# Annual Report 2020

Issuer: Exprivia

Website: www.exprivia.it

future. perfect. simple.

## Contents

# Letter to Shareholders

Dear Shareholders:

the year 2020 will certainly leave its mark on history due to the large amount of changes that the pandemic has brought about in the society, the economy, and the relations between people. The stronger the desire of all human beings to return to the habits prior to the start of the pandemic, the more significant will be the impacts and the marks it will have left.

In such a changing global context, our group has continued its mission to innovate the business models of its customers through digital transformation.
It has been a difficult year for our community in Exprivia, for the same reasons as it has been for all the other companies, but also because during 2020 we had to face the crisis of Italtel and the hypotheses of a solution for its benefit.

As was the case for most ICT operators, our Group did not suffer any particularly negative economic effects from the pandemic, although these effects had different connotations depending on the markets. The industry, the entire world of Italian small and medium-sized enterprises, is certainly the sector that has suffered the most negative repercussions, due to the closures imposed by the Decree of the President of the Council of Ministers and the spread of the infection among workers who were unable to work remotely. Generally speaking, all other sectors, characterised by multi-year contracts and also by the ability to react, including the public administration, which has allowed its employees to work remotely, have held up.

In 2020, with stable revenues, we grew in margins, which also improved due to a number of operating costs that the pandemic temporarily reduced, such as, for example, the costs related to office management and employee travel.

It was the year of remote or smart work. The year in which projects activities carried out at home, or in any case not in the office, accelerated dramatically. In 2020, our group has drawn up a smart working plan extended to all employees who, compatibly with the requirements of the service, will be able to guarantee four days out of five of work outside the office, definitively and regardless of the outcomes of the pandemic. Smart working is only the visible tip of the iceberg of the major changes made to the organisation of work, the execution of activities, the exercise of creativity and leadership that companies will soon have to implement.

But 2020 was the year of the Italtel's crisis. The objective of creating the new business entity, as a result of the integration between Exprivia and Italtel, was not achieved.
Convinced of the validity of the business plan that reflected our decision to integrate Exprivia with Italtel, we worked hard to identify solutions to relaunch, also with the involvement of entities from the world of credit and finance.
Italtel's Board of Directors has expressed its support for the offer of another business entity, which submitted a project that is certainly an alternative to ours and which positions Italtel at the centre of its traditional business. On 5 February 2021, Italtel filed the request for a composition with creditors based on this binding offer, which the Court of Milan admitted by decree issued on 11 March 2021.

We had set up the integration strategy with Italtel, safeguarding Exprivia from any possible negative effect. In the complex case involving Italtel, Exprivia is not exposed to the risk of significant liabilities deriving from the composition procedure or from the unfortunate possibility of its termination as better specified in the paragraph "Risk of negative outcome of the Italtel composition procedure and related impacts on Exprivia" of the Directors' Report and in the Explanatory Notes, to which reference is made.

It is difficult to make medium-term forecasts. The global uncertainties deriving from the real effect of the vaccine and its timely availability prevent the drawing of highly probable scenarios.
What we are certain of is that we have started the new year 2021 with the awareness of our strengths and a financial structure that will allow us to invest in new growth. We have continued to invest in Research and Innovation in the most promising fields of IT for the near future. We have become a point of reference in Cybersecurity just over a year after entering the sector. We are at the forefront of Artificial Intelligence in Italy, after the investment in a young Siena company. Our solutions for Telemedicine were identified by the Ministry of Economy as among the most promising in Italy and we have just closed a capital increase to enter an innovative startup that promotes a new model for healthcare services. We continue to receive attestation of trust from the largest Italian companies in all market sectors for which we work under multi-year contracts. We have a cohesive management team that supports me with perseverance and conviction in the challenges we share.

It is from here that we want to start again our actions aimed at strengthening our position in the digital transformation processes that affect society as a whole today more than in any other recent time. We are convinced and proud to be able to contribute, with the strength of our ideas and our skills, to the growth of our country.

The Chairman
Domenico Favuzzi

# Corporate Bodies

## Board of Directors

### Chairman and Chief Executive Officer
**Domenico Favuzzi**

### Directors
**Dante Altomare (Vice-Chairman)**
**Angela Stefania Bergantino (2)**
**Marina Lalli (2)**
**Alessandro Laterza (3)**
**Valeria Savelli (1)**
**Gianfranco Viesti (2)**
**Giovanni Castellaneta (1)**

## 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


# Directors' Report at 31 December 2020

# Significant Group Figures and Result Indicators

Here below is a summary of the main consolidated economic, capital and financial data of the Group at 31 December 2020 and 31 December 2019.

Following the loss of control of the Italtel Group by Exprivia SpA (hereinafter also "Exprivia" or "the Company" or the "Issuer"), the Italtel Group was subject to deconsolidation at 31 December 2020, in compliance with the provisions of IFRS 5, and the results of the Italtel Group have been represented as "Discontinued operations" (for more details, see Note 43 "Discontinued operations"). The comparison years have been reclassified accordingly.

| amount in thousand Euro | 31.12.2020 | 31.12.2019 (*) |
|---|---|---|
| Total revenues - Continuing Operations | 167,811 | 168,544 |
| net proceeds | 161,607 | 162,140 |
| increase to assets for internal work | 2,074 | 1,868 |
| other proceeds and contributions | 4,130 | 4,536 |
| Difference between costs and production proceeds (EBITDA) - Continuing Operatior | 21,387 | 16,839 |
| % on total revenues | 12.7% | 10.0% |
| Net operating result (EBIT) - Continuing Operations | 15,009 | 10,401 |
| % on total revenues | 8.9% | 6.2% |
| Net result- Continuing Operations | 8,632 | 4,004 |
| Net result- Discontinued Operations | 156,899 | (243,153) |
| Net result | 165,531 | (239,150) |
| Group net equity | 63,637 | (103,953) |
| Total assets | 216,638 | 418,746 |
| Capital stock | 24,616 | 24,866 |
| Net working capital (1) | 9,665 | (26,956) |
| Cash flow - Continuing Operations (2) | 13,994 | 12,077 |
| Cash flow - Discontinued Operations (2) | 1,086 | (9,879) |
| Fixed capital (3) | 102,811 | 135,629 |
| Investment (4) | 5,370 | 3,984 |
| Cash and securities / other financial assets (a) | 33,362 | 36,881 |
| Financial payables / other short-term financial liabilities (b) | (29,799) | (224,879) |
| Financial payables / other medium / long-term financial liabilities (c) | (43,861) | (37,692) |
| Net financial position (5) | (40,298) | (225,690) |

(*) Following the loss of control, the results of the Italtel Group for 2020 and 2019 were recognised as "discontinued operations" and presented in accordance with this accounting treatment in all parts of this report.

(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.

exprivia

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

The table below shows the main economic indicators of the Group at 31 December 2020, compared with the same period of the previous year.

| Exprivia Group | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Index ROE (Net income / Equity Group) | 13.56% | (*) |
| Index ROI (EBIT / Net Capital Invested) (6) | 15.50% | 11.55% |
| Index ROS (EBIT / Revenues ) | 9.29% | 6.42% |
| Financial charges (7) / Net profit | 0.35 | 0.84 |

**(*)** indicator that cannot be determined due to the negative value of the Group's Shareholders' equity

**(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 capital and financial indicators of the Group referring to 31 December 2020 and 31 December 2019.

| Exprivia Group | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Net Financial Debt / Equity Capital | 0.63 - | 2.23 |
| Debt ratio (Total Liabilities / Equity Capital) | 3.48 - | 4.17 |

# Summary of the Operations in 2020

The table below also provides the results of the Exprivia group's continuing operations.

| Gruppo Exprivia - Continuing Operations (valori in migliaia di Euro) | 31.12.2020 | 31.12.2019 | Variazioni | Variazioni % |
|---|---|---|---|---|
| Totale Ricavi | 167.811 | 168.544 (*) | (733) | -0,4% |
| Margine Operativo Lordo | 21.387 | 16.839 (*) | 4.548 | 27,0% |
| Margine Operativo Netto | 15.009 | 10.401 (*) | 4.608 | 44,3% |
| Risultato Ante Imposte | 11.537 | 6.632 (*) | 4.905 | 74,0% |
| Posizione finanziaria netta | (40.298) | (43.892) | 3.593 | 8,2% |

(*) Following the loss of control, the results of the Italtel Group for 2019 were recognised as "discontinued operations" and presented in accordance with this accounting treatment in all parts of this report.

To be noted is that revenues for 2020 from the Exprivia Group's continuing operations, amounting to Euro 167.8 million, decreased slightly compared to 2019; margins, on the other hand, showed significant growth. The net financial position at 31 December 2020 was negative at Euro 40.3 million, marking an improvement of Euro 3.6 million compared to the negative Euro 43.9 million at 31 December 2019.

# Significant Exprivia Figures and Result Indicators

The table below outlines the main economic, capital and financial data taken from the separate financial statements of Exprivia SpA at 31 December 2020, compared with the figures as at 31 December 2019.

| amount in thousand Euro | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Total revenues | 151,249,661 | 148,787,080 |
| net proceeds | 145,093,101 | 142,441,761 |
| increase to assets for internal work | 2,073,945 | 1,868,161 |
| other proceeds and contributions | 4,082,615 | 4,477,158 |
| Difference between costs and production proceeds (EBITDA) | 21,790,827 | 16,862,408 |
| % on total revenues | 14% | 11% |
| Net operating result (EBIT) | 15,574,021 | (17,248,754) |
| % on total revenues | 10% | -12% |
| Net result | 10,227,562 | (22,864,575) |
| Group net equity | 66,106,891 | 56,353,548 |
| Total assets | 214,061,215 | 194,990,588 |
| Capital stock | 24,615,694 | 24,866,060 |
| Net working capital (1) | 6,871,606 | 2,845,026 |
| Cash flow (2) | 15,014,349 | 12,357,295 |
| Fixed capital (3) | 108,388,798 | 109,796,846 |
| Investment (4) | 5,557,592 | 4,238,856 |
| Cash and securities / other financial assets (a) | 30,080,658 | 10,981,184 |
| Short-term intra-group financial receivables (payables) **(b)** | 448,888 | (1,913,819) |
| Inter-company financial receivables (payables) with m / l term **(c)** | 1,838,593 | 2,281,800 |
| Short-term financial debts **(d)** | (29,197,960) | (33,421,908) |
| Medium-/long-term financial debts **(e )** | (43,145,334) | (23,592,664) |
| Net financial position **(5)** | (39,975,154) | (45,665,406) |

(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 2020 compared to 2019:

| Exprivia | 31/12/2020 | 31/12/2019 |
|---|---|---|
| ROE Index (Result for the year / Shareholders' equity) | 15.47% | -40.57% |
| ROI index (Net operating margin / Net invested capital) (6) | 15.55% | -18.16% |
| ROS Index (Net Operating Margin / Revenues from Sales and Services) | 10.73% | -12.11% |
| Financial charges (7) / Result for the year | (0.28) | 0.14 |

**(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 capital indicators of the company for 2020 compared to 2019:

| Exprivia | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Net Financial Debt / Equity Capital | 0.60 | 0.81 |
| Debt ratio (Total Liabilities / Equity Capital) | 3.23 | 3.45 |

# Profile of Exprivia Group

## Future, Perfect. Simple

Exprivia 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 always guarantee that we will meet our commitments in every situation and to consider effectiveness and efficiency to be the indispensable requirements of all the products and services we offer.

## Simple

Being simple is the fundamental requirement

of all of our systems, designed to improve

people's lives through the availability

and usability of information.

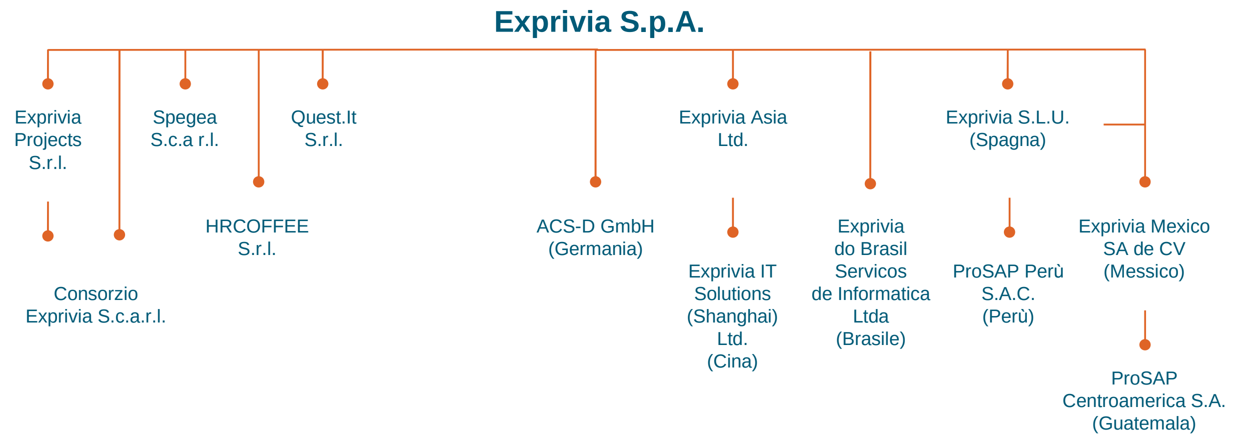
## Simplicity

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.

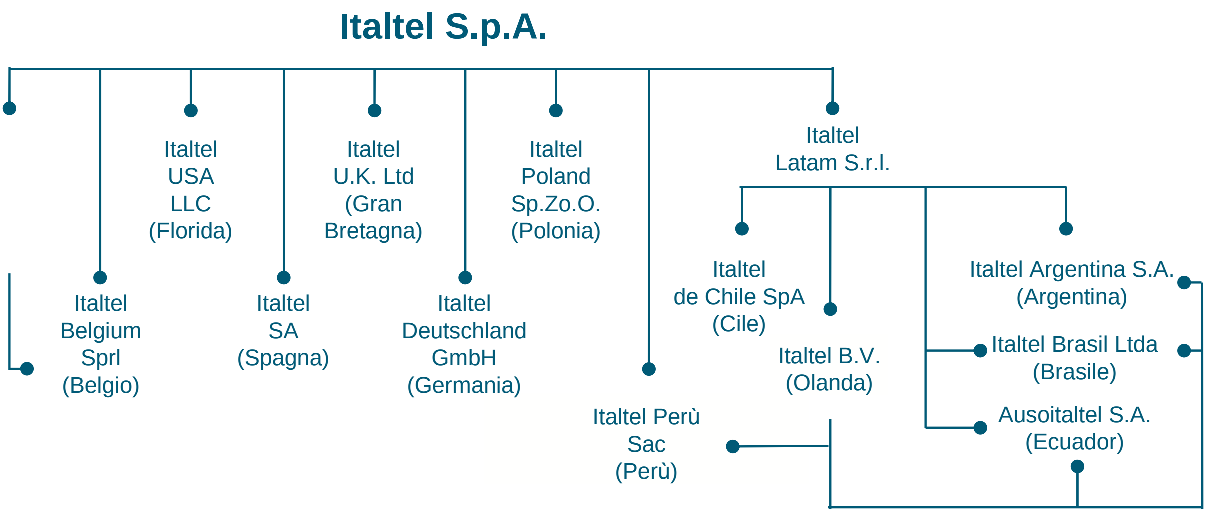
# The Group

The following graphs show the main companies of the Exprivia Group classified as continuing operations and discontinuing operations.

**Continuing operations**:




**Discontinuing operations**:




The companies that make up the Exprivia Group are listed below, broken down into Italian and foreign companies and between continuing operations and discontinuing operations:

## Italian companies continuing operations

**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 31 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.

## Foreign companies continuing operations

**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 SpA owns 98% and Exprivia SLU holds 2%, has been in operation since 2004 and offers professional services and project development in the SAP environment, WEB portal development, and solutions and information systems for the Healthcare sector in Latin America, including through its 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 on behalf of Exprivia SpA, its sole shareholder, in the aerospace and defence sector.

## Italian companies discontinuing operations

**ITALTEL SpA,** 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. Italtel's 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.

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

## Foreign companies discontinuing operations

**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 SpA in the LATAM area, with the exception of Italtel Arabia Ltd in liquidation (10% owned by Italtel BV and 90% by Italtel SpA).

**Italtel Belgium SPRL**, a Belgian company 60% owned by Italtel SpA and 40% owned 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 SpA 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 SpA 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 SpA as its 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 SpA as its 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 SpA as its 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 SpA. 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 SpA as its 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 S.r.l.**, established in 2006 and 6% held by Exprivia SpA, is 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.

## 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 Service Innovation which was established in 2013 boosted by Daisy-Net. It emerged from 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**, established in March 2014 by Exprivia SpA 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.

# Innovation

# 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

# Industries
# A winning bid on each market

Today, we are one of the main players in the digital transformation of businesses, and we owe this to the wide range of expertise and experience we have developed through many years of work in our various markets.

## Banking, Finance & Insurance

**Digital progress and financial technique: the duo of the future**

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

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

## Telco & Media

**Skills and technologies for network virtualisation**

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

A distinctive aspect in the Italian context of Telco is Exprivia's Innovation Lab, aimed at verifying and optimising the provision of services on 5G networks, speeding up the adoption of orchestration and automation methodologies, processes and solutions. In addition, the initiative enables the delivery of innovative cloud-ready solutions to specific vertical markets (e.g., IoT, e-Health, Smart City, Industry, etc.).

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

## Energy & Utilities

**Energy-optimising technology**

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

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

## Aerospace & Defence

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

Recent geopolitical events demand an immediate response from the civil and military aeronautical, naval and terrestrial sectors in the adoption of safety systems where the technological element plays an increasingly crucial role in guaranteeing the safety of people, places, machinery and information systems.

Even more urgent is IT support for taking strategic decisions in critical situations for the implementation of preventive measures based on scenario monitoring and controls. We offer the sector a genuine advantage by enabling analysis of complex heterogeneous information (images, videos, data, texts, symbols, voices, sounds, etc.) generated by a multitude of wearable, fixed and mobile sensors on flights, in navigation, in orbit, in vehicles and in drones. In particular, we develop systems for command and control, surveillance, cartographic representation, processing of geographical maps and rapid prototyping of land-based, naval and aerial consoles which, partly thanks to augmented reality techniques, the wealth of geo-referenced information and social collaboration, offer maximum interaction with scenarios that are increasingly faithful to reality.

## Manufacturing & Distribution

**Towards the new industrial revolution**

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

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

Industry 4.0 defines this change through a panorama that is still evolving, but already has precise lines of development coinciding with the knowledge and skills we possess: the use of data and connectivity, analytics and machine learning, human/machine interaction and interaction between reality and the digital realm. We have seized this extraordinary opportunity by focusing on bringing new-found energy to the entire industrial process with our digital solutions and completely automating the management of huge quantities of information in a simple, streamlined and efficient manner.

## Healthcare

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

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

The technological solutions we apply to the healthcare system make it possible to connect all of the disparate pieces of the entire Italian Regional Healthcare System, from administrative and management centres to public and private hospitals within the entire supply chain, right down to individual professionals and online services for users, ensuring maximum optimisation of every single resource.
A team of 350 specialists, 30 years of presence in the IT sector and solutions and services in 500 healthcare facilities for 20 million patients confirm the effectiveness of our responses to the needs of the healthcare industry, which are fundamental for the economy and development of every region.

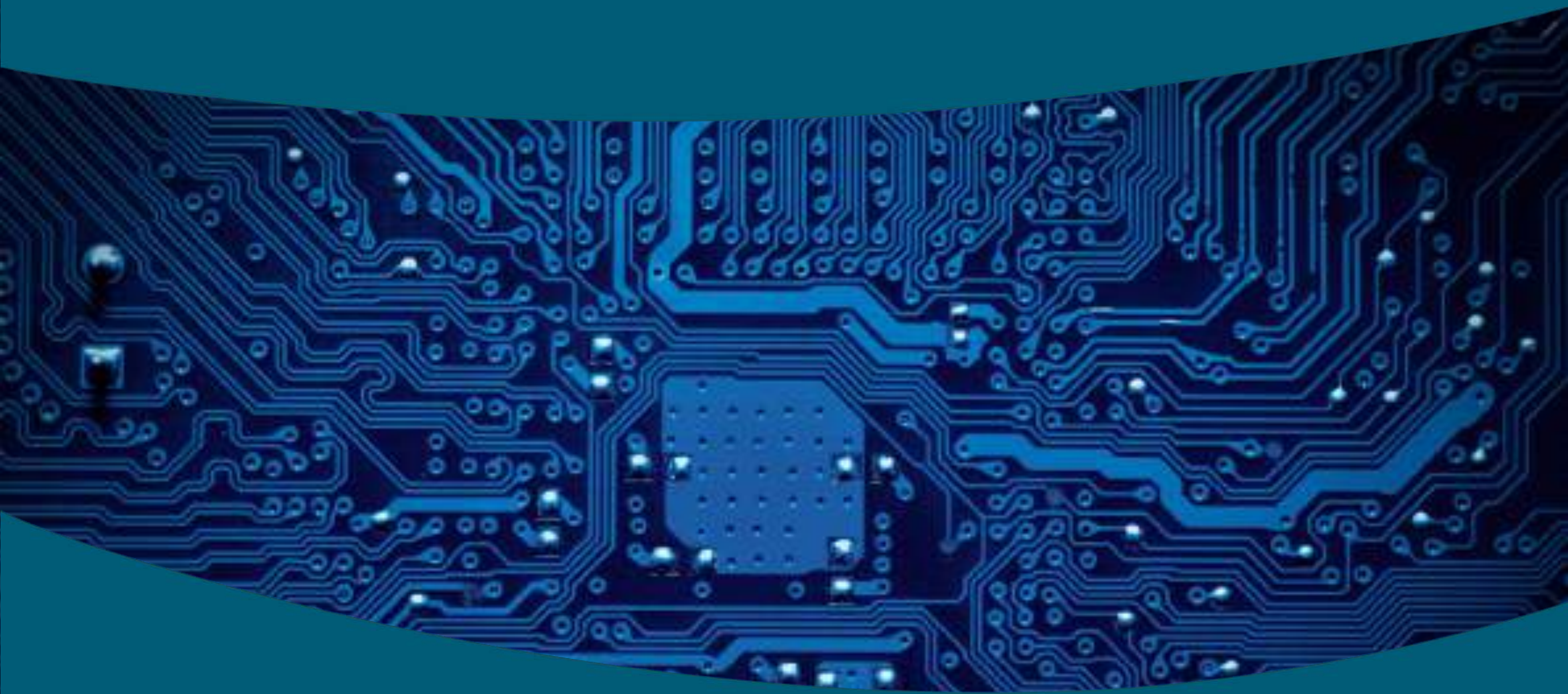
## Public Sector

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

Some time ago the Public Administration launched a modernisation process based on principles such as innovation, simplicity and reliability to support businesses, residents, public employees and the state itself. The streamlining of bureaucracy through the digitalised management of the Public Administration, together with organisational renewal measures, means we can now reconcile optimising expenditure with quality of service.

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

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



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

# Expertise

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

| EXPERTISE | DESCRIPTION |
|---|---|
| **Big Data & Analytics** | Offer of all the very latest tools for supporting both decision-making processes and ordinary activities based on the possession of information. The Big Data & Analytics area is dedicated to developing projects, services and solutions aimed at the strategic use of big data for increasing business. |
| **Cloud** | The advent of cloud computing has completely revolutionised how we acquire, implement and execute IT services.<br><br>Our cloud services refer to 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.<br><br>The main skills development areas are: Industry 4.0, Digital Healthcare, Smart Cities, Smart Grid. |
| **Cybersecurity** | Services designed based on the security controls of the National Institute of Standards and Technology (NIST), which, using information provided by the Exprivia Cybersecurity Observatory, can be divided into the following:<br><br>• Identify – From consultancy activities to Vulnerability and Penetration Tests (VAPT), from malvertisement campaign simulations to analysing and searching for data that may have been stolen and posted on the deep and dark webs.<br><br>• Protect – Implementation and management of controls that focus on protection from any incidents, segmentation, micro-segmentation, management and governance of identities and accesses, management of privileged identities, static security (SAST) and dynamic application security (DASD), safety, obfuscation and masking of data at rest and in transit.<br><br>• Detect - Continuous monitoring using SIEM and sophisticated AI tools.<br><br>• Response - Exprivia has a team that can be called upon to respond to an incident (Global Response Team).<br><br>• Restore - The GRT can be used not only to respond to an attack but to restore the service. |
| **Mobile** | We offer companies and entities the possibility of reaping the maximum benefit from 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** | Supporting 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 like customer care and customer service. |
| **Network & Digital Transformation** | In the world of Telco Operators and Media Companies, we have developed, over time, skills related to the convergence between IP networks and optical networks and on mobile operators' infrastructure components.<br><br>As far as Enterprise networks are concerned, we now have extensive expertise in the design and implementation of converged wired and wireless solutions, Private Network solutions, SD-WAN, the technological refresh of corporate networks.<br><br>The Factory software of Exprivia builds carrier-grade systems and solutions with robustness, scalability and resilience. We use Agile design and development methodologies based on SCRUM and DevOps logic, using both open source technologies and off-the-shelf products for the design and implementation of customised solutions for the customer. |

# Corporate

# Social Responsibility

# 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

Below are the performance trends by market in which the Exprivia Group is organised across the two CGUs.

## *Banking and Finance*

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.

Lastly, it should be remembered that the entire market is continuously in turmoil, also favoured by the general context, for 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.

In conclusion, the performance in 2020, on the whole, will be in line with 2019 although affected by the general pandemic, and will be based on maintaining the existing partnerships in support of the operational needs that have been addressed month after month, and on developing new projects with customers aware of the needs that will have to be managed and the opportunities that can be seized in the balance that will be redefined when the pandemic is definitively under control.

## *Telco & Media*

The drive for new technologies on which digital transformation is based such as Cloud Computing, Mobility, Big data and Analytics is now well established in Italy.

From this drive comes a growing Italian ICT market that had a volume of Euro 31 billion in 2019 with a growth of +2.3% compared to 2018 and that is also shown to grow in 2020. 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 amounted to Euro 6.9 billion and which has shown to grow in 2020, also in light of the needs dictated by the emergency situation related to the pandemic, and on the other hand, the Information Technology (IT) market which is showing a growth trend.

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 that in most cases were relaunched in 2020.

The relaunch of the aforementioned projects led to an upward trend in revenues in those areas, in addition to consolidation in traditional areas (IP networks, VoIP networks, IT System Integration). In 2020, many innovative projects were carried out, 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*

The slowdown in the growth of the Italian economy, in an international context marked by geopolitical tensions and a slowdown in world trade, also due to the trade war between China and the USA, was further accentuated by the Covid-19 pandemic that has been sweeping the country for the past year.

In a context of declining energy demand, the most innovative dynamics of the national energy system are shown in the sectors of renewable sources, energy efficiency and the use of gas infrastructures, in line with the commitments undertaken by our country also in the National Integrated Energy and Climate Plan (PNIEC) sent to the European Commission on 31 December 2019.

The companies in the Energy & Utilities sector are committed to a profound transformation, positioning themselves as a key accelerator at the centre of the ongoing energy transition.

Over the next five years, new technologies and digitalisation will therefore become increasingly important, will gradually play an even more central role, as they are now essential to enable the energy transition for the benefit of the entire system.

There will also be a number of thematic in-depth studies on the resilience of the system, on the acquisition of information and on its security, on the use of 5G, on the implementation of IOT projects, on Intelligent automation, consisting of workflow management functions, robotic process management and artificial intelligence, that will play a key role in the process of application modernisation increasingly at the centre of the objectives of Energy & Utilities companies. Finally, mobility: electric mobility seems to have now entered the European energy scenarios, both in terms of effects on the demand and effects on power commitment.

Geographical coverage becomes an increasingly important element in dealing with ever larger operators. Therefore, it will be necessary to strengthen the partnerships with System Integrators that provide such coverage with Vendors and companies with hyper-specialised skills that represent a fundamental added value in the positioning logic of a System Integrator.

The main business development actions address the following areas:

- Strengthening of the electric mobility area;
- Strengthening of the IoT;
- Strengthening of the Intelligent Automation area;
- Infrastructure adjustments for large customers;
- Migration from on-premise business models to PaaS;
- E-Mobility, based on different business methods (virtual operator, mobile top-up, etc.);
- Smart Grid, UVAM, Demand Response - operating as BSP within the dispatching market;

- Energy communities - operating as energy manager in B2B mode;
- Decarbonisation and hydrogen.

The forecasts for the first half of 2021 see a consolidation of growth, moderate but steady compared to the last two years, with a positive balance of gross revenues.

The pipeline of commercial opportunities is large and varied, a sign that the activities carried out during the year were correctly addressed.

Therefore, there are all the best prospects for a 2021 marked by consolidation and growth.

# Aerospace & Defence

Throughout 2020, a general slowdown in the procurement plans of the various space agencies was observed due to the effects of the pandemic; however, the Aerospace market has opened a significant number of commercial opportunities. The level of competition among the various players in the sector and the consequent need for Exprivia SpA (hereinafter also "Exprivia" or the "Company" or the "Issuer") to establish strategic partnerships on a case-by-case basis depending on the various business opportunities, remains high.

In 2020, the European Space Agency (ESA) continued with qualification tenders and the awarding of the first service contracts in line with its new procurement strategy for the operations of the Copernicus Space Component system (reduction of operating costs, shifting investments related to the development and maintenance of software and HW infrastructures to cloud-based service models and architectures).

The qualification obtained by 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.

Also in 2020, Exprivia qualified for the Production service for Copernicus, having obtained the qualification both on its own and in three other business consortia, which will allow us to participate in the tenders reserved for qualified consortia that will be held in 2021.

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

In the Manufacturing and Distribution market, the deterioration in performance 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.

Due to the freezing of production activities and exports, with a strong impact on turnover, business 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.

Revenues were down compared to 2019 in the application projects segment, in line with the infrastructural and Application Management component.

The commercial positioning for the first quarter of 2021 is projecting the consolidation of major customers and interesting prospects for the acquisition of new customers in order to support their transformation projects in the areas of ERP, SCM, Customer Experience and Analytics increasingly integrated with field and IOT systems and Network Infrastructure and Security.

## *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.

At present, the Company is active with airport application development services and with system integration services for various 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*

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.

In this market context, Exprivia confirmed its significant growth in 2020, compared to the same period of 2019, both in terms of volumes and margins.

# *Public Sector*

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 Exprivia 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 2021. 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 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 that began in 2019 continue. 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**: although Brazil did not suffer from such a marked decrease in the GDP (and therefore in investments) as in the rest of Latin America, the main customer in the Telco area, for some extraordinary corporate transactions, slowed down the purchase of products and services by the local branch, postponing these investments to the first quarter of 2021.

**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 CRM and Business Intelligence areas continues. During 2021, the possibility of repositioning this branch as a service hub for other countries will be evaluated.

**China**: China was the first to suffer from the impact of the pandemic, the restrictions and the drop in GDP, but was able to limit these effects only to the second quarter and the beginning of the third. In the fourth quarter, investments resumed vigorously, leading to a relaunch of sales, especially in the field of ERP and infrastructure services. The positive trend is expected to continue in 2021.

# 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 the Group and subsidiaries, the Exprivia Group also has senior managers with many years of experience in the sector who play a decisive role in managing the operations.

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

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

### 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. The Exprivia Group mitigates this risk with continuing research and development, encouraged by the near-shoring centre of Molfetta, where it is possible to have access to professional skills that are always in line with trends in the sector, especially considering the vicinity 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 developed an expert organisational structure, in the field of cybersecurity, with high expertise, specialised resources and advanced technologies to seize the growing opportunities in the rapidly expanding digital market, and to assist both the Group and its private and public customers in the 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. In addition to the above forms of financing, there is the fixed-rate bond issued to finance the acquisition of the equity investment in Italtel SpA (hereinafter also referred to as "Italtel") and the bank loan obtained at the end of November 2020 backed by the Italian Guarantee issued by SACE, guaranteeing 90% of the loan amount, pursuant to the Liquidity Decree (Decree Law no. 23 of 08/04/2020 converted into Law no. 40 of 05/06/2020). 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. At the end of November 2020, Exprivia obtained a bank loan backed by the Italian Guarantee issued by SACE, guaranteeing 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).

## Exchange Rate Risk

Since the majority of operations conducted by the Exprivia group is in the Euro area, there is limited exposure to foreign exchange risk arising from transactions that are not in the usual currency (Euro). Opening up to markets characterised by major fluctuations (e.g., Brazil) might constitute a risk to be monitored, depending, however, on the volumes in place, which for the moment are not significant.

Fluctuating exchange rates during the financial year did not have a significant effect on the Group.

## Risk of business interruption due to COVID-19 coronavirus

As illustrated in more detail in the paragraph "Business outlook" of this Directors' Report and in "Note 2 Goodwill", the pandemic, which broke out in Wuhan at the end of 2019 and the related effects on health and economic risks, is far from over. At the date of preparation of this Report, the virus continues to claim victims and the restrictions imposed by the various Governments to contain the pandemic are negatively impacting the global economy. The current situation, however, has shown that the availability of vaccines has proved to be effective in combating the virus, and that mass vaccination seems to be the only way in which the emergency can be brought under control.

Exprivia, from the very early months of 2020, has carefully followed the evolution of the situation and, in order to protect the safety of its employees, customers and suppliers, has immediately implemented a remote work policy that has brought almost all of the company population into this working method already in March 2020.

The policy implemented has in fact proved to be successful, also thanks to the type of activities carried out by the Exprivia Group, which lends itself to remote work, and has allowed the company to continue to carry out its activities for customers in safety and being able to guarantee continuous supervision. Therefore, while delivery activities did not suffer any particular slowdowns, commercial activities, especially in the Industry and retail sectors, have experienced slow-downs and, in some cases, even blockages.

As of today, and therefore with one year's experience of the effects of the pandemic, we can state that the ICT market, in which the Exprivia Group operates, is one of the markets that was least affected by the effects of the spread of COVID 19 and that, in some cases, it has actually produced a specific induced demand that has seen an increase in revenues.

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.

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

Please refer to the explanatory notes to the separate and consolidated financial statements at 31 December 2020.

# Significant Events in 2020

**Covid-19** more than a year after the first appearance of the Covid-19 virus, the pandemic emergency has not yet been resolved even though the large-scale availability of vaccines and the vaccination campaigns implemented by the various governments seem to be going well. Exprivia continues to carefully monitor the evolution of the situation and the various solutions put in place by the Government with the awareness that the management implemented to date by the Company has made it possible to get through 2020 and the beginning of 2021 without significant impacts.

**On 22 January 2020**, Italtel'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 investee 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 investee 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 the 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 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 Italtel of the request for a "blank" composition pursuant to art. 161, paragraph six of the Bankruptcy Law, resolved to postpone the approval of the Annual Report envisaged by art. 154-ter of the Consolidated Law on Finance at a date to be defined, compatibly with the path taken by Italtel and with the overcoming of the uncertainties relating to its ability to continue as a going concern.

**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 it was not possible to implement solutions for the relaunch of 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 5 June 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 31 December 2020**, Italtel's Board of Director resolved to accept the binding offer of PSC Partecipazioni SpA in support of a proposal for a composition with creditors.

# Transactions within the Exprivia Group

**On 21 December 2020**, Exprivia increased its stake in the share capital of QuestIT Srl, of which it already held 20%, to 25%. The deed was signed before Mr Massimo Pagano, Notary public in Siena.

**On 28 December 2020**, the Shareholders' Meeting of QuestIT resolved to increase the share capital from Euro 10,000 to Euro 510,000. The share capital increase was subscribed in 2021 (by 31 January 2021) by the shareholders in proportion to the shares of capital already held.

# Events after 31 December 2020

Please refer to the explanatory notes to the separate and consolidated financial statements at 31 December 2020.

# Crisis resolution process initiated by Italtel

Please refer to the explanatory notes to the separate and consolidated financial statements at 31 December 2020.

# 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 notes to the separate and consolidated financial statements at 31 December 2020.

# Corporate Events

There were no significant events worth noting.

# Acquisitions/Sales in the Exprivia Group

There were no additional 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 published on the www.exprivia.it website in the section Corporate/Corporate Governance/Shareholders' Meeting/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. Starting from 28 September 2007 and until 8 July 2020, Exprivia shares were admitted to the STAR segment. On 8 July 2020, the Board of Directors 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 2020 consists of 51,883,958 shares with a nominal unit value of Euro 0.52.

**ISIN Stock Exchange Code**: IT0001477402

**Symbol**: XPR

## Composition of Shareholders

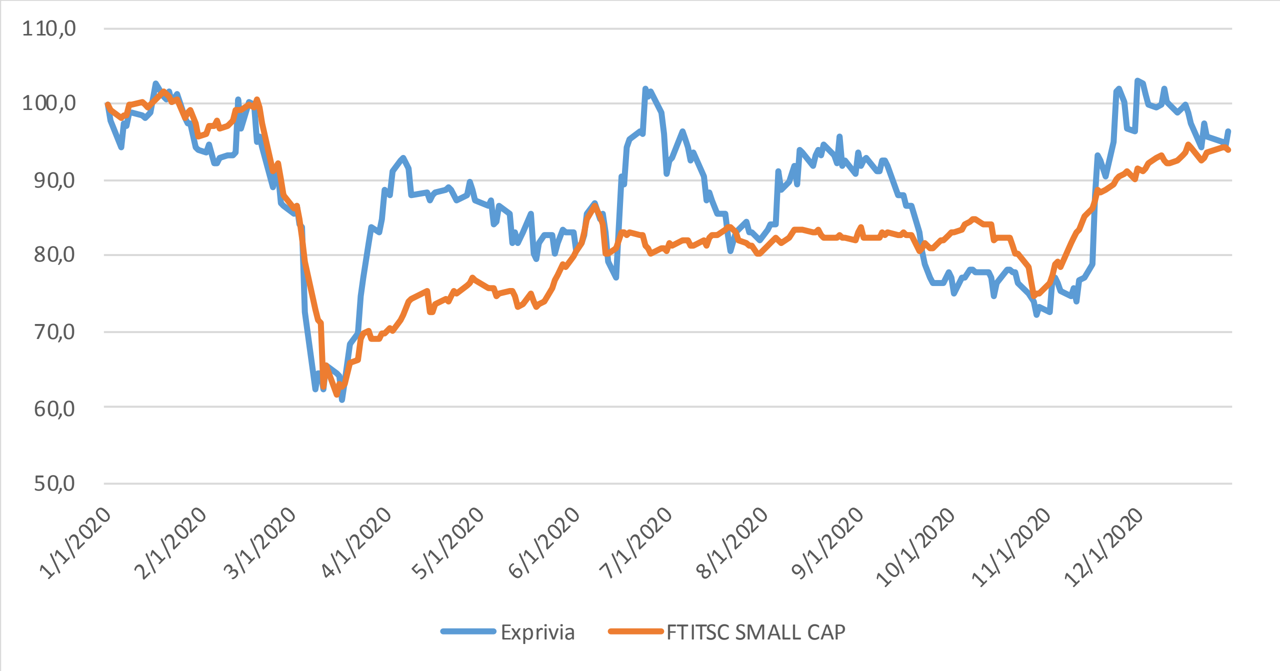
Based on the entries in the shareholders' register, as supplemented by instructions received in accordance with art. 120 of the Consolidated Finance Act and available information, at 31 December 2020, the shareholder structure of Exprivia was as follows:

| Shareholders | Shares | Amount held |
|---|---|---|
| Abaco Innovazione SpA | 24,145,117 | 46.54% |
| Treasury shares held | 4,546,084 | 8.76% |
| Other shareholders | 23,192,757 | 44.70% |
| **Total shares** | **51,883,958** | **100%** |

exprivia

## Stock Performance

The graph below compares the performance of the Exprivia share price with the FTSE Italia Small Cap index in December 2020 and with reference to the twelve months prior to this date.




# Business Outlook

Despite the effects of the pandemic, the financial statements at 31 December 2020 show substantial stability in revenues and a significant increase in margins compared to the previous year. The results obtained testify to the soundness of the Group's fundamentals, despite the difficulties of the current macro-economic context, and guarantee the sustainability of the business in the long term, to the benefit of the creation of value for all our stakeholders.

The year 2021 will be characterised by the major pandemic deriving from the spread of the Covid-19 virus, already discussed in other sections of this report, and which has 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 it is 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 Exprivia 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 Company 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 company 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 Rome office in via della Bufalotta 378, which consists of two lots totalling 2,300 square meters.

## 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, to be noted is that the total amounts of research and development expenses recognised in the income statement of the period amounted to Euro 18,883 thousand.

# Events and Sponsorships

The Exprivia Group is constantly committed to supporting corporate and business initiatives of national and international standing. In particular, Exprivia supported various initiatives in 2020, structured by area of interest and by business sector, despite the fact that the 'world of events' was greatly hindered by the outbreak of the COVID-19 health emergency, which led to the gradual cancellation of physical events at both national and international level. However, this caused an increase in virtual events, carried out using platforms such as Cisco Webex.


| Events by proponent | 2020 | 2019 | 2018 |
|---|---|---|---|
| Staff | 49 | 107 | 71 |
| Markets | 38 | 68 | 30 |
| **Total** | **87** | **175** | **101** |

The chart shows that there were a good number of events promoted by the Staff area. Considering the period characterised by the pandemic, the staff, and especially the Communication Area, provided significant support to the various business areas, with the organisation of remote webinars.

| Events by type | 2020 | 2019 | 2018 |
|---|---|---|---|
| Corporate Brand | 37 | 94 | 65 |
| Business | 50 | 81 | 36 |
| **TOTAL** | **87** | **175** | **101** |

This chart shows, for 2020, a preference for business initiatives (around 60% of the total), aimed at informing the market of the new features regarding solutions, skills and innovative services with the objective of increasing business in the reference sector and promoting the ongoing partnerships. Then come the initiatives which promote the brand in order to boost its visibility and prestige, the value of which is only a little lower than the business events.

During a year marked by the Coronavirus pandemic, the Exprivia Group confirmed its support to cultural initiatives, reiterating the importance of culture as a fundamental asset for humanity, even for a technological company. Culture and knowledge 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 various cultural events of local and national importance. Because of the pandemic, the sport initiatives supported by the Group in the past did not take place. 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 2020:

- **Il Libro Possibile Festival**, 8-11 July 2020, Polignano a Mare (BA);
- **Conversazioni dal Mare**, 11 July 2020, Molfetta (BA);
- **COVID-19: which Puglia awaits us?**, 16 July 2020, Puglia;
- **'Responsibility' discussed at the Dialoghi di Trani,** 23-27 September 2020 (19th edition) - Trani and surrounding area;
- **Festival of the Economy in Trento**, 24-27 September 2020, Trento;
- **History Lessons**, 18 October 2020, Bari.

In 2020, after China, Italy was one of the first countries in the world to be hit by the pandemic, with soaring infection and death rates. In March 2020, Italy became the first western country to impose a lockdown, initially in specifically defined areas and then nationally. Our hospitals were on the front line in managing the health emergency and seeking to isolate and study the virus. Northern Italy, and Lombardy in particular, faced a particularly serious crisis which put great strain on the health system.

