pressure on the financial statements, allowing excellent half-yearly performance to be achieved.

At the end of 2019, the digital market in our reference sector recorded growth for both the banking and insurance sectors. The technological trends on which the main players are focusing are Open Banking (with the entry into force of the PSD2 in September), the enhancement of digital channels, the modernization and adaptation of infrastructures (including systems related to the core business) and finally all the activities related to the reduction and mitigation of cyber risk and fraud in general. M&A topics continue to be of interest to banks, while on the insurance front, more attention is being paid to the digitalisation of processes and the development of new offer models (e.g. micro / instant insurance).

With regard to the individual segments covered by the Company, the following should be noted:

- as regards the "Finance" area, 2019 ended in line with the results achieved in 2018. The regulatory area remains decisive, as well as participation in complex integration projects, but the more technological and implementation of custom solutions activities are starting to have a significant volume;
- in the "Credit, Risk Management & Factoring Solution" segment, if, on the one hand, there is an increase in revenues from some acquired customers, at the Italian market level there is a situation of substantial continuity with the previous year, with important negotiations not yet finalized. For the specific factoring segment, we find lower revenues on the fees component for the Full Outsourcing service, due to market concentration and competitive tensions, but also the acquisition of new customers including a bank that intends to introduce factoring in the field of product portfolio, an interesting demonstration of a growing market trend;
- in the area of "Analytics, Customer Experience, Cyber Security and Insurance Solution", the results were better than in 2018 thanks to the positive direction of offers in the "Automation" field of the back office areas, in the implementation of projects in the field of open banking and Cybersecurity. The current market trend sees the need for our target customers to differentiate themselves from the traditional offer by conveying sensitive offers (such as Telemedicine) through the implementation of PSD2, a trend on which we are ready and credible interlocutors.

In conclusion, the performance of 2019 showed a slight decrease on total volumes, albeit with constant absolute margins, despite the development of an important pipeline, in each of the segments, both on the components most in demand by the market, and on the most consolidated components of our offer, which has not been fully translated into the launch of many new initiatives.

The Covid-19 emergency has affected and continues to strongly affect the entire market. Banks and insurance companies were called upon to quickly implement innovative and efficient solutions, in a context that was already particularly complex due to continuous regulatory changes: this allowed an acceleration towards the review of operating and organisational models and was able to give a strong impetus to the revision - in the digital sense - of communication with the end customer.

Therefore, in a very short time, operators found themselves in a position to comply with government provisions on the one hand, and ensure operational continuity on the other, all without neglecting the development of innovative products. All this has resulted in multiple initiatives, including mainly:

- the structural use of remote work;
- the strengthening of the digital customer service logic;
- the activities for the adjustment of the operational processes;

- the implementation of rationalisation and efficiency programmes;
- the paths of modernization of information systems, introducing innovation through the adoption of new technologies.

Compared to a year ago, recent studies show that in ICT spending the main priorities concerned digital onboarding, the enhancement of mobile banking and data governance initiatives as well as the optimization of back offices, all topics on which we have been actively engaged for some time. On the research and innovation side, the most significant trends concern the evolution towards the cloud (thanks also to more precise guidelines that have been recently issued), AI and cyber risk mitigation, also in this case three issues on which we are particularly active both with the Credit, Risk Management & Factoring Solution offering segment, and with our offer in the Analytics, Customer Experience, Cyber Security and Insurance Solution areas.

Finally, it should be noted that the entire market is constantly in turmoil, also favoured by the general context, due to M&A issues: this could lead to further projects and, in any case, partly change the current balance. In 2020, we were particularly affected by this dynamic with regard to our Finance operations.

Telco & Media

In Italy, too, the drive towards technological evolution in the direction of Digital Transformation is consolidating with investments aimed at implementing solutions such as Cloud Computing, Mobility, Big data and Analytics.

This has resulted in the Italian ICT market reaching Euro 31 billion in 2019, marking a growth of +2.3% compared to 2018. According to the ASSINTEL report, this growth is the result of two trends. On the one hand, the fixed and mobile telecommunications services market, with a value that in 2019 stood at Euro 6.9 billion, down 2.7% compared to 2018, and on the other hand, the Information Technology (IT) market which shows a growth trend of +3.8% compared to 2018 for a total value of Euro 24.2 billion.

As part of Telecommunications services, broadband and ultra-wideband data services have become an essential component in the business digitalisation process. This development is set to continue with the extension of the country's coverage with ultra-broadband networks and 5G trials.

In this scenario, with regard to Italian customers, there was a significant drop in turnover in 2019 compared to the previous year, essentially due to the slowdown of some projects.

Despite the impact on revenues, in addition to the consolidation in the traditional areas (IP networks, VoIP networks, System Integration IT), many innovative projects were carried out in 2019, such as:

- Development of Cloud adoption projects with IaaS / PaaS infrastructures and development of cloud migration projects through the refactor of cloud native applications by operators;
- Development of automation projects for the simplification and automation of business processes through the application of Business Process Management and Robotic Process Automation paradigms.

Energy & Utilities

Energy Companies will be required to undertake an important transformation process to incorporate in their strategic plans the guidelines of the National Integrated Energy and Climate Plan (PNIEC) submitted by the MISE to the European community. The main trends identified are related to decarbonisation, electrification, innovation of the enabling infrastructures and in the Customer Identity management "platforms" that pave the way for new business models. The aforementioned transformation will be a driving force both for the renewal of the ICT infrastructures supporting the business and for the development of vertical solutions for the integration of operating processes and the use of new technologies to increase efficiency in the value chain.

The scenario described above is confirmed by the forecasts of ICT analysts that place the Energy and Utilities sector (in which the subset of companies operating in the Oil & Gas sector is included) among the companies that have undertaken with greater conviction plans in which digital technologies take on a priority and strategic role in the process innovation.

The Company recorded significant growth in 2019 compared to 2018, confirming the acceleration in infrastructural investments, in the sectors of operations and automation of industrial processes in which the Company expresses an innovative offer consistent with some of the most recent technological paradigms (Modelling and adaptation of 3D scenarios, Man Machine Interface, IoT), an offer that brought interesting results in the second half of 2019.

The growth is supported by the projects attributable to the transformation processes on the main customers, in particular in the energy transport and distribution sectors where the transition to Smart Grids, increasingly necessary for the growth of the amount of energy deriving from renewable sources, is underway. Worthy of attention is the issue related to investments for network resilience (transport and distribution), which sees IoT technologies as one of the enabling factors.

The Company sees a consolidation of its position among the big players in the Italian market, covering multiple innovative ICT needs by pursuing, in addition to the consolidated internal R&D approach, also open innovation, as a model to accelerate its capacity to develop distinctive solutions for the market such as Cyber Security, IoT, services for the development and dissemination of Cloud solutions.

BPO (Business Process Outsourcing), specialised in Customer Care, both Front Office and Back office, also saw significant revenue growth in 2019.

Aerospace & Defence

The Aerospace market presents a growing number of commercial opportunities, both provided by institutional entities and by industry sectors. The level of competition between the industries in the sector and the need to forge strategic partnerships remains very high.

The European Space Agency ("ESA") has outlined future strategies for the operations of the *Copernicus Space Component system*, setting challenging objectives to reduce operating costs.

ESA intends to pursue the objectives of cost reduction, shifting the investments related to the development of software and HW infrastructures, on Cloud models and architectures. For the macro-functionalities of the land segment - such as acquisition, processing, long-term archive and dissemination - industries and consortia able to provide these services according to contracts based on cost-model and Service Level Agreement will be selected. The process of transformation towards the new service paradigm is already underway and proceeds in parallel with the existing operation and maintenance contracts. Technology must be able to support this paradigm shift.

The above scenario obviously represents a strong focus, which is why our SW solutions are also ready in the cloud environment and at the same time, we are developing cloud-native solutions to make the most of the intrinsic capabilities of these environments.

Since the beginning of 2019, the negotiations of three important "open competition" service tenders have been successfully concluded, which demonstrate the credibility of the Company also in this type of contracts, regulated by Service Level Agreements and based on cost-models.

The qualification obtained by Exprivia SpA (hereinafter also "Exprivia") in 2019 for the Long-term Archive service for Copernicus, allowed us to participate and obtain the assignment of a lot of the first tender of 2020 for this service (long-term archive of all Level 0 products of Sentinel 1, 2 and 3 missions). The service, fully managed by Exprivia, has been in operation since mid-November 2020 and will continue until the end of 2021, with the possibility of subsequent extensions.

The above scenario obviously represents a strong focus, which is why our SW solutions are also ready in the cloud environment and, at the same time, we have developed and are developing cloud-native solutions to make the most of the intrinsic capabilities of these environments.

As regards EUMETSAT, since the beginning of 2020, the negotiations of important open competition tenders were successfully concluded, demonstrating the credibility of Exprivia also as a service provider. The services concern the integration, validation and maintenance of the systems operated by EUMETSAT.

At the national level, it is worth noting the success of the recovery action to include Exprivia within the consortium of Italian companies led by SITAEL for the realisation of the national Platino mission. Exprivia was therefore awarded the contract for the development of the User and Data System (UDS).

As regards direct negotiation opportunities, numerous service contracts were extended for the maintenance of SW solutions developed in the past by Exprivia and currently in operation with our customers.

Manufacturing & Distribution

The Italian Industry market maintained a slightly positive growth trend also in the second half of 2019, confirming the willingness of Italian companies in this sector to carry out transformative projects in a digital and Impresa 4.0 perspective.

In fact, the Industry sector is geared to seize the opportunities offered by Impresa 4.0 and implement a strategy to redesign the business model as well as to introduce new forms of flexible automation in processes.

These dynamics are accelerated and enabled by advanced technological environments, based on digital platforms and on new paradigms such as the cloud, advanced analytics and the Internet of Things, in which industrial companies are increasingly investing, while maintaining the utmost attention to the correct assessment of the return on investment.

Software vendor strategies have now converged towards a "hybrid" offer, which requires a review of business ICT architectures, and cloud solutions which simplify implementation processes and, as a result, the correlated services.

The Company's revenues were down slightly compared to the same period of 2018 in the Applications segment, in line in terms of margins for the infrastructural component.

In the Industry and Distribution market, the deterioration in performance in 2020 following the onset of the Covid-19 pandemic was substantial. The industrial production index recorded significant decreases with peaks in the production of durable consumer goods and capital goods, with consequent impacts in some sectors such as Automotive (and its associated industries) and Fashion Retail.

In 2020, due to the freezing of production activities and exports, with a strong impact on turnover, industrial companies took action on costs, with spending cuts in all areas, including digital investments.

At the same time, the pandemic has made many companies understand the strategic importance of digitalisation and the recovery of investments and to implement a strategy to redesign the business model as well as introduce new forms of flexible automation of processes.

These dynamics are accelerated and enabled by advanced technological environments, based on digital platforms and on Cloud, Advanced Analytics and IoT paradigms, in which industrial companies are increasingly investing, while maintaining the utmost attention to the correct valuation of the return of the investment.

Software vendor strategies have now converged towards a "hybrid" offer, which requires a review of business ICT architectures, and cloud solutions which simplify implementation processes and, as a result, the correlated services.

Transportation

The railway market continues to benefit from large investments. The flagship company, Gruppo Ferrovie dello Stato Italiane, dominates the sector and incorporates RFI, the company responsible for the overall management of the national rail network.

The Ferrovie dello Stato group, which is undergoing organisational changes, is expected to issue tenders that will characterise investments for the next five years in areas of technological innovation.

The market is dominated by large groups with aggregation dynamics (Big to Big - Big to Medium/Small) in constant development, especially linked to aspects of merger/transformation of operators in the sector.

The Company's positioning on the railway market sees consolidation in the areas of video communication, IT services and ICT SAP.

In the airport market, a trend of investments is expected in the next few years in the areas of technological innovation related to both Business and Operations.

The Company is currently active with application development services in the airport sector and system integration services for Cisco products. In a proactive manner, we are working especially in the Security area to propose new solutions.

We are expanding our partnerships with strategic players, active in the airport market, for the proposition/participation in airport tenders.

The road transport market, regulated by tenders, is characterised by a constant internal need for greater efficiency of processes and infrastructure security, which impacts on the ICT, IoT and network infrastructure investments.

The Company is present through framework agreements for the provision of professional services and SW development of applications in the ICT area. We are working to increase demand for these services, in order to maximise the use of current framework agreements.

The ongoing activities are aimed at increasing customer loyalty, increasing turnover and expanding relationships on sectors not covered until now, such as infrastructures, IoT, Data Centre and IT security.

Healthcare

In the Healthcare market, the trend towards concentration of the demand at the regional level is confirmed, and represents an opportunity for the launch of a series of digital transformation projects so as to transfer to the central level a number of processes otherwise fragmented in the various bodies of the regional healthcare system. In this context, the Exprivia Group is succeeding in expanding its market share and order portfolio.

The trend for the widespread availability of new technologies and new solutions that increasingly integrate products into more complex platforms continues. Therefore, the positioning of Exprivia Group in this scenario evolves from IT solution provider and system integrator to full player, extending it to the areas of physical, cloud and security infrastructures.

The market has shown good results from investments in the regions under a recovery plan, where the combined provisions of the availability of European funds and the activation of Consip conventions has generated the acceleration in the procurement processes with the start of important digital transformation projects.

The Covid 19 emergency had a huge impact on the Digital Healthcare market throughout 2020; all health facilities were called upon to provide effective solutions in a very short time and to make certain and reliable data available to the country system that would allow public decision-makers to take actions to contain the pandemic.

In this state of emergency, all activities in the Digital Healthcare sector focused on providing operators with useful solutions that would effectively meet the requirements emerged from the pandemic, among these certainly those addressed to communication services on virtual channels, planning and booking, first with the testing swabs and then with the vaccination campaign, remote patient management services, telehealth, remote assistance, etc.

With the emergency, the delays that the back-end systems have accumulated, in particular, over the past decades, became evident; the excessive fragmentation of systems and applications has made it impossible, at times, to provide timely responses to the needs that were arising, and an overall rethink of the entire Local Health Service has become urgent. These issues will have to be addressed through the deployment of the initiatives foreseen in the PNRR (National Recovery and Resilience Plan).

A number of important projects launched in previous years in the wake of a trend towards the concentration of demand at regional level were successful, providing the opportunity to launch a series of digital transformation projects to transfer centrally several processes that would otherwise be fragmented across the various bodies of the regional healthcare system. In recent years, in this context, the Exprivia Group has succeeded in expanding its market share and order portfolio, which has allowed the Group to support a number of regional entities in the management of the COVID emergency.

The emergency has strengthened the trend towards the spread of new technological paradigms and new architectures that increasingly integrate products into complex platforms, the only ones able to consistently respond to emergencies. The positioning of the Exprivia Group in this scenario evolves from IT solution provider and system integrator to full player and service integrator, extending it to the areas of physical, cloud and security infrastructures.

Public Sector

The Three-Year Plan for IT in the Public Administration does not yet produce significant impulses and only induces a timid recovery in investments. Indeed, the Plan defines the reference model to develop Italian public information technology and the operational strategy for digital transformation of the country in terms of evolving the information systems of the PA: digital ecosystems, physical and intangible infrastructures, security, and interoperability. The large central agencies and the regions, as aggregators for local administrations, are starting purchasing procedures to build infrastructures and digital ecosystems. In this scenario, data centre consolidation, cloud development, cyber security, interoperability of systems/applications, big data, web services and the application development of the "digital citizenship" are the main drivers of the change programme underway.

The public sector is continuing its policy of rationalising ICT spending by making greater use of Consip purchasing tools, regional central purchasing bodies that allow economies of scale based on aggregated demand and, finally, by pushing for the purchase of cloud services. The increasing reuse of software made available in Agid catalogues by the proprietary administrations, as well as the use of central services such as NoiPa, are an important consideration. An element of discontinuity with respect to the Three-Year Plan was the "Sblocca Cantieri" decree, which envisages a widening of the autonomy of local public spending and therefore could lead to a redistribution of public spending in the medium term with a consequent slowdown in the concentration processes hoped for by the Three-Year Plan.

Thanks to its expertise, Exprivia is able to autonomously develop projects of high complexity and size, with a high competitive capacity and market penetration and, therefore, is one of the main players for the digitalisation of the Italian country system; the territorial distribution of skills also ensures a level of flexibility that allows quick adjustments to the sudden evolution of the purchasing model depending on the particularly variable regulatory framework.

The Covid 19 pandemic had a strong impact on the Public Administration; the activation of remote working in emergency situations, in reality still with an inadequate level of digitalisation, led on the one hand to a slowdown in a number of project initiatives and on the other hand to accelerate office automation projects necessary to accompany an orderly remote management of the administrative machine.

In this situation, all the weaknesses of the inadequate digitalisation of the PA have emerged; the fragmentation of back-end systems, the permanence of solutions in silos has often represented an insurmountable obstacle to the provision of fundamental services during a pandemic, highlighting the lack of adequate consistency of IT systems.

In order to activate incisive actions in the Digitalisation of the PA, the PNRR focuses many of its actions and resources on this issue. The main points that will guide the digital transition strategy are:

- modernization of infrastructures throughout the country;

- exploitation of cloud computing;
- use of public administration data;
- advancements in cybersecurity;
- greater centrality of people and their skills;

Some of the main measures contained in the PNRR are:

- investments for ultra-broadband;
- plan for the digitalisation of the PA;
- data interoperability and the digitalisation of applications for the citizens;
- strengthening of the cybersecurity system;
- digital citizenship.

Thanks to its expertise, Exprivia is able to develop projects of high complexity and size, with significant competitive value and market penetration and, therefore, will be one of the main players for the digitalisation of the country system; the territorial distribution of skills also ensures a level of flexibility that allows quick adjustments to the sudden evolution of the purchasing model depending on the particularly variable regulatory framework.

The volume of new opportunities opened demonstrates a commercial action aimed at acquiring new customers/market areas and, in parallel, a continuous monitoring of existing customers with the aim of maintaining and increasing the volume of System Integration and System and Application Management services.

International business

The political, macroeconomic and financial issues, particularly felt in Latin America, continue to represent a brake on the development of the global ICT market and a slowdown factor for investments, especially in some countries. These elements result in strong volume and price pressure in the Service Provider market and a stagnant revenue trend. The "corporate" market however maintains its dynamism, primarily spurred by new technological drivers and new types of digital transformation solutions, although there has not actually been an appreciable rise in volumes yet.

The positioning on a primary customer in the energy market has become structural in all the countries where the customer operates (in particular Spain and Latin America) through participation in tenders (local and regional), for which the first awards were issued.

HUB France and Belgium: in France, the "Service Provider" market continues to decrease in volumes; nevertheless, the Expivia Group is competing for the mobile 4G/LTE part of a leading customer thanks to the good positioning achieved on the IMS fixed network supplied and now in operation. In the "Enterprise" segment, we have been awarded an order for the "*Unified Communication*" system of the Dutch "Social Security" where integration activities on the Datacenter are planned. In France, the first orders for WAN and SDWAN auditing and design services were acquired.

HUB Germany and Poland: in this region, too, the traditional "service provider" customers to whom network and virtualisation expertise is sold show a slight delay in project implementation. The final contract was signed with a leading customer for the replacement of an existing solution. Positioning activities continued with some "Enterprise" customers for System Integration projects and network services.

England: the implementation phase of the *"Routing Data Base" project of a leading Service Provider* is approaching completion, which led to the commercial launch and the related Support contract at the beginning of 2020. During the last quarter, the same customer requested new features compared to the original Scope of Work, which allowed for an increase in activities. Another long-standing customer of Italtel renewed the support agreement applied to the NGN network based on proprietary products.

Spain: Spain is one of the European countries with the most severe economic impact from the pandemic, due to its significant dependence on tourism and hotel sectors. During the second and third quarter of 2020, there was a substantial stagnation of new orders with a consequent significant impact on the revenues for the year. All new ERP projects were stopped and then restarted at the end of the fourth quarter and at the beginning of 2021. The positive growth of the Retail market and the Public Administration market continued.

Argentina: the economic difficulties were further accentuated (in particular inflation and the strong devaluation of the Peso). Consequently, the market is in a phase of great uncertainty and is awaiting the appropriate economic measures; this has led to a general freezing of investment plans by companies.

Brazil: consolidation and differentiation towards engineering services continued for the "Service Providers" and "Enterprise" markets, while confirming the current positioning in infrastructure projects (DWDM, IP backbone…), also improving the profitability of these projects. The creation of the "Digital Security" Unit is now a reality with consolidated and disbursed projects. The positioning within the world of Utilities in order to acquire new projects in Telco, Services and IT continues in a positive trend.

HUB Peru and Ecuador: the acceleration of Digital Transformation projects continues, both in the "Service Providers" and in the "Enterprise" areas (banking, energy, health) and also in the Public Sector, with important projects being defined for next year.

Colombia: the Government's innovation policy continues, focused on digital transformation at the service of education, healthcare and entrepreneurship (in this sense, a strategic partnership was signed with Cisco). The business of digital transformation solutions for our customers continues, focused on the acceleration of communication, on the Datacenter infrastructures and on the growth of data transport infrastructure.

Mexico and Guatemala: the critical elements of the positioning in Mexico persist and the commercial activity aimed at expanding through the positioning of its expertise in the ERP area continues.

China: the Chinese market continues to grow, although at a slower pace than in the past due to the tariff war with the United States and the Hong Kong situation. In this context, the Exprivia Group maintains its offer focused on ERP/SAP and IT infrastructure services, positioning itself as a reference technological partner for Italian companies and institutions in the area as well as for a growing number of foreign entities. The situation has led to a general decrease in foreign investments. However, new and interesting opportunities are emerging in neighbouring countries (e.g. Vietnam) which will be better qualified in the short term.

Risks and Uncertainties

Internal Risks

Risks related to dependence on key staff members

Exprivia is aware that the success of the Group mainly depends on the expertise and professionalism of its staff. In addition to the executive directors of Exprivia and its subsidiaries, the Group has also avail itself of 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.

Risks related to dependence on customers

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

The revenues of the Group are 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.

Risks 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 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.

Risks related to internationalisation

In its internationalisation strategy the Group could be exposed to typical risks deriving from the performance of business at an international level, which include changes in politics, macro-economic outlook, taxation and/or regulations, as well as currency variations. However, it should be noted that most of the Group's revenues are generated in markets where country risk is considered under control and minor.

External Risks

Risks 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 downward cycle and the number of variables connected to the national and international political-economic system.

Risks 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.

Risks related to competition

The Exprivia Group competes in markets consisting of companies that are typically rather large, which means 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.

Risks related to changes in legislation

The work carried out by Exprivia Group is not subject to any specific legislation applicable to the sector.

Risk related to climate change

Climate change, environmental protection and the consequent evolution of the reference context may lead to the identification of risks for the Group and require preventive actions on certain types of processes and products to reduce their effects.

The Group's activities, to ensure the transition to a low-polluting economy, may be subject to transition and physical risks, with possible impacts on business processes, in particular production processes, as well as on the products and services offered. The sites and company assets may also be affected by catastrophic natural events (floods, droughts, fires and other) generated by the effects of climate change. The Group pursues a business strategy aimed at continuously improving the efficiency of production systems and processes for the reduction of energy consumption and atmospheric emissions and adopts technical and organisational measures aimed at reducing its environmental impacts, already insignificant by their nature, as they are similar to those generated by office activities. The Group carries out detailed and frequent interventions to monitor and control production activities and the infrastructures and structures used, and has defined operating procedures for the management of some environmental emergencies (e.g. fire emergency, flooding, etc.). The Group also has specific insurance coverage that covers possible consequences arising from disastrous climatic and natural events. We believe this risk is not significant for the Group.

Cyber security risk

Companies are called upon to face the risks associated with the world of IT security deriving from the continuous evolution of the cyber threat and the increase in its attack surface, also in the face of increasing digitalisation and greater spread of remote working in companies. IT incidents, including in the supply chain, interruption of activities, leaks of personal data and loss of information, even of strategic importance, can compromise the business and even the image of the company, especially in the case of theft of stored third-party data in the archives of the Exprivia Group. The Group manages cyber security through dedicated controls, periodic training activities for the entire company population, processes, procedures and specific technologies for the prediction, prevention, identification and management of potential threats and for the response to them.

The Exprivia Group uses sophisticated risk rating techniques without interruption to adapt controls, processes and organisation to the needs of the market and the policies adopted.

Moreover, being ISO 27001 certified, Exprivia has developed an information security and privacy management system that integrates the regulations in force on the processing of personal data, the guidelines of the EDPB (European Data Protection Board), the Italian regulations of cybersecurity and periodically performs a risk assessment on information security, based on ISO 27005, which also takes into account the aspects of cybersecurity and privacy. In 2020, Exprivia extended the certificate to integrate into the system the ISO 27017 and ISO 27018 guidelines for the management of data in cloud environments with SaaS mode. In particular, ISO 27018 focuses on the management of personal data in cloud environments.

In recent years, the Group has set up an organisational structure with thorough expertise in cybersecurity, with specific skills, highly specialised resources and advanced technologies to seize the growing opportunities in the rapidly expanding digital market, as well as to support both the Group and private and public customers in digital transformation processes with the best technologies and the most advanced protocols for digital security and digital identity. This security organisation allows the Group to guarantee an increasingly higher level of adequacy and uniformity by ensuring better quality standards, as well as to improve the processes for the identification of cyber risks, for containing and/or mitigating them, in order to reduce their level of risk to a minimum.

With this in mind, the Group has structured a CyberSecurity Observatory that collects data on attacks, incidents and privacy violations in Italy, generating a periodic Threat Intelligence Report that is made available to anyone who requests it, thus collaborating in the creation of a network of organisations that exchange information with the common goal of countering cyber attacks.

Financial Risks

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. In addition to the above forms of funding, to be noted is the fixed-rate bond issued to finance the purchase of the equity investment in Italtel S.p.A. (hereinafter also "Italtel").

Concerning variable-rate loans, of a more significant amount, 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 monitoring 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, the Group finalised a medium-term loan with a pool of banks, significantly reducing liquidity risk. With regard to the subsidiary Italtel SpA, on 7 April 2020, the company filed a request for composition with creditors and, on 11 March 2021, it was admitted to the composition with creditors procedure pursuant to articles 160 et seq. and 186-bis of R.D. 267/1942 by the Court of Milan. Therefore, from 7 April 2020, Italtel falls under the protection of the bankruptcy law, thus reducing its liquidity risk.

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 and Argentina). 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 USD, derivative hedging agreements are entered into on this currency. In the financial statements, these derivatives are stated at fair value in accordance with IAS/IFRS.

Risk of business interruption due to COVID-19 coronavirus

As illustrated in more detail in the paragraphs "Business outlook" and "Events after 31 December 2019" of this directors' report and in the explanatory note "Covid 19 and possible impacts on the business as a going concern", to which reference should be made, at the end of 2019, a new coronavirus renamed by the WHO (World Health Organisation) Covid-19, was detected in Wuhan, China. At the date of preparation of this

Report, all the different countries are trying to deal with the pandemic mainly through the vaccination of the widest possible part of the population on the one hand and with restrictive measures to minimise the opportunities for contagion as much as possible.

Exprivia has closely followed the evolution of the situation and, in order to protect the safety of its employees, customers and suppliers, has immediately implemented a remote working policy that has brought almost the entire company population into this working mode.

From this point of view, the observation of what happened in 2020 shows that the market in which the Exprivia Group operates, not only did not suffer particularly from the pandemic situation but, in some cases, it was a catalyst for new commercial opportunities. More than a year after the start of the pandemic, it can be said that the pandemic has not had, to date, a negative impact on Exprivia Group operations. It will undoubtedly be necessary to assess and study the possible repercussions that a "remote work" situation covering all working hours and lasting over time may have. This circumstance could therefore have a negative impact on the Company's ability to fully carry out its operations. Given the sector in which the Company operates, many of the activities carried out for its customers can be remotely performed, which Exprivia did from the very beginning.

Exprivia has processes that support the identification, management and monitoring of events with potential significant impacts on the company's resources and business, with the aim of maximising the timeliness and effectiveness of the actions undertaken.

Exprivia's management has carefully assessed, also in view of Consob's warning no. 6/20 of 9 April 2020, the impact of the pandemic on the Exprivia Group's business, both through internal analyses and the study of external sources. Based on the aforementioned analyses, it is not believed that the current pandemic, on the basis of the information currently available, could affect the Exprivia Group's ability to continue as a going concern.

Risk of negative outcome of the Italtel composition procedure and related impacts on Exprivia

Please refer to the Explanatory Note.

Significant Events in 2019

On 14 March 2019, Exprivia's Board of Directors, after the resignation of the Executive Director, Filippo Giannelli, co-opted, as Executive Director, Mr Stefano Pileri, whose office on the Board was confirmed by the Ordinary Shareholders' Meeting of Exprivia on 29 April 2019 until the end of the mandate of the administrative body with the approval of the financial statements at 31 December 2019.

On 29 April 2019, the ordinary Shareholders' Meeting of Exprivia met in first call to approve the financial statements at 31 December 2018. At the same meeting, the Corporate Governance and Ownership Report as well as the Remuneration Report in accordance with the Corporate Governance Code for Listed Companies promoted by Borsa Italiana and the Consolidated Non-Financial Statement prepared pursuant to Legislative Decree 254/16 were approved and are available on the Company's website www.exprivia.it, section Corporate - Corporate Governance - Shareholders' Meetings - Ordinary Shareholders' Meeting of 29-30 April 2019. The shareholders' meeting also approved the Long-Term Incentive Plan entitled "2019-2021 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. For all the details on the plan, please refer to the Information Document available to the shareholders and the public pursuant to art. 84-bis of the Issuers' Regulation adopted with Consob resolution no. 11971/1999. The Shareholders' Meeting also approved the shareholder plan related to the 2018 performance bonus based on financial instruments, as established by the second-level trade union agreement of 13 November 2018 and reserved for all Exprivia's employees excluding managers and directors. The Shareholders' Meeting also provided for the integration of the Board of Statutory Auditors by appointing Mauro Ferrante as Standing Auditor and Andrea Delfino as Alternate

Auditor in addition to appointing Mr Stefano Pileri. The Shareholders' Meeting has also approved the issuing of a new authorisation to purchase and dispose of treasury shares, pursuant to articles 2357 and 2357-ter of the Italian Civil Code.

On 6 June 2019, the Company announced that the NFP/EBITDA parameter recorded on the figures of the Consolidated Financial Statements for specific purposes at 31 December 2018 relating to the Issuer's Group, as defined in the Bond Loan Regulation commented on in the Explanatory Note 17, it was 3.0, lower than the 3.6 limit; for this reason, as required by art. 7 of the Loan Regulation, the annual interest rate for the period from 14 December 2018 to 14 December 2019 is reduced from 5.80% to 5.30%.

On 5 July 2019, the Company announced that the 2018 Performance Bonus had been assigned to the Company's employees. The total amount disbursed amounts to approximately Euro 0.5 million. Part of the amount was disbursed in treasury shares held by the Company for a total of approximately 30,000 shares distributed.

On 28 August 2019, the Independent Director Eugenio Di Sciascio, having taken on a new role in an important public body, has announced his resignation with immediate effect from his office in the Board of Directors, as a member of the Control and Risk Committee and member of the Appointments and Remuneration Committee. In any case, his resignation does not entail the reduction of the independent directors of the listed company below the appropriate number required by the Corporate Governance Code, as four independent directors out of a total of eight directors remain in office.

On 13 November 2019, Exprivia's Board of Directors decided to postpone the approval of the interim report to 30 September 2019. In this regard, Exprivia's Board of Directors acknowledged that on 12 November 2019 the Board of Directors of Italtel, the Company's main subsidiary, resolved to postpone the approval of the interim report to 30 September 2019. For more information, please refer to the press release issued to the market on 13 November 2019.

On 13 December 2019, Exprivia's Board of Directors acknowledged the decision of the Board of Directors of the largest subsidiary Italtel to call the Shareholders' meeting pursuant to art. 2447 of the Italian Civil Code. This decision was taken after verifying the existence of impairment on goodwill and deferred tax assets carried out by Italtel with the help of an independent third party which led to write-downs that eroded the share capital and brought the shareholders' equity to negative values. It is important to note that the aforementioned situation of Italtel does not in any way affect the going concern of Exprivia and its other subsidiaries. For further information, please refer to the press release issued to the market on 13 December 2019.

Transactions within the Exprivia Group

On 31 July 2019, Exprivia acquired 20% of the share capital of QuestIT Srl, with an option to purchase an additional 10% interest. QuestIT is a company established in 2007 as a spin-off of the Artificial Intelligence research group of the Siena Department of Information Engineering and specialised in Artificial Intelligence technologies and applications.

Events after 31 December 2019

On 22 January 2020, Italtel SpA's Board of Directors announced the dates for the Shareholders' Meeting pursuant to art. 2447 of the Italian Civil Code, setting 31 January 2020 in first call and 14 February 2020 in second call.

On 31 January 2020, by means of a press release issued on the same date, Exprivia announced that the Shareholders' Meeting of the subsidiary Italtel was called off.

On 14 February 2020, by means of a press release issued on the same date, Exprivia announced that the Shareholders' Meeting of the subsidiary Italtel, in light of the progress of the discussions with the lending banks, resolved to adjourn the shareholders' meeting convened for the provisions under art. 2447 of the Italian Civil Code, with a new date to be set no later than 30 April.

On 28 February 2020, Italtel's Board of Directors called the Shareholders' Meeting, pursuant to art. 2447 of the Italian Civil Code, for 31 March 2020 in first call and 15 April 2020 in second call.

On 13 March 2020, Exprivia's Board of Directors resolved to postpone the approval of the Annual Report at 31 December 2019 until a new meeting to be held after the shareholders' meeting called by Italtel's Board of Directors pursuant to and for the purposes of art. 2447 of the Italian Civil Code, in first call on 31 March 2020 and possibly in second call on 15 April 2020. The postponement was necessary given the resolution of the Board of Directors of the investee Italtel, which met on 12 March last year, to postpone in turn the terms of approval of its financial statements given the events underlying the call of the shareholders' meeting pursuant to art. 2447 of the Italian Civil Code and pending contacts with the lending banks and other interlocutors aimed at identifying possible solutions relating to the financial position of Italtel.

On 31 March 2020, following disclosures made to the market on previous occasions, Exprivia announced that the Board of Directors of the investee Italtel, which met on 31 March 2020, given the persisting difficult situation already communicated to the market, resolved to submit an application for admission to the composition with creditors procedure pursuant to art. 160 et seq. of the Bankruptcy Law.

Exprivia also announced that it is in contact with a leading Fund active in the debt restructuring segment and that on 31 March 2020 Exprivia's Board of Directors resolved to grant this fund an exclusive right in the negotiations for a restructuring and relaunch of the subsidiary Italtel.

On 15 April 2020, Exprivia announced that the shareholders' meeting of the investee Italtel, held in second call, resolved to adjourn the Meeting, convened for the provisions under art. 2447 of the Italian Civil Code, to a new date. The decision was made in the light of the reservation request submitted by Italtel on 2 April 2020 and in the light of contacts with the Italtel credit class and with possible lenders for a restructuring and relaunch of Italtel.

On 28 April 2020, Exprivia's Board of Directors, in light of the filing by the subsidiary Italtel of the application for a "blank" composition agreement pursuant to article 161, paragraph 6, of the Bankruptcy Law, resolved to postpone the approval of the Annual Report required by art. 154-ter of the Consolidated Finance Act to a date to be defined, compatibly with the path undertaken by Italtel and with the overcoming of the current uncertainties relating to its business continuity.

On 14 May 2020, Exprivia's Board of Directors announced the postponement of the approval of the additional periodic financial information at 31 March 2020 to a new meeting of the Board of Directors to be held on 18 May 2020.

On 18 May 2020, Exprivia's Board of Directors announced that it had postponed the approval of the Annual Report at 31 December 2019 and the Additional Periodic Financial Information at 31 March 2020 to a new meeting.

On 9 June 2020, Exprivia announced that the NFP/EBITDA parameter recorded on the consolidated operating data at 31 December 2019 relating to the Issuer's Group, as defined in the Bond Loan Regulation commented on in the explanatory note 17, was equal to 2.5, lower than the limit of 3.0; for this reason, as required by art. 7 of the Loan Regulation, the annual interest rate for the period from 14 December 2019 to 14 December 2020 is reduced from 5.80% to 5.30%.

On 8 July 2020, Exprivia's Board of Directors acknowledged that, as of this report date, it was not possible to implement solutions for the relaunch of the subsidiary Italtel, consistent with the interests of Exprivia and its shareholders, and therefore resolved to discontinue the exploratory activities relating to its own intervention assumption, reserving the right to monitor the situation and reassess it according to future developments. In view of the uncertainty of the timing of the approval of the Group's consolidated results, the Board of Directors also resolved to request the voluntary and temporary exclusion of the STAR status from Borsa Italiana and the transfer to MTA for the Company's shares, pursuant to art. 2.5.7 of the Regulation of the Markets Organised and Managed by Borsa Italiana.

On 29 September 2020, Exprivia's Board of Directors announced that the Director Stefano Pileri communicated, on 28 September 2020 and effective at the same date, his resignation from the office of Director of Exprivia for professional reasons. Mr Pileri did not hold any other positions in the Issuer's internal committees.

On 27 November 2020, Exprivia announced that it had signed with a pool of banks composed of Banca Popolare di Puglia and Basilicata S.c.p.a., in the role of arranger and lender, Banca Popolare Pugliese S.c.p.a. in the role of lender, Banca Finanziaria Internazionale SpA in the role of agent bank and SACE Agent, a loan agreement, consisting of a medium-term cash line of credit, amounting to Euro 20 million, to be repaid within six years, of which two years of pre-amortisation.

The transaction is aimed at supporting investments and financing the working capital after the Covid-19 impact, and is secured by "Garanzia Italia", issued in a short time by SACE, to guarantee 90% of the amount of the loan, pursuant to the Liquidity Decree (Decree Law no. 23 of 08/04/2020 converted into Law no. 40 of 05/06/2020).

On 2 December 2020, Exprivia's Board of Directors informed that it had co-opted Mr Giovanni Castellaneta, with resolution approved by the Board of Statutory Auditors, as non-independent Director with responsibility for business development, supporting the Chairman and Chief Executive Officer in the operations aimed at the growth of the Company and the Group.

On 23 December 2020, Exprivia's Board of Directors announced that it had decided to submit a binding and irrevocable offer in support of a proposal for a composition with creditors in continuity of Italtel.

On 1 January 2021, Exprivia informed that Italtel's Board of Directors, which met on 31 December 2020, resolved to accept the binding offer of PSC Partecipazioni S.p.A. in support of a proposal for a composition with creditors.

On 17 March 2021, Exprivia S.p.A. announced that on 11 March 2021 the Court of Milan had declared open the procedure for composition with creditors according to the plan proposed by Italtel pursuant to and for the purposes of articles 160 et seq. and 186-bis of the Bankruptcy Law, considering that the composition proposal submitted by Italtel on 5 February 2021 may be suitable to ensure the restructuring of debts and the satisfaction of creditors. At the same time, the Court set the date for the summons of creditors before the presiding judge and the deadlines for the other tasks.

On 17 March 2021, the final hearing was held in the criminal trial against the former subsidiary Exprivia Healthcare IT S.r.l. (merged by incorporation into Exprivia S.p.A. in 2017), for the administrative liability of the Entities. The trial related to the termination of the contract with the Motor Vehicle Department of the Province of Trento was concluded with the acquittal of all parties, in particular, with the acquittal, requested by the Public Prosecutor itself, of the Legal Representative for not having committed the fact and with a judgement of exclusion from administrative liability pursuant to Legislative Decree 231/01 towards the company Exprivia Healthcare IT S.r.l..

On 30 April 2021, the Parent Company announced that, with regard to the investee Italtel, it no longer deems to exercise control pursuant to IFRS 10 as from 31 December 2020. In particular, in view of a number of events that occurred in 2020 potentially significant but none considered conclusive for the purposes of the loss of control, the directors of Exprivia, with the support of their accounting and legal advisors, assessed that the resolution of Italtel's Board of Directors of 31 December 2020 not to accept the proposal of the shareholder Exprivia but to accept the offer of PSC constitutes the final and strongest event to determine in a definitive manner that Exprivia has lost control over Italtel.

Covid 19: the beginning of 2020 is characterised by what the WHO has defined as a pandemic related to the rapid spread of COVID-19, as called by the WHO. The main steps are described below.

On 31 December 2019, the Chinese government reported the presence, in the city of Wuhan, of a cluster of cases of pneumonia with an unknown trigger (later identified as a new SARS-CoV-II coronavirus). On 30 January 2020, following the aforementioned report from China, the WHO (World Health Organisation) declared the coronavirus epidemic in China as a public health emergency of international concern. The following day, 31 January 2020, the Italian Government declared a state of emergency with a resolution of the Council of Ministers and implemented the first measures to contain the contagion throughout the country, deeming that the risk context, especially with reference to the need to carry out a comprehensive forecasting and prevention action required the immediate adoption of extraordinary and urgent initiatives.

Right from the start Exprivia closely followed the evolution of the situation and, in order to protect the safety of its employees, customers and suppliers, immediately implemented a remote working policy that brought 95% of its staff to work remotely. From the analyses conducted, the impact of the virus on the Group's activities is not particularly significant and does not in any way call into question the ability of Exprivia and its subsidiaries to continue as a going concern.

At present, in light of the assessments carried out within a scenario that is in any case in constant and rapid evolution, Exprivia's Board of Directors highlights that the trend of the pandemic, despite the uncertainties related to further developments in terms of impact on public health and, consequently, on the national and international production, economic and social fabric, it did not have significant effects on the Group's performance in 2020 and it is believed that, at the moment, no major impacts on the equity, financial and economic situation of the same are foreseeable for the year 2021.

The Company has made and is making extensive and widespread use of the so-called remote activities but cannot, at the moment, rule out that a possible worsening of the spread of the virus and its "variants" could involve the risk, currently deemed to be limited and remote, a slowdown in its business, in the unavailability of personnel, in difficulties encountered by both public and private customers and, consequently, in a lower revenues and a reduction in margins.

The Board of Directors believes that what is happening does not change the solid medium-long term prospects of the Company and its subsidiaries.

The developments relating to the spread of the COVID-19 pandemic are not reflected in the assessments of the financial statements at 31 December 2019, as they are non-adjusting events.

Crisis resolution process initiated by Italtel

Please refer to the Explanatory Note.

Considerations on the going concern of Italtel and impact on the process of preparation of the financial reporting of Exprivia

Please refer to the Explanatory Note.

Corporate Events

There were no significant events worth noting.

Acquisitions/Sales in the Exprivia Group

There were no significant events worth noting.

Corporate Governance and Ownership Structures

The report on corporate governance and the ownership structures is published on the www.exprivia.it website in the section Corporate/Corporate Governance/Shareholders' Meetings/Ordinary Shareholders' Meeting of 29-30 April 2019.

Non-financial Data Report

The non-financial statement is available on the www.exprivia.it website in the section Corporate/Corporate Governance/Shareholders' Meetings/Ordinary Shareholders' Meeting of 29-30 April 2019.

Exprivia's Stock Market Performance

The Exprivia shares are currently listed on the MTA market of the Italian Stock Exchange. Until July 2020, Exprivia shares were admitted to the STAR segment. On 8 July 2020, the Board of Directors also resolved to request from Borsa Italiana the voluntary and temporary exclusion of the STAR qualification and the transition to the MTA for the Company's shares, pursuant to art. 2.5.7 of the Regulation of the Markets Organised and Managed by Borsa Italiana.

The share capital at 31 December 2019 consists of 51,883,958 shares with a nominal unit value of Euro 0.52.

ISIN Stock Exchange 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, at 31 December 2019, the shareholder structure of Exprivia was as follows:

Shareholders	Shares	Amount held
Abaco Innovazione SpA	24,145,117	46.54%
Own shares held	4,064,611	7.83%
Other shareholders	23,674,230	45.63%
Total shares	**51,883,958**	**100.00%**

Stock Performance

The graph below compares the performance of the Exprivia share price with the FTSE Italia Star index in December 2019 and with reference to the twelve months prior to this date.

Business Outlook

In view of the complex situation described in the paragraph "Crisis resolution process initiated by Italtel", the approval of the Annual Report at 31 December 2019 was deferred and takes place at the same time as the Annual Report at 31 December 2020.

Despite the effects of the pandemic, the results for 2020 show substantial stability in revenues and a significant increase in margins compared to the previous year, proving that the rationales underlying the organisation and the business model are solid.

The year 2021 will unfortunately still be characterised by the major pandemic deriving from the spread of the COVID -19 virus and its variants, already discussed in the paragraph "Risk of business interruption due to COVID-19 coronavirus" of this report, and which led many companies, including Exprivia, to revise their operating model. Exprivia reacted with extreme promptness and was able to organise remote working for almost all of its workforce within a few weeks, thus making it possible to continue to provide services for its customers and to protect its employees. The sector in which Exprivia operates is certainly one in which the weight of this pandemic, at least in the short term, is felt less. In this regard, Exprivia has appointed a task force of managers for handling the emergency phases and has conducted an in-depth check on the impacts that the current spread of the virus and the relative repercussions are having on its activities, both starting from the observation of internal sources and comparing them with the forecasts of external sources. The result is that the impact, as far as can be foreseen at present, will not have significant repercussions on the Exprivia Group and even less on its business continuity, which is therefore preserved.

In this context, thanks to a flexible organisational model and processes structured to operate on a multi-local basis, the execution of the activities on the various projects, at present, continues in line with the planning shared with the clients as well as the commercial activities in the different geographical areas in which the Group has identified target projects to be pursued. Moreover, the ability to generate cash is solid and the

Group is actively involved in the daily monitoring of the evolution of the virus, for a proactive management of its impact.

It therefore continues, with the same determination as always, to pursue its objectives aimed at building a Group that is increasingly solid and capable of responding to the challenges and opportunities of the immediate future, both in terms of the potential that our sector will be able to find in this crisis, and in terms of a renewed operating model that will be based on an even greater use of remote working than in previous years.

Investments

Real Estate

The Company's current headquarters, located in Molfetta (BA), Via Adriano Olivetti 11 and Via Agnelli 5, 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 total of approximately 7,500 sq. m of office space.

Exprivia also 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, previously used under a property lease, was redeemed in December 2018.

In addition, there are the real estate properties of Italtel in Via Reiss Romoli, Castelletto, Settimo Milanese (MI) that comprise 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 (PA) 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, and Healthcare.

With regard to admission to funding for the "Digital Future" programme agreement, the relevant executive project was submitted and approved by resolution of the Puglia Region on 26 October 2018. 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 the tourist so as to "discover" the area helping them to identify sites, events, experiences of interest 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 Programme for Research, the EVER-EST (European Virtual Environment for Research - Earth Science Themes: a solution) is in progress. EVER-EST, developed by Advanced Computer Systems A.C.S. Srl (merged by incorporation into Exprivia on 27 December 2018) 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.

As required by IAS 38, par. 126, the total amounts of research and development expenses recognised in the income statement in 2019 amounted to Euro 17,888 thousand.

Events and Sponsorships

The Exprivia Group is constantly committed to supporting corporate and business initiatives of international standing. During 2019, the Group supported numerous project or convention-related activities, structured by area of interest and by business sector.

Staff	107	63
Markets	68	37
Total	175	100

Events by type	2019	2018
Corporate brand	94	65
Business	81	35
Total	175	100

The figures show a strong preference for initiatives that help spread the brand, in order to reinforce its visibility and prestige. Next come the business events aimed at communicating to the market any new information on innovative solutions, expertise and services with the aim of increasing business in the reference sector.

During the year, the Exprivia Group confirmed its support to cultural initiatives, reiterating the importance of culture as a fundamental asset for humanity, as well as for a technological company. It is only through greater social responsibility that better social, environmental and economic conditions can be attained. Our identity lies in culture, considered as knowledge, education and awareness, and in its protection and enhancement.

Culture, knowledge and sport activities further innovation and vice versa, therefore it is the Exprivia Group's conviction that each company has the duty to imagine and plan the future and, when possible, anticipate it. Also through the development of cultural initiatives.

The Group supports numerous cultural and sporting events of local, national and international importance. It is also the sponsor of initiatives aimed at developing the culture of agents and employees as well as the citizens in the areas in which it operates.

The following list shows the most significant cultural initiatives that the Group supported during 2019:

- **Race 4 the Cure**, May 2019, Group initiative in Bari and Rome;
- "**Il Libro Possibile**" **Festival**, 3-6 July 2019, Polignano a Mare (BA);
- **Conversazioni dal Mare**, the open-air cultural news event - 2 September 2019, Molfetta (BA);
- "Responsibility" discussed at the Dialoghi di Trani, 17-22 September 2019 (18th edition) - Bari and surrounding area;
- **Economy Lessons**, 4-5 October 2019 - Petruzzelli Theatre in Bari;
- Cycle of meetings - "**History Lessons**" - 20 October - 22 December 2019 - Petruzzelli Theatre in Bari.

In addition, in 2019, the Group (specifically Italtel) continued its social responsibility activities, participating in certain solidarity events. As in previous years, the rationale behind most of the contributions was contributing to the development of the local areas in which the Italian and foreign offices are located. The following list shows the most significant initiatives supported:

- **ELIS school/company system**, 5 November 2019, Palermo;
- **Cleaning our beaches**, 3 October 2019 in Valencia and Barcelona, in conjunction with Cisco and SeoBirdLife**.**

Management Training and Development

The profound transformations taking place in the world of Information Technology, characterised by a strong drive towards technology and innovation, require a significant change in our cultural and organisational nature. Within this scenario, some of the most important challenges to be faced are without a doubt the enhancement of human capital, the management of expertise and the development of new ways of working, to be deployed within the broader change of paradigm that is the digital transformation.

The development of capacities and expertise and the creation of a workplace that offers everyone the same opportunities based on a meritocratic approach are just some of the drivers Exprivia is focusing on the achievement of their ambitious growth objectives. Bonuses and recognition based on individual contributions and value constitute the underlying assumptions of the pay policy and the performance assessment system, in the same way that the quality of the selection process and the quality of the training process to improve existing business skills in addition to a significant focus on talent development, are all components of an increasingly innovative management model that Exprivia aims to implement to attract qualified, motivated and engaged workers, to thus be able to support long-term value creation.

Staff represent a strategic asset for Exprivia for consolidating and improving its competitive edge over time. In order to turn to enhance the human capital, Exprivia makes suitable tools and professional growth opportunities available, ensuring the objectives of quality and innovation of the products and services provided to the Customers.

Exprivia constantly encourages its workers to achieve levels of excellence, extending their technical and management skills while not neglecting motivation, sense of belonging and responsibility. The high level of professionalism of the individuals who work within Exprivia has enabled it to develop an excellent reputation in Italy and internationally. To this end, staff training courses are designed for the purpose of facilitating individuals in reaching increasingly challenging goals and achieving successful performances.

The significant growth of the Company has also involved the training area, which must guarantee the level of professional compliance of the staff with the current and potential medium- and long-term market.

Moreover, the training programmes envisage measures for developing organisational conduct and actions that increase knowledge and expertise in support of innovation and technological development programmes. The training programmes are planned in close association with the needs of the market and innovation investment.

In this regard, the Company has made significant investments both in terms of on-going training aimed at reskilling and upskilling programmes, and in terms of cultural development and basic expertise related to digital transformation.

In particular, with regard to reskilling and upskilling programmes, over 220 employees benefited from access to an online learning and teaching platform, with over 100 thousand courses in more than 50 languages. The courses are free but at the same time guided by Learning Ambassadors, appointed in the various organisational structures, who have the task of supporting the resources assigned, monitoring the use and analysing everything during specific monthly meetings with the HR Department. We plan to proceed with the investment also in order to evaluate a general extension to the entire organisation.

As regards cultural development, digital innovation is accelerating and generating increasingly fierce competition. Therefore, in line with the growing dissemination of innovation and digitalisation plans, starting from the analysis of the reference context in which Exprivia is called upon to operate, we have outlined the cultural change (technological, organisational and linked to new business models) aiming at new digital learning initiatives based on the storytelling paradigm. This process, initiated in 2019 and developed throughout the year, was entitled "Digital Journey". The process involves the entire workforce within the Italian perimeter of the Company's core business, with training interventions that analyse 5 thematic areas (Digital Culture, Digital Technologies, Digital Business Models, Innovation Methodologies and Digital Soft Skills), with a total of 12 courses. It consists in a metaphorical self-learning voyage through the themes of

Digital Transformation, using e-learning, and attempts to provide learning that is both cognitive and experiential.

Training in Exprivia is also planned with the support of the Spegea Corporate Business School, an accredited Italian management school. Its presence allows to:

- continuously renew the wealth of abilities and expertise of the human resources as a strategic asset;
- adopt increasingly innovative training methods and models, thanks to the Corporate School's unstinting focus on innovations within the reference market.

The 2019 training programmes covered the development of:

Specialistic technical skills: activities aimed at increasing technical knowledge and skills to support innovation and technological development programmes, through specialised training activities also aimed at obtaining certification. These specialised interventions were fully disseminated, in the belief that working on skills means increasing the value of people and, therefore, the organisation's competitive advantage.

Management skills: aimed at improving organisational conduct for the development of professional skills, project management and the development of conduct that contributes to determining a precise leadership style for handling working teams, in order to improve management effectiveness.

Language skills: training activities were carried out to increase the staff's language skills, with particular attention paid to flexible training (e-learning, Skype lessons and phone lessons).

In the area of regulatory compliance, training was provided on the fundamental management processes of the Company's Quality Management System: in particular, as part of the sales process integration project, a course was provided on the new costs and income planning tool, and the supporting application (CRM) was presented.

Within the context of mandatory training, training activities focused on the following topics:

- Protection of health and safety at work (pursuant to Italian Legislative Decree 81/08)
- GDPR (General Data Protection Regulation) - Privacy Regulation (EU 2016/679).

Training delivered in 2019 shows 30,261 hours with 14,452 participants. 75% of the total number of training hours were delivered online. We noticed a rise of around 36% in hours compared with the previous year thanks to the adoption of an e-Learning platform, which has enabled more extensive and effective use.

Certifications make it possible for each business unit to have a wealth of objective and measurable professional skills, ensuring their customers certification of the technical abilities of the individuals involved in the projects. Furthermore, for the purposes of participation in tender calls, it is indispensable to be able to employ and rapidly handle all company and individual certifications. In 2019, 86 certifications and specialisations/accreditations were achieved/renewed, with an increased number in innovative areas to support investments connected with the business plan and targeting a percentage of certified resources, amounting to around 21% of the workforce.

With regard to the Recruiting & Talent Acquisition Area, at 31 December 2019, 266 neo-graduates and qualified personnel were hired.

Recruitments were mainly aimed at personnel qualified in technical-IT areas, process experts and IT Management experts.

From a Talent Acquisition viewpoint, also in 2019, as in the past, Exprivia has invested in on-going links with schools, universities, polytechnics, research centres and consortia, fully aware of its role in generating innovation and opportunities for undergraduate and graduate students as well as recently graduated people.

This collaboration is structured as follows:

- School-to-work projects;
- 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 as part of corporate innovation programmes;
- Funding for doctoral programmes or higher education apprenticeships in order to combine research within the reference market offer;
- Active participation in Career Day, in collaboration with local universities;
- Lectures at some universities and polytechnic institutes, with special focus on technological issues in the field of digital transformation, medical systems engineering, etc.;
- Lectures at the Master programmes of the SPEGEA Business School;
- Participation in projects promoted by consortia, in collaboration with universities, schools and other companies, with the aim of bringing young people closer to the business world and creating a bridge between these two realities;
- Partnership with the Contamination Labs of the Bari Polytechnic and the University of Salento (Digilab and CLab);

In keeping with the activities launched during the last two years, Exprivia continues to believe and invest in twin-track training, through cooperation with ITS (higher technical colleges), highly-specialised technological schools, developed according to the organisational model of the Foundation, with the participation of companies, universities/scientific and technological research centres, which operate from a permanent learning perspective, prioritising experiential education through a training offer able to promote skills enabling the use of advanced technological and organisational innovation tools, mainly connected with the Impresa 4.0 national plan.

Late 2019 saw the launch, at the Molfetta, Foggia, Lecce and Palermo sites, in addition to the course started the previous year, of four new two-year training courses, in close cooperation between the ITS Foundations and Exprivia. For these courses, we have committed to the direct delivery of professional training in the classroom and the hosting of all the learners concerned at the various company sites, in order to reinforce learning and complete the training path, through significant on-the-job training. This strategic activity should encourage the entry into the company (in the second year of the course, therefore presumably in the first few months of 2021) of almost 100 trainees, with the intent and the hope that this will help to acquire a large part of the necessary staff increase.

Staff and Turnover

The table below shows the staff of the Group and the number of resources at 31 December 2019, compared with the figure at 31 December 2018. In particular, around 16.76% are part-time, (this is part-time in various contractual time configurations):

Company	Employees		Average employees		Temporary workers		Average temporary workers	
	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019
Exprivia SpA	1788	1802	1821	1791	1	2	1	1
Exprivia Projects Srl	581	616	555	600	-	-	-	-
Advanced Computer Systems Srl Germany	4	5	4	5	-	-	-	-
Exprivia It Solutions Shanghai	10	11	10	10	-	3	-	1.5
Expriva SLU (Spagna)	38	39	39	39	-	4	-	4
Prosap SA de CV/Prosap Centramerica SA	33	15	38	21	1		1	-
Exprivia do Brasil Ltda	28	28	27	30	-	1	-	2
Spegea Scarl	7	7	7	7	-	-	-	-
HR Coffee	3	6	3	4	2	-	2	-
Gruppo Italtel	1473	1504	1473	1499	-	10	-	4
Total	**3965**	**4033**	**3977**	**4006**	**4**	**20**	**4**	**12.5**
Executives	*33*	*31*	*35*	*30*				
Middle Managers	*515*	*529*	*527*	*527.5*				

Integrated Management System

The Company, since 2005, 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, Exprivia 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 some of the best practices of the CMMI-DEV are gradually being integrated into the SGI procedures.

In 2018, Exprivia and Exprivia Projects Srl obtained - the first companies in Italy - the certification of 2 Contact Centre services with respect to the international standard ISO 18295-1, which provides the guidelines and *best practices* for the management of a contact centre. The operating and management practices of certified services have been harmonized as part of Exprivia's Integrated Management System.

In 2020, Exprivia extended the field of application of the ISO/IEC 27001 certification to the design, implementation and provision of cloud services in SaaS mode with the application of the ISO/IEC 27017 and ISO/IEC 27018 guidelines.

In 2020, the audits carried out by the certification bodies in accordance with the standards ISO 9001, ISO 22301, ISO 13485 and the MDD certificate (medical devices), ISO/IEC 27001, and ISO 18295-1, were carried out with positive results. In November 2020, the maintenance audit in accordance with the ISO/IEC 20000-1 standard was also concluded positively with respect to the same 2019 version; Exprivia has thus obtained a certificate updated with respect to this version of the standard.

Italtel has developed its own Management System compliant with the requirements of the ISO 9001 (since 1992), and ISO/ IEC 27001 (since 2004) international standards. In 2018, Italtel extended the ISO 9001 certification of its Management System to its customer service Contact Centres. In 2020, the audits by the certification body with respect to ISO 9001 and ISO/IEC 27001 were carried out with positive results.

Organisation, Management and Control 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 Board. None of its members are directors of Group companies. The Model is continuously updated, and the most recent version in force was approved by the Board of Directors on 21 December 2017.

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 principles of conduct for all of Exprivia.

The Supervisory Board, composed of Mr Angelantonio De Palma, Chairman, and the lawyers Giulio Guarino and Maria Cecilia Guglielmi, meets periodically and carries out its activities, in compliance with the tasks assigned to it by the Model and the Regulation it has adopted, with the aim of supervising the effectiveness and functioning of the Model.

In 2019, the Exprivia's Supervisory Board did not receive any reports, nor identify any episodes of corruption.

The Organisation, Management and Control Model is published on the Company's website in the section "Corporate Governance - Corporate Information" (http://www.exprivia.it/corporate-governance/corporate-information).

The Italian companies of the Exprivia Group have their own Organisation, Management and Control Models pursuant to art. 6 of Legislative Decree 231/2001 and their Boards of Directors have appointed Supervisory Boards to supervise and control implementation.

In particular, Italtel adopted from 5 November 2002 an Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/2001, ensuring its constant updating, and established a Supervisory Board (SB) in charge of supervising its application and adequacy. In order to implement this Model, the competent corporate functions at the prompting of the Supervisory Board issued special Protocols in order to prevent the commission of the offenses included in the Decree.

Italtel's Board of Director, on 12 March 2018, approved the current version of the Organisation, Management and Control Model, the Special Sections and the implementation Protocols amended as a result of the most recent regulatory changes.

Inter-Company Relations

The organisational structure of the Exprivia Group functionally integrates, with the exception of Italtel and its subsidiaries, all staff services of the Group companies within the scope of consolidation, thereby optimising the operational structures of each company to ensure effectiveness and efficiency in support of the "Group" business, as defined above and not including the Italtel Group.

The Administration and Control Department centrally manages all "Group" companies.

The Finance Department handles financial activities at "Group" level.

The Human Resource Department reports directly to the Chairman of the Exprivia Group, who is the head of the department ad interim.

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 a cash pooling relationship is in place between them.

Relations with Related Parties

In compliance with applicable legislative and regulatory provisions, and in particular with: (i) the "Regulation 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 regulation published on 24 September 2010; (iv) CONSOB notice no. 10094530 of 15 November 2010 with additional clarifications, on 4 December 2017 the Company's Board of Directors 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 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 by the Company during 2019 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 has an internal procedure for transactions with related parties, approved by the company's Board of Directors on 15 February 2018.

Report on management and coordination activities

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 holding 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, equity 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 paragraph 8 of the Regulation of the Markets Organised and Managed by Borsa Italiana SpA, the Directors declare that, at 31 December 2019, the Company does not meet the conditions provided under art. 16 paragraph 1 of CONSOB regulation no. 16191/2007.

Group Relations with the Parent Company

The financial and equity relations between the Exprivia Group and the holding company Abaco Innovazione SpA at 31 December 2019 compared to 31 December 2018 are laid out below.

Receivables

Non-current Financial Assets

Description	31.12.2019	31.12.2018	Variation
Non-current financial receivables from controlling companies	1,358	1,784	(426)
TOTAL	**1,358**	**1,784**	**(426)**

The balance at 31 December 2019 included Euro 1,358 thousand relating to the receivable for an unsecured loan with no guarantees granted in 2016 to the holding company Abaco Innovazione SpA, with Euro 1,680 thousand disbursed in cash and Euro 1,305 thousand as a reclassification of receivables outstanding at 31 December 2015.

Current Financial Assets

Description	31.12.2019	31.12.2018	Variation
Current financial receivables from controlling companies	466	461	5
TOTAL	**466**	**461**	**5**

The balance at 31 December 2019 of Euro 466 thousand is in relation to the current portion of the aforementioned loan, inclusive of interest income of Euro 56 thousand.

Trade Receivables

Description	31.12.2019	31.12.2018	Variation
Trade receivables from controlling companies	25	20	5
TOTAL	**25**	**20**	**5**

The balance at 31 December 2019 refers to receivables for administrative and logistics services.

Revenues and Income

Description	31.12.2019	31.12.2018	Variation
Financial income from parent company	56	71	(15)
TOTAL	**56**	**71**	**(15)**

The balance at 31 December 2019 refers primarily to interest accrued on a loan disbursed by Exprivia to Abaco Innovazione SpA.

Financial Income and Charges

Description	31.12.2019	31.12.2018	Variation
Financial costs and expenses from the parent company	411	433	(22)
TOTAL	**411**	**433**	**(22)**

The balance at 31 December 2019 refers to costs for the guarantee given by the parent company to obtain the Euro 25 million loan disbursed to Exprivia by a pool of banks in April 2016.

Consolidated Financial Statements of the Exprivia Group at 31 December 2019

Financial Statements 31 December 2019

Consolidated Balance Sheet

Amount in thousand Euro	Note	31.12.2019	31.12.2018
Property, plant and machinery	1	47,304	27,667
Goodwill and other assets with an indefinite useful life	2	69,071	191,829
Other Intangible Assets	3	10,425	52,615
Shareholdings	4	764	466
Other non-current financial assets	5	2,213	2,700
Other non-current assets	6	1,431	1,673
Deferred tax assets	7	4,421	68,948
NON-CURRENT ASSETS		**135,629**	**345,898**
Trade receivables	8	147,710	155,643
Stock	9	23,777	33,946
Work in progress to order	10	47,463	63,975
Other Current Assets	11	32,504	44,629
Other Financial Assets	12	5,477	3,787
Cash and cash equivalents available	13	25,996	19,558
Other Financial Assets available for sale	14	178	327
CURRENT ASSETS		**283,105**	**321,865**
DISCONTINUED NON CURRENT ASSETS	**15**	**12**	**106**
TOTAL ASSETS		**418,746**	**667,869**

Amount in thousand Euro	Note	31.12.2019	31.12.2018
Share capital	16	24,866	25,083
Share Premium Reserve	16	18,082	18,082
Revaluation reserve	16	2,907	2,907
Legal reserve	16	4,171	3,959
Other reserves	16	37,054	42,638
Profits (Losses) for the previous period	16	6,998	6,953
Profit (Loss) for the period	16	(239,150)	(852)
SHAREHOLDERS' EQUITY		**(145,072)**	**98,770**
Minority interest	16	(41,119)	26,508
GROUP SHAREHOLDERS' EQUITY		**(103,953)**	**72,262**
Non-current bond	17	18,164	22,550
Non-current bank debt	18	2,485	158,125
Other financial liabilities	19	17,043	49
Other no current liabilities	20	2,101	3,729
Provision for risks and charges	21	3,731	5,887
Employee provisions	22	25,939	25,783
Deferred tax liabilities	23	2,138	13,435
NON CURRENT LIABILITIES		**71,601**	**229,558**
Current bond	24	4,522	
Current bank debt	25	207,766	58,479
Trade payables	26	190,367	195,255
Advances payment on work in progress contracts	27	12,608	7,492
Other financial liabilities	28	12,591	4,502
Other current liabilities	29	63,977	73,427
CURRENT LIABILITIES		**491,831**	**339,155**
DISCONTINUED NON CURRENT LIABILITIES	**30**	**386**	**386**
TOTAL LIABILITIES		**418,746**	**667,869**

Consolidated Income Statement

Amount in thousand Euro	Note	2019	2018
Revenues	31	500,135	590,964
Other income	32	26,315	32,421
PRODUCTION REVENUES		**526,450**	**623,385**
Costs of raw, subsid. & consumable mat. and goods	33	182,729	210,669
Salaries	34	188,319	192,805
Costs for services	35	118,541	157,326
Costs for leased assets	36	1,093	7,661
Sundry operating expenses	37	6,035	5,567
Change in inventories of raw materials and finished products	38	9,694	6,223
Provisions	39	5,581	1,312
TOTAL PRODUCTION COSTS		**511,992**	**581,563**
DIFFERENCE BETWEEN PRODUCTION COSTS AND REVENUES		**14,458**	**41,822**
Amortisation, depreciation and write-downs	40	184,949	20,824
OPERATIVE RESULT		**(170,491)**	**20,998**
Financial income and (charges) and other investments	41	(13,861)	(19,218)
PROFIT (LOSS) BEFORE TAX		**(184,352)**	**1,780**
Income tax	42	54,798	2,596
PROFIT (LOSS) FOR THE YEAR - CONTINUING OPERATIONS		**(239,150)**	**(816)**
PROFIT (LOSS) FOR THE YEAR - DISCONTINUED OPERATIONS	**43**	**-**	**(36)**
PROFIT OR LOSS FOR THE YEAR	**44**	**(239,150)**	**(852)**
Attributable to:			
Shareholders of holding company		(172,782)	166
Minority interest		(66,368)	(1,018)
Earnings per share losses	45		
Basic earnings per share		(3.5848)	0.0034
Basic earnings diluted		(3.5848)	0.0034

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Consolidated Statement of Comprehensive Income

Amount in thousand Euro			
Description	**Note**	**2019**	**2018**
Profit for the year		(239,150)	(852)
Other gains (losses) total will not subsequently be reclassified in profit (loss) for the year			
Profit (loss) Actuarial effect of IAS 19		(1,284)	654
Tax effect of changes		(809)	(157)
Total other comprehensive income (loss) will not subsequently be reclassified in profit (loss) for the year	16	(2,093)	497
Other gains (losses) total that will be subsequently reclassified to profit (loss) for the year			
Change in translation reserve		(1,064)	(3,139)
Profit (loss) on AFS classified financial assets		(149)	(129)
Profit (loss) on cash flow hedge derivatives		-	783
Tax effect of changes		-	(187)
Total other comprehensive income (loss) that will subsequently be reclassified in profit (loss) for the year	16	(1,213)	(2,672)
NET COMPREHENSIVE INCOME FOR THE YEAR		(242,456)	(3,027)
attributable to:			
Group		(175,487)	(1,770)
Minority interest		(66,969)	(1,257)

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Statement of Changes in Consolidated Shareholders' Equity

Amount in thousand Euro	Company Capital	Own shares	Share Premium Fund	Revalu. Reserve	Legal Reserve	Other Reserves	Profits (Losses) brought forward	Profit (Loss) for the period	Total Net Worth	Minority Interests	Total Group Net Worth
Balance at 31/12/2017	**26,980**	**(1,825)**	**18,082**	**2,907**	**3,031**	**44,461**	**8,530**	**50**	**101,517**	**27,125**	**74,392**
Adoption of IFRS 15						(811)			(811)	(119)	(692)
Balance adjusted as at 31/12/2017	**26,980**	**(1,825)**	**18,082**	**2,907**	**3,031**	**43,651**	**8,530**	**50**	**100,707**	**27,006**	**73,701**
Destination of the previous financial year					27		23	(50)	0		0
Tax effect from goodwill due to mergers						(507)			(507)		(507)
Other movements						(51)			(51)	(48)	(3)
Effects of IAS 29						1,016			1,016	788	625
Figurative stock grant value						180			180	19	161
Purchase of own shares		(72)				(72)			(144)		(144)
Change in the scope of consolidation, acquisitions of minorities						3			3	3	0
Components of the overall result											
Profit (loss) for the year								(852)	(852)	(1,016)	164
Effects deriving from the application of IAS 19						487			487	181	306
Conversion reserve						(3,139)			(3,139)	(643)	(2,496)
Profit (loss) on cash flow hedge derivatives						595			595	112	482
Profit (loss) on FVOCI financial assets						(128)			(128)		(128)
Total Profit (Loss) Total for the year									**(3,027)**	**(1,257)**	**(1,770)**
Balance at 31.12.2018	**26,980**	**(1,897)**	**18,082**	**2,907**	**3,059**	**42,638**	**8,563**	**(852)**	**98,770**	**26,508**	**72,263**
Adoption of IFRS 16						(1,133)			(1,133)	(116)	(1,017)
Adjusted balance as at 31.12.2018	**26,980**	**(1,897)**	**18,082**	**2,907**	**3,059**	**41,505**	**8,563**	**(852)**	**97,637**	**26,393**	**71,246**
Allocation of previous year result					212	(1,064)		852	0	0	0
Effects of IAS 29						1,194			1,194	227	967
Figurative stock grant value						(108)			(108)	(19)	(161)
Other movements						(3)	40		36	(8)	44
Purchase Price Allocation of Italtel investment									0	0	0
Purchase of own shares		(230)				(129)			(359)		(359)
Sale of own shares		16				17			33		33
Pir shares reserve									0		0
Change in the scope of consolidation, acquisitions of minorities						(949)			(949)	(725)	(224)
Components of the overall result											
Profit (loss) for the year								(239,160)	(239,160)	(66,367)	(172,793)
Effects deriving from the application of IAS 19						(2,093)			(2,093)	(382)	(1,711)
Conversion reserve						(1,054)			(1,054)	(210)	(844)
Profit (loss) on cash flow hedge derivatives						0			0	0	0
Profit (loss) on FVOCI financial assets						(149)			(149)		(149)
Total Comprehensive Profit (Loss) for the year									**(242,456)**	**(66,969)**	**(175,487)**
Balance at 31.12.2019	**26,980**	**(2,114)**	**18,082**	**2,907**	**4,171**	**37,054**	**8,998**	**(239,160)**	**(146,072)**	**(41,119)**	**(103,953)**

Consolidated Cash Flow Statement

Amount in thousand Euro	Note	31.12.2019		31.12.2018	
Financial statement	46				
Operating activities:					
Profit (loss) for the year	44	(239,150)	(1)	(852)	(1)
Amortisation, depreciation and provisions		242,466		22,316	
Provision for Severance Pay Fund		8,195		8,374	
Advances/Payments Severance Pay		(9,323)		(11,961)	
Adjustment of value of financial assets		11		2,331	
Cash flow generated (absorbed) from operating activities	a	**2,198**		**20,208**	
Increase/Decrease in net working capital:					
Variation in stock and payments on account		19,529		(15,758)	
Variation in receivables to customers		4,577		(9,576)	
Variation in receivables to parent/subsidiary/associated company		(5)		19	
Variation in other accounts receivable		11,358		(9,810)	
Variation in payables to suppliers		(819)		48,776	
Variation in payables to parent/subsidiary/associated company		98		(105)	
Variation in tax and social security liabilities		(2,172)		(2,132)	
Variation in other accounts payable		(1,994)		(554)	
Cash flow generated (absorbed) from current assets and liabilities	b	**30,572**		**10,860**	
Cash flow generated (absorbed) from current activities	a+b	**32,770**		**31,067**	
Investment activities:					
Purchases of tangible fixed assets net of payments for sales		(5,788)		(3,529)	
Variation in intangible assets		(9,645)		(12,956)	
Variation in financial assets		(884)		(216)	
Cash flow generated (absorbed)) from the investment activity	c	**(16,317)**		**(16,701)**	
Financial assets and liabilities					
New loans		25,293	(2)	21,297	(2)
Reimbursement loan		(27,875)	(2)	(41,851)	(2)
Net variation in other financial recivables		(1,210)	(2)	(1,129)	(2)
Net variation in other financial debts		(4,551)	(2)	(4,715)	(2)
Changes in other non-current liabilities and use of risk provisions		(1,515)		(3,246)	
(Purchase) / Sale of own shares		(326)		(144)	
Change in equity		168		(1,529)	
Cash flow generated (absorbed) from financing activities	d	**(10,016)**		**(31,316)**	
Increase (decrease) in cash and cash equivalent	a+b+c+d	**6,438**		**(16,950)**	
Cash and cash equivalent at the beginning of the year		19,558		36,508	
Cash and cash equivalent at end of the year		25,996		19,558	
(1) including taxes and interest paid in the year		4,429		9,503	
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"		-		-	

Explanatory Notes to the Consolidated Financial Statements of the Exprivia Group at 31 December 2019

LEGAL REFERENCES, PREPARATION POLICIES AND PRESENTATION

In application of European Regulation no. 1606/2002 of 19 July 2002 and Legislative Decree no. 38 of 28 February 2005, the consolidated financial statements of the Exprivia Group and the financial statements of Exprivia SpA (hereinafter also "Exprivia" or the "Company" or the "Parent Company") at 31 December 2019, were drawn up in compliance with International Accounting Standards issued by the International Accounting Standards Board (IASB), approved by the European Union (hereinafter referred to individually as IAS/IFRS or together as IFRS) in force at 31 December 2019.

