2017
Annual Report

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Contents

Exprivia S.p.A.

Subject to the management and co-ordination of Abaco Innovazione S.p.A.

Registered offices in Via Adriano Olivetti 11, Molfetta, Italy

Share Capital Euro 26,979,658.16 fully paid up

Tax Code and Bari Companies' Register enrolment No. 00721090298 E&A Index No. BA-481202

Company with shares listed in the MTA Star Segment of Borsa Italiana S.p.A.

Letter to Shareholders

Dear Shareholders,

The digital market has confirmed its growth for the second year running and the boost to innovation concerned all the most important sectors of the economy and the company. By now it appears evident that the digital market is increasingly gaining ground in the investments of the businesses and has irreversibly entered into the agenda of the entire Italian economy, from the catchment area of the small and medium-sized companies affected by digital transformation to the small and large organisations of the finance, health, public administration, commerce and industry sectors.

2017 ended with an important rise in business turnover and margin for our Company, growing with the progression of the individual quarters.

We gained 14% in revenues, increasing profitability at the same time by around 26% in terms of adjusted EBIT; consolidated revenues amounted to Euro 161.2 million, with an adjusted EBITDA, which is equal to 10.1% of the value of production.

All the market sectors grew, and in particular the Utilities sector with revenues up by +43% (partly thanks to the performance of the Business Process Outsourcing), the Energy sector with +21%, Banking, Finance & Insurance with +14%, Aerospace & Defence, +52% (also thanks to the contribution of the company ACS acquired in July 2016).

The consolidated net result is essentially at breakeven, but it should be considered that the results for the year assimilate an extraordinary tax liability, deriving from the definition of a dispute relating to events dating back to the three-year period 2004-2006 and regarding a subsidiary which at the time was not part of our group, net of which the profit would have come to Euro 5.3 million.

The financial position, net of the extraordinary events, and the inclusion of the Italtel Group in the scope of consolidation, improved by around Euro 7 million, compared with 2016.

All of this, despite the numerous and important extraordinary activities which involved the entire organisation.

Last November we closed the corporate unification project for bringing the main subsidiaries within the parent company, with the aim of streamlining the governance and, above all else, increasing its efficiency and effectiveness in the core processes therefore making our action on the market more incisive and prompt.

On 14 December 2017, the investment was finalised for the acquisition of an equity investment in Italtel SpA involving the subscription of 81% of the share capital. We consolidated Italtel as at 31 December of the year and therefore the Group's consolidated financial statements already, and fully, include the balance sheet effects of Italtel, while the effects deriving from consolidation of the income statement were absent but will commence as from January 2018.

A historic Italian company, Italtel is a leader in the Telecommunications market and today involved in the development of technologies and solutions for digital transformation, with the parent company operating in Italy and 12 wholly owned subsidiaries operating abroad, mainly in LATAM and Europe.

The integration between a young and dynamic company, such as Exprivia, specialised in process consulting, technological services and Information Technology solutions, and an operator with a strong industrial overtone, such as Italtel, which boasts more than 90 years of history in the planning, development and creation of software solutions and products for telecommunications, represents an unheard of party in the Italian and international panorama, capable of developing and proposing a more extensive range of products and services, in the digitalisation processes, with total turnover of roughly Euro 600 million, of which at least 40% abroad, and more than 3,000 employees.

Now more than ever, I am convinced - together with all the management of Exprivia and Italtel, that this transaction will permit us to achieve a business growth and development project, whose economic and social significance involves not only our shareholders but the entire country and its skills in the technological and digital innovation sector.

In accordance with the obligations of Italian Legislative Decree No. 254 of 2016, which lays down the communication of information of a non-financial nature by large groups, this year we have drafted the "consolidated declaration of a non-financial nature".

2017 was an important year also with regard to the stock market trend. The average price, in particular during the year, remained constantly above the Euro, exiting a phase of stagnation seen in the previous year. Volumes also rose and therefore we can disclose that there has been renewed interest for our stock. Without doubt, this is due to the joint effect of two factors. The announcements which we constantly made during 2017 regarding the progress of the negotiations for the acquisition of Italtel and the effect of the Individual Savings Plans, in relation to which we are an eligible company. We count on constantly and convincingly cultivating attention also for this aspect, however not losing sight of the business fundamentals, which characterise our activities.

In conclusion, once again this year, in consideration of the external context and the outside conditions, I have requested and achieved by means of the unanimous decision of the Board of Directors, that it be proposed to the shareholders' meeting that the profit for the year be allocated to the Equity reserves with the aim, together with the improvement of the results obtained, of permitting the Group to proceed with the production investments and expansion in the markets.

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)
Eugenio Di Sciascio (2)
Filippo Giannelli
Marina Lalli (2)
Alessandro Laterza (3)
Valeria Savelli (1)
Gianfranco Viesti (2)

Board of Statutory Auditors

Chairman
Ignazio Pellecchia

Standing Auditors
Anna Lucia Muserra
Gaetano Samarelli

Independent Auditors
PricewaterhouseCoopers S.p.A.

(1) Directors not vested with operating powers
(2) Independent directors pursuant to the Corporate Governance Code of the Corporate Governance Committee
(3) Lead Independent Director

Directors' Report
as at 31 December 2017

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Significant Group Figures and Result Indicators

The table below gives a summary of the main consolidated economic, capital and financial data of the Group as at 31 December 2017 and 31 December 2016.

It should be noted that the figures as at 31 December 2017 include the effect of the consolidation of the Italtel Group as from 31 December 2017 with regard to just the balance sheet figures.

Due to reclassifications, the 2016 figures relating to other revenues, EBITDA and EBIT have been amended without any impact on the net result, as indicated in the comments shown in the explanatory notes to the separate and consolidated financial statements in the respective sections "Adjustments to comparative data".