Following the difficulties faced by our country, Exprivia, with strong local roots, made a swift contribution with solidarity-based initiatives and helped raise the awareness of people by making useful tools available.

Specifically, in May 2020, Exprivia donated a few PCs to the Municipality of Bari, in conjunction with the cooperative ReHardWareing in Rutigliano, in order to speed up the processes of the public administration and make the service easily accessible for citizens.

In order to protect cybersecurity, particularly exposed during the pandemic emergency, Exprivia has signed up to the digital solidarity initiative. Through the Cybersecurity team, it has offered companies a free consultancy service through a system that evaluates exposure to cyber threats.

In order to tackle this difficult time, Exprivia has also supported the public administrations with a free service dedicated to citizens, so they can keep up-to-date and informed as regards current ministerial regulations. The project, carried out in cooperation with QuestIT, concerned the creation of an intelligent virtual assistant, called Rita, available 24\7. A number of municipalities from around the region immediately expressed an interest in the project. The free virtual assistant has enabled citizens to obtain answers to the range of questions arising from the regulations.

In May 2020, in order to raise citizens' awareness and inform them about the pandemic situation, Exprivia worked with the Federation of Italian medical and scientific companies on implementing an app entitled 'I am staying at home', which allowed citizens to check themselves for COVID-19 symptoms and assess their behaviour.

Against this socio-economic and political background, the Group continued its social responsibility activities, participating in certain solidarity events:

- La casa del giocattolo solidale, Varese, December 2020
- La casa delle Bambine e dei Bambini di Bari, December 2020

# Management Training and Development

Digital innovation accelerates and animates an increasingly fierce competition, the development of communication infrastructures, ICT investments fuel the development of digital transformation, which becomes the protagonist of a growing market. The Exprivia Group has supported these factors of profound change; digitalisation has made it necessary to have a more complex mix of skills and abilities, in which technological skills are complementary to transversal skills.

The Group, which has always invested in the preparation of its resources, also had in 2020 the objective of increasing, spreading and updating technological skills in line with the innovation trends of the digital and transversal market, through training activities focused on innovative technological strands and management skills, necessary to achieve the transformation underway.

This development of skills goes hand in hand with investments for the creation of a work environment that offers everyone the same opportunities, starting from a merit-based approach. These are the main drivers on which the Exprivia Group aims to achieve its ambitious growth objectives. To be added to this is the quality of the selection, training and performance management processes supporting the creation of value in the medium and long term.

At 31 December 2020, with respect to **Training,** a total of 25,852 hours were provided (of which 1,424 in the offices abroad), with 6,787 participants. More than 98% of the total number of training hours were delivered online.

Training is planned at the start of the year and is continuously updated to make training investments effective and consistent with business objectives and company strategies. In particular, the largest share of investments was aimed at developing technical-specialist skills related to the needs of innovation of the offer.

One of the most significant training initiatives that guarantees continuity and flexibility has been the adoption of the Udemy training platform in 2019. This platform, applied alongside traditional education, offers a constantly updated marketplace of over 100,000 courses and online videos. During 2020, the user accounts available to employees increased by 44%. This initiative was appreciated by our staff, who made considerable use of it to improve their expertise, in a way closely and swiftly connected with requirements emerging during work activities.

In summary, the training programmes developed:

**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. In particular, after the 2019 objective, which involved reaching a Partnership with AWS Select, the goal for 2020 was an Advanced Partnership, which was achieved in June 2020.

Overall, 15,223 hours of training were provided for a total of 5,218 participants.

With regard to the Contact Centre market, 17,094 hours of training were provided with 4,316 participants, dedicated to both continuous refresher training, aimed at improving the performance of our employees on the current activities, and specialised training for new recruits.

**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. 2020 also saw a considerable focus on training with a view to developing a Project Management culture and expertise. Moreover, the professional family of the staff was also involved in developing this expertise, by generating awareness and useful know-how both in managing staff processes and improving the support provided to the company's project managers, thanks to a better culture and paying attention to time frames, costs and quality. The initiative proved very successful and was greatly appreciated by the learners. At the same time, we made a major training investment in Agile Project Management issues. In addition, 2020 saw a particular increase in managerial training (Master, Project Management, development of Business Models), with a particular focus on the training and development of our Middle Management. In line with this process, against a background of major change such as that we are experiencing now, it has become urgent to develop the managerial skills of our middle management. The need to develop flexibility, engagement (even more so in a context of remote working) and focusing on objectives has made it necessary to improve our managers' effectiveness and ability to influence their employees. Over 100 managers were thus involved in a training course launched in 2020 which will be completed during 2021. The course begins with a digital assessment right at the beginning, followed by virtual classrooms, virtual coaching and a final digital assessment to understand the developments within the course.

Overall, 5,787 hours of training were provided for a total of 325 participants.

**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).

A total of 62 hours were provided for a total of 11 participations.

**REGULATORY COMPLIANCE**: training activities mainly concerned the fundamental management processes of the Group's integrated QMS. In particular, training sessions have been organised around the Project and Associated Risk Management Procedure, extended to a large part of our Project Managers; we will continue to roll out this project in 2021.

Overall, in the regulatory compliance field, 1,286 hours of training were provided to a total of 202 participants.

**COMPULSORY TRAINING:** training activities concerned primarily:

Protection of health and safety at work (pursuant to Italian Legislative Decree 81/08)

GDPR (General Data Protection Regulation) - Privacy Regulation (EU 2016/679).

Overall, in the compulsory training field, 3,591 hours of training were provided to a total of 1,037 participants.

The Exprivia Group has always aimed at the attainment of **certification** for its personnel, in this way ensuring its customers with the objective certification of the technical abilities of its staff involved in the projects.

In 2020, 215 new certifications and specialisations were achieved, with an increased number in innovative areas to support investments connected with the business plan.

With regard to the **Recruiting & Talent Acquisition** processes, 222 resources, including recent graduates and qualified personnel, were recruited in the Italian offices; the recruitment concerned primarily personnel qualified in technical-IT areas, process experts and IT Management experts. With regard to Contact Centre activities, an additional 29 resources were added to the 222 units indicated, for a total of 251 resources hired (Italy).

With regard to foreign countries, 30 new graduates and qualified personnel were hired.

In total, between the Italian and foreign scope of the Group, the total number of new hires for the entire 2020 was 281 resources hired.

As part of its Talent Acquisition strategy, the Exprivia Group has continued to invest in links with Schools, Universities, Polytechnics, Research Centres and Consortia, in full awareness of its role in innovation and related opportunities for young high school students, graduating students and recent graduates.

The collaboration developed (also during the lockdown period) in terms of:

- Availability of curricular and thesis internships for undergraduates, as well as extra-curricular, post-graduate internships, aimed at offering young people the opportunity to try their hand at topics directly related to the company's business, or research projects, as part of innovation programmes, thus enriching their path with important experiential and professional training, which facilitates their entry into the world of work;
- Availability for post-Master internships in "Human Resources Management" and "General Management Development" (organised by the Spegea Business School);

- Availability for post-graduate Master's internships, such as the "Master in Data Science", organised by the University of Bari, in collaboration with Spegea, or some Courses of Excellence organised by the same Universities and Polytechnics;
- Funding for doctoral programmes or high-level internships to combine research with market needs;
- Active participation in Career Day, in collaboration with local universities, launched digitally, during health emergencies;
- Orientation activities, at some secondary schools, in order to sensitize young talent to the issues of Digital Transformation and present them the opportunities for developing professional skills in the ICT segment;
- Training courses for the SPEGEA Masters in "Human Resources Management" and "General Management Development";
- Teaching, as part of the ITS courses carried out in collaboration with Exprivia, both referring to purely technical and transversal areas, to support the development of skills and expected behaviours with respect to outgoing professional figures;
- Lectures at some universities and polytechnic institutes, with special focus on the areas of Digital Transformation and communication networks, medical systems engineering, cybersecurity, public speaking, etc.;
- 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);
- Academy projects, in collaboration with various Talent Companies (specialised Academies that provide vertical classroom training of 6 weeks, with subsequent on-the-job training for around 6 months in the company and consequent insertion in production activities), which helps to meet, in the medium term, part of the professional requirements, especially those aimed at new graduates, optimising the initial training and shadowing phase, and opening up a broader spectrum of studies than the strictly technical-computer science one (e.g. Economics and Commerce, for some functional areas, Management Engineering, Physics, Mathematics, and other scientific degrees);
- Collaboration with the ITS system.

  ITSs are highly specialised technological schools, set up according to the Foundation's organisational model, with the collaboration of businesses, universities/scientific and technological research centres, local authorities and the school and training system, with a view to lifelong learning, favouring experiential teaching. ITSs are the expression of a strategy that combines education, training and employment policies with the country's business policies, through a training offer capable of promoting skills that enable the use of advanced technological and organisational innovation tools, primarily related to the national business plan 4.0.

  Within Technology Area 6 "Information and Communication Technology", Exprivia Group has developed training projects, running from September 2018, related to the professional figure of reference 'Higher Technician for methods and technologies for the development of software systems' with the commitment to provide all the teaching and finally absorbing the entire class for an internship. The training courses last approximately 2 academic years, are aimed at graduates and lead to a qualification recognised at the 5th level of the European Qualifications System. They consist of over 1000 hours of classroom training (40% provided by a Higher Institute and University and the remaining 60% by the Company) and approximately 700 hours of internships in the company.

  The Exprivia Group continues to be heavily involved in the management of ITS courses, both in the classroom and in the experiential phase of internship in the company; in 2020, both phases were managed remotely.

At the end of 2020, the first two-year course (launched at the end of 2018) was completed, which led to 23 recruitments in Exprivia's staff of the first ITS graduates in "Developer 4.0".

During the same year, the Group continued its close collaboration with the Foundations, actively working on further paths, launched at the end of 2019, on Foggia, Lecce, Molfetta and Palermo, as well as on new two-year courses launched at the end of 2020 on Molfetta, Foggia and Lecce.

Interest and active participation in the ITS System, which has become one of the most significant assets of Talent Acquisition interventions, is therefore fully confirmed in 2020, and is expected to be so in the years to follow, strengthened by increased collective awareness and attention to this important new pillar of the education system, which is considered strategic and decisive for the development of the skills needed to promote the country's economic recovery.

# Staff and Turnover

The table below shows the company headcount and the number of resources at 31 December 2020, compared with that at 31 December 2019, highlighting separately the figures for the personnel of the continuing operations with those of the Italtel Group classified as discontinued operations.

Specifically, the table shows the number of resources, of which 16.58% are part-time (with various arrangements of contractual working hours):

| Company | Employees | | Employee media | | Temparary workers | | Temparary workers media | |
|---|---|---|---|---|---|---|---|---|
| | 31/12/2019 | 31/12/2020 | 2019 | 2020 | 31/12/2019 | 31/12/2020 | 2019 | 2020 |
| Exprivia SpA | 1,802 | 1,812 | 1,791 | 1,796 | 2 | 3 | 1 | 2 |
| Exprivia Projects Srl | 616 | 628 | 600 | 628 | - | - | - | - |
| Advanced Computer Systems Srl Germany | 5 | 7 | 5 | 7 | - | - | - | - |
| Exprivia It Solutions Shanghai | 11 | 14 | 10 | 14 | 3 | 1 | 2 | 2 |
| Expriva SLU (Spagna) | 39 | 33 | 39 | 34 | 4 | 4 | 4 | 2 |
| Prosap SA de CV/Prosap Centramerica SA | 15 | 11 | 21 | 14 | - | - | - | - |
| Exprivia do Brasil Servicos de Informatica Ltda | 28 | 27 | 30 | 26 | 1 | 1 | 2 | 1 |
| Spegea Scarl | 7 | 5 | 7 | 6 | - | - | - | - |
| HR Coffee | 6 | 6 | 4 | 6 | - | - | - | - |
| **Total Continuing Operations** | **2,529** | **2,543** | **2,507** | **2,531** | **10** | **9** | **9** | **7** |
| Discontinued Operations Italtel Group | 1,504 | 1,440 | 1,439 | 1,465 | 4 | 3 | 4 | 4 |
| **Total** | **4,033** | **3,983** | **4,006** | **3,996** | **14** | **12** | **13** | **11** |
| *Executives* | 91 | 81 | 90 | 84 | | | | |
| *Middle managers* | 529 | 512 | 527 | 520 | | | | |

The number of resources, employees and collaborators, at 31 December 2020, net of the Italtel Group staff (discontinued operations), is equal to no. 2,552 employees (2,539 at 31 December 2019), an increase of 13 employees.

The average number of resources, employees and collaborators, in 2020, net of the Italtel Group staff (discontinued operations), is equal to no. 2,538 units (2,516 in 2019), an increase of 22 units.

# 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.

# 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.

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

In 2020, Exprivia's Supervisory Board did not receive any reports, nor identify any episodes of corruption.

The Organisation, Management and Control Model - Exprivia's General Part 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, including the investee company Italtel, controlled by the Parent Company Exprivia until 31 December 2020 in accordance with IFRS 10.

# Inter-Company Relations

The organisational structure of the Exprivia Group functionally integrates 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.

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 2020 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.

# 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 (hereinafter also the "Holding Company") 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 10 of the Regulation of the Markets Organised and Managed by Borsa Italiana SpA, the Directors declare that, at 31 December 2020, the company does not meet the conditions provided under art. 37 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 2020 compared to 31 December 2019 are laid out below.

## Receivables

### Non-current Financial Assets

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Non-current financial receivables from controlling companies | 919 | 1,358 | (439) |
| **TOTAL** | **919** | **1,358** | **(439)** |

The balance at 31 December 2020 included Euro 919 thousand relating to the receivable for an unsecured loan with no guarantees taken out in 2016 by 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 | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Current financial receivables from controlling companies | 463 | 466 | (3) |
| **TOTAL** | **463** | **466** | **(3)** |

The balance at 31 December 2020 of Euro 463 thousand is in relation to the current portion of the aforementioned loan, inclusive of interest income of Euro 41 thousand.

### Trade Receivables

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Trade receivables from controlling companies | 33 | 25 | 8 |
| **TOTAL** | **33** | **25** | **8** |

The balance at 31 December 2020 amounted to Euro 33 thousand compared to Euro 25 thousand in December 2019, and refers to receivables for administrative and logistics services.

## Revenues and Income

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Financial income from parent company | 41 | 56 | (15) |
| **TOTAL** | **41** | **56** | **(15)** |

The balance at 31 December 2020 refers primarily to interest accrued in favour of Abaco Innovations SpA on a loan disbursed by Exprivia.

## Financial Income and Charges

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Financial costs and expenses from the parent company | 400 | 411 | (11) |
| **TOTAL** | **400** | **411** | **(11)** |

The balance of Euro 400 thousand at 31 December 2020 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 2020

# Consolidated Financial Statements at 31 December 2020

## Consolidated Balance Sheet

| Amount in thousand Euro | Note | 31.12.2020 | 31.12.2019 |
|---|---|---|---|
| Property, plant and machinery | 1 | 19,029 | 47,304 |
| Goodwill and other assets with an indefinite useful life | 2 | 69,071 | 69,071 |
| Other Intangible Assets | 3 | 10,220 | 10,425 |
| Shareholdings | 4 | 554 | 764 |
| Other non-current financial assets | 5 | 1,250 | 2,213 |
| Other non-current assets | 6 | 468 | 1,431 |
| Deferred tax assets | 7 | 2,219 | 4,421 |
| **NON-CURRENT ASSETS** | | **102,811** | **135,629** |
| Trade receivables | 8 | 50,319 | 147,710 |
| Stock | 9 | 1,064 | 23,777 |
| Work in progress to order | 10 | 23,437 | 47,463 |
| Other Current Assets | 11 | 10,207 | 32,504 |
| Other Financial Assets | 12 | 728 | 5,477 |
| Cash and cash equivalents available | 13 | 27,867 | 25,996 |
| Other Financial Assets available for sale | 14 | 205 | 178 |
| **CURRENT ASSETS** | | **113,827** | **283,105** |
| **DISCONTINUED NON CURRENT ASSETS** | **15** | | **12** |
| **TOTAL ASSETS** | | **216,638** | **418,746** |

| Amount in thousand Euro | Note | 31.12.2020 | 31.12.2019 |
|---|---|---|---|
| Share capital | 16 | 24,616 | 24,866 |
| Share Premium Reserve | 16 | 18,082 | 18,082 |
| Revaluation reserve | 16 | 2,907 | 2,907 |
| Legal reserve | 16 | 4,171 | 4,171 |
| Other reserves | 16 | 14,134 | 37,054 |
| Profits (Losses) for the previous year | 16 | (165,774) | 6,998 |
| Profit (Loss) for the year | 16 | 165,531 | (239,150) |
| **SHAREHOLDERS' EQUITY** | | **63,667** | **(145,072)** |
| Minority interest | 16 | 29 | (41,119) |
| **GROUP SHAREHOLDERS' EQUITY** | | **63,638** | **(103,953)** |
| Non-current bond | 17 | 13,673 | 18,164 |
| Non-current bank debt | 18 | 26,103 | 2,485 |
| Other financial liabilities | 19 | 4,085 | 17,043 |
| Other no current liabilities | 20 | 934 | 2,101 |
| Provision for risks and charges | 21 | 410 | 3,731 |
| Employee provisions | 22 | 8,729 | 25,939 |
| Deferred tax liabilities | 23 | 1,467 | 2,138 |
| **NON CURRENT LIABILITIES** | | **55,401** | **71,601** |
| Current bond | 24 | 4,536 | 4,522 |
| Current bank debt | 25 | 21,274 | 207,766 |
| Trade payables | 26 | 25,497 | 190,367 |
| Advances payment on work in progress contracts | 27 | 6,432 | 12,608 |
| Other financial liabilities | 28 | 3,989 | 12,591 |
| Other current liabilities | 29 | 35,841 | 63,977 |
| **CURRENT LIABILITIES** | | **97,569** | **491,831** |
| **DISCONTINUED NON CURRENT LIABILITIES** | **30** | | **386** |
| **TOTAL LIABILITIES** | | **216,638** | **418,746** |

# Consolidated Income Statement

| Amount in thousand Euro | Note | 2020 | 2019 (*) |
|---|---|---|---|
| Revenues | 31 | 161,607 | 162,140 |
| Other income | 32 | 6,204 | 6,404 |
| **PRODUCTION REVENUES** | | **167,811** | **168,544** |
| Costs of raw, subsid. & consumable mat. and goods | 33 | 3,850 | 7,431 |
| Salaries | 34 | 106,144 | 106,478 |
| Costs for services | 35 | 35,981 | 35,326 |
| Costs for leased assets | 36 | 673 | 562 |
| Sundry operating expenses | 37 | 719 | 1,025 |
| Change in inventories of raw materials and finished products | 38 | (446) | (85) |
| Provisions | 39 | 503 | 1,967 |
| **TOTAL PRODUCTION COSTS** | | **146,424** | **151,704** |
| **DIFFERENCE BETWEEN PRODUCTION COSTS AND REVENUES** | | **21,387** | **16,840** |
| Amortisation, depreciation and write-downs | 40 | 6,378 | 6,438 |
| **OPERATIVE RESULT** | | **15,009** | **10,402** |
| Financial income and (charges) and other investments | 41 | (3,472) | (3,770) |
| **PROFIT (LOSS) BEFORE TAXES** | | **11,637** | **6,632** |
| Income tax | 42 | 2,905 | 2,629 |
| **PROFIT OR LOSS FOR THE YEAR DERIVING FROM ACTIVITIES IN OPERATION** | | **8,632** | **4,003** |
| **PROFIT (LOSS) FOR THE YEAR DERIVING FROM DISCONTINUED ASSETS** | **43** | 156,899 | (243,153) |
| **PROFIT OR LOSS FOR THE YEAR** | **44** | **165,531** | **(239,150)** |
| Attributable to: | | | |
| Shareholders of holding company | | 165,592 | (172,782) |
| Minority interest | | (61) | (66,368) |
| **Earnings per share losses** | 45 | | |
| Basic earnings per share | | 3.4904 | (3.5848) |
| Basic earnings diluted | | 3.4904 | (3.5848) |
| **Earnings (loss) per share - Continuing Operations** | | | |
| Basic earnings per share | | 0.1819 | 0.0831 |
| Basic earnings diluted | | 0.1819 | 0.0831 |

(*) The 2019 figures were restated in accordance with IFRS 5.

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# Consolidated Statement of Comprehensive Income

| Amount in thousand Euro | | | |
|---|---|---|---|
| **Description** | **Note** | **2020** | **2019** |
| **Profit for the year** | **16** | **165,531** | **(239,150)** |
| *Other comprehensive profits (losses) that will not be subsequently reclassified in profit (loss) for the year* | | | |
| Actuarial profit (loss) due to the application of IAS 19 | | (617) | (1,284) |
| Tax effect of the changes | | 66 | (809) |
| **Total other comprehensive profits (losses) that will not be subsequently reclassified in profit (loss) for the year** | **16** | **(552)** | **(2,093)** |
| *Other comprehensive profits (losses) which will be subsequently reclassified in profit (loss) for the year* | | | |
| Change in the translation reserve | | 2,637 | (1,064) |
| *Change generated during the year* | | *(2,208)* | *(1,064)* |
| *Transfer to profit (loss) for the year* | | *4,845* | |
| Profit (loss) on FVOCI financial assets | | 27 | (149) |
| Profit (loss) on cash flow hedge derivatives | | (482) | - |
| *Change generated during the year* | | *-* | *-* |
| *Transfer to profit (loss) for the year* | | *(482)* | |
| Tax effect of the changes | | - | - |
| **Total other comprehensive profits (losses) that will be subsequently reclassified in profit (loss) for the year** | **16** | **4,337** | **(1,213)** |
| **TOTAL PROFIT (LOSS) FOR THE YEAR** | | **169,317** | **(242,456)** |
| *attributable to:* | | | |
| Group | | 169,379 | (175,487) |
| Third parties | | (62) | (66,969) |
| **TOTAL PROFIT (LOSS) FOR THE YEAR - CONTINUING OPERATIONS** | | **9,907** | **4,109** |
| *attributable to:* | | | |
| Group | | 9,969 | 4,103 |
| Third parties | | (62) | 6 |
| **TOTAL PROFIT (LOSS) FOR THE YEAR - DISCONTINUED OPERATIONS** | | **159,410** | **(246,565)** |
| *attributable to:* | | | |
| Group | | 159,410 | (179,590) |
| Third parties | | - | (66,975) |

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# Statement of Changes in Consolidated Shareholders' Equity

| Amount in thousand Euro | Company Capital | Own shares | Share Premium Fund | Revalut. Reserve | Legal Reserve | Other Reserves | Profits (Losses) brought forward | Profit (Loss) for the year | Total Net Worth | Minority Interests | Total Group Net Worth |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 31.12.2018** | **26,980** | **(1,897)** | **18,082** | **2,907** | **3,959** | **42,638** | **6,863** | **(802)** | **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** | **3,959** | **41,505** | **6,863** | **(802)** | **97,637** | **26,392** | **71,245** |
| Allocation of previous year result | | | | | 112 | [illegible] | | 802 | 0 | 0 | 0 |
| Effects of IAS 29 | | | | | | 1,194 | | | 1,194 | 227 | 967 |
| Figurative stock grant value | | | | | | (190) | | | (190) | (19) | (171) |
| Other movements | | | | | | (8) | 41 | | 33 | (8) | 41 |
| Purchase of own shares | | (232) | | | | (128) | | | (359) | - | (359) |
| Sale of own shares | | 16 | | | | 17 | | | 33 | - | 33 |
| Change in the scope of consolidation, acquisitions of minorities | | | | | | (380) | | | (380) | (740) | 360 |
| **Components of the overall result** | | | | | | | | | | | |
| Profit (loss) for the year | | | | | | | | (239,150) | (239,150) | (66,397) | (172,753) |
| Effects deriving from the application of IAS 19 | | | | | | (2,093) | | | (2,093) | (382) | (1,711) |
| Conversion reserve | | | | | | (1,064) | | | (1,064) | (220) | (844) |
| Profit (loss) on FVOCI financial assets | | | | | | (149) | | | (149) | - | (149) |
| **Total Comprehensive Profit (Loss) for the year** | - | - | - | - | - | - | - | - | **(242,456)** | **(66,999)** | **(175,457)** |
| **Balance at 31.12.2019** | **26,980** | **(2,114)** | **18,082** | **2,907** | **4,171** | **37,054** | **6,998** | **(239,150)** | **(145,072)** | **(41,119)** | **(103,953)** |
| Allocation of previous year result | | | | | | | (239,150) | 239,150 | - | - | - |
| Effects of IAS 29 | | | | | | 676 | | | 676 | | 676 |
| Other movements | | | | | | (12) | | | (12) | - | (12) |
| Purchase of own shares | | (250) | | | | (40) | | | (290) | | (290) |
| Change in the consolidation area of minority interests | | | | | | (25,169) | 66,377 | | 41,208 | 41,208 | - |
| **Components of the overall result** | | | | | | | | | | | |
| Profit (loss) for the year | | | | | | | | 165,631 | 165,631 | (41) | 165,590 |
| Effects deriving from the application of IAS 19 | | | | | | (332) | | | (332) | (1) | (331) |
| Conversion reserve | | | | | | 2,637 | | | 2,637 | - | 2,637 |
| Profit (loss) on cash flow hedge derivatives | | | | | | (483) | | | (483) | - | (483) |
| Profit (loss) on FVOCI financial assets | | | | | | 27 | | | 27 | | 27 |
| **Total Comprehensive Profit (Loss) for the year** | | | | | | | | | **167,182** | **(42)** | **167,223** |
| **Balance at 31.12.2020** | **26,980** | **(2,364)** | **18,082** | **2,907** | **4,171** | **14,134** | **(166,775)** | **165,631** | **63,657** | **27** | **63,630** |

# Consolidated Cash Flow Statement

| Amount in thousand Euro | Note | 31.12.2020 | 31.12.2019 (*) |
|---|---|---|---|
| **Financial statement** | 46 | | |
| Operating activities: | | | |
| Profit (loss) for the period | 44 | 8,632 (1) | 4,004 (1) |
| Amortisation, depreciation and provisions | | 6,361 | 8,772 |
| Provision for Severance Pay Fund | | 5,241 | 5,241 |
| Advances/Payments Severance Pay | | (5,240) | (5,951) |
| Adjustment of value of financial assets | | - | 11 |
| **Cash flow generated (absorbed) from operating activities** | a | **13,594** | **12,077** |
| **Cash flow generated (absorbed) by income management - Discontinued operations** | a1 | **1,086** | **(9,879)** |
| **Increase/Decrease in net working capital:** | | | |
| Variation in stock and payments on account | | (5,281) | 2,130 |
| Variation in receivables to customers | | (925) | (1,393) |
| Variation in receivables to parent/subsidiary/associated company | | 1,203 | 359 |
| Variation in other accounts receivable | | 2,856 | (2,446) |
| Variation in payables to suppliers | | 1,648 | 1,003 |
| Variation in payables to parent/subsidiary/associated company | | (5,133) | 2,691 |
| Variation in tax and social security liabilities | | (608) | (2,467) |
| Variation in other accounts payable | | 1,504 | 3,547 |
| **Cash flow generated (absorbed) from current assets and liabilities** | b | **(4,737)** | **3,433** |
| **Cash flow generated (absorbed) by current assets and liabilities - Discontinued operations** | b1 | **25,969** | **27,139** |
| **Cash flow generated (absorbed) from current activities** | a+b | **9,258** | **15,510** |
| **Cash flow generated (absorbed) by operating activities - Discontinued operations** | a1+b1 | **27,055** | **17,260** |
| **Investment activities:** | | | |
| Purchases of tangible fixed assets net of payments for sales | | (2,865) | (1,916) |
| Variation in intangible assets | | (2,423) | (2,377) |
| Variation in financial assets | | 251 | (976) |
| Liquidity acquired company | | (27,866) | - |
| **Cash flow generated (absorbed)) from the investment activity** | c | **(32,903)** | **(5,269)** |
| **Cash flow generated (absorbed) by investing activities - Discontinued operations** | c1 | **(5,444)** | **(12,855)** |
| **Financial assets and liabilities** | | | |
| New loans | | 30,348 (2) | 16,667 (2) |
| Reimbursement loan | | (15,714) (2) | (20,452) (2) |
| Net variation in other financial recivables | | 640 (2) | 1,808 (2) |
| Net variation in other financial debts | | 24 (2) | (4,462) (2) |
| Changes in other non-current liabilities and use of risk provisions | | (15) | (131) |
| (Purchase) / Sale of own shares | | (295) | (326) |
| Change in equity | | (640) | 164 |
| **Cash flow generated (absorbed) from financing activities** | d | **14,348** | **(6,733)** |
| **Cash flow generated (absorbed) by financing activities - Discontinued operations** | d1 | **(10,443)** | **(1,475)** |
| **Increase (decrease) in cash and cash equivalent** | a+a1+b+b1+c+c1+d+d1 | **1,871** | **6,438** |
| Cash and cash equivalent at the beginning of the year | | 25,996 | 19,558 |
| Cash and cash equivalent at end of year | | 27,867 | 25,996 |
| (1) including taxes and interest paid in the period | | 1,296 | 3,503 |

(2) The sum of the related amounts (€ 15,297 thousand for the year 2020 and € -6404 thousand for the year 2019) 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 10 – Non-current payables to banks.

(*) The 2019 figures were restated in accordance with IFRS 5.

exprivia

# Explanatory Notes to the Consolidated Financial Statements of the Exprivia Group at 31 December 2020

## 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" or the "Issuer") at 31 December 2020, 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 2020. IFRS also refer to all revised international accounting standards ("IAS") and all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

The consolidated financial statements of Exprivia (hereinafter also the "Exprivia Group" or the "Group") and its subsidiaries were prepared based on the draft financial statements at 31 December 2020 provided by the management bodies of the consolidated companies, except for the Italtel Group. 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 2020 are not yet available, the data were taken from the consolidated Reporting Package at 31 December 2020, prepared and approved by Italtel's Board of Directors on 21 April 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 prepared by applying the historical cost method, taking into account, where appropriate, the value adjustments, with the exception of the financial statement items that according to the IFRS must be measured at fair value, as indicated in the measurement criteria described below. The consolidation principles and valuation criteria indicated below were applied consistently to all financial years presented, unless otherwise indicated. 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.

The financial statements schemes are the same as those adopted in the Annual Report at 31 December 2019, with the exception of the presentation of the Italtel Group as discontinued operations pursuant to IFRS

5. In these consolidated financial statements, the economic contribution and flows relating to the activities falling within the scope of the Intel Group is recognised under Discontinued Operations, while the balance sheet balances relating to these activities were deconsolidated as from the date of loss of control (31 December 2020). In particular:

• in the income statement for the year 2020, the results relating to discontinued operations, including the gain from revaluation at fair value at the date of loss of control and net of tax effects, are classified under "*Profit (loss) for the year - Discontinued Operations*";

• for comparison purposes, the item "*Profit / (Loss) for the year - Discontinued Operations*" for the year 2019 includes the revenues, income, costs and charges related thereto;

• in the balance sheet at 31 December 2020, the balances relating to the Italtel Group are deconsolidated, while at 31 December 2019, shown for comparative purposes, these assets and liabilities were within the scope of consolidation.

The effects of the presentation as Discontinued Operations are illustrated in note 43 "Profit / (loss) for the year - Discontinued Operations".

# Accounting policies and valuation criteria

## General information

The consolidated financial statements at 31 December 2020 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, according to the methods and terms set forth in the applicable legislative and regulatory provisions. These financial statements were audited by PricewaterhouseCoopers SpA pursuant to Legislative Decree 39/2010 and in execution of the Shareholders' Meeting resolution of 23 April 2014.

## 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 2019, except as noted below.

The valuation and measurement policies are based on the IFRS standards in effect at 31 December 2020 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 |
|---|---|---|---|---|
| Amendment to IFRS 16 "Leases Covid-19 Related Rent Concessions" (issued on 28.05.2020) | 09 oct. '20 | 12 oct. '20 | Exercises starting on or starting from 1 June '20 | 1 jun '20 |
| Amendment to IFRS 3 "Business Combinations" (issued on 22.10.2018) | 21 apr. '20 | 22 apr. '20 | Exercises starting on or starting from 1 Jan '20 | 1 jan '19 |
| Amendment to IFRS 9, IAS 39 e IFRS 7 "Interest Rate Benchmark Reform" (issued on 26.09.2019) | 15 jan. '20 | 16 jan. '20 | Exercises starting on or starting from 1 Jan '20 | 1 jan '20 |
| Modifiche ai riferimenti al Conceptual Framework negli IFRS (issued on 29.03.2018) | 29 nov. '19 | 6 dec. '19 | Exercises starting on or starting from 1 Jan '20 | 1 jan '20 |
| Amendment to IAS 1 e IAS 8 "Definition of Materiality" (issued on 31.10.2018) | 29 nov. '19 | 10 dec. '19 | Exercises starting on or starting from 1 Jan '20 | 1 jan '20 |

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 approval of the document was necessary because IFRS 16 provides for a set of specific rules to govern the cases in which the original lease agreement is modified during the period of validity due to agreements between the contracting parties. IFRS 16 defines a change to the lease as a change in the object or the consideration of the lease not covered in the original contractual conditions. In particular, to define the methods of accounting by the lessees of the changes in the payments of the lease agreements, including the concessions on the instalments, IFRS 16 requires the evaluation of the individual contracts in order to determine whether the incentives must be considered as amendments to the contract. In this case, the lessee must recalculate the liability relating to the lease (and consequently the Right of Use), using a revised discount rate. The amendment now allows the lessee not to consider any concessions on the payment of fees deriving from the effects of COVID 19 as an amendment to the original contract; therefore, the aforementioned amendments must be accounted for as if the agreement was not amended. The practical expedient applies to incentives relating to COVID 19 that reduce the payments of the instalments due by 30 June 2021 and does not concern lessors.

The amendment applies only to concessions on lease payments that occur as a direct consequence of the COVID 19 pandemic and only if all the following conditions are met:

a) the amendment involves payments substantially equal to or lower than the payments envisaged before the amendment;

b) any reduction in lease payments only affects payments originally due by 30 June 2021 (e.g., a concession on lease payments meets this requirement if it results in a reduction in lease payments by 30 June 2021 and an increase in payments beyond 30 June 2021); and

c) there are no substantial changes to other contractual terms and conditions.

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.

The amendment called "Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform" amends some of the requirements for the application of hedge accounting, providing for temporary exceptions to the same, in order to mitigate the uncertainties arising from the interest rate reference index (IBOR) standard and the timing and amount of future cash flows in the period leading up 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 may apply.

On 29 March 2018, the IASB published the revised version of the Conceptual Framework for Financial Reporting*.* The main changes compared to the 2010 version concern:

- a new chapter on valuation;
- improved definitions and guidance, in particular with reference to the definition of liabilities;
- clarification of important concepts, such as stewardship, prudence and uncertainty in valuations.

As of 1 January 2020, amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors" regarding the definition of materiality, became mandatory in Member States. The amendments 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.

The newly adopted standards did not have any material impact on the valuation of the Group's assets, liabilities, costs and revenues.

The table below shows the accounting standards, amendments and interpretations approved by the IASB and endorsed by the European Union, whose mandatory effective date is after 31 December 2020:

| Description | Endorsement date | Publication on G.U.C.E | Effective date provided by principle | Effective date for Exprivia Group |
|---|---|---|---|---|
| Amendments to IFRS 4 "Insurance Contracts - deferral of IFRS 9" (issued on 25.06.2020) | 15 dec. ' 20 | 16 dec. ' 20 | Exercises starting on or after 1 January 2021 | 1 jan '21 |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2" (issued on 08.27.2020) | 1 jan. '21 | 13 jan. '21 | Exercises starting on or after 14 January 2021 | 1 gen '21 |

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 envisage a specific accounting treatment to spread over time the changes in the value of financial instruments or lease agreements due to the replacement of the reference index for the determination of interest rates.

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

At the date of these financial statements, the competent bodies of the European Union have not yet concluded the approval process needed to adopt the following accounting standards, amendments and interpretation described below.

| Description | Effective date foreseen by the principle |
|---|---|
| Amendments to IAS 8 "Accounting polices, Changes in Accounting Estimates and Errors, Definition of Accounting Estimates" (issued on 12.02.2021) | Exercises starting on or after 1 January 2023 |
| Amendments to IAS 1 "Presentation of Financial Statements and IFRS Practice Statement 2 Disclosure of Accounting Policies" (issued on 12.02.2021) | 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 (issued on date 14.05.2020) | Exercises starting on or after 1 January 2022 |
| Amendments to IFRS 16 Leases : Covid - 19 - Related Rent Concessions beyond 30 june 2021 (issued on 31.03.2021) | Exercises starting on or after 1 April 2021 |
| 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 |

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 other primary users of financial statements and to help companies distinguish changes in accounting estimates from changes in accounting policies.

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 requires that a liability is classified as current or non-current based on the rights existing at the balance sheet 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 with the amendments made on 15 July 2020 ("Classification of Liabilities as Current or Non-current - Deferral of Effective Date"), these amendments shall enter into force 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.

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 supersede those currently envisaged by IFRS 4 "Insurance contracts", are effective for 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 financial statements.

On 31 March 2021, the IASB issued the document "Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)", which extended 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.

# 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 owners of the parent company and to minority interests. 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. Profits arising from transactions between consolidated companies and not yet realised with respect to third parties are eliminated in the same way as receivables, payables, income, charges, guarantees, commitments and risks between consolidated companies. The loss of control determines the recognition in the income statement: (i) of any capital gain/loss calculated as the difference between the consideration received and the corresponding consolidated net assets sold; (ii) the effect of the alignment to the related fair value of any residual investment retained; (iii) any values recognised in the other components of comprehensive income relating to the former subsidiary for which the reversal to the income statement is required. The value of any equity investment retained, aligned with the related fair value at the date of loss of control, represents the new carrying amount of the equity investment and therefore the reference value for the subsequent valuation of the equity investment according to the applicable valuation criteria.

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 2020 were as follows:

| Exchange rate | Average of 12 months to 31 December 2020 | At 31 December 2020 |
|---|---|---|
| Real brazilian | 5.890 | 6.374 |
| Dollar USA | 1.141 | 1.227 |
| Nuevo Sol peruviano | 3.991 | 4.443 |
| Dollaro Hong Kong | 8.852 | 9.514 |
| Renminbi -Yuan (Cina) | 7.871 | 8.023 |
| Mexican Peso | 24.512 | 24.416 |
| Guatemalan Quetzal | 8.815 | 9.565 |

# 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. Estimates and associated assumptions are revised on an ongoing basis. The effects of revised estimates are recognised in the income statement for the period in which the estimates are revised. Changes in the conditions underlying judgements, assumptions and estimates adopted may have a significant impact on subsequent results. Critical accounting estimates in the financial reporting process, which involve a high degree of subjective judgement and assumptions 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.

# COVID 19 and possible impacts on the business as a going concern

As highlighted in the paragraph "Risks and uncertainties" and in the paragraph "Business outlook" of the Directors' Report, 2020 will be remembered as the year of the COVID 19 pandemic. At the end of 2019, a new coronavirus, named Covid-19 by WHO, was detected in Wuhan, China. At the date of preparation of this report, the virus has already infected hundreds of thousands of people in many countries of the world including Italy. The spread of the virus differs significantly from country to country, and on a daily basis. 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. As of today, and therefore with more than one year of experience in relation to the effects of the pandemic, we can state that the ICT 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.

In compliance with the provisions of the document "European common enforcement priorities for 2020 annual financial reports", it should be noted that there are no significant impacts of the COVID-19 pandemic on non-financial matters or on the business continuity of Exprivia and the Exprivia Group.

With regard to the social impact and effects on workers, it should be noted that Exprivia and its subsidiaries promptly responded to the risk associated with Covid-19 through remote working. In fact, in just a few weeks, Exprivia managed to put almost all its staff into remote working, thus allowing it to continue working to support its customers and at the same time protect the health of its employees.

# 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 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 timeframe 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:

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.

We specify that, in consideration of the objective complexity of the situation, also as a result of the process for the resolution of the crisis launched by Italtel, the value of the item "profit (loss) for the year - discontinued operations" in the consolidated income statement at 31 December 2020 could also be significantly affected by the uncertainties inherent in the valuations of the consolidated financial statements at 31 December 2019 regarding some items related to the Italtel Group, whose values were deconsolidated on 31 December 2020. These uncertainties are related to the evolution:

- of the composition procedure initiated by Italtel and, in particular, in the event of a negative outcome thereof;
- of discussions with a leading customer regarding certain alleged contractual non-fulfilment, as commented in more detail in the explanatory note no. 43 to the consolidated financial statements at 31 December 2020.

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 as at 31 December 2019.

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.

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 leasing 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.

## Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset in the balance sheet when there is a currently exercisable legal right to the offsetting and there is an intention to settle the relationship on a net basis (i.e. to realise the asset and settle the liability simultaneously).

## 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 Group 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 Non-current assets disposed of

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" 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 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. Therefore, the penalties requested by customers in accordance with contractual provisions are deducted from the consideration of the order when the degree of risk associated with them is probable or possible.

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 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 addition to the above forms of financing, there is the fixed-rate bond issued to finance the acquisition of the equity investment in Italtel and the bank loan obtained at the end of November 2020 backed by the Italian Guarantee issued by SACE, guaranteeing 90% of the loan amount, pursuant to the Liquidity Decree (Decree Law no. 23 of 08/04/2020 converted into Law no. 40 of 05/06/2020). 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

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".

## 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. Liquidity risk was considerably reduced through the medium-term loan, signed by Exprivia in 2016.

At the end of November 2020, Exprivia obtained, pursuant to the Liquidity Decree (Decree Law no. 23 of 08/04/2020 converted into Law no. 40 of 05/06/2020, a bank loan backed by the Italian Guarantee issued by SACE, guaranteeing 90% of the amount of the loan. With regard to the investee Italtel, on 11 March 2021, the Court of Milan admitted the composition with creditors procedure pursuant to articles 160 et seq. and 186-bis of Royal Decree 267/1942. This admission therefore protects the company and reduces 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 had increased the volume of transactions carried out on markets subject to sharp fluctuations in exchange rates (e.g., Brazil). With the exit of the Italtel Group from the scope of consolidation of the Exprivia Group at 31 December 2020, the exchange rate risk deriving from transactions in currencies other than the functional currency (Euro) decreased. In all events, the opening up to markets characterised by major fluctuations (e.g., Brazil) might constitute a risk to be monitored, depending, however, on the volumes in place, which for the moment are not significant.