The consolidated financial statements of Exprivia and its subsidiaries were prepared based on the draft financial statements at 31 December 2019 provided by the management bodies of the consolidated companies, except for Italtel. Where necessary, they were duly adjusted to align them with the classification policies and accounting standards adopted by the Group. For Italtel SpA (hereinafter also "Italtel") and its subsidiaries (hereinafter also the "Italtel Group"), since the draft consolidated financial statements at 31 December 2019 are not yet available, the data were taken from the consolidated *Reporting Package* at 31 December 2019, prepared and approved by Italtel's Board of Directors on 5 March 2021. The consolidated financial statements were prepared under the general policy of giving an accurate and truthful presentation of the Group's financial standing, economic result and cash flows, while adopting the going-concern assumption, and the general policies of accrual basis accounting, presentation coherence, relevance and aggregation, rule against offsetting and comparability of information. The reporting period and the closing date for preparing the consolidated financial statements correspond to those of the financial statements for the Parent Company and for all the consolidated companies. The consolidated financial statements are presented in thousands of Euro, which is the currency used by the Parent Company Exprivia, and all figures are rounded off to thousands of Euro, unless stated otherwise. The consolidated financial statements provide comparative information referring to the previous financial year.

The schedules in the financial statements are the following:

- For the Balance Sheet the current assets, non-current assets, current liabilities and non-current liabilities are posted separately. Current assets are those that are to be made, sold or consumed during the normal operating cycle of the Group. Current liabilities are those that are to be extinguished during the normal operating cycle of the Group or within twelve months following the end of the financial year;
- For the Income Statement, the cost and revenue items are posted according to their nature;
- For the Statement of Comprehensive Income, a separate schedule was prepared;
- For the Cash Flow Statement, the indirect method was used.

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Accounting policies and valuation criteria

General information

The annual consolidated financial statements at 31 December 2019 were drafted in accordance with art. 154-ter of Legislative Decree 58/98, as well as the applicable Consob provisions.

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

On 30 April 2021, Exprivia's Board of Directors approved the draft 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 at 31 December 2018, with the exception of the information outlined in the next paragraph "Application of new accounting standards".

In order to make the disclosure of data more intelligible, the presentation was changed for some items in the comparative data of the income statement presented in accordance with IAS 1, with respect to data published in the separate financial statements at 31 December 2018. This had no effect on the result and shareholders' equity at that date.

In particular, the balance of the item "Other income" went from Euro 32,246 thousand to Euro 32,421 thousand due to the reclassification of other income previously classified as a reduction of the item "Costs for leased assets".

The valuation and measurement policies are based on the IFRS standards in effect at 31 December 2019 and approved by the European Union.

The following table shows the IFRS/Interpretations approved by the IASB, endorsed for adoption in Europe and applied for the first time during the year.

Description	Endorsement date	Publication on G.U.C.E	Effective date provided by principle	Effective date for Exprivia Group
IFRS 16 Leases (issued on 13 January 2016)	31 ott. '17	9 nov. '17	Exercises starting on or starting from 1 Jan '19	1 jan '19
Amendments to IFRS 9 "Prepayment features with negative compensation"	22 mar. '18	26 mar. '18	Exercises starting on or starting from 1 Jan '19	1 jan '19
IFRIC 23 Uncertainty over Income Tax Treatments	23 ott. '18	24 ott. '18	Exercises starting on or starting from 1 Jan '19	1 jan '19
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	8 feb. '19	11 feb. '19	Exercises starting on or starting from 1 Jan '19	1 jan '19
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	13 mar. '19	14 mar. '19	Exercises starting on or starting from 1 Jan '19	1 jan '19
Annual improvements to the IFRS 2015-2017	14 mar. '19	15 mar. '19	Exercises starting on or starting from 1 Jan '19	1 jan '19

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

- IFRS 16 - Leases replaces IAS 17 and related interpretations and aims at improving the accounting reporting of leases. For more details, please refer to the next paragraph, "Application of new accounting standards";
- the document "Amendments to IFRS 9 Financial Instruments - Prepayment Features with Negative Compensation" envisages certain changes to said IFRS 9 Financial Instruments, in order to permit the measurement at amortised cost of financial assets characterised by an early discharge option with so-called "negative compensation";

- IFRIC Interpretation 23 "Uncertainty over income tax treatment" clarifies how to apply the recognition and measurement requirements of IAS 12. To the extent that an entity incurs general borrowings and uses loans for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditures on that asset. This capitalization rate must correspond to the weighted average of the financial charges applicable to all loans of the entity outstanding during the year;
- the "Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures" clarify that IFRS 9 "Financial Instruments", including the impairment requirements, also applies to other financial instruments held over the long-term issued vis-à-vis an associate or joint venture which, in essence, form part of the net investment, of the same. The equity method does not apply to these instruments;
- the "Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement" clarify how pension expenses are determined when there is an amendment to a defined benefit plan. The amendments specify that when an entity recalculates its net liability (asset) for defined benefit plans after an amendment, curtailment or settlement of the plan, it must use the updated actuarial assumptions to determine the current service cost and net interest for the remainder of the annual reporting period;
- the "Annual improvements to IFRS Standards 2015-2017 cycle" include amendments to IAS 12 "Income Taxes", IAS 23 "Borrowing Costs", IFRS 3 "Business Combinations" and IFRS 11 "Joint arrangements".

The newly adopted standards, with the exclusion of IFRS 16, for which please refer to the section "Application of new accounting standards", had no material impacts on the measurement of assets, liabilities, costs and revenues of the Group.

The table below shows the IFRS and interpretations approved by IASB and approved for adoption in Europe, effective after 31 December 2019:

Description	Endorsement date	Publication on G.U.C.E	Effective date provided by principle	Effective date for Exprivia Group
Amendments to references to the conceptual Framework in IFRS Standars (issued on 29 March 2018)	29-Nov-19	06-Dec-19	Exercises starting on or after 1 January 2020	01-Jan-20
Amendments to IAS 1 and IAS 8 Definition of Material (issued on 31 October 2018)	29-Nov-19	10-Dec-19	Exercises starting on or after 1 January 2020	01-Jan-20
Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform (issued on 26 September 2019)	15-Jan-20	16-Jan-20	Exercises starting on or after 1 January 2020	01-Jan-20
Amendments to IFRS 3 Definition of Business (issued on 22 October 2018)	21-Apr-20	22-Apr-20	Exercises starting on or after 1 January 2020	01-Jan-20
Amendments to IFRS 16 Leases Covid -19 Related Rent Concessions (issued on 28 May 2020)	09-Oct-20	12-Oct-20	Exercises starting on or after 1 June 2020	01-Jun-20
Amendments to IFRS 4 Insurance Contract - deferral of IFRS 19 (issued on 25 June 2020)	15-Dec-20	16-Dec-20	Exercises starting on or after 1 January 2021	01-Jan-21
Amendments to IFRS 9, IFRS 16, IAS 39, IFRS 7 and IFRS 4 Interest Rate Benchmark Reform - Phase 2 (issued on 27 August 2020)	13-Jan-21	14-Jan-21	Exercises starting on or after 1 January 2021	01-Jan-21

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.

Amendments to IAS 1 and IAS 8 concern the definition of "material" and aligns it to the definition used in the Conceptual Framework and in the standards. The document has introduced a change in the definition of "material" contained in IAS 1 and IAS 8. This amendment aims to make the definition of "material" more specific and introduced the concept of "obscured information" alongside the concepts of omitted or incorrect information already present in the two amended standards.

The amendment entitled "Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform" amends IFRS 9 - Financial Instruments and IAS 39 - Financial Instruments: Recognition and Measurement as well as IFRS 7 - Financial Instruments: Disclosures. In particular, this amendment modifies some of the requirements for the application of hedge accounting, providing for temporary exceptions thereto, in order to mitigate the impact deriving from the uncertainty of the IBOR reform (still in progress) on the future cash flows over the period prior to its completion. The amendment also requires companies to provide additional information in the financial statements regarding their hedging transactions that are directly affected by the uncertainties generated by the reform and to which the aforementioned exceptions apply.

The amendments to the "IFRS 3 Business Combinations" standard, issued on 22 October 2018, introduce clarifications regarding the definition of "business activity" acquired as part of business combinations.

On 28 May 2020, the International Accounting Standards Boards ("IASB") issued the amendment to IFRS 16 "Leases" to facilitate lessees in accounting for lease incentives (for example, suspension or temporary reduction of lease payments) resulting from the COVID-19 pandemic. Although the amendment to IFRS 16 entered into force on 1 June 2020, to allow the relief to be available when necessary, lessees can apply the amendment immediately in any interim or annual financial statements, not yet authorised for publication.

The amendment to "IFRS 4 Insurance Contracts - deferral of IFRS 9" extended the expiry of the temporary exemption from the application of IFRS 9 until 2023 in order to align the date of entry into force of IFRS 9 with the new IFRS 17.

The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - phase 2" supplement those issued in 2019 and endorsed in January 2020. The amendments referring to phase 2 provide for a specific accounting treatment to spread over time the changes in value of the financial instruments or lease contracts due to the replacement of the reference index for determining interest rates (replacement issue).

With reference to changes made to existing and upcoming accounting standards, their adoption is not expected to have any material impact on the valuation of the Group's assets, liabilities, costs and revenues.

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 provided by principle
IFRS 17 Insurance Contracts (issued 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020)"	Exercises starting on or after 1 January 2023
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Curren and Classification of Liabilities as Current or Non-Current - Deferral of Effective Date (issued on 23 January 2020 and 15 July 2020 respectively)	Exercises starting on or after 1 January 2023
Amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets, Annual Improvements 2018-2020 (All issued 14 May 2020)	Exercises starting on or after 1 January 2022
Amendments to IAS 1 "Presentation of Financial Statements and IFRS Practice Statement 2 Disclosure of Accounting Policies" (issued on 12 Febrary 2021)	Exercises starting on or after 1 January 2023
Amendments to allo IAS 8 "Accounting polices, Changes in Accounting Estimates and Errors, Definition of Accounting Estimates" (issued on 12 Fabrary 2021)	Exercises starting on or after 1 January 2023
Amendments to IFRS 16 Leases : Covid - 19 - Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021)	Exercises starting on or after 1 April 2021

On 18 May 2017, the IASB issued IFRS 17 - Insurance Contracts, which is intended to replace IFRS 4 - Insurance Contracts. The objective of the new standard is to ensure that a unit provides relevant information that faithfully represents the rights and obligations deriving from the insurance contracts issued. The IASB developed the standard to eliminate inconsistencies and weaknesses in existing accounting policies, providing a single principle-based framework to take into account all types of insurance contracts, including the reinsurance contracts that an insurer holds. On 25 June 2020, the IASB issued the amendments to IFRS 17 "Amendments to IFRS 17" and to IFRS 4 "Extension of Temporary Exemption from Applying IFRS 9" relating to insurance activities, envisaging, inter alia, the deferral of two years of the entry into force of IFRS 17. Therefore, the provisions of IFRS 17, which exceed those currently envisaged by IFRS 4 "Insurance contracts", are effective for financial years beginning on or after 1 January 2023. The directors do not expect the adoption of this standard to have a significant impact on the Group's financial statements.

On 23 January 2020, the IASB issued the amendments to IAS 1 "Classification of Liabilities as Current or Non Current" aimed at providing clarifications on the classification of liabilities as current and non-current which, due to the deferral defined with the amendments made on 15 July 2020 ("Classification of Liabilities as Current or Non current - Deferral of Effective Date") will enter into force on or after 1 January 2023. The amendment contains a clarification regarding the criteria for distinguishing payables and other liabilities between current and non-current.

On 14 May 2020, the IASB issued:

- the amendments to IFRS 3 "Reference to the Conceptual Framework" relating to:
  - (i) completing the updating of the references to the Conceptual Framework for Financial Reporting in the accounting standard;
  - (ii) providing clarifications on the prerequisites for the recognition, at the acquisition date, of provisions, contingent liabilities and liabilities for taxes that are assumed as part of a business combination transaction;
  - (iii) making it clear that the potential assets cannot be recognised as part of a business combination;
- amendments to IAS 16 "Property, Plant and Machinery: Proceedings before Intended Use" which states that the revenues deriving from the sale of goods produced by an asset before the latter is ready for its intended use are recognised in the income statement together with the related costs of production;
- amendments to IAS 37 "Onerous Contracts - Cost of Fulfiling a Contract" in order to provide clarifications on how to determine the cost of a contract;
- the document "Annual Improvements to IFRS Standards 2018-2020" containing mainly technical and drafting amendments to the accounting standards.

The aforementioned amendments issued on 14 May 2020 are effective for annual periods beginning on or after 1 January 2022.

The amendments to IAS 8 and IAS 1 issued on 12 February 2021 are intended to improve disclosure of accounting policies so as to provide more useful information to investors and primary users of financial statements and to help companies distinguish changes in accounting estimates from changes in accounting policies.

On 31 March 2021, the IASB issued the document "Covid - 19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)", which extends by one year the period of application of the amendment to IFRS 16 issued in 2020 relating to the accounting of the facilities granted to lessees due to Covid 19. The amendments apply from 1 April 2021.

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 from 1 January 2019, the Group has adopted IFRS 16 "Leases", which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

IFRS 16 "Leases"

IFRS 16 "Leases", issued by the IASB on 13 January 2016, which replaces IAS 17 and its relative interpretations, intended to improve the accounting reporting of lease contracts, was adopted with (EU) Regulation no. 2017/1986 of the Commission of 31 October 2017, published in the Official Gazette L 291 of 9 November 2017.

IFRS 16 "Leases" defines a lease as a contract that gives an entity the right to use an asset for a specific period of time in exchange for consideration, and, for the lessee, eliminates the distinction between finance and operating leases, introducing for that party a single accounting model for recognising leases. By applying this model, the entity recognises: (i) in the balance sheet, an asset representing the right of use and a liability representing the obligation to make the payments set forth in the contract for all leases with a term exceeding twelve months for an asset that cannot be considered low value; (ii) in the income statement, the amortisation of the asset recognised and separately the interest on the payable recognised. For lessors, the distinction between operating and finance leases has been maintained.

The provisions set forth in IFRS 16, which replace those set forth in IAS 17 Leases and in the relative interpretations, are applicable for reporting periods starting on or after 1 January 2019.

The contracts identified in which the Group is a lessee refer primarily to real estate leases and long-term vehicle leases.

To recognise the impacts deriving from the first time adoption of IFRS 16 in the financial statements, the Group decided to apply the modified retrospective approach. Therefore, it applied the standard retroactively by accounting for the cumulative effect at the initial application date, without restating comparative information, although recognising any cumulative effect as an adjustment in the opening balance of retained earnings (IFRS 16.C5b) and C7). The lease liability is recognised at the present value of the remaining payments due for the lease, discounted using the marginal rate of financing of the lessee at the date of initial application. The right of use asset is recognised at the date of initial application at the carrying amount, as if the standard were applied as of the start date, but discounted using the marginal rate of financing of the lessee at the date of initial application.

The transition to IFRS 16 introduced certain elements of professional judgement which entail the definition of several accounting policies and the use of assumptions and estimates in relation to the lease term and the definition of the incremental borrowing rate. The main ones are summarised below:

- the Group has decided not to apply IFRS 16 to contracts containing a lease that have an intangible asset as the underlying asset;
- contract renewal clauses are considered for the purpose of determining the duration of the contract, i.e. when the Company has the option to exercise them without having to obtain the consent of the counterparty and when their exercise is reasonably certain. In the event of clauses that envisage multiple renewals that can be exercised unilaterally by the Company, only the first extension period was considered;
- term of the lease: the term was determined on the basis of the individual agreement and consists of the "non-cancellable" period along with the effects of any extension or early termination clauses the exercise of which was deemed reasonably certain and taking into account the clauses of the agreement itself. Specifically, for real estate, that assessment considered the specific facts and circumstances of each asset;
- incremental borrowing rate: in most rental agreements entered into by the Group companies, the implicit interest rate cannot be determined; therefore, a specific marginal rate of financing for each country in which agreements were entered into was used with maturities commensurate with the term of the specific lease agreement.

The Group has also decided to take advantage of the following practical expedients provided by the IFRS 16 transitional provisions:

- extend the standard to agreements previously classified as lease agreements applying IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease (IFRS 16.C3);
- not recognising assets and liabilities relating to leases with a duration of less than 12 months from the date of first time adoption, except for car rental contracts; these contracts will be accounted for as short-term leases (IFRS 16.C10c);

- with reference to the separation of non-lease components for motor vehicles, the Group decided not to separate them and not to account for them separately from the lease components. This component was considered together with the lease component to determine the financial liability of the lease and the related right of use;
- excluding initial direct costs from the valuation of the right of use asset at the date of first time adoption (IFRS 16.C10d).

Low-value assets have been excluded from the application of IFRS 16.

The impacts of the first application on the Group's financial statements are summarised as follows:

- balance sheet: higher non-current assets due to the recognition of the right of use on the assets leased for an amount of Euro 24.2 million; higher financial liabilities representing the obligation to make the payments established in the contract for an amount of Euro 25 million;
- the negative impact on shareholders' equity, net of the related tax effect, is therefore Euro 1.1 million.

Below is a summary of the effects deriving from the application of IFRS 16 on the opening balances at 1 January 2019.

Amounts in thousands of Euro	31/12/2018 Published	Effects before adoption IFRS 16	01/01/2019 Post adoption
Property, plant and machinery	27,667	24,205	51,872
Goodwill and other assets with an indefinite useful life	191,829		191,829
Other Intangible Assets	52,615		52,615
Shareholdings	466		466
Other non-current financial assets	2,700		2,700
Other non-current assets	1,673	(833)	840
Deferred tax assets	68,948	210	69,158
NON-CURRENT ASSETS	**345,898**	**23,582**	**369,479**
Trade receivables	155,643		155,643
Stock	33,946		33,946
Work in progress to order	63,975		63,975
Other Current Assets	44,629	(371)	44,258
Other Financial Assets	3,787		3,787
Cash and cash equivalents available	19,558		19,558
Other Financial Assets available for sale	327		327
CURRENT ASSETS	**321,865**	**(371)**	**321,494**
DISCONTINUED NON CURRENT ASSETS	**106**		**106**
TOTAL ASSETS	**667,869**	**23,210**	**691,079**
SHAREHOLDERS' EQUITY	**98,770**	**(1,133)**	**97,635**
Non-current bond	22,550		22,550
Non-current bank debt	158,125		158,125
Other financial liabilities	49	18,747	18,796
Other no current liabilities	3,729		3,729
Provision for risks and charges	5,887		5,887
Employee provisions	25,783		25,783
Deferred tax liabilities	13,435		13,435
NON CURRENT LIABILITIES	**229,558**	**18,746**	**248,305**
Current bank debt	58,479		58,479
Trade payables	195,255	(668)	194,587
Advances payment on work in progress contracts	7,492		7,492
Other financial liabilities	4,502	6,266	10,768
Other current liabilities	73,427		73,427
CURRENT LIABILITIES	**339,155**	**5,598**	**344,753**
DISCONTINUED NON CURRENT LIABILITIES	**386**		**386**
TOTAL EQUITY AND LIABILITIES	**667,869**	**23,210**	**691,079**
NET FINANCIAL POSITION	**(214,643)**	**(25,012)**	**(239,656)**

The reconciliation between the amount of the minimum future payments due for non-cancellable operating leases, reported in the financial statements at 31 December 2018 and the balance of financial payables for leases at 1 January 2019 (amounts in millions of Euro) is shown below:

Non-cancellable lease payments at 31 December 2018	**26.5**
Discounting effect at 1 January 2019	(1.5)
Financial payables for leases at 1 January 2019	**25**

Leases previously classified as finance leases under IAS 17 have been reclassified to rights of use. The definition of lease contained in IFRS 16 was applied only to contracts signed or amended as from 1 January 2019.

The application of this new standard during the period has meant that:

- balance sheet at 31 December 2019: non-current assets due to the recognition of the right of use on the assets leased for an amount of Euro 22.1 million; the recognition of financial liabilities representing the obligation to make the payments set forth in the contract for an amount of Euro 23 million;
- income statement for the twelve months ended 31 December 2019: different nature, qualification and classification of lease payments, with the recognition of the amortisation on the asset right of use and financial charges in place of costs for leased assets - operating lease payments, in accordance with IAS 17, with the resulting positive impact on EBITDA of Euro 7.4 million, on EBIT of Euro 0.9 million, and, as it resulted in higher financial charges of Euro 40 thousand, a non-significant impact on the profit (loss) for the 2019 period;
- cash flow statement: the lease payments, for the principal amount to repay the debt, are reclassified from "cash flow generated by (used in) operating activities" to "cash flow generated by (used in) financing activities".

IFRS 16 Leases - accounting policies adopted from 1 January 2019

The changes to the accounting policies adopted by the Group compared to those applied at 31 December 2018 due to the entry into force on 1 January 2019 of the new IFRS 16 are shown below.

On the date when the leased assets covered by the contract are available for use by the Group, the leases are accounted for as rights of use under non-current assets with a balancing entry of a financial liability.

The cost of the fee is broken down into its components of financial charge, recognised in the income statement during the term of the contract, and repayment of the principal, recorded as a reduction of the financial liability. The right of use is amortised on a monthly basis on a straight-line basis over the shorter between the useful life of the asset and the duration of the contract.

Rights of use and financial liabilities are initially measured at the present value of future payments.

The Group does not recognise the right-of-use assets separately in the balance sheet but includes them in the same line item in which the corresponding right-of-use assets would be recognised if they were owned (item "Property, plant and machinery").

The current value of financial liabilities for lease contracts includes the following payments:

- fixed payments;
- variable payments based on an index or rate;
- exercise price of a redemption option, if the exercise of the option is considered reasonably certain;
- payment of penalties to terminate the contract, if the exercise of the option to terminate the contract is considered reasonably certain;

- optional payments subsequent to the non-cancellable period, if the extension of the contract beyond the non-cancellable period is considered reasonably certain.

Future payments are discounted using the incremental borrowing rate. This rate consists of the risk-free rate of the country in which the contract is negotiated and is based on the duration of the contract. It is then adjusted based on the Company's credit spread and the local credit spread.

Rights of use are measured at cost, which is composed of the following elements:

- initial amount of the financial liability;
- payments made before the start of the contract net of lease incentives received;
- directly attributable accessory charges;
- estimated costs for dismantling or restoration.

The lease payments associated with the following types of lease contracts are recognised in the income statement on a straight-line basis for the duration of the respective contracts:

- contracts for which the underlying asset is a low-value asset;
- contracts for which the payment for the right of use of the underlying asset varies according to changes in facts or circumstances (not related to sales trends), not foreseeable at the initial date.

Low-value contracts mainly relate to the following categories of assets:

- computers, phones and tablets;
- office and multifunction printers;
- other electronic devices.

Consolidation criteria

The consolidated financial statements include the financial statements of the Parent Company Exprivia and its subsidiaries, directly or indirectly.

In this regard, an investor controls an investee company when it is exposed to, or has the right to participate in, the variability of the economic returns of the company and is able to influence these returns through the exercise of its decision-making power thereon. Decision-making power exists in the presence of rights that give the parent company the actual ability to direct the relevant activities of the investee, i.e. the activities most likely to affect the economic returns of the investee.

Subsidiaries are consolidated line-by-line in consolidated accounts starting from the date in which control is established and until the Group no longer holds such control. The carrying amount of the interests in subsidiaries is eliminated from the accounts against the related shareholders' equity for the period, not including the profit or loss for the period. The share of shareholders' equity and profit or loss pertaining to minority interests is reported under the item "Minority Shareholders' Interests" in the Balance Sheet and under the item "Minority Shareholders" in the Income Statement and the Statement of comprehensive income. The profit/loss for the year and each of the other components of the Statement of comprehensive income are attributed to the shareholders of the parent company and to minority shareholders. The result of the Income statement and the Statement of comprehensive income for a subsidiary is attributed to minorities also when this means minority interests have a negative balance. The attribution of profits and losses is carried out in accordance with the provisions of IFRS 10 par. 94 and 95, therefore taking into account the forecasts of waterfalls, where present. Interests in associates are valued with the equity method. An entity is considered associated when the Group is able to participate in defining its operational and financial policies even if it is not controlled or subject to joint control. According to the equity method, interests in an associate is recognised in the balance sheet at purchase cost and adjusted, up or down, by the variations in the associate's net assets for the amount pertaining to the Group. Goodwill pertaining to the associate is included in the carrying amount of the interest, and it is not subject to amortisation. Transactions generating internal earnings between the Group and associates are eliminated by the percentage of Group ownership. Adjustments are made to the financial statements of companies valued with the equity method in order to make them compliant with the valuation policies adopted by the Group. All balances and transactions between consolidated entities, including profit not yet realised, are eliminated. Losses deriving from inter-company transactions and not yet realised are eliminated with the exception of cases where there is impairment of transferred assets. Third party profits and losses not yet realised and deriving from transactions with associates or joint ventures are eliminated in the amount pertaining to the Group. Transactions concerning acquisitions and disposal of minority interests in consolidated subsidiaries are considered transactions with shareholders and therefore their effects are reported under shareholders' equity.

Consolidation of Foreign Companies

All assets and liabilities of foreign companies in currency other than the Euro and that fall within the scope of consolidation are converted using the exchange rate at the reporting date. Income and expenses are converted at the average exchange rate. The exchange differences arising from the application of this method are classified under shareholders' equity until disposal of the investment. In preparing the consolidated financial statements the average exchange rates were used to convert foreign subsidiary cash flows.

Goodwill and fair value adjustments generated by the acquisition of a foreign entity are recorded in the relevant currency and are converted using the exchange rate effective at the end of the accounting period.

The primary exchange rates used for conversion into Euro of the financial statements of foreign companies at 31 December 2019 were as follows:

Exchange rate	Average of 12 months to 31 December 2019	At 31 December 2019
Argentine Peso	53.823	67.275
Real brazilian	4.414	4.516
Pound Sterling	0.87777	0.85080
Dollar USA	1.120	1.123
Zloty polacco	0.1195	1.123
Nuevo Sol peruviano	3.737	3.726
Riyal Arabia Saudita	4.1980	4.2128
Dollaro Hong Kong	8.772	8.747
Renminbi -Yuan (Cina)	7.734	7.821
Mexican Peso	21.557	21.220
Guatemalan Quetzal	8.621	8.652

Hyperinflation in Argentina - Application of IAS 29 - Financial reporting in hyperinflationary economies

In Argentina, following a long period of observing inflation rates and other indicators, global consensus was reached on the occurrence of conditions of hyperinflation in compliance with international accounting standards (IFRS - International Financial Reporting Standards). As a result, as of 1 July 2018 all companies operating in Argentina are required to apply IAS 29 - Financial Reporting in Hyperinflationary Economies when preparing their financial reports.

With regard to the Group, the consolidated financial results at 31 December 2018 include the effects deriving from the application of the above-mentioned accounting standard as of 1 January 2018.

According to IAS 29, the redetermination of the values in the financial statements as a whole requires the application of specific procedures and a valuation process which the Group already initiated in the last quarter of 2018.

The item "previous year results carried forward" reflects the effect of the application of IAS 29 - Financial reporting in hyperinflationary economies - to the 2019 financial statements of the Group's Argentinian company. According to this standard, the equity items in the financial statements of Italtel Argentina S.A., expressed in Argentine Pesos, were revalued to take account of the local inflationary effect. The accounting standard requires that the balancing entry of the revaluation of the shareholders' equity items is recognised in the income statement in the year it occurs, under an item allocated to financial charges. The cumulative revaluation effect at 31 December 2019 amounted to Euro 1,194 thousand (Euro 1,610 thousand at 31 December 2018).

Business Combinations

Business combinations are recognised according to the purchase accounting method pursuant to IFRS 3. According to this method, the cost of a business combination is measured at fair value, calculated as the sum of the fair value of assets transferred and liabilities assumed by the Group at the date of acquisition and the equity instruments issued to the seller in exchange for control over the acquired entity. Acquisition-related costs for the transaction are recognised in the income statement when incurred.

The cost of a business combination is compared to the fair value of identifiable assets, liabilities and contingent liabilities on purchase. Any positive difference between the purchase cost and the amount pertaining to the group of the fair value of identifiable assets, liabilities and contingent liabilities on purchase is recognised as goodwill. If the difference is negative, it is charged directly to the Income Statement. If only a temporary initial carrying amount of a business combination can be determined, the initial value adjustments are carried within twelve months of the date of acquisition of control. Amounts pertaining to minority shareholders are carried according to the fair value of the net assets purchased. If a business combination is made over several phases with subsequent purchases of shares each phase is valued separately using the cost and information on fair value of assets, liabilities and contingent liabilities at the date of each transaction to determine the amount of any difference. When a subsequent purchase results in obtaining control of an entity the amount previously held is represented according to the fair value of identifiable assets, liabilities and contingent liabilities determined at the date control is achieved. Any contingent consideration is recognised by the buyer at fair value on the date of acquisition.

At the acquisition date, goodwill is recognised by measuring it as the excess of (a) over (b), as described below:

a) the sum of: **i**) the consideration transferred valued in compliance with IFRS 3 which in general requires fair value at the acquisition date; **ii)** the amount of any minority interests held in the acquired company valued in compliance with IFRS 3; and **iii**) in a business combination carried out in multiple phases, the fair value at the acquisition date of the interests in the acquired company previously held by the buyer;

b) the net value of the amounts, at the acquisition date, of the identifiable assets acquired and the identifiable liabilities assumed, valued in compliance with IFRS 3.

For each business combination, the components of minority interests in the acquired company which represent shareholdings and give holders the right to a proportional share of the entity's net assets in the case of liquidation are measured at the acquisition date at a value equal to:

(**a**) the fair value; (**b**) the proportional share of recognised amounts of the identifiable net assets of the acquired company to which current interest instruments give the right.

All of the other components of minority interests are valued at their respective fair values at the acquisition date, unless IFRS requires a different measurement approach.

The option to purchase a part of minority interests or the option to sell minority interests is taken into consideration when determining whether control has been acquired. Moreover, in case of control, the shares on minorities for which there is an obligation for Exprivia to buy and for the counterparty an obligation to sell are considered financial liabilities as reported by IAS 32 with a reduction of the shareholders' equity of third parties.

Accounting estimates used in preparing the financial statements

Preparation of the financial statements in accordance with applicable accounting standards required the use of accounting estimates and assumptions based on complex and/or subjective assessments, on historical experience and on other factors that are deemed reasonable with respect to the circumstances and knowledge available as at the reporting date. The use of these accounting estimates affects the carrying amount of assets and liabilities and the disclosure on contingent assets and liabilities at the reporting date, as well as the amount of revenues and costs over the reference period; the actual results may differ from those estimated due to the uncertainty that characterises the assumptions made and the conditions on which the estimates are based. 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 bad debt provisions, 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 contingent liability, also with respect to any demands from the counterparty; amounts allocated for employee benefits, recognised according to actuarial valuations; depreciation/amortisation of tangible and intangible assets, recognised according to their remaining useful life and their recoverable amount; 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). The verification of the existence of control and/or of the possible loss of control requires the exercise of a complex professional judgment by the Company Management that considers the characteristics of the corporate structure, the agreements between the parties, as well as any other fact and circumstance that may be relevant for the purposes of said verification.

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 in cases in which there are indicators of impairment which call for an immediate impairment test.

Crisis resolution process initiated by Italtel

Italtel's results for 2018 were substantially in line with the forecasts of the 2017-2023 Business Plan underlying the debt restructuring agreement pursuant to art. 182-bis of Royal Decree 267 of 16 March 1942, as amended, endorsed by the Court of Milan on 13 November 2017 (the "2017-2023 Business Plan"). In 2019, on the other hand, already in the first half of the year, there were a series of unfavourable, unforeseen and unforeseeable events that led to decreasing deviations from the expectations stated in the 2017-2023 Business Plan. In particular, Italtel recorded:

- the gradual weakening of the Telecommunications market in Italy, where the company's top customer had substantially halved the investments in the network, which constitute Italtel's core business;
- a significant reduction, compared to 2018, in revenues related to another major customer, due to the slowdown in the final accounts, which, while in 2018 had been based on high-level projects that did not require the obtaining of permits from local authorities for their completion, in 2019 had mainly concerned executive projects that required such permits for their completion. In addition, each project was optimized several times in order to reach the very stringent economic targets defined by the customer, thus requiring more time than expected and, consequently reducing the production speed;
- a major downsizing of the telecommunications market on foreign markets, due to which, in particular, a major client of the company decided to postpone some projects and block others;
- the persistence of a critical economic situation in Argentina, with a consequent significant write-down of the Peso, with substantial impacts on the value of the company's receivables and a further downsizing of the turnover related to this market.

Italtel's business was still heavily concentrated on the telecommunications sector and on a limited number of primary clients, with the result that the sudden reduction in investments by these together with the slowdown of the BUL project had consequences that could not be dealt with by Italtel, which still had a fixed cost structure that was excessive compared to the reduction in revenues and margins. To be added is also the excessive concentration of skills and certifications on Cisco technologies and consequent System Integration activities (with a prevalence of resale) and professional services, more limited than those of direct competitors.

At the same time, the competitive positioning of the so-called "Proprietary products", i.e. Italtel's proprietary software, although correctly addressed in its development lines, was not sufficient on the market due to the strong competition from the "full liner" vendors, while the innovative offer components, such as the Cyber Security, the Cloud, the Internet of Things, Smart Working and Collaboration and, lastly, Ultra-Broadband and 5G telecommunications are still very limited compared to traditional offers.

From a financial point of view, Italtel also recorded a strong absorption of cash relating to the System Integration offer, both for the low underlying margins and for the sales policy of Cisco, often independent of the ordering times of the end customers.

Based on the situation described above, in accordance with the provisions of IAS 36, when approving the condensed interim consolidated financial statements at 30 June 2019, Italtel conducted an analysis in order to identify the existence of specific impairment indicators such as to affect the recoverable amount of intangible assets recognised in the financial statements. This analysis implied the need to update the impairment test carried out during the preparation of the financial statements at 31 December 2018 which, despite not having shown any impairment of the intangible assets to be reflected in the economic and financial position at 30 June 2019, had in any case pointed out that any further worsening of the economic situation and of the reference parameters during the second half of the year could have negative impacts on the stability of goodwill, as well as on the recoverability of deferred tax assets.

In the second half of 2019, the negative trend of the market continued, leading to the need to carry out further analyses of the company's income and financial prospects, which highlighted the persistence of an imbalance in its cash flows and the consequent need to carry out a restructuring of the company debt of the company aimed at ensuring the rebalancing between inflows and outflows, as well as guaranteeing to the company the availability of the financial resources necessary for the continuation of its operations, and finally aimed at reducing the stock of debt to a level that is sustainable with the foreseeable cash generation in the short to medium term.

Therefore, in this context, the need emerged for the company, on the one hand, to revise the year-end forecasts and, consequently, to update the projections for the period 2020-2023, with the help of an external company specialised in telecommunications; on the other hand, to initiate discussions with banks, shareholders and third parties potentially interested in providing support to the company (in order to reach a restructuring of Italtel's indebtedness and its economic-equity and financial rebalancing).

On 13 December 2019, Italtel's Board of Directors prepared, pursuant to and for the purposes of art. 2447 of the Italian Civil Code, a balance sheet and income statement report at 30 November 2019, prepared on the assumption of business continuity following the desirable definition and subsequent completion of a debt restructuring transaction and an increase in the company's equity.

In addition, it should be noted that the capital deficit recorded by the Company at 30 November 2019 also resulted in the violation of the financial parameters set forth in the loan agreements in place with the banks.

Lastly, we deem it necessary to specify that one of the circumstances qualified as "Enforcement proceedings" pursuant to the Deed of Pledge on Italtel shares signed on 14 December 2017 occurred due to the start of negotiations by Italtel with its financial creditors aimed, among other things, at rescheduling part of its debt through the suspension of some repayments pursuant to the existing Loan Agreements.

In brief, therefore, the persistent uncertainties regarding the outcome of the Italtel restructuring process led its directors to postpone the preparation of the 2019 draft financial statements and, before that, the approval of its figures at 30 September 2019 until the time when the company would have been able to take into account and incorporate the effects, in the approval of these financial figures, of the progress of the crisis resolution process initiated.

In the meantime, Italtel initiated discussions with the banks, with its shareholders as well as with third-party financial and industrial entities in order to explore possible interventions to support the company. In order to achieve this objective, Italtel appointed a leading consulting company as financial advisor.

Exprivia assessed possible interventions to support the company. In this scenario, Italtel's Board of Directors on 31 March 2020, given the failure to reach a solution to the crisis situation of the company, resolved to file a petition pursuant to art. 161, paragraph 6 of the Bankruptcy Law before the competent Court of Milan. This petition was submitted by Italtel on 2 April 2020 and admitted by the Court on 6 April 2020.

In the period between the date of 7 April 2020 (the date of publication of the request for a pre-composition) and the date of filing of the request for composition, Italtel continued to carry out its core business activities, functional to the preservation of the company's value, without taking any action of extraordinary administration, except those expressly authorised by the Court, and without contracting further financing.

Italtel, with the help of the appointed financial advisor, started a search process, within the national and international market, of an investor and/or more investors interested in the Company, with a view to its restructuring and relaunching.

The evolution of the process led in December 2020 to the presentation of two binding offers formulated by Exprivia and a leading third-party industrial group. On 31 December 2020, Italtel's Board of Directors decided to prefer the offer of the aforementioned industrial group to the proposal of Exprivia, and to submit on 5 February 2021 the application for admission to the composition with creditors pursuant to and for the effects of arts. 160 et seq. and 186-bis of the Bankruptcy Law (the "Request for Composition with Creditors") on the basis of this offer. On 11 March 2021, the Court of Milan issued the decree for the admission of the Request for Composition with Creditors, deeming that the composition proposal submitted by Italtel may be suitable to guarantee the restructuring of the debts and the best satisfaction of the creditors.

Considerations on the going concern of Italtel and impact on the process of preparation of the financial reporting of Exprivia

The search for a solution to Italtel's financial crisis has been particularly long and complex, and has prevented Exprivia from having the necessary information to assess Italtel's ability to continue as a going concern and, consequently, to prepare, within the time frame required by the law, financial reports that would meet the set out requirements in terms of relevance, faithful representation, as well as comparability, verifiability, timeliness and comprehensibility set out by the IAS-IFRS accounting standards, in light of the market's disclosure needs. This led to the lengthening of the time frame for preparing the separate and consolidated financial statements of Exprivia SpA at 31 December 2019.

The emergence of the crisis and its development in the last period, with the filing of the Request for Composition with Creditors and its admission by the Court of Milan, led the Directors of Exprivia to consider the outcome of the composition with creditors as reasonable, albeit in the presence of a significant uncertainty such as to give rise to doubts about Italtel's ability to continue as a going concern on the basis of the successful outcome of the undertaken composition procedure. At present, this uncertainty is due, in particular, to the risk associated with at least the following events:

- results of the analyses that will be carried out by court-appointed commissioners when preparing the report pursuant to art. 172 of the Bankruptcy Law;
- vote cast by the creditors;
- assessments to be carried out by the Court with regard to the approval of the composition;
- outcome of possible objections and challenges submitted by the creditors.

This uncertainty linked to the successful outcome of the composition procedure undertaken by Italtel does not generate uncertainties nor does it have any impact on the business continuity of Exprivia and the Exprivia Group, as commented in more detail in the paragraph "Risk of negative outcome of the Italtel composition procedure and related impacts on Exprivia".

Although considering that the certainty of the successful outcome of the composition procedure can only be achieved once the judgement approving the composition becomes final, the directors of Exprivia, with the support of an independent external expert, have identified a number of factors that corroborate a positive assessment of this outcome and, therefore, the assumption of the Italtel's going concern.

The main factors are listed below:

1. Progress of the procedure:
    a. on 5 February 2021, Italtel filed a proposal for composition with creditors supported by an irrevocable and guaranteed offer of acquisition from a leading operator, as well as a certified plan pursuant to the bankruptcy law, drawn up with the assistance of legal and financial advisors of primary standing;
    b. on 11 March 2021, the Court of Milan, also on the basis of the favourable opinion rendered by the court-appointed commissioners and following supplemental information and clarifications provided by the appellant, admitted Italtel to the composition with creditors.
2. Creditors' satisfaction: there are elements that make it highly probable that the creditors will vote in favour (in terms of value and by class):
    a. Italtel's main customer - leading operator, business partner and significant creditor of Italtel - confirmed its willingness to adhere to the composition proposal;
    b. the main supplier of Italtel - a leading operator, as well as the main creditor of Italtel - expressed its willingness to support the composition plan;

c. Italtel's main financial creditor expressed a general satisfaction with the quantitative aspects of the proposal and, therefore, with the expected recovery;

d. in general, it is also important to point out that the alternative scenario (i.e. that of the extraordinary administration) has been attested in terms that are clearly and significantly worse than the composition with creditors (i.e. that of business continuity) and that the proposal and the plan appear to be qualified by a particularly high level of credibility. Therefore, assuming that the creditor called to vote is a rational economic operator, it is reasonable to assume that he will vote in favour.

3. Subjective profile of the players involved in the restructuring: the positive prospects regarding the outcome of the composition procedure appear to be further supported by the relevance (in terms of economic-financial soundness, reputational profile, general and sector-specific business skills, etc.) of the players involved, however, in multiple guises (such as industrial partners, creditors, equity investors). This profile is relevant in two respects:

   a. for the credibility of the proposal and of the plan;

   b. for the willingness and capacity to govern any risk profiles that may emerge during the procedure (e.g. requests for changes by the bodies of the procedure).

In light of the set of objective and subjective factors examined - albeit always in the context of a prognostic judgment, with the underlying risk inherent in future events of uncertain realisation - the successful outcome of Italtel's composition procedure appears reasonably much more likely than not.

On this point, it should be pointed out that the possible occurrence of a scenario characterised by the submission of a competing bid pursuant to the bankruptcy law would not jeopardise the prospects/probability of Italtel's business continuity, which, on the contrary, would be strengthened and the current prognostic judgement corroborated.

Therefore, in light of all the relevant factors discussed above, the Directors of Exprivia deemed it appropriate to continue to adopt the going concern assumption of Italtel in preparing the consolidated financial statements of Exprivia.

Finally, it should be noted that the possible non-continuity of Italtel would not have significant negative impacts on the financial statements of Exprivia at 31 December 2019, other than those already reflected (write-down of the equity investment and receivables) nor would it have impacts on the business as a going concern of Exprivia or the Exprivia Group.

To be noted is that the valuations of certain items in the consolidated financial statements at 31 December 2019 of the Italtel Group could be affected, even significantly, by the uncertainties related to developments of:

- the composition procedure initiated by Italtel SpA and, in particular, in the event of a negative outcome thereof;
- conversations initiated with a leading customer regarding certain alleged contractual breaches, as commented in more detail in the explanatory note no. 10 "Work in progress contracts".

The uncertainties associated with these events and circumstances do not cast doubt on the ability of Exprivia and the Exprivia Group to continue operating as a going concern.

Accounting policies and valuation criteria

The accounting standards adopted for drawing up the consolidated financial statements are the same as those adopted for drawing up the consolidated financial statements of the Group for the financial year which closed at 31 December 2018, with the exception of what is set forth in the "Application of new accounting standards" section.

The financial statements were prepared in accordance with IFRS. IFRS is intended as the International Accounting Standards (IAS) now in force, as well as all the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") formerly called the Standing Interpretations Committee ("SIC"), and in accordance with the regulatory provisions issued to implement art. 9 of Italian Legislative Decree no. 38/2005 (CONSOB Resolution no. 15519 of 27 July 2006 providing the "Rules for financial statement schedules", CONSOB Resolution no. 15520 of 27 July 2006 providing the "Changes and amendments to the Issuers' Regulation adopted under Resolution no. 11971/99", CONSOB notice no. 6064293 of 28 July 2006 providing rules for "Company disclosure pursuant to art. 114(5), Italian Legislative Decree 58/98").

Property, plant and machinery

Property, plant and machinery are recognised at the cost of acquisition or production. The cost of acquisition or production is the price paid to acquire or build the asset and any other cost incurred to prepare the asset for use. The price paid to acquire or produce the asset is the cash price equivalent at the time of accounting; therefore, if payment is deferred beyond normal credit extension terms, the difference with respect to the equivalent cash price is recorded as interest for the extension period. The financial charges incurred for the acquisition or production of the asset are never capitalised. The capitalisation of costs relating to the expansion, modernisation or improvement of leased assets is done only in so far as they satisfy the requirements for being separately classified as an asset or part of an asset.

After initial recognition, plant, machinery and other assets are entered at cost, net of accumulated depreciation and any impairment. The depreciated value of each significant component of a tangible asset, with a different useful life, is amortised by the straight-line method over the expected period of use. Considering the homogeneity of the assets included in the individual categories of the financial statements, it is assumed that the useful life by category of assets is the following (with the exception of certain significant cases):

Land	indefinite useful life
Buildings	33 years
Plant and Machinery	4 - 10 years
Industrial and commercial equipment	4 years
Other assets	4 - 10 years

Land, including pertaining to buildings, is accounted for separately and not depreciated as it is a component with indefinite useful life.

The depreciation criteria used, the useful life and residual value are reviewed at the end of each accounting period and, if necessary, redefined to take into account any significant changes.

Owned industrial buildings are carried at a value periodically reassessed at market value less depreciation and impairment (revaluation model). As set forth by IAS 16, the Group measures fair value and then remeasures it only when there is a significant difference with respect to the carrying amount. Assets consisting of the right to use industrial buildings are valued by applying the cost model.

Costs that can be capitalised for improvements to leased assets are attributed to the classes of fixed assets to which they refer and depreciated for the shorter time between the remaining period on the lease agreement and the remaining useful life of the asset to which the improvement was made.

The carrying amount of property, plant and machinery is maintained in the financial statements to the extent that such value can be recovered through use. If significant factors are noticed, which include the likelihood of recovering the net carrying amount, an impairment test is performed to determine any loss of value. A reversal is applied if the conditions at the basis of the impairment no longer apply.

Goodwill

Goodwill is recognised based on the acquisition method in accordance with IFRS 3, as described in the section on business combinations, and is not amortised but is subject to impairment tests at least once a year. To this end these values are allocated to one or more cash generating units starting on the acquisition date or within 12 months.

If goodwill was allocated to a cash generating unit and the entity disposes of an asset that belongs to that unit then the goodwill associated to the asset is included in the carrying amount of the asset when determining the gain or loss from the disposal. This amount is determined according to the values of the assets disposed of and the part kept.

Other Intangible Assets

Other intangible assets, which include development costs, patent rights and use of intellectual property, concessions, licenses, trademarks and similar rights and software, are recognised as assets only if all the conditions laid down in IAS 38 are met (cost can be measured reliably, as well as the technical feasibility of product, the asset can be identified or separated, the Group controls the asset, or it has the power to receive its future economic benefits, expected volume and price indicate that the costs incurred during development will generate future economic benefits) and valued at cost minus accumulated amortisation, determined on a straight-line basis over the period of expected use, on average, except for specific cases, of 3-5 years, and any impairment. The amortisation criteria used, the useful life and residual value are reviewed at the end of each accounting period and, if necessary, redefined to take into account any significant changes.

Costs for development projects are capitalised under the item "costs for capitalised internal projects" only when the development phase has ended and the product developed begins to generate economic benefit. They are subject to amortisation. During the period in which costs are incurred for capitalised internal development projects they are floated in the Income Statement as increases in fixed assets for internal work and classed under "costs for capitalised internal projects".

Equity investments in other companies and associates

Equity investments in other companies are measured at FVOCI.

The equity investments in companies in which the Group has significant influence (referred to below as associates), which is expected to exist when the shareholding is between 20% and 50%, are accounted for with the equity method, except when it is evident that the application of that valuation method does not influence the Group's equity, financial and economic position. In these cases, the equity investment is valued at cost. The methodology for the application of the equity method is described below:

- the carrying amount of the equity investments is aligned with the shareholders' equity of the investee company adjusted, when necessary, to reflect the application of accounting standards compliant with those applied by the Parent Company and includes, when applicable, the recognition of any goodwill identified at the time of acquisition;

- the profit or loss attributable to the Group is accounted for in the consolidated income statement from the date on which significant influence started and until the date on which it stops. If due to losses the company has a negative shareholders' equity, the carrying amount of the equity investment is cancelled and any excess belonging to the Group is recognised in a dedicated provision, only if the Group has committed to fulfilling legal or implicit obligations of the associate or in any event to covering its losses. The changes in shareholders' equity of the associate companies not resulting from the profit or loss are accounted for as a direct adjustment of the reserves;
- unrealised gains and losses generated on transactions carried out between the Parent Company/Subsidiaries and Associates are eliminated based on the value of the Group's shareholding in the investee companies. Unrealised losses are eliminated unless they are representative of impairment losses.

Leases

On the date when the leased assets covered by the contract are available for use by the Group, the leases are accounted for as rights of use under non-current assets with a balancing entry of a financial liability.

The cost of the fee is broken down into its components of financial charge, recognised in the income statement during the term of the contract, and repayment of the principal, recorded as a reduction of the financial liability. The right of use is amortised on a monthly basis on a straight-line basis over the shorter between the useful life of the asset and the duration of the contract.

Right of use and financial liabilities are initially measured at the current value of future payments.

The Group does not recognise the right-of-use assets separately in the balance sheet but includes them in the same line item in which the corresponding right-of-use assets would be recognised if they were owned (item "Property, plant and machinery").

The current value of financial liabilities for lease contracts includes the following payments:

- fixed payments;
- variable payments based on an index or a rate;
- exercise price of a redemption option, if the exercise of the option is considered reasonably certain;
- payment of penalties to terminate the contract, if the exercise of the option to terminate the contract is considered reasonably certain;
- optional payments subsequent to the non-cancellable period, if the extension of the contract beyond the non-cancellable period is considered reasonably certain.

Future payments are discounted using the incremental borrowing rate.

This rate consists of the risk-free rate of the country in which the contract is negotiated and is based on the duration of the contract. It is then adjusted based on the Group's credit spread and the local credit spread.

Rights of use are measured at cost, which is composed of the following elements:

- initial amount of the financial liability;
- payments made before the start of the contract net of lease incentives received;
- directly attributable accessory charges;
- estimated costs for dismantling or restoration.

The lease payments associated with the following types of lease contracts are recognised in the income statement on a straight-line basis for the duration of the respective contracts:

- contracts for which the underlying asset is a low-value asset;
- contracts for which the payment for the right of use of the underlying asset varies according to changes in facts or circumstances (not related to sales trends), not foreseeable at the initial date.

Low-value contracts mainly relate to the following categories of assets:

- computers, phones and tablets;
- office and multifunction printers;
- other electronic devices.

Government grants

Government grants are reported in the presence of a formal resolution and are accounted for as income in the financial year when related costs are incurred.

Grants received against specific assets whose value is carried under fixed assets are entered in the income statement in relation to the period of amortisation/depreciation for the assets to which they refer.

Advances received for terminated projects, for which a closing report has yet to be issued, have been classified as deductions from receivables. For ongoing projects, advances remain accounted for under liabilities.

Impairment of Property, Plant and Machinery, Goodwill, Other Intangible Assets, Investments

Impairment occurs every time the carrying amount of an asset is greater than its recoverable amount. The existence of any indicators suggesting impairment is checked at every reporting date. If those indicators are found, the recoverable amount of the asset is estimated (impairment test) and a write-down is recognised where necessary. The impairment loss was allocated first to the carrying amount of goodwill and the remainder to the other assets in proportion to the carrying amount of each of them, whichever is higher between fair value less selling costs (if determinable), value in use (if determinable) and nil. Regardless of the existence of the indicators, an impairment test is carried out at least once a year for the assets not yet available for use and for goodwill.

The recoverable amount of an asset is the greater between its fair value, net of sale costs, and its value in use. The recoverable amount is calculated with reference to a single asset, unless it is unable to generate incoming cash flow from continued use notably independent of the incoming cash flows generated by other assets or groups of assets, in which case the test is carried out for the smallest unit generating independent flows which includes the asset in question (Cash Generating Unit).

When the write-down has no reason to be maintained, the carrying amount of the asset (or cash generating unit), except for goodwill, is increased to the new value obtained from its estimated recovery value, in any case not over the net carrying amount that the assets would have had if the write-down due to impairment had not been made. The restored value is charged to the income statement, unless the asset is measured at the re-valued figure; in this case the recovered value is posted under the revaluation reserve.

Financial assets (excluding derivative instruments)

The Group's financial assets are classified on the basis of the business model adopted for their management and the characteristics of the relative cash flows.

a) Financial assets at amortised cost

Financial assets are classified in this category when the following requirements are met: (i) the asset is held within a business model the objective of which is to hold the asset to collect its contractual cash flows; and (ii) the contractual terms of the asset call for cash flows represented solely by payments of principal and interest on the amount of principal outstanding. These are primarily trade receivables, financial assets and other assets.

The trade receivables that do not contain a significant financial component are recognised at the price defined for the relative transaction (determined in accordance with the provisions of IFRS 15 Revenue from contracts with customers).

The valuation policy applied following initial recognition is the amortised cost using the effective interest rate method. Long-term loans without an interest rate are accounted for by discounting future cash flows at the market rate if the increase in amounts is due to the passing of time. Amounts for interest are then carried in the income statement under the item "Financial income (charges) and other investments".

With reference to the impairment model, the Group values its receivables by identifying expected losses.

For trade receivables, the Group adopts a simplified valuation approach which does not require the recognition of periodic changes in credit risk, but rather the recognition of an expected credit loss (ECL) calculated on the entire life of the credit ("lifetime ECL").

In particular, the policy adopted by the Group calls for a matrix-type approach based on the following steps:

- historical analysis of losses on trade receivables;
- definition of appropriate customer groupings based on the characteristics of credit risk highlighted by the historical analysis;
- determination of the historical rate of loss by customer grouping on the basis of the losses recognised in relation to the amount of receivables in the reference period or in relation to the overdue brackets if the relative information is available without excessive effort;
- any adjustment of the historical rate of loss based on current and forecast information (changes in the economic, regulatory and technological context, industry outlooks, etc.).

If there is no reasonable expectation of recovery, trade receivables are written off.

With reference to non-current financial receivables, the Group adopts the general approach for valuation, which requires the verification of any increase in credit risk at each reporting date.

The write-downs recognised pursuant to IFRS 9 are posted to the income statement net of any positive effects linked to releases or restorations of value and are represented under costs.

b) Financial assets at fair value through other comprehensive income ("FVOCI")

Financial assets are classified in this category when the following requirements are met: (i) the asset is held within a business model the objective of which is achieved by collecting the contractual cash flows and by selling the asset; and (ii) the contractual terms of the asset call for cash flows represented solely by payments of principal and interest on the amount of principal outstanding.

These assets are initially recognised in the financial statements at fair value plus any accessory costs directly attributable to the transactions that generated them. On subsequent measurement, the valuation carried out upon recognition is updated and any changes in fair value are recognised in the statement of comprehensive income. Please refer to what is described in point a) above with regard to the impairment model.

c) Financial assets at fair value through profit or loss ("FVPL")

This category includes financial assets that are not classified in either of the previous categories (i.e., residual category). These are primarily derivative instruments that do not meet requirements for hedge accounting.

The assets belonging to this category are recognised at fair value upon initial recognition. The accessory costs incurred on recognition of the assets are charged immediately to the income statement. On subsequent measurement, FVPL financial assets are valued at fair value.

Gains and losses deriving from changes in fair value are accounted for in the income statement in the period in which they are identified, in the item "Profit (Loss) from assets at fair value". Purchases and sales of financial assets are accounted for at the settlement date.

Financial assets are derecognised when the relative contractual rights expire, or when all risks and rewards of ownership of the financial asset are transferred.

Financial liabilities (excluding derivative instruments)

Financial liabilities include financial payables, trade payables and other payables.

Payables to banks and other lenders are initially recognised at fair value net of directly attributable transaction costs and subsequently measured at amortised cost, applying the effective interest rate approach. If there is a change in expected cash flows, the value of the liabilities is recalculated to reflect that change on the basis of the present value of the new expected cash flows and the internal rate of return initially determined.

Lease payables are initially measured at the current value of future payments.

Trade payables are obligations to pay against goods or services acquired from suppliers within the scope of ordinary business activities. Payables to suppliers are classified as current liabilities if payment will take place within one year of the reporting date. Otherwise, those payables are classified as non-current liabilities. Trade payables and other payables are initially recognised at fair value and subsequently measured at amortised cost.

Financial liabilities are derecognised when the underlying obligation is extinguished, cancelled or fulfilled.

Inventories

Inventories are recognised at the lesser value between the purchase price, determined in accordance with the specific cost, and the net sales price. The cost is the fair value of the price paid and any other cost directly attributable with the exception of financial charges. The net sales value is the estimated sales price net of costs for completion and sales. Any write-downs are eliminated in subsequent financial years if the reasons for the write-down no longer apply.

Inventories of replaceable goods relating to raw materials, consumables and goods, as well as finished products and goods for resale, are determined using the FIFO method.

Work in Progress Contracts

Work in progress is recognised according to the state of progress or percentage of completion so that costs, revenues and margin are carried according to the state of progress determined by referring to the ratio between costs incurred at the date of valuation and total expected cost. The valuation reflects the best estimate of programmes carried out at the reporting date. The estimates are updated periodically. Any economic effects are accounted for in the financial year in which the updates are made. If completed contract work is expected to result in a loss, this is recognised entirely in the financial year in which it is reasonably forecast based on the provisions stated in IAS 37 "Provisions, contingent liabilities and contingent assets". Work in progress contracts are carried without including any write-down provisions as well as payments on account and advances for the contract in progress. Whenever the difference is positive for work in progress higher than the amount of advance payments then it is classified under assets in the item in question. Whenever this difference is negative the amount is classified under liabilities in the item "Advance payment for work in progress contracts". Contract revenues include: contractually agreed fees as well as other variable elements (work changes, price revisions, incentives, claims and penalties). The variable components of the contract revenues are estimated at the expected value or to the extent of the most probable amount. In addition, variable considerations are recognised only to the extent that it is considered highly probable that when the uncertainty associated with the related valuation is subsequently resolved, there will be no significant downward adjustment of the amount of revenues recognised. Costs include: all costs that refer directly to the contract, costs that are attributable to the contract activity in general and that can be allocated to the contract, in addition to any other cost that can be specifically charged to the customer under the terms of the contract.

Cash and cash equivalents

Cash and cash equivalents consists of short-term investments (generally not exceeding three months), easily convertible into known amounts of cash and subject to an insignificant risk of changes in value. They are carried at fair value.

For the purpose of the cash flow statement, liquid assets are made up of cash, demand deposits at banks, short-term, highly liquid financial assets (original maturity not exceeding three months). Current account overdrafts are carried under current financial liabilities.

Treasury Shares

Treasury shares are reported in reduction of share capital. No profit (loss) is recognised in the Income statement for the acquisition, sale, issue or cancellation of treasury shares.

Employee benefits

Short-term benefits

Short-term benefits for employees are accounted for in the income statement in the period in which the work was performed.

Defined benefit plans

The Group grants its employees benefits under the Employee Severance Indemnity Fund (TFR). The employee severance indemnity accrued at 31 December 2006 is considered a defined benefit to be accounted for in accordance with IAS 19. These benefits fall under the definition: defined benefit plan determined in existence and amount but uncertain in when payable.

The total amount of the obligation is calculated on a yearly basis by an external actuary using the Projected Unit Credit Method. Actuarial gains and losses are fully accounted for in the related financial year.

Recognition of the changes in actuarial gains/losses is carried amongst the statement of comprehensive income components.

Defined contribution plans

The Group takes part in public or private pension plans with defined contributions on a mandatory, contractual or voluntary basis. Payment of the contributions fulfils the Group's obligation towards its employees. Thus, such contributions form an expense for the period in which they are due.

The employee severance indemnity accrued after 31 December 2006 is considered a defined contribution obligation.

Share-Based Payments - Stock grant

The Group recognises incentives consisting of plans for participation in the share capital ("stock grants") to several members of the top management and to beneficiaries who hold key positions within the Group. The stock grant plans are equity settled, and make it possible to receive shares of the Parent Company free of charge at the end of the vesting period.

As set forth in IFRS 2, equity settled stock grant plans are measured at fair value through profit or loss under staff costs throughout the period between the assignment date and the vesting date and an equity reserve is recognised as an offsetting entry. The fair value of the stock grant is determined at the assignment date, reflecting the market conditions existing at the date in question.

At each reporting date, the Company reviews the assumptions regarding the number of stock grants expected to vest and recognises the effects of any change in the estimate in the income statement, adjusting the corresponding equity reserve.

In 2018, the Shareholders' Meeting of Exprivia approved the incentive and loyalty plan named "2018-2020 Performance Share Plan" reserved to executive directors, key executives and employees of Exprivia and its subsidiaries pursuant to art. 93 of the Consolidated Finance Act, the structure of which was defined by the Board of Directors, at the proposal of the Remuneration Committee. In 2019, the Shareholders' Meeting of Exprivia also approved the incentive and loyalty plan called "2019-2021 Performance Share Plan" with similar characteristics to the Plan referring to the three-year period 2018-2020.

Both plans aim to align the interests of its beneficiaries with those of the Shareholders, linking management remuneration with specific performance objectives, the achievement of which is strictly related to improvements in the Group's performance and growth in its value in the medium/long-term.

These stock grant plans are also an instrument meant to support the capacity to retain the key resources of Exprivia and of the subsidiaries, in line with best market practices which, typically, involve the implementation of medium/long-term incentive instruments.

The characteristics of the aforementioned plans are illustrated in the information document prepared by Exprivia pursuant to art. 84-bis of the Issuers' Regulation, made available to the public at the Company's registered office, in the section of the Company's website (www.exprivia.it) Corporate - Corporate governance - Corporate Information.

These plans call for the assignment free of charge, subject to reaching specific performance indicators and the company's capital strength, of ordinary shares of Exprivia with a view to (i) connecting such incentives to the creation of long-term value, thus aligning the management's interests with those of the Shareholders, (ii) offering an incentive instrument to guide and motivate the management to meet the long-term challenges that will see the Company acting as a key player in the market and (iii) maintaining key resources.

The details of the plan approved in 2019 are illustrated in the first section of the Remuneration Report and in the "2019-2021 Performance Share" information document drafted and published pursuant to arts. 114-bis of the Consolidated Finance Act and 84-bis of the Issuers' Regulation.

Exprivia's Board of Directors may also identify further plan beneficiaries if new people are assigned to the positions identified or equivalent offices are established.

Contingent Assets and Liabilities

Contingent assets and liabilities of an unlikely (but possible) or remote nature are not recognised in the financial statements; nevertheless, adequate reporting is provided concerning possible contingent assets and liabilities.

Whenever there is any financial disbursement relating to the obligation, and it occurs after the normal payment terms and the effect of discounting back is significant, the amount set aside corresponds to the current value of future payments expected to cancel the obligation.

Provisions for Risks and Charges

Provisions for risks and charges are probable liabilities of an uncertain amount and/or due date deriving from past events whose fulfilment will entail the use of economic resources. The amounts are only set aside if there is a current, legal or contractual obligation which makes the use of economic resources necessary, provided a reliable estimate of the obligation can be made. The amount recognised is the best estimate of the expense to fulfil the obligation at the reporting date. Provisions set aside are reviewed at every reporting date and adjusted to ensure they are the best current estimate.

Derivative instruments

The Group has chosen to continue applying the provisions contained in IAS 39 with regard to hedge accounting.

Derivative contracts were recognised according to the designation the derivative instruments (speculative or hedging) and the nature of the risk covered (Fair Value Hedge or Cash Flow Hedge).

For contracts designated as speculative, any changes in fair value are directly recognised in the income statement.

In hedging contracts, Fair Value Hedge is accounted for by recognising any changes in the fair value of the hedging instrument and the instrument hedged.

If it is identified as Cash Flow Hedge, it is accounted for by floating the fair value portion of change of the hedging instrument, which is recognised as effective cover in the shareholders' equity, and charging the ineffective portion to the Income statement. The changes recognised directly under shareholders' equity are released in the income statement in the same reporting period or periods in which the asset or liability hedged influences the income statement.

Asset Transfers

The assets transferred by way of factoring transactions, which comply with the requirements established by IFRS 9, are derecognised from the balance sheet.

Assets Held for Sale and Discontinued Operations

Non-current assets or a disposal group are classified as held for sale if the related carrying amount will be recovered mainly through a sale rather than through continuous use. This condition is considered to be met when the sale is highly probable and the asset or disposal group is available for immediate sale in its current condition. Non-current assets held for sale and disposal groups are recognised in the balance sheet, separately from the other assets and liabilities of the Group. Immediately before being classified under disposal groups, they are recognised on the basis of the specific IFRS applicable to each asset and liability and subsequently recognised at the lower of the carrying amount and the estimated fair value, net of the related selling costs. Any losses are recognised immediately in the income statement. Subsequently, non-current assets held for sale are not depreciated and are measured at the lower of the carrying amount and the related fair value, less selling costs. Any difference between the carrying amount of non-current assets and the fair value, less selling costs, is recognised in the income statement as a write-down; any subsequent write-backs are recognised up to the amount of the previous write-downs, including those recognised prior to the classification of the asset as held for sale. Non-current assets and disposal groups, classified as held for sale, constitute discontinued operations if, either: (i) they represent a significant stand-alone business unit or a significant geographical area of operations; (ii) they are part of a plan to dispose a significant stand-alone business unit or geographical area of operations; or (iii) they are a subsidiary acquired exclusively for the purpose of its sale. The results of discontinued operations, as well as any capital gains/losses realised following the disposal, are shown separately in the income statement under a specific item, net of the related tax effects; the economic values of discontinued operations are also reported separately for the comparative periods to the period presented.

Revenues

Revenue recognition is 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.

The revenue was allocated amongst the different performance obligations based on "stand-alone selling prices" of the 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.

The Group's obligations to transfer to the customer goods or services for which it received consideration therefrom or for which the amount of the consideration is due, are shown under the liability item "Advance payments on work in progress contracts" for the assets recognised in "Work in progress contracts" and in the item "Other current liabilities" in other cases.

The Group includes in the transaction price all or part of the amount of the variable consideration only to the extent that it is highly probable that when the uncertainty associated with the variable consideration estimated under the expected value or most probable value method is subsequently resolved, there will not be a significant downward adjustment to the amount of cumulative recognised revenues.

Below is a description of the nature and methods for recognising revenues by category of goods and services provided by the Group.

Projects and Services

The category in question includes IT services, support services and entire projects for software and/or complex IT system development. With reference to this category, control of the service is transferred to the customer over time, and therefore the Group meets the performance obligation and recognises revenues over time by evaluating the progress of activities with the method that best reflects what was done to transfer control over the promised goods or services to the customer, which is substantially dependent on the way the service is provided.