Amount in thousand Euro	31.12.2017	31.12.2016
Total production revenues	161,204	141,513
net proceeds and variation to work in progress to order	157,122	137,298
increase to assets for internal work	2,533	1,927
other proceeds and contributions	1,549	2,288
Difference between costs and production proceeds (EBITDA)	12,095	12,762
% on production proceeds	7.5%	9.0%
Net operating result (EBIT)	6,504	7,758
% on production proceeds	4.0%	5.5%
Net result	50	2,838
Group net equity	74,392	74,744
Total assets	645,099	206,199
Capital stock	25,155	25,155
Net working capital (1)	31,401	30,263
Cash flow (2)	5,197	9,284
Fixed capital (3)	344,845	102,810
Investment	3,735	13,641
Cash resources/bonds (*a*)	44,697	20,400
Short-term financial debts (*b*)	(77,456)	(29,004)
Medium-/long-term financial debts (*c*)	(190,085)	(27,185)
Net financial position (4)	(222,844)	(35,788)

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

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

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

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

The table below shows the main economic indicators of the Group as at 31 December 2017, compared with the same period of the previous year.

Exprivia Group	31/12/2017	31/12/2016
Index ROE (Net income / Equity Group)	0.07%	3.80%
Index ROI (EBIT / Net Capital Invested) **(5)**	2.00%	6.71%
Index ROS (EBIT / Revenues from sales and services, net of changes in inventories of raw materials and finished products))	4.14%	5.65%
Financial charges **(6)** / Net profit	72.09	0.98

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

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

The table below shows the main capital and financial indicators of the Group as at 31 December 2017 and 31 December 2016.

Exprivia Group	31/12/2017	31/12/2016
Net Financial Debt / Equity Capital	3.00	0.48
Debt ratio (Total Liabilities / Equity Capital)	8.67	2.76

The above indicators are significantly affected by the consolidation of the Italtel Group.

Summary of the Operations in 2017

A summary of the main consolidated economic data of the Group is reported below, as emerging from the financial statements as at 31 December 2017, compared with the previous year. Please also note that in 2017, a non-current tax item was reflected attributable to the company Exprivia Enterprise Consulting Srl, the effects of which were neutralised in the items identified as "adjusted" (in particular in 2017, around Euro 4.9 million was recorded in sundry operating expenses, Euro 1 million in financial charges and a risk provision was released for Euro 700 thousand set aside in 2016).

- Revenues: Euro 161.2 million (+14% compared with Euro 141.5 million in 2016)
- EBITDA: Euro 16.3 million adjusted equal to 10.1% of revenues (Euro 13.5 million adjusted in 2016)
- EBIT: Euro 10.7 million adjusted equal to 6.7% of revenues (Euro 8.5 million adjusted in 2016)
- Net profit: Euro 5.3 million adjusted equal to 3.3% of revenues (Euro 3.5 million adjusted in 2016)
- Negative Net Financial Position of Euro 222.8 million (Euro -58.4 million adjusted net of the consolidation of Italtel, Euro -35.8 million in 2016)

2017 revealed itself to be a very important year for Exprivia, which disclosed growth in business turnover of 14% accompanied by an increase in profitability of 26% in terms of EBIT. Consolidated revenues amounted to Euro 161.2 million, adjusted EBITDA came to Euro 16.3 million, equal to 10.1% of the value of production, adjusted EBIT totalled Euro 10.7 million and the adjusted Net Profit amounted to Euro 5.3 million.

The results for the year are provided in the adjusted mode since they acknowledge an extraordinary tax liability, which will be discussed in-depth in note 35 of the consolidated financial statements to which reference is made.

On 14 December 2017, the investment was finalised for the acquisition of an equity investment in Italtel SpA involving the subscription of 81% of the share capital of said company. The Group's consolidated financial statements include just the balance sheet effects of the Italtel Group's consolidated financial statements as at 31 December 2017.

The net financial position was Euro -222.8 million and includes the position of Italtel, which affected the indebtedness for Euro -165 million.

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 as at 31 December 2017, compared with the figures as at 31 December 2016.

The 2017 figures reflect the effects of the merger transaction for the incorporation of the subsidiaries Exprivia Digital Financial Solution Srl, Exprivia Healthcare IT Srl and Exprivia Telco & Media Srl, which took place on 30 November 2017. The retroactive accounting and tax effects of the merger transaction were as of 1 January 2017.

Due to reclassifications, which did not change the net result, the 2016 figures relating to other revenues, EBITDA and EBIT have been amended without any impact on the net result, as indicated in the comments shown in the explanatory notes to the separate financial statements in the section “Adjustments to comparative data”.

amounts in Euro	31/12/2017	31/12/2016
Total production revenues	133,233,324	62,482,954
net proceeds and variation to work in progress to order	130,742,530	60,334,751
other proceeds and contributions	2,490,794	2,148,203
Difference between costs and production proceeds (EBITDA)	14,970,965	4,908,810
% on production proceeds	11%	8%
Net operating result (EBIT)	4,914,765	(2,489,976)
% on production proceeds	4%	-4%
Net result	548,350	(1,908,465)
Group net equity	73,766,265	68,501,341
Total assets	207,113,976	141,977,393
Capital stock	25,154,899	25,154,899
Net working capital **(1)**	27,474,304	13,873,626
Cash flow **(2)**	16,126,711	5,365,307
Fixed capital **(3)**	117,662,291	92,529,939
Investment **(*)**	26,801,796	(3,276,024)
Cash resources/bonds **(a)**	14,088,855	8,840,717
Short-term intra-group financial receivables (payables) **(b)**	7,007,922	(1,109,256)
Inter-company financial receivables (payables) with m / l term **(c)**	4,115,838	3,551,910
Short-term financial debts **(d)**	(31,851,132)	(16,027,202)
Medium-/long-term financial debts **(e)**	(41,906,696)	(22,354,347)
Net financial position **(4)**	(48,545,213)	(27,098,178)

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

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

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

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

(*) With regard to 2017, the Investments reflect the effect of the merger via incorporation within the Parent Company of the subsidiaries Exprivia Digital Financial Solution Srl, Exprivia Healthcare IT Srl and Exprivia Telco & Media Srl, which took place on 30 November 2017. The value of the 2017 investments, net of the merger effect, came to Euro 9,304,806.
For 2016, Investments reflect the write-down of the equity investment of the subsidiary Exprivia Enterprise Consulting Srl for Euro 6,000,000.