## 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 2020" of the Directors' Report and "Events after 31 December 2020" of these explanatory notes, 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 judgement, to date 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 payable debts) 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 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 2020 | 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 | 1,250 | | | | | 1,250 |
| Derivative financial instruments | | | | | | 0 |
| Investments in associated companies | | | 386 | | | 386 |
| Investments in other companies | | 168 | | | | 168 |
| Other non-current assets | 468 | | | | | 468 |
| **Total no current assets** | **1,718** | **168** | **386** | - | - | **3,272** |
| *Current assets* | | | | | | |
| Commercial credits | 60,319 | | | | | 60,319 |
| Other financial assets | 728 | | | | 205 | 933 |
| Other current assets | 10,207 | | | | | 10,207 |
| Cash and cash equivalents | 27,867 | | | | | 27,867 |
| ***Total Current assets*** | **89,121** | - | - | - | **205** | **89,326** |
| | | | | | | |
| **TOTAL** | **90,839** | **168** | **386** | **-** | **205** | **91,598** |

| LIABILITIES 'FINANCIAL AT 31 DECEMBER 2020 | 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 | 13,673 | | | | | 13,673 |
| Due to banks | 26,103 | | | | | 26,103 |
| Other financial liabilities | 4,070 | | | | | 4,070 |
| Hedging derivative financial instruments | | | | 15 | | 15 |
| Other non-current liabilities | 934 | | | | | 934 |
| ***Total Non Current liabilities*** | **44,780** | - | | **15** | - | **44,795** |
| *Current liabilities* | | | | | | |
| Current bond loans | 4,536 | | | | | 4,536 |
| Trade payables and advances | 31,929 | | | | | 31,929 |
| Other financial liabilities | 3,989 | | | | | 3,989 |
| Due to banks | 21,274 | | | | | 21,274 |
| Other current liabilities | 35,841 | | | | | 35,841 |
| ***Total Current liabilities*** | **97,569** | - | - | **8** | - | **97,569** |
| | | | | | | |
| **TOTAL** | **142,349** | - | - | **15** | - | **142,364** |

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 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 2020 include the capital, economic and financial situations of the Parent Company Exprivia and subsidiaries. As illustrated in more detail in the next paragraph, the Italtel Group was deconsolidated at the date of loss of control and classified as Discontinued operations pursuant to IFRS 5 as it is a major line of business.

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.

| Company | Reference market |
|---|---|
| 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 |

The main data at 31 December 2020 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 | valori in migliaia di Euro | 51 | 71 | 796 | 275 | 100.00% | Exprivia SpA |
| Consorzio Exprivia S.c.a.r.l | Milano | Euro | 20,000 | valori in migliaia di Euro | 2 | 23 | 12 | 3,422 | 70.00%<br>25.00%<br>5.00% | Exprivia SpA<br>Italtel SpA<br>Exprivia Projects Srl |
| Exprivia ASIA Ltd | Hong Kong | Dollaro Hong Kong | 2,137,650 | valori in migliaia di Euro | (70) | (146) | - | 766 | 100.00% | Exprivia SpA |
| Exprivia It Solutions (Shanghai) Ltd | Shanghai (Cina) | Renminbi | 3,719,450 | valori in migliaia di Euro | 31 | (126) | 937 | 541 | 100.00% | Exprivia ASIA Ltd |
| Exprivia Do Brasil Services Ltda | Rio de Janeiro (Brasile) | Real | 5,890,653 | valori in migliaia di Euro | 19 | 1,140 | 869 | 1,361 | 100.00% | Exprivia SpA |
| Exprivia Projects Srl | Roma | Euro | 242,000 | valori in migliaia di Euro | 416 | 804 | 14,630 | 5,148 | 100.00% | Exprivia SpA |
| HRCOFFEE Srl | Molfetta (BA) | Euro | 300,000 | valori in migliaia di Euro | (154) | (41) | 9 | 487 | 70.00%<br>30.00% | Exprivia SpA<br>persone fisiche |
| Succursal Ecuador de Exprivia SLU | Quito (Ecuador) | USD | 10,000 | valori in migliaia di Euro | (6) | (19) | - | 4 | 100.00% | Exprivia SLU |
| Spegea Scarl | Bari | Euro | 125,000 | valori in migliaia di Euro | (13) | 253 | 673 | 1,706 | 60.00%<br>40.00% | Exprivia SpA<br>Confindustria Bari |
| Exprivia SLU | Madrid (Spagna) | Euro | 197,904 | valori in migliaia di Euro | (1,155) | 637 | 1,470 | 3,932 | 100.00% | Exprivia SpA |
| ProSap Centroamerica SA | Città del Guatemala (Guatemala) | Quetzal | 5,000 | valori in migliaia di Euro | (14) | 169 | 157 | 639 | 98.00%<br>2.00% | Exprivia Messico SA de CV<br>Exprivia SpA |
| Exprivia Messico SA de CV | Città del Messico (Messico) | Pesos messicani | 41,208,999 | valori in migliaia di Euro | (236) | 1,319 | 611 | 2,525 | 2.00%<br>98.00% | Exprivia SLU<br>Exprivia SpA |
| ProSap Perù SAC | Lima (Perù) | Nuevo Sol | 706,091 | valori in migliaia di Euro | 1 | 15 | - | 30 | 100.00% | Exprivia SLU |

The primary exchange rates used for conversion into Euro of the financial statements of foreign companies at 31 December 2020 were as follows:

| Exchange rate | Average of 12 months to 31 December 2020 | At 31 December 2020 |
|---|---|---|
| Real brazilian | 5.890 | 6.374 |
| Dollar USA | 1.141 | 1.227 |
| Nuevo Sol peruviano | 3.991 | 4.443 |
| Dollaro Hong Kong | 8.852 | 9.514 |
| Renminbi -Yuan (Cina) | 7.871 | 8.023 |
| Mexican Peso | 24.512 | 24.416 |
| Guatemalan Quetzal | 8.815 | 9.565 |

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.

# Loss of control of Italtel by Exprivia pursuant to IFRS 10

Exprivia's Board of Directors acknowledged, by resolution of 30 April 2021, that it had lost control of Italtel pursuant to IFRS 10 as from 31 December 2020.

The considerations made by Exprivia with the support of legal and accounting experts are reported below.

The share capital of Italtel amounted to Euro 20,000,001.00, fully subscribed and paid up, and is divided into 47,000,000 shares with no par value of which:

- 25,000,000 class A shares subscribed by Exprivia;
- 6,000,000 class B shares subscribed by and in the name of Cisco Systems International BV, with registered office in Amsterdam, Haarlerbergpark, Haarlerbergweg 13-19 ("Cisco BV");
- 16,000,000 preferred shares subscribed by and in the name of Cisco BV.

The Italtel shares were subscribed by Exprivia and Cisco BV on 14 December 2017 as part of the debt restructuring agreement pursuant to art. 182-bis of the Bankruptcy Law, signed by Italtel, Italtel Group SpA (then parent company of Italtel), Exprivia, Cisco Systems (Italy) Srl ("Cisco") and the lending banks of Italtel (the "Lending Banks") approved on 26 July 2017 by the Court of Milan.

Exprivia therefore holds 81% of the ordinary share capital of Italtel, while Cisco BV holds the remaining 19% of the ordinary share capital.

As part of the corporate and corporate restructuring operation carried out in 2017, all Italtel shares (A, B and preferred) were pledged in favour of UniCredit SpA – today, due to the sale of the receivable, communicated to Italtel on 10 June 2020, Davy Global Fund Management Limited, as management company of the investment fund RSCT Fund, of which Pillarstone Italy SpA is the investment advisor – Banca IFIS Spa (formerly Interbanca SpA), Banca Popolare di Milano SpA, Banco BPM SpA and UBI Banca Spa.

In the context of the Restructuring Agreement, the Boards of Directors of Italtel and Exprivia have approved a business plan for the period 2017-2023 (the "Business Plan"), which predetermined, with binding effect on Italtel, the strategic lines to be followed and the general operational, financial, commercial and organisational lines of conduct necessary to achieve the objectives set.

Exprivia appointed the majority of Italtel's directors in office but did not exercise management and coordination activities over Italtel pursuant to art. 2497-sexies of the Italian Civil Code, in that it did not direct or coordinate Italtel: (i) in the preparation of the group's business, financial, strategic and budget plans, since Italtel was already required to comply with the aforementioned Business Plan, (ii) in the formulation of directives regarding financial or commercial management (acquisitions, procurement, etc.), (iii) in the unitary organisation of treasury or other functions, (iv) in the choice regarding the execution of strategic transactions.

One of the circumstances qualified as "Causes of Enforcement" under the terms of the Deed of Pledge on the shares of Italtel S.p.A. signed on 14 December 2017, occurred as a result of Italtel entering into negotiations with its financial creditors aimed, among other things, at rescheduling part of its indebtedness by suspending certain repayment instalments due under the existing Loan Agreements. 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 "Cause of Enforcement" under the terms of the aforementioned Deed of Pledge.

Pursuant to the contractual regulations, the occurrence of a Material Event entails the right of the Lending Banks to claim the exercise of the administrative and financial rights related to the pledged Italtel shares - i.e. 100% of the Italtel shares.

Art. 5.3 of the deed of pledge provides that in the presence of a material event that has been notified in writing by the agent bank to the pledgers (and to Italtel), the secured creditors will have the right (but not the obligation) to exercise the voting rights relating to the shares subject to pledge. To this end, the secured creditors may – based on a decision to be taken by two thirds of the lending banks – communicate to the pledgers (including Exprivia) and to Italtel that they intend to exercise the rights relating to the shares. This further communication has never been given to date. Therefore, until the receipt of this communication, the voting rights remain with the pledgers, who in effect have exercised them on 5 May 2020 for the renewal of Italtel's Board of Directors with their own representatives. Therefore, Italtel's Board of Directors is the expression of the majority shareholder Exprivia.

At the end of 2019, 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.

On 31 March 2020, Italtel's Board of Directors, 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 request was submitted on 2 April 2020.

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.

As a result of this process, on 31 December 2020, Italtel's Board of Directors resolved to accept the offer made by a third-party industrial entity, in order to pursue the submission of its own application for a composition and not that of the shareholder Exprivia, resulting in a de facto situation whereby (i) the majority of Italtel shares held by Exprivia does not allow the exercise of rights at the Shareholders' Meeting and thus also the replacement of directors, (ii) Exprivia is no longer the bearer of an economic interest with respect to Italtel's assets, (iii) the returns associated with Exprivia's shareholding in Italtel's share capital are no longer subject to changes in Italtel's economic performance, and (iv) Exprivia has lost the power to influence the variability of the returns associated with the ownership of a majority shareholding in Italtel.

In light of the above, the directors of Exprivia, with the support of their accounting and legal advisors, concluded that at 31 December 2020 Exprivia lost control of Italtel pursuant to IFRS 10, applicable in this case. The considerations made are reported in detail.

The resolution of 31 December 2020 by Italtel's Board of Directors to accept the binding offer of a third-party industrial entity, bearing the assumption of the assets and liabilities and releasing effect for Italtel, as the offer to be the basis of the application for admission to the composition procedure and the related plan, which committed Italtel to submit the composition plan on 5 February 2021, was taken by majority vote with the favourable vote of the CEO and the Chairman appointed by the shareholder Exprivia and therefore completely independent of any possible influence or interest of the shareholder Exprivia itself, and with the favourable vote of the two independent directors.

At the date of this resolution, the deadline of 5 February 2021 assigned by the Court of Milan for the filing of the proposal and of the composition plan could not be further extended, as it had already been initially extended at the request of Italtel pursuant to art. 161, paragraph 6, of the Bankruptcy Law and exceptionally extended a second time until 5 February 2021, pursuant to art. 9, paragraph 4 of Decree Law no. 23, of 8 April 2020, converted by Law no. 40 of 5 June 2020.

This de facto situation made it impossible to further postpone the decision of the Board of Directors on the offer to be placed as a basis for the request for a composition with creditors to be filed, together with the report of the independent third party, by 5 February 2021.

Therefore, the choice of the offer of the industrial group as an alternative to Exprivia - and Italtel's rejection of Exprivia's offer - is to be considered final as of that date, as well as from that date it is decided that Italtel's composition plan will provide for the transfer of Italtel's entire assets by a third party Assumptor of Liabilities and that, in the event of failure to file the plan by 5 February 2021, failure of admission, failure of endorsement or failure of approval, Italtel would not be subject to any power of Exprivia, because it would be subject to insolvency proceedings.

In this regard, it is necessary to analyse two possible scenarios, deriving from this resolution, in the context of the composition with creditors of Italtel opened on 11 March 2021 and whose meeting pursuant to art. 177 of the Bankruptcy Law, is set for 29 September 2021.

In both cases, the resolution of Italtel's Board of Directors of 31 December 2020 determined a course of activity that, whatever the outcome, makes Exprivia indifferent to the returns of the investment and has no power to replace the directors.

- *First scenario - positive outcome of the composition procedure*: a first scenario is that in which the proposed composition is approved by the creditors of Italtel and, subsequently, by the court. In the time between the filing of the appeal and the approval, the management of Italtel is limited to the performance of the acts of ordinary administration, under the supervision of the judicial commissioners, until the approval date. Following the approval, the execution of the composition will entail the sale of the entire assets of Italtel in favour of the Assumptor, against the assumption by the latter of the bankruptcy liabilities at the date of the approval. With the approval of the composition, containing Italtel's proposal to transfer the entire company assets to the Assumptor, with discharging effect, Italtel will be deprived of all assets. In addition, there will be a cause for dissolution consisting of the impossibility of achieving the corporate purpose, pursuant to art. 2484, paragraph 1, no. 2, of the Italian Civil Code, with the necessary steps for the liquidation of Italtel. In this case, until the appointment of the liquidators in the Register of Companies, the directors of Italtel will retain the management power "for the sole purpose of preserving the integrity and value of the company assets", pursuant to art. 2486, paragraph 1, of the Italian Civil Code. Following the registration in the Register of Companies of the appointment of liquidators, the directors will cease to hold office pursuant to art. 2487-bis, paragraph 3, of the Italian Civil Code.
- *Second scenario – negative outcome of the composition procedure*: a second scenario is that in which the majority of the creditors of Italtel admitted to the vote do not approve the composition proposal, or the approval procedure has a negative outcome. Both circumstances will result in the closure of the proceedings and Italtel will be subject either to bankruptcy or more likely, as a result of its request, to extraordinary administration proceedings, for which it has the size requirements. In both scenarios, the company is destined to be sold en bloc or atomistically by the competent body. In particular, with reference to the extraordinary administration procedure, the combination of articles 36, Italian Legislative Decree no. 270 of 8 July 1999, and no. 200 of the Bankruptcy Law, it appears that the opening of the extraordinary administration procedure, although it does not involve the definitive termination of the office of the directors, determines "*the suspension of the functions of the corporate bodies […] limited to the scope of administration and disposal of the company's assets*. The corporate bodies are replaced by those in charge of managing the company pursuant to art. 19 Legislative Decree no. 270/1999, who must sell the company to third parties and distribute the proceeds to creditors. In this context, it is almost certain that the Exprivia shareholder will not receive anything. The same applies to the (less likely) assumption that the company is subject to bankruptcy.

The resolution of 31 December 2020 does not have the effect of depriving Exprivia of the ownership of the majority of voting rights that can be exercised at the ordinary Shareholder' Meeting of Italtel. This is also due to the fact that the potential right of the Lending Banks to claim the exercise of administrative rights and to benefit from the economic rights related to the investment of Exprivia was not exercised. Exprivia will continue to hold voting rights even after the adoption of the resolution of Italtel's Board of Directors at 31 December 2020, but as a result of this resolution, in both the first and second scenario (positive or negative outcome of the composition) envisaged above, i.e. whatever the outcome of the procedure, Exprivia will not be affected in any way by Italtel's "variable returns". In the scenario of a positive outcome (endorsement and approval), in fact, Italtel has no assets or liabilities, no longer operates on the market, as it is in liquidation, and is therefore no longer subject to any "performance" in the sense envisaged by IFRS 10 which, where it refers to performance, necessarily assumes continuity or, at least, variability linked to the exercise of a business activity. In the second scenario, Italtel is under extraordinary administration and therefore Exprivia has no power or expected returns from the investment.

With reference to the ability to exercise its power over the invested entity, Exprivia, following the activation of the composition procedure and Italtel's acceptance of the alternative offer to Exprivia's one, is not considered to have the ability to exercise its power to affect the returns from the relationship with Italtel. Indeed (i) in the first scenario, Italtel's management and operations would be limited to the performance of ordinary administration acts until the date of the approval and, following the approval of the composition procedure, Italtel would enter into liquidation, with the consequent termination of the entire Board of Directors; (ii) in the second scenario, the functions of the corporate bodies are suspended and are replaced by the receivership body, which must sell the company to third parties and distribute the proceeds to creditors.

In view of the above, Exprivia's Board of Directors considered that the resolution of acceptance of the PSC Group's offer on 31 December 2020 by Italtel's Board of Directors, which was followed by the presentation of the proposal including the assumption with release, and the subsequent admission to the composition procedure, constitutes an event that determines the loss of control of Exprivia, pursuant to IFRS 10.

It should be noted that the recognition of loss of control has required the directors of Exprivia to carry out in-depth analysis and assessments regarding the identification of the requirements for loss of control required by IFRS 10, in light of the complexity of the transactions, the related contractual arrangements and the governance rules defined. The professional judgement component inherent in the process of identifying the loss of control is significant.

The directors of Exprivia, with the support of their accounting and legal advisors, concluded that the loss of control of Italtel by Exprivia had occurred at 31 December 2020 in accordance with IFRS 10, applicable in this case, because although they had identified events occurring prior to 31 December 2020, individually relevant to control, they considered such events not to be collectively conclusive for the purpose of stating that the loss of control had occurred at a time prior to 31 December 2020, also considering that Exprivia had then submitted an offer on 23 December 2020, later supplemented on 30 December 2020, with which it promised to subscribe to a capital increase and proposed the exercise of management and coordination over Italtel, maintaining control over it. 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 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.

It should be noted that even if it were to be claimed that the loss of control occurred in 2020 at a date other than 31 December 2020, the result of discontinued operations recorded in these consolidated financial statements would not change.

# 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 2020, 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.

As described in Note 43 "Profit (loss) for the year - Discontinued operations", the Italtel Group corresponding to the TLC CGU was deconsolidated at the date of loss of control (31 December 2020) and classified as Discontinued operations pursuant to IFRS 5.

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 2020 and 31 December 2019.

The assets and liabilities by operating segments at 31 December 2020 are indicated below.

# Reclassified Balance Sheet

| amount in thousand Euro | IT | | | TLC | | | Eliminations | | | 1) CONSOLIDATED | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 31.12.2020 | 31.12.2019 | Variations | 31.12.2020 | 31.12.2019 | Variations | 31.12.2020 | 31.12.2019 | Variations | 31.12.2020 | 31.12.2019 | Variations |
| Property, plant and machinery | 19,029 | 19,796 | (766) | | 28,241 | (28,241) | 0 | (731) | 731 | 19,029 | 47,306 | (28,276) |
| Goodwill | 69,071 | 69,071 | 0 | | 0 | 0 | 0 | 0 | 0 | 69,071 | 69,071 | 0 |
| Other Intangible Assets | 10,220 | 10,545 | (324) | | 0 | (1) | (0) | (119) | 119 | 10,220 | 10,426 | (206) |
| Shareholdings | 554 | 471 | 82 | | 293 | (293) | 0 | 0 | 0 | 554 | 764 | (211) |
| Other non-current financial assets | 468 | 757 | (290) | | 674 | (674) | 0 | 0 | 0 | 468 | 1,431 | (964) |
| Deferred tax assets | 2,219 | 2,201 | 18 | | 2,226 | (2,226) | (0) | (6) | 6 | 2,219 | 4,421 | (2,202) |
| NON-CURRENT ASSETS | 101,561 | 102,838 | (1,277) | 0 | 31,434 | (31,433) | 0 | (856) | 856 | 101,561 | 133,418 | (31,857) |
| | | | | | | | | | | | | |
| Trade receivables | 50,319 | 51,315 | (996) | | 99,461 | (99,461) | (0) | (3,066) | 3,064 | 50,319 | 147,710 | (97,391) |
| Stock | 1,064 | 718 | 345 | | 23,059 | (23,059) | (0) | 0 | (0) | 1,064 | 23,777 | (22,713) |
| Work in progress to order | 23,437 | 18,718 | 4,719 | | 32,288 | (32,288) | 0 | (3,544) | 3,545 | 23,437 | 47,463 | (24,026) |
| Other Current Assets | 10,207 | 13,210 | (3,004) | | 23,012 | (23,012) | 0 | (3,719) | 3,719 | 10,207 | 32,504 | (22,297) |
| CURRENT ASSETS | 85,027 | 83,962 | 1,064 | 0 | 177,820 | (177,820) | (0) | (10,328) | 10,327 | 85,027 | 251,454 | (166,427) |
| | | | | | | | | | | | | |
| DISCONTINUED NON CURRENT | 0 | 0 | 0 | | 12 | (12) | 0 | 0 | 0 | 0 | 12 | (12) |
| | | | | | | | | | | | | |
| Commercial debts | (25,497) | (25,322) | (175) | | (168,209) | 168,209 | 0 | 3,164 | (3,164) | (25,497) | (190,366) | 164,870 |
| Advances on contract work in progress | (6,432) | (6,548) | 116 | | (6,071) | 6,071 | 0 | 10 | (10) | (6,432) | (12,608) | 6,176 |
| Other current liabilities | (35,841) | (37,663) | 1,822 | | (30,049) | 30,049 | 0 | 3,734 | (3,734) | (35,840) | (63,978) | 28,137 |
| CURRENT LIABILITIES | (67,770) | (69,532) | 1,762 | 0 | (204,329) | 204,329 | 0 | 6,909 | (6,909) | (67,769) | (266,952) | 199,183 |
| | | | | | | | | | | | | |
| DISCONTINUED NON CURRENT LIABILITIES | 0 | 0 | 0.00 | | (386) | 386 | (0) | 0 | (0) | 0 | (386) | 386 |
| | | | | | | | | | | | | |
| NON-CURRENT FUNDS AND LIABILITIES | (11,540) | (14,136) | 2,596 | | (19,772) | 19,773 | 0 | 0 | 0 | (11,540) | (33,908) | 22,368 |
| | | | | | | | | | | | | |
| NET INVESTED CAPITAL | 107,278 | 103,132 | 4,145 | 0 | (15,221) | 15,221 | (0) | (4,275) | 4,275 | 107,278 | 83,636 | 23,641 |
| NET FINANCIAL POSITION | 43,818 2) | 46,308 | (2,490) | | 182,574 | (182,574) | (0) | (772) | 772 | 43,810 | 228,709 | (185,100) |

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.

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# Reclassified Income Statement

| amount in thousand Euro | IT | | | TLC | | | Eliminations | | | 1) | CONSOLIDATED | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 31.12.2020 | 31.12.2019 | Variations | 31.12.2020 | 31.12.2019 | Variations | 31.12.2020 | 31.12.2019 | Variations | | 31.12.2020 | 31.12.2019(*) | Variations |
| Revenues | 161,607 | 162,140 | (533) | | | 0 | | | | | 161,607 | 162,140 | (533) |
| Other income | 6,204 | 6,404 | (200) | | | 0 | | | | | 6,204 | 6,404 | (200) |
| TOTAL REVENUES | 167,811 | 168,544 | (733) | 0 | 0 | 0 | | | | | 167,811 | 168,544 | (733) |
| Costs for consumables and finished goods | (3,850) | (7,431) | 3,581 | | | 0 | | | | | (3,850) | (7,431) | 3,581 |
| Personnel costs | (105,144) | (105,478) | 334 | | | 0 | | | | | (105,144) | (105,478) | 334 |
| Costs for services | (35,981) | (35,326) | (655) | | | 0 | | | | | (35,981) | (35,326) | (655) |
| Costs for use of third-party assets | (673) | (562) | (111) | | | 0 | | | | | (673) | (562) | (111) |
| Different management charges | (719) | (1,026) | 307 | | | 0 | | | | | (719) | (1,026) | 307 |
| Change in inventories | 446 | 85 | 361 | | | 0 | | | | | 446 | 85 | 361 |
| Provisions and write-downs of current assets | (503) | (1,967) | 1,464 | | | 0 | | | | | (503) | (1,967) | 1,464 |
| TOTAL COSTS | (146,424) | (151,705) | 5,281 | 0 | 0 | 0 | | | | | (146,424) | (151,705) | 5,281 |
| EBITDA | 21,387 | 16,839 | 4,548 | 0 | 0 | 0 | | | | | 21,387 | 16,839 | 4,548 |
| Amortization and depreciation of non- | (6,378) | (6,438) | 60 | | | 0 | | | | | (6,378) | (6,438) | 60 |
| EBIT | 15,009 | 10,401 | 4,608 | 0 | 0 | 0 | | | | | 15,009 | 10,401 | 4,608 |
| Financial income and (expenses) from | (3,472) | (3,769) | 297 | | | 0 | | | | | (3,472) | (3,769) | 297 |
| RESULT ANTE TAXES | 11,537 | 6,632 | 4,905 | 0 | 0 | 0 | | | | | 11,537 | 6,632 | 4,905 |
| Taxes | (2,905) | (2,629) | (276) | | | 0 | | | | | (2,905) | (2,629) | (276) |
| PROFIT (LOSS) FOR THE YEAR | 8,632 | 4,003 | 4,629 | 0 | 0 | 0 | | | | | 8,632 | 4,003 | 4,629 |
| PROFIT (LOSS) FOR THE YEAR DERIVING FROM OPERATING | 0 | | 0 | 156,899 | (243,324) | 400,223 | | 171 | (171) | | 156,899 | (243,153) | 400,052 |
| PROFIT (LOSS) FOR THE YEAR | 8,632 | 4,003 | 4,629 | 156,899 | (243,324) | 400,223 | 0 | 171 | (171) | 0 | 165,531 | (239,150) | 404,681 |

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

(*) The 2019 figures were restated in accordance with IFRS 5.

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) | 31/12/2020 | | | 31/12/2019 | | | Variations | | |
|---|---|---|---|---|---|---|---|---|---|
| | IT | TLC | Total | IT | TLC | Total | IT | TLC | Total |
| Projects and Services | 140,788 | 0 | 140,788 | 141,561 | 0 | 141,561 | (773) | 0 | (773) |
| Maintenance | 16,002 | 0 | 16,002 | 15,613 | 0 | 15,613 | 389 | 0 | 389 |
| HW/SW third parties | 2,413 | - | 2,413 | 2,793 | - | 2,793 | (380) | - | (380) |
| Own licences | 1,702 | 0 | 1,702 | 1,437 | 0 | 1,437 | 265 | 0 | 265 |
| System integration | 0 | 0 | 0 | - | 0 | 0 | 0 | 0 | 0 |
| Other | 612 | - | 612 | 736 | - | 736 | (124) | - | (124) |
| Total revenues third parties (a) | 161,607 | 0 | 161,607 | 162,140 | 0 | 162,140 | (534) | 0 | (534) |
| Intersectoral revenues (b) | 2,676 | 0 | 2,676 | 2,509 | 1,233 | 3,742 | 166 | (1,233) | 2,842 |
| Total revenues (a+b) | 164,283 | 0 | 164,283 | 164,650 | 1,233 | 165,883 | (366) | (1,233) | 2,308 |

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

| Exprivia Group (amounts in thousands of Euro) | 31/12/2020 | Incidence% | 31/12/2019 | Incidence% |
|---|---|---|---|---|
| Private | 123,869 | 76.6% | 127,157 | 78.4% |
| Public | 37,738 | 23.4% | 34,983 | 21.6% |
| **TOTAL** | **161,607** | | **162,140** | |

| Exprivia Group (amounts in thousands of Euro) | 31/12/2020 | Incidence% | 31/12/2019 | Incidence% |
|---|---|---|---|---|
| Italy | 150,277 | 65.6% | 150,150 | 92.6% |
| Foreing | 11,330 | 34.4% | 11,990 | 7.4% |
| **TOTAL** | **161,607** | | **162,140** | |

# 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 19,029 thousand at 31 December 2020 compared to Euro 47,304 thousand at 31 December 2019.

The breakdown of the changes during the period for each category of assets are detailed below:

| Categories | Net value at 01/01/2020 | Historical cost increases at 12/31/2020 | Historical cost decreases as at 31/12/2020 | Depreciation for the year Continuing Operations | Depreciation for the year Discontinued Operations | Depreciation fund at 31/12/2020 | Net change in the consolidation area | Net value at 31/12/2020 |
|---|---|---|---|---|---|---|---|---|
| Land | 1,606 | - | - | - | - | - | (327) | 1,278 |
| Buildings | 36,269 | 652 | (1,357) | (1,678) | (3,711) | 268 | (17,475) | 12,970 |
| Plant and machinery | 1,291 | 732 | (58) | (45) | (302) | 61 | (1,564) | 115 |
| Industrial equipment | 1,328 | 255 | (3,666) | - | (618) | 3,697 | (993) | - |
| Others | 6,813 | 4,210 | (6,215) | (1,908) | (1,831) | 6,015 | (2,418) | 4,666 |
| Fixed assets in progress | - | 64 | (70) | - | - | - | 6 | - |
| TOTAL | 47,304 | 5,913 | (11,366) | (3,631) | (6,462) | 10,041 | (22,770) | 19,029 |

Note that the column "depreciation for the year - Discontinued Operations" reflects the depreciation for the year 2020 of the Italtel Group, deconsolidated starting from 31 December 2020 following the loss of control by Exprivia.

The impact of the deconsolidation of the Italtel Group at 31 December 2020 is reflected in the column "**net change in the scope of consolidation".**

The increase in "**buildings**" amounted to Euro 652 thousand and it was mainly due to:

- Euro 288 thousand to the recognition of the right of use in accordance with IFRS 16 of lease agreements entered by Exprivia Group;
- Euro 354 thousand related to the recognition of the right of use according to IFRS 16 of the lease agreements entered into in the year concerning Italtel for Euro 200 thousand, to the extension to the end of 2020 of the offices in Argentina for Euro 11 thousand, to the offices in Spain for Euro 92 thousand and to the new contract for the offices in Peru for Euro 51 thousand.

The decrease in the item "**buildings**" is mainly due to the rescheduling of the end date of the lease agreement between Exprivia Slu Spagna and Italtel for the Madrid offices (Euro 421 thousand) and to the cancellation of the lease agreement for Euro 543 thousand, stipulated in Peru by the Italtel Group, reformulated in 2020 due to the Covid pandemic.

The increase in the item "plant and machinery" of Euro 732 thousand is mainly attributable to investments made by the Italtel Group in industrial equipment in Peru for Euro 642 thousand, of which Euro 194 thousand relating to lease agreements accounted for in accordance with IFRS 16 and for Euro 90 thousand for equipment used for the development of software solutions for products intended for the market by the Italian company.

The decrease in the item "industrial equipment", equal to Euro 3,666 thousand, is mainly due to the scrapping by the Italtel Group of obsolete equipment with a net carrying amount of zero.

The increase in the item "**Other assets**", amounting to Euro 4,210 thousand, mainly related to the recognition of the right of use according to IFRS 16 of medium/long-term car rental contracts for Euro 2,045 thousand, and to the purchase of electronic office equipment and computers for the technological renewal of information systems for Euro 924 thousand. The decreases in the item "other assets" mainly derive from the conclusion of some medium / long-term car rental contracts.

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

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 01/01/2020 | Historical cost increases at 12/31/2020 | Historical cost decreases as at 31/12/2020 | Depreciation for the year. Continuing Operations | Depreciation for the year. Discontinued Operations | Decreases in accumulated depreciation as at 31/12/2020 | Net change in the consolidation area | Net value at 31/12/2020 |
|---|---|---|---|---|---|---|---|---|
| Land and building | 19,327 | 643 | (1,358) | (1,182) | (3,220) | 269 | (11,737) | 2,742 |
| Electronic office machines | 68 | 0 | (60) | 0 | (3) | 0 | (5) | 0 |
| Furniture and furnishings | 156 | 197 | 0 | (92) | 6 | 0 | (194) | 66 |
| Cars | 2,793 | 3,035 | (1,531) | (1,015) | (1,071) | 1,908 | (1,120) | 2,599 |
| TOTAL | 22,343 | 3,875 | (3,349) | (2,289) | (4,294) | 2,177 | (13,056) | 5,407 |

The amounts relating to leases recognised in the income statement in 2020, referring to continuing operations, are as follows:

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| **Use of third party assets** | **(224)** | **(206)** | **(18)** |
| Short term leasing | 0 | (55) | 55 |
| Leasing of modest value | (224) | (151) | (73) |
| **Depreciation and write-downs of non-current assets** | **(2,289)** | **(2,258)** | **(31)** |
| Amortization of rights to use leased assets | (2,289) | (2,258) | (31) |
| **Financial income (charges)** | **(251)** | **(876)** | **626** |
| Interest expense for leased assets liabilities | (251) | (876) | 626 |

For the sake of completeness, the table below shows the changes in 2019:

| Categories | Net value at 01/01/2019 | IFRS 16 adjustments as of 01/01/2019 | Historical cost increases as at 31/12/2019 | Historical cost decreases as at 31/12/2019 | Depreciation for the year | Depreciation fund 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) | - | - | 0 |
| TOTAL | 27,667 | 24,205 | 6,912 | (17,813) | (10,253) | 16,586 | 47,304 |

## Note 2 – Goodwill

The item "**goodwill**" amounted to Euro 69,071 thousand at 31 December 2020, unchanged from the figure at 31 December 2019.

## 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, 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 through the so-called "impairment test".

### 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.

Following the loss of control of the Italtel Group at 31 December 2020, corresponding to the CGU previously identified as the TLC CGU, the only CGU identified at 31 December 2020 is the IT, software and IT services CGU corresponding to the scope of consolidation of the Exprivia Group. The Italtel Group is no longer consolidated at 31 December 2020.

Goodwill amounting to Euro 69 million is allocated to the IT CGU, equal to the total value of goodwill arising from business combinations through which assets, included in the Exprivia Group perimeter without the Italtel Group, were acquired.

### 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 impairment test process and the assessment system for the IT CGU are described below.

The recoverability of the amount of goodwill carried in the financial statements and allocated to the IT CGU 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 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 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 on 18 May 2020 and subsequently confirmed on 30 April 2021.

It should be noted that the estimated effects of Covid-19 were taken into account in the economic and financial projections, also in light of the indications of ESMA, Bank of Italy, CONSOB and Isvap, as well as the guidelines and indications provided in the most recent documents published following the COVID-19 pandemic. These effects are of insignificant impact, considering that the Group was not impacted in the least by the Covid-19 epidemic, as already noted in the Directors' Report, and that the specific future forecasts for the IT sector inferred from external sources show that the sector will not be negatively affected by the pandemic also in 2021.

The terminal value of the CGU 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) equal to the average of the long-term inflation rates expected for the main countries in which the CGU operates.

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

The Beta ratio has been estimated on the basis of a panel of comparable companies.

The weighted average cost of capital or WACC, was increased to incorporate an execution risk of the plan, equal to 1.4%, calculated on the basis of the average deviation percentage between the EBITDA achieved and the EBITDA estimated in the last five years, equal to 0.4%, to which an additional execution risk of 1% has been added, given the scenario of future uncertainty linked to Covid-19.

The main assumptions underlying the 2021-2025 economic-financial forecasts are listed below:

•for 2021 the projections reflect budget data for the year;

•for 2022-2025, the projections reflect an annual compound average growth rate of Total Revenues of 1.5% (CAGR 2021-2025) 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 | Germania |
|---|---|---|---|---|---|---|
| Risk free rate | 1,8% | 2,0% | 2,0% | 1,1% | 2,0% | 0,1% |
| Equity Risk Premium | 6,0% | 9,9% | 6,8% | 6,0% | 8,3% | 6,0% |
| D/E | 1,0% | 1,0% | 1,0% | 1,0% | 1,0% | 1,0% |
| Beta unlevered | 79,0% | 79,0% | 79,0% | 79,0% | 79,0% | 79,0% |
| Beta levered | 79,6% | 79,5% | 79,7% | 79,6% | 79,6% | 79,6% |
| Risk Premium | 4,8% | 7,9% | 5,4% | 4,8% | 6,6% | 4,8% |
| Premio per il rischio addizionale | 1,4% | 1,4% | 1,4% | 1,4% | 1,4% | 1,4% |
| **Costo del capitale proprio (Ke)** | **8,0%** | **11,3%** | **8,8%** | **7,3%** | **10,0%** | **6,3%** |
| Risk free rate | 1,8% | 2,0% | 2,0% | 1,1% | 2,0% | 0,1% |
| Spread | 2,8% | 2,8% | 2,8% | 2,8% | 2,8% | 2,8% |
| **Costo del debito (Kd Pre tax)** | **4,6%** | **4,8%** | **4,8%** | **3,9%** | **4,8%** | **2,9%** |
| Aliquota IRES / IS | 24,0% | 34,0% | 16,5% | 25,0% | 30,0% | 30,0% |
| **Costo del debito (Kd after Tax)** | **3,5%** | **3,2%** | **4,0%** | **2,9%** | **3,4%** | **2,0%** |
| D/D+E | 1,1% | 1,1% | 1,1% | 1,1% | 1,1% | 1,1% |
| E/D+E | 98,9% | 98,9% | 98,9% | 98,9% | 98,9% | 98,9% |
| **WACC** | **7,9%** | **11,2%** | **8,8%** | **7,2%** | **9,9%** | **6,2%** |
| Fattore di ponderazione (EBITDA per paese) | ***97,51%*** | ***1,05%*** | ***0,51%*** | ***0,83%*** | ***0,06%*** | ***0,04%*** |
| WACC Medio ponderato per Paese | **8,0%** | | | | | |

| Parametri | Italia | Brasile | Hong Kong | Spagna | Messico | Germania |
|---|---|---|---|---|---|---|
| G Rate (CPI di lungo termine per paese) | **1,30%** | **3,20%** | **2,40%** | **1,70%** | **3,00%** | **2,00%** |
| Fattore di ponderazione (EBITDA per paese) | *97,51%* | *1,05%* | *0,51%* | *0,83%* | *0,06%* | *0,04%* |
| **G rate medio ponderato con EBITDA medio per paese** | **1,33%** | | | | | |

### Sensitivity Analysis

A sensitivity analysis was carried out on the outcome of the impairment test 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 (1.4%) 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.

## Note 3 – Other Intangible Assets

The item "**Other intangible assets**" amounted to Euro 10,220 thousand at 31 December 2020 (net of amortisation) compared to Euro 10,425 thousand at 31 December 2019.

The table below provides a summary of the item.

| Categories | Net value at 01/01/2019 | Increases as at 31/12/2020 | Decreases as at 31/12/2020 | Depreciation for the year, Continuing Operations | Depreciation for the year, Discontinued Operations | Decreases in accumulated depreciation 31/12/2020 | Net change in the consolidation area | Net value at 31/12/2020 |
|---|---|---|---|---|---|---|---|---|
| Other intangible assets | 2,261 | 676 | (82) | (797) | - | 40 | - | 2,098 |
| Costs for capitalized internal projects | 4,251 | 5,307 | - | (1,950) | (480) | - | (2,439) | 4,681 |
| Patents and Intellectual Property Rights | 8 | 719 | 32 | 0 | (261) | - | (498) | 0 |
| Assets under construction and Advances | 3,913 | 820 | (1,121) | - | - | - | (171) | 3,441 |
| TOTAL | 10,425 | 7,522 | (1,171) | (2,747) | (741) | 40 | (3,168) | 10,220 |

Note that the column "amortisation for the year - Discontinued Operations" shows the amortisation for the year 2020 of the Italtel Group, deconsolidated from the Exprivia Group starting from 31 December 2020.

The impact of the deconsolidation of the Italtel Group at 31 December 2020 is reflected in the column **"net change in the scope of consolidation**".

The increase in the item "**Costs for capitalised internal projects**" is due to the development of software applications in the IT sector for the Banking & Finance, Healthcare and Defence & Aerospace markets (for Euro 2,380 thousand) and the TLC sector referred to the Italtel Group (for Euro 2,927 thousand).

The increase in the item "patents and user rights - Intellectual Property" is attributable to the Italtel Group and mainly relates to application software acquired under unlimited use licenses.

It should be noted that the item "**Work in progress and advances**" mainly refers to "costs for capitalised internal projects" regarding development activities not yet completed in the Defence & Aerospace market; the decrease is mainly attributable to the creation of completed software applications and therefore amortised.

It should also be noted that the net value at 1 January 2020 does not include the other intangible assets of the TLC CGU, corresponding to the scope of consolidation of the Italtel Group, as they were already written down at 31 December 2019, as per the results of the impairment test at that date. The changes in the year 2020 in the item "Other intangible assets" referring to the Italtel Group are shown in the previous table.

The changes relating to 2019 are shown below

| Categories | Net value at 01/01/2018 | Increases as at 31/12/2019 | Writedowns of CGU TLC | Decreases as at 31/12/2019 | Depreciation for the year | Decreases in accumulated depreciation 31/12/2019 | Net value at 31/12/2019 |
|---|---|---|---|---|---|---|---|
| Other intangible assets | 22,611 | 343 | (18,763) | - | (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) | - | (1,263) | - | 0 |
| Assets under construction and Advances | 7,896 | 892 | (169) | (4,706) | 0 | - | 3,913 |
| TOTAL | 52,615 | 10,896 | (32,344) | (4,706) | (15,976) | (57) | 10,425 |

## Note 4 – Equity Investments

The balance of the item "**equity investments**" at 31 December 2020 amounted to Euro 554 thousand compared to Euro 764 thousand at 31 December 2019.

The composition of equity investments is described below.

## Equity investments in associates

The balance of the item "**equity investments in associates**" at 31 December 2020 amounted to Euro 386 thousand compared to Euro 387 thousand at 31 December 2019.

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

| Description | 31/12/2020 | 31/12/2019 | Variations |
|---|---|---|---|
| Cored - Consorzio Reti 2000 in liquidazione | 0 | 76 | (76) |
| Quest.it Srl | 386 | 311 | 75 |
| **TOTAL** | **386** | **387** | **(1)** |

The decrease in the investment in "Cored - Consorzio Reti 2000 in liquidation" is attributable to the deconsolidation of the Italtel Group at 31 December 2020, while the increase of Euro 75 thousand refers to the further purchase by Exprivia of 5% of the capital of QuestIT Srl. 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. Following the additional purchase of 5% of the share capital of QuestIT, the percentage of investment in this company rose to 25%.

The equity investment in Ques.IT is measured using the equity method.

## Equity investments in other companies

The balance of the item "**equity investments in other companies**" at 31 December 2020 amounted to Euro 168 thousand compared to Euro 377 thousand at 31 December 2019.

The table below provides details on the item:

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Ultimo Miglio Sanitario | 3 | 3 | - |
| Cartia | 1 | 1 | - |
| Conai | 0 | 1 | (1) |
| Software Engineering Research | 12 | 12 | - |
| Consorzio Biogene | 3 | 3 | - |
| Consorzio DARe | 1 | 1 | - |
| Consorzio DHITECH | 17 | 17 | - |
| H.BIO Puglia | 12 | 12 | - |
| Consorzio Italy Care | 10 | 10 | - |
| Consorzio DITNE | 6 | 6 | - |
| SELP | 3 | - | 3 |
| Consorzio Daisy-Net Partecipation | 14 | 14 | - |
| Cattolica Popolare Soc. Cooperativa | 23 | 23 | - |
| Innoval Scarl | 3 | 3 | - |
| Partecipazione Consorzio SILAB-Daisy | 7 | 7 | - |
| ENFAPI CONFIND Partecipation | 1 | 1 | - |
| Partecipazione Consorzio GLOCAL ENABLER | 2 | 2 | - |
| Consorzio Heath Innovation HUB/Consorzio Semantic Valley | 2 | 2 | - |
| Cefriel Scarl | 32 | 69 | (37) |
| 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 Teconoligico. Sicilia Micro e Nano Sistemi Scarl | - | 27 | (27) |
| SI-LAB Sicilia Scarl | - | 6 | (6) |
| Open Hub Med Scarl | - | 82 | (82) |
| MADE S.c.r.l. | - | 2 | (2) |
| TOTAL | 168 | 377 | (209) |

The item "Equity investments in other companies" decreased by Euro 209 thousand. The decrease of Euro 212 thousand is attributable to the deconsolidation of the Italtel Group, while the increase of Euro 3 thousand is attributable to the purchase made by Exprivia, on 4 March 2020, of 1% of the company "District Technological Aerospace Scarl" share capital.