The methods used to evaluate progress are:

- Time based method for services provided in stand-ready mode, services which consist of providing to the customer an assistance structure which intervenes when and if requested, typically application monitoring, remote assistance and/or network services for applications, training and application instruction, adaptation and corrective maintenance.
- Cost to cost for projects and services provided on a lump-sum basis, services and projects carried out on customer specifications that may include various components that are highly integrated and customised based on customer needs and represent input for the fulfilment of the overall obligation specified by the customer.
- Unit/Hours worked for advisory and support services at tariff rates; these are activities for which the benefit transferred to the customer is measured based on the hours or units worked and on the agreed rate.

This category also includes on a residual basis projects and services for which the Group acts in its capacity as agent, without the primary responsibility for fulfilling the obligation.

Maintenance

This category includes maintenance and assistance services on third-party hardware and software and on proprietary software. The service is provided by activating the manufacturers' maintenance service and is managed by the company, which has primary responsibility for it or, with respect to proprietary software, consists of adaptation and corrective maintenance activities, releasing unspecified software updates and providing user support.

The service is provided in stand-ready mode or with constant effort. Revenue is recognised over time with the time based method.

Third-Party Hardware and Software

This category includes revenues for sales of hardware and software acquired from third parties when they represent a distinct obligation, i.e., when they are not closely integrated, interrelated or dependant on other goods and services promised in the contract. The revenues are recognised at a point in time at the moment of delivery and/or installation.

Proprietary Licences

This category includes revenues for sales of user licences on proprietary software generally granted as usage rights and for an unlimited period of time.

When the offer scheme does not include installation and configuration services, the revenue is recognised at a point in time when the access code required for use is provided to the customer.

When the offer scheme includes installation and configuration services, the obligation is considered distinct only if the services are not significant and/or do not entail considerable customisation activities and/or integration with other systems used by the customer; the revenues are recognised at a point in time after installation is complete.

In certain cases, proprietary licences are granted under an access right scheme for a limited period of time. In these cases, the customer is provided with a continuous service consisting of access to intellectual property and the revenue is accounted for over time with the time based method.

System Integration

This category includes revenues relating to the provision of services for the design, development and installation of solutions for integrated network systems. This category includes two types:

- Supply of equipment and non-complex installation services with no intermediate contractual milestones. The revenues are recognised at a point in time at the moment of installation.
- Supply of equipment, complex installation services and/or other strictly integrated, interrelated or interdependent professional services, which represent a single performance obligation the revenues of which are recognised over time with the cost to cost method.

Costs

Costs are recognised when they relate to goods and services sold or consumed during the year, by systematically breaking them down or when their future useful life cannot be identified.

Financial Income and Charges

Payable/receivable interest is recognised as financial income/charges after being checked on an accruals basis.

Dividends

Dividends are recognised when the shareholders hold the right to receive them, in accordance with local legislation.

Income Taxes

Taxes during the reporting period are defined on the basis of amounts expected to be due according to the tax laws in force. The tax rates and regulations used to calculate the amount are those substantially issued at the reporting date in the individual countries where the Group operates.

The Company periodically assesses the choices made when calculating taxes with reference to situations in which the tax legislation in force is open to interpretation and, if it deems it appropriate, adjusts its exposure to the tax authority on the basis of the taxes it expects to pay.

In addition, deferred tax assets and liabilities and those paid in advance are recognised on the temporary differences between the values carried in the financial statements and the corresponding values recognised for tax purposes, and showing accumulated tax losses or unused tax credits, provided it is probable that the recovery (discharge) reduces (increases) future tax payments with respect to those that would have occurred if that recovery (discharge) had not had any tax effect. The tax effects of transactions or other events are recognised in the income statement or directly under shareholders' equity using the same methods used to recognise transactions or events that result in taxation.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is more likely that sufficient tax profits will be available in the future so that all or part of the related credit can be used. Unrecognised deferred tax assets are reviewed annually at the reporting date and are recognised to the extent that it has become probable that the tax profit will be sufficient to allow these deferred tax assets to be recovered. Deferred tax assets and liabilities are measured on the basis of the tax rates that are expected to be applied to the year in which said assets are realised or said liabilities are extinguished, considering the rates in force and those already substantially issued at the reporting date. Deferred tax assets and liabilities are offset if there is a legal right to offset current tax assets against current tax liabilities and the deferred taxes refer to the same tax entity and the same tax authority.

Earnings (loss) per Share

Earnings (loss) per share is calculated by dividing net profit for the year attributable to ordinary shareholders of the Parent Company by the average number of ordinary shares in issue during the period.

For the purpose of calculating basic earnings (loss) per share, the economic result for the year 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 similar effects which could adjust the economic result attributable to holders of ordinary capital instruments.

The diluted earnings (loss) per share is equal to the earnings per share adjusted to take into account the theoretical conversion of all potential shares.

Foreign currency

The Group's financial statements are presented in Euro, the functional currency of the Group.

Transactions in foreign currency are converted into the reporting currency at the rate of exchange on the date of the transaction. Gains and losses on exchanges arising from liquidation related to these transactions and the conversion of monetary assets and liabilities into foreign currency are recognised in the income statement.

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's share capital in December 2017. In addition to the above forms of funding, to be noted is the fixed-rate bond issued to finance the purchase of the equity investment in Italtel. Concerning variable-rate loans, where considered necessary the Group stipulates interest rate swap agreements or cap agreements to hedge the risk of fluctuating interest rates.

Credit Risk

The Exprivia Group does not have significant concentrations of credit risk except for work carried out in the Public Administration 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, aside from the assessment required by IFRS 9 on "Expected Credit Loss". The risk for the Group is mainly related to trade receivables.

Liquidity Risk

Liquidity risk is prudently managed by planning cash flows, financing needs and monitoring 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.

As a result of this management, while taking into account liquidity from loans and credit lines already in place and cash flows the Group is able to generate, risks related to liquidity (at least in the short term) are considered insignificant.

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 USD, 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.

Risk of business interruption due to COVID-19 coronavirus

As illustrated in more detail in the paragraphs "Business outlook" and "Events after 31 December 2019" of the directors' report and in the paragraph "Covid 19 and possible impacts on the business as a going concern" of the Explanatory Note, to which reference should be made, at the end of 2019, a new coronavirus renamed by the WHO (World Health Organisation) Covid-19, was detected in Wuhan, China. At the date of preparation of this Report, all the different countries are trying to deal with the pandemic mainly through the vaccination of the widest possible part of the population on the one hand and with restrictive measures to minimise the opportunities for contagion as much as possible.

Exprivia has closely followed the evolution of the situation and, in order to protect the safety of its employees, customers and suppliers, has immediately implemented a remote working policy that has brought almost the entire company population into this working mode.

From this point of view, the observation of what happened in 2020 shows that the market in which the Exprivia Group operates, not only did not suffer particularly from the pandemic situation but, in some cases, it was a catalyst for new commercial opportunities. More than a year after the start of the pandemic, it can be said that the pandemic has not had, to date, a negative impact on Exprivia Group operations. It will undoubtedly be necessary to assess and study the possible repercussions that a "remote work" situation covering all working hours and lasting over time may have. This circumstance could therefore have a negative impact on the Company's ability to fully carry out its operations. Given the sector in which the Company operates, many of the activities carried out for its customers can be remotely performed, which Exprivia did from the very beginning.

Exprivia has processes that support the identification, management and monitoring of events with potential significant impacts on the company's resources and business, with the aim of maximising the timeliness and effectiveness of the actions undertaken.

Exprivia's management has carefully assessed, also in view of Consob's warning no. 6/20 of 9 April 2020, the impact of the pandemic on the Exprivia Group's business, both through internal analyses and the study of external sources. Based on the aforementioned analyses, it is not believed that the current pandemic, on the basis of the information currently available, could affect the Exprivia Group's ability to continue as a going concern.

Risk of negative outcome of the Italtel composition procedure and related impacts on Exprivia

As illustrated in more detail in the paragraphs "Significant events in 2019" and "Events after 31 December 2019", Italtel was admitted by decree of 11 March 2021 to the composition with creditors pursuant to articles 160 et seq. and 186-bis Royal Decree 267/1942 by the Court of Milan, following the filing of the request for composition with creditors dated 5 February 2021 pursuant to arts. 160 et seq. and 186-bis of the Bankruptcy Law.

On the basis of an in-depth analysis carried out with the support of its consultants, the directors of Exprivia believe that, even in the unlikely event of a negative outcome of Italtel's composition with creditors and the initiation of any extraordinary or bankruptcy administration procedure, a remote possibility, the risk of contingent liabilities to which Exprivia could be exposed is insignificant and any contingent liabilities would be immaterial.

In particular, this conclusion is based on the analysis of the liability profiles potentially deriving to Exprivia:

1) from its status as controlling shareholder until 31 December 2020

   and/or

2) from normal commercial and/or other relations in place and not related to the status of Italtel shareholder.

- *Risk of any liability profiles potentially deriving to Exprivia from its status as controlling shareholder until 31 December 2020*

The directors assessed that the risk of any potential liabilities attributable to Exprivia as shareholder in the event of a negative outcome of the composition is low given the following considerations:

1. **First assumption - probable positive outcome of the composition procedure**: despite the presence of a material uncertainty that casts significant doubts on Italtel's ability to continue as a going concern, based on the positive outcome of the composition procedure, Exprivia's Board of Directors, also on the basis of the opinion drafted by an independent external expert, believes that there are reasonable grounds to believe in the positive outcome of the composition procedure. In particular, it is believed that, although with the inherent risk of prognostic considerations, there are material factors in relation to the successful conclusion of Italtel's composition with creditors and, consequently, to the assessment of the existence of the going concern assumption thereof for the reasons indicated in the previous paragraph "*Considerations on the going concern of Italtel and impact on the process of preparation of the financial reporting of Exprivia*". While remaining within the scope of a prognostic judgment, it is believed that the probabilities that Italtel will reach the approval of its composition are considerably higher than those that the composition will be rejected. Moreover, in the event that the composition procedure to which Italtel has been admitted by the Court of Milan on 11 March 2021 is not successful, Italtel would have the subjective requirements to be admitted to an Extraordinary Administration procedure.
2. **Second assumption - absence of management and coordination activities pursuant to art. 2447 of the Italian Civil Code**: as confirmed by the opinions drafted by independent experts, since the acquisition of the investment of 81% of the share capital of Italtel, Exprivia has never carried out management and coordination activities pursuant to art. 2497-sexies of the Italian Civil Code, on Italtel, which was committed to implementing and executing the actions envisaged in the business plan underlying the restructuring agreement pursuant to art. 182-bis of the Bankruptcy Law approved by the Court of Milan in 2017, which predetermined in a binding manner the main guidelines of the two companies, thus ultimately limiting the possibility of heterodirection by Exprivia. The decision-making processes relating to the management of Italtel were actually initiated, carried out and finalised exclusively by the Board of Directors of that company. The existence of a control relationship, and even more the existence of an inevitably coordinated structure such as the one that emerges from the business plan and from the restructuring agreement pursuant to art. 182-bis of the Bankruptcy Law approved in 2017, made a certain degree of coordination between Exprivia and Italtel aimed above all at achieving the synergies that formed the basis and prerequisite of the restructuring agreement, fully physiological. However, the decision-making processes were hinged in each of the two companies independently. To this end, organisational controls were put in place to ensure, albeit within the framework of an effective and due cooperation, the full decision-making autonomy of the two companies as confirmed by the opinions provided by external consultants.

   In confirmation of this, it should be noted that Italtel's Board of Directors, composed of seven members, five of whom were directly appointed by the shareholder Exprivia, resolved on 31 December 2020 to accept the offer formulated by a third-party business entity, in order to be able to continue with the presentation of its request for composition with creditors and not that of the shareholder Exprivia. In this regard, it should be noted that, as explained in the Italtel's Board of Directors minutes of 31 December 2020, the two offers were in themselves very similar and both guaranteed the same compensation for creditors. Therefore, it is clear that the will expressed by the directors of Italtel was fully independent and not subject to any directive by the majority shareholder on the most significant occasion that determined the exit of Italtel from the Exprivia Group both in the event of positive outcome of the composition and in the event of a negative outcome. Therefore, it can be concluded that Exprivia has never carried out management and coordination activities with regard to Italtel in line with the conditions of its entry into the company's capital, in the context of the agreement pursuant to art. 182-bis, Bankruptcy Law, and with what has been declared over time.

3. **Third assumption: absence of damage caused to Italtel by the possible exercise of decision-making power by Exprivia**: from the start of the Investment (end of 2017) to date, no transactions have been carried out that are detrimental to the interest of Italtel or its subsidiaries. On the other hand, the causes of Italtel's crisis, as also reported by the asseverator in his report pursuant to art. 161, paragraph 3 and art. 186-bis of the Bankruptcy Law on the veracity of the data and feasibility of Italtel's plan, can be traced back to "*events of an extraordinary nature that have strongly impacted on the economic and financial data of 2019, determining a new and different context of corporate crisis starting from the second half of 2019"*, including:

   External factors

   a. "*significant reduction in investments (and consequently, for Italtel, in Revenues and Margins) in the telecommunications sector; the very high investments for the 5G tender (concluded on 2 October 2018) have forced telephone operators to drastically revise the investment plan in the core sectors where Italtel operates (therefore the network infrastructure);*
   b. *financial difficulties of the Telefonica Group with consequent reduction in investments in Latin America as well as in Europe;*
   c. *growing financial instability of LATAM countries with particular reference to Argentina".*

   Internal factors

   d. *"The synergies with Exprivia did not in fact materialise due to both a delay in the start of joint commercial and operational action and a catalogue of offerings that was largely not ready for the international market. Many features were also missing for the international market, especially for the Banking and eHealth sectors;*
   e. *overestimation of the competitiveness of the CISCO product;*
   f. *the positioning of proprietary products was overestimated by underestimating the existence of significant barriers to entry also attributable to product issues;*
   g. *slowdown of the BUL (Open Fiber) project in 2019 due to operational difficulties encountered in the executive planning phase as a result of administrative activities with infrastructure managers, superintendents and Municipalities".*

   Therefore, if there were any crisis factors attributable to Italtel's management, these would certainly not concern heterodirection activities carried out by Exprivia.

In light of the above, the directors of Exprivia concluded that the risk of any liability profiles potentially arising for Exprivia from its status as controlling shareholder until 31 December 2020 is negligible.

- *Risk of any liability profiles potentially deriving to Exprivia from normal commercial and/or other relationships in place and not related to its status as Italtel shareholder*

The directors have assessed that the risk of any potential liabilities attributable to Exprivia from the normal commercial and/or other relationships in place and not related to the status of Italtel shareholder in the event of a negative outcome of the composition is negligible in light of the following considerations:

1. **Guarantees and sureties issued in favour of Italtel:** Exprivia has never undertaken any obligation in favour of Italtel and has never issued, in favour of the latter, any guarantee or surety, with the exception of the surety issued for the 2019 Group VAT, nor has it ever undertaken any commitment to make payments on behalf of Italtel or other companies controlled by it, neither directly nor indirectly. Even the contracts underlying Exprivia's subscription of 81% of Italtel's share capital did not contain any such obligations, either unconditional or conditional on the occurrence of any event. It should be noted that the Bond Loan Regulation for the bond issued in 2017 by Exprivia to finance the Investment provide, in art. 12 "Issuer's Commitments" (xxi), that "*in relation to the management of Italtel and the other companies of the Italtel Group, the Issuer undertakes that none of the Group companies: (i) grant loans of any nature and for any reason for the benefit of the Italtel Group; (ii) grants guarantees of any nature for the benefit of the Italtel Group*". In addition, the Loan Agreement executed by Exprivia in 2016 with a pool of banks headed by BNL provides, following an amendment signed on 13 March 2018 as a result of the 2017 Investment, in art. 9.2 letter (k) "Prohibition to grant loans and personal guarantees", that: "*the Beneficiary [Exprivia] undertakes not to grant to third parties, and will ensure that no company in the Group grants to third parties, any loan or personal guarantee other than the Permitted Liens, it being understood for the sake of clarity that Abaco, Italtel and the companies directly and indirectly controlled*

by it pursuant to art. 2359, first paragraph no. 1 and 2 of the Italian Civil Code are considered as third parties for the purposes of this provision. To date, the only case in which Exprivia has committed to Italtel as a co-obligor is that of the co-obligation relating to the surety of Euro 6.8 million issued in favour of the Inland Revenue Agency in relation to the 2019 Group VAT. It is also necessary to specify that this is an atypical surety that covers situations that have already occurred in the past; specifically, the unique opportunity to take steps to enforce the surety, is that the Inland Revenue Agency occur within the three-year period, and then by 30 September 2023, a clerical error in the calculation of VAT made statements by Italtel. This risk is considered almost remote, also on the basis of the company's tax history.

2. **Commercial activities between Exprivia and Italtel:** the commercial activities between the two companies since the subscription of 81% of Italtel's share capital to date are not significant and are governed by a specific framework agreement aimed at ensuring that all inter-company transactions take place at regular market conditions without benefiting either party. The analysis carried out did not reveal any interactions that led to problems with the customer of one of the two parties or that presuppose guarantees given by one party to the other. It should be added that, as from 14 December 2017, Italtel has set up a Related Parties Committee within its Board of Directors, as required by art. 22.1 of the Italtel's Articles of Association, composed of the New PFI Director (as Chairman), an independent director and a director without operational powers; the Related Parties Committee has supervised the transactions between related parties that have taken place after the investment and we are not aware of any anomalies.

The directors of Exprivia also carried out an analysis of the economic and financial impacts that may result for the Company from a possible Italtel default not related to liability profiles. The analyses carried out are summarised below:

1. **Commercial activities in which Italtel is a customer of Exprivia:** Italtel engages Exprivia to carry out activities on its customers, especially on the Telco market. A hypothesis of admission to extraordinary administration or bankruptcy proceedings of Italtel could therefore reduce this source of revenues and margins, thus negatively impacting Exprivia's economic data. Given the insignificant percentage impact on Exprivia's total revenues and EBITDA, equal to approximately 1%, it is believed that any loss of the assets in question can be considered negligible.

2. "**Joint**" **orders between Exprivia and Italtel:** the only orders in which the two companies were jointly involved relate to tenders promoted by a leading customer of Exprivia and its subsidiaries, mainly in Spain and in Latin America. Exprivia participated in these tenders in temporary joint ventures with other leading market players and the awarding of these tenders resulted in activities to be provided in Spain or in other South American countries. Delivery activities are sub-contracted to the local companies of Italtel, which therefore act as suppliers of Exprivia or of the temporary joint ventures as appropriate. Therefore, these activities do not involve Italtel but rather the companies controlled by it and not subject to bankruptcy proceedings in the relative countries. It follows that, even in the event of a negative outcome of the composition, it would not have a direct effect on the orders in question, which could therefore continue. Even if the negative outcome of the composition were to somehow affect Italtel's subsidiaries, Exprivia could replace the local companies of Italtel with local players. It is therefore believed that these orders cannot have negative effects on Exprivia in the event of a negative outcome of the composition of Italtel, reiterating, furthermore, that it would be in the full interest of the trustee or the liquidator in the bankruptcy proceedings to continue the activities capable of preserving the value of the assets for the purpose of their realisation.

3. **Charge-back of costs for personnel and services:** in the past, some resources of Italtel were seconded to Exprivia and vice versa. The costs of these resources were charged-back in accordance with the rules governing the secondment of staff. To date, only one Italtel employee remains seconded to Exprivia. If Italtel were to incur a negative outcome of the composition, the person in question, seconded to Exprivia, could probably continue to work and, if not, there would be no problems in finding similar skills on the labour market without this representing any kind of problem for Exprivia. As regards Exprivia staff seconded to Italtel, at the date of this report, there are no situations to report. Office costs

are another type of cost subject to charge-backs. With a view to streamlining, the best possible use was made of the space available to both companies. In this case, Italtel hosts Exprivia staff in its Castelletto and Carini offices, while Exprivia hosts Italtel staff in its two offices in Rome. To date, the lease agreements between the companies are in the process of being terminated, as the companies themselves have already filed a regular cancellation in order to undertake a process with the final objective of a complete separation of the two companies.

4. **Transactions subject to revocatory action:** pursuant to art. 67 of the Bankruptcy Law, deeds of payment can be revoked if made in the 6 months prior to the declaration of bankruptcy; it is hereby assumed that the negative outcome of the composition entails the entry of Italtel into extraordinary administration or bankruptcy proceedings without solution of continuity and that therefore the so-called suspicious period is to be identified between 8 October 2019 and 7 April 2020. In this period, Italtel has carried out a single offsetting transaction between receivables and payables that were certain, liquid and collectable, as has been the case between the two companies since 2017, on a quarterly basis; on that occasion, Exprivia offset receivables of Euro 810,757.40 with payables (Italtel's receivables) of Euro 652,966.20; the difference of Euro 157,791.20 was paid by Italtel to Exprivia on 18 December 2019. It should be noted that the legal offsetting (i.e. between certain, liquid and collectable payables) cannot be revoked pursuant to art. 67 of the Bankruptcy Law. Based on these considerations, we can consider the risk of revocation as "remote". The offsetting subsequent to the Request for Composition with Creditors was made on the basis of the provisions of art. 56 of the Bankruptcy Law.

5. **Impacts related to the Exprivia loan agreements:** an analysis of the loan agreements executed by Exprivia showed that the company's reference perimeter in relation to which the Financial Parameters (so-called covenants) are to be calculated, where compliance with covenants is envisaged, provides for the exclusion of Italtel and all companies directly or indirectly controlled by the latter. An analysis of the contractual provisions that could give rise to a Determining Event under the loan agreements upon the occurrence of an Italtel Default shows that:
   - for the BNL Loan, any Italtel Default could constitute a Determining Event under the loan agreement; however, to be noted is the fact that the residual debt of the BNL Loan will be equal to approximately Euro 3.8 million at 31 December 2021 and that the final expiry of the contract is set at 31 December 2022;
   - for the Bond Loan issued on 14 December 2017 and subscribed by leading investment funds in debt instruments (the "Bond"), maturing on 31 December 2023 and whose residual debt at 31 December 2021 will be approximately Euro 13.8 million, art. 9 (iv) "*Bankruptcy proceedings and crisis of the Issuer*" limits the validity scope of the clause *"to the Issuer and/or companies of the Issuer's Group", where the Issuer's Group "means the Issuer and its direct or indirect subsidiaries, pursuant to art. 2359 of the Italian Civil Code (or other similar provision of the applicable law) with the exception of the Italtel Group*";
   - for the SACE Loan, art. 18.8 "Bankruptcy proceedings" limits the validity scope of the clause "for the Beneficiary and/or for any Group Company", where the Group *"means the Beneficiary and its direct or indirect subsidiaries pursuant to art. 2359, paragraph 1, no. 1 and 2 of the Italian Civil Code, which falls within the scope of consolidation from time to time, with the exception of the Italtel Group".*

   The residual debt at 31 December 2021 was indicated, since any negative outcome of the composition, if it were to occur, will only be revealed in the last part of 2021, taking into account that the creditors' composition meeting is scheduled for 29 September 2021.

   It can therefore be concluded that, net of an insignificant impact in relation to the BNL loan, the main Exprivia loan agreements are indifferent to the effects produced by a possible Italtel default.

In conclusion, from the detailed and accurate analysis carried out, there are no significant contingent liabilities and/or significant risk profiles that could emerge for Exprivia in the unlikely event of a negative outcome of the Italtel's composition, as it has not provided sureties or guarantees in favour of Italtel, as it has not assumed contractual or legal obligations, either implicit or explicit, and as there are no commercial relations or significant economic interests.

To be noted is that the valuations of certain items in the consolidated financial statements at 31 December 2019 of the Italtel Group could be affected, even significantly, by the uncertainties related to developments of:

- the composition procedure initiated by Italtel SpA and, in particular, in the event of a negative outcome thereof;
- conversations initiated with a leading customer regarding certain alleged contractual breaches, as commented in more detail in the explanatory note no. 10 "Work in progress contracts".

The uncertainties associated with these events and circumstances do not cast doubt on the ability of Exprivia and the Exprivia Group to continue operating as a going concern.

Reconciliation of financial assets and liabilities according to IFRS 7

To complement the reporting on financial risks, 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 9 (amounts in thousands of euro):

ACTIVITY 'FINANCIAL AT 31 december 2019	Loans and receivables "amortized cost"	Investments valued at "fair value trought OCI (FVOCI)"	Investments valued at "fair value through PL (FVPL)"	Derivative financial instruments "financial assets valued at FV in the income statement"	Financial instruments available for sale "FVOCI"	Total
In thousands of Euro						
Non current assets						
Financial assets	2,213					2.213
Derivative financial instruments						0
Investments in associated companies			387			387
Investments in other companies		377				377
Other non-current assets	1,431					1.431
Total no current assets	**3,444**	**377**	**387**	-	-	**4,408**
Current assets						
Commercial credits	147,710					147.710
Other financial assets	5,477				178	5.655
Other current assets	32,504					32.504
Cash and cash equivalents	25,996					25.996
Total Current assets	**211,687**	-	-	-	178	**211,865**
TOTAL	**215,331**	**377**	**387**	-	**178**	**216,273**

LIABILITIES 'FINANCIAL AT 31 december 2019	Loans and borrowings "amortized cost"			Derivative financial instruments "financial liabilities valued at FV in the income statement" (FVPL)	Financial instruments available for sale "FVOCI"	Total
In thousands of Euro						
Non Current liabilities						
Bond	18,164					18.164
Due to banks	2,485					2.485
Other financial liabilities	17,028					17.028
Hedging derivative financial instruments				15		15
Other non-current liabilities	2,101					2.101
Total Non Current liabilities	**39,778**	-		**15**	-	**39,793**
Current liabilities						
Current bond loans	4,522					4.522
Trade payables and advances	202,975					202.975
Other financial liabilities	12,169					12.169
Derivative financial instruments				422		422
Due to banks	207,766					207.766
Other current liabilities	63,977					63.977
Total Current liabilities	**491,409**	-	-	**422**	-	**491,831**
TOTAL	**531,187**	-	-	**437**	-	**531,624**

It should be noted that the financial instruments reported above, with reference to loans, receivables, payables and investments, were measured at carrying amount, 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 (price-related inputs) observable on the market;

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

Scope of Consolidation

The consolidated financial statements at 31 December 2019 include balance sheets, income statements and financial statements of the Parent Company Exprivia and the subsidiaries and differs, compared to 31 December 2018, because of the inclusion of the associate QuestIt Srl, valued at FVTPL, due to the increase in the controlling interest in Exprivia Do Brasil and to the exclusion of Italtel Telecommunication Hellas Epe in liquidation, which has ceased to exist.

The table below shows the companies under consolidation; the investments shown below are all controlled directly by the Parent Company Exprivia apart from the indirect subsidiaries ProSap Perù Sac, Sucursal Ecuador de Exprivia SLU, ProSAP Centroamerica SA and Exprivia IT Solution Shanghai and the subsidiaries controlled by Italtel.

Details of the subsidiaries at 31 December 2019 are provided below

Società	Mercato di riferimento
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
HR COFFEE Srl	Other
Exprivia Messico SA de CV	International Business
ProSAP Perù SAC	International Business
ProSAP Centroamerica S.A (Guatemala)	International Business
Sucursal Ecuador de Exprivia SLU	International Business
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 U.K. Ltd	Telco & Media
Italtel Argentina S.A.	Telco & Media
Italtel Brasil Ltda	Telco & Media
Italtel Perù Sac	Telco & Media
Ausoitaltel SA	Telco & Media
Italtel Usa Llc	Telco & Media
Italtel Arabia Ltd in liquidazione	Telco & Media
Italtel Chile SpA	Telco & Media
Italtel Latam Srl	Telco & Media

The main data at 31 December 2019 for the aforementioned subsidiaries, consolidated using the line-by-line method, are provided below:

Company	H.O.	Value	Company capital	Value	Results for period	Net worth	Total revenues	Total Assets	% of holding	
Advanced Computer Systems D-GmbH	Offenbach (Germania)	Euro	25,000	amount in thousand Euro	(22)	20	626	206	100.00%	Exprivia SpA
Consorzio Exprivia S.c.a.r.l.	Milano	Euro	20,000	amount in thousand Euro	(0)	21	10	2,467	70.00% 25.00% 5.00%	Exprivia SpA Italtel SpA Exprivia Projects Srl
Exprivia ASIA Ltd	Hong Kong	Dollaro Hong Kong	2,337,856	amount in thousand Euro	(20)	(63)	-	534	100.00%	Exprivia SpA
Exprivia It Solutions (Shanghai) Ltd	Shanghai (Cina)	Renminbi	1,730,000	amount in thousand Euro	(580)	(404)	831	330	100.00%	Exprivia ASIA Ltd
Exprivia Do Brasil Servicos Ltda	Rio de Janeiro (Brasile)	Real	5,890,663	amount in thousand Euro	61	1,557	2,066	3,081	52.30% 47.70%	Exprivia SpA Siemens SpA
Exprivia Projects Srl	Roma	Euro	242,000	amount in thousand Euro	874	1,082	38,382	5,498	100.00%	Exprivia SpA
HRCOFFEE Srl	Molfetta (BA)	Euro	380,000	amount in thousand Euro	(144)	112	2.98	171	70.00% 30.00%	Exprivia SpA persone fisiche
Secucontrol Ecuador de Exprivia SLU	Quito (Ecuador)	USD	10,000	amount in thousand Euro	(5)	(15)	-	4	100.00%	Exprivia SLU
Spegea Scarl	Bari	Euro	125,000	amount in thousand Euro	52	208	800	1,047	60.00% 40.00%	Exprivia SpA Confindustria Bari
Exprivia SLU	Madrid (Spagna)	Euro	197,904	amount in thousand Euro	(1,192)	1,932	1,781	4,635	100.00%	Exprivia SpA
ProSap Centroamerica SA	Città del Guatemala (Guatemala)	Quetzal	5,000	amount in thousand Euro	(41)	201	149	594	98.00% 2.00%	Exprivia Mexico SA de CV Exprivia SpA
Exprivia Mexico SA de CV	Città del Messico (Messico)	Pesos messicani	41,288,599	amount in thousand Euro	(373)	1,750	737	2,580	2.00% 98.00%	Exprivia SLU Exprivia SpA
ProSap Perù SAC	Lima (Perù)	Nuevo Sol	188,960	amount in thousand Euro	-	17	-	-33	100.00%	Exprivia SLU
Italtel SpA	Settimo Milanese (MI)	valori in Euro	28,090,001	amount in thousand Euro	(220,344)	(194,188)	218,121	204,989	81.00% 19.00%	Exprivia SpA Cisco Srl
Italtel BV	Amsterdam (Olanda)	valori in Euro	1,080,000	amount in thousand Euro	274	3,534	0	4,195	100.00%	Italtel Latam Srl
Italtel S.A.	Madrid (Spagna)	valori in Euro	7,362,398	amount in thousand Euro	(168)	8,584	26,752	21,134	100.00%	Italtel SpA
Italtel Argentina S.A.	Buenos Aires (Argentina)	valori in P.A.	47,854,523	amount in thousand Euro	(942)	2,482	11,479	8,540	71.48% 28.52%	Italtel BV Italtel Latam Srl
Italtel Brasil Ltda	San Paolo (Brasile)	valori in Real brasiliano	15,460,676	amount in thousand Euro	(226)	1,687	38,695	16,596	93.66% 6.34%	Italtel Latam Srl Italtel BV
Italtel Deutschland GmbH	Dusseldorf (Germania)	valori in Euro	40,000	amount in thousand Euro	480	2,721	7,394	8,140	100.00%	Italtel SpA
Italtel France Sas	Courbevoie (Francia)	valori in Euro	40,000	amount in thousand Euro	134	(178)	3,586	4,150	100.00%	Italtel SpA
Italtel U.K. Ltd	London (Gran Bretagna)	valori in Lira sterlina	26,000	amount in thousand Euro	(11)	(22)	0	4	100.00%	Italtel SpA
Italtel Belgium Sprl	Bruxelles (Belgio)	valori in Euro	290,000	amount in thousand Euro	(6)	189	0	190	60.00% 40.00%	Italtel SpA Italtel France Sas
Italtel Poland Sp.Zo.O.	Varsavia (Polonia)	valori in Zloty	480,000	amount in thousand Euro	(136)	(43)	501	387	100.00%	Italtel SpA
Italtel Perù Sac	Lima (Perù)	valori in Nuevo Sol	3,028,000	amount in thousand Euro	1,489	4,827	61,190	28,195	90.00% 10.00%	Italtel BV Italtel SpA
Auseitaltel S.A.	Quito (Ecuador)	valori in USD	500,000	amount in thousand Euro	(846)	(1,442)	2,183	1,341	1.00% 99.00%	Italtel BV Italtel Latam Srl
Italtel USA LLC	Miami (Florida)	valori in USD	150,000	amount in thousand Euro	1	180	31	1,042	100.00%	Italtel SpA
Italtel Arabia Ltd in liquidazione	Riyadh (Arabia Saudita)	valori in SAR	3,297,988	amount in thousand Euro		(1,578)		12	90.00% 10.00%	Italtel SpA Italtel BV
Italtel Chile Spa	Santiago (Chile)	valori in Peso cileno	1,080,000	amount in thousand Euro	13	13	312	283	100.00%	Italtel Latam Srl
Italtel Latam S.r.l.	Settimo Milanese (MI)	valori in Euro	10,000	amount in thousand Euro	(332)	8,083	0	18,421	100.00%	Italtel SpA

The primary exchange rates used for conversion into Euro of the financial statements of foreign companies at 31 December 2019 were as follows:

Exchange rate	Average of 12 months to 31 December 2019	At 31 December 2019
Argentine Peso	53.823	67.275
Real brazilian	4.414	4.516
Pound Sterling	0.87777	0.85080
Dollar USA	1.120	1.123
Zloty polacco	0.1195	1.123
Nuevo Sol peruviano	3.737	3.726
Riyal Arabia Saudita	4.1980	4.2128
Dollaro Hong Kong	8.772	8.747
Renminbi -Yuan (Cina)	7.734	7.821
Mexican Peso	21.557	21.220
Guatemalan Quetzal	8.621	8.652

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

The representation of the results by operating segments is carried out on the basis of 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 criteria of the organisation, with reference to the related co-ordination and control structures and on the basis of the sector it belongs to within the ICT reference market.

At 31 December 2019, the sectors subject to reporting were:

- IT (Information Technology), including software, information technology solutions and services and IT. This sector corresponds to the scope of consolidation of Exprivia Group prior to the acquisition of control over Italtel;
- 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. The sector corresponds to the scope of sub-consolidation of the Italtel Group.

Note that the TLC operating segment was identified following the inclusion of Italtel and its subsidiaries in the scope of consolidation.

The following statement shows the restated financial standing, which highlights the structure of invested capital and funding resources for each single operating segment at 31 December 2019 and 31 December 2018.

The assets and liabilities by operating segments at 31 December 2019 are indicated below.

Reclassified Balace Sheet

amount in thousand Euro	IT			TLC			Elisions			CONSOLIDATED 1)		
	31.12.2019	31.12.2018	Variations	31.12.2019	31.12.2018	Variations	31.12.2019	31.12.2018	Variations	31.12.2019	31.12.2018	Variations
Property, plant and machinery	19,795	15,039	4,756	28,241	12,653	15,588	(731)	(25)	(706)	47,305	27,667	19,638
Goodwill	69,071	79,236	(10,164)	0	112,594	(112,594)	0	0	0	69,071	191,829	(122,758)
Other Intangible Assets	10,545	11,127	(581)	0	41,630	(41,631)	(119)	(142)	23	10,426	52,615	(42,189)
Shareholdings	471	163	308	293	303	(10)	0	(8)	8	764	466	298
Other non-current financial assets	757	53	703	674	1,622	(948)	0	0	0	1,431	1,675	(245)
Deferred tax assets	2,201	2,373	(172)	2,226	66,575	(64,349)	(6)	0	(6)	4,421	68,948	(64,527)
NON-CURRENT ASSETS	102,839	107,989	(5,149)	31,434	235,377	(203,942)	(856)	(167)	(689)	133,418	343,199	(209,781)
Trade receivables	51,315	51,238	76	99,461	107,491	(8,030)	(3,065)	(3,085)	19	147,710	155,643	(7,933)
Stock	718	766	(48)	23,059	33,180	(10,121)	0	0	0	23,777	33,946	(10,168)
Work in progress to order	18,718	19,768	(1,050)	32,288	44,270	(11,982)	(3,544)	(65)	(3,478)	47,463	63,975	(16,512)
Other Current Assets	13,210	11,322	1,888	23,012	34,912	(11,900)	(3,719)	(1,664)	(2,115)	32,504	44,630	(12,126)
CURRENT ASSETS	83,962	83,095	866	177,820	219,853	(42,033)	(10,328)	(4,754)	(5,574)	251,454	298,193	(46,739)
DISCONTINUED NON CURRENT ASSETS	0	0	0	12	106	(94)	0	0	0	12	106	(94)
Commercial debts	(25,322)	(24,123)	(1,199)	(190,203)	(174,275)	6,898	3,164	3,143	22	(189,364)	(198,250)	4,889
Advances on contract work in progress	(6,538)	(5,339)	(1,199)	(6,071)	(2,143)	(3,928)	10	0	10	(12,593)	(7,492)	(5,116)
Other current liabilities	(27,663)	(23,029)	(4,634)	(30,049)	(42,002)	11,953	3,734	1,604	2,130	(83,978)	(73,427)	2,449
CURRENT LIABILITIES	(59,532)	(52,501)	(7,031)	(204,320)	(218,420)	14,091	6,909	4,747	2,162	(266,952)	(276,174)	9,222
DISCONTINUED NON CURRENT LIABILITIES	0	0	-	(386)	(386)	0	0	0	0	(386)	(386)	0
NON-CURRENT FUNDS AND LIABILITIES	(14,136)	(15,680)	1,544	(19,772)	(33,155)	13,384	0	0	0	(33,908)	(48,028)	14,327
NET INVESTED CAPITAL	103,133	112,802	(9,710)	(15,229)	203,319	(218,566)	(4,271)	(175)	(4,500)	83,428	296,183	(212,465)
NET FINANCIAL POSITION	46,900	48,458	(1,551)	182,574	168,874	13,700	(773)	0	(773)	228,700	237,334 2)	11,376

1) The consolidated figure differs from the aggregation of the data of the two operating segments due to the elimination of intra-group relations

2) The net financial position indicated above differs from that reported in the notes to the financial statements due to the treasury shares held by the Parent Company, which are not shown in the table above

Reclassified Income Statement

amount in thousand Euro	IT			TLC			Elisions			CONSOLIDATED		
	31.12.2019	31.12.2018	Variations	31.12.2019	31.12.2018	Variations	31.12.2019	31.12.2018	Variations	31.12.2019	31.12.2018	Variations
Revenues	162,140	156,345	5,795	342,056	438,362	(96,306)	(4,061)	(3,743)	(318)	500,135	590,964	(90,829)
Other income	6,404	5,108	1,296	20,845	27,666	(6,821)	(934)	(527)	(407)	26,315	32,421	(6,106)
TOTAL REVENUES	168,544	161,453	7,091	362,901	466,028	(103,127)	(4,995)	(4,270)	(725)	526,450	623,388	(96,938)
Costs for consumables and finished products	(7,431)	(4,552)	(2,479)	(175,308)	(205,741)	30,433	10	24	(14)	(182,729)	(210,069)	27,340
Personnel costs	(106,479)	(104,421)	(1,056)	(82,841)	(88,384)	5,543	(0)	0	(0)	(188,319)	(192,805)	4,486
Costs for services	(35,326)	(31,173)	(4,153)	(87,562)	(130,328)	42,766	4,348	4,131	218	(118,541)	(157,326)	38,786
Costs for use of third-party assets	(562)	(3,008)	2,446	(649)	(4,470)	3,829	118	0	118	(1,093)	(7,661)	6,568
Different management charges	(1,025)	(808)	(217)	(5,009)	(4,759)	(258)	(0)	0	(0)	(6,035)	(5,567)	(468)
Change in inventories	86	(42)	127	(9,779)	(6,101)	(3,098)	(0)	0	(0)	(9,693)	(6,223)	(3,471)
Provisions and write-downs of current assets	(1,967)	(1,201)	(766)	(3,754)	(111)	(3,643)	140	0	140	(5,581)	(1,312)	(4,269)
TOTAL COSTS	(151,705)	(145,566)	(6,139)	(364,983)	(439,577)	75,874	4,616	4,154	461	(511,992)	(581,564)	69,572
EBITDA	16,839	15,886	953	(2,082)	26,851	(28,053)	(379)	(115)	(264)	14,458	41,822	(27,364)
Amortization and depreciation of non-current assets	(6,438)	(4,130)	(2,308)	(179,046)	(16,728)	(162,317)	535	34	501	(184,949)	(20,824)	(164,125)
EBIT	10,401	11,757	(1,356)	(181,047)	9,323	(190,370)	156	(81)	237	(170,491)	20,998	(191,489)
Financial income and (expense) from equity	(3,769)	(3,888)	119	(10,126)	(15,325)	5,201	33	(1)	34	(13,861)	(19,218)	5,357
RESULT ANTE TAXES	6,632	7,868	(1,237)	(191,172)	(6,006)	(185,166)	189	(82)	271	(184,352)	1,780	(186,132)
Taxes	(2,629)	(3,106)	477	(52,151)	510	(52,661)	(18)	0	(17)	(54,738)	(2,596)	(52,262)
PROFIT (LOSS) FOR THE YEAR DERIVING FROM OPERATING ACTIVITIES	0	0	0	0	(36)	36	0	0	0	0	(36)	36
PROFIT (LOSS) FOR THE YEAR	4,003	4,762	(759)	(243,324)	(5,533)	(237,791)	171	(82)	254	(239,150)	(852)	(238,298)

1) The consolidated figure differs from the aggregation of the data of the two operating segments due to the elimination of intra-group relations.

As required by IFRS 8 (paragraphs 32-34) and IFRS 15 information regarding revenues by type of product and service is provided below based on each segment subject to disclosure:

Exprivia Group (amounts in thousand Euro)	31/12/2019			31/12/2018			Variations		
	IT	TLC	Total	IT	TLC	Total	IT	TLC	Total
Projects and Services	139,060	62,950	202,010	133,456	85,825	219,281	5,604	(22,875)	(17,271)
Maintenance	15,624	43,159	58,783	13,529	61,224	74,753	2,095	(18,065)	(15,970)
HW/SW third parties	2,799	-	2,799	3,927	-	3,927	(1,128)	-	(1,128)
Own licences	1,223	12,284	13,507	2,165	22,523	24,688	(942)	(10,239)	(11,181)
System Integration	0	222,278	222,278	-	267,557	267,557	0	(45,279)	(45,279)
Other	758	-	758	758	-	758	0	-	0
Total revenues third parties (a)	**159,464**	**340,671**	**500,135**	**153,835**	**437,129**	**590,964**	**5,628**	**(96,458)**	**(90,830)**
Intersectoral revenues (b)	2,676	1,385	4,061	2,510	1,233	3,743	166	152	4,227
Total revenues (a+b)	**162,140**	**342,056**	**504,196**	**156,345**	**438,362**	**594,707**	**5,793**	**(96,306)**	**(86,603)**

Below is information regarding revenues by customer type, public or private, and by geographical area.

Exprivia Group (amounts in thousand Euro)	31/12/2019	Incidence%	31/12/2018	Incidence%	Variations %
Private	447,941	89.6%	554,072	93.8%	-19.2%
Public	52,194	10.4%	36,892	6.2%	41.5%
TOTAL	500,135		590,964		-15.37%

Exprivia Group (amounts in thousand Euro)	31/12/2019	Incidence%	31/12/2018	Incidence%	Variations %
Italy	483,573	65.6%	424,717	71.9%	13.9%
Foreign	16,562	34.4%	166,247	28.1%	-90.0%
TOTAL	500,135		590,964		-15.37%

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 47,304 thousand at 31 December 2019 compared to Euro 27,667 thousand at 31 December 2018.

The adoption of IFRS 16 since 1 January 2019 led to the recognition of fixed assets for a total of Euro 24,205 thousand.

The breakdown of the adjustments recognised on the opening balances as well as the details of the changes during the period for each category of assets are detailed below:

Categories	Net value at 01/01/2019	IFRS adjustments 16 at 01/01/2019	Historical cost increases at 31/12/2019	Decreases historical cost at 31/12/2019	Provision for the year	Depreciation fund decreases at 31/12/2019	Net value at 31/12/2019
Land	1,663	-	-	(58)	-	-	1,605
Buildings	17,971	20,806	3,324	(2,269)	(5,442)	1,879	36,269
Plant and machinery	1,186	-	520	(170)	(339)	94	1,291
Industrial equipment	1,769	11	306	(4,244)	(758)	4,242	1,326
Others	4,635	3,388	2,666	(10,533)	(3,714)	10,371	6,813
Fixed assets in progress	443	-	96	(539)	-	-	-
TOTAL	**27,667**	**24,205**	**6,912**	**(17,813)**	**(10,253)**	**16,586**	**47,304**

It should be noted that, for a better presentation of the data, in the category "Plant and machinery" at 1 January 2019, the adjustment works of some technological systems carried out at the Palermo site were reclassified in the amount of Euro 205 thousand, while were previously reported in the "Buildings" category.

The increase in the item "**buildings**", amounting to Euro 3,324 thousand, mainly concerns the recognition of the right of use, in accordance with IFRS 16, of the offices of the Italtel Group. The decrease in the historical cost of Euro 2,269 thousand is mainly related to the termination of the lease agreements concerning the previous offices of the Italtel Group companies as well as to the sale for Euro 232 thousand of the Exprivia property in Viale Pio XI 40, Molfetta.

The change in the item "**plant and machinery**" mainly concerns the equipment used for the development of software solutions and for the test plants of products intended for the TLC market. The increase is mainly attributable to the purchase of plants for the new Spanish headquarters of Italtel.

The increase in the item "**industrial equipment**", equal to Euro 306 thousand, mainly concerns the equipment used for the development of software solutions for products for the TLC market.

The increase in the item "**other assets**", equal to Euro 2,666 thousand, mainly refers to the recognition of the right of use of motor vehicles according to IFRS 16 for Euro 1,054 thousand, to the purchase of electronic office machines and computers for the technological upgrading of the IT systems and of the data network of the Group companies for Euro 1,175 thousand and other leased assets for Euro 409 thousand. The decreases in the period are mainly attributable to the disposal of assets that have been fully depreciated and already excluded from the production process.

The increase in item "**work in progress**", equal to Euro 96 thousand, refers, for Euro 80 thousand, to Italtel investments and, for Euro 42 thousand, to the construction of a *Security Operation Centre* in Brazil.

The decreases shown in item "**work in progress**", totalling Euro 539 thousand, refer for Euro 103 thousand to impairment of the tangible assets of the TLC CGU, in addition to the impairment of the carrying amount of the goodwill allocated to the CGU itself, as per the results of the impairment test carried out at 31 December 2019 (for more details, see Note 2 - "Goodwill").

With regard to the item "**buildings**" also see the comments made in the section "Real estate" in the directors' report.

At 31 December 2019, land, industrial buildings, plant and machinery, industrial equipment and other assets of the Italtel Group include assets subject to first mortgages, pledge and special liens, in relation to the loans received by Italtel as described in the comments to note 18.

Please note that there is a first mortgage on the real estate complex located in Molfetta (BA) at Via Olivetti 11, owned by Exprivia, for a maximum amount of Euro 50 million to guarantee the exact 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 18).

With regard to rights of use recognised in accordance with IFRS 16, as well as to assets previously recognised as leases by applying IAS 17 until 31 December 2018, the changes are detailed below:

Description	Net value at 01/01/2019	Increases at 31/12/2019	Decreases at 30/06/2019	Ammortization	Decreases in cumulated ammortization at 31/12/2019	Net value at 31/12/2019
Land and building	20,842	3,236	(2,494)	(4,454)	2,197	19,327
Electronic office machines	98	-	-	(30)	0	68
Furniture and furnishings	248	-	-	(94)	0	154
Cars	3,351	1,453	(1,177)	(1,986)	1,141	2,792
TOTAL	24,539	4,690	(3,671)	(6,564)	3,338	22,341

It should be noted that the above changes include assets previously recognised as leases by applying IAS 17, whose net value at 1 January 2019 and 31 December 2019 amounts to Euro 211 thousand and Euro 102 thousand, respectively. Financial payables relating to the current value of the remaining lease payments at 31 December 2019 amount to Euro 22.9 million, of which Euro 5.9 million classified as current liabilities and Euro 17.6 million classified as non-current liabilities.

The amounts relating to leases recognised in the income statement in 2019 are as follows:

Description	31/12/2019
Use of third party assets	**(335)**
Short term leasing	(149)
Leasing of modest value	(186)
Depreciation and write-downs of non-current assets	**(6,564)**
Amortization of rights to use leased assets	**(6,564)**
Financial income (charges)	**(876)**
Interest expense for leased assets liabilities	(876)

For the sake of completeness, the table below shows the changes in 2018:

Categories	Net value at 01/01/2018	Increases at 31/12/2018	Decreases historical cost at 31/12/2018	Provision for the year	Depreciation fund decreases at 31/12/2018	Net value at 31/12/2018
Land	1,663	-	-	-	-	1,663
Buildings	19,235	114	(141)	(1,045)	13	18,176
Plant and machinery	1,311	426	(251)	(581)	76	981
Industrial equipment	1,357	1,121	(1,150)	(709)	1,150	1,769
Others	4,511	2,338	(9,851)	(1,711)	9,349	4,635
Fixed assets in progress	132	431	(120)	-	-	443
TOTAL	**28,209**	**4,430**	**(11,512)**	**(4,046)**	**10,588**	**27,667**

Note 2 – Goodwill

The item "**goodwill**" amounted to Euro 69,071 thousand at 31 December 2019 compared to Euro 191,829 thousand at 31 December 2018.

Consistent with the Group's strategic vision and in line with the previous years, 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;
- TLC CGU, TLC network infrastructures and services corresponding to the scope of sub-consolidation of the Italtel Group.

The following table summarises the allocation of goodwill to the two GCUs identified and the changes that occurred during the year.

Description	01/01/2019	Movements 2019	31/12/2019
CGU IT	79,235	(10,164)	69,071
CGU TLC	112,594	(112,594)	-
TOTAL	**191,829**	**(122,758)**	**69,071**

The goodwill recognised in the consolidated financial statements at 31 December 2019, amounting to Euro 69 million, corresponds to the total value of the goodwill attributed to the Software, Solutions and IT Services CGU, originating from business combinations through which assets were acquired that were included in the Exprivia Group perimeter prior to the acquisition of Italtel.

The overall change of Euro 122,758 thousand relates for Euro 122,773 thousand to the write-down of the goodwill generated by the business aggregation with Italtel. For a more detailed description, please refer to the information provided below on the impairment test process and the related impairment tests on goodwill.

Information on Impairment Tests performed on Goodwill

Scope

IAS 36 requires that impairment tests should be performed on tangible and intangible assets in the presence of indicators that suggest the possible existence of this problem.

In the case of goodwill, such impairment tests should be performed on a yearly basis or more frequently in the case of special negative events that might result in impairment.

Identification of the CGUs (Cash Generating Units) and Allocation of Goodwill

Not representing goodwill, according to international accounting standards, an asset that is unable to generate cash flow independently from other assets or groups of assets cannot be tested for impairment separately from other related assets.

For this purpose, goodwill is allocated to a CGU or groups of CGUs in compliance with the maximum aggregation consistent with the notion of operating segment referred to in IFRS 8.

The CGUs identified according to the specificity of the management and co-ordination structures of the business, as well as the related sector in the ICT market, are:

- **IT CGU**, software and IT services corresponding to the scope of consolidation of the Exprivia Group excluding the Italtel Group;
- **TLC CGU**, TLC network infrastructures and services corresponding to the scope of sub-consolidation of the Italtel Group.

The allocation of the goodwill to the reference CGUs is carried out on the basis of the transactions from which its 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.

During 2019, following a reorganisation of the activities between the two CGUs, the goodwill of Euro 10.2 million initially allocated to the IT CGU was reallocated to the TLC CGU.

Impairment Test Process and Assessment System

The recoverability of the amount of goodwill carried in the financial statements is checked by comparing the carrying amount allocated to each CGU and the recoverable amount. IAS 36 defines the recoverable amount as the higher of the fair value of an asset or of a cash generating unit less the selling costs and its value in use. The Company determines the value in use and, where the value in use is lower than the carrying amount of the individual CGUs, determines the fair value less selling costs.

At the date of this analysis, the value in use is identified as the current value of future cash flow expected to be generated by the CGUs. The "DCF - Discounted Cash Flow" model was used in determining the value in use. The DCF discounts estimated future cash flow by applying an appropriate discount rate.

For the purpose of the projections required by IAS 36, strict reference was made to the current condition of use of each CGU regardless of the cash flow from any investment plans and extraordinary transactions that may constitute a "break" from normal company operations.

The terminal value was calculated as the present value of the perpetuity obtained by capitalising the expected normalised cash flow generated based on a long-term growth rate (G-rate) equal to the average of the long-term inflation rates expected for the main countries in which the CGUs operate.

The Wacc (Weighted Average Cost of Capital) discount rates used to discount the cash flows of each CGU were determined as the weighted average of the specific discount rates for the main countries in which the CGUs operate, weighted on the basis of the respective weight envisaged in the last year of the plan.

The Beta ratios have been estimated on the basis of a panel of listed comparable companies, specific for each CGU.

The impairment test process and the valuation system for the TLC CGU and the IT CGU are illustrated below.

TLC CGU

The "DCF - Discounted Cash Flow" model was used in determining the value in use. The DCF discounts estimated future cash flow by applying an appropriate discount rate.

For the purposes of applying the "DCF Discounted Cash Flow", the expected operating cash flows were estimated on the basis of Italtel's consolidated plan underlying the binding offer submitted by Exprivia on 23 December 2020, containing the economic-financial projections over the time period 2020-2025, representative of operational conditions already existing at the reporting date, with the explicit forecast period limited to the years 2020-2023. In fact, starting from 2024, the plan assumes an inertial trend reflected by Exprivia management in the calculation of the terminal value.

The main assumptions underlying the 2020-2023 economic-financial forecasts are listed below:

- for 2020-2023, the projections reflect an annual compound average growth rate of Total Revenues of 8.26% (CAGR 2020-2023) and average profit margin of 4.6%.

The terminal value was calculated as the present value of the perpetuity, estimated mainly on the basis of the projections relating to the last year of explicit forecast (2023).

The measurement parameters (WACC and G-rate) applied to the cash flows and the terminal value were estimated with the support of an independent expert; details of the valuation parameters used are provided

Parametri	Italia	Brasile	Francia	Argentina	Perù	Colombia	Germania	Spagna
Risk free rate	2,02%	2,22%	0,15%	2,22%	2,22%	2,22%	0,00%	0,73%
Market risk premium	6,00%	6,00%	6,00%	6,00%	6,00%	6,00%	6,00%	6,00%
D/E	0,13	0,13	0,13	0,13	0,13	0,13	0,13	0,13
Beta unlevered	1,04	1,04	1,04	1,04	1,04	1,04	1,04	1,04
Beta levered	1,14	1,13	1,14	1,14	1,14	1,13	1,14	1,14
Risk Premium	**6,8%**	**6,8%**	**6,8%**	**6,8%**	**6,8%**	**6,8%**	**6,8%**	**6,8%**
Country Risk Premium	0,00%	4,17%	0,00%	7,64%	1,67%	2,64%	0,00%	0,0%
Premio per il rischio addizionale	2,60%	2,60%	2,60%	2,60%	2,60%	2,60%	2,60%	2,6%
Costo del capitale proprio (Ke)	**11,49%**	**15,77%**	**9,61%**	**19,27%**	**13,31%**	**14,25%**	**9,42%**	**10,19%**
Kd (IRS 10 anni)	0,32%	0,32%	0,32%	0,32%	0,32%	0,32%	0,32%	0,32%
Spread	3,02%	3,02%	3,02%	3,02%	3,02%	3,02%	3,02%	3,02%
Costo del debito (Kd Pre tax)	**3,34%**	**3,34%**	**3,34%**	**3,34%**	**3,34%**	**3,34%**	**3,34%**	**3,34%**
Aliquota fiscale	24,00%	34,00%	25,00%	30,00%	29,50%	33,00%	30,00%	25,00%
Costo del debito (Kd after Tax)	**2,54%**	**2,20%**	**2,51%**	**2,34%**	**2,35%**	**2,24%**	**2,34%**	**2,51%**
D/D+E	11,79%	11,79%	11,79%	11,79%	11,79%	11,79%	11,79%	11,79%
E/D+E	88,21%	88,21%	88,21%	88,21%	88,21%	88,21%	88,21%	88,21%
WACC	**10,44%**	**14,17%**	**8,77%**	**17,28%**	**12,01%**	**12,84%**	**8,58%**	**9,29%**
Fattore di ponderazione (EBITDA per paese)	*40,2%*	*19,3%*	*2,8%*	*1,5%*	*15,5%*	*2,9%*	*0,4%*	*17,4%*
WACC Medio ponderato per Paese	**11,32%**							

below.

Parametri	Italia	Brasile	Francia	Argentina	Perù	Colombia	Germania	Spagna
G Rate (CPI di lungo termine per paese)	1,5%	3,5%	1,9%	6,4%	2,5%	3,0%	2,0%	1,8%
Fattore di ponderazione (EBITDA per paese)	40,2%	19,3%	2,0%	1,5%	15,5%	2,9%	0,4%	17,4%
G rate medio ponderato con EBITDA medio per paese	2,22%							

The weighted average cost of capital was increased to incorporate an execution risk of the plans, calculated on the basis of the average deviation percentage between the EBITDA achieved and the EBITDA estimated in the last five years.

At the end of the estimation procedure, the value in use of the TLC CGU was identified as Euro 182 million.

Since the value in use was lower than the carrying amount of the TLC CGU, the Company also estimated the fair value less selling costs. The fair value was determined by application of the UDCF having regard to the binding offer submitted by a third party, placed at the basis of the request for composition with creditors pursuant to art. 160 et seq. and 187-bis of the Bankruptcy Law, filed by Italtel on 5 February 2021 and admitted by the Court of Milan on 11 March 2021.

The selling costs were estimated on the basis of the expenses in advance of the composition procedure set aside in Italtel's composition plan.

The WACC applied is the same used to estimate the value in use.

At the end of the estimation procedure, the fair value of the TLC CGU less the selling costs was identified as Euro 188.2 million, higher than the related value in use.

Therefore, the recoverable amount of the TLC CGU takes the fair value configuration less selling costs.

Conclusions

The comparison between the recoverable amount of the TLC CGU, calculated as Euro 188.2 million, and the related adjusted carrying amount, shows an impairment loss of Euro 158.9 million.

For the allocation of the impairment loss resulting from the impairment test at 31 December 2019, the criteria set forth in paragraphs 104 and 105 of IAS 36 were adopted. Therefore, the impairment loss was attributed primarily to the carrying amount of the goodwill allocated to the TLC CGU (Euro 122.8 million) and for Euro 36.1 million to the other assets of the CGU in proportion to the carrying amount of each of them, within the limits of the higher of the *fair value* net of selling costs (if determinable), the value in use (if determinable) and zero, for a total value of Euro 155.2 million, as detailed below (values in millions of Euro).

Goodwill	(122.8)
Tangible fixed assets in progress	(0.1)
Intangible fixed assets	(32.3)
Impairment loss	**155.2**

Impairment losses attributed to intangible fixed assets, amounting to Euro 32.3 million, refer for Euro 18.8 million to the "Customer Relationship" which was identified when allocating the price paid by Exprivia for the acquisition of 81% of the share capital of Italtel.

No impairment losses were allocated to tangible fixed assets, other than Euro 0.1 million relating to work in progress, in compliance with the provisions of par. 105, letter a) of IAS 36, as the related carrying amount approximates the fair value at that date.

Therefore, there is an impairment loss of Euro 3.7 million, which was not allocated in accordance with the provisions of IAS 36. In addition, no liability was recognised as it is not covered by another standard (see IAS 36, par. 108).

IT CGU

The "DCF - Discounted Cash Flow" model was used in determining the value in use. The DCF discounts estimated future cash flow by applying an appropriate discount rate.

The operating cash flow projections for the explicit 5-year period used for value measurement purposes are based on the budget and the plans subject to approval of the Board of Directors on 18 May 2020. It should be noted that, with reference to the impact of Covid-19, there is a general consensus in considering the pandemic to be a post 31 December 2019 event that does not highlight conditions already existing at the reporting date, since the epidemic has occurred in Italy and in Europe starting from mid-January 2020 and the regulatory measures that have led to significant effects on the economy have all occurred in 2020. Therefore, COVID-19 is a subsequent event that represents a "non-adjusting" event, i.e. an event that does not affect the financial statement balances at 31 December 2019 as it does not highlight conditions already existing at the reporting date. In estimating future cash flows, for the purposes of the impairment test, reference must be made to the current conditions and to the elements existing at the reporting date (31 December 2019), therefore the effects of Covid-19 must not be reflected in the forecast as this is a post 31 December 2019 event.

Considering that the estimated effects of Covid-19, reflected in the economic and financial projections, are of an insignificant impact and such as not to alter the results of the impairment test, it was deemed not necessary to neutralise the effects in the forecast of the cash flows used for the impairment test purposes.

The main assumptions underlying the 2020-2024 economic-financial forecasts are listed below:

- for 2020 the projections reflect the preliminary data for the year;
- for 2021-2024, the projections reflect an annual compound average growth rate of Total Revenues of 1.9% (CAGR 2020-2024) and average profit margin of 12%.

The valuation parameters used for establishing the value in use of the IT CGU are presented below:

Parametri	Italia	Brasile	Hong Kong	Spagna	Messico
Risk free rate	1,9%	2,1%	2,1%	0,7%	2,1%
Market risk premium	6,0%	6,0%	6,0%	6,0%	6,0%
D/E	0,0%	0,0%	0,0%	0,0%	0,0%
Beta unlevered	86%	85,9%	85,9%	85,9%	85,9%
Beta levered	86%	85,9%	85,9%	85,9%	85,9%
Risk Premium	5,2%	5,2%	5,2%	5,2%	5,2%
Country Risk Premium	0,0%	4,6%	0,5%	0,0%	1,2%
Premio per il rischio addizionale	1,0%	1,0%	1,0%	1,0%	1,0%
Costo del capitale proprio (Ke)	**8,05%**	**12,8%**	**8,8%**	**6,8%**	**9,5%**
Kd (IRS 10 anni)	0,26%	0,3%	0,3%	0,3%	0,3%
Spread	4,2%	4,2%	4,2%	4,2%	4,2%
Costo del debito (Kd Pre tax)	**4,5%**	**4,5%**	**4,5%**	**4,5%**	**4,5%**
Aliquota IRES / IS	24,0%	34,0%	16,5%	25,0%	30,0%
Costo del debito (Kd after Tax)	**3,4%**	**3,0%**	**3,7%**	**3,4%**	**3,1%**
D/D+E	0,0%	0,0%	0,0%	0,0%	0,0%
E/D+E	100,0%	100,0%	100,0%	100,0%	100,0%
WACC	**8,05%**	**12,84%**	**8,79%**	**6,81%**	**9,48%**
Fattore di ponderazione (EBITDA per paese)	***97,72%***	***0,96%***	***0,51%***	***0,76%***	***0,04%***
WACC Medio ponderato per Paese	**8,09%**				

Parametri	Italia	Brasile	Hong Kong	Spagna	Messico
G Rate (CPI di lungo termine per paese)	**1,8%**	**3,5%**	**2,0%**	**1,8%**	**3,1%**
Fattore di ponderazione (EBITDA per paese)	*97,72%*	*0,96%*	*0,51%*	*0,76%*	*0,04%*
G rate medio ponderato con EBITDA medio per paese	**1,82%**				

The weighted average cost of capital was increased to incorporate an execution risk of the plans, calculated on the basis of the average deviation percentage between the EBITDA achieved and the EBITDA estimated in the last four years.

Sensitivity Analysis

A sensitivity analysis was carried out on the outcome of the impairment tests performed on the IT CGU assuming the following changes:

- an increase in the weighted average cost of capital of up to 1%;
- a decrease in the growth rate "G" up to 1%;
- a change in the estimated EBITDA in the projections up to a decrease of 10%, with the simultaneous separation of the execution risk from the calculation of the weighted average cost of capital;
- the combined change in all three variables indicated above.

The sensitivity analysis shows that the values used are higher than the carrying amounts.

Conclusions

The tests performed did not show any impairment that should be reported in the financial statements, related to the goodwill allocated to the IT CGU.

Note 3 – Other Intangible Assets

The item "**Other intangible assets**" amounted to Euro 10,425 thousand at 31 December 2019 (net of amortisation) compared to Euro 52,615 thousand at 31 December 2018.

The table below provides a summary of the item.

Categories	Net value at 01/01/2019	Increases at 31/12/2019	Variation to consol. of cos	Decrease at 31/12/2019	Deprec. quota for the year	Decreases	Net value at 31/12/2019
Other intangible assets	22,611	343	(18,763)	(0)	(1,872)	(57)	2,261
Costs for capitalized internal projects	20,379	8,593	(11,879)	-	(12,842)	-	4,251
Patents and Intellectual Property Rights	1,729	1,068	(1,533)	0	(1,263)	-	0
Permits, brands	-	-	0	-	-	-	0
Assets under construction and Advances	7,896	892	(169)	(4,706)	-	-	3,913
TOTAL	52,615	10,896	(32,344)	(4,706)	(15,976)	(57)	10,425

The increase in the item "**Costs for capitalised internal projects**" is due to the development of software applications in the TLC sector for Euro 6,857 thousand and in the IT sector for the Banking & Finance, Healthcare and Defence & Aerospace markets for Euro 1,736 thousand.

It should be noted that the item "**Work in progress and advances**" refers to "costs for capitalised internal projects" for development activities not yet completed. The increases in the period are mainly attributable to the IT sector (Euro 768 thousand) while the decreases are mainly attributable to write-downs, equal to Euro 3,506 thousand, of application software that were never integrated with Italtel's proprietary products and which are technologically obsolete.

The "**TLC CGU write-down**" column shows the impairment losses allocated to the intangible assets of the TLC CGU, in addition to the full impairment of the carrying amount of goodwill allocated to the CGU, resulting from the impairment test at 31 December 2019 (for details, please refer to note 2 "Goodwill").

The changes relating to 2018 are shown below

Categories	Net value at 01/01/2018	Increases at 31/12/2018	Definitive allocation of Italtel PPA	Decrease at 31/12/2018	Deprec. quota for the year	Decreases at 31/12/2018	Net value at 31/12/2018
Other intangible assets	3,586	111	20,848	(3,845)	(1,905)	3,815	22,611
Costs for capitalized internal projects	22,247	11,549	-	(9,367)	(13,417)	9,367	20,379
Patents and Intellectual Property Rights	1,743	1,428	-	(2)	(1,440)	-	1,729
Permits, brands	-	-	-	-	-	-	-
Assets under construction and Advances	8,145	1,187	-	(1,436)	-	-	7,896
TOTAL	35,721	14,275	20,848	(14,649)	(16,762)	13,181	52,615

Note 4 – Equity Investments

The balance of the item "**equity investments**" at 31 December 2019 amounted to Euro 764 thousand compared to Euro 466 thousand at 31 December 2018.

The composition of equity investments is described below.

Equity investments in associates

The balance of the item "**equity investments in associates**" at 31 December 2019 amounted to Euro 387 thousand compared to Euro 76 thousand at 31 December 2018.

The table below provides details on the items and the relative changes:

Description	31/12/2019	31/12/2018	Variations
Cored - Consorzio Reti 2000 in liquidazione	76	76	-
Quest.it Srl	311	0	311
TOTAL	**387**	**76**	**311**

It should be noted that the aforementioned equity investments (Cored Consorzio Reti 2000 in liquidation held by Italtel and QuestIT Srl held by Exprivia) are valued using the equity method. The increase of Euro 311 thousand is attributable to the purchase of 20% of the share capital of QuestIT by Exprivia. QuestIT is a company established in 2007 as a spin-off of the Artificial Intelligence research group of the Siena Department of Information Engineering and specialised in Artificial Intelligence technologies and applications.

Equity investments in other companies

The balance of the item "**equity investments in other companies**" at 31 December 2019 amounted to Euro 377 thousand compared to Euro 390 thousand at 31 December 2018.

The table below provides details on the item:

Descrizione	31/12/2019	31/12/2018	Variazioni
Ultimo Miglio Sanitario	3	3	-
Certia	1	1	-
Consorzio Nazionale Imballaggi CONAI	1	1	-
Software Engineering Research & Practices	12	12	-
Consorzio Biogene	3	3	-
Consorzio DARe	1	1	-
Consorzio DHITECH	17	17	-
H.BIO Puglia	12	12	-
Consorizio Italy Care	10	10	-
Consorzio DITNE	6	6	-
Partecipazione Consorzio Daisy-Net	14	14	-
Cattolica Popolare Soc. Cooperativa	23	23	-
Innoval Scarl	3	3	-
Partecipazione Consorzio SILAB-Daisy	7	7	-
Partecip. ENFAPI CONFIND	1	1	-
Partecipazione Consorzio GLOBAL ENABLER	2	2	-
MEDISDIH Scarl	3	-	3
Cefriel Scarl	69	69	-
Banca di Credito Cooperativo di Roma	9	9	-
Consorzio Createc	7	7	-
Consorzio Milano Ricerche	15	15	-
Consel- Consorzio Elis per la Formazione Professionale Superiore Scarl	1	1	-
SISTEL - Comunicacose Automacoa e Sistemas SA	36	36	-
Parco Scientifico e Tecnologico della Sicilia ScpA	2	2	-
Consorzio COFRIDIP	3	3	-
Distretto Tecnologico, Sicilia Micro e Nano Sistemi Scarl	27	27	-
SI-LAB Sicilia Scarl	6	6	-
Open Hub Med Scarl	82	100	(18)
MADE S.c.r.l.	2	-	2
TOTALE	**377**	**390**	**(13)**

The item "Equity investments in other companies" decreased by Euro 13 thousand, of which Euro 0.2 thousand for the subscription, by Italtel, of a 1% investment in the company MADE S.c.a.r.l., established on 11 January 2019 with share capital of Euro 250,000, Euro 0.2 thousand for the subscription, by Exprivia, of an investment in the company Medish Scare, Euro 0.30 thousand for the subscription of the share capital increase of the company Open Hub Med S.c.a r.l. by Italtel.

On 15 April 2019, the Extraordinary Shareholders' Meeting of the investee company Open Hub Med S.c.a.r.l. resolved to reduce the share capital to cover the losses of previous years and at the same time to increase the share capital. As a result of this transaction, Italtel recorded a write-down of the equity investment.

Note 5 – Other Non-Current Financial Assets

The balance of the item "**other non-current financial assets**" at 31 December 2019 amounted to Euro 2,213 thousand compared to Euro 2,700 thousand at 31 December 2018.