The table below shows the main economic indicators of the company for 2017 compared to 2016:

Exprivia	31/12/2017	31/12/2016
Index ROE (Net income / Equity Group)	0.74%	-2.79%
Index ROI (EBIT / Net Capital Invested) **(5)**	3.63%	-2.44%
Index ROS (EBIT / Revenues from sales and services, net of changes in inventories of raw materials and finished products))	3.76%	-4.12%
Financial charges **(6)** / Net profit	(3.93)	(0.82)

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

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

The table below shows the main financial and equity indicators of the company for 2017 compared to 2016:

Exprivia	31/12/2017	31/12/2016
Net Financial Debt / Equity Capital	0.66	0.40
Debt ratio (Total Liabilities / Equity Capital)	2.81	2.07

Exprivia: Future. Perfect. Simple

An international group to enable digital transformation processes

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

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

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

The founding concepts of our vision

Future

The future is the point towards which we orient ourselves

in defining scenarios, paths and goals

for ourselves and our customers.

Connection

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

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

Perfect

Perfect is the level we commit

to reaching in designing

innovative and efficient

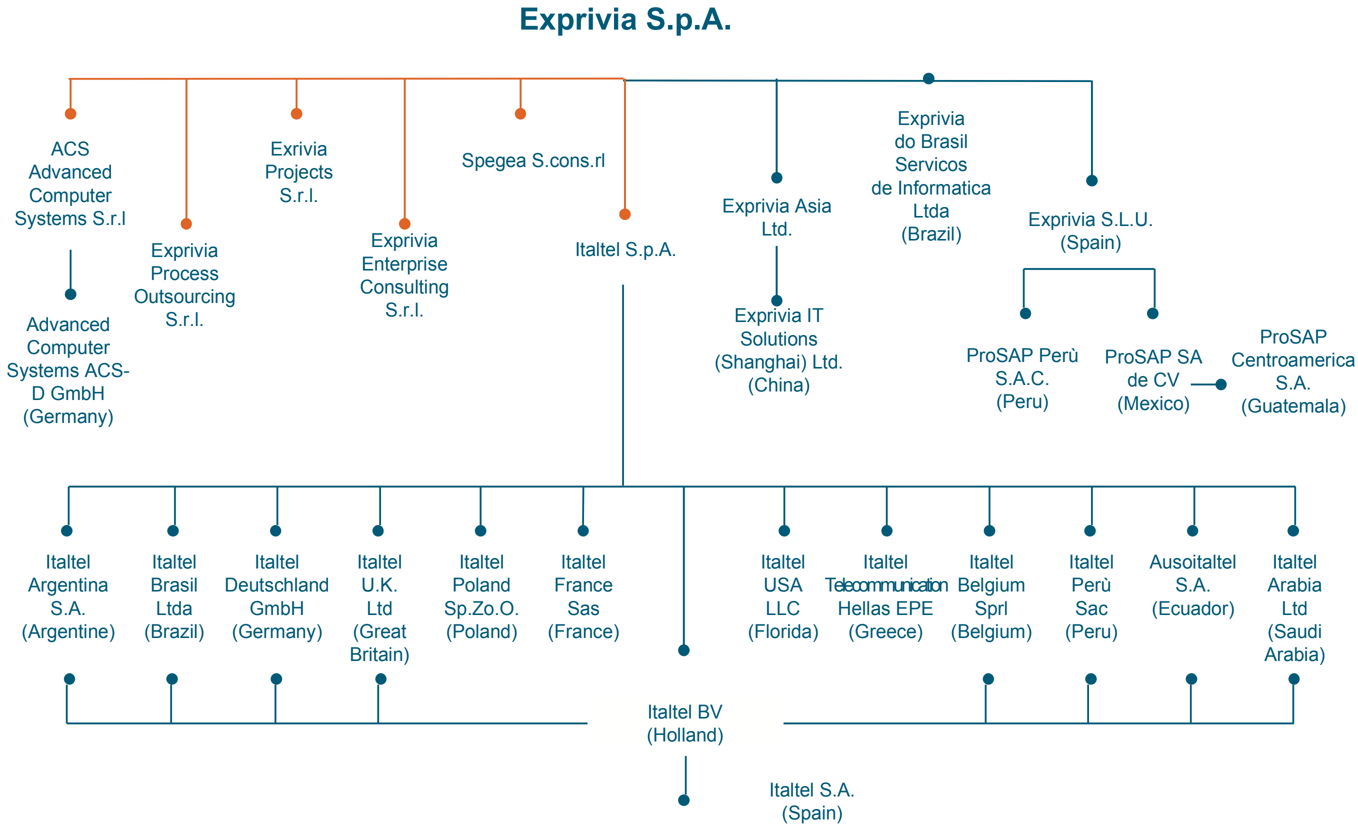
digital solutions for every sector.

Reliability

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

The Group

The chart shows the main companies of the Exprivia Group:



ITALTEL SpA, 81% of whose share capital is held, is an industrial entity with headquarters in Italy and companies in 14 countries; the competencies are those peculiar to the telecommunications market in which it has operated for various decades and in which it is making its contribution to the evolution of fixed and mobile telephone networks. The headquarters in Italy are the traditional ones of Castelletto di Settimo (MI) and Carini (PA), in addition to those in Rome. Italtel Spa also invests, directly or indirectly via its investee Italtel BV, in a series of other companies as indicated in the previous diagram.

ACS Srl., 100%-owned by Exprivia, has operated in the market for more than twenty years and develops ground stations for the reception and processing of satellite data (“Ground Station”), a sector in which it has reached a top global position. The company is based in Rome and Matera and also has a branch in Germany.

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

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

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

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

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

Foreign Companies

Exprivia SLU, a Spanish company 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, also through its subsidiaries in Mexico (ProSAP SA de CV), Guatemala (ProSAP Centroamerica S.A.) and Perù (ProSAP Perù SAC), 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 and Latin American countries.

Exprivia do Brasil Serviços de Informatica Ltda, a Brazilian company specialised in IT Security solutions, operates at its headquarters in Sao Paulo. Exprivia SpA controls the company with a 52.22% share while the company Simest SpA holds 47.70%.