## Note 5 – Other Non-Current Financial Assets

The balance of the item "**other non-current financial assets**" at 31 December 2020 amounted to Euro 1,250 thousand compared to Euro 2,213 thousand at 31 December 2019.

Details on the item in question are provided below:

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Non-current financial receivables from parent companies | 919 | 1,358 | (439) |
| Non-current financial receivables from others | 331 | 855 | (524) |
| Derivative financial instruments | 0 | 0 | 0 |
| **TOTAL** | **1,250** | **2,213** | **(963)** |

### Non-current financial receivables from parent companies

The balance of the item "**non-current financial receivables from parent companies**", amounting to Euro 919 thousand at 31 December 2020, compared to Euro 1,358 thousand at 31 December 2019, refers to the receivable due to the Parent Company Exprivia from its holding company Abaco Innovazione SpA related to 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 fifth instalment maturing on 4 April 2021, amounting to Euro 439 thousand, was reclassified under item "other current financial assets" and increased by Euro 24 thousand for accrued interest.

### Non-current financial receivables from others

The balance of the item "**non-current financial receivables from others**" at 31 December 2020 amounted to Euro 331 thousand compared to Euro 855 thousand at 31 December 2019.

This item refers to medium/long-term guarantee deposits of Euro 171 thousand and for Euro 160 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 2020, the item "**Derivative financial instruments**" amounted to Euro 0.05 thousand compared to Euro 0.2 thousand at 31 December 2019.

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* | Operation date | 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 | 1,507,692 | 18 |
| Interest Rate Cape - BPM | 11/05/2016 | 30/06/2016 | 30/12/2022 | EUR | 846,136 | 10 |
| Interest Rate Cape - UNICREDIT | 09/05/2016 | 30/06/2016 | 30/12/2022 | EUR | 1,507,692 | 18 |
| **TOTAL** | | | | | **3,861,520** | **47** |

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 0.13 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 2020 amounted to Euro 468 thousand compared to Euro 1,431 thousand at 31 December 2019.

The table below provides details on the item in question with a comparison with the composition at 31 December 2019.

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Receivables from tax authorities | - | 318 | (318) |
| Receivables from tax authorities requested for reimbursement | 54 | 163 | (109) |
| Other credits | 414 | 950 | (536) |
| TOTAL | 468 | 1,431 | (963) |

The item "**Receivables from tax authorities**" was reduced to zero compared to Euro 318 thousand at 31 December 2019 due to the deconsolidation of the Italtel Group.

"**Receivables from tax authorities requested for rebate**" amounting to Euro 54 thousand, compared to Euro 163 thousand at 31 December 2019, refer to the non-current portion of the receivable for the refund request related to the deductibility of IRAP calculated on personnel costs. The decrease is attributable to the deconsolidation of the Italtel Group. 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 414 thousand compared to Euro 950 thousand at 31 December 2019 refer primarily, for Euro 409 thousand, to the suspension of costs pertaining to subsequent years. The decrease is attributable for Euro 245 thousand to the deconsolidation of the Italtel Group.

## Note 7 – Prepaid Taxes

The item " **Prepaid taxes**" amounted to Euro 2,219 thousand at 31 December 2020 compared to Euro 4,421 thousand at 31 December 2019, and refers to taxes on temporary deductible changes or future tax benefits.

| Description | 31/12/2020 | | 31/12/2019 | |
|---|---|---|---|---|
| | Amount temporary differ at 31/12/2020 | Tax effect at 31/12/2020 | Amount temporary differ | Tax effect at 31 December 2019 |
| Depreciation | 285 | 65 | 218 | 52 |
| Allowance for doubtful accounts | 2,172 | 521 | 2,303 | 598 |
| Fund risks | 1,262 | 356 | 1,474 | 416 |
| Tax losses | 202 | 162 | 2,142 | 598 |
| Adjustments for IFRS | 814 | 200 | 783 | 182 |
| Others | 2,275 | 512 | 9,446 | 2,250 |
| TOTAL | 7,098 | 2,219 | 16,422 | 4,421 |

Note that the decrease in "prepaid taxes"  is mainly due to the deconsolidation of the Italtel Group.

# CURRENT ASSETS

## Note 8 – Trade Receivables

The balance of the item "**Trade receivables**" at 31 December 2020 amounted to Euro 50,319 thousand compared to Euro 147,710 thousand at 31 December 2019. The decrease is mainly due to the deconsolidation of the Italtel Group, amounting to Euro 97,802 thousand at 31 December 2019.

The balance of the item at 31 December 2020 and at 31 December 2019 can be broken down as follows:

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Trade receivables from customers | 50,286 | 147,626 | (97,340) |
| Trade receivables from associated companies | 0 | 69 | (69) |
| Trade receivables from parent companies | 33 | 25 | 8 |
| **Total trade receivables** | **50,319** | **147,710** | **(97,391)** |

### Trade Receivables - Customers

At 31 December 2020, the item "**Trade receivables - Customers**" amounted to Euro 50,286 thousand (net of the bad debt provision) compared to Euro 147,626 thousand at 31 December 2019. It should be noted that at 31 December 2020, the receivables due to Exprivia and its subsidiaries from the Italtel Group (amounting to Euro 1,831 thousand), which at 31 December 2019 were included among the inter-company balances, were shown under "Trade receivables - Customers", due to the deconsolidation of the Italtel Group as from 31 December. The table below provides details on the item in question with a comparison with 31 December 2019.

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| To Italian customers | 36,720 | 93,958 | (57,238) |
| To foreign customers | 8,632 | 56,793 | (48,161) |
| To public bodies | 9,450 | 5,559 | 3,890 |
| **S-total receivables to customers** | **54,802** | **156,310** | **(101,508)** |
| Less: provision for bad debts | (4,516) | (8,684) | 4,168 |
| **Total receivables to customers** | **50,286** | **147,626** | **(97,340)** |

The change, both with reference to gross receivables and to the bad debt provision, mainly refers to the deconsolidation of the Italtel Group.

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

| Details | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| To third parties | 41,018 | 136,741 | (95,723) |
| Invoices for issue to third parties | 13,784 | 19,569 | (5,786) |
| TOTAL | **54,802** | **156,310** | **(101,508)** |

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 | | |
| 41,018 | 25,667 | 15,351 | 1,290 | 1,569 | 267 | 680 | 1,621 | 1,230 | 182 | 8,512 | (4,516) | 35,896 |
| 100% | 63% | 37% | 3% | 4% | 1% | 2% | 4% | 3% | 0% | 21% | | |

### Trade receivables - Associates

"**Trade receivables - Associates**" at 31 December 2020 were zero compared to the balance at 31 December 2019, equal to Euro 59 thousand, due to the deconsolidation of the Italtel Group.

### Trade Receivables - Parent Companies

The balance of "**Trade receivables - Parent Companies**" at 31 December 2020 amounted to Euro 33 thousand compared to Euro 25 thousand at 31 December 2019 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 1,064 thousand at 31 December 2020 compared to Euro 23,777 thousand at 31 December 2019 and refer mainly to software and hardware purchased and destined to be sold in future periods.

The table below provides the detailed breakdown:

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Work in progress and products in progress | 0 | 8,916 | (8,916) |
| Finished products and goods | 1,064 | 14,861 | (13,797) |
| **TOTAL** | **1,064** | **23,777** | **(22,713)** |

"**Finished products and goods**", net of the inventory write-down provision, amounted to Euro 1,064 thousand at 31 December 2020 compared to Euro 14,861 thousand at 31 December 2019 and represent the value of hardware products and sundry equipment for resale in subsequent periods. At 31 December 2020, the item refers almost exclusively to Exprivia. The decrease is mainly due to the deconsolidation of the Italtel Group.

## Note 10 – Work in Progress Contracts

At 31 December 2020, the item "**work in progress contracts**" amounted to Euro 23,437 thousand compared to Euro 47,463 thousand at 31 December 2019 and refers to the value of work in progress contracts valued according to contractual payments accrued. The change of (24,027 thousand) is attributable for Euro 32,246 thousand to the deconsolidation of the Italtel Group and for Euro 8,220 thousand to the increase in value of the orders in the current scope of consolidation.

## Note 11 – Other Current Assets

"**Other current assets**" amounted to Euro 10,207 thousand at 31 December 2020 compared to Euro 32,504 thousand at 31 December 2019; the change is mainly due to the deconsolidation of the Italtel Group.

Details are provided in the following table:

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Current tax credits | 2,093 | 4,918 | (2,825) |
| Receivables for current taxes | 60 | 985 | (925) |
| Credits for contributions | 5,383 | 21,986 | (16,603) |
| Sundry credits | 603 | 1,912 | (1,309) |
| Receivables to welfare institutes/INAIL | 229 | 251 | (22) |
| Receivables to employees | (0) | 489 | (489) |
| Costs in future years expertise | 1,839 | 1,964 | (125) |
| TOTAL | 10,207 | 32,504 | (22,297) |

"**Current tax receivables**" of Euro 2,093 thousand compared to Euro 4,918 thousand at 31 December 2019, substantially decreased due to the deconsolidation of the Italtel Group.

The item "**Grants receivable**", amounting to Euro 5,383 thousand versus Euro 21,986 thousand at 31 December 2019, refers to the amounts receivable from the government, regional authorities and public bodies for operating and capital grants for research and development projects in relation to which reasonable certainty exists regarding their recognition, as set forth in section 7 of IAS 20. The decrease in the balance compared to the previous year is due to the deconsolidation of the Italtel Group; the balance at 31 December 2020 relates almost entirely to the Parent company Exprivia.

"**Receivables from pension institutions/INAIL**", amounting to Euro 229 thousand compared to Euro 251 thousand at 31 December 2019, 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 2020 (Euro 68 thousand).

The item "**Expenses pertaining to future financial years**" for Euro 1,839 thousand compared with Euro 1,964 thousand at 31 December 2019, refers to suspended costs pertaining to the following year.

## Note 12 – Other Current Financial Assets

The balance of the item "**other current financial assets**" at 31 December 2020 amounted to Euro 728 thousand compared to Euro 5,477 thousand at 31 December 2019.

The following table provides details on the item as well as a comparison with 31 December 2019.

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Current financial receivables from others | 265 | 5,011 | (4,746) |
| Current financial receivables from parent companies | 463 | 466 | (3) |
| **TOTAL** | **728** | **5,477** | **(4,749)** |

### Current financial receivables from others

The balance of "**current financial receivables from others**" amounted to Euro 265 thousand at 31 December 2020 compared to Euro 5,011 thousand at 31 December 2019 and refers mainly to guarantee deposits for Euro 38 thousand and to Exprivia's time deposits for guarantee commitments towards banks for Euro 205 thousand. The decrease is attributable to the deconsolidation of the Italtel Group.

### Current financial receivables from parent companies

At 31 December 2020, the balance of "**current financial receivables from parent companies**" amounted to Euro 463 thousand compared to Euro 466 thousand at 31 December 2019 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 27,867 thousand at 31 December 2020 compared to Euro 25,996 thousand at 31 December 2019 and refers to Euro 27,822 thousand held at banks and Euro 45 thousand in cheques and cash in hand. Additionally, the bank balance does not include, at 31 December 2020, secured deposits for guarantees undertaken in favour of banks.

## Note 14 – Other Financial Assets Measured at FVOCI

The item "**other financial assets measured at FVOCI**" amounted to Euro 205 thousand at 31 December 2020, compared to Euro 178 thousand at 31 December 2019. 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 2 thousand at 31 December 2020;

(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 203 thousand at 31 December 2020.

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

## Note 15 – Non-Current Assets Disposed of

"**Non-current assets disposed of**" were written off at 31 December 2020 **(Euro** 12 thousand at 31 December 2019**)** due to the deconsolidation of the Italtel Group.

# SHAREHOLDERS' EQUITY

## Note 16 – Share Capital

The "**Share Capital**", fully paid-up, amounted to Euro 24,616 thousand at 31 December 2020 compared to Euro 24,866 thousand at 31 December 2019; the change of Euro 250 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 4,546,084 treasury shares held at 31 December 2020, with a nominal value of Euro 2,364 thousand.

## Note 16 – Share Premium Reserve

At 31 December 2020, the "**Share premium reserve**" amounted to Euro 18,082 thousand and is the same as 31 December 2019.

## Note 16 – Revaluation Reserve

At 31 December 2020, the "**Revaluation reserve**" amounted to Euro 2,907 thousand and is the same as at 31 December 2019. It should be noted that this item includes the tax realignment of the statutory values carried out by the Parent Company with reference to the properties in Molfetta, Via A. Olivetti 11 and Rome, Via Bufalotta; opportunity offered by Decree Law no. 104 of 14 August 2020, art. 110, paragraph 8, by reference to paragraph 1 of art. 14 of Law no. 342/00.

## Note 16 – Legal Reserve

At 31 December 2020, the "**Legal reserve**" amounted to Euro 4,171 thousand and is the same as at 31 December 2019.

## Note 16 – Other Reserves

The balance of the item "**Other reserves**" at 31 December 2020 amounted to Euro 14,133 thousand compared to Euro 37,054 thousand at 31 December 2019. Changes in 2020 refer to:

- the positive effect on the shareholders' equity of the adoption of IAS 29 for Euro 676 thousand;
- the positive effect of the change in the currency translation reserve for Euro 2,637 thousand;
- the negative effect on the shareholders' equity deriving from the share premium paid in 2020 for the purchase of treasury shares for Euro 45 thousand;
- 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 552 thousand;
- the positive effect on the shareholders' equity deriving from the financial assets at FVOCI for Euro 27 thousand;
- the negative effect on the shareholders' equity deriving from the valuation of Cash Flow Hedge derivatives for Euro 482 thousand;
- the negative effect on the shareholders' equity of the deconsolidation of the Italtel Group for Euro 25,171 thousand;
- other negative changes for Euro 12 thousand.

## Note 16 – Profit/Loss from Previous Periods

The item "**Profit/loss from previous periods**" at 31 December 2020 stood at Euro (165,774) thousand compared to Euro 6,998 thousand at 31 December 2019. The change relates to the allocation of the result of the previous year, (the loss of the 2019 financial year amounted to Euro 239,150 thousand), and to the positive effect of the deconsolidation of the Italtel Group on non-controlling interests for Euro 66,378 thousand.

## Note 16 – Minority Shareholders' Interests

**Minority Shareholders' interest** at 31 December 2020 was positive for Euro 29 thousand compared to a negative Euro 41,119 at 31 December 2019. The change was mainly due to the effect of the deconsolidation of the Italtel Group on non-controlling interests (Euro 41,208 thousand).

**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 as of 31.12.2019 | Shareholders' equity as of 31.12.2019 | Result as of 31.12.2020 | Shareholders' equity as of 31.12.2020 |
|---|---|---|---|---|
| **Exprivia SpA** | (22,865) | 56,354 | 10,228 | 66,107 |
| Contribution of consolidated companies (PN and Result) | (215,828) | (181,454) | (1,188) | 3,539 |
| Elision of equity investments | 28,134 | (8,619) | 253 | (8,320) |
| Goodwill | (568) | 2,280 | - | 2,280 |
| Dividend elimination | (226) | - | (674) | - |
| Higher values attributed to the net assets of the subsidiaries | (752) | - | - | - |
| Writedown of higher values attributed to the net assets of the investee | (13,528) | - | - | - |
| Write-down of net assets of subsidiaries | (13,684) | (13,684) | - | - |
| Profit (loss) Discontinued Operations | | | 156,899 | - |
| Other consolidation adjustments | 158 | 61 | 14 | 61 |
| Third party equity | 66,367 | 41,119 | 61 | (29) |
| **Total Group Equity** | **(172,782)** | **(103,953)** | **165,592** | **63,637** |

# NON-CURRENT LIABILITIES

## Note 17 – Non-Current Bond Issues

The balance at 31 December 2020 was Euro 13,673 thousand compared to Euro 18,164 thousand at 31 December 2019 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 |
|---|---|---|
| 31.12.2020 | ≤ 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 2020, the covenants had been met.

It should be noted that, on the Calculation Date carried out on 31 December 2019 relating to the financial year 2019, 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 2020 decreased from 5.80% to 5.30%.

## Note 18 – Non-Current Payables to Banks

At 31 December 2020, the item "**Non-current bank debt**" amounted to Euro 26,103 thousand compared to Euro 2,485 thousand at 31 December 2019, and pertains to medium-term bank debt from major credit and financial institutions and to low-interest loans for specific investment programmes. The main change is attributable to a new loan taken out in 2020 by the Parent Company with a pool of banks whose lead bank is Banca Popolare di Puglia e Basilicata.

The table below provides details on the items and breaks down the non-current portion (Euro 26,103 thousand) and the current portion (Euro 10,287 thousand) of the payable.

| Financial Institute | Typology | Contract amount | Amount paid 31.12.2020 | Date contract | Expiration date | Repayment installment | Rate applied | Residual capital 31.12.2020 | To be repaid within 12 months | To be repaid over 12 months |
|---|---|---|---|---|---|---|---|---|---|---|
| Pool – Capofila Banca Nazionale del Lavoro | Financing | 25,000 | 25,000 | 01/04/2016 | 31/12/2022 | semi-annual | Euribor + 2.65% | 7,597 | 3,780 | 3,817 |
| Pool – Capofila Banca Popolare di Puglia e Basilicata | Financing | 20,000 | 20,000 | 27/11/2020 | 30/09/2026 | quarterly | Euribor + 1.80% | 19,667 | (46) | 19,713 |
| Banca del Mezzogiorno Mediocredito Centrale | Financing | 3,000 | 3,000 | 23/06/2017 | 23/06/2021 | quarterly | Euribor + 2.75% | 2,362 | 2,362 | - |
| Deutsche Bank | Financing | 2,000 | 2,000 | 30/09/2020 | 30/09/2021 | unica rata | Euribor + 0.50% | 1,902 | 1,902 | - |
| Banca Popolare Puglia e Basilicata | Financing | 2,000 | 2,000 | 24/03/2017 | a revoca | unica rata | 2.87% | 2,006 | 2,006 | - |
| Ministero dello Sviluppo Economico NCUP | Financing | 983 | 983 | 11/05/2016 | 17/11/2026 | annual | 0.31% | 606 | 88 | 518 |
| Ministero dello Sviluppo Economico Horizon 2020 | Financing | 529 | 194 | 10/02/2017 | 30/06/2028 | half-yearly | 0.80% | 486 | 42 | 444 |
| Ministero dello Sviluppo Economico MISE progetto Instamed | Financing | 455 | 455 | 27/05/2019 | 30/06/2029 | half yearly | 0.50% | 406 | 8 | 398 |
| Ministero dello Sviluppo Economico MISE progetto Prosit | Financing | 504 | 184 | 05/02/2020 | 31/12/2029 | half yearly | 0.17 | 476 | (11) | 487 |
| Ministero dello Sviluppo Economico MISE progetto Digimaging | Financing | 338 | 330 | 14/10/2019 | 30/06/2029 | half-yearly | 0.50% | 300 | 6 | 294 |
| Banca Monte dei Paschi di Siena | Financing | 450 | 450 | 17/11/2020 | 31/10/2026 | monthly | Euribor + 1.80% | 447 | - | 447 |
| Banco de Santander | Financing | 610 | 610 | 20/07/2016 | 28/07/2021 | monthly | 0.61% | 92 | 92 | - |
| Santander | Financing | 100 | 100 | 01/07/2020 | 01/07/2025 | monthly | 2.00% | 100 | 11 | 89 |
| Santander | Financing | 42 | 42 | 28/10/2020 | 28/01/2021 | monthly | 2.00% | 14 | 14 | - |
| Santander | Financing | 42 | 42 | 27/11/2020 | 27/02/2021 | monthly | 2.00% | 28 | 28 | - |
| Santander | Financing | 42 | 42 | 28/12/2020 | 28/03/2021 | monthly | 2.00% | 42 | 42 | - |
| **Totale** | | | | | | | | **36,390** | **10,287** | **26,103** |

It should be noted that at 31 December 2019, the residual debt of the syndicated loan taken out on 1 April 2016 by Exprivia with BNL as Agent Bank had been reclassified as short-term, due to the occurrence of a Determining Event that had affected the investee Italtel at that date and that would have entitled the Lenders to withdraw from the loan agreement. Considering that on 4 November 2020, BNL, also as the agent bank of the pool, granted Exprivia a waiver to rectify this situation, declaring that, at present, the Lenders believe that they do not avail themselves of the express termination clause envisaged by the loan agreement, for the financial statements at 31 December 2020, the residual debt of the aforementioned loan was reclassified under non-current liabilities for the instalments falling due after 31 December 2021 equal to Euro 3.8 million.

## 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 |
|---|---|---|---|---|
| 31.12.2020 | ≤ 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.

At 31 December 2020, the remaining debt amounted to Euro 7,597 thousand, Euro 3,780 thousand of which is to be repaid within the next twelve months (and therefore recorded under current liabilities) and the remaining Euro 3,817 thousand to be repaid in 2022 (carried under non-current liabilities).

At 31 December 2020, the financial covenants had been met.

## Medium-term loan agreement

On 27 November 2020, Exprivia has 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 medium-term loan agreement amounting to Euro 20 million, consisting of a single line of credit to be repaid by 30 September 2026, with a two-year grace period, at an annual interest rate equal to Euribor plus a spread of 1.60%, to which agency fees and up-front commissions were added..

The loan was granted with the use of the Liquidity Decree of 9 April 2020, (Decree Law no. 23 of 8 April 2020 converted into Law no. 40 of 5 June 2020) and is backed by a SACE SpA guarantee covering 90% of the amount of the loan.

The loan provides for contractual conditions, commitments and terms in line with bank credit market standards for loans of the same amount and duration, such as representations and warranties, commitment covenants, limitations on significant extraordinary transactions, financial indebtedness and significant investments, obligation to maintain adequate insurance coverage, mandatory and optional early repayment clauses, cross default, etc. The loan provides for the prohibition on the distribution of dividends and/or the purchase of treasury shares in the 12 months following the date of the Loan Request, as envisaged by the Liquidity Decree; subsequently, there is a restriction on the distribution of dividends, which may not exceed 25% of the net profit.
The loan also provides for certain financial covenants (Net Borrowing/Ebitda, Net Borrowing/SE), as better described in the following table:

| Reference date | Net Borrowing/EBITDA | Net Borrowing/Shareholders' Equity |
|---|---|---|
| 31.12.2020 | ≤ 4.5 | ≤ 1.0 |
| 31.12.2021 | ≤ 4.0 | ≤ 1.0 |
| 31.12.2022 | ≤ 2.7 | ≤ 0.7 |
| 31.12.2023 | ≤ 2.5 | ≤ 0.7 |
| 31.12.2024 | ≤ 2.0 | ≤ 0.7 |
| 31.12.2025 | ≤ 2.0 | ≤ 0.7 |
| 31.12.2026 | ≤ 2.0 | ≤ 0.7 |

These financial covenants calculated on a consolidated basis, excluding the Italtel Group, must be communicated within 15 days from the date of approval of the related financial statements.

The residual debt at 31 December 2020 amounted to Euro 19,667 thousand, of which Euro 19,713 thousand to be repaid in the years 2022-2026 (and recorded among non-current liabilities) and (46) thousand related to the application of the amortised cost for accessory costs accrued in the following year (and therefore recorded among current liabilities).

At 31 December 2020, the financial covenants had been met.

## 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 Molfetta, Via Giovanni

Agnelli no. 5 for a total amount 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 2020.

The residual debt at 31 December 2020 amounted to Euro 2,263 thousand, fully classified under current liabilities in compliance with international accounting standards, due to Italtel's capital decrease pursuant to art. 2447 of the Italian Civil Code, 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 Exprivia (formerly Exprivia Healthcare IT Srl), of which the full amount approved was disbursed at 31 December 2020. 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 2020, the remaining debt amounted to Euro 500 thousand, Euro 86 thousand of which is to be repaid within the next twelve months (and therefore recorded under current liabilities) and the remaining Euro 414 thousand to be repaid in 2022-2025 (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 Exprivia (formerly ACS Srl) up to a maximum of Euro 929 thousand and disbursed for Euro 594 thousand at 31 December 2020. 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 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 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 - Prosit Project

Low-interest loan approved and disbursed on 5 February 2020 for Euro 504 thousand in favour of Exprivia. The loan requires repayment in six-month instalments, expires on 31 December 2029 and bears a below-market fixed rate of interest of 0.17%.

### Loan from Banca Monte dei Paschi di Siena SpA

Loan resolved in favour of Hrcoffee Srl for Euro 450 thousand, signed on 17 November 2020; repayment is scheduled in monthly instalments starting on 30 June 2022 and ending on 31 October 2026 with an 18-month grace period. It is aimed at supporting working capital requirements and the interest rate applied is Euribor +1.90% spread.

The loan in question is backed by a Cofidi guarantee pursuant to Law 662/96.

## 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 2020 and at 31 December 2019.

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| amounts in thousands of Euro | | | |
|---|---|---|---|
| | | 31.12.2020 | 31.12.2019 |
| A. | Cash | 47 | 582 |
| B. | Other liquid assets | 27,820 | 25,414 |
| C 1. | Securities held for trading | 205 | 178 |
| C 2. | Own shares | 3,312 | 3,017 |
| D | Liquid (A)+(B)+(C) | 31,384 | 29,191 |
| E. | **Current financial receivables** | **728** | **5,477** |
| F. | Current bank debts | (16,969) | (59,619) |
| G. | Current portion of non-current bank debts | (8,842) | (152,670) |
| H. | Other current financial debts | (3,989) | (12,591) |
| I. | **Current financial debts (F) + (G) + (H)** | **(29,799)** | **(224,879)** |
| J. | **Net current financial debts (I) + (E) + (D)** | **2,313** | **(190,211)** |
| K. | Non-current bank debts | (26,103) | (2,485) |
| L. | Bond | (13,673) | (18,164) |
| M. | Other non- current financial payables net of non-current financial recivables and derivate financial istruments | (2,835) | (14,830) |
| N. | **Non-current financial debts (K) + (L) + (M)** | **(42,611)** | **(35,479)** |
| O. | **Net financial debits (J) + (N)** | **(40,298)** | **(225,690)** |

Treasury shares held by the Parent Company (Euro 3,312 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 Euros | Continuing operations | | | | | | | Discontinued operations | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 31.12.2019 | | Monetary flows | | Non-monetary flows | | 31.12.2020 | 31.12.2019 | Monetary flows | Non-monetary flows | 31.12.2020 |
| Current financial receivables | 323 | | (195) | | 0 | | 728 | 4,844 | (2,992) | 0 | 1,852 |
| Current bank debts and current portion of non-current debt | (31,368) | | (2,133) | | 7,602 | (****) | (25,810) | (180,318) | 13,144 | 0 | (167,775) |
| Other current financial payables | (3,317) | | (605) | | (3) | | (3,989) | (9,253) | (3,458) | | (12,715) |
| Non-current bank debts | (1,621) | | (16,751) | | (7,602) | (****) | (26,103) | (854) | (1,456) | 0 | (2,310) |
| Bonds issued | (18,164) | | 4,491 | | 0 | | (13,673) | 0 | 0 | 0 | 0 |
| Other non-current net financial payables | (2,721) | | (113) | | 0 | | (2,835) | (12,109) | 3,133 | (196) | (9,172) |
| **Net liabilities deriving from financing activities** | **(56,303)** | | **(15,297)** | (*) | **(3)** | | **(71,683)** | **(198,498)** | **8,335** | **(196)** | **(190,358)** |
| Liquid assets | 12,451 | (**) | 18,958 | (***) | 27 | | 31,384 | 16,790 | 11,107 | 0 | 27,897 |
| **Net financial debts** | **(43,850)** | | **3,589** | | **29** | | **(40,298)** | **(181,758)** | **19,502** | **(196)** | **(162,453)** |

(*) 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 "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

(****) Among the non-monetary flows, the reclassification received in the financial statements as at 31 December 2019 under Current liabilities of the residual debt deriving from the loan agreement signed with a pool of banks on 1 April 2015 (BNL Banca Agent). This reclassification of an accounting nature, deriving from contractual clauses, did not generate a financial outlay during the year

## Note 19 – Other Non-Current Financial Liabilities

The balance of "**other non-current financial liabilities**" at 31 December 2020 amounted to Euro 4,085 thousand compared to Euro 17,043 thousand at 31 December 2019. The details are provided below:

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Non-current financial payables for leasing | 4,060 | 16,970 | (12,910) |
| Payables to other non-current lenders | 10 | 10 | - |
| Non-current derivative financial instruments | 15 | 15 | - |
| Other non-current financial payables | - | 48 | (48) |
| **TOTAL** | **4,085** | **17,043** | **(12,958)** |

## Non-current financial payables for leases

The balance of "**non-current financial payables for leases**" at 31 December 2020 came to Euro 4,060 thousand compared to Euro 16,970 thousand at 31 December 2019 and refers to the medium/long-term payment relating to contracts for leased assets. The decrease is mainly due to the effect arising from the deconsolidation of the Italtel Group.

## Non-current payables to other lenders

The balance of "**non-current payables to other lenders**" at 31 December 2020 amounted to Euro 10 thousand, unchanged from 31 December 2019.

## Non-current derivative financial instruments

The balance of "**non-current derivative financial instruments**" at 31 December 2020 stood at Euro 15 thousand and is unchanged from 31 December 2019; it 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.

## Note 20 – Other Non-Current Liabilities

The balance of "**other non-current liabilities**" at 31 December 2020 amounted to Euro 934 thousand compared to Euro 2,101 thousand at 31 December 2019.

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Debts v / social security and social security institutions | 7 | 114 | (107) |
| Non-current tax liabilities | 926 | 1,761 | (835) |
| Debts to others | 1 | 226 | (225) |
| **TOTAL** | **934** | **2,101** | **(1,167)** |

## Amounts payable to pension and social security institutions

The balance of "**Amounts payable to pension and social security institutions**" amounted to Euro 7 thousand at 31 December 2020 compared to Euro 114 thousand at 31 December 2019 and refers to the medium-long term instalment plans for Exprivia's social security debts.

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 2021.

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## Non-current tax liabilities

The balance of "**Non-current tax payables**" at 31 December 2020 amounted to Euro 926 thousand compared to Euro 1,761 thousand at 31 December 2019 and refers to the medium/long-term amounts under Exprivia's tax debt instalment plans.

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 2021.

Non-current tax liabilities are those deriving exclusively from the amortisation plan of tax payment slips and tax demands divided into instalments.

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

## Amounts payable to others

The balance of "**Amounts payables to others**" at 31 December 2020 amounted to Euro 1 thousand compared to Euro 226 thousand at 31 December 2019. The decrease is mainly due to the deconsolidation of the Italtel Group.

## Note 21 – Provisions for Risks and Charges

At 31 December 2020, the item "**provision for risks and charges**" amounted to Euro 410 thousand compared to Euro 3,731 thousand at 31 December 2019. The breakdown of this item is shown in the table below:

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Fund risks disputes | - | 250 | (250) |
| Risk fund tax dispute | - | 870 | (870) |
| Risk provisions staff | 94 | 1,147 | (1,053) |
| Provision for other risks | 316 | 1,464 | (1,148) |
| **TOTAL** | **410** | **3,731** | **(3,320)** |

Changes are reported below:

| Description | 31/12/2019 | Uses / Payments | Other decreases | Provisions | Change in consolidation area | 31/12/2020 |
|---|---|---|---|---|---|---|
| Fund risks disputes | 250 | - | - | - | (250) | - |
| Risk fund tax dispute | 870 | - | (76) | 27 | (821) | 0 |
| Risk provisions staff | 1,147 | (347) | (176) | 270 | (800) | 94 |
| Provision for other risks | 1,463 | (566) | (497) | 868 | (953) | 316 |
| **TOTAL** | **3,731** | **(913)** | **(749)** | **1,165** | **(2,824)** | **410** |

It should be noted that the column "Change in the scope of consolidation" reflects the effects of the deconsolidation of the Italtel Group at 31 December 2020.

"**Provision for dispute risks**" and the "**Provision for tax dispute risks**" were completely eliminated due to the deconsolidation of the Italtel Group.

**"Provision for staff risks**", amounting to Euro 94 thousand at 31 December 2020 compared to Euro 1,147 thousand at 31 December 2019, related to provisions for dispute risks with former employees. The change is mainly attributable to the deconsolidation of the Italtel Group.

"**Provision for staff risks**" at 31 December 2020 mainly refers to future losses on contracts with customers. The decrease in the year is mainly due to the deconsolidation of the Italtel Group.

## Note 22 – Employee Provisions

At 31 December 2020, the item "Employee provisions" amounted to Euro 8,729 thousand compared to Euro 25,939 thousand at 31 December 2019. The breakdown of this item shown in the table below.

### Severance indemnity fund

The balance of the item "Severance indemnity fund", which at 31 December 2019 had a balance of Euro 22 thousand, was written off at 31 December 2020 due to the deconsolidation of the Italtel Group.

### 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 8,729 thousand at 31 December 2020, compared to Euro 25,917 thousand at 31 December 2019. 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 comprehensive income statement. 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 change is mainly due to the deconsolidation of the Italtel Group.

The table below shows the primary actuarial and financial assumptions used in the calculation:

| Description | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Discount rate | 0,34% - 0,77% | 0,37% - 0,77% |
| Inflation rate | 1.00% | 1.00% |
| Annual rate of wage growth | 0 - 2,5% | 0 - 2,5% |
| Annual rate of TFR growth | 2.25% | 2.25% |
| Mortality | Tav ISTAT 2007 & 2011/RG48 | Tav ISTAT 2007 & 2011/RG48 |
| Inability | Tav. INPS 2010 | Tav. INPS 2010 |
| Turn-over | 3,0% -5,50% | 3,0% -5,50% |
| 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.

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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 1,467 thousand compared to Euro 2,138 thousand at 31 December 2019, and refers to allocations for temporary changes that will be reversed in subsequent financial years.

| Description | 31/12/2020 | | 31/12/2019 | |
|---|---|---|---|---|
| | Amount temporary differences | Tax effect | Amount temporary differences | Tax effect |
| TFR | (236) | (37) | 36 | 28 |
| Goodwill | 4,781 | 1,360 | 4,426 | 1,259 |
| Buildings | 382 | 106 | 2,856 | 810 |
| Adjustments for IFRS | 137 | 39 | 138 | 39 |
| **TOTAL** | **5,066** | **1,467** | **7,455** | **2,138** |

The recorded decrease is mainly due to the deconsolidation of the Italtel Group.

It should be noted that the decrease in deferred tax liabilities relating to the item "Buildings" is mainly due to the tax realignment carried out by the Parent Company on the revaluation of the Parent Company's properties as already described in note 16 Revaluation reserve.

# CURRENT LIABILITIES

## Note 24 – Current Bond Issues

At 31 December 2020, "**Current bond issues**" amounted to Euro 4,536 thousand compared with Euro 4,522 thousand at 31 December 2019 and referred to the current portion of Exprivia's bond issue (see Note 17 for further details).

## Note 25 – Current Payables to Banks

At 31 December 2020, the item "**current payables to banks**" amounted to Euro 21,274 thousand compared to Euro 207,766 thousand at 31 December 2019. Euro 10,287 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 10,987 thousand refers to current account overdrafts at major credit institutions.

The change is mainly due to the deconsolidation of the Italtel Group.

## Note 26 – Trade Payables

"**Trade payables**" amounted to Euro 25,497 thousand compared to Euro 190,367 thousand at 31 December 2019. The breakdown is shown in the table below:

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Trade payables to suppliers | 25,337 | 190,189 | (164,852) |
| Trade payables to associated companies | 160 | 178 | (18) |
| **TOTALI** | **25,497** | **190,367** | **(164,870)** |

It should be noted that at 31 December 2020, the payables due by Exprivia and its subsidiaries to the Italtel Group (amounting to Euro 1,324 thousand), which at 31 December 2019 were included among the inter-company balances, were shown under "Trade payables - Suppliers" due to the deconsolidation of the Italtel Group starting from 31 December 2020.

## Trade Payables - Suppliers

"**Trade payables - Suppliers**" amounted to Euro 25,337 thousand compared to Euro 190,189 thousand at 31 December 2019. The change is mainly attributable to the deconsolidation of the Italtel Group.

The table below provides details on the item:

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Invoices received Italy | 15,552 | 114,576 | (99,024) |
| Invoices received foreing | 1,925 | 25,693 | (23,768) |
| Invoices to consultants | 241 | 560 | (319) |
| Invoices to be received | 7,619 | 49,359 | (41,740) |
| **TOTAL** | **25,337** | **190,189** | **(164,852)** |

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 |
| 17,718 | 10,886 | 6,832 | 1,945 | 1,795 | 351 | 901 | 437 | 232 | 278 | 893 |
| 100.0% | 61% | 39% | 11% | 10% | 2% | 5% | 2% | 1% | 2% | 5% |

## Trade payables - Associates

"**Trade payables - Associates** " amounted to Euro 160 thousand compared to Euro 178 thousand at 31 December 2019 and refers to payables due by the Parent Company to its associate Quest.it Srl.

## Note 27 – Advance Payments on Work in Progress Contracts

At 31 December 2020, the item "**Advance payments on work in progress contracts**" amounted to Euro 6,432 thousand compared with Euro 12,608 thousand at 31 December 2019 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 3,989 thousand at 31 December 2020 compared to Euro 12,591 thousand at 31 December 2019.

The table below provides details on the item:

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Payables for the purchase of investments | 980 | 996 | (16) |
| Current financial payables to others | 970 | 5,313 | (4,343) |
| Current financial instruments | - | 422 | (422) |
| Current financial payables for leasing | 2,039 | 5,860 | (3,821) |
| **TOTAL** | **3,989** | **12,591** | **(8,602)** |

### Current financial payables for the purchase of equity investments

The balance of "**current financial payables for the purchase of equity investments**" at 31 December 2020 amounted to Euro 980 thousand compared to Euro 996 thousand at 31 December 2019 and relates to the Parent Company's debt arising from the obligation to purchase the remaining 47.7% of the capital of the subsidiary Exprivia do Brasil, currently held by minority shareholders.

### Current financial payables to others

The balance of the item "**current financial payables to others**" amounted to Euro 970 thousand compared to Euro 5,313 thousand at 31 December 2019. The change is mainly due to the deconsolidation of the Italtel Group.

### Current financial instruments

The balance of the item "**current financial instruments**" at 31 December 2020 was completely zeroed following the deconsolidation of the Italtel Group.

### Current Trade Payables - suppliers of leased assets

The balance of the item "**current trade payables - suppliers of leased assets**" at 31 December 2020 amounted to Euro 2,039 thousand compared to Euro 5,860 thousand at 31 December 2019 and refers to the current portion of the payable for lease agreements. This change is mainly attributable to the deconsolidation of the Italtel Group; it should also be noted that the payables pursuant to IFRS 16 at 31 December 2020 (Euro 232 thousand) due by the Parent Company to Italtel, which exited the scope of consolidation of the Exprivia Group at 31 December 2020, were reclassified under this item.

## Note 29 – Other Current Liabilities

"**Other current liabilities**" amounted to Euro 35,841 thousand at 31 December 2020 compared to Euro 63,977 thousand at 31 December 2019.

The table below provides details on the item:

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Current payables to social security and social security institutions | 7,673 | 10,227 | (2,554) |
| Other tax payables | 5,398 | 11,995 | (6,597) |
| Personnel debts | 14,462 | 19,818 | (5,356) |
| Other debts | 8,308 | 21,937 | (13,629) |
| **TOTAL** | **35,841** | **63,977** | **(28,136)** |

### 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 2020 amounted to Euro 7,673 thousand compared to Euro 10,227 thousand at 31 December 2019. The change is mainly due to the deconsolidation of the Italtel Group.

### Other tax liabilities

The balance of the item "**other tax liabilities"** at 31 December 2020 amounted to Euro 5,398 thousand compared to Euro 11,995 thousand at 31 December 2019. The change is mainly due to the deconsolidation of the Italtel Group.

### Payables related to staff

The balance of the item "**payables related to staff**" at 31 December 2020 amounted to Euro 14,462 thousand compared to Euro 19,818 thousand at 31 December 2019. The change is mainly due to the deconsolidation of the Italtel Group.

### Other payables

The balance of the item "**other payables**" at 31 December 2020 amounted to Euro 8,308 thousand compared to Euro 21,937 thousand at 31 December 2019; it consists primarily of accrued expenses and deferred income of Euro 4,177 thousand, which includes pending revenues attributable to the subsequent year and advances on contributions for Euro 1,467 thousand. Other payables at 31 December 2020 also included Euro 2,664 thousand for the reclassification of the Parent Company's IRES payables to Italtel arising from the participation in the worldwide tax consolidation scheme; the reclassification of the balance was necessary due to Exprivia's loss of control over Italtel pursuant to IFRS 10, effective at 31 December 2020.

## NON-CURRENT LIABILITIES DISPOSED OF

### Note 30 – Non-Current Liabilities Disposed of

The balance of "**Non-current liabilities disposed of**" was fully written off at 31 December 2020 (Euro 386 thousand at 31 December 2019) due to the deconsolidation of the Italtel Group.

# Explanatory Notes to the Consolidated Income Statement

Comments on the items of the income statement are provided below.

It should be noted that, following the deconsolidation of the Italtel Group, the result of the Italtel Group is shown separately in the item "Profit (loss) for the year - discontinued operations" of the income statement and commented on in Note 43 "Discontinued Operations pursuant to IFRS 5", as required by the provisions of this standard. Therefore, the comments below refer only to continuing operations. All the figures reported in the tables below are in thousands of Euro, unless expressly indicated.

### Note 31 – Revenues

**Revenue from sales and services** in 2020 amounted to Euro 161,607 thousand compared to Euro 162,140 thousand in the same period of 2019.

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Projects and Services | 140,788 | 141,561 | (773) |
| Maintenance | 16,002 | 15,613 | 389 |
| HW/ SW third parties | 2,413 | 2,793 | (380) |
| Own licences | 1,792 | 1,437 | 355 |
| Other | 612 | 736 | (124) |
| **Total** | **161,607** | **162,140** | **(533)** |

## Note 32 – Other Income

Other income in 2020 amounted to Euro 6,204 thousand compared to Euro 6,404 thousand in the same period of 2019. The table below provides details on the items.