Details on the item in question are provided below:

Description	31/12/2019	31/12/2018	Variation
Non-current financial receivables from parent companies	1,358	1,784	(426)
Non-current financial receivables from others	855	911	(56)
Derivative financial instruments	-	5	(5)
TOTAL	**2,213**	**2,700**	**(487)**

Non-current financial receivables from parent companies

The balance of the item "**non-current financial receivables from parent companies**", amounting to Euro 1,358 thousand at 31 December 2019, compared to Euro 1,784 thousand at 31 December 2018, refers to the receivable due to the Parent Company Exprivia from its holding 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 receivables outstanding at 31 December 2015. The loan term has been established as 7 equal, deferred, annual instalments with increasing principal repayments. The fourth instalment due on 4 April 2020 for Euro 426 thousand was duly collected. The amount, reclassified to the item "other current financial assets", increased by Euro 55 thousand for interest accrued.

Non-current financial receivables from others

The balance of the item "**non-current financial receivables from others**" at 31 December 2019 amounted to Euro 855 thousand compared to Euro 911 thousand at 31 December 2018.

This item refers to medium/long-term guarantee deposits of Euro 568 thousand and for Euro 287 thousand to financial receivables for leases deriving from some contracts with customers that include obligations qualified as leases and for which IFRS 15 was applied to recognise revenues and financial receivables from leases, equal to the future payments discounted at the implicit rate of the supply agreement.

Derivative financial instruments

At 31 December 2019, the item "**Derivative financial instruments**" amounted to Euro 0.02 thousand compared to Euro 5 thousand at 31 December 2018.

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.

Following is the fair value of these derivative instruments at the reporting date:

Hedge Accounting	Date of operation	Initial date	Expiry date	Value	Reference amount (values in Euro units)	Fair value (values in Euro units)
Interest Rate Cape - BNL	06/05/2016	30/06/2016	31/12/2022	EUR	2,261,538	70
Interest Rate Cape - BPM	11/05/2016	30/06/2016	30/12/2022	EUR	1,269,231	38
Interest Rate Cape - UNICREDIT	09/05/2016	30/06/2016	30/12/2022	EUR	2,261,538	70
TOTAL					**5,792,307**	**178**

With reference to the derivative instruments shown in the table above, it should be noted that Exprivia subscribed those financial instruments in order to neutralise the interest rate risk resulting from an underlying variable interest rate loan agreement (Euribor). These are cash flow hedges, measured at level 2 in the fair value hierarchy.

Changes in fair value, equal to Euro 4 thousand, relate to the time component and, therefore, were recognised in the income statement.

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:

- with a change of + 0.5% and + 1%, the fair value of the above derivatives would be equal to around Euro 1 thousand and Euro 6 thousand, respectively;
- with a change of -0.5% and -1%, the fair value would be basically nil.

Note 6 – Other Non-Current Assets

The balance of the item "**Other non-current assets**" at 31 December 2019 amounted to Euro 1,431 thousand compared to Euro 1,673 thousand at 31 December 2018.

The table below provides details on the item in question with a comparison with the composition at 31 December 2018.

Description	31/12/2019	31/12/2018	Variation
Receivables from tax authorities	318	370	(52)
Receivables from tax authorities requested for reimbursement	163	163	-
Other credits	950	1,140	(190)
TOTAL	**1,431**	**1,673**	**(242)**

"**Tax Receivables**", totalling Euro 318 thousand, refer primarily to amounts due from the tax authorities for withholding tax incurred abroad, expected to accrue in the medium/long-term, between 2 and 8 years. Please note that the receivables from the tax authorities amounted to a total of Euro 1,953 thousand and were written down by Euro 1,635 thousand due to the risk of recoverability (of which Euro 1,262 thousand related to receivables for foreign withholding taxes). During the 2019 financial year, receivables for withholding taxes incurred abroad were derecognised for a total of Euro 785 thousand, given that the eight-year period envisaged by the tax regulations for their recoverability in the income tax return has elapsed; against this loss, the bad debt provision accrued in previous years was used for Euro 730 thousand.

"**Receivables from tax authorities requested for rebate**" amounting to Euro 163 thousand did not change compared to the same figure at 31 December 2018 and refer to sundry receivables of the Italtel Group (Euro 110 thousand) and to the non-current part of the receivable for the rebate request relating to the deductibility of the IRAP tax calculated on staff costs (Euro 53 thousand). Similarly, to previous years, this item includes receivables relating to refunds for the years 2009 to 2011, while those relating to 2007 and 2008 were included in the item "**Current tax receivables**".

"**Other receivables**", amounting to Euro 950 thousand at 31 December 2019 compared to Euro 1,140 thousand at 31 December 2018, refer to the suspension of costs pertaining to subsequent years. The decrease is mainly due to the effect of the reclassification, by Italtel, in the tangible fixed assets of the initial advance rent according to the lease contract of the Castelletto office, in application of IFRS 16.

Note 7 – Prepaid Taxes

The item "**Prepaid taxes**" amounted to Euro 4,421 thousand at 31 December 2019 compared to Euro 68,948 thousand at 31 December 2018, and refers to taxes on temporary deductible changes or future tax benefits.

Description	Amount temporary differ	Tax effect at 31/12/2019	Amount temporary differ	Tax effect at 31 December 2018
Depreciation	218	52	199	48
Goodwill	0	0	37	11
Allowance for doubtful accounts	2,359	566	4,689	1,125
Fund risks	1,474	416	5,519	1,529
Wip	0	0	47,576	12,455
Tax losses	2,142	946	198,498	47,842
Adjustments for IFRS	783	182	4,299	1,025
Others	9,446	2,258	20,356	4,913
TOTAL	**16,422**	**4,421**	**281,173**	**68,948**

It should be noted that the overall change, equal to Euro 64,527 thousand, refers for Euro 64,480 thousand to the full write-down of prepaid taxes relating to Italtel, which are no longer recoverable in the absence of the possibility of realising future taxable income to offset the temporary deductible differences and tax losses.

CURRENT ASSETS

Note 8 – Trade Receivables

The balance of the item "**Trade receivables**" at 31 December 2019 amounted to Euro 147,710 thousand compared to Euro 155,643 thousand at 31 December 2018.

The balance of the item at 31 December 2019 and at 31 December 2018 can be broken down as follows:

Description	31/12/2019	31/12/2018	Variation
Trade receivables from customers	147,626	155,564	(7,938)
Trade receivables from associated companies	59	59	0
Trade receivables from parent companies	25	20	5
Total trade receivables	**147,710**	**155,643**	**(7,933)**

Trade Receivables - Customers

At 31 December 2019, the item "**Trade receivables - Customers**" amounted to Euro 147,626 thousand (net of the bad debt provision) compared to Euro 155,564 thousand at 31 December 2018.

The table below provides details on the item in question with a comparison with 31 December 2018.

Description	31/12/2019	31/12/2018	Variation
To Italian customers	93,958	95,629	(1,671)
To foreign customers	56,793	64,029	(7,236)
To public bodies	5,559	4,718	841
S-total receivables to customers	**156,310**	**164,376**	**(8,065)**
Less: provision for bad debts	(8,684)	(8,812)	128
Total receivables to customers	**147,626**	**155,564**	**(7,936)**

Trade receivables - Customers, including the bad debt provision, can be broken down as follows.

Details	31/12/2019	31/12/2018	Variation
Invoices / credit notes issued	136,741	146,434	(9,693)
Invoices / credit notes to be issued	19,569	17,942	1,627
TOTAL	**156,310**	**164,376**	**(8,066)**

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 year 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 debt provision.

Amount of receivables	in		days past due								Allowance for doubtful accounts	Credits net of the Found
	expire	due	1 - 30	31- 60	61 - 90	91-120	121-180	181-270	271-365	oltre		
136,741	102,871	33,870	7,485	3,169	1,877	1,883	825	1,523	2,134	14,974	(8,684)	128,057
100%	75%	25%	5%	2%	1%	1%	1%	1%	2%	11%		

Trade receivables - Associates

The balance of "**trade receivables - associates**" at 31 December 2019 amounted to Euro 59 thousand showing no changes from the same figure at 31 December 2018 and refers to trade receivables due from the associate Cored - Consorzio Reti Duemila in liquidation.

Trade Receivables - Parent Companies

The balance of "**trade receivables - parent companies**" at 31 December 2019 amounted to Euro 25 thousand compared to Euro 20 thousand at 31 December 2018 and refers to the receivable due to Exprivia from the holding company Abaco Innovazione SpA for the charge-back of administrative and logistics services governed by a framework agreement in effect between the parties.

Note 9 – Inventories

"**Inventories**" amounted to Euro 23,777 thousand at 31 December 2019 compared to Euro 33,946 thousand at 31 December 2018 and refer mainly to software and hardware purchased and destined to be sold in future periods.

The table below provides the detailed breakdown.

Description	31/12/2019	31/12/2018	Variation
Work in progress and products in progress	8,916	7,382	1,534
Finished products and goods	14,861	26,564	(11,703)
TOTAL	**23,777**	**33,946**	**(10,169)**

"**Finished products and goods**", net of the inventory write-down provision, amounted to Euro 14,861 thousand at 31 December 2019 compared to Euro 26,564 thousand at 31 December 2018 and represent the pending costs of hardware products and sundry equipment for resale in subsequent periods. At 31 December 2019 the item relates to the Italtel Group for an amount of Euro 14.1 million.

Inventories are stated net of an inventory write-down provision of Euro 58,422 thousand at 31 December 2019 compared to Euro 49,625 thousand at 31 December 2018, which shows an increase of Euro 8,797 thousand compared to 31 December 2018, of which Euro 8,697 thousand Euro referred to Italtel. In particular, Italtel's inventory write-down provision decreased by Euro 2,327 thousand due to scrapping carried out during the year and increased by Euro 11,024 thousand, of which Euro 10,024 thousand relating to the write-down of finished products. This write-down mainly refers, for around Euro 5,400 thousand, to proprietary products, whose competitive positioning, although correctly addressed in its development lines, was not sufficient on the market due to the very strong competition from "full liner" vendors and encountered significant entry barriers, also due to product problems. The residual amount of the write-down, i.e. approximately Euro 4,624 thousand, refers for Euro 3,700 thousand to products purchased in 2019 for specific contracts for which an order has not yet been received from the customer and whose sale appears to be unlikely.

"Work in progress", classified under "Inventories" represents pending costs relating to the supply of goods and services pursuant to contracts entered into with customers. At 31 December 2019, this item refers entirely to the Italtel Group.

Note 10 – Work in Progress Contracts

"**Work in progress contracts**" amounted to Euro 47,463 thousand at 31 December 2019 (of which Euro 32.3 million referring to the Italtel Group) compared to Euro 63,975 thousand at 31 December 2018 (of which Euro 44.3 million referring to the Italtel Group) and refers to the percentage of completion of contracts in progress valued on the basis of accrued contractual amounts. The most significant change is represented by the contract entered into by Italtel with a major customer on the basis of the progress of the related activities. With regard to this contract, it should be noted that the customer charged Italtel with penalties totalling Euro 13 million, which were formally rejected by Italtel as unfounded. The directors of the Exprivia Group have agreed with the assessment made by the directors of Italtel of a possible degree of risk related to the penalties requested, in the light of the following reasons provided by Italtel, inter alia:

(i) unacceptable retroactive application of penalties not promptly challenged within the time frame stated in the contract;

(ii) unreasonable attribution to Italtel of higher project change costs not attributable to Italtel;

(iii) evidence that seems to result from the information control system used by the concession holder of the incorrect calculation of the penalties notified in October 2020, of which some attributable to other suppliers who shall be responsible for them, with Italtel's right of recourse;

The amount of the penalties, whose degree of risk is considered possible, was not deducted from the contract fees as the amount of these penalties, estimated by Italtel in compliance with IFRS 15, is negligible.

In this context, moreover, on 11 March 2021 the customer sent a warning to Italtel to comply with a series of non-fulfilment and requesting it to remedy them, under penalty of termination of the contract. The position of Italtel is to fully reject the findings made by the customer, believing that it has fully met and continues to meet its contractual obligations also and above all in terms of production capacity, quality standards and management of private permits, contrary to the customer's claims.

Talks are underway between Italtel and its customer aimed at safeguarding their commercial relationship and the economic balance of the contract and consequently reaching a possible settlement of the dispute. The outcomes of these discussions are uncertain in consideration of the complexity of the matter and the differences on technical issues pertaining to the aforementioned contract.

Note 11 – Other Current Assets

At 31 December 2019, the item "**other current assets**" amounted to Euro 32,504 thousand compared to Euro 44,629 thousand at 31 December 2019. The table below provides a breakdown:

Description	31/12/2019	31/12/2018	Variation
Current tax credits	4,918	16,603	(11,685)
Receivables for current taxes	985	760	225
Credits for contributions	21,986	20,483	1,503
Advances on grants for projects completed	0	1	(1)
Sundry credits	1,912	2,472	(560)
Receivables to welfare institutes/INAIL	251	378	(127)
Receivables to employees	489	650	(161)
Costs in future years expertise	1,964	3,282	(1,318)
TOTAL	**32,504**	**44,629**	**(12,124)**

"**Current tax receivables**" decreased substantially due to the collection, which took place on 23 March 2019, of Italtel's VAT receivable for a total amount of Euro 11,350 thousand, which includes Euro 384 thousand of higher receivable recognised in 2019, for tax purposes, in the 2018 VAT return. In the previous year, Italian VAT increased as a result of the application, for the entire period, of the split payment regime to transactions carried out with listed companies, companies directly or indirectly controlled by the State or companies controlled by local public bodies, according to the provisions of art. 17-ter, paragraph 1-bis of Italian Presidential Decree 633/72 in force as of 1 July 2017.

The item "**Grants receivable**", amounting to Euro 21,986 thousand versus Euro 20,483 thousand at 31 December 2018, refers to the amounts receivable from the government, regional authorities and public bodies for operating and capital grants for development projects in relation to which reasonable certainty exists regarding their recognition, as set forth in section 7 of IAS 20. The balance relates to the Italtel Group for Euro 13.8 million and to Exprivia for Euro 8 million. With the filing by Italtel of the request for a "composition with creditors" of April 2020, pursuant to art. 161, sixth paragraph of the Bankruptcy Law, and the subsequent admission to the composition procedure by the Court of Milan in March 2021, doubts arose as to the compatibility of the relief measures with the peculiarities of the insolvency proceedings. The analyses carried out with the support of external professionals showed that:

1) according to the applicable regulations, the initiation by Italtel of the composition with creditors procedure on a going concern basis does not involve the automatic revocation of the funded projects, as the financing Entity is always obliged to make a prior assessment of whether the company actually meets the requirements, in terms of its ability to complete the project in view of the continuity of the company's business and the preservation of its production structure;

2) the possible and by no means automatic, revocation of the loan duly granted, if ordered by the Entity, should be assessed by the court which is called upon to ascertain the conditions of legitimacy of the revocation measure;

3) to date, Italtel has not received any notice or revocation from one of the financing entities, which have all been duly notified by Italtel of the pending composition procedure in April 2020. In this regard, reference is made to the communication that Italtel received from the Ministry of Education, Universities and Research (MIUR) on 15 June 2020, concerning the SCN_00548 "DECISON THEATRE" Project, in response to the communication sent by Italtel to the Ministry itself regarding the application for reservation pursuant to art. 161, sixth paragraph, Bankr. Law submitted on 2 April 2020. In this case, the MIUR, in line with the above, has expressly stated that the situation reported by Italtel requires the State Aid Authority to make a

careful assessment in order to reconcile the interests involved and at the same time implement administrative remedies in accordance with the principles governing administrative action, asking Italtel to keep the MIUR informed of the progress and outcome of the proceedings and, in the event of approval, to submit the composition plan or debt restructuring agreement. This means that an ongoing composition procedure is not capable of legitimising *sic et simpliciter* the revocation of Italtel's rights to the grants under the granting decrees.

In light of these considerations, the directors of the Exprivia Group have assessed as possible the risk of revocation of subsidised grants in the form of ordinary state aid against Italtel, also taking into account that the composition plan on a going concern basis submitted by Italtel, subject to asseveration by the appointed expert, and admitted by the competent Court, assumes the continuation of development projects to which the ordinary state aid referred to in the item "Grants receivables" at 31 December 2019. As a result of the above, the Group has a reasonable expectation of collecting the grant receivables recognised in the financial statements at 31 December 2019.

"**Receivables from pension institutions/INAIL**", amounting to Euro 251 thousand compared to Euro 378 thousand at 31 December 2018, mainly refer to receivables from INPS for amounts advanced by Exprivia for salary integration (Euro 161 thousand) and receivables from INAIL for higher advances paid by Exprivia compared to the estimated payable for 2019 (Euro 20 thousand).

"**Receivables from employees**" amounting to Euro 489 thousand refer mainly to receivables of the Italtel Group from employees for advances paid for business trips; the decrease compared to the previous year is due to the withholding, in the salaries paid in January 2019, of advances to employees for the Solidarity Contract.

The item "**Expenses pertaining to future financial years**" for Euro 1,964 thousand at 31 December 2019, compared with Euro 3,282 thousand at 31 December 2018, refers to pending costs pertaining to the following year.

Note 12 – Other Current Financial Assets

The balance of the item "**other current financial assets**" at 31 December 2019 amounted to Euro 5,477 thousand compared to Euro 3,787 thousand at 31 December 2018.

The following table provides details on the item as well as a comparison with 31 December 2018.

Description	31/12/2019	31/12/2018	Variation
Current financial receivables from others	5,011	3,326	1,685
Current financial receivables from parent companies	466	461	5
TOTAL	**5,477**	**3,787**	**1,691**

Current financial receivables from others

The balance of the item "**current financial receivables from others**" amounted to Euro 5,011 thousand at 31 December 2019 compared to Euro 3,326 thousand at 31 December 2018 and mainly related to Italtel Group's investments in monetary funds consisting of Argentine government debt securities that can be liquidated and are payable in the very short term (Euro 3,116 thousand) and two short-term deposit accounts opened by Italtel's Colombia Branch Office.

Current financial receivables from parent companies

At 31 December 2019, the balance of "**current financial receivables from parent companies**" amounted to Euro 466 thousand compared to Euro 461 thousand at 31 December 2018 and related to the current portion of the Parent Company's financial receivable (principal and interest) due from the holding company Abaco Innovazione SpA.

Note 13 – Cash and Cash Equivalents

The item "**cash and cash equivalents**" amounted to Euro 25,996 thousand at 31 December 2019 compared to Euro 19,558 thousand at 31 December 2018 and refers to Euro 25,414 thousand held at banks (of which Euro 16,146 relating to the Italtel Group and Euro 9,268 thousand relating to Exprivia and its direct subsidiaries) and Euro 582 thousand in cheques and cash in hand.

The cheques are mainly held by Italtel Argentina SA for Euro 529 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 of Exprivia for guarantees amounting to Euro 210 thousand undertaken in favour of banks, released within 60 days of the reporting date.

Note 14 – Other Financial Assets Measured at FVOCI

The item "**other financial assets measured at FVOCI**" amounted to Euro 178 thousand at 31 December 2019, compared to Euro 327 thousand at 31 December 2018. It relates to financial instruments issued by Banca Popolare di Bari, more specifically:

(i) 35,998 shares of the above-mentioned bank for a total value of Euro 86 thousand at 31 December 2019;

(ii) 200,562 "Banca Popolare di Bari 6.50% 2014/2021 subordinate Tier II" bonds for Euro 6.00 each, for a total of Euro 93 thousand at 31 December 2019.

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

Note 15 – Non-Current Assets Disposed of

"**Non-current assets disposed of**", amounting to Euro 12 thousand (Euro 106 thousand at 31 December 2018**),** refer to Italtel Arabia Ltd in liquidation.

These assets consist of cash and cash equivalents of the Arab company. In the previous year, these consisted of cash and cash equivalents, Euro 94 thousand from the Greek company and Euro 12 thousand from the Arab company.

The company Italtel Telecommunication Hellas EPE in liquidation, which since 2017 had been placed in liquidation and represented in the consolidated financial statements as held for termination, completed the liquidation process and on 4 December 2018 was deleted from the local register of companies. At 31 December 2018, it was still recognised under assets disposed of, as the final liquidation capital, of Euro 94 thousand, was collected on 25 January 2019.

Compared to 31 December 2018, the Greek company is therefore out of the scope of consolidation.

Italtel's Board of Directors, on 24 July 2014, resolved on 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.

exprivia

SHAREHOLDERS' EQUITY

Note 16 – Share Capital

The "**Share Capital**", fully paid-up, amounted to Euro 24,866 thousand at 31 December 2019 compared to Euro 25,083 thousand at 31 December 2018; the change of Euro 217 thousand is attributable to the purchase/sale of treasury shares. The share capital is represented by 51,883,958 ordinary shares with a par value of Euro 0.52 each for a total of Euro 26,980 thousand, net of 4,064,611 treasury shares held at 31 December 2019, with a nominal value of Euro 2,114 thousand.

Note 16 - Share Premium Reserve

At 31 December 2019, the "**Share premium reserve**" amounted to Euro 18,082 thousand and is the same as 31 December 2018.

Note 16 - Revaluation Reserve

At 31 December 2019, the "**Revaluation reserve**" amounted to Euro 2,907 thousand and is the same as 31 December 2018.

Note 16 - Legal Reserve

At 31 December 2019, the "**Legal reserve**" amounted to Euro 4,171 thousand compared to Euro 3,959 thousand at 31 December 2018; the change is attributable to the allocation of Exprivia profit from 2018, as resolved on by the Shareholders' Meeting of 29 April 2019.

Note 16 - Other Reserves

The balance of the item "**Other reserves**" at 31 December 2019 amounted to Euro 37,054 thousand compared to Euro 42,638 thousand at 31 December 2018. Changes in 2019 refer to:

- the positive effect on the shareholders' equity of the adoption of IAS 29 for Euro 1,194 thousand;
- the negative effect on the shareholders' equity resulting from the allocation of profit for the previous year of Euro 1,064 thousand;
- the negative effect on the shareholders' equity deriving from the first-time adoption of IFRS 16 for Euro 1,133 thousand;
- the negative effect of the change in the currency translation reserve, for Euro 1,064 thousand;
- the negative effect on the shareholders' equity deriving from the share premium paid in 2019 for the purchase of treasury shares for Euro 126 thousand;
- the negative effect, for Euro 980 thousand, on the shareholders' equity deriving from the purchase of minority interests relating to the Exprivia do Brasil investment;
- the negative effect on the shareholders' equity of the application of IAS 19 with the associated recognition in the statement of comprehensive income of actuarial losses net of the tax effect for Euro 976 thousand;
- the negative effect on the shareholders' equity deriving from the reversal of deferred taxation recognised by the Italtel Group in previous years as a result of the application of IAS 19 for Euro 1,117 thousand;
- the negative effect on the shareholders' equity deriving from the financial assets at FVOCI for Euro 149 thousand;
- the positive effect on the shareholders' equity deriving from the share premium realised in 2019 for the sale of treasury shares for Euro 17 thousand;

- the negative effect on the shareholders' equity deriving from the release of the reserve of Euro 180 thousand, representing the figurative value of the shares that will be assigned to the beneficiaries of the "2018-2020 Performance Share Plan" approved by Exprivia's Board of Directors on 22 March 2018, due to failure to achieve the set out objectives;
- other negative changes for Euro 6 thousand.

Note 16 - Profit/Loss from Previous Periods

The item "**Profit/loss from previous periods**" at 31 December 2019 stood at Euro 6,998 thousand compared to Euro 6,953 thousand at 31 December 2018.

Note 16 - Minority Shareholders' Interests

The **Minority shareholders' interests** that showed a negative balance of Euro 41,119 thousand at 31 December 2019, mainly relates to the Italtel Group; when establishing the non-controlling interest, account was taken of the forecasts relating to the economic-equity rights of the minority shareholders and holders of PFIs of Italtel SpA.

Reconciliation between Shareholders' Equity and Profit for the year of the Parent Company and Consolidated Shareholders' Equity and Profit for the year

Below is the statement of reconciliation between Shareholders' Equity and the Profit for the year resulting from the separate financial statements of the Parent Company Exprivia and those in the consolidated financial statements.

Description	Result at 31 December 2018	Net Equity as of December 31, 2018	Result at 31 December 2019	Net Equity as of December 31, 2019
Exprivia SpA	4,234	80,380	(22,865)	56,354
Contribution of consolidated companies (PN and Result)	(5,840)	37,163	(216,828)	(181,654)
Elision of equity investments	2,061	(35,712)	28,134	(8,619)
Goodwill	0	2,823	(558)	2,280
Dividend elimination	(430)	0	(226)	0
Higher values attributed to the net assets of the subsidiaries	(752)	14,280	(752)	0
Writedown of higher values attributed to the net assets of the investee companies			(13,528)	0
Write-down of net assets of subsidiaries			(13,684)	(13,684)
Other consolidation adjustments	(121)	(144)	158	51
Third party equity	1,018	(26,568)	66,367	41,119
Total Group Equity	166	72,262	(172,782)	(103,953)

NON-CURRENT LIABILITIES

Note 17 – Non-Current Bond Issues

The balance at 31 December 2019 was Euro 18,164 thousand compared to Euro 22,550 thousand at 31 December 2018 and relates to the non-current portion of the bond issued entitled "Exprivia - 5.80% 2017 - 2023", which the Parent Company issued to finance the subscription by Exprivia of 81% of Italtel's share capital.

The unsecured bond is made up of 230 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 Regulation envisages 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 SpA;

2) 65 securities by Banca Popolare di Bari S.c.p.a.;

3) 15 securities by Consultinvest Asset Management SGR SpA;

4) 10 securities by Confidi Systema! S.c.;

5) 60 securities by Mediobanca SGR SpA.

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 Regulation are available on the Company's website at the following address www.exprivia.it, "Corporate - Investor Relations - Exprivia Bond" section.

It should be noted that the amount pertains fully to the scope of the Exprivia Group in the composition prior to the acquisition of Italtel.

The Bond envisages the observance of the financial covenants 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
31.12.2019	≤ 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 financial covenants are calculated on a consolidated basis excluding Italtel and all of its direct or indirect subsidiaries, and refer to the 12 months prior to the reference date, using the normal calculation criteria agreed between the parties.

At 31 December 2019, the covenants had been met.

It should be noted that, on the Calculation Date of 31 December 2018 relating to the financial year 2018, the NFP/Ebitda Financial Covenant was lower than the limit of 3.6 set forth in art. 7 of the Loan Regulation, therefore the annual interest rate for the year 2019 decreased from 5.80% to 5.30%.

Note 18 – Non-Current Payables to Banks

At 31 December 2019, the item "**Non-current payables to banks**" amounted to Euro 2,485 thousand compared to Euro 158,125 thousand at 31 December 2018, and pertains to medium-term bank debt from major credit and financial institutions and to low-interest loans for specific investment programmes.

The change is mainly due to the reclassification of the non-current payables of the Italtel Group under current payables. On 21 November 2019, Italtel sent to UniCredit SpA, in its capacity as Agent Bank, and to the UniCredit SpA restructuring office a request for a Waiver in relation to (i) the repayment of the portions of the loan falling due, (ii) the suspension of Financial Constraints, (iii) the Disclosure Obligations and (iv) the consequence of a Material Event. The submission by Italtel to the attention of the latter of a request for a moratorium on 21 November 2019 integrates the case referred to in art. 16.7 (Insolvency), paragraph (v) of the New Loan Agreement (and the corresponding provisions of the Original Term and RCF Consolidation and Rescheduling Deed and/or the 2013 Restructuring Loan Agreement Amendment Deed), which - in addition to constituting a "Material Event" under the terms of the Finance Agreements - also constitutes a possible "Cause of Enforcement" under the terms of the Deed of Pledge on Italtel's shares signed on 14 December 2017.

With reference to the rights and remedies that the lending banks are entitled to exercise pursuant to this Deed of Pledge as a result of the occurrence of a "Material Event" and a "Cause of Enforcement", the following must be noted:

- the existence of a "Material Event" and the rights of the lending banks: the aforementioned existence of the circumstance pursuant to art. 16.7 (Insolvency), paragraph (v), constitutes in itself, first and foremost, a "Material Event" pursuant to the Loan Agreements to which Italtel is a party. In this respect, the Deed of Pledge provides that (see art. 5.3(a)(ii)) where (a) such an event is found to exist, and (b) such event has been declared in writing by the agent bank to the pledgers (i.e. Exprivia and CISCO) and to the pledged company (i.e. Italtel), the lending banks have the right (but not the obligation) to exercise the voting rights relating to the Italtel's shares subject to pledge;
- existence of a "Cause of Enforcement" and rights of the lending banks: the existence of the circumstance set forth in art. 16.7 (Insolvency), paragraph (v) also constitutes a "Cause of Enforcement" pursuant to the Deed of Pledge which would contractually entitle the lending banks to enforce the pledge (see art. 8.1 (a)).

In light of the existence of a "Material Event" pursuant to the Loan Agreements, the lending banks are entitled to "accelerate" the loans (i.e. request full early repayment) and, as a result, ensure that their receivables become immediately liquid and payable, and are fully entitled to enforce the aforementioned pledge. Therefore, Italtel's payables to banks were fully reclassified in the short term in these financial statements.

With regard to Exprivia, the change is due to the short-term reclassification of the residual debt of the syndicate loan led by BNL SpA, as the Material Events that occurred for Italtel constitute a Determining Event pursuant to articles 10.1.9, respectively ("Cross Default") and 10.2.4 ("Effects of the occurrence of a Determining Event") of this loan. In 2020, BNL confirmed that the lenders do not currently make use of the termination clause set forth in art. 10 ("Determining Events - Effect of the occurrence of a Determining Event") of the aforementioned loan agreement. In fact, up to the date of preparation of these financial statements, Exprivia continued with the payments in instalments at the due dates set forth in the loan agreement.

The table below provides details on the items and breaks down the non-current portion (Euro 2,485 thousand) and the current portion (Euro 204,687 thousand) of the payable at 31 December 2019.

Financial Institute	Typology	Contract amount	Amount paid 31.12.2019	Date contract	Expiration date	Repayment installment	Rate applied	Residual capital 31.12.2019	To be repaid within 12 months	To be repaid over 12 months
Pool – Capofila Banca Nazionale del Lavoro	Financing	25,000	25,000	01/04/2019	31/12/2020	half-yearly	Euribor + 2.40%	11,342	11,342	-
Simest	Financing	1,000	1,196	10/04/2013	10/04/2020	half-yearly	0.38%	120	120	-
Pool - Capofila Iccrea Bancaimpresa	Financing	3,000	3,000	05/11/2019	08/07/2020	monthly	Euribor + 2.90%	1,260	1,260	-
Banca del Mezzogiorno Mediocredito Centrale	Financing	3,000	3,000	23/06/2017	23/06/2027	quarterly	Euribor + 2.15%	2,611	2,611	-
Deutsche Bank	Financing	2,000	2,000	26/09/2019	26/06/2020	single payment	Euribor + 0.65%	1,980	1,980	-
Banca Popolare Puglia e Basilicata	Financing	2,000	2,000	24/03/2017	a revoca	single payment	2.07%	2,000	2,000	-
Credito Emiliano	Financing	750	750	07/10/2019	07/10/2020	monthly	Euribor + 1.20%	680	680	-
Ministero dello Sviluppo Economico progetto MCUP	Financing	863	863	14/09/2016	17/11/2025	annual	0.77%	606	95	511
Ministero dello Sviluppo Economico progetto Hidalgo	Financing	409	388	16/02/2017	30/06/2026	half-yearly	0.08%	331	5	326
Ministero dello Sviluppo Economico progetto Sugarised	Financing	450	455	27/09/2019	30/06/2025	half-yearly	0.18%	393	(10)	403
Ministero dello Sviluppo Economico MISE progetto Digimaging	Financing	336	326	14/10/2019	30/06/2029	half-yearly	0.16%	300	(8)	308
Dell Financial Services	Financing	1,000	1,050	01/10/2019	15/06/2020	quarterly	1.98%	797	797	-
Banco de Santander	Financing	93	93	17/10/2019	17/01/2020	monthly	4.56%	31	31	-
Banco Popular	Financing	610	610	20/07/2016	28/07/2021	monthly	6.04%	217	124	93
Bankinter	Financing	40	48	30/11/2019	28/03/2020	monthly	2.08%	26	26	-
Bankinter	Financing	40	48	27/12/2019	27/05/2020	monthly	2.08%	40	40	-
Pool – Capofila Unicredit	Financing	132,085	132,085	14/12/2017	31/12/2024	amortizing not linear	Euribor + 2.5%	132,085	132,085	-
Pool – Capofila Unicredit	Financing	3,095	1	14/12/2017	31/12/2024	amortizing not linear		3,095	3,095	-
Pool – Capofila Unicredit	Financing	153	1	14/12/2017	31/12/2024	amortizing not linear		153	153	-
Pool – Capofila Unicredit	Financing	828	1	14/12/2017	31/12/2024	amortizing not linear		828	828	-
Pool – Capofila Unicredit	Financing	2,444	1	14/12/2017	31/12/2024	amortizing not linear		2,444	2,444	-
Pool – Capofila Unicredit	Financing	184	1	14/12/2017	31/12/2024	amortizing not linear		184	184	-
Pool – Capofila Unicredit	Financing	889	1	14/12/2017	31/12/2024	amortizing not linear		889	889	-
Cassa Depositi e Prestiti	Financing	1,231	1,231	10/10/2017	31/12/2020	amortizing not linear	0.58%	412	412	-
Cassa Depositi e Prestiti	Financing	1,273	1,273	25/09/2015	08/12/2020	amortizing not linear	Euribor + 4.38%	838	838	-
Cassa Depositi e Prestiti	Financing	161	161	10/10/2017	31/12/2020	amortizing not linear	Euribor + 4.08%	161	161	-
Cassa Depositi e Prestiti	Financing	11,453	11,453	25/09/2015	31/12/2020	amortizing not linear	0.68%	2,363	2,363	-
Cassa Depositi e Prestiti	Financing	1,273	1,273	10/10/2017	31/12/2020	amortizing not linear	0.58%	426	426	-
Cassa Depositi e Prestiti	Financing	1,231	1,231	25/09/2015	08/12/2020	amortizing not linear	Euribor + 4.08%	817	817	-
Cassa Depositi e Prestiti	Financing	137	137	10/10/2017	31/12/2020	amortizing not linear	Euribor + 4.08%	137	137	-
Cassa Depositi e Prestiti	Financing	11,076	11,076	25/09/2015	31/12/2020	amortizing not linear	0.58%	2,227	2,227	-
Ministero dell'Istruzione dell'Università e della Ricerca	Financing	8,234	8,234	22/02/2012	01/07/2020	amortizing not linear	0.58%	737	737	-
Ministero dell'Istruzione dell'Università e della Ricerca	Financing	572	572	04/11/2013	01/07/2020	amortizing not linear	0.58%	93	93	-
Cassa Depositi e Prestiti	Financing	2,640	2,640	27/07/2018	30/06/2020	amortizing not linear	0.17%	2,580	2,580	-
Cassa Depositi e Prestiti	Financing	2,537	2,537	27/07/2018	30/06/2020	amortizing not linear	0.17%	2,479	2,479	-
Pool – Capofila Unicredit	Revolving	17,280	17,206	14/12/2017	31/03/2020	amortizing not linear	3.0%	17,280	17,280	-
Pool – Capofila Unicredit	Revolving	5,175	4,912	14/12/2017	31/01/2020	amortizing not linear	3.5%	4,910	4,910	-
Banco Sudameris	Financing	542	542	04/12/2017	21/01/2020	amortizing not linear	11.3%	542	542	-
Banco de Credito	Financing	1,467	1,470	19/11/2019	19/01/2020	100% at the expiration date	5.3%	1,470	1,470	-
Banco de Credito	Financing	891	895	11/11/2019	19/01/2020	100% at the expiration date	5.01%	893	893	-
BBVA Banco Continental	Financing	170	174	24/07/2019	20/01/2020	100% at the expiration date	4.6%	174	174	-
BBVA Banco Continental	Financing	275	281	24/07/2019	20/01/2020	100% at the expiration date	4.6%	281	281	-
Banco de Credito	Financing	483	485	23/12/2019	22/01/2020	100% at the expiration date	5.08%	485	485	-
Banco de Credito	Comex	891	897	23/12/2019	06/03/2020	100% at the expiration date	5.32%	897	897	-
Itau	Financing	664	668	05/11/2019	05/05/2020	amortizing not linear	CDI + 15.90%	660	660	-
Itau	Financing	332	102	05/11/2019	05/01/2020	amortizing not linear	CDI + 15.30%	165	165	-
Itau	Financing	344	121	21/11/2019	21/01/2020	amortizing not linear	CDI + 15.56%	121	121	-
Itau	Financing	389	398	10/12/2019	15/05/2020	amortizing not linear	CDI + 16.0703%	389	389	-
Banco do Brasil	Financing	780	709	27/09/2019	23/01/2020	amortizing not linear	CDI + 4.50%	780	780	-
Banco do Brasil	Financing	1,484	1,484	21/11/2019	21/10/2020	amortizing not linear	CDI + 5.80%	1,484	1,484	-
Banco Santander	Financing	775	775	02/10/2019	29/06/2020	amortizing not linear	16.75% a.a.	775	775	-
Banco Inter	Financing	287	287	10/12/2019	17/02/2020	amortizing not linear	19.89% a.a.	287	281	-
Banco Inter	Financing	223	221	23/12/2019	28/03/2020	amortizing not linear	19.89% a.a.	223	223	-
Societe Generale	Financing	1,780	1,724	20/06/2019	01/07/2021	amortizing not linear	3.35%	1,724	920	804
Total		**256,029**	**246,334**					**207,172**	**204,687**	**2,485**

(*) Euro 12,267 thousand related to interest expense accrued on the credit lines obtained on 14 December 2017 from Italtel SpA, as indicated above. This interest does not increase the value of the credit lines, but represents a medium/long-term payable to the pool of lending banks collectable on the final maturity date of the loan.

Medium-term loan agreement

On 1 April 2016, Exprivia stipulated a medium-term loan for a total of Euro 25 million with a pool of banks comprising BNL and Unicredit, also as lead bank and lead arranger, and Banca Popolare di Bari and Banca Popolare di Milano, consisting of a single cash 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 executed.

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 inter-company transactions, which are exclusively allowed within the corporate scope applicable 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 will be measured on a half-yearly basis, as well as limitations on total investments and the acquisition of treasury shares, as described in more detail in the table below.

Reference date	Net Borrowing/EBITDA	Net Borrowing/Own funds	EBITDA/Net financial charges	Investments
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 financial covenants 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 covenant "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.

The residual debt at 31 December 2019 amounted to Euro 11,342 thousand, recognised under current liabilities; as already indicated above, at 31 December 2019 the residual debt of the aforementioned loan was fully reclassified as short-term due to the occurrence of a Determining Event that involved the subsidiary Italtel and that would entitle the Lenders to withdraw from the loan agreement. It should be noted that on 4 November 2020, the BNL bank, also acting as the pool agent bank, granted Exprivia a waiver to rectify this situation, stating that, at present, the Lenders believe that they are not availing themselves of the express termination clause in the loan agreement. Until the date of preparation of these financial statements, Exprivia continued with the payment in instalments at the due dates set forth in the loan agreement.

It should be noted that, despite the write-down of the equity investment in Italtel, the Financial Covenants at 31 December 2019 were met.

Simest loan

A loan agreement of Euro 1,955 thousand executed in favour of the Parent Company Exprivia on 19 April 2013, of which Euro 1,198 thousand disbursed at 31 December 2019; it 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). At 31 December 2019, the residual debt amounted to Euro 120 thousand to be repaid within twelve months (and therefore carried under current liabilities).

Banca del Mezzogiorno Mediocredito Centrale SpA loan

A loan agreement of Euro 3,500 thousand executed in favour of the Parent Company Exprivia 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 the dedicated current account at 31 December 2019.

The residual debt at 31 December 2019 amounted to Euro 2,611 thousand, fully classified under current liabilities in compliance with international accounting standards, due to the capital decrease pursuant to art. 2447 of the Italian Civil Code of Italtel, which would entitle the bank to terminate the loan agreement. It should be noted that, until the date of preparation of this Report, the bank has not exercised the right to terminate the agreement.

CUP 2.0 low-interest loan

A loan agreement of Euro 863 thousand executed in favour of the Parent Company Exprivia (formerly Exprivia Healthcare IT Srl), of which the full amount approved was disbursed at 31 December 2019. 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%.

At 31 December 2019, the residual debt amounted to Euro 606 thousand, Euro 95 thousand of which is to be repaid within the next twelve months (and therefore recorded under current liabilities) and the remaining Euro 511 thousand to be repaid in 2021-2025 (carried under non-current liabilities).

Low-interest loan from the Ministry of Economic Development - Banca del Mezzogiorno Mediocredito Centrale SpA

Low-interest loan agreement executed in favour of the Parent Company Exprivia (formerly ACS Srl) up to a maximum of Euro 929 thousand and disbursed for Euro 388 thousand at 31 December 2019. The loan requires repayment in six-month instalments, expires on 30 June 2026 and bears a below-market fixed rate of interest of 0.80%.

Low-interest loan from the Ministry of Economic Development - Instamed Project

Low-interest loan approved and disbursed on 27/09/2019 for Euro 455 thousand in favour of the Parent Company Exprivia. The loan requires repayment in six-month instalments, expires on 30 June 2029 and bears a below-market fixed rate of interest of 0.16%.

Low-interest loan from the Ministry of Economic Development - Bigimaging Project

Low-interest loan approved and disbursed on 14 October 2019 for Euro 336 thousand in favour of the Parent Company Exprivia. The loan requires repayment in six-month instalments, expires on 30 June 2029 and bears a below-market fixed rate of interest of 0.16%.

Term loan and restructuring agreements

On 14 December 2017, Italtel stipulated a Term Loan for a total of Euro 132,005 thousand with a pool of banks comprising Banca Popolare di Milano, Interbanca and Unicredit, lead 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.

In 2018, interest expense accrued on this loan for Euro 3,868 thousand, of which Euro 863 thousand paid at 31 December 2018 and Euro 3,005 thousand recognised as an increase in the payable in accordance with the loan agreement (Step-Up option).

In 2019, interest expense accrued on this loan for Euro 3,627 thousand, of which Euro 2,802 thousand calculated at the Step Up Interest Rate and, therefore, added to the debt as per the loan agreement, and Euro 825 thousand of ordinary interest, which was not paid at 31 December 2019.

The loans with secured guarantee, equal to Euro 132,005 thousand, are divided up into 3 credit lines, and more specifically:

• Euro 36,352 thousand relating to the Restructuring line will be repayable as follows:

  o Euro 2,110 thousand at 31 December 2019 (not repaid at the due date);

  o Euro 4,220 thousand at 31 December 2020;

  o Euro 3,377 thousand at 31 December 2023;

  o Euro 26,645 thousand at 31 December 2024.

• Euro 6,700 thousand of TERM - E line, used in full, and will be repayable as follows:

  o Euro 390 thousand at 31 December 2019 (not repaid at the due date);

  o Euro 780 thousand at 31 December 2020;

  o Euro 622 thousand at 31 December 2023;

  o Euro 4,908 thousand at 31 December 2024.

• Euro 88,952 thousand of TERM - D/E line, used in full, and will be repayable as follows:

  o Euro 2,500 thousand at 31 December 2019 (not repaid at the due date);

  o Euro 5,000 thousand at 31 December 2020;

  o Euro 81,452 thousand at 31 December 2024.

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

Reference date	Leverage Ratio	Interest Cover Ratio	Share capital Expenditure
31.12.2019	≤ 5.6	≥ 4.7	≤ 17,400,000.00
30.06.2020	≤ 5.7	≥ 4.9	
31.12.2020	≤ 4.4	≥ 5.6	≤ 17,600,000.00
30.06.2021	≤ 4.4	≥ 5.9	
31.12.2021	≤ 3.6	≥ 6.2	≤ 17,600,000.00
30.06.2022	≤ 3.6	≥ 7.5	
31.12.2022	≤ 3.0	≥ 8.0	≤ 17,600,000.00
30.06.2023	≤ 3.0	≥ 8.4	
31.12.2023	≤ 3.0	≥ 8.8	≤ 17,600,000.00
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.

For information on the waiver request sent by Italtel to UniCredit S.p.A., in its capacity as Agent Bank, on 21 November 2019, please refer to the information provided above.

Cassa Depositi e Prestiti Project PA_IMS loan - Banca Intesa and Mediocredito

This refers to a loan for a total of Euro 14,140 thousand, of which Euro 3,519 thousand disbursed at 31 December 2019 in favour of Italtel with repayment in six-month instalments at 30 June and 31 December of each year over the duration of the loan with final maturity date set for 30 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 below-market rate equal to 0.5% on the part of the low-interest loans amounting to Euro 12,726 thousand.

There are no real guarantees for this loan.

Cassa Depositi e Prestiti Project SIS loan - Banca Intesa and Mediocredito

This refers to a loan for a total of Euro 13,675 thousand, of which Euro 3,403 thousand disbursed at 31 December 2019 in favour of Italtel with repayment in six-month instalments at 30 June and 31 December of each year over the duration of the loan with final maturity date set for 30 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 1,368 thousand and a below-market rate equal to 0.5% on the part of the low-interest loans amounting to Euro 12,307 thousand.

There are no real guarantees for this loan.

Ministry of Education, Universities and Research Project PNGN loan - Banca Intesa and Mediocredito

This is a loan in the form of a low-interest loan and a contribution to the cost from the fund for concessions and research (FAR) regarding the development of the "Platform for Next Generation Network - PNGN" research project, amounting to Euro 6,806 thousand and disbursed at 31 December 2019 for Euro 830 thousand, taken out by Italtel 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.

Ministry of Economic Development (MISE) Agile Networks Project loan - Mediocredito

This is a loan in the form of a low-interest loan and a contribution to the costs from axis 1, action 1.1.3 of the Business and Competitiveness 2014-2020 ERDF National Operating Programme, for the "Agile Networks" research and development project identified with number F/080010/00/x35.

This loan was resolved on for a total of Euro 2,645 thousand, of which Euro 2,645 thousand disbursed at 31 December 2019 in favour of Italtel with repayment in six-month instalments at 30 June and 31 December of each year of duration of the loan with final maturity date set for 30 June 2028.

The rate applied is 0.17%, inclusive of a pre-amortisation period lasting 3 years.

There are no real guarantees for this loan.

Ministry of Economic Development (MISE) Reactor Project loan - Mediocredito

This is a loan in the form of a low-interest loan and contribution to costs using axis 1, action 1.1.3 of the Business and Competitiveness 2014-2020 ERDF National Operating Programme, for the "Re-Actor" - Rich Environment- Appliance and fog Computing platform for internet of Things Optimizer Real time - research and development project.

This loan was resolved on for a total of Euro 2,537 thousand, and disbursed at 31 December 2019 for Euro 2,537 thousand in favour of Italtel with repayment in six-month instalments at 30 June and 31 December of each year over the duration of the loan with final maturity date set for 30 June 2028.

The rate applied is 0.17%, inclusive of a pre-amortisation period lasting 3 years.

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 regulation on disclosure schedules", the table below shows the net financial position of the Exprivia Group at 31 December 2019 and at 31 December 2018.

exprivia

amounts in thousands of Euro			
		31.12.2019	31.12.2018
A.	Cash	582	378
B.	Other liquid assets	25,414	19,180
C 1.	Securities held for trading	178	327
C 2.	Own shares	3,017	2,691
D	**Liquid (A)+(B)+(C)**	**29,191**	**22,576**
E.	**Current financial receivables**	**5,477**	**3,787**
F.	Current bank debts	(59,618)	(41,384)
G.	Current portion of non-current bank debts	(152,670)	(17,095)
H.	Other current financial debts	(12,591)	(4,502)
I.	**Current financial debts (F) + (G) + (H)**	**(224,879)**	**(62,981)**
J.	**Net current financial debts (I) + (E) + (D)**	**(190,211)**	**(36,618)**
K.	Non-current bank debts	(2,485)	(158,125)
L.	Bond	(18,164)	(22,550)
M.	Other non- current financial payables net of non-current financial recivables and derivate financial istruments	(14,830)	2,650
N.	**Non-current financial debts (K) + (L) + (M)**	**(35,479)**	**(178,025)**
O.	**Net financial debits (J) + (N)**	**(225,690)**	**(214,643)**

Treasury shares held by the Parent Company (Euro 3,017 thousand) are included in the calculation of the net financial position.

The changes in net liabilities resulting from financing activities is shown below, in accordance with IAS 7 - Statement of Cash Flows.

Amounts in thousands of Euro	31.12.2018		Cash flows		Non-monetary flows		31.12.2019	
Current financial receivables	3,787		1,696		(5)		5,477	
Current bank debts and current portion of non-current debt	(58,479)		(16,885)		(136,924)	(****)	(212,288)	
Other current financial payables	(4,502)		(836)		(7,253)		(12,591)	
Non-current bank debts	(158,125)		18,716		136,924	(****)	(2,485)	
Bonds issued	(22,550)		4,386		-		(18,164)	
Other non-current net financial payables	2,650		1,267		(18,747)		(14,830)	
Net liabilities deriving from financing activities	**(237,219)**		**8,343**	(*)	**(26,005)**		**(254,881)**	
Liquid assets	22,576	(**)	6,763	(***)	(149)		29,191	(**)
Net financial debt	**(214,643)**		**15,106**		**(26,154)**		**(225,690)**	

(*) Flows shown in the Cash Flow Statement in the Cash flow generated (absorbed) by financing activities (see note 3 at the bottom of the Cash Flow Statement)

(**) In addition to cash and cash equivalents, the item "Liquidity" also includes treasury shares held by the Parent Company and "Other financial assets available for sale"

(***) Cash flow of liquidity includes any changes due to the purchase of treasury shares not included in the Cash flow and equivalent means in the Cash Flow Statement

(****) Non-monetary flows include the reclassification under Current liabilities of the residual debt deriving from loan agreements which provide for the possibility for lenders to request repayment of the residual capital within the next year upon the occurrence of certain circumstances.

Note 19 – Other Non-Current Financial Liabilities

The balance of "**other non-current financial liabilities**" at 31 December 2019 amounted to Euro 17,043 thousand compared to Euro 49 thousand at 31 December 2018. The details are provided below:

Description	31/12/19	31/12/18	Variation
Non-current financial payables for leasing	16,970	31	16,939
Payables to other non-current lenders	10	10	-
Non-current derivative financial instruments	15	8	7
Other non-current financial payables	48	-	48
TOTAL	17,043	49	16,994

Non-current financial payables for leases

The balance of "**Non-current financial payables for leases**" at 31 December 2019 amounted to Euro 16,970 thousand compared to Euro 31 thousand at 31 December 2018 and refers to the medium/long-term amounts related to lease agreements recognised in accordance to IFRS 16.

Non-current payables to other lenders

The balance of "**non-current payables to other lenders**" at 31 December 2019 amounted to Euro 10 thousand, unchanged from 31 December 2018.

Non-current derivative financial instruments

The balance of "**non-current derivative financial instruments**" at 31 December 2019 stood at Euro 15 thousand against Euro 8 thousand at 31 December 2018 and refers to a derivative product subscribed by the Parent Company Exprivia with Unicredit, initially linked to a loan with a variable interest rate and which, further to the renegotiation of the loan, no longer meets the requirements envisaged for hedge accounting and therefore the related fair value change has been recognised in the income statement.

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

- upon a change of +0.5% and +1%, the fair value would be a positive Euro 3 thousand and Euro 20 thousand respectively;
- upon a change of -0.5% and -1%, the fair value would be a negative Euro 33 thousand and Euro 51 thousand respectively.

This is an instrument valued at fair value level 2.

Other non-current financial payables

The balance of "**Other non-current financial payables**" at 31 December 2019 amounted to Euro 48 thousand and refers to financial payables of the subsidiary Spegea Scarl.

Note 20 – Other Non-Current Liabilities

The balance of "**other non-current liabilities**" at 31 December 2019 amounted to Euro 2,101 thousand compared to Euro 3,729 thousand at 31 December 2018.

Description	31/12/2019	31/12/2018	Variation
Debts v / social security and social security institutions	114	266	(152)
Non-current tax liabilities	1,761	2,818	(1,057)
Debts to others	226	645	(419)
TOTAL	2,101	3,729	(1,628)

Amounts payable to pension and social security institutions

The balance of "**Amounts payable to pension and social security institutions**" amounted to Euro 114 thousand at 31 December 2019 compared to Euro 266 thousand at 31 December 2018 and refers to the medium-long term instalment plans for Exprivia's social security debts.

Non-current tax liabilities

The balance of "**Non-current tax liabilities**" at 31 December 2019 amounted to Euro 1,761 thousand compared to Euro 2,818 thousand at 31 December 2018 and refers to the medium/long-term amounts set out in the instalment plans.

The tax liabilities are attributable to Exprivia and refer mainly to the division into instalments, which became due for payment in 2016 and the amounts relating to scrapping of tax demands.

Non-current tax liabilities derive exclusively from the amortisation plan of tax payment slips and tax demands divided into instalments.

All other tax liabilities, for which a tax payment slip is pending, are classified under "current tax liabilities".

Amounts payable to others

The balance of "**Amounts payable to others**" stood at 31 December 2019 to Euro 226 thousand compared to Euro 645 thousand at 31 December 2018 and includes Euro 3 thousand in amounts due to employees of Exprivia and Euro 223 thousand relating to the suspended portion of public capital grants received by the subsidiary Italtel, for which the recognition in the income statement is linked to the amortisation schedule on investments falling under the "Telecom Italia & Italtel Development Contract".

Note 21 – Provisions for Risks and Charges

At 31 December 2019, the item "**provision for risks and charges**" amounted to Euro 3,731 thousand compared to Euro 5,887 thousand at 31 December 2019. The breakdown of this item is shown in the table below:

Description	31/12/19	31/12/18	Variation
Fund risks disputes	250	274	(24)
Risk fund tax dispute	870	984	(114)
Risk provisions staff	1,147	4,511	(3,364)
Provision for other risks	1,464	118	1,346
TOTAL	**3,731**	**5,887**	**(2,156)**

Changes are reported below:

Description	31/12/2018	Uses / Payments	Other decreases	Provisions	31/12/2019
Fund risks disputes	274	(26)	-	2	250
Risk fund tax dispute	984	-	(130)	16	870
Risk provisions staff	4,511	(1,215)	(3,109)	960	1,147
Provision for other risks	118	(46)	(23)	1,415	1,464
TOTAL	5,887	(1,287)	(3,262)	2,392	3,731

"**Provision for dispute risks**" for Euro 250 thousand at 31 December 2019, compared with Euro 274 thousand at 31 December 2018, refers to a dispute with a former lessor of Italtel.

"**Provision for tax dispute risks**" amounting to Euro 870 thousand refers to tax liabilities associated with the collection of receivables from foreign Italtel Group companies.

"**Provision for staff risks**", for Euro 1,147 thousand compared to Euro 4,511 thousand at 31 December 2018, refers to provisions for risks of legal disputes with former employees. The change is mainly attributable to: i) the release of the provision of Euro 3,056 thousand that the Italtel Group had set aside in previous years for employees as part of the restructuring envisaged in the 2017-2023 Business Plan, ii) the use of Euro 34 thousand for incentivised exits paid during the year and iii) the reclassification of Euro 924 thousand under item "Other current payables to personnel" and fully paid at 31 December 2019 following the signing of exit agreements by Italtel. In the same year, again with reference to the Italtel Group, a provision of Euro 504 thousand was set aside for future employees incentivised exits of employees and Euro 12 thousand for ongoing personnel disputes in Colombia.

"**Provision for other risks**" amounted to Euro 1,464 thousand at 31 December 2019 compared to Euro 118 thousand at 31 December 2018; the increase in the year is mainly due to the Italtel Group for Euro 774 thousand for provisions for future losses on work in progress and future expenses on customer contracts and for Euro 638 thousand to the Parent Company, mainly related to the provision for risks on loss-making contracts. It should be noted that, at 31 December 2018, this provision for risks on loss-making contracts showed a balance of Euro 132 thousand and was classified as a reduction of the item "Work in progress contracts"; at 31 December 2019, this provision was reclassified under item "Provisions for risks and charges" for greater clarity.

Note 22 – Employee Provisions

At 31 December 2019, the item "Employee provisions" amounted to Euro 25,939 thousand compared to Euro 25,783 thousand at 31 December 2018. The breakdown of this item is shown in the table below.

Severance indemnity fund

The balance of the item "Severance indemnity fund" at 31 December 2019, amounting to Euro 22 thousand compared to Euro 3 thousand at 31 December 2018, relates to the Italtel Group's contribution and concerns deferred benefits of employees of foreign companies.

Employee severance indemnity fund

The amounts for the employee severance indemnity accrued after 31 December 2006 were paid to the Pension Fund Treasury and union pension funds. The residual amount of the employee severance indemnity fund was Euro 25,917 thousand at 31 December 2019, compared to Euro 25,780 thousand at 31 December 2018. The fund is net of amounts deposited in funds and treasury. An actuarial assessment was performed on the liability in accordance with IAS 19 using the retrospective method, which requires recognition of actuarial gains/losses in the statement of comprehensive income. The cost regarding service and the interest payable concerning the time value component in the actuarial calculations are still recognised in the income statement.

The table below shows the primary actuarial and financial assumptions used in the calculation:

Description	31/12/19	31/12/18
Discount rate	0,37% - 0,77%	1,55% - 1,57%
Inflation rate	1.00%	1.50%
Annual rate of wage growth	0 - 2,5%	0 - 3%
Annual rate of TFR growth	2.25%	2.62%
Mortality	˙2007 & 2011/RG48	AT 2007 & 2011
Inability	Tav. INPS 2010	Tav. INAIL
Turn-over	3,0% -5,50%	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 Montecarlo-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 performed on the basis of the accrued benefit method 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 reference date of the 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 (employee 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 employee severance indemnities accrued when the employment relationship is still in progress.

Note 23 – Deferred Tax Liabilities

The item "**Deferred tax liabilities**" amounted to Euro 2,138 thousand compared to Euro 13,435 thousand at 31 December 2018, and refers to allocations for temporary changes that will be reversed in subsequent financial years.

Description	31/12/2019		31/12/2018	
	Amount temporary differences	Tax effect	Amount temporary differences	Tax effect
TFR	36	28	163	63
Intangible assets	1	0	19,807	5,526
Goodwill	4,426	1,259	3,935	1,119
Buildings	2,855	810	3,043	869
Contributions	0	0	21,263	5,103
Others	0	0	75	18
Adjustments for IFRS	138	39	3,048	737
TOTAL	**7,456**	**2,138**	**51,334**	**13,435**

The decrease of Euro 11.3 million is mainly due to: (i) for Euro 5.2 million to the reversal of deferred taxation recognised on the customer list identified following the conclusion of the purchase price allocation process for the Italtel acquisition and fully written down in these financial statements, as commented in note 2 "Goodwill", and (ii) for Euro 5.8 million to the reversal of Italtel's deferred taxation as the deferred tax liabilities will be fully absorbed by IRES losses, ACE surpluses and other deductible temporary differences that may be reversed in the same periods.

CURRENT LIABILITIES

Note 24 – Current Bond Issues

"**Current bond issues**" amounted to Euro 4,522 thousand at 31 December 2019 and refer to the current portion of Exprivia's bond issue (for further details, please refer to note 17).

Note 25 – Current Payables to Banks

At 31 December 2019, the item "**current payables to banks**" amounted to Euro 207,766 thousand compared to Euro 58,479 thousand at 31 December 2018. Euro 204,687 thousand refers to the current portion of payables for loans and mortgages (previously described under the item "non-current payables to banks", note 18) and Euro 3,079 thousand refers to current account overdrafts at major credit institutions.

It should be noted that at 31 December 2019, the Italtel Group reclassified certain loans from non-current payables to banks to current payables to banks, as described in Note 18 to which reference should be made.

Note 26 – Trade Payables

"**Trade payables**" amounted to Euro 190,367 thousand compared to Euro 195,255 thousand at 31 December 2018. The breakdown is shown in the table below:

Description	31/12/2019	31/12/2018	Variation
Trade payables to suppliers	190,189	195,175	(4,986)
Trade payables to associated companies	178	80	98
TOTALI	**190,367**	**195,255**	**(4,888)**

Trade Payables - Suppliers

"**Trade payables - Suppliers**" amounted to Euro 190,189 thousand compared to Euro 195,175 thousand at 31 December 2018.

The table below provides details on the item:

Description	31/12/2019	31/12/2018	Variation
Invoices received Italy	114,576	114,873	(297)
Invoices received foreing	25,693	26,235	(542)
Invoices to consultants	560	451	109
Invoices to be received	49,359	53,616	(4,257)
TOTAL	**190,189**	**195,175**	**(4,986)**

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

Trade payables	in		days past due							
	expire	due	1 - 30	31- 60	61 - 90	91-120	121-180	181-270	271-365	beyond
140,830	79,947	60,883	18,457	11,536	14,034	4,023	4,166	4,569	1,330	2,767
100.0%	57%	43%	13%	8%	10%	3%	3%	3%	1%	2%

Trade payables - Associates

"**Trade payables - Associates**" amounted to Euro 178 thousand compared to Euro 80 thousand at 31 December 2018 and refers for Euro 84 thousand to payables of the Italtel Group to the associate Cored - Consorzio Reti Duemila in liquidation and for Euro 94 thousand to payables of the Parent Company Exprivia to its associate Quest.it Srl.

Note 27– Advance payments on work in progress contracts

At 31 December 2019, the item "**Advance payments on work in progress contracts**" amounted to Euro 12,608 thousand compared with Euro 7,492 thousand at 31 December 2018 and refers to the negative differential between payments on account or advances received and the economic development of the work in progress contracts at year end.

Note 28 – Other Financial Liabilities

"**Other financial liabilities**" amounted to Euro 12,591 thousand at 31 December 2019 compared to Euro 4,502 thousand at 31 December 2018.

The table below provides details on the item:

Description	31/12/2019	31/12/2018	Variation
Payables for the purchase of investments	996	16	980
Current financial payables to others	5,313	4,225	1,088
Current financial instruments	422	119	303
Current financial payables for leasing	5,860	142	5,718
TOTAL	**12,591**	**4,502**	**8,089**

Current financial payables for the purchase of equity investments

The balance of "**current financial payables for the purchase of equity investments**" at 31 December 2019 amounted to Euro 996 thousand compared to Euro 16 thousand at 31 December 2018. This change, amounting to Euro 980 thousand, is attributable to the recognition of the amounts payable to third parties regarding the obligation to purchase the remaining 47.7% of the share capital of the subsidiary Exprivia do Brasil, currently held by the minority shareholders.

Current financial payables to others

The balance of the item "**current financial payables to others**" amounted to Euro 5,313 thousand compared to Euro 4,225 thousand at 31 December 2018. The change is mainly attributable to the Italtel Group and refers for Euro 631 thousand to a financing transaction of a trade payable entered into with SG Equipment Finance Italy S.p.A., for Euro 559 thousand to the payable to the company Airplus for payments of trade payables made by credit card.

Current financial instruments

The balance of the item "**current financial instruments**" at 31 December 2019, amounting to Euro 422 thousand compared to Euro 119 thousand at 31 December 2018, refers to the fair value measurement of derivative contracts to cover the net exposure in dollars, entered into by the Italtel Group.

The exchange rate hedging transactions opened at 31 December 2019 all had a maturity date between September and December 2020. 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 impact 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 different equivalent values in Euro according to the performance of the exchange rates. As set forth in the accounting standards adopted, the effects of these changes are recognised directly under shareholders' equity, in the item Reserve for translation differences.

Current Trade Payables - suppliers of leased assets

The balance of the item "**current trade payables - suppliers of leased assets**" at 31 December 2019 amounted to Euro 5,860 thousand compared to Euro 142 thousand at 31 December 2018 and refers to the current portion of the payable for lease agreements. This change is mainly attributable to the effect of the application of the new IFRS 16.

Note 29 – Other Current Liabilities

"**Other current liabilities**" amounted to Euro 63,977 thousand at 31 December 2019 compared to Euro 73,427 thousand at 31 December 2018.

The table below provides details on the item:

Description	31/12/2019	31/12/2018	Variation
Current payables to social security and social security institutions	10,227	10,402	(175)
Other tax payables	11,995	12,779	(784)
Personnel debts	19,818	27,760	(7,942)
Other debts	21,937	22,486	(549)
TOTAL	**63,977**	**73,427**	**(9,450)**

Current amounts payable to pension and social security institutions

The balance of the item "**Current amounts payable to pension and social security institutions**" at 31 December 2019 amounted to Euro 10,227 thousand compared to Euro 10,402 thousand at 31 December 2018.

Other tax liabilities

The balance of the item "**other tax liabilities**" at 31 December 2019 amounted to Euro 11,995 thousand compared to Euro 12,779 thousand at 31 December 2018.

The item is composed of VAT payables for Euro 1,633 thousand, withholding taxes to be paid for Euro 6,412 thousand, current taxes for Euro 1,176 thousand and other tax liabilities for Euro 2,774 thousand.

Payables related to staff

The balance of the item "**payables related to staff**" at 31 December 2019 amounted to Euro 19,818 thousand compared to Euro 27,760 thousand at 31 December 2018. The reduction is mainly due to the limitation of payables to INPS for long-term mobility charges of Euro 7,729 thousand. In this regard, it should be noted that INPS with circular no. 124/2019 of 20 September 2019 implemented three different rulings of the Court of Cassation (30699/2017, 672/2018 and 28605/2018), thus resolving definitively on the issue of the limitation period of mobility charges which it confirms to be five years.

Other payables

The balance of the item "**other payables**" stood at 31 December 2019 at Euro 21,937 thousand compared to Euro 22,486 thousand at 31 December 2018; it mainly consisted of accrued expenses and deferred income for Euro 14,695 thousand including pending revenues pertaining to the following year and the portion of Italtel's public capital grants whose recognition in the income statement is related to the amortisation schedule on investments falling under "Telecom Italia & Italtel Development Agreement".

NON-CURRENT LIABILITIES DISPOSED OF

Note 30 – Non-Current Liabilities Disposed of

The balance of the item "**non-current liabilities disposed of**", related to the companies Italtel Arabia Ltd in liquidation, amounted to Euro 386 thousand at 31 December 2019 and did not change compared to 31 December 2018.

Italtel's Board of Directors, on 24 July 2014, resolved on 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.

Explanatory Notes to the Consolidated Income Statement

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

Note 31 – Revenues

Revenues from sales and services in 2019 amounted to Euro 500,135 thousand compared to Euro 590,964 thousand in the same period of 2018.

Description	31/12/2019	31/12/2018	Variation
Projects and Services	198,256	219,281	(21,025)
Maintenance	58,813	74,753	(15,940)
HW/ SW third parties	2,793	3,927	(1,134)
Own licences	13,737	24,688	(10,951)
System Integration	225,800	267,557	(41,757)
Other	737	758	(21)
Total	**500,135**	**590,964**	**(90,829)**

Note 32 – Other Income

Other income in 2019 amounted to Euro 26,315 thousand compared to Euro 32,421 thousand in the same period of 2018. The table below provides details on the items.

Description	31/12/2019	31/12/2018	Variation
Other revenues and income	10,001	13,013	(3,012)
Grants related to income	8,242	8,874	(632)
Increase in capitalised expenses for intenal projects	8,072	10,534	(2,462)
TOTAL	**26,315**	**32,421**	**(6,106)**

It should be noted that, for the sake of greater clarity, steps were taken to reclassify, with reference to the balances at 31 December 2018, the amount of Euro 175 thousand, relating to revenues deriving from the charge-backs to employees of the costs of using the company cars from the item "Costs for leased assets" to the item "Other revenues and income". This is a reclassification that has no impact on the result for the year or on the shareholders' equity.

Other revenues and income

"**Other revenues and income**" in 2019 amounted to Euro 10,001 thousand compared to Euro 13,013 thousand in 2018 and mainly refer to extraordinary income of Euro 1,854 thousand, and Euro 4,656 thousand to Cisco grants on the VIP Program and SRS contract and the release of funds for Euro 171 thousand.

Grants for operating expenses

In 2019 "**Grants for operating expenses**" amounted to Euro 8,242 thousand compared to Euro 8,874 thousand in 2018 and refer to grants and tax credits pertaining to the year or authorised in the period relating to 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.

Increases in fixed assets for internal work

"**Increases in fixed assets for internal work**" amounted to Euro 8,072 thousand in 2019 compared to Euro 10,534 thousand in 2018 and refer to costs incurred in the period to develop products for the Banking & Finance, Healthcare, Aerospace & Defence and Telco & Media segments.

Note 33 – Costs for Sundry Consumables and Finished Products

The balance of the item "**costs for sundry consumables and finished products**" in 2019 amounted to Euro 182,729 thousand compared to Euro 210,669 thousand in the previous year. The table below provides details on the items.

Description	31/12/2019	31/12/2018	Variation
Purchase of HW-SW products	182,326	210,389	(28,063)
Stationery and consumables	202	106	96
Fuel and oil	99	117	(18)
Other costs	102	57	45
TOTAL	**182,729**	**210,669**	**(27,940)**

The decrease in the item "*purchase of hw-sw products*" is closely related to the decrease in revenues attributable to the Italtel Group.

Note 34 – Staff Costs

The item "**Staff costs**" totalled Euro 188,319 thousand in 2019 compared to Euro 192,805 thousand in 2018. The table below provides details on the item:

Description	31/12/2019	31/12/2018	Variation
Salaries and wages	144,416	141,403	3,013
Social charges	39,047	38,823	224
Severance Pay	8,195	8,149	45
Other staff costs	(3,338)	4,430	(7,767)
TOTAL	**188,319**	**192,805**	**(4,486)**

It should be noted that the change in the item "**other staff costs**" is mainly attributable for Euro 7,729 thousand to the reversal of payables to INPS for long-term mobility charges relating to previous years, for which the limitation period in 2019 expired.

The number of employees at 31 December 2019 came to 4,053, of which 4,033 employees and 20 temporary workers, while at 31 December 2018 there were 3,969 workers, of which 3,965 employees and 4 temporary workers.

The average for 2019 was 4,006 employees and 12.5 temporary workers, while the average for 2018 was 3,977 employees and 4 temporary workers.

Note 35 – Costs for Services

The consolidated balance of the item "**costs for services**" amounted to Euro 118,541 thousand in 2019 compared to Euro 157,326 thousand in 2018. The table below provides details on the items:

Description	31/12/2019	31/12/2018	Variation
Technical and commercial consultancy	91,197	121,603	(30,306)
Administrative/company/legal consultancy	4,715	4,132	583
Auditors' fees	419	417	2
Travel and transfer expenses	4,803	6,467	(1,664)
Utilities	3,431	4,484	(1,053)
Advertising and agency expenses	446	651	(206)
Bank charges	635	766	(131)
HW and SW maintenance	5,623	6,574	(951)
Insurance	1,702	1,908	(206)
Other costs	5,571	10,424	(4,853)
TOTAL	**118,541**	**157,326**	**(38,785)**

The decrease in costs for technical and commercial consultancy and other costs for services is closely related to the trend in revenues. The reduction in travel expenses is closely related to lower mobility due to Covid-19.