Exprivia Asia Ltd, a company operating in Hong Kong to act on behalf of Exprivia SpA, its sole shareholder, in the Far East in all market sectors considered strategic for the Exprivia Group. Exprivia Asia Ltda incorporated Exprivia IT Solutions (Shanghai) Co. Ltd as sole shareholder. The company is specialised in providing professional services in IT infrastructure and SAP.

Strategic Shareholdings

Software Engineering Research & Practices S.r.l, 6% held by Exprivia SpA, is spin-off of the University of Bari. Its goal is to implement the results of university research in the field of software engineering and transfer them into business processes.

Consortia Initiatives

Cefriel is a consortium company 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 industrial processes to innovate or develop new products and services. On 4 July 2014, Exprivia SpA acquired a 5.78% share.

Italy Care, a consortium of which Exprivia has been a member since 2013 together with Farmalabor Srl, Villa Maria Care & Research Group, and MASMEC Biomed. It was established on 18 March 2014 and represents a consolidated and effective expression of the healthcare services chain with the aim of optimising results and investments in healthcare. Penetration of international markets plays an essential role in the mission of Italy Care. Promoting a winning image in the healthcare chain that crosses borders is the goal of the consortium.

Distretto Tecnologico Pugliese ("DHITECH"), based in Lecce, intends to develop and integrate an interdisciplinary cluster for nanosciences, 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, it was formed 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, a consortium company based in Bari, it is known as the "Puglia technological district for human healthcare and biotechnologies". It will develop its operations in the strategic areas of products for molecular diagnostics and integrated diagnostics, treatment and rehabilitation products and bioinformatics products.

Consorzio SI-LAB: is a consortium for innovation services set up by Daisy-Net as a result of the MIUR funding project for new public and private laboratories. It brings together companies and universities in Puglia and operates in clusters with similar laboratories in Calabria and Sicily. The focus of SI-Lab is the integration of services, which are then experimented in the field of healthcare services.

Distretto Agroalimentare Regionale ("D.A.Re."), a consortium company based in Foggia, it acts as the interface for technology transfer from the Puglia research system to the agribusiness system. It provides services to support technological innovation by managing complex projects relating to industrial research and competitive development.

Consorzio Biogene was formed to develop the project known as "Public-private laboratory for the development of integrated bioinformatic tools for Genomics, Transcriptomics, and Proteomics (LAB GTP)".

Società cons. a r.l. "DAISY – NET" was formed to undertake initiatives for the development of an I.C.T. technology centre to be part of a network of regional technology centres.

Industries

A winning offer in every market

Today we are one of the main players in the digital transformation of businesses, and we owe this to the wide range of skills and experience we have developed in more than thirty years of working in our various markets.

Banking, Finance & Insurance

Digital progress and financial technique: the binomial of the future

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

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

Telco & Media

Skills and technologies for network virtualisation

In the Telco & Media market, technological innovation proceeds at the same pace as the need to expand the availability of value-added services while remaining competitive. We offer operators and builders in the telecommunications sector extremely high-level technological competencies to allow them to manage the digital transformation, reducing their operating costs with innovative solutions.

Exprivia is the ideal partner for the Service Providers that find the solution for being agile, efficient and customer centric in the virtualisation of networks and applications. Indeed, virtualisation meets every customer need with dedicated services commensurate with real business requirements, but especially supported by innovative technological skills meeting the most recent standards.

The quality of the services provided enables the customer to transfer a better customer experience to its users, enabling individual needs to be satisfied, also through customer loyalty policies