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Other revenues and income | 956 | 974 | (18) |
| Grants related to income | 3,174 | 3,562 | (388) |
| Increase in capitalised expenses for intenal projects | 2,074 | 1,868 | 206 |
| TOTAL | **6,204** | **6,404** | **(200)** |

## Other revenues and income

"**Other revenues and income**" in 2020 amounted to Euro 956 thousand compared to Euro 974 thousand in 2019 and mainly refer to rents for Euro 335 thousand and long-term car rental charge-backs to employees for Euro 235 thousand.

## Grants for operating expenses

In 2020, "**Grants for operating expenses**" amounted to Euro 3,174 thousand compared to Euro 3,562 thousand in 2019 and refer to grants and tax credits pertaining to the year or authorised in the period relating to funded research and development projects.

## Increases in fixed assets for internal work

"**Increases in fixed assets for internal work**" amounted to Euro 2,074 thousand in 2020 compared to Euro 1,868 thousand in the same period of 2019 and refer to costs incurred in the year to develop products for the Banking & Finance, Healthcare, Aerospace & Defence.

## Note 33 – Costs for Sundry Consumables and Finished Products

The balance of the item "**costs for sundry consumables and finished products**" in 2020 amounted to Euro 3,850 thousand compared to Euro 7,431 thousand in the previous year. The table below provides details on the items.

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Purchase of HW-SW products | 3,555 | 7,120 | (3,565) |
| Stationery and consumables | 209 | 176 | 33 |
| Fuel and oil | 10 | 33 | (23) |
| Other costs | 76 | 102 | (26) |
| TOTAL | **3,850** | **7,431** | **(3,581)** |

The change in the item "purchase of hw-sw products" is attributable to the lower purchase of hardware and software products for resale due to the execution of some agreements.

## Note 34 – Staff Costs

The item "**Staff costs**" amounted to Euro 105,144 thousand in 2020 compared to Euro 105,478 thousand in the same period of 2019. The table below provides details on the item:

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Salaries and wages | 76,778 | 76,312 | 466 |
| Social charges | 20,952 | 21,105 | (153) |
| Severance Pay | 5,241 | 5,081 | 160 |
| Other staff costs | 2,173 | 2,981 | (808) |
| **TOTAL** | **105,144** | **105,478** | **(335)** |

The number of resources at 31 December 2020 amounted to 2,552 units, of which 2,543 employees and 9 temporary workers, while at 31 December 2019 the number of resources referring to the Exprivia Group without including the Italtel Group was 2,539, of which 2,529 employees and 10 temporary workers.

The average for 2020 was 2,531 employees and 7 temporary workers, while the average for 2019 was 2,484 employees and 9 temporary workers.

## Note 35 – Costs for Services

The consolidated balance of the item "**costs for services**" amounted to Euro 35,981 thousand in 2020 compared to Euro 35,326 thousand in 2019. The table below provides details on the items:

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Technical and commercial consultancy | 24,187 | 20,487 | 3,700 |
| Administrative/company/legal consultancy | 2,212 | 1,833 | 379 |
| Auditors' fees | 102 | 102 | 0 |
| Travel and transfer expenses | 535 | 2,421 | (1,886) |
| Utilities | 876 | 859 | 17 |
| Advertising and agency expenses | 314 | 445 | (131) |
| Bank charges | 445 | 442 | 3 |
| HW and SW maintenance | 4,986 | 4,596 | 390 |
| Insurance | 467 | 455 | 12 |
| Other costs | 1,857 | 3,686 | (1,829) |
| **TOTAL** | **35,981** | **35,326** | **655** |

The decrease in travel and travel costs is due to travel restrictions and limitations resulting from the COVID-19 epidemic.

The statement below is provided in accordance with art. 149-duodecies of CONSOB Issuers' Regulation to show amounts paid to the independent auditors in 2020 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 | Subject who provided the service | Recipient | Amount |
|---|---|---|---|
| Audit services | PricewaterhouseCoopers | Parent company | 173 |
| | | Subsidiaries | 396 |
| Non audit services (*) | PricewaterhouseCoopers | Parent company | 33 |
| Non audit services (*) | PricewaterhouseCoopers | Subsidiaries | 114 |
| TOTAL | | | 716 |

* Non-audit services provided to the Parent Company refer to the performance of agreed procedures for Euro 5 thousand and to the audits of the statement of costs incurred by the Company for research and development in 2019 for Euro 28 thousand. Non-audit services related to the subsidiaries regard only the Italtel Group and are only attributable to the performance of agreed audit procedures.

## Note 36 – Costs for Leased Assets

The consolidated balance of the item "**costs for leased assets**" amounted to Euro 673 thousand in 2020 compared to Euro 562 thousand in 2019. The table below provides details on the items:

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Rental expenses | 170 | 107 | 63 |
| Car rental/leasing | - | 55 | (55) |
| Rental of other assets | 224 | 151 | 73 |
| Other costs | 279 | 249 | 30 |
| **TOTAL** | **673** | **562** | **111** |

## Note 37 – Sundry Operating Expenses

In 2020, the consolidated balance of the item "**sundry operating expenses**" amounted to Euro 719 thousand, compared to Euro 1,025 thousand in 2019. The table below provides details on these items.

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Annual subscriptions | 104 | 141 | (37) |
| Taxes | 297 | 381 | (84) |
| Penalties and fines | 42 | 81 | (39) |
| Charitable donations | 19 | 32 | (13) |
| Write-offs | 4 | 200 | (196) |
| Other sundry operating expenses | 252 | 190 | 62 |
| **TOTAL** | **719** | **1,025** | **(306)** |

## Note 38 – Changes in Inventories

In 2020, the balance of the item "**changes in inventories**" amounted to Euro -446 thousand compared to Euro -85 thousand in the previous year. It refers to changes in finished products and goods.

## Note 39 – Provisions and Write-downs of Current Assets

The consolidated balance of the item " **provisions and write-downs of current assets**" amounted to Euro 503 thousand in 2020 compared to Euro 1,967 thousand in 2019.

The table below provides details on the items.

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Provision for bad debts provision | 717 | 1,153 | (436) |
| Provision for legal disputes with employees | 25 | 204 | (179) |
| Other provisions | (239) | 610 | (849) |
| **TOTAL** | **503** | **1,967** | **(1,463)** |

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 216 thousand.

The item "**provision for legal disputes with employees**" is attributable to provisions made for disputes with former employees.

The item "**Other provisions**" is mainly attributable to the release of the provision following the execution of contracts for which a risk provision for future loss-making contracts had been set forth.

## Note 40 – Amortisation, Depreciation and Write-downs of Non-Current Assets

The consolidated balance of the item "**Amortisation, depreciation and write-downs of non-current assets**" amounted to Euro 6,378 thousand in 2020 compared to a balance of Euro 6,438 thousand in 2019.

### Amortisation and Depreciation

In 2020, "**Amortisation and depreciation**" amounted to Euro 6,378 thousand compared with Euro 6,438 thousand in 2019 and refers for Euro 2,747 thousand to amortisation of intangible fixed assets and for Euro 3,631 thousand to depreciation of tangible fixed assets. Details of the aforementioned items are provided in notes 1 and 3.

### Write-downs

No write-downs of non-current assets were recognised in 2020.

## 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 3,472 thousand in 2020 compared with a negative balance of Euro 3,770 thousand in 2019. The table below provides details on the items.

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Proceeds from shareholdings from parents | 41 | 56 | (15) |
| Income from other investments | 29 | 24 | 5 |
| Other income other than the above | 99 | 138 | (39) |
| Interest and other financial charges | (3,111) | (3,543) | 432 |
| From parent charges | (401) | (411) | 10 |
| Profit and loss on currency exchange | (129) | (34) | (95) |
| **TOTAL** | **(3,472)** | **(3,770)** | **298** |

### Income from Parent Companies

The balance of the item "**income from parent companies**" amounted to Euro 41 thousand in 2020 compared to Euro 56 thousand in 2019 and refers to interest accrued from Abaco Innovazione SpA on a loan granted by Exprivia.

## Income from Other Investments

The balance of the item "**income from other investments**" in 2020 amounted to Euro 29 thousand compared to Euro 24 thousand in 2019 and refers to dividends received from minority interests for Euro 13 thousand and for Euro 16 thousand to the valuation using the equity method of the investment 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 99 thousand in 2020 compared to Euro 138 thousand in 2019. The table below provides details on the item.

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Bank interest receivable | 1 | 1 | - |
| Interest income from securities | 15 | 42 | (27) |
| Other interest income | 77 | 87 | (10) |
| Rounding up of assets | 6 | 8 | (2) |
| **TOTAL** | **99** | **138** | **(39)** |

## Interest and Other Financial Charges

The balance of the item "**interest and other financial charges**" in 2020 amounted to Euro 3,111 thousand compared to Euro 3,543 thousand in the same period of 2019. The table below provides details on the items.

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Bank interest payable | 420 | 377 | 43 |
| Interest on loans and mortgages | 1,655 | 1,892 | (237) |
| Sundry interest | 699 | 1,093 | (394) |
| Charges on financial products and sundry items | 271 | 20 | 251 |
| Rounding up/down | 4 | 7 | (3) |
| Interest cost IAS 19 | 62 | 153 | (91) |
| **TOTAL** | **3,111** | **3,542** | **(431)** |

## Charges from Parent Companies

The balance of the item "**charges from parent companies**" amounted to Euro 401 thousand in 2020 compared with Euro 411 thousand in 2019 and refers to the portion applicable to the period of charges recognised by Exprivia to the holding company Abaco Innovazione SpA for guarantees issued by the latter with respect to its subsidiary.

## Gains/(Losses) on Currency Exchange

In 2020, the item "**losses on currency exchange**" amounted to Euro 129 thousand compared with a loss of Euro 34 thousand in 2019 and mainly refers to the fluctuations in exchange rates due to the commercial transactions conducted in currencies other than the national currency used by the foreign companies in the Group.

## Note 42 – Income Taxes

In 2020, "**Income taxes**" amounted to Euro 2,905 thousand compared to Euro 2,629 thousand in 2019; the table below provides details on the changes compared to the previous year:

| Description | 31/12/2020 | 31/12/2019 | Variazioni |
|---|---|---|---|
| IRES | 2,907 | 1,683 | 1,224 |
| IRAP | 697 | 843 | (146) |
| Foreing tax | 17 | 27 | (10) |
| Taxes from prior years | (41) | (396) | 355 |
| Defered tax | (597) | 95 | (692) |
| Deferred tax assets | (78) | 378 | (456) |
| **TOTAL** | **2,905** | **2,629** | **275** |

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, 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

As described in more detail in the paragraph "Loss of control of Italtel by Exprivia pursuant to IFRS 10", Exprivia's Board of Directors deemed that the resolution of acceptance of the PSC Group's offer on 31 December 2020 of Italtel's Board of Directors is an event that determined the loss of control of Exprivia pursuant to IFRS 10.

As set forth in the provisions of IFRS 10 "Consolidated Financial Statements", the assets and liabilities attributable to the Italtel Group were eliminated from the Group's balance sheet at the date of loss of control, recognising the equity investment held in the former subsidiary at its fair value as at the date of loss of control. Since this is a "major line of business", the directors have presented in these financial statements the results of Italtel and its subsidiaries (Italtel Group) for the year 2020 as discontinued operations pursuant to IFRS 5, disclosing:

- in a separate line item before net profit for the year in the income statements, the results relating to discontinued operations, including the gain from revaluation at fair value at the date of loss of control and net of tax effect";
- separately in the cash flow statement, the net cash flows relating to discontinued operations.

It should also be noted continuing and discontinued operations have been treated as transactions among independent parties and that the income statement and balance sheet items relating to them also include the effect of consolidation eliminations of said transactions. In fact, it should be noted that neither IFRS 5 nor IAS 1 provide indications on how to record transactions distinguishing between continuing and discontinued operations. The method chosen has led to the presentation of these transactions as if the discontinued operations had already left the scope of consolidation of the Exprivia Group, therefore:

- the individual income statement items relating to continuing operations have been stated without taking into account the elimination of inter-company transactions between the two operations;
- the income statement items referring to Discontinued Operations also include the effect of the consolidation eliminations of the operations between the two Operations.

The corresponding comparative data are provided for the income statement data and for those relating to cash flows from discontinued operations.

The main economic and financial figures of discontinued operations are shown below, net of inter-company items.

| Amount in thousand Euro | Discontinued Operations | |
|---|---|---|
| | 31.12.2020 | 31.12.2019 |
| Revenues | 246,294 | 337,995 |
| Other revenues and income | 10,144 | 19,911 |
| **TOTAL REVENUS** | **256,438** | **357,906** |
| Costs of raw, subsid. & consumable mat. and goods | (104,512) | (175,298) |
| Salaries | (82,349) | (82,841) |
| Costs for services | (62,723) | (83,215) |
| Costs for leased assets | (772) | (531) |
| Sundry operating expenses | (3,023) | (5,009) |
| Change in inventories | (1,830) | (9,779) |
| Provisions and write-downs of current assets | (1,299) | (3,614) |
| **TOTAL COSTS** | **(256,507)** | **(360,287)** |
| **DIFFERENCE BETWEEN PRODUCTION COSTS AND REVENUES** | **(70)** | **(2,381)** |
| Depreciation and write-downs of non-current assets | (7,131) | (178,509) |
| **OPERATIVE RESULT** | **(7,201)** | **(180,890)** |
| Financial income and (charges) and other investments | (4,369) | (10,092) |
| **PROFIT (LOSS) BEFORE TAXES** | **(11,570)** | **(190,982)** |
| Income tax | 2,445 | (52,172) |
| **PROFIT OR LOSS FOR THE YEAR** | **(9,125)** | **(243,153)** |
| Attributable to: | | |
| Shareholders of holding company | (7,410) | (196,922) |
| Minority interest | (1,714) | (46,231) |
| Income (charges) on equity investments | 164,310 | 0 |
| **PROFIT OR LOSS FOR THE YEAR- DISCONTINUED OPERATIONS** | **156,899** | **(243,153)** |
| Attributable to: | | |
| Shareholders of holding company | 156,899 | (196,922) |
| Minority interest | - | (46,231) |

Income (charges) on equity investments of Euro 164,310 thousand include the gain from the fair value measurement of the equity investment held in the former subsidiary Italtel at the date of loss of control, net of the economic transactions that took place in 2020 between continuing and discontinued operations, for Euro 168,673 thousands and the negative effect of the reclassification adjustments relating to the other components of the statement of comprehensive income pertaining to the Exprivia Group for Euro 4,363 thousand.

Details of the cash flows relating to discontinued operations, as already separately disclosed in the cash flow statement, are provided below.

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Cash flow generated (absorbed) by income management - Discontinued operations | 1,086 | (9,879) |
| Cash flow generated (absorbed) by current assets and liabilities - Discontinued operations | 25,969 | 27,139 |
| Cash flow generated (absorbed) by investing activities - Discontinued operations | (5,444) | (11,047) |
| Cash flow generated (absorbed) by financing activities - Discontinued operations | (10,443) | (3,283) |

We specify that, in consideration of the objective complexity of the situation, also as a result of the process for the resolution of the crisis launched by Italtel, the value of the item "profit (loss) for the year - discontinued operations" in the consolidated income statement at 31 December 2020 could be also be significantly affected by the uncertainties inherent in the valuations of the consolidated financial statements at 31 December 2019 regarding some items related to the Italtel Group, whose values were deconsolidated on 31 December 2020. These uncertainties are related to the evolution:

- of the composition procedure initiated by Italtel and, in particular, in the event of a negative outcome thereof;
- conversations with a leading customer regarding some alleged breaches of contract.

With regard to this last aspect, 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:

a. unacceptable retroactive application of penalties not promptly challenged within the time frame stated in the contract;

b. unreasonable attribution to Italtel of higher project change costs not attributable to Italtel;

c. 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.

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

## Note 44 – Profit (Loss) for the Year

The 2020 Income Statement closed with a consolidated profit (after tax) of Euro 165,531 thousand compared with a consolidated loss of Euro 239,150 thousand in 2019.

## 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 circulation 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 2020, the basic and diluted earnings per share amounted to Euro 3.4904.

| Description | for the twelve months ended 31.12.2020 |
|---|---|
| Profits for determining basic earnings per share (Net profit due to shareholders of parent company) | 165,592,028 |
| Profit for determining the earnings per basic share | 165,592,028 |
| **Number of shares** | **31.12.2020** |
| Number of ordinary shares at 1 January 2020 | 51,883,958 |
| Purchase of own shares at 31 December 2020 | 4,546,084 |
| Average weighted number ordinary shares for calculation of basic profit | 47,442,488 |

| Earnings per share (Euro) | for the twelve months ended 31.12.2020 |
|---|---|
| Profit (loss) per basic share | 3.4904 |
| Diluted earnings (loss) per share | 3.4904 |

At 31 December 2020, the basic and diluted earnings from continuing operations per share amounted to Euro 0.1818.

| Description | for the twelve months ended 31.12.2020 |
|---|---|
| Profit (loss) for the year continuing operations | 8,632,000 |
| Profit (loss) for the year continuing operations | 8,632,000 |
| **Number of shares** | **31.12.2020** |
| Number of ordinary shares at 1 January 2020 | 51,883,958 |
| Own shares at 31 December 2020 | 4,546,084 |
| Average weighted number ordinary shares for calculation of basic profit | 47,442,488 |

| Earnings per share (Euro) | for the twelve months ended 31.12.2020 |
|---|---|
| Profit (loss) per basic share_continuing operations | 0.1819 |
| Diluted earnings (loss) per share _continuing operations | 0.1819 |

## Note 46 – Information on the Cash Flow Statement

In compliance with the provisions of IFRS 5, the cash flows deriving from continuing operations and the cash flows deriving from discontinued operations have been shown separately in the cash flow statement.

With regard to the cash flows deriving from continuing operations, the cash flows deriving from income management were positive for Euro 14 million, the management of current assets and liabilities absorbed cash flows of Euro 4.7 million, cash flows deriving from investment activities absorbed Euro 32.9 million; this amount includes the cash flow of Euro 27.9 million relating to the cash and cash equivalents of the Italtel Group that exited the scope of consolidation. Lastly, financing activities contributed positive cash flows of Euro 14.3 million.

With reference to cash flows from discontinued operations, on the other hand, cash flows from income management were positive for Euro 1.1 million, cash flows from current assets and liabilities were positive for Euro 26 million, investing activities absorbed cash flows of Euro 5.4 million, and cash flows from financing activities absorbed cash flows of Euro 10.4 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 2020; the amounts are expressed in thousands of Euro.

| Typology | Financing Body | Project | Subsidized rate | Amount collected / used 31/12/2020 |
|---|---|---|---|---|
| Subsidized financing | MSE | ProSit | 0.17% | 504 |
| Lost Fund | Unione Europea | ECHO | | 195 |
| Lost Fund | MSE | L 488/92 | | 15 |
| Lost Fund | Regione Puglia | Innolabs Farma4All | | 93 |
| Lost Fund | Regione Lazio | Filo-Blu | | 126 |
| Lost Fund | Regione Puglia | Digital Future | | 2,261 |
| Lost Fund | Regione Puglia | Diabesity Care | | 217 |
| Lost Fund | Unione Europea | Smartool | | 37 |
| Lost Fund | INPS | South decontribution, 30% discount on contributions pertaining to October and November pursuant to Legislative Decree 104 August 2020 | | 429 |
| Lost Fund | Unione Europea | Ilham | | 12 |
| Subsidized financing | MSE | Sustainable growth fund - first Horizon 2020 call | 0.80% | 206 |
| **Total** | | | | **4,094** |

# RELATED PARTIES

In the Exprivia Group, there are relations 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 Euro units.

## Non-Current Financial Receivables

| Description | 31/12/2020 | 31/12/2019 | Variations |
|---|---|---|---|
| Exprivia Slu | 710,942 | 610,942 | 100,000 |
| Exprivia Asia | 208,655 | 312,983 | (104,328) |
| **TOTAL** | **919,597** | **923,925** | **(4,328)** |

## Trade Receivables

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Consorzio Exprivia | 614,811 | 1,534,999 | (920,188) |
| Exprivia Messico SA de CV | 15,751 | - | 15,751 |
| Exprivia Projects Srl | 581,350 | 624,122 | (42,772) |
| Exprivia SLU | 648,801 | 634,667 | 14,134 |
| Spegea S. c. a.r.l. | 54,312 | 113,178 | (58,866) |
| ACS DE Gmbh | 140,002 | 140,002 | - |
| HR Coffee | 11,988 | 5,400 | 6,588 |
| Italtel S.p.A. | - | 1,152,288 | (1,152,288) |
| TOTAL | **2,067,015** | **4,204,656** | **(2,137,641)** |

## Other Current Receivables

| Description | 31/12/2020 | 31/12/2019 | Variations |
|---|---|---|---|
| Receivables from Exprivia Projects for IRES from tax consolidation | 63,286 | 212,000 | (148,714) |
| Receivable from Spegea for IRES from tax consolidation | 1,139 | 1,718 | (579) |
| **TOTAL** | **64,425** | **213,718** | **(149,293)** |

## Current Financial Receivables

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Exprivia Projects Srl | 674,397 | - | 674,397 |
| Gruppo ProSap | 510,163 | 387,562 | 122,601 |
| Exprivia Asya | 681,516 | 291,794 | 389,722 |
| Exprivia Sl | 932,407 | 6,459 | 925,948 |
| **TOTAL** | **2,798,483** | **685,815** | **2,112,668** |

## Trade Payables

| Description | 31/12/2020 | 31/12/2019 | Variations |
|---|---|---|---|
| Exprivia Messico SA De CV | 780 | 360 | 420 |
| Exprivia Projects Srl | 841,453 | 773,503 | 67,950 |
| HR COFFEE Srl | - | 3,416 | (3,416) |
| ACS GMBH | 171,575 | 93,725 | 77,850 |
| Consorzio Exprivia Scarl | - | 3,000 | (3,000) |
| Exprivia It Solution Shanghai | - | 4,603 | (4,603) |
| Spegea S.c. a r.l. | 55,929 | 98,727 | (42,798) |
| Exprivia do Brasil | 3,000 | 3,000 | - |
| Italtel Spagna | - | 54,452 | (54,452) |
| Italtel USA | - | 105,401 | (105,401) |
| Italtel SpA | - | 1,374,418 | (1,374,418) |
| **TOTAL** | **1,072,737** | **2,514,605** | **(1,441,868)** |

## Current Financial Payables

| Description | 31/12/2020 | 31/12/2019 | Variations |
|---|---|---|---|
| Exprivia Projects Srl | 2,651,907 | 2,619,591 | 32,316 |
| Italtel SpA | - | 170,088 | (170,088) |
| HRCOFFEE | - | 97,750 | (97,750) |
| Spegea S.c. a r.l. | 160,983 | 176,688 | (15,705) |
| **TOTAL** | **2,812,890** | **3,064,118** | **(251,228)** |

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## Other current payables

| Description | 31/12/2020 | 31/12/2019 | Variations |
|---|---|---|---|
| Exprivia Projects for VAT | 271 | 4,747 | (4,476) |
| Italtel for consolidated ires | - | 1,327,119 | (1,327,119) |
| Italtel for VAT | - | 2,333,936 | (2,333,936) |
| Consortium for VAT | 134,420 | 340,590 | (206,171) |
| HR Coffee for consolidated ires | 89,328 | 45,095 | 44,233 |
| **TOTAL** | **224,019** | **4,051,487** | **(3,827,468)** |

## Trade Revenues

| Description | 31/12/2020 | 31/12/2019 | Variations |
|---|---|---|---|
| Spegea Scarl | 22,127 | 39,112 | (16,985) |
| Exprivia Projects Srl | 1,136,010 | (4,778,368) | 5,914,378 |
| Italtel Spa | - | 2,026,925 | (2,026,925) |
| Gruppo ProSap | 2,391 | 25,253 | (22,862) |
| Exprivia Messico SA de CV | 15,751 | - | 15,751 |
| Consorzio Exprivia Scarl | 2,346,736 | 3,407,103 | (1,060,367) |
| HR COFFEE Srl | 5,400 | 5,400 | - |
| **TOTAL** | **3,528,415** | **725,424** | **2,802,990** |

## Trade Costs

| Description | 31/12/2020 | 31/12/2019 | Variations |
|---|---|---|---|
| Spegea Scarl | 67,021 | 66,031 | 990 |
| Exprivia Projects Srl | 1,405,367 | 1,354,671 | 50,696 |
| Exprivia SLU | 254,333 | 487,923 | (233,590) |
| Exprivia Shanghai | - | 4,603 | (4,603) |
| ACS Gmbh | 516,977 | 245,845 | 271,132 |
| Hr Coffee Srl | - | 2,800 | (2,800) |
| Quest.it Srl | - | 50,165 | (50,165) |
| Italtel Spagna | | 54,452 | (54,452) |
| Italtel SpA | - | 1,318,069 | (1,318,069) |
| Exprivia Messico SA De CV | 420 | 9,186 | (8,766) |
| **TOTAL** | **2,244,118** | **3,593,744** | **(1,349,626)** |

## Revenues/Costs for Seconded Personnel

| Description | 31/12/2020 | 31/12/2019 | Variations |
|---|---|---|---|
| Revenues from staff on secondment to Exprivia Projects | (65,925) | (56,998) | (8,927) |
| Revenues from staff on secondment to the Italtel Group | - | (177,573) | 177,573 |
| Personnel costs on secondment to Exprivia Projects | 527,835 | 499,493 | 28,342 |
| Personnel costs on secondment to the Italtel Group | - | 150,194 | (150,194) |
| **TOTAL** | **461,910** | **415,116** | **46,794** |

## Income from Equity Investments in Subsidiaries

| Description | 31/12/2020 | 31/12/2019 | Variations |
|---|---|---|---|
| Exprivia Projects Srl | 674,397 | 226,356 | 448,041 |
| **TOTAL** | **674,397** | **226,356** | **448,041** |

## Financial Income (interest income on loans)

| Description | 31/12/2020 | 31/12/2019 | Variations |
|---|---|---|---|
| Exprivia SLU | 32,947 | 6,459 | 26,488 |
| Exprivia Asia Ltd | 25,395 | 15,649 | 9,746 |
| Exprivia Messico SA de CV | 13,602 | 5,917 | 7,685 |
| **TOTAL** | **71,944** | **28,025** | **43,919** |

## Financial Income (guarantees)

| Description | 31/12/2020 | 31/12/2019 | Variations |
|---|---|---|---|
| Exprivia Projects Srl | 4,623 | 7,500 | (2,877) |
| **TOTAL** | **4,623** | **7,500** | **(2,877)** |

## Financial Income (cash pooling interest income)

| Description | 31/12/2020 | 31/12/2019 | Variations |
|---|---|---|---|
| Exprivia Projects Srl | - | 27,997 | (27,997) |
| **TOTAL** | **-** | **27,997** | **(27,997)** |

## Financial Charges (cash pooling interest expense)

| Description | 31/12/2020 | 31/12/2019 | Variations |
|---|---|---|---|
| Spegea Scarl | 5,250 | 4,783 | 467 |
| Exprivia Projects Srl | 57,590 | 6,891 | 50,699 |
| **TOTAL** | **62,840** | **11,674** | **51,166** |

# 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 values expressed in the tables are in Euro units.

## Non-current Financial Receivables

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Abaco Innovazione SpA | 918,996 | 1,357,875 | (438,879) |
| **TOTAL** | **918,996** | **1,357,875** | **(438,879)** |

## Current Financial Receivables

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Abaco Innovazione SpA | 463,296 | 464,484 | (1,188) |
| **TOTAL** | **463,296** | **464,484** | **(1,188)** |

## Trade Receivables

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Abaco Innovazione SpA | 32,572 | 25,372 | 8,200 |
| **TOTAL** | **32,572** | **25,372** | **8,200** |

## Financial Costs (guarantees)

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Abaco Innovazione SpA | 400,240 | 410,560 | (11,320) |
| **TOTAL** | **400,240** | **410,560** | **(11,320)** |

## Financial Income (interest income on loans)

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Abaco Innovazione SpA | 40,827 | 56,024 | (15,197) |
| **TOTAL** | **40,827** | **56,024** | **(15,197)** |

## Relations with Associates

Relations with Associates consist primarily 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 Group.

The table below provides information on relations with Associates: values are expressed in Euro units.

## Equity Investments in Associates

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| QUESTIT SRL | 375,000 | 300,000 | 75,000 |
| **TOTAL** | **375,000** | **300,000** | **75,000** |

## Trade Receivables

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| QUESTIT SRL | 46,369 | - | 46,369 |
| **TOTAL** | **46,369** | - | **46,369** |

## Trade Payables

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| QUESTIT SRL | 160,331 | 93,513 | 66,818 |
| **TOTAL** | **160,331** | **93,513** | **66,818** |

## Trade Costs

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| QUESTIT SRL | 100,973 | 50,165 | 50,808 |
| **TOTAL** | **100,973** | **50,165** | **50,808** |

## Revenues

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| QUESTIT SRL | 38,007 | - | 38,007 |
| **TOTAL** | **38,007** | - | **38,007** |

## 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.

The amounts in the following tables are in Euro.

## Receivables - Customers

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Balance SpA | - | 26,840 | (26,840) |
| Italtel SpA | 1,544,861 | 1,152,288 | 392,573 |
| Italtel Brasil Ltda | 20,381 | - | 20,381 |
| Italtel Deutschland GmbH | 2,435 | - | 2,435 |
| Italtel Frances Sas | 28,632 | - | 28,632 |
| Italtel S.A. | 10,147 | - | 10,147 |
| Italtel Argentina S.A. | 6,152 | - | 6,152 |
| Italtel Perù Sac | 11,575 | - | 11,575 |
| Italtel Chile SpA | 10,834 | - | 10,834 |
| **TOTAL** | **1,635,015** | **1,179,128** | **455,888** |

## Work in Progress

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Italtel SpA | 14,628 | 1,303 | 13,325 |
| **TOTAL** | **14,628** | **1,303** | **13,325** |

## Other Receivables

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Italtel SpA | 90,889 | 57,665 | 33,224 |
| **TOTAL** | **90,889** | **57,665** | **33,224** |

## Payables - Suppliers

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Brave Srl | - | 21,350 | (21,350) |
| Giuseppe Laterza & Figli SpA | 12,200 | 6,100 | 6,100 |
| Consorzio DITNE | - | 5,000 | (5,000) |
| Italtel SpA | 878,410 | 1,417,765 | (539,355) |
| Italtel Usa Llc | 126,851 | 106,401 | 20,450 |
| Italtel S.A. | 233,081 | 54,462 | 178,629 |
| **TOTAL** | **1,249,542** | **1,610,068** | **(360,527)** |

## Other payables

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Italtel SpA payables for ires | 2,655,952 | 1,327,119 | 1,328,833 |
| Italtel SpA VAT payables | | 2,333,935 | (2,333,935) |
| **TOTAL** | **2,655,952** | **3,661,054** | **(1,005,102)** |

## Financial Payables

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Italtel SpA financial payables for IFRS 16 | 135,540 | 170,085 | (34,545) |
| **TOTAL** | **135,540** | **170,085** | **(34,545)** |

## Trade Revenues

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Balance SpA | - | 22,000 | (22,000) |
| Italtel SpA | 1,420,228 | 2,008,925 | (588,697) |
| Italtel Usa Llc | - | 18,000 | (18,000) |
| Italtel Brasil Ltda | 20,381 | - | 20,381 |
| Italtel Deutschland GmbH | 2,435 | - | 2,435 |
| Italtel Frances Sas | 163 | - | 163 |
| Italtel S.A. | 10,147 | - | 10,147 |
| Italtel Argentina S.A. | 6,152 | - | 6,152 |
| Italtel Perù Sac | 8,942 | - | 8,942 |
| Italtel Chile SpA | 5,288 | - | 5,288 |
| **TOTAL** | **1,473,735** | **2,048,925** | **(575,190)** |

## Other Revenues

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Italtel SpA rental income | 335,451 | 330,789 | 4,661 |
| **TOTAL** | **335,451** | **330,789** | **4,661** |

## Revenues/Costs for Seconded Personnel

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Italtel SpA revenues from seconded personnel | 147,083 | 177,573 | (30,490) |
| Italtel SpA costs for seconded personnel | (168,370) | (150,194) | (18,176) |
| Italtel Usa Llc costs of seconded personnel | (20,450) | | (20,450) |
| **TOTAL** | **(41,737)** | **27,378** | **(69,116)** |

## Trade Costs

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Bravo Srl | - | 95,000 | (95,000) |
| Giuseppe Laterza & Figli SpA | 22,471 | 10,000 | 12,471 |
| Italtel SpA | 1,634,634 | 1,497,615 | 137,019 |
| Italtel S.A. | 178,628 | 54,462 | 124,176 |
| **TOTAL** | **1,835,733** | **1,657,067** | **178,666** |

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.

The values shown in the table are expressed in Euro.

| Offices | 31/12/2020 | | | | 31/12/2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 | 483,665 | 75,000 | 636,981 | 135,284 | 413,999 | 90,000 | 654,791 | 159,009 |
| Statutory Auditors | 15,713 | - | - | - | 80,188 | - | - | - |
| Strategic managers | - | - | 239,280 | 28,000 | 1,000 | - | 231,588 | 38,578 |
| **TOTAL** | **499,379** | **75,000** | **876,261** | **163,364** | **495,187** | **90,000** | **928,379** | **237,587** |

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.

The table below shows the remuneration paid by the Italtel Group to its Directors, Statutory Auditors and Executives with strategic responsibilities for carrying out their functions.

The amounts shown in the table are in thousands of Euro.

| Offices | 31/12/2020 | | | | 31/12/2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 | 209 | 20 | 349 | - | 226 | 24 | 488 | - |
| Statutory Auditors | 76 | 11 | - | - | 79 | 18 | | - |
| Strategic managers | - | - | 1,231 | - | - | - | 1,327 | - |
| **TOTAL** | 285 | 31 | 1,580 | - | 305 | 42 | 1,815 | - |

## Contingent liabilities

The investee Italtel 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 indicated in the paragraph *"Risk of negative outcome of the Italtel composition procedure and related impacts on Exprivia"*, 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.

## Events after 31 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 SpA 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 Exprivia Healthcare IT Srl (merged by incorporation into Exprivia 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 Srl.

**On 30 April 2021**, the Company communicated to the market the loss of control of the investee Italtel pursuant to IFRS 10 with effect as from 31 December 2020.

Molfetta, 30 April 2021

On behalf of the Board of Directors

Chairman and Chief Executive Officer

Mr Domenico Favuzzi

# 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 Company and
- the effective application of administrative and accounting procedures to draft the financial statements for the reporting period at 31 December 2020.

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, 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 |

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# *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 2020, 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 2020, 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. These 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.


*PricewaterhouseCoopers SpA*

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| *Key Audit Matters* | *Auditing procedures performed in response to key audit matters* |
|---|---|
| **Goodwill**<br><br>*"Note 2 – Goodwill" of the explanatory notes to the Consolidated Financial Statements as of 31 December 2020 of the Exprivia Group*<br><br>The value of goodwill as of 31 December 2020 amounted to Euro 69 million, corresponding to 32 per cent of total assets of the financial statements.<br><br>We focused our audit on such financial statement area in consideration of:<br>- the significance of the amount of goodwill also compared to the consolidated equity as of 31 December 2020;<br>- 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.<br><br>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 IT Cash Generating Unit ("IT CGU") to which goodwill was allocated and the related value in use, identifiable as the present value of future cash flows that are expected to be generated from the IT CGU using the Discounted Cash Flow Model.<br><br>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 IT CGU to which goodwill was allocated.<br><br>We analysed the methodology used by 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 tests.<br><br>We verified the correct allocation of the carrying amount of the assets attributable to the IT CGU. We verified that all the assets included in the scope of the standard and recognised in the consolidated financial statements had been subject to impairment test.<br><br>With reference to the future cash flows expected for the identified IT CGU, we verified that these agreed with data approved by the Company's Board of Directors.<br><br>We analysed the main assumptions used in the preparation of the IT CGU forecast plans. 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.<br><br>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.<br><br>We reperformed from a mathematical point of view the sensitivity analyses prepared by the Company.<br><br>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* |
|---|---|

**Loss of control of Italtel SpA pursuant to IFRS 10**

*Paragraphs "Crisis resolution process initiated by Italtel" and "Loss of control of Italtel by Exprivia pursuant to IFRS 10" of the explanatory notes to the Consolidated Financial Statements as of 31 December 2020 of the Exprivia Group*

The directors of Exprivia SpA described in the financial statements the crisis resolution process initiated at the end of 2019 by Italtel SpA, which 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.

The directors stated that Exprivia SpA lost control on Italtel SpA pursuant to IFRS 10 starting from 31 December 2020, describing the reasons. The shares of Italtel SpA, subscribed by Exprivia SpA on 14 December 2017 within the restructuring agreement of Italtel SpA under article 182 bis of the Bankruptcy Law endorsed in 2017 by the Court of Milan, are subject to pledge in favour of the lending banks of the aforesaid investee.

As part of our audit of the consolidated financial statements as of 31 December 2020 we paid particular attention to such matter in consideration of the significant contribution of assets and liabilities of Italtel SpA in the consolidated financial statements of the Exprivia Group as of 31 December 2020, of the complex contractual arrangements in place and the significant degree of professional judgement behind the evaluations underlying the loss of control.

We analysed the provisions of the articles of association of Italtel SpA as well as the contractual arrangements entered into by Exprivia SpA and Italtel SpA in relation to the restructuring agreement pursuant to article 182 bis of the Bankruptcy Law, among which are the loan agreements signed by Italtel SpA and the deed of pledge on the Italtel SpA shares in favour of the lending banks signed on 14 December 2017, to understand the terms and conditions relevant to evaluate control in accordance with IFRS 10.

We analysed the minutes of the meetings of the corporate bodies of Exprivia SpA and Italtel SpA as well as the letters with the lending banks as pledgees of the Italtel SpA shares.

We acquired an understanding of the elements underlying the evaluations of the directors of Exprivia SpA about the causes and time of loss of control of Italtel SpA pursuant to IFRS 10, also through the analysis of the opinions prepared by the external advisors appointed by the Company's management.

Finally, we considered the adequacy of the financial statement disclosures related to this key matter.

### *Emphasis of matter*

We draw attention to note 43 "*Profit/(loss) for the year - discontinued operations*" where the directors of Exprivia SpA showed that the value of the item "*profit for the year - discontinued operations*" of the consolidated income statement as of 31 December 2020 could be affected, even significantly, by the uncertainties inherent in the evaluation of certain items of the consolidated financial statements as of 31 December 2019 related to the Italtel Group, whose values were deconsolidated on 31 December 2020. These uncertainties relate to the development:

- of the composition with creditors procedure started by Italtel SpA and, in particular, in case of a negative outcome;
- discussions with a major client regarding certain alleged breaches of contract, as largely commented on in note 43 to the consolidated financial statements as of 31 December 2020.

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 2020, 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 2020 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 2020 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

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**REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING CALLED TO APPROVE THE 2020 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 2020, the Board of Statutory Auditors of Exprivia S.p.A. 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 the "*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 Decrees 58/1998 and 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. As the shareholders' meeting has still not approved the 2019 financial statements, the cessation due to expiry of the term of office will take effect from the moment the Board is renewed. Therefore, the Board of Statutory Auditors, in its current make-up, shall remain in office until the acceptance of the new members to the control body.

During the financial year ending at 31 December 2020, 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.

Due to the persistence of the effects stemming from the pandemic, the Board of Statutory Auditors carried out the bulk of its activities remotely, without noting any impacts on the effectiveness of its audit activities.

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 2020, 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 2020, also through direct or indirect investees, 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.

Whereas:

(i) in the Report of the Board of Statutory Auditors to the 2019 Annual Financial Report, the Board acknowledged the situation of economic and financial tension experienced by the investee Italtel in 2019 and the decisions taken by the administrative body of the subsidiary;

(ii) the checks conducted on some Italtel assets determined write-downs which reduced the investee's shareholders' equity to below the legal minimum; therefore, 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 initiating discussions (i) with banks, (ii) with the shareholders Exprivia and Cisco BV, as well as (iii) with third party financial and industrial entities in order to identify a possible means of resolving the crisis.

In light of the above, during the course of its oversight activities, the Board acknowledged the following events which characterised 2020:

- on 14 February 2020, Italtel's shareholders' meeting, in light of the progress status of the aforementioned discussions geared towards defining a crisis resolution process, 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, taking into account Italtel's financial tension and the subsequent unavailability of approved financial data of the subsidiary or, in any case, the necessary information to be able to evaluate whether or not the investee could continue to operate on a going concern basis, the Issuer informed the market of the postponement of approval of the 2019 financial statements;
- due to 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;
- 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 analyses conducted with the help of external advisors, resolved to postpone the approval of the 2019 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;
- on 31 December 2020, 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.

With reference to Italtel's situation, which characterised 2020, the control body also acknowledged the following related events which occurred after the close of the year as at 31 December 2020:

- based on the decisions taken by the Board of Directors' meeting on 31 December 2020, on 5 February 2021, Italtel filed, before the Court of Milan, a composition with creditors proposal based on indirect business continuity with assignee, pursuant to articles 161 and 186-bis of the Bankruptcy Law, based on the PSC offer, together with the documentation required by law;
- by means of an authorised memorandum of clarifications and supplementary documentation of 1 March 2021, Italtel also responded to the request for clarifications and additions formulated by the Court of Milan under decree dated 15 February 2021;
- 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 21 April 2021, Italtel's Board of Directors approved the consolidated reporting package as at 31 December 2020, drawn up with a view to business continuity, sending the accounting data to the parent company on 31 December 2020;
- on 30 April 2021, Exprivia's Board of Directors approved the Draft Financial Statements as at 31 December 2020 of the Parent Company Exprivia and acknowledged, also based on the opinions issued by advisors of prime standing as part of the procedures for the resolution of company crises, the loss of control of Italtel pursuant to IFRS 10 effective from 31 December 2020, notifying the market of all decisions taken.

In light of the facts and circumstances represented above, the Board of Statutory Auditors' activities were geared towards verifying the Company's preparation of the necessary procedures and information flows to ensure the correctness of the decisions of the administrative body and, more generally speaking, the adequacy of the company organisational structures.

In particular, in 2020, the control body:

a) strengthened its oversight of the determinations assumed and the decision-making processes of the Issuer's administrative body and of the provisions handed down by the company to its subsidiaries in order to fulfil the communication obligations set forth by law;
b) maintained, despite the restrictions on mobility imposed due to the pandemic, an effective flow of information with the Board of Directors, with Board Committees, with the Independent Auditors, the Company Management and Exprivia's advisors, as well as with the Company Management, control body, Independent Auditors and advisors and consultants of Italtel;
c) constantly monitored the overall situation of the Company and of the Group through frequent and meaningful meetings with the parties highlighted above, verifying the prompt adoption of crisis resolution measures by the administrative body of the investee, and recommending, in any event, as the control body, continuous and constant updating regarding the evolution of Italtel's situation;
d) intensified the exchanges of information with the Independent Auditors in order to continuously monitor the process of preparation of the 2020 financial statements, monitoring the directors' observance of the procedural rules regarding the preparation of the Annual Financial Report;
e) met periodically with the Executive Manager responsible for preparing the corporate accounts;
f) as part of its oversight activities, the Board acquired (i) the reports and documents relating to the main measures adopted by Italtel's Board of Directors, (ii) the composition with creditors proposal and the clarifications provided to the Court of Milan, (iii) the periodic updated positions prepared by the investee, also in order to monitor the internal control and risk management system of the investee, its ability to promptly highlight any sign of crisis and the timely communication to the parent company of the necessary information for fulfilling the

legal obligations;

g) with regards to the assessment of the impacts of Italtel's crisis on the Issuer, the Board monitored the directors' decision-making process, the completeness of pre-board disclosure, as well as the disclosure provided to the market, verifying the existence of specific opinions provided by experts as part of business consultancy on crisis resolution procedures;

h) verified the full observance of the obligations regarding information that is regulated, privileged or requested by the Supervisory Authorities.