The statement below is provided in accordance with art. 149-duodecies of CONSOB Issuers' Regulation to show amounts paid to the independent auditors in 2019 for audit services and for other services provided by PricewaterhouseCoopers SpA and other entities belonging to its network.

The fees are shown net of the CONSOB contribution and reimbursement for expenses.

Type of services	Recipient	Amount
Audit services	Parent company	208
	Subsidiaries	532
Non audit services *	Parent company	6
Non audit services **	Subsidiaries	16
TOTALI		**762**

* Non-audit services provided to the Parent Company refer to the voluntary audit of financial statements prepared for specific purposes, as envisaged by the Regulation of the bond issued by Exprivia in December 2017.

** Non-audit services related to the subsidiaries regard only the Italtel Group. The fees are attributable, for Euro 3 thousand, to high-level analyses on transfer pricing for Italtel Perù, for Euro 10 thousand to agreed upon audit procedures to verify compliance with covenants and for Euro 3 thousand to the signing of tax returns.

Note 36 – Costs for Leased Assets

The consolidated balance of the item "**costs for leased assets**" amounted to Euro 1,093 thousand in 2019 compared to Euro 7,661 thousand in 2018. The table below provides details on the items:

Description	31/12/2019	31/12/2018	Variation
Rental expenses	510	5,744	(5,234)
Car rental/leasing	149	1,342	(1,193)
Rental of other assets	186	158	27
Other costs	249	417	(168)
TOTAL	**1,093**	**7,661**	**(6,568)**

This change is mainly attributable to the entry into force from 1 January 2019 of IFRS 16, which in 2019 resulted in a decrease in costs for leases assets for Euro 7.4 million.

It should be noted that, for the purposes of greater clarity, steps were taken to reclassify, with reference to the balance at 31 December 2018, the amount of Euro 175 thousand, relating to revenues arising from the charge-backs to employees of the costs of using the company cars, from the item "Costs for leased assets" to the item "Other revenues and income". This is a reclassification that has no impact on the result for the year or on the shareholders' equity.

Note 37 – Sundry Operating Expenses

In 2019, the balance of the item "**sundry operating expenses**" amounted to Euro 6,035 thousand, compared to Euro 5,566 thousand in 2018. The table below provides details on the items.

Description	31/12/2019	31/12/2018	Variation
Annual subscriptions	434	458	(24)
Taxes	1,901	1,679	222
Penalties and fines	85	124	(39)
Charitable donations	42	59	(17)
Write-offs	467	66	401
Penalties and damages	183	635	(452)
Other sundry operating expenses	2,922	2,546	376
TOTAL	**6,035**	**5,566**	**469**

The change is mainly attributable to lower contractual penalties of the Italtel Group.

Note 38 – Changes in Inventories

In 2019, the balance of the item "**changes in inventories**" amounted to Euro 9,694 thousand compared to Euro 6,223 thousand in the previous year. It refers to changes in finished products.

The amount of the change includes the write-down of inventories for Euro 11,912 thousand and the use of the inventory write-down provision allocated in previous years for Euro 3,167 thousand, both referring to the Italtel Group.

Note 39 – Provisions and Write-downs of Current Assets

The balance of the item "**provisions and write-downs of current assets**" amounted to Euro 5,581 thousand in 2019 compared to Euro 1,312 thousand in 2018. The table below provides details on the items.

Description	31/12/2019	31/12/2018	Variation
Provision for bad debts provision	3,557	950	2,607
Provision for tax litigation risks	0	71	(71)
Provision for legal disputes with employees	204	209	(5)
Other provisions	1,820	82	1,738
TOTAL	**5,581**	**1,312**	**4,270**

The item "**bad debt provision**" is attributable to the write-down of receivables due to the adjustment of the provision for receivables deemed uncollectible and to the adjustment of the bad debt provision for the application of IFRS 9 in the amount of Euro 625 thousand.

The item "**provision for legal disputes with employees**" is attributable to settled disputes with former employees.

The item "**other provisions**" was primarily related for Euro 240 thousand to a prudential provision in connection with a dispute arising from a research project, and for Euro 772 thousand to provisions for future losses on work in progress and future expenses on customer contracts.

Note 40 – Amortisation, Depreciation and Write-downs of Non-Current Assets

The balance of the item "**Amortisation, depreciation and write-downs of non-current assets**" amounted to Euro 184,949 thousand in 2019 compared to a balance of Euro 20,824 thousand in 2018.

Amortisation and Depreciation

In 2019, "**Amortisation and depreciation**" amounted to Euro 26,229 thousand compared with Euro 20,808 thousand in 2018 and refers for Euro 15,976 thousand to amortisation of intangible fixed assets and for Euro 10,253 thousand to depreciation of tangible fixed assets. Details of the aforementioned items are provided in the explanatory notes 1 and 3.

The change in this item is mainly attributable to the entry into force of the new accounting standard IFRS 16, which increased amortisation/depreciation for the year 2019 by Euro 6.5 million.

Write-downs

"**Write-downs**" amounted to Euro 158,720 thousand in 2019 compared to Euro 16 thousand in the previous year. This change is attributable to the write-downs made with reference to the Italtel Group; for further information, please refer to note 2.

Note 41– Financial income and (charges) and other investments

The balance of the item "**financial income and (charges) and other investments**" amounted to a negative Euro 13,861 thousand in 2019 compared with a negative balance of Euro 19,218 thousand in 2018. The table below provides details on the items.

Description	31/12/2019	31/12/2018	Variation
Proceeds from shareholdings from parents	56	71	(15)
Income from other investments	24	13	11
Other income other than the above	1,310	884	426
Interest and other financial charges	(14,082)	(14,668)	586
From parent charges	(411)	(433)	22
Profit and loss on currency exchange	(758)	(5,083)	4,325
TOTAL	**(13,861)**	**(19,218)**	**5,356**

Income from Parent Companies

The balance of the item "**income from parent companies**" amounted to Euro 56 thousand in 2019 compared to Euro 71 thousand in 2018 and refers to interest accrued from Abaco Innovazione on a loan granted by Exprivia.

Income from Other Investments

The balance of the item "**income from other investments**" in 2019 amounted to Euro 24 thousand compared to Euro 13 thousand in 2018 and refers to dividends received from minority interests for Euro 13 thousand and for Euro 11 thousand to the valuation using the equity method of the investment in Quest.it Srl, an associate of Exprivia.

Income Other Than the Above

The balance of the item "**income other than the above**" stood at Euro 1,310 thousand in 2019 compared to Euro 884 thousand in 2018. The table below provides details on the item.

Description	31/12/2019	31/12/2018	Variation
Bank interest receivable	15	332	(317)
Interest income from securities	1,158	-	1,158
Other interest income	129	520	(391)
Rounding up of assets	8	32	(24)
TOTAL	**1,310**	**884**	**426**

Interest and Other Financial Charges

The balance of the item "**interest and other financial charges**" in 2019 amounted to Euro 14,082 thousand compared to Euro 14,668 thousand in the same period of 2018. The table below provides details on the items.

Description	31/12/2019	31/12/2018	Variation
Bank interest payable	5,984	6,153	(169)
Interest on loans and mortgages	2,036	2,365	(329)
Sundry interest	5,591	5,948	(357)
Charges on financial products and sundry items	20	53	(33)
Rounding up/down	55	10	45
Interest cost IAS 19	396	139	257
TOTAL	**14,082**	**14,668**	**(586)**

The item "**other interest**" reflects the effect of the application of the new accounting standard IFRS 16, which entailed the recognition of higher interest expense in 2019 for an amount of approximately Euro 0.9 million.

Charges from Parent Companies

The balance of the item "**charges from parent companies**" amounted to Euro 411 thousand in 2019 compared with Euro 433 thousand in 2018 and refers to the accrued portion of expenses incurred by Exprivia for the guarantees issued in its favour by Abaco Innovazione SpA.

Gains/(Losses) on Currency Exchange

In 2019, the item "**losses on currency exchange**" amounted to Euro 758 thousand compared with losses of Euro 5,083 thousand in 2018 and mainly refers to the fluctuations in exchange rates due to the commercial transactions carried out in currencies other than the national currency used by the foreign companies in the Italtel Group (Euro 724 thousand).

Note 42 – Income Taxes

In 2019, "**Income taxes**" amounted to Euro 54,798 thousand compared to Euro 2,596 thousand in 2018; the table below provides details on the changes compared to the previous year:

Description	31/12/2019	31/12/2018	Variazioni
IRES	25	0	25
IRAP	843	988	(145)
Foreing tax	1,581	1,525	55
Taxes from prior years	2	(119)	121
Defered tax	51,968	(121)	52,089
Deferred tax assets	380	323	56
TOTAL	**54,798**	**2,596**	**52,201**

The Parent Company Exprivia 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.

The change is entirely attributable to the impairment loss recognised by Italtel at 31 December 2019 on deferred taxes; Italtel has in fact fully written-down this item as it is no longer possible to recover it.

Each company under Tax Consolidation contributes taxable income or tax loss to Exprivia, recognising a payable/receivable for the subsidiaries, equal to the applicable IRES and tax losses used in the Tax Consolidation. The consolidated financial statements include the payable to the tax authorities for the Group's IRES taxes, net of tax credits.

Please note that the Group has benefited from the income tax break deriving from the use of intellectual property, introduced by art. 1, paragraphs 37-45, of Law no. 190/2014 "2015 stability law" (the "Patent Box").

Note 43 – Profit (Loss) for the Year Discontinued Operations

The balance for 2019 was zero, while the balance for 2018 of EUR -36 thousand refers to discontinued operations relating to Italtel Telecommunication Hellas EPE in liquidation and the company Italtel Arabia Ltd in liquidation.

Note 44 – Profit (Loss) for the Year

The 2019 Income Statement closed with a consolidated loss (after tax) of Euro 239,150 thousand compared with a consolidated loss of Euro 852 thousand in 2018.

Note 45 – Basic/Diluted Earnings

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 year, as reported in the consolidated financial statements drawn up in accordance with IAS/IFRS, attributable to ordinary shareholders of the Parent Company, excluding the treasury shares, by the average number of ordinary shares in issue during the year.

For the purpose of calculating basic earnings per share, the economic result for the year 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 31 December 2019 the basic and diluted earnings per share amounted to Euro -3.5848.

Description	for the twelve months ended 31.12.2019
Profit / (loss) for the determination of the basic profit / (loss) per share (Net profit / (loss) attributable to the shareholders of the parent company)	(172,782,318)
Earnings / (Losses) for the determination of the basic profit / (loss) per share	(172,782,318)
Number of shares	**31.12.2019**
Number of ordinary shares at 1 January 2019	51,883,958
Purchase of own shares at 31 December 2019	4,064,611
Average weighted number ordinary shares for calculation of basic profit	48,198,327
Earnings per share (Euro)	**for the twelve months ended 31.12.2019**
Profit (loss) per basic share	-3.5848
Diluted earnings (loss) per share	-3.5848

Note 46 – Information on the Cash Flow Statement

The cash flows deriving from income management were a positive Euro 2.2 million, the management of working capital generated positive cash flows for Euro 30.5 million, investments absorbed liquidity for Euro 16.3 million and financing activities absorbed cash for Euro 10 million.

OTHER INFORMATION

Contributions and economic benefits received from public administrations

Pursuant to art. 1 paragraph 125 of Law no. 124 of 2017, the statement below provides information relating to contributions and other economic benefits received in cash from the Italian public administrations in the course of 2019; the amounts are expressed in thousands of Euro.

Typology	Financing Body	Project	Subsidized rate	Amount collected 31/12/2019
Subsidized financing	MISE	Instamed	0.16%	455
Subsidized financing	MISE	Bigimaging	0.16%	336
Lost Fund	Unione Europea	ECHO		266
Lost Fund	MIUR	Lab. 8 (LabGTP)		382
Lost Fund	Regione Lombardia	Advent		647
Lost Fund	MIUR	Biomis		118
Lost Fund	Regione Puglia	Digital Future		2.826
Lost Fund	MISE	CDS 2		625
Lost Fund	MISE	Agile Networks		920
Lost Fund	MISE	Reactor		643
Lost Fund	MIUR	SMART-FSE		179
Lost Fund	MIUR	I-NEXT		1.366
Advance	Unione Europea	Guard		259
Total				9.019

Related parties

In the Exprivia Group, transactions are carried out between entities, parent companies, subsidiaries and associates and with other related parties.

Inter-company Relations

The Group companies constantly collaborate with each other to optimise human resources and for technological and application development.

Transactions between Exprivia and the companies included in the scope of consolidation essentially consist of services and the exchange of software 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 tables below show amounts for commercial relations, financial relations and those of other kinds with companies included in the scope of consolidation.

The amounts shown in the following tables are in thousands of Euro.

Non-Current Financial Receivables

Description	31/12/2019	31/12/2018	Variation
Exprivia Slu	611	61	550
Exprivia Asia	313	417	(104)
TOTAL	**924**	**478**	**446**

Trade Receivables

Description	31/12/2019	31/12/2018	Variation
Consorzio Exprivia	1,535	831	704
Exprivia Projects Srl	624	428	197
Exprivia SLU	635	-	635
Exprivia Asya	-	617	(617)
Spegea S. c. a.r.l.	113	56	57
ACS DE Gmbh	140	160	(20)
HR Coffee	5	3	2
Italtel S.p.A.	1,152	1,744	(592)
TOTAL	**4,204**	**3,839**	**365**

Current Financial Receivables

Description	31/12/2019	31/12/2018	Variation
Exprivia Projects Srl	-	1,293	(1,293)
Exprivia Messico Sa de CV	388	-	388
Exprivia Asia Ltd	292	172	120
Exprivia SLU	6	-	6
TOTAL	**686**	**1,465**	**(779)**

Other Current Receivables

Description	31/12/2019	31/12/2018	Variation
Receivables from Exprivia Projects for IRES from tax consolidation	212	75	137
Receivable from Spegea for IRES from tax consolidation	2	3	(1)
TOTAL	**214**	**78**	**136**

Trade Payables

Description	31/12/2019	31/12/2018	Variation
Exprivia Messico SA De CV	-	2	(2)
Exprivia Projects Srl	774	4,057	(3,283)
HR COFFEE Srl	3	-	3
ACS GMBH	94	143	(49)
Consorzio Exprivia Scarl	3	-	3
Exprivia It Solution Shanghai	5	51	(46)
Spegea S.c. a r.l.	99	41	58
Exprivia do Brasil	3	3	-
Exprivia SLU	-	17	(17)
Italtel Spagna	54	-	54
Italtel USA	105	64	41
Italtel SpA	1,374	1,014	360
TOTAL	**2,514**	**5,392**	**(2,878)**

Current Financial Payables

Description	31/12/2019	31/12/2018	Variation
Exprivia Projects Srl	2,620	-	2,620
Italtel SpA	170	-	170
HRCOFFEE	98	223	(125)
Spegea S.c. a r.l.	177	173	4
TOTAL	**3,065**	**396**	**2,669**

Other Current Payables

Description	31/12/2019	31/12/2018	Variation
Exprivia Projects for VAT	5	-	5
Italtel for consolidated ires	1,327	1,515	(188)
Italtel for VAT	2,334	-	2,334
Consortium for VAT	341	-	341
HR Coffee for consolidated ires	45	14	32
TOTAL	**4,052**	**1,529**	**2,523**

Trade Revenues

Description	31/12/2019	31/12/2018	Variation
Spegea Scarl	39	41	(2)
Exprivia Projects Srl	(4,778)	(5,879)	1,101
Italtel Spa	2,027	2,004	23
Gruppo ProSap	25	36	(11)
ACS Gmbh	-	80	(80)
Consorzio Exprivia Scarl	3,407	2,405	1,002
HR COFFEE Srl	5	-	5
TOTAL	**725**	**(1,313)**	**2,038**

Trade Costs

Description	31/12/2019	31/12/2018	Variation
Spegea Scarl	66	24	42
Exprivia Projects Srl	1,355	669	686
Exprivia SLU	488	667	(179)
Exprivia Shanghai	5	49	(44)
Consorzio Exprivia Scarl	-	6	(6)
ACS Gmbh	246	144	102
Hr Coffee Srl	3	-	3
Quest.it Srl	50	-	50
Italtel Spagna	54	-	54
Italtel SpA	1,318	1,044	274
Exprivia Messico SA De CV	9	174	(165)
TOTAL	**3,594**	**2,777**	**817**

Financial Charges

Description	31/12/2019	31/12/2018	Variation
Spegea Scarl	5	5	(1)
Exprivia Projects Srl	7	1	6
Italtel SpA	9	-	9
TOTAL	**21**	**6**	**15**

Income from Investments

Description	31/12/2019	31/12/2018	Variation
Exprivia Projects Srl	226	345	(119)
Exprivia Do Brasil	-	90	(90)
TOTAL	**226**	**435**	**(209)**

Financial Income

Description	31/12/2019	31/12/2018	Variation
Exprivia Projects Srl	35	33	2
Exprivia SLU	6	104	(98)
Exprivia ASIA Ltd	16	16	-
Exprivia Messico SA De CV	6	20	(14)
TOTAL	**63**	**173**	**(110)**

Relations with Parent Companies

For information concerning relations with the parent company, see the Directors' Report in the sections "Group Relations with the Parent Company" and "Report on Management and Coordination Activities".

Relations with other related parties

Transactions carried out by the Group with other related parties essentially consist of 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 of the Exprivia Group without the acquisition of the Italtel Group:

The amounts in the following tables are in thousands of Euro.

Receivables - Customers

Description	31/12/2019	31/12/2018	Variation
Balance Srl	27	23	4
TOTAL	**27**	**23**	**4**

Payables - Suppliers

Description	31/12/2019	31/12/2018	Variation
Kappa Emme Sas	-	5	(5)
Brave Srl	21	15	6
Giuseppe La Terza & Figli SpA	6	-	6
Consorzio DITNE	5	-	5
TOTAL	**32**	**20**	**12**

Costs

Description	31/12/2019	31/12/2018	Variation
Kappa Emme Sas	-	5	(5)
Brave Srl	95	120	(25)
Giuseppe La Terza & Figli SpA	10		10
Consorzio Biogene	-	7	(7)
Consorzio DITNE	5	15	(10)
TOTAL	**110**	**147**	**(37)**

Revenues

Description	31/12/2019	31/12/2018	Variation
Balance Srl	22	20	2
TOTAL	**22**	**20**	**2**

The table below provides information on remuneration for directors, statutory auditors and key executives of the Exprivia Group without the contribution of the Italtel Group:

The amounts in the following tables are in thousands of Euro.

Offices	31/12/19 Fixed remuneration	Equity compensation committees	Wages and salaries	Other incentives	31/12/18 Fixed remuneration	Equity compensation committees	Wages and salaries	Other incentives
Administrators	640	114	1,242	158	671	119	1,282	301
Statutory Auditors	167	18	-	-	157		-	-
Strategic managers	1	-	1,559	39	4	-	1,860	50
TOTAL	808	132	2,801	197	832	119	3,142	351

The table below provides information on relations with other related parties of the Italtel Group. The amounts in the following tables are in thousands of Euro.

Receivables - Customers

Description	31/12/2019	31/12/2018	Variation
Gruppo Cisco Systems	1,596	1,317	279
Consorzio Cored in liquidation	59	59	-
TOTAL	**1,655**	**1,376**	**279**

Payables - Suppliers

Description	31/12/2019	31/12/2018	Variation
Gruppo Cisco Systems	67,929	64,074	3,855
Consorzio Cored in liquidation	84	80	4
TOTAL	**68,013**	**64,154**	**3,859**

Costs

Description	31/12/2019	31/12/2018	Variation
Gruppo Cisco Systems	161,742	208,385	(46,643)
TOTAL	**161,742**	**208,385**	**(46,643)**

Revenues

Description	31/12/2019	31/12/2018	Variation
Gruppo Cisco Systems	742	1,154	(412)
TOTAL	**742**	**1,154**	**(412)**

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

Offices	31/12/2019			31/12/2018		
	Fixed remuneration	Equity compensation	Wages and salaries	Fixed remuneration	Equity compensation	Wages and salaries
Administrators	226	24	488	226	24	493
Statutory Auditors	79	18		81	0	
Strategic managers			1,327			1,640
TOTAL	**305**	**42**	**1,815**	**307**	**24**	**2,133**

Contingent liabilities

As discussed in the "Risks and uncertainties" and "Business Outlook" sections of the directors' report, Italtel, the main subsidiary of Exprivia S.p.A., is currently subject to the provisions of art. 2447 of the Italian Civil Code and was admitted by the Court of Milan on 11 March 2021 to the composition procedure as per its request submitted on 5 February 2021.

On the basis of an in-depth analysis carried out with the support of its consultants, the directors of Exprivia believe that, even in the unlikely event of a negative outcome of Italtel's composition with creditors and the initiation of any extraordinary or bankruptcy administration procedure, a remote possibility, the risk of contingent liabilities to which Exprivia could be exposed is insignificant and any contingent liabilities would be immaterial. For a more detailed discussion, see the section *"Risk of negative outcome of the Italtel composition procedure and related impacts on Exprivia"* of the Explanatory Notes.

Events after 31 December 2019

On 22 January 2020, Italtel SpA's Board of Directors announced the dates for the Shareholders' Meeting pursuant to art. 2447 of the Italian Civil Code, setting 31 January 2020 in first call and 14 February 2020 in second call.

On 31 January 2020, by means of a press release issued on the same date, Exprivia announced that the Shareholders' Meeting of the subsidiary Italtel was called off.

On 14 February 2020, by means of a press release issued on the same date, Exprivia announced that the Shareholders' Meeting of the subsidiary Italtel, in light of the progress of the discussions with the lending banks, resolved to adjourn the shareholders' meeting convened for the provisions under art. 2447 of the Italian Civil Code, with a new date to be set no later than 30 April.

On 28 February 2020, Italtel's Board of Directors called the Shareholders' Meeting, pursuant to art. 2447 of the Italian Civil Code, for 31 March 2020 in first call and 15 April 2020 in second call.

On 13 March 2020, Exprivia's Board of Directors resolved to postpone the approval of the Annual Report at 31 December 2019 until a new meeting to be held after the shareholders' meeting called by Italtel's Board of Directors pursuant to and for the purposes of art. 2447 of the Italian Civil Code, in first call on 31 March 2020 and possibly in second call on 15 April 2020. The postponement was necessary given the resolution of the Board of Directors of the investee Italtel, which met on 12 March last year, to postpone in turn the terms of approval of its financial statements given the events underlying the call of the shareholders' meeting pursuant to art. 2447 of the Italian Civil Code and pending contacts with the lending banks and other interlocutors aimed at identifying possible solutions relating to the financial position of Italtel.

On 31 March 2020, following disclosures made to the market on previous occasions, Exprivia announced that the Board of Directors of the investee Italtel, which met on 31 March 2020, given the persisting difficult situation already communicated to the market, resolved to submit an application for admission to the composition with creditors procedure pursuant to art. 160 et seq. of the Bankruptcy Law.

Exprivia also announced that it is in contact with a leading Fund active in the debt restructuring segment and that on 31 March 2020 Exprivia's Board of Directors resolved to grant this fund an exclusive right in the negotiations for a restructuring and relaunch of the subsidiary Italtel.

On 15 April 2020, Exprivia announced that the shareholders' meeting of the investee Italtel, held in second call, resolved to adjourn the Meeting, convened for the provisions under art. 2447 of the Italian Civil Code, to a new date. The decision was made in the light of the reservation request submitted by Italtel on 2 April 2020 and in the light of contacts with the Italtel credit class and with possible lenders for a restructuring and relaunch of Italtel.

On 28 April 2020, Exprivia's Board of Directors, in light of the filing by the subsidiary Italtel of the application for a "blank" composition agreement pursuant to article 161, paragraph 6, of the Finance Act, resolved to postpone the approval of the Annual Report required by art. 154-ter of the Consolidated Finance Act to a date to be defined, compatibly with the path undertaken by Italtel and with the overcoming of the uncertainties relating to its business continuity.

On 14 May 2020, Exprivia's Board of Directors announced the postponement of the approval of the additional periodic financial information at 31 March 2020 to a new meeting of the Board of Directors to be held on 18 May 2020.

On 18 May 2020, Exprivia's Board of Directors announced that it had postponed the approval of the Annual Report at 31 December 2019 and the Additional Periodic Financial Information at 31 March 2020 to a new meeting.

On 9 June 2020, Exprivia announced that the NFP/EBITDA parameter recorded on the consolidated operating data at 31 December 2019 relating to the Issuer's Group, as defined in the Bond Loan Regulation commented on in the explanatory note 17 of the consolidated financial statements, was equal to 2.5, lower than the limit of 3.0; for this reason, as required by art. 7 of the Loan Regulation, the annual interest rate for the period from 14 December 2019 to 14 December 2020 is reduced from 5.80% to 5.30%.

On 8 July 2020, Exprivia's Board of Directors acknowledged that, as of this report date, it was not possible to implement solutions for the relaunch of the subsidiary Italtel, consistent with the interests of Exprivia and its shareholders, and therefore resolved to discontinue the exploratory activities relating to its own intervention assumption, reserving the right to monitor the situation and reassess it according to future developments. In view of the uncertainty of the timing of the approval of the Group's consolidated results, the Board of Directors also resolved to request the voluntary and temporary exclusion of the STAR status from Borsa Italiana and the transfer to MTA for the Company's shares, pursuant to art. 2.5.7 of the Regulation of the Markets Organised and Managed by Borsa Italiana.

On 29 September 2020, Exprivia's Board of Directors announced that the Director Stefano Pileri communicated, on 28 September 2020 and effective at the same date, his resignation from the office of Director of Exprivia for professional reasons. Mr Pileri did not hold any other positions in the Issuer's internal committees.

On 27 November 2020, Exprivia announced that it had signed with a pool of banks composed of Banca Popolare di Puglia and Basilicata S.c.p.a., in the role of arranger and lender, Banca Popolare Pugliese S.c.p.a. in the role of lender, Banca Finanziaria Internazionale SpA in the role of agent bank and SACE Agent, a loan agreement, consisting of a medium-term cash line of credit, amounting to Euro 20 million, to be repaid within six years, of which two years of pre-amortisation. The transaction is aimed at supporting investments and financing the working capital after the Covid-19 impact, and is secured by "Garanzia Italia", issued in a short time by SACE, to guarantee 90% of the amount of the loan, pursuant to the Liquidity Decree (Decree Law no. 23 of 08/04/2020 converted into Law no. 40 of 05/06/2020).

On 2 December 2020, Exprivia's Board of Directors informed that it had co-opted Mr Giovanni Castellaneta, with resolution approved by the Board of Statutory Auditors, as non-independent Director with responsibility for business development, supporting the Chairman and Chief Executive Officer in the operations aimed at the growth of the Company and the Group.

On 23 December 2020, Exprivia's Board of Directors announced that it had decided to submit a binding and irrevocable offer in support of a proposal for a composition with creditors in continuity of Italtel.

On 1 January 2021, Exprivia informed that Italtel's Board of Directors, which met on 31 December 2020, resolved to accept the binding offer of PSC Partecipazioni S.p.A. in support of a proposal for a composition with creditors.

On 17 March 2021, Exprivia S.p.A. announced that on 11 March 2021 the Court of Milan had declared open the procedure for composition with creditors according to the plan proposed by Italtel pursuant to and for the purposes of articles 160 et seq. and 186-bis of the Bankruptcy Law, considering that the composition proposal submitted by Italtel on 5 February 2021 may be suitable to ensure the restructuring of debts and the satisfaction of creditors. At the same time, the Court set the date for the summons of creditors before the presiding judge and the deadlines for the other tasks.

On 17 March 2021, the final hearing was held in the criminal trial against the former subsidiary Exprivia Healthcare IT S.r.l. (merged by incorporation into Exprivia S.p.A. in 2017), for the administrative liability of the Entities. The trial related to the termination of the contract with the Motor Vehicle Department of the Province of Trento was concluded with the acquittal of all parties, in particular, with the acquittal, requested by the Public Prosecutor itself, of the Legal Representative for not having committed the fact and with a judgement of exclusion from administrative liability pursuant to Legislative Decree 231/01 towards the company Exprivia Healthcare IT S.r.l..

On 30 April 2021, the Parent Company announced that, with regard to the investee Italtel, it no longer deems to exercise control pursuant to IFRS 10 as from 31 December 2020. In particular, in view of a number of events that occurred in 2020 potentially significant but none considered conclusive for the purposes of the loss of control, the directors of Exprivia, with the support of their accounting and legal advisors, assessed that the resolution of Italtel's Board of Directors of 31 December 2020 not to accept the proposal of the shareholder Exprivia but to accept the offer of PSC constitutes the final and strongest event to determine in a definitive manner that Exprivia has lost control over Italtel.

Covid 19: the beginning of 2020 is characterised by what the WHO has defined as a pandemic related to the rapid spread of COVID-19, as called by the WHO. The main steps are described below.

On 31 December 2019, the Chinese government reported the presence, in the city of Wuhan, of a cluster of cases of pneumonia with an unknown trigger (later identified as a new SARS-CoV-II coronavirus). On 30 January 2020, following the aforementioned report from China, the WHO (World Health Organisation) declared the coronavirus epidemic in China as a public health emergency of international concern. The following day, 31 January 2020, the Italian Government declared a state of emergency with a resolution of the Council of Ministers and implemented the first measures to contain the contagion throughout the country, deeming that the risk context, especially with reference to the need to carry out a comprehensive forecasting and prevention action required the immediate adoption of extraordinary and urgent initiatives.

Right from the start Exprivia closely followed the evolution of the situation and, in order to protect the safety of its employees, customers and suppliers, immediately implemented a remote working policy that brought 95% of its staff to work remotely. From the analyses conducted, the impact of the virus on the Group's activities is not particularly significant and does not in any way call into question the ability of Exprivia and its subsidiaries to continue as a going concern.

At present, in light of the assessments carried out within a scenario that is in any case in constant and rapid evolution, Exprivia's Board of Directors highlights that the trend of the pandemic, despite the uncertainties related to further developments in terms of impact on public health and, consequently, on the national and international production, economic and social fabric, it did not have significant effects on the Group's performance in 2020 and it is believed that, at the moment, no major impacts on the equity, financial and economic situation of the same are foreseeable for the year 2021.

The Company has made and is making extensive and widespread use of the so-called remote activities but cannot, at the moment, rule out that a possible worsening of the spread of the virus and its "variants" could involve the risk, currently deemed to be limited and remote, a slowdown in its business, in the unavailability of personnel, in difficulties encountered by both public and private customers and, consequently, in a lower revenues and a reduction in margins.

The Board of Directors believes that what is happening does not change the solid medium-long term prospects of the Company and its subsidiaries.

The developments relating to the spread of the COVID-19 pandemic are not reflected in the assessments of the financial statements at 31 December 2019, as they are non-adjusting events.

Certification of the 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, certify the following, taking into account the provisions of art. 154-bis (3, 4) of Legislative Decree no. 58 of 24 February 1998:

- the adequacy, in relation to the characteristics of the Group and
- the effective application of administrative and accounting procedures to draft the consolidated financial statements for the reporting period at 31 December 2019.

Furthermore, it is certified that the consolidated financial statements:

a) were prepared in accordance with International Financial Reporting Standards (IFRS), which were adopted by the European Commission with regulation 1725/2003 as amended, and are suitable for giving an accurate and correct representation of the equity, economic and financial situation of the company;

b) the Directors' Report 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.

Molfetta, 30 April 2021

Domenico Favuzzi

Chairman and CEO

Valerio Stea

Executive manager responsible for preparing the corporate accounts

Independent Auditors' Report on the Consolidated Financial Statements of the Exprivia Group at 31 December 2019

Independent auditor's report

in accordance with article 14 of Legislative Decree No 39 of 27 January 2010 and article 10 of Regulation (EU) No 537/2014

To the shareholders of Exprivia SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Exprivia Group (the Group), which comprise the consolidated balance sheet as of 31 December 2019, the consolidated income statement, consolidated statement of comprehensive income, statement of changes in consolidated shareholders' equity, consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2019, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Those matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

pwc

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Goodwill	
"Note 2 – Goodwill" of the explanatory notes to the Consolidated Financial Statements as of 31 December 2019 of the Exprivia Group The value of goodwill as of 31 December 2019 amounted to Euro 69.1 million, corresponding to 16 per cent of total assets of the consolidated financial statements, net of an impairment loss of Euro 122.8 million recognised in the consolidated financial statements of the Exprivia Group as of 31 December 2019. We focused our audit on such financial statement area in consideration of: - the significance of the amount of goodwill also compared to the consolidated equity as of 31 December 2019; - the impact of the directors' estimates in relation to the future cash flows and the discounting rate applied to them on the determination of the recoverable amount. For the IT Cash Generating Unit, the recoverability of the value of goodwill allocated to it was verified by the directors through the comparison between the carrying value of the Cash Generating Unit and the related value in use, identifiable as the present value of future cash flows that are expected to be generated from such Cash Generating Unit using the Discounted Cash Flow model. For the TLC Cash Generating Unit, coinciding with the Italtel Group, the recoverability of the value of goodwill allocated to it was verified by the directors, also by means of an opinion drawn up by an independent professional appointed by the Company, through the comparison between the carrying value of the Cash Generating Unit and the related fair value net of costs to sell. The fair value was determined considering the binding offer made by a third party, which underpinned the Request for Composition with Creditors under and pursuant to articles 160 et seq. and 186-bis of	As part of our audit, we analysed the allocation of the goodwill amounts to the Cash Generating Units identified by the Company on the basis of what is provided for by international accounting standards. We analysed, with the support of the PwC network experts in evaluation models, the impairment tests of the Cash Generating Units to which goodwill was allocated, prepared by the Group; we also analysed the methodology used by management to develop the impairment tests in consideration of the prevailing professional evaluation practice and pursuant to is what envisaged by international accounting standards and specifically by IAS 36 adopted by the European Union. We verified the mathematical accuracy of the tests. We verified the correct allocation of the carrying amount of the assets attributable to the Cash Generating Units. We checked that all the assets included within the scope of the standard and recognised in the consolidated financial statements had been subject to impairment test. With reference to the future cash flows expected for the IT Cash Generating Unit, we verified that these agreed with data approved by the Company's Boards of Directors. With reference to the TLC Cash Generating Unit, of which the recoverable value has been set as the fair value less costs to sell, we read over the opinion drawn up by the independent expert appointed by the Company. Furthermore, we verified the consistency of the fair value net costs to sell with the binding offer submitted by a third party underlying the Request for Composition with Creditors of Italtel SpA. We analysed the main assumptions used in the preparation of the CGUs' forecast plans.

pwc

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
the Bankruptcy Law, submitted by Italtel SpA on 5 February 2021 and accepted by the Court of Milan on 11 March 2021 ("Request for Composition with Creditors"). From the comparison between the recoverable value of the TLC Cash Generating Unit, corresponding to the fair value net of costs to sell, and its carrying amount an impairment loss emerged equal to Euro 158.9 million, mainly attributable to the carrying amount of goodwill allocated to the TLC Cash Generating Unit (for Euro 122.8 million) and for the remaining part to the other assets of the Cash Generating Unit in accordance with IAS 36 adopted by the European Union ("IAS 36"). The discount rate (WACC) as well as the long-term growth rate (g) used by the directors were determined with the support of an independent expert who prepared the relevant report.	We evaluated the reasonableness and consistency of the prospective data used by the Company with the provisions of IAS 36 and the results reached in prior years. With the support of the PwC network experts, we recalculated the discounting and long-term growth rate on the basis of the expected inflation estimates. Moreover, we reperformed from a mathematical point of view the sensitivity analyses prepared by the Company. We verified that the allocation of the impairment loss arising from the impairment test of the TLC Cash Generating Unit had been allocated to reduce the carrying amount of the assets of the same Cash Generating Unit in accordance with the provisions of IAS 36. Finally, we considered the adequacy of the financial statement disclosures related to this key matter.

Emphasis of matter

We draw attention to paragraphs "*Crisis resolution process initiated by Italtel*", "*Considerations on the going concern of Italtel and impact on the process of preparation of the financial reporting of Exprivia*" and "*Risk of negative outcome of the Italtel composition procedure and related impacts on Exprivia*" of the explanatory notes where the directors of Exprivia SpA showed the crisis resolution process initiated at the end of 2019 by the main subsidiary Italtel SpA that, on 5 February 2021, submitted a request for a composition with creditors under and pursuant to articles 160 et seq. and 186-bis of the Bankruptcy Law, accepted by the Court of Milan on 11 March 2021. This entailed an extension of the timing for the preparation of the separate and consolidated financial statements of Exprivia SpA as of 31 December 2019.

Furthermore, the directors showed that the evaluations of certain items of the consolidated financial statements as of 31 December 2019 related to the Italtel Group, could be affected, even significantly, by the uncertainties linked to the development:

- of the composition with creditors procedure started by Italtel SpA and, in particular, in case of a negative outcome;

- of discussions with a major client regarding certain alleged breaches of contract, as largely commented on in note 10 to the consolidated financial statements as of 31 December 2019 of Exprivia SpA.

Our opinion is not qualified with reference to this matter.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate Exprivia SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

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

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

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

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

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 23 April 2014, the shareholders of Exprivia SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2014 to 31 December 2022.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Exprivia SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Exprivia Group as of 31 December 2019, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the Exprivia Group as of 31 December 2019 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Exprivia Group as of 31 December 2019 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of Exprivia SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.
We have verified that the directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by another auditor.

Bari, 3 June 2021

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 financial statements referred to in this report.

Statutory Auditors' Report to the General Shareholders' Meeting pursuant to art. 153 of Italian legislative decree 58/98 ("Consolidated Finance Act") and art. 2429 of the Italian Civil Code

Exprivia S.p.A.

Head Office Molfetta (BA), Via Adriano Olivetti 11

Tax Code 00721090298

VAT no. 09320730154

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING CALLED TO APPROVE THE 2019 FINANCIAL STATEMENTS (PURSUANT TO ART. 153 OF ITALIAN LEGISLATIVE DECREE 58/98 AND ART. 2429 OF THE ITALIAN CIVIL CODE)

Dear Shareholders,

the Board of Statutory Auditors of the company Exprivia S.p.A. (hereinafter also "the Company" or "the Issuer") presents its report pursuant to art. 153 of Italian Legislative Decree 58/1998 ("Consolidated Finance Law"), to report on the activities carried out.

During the financial year ending at 31 December 2019, the Board of Statutory Auditors of Exprivia S.p.A. (the "Company") conducted the oversight activities required by law (and, in particular, art. 149 of Italian Legislative Decree 58/1998 - "Consolidated Finance Law"), also taking into consideration CONSOB communications on company audits and activities exercised by the Board of Statutory Auditors and "*Principles of conduct of the Board of Statutory Auditors of companies listed on regulated capital markets*" recommended by the Italian National Board of Chartered Accountants.

The audit engagement was assigned, pursuant to Italian Legislative Decree 58/1998 and Italian Legislative Decree 39/2010, to the Independent Auditors PricewaterhouseCoopers SpA (hereinafter "Pwc" or "Independent Auditors").

The Board of Statutory Auditors in office on the date of this report was appointed by the Shareholders' Meeting of 27 April 2017, with term of office expiring on the date of the shareholders' meeting called to approve the financial statements as at 31 December 2019.

During the financial year ending at 31 December 2019, the Board of Statutory Auditors oversaw *(i)* compliance with the law and articles of association, *(ii)* compliance with the standards of correct administration, *(iii)* the adequacy of the company's organisation structure under its competence, the internal control system and the administrative/accounting system as well as the accuracy of the latter in correctly representing events in operations, *(iv)* procedures for actual implementation of the governance rules under the Corporate Governance Code provided by the Committee for Corporate Governance of listed companies and adopted by the Company and *(v)* the adequacy of rules issued to subsidiaries pursuant to art. 114(2) of the Consolidated Finance Law.

1

In addition, in its role as Committee for internal control and audit pursuant to art. 19 of Italian Legislative Decree no. 39 of 27 January 2010, the Board of Statutory Auditors also oversaw *(i)* the financial disclosure process, *(ii)* the efficiency of systems for internal control, internal audit and risk management, *(iii)* independent audits of annual accounts and consolidated accounts, *(iv)* the independence of the external auditor.

To that end, the Board of Statutory Auditors acquired the information in preparation for carrying out the oversight duties attributed to it by participating in the meetings of the Board of Directors and the Board Committees, the presentations of Company Management, meetings with the independent auditors, with the Supervisory Board and the associated control bodies of the main subsidiaries, the analysis of the information flows acquired by the competent company structures, as well as additional control activities.

The Board has, in addition, carried out the self-assessment process relating to 2019 in order to obtain the opinions of the members of the control body regarding the functioning and composition and to evaluate the satisfaction of the independence requirement by its members, based on the criteria set forth in the Consolidated Finance Law, the Rules of Conduct of the Board of Statutory Auditors for listed companies issued by the Italian National Board of Chartered Accountants and the Corporate Governance Code promoted by Borsa Italiana S.p.A..

The Board of Directors was notified of the outcome of the audit for all the necessary obligations and, in particular, to allow the Board to communicate, in the corporate governance report, that the members of the control body meet the independence requirements set forth in art. 148 of the Consolidated Finance Law.

Effective from 22 July 2020, the Company requested and obtained from Borsa Italiana the exclusion of its ordinary treasury shares from the STAR classification and the transfer of said shares to the MTA (electronic equity market) segment, therefore informing Consob of its re-inclusion under the definition of SME pursuant to art. 1(1), letter w-quater 1), of the Consolidated Finance Law.

This Report is drafted according to the requirements of Consob Communication no. DEM/1025564 of 6 April 2001 and subsequent additions and amendments.

1. CONSIDERATIONS ON THE MOST SIGNIFICANT ECONOMIC, FINANCIAL AND EQUITY TRANSACTIONS CARRIED OUT BY THE COMPANY AND THEIR COMPLIANCE WITH LAW AND THE ARTICLES OF ASSOCIATION.

The Board monitored the most significant economic, financial and equity transactions carried out by the Company in 2019, which it became aware of by participating in Shareholders' Meetings, those held by the Board of Directors, the Appointments and Remuneration Committee and the Control and Risks Committee, and by engaging in dialogue with senior management. The transactions were found to be compliant with the law and the articles of association.

In particular, the events and circumstances of particular significance that characterised the activities of Exprivia and its subsidiaries in 2019 are outlined below, highlighting the corresponding audit activities of the Board of Statutory Auditors:

- in 2019, the subsidiary Italtel began to encounter difficulties in its reference markets, which led to performances gradually diverging from the targets of the debt restructuring plan agreed with its financing banks and approved in accordance with art. 182-bis of the Bankruptcy Law;
- in light of the difficulties and subsequent deviations from the forecasts, on preparation of the Half-Yearly Financial Report as at 30 June 2019, Exprivia's Board of Directors acknowledged the decrease in revenues relating to the TLC operating segment, within the perimeter of the subsidiary Italtel, notifying the market of the need to revise the 2019 estimates with respect to those forecast in the 2018-2023 Business Plan;
- on 10 July 2019, Exprivia's Board of Statutory Auditors met with Italtel's Board of Statutory Auditors as part of the customary exchange of information, recommending continuous updating regarding the subsidiary's performance with particular regard to the emergence of criticalities relating to the investee's economic and financial position;
- at the meeting on 3 October 2019, the Board verified the actual existence of a department responsible and of coordination of relations between the subsidiaries and the Parent Company, for the timely identification and transmission of the necessary information for fulfilling the communication obligations set forth by law;
- on 12 November 2019, Italtel's administrative body:
  - (i) deemed it necessary to launch the verification of the value of some of Italtel's assets (in particular, goodwill and deferred tax assets), with the support of an independent third-party expert, EY S.p.A.;
  - (ii) initiated discussions with its lenders to weigh up possible solutions in light of the new business prospects in the process of being drawn up;
  - (iii) in light of the in-depth analyses considered necessary, resolved to postpone the approval of the data to 30 September 2019, limiting itself to sending to the Parent Company Exprivia only the data relating to revenues, EBITDA and the net financial position;
- subsequently, Exprivia's Board of Directors, which met on 13 November 2019, resolved, in turn, to postpone the approval of the interim management report to 30 September 2019, notifying the market on the same date.

As a result of the checks conducted on goodwill and deferred tax assets, that determined write-downs which reduced the shareholders' equity to below the legal minimum, on 13 December 2019, Italtel's Board of Directors resolved to call the shareholders' meeting for the measures pursuant to art. 2447 of the Italian Civil Code. At the same time, Italtel initiated discussions: (i) with banks, (ii)

3

with the shareholders Exprivia and Cisco BV, as well as (iii) with third party financial and industrial entities in order to explore potential ways of supporting Italtel.

In 2019, the Board constantly monitored the overall situation of the Company and the Group, also through frequent meetings with the Company Management, the Independent Auditors and the advisors of Exprivia, as well as with the Company Management, Control Body, the Independent Auditors and advisors and consultants of Italtel, verifying prompt and consistent disclosure to the market.

As part of its audit activities, the Board of Statutory Auditors also continuously monitored the directors' observance of the procedural rules regarding the preparation of the 2019 Annual Financial Report, verifying the full observance of the obligations regarding information that is regulated, privileged or requested by the Supervisory Authorities.

In this regard, with particular reference also to the process of preparation of the 2019 financial statements, the following significant events and circumstances which occurred after the close of 2019 are highlighted:

- in light of the progress status of the aforementioned discussions geared towards defining a crisis resolution process, on 14 February 2020, the shareholders' meeting of Italtel, which met on second call as the first was not quorate, resolved to postpone the shareholders' meeting called for the measures pursuant to art. 2447 of the Italian Civil Code to a new date;
- on 13 March 2020, the Issuer informed the market of the postponement of approval of the 2019 Annual Financial Report, owing to Italtel's financial tension and the subsequent unavailability of approved financial data of the subsidiary and the necessary information to be able to evaluate whether or not the investee could continue to operate on a going concern basis;
- taking account of the persistence of the financial crisis and capital imbalance situation, on 31 March 2020, Italtel's Board of Directors resolved to make use of the 'concordato in bianco' (composition with creditors with right to file additional documents at a later stage) mechanism, pursuant to art. 161(6) of the Bankruptcy Law, by filing the preliminary request on 2 April 2020 and registering it in the Register of Companies on 7 April 2020;
- again on 31 March 2020, Exprivia's Board of Directors resolved to grant to a leading investment fund an exclusive right in the negotiations for a joint turnaround and relaunch operation for Italtel, to be carried out through the acquisition, by the aforementioned fund, of the credit of Italtel's financing banks and co-investment together with Exprivia for the definitive relaunch of Italtel, by communicating said decision to the market on the same date;
- owing to the ongoing situation of uncertainty of Italtel and taking account of the company's filing of an application for a 'concordato in bianco' pursuant to and in accordance with art. 161 of the Bankruptcy Law, Exprivia's Board of Directors, in view of the impossibility of drafting the consolidated financial statements according to IAS-IFRS and based on the in-depth

4

analyses conducted with the help of external advisors, resolved to postpone the approval of the 2019 draft Annual Financial Report to such time when the prerequisites set forth in the International Accounting Standards are satisfied, by informing the market, on the same sate, of any resolutions passed;

- based on various "emergency" legislative measures issued to deal with the consequences of the Covid-19 epidemic which ordered the suspension of the terms of the legal proceedings from 9 March 2020 to 11 May 2020, as well as pending the procedure relating to a subsequent request of the Company, the Court of Milan, by means of measure dated 13 August 2020, granted an extension of the deadline, pursuant to art. 161(6) of the Bankruptcy Law, until 7 December 2020, a term which, again based on a request by Italtel, was further extended until 5 February 2021;
- in the period between 7 April 2020 and the date of filing of the appeal pursuant to articles 161 and 186-bis of Bankruptcy Law, Italtel made attempts to preserve sales relations with customers and suppliers to ensure the business continuity which characterised the composition with creditors proposal formulated to the creditors;
- in the same period, following presentation of the preliminary request, furthermore, Italtel, with the help of the appointed financial advisor, KPMG, commenced the process, within the national and international market, of searching for an investor and/or multiple investors interested in the Company, with a view to its restructuring and relaunch;
- the investor search and offer selection process forming the bedrock of Italtel's application for a composition with creditors and the associated plan was long and well-structured, which culminated in Italtel's Board of Directors, which met on 31 December 2020, examining and comparing the binding offers of PSC Group and Exprivia in order to identify the most advantageous one that protects the interests of Italtel and its creditors;
- Italtel's Board of Directors resolved to choose PSC Group's binding offer as the one to the form the basis of the application for admission to the composition with creditors procedure and the associated composition with creditors plan of Italtel, presented to the Court of Milan on 5 February 2021;
- by means of an authorised memorandum of clarifications and supplementary documentation of 1 March 2021, Italtel responded to the request for clarifications and additions formulated by the Court of Milan under decree dated 15 February 2021;
- on 5 March 2021, Italtel's Board of Directors approved the *consolidated reporting package as at 31 December 2019;*
- by means of decree of 11 March 2021, the Court of Milan declared the composition with creditors procedure presented by Italtel to be open;
- on 30 April 2021, Exprivia's Board of Directors approved the draft Financial Statements of the

5

Parent Company Exprivia as at 31 December 2019.

2. INDICATION OF THE EXISTENCE OF ATYPICAL AND/OR UNUSUAL TRANSACTIONS, INCLUDING INTERCOMPANY OR WITH RELATED PARTIES.

In 2019, the Board did not find any irregular and/or unusual transactions with companies in the Group, third parties or related parties.

The ordinary transactions conducted with companies in the Group and related parties described in the Directors' Report on Operations, which contains a detailed description of the risks and uncertainties the Company and Group are exposed to, and the Explanatory Notes, to which reference should be made, are consistent with the interests of the Company. Information on the events characterising operations and business outlook is provided in an extensive and clear manner.

3. EVALUATION REGARDING THE ADEQUACY OF THE INFORMATION PROVIDED, IN THE DIRECTORS' REPORT ON OPERATIONS, REGARDING ATYPICAL AND/OR UNUSUAL TRANSACTIONS, INCLUDING INTERCOMPANY OR WITH RELATED PARTIES.

Concerning the transactions mentioned above (point 2), the Board considers the information provided in the Directors' Report on Operations and Explanatory Notes to be adequate.

4. OBSERVATIONS AND PROPOSALS ON THE REMARKS AND REQUESTS FOR INFORMATION CONTAINED IN THE INDEPENDENT AUDITORS' REPORT.

On 3 June 2021, the independent auditors PricewaterhouseCoopers S.p.A. issued the reports in accordance with art. 14 of Italian Legislative Decree no. 39 of 27 January 2010 and art. 10 of Regulation (EU) no. 537/2014, in which it certifies that the separate financial statements of Exprivia S.p.a. and the consolidated financial statements of the Exprivia Group provide a true and fair value of the financial position, the economic result and the cash flows for the year ended as at 31 December 2019, in compliance with the *International Financial Reporting Standards* adopted by the European Union, as well as the measures issued in implementation of art. 9 of Italian Legislative Decree no. 38/05.

In this regard, in the report on the audit of the consolidated financial statements, the Independent Auditors draw attention to the "*paragraphs "Crisis resolution process initiated by Italtel", "Considerations on the going concern of Italtel and impact on the process of preparation of the financial reporting of Exprivia" and "Risk of negative outcome of Italtel's composition with creditors procedure and related impacts on Exprivia" of the explanatory notes, in which Exprivia SpA's directors outlined the crisis resolution process initiated at the end of 2019 by the main subsidiary Italtel SpA that, on 5 February 2021, submitted the application for a composition with creditors pursuant to and in accordance with articles 160 and subsequent amendments and additions and 186-bis of the Bankruptcy Law, admitted by the Court of Milan on 11 March*

2021. This led to the lengthening of the time frame for preparing the separate and consolidated financial statements of Exprivia SpA at 31 December 2019.

The directors also indicate that the valuations of certain items in the consolidated financial statements as at 31 December 2019 of the Italtel Group could be affected, including significantly, by the uncertainties related to developments of:

- *the composition with creditors procedure initiated by Italtel SpA and, in particular, in the event of a negative outcome thereof;*
- *discussions initiated with a leading customer regarding certain alleged contractual breaches, as commented in more detail in the explanatory note no. 10 to the consolidated financial statements as at 31 December 2019 of Exprivia SpA".*

With reference to said aspect, the judgment of the Independent Auditors does not contain any remarks.

The reports mentioned above also certify that the directors' report and disclosures required under art. 123-bis, paragraph 1, letters c), d), f), l), and m) and paragraph 2, letter b) of the Consolidated Finance Act provided in the corporate governance and ownership report are consistent with the year-end separate financial statements and consolidated financial statements.

The Board of Statutory Auditors has examined the annual confirmation of independence pursuant to article 6(2), letter a) of European Regulation 537/2014 and pursuant to paragraph 17 of International Standard on Auditing ISA 260 issued on 3 June 2021, in which PricewaterhouseCoopers S.p.A. confirmed that it had respected the ethical principles pursuant to articles 9 and 9 bis of Italian Legislative Decree 39/2010 and that it had not identified situations that could compromise the independence of the Independent Auditor pursuant to articles 10 and 17 of Italian Legislative Decree 39/2010 and articles 4 and 5 of European Regulation 537/2014.

5. INDICATIONS OF ANY PRESENTATION OF REPORTS PURSUANT TO ART. 2408 OF THE ITALIAN CIVIL CODE, OF ANY INITIATIVES UNDERTAKEN AND THE RELEVANT OUTCOMES

No reports provided under art. 2408 of the Italian Civil Code were submitted during the year.

6. INDICATIONS OF ANY PRESENTATION OF COMPLAINTS, OF ANY INITIATIVES UNDERTAKEN AND THE RELEVANT OUTCOMES.

The Board is not aware of any notices of complaint or objection to be mentioned in this report.

7. INDICATION OF ANY ASSIGNMENT OF ADDITIONAL ENGAGEMENTS TO THE INDEPENDENT AUDITORS AND THE ASSOCIATED COSTS

In 2019, the Company disbursed Euro 208,000.00 to PricewaterhouseCoopers S.p.A. for audit services and Euro 6,000.00 for non-audit services, whereas the subsidiaries of Exprivia S.p.A.

disbursed Euro 532,000.00 to PricewaterhouseCoopers S.p.A. for audit services and Euro 16,000.00 for non-audit services.

Taking account of the type of professional services provided, and the confirmation of independence and absence of incompatibility issued by PricewaterhouseCoopers S.p.A., the Board of Statutory Auditors believes that no critical aspects emerged with respect to the independence of the Independent Auditor.

8. INDICATION OF ANY ASSIGNMENT OF ENGAGEMENTS TO ENTITIES THAT HAVE ONGOING RELATIONS WITH THE INDEPENDENT AUDITORS AND THE ASSOCIATED COSTS

In 2019, Exprivia S.p.A. did not assign any engagement to entities that have ongoing relations with Pwc S.p.A. and/or companies belonging to the latter's network.

9. INDICATION OF THE EXISTENCE OF THE OPINIONS ISSUED IN ACCORDANCE WITH LAW DURING THE YEAR

In 2019, the Board of Statutory Auditors issued its opinions and statements required by law.

In accordance with the Corporate Governance Code, the Board of Statutory Auditors also ensured:

a) the correct application of policies and procedures adopted by the Board of Directors to assess the independence of its members in accordance with the law and the Corporate Governance Code;

b) the continuity of requirements for Statutory Auditors to be considered independent - already ensured prior to their appointment - in accordance with the law and the Corporate Governance Code.

Each member of the Board also states their compliance with the limit on the number of offices they can hold in accordance with art. 148-bis(1) of the Consolidated Finance Law. The members of the Board of Statutory Auditors agree on the need to notify the Board of Directors and other members of the Board of Statutory Auditors in the event of any transactions that might be for personal interest or for the interest of others.

10. INDICATION OF THE FREQUENCY AND NUMBER OF MEETINGS OF THE BOD, THE EXECUTIVE COMMITTEE AND THE BOARD OF STATUTORY AUDITORS.

With reference to the composition of the Board of Directors, the following changes occurred in 2019:

(i) on 14 March 2019, the Executive Director Filippo Giannelli resigned, and the Executive Director Stefano Pileri was co-opted as his replacement, whose appointment was confirmed by the Shareholders' Meeting on 29 April 2019, up until expiry of the Board of Directors in office;

(ii) in addition, the Independent Director Eugenio Di Sciascio resigned on 28 August 2019. The resignation of the Director did not involve a reduction in the number of independent directors below the threshold set by the Corporate Governance Code, as four independent directors of a total of eight

directors remained in office, nor did it alter the gender balance within the Board, which decided not to co-opt a replacement for the outgoing director, based on the expiry of the Board on approval of the financial statements as at 31 December 2019.

In 2019, the Company's Board of Directors held seven meetings, the Control and Risks Committee held two meetings and the Appointments and Remuneration Committee held two meetings.

In the same year, the Board of Statutory Auditors held seven meetings. The Board also participated in all the board meetings and shareholders' meetings held during the year.

The Board of Statutory Auditors, represented by the Chairman, also participated in meetings held by the Control and Risks Committee and Appointments and Remuneration Committee.

11. OBSERVATIONS ON RESPECT FOR THE PRINCIPLES OF CORRECT ADMINISTRATION

The Board of Statutory Auditors acquired information on the matters within its competence and oversaw compliance with the standards of correct administration and adequacy of the Company's administrative structure for the purpose of complying with such standards.

In particular, concerning the Board of Directors' decision-making processes, the Board of Statutory Auditors ensured the decisions made by the Directors comply with the law and the articles of association and ensured that related resolutions did not conflict with the interests of the Company.

With reference to Italtel's crisis resolution process and the impact on the financial disclosure preparation process, the Issuer's directors, following the filing of the composition with creditors proposal and its admission by the Court of Milan, despite the presence of major uncertainties, considered that the successful outcome of Italtel's composition with creditors procedure appears, reasonably speaking, to be extremely more likely than rejection of the composition with creditors, also on the basis of the following factors:

(i) progress status of the procedure, declared admissible by the decree of the Court of Milan on 11 March 2021;

(ii) satisfaction of creditors;

(iii) subjective profile of the players involved in the turnaround.

Therefore, in light of the factors identified, as well as on the basis of the opinions expressed by professionals of prime standing as part of the business consultancy on crisis resolution procedures, Exprivia's directors saw fit to continue to apply the assumption of Italtel as a going concern in preparing the Issuer's consolidated financial statements.

In addition, on the basis of analyses carried out with the support of its consultants, Exprivia's directors believe that, even in the unlikely event of a negative outcome of Italtel's composition with creditors and the initiation of any extraordinary or bankruptcy administration procedure, a possibility deemed remote by the directors, the risk of contingent liabilities to which Exprivia could be exposed is insignificant and any contingent liabilities would be immaterial.

9

Based on the information provided and the oversight activities carried out, the Board believes that the principles of correct administration and disclosure have been respected.

The Board of Statutory Auditors oversaw the compliance of Exprivia's Consolidated Non-Financial Statement for the year 2019 with the provisions of Italian Legislative Decree no. 254/2016 and the adequacy of the procedures, processes and structures governing the production, reporting, measurement and presentation of the results and information of that nature.

In this regard, the Control Body reviewed the report issued by BDO Italia S.p.a. on 2 June 2021, pursuant to article 3(10), of Italian Legislative Decree no. 254/2016 and article 5 of CONSOB Regulation no. 20267/2018.

In application of the regulation pursuant to article 1, paragraphs 125 and 126 of Italian Law 124/2017, the Company provided a disclosure in its Annual Financial Report as at 31 December 2019 regarding contributions from government administrations or equivalent entities.

12. OBSERVATIONS ON THE ADEQUACY OF THE ORGANISATIONAL STRUCTURE

The Board of Statutory Auditors monitored the Company's organisational structure. In light of the oversight activities performed and for matters within its competence, the Board considers the structure to be adequate on the whole.

13. OBSERVATIONS ON THE ADEQUACY OF THE INTERNAL CONTROL SYSTEM, IN PARTICULAR OF THE ACTIVITIES CARRIED OUT BY THOSE RESPONSIBLE FOR INTERNAL CONTROL, AND INDICATION OF ANY CORRECTIVE ACTIONS TAKEN AND/OR THOSE STILL TO BE IMPLEMENTED.

The Board of Statutory Auditors oversaw the Company's internal control system by interacting and coordinating with the Control and Risks Committee, the head of Internal Audit, the Chief Executive Officer in his position as Officer in charge of the internal control and risk management system and with the Supervisory Body.

In addition, in its role as Committee for internal control and audit pursuant to art. 19 of Italian Legislative Decree no. 39 of 27 January 2010, the Board of Statutory Auditors also acknowledges that in the customary exchange of information with the Independent Auditor and based on the additional report set forth under article 11 of Regulation (EU) no. 537/2014, pursuant to the same article 19 of Italian Legislative Decree no. 39 of 27 January 2010, there were no significant deficiencies in the internal control system with respect to financial disclosure. The Board ensured a constant flow of information and liaised with the Independent Auditor and with the Control and Risks Committee.

Furthermore, the Board of Statutory Auditors oversaw transactions carried out by the Company with related parties, ensuring the implementation and correct application of the procedure approved by the Board of Directors following the issue of CONSOB Regulation no. 17221 of 12 March 2010.

In light of the oversight activities performed and also taking into consideration the assessment of adequacy, effectiveness and actual functioning of the internal control system made by the Control and Risks Committee and by the Board of Directors, the Board of Statutory Auditors finds, to the extent of its competence, that the system is adequate on the whole.

14. OBSERVATIONS ON THE ADEQUACY OF THE ADMINISTRATIVE-ACCOUNTING SYSTEM AND ITS RELIABILITY TO CORRECTLY REPRESENT MANAGEMENT EVENTS

The Board of Statutory Auditors oversaw the Company's accounting/administration system and its accuracy in correctly representing events in operations by gathering information from the Executive manager responsible for preparing the corporate accounts and the heads of the competent departments, by reviewing company documentation and by analysing the results of the work performed by the Independent Auditors.

The Board of Statutory Auditors also monitored the financial disclosure process.

The Board of Statutory Auditors acknowledged the certifications issued by the Chief Executive Officer and the Executive Manager responsible for preparing the corporate accounts of Exprivia on the adequacy of the administrative and accounting procedures for the preparation of the financial statements and the consolidated financial statements for 2019.

15. OBSERVATIONS ON THE ADEQUACY OF THE PROVISIONS HANDED DOWN BY THE COMPANY TO ITS SUBSIDIARIES PURSUANT TO ARTICLE 114, PARAGRAPH 2 OF ITALIAN LEGISLATIVE DECREE 58/1998.

We have no comments to make on the adequacy of information flows from the subsidiaries to ensure the communication obligations required by law.

16. OBSERVATIONS ON ANY RELEVANT ASPECTS THAT EMERGED IN THE MEETINGS HELD WITH THE AUDITORS PURSUANT TO ARTICLE 150(2), OF ITALIAN LEGISLATIVE DECREE 58/1998

During the year, the Board of Statutory Auditors held frequent meetings with the independent auditor, during which relevant data and information was exchanged in accordance with article 150(3) of the Consolidated Finance Law.

The Board of Statutory Auditors analysed the activities carried out by the Independent Auditors, with particular reference to the audit approach and strategy for 2019, as well as the definition of the audit plan. The main themes and associated company risks were shared, so that the adequacy of the auditor's planned response could be evaluated.

The Board of Statutory Auditors assessed, based on the information acquired from the independent auditors and the Company's management, the observance of the IAS/IFRS, as well as the other legislative and regulatory provisions regarding the preparation and approach of the separate financial statements, the consolidated financial statements and the report on operations accompanying them.

17. INDICATION OF ANY COMPANY COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE CORPORATE GOVERNANCE COMMITTEE FOR LISTED COMPANIES

The corporate governance system adopted by the Company is described in detail in the Report on Corporate Governance and Ownership Structures for 2019 approved by the Board of Directors on 30 April 2021.

The Issuer adhered to the Corporate Governance Code for listed companies approved by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A.

The Board of Statutory Auditors monitored the methods of practical implementation of the rules of corporate governance contained therein, with no observations to make in this regard.

During the meeting for approval of the aforementioned Report on Corporate Governance, the Issuer resolved to adhere to the Corporate Governance Code, which applies from 2021. Therefore, Exprivia will complete the adjustment of its corporate governance system into line with the principles and recommendations of the new Code by the end of the current year.

18. CLOSING EVALUATIONS REGARDING THE OVERSIGHT ACTIVITIES CARRIED OUT AS WELL AS REGARDING ANY OMISSIONS, REPREHENSIBLE EVENTS OR IRREGULARITIES IDENTIFIED DURING SAID ACTIVITIES

Within the scope of oversight and control activities performed during the year, there were no signs of reprehensible events, omissions or significant irregularities that would require mentioning in this report.

19. INDICATION OF ANY PROPOSALS TO BE PRESENTED TO THE SHAREHOLDERS' MEETING PURSUANT TO ARTICLE 153(2), OF ITALIAN LEGISLATIVE DECREE 58/98

The Board of Directors acknowledges that on, 30 April 2021, the Chief Executive Officer and the Executive Manager responsible for preparing the corporate accounts issued the statement prescribed by art. 154-bis(5) of Italian Legislative Decree no. 58/1998, according to the model indicated under art. 81-ter of Consob Regulation no. 11971/1999.

To its knowledge, the Board found that there were no departures from legal rules when preparing the year-end consolidated and separate financial statements.

The Board, also considering the results of activities conducted by the audit committee, within the scope of its competence on its general compliance with the law with respect to its presentation and structure and completeness, does not have any reasons to prevent approval of the financial statements as at 31 December 2019 as well as the draft prepared and approved by the Board of

Directors at the meeting on 30 April 2021, and agrees with the latter regarding the proposed coverage of loss for the year.

The Board of Statutory Auditors also acknowledges that the Shareholders' Meeting was called, in relation to the epidemiological emergency (Covid-19), with methods consistent with the exceptional regulation contained in Italian Decree Law no. 18 of 17 March 2020.

At the end of its mandate, the Board of Statutory Auditors thanks the Shareholders for their confidence shown and invites them to pass the inherent and consequent resolutions.