Energy & Utilities

The technology that optimises energy

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

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

Aerospace & Defence

Military defence, civil safety and digital technology

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

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

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

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

Manufacturing & Distribution

Towards the new industrial revolution

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

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

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

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

Healthcare

Innovative solutions for individual health and efficient administration

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

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

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

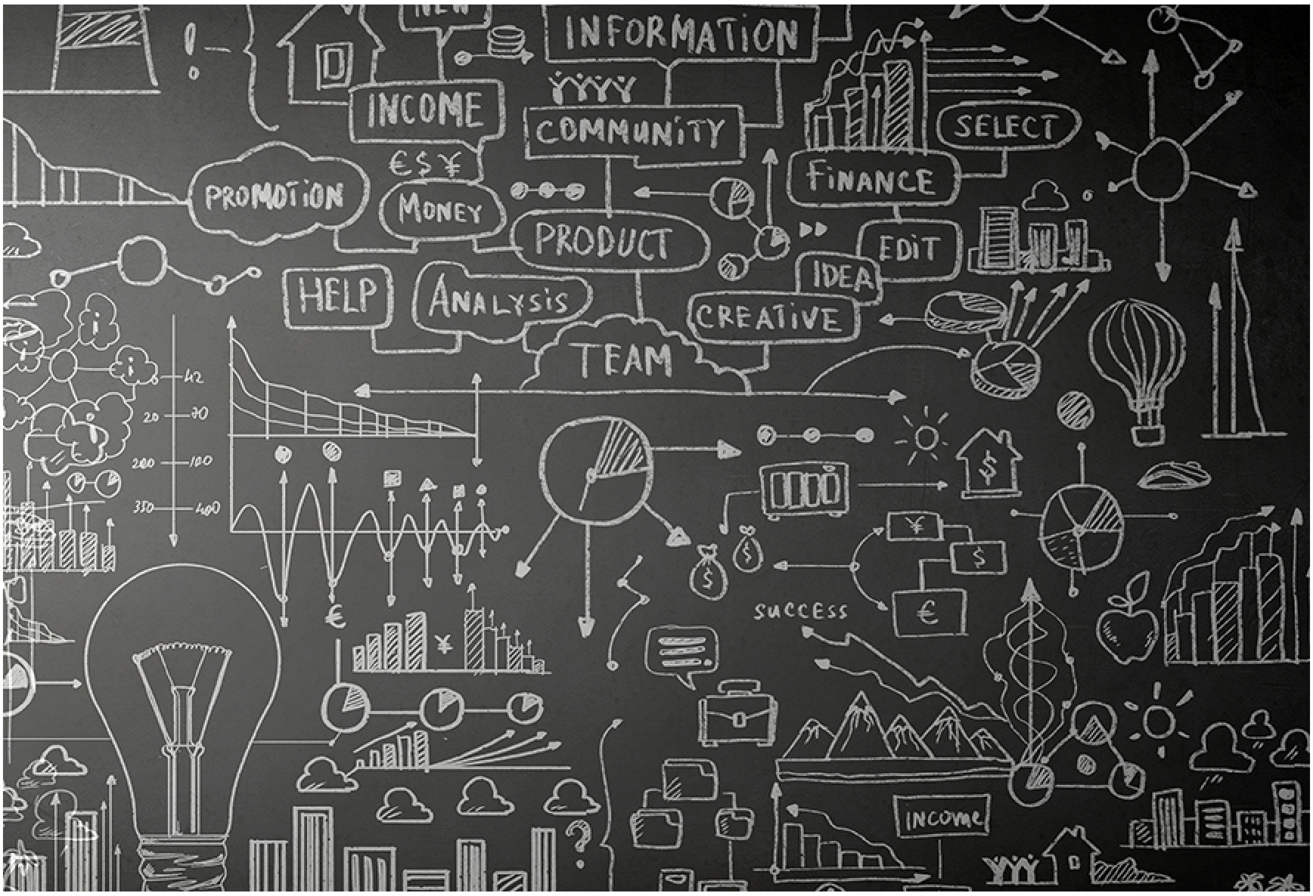
Public Sector

PA digitalisation: the first step towards a reinvigorated country

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

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

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

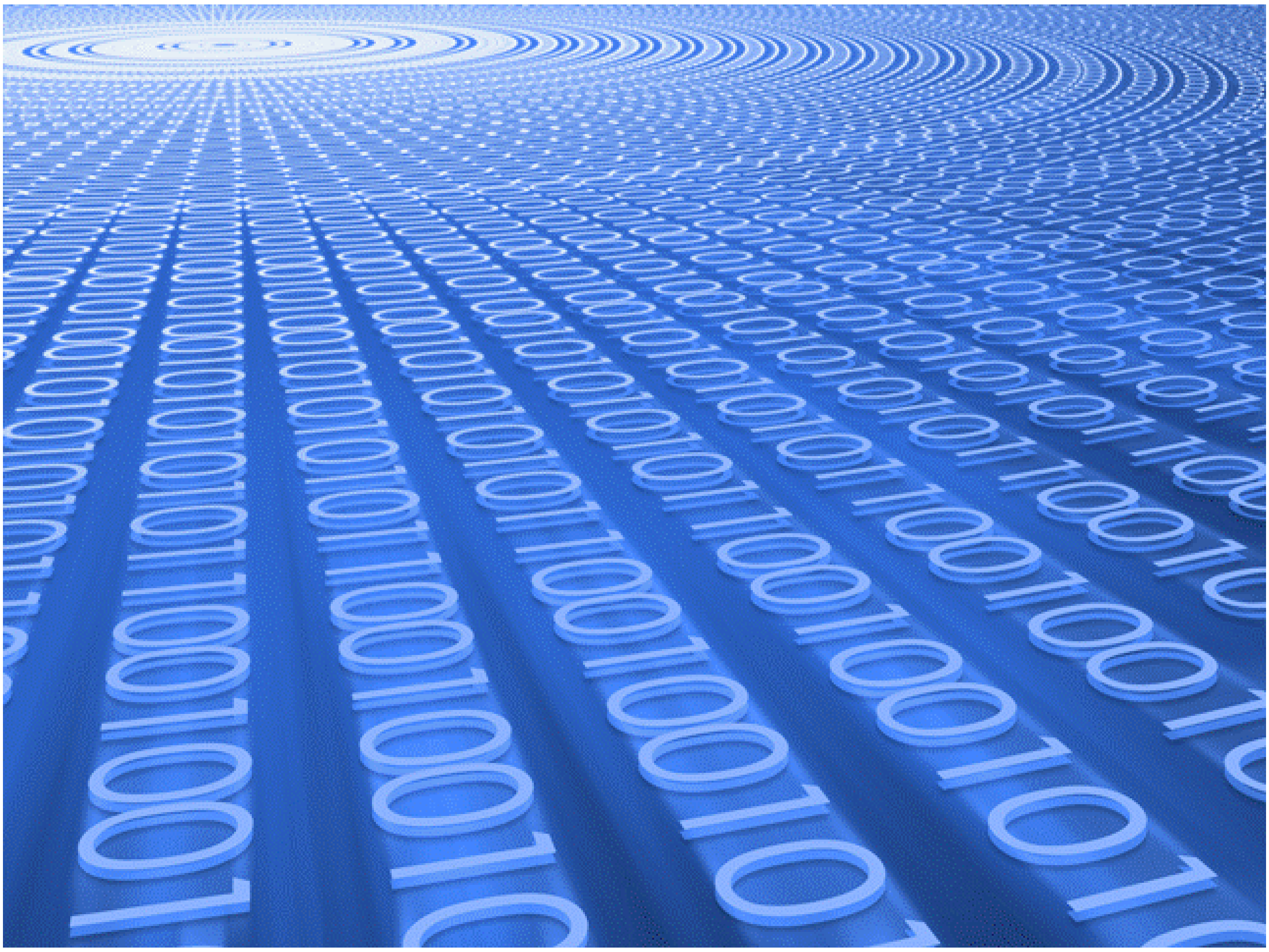


Innovation Lab

Innovation to explore and construct new business opportunities

Innovation Lab is the load-bearing 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.



Expertise

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

Working for the world to come requires not only a lively imagination, but also and especially solid training that keeps us continuously updated on trends and transformations under way to anticipate the needs of the market.

Here are some of our most significant skills.

Big Data & Analytics

Managing data to dominate the markets

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

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

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

Cloud

The revolution among the clouds

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

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

Our cloud services are based on four fundamental models:

Public Cloud

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

Private Cloud

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

Hybrid Cloud

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

Community Cloud

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

IoT

The immediate future of things

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

For some time now we have been committed to developing IoT solutions capable of radically changing our way of living, working, learning and having fun. Exprivia has undertaken a series of projects that concern home automation, robotics, avionics, biomedical devices, monitoring in industry, telemetry, wireless networks of sensors, supervision, detection of adverse events and much more.