2. INDICATION OF THE EXISTENCE OF ATYPICAL AND/OR UNUSUAL TRANSACTIONS, INCLUDING INTERCOMPANY OR WITH RELATED PARTIES.

In 2020, 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 2020, 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 "*explanatory note no. 43 "Profit/(loss) for the year - discontinued operations"*, *in which the directors of Exprivia SpA indicate that the value of the item "Profit/(loss) for the year - discontinued operations" in the consolidated income statement as at 31 December 2020 could also be significantly affected by the uncertainties inherent in the valuations of certain items of the consolidated financial statements at 31 December 2019 related to the Italtel Group, whose values were deconsolidated on 31 December 2020. These uncertainties are connected to the evolution 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. 45 to the consolidated financial statements as at 31 December 2020".*

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 2020, the Company disbursed Euro 173,000.00 to PricewaterhouseCoopers S.p.A. for audit services and Euro 23,000.00 for non-audit services, whereas the subsidiaries of Exprivia S.p.A. disbursed Euro 382,000.00 to PricewaterhouseCoopers S.p.A. for audit services and Euro 114,000.00 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 2020, 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 2020, 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 2020:

*(i)* On 28 September 2020, the Director Stefano Pileri tendered his resignation, effective immediately, from the office of Director of the Exprivia Board of Directors for professional reasons. Mr. Pileri does not hold additional posts in the Issuer's internal committees and, as at the date of his resignation, did not own any shares in Exprivia;

*(ii)* on 1 December 2020, Exprivia's Board of Directors, by means of the resolution approved by the Board of Statutory Auditors, appointed Mr. Giovanni Castellaneta via co-optation, in office up until the next shareholders' meeting.

In 2020, the Company's Board of Directors held fifteen meetings, the Control and Risks Committee

held two meetings and the Appointments and Remuneration Committee held three meetings.
In the same year, the Board of Statutory Auditors held twelve meetings. The Board of Statutory Auditors 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.
The Board received information from the Directors regarding the measures adopted by the Company to contain and manage the epidemiological emergency (Covid-19) and we maintained contacts with the Supervisory Body to monitor the controls within their competence in relation to said extraordinary event.
Furthermore, also as a result of the exchange of information during the year with the Independent Auditors, the Board of Statutory Auditors:

(i) verified the observance of the communications published by the different Supervisory Authorities with particular reference to the statements, warning notices and interpretations issued in 2020 and 2021 as a result of the health emergency stemming from Covid-19;
(ii) acknowledged the uncertainties connected with the health emergency triggered by Covid-19 and the specific disclosure regarding the possible impacts on the scenarios and the future economic-equity results provided in the Annual Financial Report as at 31 December 2020.

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.

Based on the information acquired and the oversight activities carried out, the Board believes that the principles of correct administration have been respected.

The Board of Statutory Auditors also oversaw the compliance of Exprivia's Consolidated non-financial statement for the year 2020 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 2020 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 disclosures. 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 2020.

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 2020, 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 2020 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.

As far as it is aware, the Board found that there were no departures from legal rules when preparing the year-end separate financial statements and consolidated financial statements.

Taking into account the activities carried out, the above elements, the information disclosed by the Directors regarding the going concern assumption, the Board of Statutory Auditors, recalling the disclosure provided by the Directors, does not note any reasons to prevent approval of the financial statements as at 31 December 2019, as per 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 allocation of profit 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

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# Financial statements of Exprivia SpA at 31 December 2020

## Balance Sheet

| Amount in Euro | Note | 31/12/2020 | 31/12/2019 |
|---|---|---|---|
| Property, plant and machinery | 1 | 18,480,160 | 18,659,974 |
| Goodwill and other assets with an indefinite useful life | 2 | 66,791,188 | 66,791,188 |
| Other Intangible Assets | 3 | 10,150,987 | 10,454,886 |
| Shareholdings | 4 | 8,823,073 | 8,998,573 |
| Other financial assets | 5 | 2,083,120 | 2,605,535 |
| Other financial assets | 6 | 462,164 | 750,832 |
| Deferred tax assets | 7 | 1,598,106 | 1,535,858 |
| **NON-CURRENT ASSETS** | | **108,388,798** | **109,796,846** |
| Trade receivables and other | 8 | 45,112,927 | 46,132,767 |
| Stock | 9 | 1,052,244 | 706,298 |
| Work in progress to order | 10 | 20,992,341 | 17,894,860 |
| Other Current Assets | 11 | 8,728,954 | 11,668,964 |
| Other Financial Assets | 12 | 3,511,238 | 1,511,228 |
| Cash resources | 13 | 26,069,253 | 7,101,436 |
| Other Financial Assets available for sale | 14 | 205,460 | 178,189 |
| **CURRENT ASSETS** | | **105,672,417** | **85,193,742** |
| | | | |
| **TOTAL ASSETS** | | **214,061,215** | **194,990,588** |

| Amount in Euro | | | |
|---|---|---|---|
| | **Note** | **31/12/2020** | **31/12/2019** |
| Share capital | 15 | 24,615,694 | 24,866,060 |
| 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 | 4,170,518 |
| Other reserves | 15 | 28,968,816 | 29,192,669 |
| Profits (Losses) for the previous year | 15 | (22,864,575) | |
| Profit (Loss) for the year | | 10,227,562 | (22,864,575) |
| **SHAREHOLDERS' EQUITY** | | **66,106,891** | **56,353,548** |
| Non-current bond | 16 | 13,672,936 | 18,163,571 |
| Non-current bank debt | 17 | 25,565,877 | 1,538,546 |
| Other financial liabilities | 18 | 3,906,522 | 3,890,546 |
| Other no current liabilities | 19 | 933,430 | 1,878,208 |
| Provision for risks and charges | 20 | 324,008 | 676,359 |
| Employee provisions | 21 | 8,479,090 | 9,097,863 |
| Deferred tax liabilities | 22 | 1,456,338 | 2,126,709 |
| **NON CURRENT LIABILITIES** | | **54,338,201** | **37,371,802** |
| Current bond | 23 | 4,536,055 | 4,522,117 |
| Current bank debt | 24 | 20,884,564 | 26,017,958 |
| Trade payables | 25 | 25,157,940 | 24,732,850 |
| Advances payment on work in progress contracts | 26 | 3,815,032 | 5,730,069 |
| Other financial liabilities | 27 | 6,590,231 | 5,945,950 |
| Other current liabilities | 28 | 32,632,301 | 34,316,294 |
| **CURRENT LIABILITIES** | | **93,616,123** | **101,265,238** |
| **TOTAL LIABILITIES** | | **214,061,215** | **194,990,588** |

# Income Statement

| Amount in Euro | Note | 2020 | 2019 |
|---|---|---|---|
| Revenues | 29 | 145,093,101 | 142,441,761 |
| Other income | 30 | 6,156,560 | 6,345,319 |
| **PRODUCTION REVENUES** | | **151,249,661** | **148,787,080** |
| Costs of raw, subsid. & consumable mat. and goods | 31 | 3,389,765 | 6,405,058 |
| Salaries | 32 | 89,503,850 | 88,788,853 |
| Costs for services | 33 | 35,811,219 | 34,050,446 |
| Costs for leased assets | 34 | 593,553 | 460,482 |
| Sundry operating expenses | 35 | 625,554 | 829,920 |
| Change in inventories of raw materials and finished products | 36 | (445,947) | (85,044) |
| Provisions | 37 | (19,160) | 1,474,957 |
| **TOTAL PRODUCTION COSTS** | | **129,458,834** | **131,924,672** |
| **DIFFERENCE BETWEEN PRODUCTION COSTS AND REVENUES** | | **21,790,827** | **16,862,408** |
| **Amortisation, depreciation and write-downs** | **38** | **6,216,806** | **34,111,162** |
| **OPERATIVE RESULT** | | **15,574,021** | **(17,248,754)** |
| Financial income and charges | 39 | (2,535,926) | (3,338,564) |
| **PROFIT (LOSS) FOR THE YEAR BEFORE TAX** | | **13,038,095** | **(20,587,318)** |
| Income tax | 40 | 2,810,533 | 2,277,257 |
| **PROFIT OR LOSS FOR YEAR** | **41** | **10,227,562** | **(22,864,575)** |

# Statement of Comprehensive Income

| Amount in Euro | | | |
|---|---|---|---|
| **Description** | **Note** | **2020** | **2019** |
| **Profit for the year** | | **10,227,562** | **(22,864,575)** |
| *Other comprehensive profits (losses) that will not be subsequently reclassified in profit (loss) for the year* | | | |
| Profit (loss) Actuarial effect of IAS 19 | | (271,611) | (126,521) |
| Tax effect of changes | | 65,187 | 30,365 |
| **Total other comprehensive profits (losses) that will not be subsequently reclassified in profit (loss) for the year** | **15** | **(206,424)** | **(96,156)** |
| Profit (loss) on FVOCI financial assets | | 27,271 | (148,552) |
| 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** | **27,271** | **(148,552)** |
| **NET COMPREHENSIVE INCOME FOR THE YEAR** | | **10,048,409** | **(23,109,283)** |

# Statement of Changes in Shareholders' Equity

| Amount in Euro | Company Capital | Own shares | Share Premium Fund | Reval. Reserve | Legal Reserve | Other Reserves | Profits (Losses) brought forward | Profit (Loss) for the period | Total Net Worth |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 31/12/2018** | 25,979,658 | (1,896,747) | 18,081,738 | 2,907,138 | 3,958,799 | 26,115,276 | - | 4,234,366 | 79,380,228 |
| Adoption of IFRS 16 | | | | | | (510,418) | | | (510,418) |
| **Adjusted balance as at 31/12/2018** | 25,979,658 | (1,896,747) | 18,081,738 | 2,907,138 | 3,958,799 | 25,604,858 | - | 4,234,366 | 78,869,810 |
| Allocation of previous year 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 | | | | | | | | (22,864,575) | (22,864,575) |
| Effects of applying IAS 19 | | | | | | (96,156) | | | (96,156) |
| 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** | 25,979,658 | (2,113,598) | 18,081,738 | 2,907,138 | 4,170,518 | 29,192,669 | - | (22,864,575) | 55,353,548 |
| Allocation of previous year result | | | | | | - | (22,864,575) | 22,864,575 | - |
| Purchase of own shares | | (250,366) | | | | (44,700) | | | (295,066) |
| Components of comprehensive income: | | | | | | | | | |
| Profit / (loss) for the year | | | | | | | | 10,227,562 | 10,227,562 |
| Effects of applying IAS 19 | | | | | | (206,424) | | | (206,424) |
| Profit (loss) on FVOCI financial assets | | | | | | 27,271 | | | 27,271 |
| **Total comprehensive income (loss) for the year** | | | | | | | | | 10,048,409 |
| **Balance at 31/12/2020** | 25,979,658 | (2,363,964) | 18,081,738 | 2,907,138 | 4,170,518 | 28,968,816 | (22,864,575) | 10,227,562 | 65,106,891 |

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# Cash flow statement

| Amount in Euro | | | | | |
|---|---|---|---|---|---|
| | NOTE | 31.12.2020 | | 31.12.2019 | |
| **Financial statement** | **42** | | | | |
| Operating activities: | | | | | |
| Profit (loss) for the year | 41 | 10,227,562 | (1) | (22,864,575) | (1) |
| Amortisation, depreciation and provisions | | 5,677,171 | | 36,947,824 | |
| Provision for Severance Pay Fund | | 4,500,835 | | 4,399,904 | |
| Advances/Payments Severance Pay | | (5,391,219) | | (5,136,973) | |
| Adjustment of value of financial assets | | 0 | | 11,115 | |
| **Cash flow generated (absorbed) from operating activities** | a | **15,014,349** | | **12,357,295** | |
| **Increase/Decrease in net working capital:** | | | | | |
| Variation in stock and payments on account | | (5,458,465) | | 2,133,886 | |
| Variation in receivables to customers | | (176,503) | | (705,807) | |
| Variation in receivables to parent/subsidiary/associated company | | 1,127,446 | | (646,800) | |
| Variation in other accounts receivable | | 2,643,760 | | (2,469,469) | |
| Variation in payables to suppliers | | 232,930 | | 922,156 | |
| Variation in payables to parent/subsidiary/associated company | | 25,747 | | (228,537) | |
| Variation in tax and social security liabilities | | (358,249) | | (2,301,024) | |
| Variation in other accounts payable | | (2,104,108) | | 3,346,090 | |
| **Cash flow generated (absorbed) from current assets and liabilities** | b | **(4,067,442)** | | **46,495** | |
| **Cash flow generated (absorbed) from current activities** | a+b | **10,946,907** | | **12,403,790** | |
| **Investment activities:** | | | | | |
| Purchases of tangible fixed assets net of payments for sales | | (3,056,630) | | (1,571,194) | |
| Variation in intangible assets | | (2,423,462) | | (2,370,162) | |
| Change in non-current assets | | 211,167 | | (970,823) | |
| **Cash flow generated (absorbed) from the investment activity** | c | **(5,268,925)** | | **(4,912,179)** | |
| **Financial assets and liabilities** | | | | | |
| New loans | | 26,709,476 | (2) | 15,600,725 | (2) |
| Reimbursement loan | | (15,922,308) | (2) | (19,648,687) | (2) |
| Net variation in other financial debts | | 1,390,329 | (2) | (1,812,550) | (2) |
| Net variation in other financial receivables | | (1,477,596) | (2) | 2,137,170 | (2) |
| Changes in other non-current liabilities and use of risk provisions | | (15,000) | | (147,700) | |
| (Purchase) / Sale of own shares | | (295,066) | | (325,942) | |
| **Cash flow generated (absorbed) from financing activities** | d | **13,289,835** | | **(4,196,984)** | |
| | | | | | |
| **Increase (decrease) in cash and cash equivalent** | a+b+c+d | **18,967,817** | | **3,294,627** | |
| Cash and cash equivalent at the beginning of the year | | 7,101,436 | | 3,806,809 | |
| Cash and cash equivalent at end of year | | 26,069,253 | | 7,101,436 | |
| (1) of which for taxes and interest paid during the year | | 3,666,659 | | 4,305,655 | |

(2) The sum of the relative amounts (for 2020 equal to Euro 13,599,901, for 2019 equal to Euro -3,723,342) 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 the Separate Financial Statements of Exprivia SpA at 31 December 2020

## Exprivia Activities

Exprivia SpA (hereinafter also "Exprivia" or the "Company" or the "Parent Company" or the "Issuer") 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. On all Exprivia Group companies, the Parent Company carries out coordination and control activities pursuant to art. 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 aiming to regulate transparency in the exercise of company management, the tables below provide summary data referring to the most recently approved financial statements of Abaco Innovazione SpA.

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, latest financial statements available. 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.

| | Greater whole |
|---|---|
| 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 | 204,530 | 186,560 |
| 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** |
| 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** | **114,770** |
| **DIFFERENCE BETWEEN PRODUCTION COSTS AND REVENUES** | **335,340** | **273,456** |
| **OPERATIVE RESULT** | **335,340** | **273,456** |
| 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 2020 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 2020, 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 consolidation principles, accounting policies and valuation criteria are the same as those adopted to prepare the separate financial statements at 31 December 2019, except as noted below.

The valuation and measurement policies are based on the IFRS standards in effect at 31 December 2020 and approved by the European Union.

The table below shows the list of international accounting standards and interpretations approved by IASB and approved for adoption by Europe and applied for the first time this year.

| Description | Endorsement date | Publication on G.U.C.E | Effective date provided by principle | Effective date for Exprivia |
|---|---|---|---|---|
| Amendments to IFRS 16 "Leases Covid-19 Related Rent Concessions" (issued on 28.05.2020) | 09 oct. '20 | 12 oct. '20 | Exercises starting on or starting from 1 June '20 | 1 jun '20 |
| Amendments to IFRS 3 "Business Combinations" (issued on 22.10.2018) | 21 apr. '20 | 22 apr. '20 | Exercises starting on or starting from 1 Jan '20 | 1 jan '20 |
| Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform" (issued on 09/26/2019) | 15 jan. '20 | 16 jan. '20 | Exercises starting on or starting from 1 Jan '20 | 1 jan '20 |
| Amendments to references to the Conceptual Framework in IFRS (issued on 29.03.2018) | 29 nov. '19 | 6 dec. '19 | Exercises starting on or starting from 1 Jan '20 | 1 jan '20 |
| Amendments to IAS 1 and IAS 8 "Definition of Materiality" (issued on 31.10.2018) | 29 nov. '15 | 10 dec. '19 | Exercises starting on or starting from 1 Jan '20 | 1 jan '19 |

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 approval of the document was necessary because IFRS 16 provides for a set of specific rules to govern the cases in which the original lease agreement is modified during the period of validity due to agreements between the contracting parties. IFRS 16 defines a change to the lease as a change in the object or the consideration of the lease not covered in the original contractual conditions. In particular, to define the methods of accounting the lessees of the changes in the payments of the lease agreements, including the concessions on the instalments, IFRS 16 requires the evaluation of the individual agreement in order to determine whether the incentives must be considered as amendments to the contract. In this case, the lessee must recalculate the liability relating to the lease (and consequently the Right of Use), using a revised discount rate.

The amendment now allows the lessee not to consider any concessions on the payment of fees deriving from the effects of COVID 19 as an amendment to the original contract; therefore, the aforementioned amendments must be accounted for as if the agreement was not amended.

The practical expedient applies to incentives relating to COVID 19 that reduce the payments of the instalments due by 30 June 2021 and does not concern lessors.

The amendment applies only to concessions on lease payments that occur as a direct consequence of the COVID 19 pandemic and only if all the following conditions are met:

d) the amendment involves payments substantially equal to or lower than the payments envisaged before the amendment;

e) any reduction in lease payments only affects payments originally due by 30 June 2021 (e.g., a concession on lease payments meets this requirement if it results in a reduction in lease payments by 30 June 2021 and an increase in payments beyond 30 June 2021); and

f) there are no substantial changes to other contractual terms and conditions.

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.

The amendment called "Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform" amends some of the requirements for the application of hedge accounting, providing for temporary exceptions to the same, in order to mitigate the uncertainties arising from the interest rate reference index (IBOR) standard and the timing and amount of future cash flows in the period leading up 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 may apply.

On 29 March 2018, the IASB published the revised version of the Conceptual Framework for Financial Reporting. The main changes compared to the 2010 version concern:

- a new chapter on valuation;
- improved definitions and guidance, in particular with reference to the definition of liabilities;
- clarification of important concepts, such as stewardship, prudence and uncertainty in valuations.

As of 1 January 2020, amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors" regarding the definition of materiality, became mandatory in Member States. The amendments 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.

The newly adopted standards did not have any material impact on the valuation of the Company's assets, liabilities, costs and revenues.

The table below shows the accounting standards, amendments and interpretations approved by the IASB and endorsed by the European Union, whose mandatory effective date is after 31 December 2020 and which were not adopted early.

| Description | Endorsement date | Publication on G.U.C.E | Effective date provided by principle | Effective date for Exprivia |
|---|---|---|---|---|
| Amendments to IFRS 4 "Insurance Contracts - deferral of IFRS 9" (issued on 25 June 2020) | 15 dec. '20 | 16 dec. '20 | Exercises starting on or after 1 January 2021 | 1 jan. 21 |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 e IFRS 16 "Interest Rate Benchmark Reform - Phase 2" (issued on 27 August 2020) | 1 jan. '21 | 13 jan. '21 | Exercises starting on or after 14 January 2021 | 1 gen '21 |

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 envisage a specific accounting treatment to spread over time the changes in the value of financial instruments or lease agreements due to the replacement of the reference index for the determination of interest rates.

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

At the date of these financial statements, the competent bodies of the European Union have not yet concluded the approval process needed to adopt the following accounting standards, amendments and interpretation described below.

| Description | Effective date foreseen by the principle |
|---|---|
| Amendments to IAS 8 "Accounting polices. Changes in Accounting Estimates and Errors. Definition of Accounting Estimates" (emesso il 12.02.2021) | Exercises starting on or starting 1 January 2023 |
| Amendments to IAS 1 "Presentation of Financial Statements and IFRS Practice Statement 2 Disclosure of Accounting Policies" (emesso il 12.02.2021) | Exercises starting on or starting 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 starting 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 (emessi in data 14.05.2020) | Exercises starting on or starting 1 January 2022 |
| IFRS 17 Insurance Contracts (issued 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020)" | Exercises starting on or starting 1 January 2023 |
| Amendments to IFRS 16 Leases : Covid - 19 - Related Rent Concessions beyond 30 june 2021 (emesso il 31.03.2021) | Exercises starting on or after 1 April 2021 |

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 other primary users of financial statements and to help companies distinguish changes in accounting estimates from changes in accounting policies.

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 requires that a liability is classified as current or non-current based on the rights existing at the balance sheet 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 with the amendments made on 15 July 2020 ("Classification of Liabilities as Current or Non-current - Deferral of Effective Date"), these amendments shall enter into force 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: (i) complete the update of the references to the Conceptual Framework to 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;
- the 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;
- the amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling 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.

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 supersede those currently envisaged by IFRS 4 "Insurance contracts", are effective for 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 financial statements.

On 31 March 2021, the IASB issued the document "Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)", which extended 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.

# 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 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 paragraph "Business outlook" of the Directors' Report, to which reference is made, 2020 will be remembered as the year of the COVID 19 pandemic. At the date of preparation of these financial statements, the virus continues to represent a real threat to the health of citizens. Since March 2020, the Company has promptly responded to this new risk through remote work. In fact, in just a few weeks, Exprivia managed to put almost all its staff into remote working, thus allowing it to continue working to support its customers and at the same time protect the health of its employees.

Observation of what happened in 2020 shows that the market in which the Company operates is one of those that not only did not particularly suffer from the pandemic 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.

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. From the aforementioned analyses, Exprivia does not believe that the current pandemic, based on the information in its possession, could in any way impact its business continuity.

# Accounting policies and valuation criteria

The accounting standards adopted for drawing up the 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 2019, except for what noted above.

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". 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 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 paragraph "Business outlook" of the Directors' Report, to which reference is made, as of today, the impact of the Covid -19 pandemic on citizens and the economy continues. Exprivia has, from the very beginning, organised its employees to work remotely; this has been possible also thanks to the nature of the activity carried out by the company which is suitable for remote work. Observing the evolution of 2020, we have been able to appreciate the stability of the business in terms of volumes and an improvement in margins brought about on the one hand by the greater efficiency achieved from remote work and on the other by a series of savings that it has induced. Therefore, to date, and based on a year of observation and experience, we can say that, despite the pandemic, Exprivia's operations were not subject to any interruptions or particular critical issues and that we expect the same for 2021.

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.

### 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 2020" of the Directors' Report and "Events after 31 December 2020" of the explanatory notes to the consolidated financial statements, 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 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.

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.

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

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.

- <u>*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*</u>

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.

## Loss of control of Italtel by Exprivia pursuant to IFRS 10

Exprivia's Board of Directors acknowledged, by resolution of 30 April 2021, that it had lost control of Italtel pursuant to IFRS 10 as from 31 December 2020.

The considerations made by Exprivia with the support of legal and accounting experts are reported below.

The share capital of Italtel amounted to Euro 20,000,001.00, fully subscribed and paid up, and is divided into 47,000,000 shares with no par value of which:

- 25,000,000 class A shares subscribed by Exprivia;
- 6,000,000 class B shares subscribed by and in the name of Cisco Systems International BV, with registered office in Amsterdam, Haarlerbergpark, Haarlerbergweg 13-19 ("Cisco BV");
- 16,000,000 preferred shares subscribed by and in the name of Cisco BV**.**

The Italtel shares were subscribed by Exprivia and Cisco BV on 14 December 2017 as part of the debt restructuring agreement pursuant to art. 182-bis of the Bankruptcy Law, signed by Italtel, Italtel Group SpA (then parent company of Italtel), Exprivia, Cisco Systems (Italy) Srl ("Cisco") and the lending banks of Italtel (the "Lending Banks") approved on 26 July 2017 by the Court of Milan.

Exprivia therefore holds 81% of the ordinary share capital of Italtel, while Cisco BV holds the remaining 19% of the ordinary share capital.

As part of the corporate and corporate restructuring operation carried out in 2017, all Italtel shares (A, B and preferred) were pledged in favour of UniCredit SpA ("Unicredit" now, due to the sale of the receivable, communicated to Italtel on 10 June 2020, Davy Global Fund Management Limited ("Davy"), as management company of the investment fund RSCT Fund, of which Pillarstone Italy SpA is the investment advisor – Banca IFIS Spa ("Banca Ifis", formerly Interbanca SpA), Banca Popolare di Milano SpA ("BPM"2), Banco BPM SpA ("Banco BPM") and UBI Banca Spa ("UBI Banca").

In the context of the Restructuring Agreement, the Boards of Directors of Italtel and Exprivia have approved a business plan for the period 2017-2023 (the "Business Plan"), which predetermined, with binding effect on Italtel, the strategic lines to be followed and the general operational, financial, commercial and organisational lines of conduct necessary to achieve the objectives set.

Exprivia appointed the majority of Italtel's directors in office but did not exercise management and coordination activities over Italtel pursuant to art. 2497-sexies of the Italian Civil Code, in that it did not direct or coordinate Italtel: (i) in the preparation of the group's business, financial, strategic and budget plans, since Italtel was already required to comply with the aforementioned Business Plan, (ii) in the formulation of directives regarding financial or commercial management (acquisitions, procurement, etc.), (iii) in the unitary organisation of treasury or other functions, (iv) in the choice regarding the execution of strategic transactions.

One of the circumstances qualified as "Causes of Enforcement" under the terms of the Deed of Pledge on the shares of Italtel S.p.A. signed on 14 December 2017, occurred as a result of Italtel entering into negotiations with its financial creditors aimed, among other things, at rescheduling part of its indebtedness by suspending certain repayment instalments due under the existing Loan Agreements. 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 "Cause of Enforcement" under the terms of the aforementioned Deed of Pledge.

Pursuant to the contractual regulations, the occurrence of a Material Event entails the right of the Lending Banks to claim the exercise of the administrative and financial rights related to the pledged Italtel shares - i.e. 100% of the Italtel shares.

Art. 5.3 of the deed of pledge provides that in the presence of a material event that has been notified in writing by the agent bank to the pledgers (and to Italtel), the secured creditors will have the right (but not the obligation) to exercise the voting rights relating to the shares subject to pledge. To this end, the secured creditors may – based on a decision to be taken by two thirds of the lending banks – communicate to the pledgers (including Exprivia) and to Italtel that they intend to exercise the rights relating to the shares. This further communication has never been given to date. Therefore, until the receipt of this communication, the voting rights remain with the pledgers, who in effect have exercised them on 5 May 2020 for the renewal of Italtel's Board of Directors with their own representatives. Therefore, Italtel's Board of Directors is the expression of the majority shareholder Exprivia.

At the end of 2019, 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.

On 31 March 2020, Italtel's Board of Directors, 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 request was submitted on 2 April 2020.

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.

As a result of this process, on 31 December 2020, Italtel's Board of Directors resolved to accept the offer made by a third-party industrial entity, in order to pursue the submission of its own application for a composition and not that of the shareholder Exprivia, resulting in a de facto situation whereby (i) the majority of Italtel shares held by Exprivia does not allow the exercise of rights at the Shareholders' Meeting and thus also the replacement of directors, (ii) Exprivia is no longer the bearer of an economic interest with respect to Italtel's assets, (iii) the returns associated with Exprivia's shareholding in Italtel's share capital are no longer subject to changes in Italtel's economic performance, and (iv) Exprivia has lost the power to influence the variability of the returns associated with the ownership of a majority shareholding in Italtel.

In light of the above, the directors of Exprivia, with the support of their accounting and legal advisors, concluded that at 31 December 2020 Exprivia lost control of Italtel pursuant to IFRS 10, applicable in this case. The considerations made are reported in detail.

The resolution of 31 December 2020 by Italtel's Board of Directors to accept the binding offer of a third-party industrial entity, bearing the assumption of the assets and liabilities and releasing effect for Italtel, as the offer to be the basis of the application for admission to the composition procedure and the related plan, which committed Italtel to submit the composition plan on 5 February 2021, was taken by majority vote with the favourable vote of the CEO and the Chairman appointed by the shareholder Exprivia and therefore completely independent of any possible influence or interest of the shareholder Exprivia itself, and with the favourable vote of the two independent directors.

At the date of this resolution, however, the deadline of 5 February 2021 assigned by the Court of Milan for the filing of the proposal and of the composition plan could not be further extended, as it had already been initially extended at the request of Italtel pursuant to art. 161, paragraph 6, of the Bankruptcy Law and exceptionally extended a second time until 5 February 2021, pursuant to art. 9, paragraph 4, Decree Law no. 23 of 8 April 2020, as converted by Law no. 40 of 5 June 2020.

This de facto situation made it impossible to further postpone the decision of the Board of Directors on the offer to be placed as a basis for the request for a composition with creditors to be filed, together with the report of the independent third party, by 5 February 2021.

Therefore, the choice of the offer of the industrial group as an alternative to Exprivia - and Italtel's rejection of Exprivia's offer - is to be considered final as of that date, as well as from that date it is decided that Italtel's composition plan will provide for the transfer of Italtel's entire assets by a third party Assumptor of Liabilities and that, in the event of failure to file the plan by 5 February 2021, failure of admission, failure of endorsement or failure of approval, Italtel would not be subject to any power of Exprivia, because it would be subject to insolvency proceedings.

In this regard, it is necessary to analyse two possible scenarios, deriving from this resolution, in the context of the composition with creditors of Italtel opened on 11 March 2021 and whose meeting pursuant to art. 177 of the Bankruptcy Law, is set for 29 September 2021.

In both cases, the resolution of Italtel's Board of Directors of 31 December 2020 determined a course of activity that, whatever the outcome, makes Exprivia indifferent to the returns of the investment and has no power to replace the directors.

- *First scenario - positive outcome of the composition procedure*: a first scenario is that in which the proposed composition is approved by the creditors of Italtel and, subsequently, by the court. In the time between the filing of the appeal and the approval, the management of Italtel is limited to the performance of the acts of ordinary administration, under the supervision of the judicial commissioners, until the approval date. Following the approval, the execution of the composition will entail the sale of the entire assets of Italtel in favour of the Assumptor, against the assumption by the latter of the bankruptcy liabilities at the date of the approval. With the approval of the composition, containing Italtel's proposal to transfer the entire company assets to the Assumptor, with discharging effect, Italtel will be deprived of all assets. In addition, there will be a cause for dissolution consisting of the impossibility of achieving the corporate purpose, pursuant to art. 2484, paragraph 1, no. 2, of the Italian Civil Code, with the necessary steps for the liquidation of Italtel. In this case, until the appointment of the liquidators in the Register of Companies, the directors of Italtel will retain the management power "for the sole purpose of preserving the integrity and value of the company assets", pursuant to art. 2486, paragraph 1, of the Italian Civil Code. Following the registration in the Register of Companies of the appointment of liquidators, the directors will cease to hold office pursuant to art. 2487-bis, paragraph 3, of the Italian Civil Code.
- *Second scenario – negative outcome of the composition procedure*: a second scenario is that in which the majority of the creditors of Italtel admitted to the vote do not approve the composition proposal, or the approval procedure has a negative outcome. Both circumstances will result in the closure of the proceedings and Italtel will be subject either to bankruptcy or more likely, as a result of its request, to extraordinary administration proceedings, for which it has the size requirements. In both scenarios, the company is destined to be sold en bloc or atomistically by the competent body. In particular, with reference to the extraordinary administration procedure, the combination of articles 36, Italian Legislative Decree no. 270 of 8 July 1999, and no. 200 of the Bankruptcy Law, it appears that the opening of the extraordinary administration procedure, although it does not involve the definitive termination of the office of the directors, determines "the suspension of the functions of the corporate bodies […] limited to the scope of administration and disposal of the company's assets. The corporate bodies are replaced by those in charge of managing the company pursuant to art. 19 Legislative Decree no. 270/1999, who must sell the company to third parties and distribute the proceeds to creditors. In this context, it is almost

certain that the Exprivia shareholder will not receive anything. The same applies to the (less likely) assumption that the company is subject to bankruptcy.

The resolution of 31 December 2020 does not have the effect of depriving Exprivia of the ownership of the majority of voting rights that can be exercised at the ordinary Shareholder' Meeting of Italtel. This is also due to the fact that the potential right of the Lending Banks to claim the exercise of administrative rights and to benefit from the economic rights related to the investment of Exprivia was not exercised. Exprivia will continue to hold voting rights even after the adoption of the resolution of Italtel's Board of Directors at 31 December 2020, but as a result of this resolution, in both the first and second scenario (positive or negative outcome of the composition) envisaged above, i.e. whatever the outcome of the procedure, Exprivia will not be affected in any way by Italtel's "variable returns". In the scenario of a positive outcome (endorsement and approval), in fact, Italtel has no assets or liabilities, no longer operates on the market, as it is in liquidation, and is therefore no longer subject to any "performance" in the sense envisaged by IFRS 10 which, where it refers to performance, necessarily assumes continuity or, at least, variability linked to the exercise of a business activity. In the second scenario, Italtel is under extraordinary administration and therefore Exprivia has no power or expected returns from the investment.

With reference to the ability to exercise its power over the invested entity, Exprivia, following the activation of the composition procedure and Italtel's acceptance of the alternative offer to Exprivia's one, is not considered to have the ability to exercise its power to affect the returns from the relationship with Italtel. Indeed (i) in the first scenario, Italtel's management and operations would be limited to the performance of ordinary administration acts until the date of the approval and, following the approval of the composition procedure, Italtel would enter into liquidation, with the consequent termination of the entire Board of Directors; (ii) in the second scenario, the functions of the corporate bodies are suspended and are replaced by the receivership body, which must sell the company to third parties and distribute the proceeds to creditors.

In view of the above, Exprivia's Board of Directors considered that the resolution of acceptance of the PSC Group's offer on 31 December 2020 by Italtel's Board of Directors, which was followed by the presentation of the proposal including the assumption with release, and the subsequent admission to the composition procedure, constitutes an event that determines the loss of control of Exprivia, pursuant to IFRS 10.

It should be noted that the recognition of loss of control has required the directors of Exprivia to carry out in-depth analysis and assessments regarding the identification of the requirements for loss of control required by IFRS 10, in light of the complexity of the transactions, the related contractual arrangements and the governance rules defined. The professional judgement component inherent in the process of identifying the loss of control is significant.

Exprivia's directors, with the support of their accounting and legal advisors, concluded that the loss of control of Italtel by Exprivia had occurred at 31 December 2020 in accordance with IFRS 10, applicable in this case, because although they had identified events occurring prior to 31 December 2020, individually relevant to control, they considered such events not to be collectively conclusive for the purpose of stating that the loss of control had occurred at a time prior to 31 December 2020, also considering that Exprivia had then submitted an offer on December 23, 2020, later supplemented on December 30, 2020, with which it promised to subscribe to a capital increase and proposed the exercise of management and coordination over Italtel, maintaining control over it. 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 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.

## 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).

| FINANCIAL ASSETS AT 31 December 2020 | 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" | inancial instruments available for sale "FVOCI" | Total |
|---|---|---|---|---|---|---|
| In thousands of Euro | | | | | | |
| ***Non-current assets*** | | | | | | |
| Financial activities | 2,083 | | | | | 2,083 |
| Investments in other companies | | 167 | | | | 167 |
| Derivative financial instruments | | | | | | 0 |
| Non-current assets | 462 | | | | | 462 |
| **Total non-current assets** | 2,545 | 167 | - | 0 | - | 2,712 |
| ***Current assets*** | | | | | | |
| Commercial credits | 45,113 | | | | | 45,113 |
| Other financial assets | 3,511 | | | | 205 | 3,716 |
| Other current assets | 8,729 | | | | | 8,729 |
| Cash and cash equivalents | 26,069 | | | | | 26,069 |
| **Total current assets** | 83,422 | - | - | - | 205 | 83,627 |
| **TOTAL** | **85,967** | **167** | - | **0** | **206** | **86,339** |

| FINANCIAL LIABILITIES AT 31 December 2020 | 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 Euros | | | | | | |
| ***Non-current liabilities*** | | | | | | |
| Bond loan | 13,673 | | | | | 13,673 |
| Payables to banks | 25,566 | | | | | 25,566 |
| Other financial liabilities | 3,892 | | 15 | | | 3,907 |
| Other non-current liabilities | 933 | | | | | 933 |
| **Total non-current liabilities** | 44,064 | | 15 | - | - | 44,079 |
| ***Current liabilities*** | | | | | | |
| Current bond loans | 4,536 | | | | | 4,536 |
| Payables to banks | 20,885 | | | | | 20,885 |
| Trade payables and advances | 28,973 | | | | | 28,973 |
| Other financial liabilities | 6,590 | | | | | 6,590 |
| Other liabilities | 32,632 | | | | | 32,632 |
| **Total current liabilities** | 93,616 | | - | | - | 93,616 |
| **TOTAL** | **137,680** | | **15** | - | - | **137,695** |

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 SpA Balance Sheet at 31 December 2020

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 2020, the balance of the item "**property, plant and machinery**", net of depreciation, amounted to Euro 18,480,160 compared to Euro 18,659,974 at 31 December 2019.

The breakdown of the changes during the period for each category of assets are detailed below:

| Categories | Historical cost 01/01/2020 | Historical cost increase | Historical cost decrease | Provision for the year | Depreciation fund | Net value at 31/12/2020 |
|---|---|---|---|---|---|---|
| Land | 1,278,394 | - | - | - | - | 1,278,394 |
| Building | 14,009,257 | 91,002 | - | (1,428,999) | - | 12,671,260 |
| Other assets | 3,372,323 | 2,947,112 | (1,500,424) | (1,807,446) | 1,518,941 | 4,530,506 |
| **TOTAL** | **18,659,974** | **3,038,114** | **(1,500,424)** | **(3,236,445)** | **1,518,941** | **18,480,160** |

The increase in the item "**buildings**", amounting to Euro 91,002, relates to the recognition of the right of use, in accordance with IFRS 16, of the lease agreements entered into between the Company and Italtel, as regards the offices in the Castelletto and Carini sites.

The increase in the item "**other assets**", amounting to Euro 2,947,112, is mainly attributable, for Euro 2,044,751, to the recognition of the right of use according to IFRS 16 of the medium/long-term car rental contracts executed in 2020 and for Euro 902,361 to other increases, of which Euro 894,328 related to electronic office equipment.

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 at 01/01/2020 | Increases at 31/12/2020 | Decreases at 31/12/2020 | Depreciation at 31/12/2020 | Decreases in the accumulated depreciation at 31/12/2020 | Net value at 31/12/2020 |
|---|---|---|---|---|---|---|
| Land and building | 3,287,485 | 91,002 | - | (933,171) | - | 2,445,316 |
| Furniture and furnishings | 122,436 | - | - | (60,221) | - | 62,215 |
| Cars | 1,547,642 | 2,044,751 | (1,430,254) | (1,011,075) | 1,447,133 | 2,598,196 |
| **TOTAL** | **4,957,563** | **2,135,753** | **(1,430,254)** | **(2,004,467)** | **1,447,133** | **5,105,728** |

Financial payables relating to the current value of the remaining lease payments at 31 December 2020 amounted to Euro 5,764,119 million, of which Euro 1,901,683 million classified as current liabilities and Euro 3,862,436 million classified as non-current liabilities.

The following table shows the amounts relating to leases recognised in FY 2020 compared to those recognised in FY 2019 in the income statement (amounts in thousand Euro).

| Description | 31/12/2020 | 31/12/2019 | Variations |
|---|---|---|---|
| **Use of third party assets** | **(182)** | **(185)** | **3** |
| Short term leasing | 7 | (60) | 67 |
| Leasing of modest value | (189) | (136) | (54) |
| **Depreciation and write-downs of non-current assets** | **(2,004)** | **(1,907)** | **(97)** |
| Amortization of rights to use leased assets | (2,004) | (1,907) | (97) |
| **Financial income (charges)** | **(270)** | **(272)** | **2** |
| Interest expense for leased assets liabilities | (270) | (272) | 2 |

For comparative purposes, the changes in tangible fixed assets occurred in the previous year:

| Categories | Historical cost 01/01/2019 | IFRS 16 adjustments as of 01/01/2019 | Net value adjusted as of 01/01/2019 | Historical cost increase | Historical cost decrease | Depreciation for the year | Depreciation fund | Net value at 31/12/2019 |
|---|---|---|---|---|---|---|---|---|
| Land | 1,336,394 | - | 1,336,394 | - | (58,000) | - | - | 1,278,394 |
| Building | 11,312,610 | 4,121,558 | 15,434,168 | 76,033 | (232,000) | (1,405,548) | 136,604 | 14,009,257 |
| Other assets | 1,874,794 | 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** |

## Note 2 – Goodwill

At 31 December 2020, "**goodwill**" amounted to Euro 66,791,188 and there were no changes from the figure at 31 December 2019.

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

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, 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 on 18 May 2020 and subsequently confirmed on 30 April 2021.

It should be noted that the estimated effects of Covid-19 were taken into account in the economic and financial projections, also in light of the indications of ESMA, Bank of Italy, CONSOB and Isvap, as well as the guidelines and indications provided in the most recent documents published following the COVID-19 pandemic. These effects are of insignificant impact, considering that the Company was not impacted in the least by the Covid-19 pandemic, as already noted in the Directors' Report, and that the specific future forecasts for the IT sector inferred from external sources show that the sector will not be negatively affected by the pandemic also in 2021.

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 1.3%, 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 or WACC, was increased to incorporate an execution risk of the plan, equal to 1.4%, calculated on the basis of the average deviation percentage between the EBITDA achieved and the EBITDA estimated in the last five years, equal to 0.4%, to which an additional execution risk of 1% has been added, given the scenario of future uncertainty linked to Covid-19.

The main assumptions underlying the 2021-2025 economic-financial forecasts are listed below:

- for 2021 the projections reflect budget data for the year;
- for 2022-2025, the projections reflect an annual compound average growth rate of Total Revenues of 0.4% (CAGR 2021-2025) and average profit margin of 12.7%.

The WACC (Weighted Average Cost of Capital) used to discount cash flows was equal to 7.9% and was determined as the specific discount rate for Italy.