Bari, 3 June 2021

Board of Statutory Auditors

Ignazio Pellecchia - Chairman

Anna Lucia Muserra - Standing Auditor

Mauro Ferrante - Standing Auditor

13

Separate Financial Statements of Exprivia SpA at 31 December 2019

Financial statements of Exprivia SpA at 31 December 2019

Balance Sheet

Amount in Euro	Note	31/12/2019	31/12/2018
Property, plant and machinery	1	18,659,974	14,608,649
Goodwill and other assets with an indefinite useful life	2	66,791,188	66,791,188
Other Intangible Assets	3	10,454,886	11,010,531
Shareholdings	4	8,998,573	35,854,870
Other financial assets	5	2,605,535	2,691,909
Other financial assets	6	750,832	52,736
Deferred tax assets	7	1,535,858	1,701,485
NON-CURRENT ASSETS		**109,796,846**	**132,711,368**
Trade receivables and other	8	46,132,767	45,424,999
Stock	9	706,298	754,546
Work in progress to order	10	17,894,860	19,145,370
Other Current Assets	11	11,668,964	9,649,524
Other Financial Assets	12	1,511,228	3,566,476
Cash resources	13	7,101,436	3,806,809
Other Financial Assets available for sale	14	178,189	326,740
CURRENT ASSETS		**85,193,742**	**82,674,464**
TOTAL ASSETS		**194,990,588**	**215,385,832**

Amount in Euro

	Note	31/12/2019	31/12/2018
Share capital	15	24,866,060	25,082,911
Share Premium Reserve	15	18,081,738	18,081,738
Revaluation reserve	15	2,907,138	2,907,138
Legal reserve	15	4,170,518	3,958,799
Other reserves	15	29,192,669	26,115,276
Profit (Loss) for the period		(22,864,575)	4,234,366
SHAREHOLDERS' EQUITY		**56,353,548**	**80,380,228**
Non-current bond	16	18,163,571	22,550,163
Non-current bank debt	17	1,538,546	15,071,317
Other financial liabilities	18	3,890,546	41,559
Other no current liabilities	19	1,878,208	3,285,607
Provision for risks and charges	20	676,359	233,820
Employee provisions	21	9,097,863	9,708,411
Deferred tax liabilities	22	2,126,709	2,074,945
NON CURRENT LIABILITIES		**37,371,802**	**52,965,822**
Current bond	23	4,522,117	
Current bank debt	24	26,017,958	20,141,892
Trade payables	25	24,732,850	26,932,736
Advances payment on work in progress contracts	26	5,730,069	4,905,593
Other financial liabilities	27	5,945,950	718,790
Other current liabilities	28	34,316,294	29,340,771
CURRENT LIABILITIES		**101,265,238**	**82,039,782**
TOTAL LIABILITIES		**194,990,588**	**215,385,832**

Income Statement

Amount in Euro	Note	2019	2018
Revenues	29	142,441,761	137,535,824
Other income	30	6,345,319	5,041,434
PRODUCTION REVENUES		**148,787,080**	**142,577,258**
Costs of raw, subsid. & consumable mat. and goods	31	6,405,058	4,179,181
Salaries	32	88,788,853	88,888,618
Costs for services	33	34,050,446	29,505,775
Costs for leased assets	34	460,482	2,739,821
Sundry operating expenses	35	829,920	747,648
Change in inventories of raw materials and finished products	36	(85,044)	42,401
Provisions	37	1,474,957	323,974
TOTAL PRODUCTION COSTS		**131,924,672**	**126,427,418**
DIFFERENCE BETWEEN PRODUCTION COSTS AND REVENUES		**16,862,408**	**16,149,840**
Amortisation, depreciation and write-downs	38	**34,111,162**	**6,008,776**
OPERATIVE RESULT		**(17,248,754)**	**10,141,064**
Financial income and charges	39	(3,338,564)	(3,102,959)
PRE-TAX RESULT		**(20,587,318)**	**7,038,105**
Income tax	40	2,277,257	2,803,739
PROFIT OR LOSS FOR YEAR	**41**	**(22,864,575)**	**4,234,366**

Statement of Comprehensive Income

Amount in Euro			
Description	**Note**	**2019**	**2018**
Profit for the year		**(22,864,575)**	**4,234,366**
Other comprehensive profits (losses) that will not be subsequently reclassified in profit (loss) for the year			
Profit (loss) Actuarial effect of IAS 19		(126,521)	263,950
Tax effect of changes		30,365	(63,348)
Total other comprehensive profits (losses) that will not be subsequently reclassified in profit (loss) for the year	**15**	**(96,156)**	**200,602**
Other comprehensive profits (losses) which will subsequently be reclassified in profit (loss) for the year			
Profit (loss) on FVOCI financial assets		(148,552)	(128,596)
Profit (loss) on cash flow hedge derivatives			
Tax effect of the changes			
Total other comprehensive profits (losses) that will be subsequently reclassified in profit (loss) for the year	**15**	**(148,552)**	**(128,596)**
TOTAL PROFIT (LOSS) FOR THE YEAR		**(23,109,283)**	**4,306,372**

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Statement of Changes in Shareholders' Equity

Amount in Euro	Company Capital	Own shares	Share Premium Fund	Reval. Reserve	Legal Reserve	Other Reserves	Profit (Loss) for the period	Total Net Worth
Balance at 31/12/2017	26,979,658	(1,824,759)	18,081,738	2,907,138	3,931,382	23,142,758	548,350	73,766,265
Adoption of IFRS 15 / IFRS 9						(185,528)		(185,528)
Adjusted balance at 31/12/2017	26,979,658	(1,824,759)	18,081,738	2,907,138	3,931,382	22,957,230	548,350	73,580,737
Allocation of the previous year's result					27,417	520,933	(548,350)	-
Tax effect from goodwill from mergers						(507,000)		(507,000)
Purchase of own shares		(71,988)				(71,880)		(143,868)
Merger reserve						3,062,948		3,062,948
Figurative stock grant value						81,039		81,039
Components of comprehensive income:								
Profit (loss) for the year							4,234,366	4,234,366
Effects of applying IAS 19						200,602		200,602
Profit (loss) on FVOCI financial assets						(128,596)		(128,596)
Total comprehensive income (loss) for the year								4,306,372
Balance at 31/12/2018	26,979,658	(1,896,747)	18,081,738	2,907,138	3,958,799	26,115,276	4,234,366	80,380,228
Components of the overall result:						(510,418)		(510,418)
Adjusted balance as at 31/12/2018	26,979,658	(1,896,747)	18,081,738	2,907,138	3,958,799	25,604,858	4,234,366	79,869,810
Allocation of the previous year's result					211,719	4,022,647	(4,234,366)	0
Purchase of own shares		(232,447)				(126,366)		(358,813)
Sales of own shares		15,596				17,275		32,871
Figurative stock grant value						(81,037)		(81,037)
Components of comprehensive income:								
Profit (loss) for the year							(22,864,576)	(22,864,575)
Effects of applying IAS 19						(95,156)		(95,156)
Profit (loss) on FVOCI financial assets						(148,552)		(148,552)
Total comprehensive income (loss) for the year								(23,109,283)
Balance at 31/12/2019	26,979,658	(2,113,598)	18,081,738	2,907,138	4,170,518	29,192,669	(22,864,575)	56,353,548

Cash Flow Statement

Amount in Euro	NOTE	31.12.2019		31.12.2018	
Financial statement	**42**				
Operating activities:					
Profit (loss) for the year	41	(22,864,575)	(1)	4,234,366	(1)
Amortisation, depreciation and provisions		36,947,824		6,413,788	
Provision for Severance Pay Fund		4,399,904		4,387,702	
Advances/Payments Severance Pay		(5,136,973)		(4,887,583)	
Adjustment of value of financial assets		11,115		23,908	
Cash flow generated (absorbed) from operating activities	a	**12,357,295**		**10,172,181**	
Increase/Decrease in net working capital:					
Variation in stock and payments on account		2,133,886		(399,650)	
Variation in receivables to customers		(709,807)		7,931,433	
Variation in receivables to parent/subsidiary/associated company		(646,800)		(356,032)	
Variation in other accounts receivable		(2,469,469)		(783,883)	
Variation in payables to suppliers		922,156		(1,119,834)	
Variation in payables to parent/subsidiary/associated company		(228,537)		4,425,328	
Variation in tax and social security liabilities		(2,301,024)		(2,990,922)	
Variation in other accounts payable		3,346,090		(559,042)	
Cash flow generated (absorbed) from current assets and liabilities	b	**46,495**		**5,547,398**	
Cash flow generated (absorbed) from current activities	a+b	**12,403,790**		**15,719,579**	
Investment activities:					
Variation in tangible assets		(1,571,194)		(925,061)	
Variation in intangible assets		(2,370,162)		(2,481,543)	
Variation in financial assets		(970,823)		2,200,780	
Cash and cash equivalents arising from corporate transactions		-		519,419	
Purchase of majory shares		-		(74,250)	
Cash flow generated (absorbed) from the investment activity	c	**(4,912,179)**		**(760,655)**	
Financial assets and liabilities					
New loans		15,600,725	(2)	12,405,611	(2)
Reimbursement loan		(19,648,687)	(2)	(28,065,190)	(2)
Net variation in other financial debts		(1,812,550)	(2)	(2,880,304)	(2)
Net variation in other financial recivables		2,137,170	(2)	(2,823,882)	(2)
Changes in other non-current liabilities and use of risk provisions		(147,700)		(110,117)	
(Purchase) / Sale of own shares		(325,942)		(143,864)	
Cash flow generated (absorbed) from financing activities	d	**(4,196,984)**		**(21,617,746)**	
Increase (decrease) in cash and cash equivalent	a+b+c+d	**3,294,627**		**(6,658,822)**	
Cash and cash equivalent at the beginning of the year		3,806,809		10,465,631	
Cash and cash equivalent at end of year		7,101,436		3,806,809	
(1) including taxes and interest paid in the period		4,305,855		4,546,142	

(2) The sum of the relative amounts (for 2019 equal to Euro -3,723,342, for 2018 equal to Euro-21,363,765) represents the overall change in net liabilities deriving from financing activities. For the reconciliation with the values shown in the statement of financial position, see the comment on the net financial position reported in note 17 - Non-current payables to banks.

Explanatory Notes to Separate Financial Statements of Exprivia SpA at 31 December 2019

Exprivia Activities

Exprivia SpA (hereinafter also "Exprivia" or the "Parent Company" or the "Company") plays, in relation to the other companies, a highly business role which includes research & development activities, development of solutions and various projects, customer services and, naturally, sales support. The Parent Company performs coordination and control activities over all Exprivia Group companies, with the exception of Italtel SpA (hereinafter also referred to as "Italtel") and its subsidiaries (hereinafter also referred to as the "Italtel Group"), pursuant to articles 2497 et seq. of the Italian Civil Code.

Report on management and coordination activities

Pursuant to articles 2497 et seq. of the Italian Civil Code, below are the key figures relating to the latest approved financial statements of Abaco Innovazione SpA, which carries out management and coordination activities on Exprivia.

The essential data of the holding company Abaco Innovazione SpA, shown in the schedule in accordance with article 2497-bis of the Italian Civil Code, were taken from the year-end financial statements at 31 December 2018. For further information on the financial standing of Abaco Innovazione SpA at 31 December 2018, and the economic result of the company please see the financial statements, which are available in the form and manner provided for by law, as well as the report by the independent auditor.

The Abaco Group also represents the larger scope within which the Exprivia Group is consolidated.

Company name	Greater together
Company name	Abaco Innovazione SpA
City	Molfetta (BA) - Via Adriano Olivetti 11
Tax code (for Italian companies)	05434040720
Place of filing of the consolidated financial statements	Registered office

Amount in Euro	31.12.2018	31.12.2017
Shareholdings	29,856,647	29,856,647
NON-CURRENT ASSETS	**29,856,647**	**29,856,647**
Other Current Assets	5,119	5,716
Cash resources	315,446	417,419
CURRENT ASSETS	**320,565**	**423,135**
ASSETS	**30,177,212**	**30,279,782**
Share capital	941,951	941,951
Revaluation reserve	200,188	200,188
Other reserves	25,303,991	25,118,637
Profits/Losses for previous periods	4,586	4,586
Profit/Loss for the year	247,240	185,354
SHAREHOLDERS' EQUITY	**26,697,956**	**26,450,716**
Other financial liabilities	1,783,558	2,257,520
NON CURRENT LIABILITIES	**1,783,558**	**2,257,520**
Current bank debt	38,500	24,528
Trade payables	204,531	186,559
Other financial liabilities	461,433	400,469
Other current liabilities	991,234	959,990
CURRENT LIABILITIES	**1,695,698**	**1,571,546**
TOTAL LIABILITIES	**30,177,212**	**30,279,782**

Amount in Euro	31.12.2018	31.12.2017
Revenue from sales and services	433,334	388,226
Revenues	433,334	388,226
PRODUCTION REVENUES	**433,334**	**388,226**
Salaries	45,240	52,200
Costs for services	29,396	32,910
Sundry operating expenses	23,358	29,659
TOTAL PRODUCTION COSTS	**97,994**	**114,769**
DIFFERENCE BETWEEN PRODUCTION COSTS AND REVENUES	**335,340**	**273,457**
OPERATIVE RESULT	**335,340**	**273,457**
Financial income and charges	(70,550)	(75,678)
PRE-TAX RESULT	**264,789**	**197,779**
Income tax	17,549	12,425
PROFIT OR LOSS FOR YEAR	**247,240**	**185,354**

Form and content of separate financial statements

Introduction

The separate financial statements of Exprivia at 31 December 2019 were prepared in accordance with art. 4 of Italian Legislative Decree no. 38 of 28 February 2005 and the international accounting standards (IFRS) issued by the International Accounting Standard Board (IASB) in force at 31 December 2019, as well as all the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") formerly called the Standing Interpretations Committee ("SIC"), and in accordance with the regulatory provisions issued to implement art. 9 of Italian Legislative Decree no. 38/2005 (CONSOB Resolution no. 15519 of 27 July 2006 providing the "Rules for financial statement schedules", CONSOB Resolution no. 15520 of 27 July 2006 providing the "Changes and amendments to the Issuers' Regulation adopted under Resolution no. 11971/99", CONSOB notice no. 6064293 of 28 July 2006 providing rules for "Company disclosure pursuant to art. 114(5), Italian Legislative Decree 58/98").

The schedules in the financial statements are the following:

- For the Balance Sheet the current assets, non-current assets, current liabilities and non-current liabilities are posted separately. Current assets are those that are to be made, sold or consumed during the normal operating cycle of the Company. Current liabilities are those that are to be extinguished during the normal operating cycle of the Company or within twelve months following the end of the financial year;
- For the Income Statement, the cost and revenue items are posted according to their nature;
- For the Statement of Comprehensive Income, a separate schedule was prepared;
- For the Cash Flow Statement, the indirect method was used.

The statements were drafted in compliance with IAS 1 and 7.

The separate financial statements were prepared under the general policy of giving an accurate and truthful presentation of the Company's financial standing, economic result and cash flows, while adopting the going-concern assumption, and the general policies of accrual basis accounting, presentation coherence, relevance and aggregation, rule against offsetting and comparability of information.

Drafting and presentation criteria

The accounting standards and valuation criteria are the same as those adopted to prepare the separate financial statements at 31 December 2018, with the exception of the information outlined in the next paragraph "Application of new accounting standards".

In order to make the disclosure of data more intelligible, the presentation was changed for some items in the comparative data of the income statement presented in accordance with IAS 1, with respect to data published in the separate financial statements at 31 December 2018. This had no effect on the result and shareholders' equity at that date.

In particular, the balance of the item "Other income" went from Euro 4,866,576 to Euro 5,041,434 due to the reclassification of other income previously classified as a reduction of the item "Costs for leased assets".

The valuation and measurement policies are based on the IFRS standards in effect at 31 December 2019 and approved by the European Union.

The following table shows the IFRS/Interpretations approved by the IASB, endorsed for adoption in Europe and applied for the first time during the year.

Descrizione	Data di omologa	Pubblicazione in G.U.C.E	Data di efficacia prevista dal principio	Data di efficacia per Exprivia
IFRS 16 Leases (issued on 13 January 2016)	31 ott. '17	9 nov. '17	Esercizi che iniziano il o a partire dal 1 gennaio 2019	1 gen '19
Amendments to IFRS 9 "Prepayment features with negative compensation"	22 mar. '18	26 mar. '18	Esercizi che iniziano il o a partire dal 1 gennaio 2019	1 gen '19
IFRIC 23 Uncertainty over Income Tax Treatments	23 ott. '18	24 ott. '18	Esercizi che iniziano il o a partire dal 1 gennaio 2019	1 gen '19
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures "	8 feb. '19	11 feb. '19	Esercizi che iniziano il o a partire dal 1 gennaio 2019	1 gen '19
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement "	13 mar. '19	14 mar. '19	Esercizi che iniziano il o a partire dal 1 gennaio 2019	1 gen '19
Annual improvements to the IFRS 2015-2017	14 mar. '19	15 mar. '19	Esercizi che iniziano il o a partire dal 1 gennaio 2019	1 gen '19

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

- IFRS 16 - Leases replaces IAS 17 and related interpretations and aims at improving the accounting reporting of leases. For more details, please refer to the next paragraph, "Application of new accounting standards";
- the document "Amendments to IFRS 9 Financial Instruments - Prepayment Features with Negative Compensation" envisages certain changes to said IFRS 9 Financial Instruments, in order to permit the measurement at amortised cost of financial assets characterised by an early discharge option with so-called "negative compensation";
- IFRIC Interpretation 23 "Uncertainty over income tax treatment" clarifies how to apply the recognition and measurement requirements of IAS 12. To the extent that an entity incurs general borrowings and uses loans for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditures on that asset. This capitalization rate must correspond to the weighted average of the financial charges applicable to all loans of the entity outstanding during the year;
- the "Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures" clarify that IFRS 9 "Financial Instruments", including the impairment requirements, also applies to other financial instruments held over the long-term issued vis-à-vis an associate or joint venture which, in essence, form part of the net investment, of the same. The equity method does not apply to these instruments;
- the "Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement" clarify how pension expenses are determined when there is an amendment to a defined benefit plan. The amendments specify that when an entity recalculates its net liability (asset) for defined benefit plans after an amendment, curtailment or settlement of the plan, it must use the updated actuarial assumptions to determine the current service cost and net interest for the remainder of the annual reporting period;
- the "Annual improvements to IFRS Standards 2015-2017 cycle" include amendments to IAS 12 "Income Taxes", IAS 23 "Borrowing Costs", IFRS 3 "Business Combinations" and IFRS 11 "Joint arrangements".

The newly adopted standards, with the exclusion of IFRS 16, for which please refer to the section "Application of new accounting standards", had no material impacts on the measurement of assets, liabilities, costs and revenues of the Company.

The table below shows the IFRS and interpretations approved by IASB and approved for adoption in Europe, effective after 31 December 2019:

Description	Endorsement date	Publication on G.U.C.E	Effective date provided by principle	Effective date for Exprivia
Amendments to references to the conceptual Framework in IFRS Standards (issued on 29 March 2018)	29 nov 19	6-dic-19	Esercizi che iniziano il o a partire dal 1 gennaio 2020	1 jan 20
Amendments to IAS 1 and IAS 8 Definition of Material (issued on 31 October 2018)	29 nov 19	10-dic-19	Esercizi che iniziano il o a partire dal 1 gennaio 2020	1 jan 20
Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform (issued on 26 September 2019)	15 jan 20	16-gen-20	Esercizi che iniziano il o a partire dal 1 gennaio 2020	1 jan 20
Amendments to IFRS 3 Business Combinations (issued on 22 October 2018)	21 apr 20	22-apr-20	Esercizi che iniziano il o a partire dal 1 gennaio 2020	1 jan 20
Amendments to IFRS 16 Leases Covid 19 - Related Rent Concessions (issued on 28 May 2020)	9 oct 20	12-ott-20	Esercizi che iniziano il o a partire dal 1 giugno 2020	1-jun-20
Amendments to IFRS 4 Insurance Contracts - deferral of IFRS 19 (issued on 25 June 2020)	15 dec 20	16-dic-20	Esercizi che iniziano il o a partire dal 1 gennaio 2021	1 jan 21
Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - phase 2 (issued on 27 August 2020)	13 jan 21	14-gen-21	Esercizi che iniziano il o a partire dal 1 gennaio 2021	1 jan 21

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.

Amendments to IAS 1 and IAS 8 concern the definition of "material" and aligns it to the definition used in the Conceptual Framework and in the standards. The document has introduced a change in the definition of "material" contained in IAS 1 and IAS 8. This amendment aims to make the definition of "material" more specific and introduced the concept of "obscured information" alongside the concepts of omitted or incorrect information already present in the two amended standards.

The amendment entitled "Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform" amends IFRS 9 - Financial Instruments and IAS 39 - Financial Instruments: Recognition and Measurement as well as IFRS 7 - Financial Instruments: Disclosures. In particular, this amendment modifies some of the requirements for the application of hedge accounting, providing for temporary exceptions thereto, in order to mitigate the impact deriving from the uncertainty of the IBOR reform on the future cash flows over the period prior to its completion. The amendment also requires companies to provide additional information in the financial statements regarding their hedging transactions that are directly affected by the uncertainties generated by the reform and to which the aforementioned exceptions apply.

The amendments to the "IFRS 3 Business Combinations" standard, issued on 22 October 2018, introduce clarifications regarding the definition of "business activity" acquired as part of business combinations.

On 28 May 2020, the IASB issued the amendment to IFRS 16 "Leases" to facilitate lessees in accounting for lease incentives (for example, suspension or temporary reduction of lease payments) resulting from the COVID-19 pandemic. Although the amendment to IFRS 16 entered into force on 1 June 2020, to allow the relief to be available when necessary, lessees can apply the amendment immediately in any interim or annual financial statements, not yet authorised for publication.

The amendment to "IFRS 4 Insurance Contracts - deferral of IFRS 9" extended the expiry of the temporary exemption from the application of IFRS 9 until 2023 in order to align the date of entry into force of IFRS 9 with the new IFRS 17.

The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - phase 2" supplement those issued in 2019 and endorsed in January 2020. The amendments referring to phase 2 provide for a specific accounting treatment to spread over time the changes in value of the financial instruments or lease contracts due to the replacement of the reference index for determining interest rates (replacement issue).

With reference to changes made to existing and upcoming accounting standards, their adoption is not expected to have any material impact on the valuation of the Company's assets, liabilities, costs and revenues.

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:

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Description	Effective date provided by principle
IFRS 17 Insurance Contracts (issued 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020)"	Exercises starting on or after 1 January 2023
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Curren and Classification of Liabilitties as Current or Non-Current - Deferral of Effective Date (issued on 23 January 2020 and 15 July 2020 respectively)	Exercises starting on or after 1 January 2023
Amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets, Annual Improvements 2018-2020 (All issued 14 May 2020)	Exercises starting on or after 1 January 2022
Amendments to IAS 1 "Presentation of Financial Statements and IFRS Practice Statement 2 Disclosure of Accounting Policies" (issued on 12 Febrary 2021)	Exercises starting on or after 1 January 2023
Amendments to allo IAS 8 "Accounting polices, Changes in Accounting Estimates and Errors, Definition of Accounting Estimates" (issued on 12 Febrary 2021)	Exercises starting on or after 1 January 2023
Amendments to IFRS 16 Leases : Covid - 19 - Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021)	Exercises starting on or after 1 April 2021

On 18 May 2017, the IASB issued IFRS 17 - Insurance Contracts, which is intended to replace IFRS 4 - Insurance Contracts. The objective of the new standard is to ensure that a unit provides relevant information that faithfully represents the rights and obligations deriving from the insurance contracts issued. The IASB developed the standard to eliminate inconsistencies and weaknesses in existing accounting policies, providing a single principle-based framework to take into account all types of insurance contracts, including the reinsurance contracts that an insurer holds. On 25 June 2020, the IASB issued the amendments to IFRS 17 "Amendments to IFRS 17" and to IFRS 4 "Extension of Temporary Exemption from Applying IFRS 9" relating to insurance activities, envisaging, inter alia, the deferral of two years of the entry into force of IFRS 17. Therefore, the provisions of IFRS 17, which exceed those currently envisaged by IFRS 4 "Insurance contracts", are effective for financial years beginning on or after 1 January 2023. The directors do not expect the adoption of this standard to have a significant impact on the Company's financial statements.

On 23 January 2020, the IASB issued amendments to IAS 1 "Classification of Liabilities as Current or Non Current" aimed at providing clarifications on the classification of liabilities as current and non-current. In particular, the document provides that a liability is classified as current or non-current based on the rights existing at the reporting date. In addition, it establishes that the classification is not impacted by the entity's expectation to exercise its rights to defer the settlement of the liability. Finally, it is clarified that this regulation refers to the transfer to the counterparty of cash, equity instruments, other assets or services. As a result of the deferral defined in the amendments made on 15 July 2020 ("Classification of Liabilities as Current or Non-current - Deferral of Effective Date") they will become effective on or after 1 January 2023.

On 14 May 2020, the IASB issued:

- the amendments to IFRS 3 "Reference to the Conceptual Framework" relating to: (1) complete the update of the references to the Conceptual Framework for Financial Reporting included in the accounting standard; (ii) provide clarification on the assumptions for the recognition, at the acquisition date, of provisions, contingent liabilities and tax liabilities assumed as part of a business combination; (iii) make explicit the fact that contingent assets cannot be recognised as part of a business combination;
- amendments to IAS 16 "Property, Plant and Machinery: Proceedings before Intended Use" which states that the revenues deriving from the sale of goods produced by an asset before the latter is ready for its intended use are recognised in the income statement together with the related costs of production;
- amendments to IAS 37 "Onerous Contracts - Cost of Fulfiling a Contract" in order to provide clarifications on how to determine the cost of a contract;
- the document "Annual Improvements to IFRS Standards 2018-2020" containing mainly technical and drafting amendments to the accounting standards.

The aforementioned amendments issued on 14 May 2020 are effective for annual periods beginning on or after 1 January 2022.

The amendments to IAS 8 and IAS 1 issued on 12 February 2021 are intended to improve disclosure of accounting policies so as to provide more useful information to investors and primary users of financial statements and to help companies distinguish changes in accounting estimates from changes in accounting policies.

On 31 March 2021, the IASB issued the document "Covid - 19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)", which extends by one year the period of application of the amendment to IFRS 16 issued in 2020 relating to the accounting of the facilities granted to lessees due to Covid 19. The amendments apply from 1 April 2021.

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

Application of new accounting standards

Effective from 1 January 2019, the Company has adopted the IFRS 16 "Leases" standard, which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

IFRS 16 "**Leases**"

IFRS 16 "Leases", issued by the IASB on 13 January 2016, which replaces IAS 17 and its relative interpretations, intended to improve the accounting reporting of lease contracts, was adopted with (EU) Regulation no. 2017/1986 of the Commission of 31 October 2017, published in the Official Gazette L 291 of 9 November 2017.

IFRS 16 "Leases" defines a lease as a contract that gives an entity the right to use an asset for a specific period of time in exchange for consideration, and, for the lessee, eliminates the distinction between finance and operating leases, introducing for that party a single accounting model for recognising leases. By applying this model, the entity recognises: (i) in the balance sheet, an asset representing the right of use and a liability representing the obligation to make the payments set forth in the contract for all leases with a term exceeding twelve months for an asset that cannot be considered low value; (ii) in the income statement, the amortisation of the asset recognised and separately the interest on the payable recognised. For lessors, the distinction between operating and finance leases has been maintained.

The provisions set forth in IFRS 16, which replace those set forth in IAS 17 Leases and in the relative interpretations, are applicable for reporting periods starting on or after 1 January 2019.

The contracts identified in which the Company is a lessee refer primarily to real estate leases and long-term vehicle leases.

To recognise the impacts deriving from the first time adoption of IFRS 16 in the financial statements, the Company decided to apply the modified retrospective approach. Therefore, it applied the standard retroactively by accounting for the cumulative effect at the initial application date, without restating comparative information, although recognising any cumulative effect as an adjustment in the opening balance of retained earnings (IFRS 16.C5b) and C7). The lease liability is recognised at the present value of the remaining payments due for the lease, discounted using the marginal rate of financing of the lessee at the date of initial application. The right of use asset is recognised at the date of initial application at the carrying amount, as if the standard were applied as of the start date, but discounted using the marginal rate of financing of the lessee at the date of initial application.

The transition to IFRS 16 introduced certain elements of professional judgement which entail the definition of several accounting policies and the use of assumptions and estimates in relation to the lease term and the definition of the incremental borrowing rate. The main ones are summarised below:

- the Company has decided not to apply IFRS 16 to contracts containing a lease that have an intangible asset as the underlying asset;

- contract renewal clauses are considered for the purpose of determining the duration of the contract, i.e. when the Company has the option to exercise them without having to obtain the consent of the counterparty and when their exercise is reasonably certain. In the event of clauses that envisage multiple renewals that can be exercised unilaterally by the Company, only the first extension period was considered;
- term of the lease: the term was determined on the basis of the individual agreement and consists of the "non-cancellable" period along with the effects of any extension or early termination clauses the exercise of which was deemed reasonably certain and taking into account the clauses of the agreement itself. Specifically, for real estate, that assessment considered the specific facts and circumstances of each asset;
- incremental borrowing rate: in most rental agreements entered into by the Company, the implicit interest rate cannot be determined; therefore, a specific marginal rate of financing for each country in which agreements were entered into was used with maturities commensurate with the term of the specific lease agreement.

The Company has also decided to take advantage of the following practical expedients provided by the IFRS 16 transitional provisions:

- extend the standard to agreements previously classified as lease agreements applying IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease (IFRS 16.C3);
- not recognising assets and liabilities relating to leases with a duration of less than 12 months from the date of first time adoption, except for car rental contracts; these contracts will be accounted for as short-term leases (IFRS 16.C10c);
- with reference to the separation of non-lease components for motor vehicles, the Company decided not to separate them and not to account for them separately from the lease components. This component was considered together with the lease component to determine the financial liability of the lease and the related right of use;
- excluding initial direct costs from the valuation of the right of use asset at the date of first time adoption (IFRS 16.C10d).

Low-value assets have been excluded from the application of IFRS 16.

The impacts of the first application on the Company's financial statements are summarised as follows:

- balance sheet: higher non-current assets due to the recognition of the right of use on the assets leased for an amount of Euro 5.5 million; higher financial liabilities representing the obligation to make the payments established in the contract for an amount of Euro 6.4 million;
- the negative impact on shareholders' equity, net of the related tax effect, is therefore Euro 0.5 million.

Below is a summary of the effects deriving from the application of IFRS 16 on the opening balances at 1 January 2019.

Amounts in Euro	31/12/2018 Published	Effects before adoption IFRS 16	01/01/2019 Post adoption
Property, plant and machinery	14,608,649	5,531,690	20,140,339
Goodwill and other assets with an indefinite useful life	66,791,188		66,791,188
Other Intangible Assets	11,010,531		11,010,531
Shareholdings	35,854,870		35,854,870
Other non-current financial assets	2,691,909		2,691,909
Other non-current assets	52,736		52,736
Deferred tax assets	1,701,485	204,829	1,906,314
NON-CURRENT ASSETS	**132,711,368**	**5,736,519**	**138,447,887**
Trade receivables	45,424,999		45,424,999
Stock	754,546		754,546
Work in progress to order	19,145,370		19,145,370
Other Current Assets	9,649,524	(188,566)	9,460,958
Other Financial Assets	3,566,476		3,566,476
Cash and cash equivalents available	3,806,809		3,806,809
Other Financial Assets available for sale	326,740		326,740
CURRENT ASSETS	**82,674,464**	**(188,566)**	**82,485,898**
TOTAL ASSETS	**215,385,832**	**5,547,953**	**220,933,785**
SHAREHOLDERS' EQUITY	**80,380,228**	**(510,419)**	**79,869,809**
Non-current bond	22,550,163		22,550,163
Non-current bank debt	15,071,317		15,071,317
Other financial liabilities	41,559	4,596,507	4,638,066
Other no current liabilities	3,285,607		3,285,607
Provision for risks and charges	233,820		233,820
Employee provisions	9,708,411		9,708,411
Deferred tax liabilities	2,074,945		2,074,945
NON CURRENT LIABILITIES	**52,965,822**	**4,596,507**	**57,562,329**
Current bank debt	20,141,892		20,141,892
Trade payables	26,932,736	(370,446)	26,562,290
Advances payment on work in progress contracts	4,905,593		4,905,593
Other financial liabilities	718,790	1,832,310	2,551,100
Other current liabilities	29,340,771		29,340,771
CURRENT LIABILITIES	**82,039,782**	**1,461,864**	**83,501,646**
DISCONTINUED NON CURRENT LIABILITIES			
TOTAL EQUITY AND LIABILITIES	**215,385,833**	**5,547,953**	**220,933,786**
NET FINANCIAL POSITION	**(45,440,833)**	**(6,428,817)**	**(51,869,652)**

The reconciliation between the amount of the minimum future payments due for non-cancellable operating leases, reported in the financial statements at 31 December 2018 and the balance of financial payables for leases at 1 January 2019 (amounts in millions of Euro) is shown below:

Non-cancellable lease payments at 31 December 2018	**6.9**
Discounting effect at 1 January 2019	(0.5)
Financial payables for leases at 1 January 2019	**6.4**

Leases previously classified as finance leases under IAS 17 have been reclassified to rights of use. The definition of lease contained in IFRS 16 was applied only to contracts signed or amended as from 1 January 2019.

The application of this new standard during the period has meant that:

- balance sheet at 31 December 2019: non-current assets due to the recognition of the right of use on the assets leased for an amount of Euro 4.8 million; the recognition of financial liabilities representing the obligation to make the payments set forth in the contract for an amount of Euro 5.6 million;
- income statement for the twelve months ended 31 December 2019: different nature, qualification and classification of lease payments, with the recognition of the amortisation on the asset right of use and financial charges in place of costs for leased assets - operating lease payments, in accordance with IAS 17, with the resulting positive impact on EBITDA of Euro 2.2 million, on EBIT of Euro 0.4 million, and, as it resulted in higher financial charges of Euro 0.3 million, a non-significant impact on the profit (loss) for the period;
- cash flow statement: the lease payments, for the principal amount to repay the debt, are reclassified from "cash flow generated by (used in) operating activities" to "cash flow generated by (used in) financing activities".

IFRS 16 Leases - accounting policies adopted from 1 January 2019

The changes to the accounting policies adopted by the Company compared to those applied at 31 December 2018 due to the entry into force on 1 January 2019 of the new IFRS 16 are shown below.

On the date when the leased assets covered by the contract are available for use by the Company, the leases are accounted for as rights of use under non-current assets with a balancing entry of a financial liability.

The cost of the fee is broken down into its components of financial charge, recognised in the income statement during the term of the contract, and repayment of the principal, recorded as a reduction of the financial liability. The right of use is amortised on a monthly basis on a straight-line basis over the shorter between the useful life of the asset and the duration of the contract.

Rights of use and financial liabilities are initially measured at the present value of future payments.

The Company does not recognise the right-of-use assets separately in the balance sheet but includes them in the same line item in which the corresponding right-of-use assets would be recognised if they were owned (item "Property, plant and machinery").

The current value of financial liabilities for lease contracts includes the following payments:

- fixed payments;
- variable payments based on an index or rate;
- exercise price of a redemption option, if the exercise of the option is considered reasonably certain;
- payment of penalties to terminate the contract, if the exercise of the option to terminate the contract is considered reasonably certain;
- optional payments subsequent to the non-cancellable period, if the extension of the contract beyond the non-cancellable period is considered reasonably certain.

Future payments are discounted using the incremental borrowing rate. This rate consists of the risk-free rate of the country in which the contract is negotiated and is based on the duration of the contract. It is then adjusted based on the Company's credit spread and the local credit spread.

Rights of use are measured at cost, which is composed of the following elements:

- initial amount of the financial liability;
- payments made before the start of the contract net of lease incentives received;
- directly attributable accessory charges;
- estimated costs for dismantling or restoration.

The lease payments associated with the following types of lease contracts are recognised in the income statement on a straight-line basis for the duration of the respective contracts:

- contracts for which the underlying asset is a low-value asset;
- contracts for which the payment for the right of use of the underlying asset varies according to changes in facts or circumstances (not related to sales trends), not foreseeable at the initial date.

Low-value contracts mainly relate to the following categories of assets:

- computers, phones and tablets;
- office and multifunction printers;
- other electronic devices.

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 at the reporting date. 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 bad debt provisions, made according to the expected sale value of the assets to which they refer, in particular for financial assets the impairment model based on expected losses is used; amounts allocated to provisions for risks, made according to the reasonable estimate of the amount of the contingent liability, also with respect to any demands of 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 amount; income taxes, determined according to the best estimate applying the current rate for the financial year; development costs, initial capitalisation for which is based on the technical and financial feasibility of the project (future cash flow projections are made for each project). The Company conducts impairment tests on goodwill at least once per year. For such tests an estimate is made on the value of the cash generating unit to which the goodwill pertains. This estimate requires a projection of future cash flows and the estimate of the discount rate after tax, which reflects the market conditions at the date of the assessment. The verification of the existence of control and/or of the possible loss of control requires the exercise of a complex professional judgment by the Company Management that considers the characteristics of the corporate structure, the agreements between the parties, as well as any other fact and circumstance that may be relevant for the purposes of said verification.

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 in cases in which there are indicators of impairment which call for an immediate impairment test.

COVID 19 and possible impacts on the business as a going concern

As illustrated in more detail in the paragraphs "Business Outlook" and "Events after 31 December 2019" of the directors' report, to which reference should be made, at the end of 2019, a new coronavirus renamed by the WHO (World Health Organisation) Covid-19, was detected in Wuhan, China. At the date of preparation of this Report, all the different countries are trying to deal with the pandemic mainly through the vaccination of the widest possible part of the population on the one hand and with restrictive measures to minimise the opportunities for contagion as much as possible.

Exprivia has closely followed the evolution of the situation and, in order to protect the safety of its employees, customers and suppliers, has immediately implemented a remote working policy that has brought almost the entire company population into this working mode.

From this point of view, the observation of what happened in 2020 shows that the market in which the Company operates, not only did not suffer particularly from the pandemic situation but, in some cases, it was a catalyst for new commercial opportunities. More than a year after the start of the pandemic, it can be said that the pandemic has not had, to date, a negative impact on Exprivia operations. It will undoubtedly be necessary to assess and study the possible repercussions that a "remote work" situation covering all working hours and lasting over time may have. This circumstance could therefore have a negative impact on the Company's ability to fully carry out its operations. Given the sector in which the Company operates, many of the activities carried out for its customers can be remotely performed, which Exprivia did from the very beginning.

Exprivia has processes that support the identification, management and monitoring of events with potential significant impacts on the company's resources and business, with the aim of maximising the timeliness and effectiveness of the actions undertaken.

Exprivia's management has carefully assessed, also in view of Consob's warning no. 6/20 of 9 April 2020, the impact of the pandemic on the Exprivia's business, both through internal analyses and the study of external sources. Based on the aforementioned analysis, Exprivia does not believe that the current pandemic, on the basis of the information available to date, could affect its ability to continue as a going concern.

Crisis resolution process initiated by Italtel

Italtel's results for 2018 were substantially in line with the forecasts of the 2017-2023 Business Plan underlying the debt restructuring agreement pursuant to art. 182-bis of Royal Decree 267 of 16 March 1942, as amended, endorsed by the Court of Milan on 13 November 2017 (the "Plan"). In 2019, on the other hand, already in the first half of the year, there were a series of unfavourable, unforeseen and unforeseeable events that led to decreasing deviations from the expectations stated in the 2017-2023 Business Plan. In particular, Italtel recorded:

- the gradual weakening of the Telecommunications market in Italy, where the company's top customer had substantially halved the investments in the network, which constitute Italtel's core business;
- a significant reduction, compared to 2018, in revenues related to another major customer, due to the slowdown in the final accounts, which, while in 2018 had been based on high-level projects that did not require the obtaining of permits from local authorities for their completion, in 2019 had mainly concerned executive projects that required such permits for their completion. In addition, each project was optimized several times in order to reach the very stringent economic targets defined by the customer, thus requiring more time than expected and, consequently reducing the production speed;

- a major downsizing of the telecommunications market on foreign markets, due to which, in particular, a major client of the company decided to postpone some projects and block others;
- the persistence of a critical economic situation in Argentina, with a consequent significant write-down of the Peso, with substantial impacts on the value of the company's receivables and a further downsizing of the turnover related to this market.

Italtel's business was still heavily concentrated on the telecommunications sector and on a limited number of primary clients, with the result that the sudden reduction in investments by these together with the slowdown of the BUL project had consequences that could not be dealt with by Italtel, which still had a fixed cost structure that was excessive compared to the reduction in revenues and margins. To be added is also the excessive concentration of skills and certifications on Cisco technologies and consequent System Integration activities (with a prevalence of resale) and professional services, more limited than those of direct competitors.

At the same time, the competitive positioning of the so-called "Proprietary products", i.e. Italtel's proprietary software, although correctly addressed in its development lines, was not sufficient on the market due to the strong competition from the "full liner" vendors, while the innovative offer components, such as the Cyber Security, the Cloud, the Internet of Things, Smart Working and Collaboration and, lastly, Ultra-Broadband and 5G telecommunications are still very limited compared to traditional offers.

From a financial point of view, Italtel also recorded a strong absorption of cash relating to the System Integration offer, both for the low underlying margins and for the sales policy of Cisco, often independent of the ordering times of the end customers.

Based on the situation described above, in accordance with the provisions of IAS 36, when approving the condensed interim consolidated financial statements at 30 June 2019, Italtel conducted an analysis in order to identify the existence of specific impairment indicators such as to affect the recoverable amount of intangible assets recognised in the financial statements. This analysis implied the need to update the impairment test carried out during the preparation of the financial statements at 31 December 2018 which, despite not having shown any impairment of the intangible assets to be reflected in the economic and financial position at 30 June 2019, had in any case pointed out that any further worsening of the economic situation and of the reference parameters during the second half of the year could have negative impacts on the stability of goodwill, as well as on the recoverability of deferred tax assets.

In the second half of 2019, the negative trend of the market continued, leading to the need to carry out further analyses of the company's income and financial prospects, which highlighted the persistence of an imbalance in its cash flows and the consequent need to carry out a restructuring of the company debt of the company aimed at ensuring the rebalancing between inflows and outflows, as well as guaranteeing to the company the availability of the financial resources necessary for the continuation of its operations, and finally aimed at reducing the stock of debt to a level that is sustainable with the foreseeable cash generation in the short to medium term.

Therefore, in this context, the need emerged for Italtel, on the one hand, to revise the year-end forecasts and, consequently, to update the projections for the period 2020-2023, with the help of an external company specialised in telecommunications; on the other hand, to initiate discussions with banks, shareholders and third parties potentially interested in providing support to Italtel (in order to reach a restructuring of Italtel's indebtedness and its economic-equity and financial rebalancing).

On 13 December 2019, Italtel's Board of Directors prepared, pursuant to and for the purposes of art. 2447 of the Italian Civil Code, a balance sheet and income statement report at 30 November 2019, prepared on the assumption of business continuity following the desirable definition and subsequent completion of a debt restructuring transaction and an increase in the company's equity.

In addition, it should be noted that the capital deficit recorded by Italtel at 30 November 2019 also resulted in the violation of the financial parameters set forth in the loan agreements in place with the banks.

Lastly, we deem it necessary to specify that one of the circumstances qualified as "Enforcement proceedings" pursuant to the Deed of Pledge on Italtel shares signed on 14 December 2017 occurred due to the start of negotiations by Italtel with its financial creditors aimed, among other things, at rescheduling part of its debt through the suspension of some repayments pursuant to the existing Loan Agreements.

In brief, therefore, the persistent uncertainties regarding the outcome of the Italtel restructuring process led its directors to postpone the preparation of the 2019 draft financial statements and, before that, the approval of its figures at 30 September 2019 until the time when the company would have been able to take into account and incorporate the effects, in the approval of these financial figures, of the progress of the crisis resolution process initiated.

In the meantime, Italtel initiated discussions with the banks, with its shareholders as well as with third-party financial and industrial entities in order to explore possible interventions to support the company. In order to achieve this objective, Italtel appointed a leading consulting company as financial advisor.

Exprivia assessed possible interventions to support the company. In this scenario, Italtel's Board of Directors on 31 March 2020, given the failure to reach a solution to the crisis situation of the company, resolved to file a petition pursuant to art. 161, paragraph 6 of the Bankruptcy Law before the competent Court of Milan. This petition was submitted by Italtel on 2 April 2020 and admitted by the Court on 6 April 2020.

In the period between the date of 7 April 2020 (the date of publication of the request for a pre-composition) and the date of filing of the request for composition, Italtel continued to carry out its core business activities, functional to the preservation of the company's value, without taking any action of extraordinary administration, except those expressly authorised by the Court, and without contracting further financing.

Italtel, with the help of the appointed financial advisor, started a search process, within the national and international market, of an investor and/or more investors interested in the Company, with a view to its restructuring and relaunching.

The evolution of the process led in December 2020 to the presentation of two binding offers formulated by Exprivia and a leading third-party industrial group. On 31 December 2020, Italtel's Board of Directors decided to prefer the offer of the aforementioned industrial group to the proposal of Exprivia, and to submit on 5 February 2021 the application for admission to the composition with creditors pursuant to and for the effects of arts. 160 et seq. and 186-bis of the Bankruptcy Law (the "Request for Composition with Creditors") on the basis of this offer. On 11 March 2021, the Court of Milan issued the decree for the admission of the Request for Composition with Creditors, deeming that the composition proposal submitted by Italtel may be suitable to guarantee the restructuring of the debts and the best satisfaction of the creditors.

Considerations on the going concern of Italtel and impact on the process of preparation of the financial reporting of Exprivia

The search for a solution to Italtel's financial crisis has been particularly long and complex, and has prevented Exprivia from having the necessary information to assess Italtel's ability to continue as a going concern and, consequently, to prepare, within the time frame required by the law, financial reports that would meet the set out requirements in terms of relevance, faithful representation, as well as comparability, verifiability, timeliness and comprehensibility set out by the IAS-IFRS accounting standards, in light of the market's disclosure needs.

The emergence of the crisis and its development in the last period, with the filing of the Request for Composition with Creditors and its admission by the Court of Milan, led the Directors of Exprivia to consider the outcome of the composition with creditors as reasonable, albeit in the presence of a significant uncertainty such as to give rise to doubts about Italtel's ability to continue as a going concern on the basis of the successful outcome of the undertaken composition procedure. At present, this uncertainty is due, in particular, to the risk associated with at least the following events:

- results of the analyses that will be carried out by court-appointed commissioners when preparing the report pursuant to art. 172 of the Bankruptcy Law;

- vote cast by the creditors;
- assessments to be carried out by the Court with regard to the approval of the composition;
- outcome of possible objections and challenges submitted by the creditors.

This uncertainty linked to the successful outcome of the composition procedure undertaken by Italtel does not generate uncertainties nor does it have any impact on the business continuity of Exprivia and the Exprivia Group, as commented in more detail in the paragraph "Risk of negative outcome of the Italtel composition procedure and related impacts on Exprivia".

Although considering that the certainty of the successful outcome of the composition procedure can only be achieved once the judgement approving the composition becomes final, the directors of Exprivia, with the support of an independent external expert, have identified a number of factors that corroborate a positive assessment of this outcome and, therefore, the assumption of the Italtel's going concern.

The main factors are listed below:

3. Progress of the procedure:
   a. on 5 February 2021, Italtel filed a proposal for composition with creditors supported by an irrevocable and guaranteed offer of acquisition from a leading operator, as well as a certified plan pursuant to the bankruptcy law, drawn up with the assistance of legal and financial advisors of primary standing;
   b. on 11 March 2021, the Court of Milan, also on the basis of the favourable opinion rendered by the court-appointed commissioners and following supplemental information and clarifications provided by the appellant, admitted Italtel to the composition with creditors.

4. Creditors' satisfaction: there are elements that make it highly probable that the creditors will vote in favour (in terms of value and by class):
   a. Italtel's main customer - leading operator, business partner and significant creditor of Italtel - confirmed its willingness to adhere to the composition proposal;
   b. the main supplier of Italtel - a leading operator, as well as the main creditor of Italtel - expressed its willingness to support the composition plan;
   c. Italtel's main financial creditor expressed a general satisfaction with the quantitative aspects of the proposal and, therefore, with the expected recovery;
   d. in general, it is also important to point out that the alternative scenario (i.e. that of the extraordinary administration) has been attested in terms that are clearly and significantly worse than the composition with creditors (i.e. that of business continuity) and that the proposal and the plan appear to be qualified by a particularly high level of credibility. Therefore, assuming that the creditor called to vote is a rational economic operator, it is reasonable to assume that he will vote in favour.

3. Subjective profile of the players involved in the restructuring: the positive prospects regarding the outcome of the composition procedure appear to be further supported by the relevance (in terms of economic-financial soundness, reputational profile, general and sector-specific business skills, etc.) of the players involved, however, in multiple guises (such as industrial partners, creditors, equity investors). This profile is relevant in two respects:
   a. for the credibility of the proposal and of the plan;
   b. for the willingness and capacity to govern any risk profiles that may emerge during the procedure (e.g. requests for changes by the bodies of the procedure).

In light of the set of objective and subjective factors examined - albeit always in the context of a prognostic judgment, with the underlying risk inherent in future events of uncertain realisation - the successful outcome of Italtel's composition procedure appears reasonably much more likely than not.

On this point, it should be pointed out that the possible occurrence of a scenario characterised by the submission of a competing bid pursuant to the bankruptcy law would not jeopardise the prospects/probability of Italtel's business continuity, which, on the contrary, would be strengthened and the current prognostic judgement corroborated.

Therefore, in light of all the relevant factors discussed above, the Directors of Exprivia deemed it appropriate to continue to adopt the going concern assumption of Italtel in preparing the consolidated financial statements of Exprivia.

Finally, it should be noted that the possible non-continuity of Italtel would not have significant negative impacts on the financial statements of Exprivia at 31 December 2019, other than those already reflected (write-down of the equity investment and receivables) nor would it have impacts on the business as a going concern of Exprivia or the Exprivia Group.

Accounting policies and valuation criteria

The accounting standards adopted for drawing up this separate financial statements are the same as those adopted for drawing up the separate financial statements of the Company for the financial year which closed at 31 December 2018.

IFRS is intended as the International Accounting Standards (IAS) now in force, as well as all the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") formerly called the Standing Interpretations Committee ("SIC"), and in accordance with the regulatory provisions issued to implement art. 9 of Italian Legislative Decree no. 38/2005 (CONSOB Resolution no. 15519 of 27 July 2006 providing the "Rules for financial statement schedules", CONSOB Resolution no. 15520 of 27 July 2006 providing the "Changes and amendments to the Issuers' Regulation adopted under Resolution no. 11971/99", CONSOB notice no. 6064293 of 28 July 2006 providing rules for "Company disclosure pursuant to art. 114(5), Italian Legislative Decree 58/98").

Property, plant and machinery

Property, plant and machinery are recognised at the cost of acquisition or production. The cost of acquisition or production is the price paid to acquire or build the asset and any other cost incurred to prepare the asset for use. The price paid to acquire or produce the asset is the cash price equivalent at the time of accounting; therefore, if payment is deferred beyond normal credit extension terms, the difference with respect to the equivalent cash price is recorded as interest for the extension period. The financial charges incurred for the acquisition or production of the asset are never capitalised. The capitalisation of costs relating to the expansion, modernisation or improvement of leased assets is done only in so far as they satisfy the requirements for being separately classified as an asset or part of an asset.

After initial recognition, plant, machinery and other assets are entered at cost, net of accumulated depreciation and any impairment. The depreciated value of each significant component of a tangible asset, with a different useful life, is amortised by the straight-line method over the expected period of use. Considering the homogeneity of the assets included in the individual categories of the financial statements, it is assumed that the useful life by category of assets is the following (with the exception of certain significant cases):

Land	**indefinite useful life**
Buildings	**33 years**
Plant and Machinery	**4 - 7 years**
Office Furnishings and Electronic Equipment	**5 - 8 years**
Equipment and Vehicles	**4 - 7 years**

Land, including pertaining to buildings, is accounted for separately and not depreciated as it is a component with indefinite useful life.

The depreciation criteria used, the useful life and residual value are reviewed at the end of each accounting period and, if necessary, redefined to take into account any significant changes.

Owned industrial buildings are carried at a value periodically reassessed at market value less depreciation and impairment (revaluation model). As set forth by IAS 16, the company measures fair value and then remeasures it only when there is a significant difference with respect to the carrying amount. Assets consisting of the right to use industrial buildings are valued by applying the cost model.

Costs that can be capitalised for improvements to leased assets are attributed to the classes of fixed assets to which they refer and depreciated for the shorter time between the remaining period on the lease agreement and the remaining useful life of the asset to which the improvement was made.

The carrying amount of property, plant and machinery is maintained in the financial statements to the extent that such value can be recovered through use. If significant factors are noticed, which include the likelihood of recovering the net carrying amount, an impairment test is performed to determine any loss of value. A reversal is applied if the conditions at the basis of the impairment no longer apply.

Goodwill

Goodwill is recognised in the financial statements in relations with business combinations and is initially recognised at cost, being the excess of the cost of the business combination over the net fair value of the assets, liabilities and contingent liabilities acquired. Goodwill is classified under intangible assets. From the acquisition date, the goodwill acquired in a business combination is allocated to each cash generating unit or groups of cash generating units. After initial recognition, goodwill is not amortised but measured at cost less any accumulated impairment losses. If goodwill was allocated to a cash generating unit and the entity disposes of an asset that belongs to that unit then the goodwill associated to the asset is included in the carrying amount of the asset when determining the gain or loss from the disposal. This amount is determined according to the values of the assets disposed of and the part kept.

Other Intangible Assets

Other intangible assets, which include development costs, patent rights and use of intellectual property, concessions, licenses, trademarks and similar rights and software, are recognised as assets only if all the conditions laid down in IAS 38 are met (cost can be measured reliably, as well as the technical feasibility of product, the asset can be identified or separated, the Company controls the asset, or it has the power to receive its future economic benefits, expected volume and price indicate that the costs incurred during development will generate future economic benefits) and valued at cost minus accumulated amortisation, determined on a straight-line basis over the period of expected use, on average, except for specific cases, of 3-5 years, and any impairment. The amortisation criteria used, the useful life and residual value are reviewed at the end of each accounting period and, if necessary, redefined to take into account any significant changes.

Costs for development projects are capitalised under the item "costs for capitalised internal projects" only when the development phase has ended and the product developed begins to generate economic benefit. They are subject to amortisation. During the period in which costs are incurred for capitalised internal development projects they are floated in the Income Statement as increases in fixed assets for internal work and classed under "costs for capitalised internal projects".

Equity Investments

Equity investments in subsidiaries and associates are valued at purchase cost not including any impairment. If the reasons for applying write-downs no longer exist, then the investments are revalued in the amount of the write-down itself. Equity investments in other companies are measured at FVOCI.

The option to purchase a part of minority interests or the option to sell minority interests is taken into consideration when determining whether control has been acquired. Additionally, if control is acquired the amounts related to minority call options are considered financial liabilities as provided for under IAS 32.

Leases

On the date when the leased assets covered by the contract are available for use by the Company, the leases are accounted for as rights of use under non-current assets with a balancing entry of a financial liability.

The cost of the fee is broken down into its components of financial charge, recognised in the income statement during the term of the contract, and repayment of the principal, recorded as a reduction of the financial liability. The right of use is amortised on a monthly basis on a straight-line basis over the shorter between the useful life of the asset and the duration of the contract.

Rights of use and financial liabilities are initially measured at the present value of future payments.

The Company does not recognise the right-of-use assets separately in the balance sheet but includes them in the same line item in which the corresponding right-of-use assets would be recognised if they were owned (item "Property, plant and machinery").

The current value of financial liabilities for lease contracts includes the following payments:

- fixed payments;
- variable payments based on an index or rate;
- exercise price of a redemption option, if the exercise of the option is considered reasonably certain;
- payment of penalties to terminate the contract, if the exercise of the option to terminate the contract is considered reasonably certain;
- optional payments subsequent to the non-cancellable period, if the extension of the contract beyond the non-cancellable period is considered reasonably certain.

Future payments are discounted using the incremental borrowing rate. This rate consists of the risk-free rate of the country in which the contract is negotiated and is based on the duration of the contract. It is then adjusted based on the Company's credit spread and the local credit spread.

Rights of use are measured at cost, which is composed of the following elements:

- initial amount of the financial liability;
- payments made before the start of the contract net of lease incentives received;
- directly attributable accessory charges;
- estimated costs for dismantling or restoration.

The lease payments associated with the following types of lease contracts are recognised in the income statement on a straight-line basis for the duration of the respective contracts:

- contracts for which the underlying asset is a low-value asset;
- contracts for which the payment for the right of use of the underlying asset varies according to changes in facts or circumstances (not related to sales trends), not foreseeable at the initial date.

Low-value contracts mainly relate to the following categories of assets:

- computers, phones and tablets;
- office and multifunction printers;
- other electronic devices.

Government grants

Government grants are reported in the presence of a formal resolution and are accounted for as income in the financial year when related costs are incurred.

Grants received against specific assets whose value is carried under fixed assets are entered in the income statement in relation to the period of amortisation/depreciation for the assets to which they refer.

Advances received for terminated projects, for which a closing report has yet to be issued, have been classified as deductions from receivables. For ongoing projects, advances remain accounted for under liabilities.

Impairment of Property, Plant and Machinery, Goodwill, Other Intangible Assets, Investments

Impairment occurs every time the carrying amount of an asset is greater than its recoverable amount. The existence of any indicators suggesting impairment is checked at every reporting date. If those indicators are found, the recoverable amount of the asset is estimated (impairment test) and a write-down is recognised where necessary. Regardless of the existence of the indicators, an impairment test is carried out at least once a year for the assets not yet available for use and for goodwill.

The recoverable amount of an asset is the greater between its fair value, net of sale costs, and its value in use. The recoverable amount is calculated with reference to a single asset, unless it is unable to generate incoming cash flow from continued use notably independent of the incoming cash flows generated by other assets or groups of assets, in which case the test is carried out for the smallest unit generating independent flows which includes the asset in question (Cash Generating Unit).

When the write-down has no reason to be maintained, the carrying amount of the asset (or cash generating unit), except for goodwill, is increased to the new value obtained from its estimated recovery value, in any case not over the net carrying amount that the assets would have had if the write-down due to impairment had not been made. The restored value is charged to the income statement, unless the asset is measured at the re-valued figure; in this case the recovered value is posted under the revaluation reserve.

Financial assets (excluding derivative instruments)

The Company's financial assets are classified on the basis of the business model adopted for their management and the characteristics of the relative cash flows.

a) Financial assets at amortised cost

Financial assets are classified in this category when the following requirements are met: (i) the asset is held within a business model the objective of which is to hold the asset to collect its contractual cash flows; and (ii) the contractual terms of the asset call for cash flows represented solely by payments of principal and interest on the amount of principal outstanding. These are primarily trade receivables, financial assets and other assets.

The trade receivables that do not contain a significant financial component are recognised at the price defined for the relative transaction (determined in accordance with the provisions of IFRS 15 Revenue from contracts with customers).

The valuation policy applied following initial recognition is the amortised cost using the effective interest rate method.

With reference to the impairment model, the Company values is receivables by identifying expected losses.

For trade receivables, the Company adopts a simplified valuation approach which does not require the recognition of periodic changes in credit risk, but rather the recognition of an expected credit loss (ECL) calculated on the entire life of the credit ("lifetime ECL").

In particular, the policy adopted by the Company calls for a matrix-type approach based on the following steps:

- historical analysis of losses on trade receivables;
- definition of appropriate customer groupings based on the characteristics of credit risk highlighted by the historical analysis;
- determination of the historical rate of loss by customer grouping on the basis of the losses recognised in relation to the amount of receivables in the reference period or in relation to the overdue brackets if the relative information is available without excessive effort;
- any adjustment of the historical rate of loss based on current and forecast information (changes in the economic, regulatory and technological context, industry outlooks, etc.).

If there is no reasonable expectation of recovery, trade receivables are written off.

With reference to non-current financial receivables, related to loans granted to the parent company and to the subsidiaries, the Company adopts the general approach for valuation, which requires the verification of any increase in credit risk at each reporting date.

The write-downs recognised pursuant to IFRS 9 are posted to the income statement net of any positive effects linked to releases or restorations of value and are represented under costs.

b) Financial assets at fair value through other comprehensive income ("FVOCI")

Financial assets are classified in this category when the following requirements are met: (i) the asset is held within a business model the objective of which is achieved by collecting the contractual cash flows and by selling the asset; and (ii) the contractual terms of the asset call for cash flows represented solely by payments of principal and interest on the amount of principal outstanding.

These assets are initially recognised in the financial statements at fair value plus any accessory costs directly attributable to the transactions that generated them. On subsequent measurement, the valuation carried out upon recognition is updated and any changes in fair value are recognised in the statement of comprehensive income. Please refer to what is described in point a) above with regard to the impairment model.

c) Financial assets at fair value through profit or loss ("FVPL")

This category includes financial assets that are not classified in either of the previous categories (i.e., residual category). These are primarily derivative instruments that do not meet requirements for hedge accounting.

The assets belonging to this category are recognised at fair value upon initial recognition. The accessory costs incurred on recognition of the assets are charged immediately to the income statement. On subsequent measurement, FVPL financial assets are valued at fair value.

Gains and losses deriving from changes in fair value are accounted for in the income statement in the period in which they are identified, in the item "Profit (Loss) from assets at fair value". Purchases and sales of financial assets are accounted for at the settlement date.

Financial assets are derecognised when the relative contractual rights expire, or when the Company transfers all risks and rewards of ownership of the financial asset.

Financial liabilities (excluding derivative instruments)

Financial liabilities include financial payables, trade payables and other payables.

Payables to banks and other lenders are initially recognised at fair value net of directly attributable transaction costs and subsequently measured at amortised cost, applying the effective interest rate approach. If there is a change in expected cash flows, the value of the liabilities is recalculated to reflect that change on the basis of the present value of the new expected cash flows and the internal rate of return initially determined.

Lease payables are initially measured at the current value of future payments.

Trade payables are obligations to pay against goods or services acquired from suppliers within the scope of ordinary business activities. Payables to suppliers are classified as current liabilities if payment will take place within one year of the reporting date. Otherwise, those payables are classified as non-current liabilities. Trade payables and other payables are initially recognised at fair value and subsequently measured at amortised cost.

Financial liabilities are derecognised when the underlying obligation is extinguished, cancelled or fulfilled.

Inventories

Inventories are recognised at the lesser value between the purchase price, determined in accordance with the specific cost, and the net sales price. The cost is the fair value of the price paid and any other cost directly attributable with the exception of financial charges. The net sales value is the estimated sales price net of costs for completion and sales. Any write-downs are eliminated in subsequent financial years if the reasons for the write-down no longer apply.

Work in Progress Contracts

Work in progress is recognised according to the state of progress or percentage of completion so that costs, revenues and margin are carried according to the state of progress determined by referring to the ratio between costs incurred at the date of valuation and total expected cost. The valuation reflects the best estimate of programmes carried out at the reporting date. The estimates are updated periodically. Any economic effects are accounted for in the financial year in which the updates are made. If completed contract work is expected to result in a loss, this is recognised entirely in the financial year in which it is reasonably forecast based on the provisions stated in IAS 37 "Provisions, contingent liabilities and contingent assets". Work in progress contracts are carried without including any write-down provisions as well as payments on account and advances for the contract in progress. Whenever the difference is positive for work in progress higher than the amount of advance payments then it is classified under assets in the item in question. Whenever this difference is negative the amount is classified under liabilities in the item "advance payment for work in progress contracts".

Cash and cash equivalents

Cash and cash equivalents consists of short-term investments (generally not exceeding three months), easily convertible into known amounts of cash and subject to an insignificant risk of changes in value. They are carried at fair value.

For the purpose of the cash flow statement, liquid assets are made up of cash, demand deposits at banks, short-term, highly liquid financial assets (original maturity not exceeding three months). Current account overdrafts are carried under current financial liabilities.

Treasury Shares

Treasury shares are reported in reduction of share capital. No profit (loss) is recognised in the Income statement for the acquisition, sale, issue or cancellation of treasury shares.

Employee benefits

Short-term benefits

Short-term benefits for employees are accounted for in the income statement in the period in which the work was performed.

Defined benefit plans

The Company grants its employees benefits under the Employee Severance Indemnity Fund (TFR). The employee severance indemnity accrued at 31 December 2006 is considered a defined benefit to be accounted for in accordance with IAS 19. These benefits fall under the definition: defined benefit plan determined in existence and amount but uncertain in when payable.

The total amount of the obligation is calculated on a yearly basis by an external actuary using the Projected Unit Credit Method. Actuarial gains and losses are fully accounted for in the related financial year.

Recognition of the changes in actuarial gains/losses is carried amongst the statement of comprehensive income components.

Defined contribution plans

The Company takes part in public or private pension plans with defined contributions on a mandatory, contractual or voluntary basis. Payment of the contributions fulfils the Company's obligation towards its employees. Thus, such contributions form an expense for the period in which they are due.

The employee severance indemnity accrued after 31 December 2006 is considered a defined contribution obligation.

Share-Based Payments - Stock grant

The Company recognises incentives consisting of plans for participation in the share capital ("stock grants") to some subjects who cover key positions within the Group. The stock grant plans are equity settled, and make it possible to receive shares of the Company free of charge at the end of the vesting period.

As set forth in IFRS 2, equity settled stock grant plans are measured at fair value through profit or loss under staff costs throughout the period between the assignment date and the vesting date and an equity reserve is recognised as an offsetting entry. The fair value of the stock grant is determined at the assignment date, reflecting the market conditions existing at the date in question.

At each reporting date, the Company reviews the assumptions regarding the number of stock grants expected to vest and recognises the effects of any change in the estimate in the income statement, adjusting the corresponding equity reserve.

In 2018, the Shareholders' Meeting of Exprivia approved the incentive and loyalty plan named "2018-2020 Performance Share Plan" reserved to executive directors, key executives and employees of Exprivia and its subsidiaries pursuant to art. 93 of the Consolidated Finance Act, the structure of which was defined by the Board of Directors, at the proposal of the Remuneration Committee. In 2019, the Shareholders' Meeting of Exprivia also approved the incentive and loyalty plan called "2019-2021 Performance Share Plan" with similar characteristics to the Plan referring to the three-year period 2018-2020.

Both plans aim to align the interests of its beneficiaries with those of the Shareholders, linking management remuneration with specific performance objectives, the achievement of which is strictly related to improvements in the Company's performance and growth in its value in the medium/long-term.

These stock grant plans are also an instrument meant to support the capacity to retain the key resources of Exprivia and of the subsidiaries, in line with best market practices which, typically, involve the implementation of medium/long-term incentive instruments.

The characteristics of the aforementioned plans are illustrated in the respective disclosure documents prepared by the Company pursuant to art. 84-bis of the Issuers' Regulation, made available to the public at the registered office, in the section of the Company's website (www.exprivia.it) corporate - corporate governance - corporate information.

These plans call for the assignment free of charge, subject to reaching specific performance indicators and the company's capital strength, of ordinary shares of Exprivia with a view to (i) connecting such incentives to the creation of long-term value, thus aligning the management's interests with those of the Shareholders, (ii) offering an incentive instrument to guide and motivate the management to meet the long-term challenges that will see the Company acting as a key player in the market and (iii) maintaining key resources.

The details of the plan approved in 2019 are illustrated in the first section of the Remuneration Report and in the "2019-2021 Performance Share" information document drafted and published pursuant to arts. 114-bis of the Consolidated Finance Act and 84-bis of the Issuers' Regulation.

The Board of Directors may also identify further plan beneficiaries if new people are assigned to the positions identified or equivalent offices are established.

Contingent Assets and Liabilities

Contingent assets and liabilities of an unlikely (but possible) or remote nature are not recognised in the financial statements; nevertheless, adequate reporting is provided concerning possible contingent assets and liabilities.

Whenever there is any financial disbursement relating to the obligation, and it occurs after the normal payment terms and the effect of discounting back is significant, the amount set aside corresponds to the current value of future payments expected to cancel the obligation.

Provisions for Risks and Charges

Provisions for risks and charges are probable liabilities of an uncertain amount and/or due date deriving from past events whose fulfilment will entail the use of economic resources. The amounts are only set aside if there is a current, legal or contractual obligation which makes the use of economic resources necessary, provided a reliable estimate of the obligation can be made. The amount recognised is the best estimate of the expense to fulfil the obligation at the reporting date. Provisions set aside are reviewed at every reporting date and adjusted to ensure they are the best current estimate.

Derivative instruments

The Company has chosen to continue applying the provisions contained in IAS 39 with regard to hedge accounting.

Derivative contracts were recognised according to the designation the derivative instruments (speculative or hedging) and the nature of the risk covered (Fair Value Hedge or Cash Flow Hedge).

For contracts designated as speculative, any changes in fair value are directly recognised in the income statement.

In hedging contracts, Fair Value Hedge is accounted for by recognising any changes in the fair value of the hedging instrument and the instrument hedged.

If it is identified as Cash Flow Hedge, it is accounted for by floating the fair value portion of change of the hedging instrument, which is recognised as effective cover in the shareholders' equity, and charging the ineffective portion to the Income statement. The changes recognised directly under shareholders' equity are released in the income statement in the same reporting period or periods in which the asset or liability hedged influences the income statement.

Asset Transfers

The assets transferred by way of factoring transactions, which comply with the requirements established by IFRS 9, are derecognised from the balance sheet.

Revenues

Revenue recognition is 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.

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.

The Company's obligations to transfer to the customer goods or services for which it received consideration therefrom or for which the amount of the consideration is due, are shown under the liability item "Advance payments on work in progress contracts" for the assets recognised in "Work in progress contracts" and in the item "Other current liabilities" in other cases.

Below is a description of the nature and methods for recognising revenues by category of goods and services provided by the Company.

Projects and Services

The category in question includes IT services, support services and entire projects for software and/or complex IT system development. With reference to this category, control of the service is transferred to the customer over time, and therefore the Company meets the performance obligation and recognises revenues over time by evaluating the progress of activities with the method that best reflects what was done to transfer control over the promised goods or services to the customer, which is substantially dependent on the way the service is provided.

The methods used to evaluate progress are:

- Time based method for services provided in stand-ready mode, services which consist of providing to the customer an assistance structure which intervenes when and if requested, typically application monitoring, remote assistance and/or network services for applications, training and application instruction, adaptation and corrective maintenance.
- Cost to cost for projects and services provided on a lump-sum basis, services and projects carried out on customer specifications that may include various components that are highly integrated and customised based on customer needs and represent input for the fulfilment of the overall obligation specified by the customer.
- Unit/Hours worked for advisory and support services at tariff rates; these are activities for which the benefit transferred to the customer is measured based on the hours or units worked and the agreed rate.

This category also includes on a residual basis projects and services for which the Company acts in its capacity as agent, without the primary responsibility for fulfilling the obligation.

Maintenance

This category includes maintenance and assistance services on third-party hardware and software and on proprietary software. The service is provided by activating the manufacturers' maintenance service and is managed by the company, which has primary responsibility for it or, with respect to proprietary software, consists of adaptation and corrective maintenance activities, releasing unspecified software updates and providing user support.

The service is provided in stand-ready mode or with constant effort. Revenue is recognised over time with the time based method.

Third-Party Hardware and Software

This category includes revenues for sales of hardware and software acquired from third parties when they represent a distinct obligation, i.e., when they are not closely integrated, interrelated or dependant on other goods and services promised in the contract. The revenues are recognised at a point in time at the moment of delivery and/or installation.

Proprietary Licences

This category includes revenues for sales of user licences on proprietary software generally granted as usage rights and for an unlimited period of time.

When the offer scheme does not include installation and configuration services, the revenue is recognised at a point in time when the access code required for use is provided to the customer.

When the offer scheme includes installation and configuration services, the obligation is considered distinct only if the services are not significant and/or do not entail considerable customisation activities and/or integration with other systems used by the customer; the revenues are recognised at a point in time after installation is complete.

In certain cases, proprietary licences are granted under an access right scheme for a limited period of time. In these cases, the customer is provided with a continuous service consisting of access to intellectual property and the revenue is accounted for over time with the time based method.

System Integration

This category includes revenues relating to the provision of services for the design, development and installation of solutions for integrated network systems. This category includes two types:

- Supply of equipment and non-complex installation services with no intermediate contractual milestones. The revenues are recognised at a point in time at the moment of installation.
- Supply of equipment, complex installation services and/or other strictly integrated, interrelated or interdependent professional services, which represent a single performance obligation the revenues of which are recognised over time with the cost to cost method.

Costs

Costs are recognised when they relate to goods and services sold or consumed during the year, by systematically breaking them down or when their future useful life cannot be identified.

Financial Income and Charges

Payable/receivable interest is recognised as financial income/charges after being checked on an accruals basis.

Dividends

Dividends are recognised when the shareholders hold the right to receive them, in accordance with local legislation.

Income Taxes

Taxes during the reporting period are defined on the basis of amounts expected to be due according to the tax laws in force.

The Company periodically assesses the choices made when calculating taxes with reference to situations in which the tax legislation in force is open to interpretation and, if it deems it appropriate, adjusts its exposure to the tax authority on the basis of the taxes it expects to pay.

In addition, deferred tax assets and liabilities and those paid in advance are recognised on the temporary differences between the values carried in the financial statements and the corresponding values recognised for tax purposes, and showing accumulated tax losses or unused tax credits, provided it is probable that the recovery (discharge) reduces (increases) future tax payments with respect to those that would have occurred if that recovery (discharge) had not had any tax effect. The tax effects of transactions or other events are recognised in the income statement or directly under shareholders' equity using the same methods used to recognise transactions or events that result in taxation.

Foreign currency

The Company's financial statements are presented in Euro, the functional currency of the Company.

Transactions in foreign currency are converted into euro at the rate of exchange on the date of the transaction. Gains and losses on exchanges arising from liquidation related to these transactions and the conversion of monetary assets and liabilities into foreign currency are recognised in the income statement.

Segment reporting

Based on its internal organisational structure, the Company has identified a single operating segment corresponding to the IT (Information Technology) sector, which corresponds to the legal entity Exprivia.

Financial risk management

Exprivia is exposed to the following financial risks:

Interest Rate Risk

Over the years the Company has obtained various loans including several medium-long term at a fixed-rate and others at a below-market fixed-rate, the latter relating to funded research and development projects.

Concerning variable-rate loans, where considered necessary the Company stipulates interest rate swap agreements or cap agreements to hedge the risk of unexpected fluctuation of interest rates.

Changes in interest rates during the financial year did not have a significant impact on the financial statements.

Credit Risk

The Company does not have significant concentrations of credit risk except for work carried out in the Public Administration 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.

The Company also manages this risk by selecting counterparts considered to be solvent by the market 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. Risk for the Company is mainly related to trade receivables.

Liquidity Risk

Prudent management of liquidity risk is pursued by planning cash flows, financing needs and the liquidity of the Company to ensure effective management of financial resources by managing any surplus liquidity, and by opening credit lines where necessary, including short-term ones.

As a result of this management, while taking into account liquidity from loans and credit lines already in place and cash flows the Company is able to generate, risks related to liquidity (at least in the short term) are considered insignificant.

Exchange Rate Risk

Since the majority of operations carried out by the Company is in the Euro Area there is limited exposure to foreign exchange risk arising from transactions that are not in the usual currency (euro). Fluctuating exchange rates during the financial year did not have a significant effect on the Company.

Risk of business interruption due to COVID-19 coronavirus

As illustrated in more detail in the paragraphs "Business Outlook" and "Events after 31 December 2019" of the directors' report, at the end of 2019, a new coronavirus renamed by the WHO (World Health Organisation) Covid-19, was detected in Wuhan, China. At the date of preparation of this Report, all the different countries are trying to deal with the pandemic mainly through the vaccination of the widest possible part of the population on the one hand and with restrictive measures to minimise the opportunities for contagion as much as possible.