IT Security

Total data and system security

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

We have the experience and technological skill required to act as a “global” partner for security, capable of working alongside the customer with flexible deliveries ranging from consulting to integration and the management of dedicated services, through operational centres to meet security needs at strategic, technological and operational level. The organisation of company security covers three fundamental areas, i.e., governance procedures, infrastructure and operations, and four levels of operational security: Prevention, Monitoring, Response and Governance Risk & Management.

Mobile

Tomorrow within reach

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

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

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

SAP

More digital efficiency. Superior company efficacy. Greater market presence

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

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

Business Process Outsourcing

When outsourcing means optimising

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

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

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

Corporate Social Responsibility

We believe that sustainability is an indispensable value for the company, its stakeholders and future generations, which takes the form of respecting people, the environment and society as a whole.

Performance of Exprivia Group Results

Performance of Exprivia Group Results

The performances by market are indicated below.

Banking & Finance

The **Banking, Finance and Insurance** market saw a 2017 in line with the previous year in terms of volumes.

With respect to the first, the second half disclosed an increase in revenues both due to the acquisition of the business segment of Esiet Vas S.r.l. and the significant upturn in IT expenditure, driven by the increasingly more crucial legislative-regulatory component.

In this context, Exprivia managed to consolidate and expand its customer base, through the constant development of its overall offer portfolio, in support of Business Development initiatives. More specifically:

- the results in the Finance area remained substantially in line with last year, by virtue, in particular, of proactive monitoring of the customer base and an expansion of the offer pertaining to the functional and regulatory component, as well as a greater number of capital market platforms;
- within Credit Solutions, the customer management strategy launched towards the end of last year, which also made it possible to acquire new customers, saw a 5% rise in volumes;
- the Factoring segment has also confirmed the quality of the full outsourcing approach proposed to our customers, which has substantially maintained constant volumes despite turnover within the group of customers;
- results in the digital transformation domain (Big Data Analytics, Cloud & Security Infrastructures, Smart Process, Customer Experience) declined slightly compared to 2016, even though they were achieved on a wider customer base and by virtue of a more marked and differentiated offer.

In conclusion, the evolution of the offer combined with the estimated rise in IT spending in this sector in 2017 leads us to reasonably predict a positive development in operations in 2018.

Energy & Utilities

The main phenomena characterising the changes in the global energy system can be thus summarised:

- rapid diffusion and the reduction of the costs of the clean energy technologies;
- growing electrification of energy;
- changeover to an economy more inclined towards services and a cleaner energy mix in China;
- confirmation of the phenomena of gas shale and tight oil in the United States.

These are changes, which arrive in a period in which the traditional distinctions between energy producing countries and energy consuming countries are less emphasised than in the past and a new group of developing countries, guided by India, is domineeringly appearing in the global energy market.

In this market, Exprivia saw considerable growth in 2017. This result is attributable to the definitive entry into full operation of the contracts acquired in the third quarter of 2017 and is related to major digital transformation initiatives for some operators in the energy market in Italy, in which Exprivia is involved; in particular, the portion of revenues from projects for the optimisation of the logistics supply chain of the business operating in the Energy sector grew.

During 2018, Exprivia will be involved in both the consolidation of its positioning on the Italian market and the programme for developing the customer base by means of a cross selling plan for the transversal supply also to foreign customers of the Group, playing on its vertical sector offer.

The **Utilities** market is demonstrating a significant focus especially on the most highly innovative areas such as Big Data, Analytics and AI/cognitive; it is precisely in these areas that Exprivia is investing so as to offer its customers services capable of adding value directly to their core businesses.

The tender contracts awarded in the previous year allowed for significant growth in revenues.

Exprivia is continuously active in pursuing the operational efficiency and digital transformation goals of its customers by participating in innovative projects with an international scope. The activities of managing and developing company management and business intelligence systems have been confirmed as this market's main asset; projects have also been rolled out in the area of IoT, customer experience and Grid Management, which are now part of the Group's main assets.

BPO (Business Process Outsourcing) is specialised in Customer Care, both front office and back office. In 2017, revenues were up significantly, also thanks to new contracts launched and the relative investments made.

Retail & Manufacturing

Already starting in 2016, the Retail & Manufacturing market saw a strong recovery in demand; in this market, Exprivia's offer is based on the SAP platform as well as Business Intelligence.

The industry segment is interpreting the signs of an economic recovery with confidence, by including investments in digital transformation projects in the budget and beginning important technological innovation initiatives. Customers were provided with design and application management services for on premise or in-cloud applications, as part of more traditional offers such as those relating to ERP, HCM and highly innovative issues, like CRM solutions for after sales processes.

Good results were obtained in international rollouts in Europe and the Far East for customers with head offices in Italy.

The experience acquired in the area of mobility and analytics on the SAP Hana platform is of great importance for growth prospects and, thanks to the investments made, has positioned us among the leaders on the Italian market.

Telco & Media

The Telco & Media market, particularly in Italy, continues to demonstrate significant difficulties, which are reflected primarily in a progressive reduction in revenues for each voice/data line, experienced by the majority of operators.

However, in this market the Exprivia Group has worked on specialising in the most innovative and relevant aspects for its customers' businesses, primarily by offering services in the areas of "Network Optimisation & Transformation", "Next generation OSS Solutions & Services", "Voice & Media Application" and "Carrier grade solution development" as well as for the encrypted VoIP products "Extravox" and "Cryptovox".

The Group has consolidated its business relationships with the main telecommunications players in Italy and has acquired major contracts linked to the activation of new broadband access networks, automation and streamlining of the business processes of its customers, to vertical data analytics solutions for the monitoring of quality KPIs and for the predictive maintenance of fixed and mobile network services, and the implementation of innovative solutions for telecommunications security and privacy.

Healthcare

Again, in 2017 the trend in demand concentrating at regional and central level rather than at individual entity level has been confirmed, with the announcement of tenders for supplies and services with entire regional administrations or the greater districts of the same regions as recipients.