The parameters used are as follows:

| Parametri | Italia |
|---|---|
| Risk free rate | 1,8% |
| Market risk premium | 6,0% |
| D/E | 1,0% |
| Beta unlevered | 79,0% |
| Beta levered | 79,6% |
| Risk Premium | 4,8% |
| Country Risk Premium | 0,0% |
| Premio per il rischio addizionale | 1,4% |
| **Costo del capitale proprio (Ke)** | **8,0%** |
| | |
| Risk free rate | 1,8% |
| Spread | 2,8% |
| **Costo del debito (Kd Pre tax)** | **4,6%** |
| | |
| Aliquota IRES / IS | 24,0% |
| **Costo del debito (Kd after Tax)** | **3,5%** |
| | |
| D/D+E | 1,00% |
| E/D+E | 99,0% |
| **WACC** | **7,9%** |

### 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 2020, the balance of the item "**Other intangible assets**" amounted, net of amortisation applied, to Euro 10,150,987 compared with Euro 10,454,886 at 31 December 2019.

The table below shows the changes in the reporting period:

| Categories | Net value as of 01/01/2020 | Increases as at 31/12/2020 | Decreases as at 31/12/2020 | Depreciation | Net value as of 31/12/2020 |
|---|---|---|---|---|---|
| Cost of plant and extension | 2,290,629 | 557,552 | (41,617) | (777,839) | 2,028,725 |
| Development of advertising | 4,251,399 | 2,380,187 | - | (1,949,521) | 4,682,064 |
| Assets under constr. & payment on a/c | 3,912,858 | 604,641 | (1,077,301) | - | 3,440,198 |
| **TOTAL** | **10,454,886** | **3,542,382** | **(1,118,918)** | **(2,727,361)** | **10,150,987** |

The increase in the item "**other intangible assets**", totalling Euro 557,552, refers for Euro 166,418 to the transfer of assets in progress at 31 December 2019 and for Euro 391,134 mainly to the purchase of software licenses.

The increase of Euro 2,380,187 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 604,641 is attributable to the development of software applications not yet completed in the Defence & Aerospace market, while the decrease of Euro 1,077,301 is mainly attributable to the development of software applications already completed and therefore amortised, as part of the afore-mentioned market.

For comparative purposes, the changes in intangible fixed assets occurred in the previous year are shown below:

| Categories | Net value as of 01/01/2019 | Increases | Decreases | Depreciation | Net value as of 31/12/2019 |
|---|---|---|---|---|---|
| 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** |

## Note 4 – Equity Investments

The item "**equity investments**" at 31 December 2020 amounted to Euro 8,823,073 compared to Euro 8,998,573 at 31 December 2019.

The item is broken down below.

### Equity Investments in Subsidiaries

At 31 December 2020, the item "**equity investments in subsidiaries**" amounted to Euro 8,281,445 compared with Euro 8,534,445 at 31 December 2019. The table below provides details on the item:

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Exprivia Projects Srl | 1,709,366 | 1,709,366 | - |
| Group Exprivia S.L.U | 2,581,044 | 2,581,044 | - |
| Exprivia Do Brasil | 2,574,976 | 2,574,976 | - |
| ProSap SA de CV (Messico) | 563,268 | 816,268 | (253,000) |
| Advanced Computer Systems Gmbh | 25,000 | 25,000 | - |
| Spegea S.c.a r.l. | 300,000 | 300,000 | - |
| HRCOFFEE Srl | 155,788 | 155,788 | - |
| Consorzio Exprivia S.c. a r.l. | 22,003 | 22,003 | - |
| Exprivia Asia Ltd | 350,000 | 350,000 | - |
| **TOTAL** | **8,281,445** | **8,534,445** | **(253,000)** |

It should also be noted that Exprivia holds 81% of the share capital of Italtel but, as announced on 30 April 2021, does not hold control as from 31 December 2020 pursuant to IFRS 10. The carrying amount of the equity investment in Italtel is zero as it was fully written down as at 31 December 2019 following the results of the impairment test carried out on that date and described in the Annual Report at 31 December 2019. On 31 December 2020, there was a pledge on security no. 9 representative of 25,000,000 category A shares corresponding to 81% of the ordinary share capital of Italtel, granted to guarantee the obligations deriving from loan agreements taken out by Italtel.

The investments were subjected to impairment tests where impairment indicators were detected.

The change during the year, amounting to Euro 253 thousand, is attributable to the write-down of the equity investment in Exprivia Mexico SA de CV following the result of the impairment test.

### Impairment test process for the equity investment 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 Messico SA de CV, amounting to Euro 816 thousand, was verified based on the cash flow projections deriving from the economic-financial forecasts for the years 2021-2025 approved by the company's Board of Directors, which envisage the following main assumptions:

- for 2021 the projections reflect budget data for the year;
- for the years 2022-2025, the projections reflect an average annual growth rate of total revenues of 2.5% (CAGR 2021-2025), in line with the long-term growth rate of the countries in which the company operates.

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% and 10%.

The impairment test identified a loss of Euro 253 thousand 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

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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.

The sensitivity analysis shows that by performing the impairment test and changing the above parameters, the values in use would be lower than the carrying values with reference to the equity investment in Exprivia Messico SA de CV by Euro 268 thousand (instead of the Euro 253 thousand accounted for as a write-down on the equity investment in 2020).

From the same sensitivity analysis, carrying out the impairment test by varying the parameters as reported above, it would also show impairment losses with reference to the investment in Exprivia SLU for Euro 339 thousand and with reference to the investment in Exprivia do Brasil for Euro 76 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 2020 approved by the respective administrative bodies.

It should be noted that the information relating to the company Italtel is taken from the Reporting Package at 31 December 2020, approved by the Board of Directors on 21 April 2021.

| 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 | 51 | 71 | 796 | 275 | 100.00% | Exprivia SpA |
| Consorzio Exprivia S.c.a.r.l | Milano | Euro | 20.000 | valori in migliaia di Euro | 2 | 23 | 12.00 | 3,422 | 70.00%<br>25.00%<br>5.00% | Exprivia SpA<br>Italtel SpA<br>Exprivia Projects Srl |
| Exprivia ASIA Ltd | Hong Kong | Dollaro Hong Kong | 2,137,659 | valori in migliaia di Euro | (75) | (146) | - | 795 | 100.00% | Exprivia SpA |
| Exprivia Do Brasil Servicos Ltda | Rio de Janeiro (Brasile) | Real | 5,890,683 | valori in migliaia di Euro | 10 | 1,149 | 869 | 1,381 | 100.00% | Exprivia SpA |
| Exprivia Projects Srl | Roma | Euro | 242,000 | valori in migliaia di Euro | 415 | 804 | 14,630 | 5,148 | 100.00% | Exprivia SpA |
| HRCOFFEE Srl | Molfetta (BA) | Euro | 100,000 | valori in migliaia di Euro | (154) | (41) | 3 | 487 | 70.00%<br>30.00% | Exprivia SpA<br>persone fisiche |
| Spegea Scarl | Bari | Euro | 125,000 | valori in migliaia di Euro | (13) | 253 | 673 | 1,706 | 60.00%<br>40.00% | Exprivia SpA<br>Confindustria Bari |
| Exprivia SLU | Madrid (Spagna) | Euro | 197,904 | valori in migliaia di Euro | (1,155) | 637 | 1,470 | 3,932 | 100.00% | Exprivia SpA |
| Exprivia Messico SA de CV | Città del Messico (Messico) | Pesos messicani | 41,208,999 | valori in migliaia di Euro | (236) | 1,319 | 611 | 2,525 | 2.00%<br>98.00% | Exprivia SLU<br>Exprivia SpA |
| Italtel SpA (*) | Settimo Milanese (MI) | valori in Euro | 20.000.000 | valori in migliaia di Euro | (21,397) | (217,289) | 275,465 | 214,869 | 81.00%<br>19.00% | Exprivia SpA<br>Cisco Srl |

(*) Exprivia holds 81% of the Share Capital, but at 31 December 2020 it was declared that it has lost control

It should be noted that, at 31 December 2020, 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.

## Equity investments in associates

At 31 December 2020, the item "**Equity investments in Associates**" amounted to Euro 375,000 compared to Euro 300,000 at 31 December 2019. This change is attributable to the additional purchase by Exprivia of 5% of the share capital of QuestIT Srl for Euro 75,000, as a result of which the percentage of the investment in the company QuestIT Srl rose to 25%.

## Equity investments in other companies

At 31 December 2020, the item "**Equity investments in other companies**" amounted to Euro 166,629 compared to Euro 164,129 at 31 December 2019. The table below provides details on this item:

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| 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 | - |
| Consorzio Heath Innovation HUB/Consorzio Semantic Valley | | | - |
| Cefriel Scarl | 33,000 | 33,000 | - |
| Banca Credito Cooperativo | 8,773 | 8,773 | - |
| Consorzio Createc | 6,971 | 6,971 | - |
| Distretto Tecnologico Aerospaziale | 2,500 | | 2,500 |
| **TOTAL** | **166,629** | **164,129** | **2,500** |

The change is attributable to the purchase, on 4 March 2020, of 1% of the share capital of the company "Distretto Tecnologico Aerospaziale S.c.a.r.l.".

## Note 5 – Other Non-Current Financial Assets

The balance of the item "**Other non-current financial assets**" at 31 December 2020 amounted to Euro 2,083,120 compared to Euro 2,605,535 at 31 December 2019. The table below provides details on the item.

| Description | 31/12/2020 | 31/12/2019 | Variations |
|---|---|---|---|
| Receivables from subsidiaries | 919,597 | 923,925 | (4,328) |
| Receivables from parent companies | 918,996 | 1,357,875 | (438,879) |
| Financial receivables from others | 244,480 | 323,557 | (79,077) |
| Derivative financial instruments | 47 | 178 | (131) |
| **TOTAL** | **2,083,120** | **2,605,535** | **(522,415)** |

## Non-current financial receivables from subsidiaries

The item "**Non-current financial receivables from subsidiaries**" at 31 December 2020 amounted to Euro 919,597 compared to Euro 923,925 at 31 December 2019. The table below provides details on the item:

| Description | 31/12/2020 | 31/12/2019 | Variations |
|---|---|---|---|
| Exprivia Slu | 710,942 | 610,942 | 100,000 |
| Exprivia Asia Ltd | 208,655 | 312,983 | (104,328) |
| **TOTAL** | **919,597** | **923,925** | **(4,328)** |

The increase relating to the company Exprivia SLU is attributable to the new loans granted by the Parent Company Exprivia in 2020.

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 918,996 at 31 December 2020, compared to Euro 1,357,875 at 31 December 2019, 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 fifth instalment of Euro 438,879 is due on 4 April 2021; the amount was classified as "Receivables from parent companies" under "Other current financial assets" (Note 12). The receivable was increased by Euro 24,417 for interest accrued.

## Non-current financial receivables from others

The balance of the item "**Non-current financial receivables from others**" at 31 December 2020 totalled Euro 244,480, compared to Euro 323,557 at 31 December 2019 and refers to medium/long-term guarantee deposits of Euro 84,715 and Euro 159,765 referring 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 2020, the item "**derivative financial instruments**" amounted to Euro 47 compared to Euro 178 at 31 December 2019.

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* | Operation date | 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 | 1,507,692 | 18 |
| Interest Rate Cape - BPM | 11/05/2016 | 30/06/2016 | 30/12/2022 | EUR | 846,136 | 10 |
| Interest Rate Cape - UNICREDIT | 09/05/2016 | 30/06/2016 | 30/12/2022 | EUR | 1,507,692 | 18 |
| **TOTAL** | | | | | **3,861,520** | **47** |

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 131, 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 462,164 at 31 December 2020 compared to Euro 750,832 at 31 December 2019 and refers for Euro 52,736 to the residual credit relating to the deductibility of the IRAP calculated on staff costs which generated a recovery of IRES, and for Euro 409,428 for the suspension of costs pertaining to future years after 2021.

## Note 7 – Prepaid Taxes

At 31 December 2020, the item "**prepaid taxes**" amounted to Euro 1,598,106 compared to Euro 1,535,858 at 31 December 2019. The table below provides details of the item, compared with the figures at 31 December 2019:

| Description | 31/12/2020 Amount temporary differ | 31/12/2020 tax effect | 31/12/2019 Amount temporary differ | 31/12/2019 tax effect |
|---|---|---|---|---|
| Depreciation | 285,424 | 68,502 | 218,479 | 52,435 |
| Allowance for doubtful accounts | 2,100,944 | 504,227 | 2,287,354 | 548,965 |
| Fund risks | 1,176,341 | 333,663 | 1,411,921 | 399,996 |
| Adjustments for IFRS | 785,088 | 182,161 | 785,088 | 182,161 |
| Others | 2,274,840 | 509,553 | 1,521,195 | 352,301 |
| **TOTAL** | **6,622,637** | **1,598,106** | **6,224,037** | **1,535,858** |

The item "**Other**" refers, for Euro 977,570, to provisions for staff bonuses still not paid at 31 December 2020 (tax effect of Euro 287,047), for Euro 296,102 to fair value changes in FVOCI instruments (tax effect of Euro 12,140), for Euro 40,235 to inventory write-downs (tax effect of Euro 9,656) and for Euro 235,552 to the effect of the application of IFRS 15 (tax effect of Euro 67,132 and for Euro 725,381 to the effect deriving from the application of IFRS 16 (tax effect of Euro 142,577).

# CURRENT ASSETS

## Note 8 – Trade Receivables

The item "**Trade receivables**" went from Euro 46,132,767 at 31 December 2019 to Euro 45,112,927 at 31 December 2020. It should be noted that at 31 December 2020, receivables from the Italtel Group (amounting to Euro 1,635,015), which at 31 December 2019 were classified under "Trade Receivables - Subsidiaries", were reported under "Trade Receivables - Customers" as a result of the deconsolidation of Italtel as from 31 December 2020. The table below provides details on the items.

| Description | 31/12/2020 | 31/12/2019 | Variations |
|---|---|---|---|
| Trade receivables from customers | 43,013,340 | 41,902,739 | 1,110,601 |
| Trade receivables from subsidiaries | 2,067,015 | 4,204,656 | (2,137,641) |
| Trade receivables from parent companies | 32,572 | 25,372 | 7,200 |
| **TOTAL** | **45,112,927** | **46,132,767** | **(1,019,840)** |

## Trade Receivables - Customers

"**Trade receivables - Customers**" went from Euro 41,902,739 at 31 December 2019 to Euro 43,013,340 at 31 December 2020 and are recorded under assets net of the bad debt provision of Euro 2,100,943 as an adjustment for the risk of doubtful debts.

The table below provides details on the composition of the year-end balance.

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| To Italian customers | 34,138,800 | 37,028,283 | (2,889,483) |
| To foreign customers | 1,577,426 | 1,767,092 | (189,666) |
| To public bodies | 9,398,057 | 5,497,669 | 3,900,388 |
| **S-total receivables to customers** | **45,114,283** | **44,293,044** | **821,239** |
| Less: provision for bad debts | (2,100,943) | (2,390,305) | 289,363 |
| **Total receivables to customers** | **43,013,340** | **41,902,739** | **1,110,601** |

The change in the bad debt provision, amounting to Euro 289,362, is mainly attributable to the valuation, according to IFRS 9, of trade receivables, which generated a provision of Euro 215,507 in 2020.

| Details | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Credits for invoices / credit notes issued | 33,648,599 | 32,158,594 | 1,490,005 |
| Credits for invoices / credit notes to be issued | 11,465,684 | 12,134,450 | (668,766) |
| TOTAL | **45,114,283** | **44,293,044** | **821,239** |

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 2020 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:

| Amount of receivables | in | | days past due | | | | | | | | Allowance for doubtful accounts | Net recivables |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | expire | due | 1 - 30 | 31 - 60 | 61 - 90 | 91-120 | 121-180 | 181-270 | 271-365 | beyond | | |
| 33,648,599 | 24,100,273 | 9,548,326 | 1,201,547 | 1,422,473 | 248,534 | 581,175 | 1,556,158 | 1,222,941 | 187,283 | 2,576,547 | (2,100,943) | 31,547,656 |
| 100.0% | 72% | 27% | 4% | 4% | 1% | 2% | 5% | 4% | 1% | 8% | | |

## Trade Receivables - Subsidiaries

The item "**Trade receivables - Subsidiaries**" at 31 December 2020 amounted to Euro 2,067,015 compared to Euro 4,204,656 in the previous year. As already described above, the receivables from the Italtel Group at 31 December 2020 were reclassified to the item "Trade Receivables - Customers" due to the deconsolidation of the Italtel Group.

The table below provides details on this item:

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Consorzio Exprivia | 614,811 | 1,534,999 | (920,188) |
| Exprivia Messico SA de CV | 15,751 | - | 15,751 |
| Exprivia Projects Srl | 581,350 | 624,122 | (42,772) |
| Exprivia SLU | 648,801 | 634,667 | 14,134 |
| Spegea S. c. a.r.l. | 54,312 | 113,178 | (58,866) |
| ACS DE Gmbh | 140,002 | 140,002 | - |
| HR Coffee | 11,988 | 5,400 | 6,588 |
| Italtel S.p.A. | - | 1,152,288 | (1,152,288) |
| **TOTAL** | **2,067,015** | **4,204,656** | **(2,137,641)** |

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 item "**trade receivables - Parent Companies**" at 31 December 2020 amounted to Euro 32,572 compared to Euro 25,372 at 31 December 2019 and refers to receivables for administrative services of Exprivia recharged to the holding company Abaco Innovazione SpA.

## Note 9 – Inventories

At 31 December 2020, the item "**inventories**" amounted to Euro 1,052,244 compared with Euro 706,298 at 31 December 2019 and refers to software and hardware products held for sale.

## Note 10 – Work in Progress Contracts

At 31 December 2020, the item "**work in progress contracts**" amounted to Euro 20,992,341 compared to Euro 17,894,860 at 31 December 2019 and refers to the value of work in progress contracts valued according to contractual payments accrued. It should also be noted that the item is shown net of the provision for contractual penalties of Euro 22,281.

The table below provides details on the items "work in progress contracts" and "advance payments".

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Work in progress (gross) | 52,277,316 | 49,913,911 | 2,363,405 |
| Advances from clients | (31,284,975) | (32,019,051) | 734,076 |
| **Works in progress on ordination** | **20,992,341** | **17,894,860** | **3,097,481** |
| Advances from clients (gross) | (32,897,879) | (27,943,492) | (4,954,387) |
| Work in progress | 29,082,847 | 22,213,423 | 6,869,424 |
| **Advances on work in progress to order** | **(3,815,032)** | **(5,730,069)** | **1,915,037** |

## Note 11 – Other Current Assets

The balance of "**Other current assets**" at 31 December 2020 amounted to Euro 8,728,954 compared with Euro 11,668,964 at 31 December 2019.

The table below provides details on the items:

| Description | 31/12/2020 | 31/12/2019 | Variations |
|---|---|---|---|
| Other receivables from subsidiaries | 64,425 | 213,718 | (149,293) |
| Tax credits | 1,131,195 | 1,634,059 | (502,864) |
| Other current assets | 7,533,334 | 9,821,187 | (2,287,853) |
| **TOTAL** | **8,728,954** | **11,668,964** | **(2,940,010)** |

### Other Receivables from Subsidiaries

At 31 December 2020, "**Other receivables from Subsidiaries**" amounted to Euro 64,425, compared with Euro 213,718 at 31 December 2019, 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 | 31/12/2020 | 31/12/2019 | Variations |
|---|---|---|---|
| Receivables from Exprivia Projects for IRES from tax consolidation | 63,286 | 212,000 | (148,714) |
| Receivable from Spegea for IRES from tax consolidation | 1,139 | 1,718 | (579) |
| **TOTAL** | **64,425** | **213,718** | **(149,293)** |

### Tax Receivables

At 31 December 2020, the item "**tax receivables**" amounted to Euro 1,131,195 compared to Euro 1,634,059 at 31 December 2019. The table below provides a breakdown and a comparison with the previous year:

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| IRES tax credit | 28,663 | - | 28,663 |
| IRAP tax credit | - | 171,488 | (171,488) |
| Credit for irap application on ires | 65,806 | 338,613 | (272,807) |
| Tax authority deductions on foreign payments | 251,067 | 196,211 | 54,856 |
| Receivables from the tax authorities for VAT | 20,813 | 533,540 | (512,727) |
| Receivables from the tax authorities | 764,846 | 394,207 | 370,639 |
| **TOTAL** | **1,131,195** | **1,634,059** | **(502,864)** |

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 2020.

### Other Current Assets

The balance of "**Other current assets**" at 31 December 2020 amounted to Euro 7,533,334 compared with Euro 9,821,187 at 31 December 2019.

The table below provides details on the item and respective changes:

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Receivables for contrib. | 5,378,445 | 8,147,613 | (2,769,167) |
| Advances to suppliers for services | 6,994 | 93,586 | (86,591) |
| Sundry credits | 104,363 | 105,772 | (1,409) |
| Receivables to welfare institutes/INAIL | 228,299 | 181,516 | 46,783 |
| Costs in future years expertise | 1,815,233 | 1,292,700 | 522,533 |
| **TOTAL** | **7,533,334** | **9,821,187** | **(2,287,853)** |

The amounts receivable in relation to "**government grants**" refer to grants for research projects, accrued and/or accounted for at this 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 830,052 for any minor grants that might not be received.

The item "**expenses pertaining to future financial years**" for Euro 1,815,233 mainly refers to maintenance costs pertaining to future periods.

## Note 12 – Other Current Financial Assets

The item "**Other current financial assets**" at 31 December 2020 amounted to Euro 3,511,238 compared with Euro 1,511,228 at 31 December 2019.

The table below provides details on the item.

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Receivables from others | 249,460 | 360,930 | (111,470) |
| Receivables from subsidiaries | 2,798,483 | 685,815 | 2,112,668 |
| Receivables from parent companies | 463,295 | 464,483 | (1,187) |
| **TOTAL** | **3,511,238** | **1,511,228** | **2,000,010** |

### Receivables from others

The balance of "**Receivables from others**" at 31 December 2020 amounted to Euro 249,460 compared to Euro 360,930 at 31 December 2019; the details are as follows:

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Security deposits | 23,120 | 18,920 | 4,200 |
| Other credits | 226,340 | 342,010 | (115,670) |
| **TOTAL** | **249,460** | **360,930** | **(111,470)** |

Additionally, the bank balance includes secured deposits for guarantees undertaken in favour of banks.

## Receivables from subsidiaries

At 31 December 2020, the balance of "**Receivables from subsidiaries**" amounted to Euro 2,798,483, compared with Euro 685,815 at 31 December 2019, 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 | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Exprivia Projects Srl | 674,397 | - | 674,397 |
| Exprivia Messico Sa de CV | 510,163 | 387,562 | 122,601 |
| Exprivia Asia Ltd | 681,516 | 291,794 | 389,722 |
| Exprivia SLU | 932,407 | 6,459 | 925,948 |
| **TOTAL** | **2,798,483** | **685,815** | **2,112,668** |

## Receivables from parent companies

At 31 December 2020, the balance of "**Receivables from parent companies**" amounted to Euro 463,295 compared to Euro 464,483 at 31 December 2019 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 24,417).

## Note 13 – Cash and Cash Equivalents

At 31 December 2020, the item "**cash and cash equivalents**" amounted to Euro 26,069,253 compared with Euro 7,101,436 at 31 December 2019 and refers to Euro 26,027,384 held at banks and Euro 41,869 in cash on hand. To be noted is that the bank balance does not include, at 31 December 2020, secured deposits for guarantees undertaken in favour of banks.

## Note 14 – Other Financial Assets Measured at FVOCI

The item "**other financial assets measured at FVOCI**" amounted to Euro 205,460 at 31 December 2020, compared to Euro 178,189 at 31 December 2019. 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 2,410 at 31 December 2020;
- 200,562 "Banca Popolare di Bari 6.50% 2014/2021 subordinate Tier II" bonds for Euro 6.00 each, for a total of Euro 203,050 at 31 December 2020.

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 24,615,694 compared to Euro 24,866,060 at 31 December 2019; the change of Euro -250,366 is attributable to the purchase 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 4,546,084 treasury shares held at 31 December 2020, with a value of Euro 2,363,964.

## Exprivia Shares held directly by members of the Board of Directors

At 31 December 2020, Mr Domenico Favuzzi, Chairman and CEO of Exprivia, directly held 316,834 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 2020, the "**share premium reserve**" amounted to Euro 18,081,738 and is the same as 31 December 2019.

### Note 15 – Revaluation Reserve

At 31 December 2020, the "**revaluation reserve**" amounted to Euro 2,907,138 and is the same as at 31 December 2019. It should be noted that this item includes the tax realignment of the statutory values carried out with reference to the properties in Molfetta, Via A. Olivetti 11 and Rome, Via Bufalotta; opportunity offered by Decree Law no. 104 of 14 August 2020, art. 110, paragraph 8, by reference to paragraph 1 of art. 14 of Law no. 342/00.

### Note 15 – Legal Reserve

At 31 December 2020, the "**legal reserve**" amounted to Euro 4,170,518 and is the same as at 31 December 2019.

### Note 15 – Other Reserves

The balance of the item "**other reserves**" amounted to Euro 28,968,816 at 31 December 2020 compared to Euro 29,192,669 at 31 December 2019 and is composed of:

- Euro 19,317,871 for the "**extraordinary reserve**", which remained unchanged with respect to 31 December 2019.
- Euro 9,650,945 for the **other reserves** compared to Euro 9,874,798 at 31 December 2019. Changes in 2020 refer to:
    - the negative effect on the shareholders' equity deriving from the share premium paid in 2020 for the purchase of treasury shares for Euro 44,700;
    - 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 206,424;
    - the positive effect on the shareholders' equity deriving from the financial assets classified as FVOCI for Euro 27,271.

### Note 15 – Retained Earnings (Loss)

At 31 December 2020, "**Retained loss**" amounted to Euro 22,864,575 and corresponds to the result for the year 2019; its allocation will be decided by the Shareholders' Meeting at the time of approval of the 2019 Annual Report.

# NON-CURRENT LIABILITIES

## Note 16 – Non-Current Bond Issues

The balance at 31 December 2020 was Euro 13,672,936 compared to 18,163,571 at 31 December 2019 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 |
|---|---|---|
| 31.12.2020 | ≤ 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 2020, the covenants had been met.

It should be noted that, on the Calculation Date carried out on 31 December 2019 relating to the financial year 2019, the NFP/Ebitda Financial Covenant was lower than the limit of 3.0 set forth in art. 7 of the Loan Regulation, therefore the annual interest rate for the year 2020 decreased from 5.80% to 5.30%.

## Note 17 – Non-Current Payables to Banks

At 31 December 2020, the item "**non-current payables to banks**" amounted to Euro 25,565,877 compared to Euro 1,538,546 at 31 December 2019, 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 25,565,878) and the current portion (Euro 10,110,832) of the payable.

| Financial Institute | Typology | Contract amount | Amount paid 31.12.2019 | Date contract | Expiration date | Repayment installment | 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 | 7,686,773 | 3,870,215 | 3,816,558 |
| Pool – Capofila Banca Popolare di Puglia e Basilicata | Financing | 20,000,000 | 20,000,000 | 27/11/2020 | 30/09/2026 | quarterly | 15,687,358 | 45,678 | 15,713,029 |
| Banca del Mezzogiorno Mediocredito Centrale | Financing | 3,500,000 | 3,500,000 | 23/06/2017 | 23/06/2027 | quarterly | 2,262,877 | 2,262,877 | - |
| Deutsche Bank | Financing | 2,000,000 | 2,000,000 | 30/09/2020 | 30/09/2021 | [illegible] | 1,982,306 | 1,982,306 | - |
| Banca Popolare Puglia e Basilicata | Financing | 2,000,000 | 2,000,000 | 25/03/2017 | a revoca | single payment | 2,000,000 | 2,000,000 | - |
| Ministero dello Sviluppo Economico MCIP | Financing | 983,470 | 983,470 | 14/09/2016 | 17/11/2025 | annual | 493,958 | 80,341 | 413,617 |
| Ministero dello Sviluppo Economico Horizon 2020 - SAL 1 | Financing | 803,120 | 550,845 | 15/02/2017 | 30/06/2026 | half-yearly | 486,106 | 42,233 | 443,873 |
| Ministero dello Sviluppo Economico MISE progetto Instamed | Financing | 411,600 | 405,848 | 27/09/2019 | 30/06/2029 | half-yearly | 405,949 | 8,400 | 397,549 |
| Ministero dello Sviluppo Economico MISE progetto [illegible] | Financing | 587,525 | 503,525 | 05/02/2020 | 31/12/2029 | half-yearly | 475,906 | 11,418 | 487,423 |
| Ministero dello Sviluppo Economico MISE progetto Sigmaging | Financing | 376,904 | 336,584 | 10/10/2019 | 30/06/2029 | half-yearly | 289,388 | 5,554 | 283,834 |
| Dell Financial Services | Financing | 1,090 | 1,090 | 01/10/2019 | 15/09/2020 | quarterly | - | - | |
| **Totale** | | | | | | | **35,676,710** | **10,110,833** | **25,565,877** |

It should be noted that at 31 December 2019, the residual debt of the syndicated loan taken out with BNL as Agent Bank had been reclassified as short-term, due to the occurrence of a Determining Event that had affected the subsidiary Italtel at that date and that would have entitled the Lenders to withdraw from the loan agreement. Considering that on 4 November 2020, BNL, also as the agent bank of the pool, granted Exprivia a waiver to rectify this situation, declaring that, at present, the Lenders believe that they do not avail themselves of the express termination clause envisaged by the loan agreement, for the financial statements at 31 December 2020, the residual debt of the aforementioned loan was reclassified under non-current liabilities for the instalments falling due after 31 December 2021 equal to Euro 3.8 million.

## 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 |
|---|---|---|---|---|
| 31.12.2020 | ≤ 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.

At 31 December 2020, the remaining debt amounted to Euro 7,597 thousand, Euro 3,780 thousand of which is to be repaid within the next twelve months (and therefore recorded under current liabilities) and the remaining Euro 3,817 thousand to be repaid in 2022 (carried under non-current liabilities).

The Financial Covenants have been observed at 31 December 2020.

## Medium-term loan agreement

On 27 November 2020, Exprivia signed with a pool of banks consisting 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 S.p.A. in the role of agent bank and SACE Agent, a medium-Term loan for a total amount of Euro 20,000,000, consisting of a single line of credit to be repaid by 30 September 2026, with a two-year grace period, at an annual interest rate equal to Euribor plus a spread of 1.60%, to which agency fees and up-front commissions were added.

The loan was granted with the use of the Liquidity Decree of 9 April 2020, (Decree Law no. 23 of 8 April 2020 converted into Law no. 40 of 5 June 2020) and is backed by a SACE SpA guarantee covering 90% of the amount of the loan.

The loan provides for contractual conditions, commitments and terms in line with bank credit market standards for loans of the same amount and duration, such as representations and warranties, commitment covenants, limitations on significant extraordinary transactions, financial indebtedness and significant investments, obligation to maintain adequate insurance coverage, mandatory and optional early repayment clauses, cross default. The loan also provides for the prohibition on the distribution of dividends and/or the purchase of treasury shares in the 12 months following the date of the Loan Request, as envisaged by the Liquidity Decree; subsequently, there is a restriction on the distribution of dividends, which may not exceed 25% of the net profit.
The loan also provides for certain financial covenants (Net Borrowing/Ebitda, Net Borrowing/SE), described in the following table:

| Reference date | Net Borrowing/EBITDA | Net Borrowing/Shareholders' Equity |
|---|---|---|
| 31.12.2020 | ≤ 4.5 | ≤ 1.0 |
| 31.12.2021 | ≤ 4.0 | ≤ 1.0 |
| 31.12.2022 | ≤ 2.7 | ≤ 0.7 |
| 31.12.2023 | ≤ 2.5 | ≤ 0.7 |
| 31.12.2024 | ≤ 2.0 | ≤ 0.7 |
| 31.12.2025 | ≤ 2.0 | ≤ 0.7 |
| 31.12.2026 | ≤ 2.0 | ≤ 0.7 |

These financial covenants calculated on a consolidated basis, excluding the Italtel Group, must be communicated within 15 days from the date of approval of the related financial statements.

The residual debt at 31 December 2020 amounted to Euro 19,667 thousand, of which Euro 19,713 thousand to be repaid in the years 2022-2026 (and recorded among non-current liabilities) and Euro 46 thousand related to the application of the amortised cost for accessory costs accrued in the following year (and therefore recorded among current liabilities).

The Financial Covenants have been observed at 31 December 2020.

### 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 2020.

The residual debt at 31 December 2020 amounted to Euro 2,263 thousand, fully classified under current liabilities in compliance with international accounting standards, due to Italtel's capital decrease pursuant to art. 2477 of the Italian Civil Code, 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 Exprivia (formerly Exprivia Healthcare IT Srl), of which the full amount approved was disbursed at 31 December 2020. 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 2020, the remaining debt amounted to Euro 500 thousand, Euro 86 thousand of which is to be repaid within the next twelve months (and therefore recorded under current liabilities) and the remaining Euro 414 thousand to be repaid in 2022-2025 (carried under non-current liabilities).

### Low-interest loan from the Ministry of Economic Development - Banca del Mezzogiorno Mediocredito Centrale S.p.A.

Low-interest loan agreement executed in favour of Exprivia (formerly ACS Srl) up to a maximum of Euro 929 thousand and disbursed for Euro 594 thousand at 31 December 2020. 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 thousand 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 October 2019 for Euro 336 thousand 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.

Subsidized loan approved and disbursed on 5 February 2020 for Euro 504 thousand in favour of Exprivia. The loan requires repayment in six-month instalments, expires on 31 December 2029 and bears a below-market fixed rate of interest of 0.17%.

## 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 2020 compared with figures from the previous year.

| Amount in Euro | | 31.12.2020 | 31.12.2019 |
|---|---|---|---|
| A. | Cash | 41,869 | 25,390 |
| B. | Other liquid assets | 26,027,384 | 7,076,046 |
| C 1. | Securities held for trading | 205,460 | 178,189 |
| C 2. | Own shares | 3,311,960 | 3,016,894 |
| D | **Liquid (A)+(B)+(C)** | **29,586,673** | **10,296,519** |
| E. | **Current financial receivables** | **3,511,238** | **1,511,228** |
| F. | Current bank debts | (16,793,254) | (25,917,351) |
| G. | Current portion of non-current bank debts | (8,627,365) | (4,622,724) |
| H. | Other current financial debts | (6,590,231) | (5,945,950) |
| I. | **Current financial debts (F) + (G) + (H)** | **(32,010,849)** | **(36,486,025)** |
| J. | **Net current financial debts (I) + (E) + (D)** | **1,087,063** | **(24,678,277)** |
| K. | Non-current bank debts | (25,565,878) | (1,538,546) |
| L. | Bond | (13,672,936) | (18,163,571) |
| M. | Other non- current financial payables net of non-current financial recivables and derivate financial istruments | (1,823,402) | (1,285,011) |
| N. | **Non-current financial debts (K) + (L) + (M)** | **(41,062,216)** | **(20,987,129)** |
| O. | **Net financial debits (J) + (N)** | **(39,975,154)** | **(45,665,407)** |

Treasury shares held by the Company (Euro 3,311,960) 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:

| | 01.01.2020 | | Monetary flows | | Non-monetary flows | | 31.12.2020 | |
|---|---|---|---|---|---|---|---|---|
| Current financial receivables | 1,511,228 | | 2,000,010 | | 0 | | 3,511,238 | |
| Current bank debts and current portion of non-current bank debts | (30,540,076) | | (2,572,850) | | 7,692,307 | (*****) | (25,420,619) | |
| Other current financial debts | (5,945,950) | | (644,280) | | 0 | | (6,590,230) | |
| Non-current bank debts | (1,538,546) | | (16,336,025) | | (7,692,307) | (*****) | (25,566,878) | |
| Bond | (18,163,571) | | 4,490,635 | | 0 | | (13,672,936) | |
| Other non-current net financial payables | (1,285,011) | | (538,391) | | 0 | | (1,823,402) | |
| **Net liabilities deriving from financing activities** | **(55,961,926)** | | **(13,599,901)** | (*) | **0** | | **(69,561,827)** | |
| Liquid | 10,296,519 | (**) | 19,262,882 | (***) | 27,272 | (****) | 29,586,673 | (**) |
| **Net current financial debts** | **(45,665,407)** | | **5,662,981** | | **27,272** | | **(39,975,154)** | |

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

(***) Cash flow of liquidity includes changes due to the purchase of treasury shares (Euro 295,066) not included in the Cash flow and equivalent means in the Cash Flow Statement

(****) Non-monetary cash flow includes changes in securities held for trading (Euro 27,271) not included in the Cash and cash equivalents flow in the Cash Flow Statement.

(*****) Among the non-monetary flows, the reclassification included in the financial statements at 31 December 2019 has been shown among the non-current liabilities of the residual debt maturing after 31.12.2021 deriving from the loan agreement signed with a pool of banks on 1 April 2016 (BNL is the Agent Bank). This reclassification of an accounting nature, deriving from contractual clauses, did not generate a financial outlay during the year.

## Note 18 – Other Non-Current Financial Liabilities

At 31 December 2020, the item "**Other non-current financial liabilities**" amounted to Euro 3,906,522 compared to Euro 3,890,546 at 31 December 2019.

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Non-current financial payables for leasing | 3,881,534 | 3,865,555 | 15,979 |
| Debts sold to other lenders | 10,000 | 10,000 | - |
| Non-current derivative financial instruments | 14,988 | 14,991 | (3) |
| **TOTAL** | **3,906,522** | **3,890,546** | **15,976** |

At 31 December 2020, the item "**Non-current financial payables for leases"** amounted to Euro 3,881,534 compared with Euro 3,865,555 at 31 December 2019 and refers to the medium/long-term portion of the amount due to leasing companies.

The balance of "**Non-current derivative financial instruments**" at 31 December 2020 is equal to Euro 14,988 versus Euro 14,991 at 31 December 2019 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 2020, the balance of the item "**Other non-current liabilities**" amounted to Euro 933,430 compared to Euro 1,878,208 at 31 December 2019.

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Payables to non-current pension and social security institutions | 7,430 | 113,984 | (106,554) |
| Non-current tax payables | 926,000 | 1,761,284 | (835,284) |
| Non-current payables to others | - | 2,940 | (2,940) |
| **TOTAL** | **933,430** | **1,878,208** | **(944,778)** |

### Non-current amounts payable to pension and social security institutions

The balance of the item "**Non-current amounts payable to social security institutions**" at 31 December 2020 amounted to Euro 7,430 compared to Euro 113,984 at 31 December 2019 and refers to the long-term 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 2021.

### Non-current tax liabilities

The balance of the item "**Non-current tax liabilities**" at 31 December 2020 amounted to Euro 926,000 compared to Euro 1,761,284 at 31 December 2019 and refers to the long-term 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 2021.

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 2020 was completely written off; the change is attributable to the reclassification of the payable from the non-current to the current portion.

## Note 20 – Provisions for Risks and Charges

The balance of the item "**Provisions for risks and charges**" at 31 December 2020 amounted to Euro 324,008 compared to Euro 676,359 at 31 December 2019 and refers for Euro 304,008 to provisions for risks on loss-making contracts and Euro 20,000 to provisions relating to disputes with former employees. The change is mainly due to the decrease in the provision for risks on loss-making contracts.

## 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 2020 amounted to Euro 8,479,090 compared with Euro 9,097,863 at 31 December 2019.

The following table shows changes in the provision in the year.

| Description | 31/12/2020 |
|---|---|
| **Initial existence as of January 1, 2020** | **9,097,863** |
| Interest Cost | 66,370 |
| Uses / liquidations of the exercise | (956,754) |
| (Profit) actuarial losses | 271,611 |
| **Final existence as of December 31, 2020** | **8,479,090** |

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 | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Discount rate | 0.34% | 0.77% |
| Inflation rate | 1.00% | 1.00% |
| Annual rate of wage growth | 2.50% | 2.50% |
| Annual rate of TFR growth | 2.25% | 2.25% |
| Mortality | Tav-RG48 | Tav-RG48 |
| Inability | Mod. INPS | Mod. INPS |
| 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 2020 amounted to Euro 1,456,338 compared to Euro 2,126,709 at 31 December 2019. The decrease of Euro 670,371 is mainly due to the realignment of the tax value of the property located in Molfetta (Bari) in via Olivetti and of the one located in Rome, via della Bufalotta in application of art. 110 of Decree Law no. 104/2020. The table below provides details on the items.

| Description | 31/12/2020 | | 31/12/2019 | |
|---|---|---|---|---|
| | Amount temporary differences | Tax effect | Amount temporary differences | Tax effect |
| TFR | (235,550) | (40,732) | 36,061 | 24,454 |
| Goodwill | 4,781,215 | 1,359,777 | 4,426,257 | 1,258,827 |
| Buildings | 382,048 | 105,063 | 2,854,933 | 811,197 |
| Adjustments for IFRS | 113,087 | 32,230 | 113,087 | 32,231 |
| **TOTAL** | **5,040,800** | **1,456,338** | **7,430,338** | **2,126,709** |

# CURRENT LIABILITIES

## Note 23 – Current Bond Issues

"**Current bond issues**" amounted to Euro 4,536,055 at 31 December 2020, compared with 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 2020, the item "**current payables to banks**" amounted to Euro 20,884,564 compared with Euro 26,017,958 at 31 December 2019. Euro 10,110,833 refers to the current amount of payables for loans and mortgages (as already described under the item "**non-current payables to banks**" in note 17 and Euro 10,773,731 refers to payables to banks 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 25,157,940 at 31 December 2020 compared to Euro 24,732,850 at 31 December 2019. It should be noted that at 31 December 2020, payables to the Italtel Group (amounting to Euro 1,237,342), which at 31 December 2019 were classified under "Trade Payables - Subsidiaries", were reported under "Trade Payables - Suppliers" as a result of the loss of control of Italtel by Exprivia pursuant to IFRS 10 as from 31 December 2020.