Exprivia has closely followed the evolution of the situation and, in order to protect the safety of its employees, customers and suppliers, has immediately implemented a remote working policy that has brought almost the entire company population into this working mode.

From this point of view, the observation of what happened in 2020 shows that the market in which the Company operates, not only did not suffer particularly from the pandemic situation but, in some cases, it was a catalyst for new commercial opportunities. More than a year after the start of the pandemic, it can be said that the pandemic has not had, to date, a negative impact on Exprivia operations. It will undoubtedly be necessary to assess and study the possible repercussions that a "remote work" situation covering all working hours and lasting over time may have. This circumstance could therefore have a negative impact on the Company's ability to fully carry out its operations. Given the sector in which the Company operates, many of the activities carried out for its customers can be remotely performed, which Exprivia did from the very beginning.

Exprivia has processes that support the identification, management and monitoring of events with potential significant impacts on the company's resources and business, with the aim of maximising the timeliness and effectiveness of the actions undertaken.

Exprivia's management has carefully assessed, also in view of Consob's warning no. 6/20 of 9 April 2020, the impact of the pandemic on the Exprivia's business, both through internal analyses and the study of external sources. Based on the aforementioned analysis, Exprivia does not believe that the current pandemic, on the basis of the information available to date, could affect its ability to continue as a going concern.

Risk of negative outcome of the Italtel composition procedure and related impacts on Exprivia

As illustrated in more detail in the paragraphs "Significant events in 2019" and "Events after 31 December 2019", Italtel was admitted by decree of 11 March 2021 to the composition with creditors pursuant to articles 160 et seq. and 186-bis Royal Decree 267/1942 by the Court of Milan, following the filing of the request for composition with creditors dated 5 February 2021 pursuant to arts. 160 et seq. and 186-bis of the Bankruptcy Law.

On the basis of an in-depth analysis carried out with the support of its consultants, the directors of Exprivia believe that, even in the unlikely event of a negative outcome of Italtel's composition with creditors and the initiation of any extraordinary or bankruptcy administration procedure, a remote possibility, the risk of contingent liabilities to which Exprivia could be exposed is insignificant and any contingent liabilities would be immaterial.

In particular, this conclusion is based on the analysis of the liability profiles potentially deriving to Exprivia:

1) from its status as controlling shareholder until 31 December 2020

   and/or

2) from normal commercial and/or other relations in place and not related to the status of Italtel shareholder.

- *Risk of any liability profiles potentially deriving to Exprivia from its status as controlling shareholder until 31 December 2020*

The directors assessed that the risk of any potential liabilities attributable to Exprivia as shareholder in the event of a negative outcome of the composition is low given the following considerations:

1. **First assumption - probable positive outcome of the composition procedure**: despite the presence of a material uncertainty that casts significant doubts on Italtel's ability to continue as a going concern, based on the positive outcome of the composition procedure, Exprivia's Board of Directors, also on the basis of the opinion drafted by an independent external expert, believes that there are reasonable grounds to believe in the positive outcome of the composition procedure. In particular, it is believed that, although with the inherent risk of prognostic considerations, there are material factors in relation to the successful conclusion of Italtel's composition with creditors and, consequently, to the assessment of the existence of the going concern assumption thereof for the reasons indicated in the previous paragraph "*Considerations on the going concern of Italtel and impact on the process of preparation of the financial reporting of Exprivia*". While remaining within the scope of a prognostic judgment, it is believed that the probabilities that Italtel will reach the approval of its composition are considerably higher than those that the composition will be rejected. Moreover, in the event that the composition procedure to which Italtel has been admitted by the Court of Milan on 11 March 2021 is not successful, Italtel would have the subjective requirements to be admitted to an Extraordinary Administration procedure.

2. **Second assumption - absence of management and coordination activities pursuant to art. 2447 of the Italian Civil Code**: as confirmed by the opinions drafted by independent experts, since the acquisition of the investment of 81% of the share capital of Italtel, Exprivia has never carried out management and coordination activities pursuant to art. 2497-sexies of the Italian Civil Code, on Italtel, which was committed to implementing and executing the actions envisaged in the business plan underlying the restructuring agreement pursuant to art. 182-bis of the Bankruptcy Law approved by the Court of Milan in 2017, which predetermined in a binding manner the main guidelines of the two companies, thus ultimately limiting the possibility of heterodirection by Exprivia. The decision-making processes relating to the management of Italtel were actually initiated, carried out and finalised exclusively by the Board of Directors of that company. The existence of a control relationship, and even more the existence of an inevitably coordinated structure such as the one that emerges from the business plan and from the restructuring agreement pursuant to art. 182-bis of the Bankruptcy Law approved in 2017, made a certain degree of coordination between Exprivia and Italtel aimed above all at achieving the synergies that formed the basis and prerequisite of the restructuring agreement, fully physiological. However, the decision-making processes were hinged in each of the two companies independently. To this end, organisational controls were put in place to ensure, albeit within the framework of an effective and due cooperation, the full decision-making autonomy of the two companies as confirmed by the opinions provided by external consultants.

   In confirmation of this, it should be noted that Italtel's Board of Directors, composed of seven members, five of whom were directly appointed by the shareholder Exprivia, resolved on 31 December 2020 to accept the offer formulated by a third-party business entity, in order to be able to continue with the presentation of its request for composition with creditors and not that of the shareholder Exprivia. In this regard, it should be noted that, as explained in the Italtel's Board of Directors minutes of 31 December 2020, the two offers were in themselves very similar and both guaranteed the same compensation for creditors. Therefore, it is clear that the will expressed by the directors of Italtel was fully independent and not subject to any directive by the majority shareholder on the most significant occasion that determined the exit of Italtel from the Exprivia Group both in the event of positive outcome of the composition and in the event of a negative outcome. Therefore, it can be concluded that Exprivia has never carried out management and coordination activities with regard to Italtel in line with the conditions of its entry into the company's capital, in the context of the agreement pursuant to art. 182-bis, Bankruptcy Law, and with what has been declared over time.

3. **Third assumption: absence of damage caused to Italtel by the possible exercise of decision-making power by Exprivia**: from the start of the Investment (end of 2017) to date, no transactions have been carried out that are detrimental to the interest of Italtel or its subsidiaries. On the other hand, the causes of Italtel's crisis, as also reported by the asseverator in his report pursuant to art. 161, paragraph 3 and art. 186-bis of the Bankruptcy Law on the veracity of the data and feasibility of Italtel's plan, can be traced back to "*events of an extraordinary nature that have strongly impacted on the economic and financial data of 2019, determining a new and different context of corporate crisis starting from the second half of 2019*", including:

   <u>External factors</u>

   a. "*significant reduction in investments (and consequently, for Italtel, in Revenues and Margins) in the telecommunications sector; the very high investments for the 5G tender (concluded on 2 October 2018) have forced telephone operators to drastically revise the investment plan in the core sectors where Italtel operates (therefore the network infrastructure);*
   b. *financial difficulties of the Telefonica Group with consequent reduction in investments in Latin America as well as in Europe;*
   c. *growing financial instability of LATAM countries with particular reference to Argentina".*

   <u>Internal factors</u>

   d. *"The synergies with Exprivia did not in fact materialise due to both a delay in the start of joint commercial and operational action and a catalogue of offerings that was largely not ready for the international market. Many features were also missing for the international market, especially for the Banking and eHealth sectors;*
   e. *overestimation of the competitiveness of the CISCO product;*
   f. *the positioning of proprietary products was overestimated by underestimating the existence of*

significant barriers to entry also attributable to product issues;

g. *slowdown of the BUL (Open Fiber) project in 2019 due to operational difficulties encountered in the executive planning phase as a result of administrative activities with infrastructure managers, superintendents and Municipalities".*

Therefore, if there were any crisis factors attributable to Italtel's management, these would certainly not concern heterodirection activities carried out by Exprivia.

In light of the above, the directors of Exprivia concluded that the risk of any liability profiles potentially arising for Exprivia from its status as controlling shareholder until 31 December 2020 is negligible.

- *Risk of any liability profiles potentially deriving to Exprivia from normal commercial and/or other relationships in place and not related to its status as Italtel shareholder*

The directors have assessed that the risk of any potential liabilities attributable to Exprivia from the normal commercial and/or other relationships in place and not related to the status of Italtel shareholder in the event of a negative outcome of the composition is negligible in light of the following considerations:

1. **Guarantees and sureties issued in favour of Italtel:** Exprivia has never undertaken any obligation in favour of Italtel and has never issued, in favour of the latter, any guarantee or surety, with the exception of the surety issued for the 2019 Group VAT, nor has it ever undertaken any commitment to make payments on behalf of Italtel or other companies controlled by it, neither directly nor indirectly. Even the contracts underlying Exprivia's subscription of 81% of Italtel's share capital did not contain any such obligations, either unconditional or conditional on the occurrence of any event. It should be noted that the Bond Loan Regulation for the bond issued in 2017 by Exprivia to finance the Investment provide, in art. 12 "Issuer's Commitments" (xxi), that "*in relation to the management of Italtel and the other companies of the Italtel Group, the Issuer undertakes that none of the Group companies: (i) grant loans of any nature and for any reason for the benefit of the Italtel Group; (ii) grants guarantees of any nature for the benefit of the Italtel Group*". In addition, the Loan Agreement executed by Exprivia in 2016 with a pool of banks headed by BNL provides, following an amendment signed on 13 March 2018 as a result of the 2017 Investment, in art. 9.2 letter (k) "Prohibition to grant loans and personal guarantees", that: "*the Beneficiary [Exprivia] undertakes not to grant to third parties, and will ensure that no company in the Group grants to third parties, any loan or personal guarantee other than the Permitted Liens, it being understood for the sake of clarity that Abaco, Italtel and the companies directly and indirectly controlled by it pursuant to art. 2359, first paragraph no. 1 and 2 of the Italian Civil Code are considered as third parties for the purposes of this provision*. To date, the only case in which Exprivia has committed to Italtel as a co-obligor is that of the co-obligation relating to the surety of Euro 6.8 million issued in favour of the Inland Revenue Agency in relation to the 2019 Group VAT. It is also necessary to specify that this is an atypical surety that covers situations that have already occurred in the past; specifically, the unique opportunity to take steps to enforce the surety, is that the Inland Revenue Agency occur within the three-year period, and then by 30 September 2023, a clerical error in the calculation of VAT made statements by Italtel. This risk is considered almost remote, also on the basis of the company's tax history.

2. **Commercial activities between Exprivia and Italtel:** the commercial activities between the two companies since the subscription of 81% of Italtel's share capital to date are not significant and are governed by a specific framework agreement aimed at ensuring that all inter-company transactions take place at regular market conditions without benefiting either party. The analysis carried out did not reveal any interactions that led to problems with the customer of one of the two parties or that presuppose guarantees given by one party to the other. It should be added that, as from 14 December 2017, Italtel has set up a Related Parties Committee within its Board of Directors, as required by art. 22.1 of the Italtel's Articles of Association, composed of the New PFI Director (as Chairman), an independent director and a director without operational powers; the Related Parties Committee has supervised the transactions between related parties that have taken place after the investment and we are not aware of any anomalies.

The directors of Exprivia also carried out an analysis of the economic and financial impacts that may result for the Company from a possible Italtel default not related to liability profiles. The analyses carried out are summarised below:

1. **Commercial activities in which Italtel is a customer of Exprivia:** Italtel engages Exprivia to carry out activities on its customers, especially on the Telco market. A hypothesis of admission to extraordinary administration or bankruptcy proceedings of Italtel could therefore reduce this source of revenues and margins, thus negatively impacting Exprivia's economic data. Given the insignificant percentage impact on Exprivia's total revenues and EBITDA, equal to approximately 1%, it is believed that any loss of the assets in question can be considered negligible.

2. "**Joint**" **orders between Exprivia and Italtel:** the only orders in which the two companies were jointly involved relate to tenders promoted by a leading customer of Exprivia and its subsidiaries, mainly in Spain and in Latin America. Exprivia participated in these tenders in temporary joint ventures with other leading market players and the awarding of these tenders resulted in activities to be provided in Spain or in other South American countries. Delivery activities are sub-contracted to the local companies of Italtel, which therefore act as suppliers of Exprivia or of the temporary joint ventures as appropriate. Therefore, these activities do not involve Italtel but rather the companies controlled by it and not subject to bankruptcy proceedings in the relative countries. It follows that, even in the event of a negative outcome of the composition, it would not have a direct effect on the orders in question, which could therefore continue. Even if the negative outcome of the composition were to somehow affect Italtel's subsidiaries, Exprivia could replace the local companies of Italtel with local players. It is therefore believed that these orders cannot have negative effects on Exprivia in the event of a negative outcome of the composition of Italtel, reiterating, furthermore, that it would be in the full interest of the trustee or the liquidator in the bankruptcy proceedings to continue the activities capable of preserving the value of the assets for the purpose of their realisation.

3. **Charge-back of costs for personnel and services:** in the past, some resources of Italtel were seconded to Exprivia and vice versa. The costs of these resources were charged-back in accordance with the rules governing the secondment of staff. To date, only one Italtel employee remains seconded to Exprivia. If Italtel were to incur a negative outcome of the composition, the person in question, seconded to Exprivia, could probably continue to work and, if not, there would be no problems in finding similar skills on the labour market without this representing any kind of problem for Exprivia. As regards Exprivia staff seconded to Italtel, at the date of this report, there are no situations to report. Office costs are another type of cost subject to charge-backs. With a view to streamlining, the best possible use was made of the space available to both companies. In this case, Italtel hosts Exprivia staff in its Castelletto and Carini offices, while Exprivia hosts Italtel staff in its two offices in Rome. To date, the lease agreements between the companies are in the process of being terminated, as the companies themselves have already filed a regular cancellation in order to undertake a process with the final objective of a complete separation of the two companies.

4. **Transactions subject to revocatory action:** pursuant to art. 67 of the Bankruptcy Law, deeds of payment can be revoked if made in the 6 months prior to the declaration of bankruptcy; it is hereby assumed that the negative outcome of the composition entails the entry of Italtel into extraordinary administration or bankruptcy proceedings without solution of continuity and that therefore the so-called suspicious period is to be identified between 8 October 2019 and 7 April 2020. In this period, Italtel has carried out a single offsetting transaction between receivables and payables that were certain, liquid and collectable, as has been the case between the two companies since 2017, on a quarterly basis; on that occasion, Exprivia offset receivables of Euro 810,757.40 with payables (Italtel's receivables) of Euro 652,966.20; the difference of Euro 157,791.20 was paid by Italtel to Exprivia on 18 December 2019. It should be noted that the legal offsetting (i.e. between certain, liquid and collectable payables) cannot be revoked pursuant to art. 67 of the Bankruptcy Law. Based on these considerations, we can consider the risk of revocation as "remote". The offsetting subsequent to the Request for Composition with Creditors was made on the basis of the provisions of art. 56 of the Bankruptcy Law.

5. **Impacts related to the Exprivia loan agreements:** an analysis of the loan agreements executed by Exprivia showed that the company's reference perimeter in relation to which the Financial Parameters (so-called covenants) are to be calculated, where compliance with covenants is envisaged, provides for the exclusion of Italtel and all companies directly or indirectly controlled by the latter. An analysis of the contractual provisions that could give rise to a Determining Event under the loan agreements upon the occurrence of an Italtel Default shows that:
   - for the BNL Loan, any Italtel Default could constitute a Determining Event under the loan agreement; however, to be noted is the fact that the residual debt of the BNL Loan will be equal to approximately Euro 3.8 million at 31 December 2021 and that the final expiry of the contract is set at 31 December 2022;
   - for the Bond Loan issued on 14 December 2017 and subscribed by leading investment funds in debt instruments (the "Bond"), maturing on 31 December 2023 and whose residual debt at 31 December 2021 will be approximately Euro 13.8 million, art. 9 (iv) "*Bankruptcy proceedings and crisis of the Issuer*" limits the validity scope of the clause *"to the Issuer and/or companies of the Issuer's Group", where the Issuer's Group "means the Issuer and its direct or indirect subsidiaries, pursuant to art. 2359 of the Italian Civil Code (or other similar provision of the applicable law) with the exception of the Italtel Group*";
   - for the SACE Loan, art. 18.8 "Bankruptcy proceedings" limits the validity scope of the clause "for the Beneficiary and/or for any Group Company", where the Group *"means the Beneficiary and its direct or indirect subsidiaries pursuant to art. 2359, paragraph 1, no. 1 and 2 of the Italian Civil Code, which falls within the scope of consolidation from time to time, with the exception of the Italtel Group".*

   The residual debt at 31 December 2021 was indicated, since any negative outcome of the composition, if it were to occur, will only be revealed in the last part of 2021, taking into account that the creditors' composition meeting is scheduled for 29 September 2021.

   It can therefore be concluded that, net of an insignificant impact in relation to the BNL loan, the main Exprivia loan agreements are indifferent to the effects produced by a possible Italtel default.

In conclusion, from the detailed and accurate analysis carried out, there are no significant contingent liabilities and/or significant risk profiles that could emerge for Exprivia in the unlikely event of a negative outcome of the Italtel's composition, as it has not provided sureties or guarantees in favour of Italtel, as it has not assumed contractual or legal obligations, either implicit or explicit, and as there are no commercial relations or significant economic interests.

Reconciliation of financial assets and liabilities according to IFRS 7

To complement the reporting on financial risks, the table below provides a reconciliation between financial assets and liabilities included in the Company's balance sheet and classes of financial assets and liabilities provided by IFRS 9 (amounts in thousands of euro).

exprivia

FINANCIAL ASSETS AT 31 December 2019	Loans and "amortized cost" receivables	Investments measured at "fair value through OCI (FVOCI)"	Derivative financial instruments "financial assets valued at fair value in the income statement"	Derivative financial instruments Hedge Accounting "financial assets valued at FVOCI"	Financial instruments available for sale "FVOCI"	Total
In thousands of Euro						
Non current assets						
Financial assets	2,605					2,605
Investments in other companies		164				164
Derivative financial instruments				-		-
Other non-current assets	751					751
Total no current assets	3,356	164	-	-	-	3,520
Current assets						
Trade receivables	46,133					46,133
Other financial assets	1,511				178	1,689
Other current assets	11,669					11,669
Cash and cash equivalents	7,101					7,101
Total Current assets	66,414	-	-	-	178	66,592
TOTAL	**69,770**	**164**	**-**	**-**	**178**	**70,112**

PASSIVITA' FINANZIARIE AL 31 dicembre 2019	Loans and "amortized cost" payables		Derivative financial instruments "financial liabilities valued at fair value in the income statement"	Derivative financial instruments Hedge Accounting "financial liabilities valued at FVOCI"	Financial instruments available for sale "FVOCI"	Total
In thousands of Euro						
Non Current liabilities						
Bond	18,164					18,164
Due to banks	1,539					1,539
Other financial liabilities	3,876		15			3,891
Other non-current liabilities	1,878					1,878
Total Non Current liabilities	25,457		15	-	-	25,472
Current liabilities						
Current bond loans	4,622					4,622
Due to banks	26,018					26,018
Trade payables and advances	30,463					30,463
Other financial liabilities	5,946					5,946
Other current liabilities	34,316					34,316
Total Current liabilities	101,265	-	-	-	-	101,265
TOTAL	**126,722**		**15**	**-**	**-**	**126,737**

It should be noted that the financial instruments reported above, with reference to loans, receivables, payables and investments, were measured at carrying amount, 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 (price-related inputs) observable on the market;
- **Level 3 -** inputs that are not based on observable market data.

Explanatory Notes on the Exprivia Balance Sheet

Details are provided below on the entries making up the assets and liabilities that comprise the balance sheet, which is drawn up in accordance with international accounting standards (IAS/IFRS).

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

NON-CURRENT ASSETS

Note 1 – Property, Plant and Machinery

At 31 December 2019, the balance of the item "**Property, plant and machinery**", net of depreciation, amounted to Euro 18,659,974 compared to Euro 14,608,649 at 31 December 2018.

The adoption of IFRS 16 from 1 January 2019 led to the recognition of fixed assets for a total of EUR 5,531,690 recorded under the item "**IFRS 16 adjustments at 01/01/19**".

The breakdown of the adjustments recognised on the opening balances as well as the details of the changes during the year for each category of assets are detailed below:

Categories	Historical cost 01/01/19	IFRS 16 adjustments to 01/01/19	Net value adjusted as of	Historical cost increases	Historical cost decreases	Depreciation for the year	Decreases in accumulat	Net value at 31/12/19
Land	1,336,394	-	1,336,394	-	(58,000)	-	-	1,278,394
Manufactured	11,312,610	4,121,558	15,434,168	76,033	(232,000)	(1,405,548)	136,604	14,009,257
Other assets	1,674,794	1,410,132	3,284,926	1,736,037	(2,394,002)	(1,646,011)	2,391,373	3,372,323
Fixed assets in progress	84,851	-	84,851	-	(84,851)	-	-	-
TOTAL	**14,608,649**	**5,531,690**	**20,140,339**	**1,812,070**	**(2,768,853)**	**(3,051,559)**	**2,527,977**	**18,659,974**

The increase in the item "**buildings**", amounting to Euro 76,033, is mainly related to the recognition of the right of use according to IFRS 16 of the lease agreements executed between the Company and its subsidiary Italtel in 2019, as regards the offices in the Castelletto and Carini sites. The decrease in the historical cost of Euro 232,000 relates to the sale of the real estate property of the Company in Viale Pio XI no. 40 in Molfetta.

The increase in the item "**other assets**", for Euro 1,736,037, is mainly attributable, for Euro 1,053,711, to the recognition of the right of use according to IFRS 16 of the medium/long-term rental contracts for cars, executed in 2019, for Euro 173,306 to systems, for Euro 442,639 to electronic office machines, for Euro 25,363 to furniture and fittings and for Euro 38,689 to mobile telephones.

Decreases can be mostly ascribed to the disposal of assets no longer in use, nearly fully depreciated.

Please note that there is a first mortgage on the real estate complex located in Molfetta (BA) at Via Olivetti 11, for a maximum amount of Euro 50 million to guarantee the exact 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).

With regard to rights of use recognised in accordance with IFRS 16, as well as to assets previously recognised as leases by applying IAS 17, the changes are detailed below:

Description	Net value as of 01/01/19	Increases as of 31/12/19	Decreases as of 31/12/19	Depreciation as of 31/12/19	Decreases in the accumulated depreciation as of 31/12/19	Net value as of 31/12/19
Land and building	4,121,558	75,054		(909,127)		3,287,485
Furniture and furnishings	204,365			(81,929)		122,436
Cars	1,410,132	1,053,711	(761,108)	(916,201)	761,108	1,547,642
TOTAL	**5,736,055**	**1,128,765**	**(761,108)**	**(1,907,257)**	**761,108**	**4,957,563**

It should be noted that the above changes include assets previously recognised as leases by applying IAS 17, whose net value at 1 January 2019 and 31 December 2019 amounted to Euro 204,365 and Euro 122,436. Financial payables relating to the current value of the remaining lease payments at 31 December 2019 amounted to Euro 5,611,053, of which Euro 1,745,498 classified as current liabilities and Euro 3,865,555 classified as non-current liabilities.

The amounts relating to leases recognised in the income statement in 2019 are as follows:

Description	31/12/2019
Use of third party assets	**(185)**
Short term leasing	(50)
Leasing of modest value	(136)
Depreciation and write-downs of non-current assets	**(1,907)**
Amortization of leasing asset use rights	(1,907)
Financial income (charges)	**(272)**
Interest expense for leased assets liabilities	(272)

For comparative purposes, the changes in tangible fixed assets occurred in the previous year are shown below:

Categories	Historical cost 01/01/18	Increases due to the merger effect	Increases	Decreases	Depreciation fund due to mergers	Depreciation for the year	Decreases	Net value at 31/12/18
Land	540,754	795,640	-	-	-	-	-	1,336,394
Manufactured	9,495,755	3,682,558	40,260	(140,894)	(1,262,959)	(514,954)	12,844	11,312,610
Other assets	1,432,061	3,858,967	1,108,101	(6,729,578)	(3,713,181)	(600,781)	6,519,206	1,874,794
Fixed assets in progress	-	-	84,851	-	-	-	-	84,851
TOTAL	**11,468,570**	**8,337,165**	**1,233,212**	**(6,870,472)**	**(4,976,140)**	**(1,115,735)**	**6,532,050**	**14,608,649**

Note 2 – Goodwill

At 31 December 2019, "**goodwill**" amount to Euro 66,791,188 and there were no changes from the same figure at 31 December 2018.

Goodwill was generated in the business combinations made in previous financial years as a result of the Company's growth from acquiring companies operating in the same market.

Information on Impairment Tests performed on Goodwill

Scope

Accounting standard IAS 36 requires that impairment tests should be performed on tangible and intangible fixed assets in the presence of indicators, which suggest that this problem could exist.

In the case of goodwill, as well as all other intangible assets with an indefinite useful life, such impairment tests should be performed on a yearly basis or more frequently in the case of special negative events that might result in impairment.

Identification of the CGUs (Cash Generating Units) and Allocation of Goodwill

Not representing goodwill, according to international accounting standards, an asset that is unable to generate cash flow independently from other assets or groups of assets cannot be tested for impairment separately from other related assets.

For this purpose, goodwill is allocated to a CGU or groups of CGUs in compliance with the maximum aggregation consistent with the notion of operating segment referred to in IFRS 8.

The goodwill is allocated in full to the single IT, software and IT services CGU.

Impairment Test Process and Assessment System

The recoverability of the amount of goodwill carried in the financial statements is checked by comparing the carrying amount of the CGU and the recoverable amount in the definition of value in use. At the date of the analysis, the value in use is identified as the current value of future cash flow expected to be generated by the CGUs. The "DCF - Discounted Cash Flow" model was used in determining the value in use. The DCF discounts estimated future cash flow by applying an appropriate discount rate.

For the purpose of the projections required by IAS 36, strict reference was made to the current conditions of use of the CGU regardless of the cash flow from any investment plans and extraordinary transactions that may constitute a "break" from normal company operations.

The operating cash flow projections for the explicit 5-year period used for value measurement purposes are based on the budget and the plans subject to approval of the Board of Directors. It should be noted that, with reference to the impact of Covid-19, there is a general consensus in considering the pandemic to be a post 31 December 2019 event that does not highlight conditions already existing at the reporting date, since the epidemic has occurred in Italy and in Europe starting from mid-January 2020 and the regulatory measures that have led to significant effects on the economy have all occurred in 2020. Therefore, COVID-19 is a subsequent event that represents a "non-adjusting" event, i.e. an event that does not affect the financial statement balances at 31 December 2019 as it does not highlight conditions already existing at the reporting date. In estimating future cash flows, for the purposes of the impairment test, reference must be made to the current conditions and to the elements existing at the reporting date (31 December 2019), therefore the effects of Covid-19 must not be reflected in the forecast as this is a post 31 December 2019 event.

Considering that the estimated effects of Covid-19, reflected in the economic and financial projections, are of an insignificant impact and such as not to alter the results of the impairment test, it was deemed not necessary to neutralise the effects in the forecast of the cash flows used for the impairment test purposes.

The terminal value was calculated as the present value of the perpetuity obtained by capitalising the cash flow generated in the last analytical forecast period at a long-term growth rate (G-rate) of 1.8%, equal to the long-term inflation rate forecast for Italy.

The Beta ratio has been estimated on the basis of a panel of comparable companies.

The weighted average cost of capital (WACC) was increased to incorporate an execution risk of the plans, calculated on the basis of the average deviation percentage between the EBITDA achieved and the EBITDA estimated in the last four years.

The main assumptions underlying the 2020-2024 economic-financial forecasts are listed below:

- for 2020 the projections reflect the preliminary data for the year;
- for 2021-2024 the projections reflect an average compound annual growth rate of Total Revenues of 0.3% (CAGR 2020-2024) and average profit margin of 12.9%.

The WACC (Weighted Average Cost of Capital) used to discount cash flows was equal to 8.05% and was determined as the specific discount rate for Italy.

The parameters used are as follows:

Parametri	Italia
Risk free rate	1,9%
Market risk premium	6,0%
D/E	0,0%
Beta unlevered	86%
Beta levered	86%
Risk Premium	5,2%
Country Risk Premium	0,0%
Premio per il rischio addizionale	1,0%
Costo del capitale proprio (Ke)	**8,05%**
Kd (IRS 10 anni)	0,26%
Spread	4,2%
Costo del debito (Kd Pre tax)	**4,5%**
Aliquota IRES / IS	24,0%
Costo del debito (Kd after Tax)	**3,4%**
D/D+E	0,0%
E/D+E	100,0%
WACC	**8,05%**

Sensitivity Analysis

A sensitivity analysis was carried out on the outcome of the impairment test assuming the following changes:

- a 0.5 percentage point increase in the weighted average cost of capital;
- a 0.5 percentage point decrease in the growth rate "G";
- the combined change in both the variables indicated above.

The sensitivity analysis shows that the values used are higher than the carrying amounts.

Conclusions

The tests performed did not show any impairment that should be reported in the financial statements.

Note 3 – Other Intangible Assets

At 31 December 2019, the balance of the item "**Other intangible assets**" amounted, net of amortisation applied, to Euro 10,454,886 compared with Euro 11,010,531 at 31 December 2018.

The table below shows the changes in the reporting period:

Categories	Net value as of 01/01/19	Increases	Decreases	Depreciation	Net valute at 31/12/19
Cost of plant and extension	2,830,262	335,583	-	(875,216)	2,290,629
Development of advertising	4,079,152	2,222,837	-	(2,050,590)	4,251,399
Assets under constr. & payment on a/c	4,101,117	767,919	(956,178)	-	3,912,858
TOTAL	**11,010,531**	**3,326,339**	**(956,178)**	**(2,925,806)**	**10,454,886**

The increase in the item "**other intangible assets**" for Euro 335,583 is mainly due to the purchase of software licenses.

The increase of Euro 2,222,837 in the item "**costs for capitalised internal projects**" is due to the development of software applications in the Banking & Finance, Healthcare and Defence & Aerospace markets.

The increase in the item "**work in progress and advances**" of Euro 767,919 is attributable to the development of software applications not yet completed in the Defense & Aerospace market, while the decrease of Euro 956,178 is attributable to the development of software applications already completed and therefore amortised, as part of the Defense & Aerospace market.

For comparative purposes, the changes in intangible fixed assets occurred in the previous year are shown below:

Categories	Net value as of 01/01/18	Increases at 12/31/18	Increases due to mergers	Decreases at 12/31/18	Depreciation fund due to mergers	Depreciation for the year	Decreases	Net valute at 31/12/18
Cost of plant and extension	349,973	262,823	7,388,510	(3,021,883)	(4,201,525)	(641,731)	3,803,015	2,830,262
Development of advertising	2,860,750	2,518,554	9,939,358	(9,366,882)	(9,366,502)	(1,081,904)	9,366,882	4,079,152
Assets under constr. & payment on a/c	0	900,372	4,400,911	(1,200,188)			-	4,101,117
TOTAL	**3,219,723**	**3,681,945**	**21,728,879**	**(14,398,571)**	**(13,568,027)**	**(2,823,636)**	**13,170,217**	**11,010,531**

Note 4 – Equity Investments

The item "**equity investments**" at 31 December 2019 amounted to Euro 8,998,573 compared to Euro 35,854,870 at 31 December 2018.

The item is broken down below.

Equity Investments in Subsidiaries

At 31 December 2019, the item "**equity investments in subsidiaries**" amounted to Euro 8,534,445 compared with Euro 35,693,241 at 31 December 2018. The table below provides details on the item:

Description	31/12/2019	31/12/2018	Variation
Exprivia Projects Srl	1,709,366	1,709,366	-
Group Exprivia S.L.U	2,581,044	4,479,868	(1,898,824)
Exprivia Do Brasil	2,574,976	1,671,481	903,495
ProSap SA de CV (Messico)	816,267	1,833,523	(1,017,256)
Advanced Computer Systems Gmbh	25,000	25,000	-
Spegea S.c.a r.l.	300,000	300,000	-
HRCOFFEE Srl	155,789	297,000	(141,211)
Consorzio Exprivia S.c. a r.l.	22,003	27,003	(5,000)
Exprivia Asia Ltd	350,000	350,000	-
Italtel S.p.A.	-	25,000,000	(25,000,000)
TOTAL	**8,534,445**	**35,693,241**	**(27,158,796)**

The changes during the year relate to:

- increase in the equity investment in Exprivia Do Brasil for Euro 980,000 attributable to the effect of the recognition of the obligation to purchase the remaining 47.7% of the shares held by minority shareholders and to the decrease of Euro 76,505 attributable to the equity investment write-down resulting from the impairment test, which is described below;
- sale to the subsidiary Italtel of 25% of the investment in Consorzio Exprivia Scarl owned by Exprivia for Euro 5,000;
- write-downs relating to the equity investments in Italtel (Euro 25,000,000), Exprivia SLU (Euro 1,898,824), Exprivia Messico SA de CV (Euro 1,017,256), Exprivia do Brasil (Euro 76,505) and HR COFFEE Srl (Euro 141,211) and resulting from the impairment test, as provided below.

The equity investments were subjected to impairment tests where impairment indicators were detected.

Impairment test process for the equity investment in Italtel and assessment system

With reference to the write-down of the equity investment in Italtel, the process adopted to estimate the recoverable amount of the equity investment is described below. For information on the significant events that have affected the investee from 2019 to date, as well as for information on the crisis resolution process launched by the same and on its business continuity, please refer to the specific paragraphs of these explanatory notes.

In the presence of impairment indicators, Exprivia must determine the recoverable amount of the equity investment in Italtel at 31 December 2019, the higher of the value in use and the fair value less selling costs.

Value in use

The recoverability of the value of the equity investment in Italtel is verified by comparing the carrying amount of the investment and the related recoverable amount, i.e. the higher between the fair value less selling costs and the value in use. At the date of analysis, the latter is identified as the current value of future cash flow expected to be generated by the investee company.

The "DCF - Discounted Cash Flow" model was used in determining the value in use. The DCF discounts estimated future cash flow by applying an appropriate discount rate.

For the purposes of applying the "DCF Discounted Cash Flow", the expected operating cash flows were estimated on the basis of Italtel's consolidated plan underlying the binding offer submitted by Exprivia in December 2020, containing the economic-financial projections over the time period 2020-2025, representative of operational conditions already existing at the reporting date, with the explicit forecast period limited to the years 2020-2023. In fact, starting from 2024, the plan assumes an inertial trend reflected by Exprivia management in the calculation of the terminal value.

The main assumptions underlying the 2020-2023 economic-financial forecasts are listed below:

- for 2020-2023, the projections reflect an annual compound average growth rate of Total Revenues of 8.26% (CAGR 2020-2023) and average profit margin of 4.6%.

The terminal value was calculated as the present value of the perpetuity, estimated mainly on the basis of the projections relating to the last year of explicit forecast (2023).

The measurement parameters (WACC and G-rate) applied to the cash flows and the terminal value were estimated with the support of an independent expert; details of the valuation parameters used are provided below.

Parametri	Italia	Brasile	Francia	Argentina	Perù	Colombia	Germania	Spagna
Risk free rate	2,02%	2,22%	0,15%	2,22%	2,22%	2,22%	0,00%	0,73%
Market risk premium	6,00%	6,00%	6,00%	6,00%	6,00%	6,00%	6,00%	6,00%
D/E	0,13	0,13	0,13	0,13	0,13	0,13	0,13	0,13
Beta unlevered	1,04	1,04	1,04	1,04	1,04	1,04	1,04	1,04
Beta levered	1,14	1,13	1,14	1,14	1,14	1,13	1,14	1,14
Risk Premium	**6,8%**	**6,8%**	**6,8%**	**6,8%**	**6,8%**	**6,8%**	**6,8%**	**6,8%**
Country Risk Premium	0,00%	4,17%	0,00%	7,64%	1,67%	2,64%	0,00%	0,0%
Premio per il rischio addizionale	2,60%	2,60%	2,60%	2,60%	2,60%	2,60%	2,60%	2,6%
Costo del capitale proprio (Ke)	**11,49%**	**15,77%**	**9,61%**	**19,27%**	**13,31%**	**14,25%**	**9,42%**	**10,19%**
Kd (IRS 10 anni)	0,32%	0,32%	0,32%	0,32%	0,32%	0,32%	0,32%	0,32%
Spread	3,02%	3,02%	3,02%	3,02%	3,02%	3,02%	3,02%	3,02%
Costo del debito (Kd Pre tax)	**3,34%**	**3,34%**	**3,34%**	**3,34%**	**3,34%**	**3,34%**	**3,34%**	**3,34%**
Aliquota fiscale	24,00%	34,00%	25,00%	30,00%	29,50%	33,00%	30,00%	25,00%
Costo del debito (Kd after Tax)	**2,54%**	**2,20%**	**2,51%**	**2,34%**	**2,35%**	**2,24%**	**2,34%**	**2,51%**
D/D+E	11,79%	11,79%	11,79%	11,79%	11,79%	11,79%	11,79%	11,79%
E/D+E	88,21%	88,21%	88,21%	88,21%	88,21%	88,21%	88,21%	88,21%
WACC	**10,44%**	**14,17%**	**8,77%**	**17,28%**	**12,01%**	**12,84%**	**8,58%**	**9,29%**
Fattore di ponderazione (EBITDA per paese)	*40,2%*	*19,3%*	*2,8%*	*1,5%*	*15,5%*	*2,9%*	*0,4%*	*17,4%*
WACC Medio ponderato per Paese	**11,32%**							

Parametri	Italia	Brasile	Francia	Argentina	Perù	Colombia	Germania	Spagna
G Rate (CPI di lungo termine per paese)	1,5%	3,5%	1,9%	6,4%	2,5%	3,0%	2,0%	1,8%
Fattore di ponderazione (EBITDA per paese)	40,2%	19,3%	2,8%	1,5%	15,5%	2,9%	0,4%	17,4%
G rate medio ponderato con EBITDA medio per paese	2,22%							

At the end of the estimation procedure, the value in use of the equity investment assumes a largely negative value. The related value in use was therefore assumed to be zero, given that Exprivia has not undertaken obligations to recapitalize the investee company, nor has it given any guarantee in favour of Italtel, nor is it subject to contingent liabilities related to the performance of the investee company.

Fair Value less selling costs

The fair value of the equity investment in Italtel net of disposal costs was estimated on the basis of the binding offer submitted by a third party based on the request for composition.

Conclusion

In light of the above, the carrying amount of the equity investment in Italtel, equal to Euro 25 million, was fully written down in the financial statements at 31 December 2019.

Impairment test process for other equity investments and assessment system

The equity investments were subjected to impairment tests where impairment indicators were detected. The impairment test was performed by applying the methodology indicated in note 2 with reference to Goodwill, however using specific G and WACC parameters established with reference to the countries in which each company operates.

More specifically, the recoverability of the carrying amount of the equity investment in Exprivia SLU, amounting to Euro 4.5 million, was verified based on the cash flow projections deriving from the economic-financial forecasts for the years 2020-2024 approved by the company's Board of Directors, which envisage the following main assumptions:

- for 2020 the projections reflect the preliminary data for the year;
- for the years 2021-2024, the projections reflect an average annual compound growth rate of total revenues of 24.1% (CAGR 2020-2024), largely justified by the effects of a plan to relaunch the business in the Spanish market already under way in 2019.

The impairment test was performed by applying the methodology indicated in note 2 with reference to Goodwill, however using specific G and WACC parameters established with reference to the country in which the company operates, and equal respectively to 1.8% and 6.8%.

The impairment test brought to light impairment of Euro 1.9 million compared to the carrying amount of the equity investment in Exprivia Slu; impairment was therefore recognised on the basis of the results of the test performed, as the fair value of the equity investment net of selling costs was lower than the value in use.

Moreover, the recoverability of the carrying amount of the equity investment in Exprivia Messico SA de CV, amounting to Euro 1.8 million, was verified based on the cash flow projections deriving from the economic-financial forecasts for the years 2020-2024 approved by the company's Board of Directors, which envisage the following main assumptions:

- for 2020 the projections reflect the preliminary data for the year;
- for 2021-2024 the projections reflect a negative average compound annual growth rate of total revenues of 7.9% (CAGR 2020-2024).

The impairment test was performed by applying the methodology indicated in note 2 with reference to Goodwill, however using specific G and WACC parameters established with reference to the countries in which the company operates, Mexico and Guatemala, and equal respectively to 3.1% and 9.5%.

The impairment test brought to light impairment of Euro 1.02 million compared to the carrying amount of the equity investment in Exprivia Messico SA de CV; impairment was therefore recognised on the basis of the results of the test performed, as the fair value of the equity investment net of selling costs was lower than the value in use.

Moreover, the recoverability of the carrying amount of the equity investment in Exprivia do Brasil, amounting to Euro 2.7 million, was verified based on the cash flow projections deriving from the economic-financial forecasts for the years 2020-2024 approved by the company's Board of Directors, which envisage the following main assumptions:

- for 2020 the projections reflect the preliminary data for the year;
- for the years 2021-2024, the projections reflect an average annual compound growth rate of total revenues of 31.8% (CAGR 2020-2024) justified by expectations of recovery in the Brazilian market.

The impairment test was performed by applying the methodology indicated in note 2 with reference to Goodwill, however using specific G and WACC parameters established with reference to the country in which the company operates, and equal respectively to 3.5% and 12.84%.

The impairment test brought to light impairment of Euro 77 thousand compared to the carrying amount of the equity investment in Exprivia do Brasil; impairment was therefore recognised on the basis of the results of the test performed, as the fair value of the equity investment net of selling costs was lower than the value in use.

Finally, the recoverability of the carrying amount of the equity investment in HRCoffee Srl, amounting to Euro 0.3 million, was verified based on the cash flow projections deriving from the economic-financial forecasts for the years 2020-2024 approved by the company's Board of Directors, which envisage the following main assumptions:

- for 2020 the projections reflect the preliminary data for the year;
- for the years 2021-2024, the projections reflect an average annual growth rate of total revenues of 158.9% (CAGR 2020-2024) justified by the fact that it is a start-up. The impairment test was performed by applying the methodology indicated in note 2 with reference to Goodwill, however using specific G and WACC parameters established with reference to Italy, the country in which the company operates, equal to 1.8% and 8.05%, respectively.

The impairment test brought to light impairment of Euro 0.1 million compared to the carrying amount of the equity investment in HRCOFFEE Srl; impairment was therefore recognised on the basis of the results of the test performed, as the fair value of the equity investment net of selling costs was lower than the value in use.

A sensitivity analysis was carried out on the outcome of the impairment test of the equity investments assuming the following changes:

- a 0.5 percentage point increase in the weighted average cost of capital;
- a 0.5 percentage point decrease in the growth rate "G";
- the combined change in both the variables indicated above.

From the sensitivity analysis it emerges that carrying out the impairment test by varying the parameters as reported above, the values in use would be lower than the carrying amounts with reference to the equity investment in Exprivia SLU for Euro 2.3 million (instead of Euro 1.9 million recognised in 2019 as a write-down of the value of the equity investment), with reference to the equity investment in Exprivia Messico SA de CV for Euro 1 million (substantially in line with the write-down of the value of the equity investment recognised in 2019 for Euro 1 million), with reference to the equity investment in Exprivia do Brasil for Euro 178 thousand (instead of Euro 77 thousand recognised in 2019 as a write-down of the value of the equity investment) and, finally, with reference to the equity investment in HRCoffee Srl for Euro 179 thousand (instead of Euro 141 thousand recognised in FY2019 as a write-down of the value of the equity investment).

The sensitivity analysis also shows impairment losses with reference to the investment in Exprivia Asia for Euro 52 thousand.

The list of equity investments in subsidiaries held by Exprivia is shown below, indicating for each of these the relevant information that can be taken from the financial statements at 31 December 2019 approved by the respective administrative bodies:

Company	H.O.	Value	Company capital	Value	Results for period	Net worth	Total revenues	Total Assets	% of holding	
Advanced Computer Systems D-GmbH	Offenbach (Germania)	Euro	25.000	valori in migliaia di Euro	(22)	29	531	208	100.00%	Exprivia SpA
Consorzio Exprivia S.c.a.r.l.	Milano	Euro	28.000	valori in migliaia di Euro	0	21	10	2.457	70.00% 25.00% 5.00%	Exprivia SpA Italtel SpA Exprivia Projects Srl
Exprivia ASIA Ltd	Hong Kong	Dollaro Hong Kong	2,937,850	valori in migliaia di Euro	(22)	(83)	-	634	100.00%	Exprivia SpA
Exprivia Do Brasil Serviços Ltda	Rio de Janeiro (Brasile)	Real	6,888,963	valori in migliaia di Euro	51	1,537	2,066	2,001	100.00%	Exprivia SpA
Exprivia Projects Srl	Roma	Euro	242.000	valori in migliaia di Euro	674	1,052	16,392	6,486	100.00%	Exprivia SpA
HROOFFEE Srl	Molfetta (BA)	Euro	388.000	valori in migliaia di Euro	(144)	113	3	171	70.00% 30.00%	Exprivia SpA persone fisiche
Spegea Scarl	Bari	Euro	125.000	valori in migliaia di Euro	52	268	858	1,642	60.00% 40.00%	Exprivia SpA Confindustria Bari
Exprivia SLU	Madrid (Spagna)	Euro	197.904	valori in migliaia di Euro	(1.152)	1.032	1.781	4.635	100.00%	Exprivia SpA
Exprivia Messico SA de CV	Città del Messico (Messico)	Pesos messicani	41,288,399	valori in migliaia di Euro	(373)	1,790	737	2,986	2.00% 98.00%	Exprivia SLU Exprivia SpA
Italtel SpA	Settimo Milanese (MI)	valori in Euro	28,088,000	valori in migliaia di Euro	(221,652)	(194,441)	366,401	244,715	81.00% 19.00%	Exprivia SpA Cisco Srl

It should be noted that, at 31 December 2019, there is a first-rank pledge on the equity investments in Exprivia Projects Srl, representing 100% of its share capital, granted in respect of the loan of Euro 25 million taken out on 1 April 2016 with a pool of banks.

On 31 December 2019, there was a pledge on Equity 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.

Equity investments in associates

At 31 December 2019, "**Equity investments in associates**" amounted to Euro 300,000. On 31 July 2019, Exprivia acquired 20% of the share capital of QuestIT Srl, with an option to purchase an additional 10% interest. QuestIT is a company established in 2007 as a spin-off of the Artificial Intelligence research group of the Siena Department of Information Engineering and specialised in Artificial Intelligence technologies and applications.

Equity investments in other companies

At 31 December 2019, the item "**Equity investments in other companies**" amounted to Euro 164,129 compared to Euro 161,629 at 31 December 2018. The table below provides details on this item:

	31/12/2019	31/12/2018	Variazioni
Consor. Daisy-Net	13,939	13,939	-
Certia	516	516	-
Conai	9	9	-
Software Engineering Research	12,000	12,000	-
Consorzio Biogene	3,000	3,000	-
Consorzio DARe	1,000	1,000	-
Consorzio DHITECH	17,000	17,000	-
H.BIO Puglia	12,000	12,000	-
Consorizio Italy Care	10,000	10,000	-
Consorzio DITNE	5,582	5,582	-
Ultimo Miglio Sanitario	2,500	2,500	-
Banca Cattolica Popolare s.c.a.r.l.	23,492	23,492	-
Innoval Scarl	2,500	2,500	-
Partecipazione Consorzio SILAB-Daisy	7,347	7,347	-
Partecipazione MEDISDIH Scarl	2,500	-	2,500
Partecipazione Consorzio GLOCAL ENABLER	2,000	2,000	-
Cefriel Scarl	33,000	33,000	-
Banca Credito Cooperativo	8,773	8,773	-
Consorzio Createc	6,971	6,971	-
TOTAL	**164,129**	**161,629**	**2,500**

Note 5 – Other Non-Current Financial Assets

The balance of the item "**Other non-current financial assets**" at 31 December 2019 amounted to Euro 2,605,535 compared to Euro 2,691,909 at 31 December 2018. The table below provides details on the item.

Description	31/12/2019	31/12/2018	Variazioni
Non-current financial receivables from subsidiaries	923,925	478,253	445,672
Non-current financial receivables from parent companies	1,357,875	1,783,558	(425,683)
Non-current financial receivables from others	323,557	425,468	(101,911)
Derivative financial instruments	178	4,630	(4,452)
TOTAL	**2,605,535**	**2,691,909**	**(86,374)**

Non-current financial receivables from subsidiaries

The item "**Non-current financial receivables from subsidiaries**" at 31 December 2019 amounted to Euro 923,925 compared to Euro 478,253 at 31 December 2018. The table below provides details on the item:

Description	31/12/2019	31/12/2018	Variazioni
Exprivia Slu	610,942	60,942	550,000
Exprivia Asia Ltd	312,983	417,311	(104,328)
TOTAL	**923,925**	**478,253**	**445,672**

The increase relating to the company Exprivia SLU is attributable to the new loans granted by the Parent Company Exprivia in 2019.

The decrease relating to Exprivia Asia Ltd is attributable to the transfer of the portion due in the next 12 months to current financial assets.

Non-current financial receivables from parent companies

The balance of the item "**non-current financial receivables from parent companies**", amounting to Euro 1,357,875 at 31 December 2019, compared to Euro 1,783,558 at 31 December 2018, refers to the receivable due to the Parent Company Exprivia from its holding company Abaco Innovazione SpA as a result of the loan agreement stipulated by the parties in 2016. The loan, amounting to Euro 2,985,338, was disbursed in cash (Euro 1,680,000) and through the reclassification of payables outstanding at 31 December 2015 (Euro 1,305,338). The loan term has been established as 7 equal, deferred, annual instalments with increasing principal repayments. The second instalment of Euro 425,683 is due on 4 April 2020; the amount was classified as "receivables from parent companies" under "other current financial assets" (Note 12). The receivable was increased by Euro 38,801 for interest accrued.

Non-current financial receivables from others

The balance of the item "**Non-current financial receivables from others**" at 31 December 2019 totalled Euro 323,557, compared to Euro 425,468 at 31 December 2018 and refers to medium/long-term guarantee deposits for Euro 84,641 and for Euro 238,916 to financial receivables for leases deriving from some contracts with customers containing obligations that qualify as leases and for which IFRS 15 was applied to recognise revenues, and the resulting recognition of financial receivables for leases equal to the future payments discounted at the implicit rate of the supply agreement.

Derivative financial instruments

At 31 December 2019, the item "**derivative financial instruments**" amounted to Euro 178 compared to Euro 4,630 at 31 December 2018.

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.

Following is the fair value of these derivative instruments at the reporting date:

Hedge Accounting	Date of operation	Initial date	Expiry date	Value	Reference amount (values in Euro units)	Fair value (values in Euro units)
Interest Rate Cape - BNL	06/05/2016	30/06/2016	31/12/2022	EUR	2,261,538	70
Interest Rate Cape - BPM	11/05/2016	30/06/2016	30/12/2022	EUR	1,269,231	38
Interest Rate Cape - UNICREDIT	09/05/2016	30/06/2016	30/12/2022	EUR	2,261,538	70
TOTAL					**5,792,307**	**178**

With reference to the derivative instruments shown in the table above, it should be noted that the Company subscribed those financial instruments 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.

Changes in fair value, equal to Euro 4,452, relate to the time component and, therefore, were recognised in the income statement.

The sensitivity analysis conducted on the change in the fair value of derivatives after a shift in the yield curve shows that:

- with a change of + 0.5% and + 1%, the fair value of the above derivatives would be equal to Euro 1,211 and Euro 6,376, respectively
- with a change of -0.5% and -1%, the fair value would be basically nil.

Note 6 – Other Non-Current Assets

Other Non-Current Assets

The item "**Other non-current assets**" amounted to Euro 750,832 at 31 December 2019 compared to Euro 52,736 at 31 December 2018 and refers for 52,737 to the residual credit relating to the deductibility of the IRAP calculated on staff costs which generated a recovery of IRES and for Euro 698,095 to the suspension of costs pertaining to future years after 2020.

Note 7 – Prepaid Taxes

At 31 December 2019, the item "**prepaid taxes**" amounted to Euro 1,535,858 compared to Euro 1,701,485 at 31 December 2018. The table below provides details of the item, compared with the figures at 31 December 2018:

Description	31/12/2019 Amount temporary differ	31/12/2019 tax effect	31/12/2018 Amount temporary differ	31/12/2018 tax effect
Depreciation	218,479	52,435	110,550	26,532
Goodwill	-	-	37,347	10,557
Allowance for doubtful accounts	2,297,364	548,965	2,009,630	482,311
Fund risks	1,411,921	399,996	942,383	253,010
Tax losses	-	-	1,481,739	355,617
Adjustments for IFRS	785,088	182,161	785,088	182,161
Others	1,521,195	352,301	1,532,320	391,297
TOTAL	**6,224,037**	**1,535,858**	**6,899,056**	**1,701,485**

The item "**Other**" refers for Euro 284,000 to provisions for staff bonuses still not paid at 31 December 2019 (tax effect of Euro 80,797), for Euro 323,373 to fair value changes in FVOCI instruments (tax effect of Euro 13,258), for Euro 40,235 to inventory write-downs (tax effect of Euro 9,656), for Euro 235,552 to the effect deriving from the application of IFRS 15 (tax effect of Euro 67,132) and for Euro 638,036 to the effect deriving from the application of IFRS 16 (tax effect of Euro 181,457).

CURRENT ASSETS

Note 8 – Trade Receivables

The item "**Trade receivables**" went from Euro 45,424,999 at 31 December 2018 to Euro 46,132,767 at 31 December 2019. The table below provides details on the items.

Description	31/12/2019	31/12/2018	Variazioni
Trade receivables from customers	41,902,739	41,565,515	337,224
Trade receivables from subsidiaries	4,204,656	3,839,112	365,544
Trade receivables from parent companies	25,372	20,372	5,000.00
TOTAL	**46,132,767**	**45,424,999**	**707,768**

Trade Receivables - Customers

"**Trade receivables - Customers**" went from Euro 41,565,515 at 31 December 2018 to Euro 41,902,739 at 31 December 2019 and are recorded under assets net of the bad debt provision of Euro 2,390,305 as an adjustment for the risk of doubtful debts.

The table below provides details on the composition of the year-end balance.

Description	31/12/2019	31/12/2018	Variation
To Italian customers	37,028,283	37,127,931	(99,648)
To foreign customers	1,767,092	2,254,206	(487,114)
To public bodies	5,497,669	4,718,717	778,952
S-total receivables to customers	**44,293,044**	**44,100,854**	**192,189**
Less: provision for bad debts	(2,390,305)	(2,535,339)	145,034
Total receivables to customers	**41,902,739**	**41,565,515**	**337,223**

Details	31/12/2019	31/12/2018	Variation
To third parties	32,158,594	32,438,994	(280,400)
Invoices for issue to third parties	12,134,450	11,661,860	472,590
TOTAL	**44,293,044**	**44,100,854**	**192,190**

The value of invoices to be issued reflects the particular type of business in which the Company operates so, 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 figures shown in the financial statements are the amounts accrued up to 31 December 2019 inclusive and 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 with an indication of the bad debt provision:

Importo Crediti	di cui		scaduto da giorni								Fondo svalutazione crediti	Crediti al netto del fondo
	a scadere	scaduto	1 - 30	31 - 60	61 - 90	91-120	121-180	181-270	271-365	oltre		
32,158,594	23,540,433	8,618,161	1,569,272	836,995	621,642	1,707,566	158,251	249,921	63,423	3,411,091	(2,390,305)	29,768,289
100.0%	73%	27%	5%	3%	2%	5%	0%	1%	0%	11%		

Trade Receivables - Subsidiaries

"**Trade receivables - Subsidiaries**" at 31 December 2019 amounted to Euro 4,204,656 compared to Euro 3,839,112 in the previous year.

The table below provides details on this item:

Description	31/12/2019	31/12/2018	Variation
Consorzio Exprivia	1,534,999	831,425	703,574
Exprivia Projects Srl	624,122	427,508	196,614
Exprivia SLU	634,667	616,982	17,685
Spegea S. c. a.r.l.	113,178	56,041	57,137
ACS DE Gmbh	140,002	160,000	(19,998)
HR Coffee	5,400	3,111	2,289
Italtel S.p.A.	1,152,288	1,744,045	(591,757)
TOTAL	**4,204,656**	**3,839,112**	**365,544**

Receivables from subsidiaries are all governed by framework agreements and refer, for commercial receivables, to corporate and logistics services, in addition to special resources provided from one company to another.

Trade Receivables - Parent Companies

The balance of the item "**trade receivables - parent companies**" at 31 December 2019 amounted to Euro 25,372 compared to Euro 20,372 at 31 December 2018 and refers to receivables for administrative services of Exprivia recharged to the holding company Abaco Innovazione SpA.

Note 9 – Inventories

At 31 December 2019, the item "**inventories**" amounted to Euro 706,298 compared with Euro 754,546 at 31 December 2018 and refers to software and hardware products held for sale.

Note 10 – Work in Progress Contracts

At 31 December 2019, the item "**work in progress contracts**" amounted to Euro 17,894,860 compared to Euro 19,145,370 at 31 December 2018 and refers to the value of work in progress contracts valued according to contractual payments accrued. It should be noted that for the sake of greater clarity, the balance at 31 December 2019 of the "provision for risks and loss-making contracts" of Euro 641,359 was reclassified to the item "Provision for risks and charges". The change had no effect on the result for the year and on the shareholders' equity. It should also be noted that the item is shown net of the provision for risks for contractual penalties of Euro 22,281.

Description	31/12/2019	31/12/2018	Variation
Work in progress (gross)	49,913,911	47,911,003	2,002,908
Advances from clients	(32,019,051)	(28,765,633)	(3,253,418)
Works in progress on ordination	**17,894,860**	**19,145,370**	**(1,250,510)**
Advances from clients (gross)	(27,943,492)	(19,328,121)	(8,615,371)
Work in progress	22,213,423	14,422,528	7,790,895
Advances on work in progress to order	**(5,730,069)**	**(4,905,593)**	**(824,476)**

Note 11 – Other Current Assets

The balance of "**Other current assets**" at 31 December 2019 amounted to Euro 11,668,964 compared with Euro 9,649,524 at 31 December 2018.

The table below provides details on the items:

Description	31/12/2019	31/12/2018	Variazioni
Other receivables from subsidiaries	213,718	77,699	136,019
Tax credits	1,634,059	1,112,245	521,814
Other current assets	9,821,187	8,459,580	1,361,607
TOTAL	**11,668,964**	**9,649,524**	**2,019,440**

Other Receivables from Subsidiaries

At 31 December 2019, "**Other receivables from Subsidiaries**" amounted to Euro 213,718, compared with Euro 77,699 at 31 December 2018, and relates to the receivables of Exprivia from its subsidiaries as a result of participation in tax consolidation.

The table below provides details on the items.

Description	31/12/2019	31/12/2018	Variazioni
Receivables from Exprivia Projects for IRES from tax consolidation	212,000	75,232	136,768
Receivable from Spegea for IRES from tax consolidation	1,718	2,467	(749)
TOTAL	**213,718**	**77,699**	**136,019**

Tax Receivables

At 31 December 2019, the item "**tax receivables**" amounted to Euro 1,634,059 compared to Euro 1,112,245 at 31 December 2018. The table below provides a breakdown and a comparison with the previous year:

Description	31/12/2019	31/12/2018	Variation
IRAP tax credit	171,488	40,631	130,857
Credit for irap application on ires	338,613	749,096	(410,483)
Tax withholding tax on foreign payments	196,211	188,673	7,538
eceivables from tax authorities for VAT	533,540	45,016	488,524
Receivables from the tax authorities	394,207	88,829	305,378
TOTAL	**1,634,059**	**1,112,245**	**521,814**

It should be pointed out that the amounts receivable for the IRAP tax on IRES pertain to the amounts receivable for the deductibility of the IRAP tax calculated on staff costs, which generated a recovery of IRES tax; the change in these receivables is due to the partial collection in 2019.

Other Current Assets

The balance of "**Other current assets**" at 31 December 2019 amounted to Euro 9,821,187 compared with Euro 8,459,580 at 31 December 2018.

The table below provides details on the item and respective changes:

Description	31/12/2019	31/12/2018	Variation
Receivables for contrib.	8,147,613	6,075,281	2,072,332
Advances to suppliers for services	93,586	16,788	76,798
Sundry credits	105,772	420,402	(314,630)
Receivables to welfare institutes/INAIL	181,516	161,150	20,366
Costs in future years expertise	1,292,700	1,785,959	(493,259)
TOTAL	**9,821,187**	**8,459,580**	**1,361,608**

The amounts receivable in relation to "**government grants**" refer to grants for research projects, accrued and/or accounted for at the reporting date, regarding the costs incurred. 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 in the amount of Euro 713,281 for any minor grants that might not be received.

The item "**expenses pertaining to future financial years**" for Euro 1,292,700 mainly refers to maintenance costs pertaining to future periods.

Note 12 – Other Current Financial Assets

The item "**Other current financial assets**" at 31 December 2019 amounted to Euro 1,511,228 compared with Euro 3,566,476 at 31 December 2018.

The table below provides details on the item.

Description	31/12/2019	31/12/2018	Variation
Receivables from others	360,930	1,640,154	(1,279,224)
Receivables from subsidiaries	685,815	1,464,889	(779,074)
Receivables from parent companies	464,483	461,433	3,050
TOTAL	**1,511,228**	**3,566,476**	**(2,055,248)**

Reciivables fron other

The balance of "**Receivables from others**" at 31 December 2019 amounted to Euro 360,930 compared to Euro 1,640,154 at 31 December 2018; the details are as follows:

Description	31/12/2019	31/12/2018	Variation
Credits for factoring	-	1,559,179	(1,559,179)
Security deposits	18,920	14,219	4,701
Other credits	342,010	66,756	275,254
TOTAL	**360,930**	**1,640,154**	**(1,279,224)**

The change during the year is mainly due to the collection in 2019 of receivables due at 31 December 2018 from factoring companies for asset transfers without recourse.

Receivables from Subsidiaries

At 31 December 2019, the balance of "**Receivables from Subsidiaries**" amounted to Euro 685,815, compared with Euro 1,464,889 at 31 December 2018, and relates to the financial receivables for loans and the cash pooling granted by Exprivia to its subsidiaries. The table below indicates the subsidiaries vis-à-vis which Exprivia has such amounts receivable.

Description	31/12/2019	31/12/2018	Variation
Exprivia Projects Srl	-	1,293,080	(1,293,080)
Exprivia Messico Sa de CV	387,562	-	387,562
Exprivia Asia Ltd	291,794	171,809	119,985
Exprivia Slu	6,459	-	6,459
TOTAL	**685,815**	**1,464,889**	**(779,074)**

Receivables from parent companies

At 31 December 2019, the balance of "**Receivables from parent companies**" amounted to Euro 464,483 compared to Euro 461,433 at 31 December 2018 and related to the current portion of the Parent Company's financial receivable due from the holding company Abaco Innovazione SpA, inclusive of interest accrued during the period (Euro 38,801).

Note 13 – Cash and Cash Equivalents

At 31 December 2019, the item "**cash and cash equivalents**" amounted to Euro 7,101,436 compared with Euro 3,806,809 at 31 December 2018 and refers to Euro 7,076,046 held at banks and Euro 25,390 in cash on hand. Additionally, the bank balance included secured deposits for guarantees amounting to Euro 209,802 undertaken in favour of banks, released within sixty days of the reporting date.

Note 14 – Other Financial Assets Measured at FVOCI

The item "**other financial assets measured at FVOCI**" amounted to Euro 178,189 at 31 December 2019, compared to Euro 326,740 at 31 December 2018. It relates to financial instruments issued by Banca Popolare di Bari, more specifically:

- 35,998 shares of the above-mentioned bank for a total value of Euro 85,675 at 31 December 2019;
- 200,562 "Banca Popolare di Bari 6.50% 2014/2021 subordinate Tier II" bonds for Euro 6.00 each, for a total of Euro 92,514 at 31 December 2019.

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

SHAREHOLDERS' EQUITY

Note 15 – Share Capital

The "**Share Capital**", fully paid-up, amounted to Euro 24,866,060 compared to Euro 25,082,911 at 31 December 2018; the change of Euro 216,851 is attributable to the purchase/sale of treasury shares. The share capital is represented by 51,883,958 ordinary shares with a par value of Euro 0.52 each for a total of Euro 26,979,658, net of 4,064,611 treasury shares held at 31 December 2019, with a value of Euro 2,113,598.

Exprivia Shares held directly by members of the Board of Directors

At 31 December 2019, Mr Domenico Favuzzi, Chairman and CEO of Exprivia, directly held 290,434 Exprivia shares. In addition, 8,400 Exprivia shares were held by the Vice-Chairman Dante Altomare and 7,000 shares by the director Ms Valeria Savelli. None of the other members of the Board of Directors, their spouses not legally separated, or their underage children hold, directly or indirectly, any Exprivia shares.

Note 15 – Share Premium Reserve

At 31 December 2019, the "**share premium reserve**" amounted to Euro 18,081,738 and is the same as 31 December 2018.

Note 15 – Revaluation Reserve

At 31 December 2019, the "**revaluation reserve**" amounted to Euro 2,907,138 and is the same as 31 December 2018.

Note 15 – Legal Reserve

The "**legal reserve**", at 31 December 2019, amounted to Euro 4,170,518 compared to Euro 3,958,799 at 31 December 2018 as a result of the allocation of the previous year's profit as resolved by the Shareholders' Meeting on 29 April 2019.

Note 15 – Other Reserves

The balance of the item "**other reserves**" amounted to Euro 29,192,669 at 31 December 2019 compared to Euro 26,115,276 at 31 December 2018 and is composed of:

- Euro 19,317,871 for the **extraordinary reserve** compared to Euro 15,295,224 at 31 December 2018; the change (Euro 4,022,647) is attributable to the allocation of the previous year's profit as resolved by the Shareholders' Meeting on 29 April 2019;
- Euro 9,874,798 for the **other reserves** compared to Euro 10,820,052 at 31 December 2018. Changes in 2019 refer to:
  - the negative effect on the shareholders' equity resulting from the application of the first-time adoption of IFRS 16 amounting to Euro 510,418;
  - the negative effect on the shareholders' equity (Euro 81,037) deriving from the release of the reserve set aside in 2018 and representing the figurative value of the shares that will be assigned to the beneficiaries of the "2018-2020 Performance Share Plan" approved by Exprivia's Board of Directors on 22 March 2018, due to failure to achieve the set out objectives;
  - the negative effect on the shareholders' equity of the share premium paid in 2019 for the purchase of treasury shares, net of the share premium realised in the same year from the sale of treasury shares, for a total of Euro 109,091;
  - the negative effect on the shareholders' equity of the application of IAS 19 with the associated recognition in the statement of comprehensive income of actuarial losses net of the tax effect of Euro 96,156;

- the negative effect on the shareholders' equity deriving from the financial assets classified as FVOCI for Euro 148,552.

NON-CURRENT LIABILITIES

Note 16 – Non-Current Bond Issues

The balance at 31 December 2019 was Euro 18,163,571 compared to 22,550,163 at 31 December 2018 and relates to the non-current portion of the bond issued entitled "Exprivia - 5.80% 2017 - 2023", which the Parent Company issued to finance the subscription by Exprivia of 81% of Italtel's share capital.

The unsecured bond is made up of 230 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 Regulation envisages 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 SpA;

2) 65 securities by Banca Popolare di Bari S.c.p.a.;

3) 15 securities by Consultinvest Asset Management SGR SpA;

4) 10 securities by Confidi Systema! S.c.;

5) 60 securities by Mediobanca SGR SpA.

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 Regulation are available on the Company's website at the following address www.exprivia.it, Corporate - Investor Relations - Exprivia Bond section.

The Bond envisages the observance of the financial covenants 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
31.12.2019	≤ 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 financial covenants are calculated on a consolidated basis excluding Italtel and all of its direct or indirect subsidiaries, and refer to the 12 months prior to the reference date, using the normal calculation criteria agreed between the parties.

At 31 December 2019, the covenants had been met.

It should be noted that, on the Calculation Date of 31 December 2018 relating to the financial year 2018, the NFP/Ebitda Financial Covenant was lower than the limit of 3.6 set forth in art. 7 of the Loan Regulation, therefore the annual interest rate for the year 2019 decreased from 5.80% to 5.30%.

Note 17 – Non-Current Payables to Banks

At 31 December 2019, the item "**non-current payables to banks**" amounted to Euro 1,538,546 compared to Euro 15,071,317 at 31 December 2018, and pertains to medium-term bank debt from major credit and financial institutions and to low-interest loans for specific investment programmes.

The table below provides details on the items and breaks down the non-current portion (Euro 1,538,546) and the current portion (Euro 20,683,566) of the payable.

Financial Institute	Typology	Contract amount	Amount paid 31.12.2019	Date contract	Expiration date	Repayment installment	Rate applied	Residual capital 31.12.2019	To be repaid within 12 months	To be repaid over 12 months
Pool – Capofila Banca Nazionale del Lavoro	Financing	25,000,000	25,000,000	01/04/2016	31/12/2022	semi-annual	Euribor + 2.65%	11,342,100	11,342,100	-
Simest	Financing	1,555,000	1,118,061	19/04/2013	19/04/2020	semi-annual	0.50%	119,925	119,925	-
Pool - Capofila Intesa Banca Impresa	Financing	3,000,000	3,000,000	08/01/2019	08/07/2020	monthly	Euribor + 2.00%	1,349,797	1,349,797	-
Banca del Mezzogiorno Mediocredito Centrale	Financing	3,000,000	3,000,000	23/06/2017	23/06/2027	quarterly	Euribor + 2.75%	2,511,086	2,511,086	-
Deutsche Bank	Financing	2,000,000	2,000,000	26/09/2019	26/09/2020	single payment	Euribor + 0.85%	1,999,028	1,999,028	-
Banca Popolare Puglia e Basilicata	Financing	2,000,000	2,000,000	24/03/2017	a revoca	single payment	2.07%	2,000,000	2,000,000	-
Ministero dello Sviluppo Economico NCIP	Financing	993,478	993,478	14/05/2015	17/11/2025	annual	0.31%	606,207	95,151	511,057
Ministero dello Sviluppo Economico	Financing	329,128	307,094	16/02/2017	30/06/2026	half-yearly	0.80%	331,632	6,457	325,175
Credito Emiliano	Financing	750,000	750,000	07/10/2019	07/04/2020	monthly	Euribor + 1.20%	500,395	500,395	-
Ministero dello Sviluppo Economico MISE progetto Initiated	Financing	455,848	455,848	27/08/2019	30/06/2029	half-yearly	0.16%	393,317	10,248	483,069
Ministero dello Sviluppo Economico MISE progetto Digimaging	Financing	335,564	335,564	14/10/2019	30/06/2029	half-yearly	0.16%	298,294	7,686	287,945
Dell Financial Services	Financing	1,055,773	1,055,773	01/10/2019	15/09/2020	quarterly	1.3%	707,391	707,391	
Total								**22,222,112**	**20,683,566**	**1,538,546**

It should be noted that at 31 December 2019, the residual debt of the pool loan with BNL as Agent Bank was reclassified to short-term due to the occurrence of a Determining Event affecting the subsidiary Italtel, which would entitle the Lenders to withdraw from the loan agreement. It should be noted that on 4 November 2020, the BNL bank, also acting as the pool agent bank, granted Exprivia a waiver to rectify this situation, stating that, at present, the Lenders believe that they are not availing themselves of the express termination clause in the loan agreement. Until the date of preparation of these financial statements, in fact, the company continued to pay the instalments at the due dates set forth in the loan agreement.