In this scenario, which results in a drop in absolute terms in the number of tenders announced and an increase in the dimensions of the same, two different trends in the actions of service providers are being observed: in the immediate term, organisation by joining forces, primarily to retain positions already acquired rather than to approach new market areas; in the medium and long-term, greater polarisation through consolidation due to the aggregation of new parties in the market with requirements adapted to the broader competition triggered by the current scenario.

To correct this negative trend, efforts have been concentrated on the development of the customer base, primarily in the private sector, and the extension of major contracts already acquired.

As confirmation of these initiatives, during the period significant projects were awarded in the public realm due to the extension of a major contract in the Calabria Region and in the domestic private sector, with the activation of an entirely cloud-based system for the management of outpatient activities, as well as in the private sector overseas, with the acquisition of a significant project for the management of image diagnostics for a leading Albanian group in the sector.

Lastly, the initial promising activities have been consolidated for telemedicine solutions, which, through the development of partnerships with top sector operators, should provide considerable benefits in the near future.

Public Sector

The **Public Administration** market saw a recovery in 2017 attributable primarily to trends in the Central Public Administration, where several contracts signed in early 2017 are starting to be carried out, which see Exprivia engaged in significant digital transformation projects.

For the Local Public Administration, there was a substantial continuity of activities for contracts in the portfolio.

The overall landscape is not particularly brilliant, although there has been a slight recovery in the reference market. The publication by AGID (Agency for Digital Italy) of the Three-Year Plan for PA IT should constitute the frame within which new digital transformation projects will be developed, which are expected to represent a real trend reversal for the entire market.

The **Local Public Administration** is instead going through a phase of radical change due to the increasingly greater drive towards the centralisation of IT skills as well as continuous Spending Review policies. The expected investments linked to Smart Cities, which could represent an occasion for the re-launch of this market, have not yet been seen.

The overall panorama still features many low points, despite the fact that the recent Assinform Report on the Public Administration finally pointed to a weak trend reversal in Public Administration IT spending, compared to the decline seen over the last 5-6 years. The publication of the new Tender Code has not yet favoured an acceleration in investments; rather, in this initial phase it led to a sharp decline in tenders published.

Aerospace & Defence

The Aerospace & Defence market has seen a significant rise in turnover, to a great extent ascribable to the contribution deriving from ACS Srl (consolidated as from 1 July 2016).

This performance is aligned with a market situation that continues to be slowed by reorganisations and the significant attention paid to the reduction of expenditure of the main sector entities and industries, with which Exprivia in any event consolidated its position as a preferential supplier in the first half of the year.

The innovative company ACS Srl, which has operated in the market for more than twenty years and develops ground stations for the reception and processing of satellite data, a sector in which it has reached a top global position, joined the Group in the Aerospace & Defence market in the third quarter of 2016. Over the years, ACS has expanded its offering by taking advantage of the opportunities provided by the wide availability of Earth Observation data and the development of new technologies for studying the Earth.

International Business

Exprivia's activities in non-Italian markets registered a slight drop in revenues in 2017. The decrease is mostly concentrated in China and in Mexico, while other countries recorded stable or increased revenues.

In **Spain**, where Exprivia was present through two subsidiaries, Profesionales de Sistemas Aplicaciones y Productos SL (ProSap) and Exprivia SL., their merger was completed in 2016 by combining the commercial and technical structures to strengthen the offer of ERP applications and SAP services for industry and the distribution of Business Intelligence solutions for the Healthcare sector.

2017 disclosed revenues in line with the previous year but a decisive improvement in margins.

In **Central America**, where Exprivia operates directly through Prosap Mexico and Prosap Centroamerica (Guatemala), sales and delivery actions continued with major private and public companies operating in the infrastructure construction sector in Latin American countries. The Mexican company saw a drop in revenues and margins in 2017.

In **Brazil**, the revenues of the company Exprivia do Brasil Serviços de Informatica Ltda disclosed a sharp increase with respect to those for the previous year, as did the margins. Relations with the key customers in the IT Security area are improving.

In **China**, with Exprivia IT Solutions (Shanghai) Co. Ltd, whose sole shareholder is Exprivia Asia Ltda in Hong Kong, Exprivia has developed its business in providing professional services in IT infrastructure and SAP. The first half of the year saw a drop in revenues, and the customer base is still currently made up of Italian companies and institutions operating in China and European manufacturing industries.

Italtel Group

An analysis of the performance of the Telecommunications market in which the newly acquired Italtel Group mainly operates is presented below; the results of the group, as illustrated in the note related to the scope of consolidation, are not included in the income statement of these financial statements.

In the market segment in which the Italtel Group positions its proposal of proprietary products and solutions, the following principal trends were seen:

- Stabilisation and essential maintenance of the volumes of revenues on segments which involve mature and consolidated technologies, as in the case of VoIP (Voice over IP) and IMS (IP Multimedia Subsystem), due to new network installations, upgrades of those existing and above all else new

architectural paradigms (such as those proposed in the NFV (Network Function Virtualization)) which in fact create a "replacement market".
- Rapid expansion with two-figure growth in new spheres, such of the Internet of Things and Cyber Security, despite featuring highly fragmented and varied competitive scenarios characterised by strategic positioning difficulties.