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Trade payables to suppliers | 23,924,872 | 22,124,732 | 1,800,140 |
| Trade payables to subsidiaries | 1,072,737 | 2,514,605 | (1,441,868) |
| Trade payables to associated companies | 160,331 | 93,513.00 | 66,818 |
| **TOTAL** | **25,157,940** | **24,732,850** | **425,090** |

## Trade Payables - Suppliers

The item **"trade payables - suppliers"** amounted to Euro 23,924,872 at 31 December 2020 compared to Euro 22,124,732 at 31 December 2019. The table below provides details on the item:

| Description | 31/12/2020 | 31/12/20019 | Variation |
|---|---|---|---|
| Invoices received Italy | 14,992,194 | 13,835,200 | 1,156,994 |
| Invoices received foreing | 1,379,333 | 862,489 | 516,844 |
| Invoices to consultants | 237,818 | 444,246 | (206,428) |
| Invoices to be received | 7,315,527 | 6,982,797 | 332,730 |
| **TOTAL** | **23,924,872** | **22,124,732** | **1,800,140** |

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 |
| **(16,609,345)** | (10,154,009) | (6,455,336) | (1,756,159) | (1,886,883) | (338,884) | (969,126) | (417,667) | (218,222) | (232,040) | (636,355) |
| 100.0% | 61% | 39% | 11% | 11% | 2% | 6% | 3% | 1% | 1% | 4% |

## Trade Payables - Subsidiaries

At 31 December 2020, the item "**Trade payables - Subsidiaries**" amounted to Euro 1,072,737 compared with Euro 2,514,605 at 31 December 2019 and refers to commercial transactions with the company and its subsidiaries under normal market conditions regulated by specific agreements. The table below shows its breakdown:

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Exprivia Messico SA De CV | 780 | 360 | 420 |
| Exprivia Projects Srl | 841,453 | 773,503 | 67,950 |
| HR COFFEE Srl | - | 3,416 | (3,416) |
| ACS GMBH | 171,575 | 93,725 | 77,850 |
| Consorzio Exprivia Scarl | - | 3,000 | (3,000) |
| Exprivia It Solution Shanghai | - | 4,603 | (4,603) |
| Spegea S.c. a r.l. | 55,929 | 98,727 | (42,798) |
| Exprivia do Brasil | 3,000 | 3,000 | - |
| Italtel Spagna | - | 54,452 | (54,452) |
| Italtel USA | - | 105,401 | (105,401) |
| Italtel SpA | - | 1,374,418 | (1,374,418) |
| **TOTAL** | **1,072,737** | **2,514,605** | **(1,441,868)** |

## Trade payables - Associates

At 31 December 2020, the item "**Trade payables - associate**" amounted to Euro 160,331 compared with Euro 93,513 at 31 December 2019 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 2020, the balance of the item "**Advance payments on work in progress contracts**" amounted to Euro 3,815,032 compared with Euro 5,730,069 at 31 December 2019 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 2020 amounted to Euro 6,590,231 compared with Euro 5,945,950 at 31 December 2019.

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Financial payables to subsidiaries | 2,812,890 | 3,064,118 | (251,228) |
| Payables for the purchase of equity investments | 980,001 | 995,875 | (15,874) |
| Payables to others | 941,666 | 306,900 | 634,766 |
| Payables to suppliers of leasing goods | 1,855,674 | 1,579,057 | 276,617 |
| **TOTAL** | **6,590,231** | **5,945,950** | **644,281** |

### Financial Payables - Subsidiaries

At 31 December 2020, the item "**financial payables - subsidiaries**" amounted to Euro 2,812,890 compared with Euro 3,064,118 at 31 December 2019 and refers to commercial and financial transactions carried out between the company and its subsidiaries under normal market conditions, governed by specific agreements. Specifically, the balance at 31 December 2020 refers entirely to cash pooling transactions; details are provided below.

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Exprivia Projects Srl | 2,651,907 | 2,619,591 | 32,316 |
| Italtel SpA | - | 170,088 | (170,088) |
| HRCOFFEE | - | 97,750 | (97,750) |
| Spegea S.c. a r.l. | 160,983 | 176,688 | (15,705) |
| **TOTAL** | **2,812,890** | **3,064,118** | **(251,228)** |

### Payables for equity investments

The balance of "**payables for equity investments**" at 31 December 2020 amounted to Euro 980,001 compared to Euro 995,875 at 31 December 2019. The change, amounting to Euro 15,874, relates to the balance of the payable for the purchase of the Esitet-Vas business unit, which took place in July 2017.

### Amounts payable to others

The item "**amounts payable to others**" at 31 December 2020 amounted to Euro 941,666 compared to Euro 306,900 at 31 December 2019. The table below provides details on the items.

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Payables to Factoring | - | 2,046 | (2,046) |
| Financial payables to others | 941,666 | 304,855 | 636,811 |
| **TOTAL** | **941,666** | **306,900** | **634,765** |

The balance of "**financial payables to others**" at 31 December 2020 amounted to Euro 941,666 compared to Euro 304,855 at 31 December 2019 and mainly refers to financial advances received from customers. It should also be noted that, due to the deconsolidation of the Italtel Group, in the item in question, the figures at 31 December 2020 were reclassified based on the effects of the application of IFRS 16 with respect to Italtel, amounting to Euro 135,540, previously recognised under "current financial payables to subsidiaries".

### Trade Payables - suppliers of leased assets

The item "**trade payables - suppliers of leased assets**" at 31 December 2020 amounted to Euro 1,855,674 compared to Euro 1,579,057 at 31 December 2019.

## Note 28 – Other Current Liabilities

The balance of "**Other current liabilities**" at 31 December 2020 amounted to Euro 32,632,301 compared with Euro 34,316,294 at 31 December 2019. It should be noted that, due to the loss of control of Italtel by Exprivia pursuant to IFRS 10 as from 31 December 2020, the balance of Exprivia's debt to Italtel deriving from participation in the Global Tax Consolidation (Euro 2,664,176), was posted under "Payables to others", while until 31 December 2019 it had been posted under "Payables to Subsidiaries".

The table below provides details on the items:

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Payables to social security and welfare institutions | 6,777,776 | 6,384,185 | 393,591 |
| Tax payables | 4,935,462 | 4,745,464 | 189,998 |
| Payables to subsidiaries | 224,019 | 4,051,487 | (3,827,468) |
| Other debts | 20,695,044 | 19,135,158 | 1,559,886 |
| **TOTAL** | **32,632,301** | **34,316,294** | **(1,683,993)** |

### Payables to Pension and Social Security Institutions

At 31 December 2020, the item "**Payables to pension and social security institutions**" amounted to Euro 6,777,776 compared with Euro 6,384,185 at 31 December 2019. The table below shows the breakdown and comparison with 2019.

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| INPS with contributions | 3,700,030 | 3,661,212 | 38,818 |
| Payables to pension funds | 294,265 | 304,306 | (10,041) |
| Enter other social security and welfare | 154,473 | 133,758 | 20,715 |
| Payables for penalties and interest | 2,629,008 | 2,284,869 | 344,139 |
| INAIL with contributions | | 40 | (40) |
| **TOTAL** | **6,777,776** | **6,384,185** | **393,591** |

## Tax Liabilities

The item "**tax liabilities**" amounted to Euro 4,935,462 at 31 December 2020 compared to Euro 4,745,464 at 31 December 2019. The table below provides details on the items.

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Payables to tax authority for VAT | 568,584 | 148,022 | 420,562 |
| Payables to tax authority for IRAP | 142,609 | - | 142,609 |
| Payables to tax authority for IRPEF employees | 3,087,170 | 3,388,047 | (300,877) |
| Payables to tax authority for IRPEF freelance workers | 13,709 | 7,037 | 6,672 |
| Payables to tax authority for IRPEF collaborators | 39,789 | 48,390 | (8,601) |
| Payables to tax authority | 1,070,405 | 1,140,772 | (70,367) |
| Payables to tax authority for interest and penalties | 13,196 | 13,196 | - |
| **TOTAL** | **4,935,462** | **4,745,464** | **189,998** |

"Other payables to the tax authorities" include the current portion of the company's accrued tax payments (Euro 835,283) 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 224,019 at 31 December 2020 compared to Euro 4,051,487 at 31 December 2019. The table below provides details on the items.

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Exprivia Projects for VAT | 271 | 4,747 | (4,476) |
| Italtel for consolidated ires | - | 1,327,119 | (1,327,119) |
| Italtel for VAT | - | 2,333,936 | (2,333,936) |
| Consortium for VAT | 134,420 | 340,590 | (206,171) |
| HR Coffee for consolidated ires | 89,328 | 45,095 | 44,233 |
| **TOTAL** | **224,019** | **4,051,487** | **(3,827,468)** |

It should be noted that the decrease in this item is mainly attributable to the exit of Italtel from the scope of the Group VAT system with effect from 1 January 2020 and to the reclassification under "Payables to others" of the balance at 31 December 2020 of Exprivia's debt to Italtel deriving from participation in the Global Tax Consolidation (Euro 2,664,176), due to the loss of control of Italtel by Exprivia pursuant to IFRS 10 as from 31 December 2020.

## Other payables

At 31 December 2020, the item "**other payables**" amounted to Euro 20,695,044 compared with Euro 19,135,158 at 31 December 2019.

The table below provides details on the item:

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Directors' pay for settlement | 28,307 | 28,497 | (190) |
| Employees/Collaborators for fees accrued | 4,695,025 | 4,584,055 | 110,970 |
| Holidays / bonuses / accrued holidays / 13th - 14th | 8,017,395 | 7,161,425 | 855,970 |
| Payables to associations | 266,537 | 191,977 | 74,560 |
| Different debts | 3,510,903 | 3,573,826 | (62,923) |
| Contributions to public bodies for future years | 1,275,483 | 1,233,069 | 42,414 |
| Maintenance/services/contributions competence in future years | 2,901,394 | 2,362,309 | 539,085 |
| **TOTAL** | **20,695,044** | **19,135,158** | **1,559,886** |

The item "**Other payables**" is mainly attributable to advances on grants for research projects still in progress at the reporting date and to the debt to Italtel (Euro 2,664,176) following the inclusion in the Global Tax Consolidation, reclassified under the item "other payables" due to the deconsolidation of the Italtel Group starting from 31 December 2020.

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# Explanatory Notes on the Exprivia's Income Statement at 31 December 2020

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

"**Revenue from sales and services**", also including changes in work in progress, totalled Euro 145,093,101 in 2020 compared to Euro 142,441,761 in 2019, and include inter-company revenues for a net value of Euro 3,533,415.

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Revenues from consultancy and project development | 126,109,569 | 123,723,951 | 1,385,618 |
| Maintenance | 16,795,853 | 14,981,980 | 813,873 |
| Third party hardware and software | 2,386,251 | 2,495,657 | (109,406) |
| Proprietary Licenses | 1,793,765 | 1,240,173 | 553,592 |
| Other | 7,663 | | 7,663 |
| **TOTAL** | **145,093,101** | **142,441,761** | **2,651,340** |

The table below provides details on the items and inter-company relations:

| Description | Exprivia Projects Srl | Exprivia Messico SA de CV | Spegea S.c.a.r.l. | Abaco Innovazione | HR COFFEE | Exprivia SLU | Consorzio Exprivia | Total |
|---|---|---|---|---|---|---|---|---|
| Professional services | 16,892 | 15,751 | 22,127 | - | 5,400 | 2,391 | 2,346,736 | 2,409,297 |
| Commercial Consulting / Management Services | 153,075 | | - | - | - | - | - | 153,075 |
| Corporate services and logistics | 966,043 | | - | 5,000 | - | - | - | 971,043 |
| **TOTAL** | **1,136,010** | **15,751** | **22,127** | **5,000** | **5,400** | **2,391** | **2,346,736** | **3,533,416** |

It should be noted that as a result of Italtel's loss of control pursuant to IFRS 10, as from 31 December 2020, revenues from the Italtel Group for the year 2020 are classified under revenues from third parties and amount to Euro 1,473,735.

## Note 30 – Other Income

"**Other income**" amounted to Euro 6,156,560 in 2020 compared to Euro 6,345,319 in 2019. The table below provides details on the items.

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Other income | 924,210 | 925,264 | (1,054) |
| Operating grants | 3,158,405 | 3,551,894 | (393,489) |
| Costs for capitalized internal projects | 2,073,945 | 1,868,161 | 205,784 |
| **TOTAL** | **6,156,560** | **6,345,319** | **(188,759)** |

## Other Revenues and Income

The balance of the item "**Other revenue and income**" in 2020 amounted to Euro 924,210 compared to Euro 925,264 in the previous year. The table below provides details on the items.

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Other income | 900,478 | 569,565 | 330,913 |
| Other operating income | 23,732 | 24,910 | (1,178) |
| Active rents to subsidiaries | - | 330,789 | (330,789) |
| **TOTAL** | **924,210** | **925,264** | **(1,054)** |

It should be noted that the item "**Amounts receivable for rent from subsidiaries**" relating to the fees charged by Exprivia to Italtel for the Rome offices, was reclassified under item "Other revenues and income" due to the deconsolidation of the Italtel Group.

## Grants for operating expenses

In 2020 "**Grants pertaining to the current year**" amounted to Euro 3,158,405 compared to Euro 3,551,894 in 2019 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 2020 amounted to Euro 2,073,945 compared to Euro 1,868,161 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 2020, "**Costs for "sundry consumables and finished products**" amounted to Euro 3,389,765 compared with Euro 6,405,058 in the previous year. The table below provides details on the items.

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Purchase of HW-SW products | 3,173,456 | 6,225,030 | (3,051,574) |
| Stationery and consumables | 205,964 | 47,225 | 158,739 |
| Fuel and oil | 10,345 | 32,273 | (21,928) |
| Other costs | - | 100,530 | (100,530) |
| **TOTAL** | **3,389,765** | **6,405,058** | **(3,015,293)** |

The change in the item "purchase of hw-sw products" is attributable to the lower purchase of hardware and software products for resale due to the execution of some agreements.

## Note 32 – Staff Costs

The balance of the item "**staff costs**" in 2020 came to Euro 89,503,850 compared to Euro 88,788,853 in 2019.

The table below provides details on the items.

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Salaries and wages | 64,663,188 | 63,393,826 | 1,269,362 |
| Social charges | 17,938,078 | 17,784,473 | 153,605 |
| Severance Pay | 4,500,835 | 4,399,904 | 100,931 |
| Other staff costs | 2,401,749 | 3,210,650 | (808,901) |
| **TOTAL** | **89,503,850** | **88,788,853** | **714,997** |

The number of employees at 31 December 2020 amounted to 1,814 workers (1,812 employees and 2 temporary workers), compared to 1,804 at 31 December 2019 (1,802 employees and 2 temporary workers).

The average number of employees at 31 December 2020 was 1,796.

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 461,910):

- Exprivia Projects Srl revenues for Euro 65,925;
- Exprivia Projects costs for Euro 527,835.

## Note 33 – Costs for Services

In 2020, the balance of the item "**Costs for services**" amounted to Euro 35,811,219 compared with Euro 34,050,446 in the previous year. The table below provides the 2020 figures, compared with those of 2019:

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Technical and commercial consultancy | 22,369,559 | 18,160,648 | 4,208,911 |
| Administrative/company/legal consultancy | 1,960,674 | 1,624,523 | 336,151 |
| Consultancy to associated companies | 2,345,091 | 3,593,743 | (1,248,652) |
| Auditors' fees | 83,420 | 83,394 | 26 |
| Travel and transfer expenses | 449,840 | 1,982,385 | (1,532,545) |
| Utilities | 795,521 | 763,865 | 31,656 |
| Advertising and agency expenses | 309,915 | 420,775 | (110,860) |
| Bank charges | 414,560 | 406,352 | 8,208 |
| HW and SW maintenance | 4,959,919 | 4,570,410 | 389,509 |
| Insurance | 446,922 | 439,285 | 7,637 |
| Costs of temporary staff | 884,539 | 896,807 | (12,268) |
| Other costs | 791,259 | 1,108,259 | (317,000) |
| **TOTAL** | **35,811,219** | **34,050,446** | **1,760,773** |

The change in "**technical and commercial consulting**" is related to the increase in revenues. It should also be noted that, due to the deconsolidation of the Italtel Group, for the year 2020, the costs to the Italtel Group (Euro 1,537,393) previously recorded under the item "inter-company services" were reclassified under "technical and commercial consulting".

The table below provides details on inter-company services, amounting to Euro 2,345,091, broken down by company. Please note that the inter-company costs incurred in 2020 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. Projetcs | vs. Exprivia SL | vs. ACS GMBH | vs. Exprivia Messico SA de CV | vs. QuestIT | Totale |
|---|---|---|---|---|---|---|---|
| Professional services | 67,021 | 1,405,367 | 254,333 | 516,977 | 420 | 100,973 | 2,345,091 |
| **TOTAL** | **67,021** | **1,405,367** | **254,333** | **516,977** | **420** | **100,973** | **2,345,091** |

The statement below is provided in accordance with art. 149-duodecies of CONSOB Issuers' Regulation to show amounts paid to the independent auditors in 2020 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 | Subject who provided the service | Recipient | Amount |
|---|---|---|---|
| Audit services | PricewaterhouseCoopers SpA | Parent company | 173,000 |
| Non audit services * | PricewaterhouseCoopers SpA | Parent company | 33,000 |
| **TOTAL** | | | **206,000** |

(*) Non-audit services provided to the Parent Company refer to the performance of agreed audit procedures for Euro 5 thousand and to the audits of the statement of costs incurred by the Company for research and development in 2019 for Euro 28 thousand.

## Note 34 – Costs for Leased Assets

In 2020, the item "**Costs for leased assets**" amounted to Euro 593,553 compared to Euro 460,482 in 2019 and is broken down in the table below:

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Rental expenses | 133,308 | 27,355 | 105,953 |
| Car rental/leasing | (7,431) | 49,709 | (57,138) |
| Rental of other assets | 189,463 | 135,541 | 53,922 |
| Royalties | - | 117,441 | (117,441) |
| Other costs | 278,213 | 130,436 | 147,777 |
| **TOTAL** | **593,553** | **460,482** | **133,071** |

## Note 35 – Sundry Operating Expenses

In 2020, "**Sundry operating expenses**" amounted to Euro 625,554 compared to Euro 829,920 in the previous year and is broken down in the table below:

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Annual subscriptions | 101,484 | 137,623 | (36,139) |
| Taxes | 282,544 | 362,212 | (79,668) |
| Penalties and fines | 10,471 | 7,918 | 2,553 |
| Charitable donations | 13,345 | 18,914 | (5,569) |
| Contingency liabilities | 217,710 | 159,834 | 57,876 |
| Write-offs | - | 122,749 | (122,749) |
| Penalties and damages | - | 10 | (10) |
| Capital losses on disposals | - | 20,659 | (20,659) |
| **TOTAL** | **625,554** | **829,920** | **(204,366)** |

## Note 36 – Changes in Inventories

In 2020, the balance of the item "**change in inventories**" amounted to Euro -445,947 compared with Euro -85,044 in the previous year. It refers to changes in hardware/software products purchased from the sale by the various business units.

## Note 37 – Provisions and Write-downs of Current Assets

The item "**Provisions and write-downs of current assets**" in 2020 amounted to Euro -19,160 compared to Euro 1,474,957 in 2019. The table below provides details on the item:

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Provision for lawsuits with employees | - | 193,880 | (193,880) |
| Provision for risks on loss-making orders | (337,351) | 508,426 | (845,777) |
| Provision for bad debts | 218,191 | 672,651 | (454,460) |
| Inventory write-down | 100,000 | 100,000 | - |
| **TOTAL** | **(19,160)** | **1,474,957** | **(1,494,117)** |

The item "**Write-down of receivables**" includes the provisions for write-downs of receivables considered no longer fully collectable by the Company and the impact of the application of IFRS 9 (expected credit loss), which led to a provision in 2020 of Euro 215,507.

The change in the item "**Provision for risks on loss-making contracts**" is attributable to the release of the provision following the execution of the contracts.

## Note 38 – Amortisation, Depreciation and Write-downs of Non-Current Assets

In 2020, the balance of the item "**Amortisation, depreciation and write-downs of non-current assets**" amounted to Euro 6,216,806 compared with Euro 34,111,162 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 2,727,361 in 2020 compared to Euro 2,925,806 in 2019 and the change is detailed in Note 3.

**Depreciation of tangible assets** amounted to Euro 3,236,445 in 2020 compared to Euro 3,051,559 and the change is detailed in Note 1.

### Write-downs

Write-downs in 2020 amounted to Euro 253,000 compared to Euro 28,133,797 in 2019. The amount allocated in 2020 refers to the write-down of the investment in Exprivia Messico SA de CV; for more information, please refer to Note 4.

## Note 39 – Financial Income and (Charges) and Investments

In 2020, the balance of the item "**Financial income and (charges) and investments**" was a negative Euro 2,535,926 compared with a negative balance of Euro 3,338,564 in 2019. The breakdown between income and charges is shown below.

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Income from equity investments by subsidiaries | 674,397 | 226,356 | 448,041 |
| Income from parent companies | 40,827 | 56,024 | (15,197) |
| Income from subsidiaries | 76,567 | 63,522 | 13,045 |
| Income from other financial assets available for sale | 13,036 | 13,117 | (82) |
| Income other than the above | 82,711 | 96,164 | (13,452) |
| Interest and other financial charges | (2,957,095) | (3,362,594) | 405,500 |
| Charges from parent companies | (400,240) | (410,560) | 10,320 |
| Charges from subsidiaries | (69,685) | (21,095) | (48,590) |
| Exchange gains / (losses) | 3,555 | 502 | 3,053 |
| **TOTAL** | **(2,535,926)** | **(3,338,564)** | **802,638** |

## Income from Equity Investments

In 2020, "**Income from equity investments**" amounted to Euro 674,397 compared to Euro 226,356 in the previous year and refers to dividends received from the subsidiary Exprivia Projects Srl.

## Income from Parent Companies

In 2020, the item "**Income from parent companies**" amounted to Euro 40,827 compared with Euro 56,024 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 2020, "**Income from subsidiaries**" amounted to Euro 76,567 compared with Euro 63,522 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 Measured at FVOCI

In 2020, the item "**Income from other financial assets measured at FVOCI**" amounted to Euro 13,036 compared to Euro 13,117 in 2019; it 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 2020 amounted to Euro 82,712 compared to Euro 96,164 in 2019.

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Bank interest receivable | 723 | 1,190 | (467) |
| Other interest income | 77,040 | 87,439 | (10,399) |
| Other income | 4,949 | 7,535 | (2,586) |
| **TOTAL** | **82,712** | **96,164** | **(13,452)** |

## Interest and Other Financial Charges

In 2020 the item "**Interest and other financial charges**" amounted to Euro 2,957,095 compared with Euro 3,362,594 in 2019.

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Bank interest payable | 388,778 | 319,650 | 69,128 |
| Interest on loans and mortgages | 1,635,136 | 1,874,440 | (239,304) |
| Sundry interest | 595,281 | 1,004,654 | (409,373) |
| Charges on financial products and sundry items | 271,530 | 20,195 | 251,335 |
| Interest cost IAS 19 | 66,370 | 143,655 | (77,285) |
| **TOTAL** | **2,957,095** | **3,362,594** | **(405,499)** |

## Charges from Parent Companies

The balance of the item "**Charges from parent companies**" amounted to Euro 400,240 in 2020 compared with Euro 410,560 at 31 December 2019 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 2020 the item "**charges from subsidiaries**" amounted to Euro 69,685 compared with Euro 21,095 in 2019 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**" in the financial year 2020 is positive for Euro 3,555 compared to Euro 502 in 2019 and is related to foreign currency transactions.

## Note 40 – Income Taxes

"**Income taxes**" in the 2020 financial year amounted to Euro 2,810,533 compared to Euro 2,277,257 in 2019. The table below provides details on the items.

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| IRES | 2,834,534 | 1,514,113 | 1,320,421 |
| IRAP | 643,431 | 694,557 | (51,126) |
| Taxes from prior years | - | (383,999) | 383,999 |
| Defered tax | (605,184) | 82,129 | (687,313) |
| Deferred tax assets | (62,248) | 370,457 | (432,706) |
| **TOTAL** | **2,810,533** | **2,277,257** | **533,275** |

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 | 31/12/2020 | | 31/12/2019 | |
|---|---|---|---|---|
| | AMOUNT | % | AMOUNT | % |
| *RECONCILIATION OF THEORETICAL AND EFFECTIVE RATE* | | | | |
| PROFIT BEFORE TAXES | 13,038,095 | | (20,587,318) | |
| ***TAX THEORY*** | **3,129,143** | **24.0%** | **0** | **24.0%** |
| COSTS AND EXPENSES NOT DEDUCTIBLE | 2,369,675 | | 31,242,485 | |
| REVENUES NOT TAXABLE | (1,787,001) | | (1,735,406) | |
| DEPRECIATION | 94,008 | | 137,717 | |
| OTHER DECREASES | (1,904,227) | | (2,748,674) | |
| USE EXISTING TAX LOSSES | | | | |
| ***TAXABLE INCOME TAX*** | 11,810,560 | | 6,308,804 | |
| **IRES YEAR** | **2,834,534** | | **1,514,113** | |
| **EFFECTIVE RATE** | | **21.7%** | | **(*)** |

(*) in 2019, this figure cannot be determined due to the pre-tax loss (loss for the year)

### Note 41– Profit (Loss) for the Year

The income statement closed with a profit (after tax) of Euro 10,227,562 and is confirmed 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 15 million, the management of working capital absorbed cash flows for Euro 4 million, investments absorbed Euro 5.3 million while the cash flow generated by financing activities was Euro 13.3 million.

### 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 2020.

| Tipology | Financing Body | Project | Subsidized rate | Amount collected 31/12/2020 |
|---|---|---|---|---|
| Subsidized financing | MISE | Prosit | 0.17% | 503,526 |
| Lost Fund | MISE | L.488 / 92 | | 15,083 |
| Lost Fund | Unione Europea | ECHO | | 194,763 |
| | Regione Lazio | Blue-wire | | 126,272 |
| Lost Fund | Regione Puglia | Digital Future | | 2,260,529 |
| Lost Fund | Regione Puglia | Diabesity Care | | 218,993 |
| Lost Fund | Regione Puglia | Innolabs Farma4All | | 82,761 |
| Lost Fund | INPS | South decontribution, 30% discount on contributions pertaining to October and November pursuant to Legislative Decree 104 August 2020 | | 317,097 |
| Lost Fund | Unione Europea | Smartool | | 37,448 |
| Lost Fund | Unione Europea | Iharn | | 11,890 |
| Subsidized financing | MISE | Sustainable growth fund - first Horizon 2020 call | 0.80% | 205,951 |
| **Total** | | | | **3,982,312** |

## 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.

The tables below show amounts for commercial relations, financial relations and those of other kinds with the subsidiaries of Exprivia.

It should be noted that as a result of the loss of control of Italtel by Exprivia pursuant to IFRS 10 as from 31 December 2020, all transactions with Italtel were reclassified under third parties.

All values are expressed in Euro units.

## Non-Current Financial Receivables

| Description | 31/12/2020 | 31/12/2019 | Variations |
|---|---|---|---|
| Exprivia Slu | 710,942 | 610,942 | 100,000 |
| Exprivia Asia | 208,655 | 312,983 | (104,328) |
| **TOTAL** | **919,597** | **923,925** | **(4,328)** |

## Trade Receivables

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Consorzio Exprivia | 614,811 | 1,534,999 | (920,188) |
| Exprivia Messico SA de CV | 15,751 | - | 15,751 |
| Exprivia Projects Srl | 581,350 | 624,122 | (42,772) |
| Exprivia SLU | 648,801 | 634,667 | 14,134 |
| Spegea S. c. a.r.l. | 54,312 | 113,178 | (58,866) |
| ACS DE Gmbh | 140,002 | 140,002 | - |
| HR Coffee | 11,988 | 5,400 | 6,588 |
| Italtel S.p.A. | - | 1,152,288 | (1,152,288) |
| TOTAL | **2,067,015** | **4,204,656** | **(2,137,641)** |

## Other Current Receivables

| Description | 31/12/2020 | 31/12/2019 | Variations |
|---|---|---|---|
| Receivables from Exprivia Projects for IRES from tax consolidation | 63,286 | 212,000 | (148,714) |
| Receivable from Spegea for IRES from tax consolidation | 1,139 | 1,718 | (579) |
| **TOTAL** | **64,425** | **213,718** | **(149,293)** |

## Current Financial Receivables

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Exprivia Projects Srl | 674,397 | - | 674,397 |
| Gruppo ProSap | 510,163 | 387,562 | 122,601 |
| Exprivia Asya | 681,516 | 291,794 | 389,722 |
| Exprivia SI | 932,407 | 6,459 | 925,948 |
| **TOTAL** | **2,798,483** | **685,815** | **2,112,668** |

## Trade Payables

| Description | 31/12/2020 | 31/12/2019 | Variations |
|---|---|---|---|
| Exprivia Messico SA De CV | 780 | 360 | 420 |
| Exprivia Projects Srl | 841,453 | 773,503 | 67,950 |
| HR COFFEE Srl | - | 3,416 | (3,416) |
| ACS GMBH | 171,575 | 93,725 | 77,850 |
| Consorzio Exprivia Scarl | - | 3,000 | (3,000) |
| Exprivia It Solution Shanghai | - | 4,603 | (4,603) |
| Spegea S.c. a r.l. | 55,929 | 98,727 | (42,798) |
| Exprivia do Brasil | 3,000 | 3,000 | - |
| Italtel Spagna | - | 54,452 | (54,452) |
| Italtel USA | - | 105,401 | (105,401) |
| Italtel SpA | - | 1,374,418 | (1,374,418) |
| **TOTAL** | **1,072,737** | **2,514,605** | **(1,441,868)** |

## Current Financial Payables

| Description | 31/12/2020 | 31/12/2019 | Variations |
|---|---|---|---|
| Exprivia Projects Srl | 2,651,907 | 2,619,591 | 32,316 |
| Italtel SpA | - | 170,088 | (170,088) |
| HRCOFFEE | - | 97,750 | (97,750) |
| Spegea S.c. a r.l. | 160,983 | 176,688 | (15,705) |
| **TOTAL** | **2,812,890** | **3,064,118** | **(251,228)** |

## Other Current Payables

| Description | 31/12/2020 | 31/12/2019 | Variations |
|---|---|---|---|
| Exprivia Projects for VAT | 271 | 4,747 | (4,476) |
| Italtel for consolidated ires | - | 1,327,119 | (1,327,119) |
| Italtel for VAT | - | 2,333,936 | (2,333,936) |
| Consortium for VAT | 134,420 | 340,590 | (206,171) |
| HR Coffee for consolidated ires | 89,328 | 45,095 | 44,233 |
| **TOTAL** | **224,019** | **4,051,487** | **(3,827,468)** |

## Trade Revenues

| Description | 31/12/2020 | 31/12/2019 | Variations |
|---|---|---|---|
| Spegea Scarl | 22,127 | 39,112 | (16,985) |
| Exprivia Projects Srl | 1,136,010 | (4,778,368) | 5,914,378 |
| Italtel Spa | - | 2,026,925 | (2,026,925) |
| Gruppo ProSap | 2,391 | 25,253 | (22,862) |
| Exprivia Messico SA de CV | 15,751 | - | 15,751 |
| Consorzio Exprivia Scarl | 2,346,736 | 3,407,103 | (1,060,367) |
| HR COFFEE Srl | 5,400 | 5,400 | - |
| **TOTAL** | **3,528,415** | **725,424** | **2,802,990** |

## Trade Costs

| Description | 31/12/2020 | 31/12/2019 | Variations |
|---|---|---|---|
| Spegea Scarl | 67,021 | 66,031 | 990 |
| Exprivia Projects Srl | 1,405,367 | 1,354,671 | 50,696 |
| Exprivia SLU | 254,333 | 487,923 | (233,590) |
| Exprivia Shanghai | - | 4,603 | (4,603) |
| ACS Gmbh | 516,977 | 245,845 | 271,132 |
| Hr Coffee Srl | - | 2,800 | (2,800) |
| Quest.it Srl | - | 50,165 | (50,165) |
| Italtel Spagna | | 54,452 | (54,452) |
| Italtel SpA | - | 1,318,069 | (1,318,069) |
| Exprivia Messico SA De CV | 420 | 9,186 | (8,766) |
| **TOTAL** | **2,244,118** | **3,593,744** | **(1,349,626)** |

## Personnel Revenues/Costs

| Description | 31/12/2020 | 31/12/2019 | Variations |
|---|---|---|---|
| Revenues from staff on secondment to Exprivia Projects | (65,925) | (56,998) | (8,927) |
| Revenues from staff on secondment to the Italtel Group | - | (177,573) | 177,573 |
| Personnel costs on secondment to Exprivia Projects | 527,835 | 499,493 | 28,342 |
| Personnel costs on secondment to the Italtel Group | - | 150,194 | (150,194) |
| **TOTAL** | **461,910** | **415,116** | **46,794** |

## Income from Equity Investments

| Description | 31/12/2020 | 31/12/2019 | Variations |
|---|---|---|---|
| Exprivia Projects Srl | 674,397 | 226,356 | 448,041 |
| **TOTAL** | **674,397** | **226,356** | **448,041** |

## Financial Income (interest income on loans)

| Description | 31/12/2020 | 31/12/2019 | Variations |
|---|---|---|---|
| Exprivia SLU | 32,947 | 6,459 | 26,488 |
| Exprivia Asia Ltd | 25,395 | 15,649 | 9,746 |
| Exprivia Messico SA de CV | 13,602 | 5,917 | 7,685 |
| **TOTAL** | **71,944** | **28,025** | **43,919** |

## Financial Income (guarantees)

| Description | 31/12/2020 | 31/12/2019 | Variations |
|---|---|---|---|
| Exprivia Projects Srl | 4,623 | 7,500 | (2,877) |
| **TOTAL** | **4,623** | **7,500** | **(2,877)** |

## Financial Income (cash pooling interest income)

| Description | 31/12/2020 | 31/12/2019 | Variations |
|---|---|---|---|
| Exprivia Projects Srl | - | 27,997 | (27,997) |
| **TOTAL** | **-** | **27,997** | **(27,997)** |

## Financial Charges (cash pooling interest expense)

| Description | 31/12/2020 | 31/12/2019 | Variations |
|---|---|---|---|
| Spegea Scarl | 5,250 | 4,783 | 467 |
| Exprivia Projects Srl | 57,590 | 6,891 | 50,699 |
| **TOTAL** | **62,840** | **11,674** | **51,166** |

## Relations with Parent Companies

For information concerning relations with the parent company, see the Directors' Report in the sections "Exprivia Relations with the Parent Company" and "Report on Management and Coordination Activities".

## Non-current Financial Receivables

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Abaco Innovazione SpA | 918,996 | 1,357,875 | (438,879) |
| **TOTAL** | **918,996** | **1,357,875** | **(438,879)** |

## Current Financial Receivables

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Abaco Innovazione SpA | 463,296 | 464,484 | (1,188) |
| **TOTAL** | **463,296** | **464,484** | **(1,188)** |

## Trade Receivables

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Abaco Innovazione SpA | 32,572 | 25,372 | 8,200 |
| **TOTAL** | **32,572** | **25,372** | **8,200** |

## Financial Costs (guarantees)

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Abaco Innovazione SpA | 400,240 | 410,560 | (11,320) |
| **TOTAL** | **400,240** | **410,560** | **(11,320)** |

## Financial Income (interest income on loans)

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Abaco Innovazione SpA | 40,827 | 56,024 | (15,197) |
| **TOTAL** | **40,827** | **56,024** | **(15,197)** |

## Relations with Associates

Relations with Associates consist primarily 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 associates:

## Equity Investments in Associates

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| QUESTIT SRL | 375,000 | 300,000 | 75,000 |
| **TOTAL** | **375,000** | **300,000** | **75,000** |

## Receivables from Associates

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| QUESTIT SRL | 46,369 | - | 46,369 |
| **TOTAL** | **46,369** | - | **46,369** |

## Payables to Associates

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| QUESTIT SRL | 160,331 | 93,513 | 66,818 |
| **TOTAL** | **160,331** | **93,513** | **66,818** |

## Costs

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| QUESTIT SRL | 100,973 | 50,165 | 50,808 |
| **TOTAL** | **100,973** | **50,165** | **50,808** |

## Revenues

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| QUESTIT SRL | 38,007 | - | 38,007 |
| **TOTAL** | **38,007** | - | **38,007** |

## 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 | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Balance SpA | - | 26,840 | (26,840) |
| Italtel SpA | 1,544,861 | 1,152,288 | 392,573 |
| Italtel Brasil Ltda | 20,381 | - | 20,381 |
| Italtel Deutschland GmbH | 2,435 | - | 2,435 |
| Italtel Frances Sas | 28,632 | - | 28,632 |
| Italtel S.A. | 10,147 | - | 10,147 |
| Italtel Argentina S.A. | 6,152 | - | 6,152 |
| Italtel Perù Sac | 11,575 | - | 11,575 |
| Italtel Chile SpA | 10,834 | - | 10,834 |
| **TOTAL** | **1,635,015** | **1,179,128** | **455,888** |

## Work in Progress

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Italtel SpA | 14,628 | 1,303 | 13,325 |
| **TOTAL** | **14,628** | **1,303** | **13,325** |

## Prepayments

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Italtel SpA | 90,889 | 57,665 | 33,224 |
| **TOTAL** | **90,889** | **57,665** | **33,224** |

## Payables - Suppliers

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Brave Srl | - | 21,350 | (21,350) |
| Giuseppe Laterza & Figli SpA | 12,200 | 6,100 | 6,100 |
| Consorzio DITNE | - | 5,000 | (5,000) |
| Italtel SpA | 878,410 | 1,417,765 | (539,355) |
| Italtel Usa Llc | 126,851 | 106,401 | 20,450 |
| Italtel S.A. | 233,081 | 54,462 | 178,629 |
| **TOTAL** | **1,249,542** | **1,610,068** | **(360,527)** |

## VAT and IRES Payables

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Italtel SpA payables for ires | 2,655,952 | 1,327,119 | 1,328,833 |
| Italtel SpA VAT payables | | 2,333,935 | (2,333,935) |
| **TOTAL** | **2,655,952** | **3,661,054** | **(1,005,102)** |

## Financial Payables

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Italtel SpA financial payables for IFRS 16 | 135,540 | 170,085 | (34,545) |
| **TOTAL** | **135,540** | **170,085** | **(34,545)** |

## Revenues

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Balance SpA | - | 22,000 | (22,000) |
| Italtel SpA | 1,420,228 | 2,008,925 | (588,697) |
| Italtel Usa Llc | - | 18,000 | (18,000) |
| Italtel Brasil Ltda | 20,381 | - | 20,381 |
| Italtel Deutschland GmbH | 2,435 | - | 2,435 |
| Italtel Frances Sas | 163 | - | 163 |
| Italtel S.A. | 10,147 | - | 10,147 |
| Italtel Argentina S.A. | 6,152 | - | 6,152 |
| Italtel Perù Sac | 8,942 | - | 8,942 |
| Italtel Chile SpA | 5,288 | - | 5,288 |
| **TOTAL** | **1,473,735** | **2,048,925** | **(575,190)** |

## Other Revenues

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Italtel SpA rental income | 335,451 | 330,789 | 4,661 |
| **TOTAL** | **335,451** | **330,789** | **4,661** |

## Revenues/Costs for Seconded Personnel

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Italtel SpA revenues from seconded personnel | 147,083 | 177,573 | (30,490) |
| Italtel SpA costs for seconded personnel | (168,370) | (150,194) | (18,176) |
| Italtel Usa Llc costs of seconded personnel | (20,450) | | (20,450) |
| **TOTAL** | **(41,737)** | **27,378** | **(69,116)** |

## Costs

| Description | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Bravo Srl | - | 95,000 | (95,000) |
| Giuseppe Laterza & Figli SpA | 22,471 | 10,000 | 12,471 |
| Italtel SpA | 1,634,634 | 1,497,615 | 137,019 |
| Italtel S.A. | 178,628 | 54,462 | 124,176 |
| **TOTAL** | **1,835,733** | **1,657,067** | **178,666** |

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.

| Offices | 31/12/2020 | | | | 31/12/2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 | 403,665 | 75,000 | 636,981 | 135,365 | 413,999 | 90,000 | 694,791 | 199,009 |
| Statutory Auditors | 80,188 | - | - | - | 80,188 | - | - | - |
| Strategic managers | - | - | 239,280 | 28,000 | 1,000 | - | 231,588 | 38,578 |
| **TOTAL** | **483,854** | **75,000** | **876,261** | **163,365** | **495,187** | **90,000** | **926,379** | **237,587** |

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.

For information purposes, the table below shows the remuneration paid to Directors, Statutory Auditors and Executives with strategic responsibilities for carrying out their functions for the Italtel Group.

The table shows the amounts in thousands of Euro.

| Offices | 31/12/2020 | | | | 31/12/2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 | 209 | 20 | 349 | - | 226 | 24 | 488 | - |
| Statutory Auditors | 76 | 11 | - | - | 79 | 18 | | - |
| Strategic managers | - | - | 1,231 | - | - | - | 1,327 | - |
| **TOTAL** | 285 | 31 | 1,580 | - | 305 | 42 | 1,815 | - |

## Transactions Deriving from Atypical/Unusual Operations

In accordance with Consob Notice no. 6064293 of 28 July 2006, it should be pointed out that in 2018 the Company did not carry out any atypical and/or unusual operations, as defined in the notice itself.

## Contingent liabilities

The investee Italtel 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".

## Subsequent Events

**On 1 January 2021**, Exprivia's Board of Directors 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 Board of Directors announced that, on 11 March 2021, the Court of Milan admitted Italtel to the application for composition with creditors pursuant to articles 160 et seq. and 186-bis of Royal Decree 267/1942.

**On 17 March 2021**, the final hearing was held in the criminal trial against the former subsidiary Exprivia Healthcare IT Srl (merged by incorporation into Exprivia in 2017) and its former legal representative 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 discontinued company Exprivia Healthcare IT Srl.

**On 30 April 2021**, Exprivia's Board of Directors acknowledged, by resolution issued at the same date, that it had lost control of Italtel as from 31 December 2020**.**

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 encourage you to approve the year-end financial statements at 31 December 2020. We propose that the profit of Euro 10,227,561.56 be distributed as follows:

a. to the "Legal Reserve" for Euro 511,378.08;

b. to the "Extraordinary Reserve" for Euro 9,716,183.48.

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 2020.

Furthermore, it is certified that the financial statements:

c) correspond to accounting records;

d) 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;

e) 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 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 2020, 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 2020, 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 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 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.

*PricewaterhouseCoopers SpA*

Sede legale: **Milano** 20145 Piazza Tre Torri 2 Tel. 02 77851 Fax 02 7785240 Capitale Sociale Euro 6.890.000,00 i.v. C.F. e P.IVA e Reg. Imprese Milano Monza Brianza Lodi 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 071 2132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 080 5640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035 229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 051 6186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 030 3697501 - **Catania** 95129 Corso Italia 302 Tel. 095 7532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 055 2482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 010 29041 - **Napoli** 80121 Via dei Mille 16 Tel. 081 36181 - **Padova** 35138 Via Vicenza 4 Tel. 049 873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091 349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521 275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 085 4545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06 570251 - **Torino** 10122 Corso Palestro 10 Tel. 011 556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461 237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422 696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 040 3480781 - **Udine** 33100 Via Poscolle 43 Tel. 0432 25789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332 285039 - **Verona** 37135 Via Francia 21/C Tel. 045 8263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444 393311

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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 financial statements as of 31 December 2020 of Exprivia SpA*<br><br>The value of goodwill as of 31 December 2020 amounted to Euro 67 million, corresponding to 31 per cent of total assets of the financial statements.<br><br>We focused our audit on such financial statement area in consideration of:<br>- the significance of the amount of goodwill also compared to the Company's equity as of 31 December 2020;<br>- 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.<br><br>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 Units ("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.<br><br>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 was allocated.<br><br>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 tests.<br><br>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.<br>We analysed the main assumptions used by the Company in the preparation of the CGU forecast plans. We evaluated the reasonableness and consistency of the prospective data used by the Company with the provisions of IAS 36 and in light of the results reached in prior years.<br><br>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.<br><br>We reperformed from a mathematical point of view the sensitivity analyses prepared by the Company.<br><br>Finally, we considered the adequacy of the financial statement disclosures related to this key matter. |

### *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 2020, 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 2020 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 2020 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.*