Medium-term loan agreement

On 1 April 2016, Exprivia stipulated a medium-term loan for a total of Euro 25,000,000 with a pool of banks comprising BNL and Unicredit, also as lead bank and lead arranger, and Banca Popolare di Bari and Banca Popolare di Milano, consisting of a single cash 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 executed. 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 inter-company transactions, which are exclusively allowed within the corporate scope applicable 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 treasury shares, as described in more detail in the table below.

Reference date	Net Borrowing/EBITDA	Net Borrowing/Own funds	EBITDA/Net financial charges	Investments
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 financial covenants 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 covenant "Investments" does not take account of any revaluations, of the acquisitions of equity investments exempt from authorisation or those subject to a specific written authorisation issued by banks.

The residual debt at 31 December 2019 amounted to Euro 11,342,169 recorded under current liabilities. As indicated above, at 31 December 2019, the residual debt of the above-mentioned loan was entirely reclassified as short-term due to the occurrence of a Determining Event affecting the subsidiary Italtel, which would entitle the Lenders to terminate the loan agreement. It should be noted that on 4 November 2020, the BNL bank, also acting as the pool agent bank, granted Exprivia a waiver to rectify this situation, stating that, at present, the Lenders believe that they are not availing themselves of the express termination clause in the loan agreement. Until the date of preparation of these financial statements, in fact, the company continued to pay the instalments at the due dates set forth in the loan agreement.

It should be noted that, despite the write-down of the equity investment in Italtel, the Financial Covenants at 31 December 2019 were met.

Banca del Mezzogiorno Mediocredito Centrale SpA loan

A loan agreement of Euro 3,500,000 executed in favour of the Parent Company Exprivia 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 the dedicated current account at 31 December 2019.

The residual debt at 31 December 2019 amounted to Euro 2,611,086, fully classified under current liabilities in compliance with international accounting standards, due to the capital decrease pursuant to art. 2447 of the Italian Civil Code of the subsidiary Italtel, which would entitle the bank to terminate the loan agreement. It should be noted that, until the date of preparation of this Report, the bank has not exercised the right to terminate the agreement.

CUP 2.0 low-interest loan

Loan agreement totalling Euro 863,478 resolved in favour of Exprivia (formerly Exprivia Healthcare IT Srl), of which the full amount approved was disbursed at 31 December 2019. 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%.

At 31 December 2019, the residual debt amounted to Euro 606,208, Euro 95,151 of which is to be repaid within the next twelve months (and therefore recorded under current liabilities) and the remaining Euro 511,057 to be repaid in 2021-2025 (carried under non-current liabilities).

Low-interest loan from the Ministry of Economic Development - Banca del Mezzogiorno Mediocredito Centrale SpA

Low-interest loan agreement executed in favour of the Exprivia (formerly ACS Srl) up to a maximum of Euro 929,129 and disbursed for Euro 387,894 at 31 December 2019. The loan requires repayment in six-month instalments, expires on 30 June 2026 and bears a below-market fixed rate of interest of 0.80%.

Low-interest loan from the Ministry of Economic Development - Banca del Mezzogiorno Mediocredito Centrale S.p.A.

Low-interest loan approved and disbursed on 27/09/2019 for Euro 455,048 in favour of Exprivia. The loan requires repayment in six-month instalments, expires on 30 June 2029 and bears a below-market fixed rate of interest of 0.16%.

Low-interest loan from the Ministry of Economic Development - Banca del Mezzogiorno Mediocredito Centrale S.p.A.

Low-interest loan approved and disbursed on 14/10/2019 for Euro 335,904 in favour of Exprivia. The loan requires repayment in six-month instalments, expires on 30 June 2029 and bears a below-market fixed rate of interest of 0.16%.

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 regulation on disclosure schedules", the table below shows the net financial position of Exprivia at 31 December 2019 compared with figures from the previous year.

exprivia

amounts in Euro			
		31.12.2019	**31.12.2018**
A.	Cash	25,390	32,940
B.	Other liquid assets	7,076,046	3,773,869
C 1.	Securities held for trading	178,189	326,740
C 2.	Own shares	3,016,894	2,690,952
D	**Liquid (A)+(B)+(C)**	**10,296,519**	**6,824,501**
E.	**Current financial receivables**	**1,511,228**	**3,566,476**
F.	Current bank debts	(25,917,351)	(15,683,357)
G.	Current portion of non-current bank debts	(4,622,724)	(4,458,535)
H.	Other current financial debts	(5,945,950)	(718,790)
I.	**Current financial debts (F) + (G) + (H)**	**(36,486,025)**	**(20,860,682)**
J.	**Net current financial debts (I) + (E) + (D)**	**(24,678,278)**	**(10,469,705)**
K.	Non-current bank debts	(1,538,546)	(15,071,317)
L.	Bond	(18,163,571)	(22,550,163)
M.	Other non- current financial payables net of non-current financial recivables and derivate financial istruments	(1,285,011)	2,650,350
N.	**Non-current financial debts (K) + (L) + (M)**	**(20,987,129)**	**(34,971,130)**
O.	**Net financial debits (J) + (N)**	**(45,665,407)**	**(45,440,835)**

Treasury shares held by the Company (Euro 3,016,894) are included in the calculation of the net financial position.

The changes in net liabilities resulting from financing activities is shown below, in accordance with IAS 7 - Statement of Cash Flows.

	31.12.2018	Monetary flows	Non-monetary flows	31.12.2019
Current financial receivables	3,566,476	(2,055,248)	-	1,511,228
Current bank debt and Current portion of non-current debt	(20,141,892)	(430,877)	(9,967,307) (*****)	(30,540,076)
Other current financial payables	(718,790)	(2,414,850)	(2,812,310)	(5,945,950)
Non-current bank debt	(15,071,317)	3,565,464	9,967,307 (*****)	(1,538,546)
Bonds issued	(22,550,163)	4,386,592	-	(18,163,571)
Other non-current net financial payables	2,650,350	672,261	(4,607,622)	(1,285,011)
Net liabilities deriving from financing activities	**(52,265,336)**	**3,723,342 (*)**	**(7,415,932)**	**(55,961,926)**
Liquid assets	6,824,501 (**)	3,620,569 (***)	(148,552) (****)	10,296,519 (**)
Net financial debt	**(45,440,835)**	**7,343,910**	**(7,568,484)**	**(45,665,407)**

(*) Flows shown in the Cash Flow Statement in the Cash flow generated (absorbed) by financing activities (see note 2 at the bottom of the Cash Flow Statement)
(**) In addition to cash and cash equivalents, the item "Liquidità" also includes treasury shares held by the Parent Company and "Other financial assets available for sale"
(***) Cash flow of liquidity includes the changes due to the purchase and sale of treasury shares (Euro 325,942) not included in the Cash and cash equivalents flow in the Cash Flow Statement
(****) Non-monetary cash flow includes changes in financial assets held for trading (Euro 148,552) not included in the Cash and cash equivalents flow in the Cash Flow Statement
(*****) Among the non-monetary flows, the reclassification among current liabilities of the residual debt deriving from the loan agreement entered into with a pool of banks on 1 April 2016 (BNL is the Agent Bank) and from loan contract signed with Banca del Mezzogiorno on 23.06.2017. This reclassification of an accounting nature, deriving from contractual clauses, did not generate a financial outlay duri

Note 18 – Other Non-Current Financial Liabilities

At 31 December 2018, the item "**Other non-current financial liabilities**" amounted to Euro 3,890,546 compared to Euro 41,559 at 31 December 2018.

Description	31/12/2019	31/12/2018	Variation
Non-current financial payables for leasing	3,865,555	23,231	3,842,324
Debts to other lenders	10,000	10,000	0
Non-current deriving financial instruments	14,991	8,328	6,663
TOTAL	**3,890,546**	**41,559**	**3,848,987**

At 31 December 2019, the item "**Non-current financial payables for leases**" amounted to Euro 3,865,555 and refers to the medium/long-term portion of the amount due to leasing companies. The change is mainly due to the effects from the application of the new IFRS 16.

The balance of "**Non-current derivative financial instruments**" at 31 December 2019 is equal to Euro 14,991 versus Euro 8,328 at 31 December 2018 and refers to a derivative product subscribed by the Parent Company Exprivia with Unicredit, initially linked to a loan with a variable interest rate and 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.

The sensitivity analysis conducted on the change in the fair value of the derivative after a shift in the yield curve shows that:

- with a change of +0.5% and +1%, the fair value would be positive for Euro 2,514 and Euro 19,655, respectively;
- with a change of -0.5% and -1%, the fair value would be negative for Euro 32,845 and 50,989 Euro.

This is an instrument valued at fair value level 2.

Note 19 – Other Non-Current Liabilities

At 31 December 2019, the balance of the item "**Other non-current liabilities**" amounted to Euro 1,878,208 compared to Euro 3,285,607 at 31 December 2018.

Description	31/12/2019	31/12/2018	Variation
Payables to non-current pension and social security institutions	113,984	265,251	(151,267)
Non-current tax payables	1,761,284	2,818,291	(1,057,007)
Non-current payables to others	2,940	202,065	(199,125)
TOTAL	**1,878,208**	**3,285,607**	**(1,407,399)**

Non-current amounts payable to pension and social security institutions

The balance of the item "**Non-current amounts payable to pension and social security institutions**" at 31 December 2019 amounted to Euro 113,984 compared to Euro 265,251 at 31 December 2018 and refers to the non-current portion relating to tax payment slips received and in relation to which instalment payment plans have been agreed. The change compared to the previous year is attributable to the reclassification of the payable from the non-current portion to the current portion for instalments due in 2020.

These payables are mainly due to the contribution of Advanced Computer Systems A:C.S. Srl merged by incorporation into Exprivia in December 2018.

Non-current tax liabilities

The balance of the item "**Non-current tax liabilities**" at 31 December 2019 amounted to Euro 1,761,284 compared to Euro 2,818,291 at 31 December 2018 and refers to the non-current portion relating to tax payment slips received and in relation to which instalment payment plans have been agreed. The change compared to the previous year is mainly attributable to the reclassification of the payable from the non-current portion to the current portion for instalments due in 2020. These payables are mainly due to the contribution of Advanced Computer Systems A:C.S. Srl merged by incorporation into Exprivia in December 2018.

Non-current amounts payable to others

The balance of the item "**Non-current amounts payable to others**" at 31 December 2019 amounted to Euro 2,940 compared to Euro 202,065 at 31 December 2019 and refers to the non-current portion of wages and salaries for the year 2012, paid in instalments as a result of agreements between employees and the Company; the change is mainly attributable to the reclassification of the payable from the non-current portion to the current portion.

These payables are mainly due to the contribution of Advanced Computer Systems A.C.S. Srl merged by incorporation into Exprivia in December 2018.

Note 20 – Provisions for Risks and Charges

The balance of the item "**Provisions for risks and charges**" at 31 December 2019 amounted to Euro 676,359 compared with Euro 233,820 at 31 December 2018.

The table below provides details on the item:

Description	31/12/2019	31/12/2018	Varition
Risk provisions staff	35,000	233,820	(198,820)
Provision for other risks	641,359	-	641,359
TOTAL	**676,359**	**233,820**	**442,539**

The item "**Provisions for staff risks**" refers to provisions relating to disputes with former employees; the change during the year is mainly due to the settlement of some disputes with former employees and the related payment made during the year.

The "**Provision for risks on loss-making contracts**" at 31 December 2019 amounted to Euro 641,359 and refers to the provision for risks on loss-making contracts, which are in progress. It should be noted that the provision for risks on loss-making contracts at 31 December 2018 had a balance of Euro 132,933 and was classified as a reduction in the item "Work in progress contracts"; at 31 December 2019, this provision for risks was reclassified in the item "Provisions for risks and charges" for greater clarity of presentation in accordance with IAS 37.

The table below provides details on the changes compared to 2019:

Description	31/12/2019	Reclassifications	Uses / Payments	Other decreases	Provisions	31/12/2019
Risk provisions staff	233,820		(152,700)	(61,120)	15,000	35,000
Provision for other risks		132,933		(26,755)	535,181	641,359
TOTAL	**233,820**	**132,933**	**(152,700)**	**(87,875)**	**550,181**	**676,359**

Note 21 – Employee Provisions

Employee severance indemnity fund

The amounts for the **employee severance indemnity** accrued after 31 December 2006 were paid to the Pension Fund Treasury and union pension funds. The residual employee severance indemnity at 31 December 2019 amounted to Euro 9,097,863 compared with Euro 9,708,411 at 31 December 2018.

The following table shows changes in the provision in the year.

Description	31/12/2019
Initial existence as of January 1, 2018	**9,708,410**
Interest Cost	143,655
Uses / liquidations of the year	(880,723)
(Profit) actuarial losses	126,521
Final existence as of December 31, 2019	**9,097,863**

The fund is net of amounts deposited. An actuarial assessment was performed on the liability in accordance with IAS 19 using the retrospective method, which requires recognition of actuarial gains/losses in the statement of comprehensive income. The cost regarding service and the interest payable concerning the time value component in the actuarial calculations are still recognised in the income statement.

The table below shows the primary actuarial and financial assumptions used in the calculation:

Description	31/12/2019	31/12/2018
Discount rate	0.77%	1.55%
Inflation rate	1.00%	1.50%
Annual rate of wage growth	2.50%	2.50%
Annual rate of TFR growth	2.25%	2.62%
Mortality	Tav - RG48	Tav ISTAT 2011
Inability	Mod. INPS	Tav. INAIL
Turn-over	5.50%	5.50%
Probability advance	2.50%	2.50%
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 Montecarlo-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 performed on the basis of the accrued benefit method 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 reference date of the 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 (employee 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.

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

It should be noted that the calculations include the 17% annual tax charged on the revaluation of employee severance indemnity provisions.

Note 22 – Deferred Tax Liabilities

Provisions for Deferred Taxes

The item "**Deferred tax liabilities**" at 31 December 2019 amounted to Euro 2,126,709 compared to Euro 2,074,945 at 31 December 2018. The table below provides details on the items.

Description	31/12/2019		31/12/2018	
	Amount temporary differences	Tax effect	Amount temporary differences	Tax effect
TFR	36,061	24,454	162,582	54,819
Goodwill	4,426,257	1,258,827	3,935,280	1,119,194
Buildings	2,854,933	811,197	3,042,884	868,702
Adjustments for IFRS	113,087	32,231	113,087	32,230
TOTAL	**7,430,338**	**2,126,709**	**7,253,833**	**2,074,945**

CURRENT LIABILITIES

Note 23 – Current Bond Issues

"**Current bond issues**" amounted to Euro 4,522,117 at 31 December 2019 and referred to the current portion of the bond loan issued by Exprivia (for further details, please refer to note 16).

Note 24 – Current Payables to Banks

At 31 December 2019, the item "**current payables to banks**" amounted to Euro 26,017,958 compared with Euro 20,141,892 at 31 December 2018. Euro 20,683,566 refers to the current portion of payables for loans and mortgages (as already described under the item "**non-current payables to banks**" in note 17) and Euro 5,334,392 refers to bank payables due to major credit institutions stemming from current operations (credit facilities for future advances, credit facilities relating to cash overdrafts).

Note 25 – Trade Payables

The item "**Trade payables**" amounted to Euro 24,732,850 at 31 December 2019 compared to Euro 26,932,736 at 31 December 2018.

Description	31/12/2019	31/12/2018	Variation
Trade payables to suppliers	22,124,732	21,540,410	584,322
Trade payables to subsidiaries	2,514,605	5,392,326	(2,877,721)
Trade payables to associated companies	93,513	-	93,513
TOTAL	**24,732,850**	**26,932,736**	**(2,199,886)**

Trade Payables - Suppliers

The item "**Trade payables - Suppliers**" amounted to Euro 22,124,732 at 31 December 2019 compared to Euro 21,540,410 at 31 December 2018. The table below provides details on the item.

Description	31/12/2019	31/12/2018	Variation
Invoices received Italy	13,835,200	14,759,396	(924,196)
Invoices received foreing	862,489	886,911	(24,422)
Invoices to consultants	444,246	330,989	113,257
Invoices to be received	6,982,797	5,563,114	1,419,683
TOTAL	**22,124,732**	**21,540,410**	**584,322**

The table below provides details on the payables by due date, net of invoices to be received:

Trade payables	in		days past due							
	expire	due	1 - 30	31- 60	61 - 90	91-120	121-180	181-270	271-365	beyond
(15,141,935)	(8,693,869)	(6,448,066)	(2,592,248)	(1,191,708)	(651,119)	(565,920)	(336,236)	(211,145)	(160,867)	**(738,823)**
100.0%	57%	43%	17%	8%	4%	4%	2%	1%	1%	5%

Trade Payables - Subsidiaries

At 31 December 2019, the item "**Trade payables - Subsidiaries**" amounted to Euro 2,514,605 compared with Euro 5,392,326 at 31 December 2018 and refers to commercial transactions between the Company and its subsidiaries under normal market conditions regulated by specific agreements. The table below shows its breakdown:

Description	31/12/2019	31/12/2018	Variation
Exprivia Messico SA De CV	360	2,418	(2,058)
Exprivia Projects Srl	773,503	4,057,273	(3,283,770)
HR COFFEE	3,416	-	3,416
ACS GMBH	93,725	142,923	(49,198)
Consorzio Exprivia Scarl	3,000	-	3,000
Exprivia It Solution Shanghai	4,603	50,903	(46,300)
Spegea S.c. a r.l.	98,727	40,971	57,756
Gruppo ProSap	3,000	3,000	-
Exprivia Sl	-	16,740	(16,740)
Italtel Spagna	54,452	-	54,452
Italtel USA	105,401	64,050	41,351
Italtel SpA	1,374,418	1,014,048	360,370
TOTAL	**2,514,605**	**5,392,326**	**(2,877,721)**

The main change in "Trade payables - Subsidiaries" is attributable to the decrease in the payables to the subsidiary Exprivia Projects Srl due to the execution, in August 2019, of the agreement regarding the assignment of contracts executed with a primary customer, providing business process outsourcing and call centre services. The agreement was concluded following the awarding by Exprivia Projects Srl of a new contract executed directly with the end customer.

Trade payables - Associates

At 31 December 2019, the item "**Trade payables - Associates**" amounted to Euro 93,513 and refers to commercial transactions between the Company and its associate Quest.it Srl at normal market conditions, governed by specific agreements.

Note 26 – Advance Payments on Work in Progress Contracts

At 31 December 2019, the balance of the item "**Advance payments on work in progress contracts**" amounted to Euro 5,730,069 compared with Euro 4,905,593 at 31 December 2018 and refers to the negative differential between payments on account or advances received and the economic development of the work in progress contracts at year end.

Note 27 – Other Financial Liabilities

The balance of the item "**Other financial liabilities**" at 31 December 2019 amounted to Euro 5,945,950 compared with Euro 718,790 at 31 December 2018.

Description	31/12/2019	31/12/2018	Variation
Financial payables to subsidiaries	3,064,118	395,799	2,668,319
Payables for the purchase of equity investments	995,875	15,875	980,000
Payables to others	306,900	299,053	7,847
Payables to suppliers of leasing goods	1,579,057	8,063	1,570,994
TOTAL	**5,945,950**	**718,790**	**5,227,160**

Financial Payables - Subsidiaries

At 31 December 2019, the item "**financial payables - subsidiaries**" amounted to Euro 3,064,118 compared with Euro 395,799 at 31 December 2018 and refers to financial transactions carried out between the Company and its subsidiaries under normal market conditions, governed by specific agreements. Specifically, these are mainly cash pooling transactions for Euro 2,796,279; details are provided below.

Description	31/12/2019	31/12/2018	Variation
Exprivia Projects Srl	2,619,591	-	2,619,591
Italtel SpA	170,088	-	170,088
HRCOFFEE	97,751	222,750	(124,999)
ProSap Sa de CV	-	363	(363)
Spegea S.c. a r.l.	176,688	172,686	4,002
TOTAL	**3,064,118**	**395,799**	**2,668,319**

Payables for equity investments

The balance of "**payables for equity investments**" at 31 December 2019 amounted to Euro 995,875 compared to Euro 15,875 at 31 December 2018. The change, amounting to Euro 980,000, is attributable to the recognition of the payable regarding the obligation to purchase the remaining 47.7% of the share capital of the subsidiary Exprivia do Brasil, currently held by the minority shareholders.

Amounts payable to others

The item "**amounts payable to others**" at 31 December 2019 amounted to Euro 306,900 compared to Euro 299,053 at 31 December 2018. The table below provides details on the items.

Description	31/12/2019	31/12/2018	Variation
Payables to Factoring	2,045	279,053	(277,008)
Financial payables to others	304,855	20,000	284,855
TOTAL	**306,900**	**299,053**	**7,847**

Trade Payables - suppliers of leased assets

The item "**trade payables - suppliers of leased assets**" at 31 December 2019 amounted to Euro 1,579,057 compared to Euro 8,063 at 31 December 2018. The change is mainly due to the application of the new IFRS 16.

Note 28 – Other Current Liabilities

The balance of "**Other current liabilities**" at 31 December 2019 amounted to Euro 34,316,294 compared with Euro 29,340,771 at 31 December 2018. The table below provides details on the items:

Description	31/12/2019	31/12/2018	Variation
Payables to welfare and social security institutions	6,384,185	6,440,545	(56,360)
Tax payables	4,745,464	5,781,855	(1,036,391)
Payables to subsidiaries	4,051,487	1,528,428	2,523,059
Other debts	19,135,158	15,589,943	3,545,215
TOTAL	**34,316,294**	**29,340,771**	**4,975,523**

Payables to Pension and Social Security Institutions

At 31 December 2019, the item "**Payables to pension and social security institutions**" amounted to Euro 6,384,185 compared with Euro 6,440,545 at 31 December 2018. The table below shows the breakdown and comparison with 2018.

Description	31/12/2019	31/12/2018	Variation
INPS with contributions	3,661,212	3,651,294	9,918
Payables to pension funds	304,306	265,953	38,353
Enter other social security and welfare	133,758	156,975	(23,217)
Payables for penalties and interest	2,284,869	2,304,101	(19,232)
INAIL with contributions	40	62,222	(62,182)
TOTAL	**6,384,185**	**6,440,545**	**(56,360)**

Tax Liabilities

The item "**tax liabilities**" amounted to Euro 4,745,464 at 31 December 2019 compared to Euro 5,781,855 at 31 December 2018. The table below provides details on the items.

Description	31/12/2019	31/12/2018	Variation
Payables to tax authority for VAT	148,022	585,745	(437,723)
Payables to tax authority for IRAP	-	173,609	(173,609)
Payables to tax authority for IRES	-	216,256	(216,255)
Payables to tax authority for IRPEF employees	3,388,047	3,346,614	41,433
Payables to tax authority for IRPEF freelance workers	7,037	17,783	(10,746)
Payables to tax authority for IRPEF collaborators	48,390	65,239	(16,849)
Payables to tax authority	1,140,772	1,308,573	(167,801)
Payables to tax authority for interest and penalties	13,196	68,036	(54,840)
TOTAL	**4,745,464**	**5,781,855**	**(1,036,391)**

"Other payables to the tax authorities" include the current portion of the company's accrued tax payments (Euro 1,057,007) relating to IRES tax for the year 2013, IRAP for 2014 and IRPEF for 2013 to 2015.

Payables to Subsidiaries

The item "payables to subsidiaries" amounted to Euro 4,051,487 at 31 December 2019 compared to Euro 1,528,428 at 31 December 2018. The table below provides details on the items.

Description	31/12/2019	31/12/2018	Variation
Exprivia Projects for VAT	4,747	-	4,747
Italtel for consolidated ires	1,327,119	1,514,922	(187,803)
Italtel for VAT	2,333,936	-	2,333,936
Consorzio Exprivia for VAT	340,590	-	340,590
HR Coffee for consolidated ires	45,095	13,506	31,589
TOTAL	**4,051,487**	**1,528,428**	**2,523,059**

The change is mainly due to the participation of the subsidiary Italtel in the Group VAT option.

Other payables

At 31 December 2019, the item "**other payables**" amounted to Euro 19,135,158 compared with Euro 15,589,943 at 31 December 2018.

The table below provides details on the item:

Description	31/12/2019	31/12/2018	Variation
Directors' pay for settlement	28,497	45,395	(16,898)
Employees/Collaborators for fees accrued	4,584,055	4,882,711	(298,656)
Holidays / bonuses / accrued holidays / 13th - 14th	7,161,425	6,811,570	349,855
Payables to associations	191,977	198,963	(6,986)
Sundry payables	3,573,826	534,443	3,039,383
Contributions to public bodies for future years	1,233,069	1,325,859	(92,790)
Maintenance/services/contributions competence in future years	2,362,309	1,791,002	571,307
TOTAL	**19,135,158**	**15,589,943**	**3,545,215**

The change is mainly attributable to advances received in 2019 on grants for research projects still in progress at the reporting date for Euro 3,247,213.

Explanatory Notes on the Exprivia's Income Statement

Details are provided below on the entries making up the costs and revenues in the income statement, which was drawn up in accordance with international accounting standards (IAS/IFRS).

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

Note 29 – Revenues

Revenues from Sales and Services

"**Revenues from sales and services**", also including changes in work in progress, totalled Euro 142,441,761 in 2019, compared to Euro 137,535,824 in 2018, and include inter-company revenues for a net value of Euro 730,425 (revenues of Euro 6,988,948 netted against costs for Euro 6,258,523).

Description	31/12/2019	31/12/2018	Variation
Revenues from consultancy and project development	123,723,951	118,764,097	4,959,854
Maintenance	14,981,980	12,934,472	2,047,508
Third party hardware and software	2,495,657	3,672,380	(1,176,723)
Proprietary Licenses	1,240,173	2,164,875	(924,702)
TOTAL	**142,441,761**	**137,535,824**	**4,905,937**

It should be noted that, for the purpose of better clarity of information, the type of revenues that was described as "Hardware and plant" at 31 December 2018 has been renamed "Third party hardware and software" while the type of revenues called "Licences, software and products" at 31 December 2019 has been renamed as "Proprietary licences". In addition to a change in the name of the types of revenues, there are no changes in the classification criteria thereof.

The table below provides details on the items and inter-company relations:

Description	Italtel SpA	Exprivia Projects Srl	Spegea S.c.a.r.l.	Abaco Innovazione	HR COFFEE	Exprivia SLU	Consorzio Exprivia	Total
Professional services	2,026,925	(5,915,931)	39,112	-	5,400	25,253	3,407,103	(412,138)
Commercial advice	-	119,080	-	-	-	-	-	119,080
Corporate services and logistics	-	1,018,483	-	5,000	-	-	-	1,023,483
TOTAL	**2,026,925**	**(4,778,368)**	**39,112**	**5,000**	**5,400**	**25,253**	**3,407,103**	**730,425**

Relations with subsidiaries are all governed by framework agreements and specific contracts.

In relation to the aforementioned revenues, it should be noted that the item is stated net of costs of Euro 6,038,424 for services provided by the subsidiary Exprivia Projects Srl in relation to a contract in the BPO area, whose final contract with the customer is held by Exprivia, and net of costs of Euro 220,099 for services performed by the subsidiary Italtel in relation to a SAP contract, whose final contract with the customer is held by Exprivia.

Note 30 – Other Income

"**Other income**" amounted to Euro 6,345,319 in 2019 compared to Euro 5,041,434 in 2018. The table below provides details on the items.

Description	31/12/2019	31/12/2018	Variation
Other revenue	925,264	697,846	227,418
Operating grants	3,551,894	2,124,832	1,427,062
Costs for capitalized internal projects	1,868,161	2,218,756	(350,595)
TOTAL	**6,345,319**	**5,041,434**	**1,303,885**

Other Revenues and Income

The balance of the item "**Other revenues and income**" in 2019 amounted to Euro 925,264 compared to Euro 697,846 in the previous year. The table below provides details on the items.

Description	31/12/2019	31/12/2018	Variation
Other revenue	569,565	357,216	212,349
Other operating income	24,910	181,467	(156,557)
Active rents to subsidiaries	330,789	159,163	171,626
TOTAL	**925,264**	**697,846**	**227,418**

Please note that the item "**amounts receivable for rent from subsidiaries**" refers to payments charged by Exprivia to its subsidiary Italtel for the offices in Rome.

It should also be noted that, for the purposes of greater clarity, steps were taken to reclassify, with reference to the balance at 31 December 2018, the amount of Euro 174,858, relating to revenues arising from the charge-backs to employees of the costs of using the company cars, from the item "Costs for leased assets" to the item "Other revenues and income". This is a reclassification that has no impact on the result for the year or on the shareholders' equity.

Grants for operating expenses

In 2019 "**Grants for operating expenses**" amounted to Euro 3,551,894 compared to Euro 2,124,832 in the previous year and refer to grants and tax credits pertaining to the year or authorised in the period relating to funded research and development projects.

Costs for Capitalised Internal Projects

The balance of the item "**Costs for capitalised internal projects**" in 2019 amounted to Euro 1,868,161 compared to Euro 2,218,756 in the previous year and refers to capitalised internal projects attributable to the Defence & Aerospace, Banking & Finance and Healthcare markets.

Note 31– Costs for Sundry Consumables and Finished Products

In 2019 the "**Costs for sundry consumables and finished products**" amounted to Euro 6,405,058 compared with Euro 4,179,181 in the previous year. The table below provides details on the items.

Description	31/12/2019	31/12/2018	Variation
Purchase of HW-SW products	6,225,030	3,979,181	2,245,849
Stationery and consumables	47,225	72,340	(25,115)
Fuel and oil	32,273	51,209	(18,936)
Other costs	100,530	52,551	47,979
Hw purchases from subsidiaries	-	23,900	(23,900)
TOTAL	**6,405,058**	**4,179,181**	**2,225,877**

The change is mainly attributable to higher purchases of hardware and software products for resale (in close correlation with the increase in revenues).

Note 32 – Staff Costs

The balance of the item "**staff costs**" in 2019 stood at Euro 88,788,853 in total compared to Euro 88,888,618 in 2018.

The table below provides details on the items.

Description	31/12/2019	31/12/2018	Variation
Salaries and wages	63,393,826	63,516,815	(122,989)
Social charges	17,784,473	17,653,484	130,989
Severance Pay	4,399,904	4,387,702	12,202
Other staff costs	3,210,650	3,330,617	(119,967)
TOTAL	**88,788,853**	**88,888,618**	**(99,765)**

The number of employees at 31 December 2019 amounted to 1,804 workers (1,802 employees and 2 temporary workers), compared to 1,789 in 2018 (1,788 employees and 1 temporary worker).

The average number of employees at 31 December 2019 was 1,792.

The item "**other staff costs**" includes the net amount relating to costs and revenues for charge-backs for seconded staff of the Group companies (Euro 414,115):

- Exprivia Projects Srl costs for Euro 442,494;
- Italtel revenues of Euro 27,379.

Note 33 – Costs for Services

In 2019, the balance of the item "**Costs for services**" amounted to Euro 34,050,446 compared with Euro 29,505,775 in the previous year. The table below provides the 2019 figures, compared with those of 2018:

Description	31/12/2019	31/12/2018	Variation
Technical and commercial consultancy	18,160,648	13,646,590	4,514,058
Administrative/company/legal consultancy	1,624,523	1,949,158	(324,635)
Consultancy to associated companies	3,593,743	2,747,512	846,231
Auditors' fees	83,394	104,713	(21,319)
Travel and transfer expenses	1,982,385	2,058,080	(75,695)
Utilities	763,865	980,037	(216,172)
Advertising and agency expenses	420,775	573,155	(152,380)
Bank charges	406,352	452,635	(46,283)
HW and SW maintenance	4,570,410	5,289,997	(719,587)
Insurance	439,285	426,030	13,255
Costs of temporary staff	896,807	280,895	615,912
Other costs	1,108,259	996,973	111,286
TOTAL	**34,050,446**	**29,505,775**	**4,544,671**

The change in "**technical and commercial consulting**" is related to the increase in revenues.

The table below provides details on inter-company costs for services, amounting to Euro 3,593,743, broken down by company. Please note that the inter-company costs incurred in 2019 are entirely attributable to professional services performed on the basis of framework agreements and specific contracts entered into by the parties.

Description	vs. Spegea	vs. Exprivia Projetcs	vs. Italtel S.p.A.	vs. Exprivia SL	vs. Exprivia Shangai	vs. ACS GMBH	vs. Exprivia Messico SA de CV	vs. Quest.it Srl	vs. HR COFFEE	vs. Italtel Spagna	Total
Professional services	66,031	1,354,671	1,318,069	487,923	4,603	245,845	9,185	50,165	2,800	54,451	3,593,743
TOTAL	66,031	1,354,671	1,318,069	487,923	4,603	245,845	9,185	50,165	2,800	54,451	3,593,743

The statement below is provided in accordance with art. 149-duodecies of CONSOB Issuers' Regulation to show amounts paid to the independent auditors in 2019 for audit services and for other services provided by PricewaterhouseCoopers SpA and other entities belonging to its network.

The fees are shown net of the CONSOB contribution and reimbursement for expenses.

Type of services. Amounts in thousands of Euros	Subject who provided the service	Recipient	Corresponding
Audit services	PricewaterhouseCoopers SpA	Parent company	207,512
Non audit services*	PricewaterhouseCoopers SpA	Parent company	5,150
TOTAL			212,662

(*) "Non-audit services provided to the Parent Company" refer to the voluntary audit of financial statements prepared for set out purposes, as envisaged by the Regulation of the bond issued by Exprivia in December 2017.

Note 34 – Costs for Leased Assets

In 2019, the item "**Costs for leased assets**" amounted to Euro 460,482 compared to Euro 2,739,821 in the previous year and is broken down in the table below:

Description	31/12/2019	31/12/2018	Variation
Rental expenses	27,355	1,162,564	(1,135,209)
Car rental/leasing	49,709	881,858	(832,149)
Rental of other assets	135,541	111,417	24,124
Royalties	117,441	124,946	(7,505)
Other costs	130,436	459,036	(328,600)
TOTAL	**460,482**	**2,739,821**	**(2,279,339)**

The change is mainly attributable to the effect of the application of the new accounting standard IFRS 16, which led to a decrease in costs of Euro 2,179,988.

It should also be noted that, for the purposes of greater clarity, steps were taken to reclassify, with reference to the balance at 31 December 2018, the amount of Euro 174,858, relating to revenues arising from the charge-backs to employees of the costs of using the company cars, from the item "Costs for leased assets" to the item "Other revenues and income". This is a reclassification that has no impact on the result for the period or on the shareholders' equity.

Note 35 – Sundry Operating Expenses

In 2019, "**Sundry operating expenses**" amounted to Euro 829,920 compared to Euro 747,648 in the previous year and is broken down in the table below:

Description	31/12/2019	31/12/2018	Variation
Annual subscriptions	137,623	127,703	9,920
Taxes	362,213	252,770	109,443
Penalties and fines	7,918	124,176	(116,258)
Charitable donations	18,914	34,430	(15,516)
Contingency liabilities	159,834	162,340	(2,506)
Write-offs	122,749	42,973	79,776
Penalties and damages	10	155	(145)
Capital losses on disposals	20,659	3,101	17,558
TOTAL	**829,920**	**747,648**	**82,272**

Note 36 – Changes in Inventories

In 2019, the balance of the item "**change in inventories**" amounted to Euro -85,044 compared with Euro 42,401 in the previous year. It refers to changes in hardware/software products purchased from the sale of the various business units.

Note 37 – Provisions and Write-downs of Current Assets

The item "**Provisions and write-downs of current assets**" in 2019 amounted to Euro 1,474,957 compared to Euro 323,974 in 2018. The table below provides details on the item:

Description	31/12/2019	31/12/2018	Variation
Provision for legal disputes with employees	193,880	137,726	56,154
Other provisions	508,426	-	508,426
Provision for bad debts	672,651	105,917	566,734
Svalutazione magazzino	100,000	80,331	19,669
TOTAL	**1,474,957**	**323,974**	**1,150,983**

It should be noted that the item "**write-down of receivables**" includes provisions for write-downs of receivables deemed no longer fully collectable by the Company. The item also reflects the impact of the application of IFRS 9 (expected credit loss) of Euro -5,837.

The item "**Provision for dispute risks**" reflects a prudential provision of Euro 240 thousand in relation to a litigation in progress on a receivable accrued against a research project, net of the release of provisions made in previous years, following the conclusion of disputes with personnel.

It should be noted that for the purpose of greater clarity, the provisions for risks of losses on orders recognised in 2019, amounting to Euro 508,426, were classified at 31 December 2019 under the item "Provisions and write-downs of current assets" instead of reducing the item "Revenues" as was the case in the financial statements at 31 December 2018 in which a provision of Euro 12,166 was recognised.

Note 38 – Amortisation, Depreciation and Write-downs of Non-Current Assets

In 2019, the balance of the item "**Amortisation, depreciation and write-downs of non-current assets**" amounted to Euro 34,111,162 compared with Euro 6,008,776 in the previous year and comprises amounts pertaining to the reporting period for amortisation and depreciation of intangible and tangible assets and write-downs.

Amortisation and Depreciation

Amortisation of intangible assets amounted to Euro 2,925,806 in 2019 compared to Euro 2,830,040 in 2018 and the change is detailed in Note 3.

Depreciation of tangible assets amounted to Euro 3,051,559 in 2019 compared to Euro 1,115,735 and the change is detailed in Note 1.

Write-downs

Write-downs in 2019 amounted to Euro 28,133,797 compared to Euro 2,063,000 in 2018 and refer to the write-down of the equity investment in Italtel for Euro 25,000,000, Exprivia SLU for Euro 1,898,824 and Exprivia Messico SA de CV for Euro 1,017,256, Exprivia Do Brasil for Euro 76,505 and Hr Coffee Srl for Euro 141,212.

Note 39 – Financial Income and (Charges) and Investments

In 2019, the balance of the item "**Financial income and (charges) and investments**" was a negative Euro 3,338,564 compared with a negative balance of Euro 3,102,959 in 2018. The breakdown between income and charges is shown below.

Description	31/12/2019	31/12/2018	Variation
Income from equity investments by subsidiaries	226,356	435,269	(208,913)
Income from parent companies	56,024	70,815	(14,791)
Income from subsidiaries	63,522	172,066	(108,544)
Income from other financial assets available for sale	13,117	13,117	-
Income other than the above	96,164	411,636	(315,472)
Interest and other financial charges	(3,362,594)	(3,711,020)	348,426
Charges from parent companies	(410,560)	(433,334)	22,774
Charges from subsidiaries	(21,095)	(6,706)	(14,389)
Foreign exchange charges (income)	502	(54,802)	55,304
TOTAL	**(3,338,564)**	**(3,102,959)**	**(235,605)**

Income from Equity Investments

In 2019, "**income from equity investments**" amounted to Euro 226,356 compared to Euro 435,269 in the previous year and refers to dividends received from the subsidiary Exprivia Projects Srl.

Income from Parent Companies

In 2019, the item "**Income from parent companies**" amounted to Euro 56,024 compared with Euro 70,815 in the previous year and related to interest accrued on the loan in place with the holding company Abaco Innovazione SpA.

Income from Subsidiaries

In 2019, "**Income from subsidiaries**" amounted to Euro 63,522 compared with Euro 172,066 in the previous year and refers to interest accrued from cash pooling and for loans in place with its subsidiaries.

Income from Other Financial Assets Available for Sale

In 2019, the item "**Income from other financial assets available for sale**" amounted to Euro 13,117, unchanged from the previous year; it mainly refers to income received from Banca Popolare di Bari for bonds and shares subscribed.

Income Other Than the Above

The item "**Income other than the above**" in 2019 amounted to Euro 96,164 compared to Euro 411,636 in 2018.

Description	31/12/2019	31/12/2018	Variation
Bank interest receivable	1,190	1,247	(57)
Discounts and rebates from suppliers	-	13,560	(13,560)
Other interest income	87,439	378,827	(291,388)
Rounding up of assets	7,535	18,002	(10,467)
TOTAL	**96,164**	**411,636**	**(315,472)**

The change concerning the item "**other interest income**" is mainly due to extraordinary items realised in the previous year (interest received following the collection of the IRES claim on IRAP and repayments of interest on final rulings against customers).

Interest and Other Financial Charges

In 2019 the item "**Interest and other financial charges**" amounted to Euro 3,362,594 compared with Euro 3,711,020 of 2018.

Description	31/12/2019	31/12/2018	Variation
Bank interest payable	319,650	386,084	(66,434)
Interest on loans and mortgages	1,874,440	2,144,463	(270,023)
Sundry interest	1,004,654	990,858	13,796
Charges on financial products and sundry items	20,195	53,476	(33,281)
Interest cost IAS 19	143,655	136,139	7,516
TOTAL	**3,362,594**	**3,711,020**	**(348,426)**

Charges from Parent Companies

The balance of the item "**Charges from parent companies**" amounted to Euro 410,560 in 2019 compared with Euro 433,334 at 31 December 2018 and refers to the portion applicable to the period of charges recognised to the holding company Abaco Innovazione SpA for guarantees issued by the latter.

Charges from Subsidiaries

In 2019 the item "**Charges from subsidiaries**" amounted to Euro 21,095 compared with Euro 6,706 in 2018 and refers to interest for the cash pooling in place with its subsidiaries.

Gains/(Losses) on Currency Exchange

The balance of the item "**Gains/(losses) on currency exchange**" was a positive Euro 502 in 2019 due to foreign exchange transactions.

Note 40 – Income Taxes

In 2019, "**Income taxes**" amounted to Euro 2,277,257 compared to Euro 2,803,739 in 2018. The table below provides details on the items.

Description	31/12/2019	31/12/2018	Variation
IRES	1,514,113	1,450,698	63,415
IRAP	694,557	868,244	(173,687)
Taxes from prior years	(383,999)	117,558	(501,557)
Defered tax	82,129	92,159	(10,030)
Deferred tax assets	370,457	275,080	95,377
TOTAL	**2,277,257**	**2,803,739**	**(526,482)**

The Parent Company Exprivia 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; Exprivia recognises a payable/receivable for the subsidiaries, equal to the applicable IRES and tax losses used in the Tax Consolidation.

The table below shows the reconciliation between the theoretical IRES charge reported in the financial statements and the actual tax charge:

Description	31/12/2019		31/12/2018	
	IMPORTO	%	IMPORTO	%
RECONCILIATION OF THEORETICAL AND EFFECTIVE RATE				
PROFIT BEFORE TAXES	(20,587,318)		7,038,105	
TAX THEORY	**0**	**24.0%**	**1,689,145**	**24.0%**
COSTS AND EXPENSES NOT DEDUCTIBLE	31,242,485		4,883,171	
REVENUES AND NON-TAXABLE INCOME	(1,735,406)		(1,909,152)	
DEPRECIATION	137,717		78,843	
OTHER DECREASES	(2,748,674)		(1,588,695)	
USE EXISTING TAX LOSSES			(2,457,695)	
TAXABLE INCOME TAX	6,308,804		6,044,577	
IRES YEAR	**1,514,113**		**1,450,698**	
EFFECTIVE RATE		**(*)**		**20.6%**

(*) this figure cannot be determined due to the loss for the year before taxes (negative result for the year).

Note 41 – Profit (Loss) for the Year

The income statement closed with a loss (after tax) of Euro 22,864,575, as stated in the balance sheet as well.

Note 42 – Information on the Cash Flow Statement

The cash flows deriving from income management were a positive Euro 12.4 million, the management of working capital generated cash flows of Euro 0.05 million, while investment and financing activities absorbed cash in the amount of Euro 4.9 million and Euro 4.2 million respectively.

OTHER INFORMATION

Contributions and economic benefits received from public administrations

Pursuant to art. 1 paragraph 125 of Law no. 124 of 2017, the statement below provides information relating to contributions and other economic benefits received in cash from the Italian public administrations in the course of 2019.

Typology	Financing Body	Project	Subsidized rate	Amount collected 31/12/2019
Subsidized financing	MISE	Instamed	0.16%	455,048
Subsidized financing	MISE	Bigimaging	0.15%	335,904
Lost Fund	Unione Europea	ECHO		264,927
Lost Fund	MIUR	Lab. 8 (LabGTP)		382,139
Lost Fund	MIUR	Biomis		117,500
Lost Fund	Regione Puglia	Digital Future		2,825,662
Lost Fund	European Space Agency (ESA)	Ever-Est		92,255
Total				**4,473,435**

Related parties

Exprivia carries out transactions with the parent company, with subsidiaries and associates and with other related parties.

Inter-company Relations

Transactions between Exprivia and the parent companies, subsidiaries and associates essentially consist of services and the exchange of software 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 tables below show amounts for commercial relations, financial relations and those of other kinds with parent companies, subsidiaries and associates.

All values are expressed in Euro units.

Non-Current Financial Receivables

Description	31.12.2019	31.12.2018	Variation
Exprivia Slu	610,942	60,942	550,000
Exprivia Asia	312,983	417,311	(104,328)
TOTAL	**923,925**	**478,253**	**445,672**

Trade Receivables

Description	31/12/2019	31/12/2018	Variation
Consorzio Exprivia	1,534,999	831,425	703,574
Exprivia Projects Srl	624,122	427,508	196,614
Exprivia SLU	634,667	-	634,667
Exprivia Asya	-	616,982	(616,982)
Spegea S. c. a r.l.	113,178	56,041	57,137
ACS DE Gmbh	140,002	160,000	(19,998)
HR Coffee	5,400	3,111	2,289
Italtel S.p.A.	1,152,288	1,744,045	(591,757)
TOTAL	**4,204,656**	**3,839,112**	**365,544**

Other Current Receivables

Description	31/12/2019	31/12/2018	Variation
Receivables from Exprivia Projects for IRES from tax consolidation	212,000	75,232	136,768
Receivables from Spegea for IRES from tax consolidation	1,718	2,467	(749)
TOTAL	**213,718**	**77,699**	**136,019**

Current Financial Receivables

Description	31/12/2019	31/12/2018	Variation
Exprivia Projects Srl	-	1,293,080	(1,293,080)
Exprivia Messico Sa de CV	387,562	-	387,562
Exprivia Asia Ltd	291,794	171,809	119,985
Exprivia SLU	6,459	-	6,459
TOTAL	**685,815**	**1,464,889**	**(779,074)**

Trade Payables

Description	31/12/2019	31/12/2018	Variation
Exprivia Messico SA De CV	360	2,418	(2,058)
Exprivia Projects Srl	773,503	4,057,273	(3,283,770)
HR COFFEE	3,416	-	3,416
ACS GMBH	93,725	142,923	(49,198)
Consorzio Exprivia Scarl	3,000	-	3,000
Exprivia It Solution Shanghai	4,603	50,903	(46,300)
Spegea S.c. a r.l.	98,727	40,971	57,756
Gruppo ProSap	3,000	3,000	-
Exprivia SI	-	16,740	(16,740)
Italtel SpA	54,452	-	54,452
Italtel USA	105,401	-	105,401
Italtel SpA	1,374,418	1,078,098	296,320
TOTAL	**2,514,605**	**5,392,326**	**(2,877,721)**

Current Financial Payables

Description	31/12/2019	31/12/2018	Variation
Exprivia Projects Srl	2,619,591	-	2,619,591
Italtel SpA	170,088	-	170,088
HRCOFFEE	97,750	222,750	(125,000)
Exprivia Messico Sa de CV	-	363	(363)
Spegea S.c. a r.l.	176,688	172,686	4,002
TOTAL	**3,064,118**	**395,799**	**2,668,319**

Other Current Payables

Description	31/12/2019	31/12/2018	Variation
Exprivia Projects for VAT	4,747	-	4,747
Italtel for consolidated IRES	1,327,119	1,514,922	(187,803)
Italtel for VAT	2,333,936	-	2,333,936
Consorzio Exprivia for VAT	340,590	-	340,590
HR Coffee for consolidated IRES	45,095	13,506	31,589
TOTAL	**4,051,487**	**1,528,428**	**2,523,059**

Trade Revenues

Description	31/12/2019	31/12/2018	Variation
Spegea Scarl	39,112	41,369	(2,257)
Exprivia Projects Srl	(4,778,368)	(5,879,307)	1,100,939
Italtel Spa	2,026,925	2,003,648	23,277
Gruppo ProSap	25,253	36,261	(11,008)
ACS GERMANIA	-	80,000	(80,000)
Consorzio Exprivia Scarl	3,407,103	2,404,993	1,002,110
HR COFFEE Srl	5,400	-	5,400
TOTAL	**725,425**	**(1,313,036)**	**2,038,460**

Trade Costs

Description	31/12/2019	31/12/2018	Variation
Spegea Scarl	66,031	24,006	42,025
Exprivia Projects Srl	1,354,671	668,613	686,058
Exprivia SLU	487,923	667,298	(179,375)
Exprivia Shanghai	4,603	49,382	(44,779)
Consorzio Exprivia Scarl	-	5,700	(5,700)
ACS Gmbh	245,845	144,000	101,845
HR Coffee	2,800	-	2,800
Quest.it	50,165	-	50,165
Italtel Spagna	54,452	-	54,452
Italtel SpA	1,318,069	1,043,695	274,374
Exprivia Messico SA De CV	9,185	174,418	(165,233)
TOTAL	**3,593,744**	**2,777,112**	**816,631**

Income from Equity Investments

Description	31/12/2019	31/12/2018	Variation
Exprivia ProjectsSrl		90,006	(90,006)
Exprivia do Brasil	226,356	345,263	(118,907)
TOTAL	**226,356**	**435,269**	**(208,912)**

Financial Income

Description	31/12/2019	31/12/2018	Variation
Exprivia Projects Srl	35,497	32,788	2,709
Exprivia SLU	6,459	103,782	(97,323)
Exprivia ASIA Ltd	15,649	15,840	(191)
Exprivia Messico SA de CV	5,917	19,656	(13,739)
TOTAL	**63,522**	**172,066**	**(108,543)**

Financial Charges

Description	31/12/2019	31/12/2018	Variation
Spegea Scarl	4,783	5,286	(503)
Exprivia Projects Srl	6,891	1,420	5,471
Italtel SpA	9,421		9,421
TOTAL	**21,095**	**6,706**	**14,389**

Relations with Parent Companies

For information concerning relations with the parent company, see the Directors' Report in the sections "Group Relations with the Parent Company" and "Report on Management and Coordination Activities". The amounts of commercial and financial relations with the holding company Abaco Innovazione SpA are shown below.

All values are expressed in Euro.

Non-Current Financial Receivables

Description	31.12.2019	31.12.2018	Variation
Non-current financial receivables from controlling companies	1,357,875	1,783,558	(425,683)
TOTAL	**1,357,875**	**1,783,558**	**(425,683)**

Current Financial Receivables

Description	31.12.2019	31.12.2018	Variation
Current financial receivables from controlling companies	466,484	461,433	5,051
TOTAL	**466,484**	**461,433**	**5,051**

Trade Receivables

Description	31.12.2019	31.12.2018	Variation
Trade receivables from controlling companies	25,372	20,372	5,000
TOTAL	**25,372**	**20,372**	**5,000**

Financial Costs and Charges

Description	31.12.2019	31.12.2018	Variation
Financial costs and expenses from the parent company	410,560	433,334	(22,774)
TOTAL	**410,560**	**433,334**	**(22,774)**

Financial Revenues and Income

Description	31.12.2019	31.12.2018	Variation
Financial income from parent company	56,024	70,815	(14,791)
TOTAL	**56,024**	**70,815**	**(14,791)**

Relations with other associates

Transactions with other associates essentially consist of services and the exchange of products. They are part of ordinary business operations and are settled at market conditions, i.e. on the terms that would have applied between two independent parties. All transactions are carried out in the interest of the Company involved.

The table below provides information on relations with other associates.

Equity Investments in Associates

Description	31/12/19	31/12/18	Variation
Quest.it Srl	300,000	-	300,000
TOTAL	**300,000**	**-**	**300,000**

Trade Payables

Description	31/12/19	31/12/18	Variation
Quest.it Srl	93,513	-	93,513
TOTAL	**93,513**	**-**	**93,513**

Costs for Services

Description	31.12.2019	31.12.2018	Variation
Quest.it Srl	50,165	-	50,165
TOTAL	**50,165**	**-**	**50,165**

Relations with other related parties

Transactions with other related parties essentially consist of services and the exchange of products. They are part of ordinary business operations and are settled at market conditions, i.e. on the terms that would have applied between two independent parties. All transactions are carried out in the interest of the Company involved.

The table below provides information on relations with other related parties:

Receivables – Customers

Description	31/12/2019	31/12/2018	Variation
Balance Srl	26,840	22,753	4,087
TOTAL	**26,840**	**22,753**	**4,087**

Payables – Suppliers

Description	31/12/2019	31/12/2018	Variation
Kappa Emme Sas	-	5,000	(5,000)
Brave Srl	21,350	15,000	6,350
Giuseppe La Terza e figli SpA	6,100		6,100
Consorzio DITNE	5,000	-	5,000
TOTAL	**32,450**	**20,000**	**12,450**

Revenues

Description	31/12/2019	31/12/2018	Variation
Balance Srl	22,000	19,900	2,100
TOTAL	**22,000**	**19,900**	**2,100**

Costs

Description	31/12/2019	31/12/2018	Variation
Kappa Emme Sas	-	5,000	(5,000)
Giuseppe La Terza & Figli SpA	10,000		10,000
Brave Srl	95,000	120,000	(25,000)
TOTAL	**105,000**	**125,000**	**(20,000)**

As per the requirements of CONSOB resolution no. 11520 of 1 July 1998, the table below illustrates the remuneration for Directors, Statutory Auditors and Key Executives. For further information, see the "Remuneration Report" available on the Company's website (www.exprivia.it) in the section Corporate - Corporate Governance - Corporate Information.

Description	31/12/2019				31/12/2018			
	Fixed remuneration as a member of the Board of Director	Equity compensation committees	Wages and salaries	Other incentives	Fixed remuneration as a member of the Board of Director	Equity compensation committees	Wages and salaries	Other incentives
Administrators	413,999	90,000	694,791	199,009	445,596	95,000	788,517	300,512
Statutory Auditors	80,188	-	-	-	62,779	-	-	-
Strategic managers	1,000	-	231,588	38,578	4,000	-	220,357	49,819
TOTAL	**495,187**	**90,000**	**926,379**	**237,587**	**512,375**	**95,000**	**1,008,874**	**350,331**

Transactions with related parties essentially consist in services and the exchange of products. They are part of ordinary business operations and are settled at market conditions, i.e. on the terms that would have applied between two independent parties. All transactions are carried out in the interest of the Company involved.

There are no advances or loans to directors or statutory auditors and no commitments have been undertaken on behalf of the management body due to guarantees of any kind having been given.

Transactions Deriving from Atypical/Unusual Operations

In accordance with Consob Notice no. 6064293 of 28 July 2006, it should be pointed out that in 2019 the Company did not carry out any atypical and/or unusual operations, as defined in the notice itself.

Contingent liabilities

As discussed in the "Risks and uncertainties" and "Business Outlook" sections of the directors' report, Italtel, the main subsidiary of Exprivia, is currently subject to the provisions of art. 2447 of the Italian Civil Code and was admitted by the Court of Milan on 11 March 2021 to the composition procedure as per its request submitted on 5 February 2021.

On the basis of an in-depth analysis carried out with the support of its consultants, the Exprivia directors believe that, even in the unlikely event of a negative outcome of Italtel's composition with creditors and the initiation of any extraordinary or bankruptcy administration procedure, a remote possibility, the risk of contingent liabilities to which Exprivia could be exposed is insignificant and any contingent liabilities would be immaterial. For a more detailed discussion, see the section *"Risk of negative outcome of the Italtel composition procedure and related impacts on Exprivia"* of the Explanatory Notes.

Events after 31 December 2019

On 13 March 2020, Exprivia's Board of Directors resolved to postpone the approval of the Annual Report at 31 December 2019 until a new meeting to be held after the shareholders' meeting called by Italtel's Board of Directors pursuant to and for the purposes of art. 2447 of the Italian Civil Code, in first call on 31 March 2020 and possibly in second call on 15 April 2020. The postponement was necessary given the resolution of the

Board of Directors of the investee Italtel, which met on 12 March last year, to postpone in turn the terms of approval of its financial statements given the events underlying the call of the shareholders' meeting pursuant to art. 2447 of the Italian Civil Code and pending contacts with the lending banks and other interlocutors aimed at identifying possible solutions relating to the financial position of Italtel.

On 31 March 2020, Exprivia also announced that it was in contact with a leading fund active in the debt restructuring segment and that it had decided to grant this fund an exclusive right to negotiate a restructuring and relaunch of its subsidiary Italtel.

On 28 April 2020, Exprivia's Board of Directors, in light of the filing by the subsidiary Italtel of the application for a "blank" composition agreement pursuant to article 161, paragraph 6, of the Bankruptcy Law, resolved to postpone the approval of the Annual Report required by art. 154-ter of the Consolidated Finance Act to a date to be defined, compatibly with the path undertaken by Italtel and with the overcoming of the current uncertainties relating to its business continuity.

On 14 May 2020, Exprivia's Board of Directors announced the postponement of the approval of the additional periodic financial information at 31 March 2020 to a new meeting of the Board of Directors to be held on 18 May 2020.

On 18 May 2020, Exprivia's Board of Directors announced that it had postponed the approval of the Annual Report at 31 December 2019 and the Additional Periodic Financial Information at 31 March 2020 to a new meeting.

On 9 June 2020, Exprivia announced that the NFP/EBITDA parameter recorded on the consolidated operating data at 31 December 2019 relating to the Issuer's Group, as defined in the Bond Loan Regulation commented on in the explanatory note 17, was equal to 2.5, lower than the limit of 3.0; for this reason, as required by art. 7 of the Loan Regulation, the annual interest rate for the period from 14 December 2019 to 14 December 2020 is reduced from 5.80% to 5.30%.

On 8 July 2020, Exprivia's Board of Directors announced that it had reviewed the matter involving its subsidiary Italtel, which filed a request for a "blank" agreement pursuant to art. 161, sixth paragraph, Bankruptcy Law. The Board acknowledged that, as of this report date, it has not been possible to implement solutions for the relaunch of the subsidiary Italtel, consistent with the interests of Exprivia and its shareholders, and therefore resolved to discontinue the exploratory activities relating to its own intervention assumption, reserving the right to monitor the situation and reassess it according to future developments. In view of the uncertainty of the timing of the approval of the Group's consolidated results, the Board of Directors also resolved to request the voluntary and temporary exclusion of the STAR status from Borsa Italiana and the transfer to MTA for the Company's shares, pursuant to art. 2.5.7 of the Regulation of the Markets Organised and Managed by Borsa Italiana.

On 29 September 2020, Exprivia's Board of Directors announced that the Director Stefano Pileri communicated, on 28 September 2020 and effective at the same date, his resignation from the office of Director of Exprivia for professional reasons. Mr Pileri did not hold any other positions in the Issuer's internal committees.

On 27 November 2020, Exprivia announced that it had signed with a pool of banks composed of Banca Popolare di Puglia and Basilicata S.c.p.a., in the role of arranger and lender, Banca Popolare Pugliese S.c.p.a. in the role of lender, Banca Finanziaria Internazionale SpA in the role of agent bank and SACE Agent, a loan agreement, consisting of a medium-term cash line of credit, amounting to Euro 20 million, to be repaid within six years, of which two years of pre-amortisation.

The transaction is aimed at supporting investments and financing the working capital after the Covid-19 impact, and is secured by "Garanzia Italia", issued in a short time by SACE, to guarantee 90% of the amount of the loan, pursuant to the Liquidity Decree (Decree Law no. 23 of 08/04/2020 converted into Law no. 40 of 05/06/2020).

On 2 December 2020, Exprivia S.p.A.'s Board of Directors informed that it had co-opted Mr Giovanni Castellaneta, with resolution approved by the Board of Statutory Auditors, as non-independent Director with responsibility for business development, supporting the Chairman and Chief Executive Officer in the operations aimed at the growth of the Company and the Group.

On 23 December 2020, Exprivia's Board of Directors announced that it had decided to submit a binding and irrevocable offer in support of a proposal for a composition with creditors in continuity of Italtel S.p.A.. For more information, please refer to the press release issued to the market on 23 December 2020.

On 1 January 2021, Exprivia informed that Italtel's Board of Directors, which met on 31 December 2020, resolved to accept the binding offer of PSC Partecipazioni S.p.A. in support of a proposal for a composition with creditors.

On 17 March 2021, the final hearing was held in the criminal trial against the former subsidiary Exprivia Healthcare IT S.r.l. (merged by incorporation into Exprivia S.p.A. in 2017), for the administrative liability of the Entities. The trial related to the termination of the contract with the Motor Vehicle Department of the Province of Trento was concluded with the acquittal of all parties, in particular, with the acquittal, requested by the Public Prosecutor itself, of the Legal Representative for not having committed the fact and with a judgement of exclusion from administrative liability pursuant to Legislative Decree 231/01 towards the company Exprivia Healthcare IT S.r.l..

On 30 April 2021, the Parent Company announced that, with regard to the investee Italtel, it no longer deems to exercise control pursuant to IFRS 10 as from 31 December 2020. In particular, in view of a number of events that occurred in 2020 potentially significant but none considered conclusive for the purposes of the loss of control, the directors of Exprivia, with the support of their accounting and legal advisors, assessed that the resolution of Italtel's Board of Directors of 31 December 2020 not to accept the proposal of the shareholder Exprivia but to accept the offer of PSC constitutes the final and strongest event to determine in a definitive manner that Exprivia has lost control over Italtel.

Covid 19: the beginning of 2020 is characterised by what the WHO has defined as a pandemic related to the rapid spread of COVID-19, as called by the WHO. The main steps are described below.

On 31 December 2019, the Chinese government reported the presence, in the city of Wuhan, of a cluster of cases of pneumonia with an unknown trigger (later identified as a new SARS-CoV-II coronavirus). On 30 January 2020, following the aforementioned report from China, the WHO (World Health Organisation) declared the coronavirus epidemic in China as a public health emergency of international concern. The following day, 31 January 2020, the Italian Government declared a state of emergency with a resolution of the Council of Ministers and implemented the first measures to contain the contagion throughout the country, deeming that the risk context, especially with reference to the need to carry out a comprehensive forecasting and prevention action required the immediate adoption of extraordinary and urgent initiatives.

Right from the start Exprivia closely followed the evolution of the situation and, in order to protect the safety of its employees, customers and suppliers, immediately implemented a remote working policy that brought 95% of its staff to work remotely. From the analyses conducted, the impact of the virus on the Group's activities is not particularly significant and does not in any way call into question the ability of Exprivia and its subsidiaries to continue as a going concern.

At present, in light of the assessments carried out within a scenario that is in any case in constant and rapid evolution, Exprivia's Board of Directors highlights that the trend of the pandemic, despite the uncertainties related to further developments in terms of impact on public health and, consequently, on the national and international production, economic and social fabric, it did not have significant effects on the Group's performance in 2020 and it is believed that, at the moment, no major impacts on the equity, financial and economic situation of the same are foreseeable for the year 2021.

The Company has made and is making extensive and widespread use of the so-called remote activities but cannot, at the moment, rule out that a possible worsening of the spread of the virus and its "variants" could involve the risk, currently deemed to be limited and remote, a slowdown in its business, in the unavailability of personnel, in difficulties encountered by both public and private customers and, consequently, in a lower revenues and a reduction in margins.

The Board of Directors believes that what is happening does not change the solid medium-long term prospects of the Company and its subsidiaries.

The developments relating to the spread of the COVID-19 pandemic are not reflected in the assessments of the financial statements at 31 December 2019, as they are non-adjusting events.

Molfetta, 30 April 2021

On behalf of the Board of Directors

Chairman and Chief Executive Officer

Mr Domenico Favuzzi

Board of Directors' Proposal to the Shareholders' Meeting

Dear Shareholders:

We would like to thank you for your trust and we kindly ask you to approve the year-end financial statements at 31 December 2019. We propose to cover the loss for the year in the amount of Euro 22,864,574.92 as follows:

a. Use of the "Extraordinary reserve" for Euro 19,317,871.70;

b. Use of "Other Reserves" for Euro 3,546,703.22.

Molfetta, 30 April 2021

On behalf of the Board of Directors

Chairman and Chief Executive Officer

Mr Domenico Favuzzi

Certification of the 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, certify the following, taking into account the provisions of art. 154-bis (3, 4) of Legislative Decree no. 58 of 24 February 1998:

- the adequacy, in relation to the characteristics of the Company and
- the effective application of administrative and accounting procedures to draft the financial statements for the reporting period at 31 December 2019.

Furthermore, it is certified that the financial statements:

a) correspond to accounting records;

b) were prepared in accordance with International Financial Reporting Standards (IFRS), which were adopted by the European Commission with regulation 1725/2003 as amended, and are suitable for giving an accurate and correct representation of the equity, economic and financial situation of the company;

c) the Directors' Report includes a reliable analysis that is consistent with the financial statements, operating trends and results, and also the situation of the company, together with the description of the main risks and uncertainties.

Molfetta, 30 April 2021

Domenico Favuzzi	**Valerio Stea**
Chairman and Chief Executive Officer	Executive manager responsible for preparing the corporate accounts

Independent Auditors' Report on the financial statements of Exprivia at 31 December 2019

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of Exprivia SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Exprivia SpA (the Company), which comprise the balance sheet as of 31 December 2019, the income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2019, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Goodwill *"Note 2 – Goodwill" of the explanatory notes to the separate financial statements as of 31 December 2019 of Exprivia SpA* The value of goodwill as of 31 December 2019 amounted to Euro 67 million, corresponding to 34 per cent of total assets. We focused our audit on such financial statement area in consideration of: • the significance of the amount of goodwill also compared to the Company's equity as of 31 December 2019; • the impact of the directors' estimates in relation to the future cash flows and the discounting rate applied to them, on the determination of the recoverable amount. The recoverability of the value of goodwill recognised in the financial statements was verified by the directors through the comparison between the carrying value of the Cash Generating Unit (CGU) to which goodwill is allocated and the related value in use, identifiable as the present value of future cash flows that are expected to be generated from the CGU using the Discounted Cash Flow model. The discount rate (WACC) as well as the long-term growth rate (g) used by the directors were determined with the support of an independent expert who prepared the relevant report.	We analysed, with the support of the PwC network experts in evaluation models, the impairment test of the CGU to which goodwill is allocated. We analysed the methodology used by the corporate management to develop the impairment test in consideration of the prevailing professional evaluation practice and pursuant to what is envisaged by international accounting standards and specifically by IAS 36 adopted by the European Union. We verified the mathematical accuracy of the test. With reference to the future cash flows expected for the identified CGU, we verified that these agreed with data approved by the Company's Board of Directors. We analysed the main assumptions used by the Company in the preparation of the CGUs' forecast plans. We evaluated the reasonableness and consistency of the prospective data used by the Company in relation to the provisions of IAS 36 and in light of the results achieved in the prior years. With the support of the PwC network experts, we recalculated the discounting rate and the long-term growth rate on the basis of the expected inflation estimates. We reperformed from a mathematical point of view the sensitivity analyses carried out by the Company. Finally, we considered the adequacy of the financial statement disclosures related to this key matter.

2 of 6

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Impairment of the equity investment in Italtel SpA and crisis resolution process initiated by the latter *Paragraphs "Crisis resolution process initiated by Italtel" and "Considerations on the going concern of Italtel and impact on the process of preparation of the financial reporting of Exprivia" of the explanatory notes to the separate financial statements as of 31 December 2019 of Exprivia SpA* The equity investment held in the main subsidiary Italtel SpA as of 31 December 2019 was completely written down during the year for an amount equal to Euro 25 million. The directors of Exprivia SpA described in the financial statements the crisis resolution process initiated at the end of 2019 by Italtel SpA that, on 5 February 2021, submitted a request for composition with creditors under and pursuant to articles 160 et seq and 186-bis of the Bankruptcy Law, accepted by the Court of Milan on 11 March 2021 ("Request for Composition with Creditors"). This entailed an extension of the timing for the preparation of the separate and consolidated financial statements of Exprivia SpA as of 31 December 2019. In light of the crisis situation Italtel SpA is undergoing, the directors with the support of an independent professional appointed by the Company, performed the impairment test as of 31 December 2019 determining the recoverable value of the investment. In particular, such value has been estimated as zero both in terms of value in use and fair value net of costs to sell. The value in use has been estimated as the present value of the future cash flows expected to be generated by this investee using the Discounted Cash Flow Model. The fair value net of disposal costs has been estimated based on the binding offer submitted by a third party which underpins the Request for Composition with Creditors of Italtel SpA.	We read over the Request for Composition with Creditors of Italtel SpA and the independent professional's assurance report pursuant to article 161, para. 3 and 186 bis of the Bankruptcy Law on the truthfulness of data and the feasibility the 2021-2026 restructuring plan. We analysed, with the support of the PwC network experts in evaluation models, the impairment test of the equity investment in Italtel SpA performed by the Company; we read over the opinion drawn up by the independent expert appointed by the Company to express his opinion on the correctness of the impairment tests; we analysed the methodology used by management to develop the impairment test in consideration of the prevailing professional evaluation practice in accordance with international accounting standards and specifically with IAS 36 adopted by the European Union. We verified the accuracy of the test from a mathematical point of view. With reference to the estimate of the value in use of the equity investment, we verified the agreement of the expected cash flows for the years 2020 - 2023 with the data of the consolidated plan of Italtel SpA underpinning the binding offer submitted by Exprivia SpA on 23 December 2020 ("Exprivia Offer") and the other accounting data as of 31 December 2019 used to reach the value in use of the investment (Bridge To Equity). As for the estimate of the investment's fair value, we verified its consistency with the binding offer submitted by a third party, which is the basis of the Request for Composition with Creditors of Italtel SpA. Finally, we considered the adequacy of the financial statement disclosures related to this key matter.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
In consideration of the complexity and subjectivity of the estimate of the expected cash flows and the variables used in the evaluation model, on top of these within the ongoing complex crisis resolution process, as well as the significance of the investment's value recognised in the separate financial statements of Exprivia SpA, we deem that the impairment test of the equity investment in Italtel SpA represented a key matter in the audit of the separate financial statements of Exprivia SpA as of 31 December 2019.	

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 23 April 2014, the shareholders of Exprivia SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2014 to 31 December 2022.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Exprivia SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Exprivia SpA as of 31 December 2019, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of Exprivia SpA as of 31 December 2019 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Exprivia SpA as of 31 December 2019 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Bari, 3 June 2021

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 financial statements referred to in this report.