The Information Technology and telecommunication ICT market, in Italy, once again in 2017 suffered from the effects of the international crisis, which commenced in 2008. The persistence of unfavourable macroeconomic conditions and the competitive and substitution dynamics between telecommunications and internet led to a further drop in the investments of the operators and increasingly notable attention towards the reduction of the TCO (Total Cost Ownership) of the infrastructures with a strong impact on the unit prices and on the margins.
Despite the unfavourable macroeconomic conditions, the **Telecommunication operators** in 2017 launched important projects for the transformation of the networks based on the development of ultra large band access networks (Fixed and mobile), on the evolution of the Backbone IP networks and on the streamlining of the legacy networks (for example PSTN) which will be progressively replaced by the ALL IP networks.
With regard to TIM Domestic customers, despite the very heavy competitive pressure, the sales development activities led to an essential rise in revenues with respect to 2016, with sales turnover of Euro 145.8 million.
Also in the domestic market of the Other Telecommunications Operators, Italtel managed to confirm its role of leading player by means of the acquisition of important projects care of the main national operators even if the revenues saw a slight decrease with respect to 2016 reaching a sales turnover total of Euro 35.4 million.
2017 was also characterised by the launch of the Government plans aimed at the recovery of the delays accumulated in the previous years within the sphere of the Europe 2020 strategy and the valorisation of the technological adaptation of the Italian entrepreneurial fabric: Digital Strategy for the ultra large band and Industry 4.0.
The progress reported in 2017 falls within a political and economic scenario, which is still uncertain. Spending Review and Stability Pact continue to slowdown the investments and the expenditure in Information Technology by Regional Authorities, Local Bodies and Central Administration Authorities.
2017 ended, for Italtel in the **Italian market of business and the Public Administration**, with continual growth in the volume of business (+ 12%) and in the gross margin in absolute value (+ 29%).
In 2017, in the presence of a decrease in revenues with respect to 2016 of 8.7%, the EMEA market disclosed an increase in absolute margins of around 11%, amounting to Euro 18.4 million thanks to a strong transformation trend of the sales mix, in the various countries in which Italtel operates.
2017, as in 2016, showed itself to be a year of great crisis in Latin America; the political and economic-financial instability, affecting Brazil particularly but with significant extension to other countries (for example Peru) had important effects also on the exchange rates, inflation and the investment plans of the public and private customers of the ICT markets. The political and financial uncertainty led to a delay in the investment decisions in all the sectors. The expectations for 2018 are without doubt better boosted by probable scenario changes in Brazil and the permanent needs for evolution of the ICT infrastructure in all the countries.
In general, for all the **LATAM markets**, considerable pressure is reported on the prices of the Integration System under the impetus of the stagnation of the market and the entry into various segments of "made in China" technology. The collapse of the units prices therefore had an impact also on the volumes and in a more decisive manner on the margins (which dropped by around 18%).

Risks and Uncertainties

Internal Risk

Risk related to employment of key staff members

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

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

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

Risk related to dependence on customers

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

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

Risk related to contractual commitments

The 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 cover be insufficient and the Exprivia Group be required to pay for damages amounting to higher than the limit stipulated, the economic, capital and financial situation of the Exprivia group could suffer significant negative effects, in line, in any event, with risk parameters for the sector.

Risk related to internationalisation

In its internationalisation strategy, the group could be exposed to typical risks deriving from 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. Nevertheless, the Group is considerably active in foreign markets, where country risk is considered under control and minor.

External Risk

Risk arising from the general conditions of the economy

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

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

Risk related to IT services

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

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

Risk related to competition

The Exprivia Group competes in markets consisting of companies that are typically rather large, which means remaining competitive depends on economy 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.

Risk related to changes in legislation

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

Financial Risk

Interest Rate Risk

In 2016, the Exprivia Group 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 released further to the transaction for the purchase by Exprivia of the equity investment in the share capital. The previous forms of funding are joined by the fixed rate bond issued to finance the purchase of the equity investment in Italtel Spa. Concerning variable rate loans, the Group has interest rate swap agreements or cap agreements to hedge the risk of fluctuating interest rates.

Credit Risk

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

The group 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.

Liquidity Risk

Prudent management of liquidity risk is pursued by planning cash flows, financing needs and the liquidity of the Exprivia Group to ensure effective management of financial resources 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. The transaction for the purchase of the equity investment in Italtel Spa saw the refinancing of the company as an integral part of said transaction, having taken place on the one hand by means of the conversion of part of the bank debt into Equity financial instruments and on the other hand by means of the contribution of fresh capital and in conclusion the issue of new loan facilities.

Exchange Rate Risk

The majority of the activities carried out by the Exprivia Group takes place in the “Euro Zone” also if the inclusion of the Italtel Group increases the volume of transactions carried out on markets subject to sharp fluctuations (for example Brazil). This could represent a risk to be monitored. Again within the Italtel Group, purchase transactions are concluded and, to a minor extent, sales transactions in US dollars. For the purpose of reducing the effects of the fluctuation of the US dollar, derivative hedging agreements are entered into on this currency. In the financial statements, these derivatives are valued at Fair Value in accordance with the international accounting standards.

Significant Events in 2017

On **16 March 2017**, the Company's Board of Directors, based on the prior favourable opinion of the Board of Statutory Auditors, appointed Valerio Stea, the new administrative manager of the holding company Exprivia Spa, as Executive Manager responsible for preparing the corporate accounts of the Exprivia Group.

On **27 April 2017**, the ordinary shareholders' meeting of Exprivia SpA met on first call to approve the financial statements as at 31 December 2016. The Corporate Governance and Ownership Report and the Remuneration Report for directors and management with strategic responsibility of the Exprivia Group were approved during the same shareholders' meeting. Both reports are published on the Company's website in the "Investor Relation - Corporate Governance - Corporate Information" section.

The Ordinary Shareholders' Meeting also approved the issue of a new authorisation to purchase and dispose of own shares within the meaning of Articles 2357 and 2357-ter of the Italian Civil Code and proceeded to nominate the new corporate bodies, the offices of the previous bodies having expired upon approval of the 2016 financial statements.

On **27 July 2017**, Exprivia SpA signed agreements legally binding all of the parties involved for the acquisition of control over Italtel SpA with a share of 81% in the share capital; the transaction was finalised in December 2017.

On **31 July 2017**, the Extraordinary Shareholders' Meetings of Exprivia Spa and of the subsidiaries Exprivia Digital Financial Solution Srl, Exprivia Healthcare IT Srl and Exprivia Telco & Media Srl approved the project for the merger by incorporation of the three subsidiaries within the Parent Company.

On **14 December 2017** Exprivia SpA finalised the issue of a bond entitled "Exprivia SpA – 5.80% 2017-2023" (ISIN IT0005316382)", for an overall nominal amount of Euro 17 million. The bond issue is made up of 170 bearer bonds with a par value of Euro 100,000 each. The bond was subscribed by the following parties: 1) 80 securities by Anthilia Capital Partners SGR S.p.A.; 2) 65 securities by Banca Popolare di Bari S.c.p.a.; 3) 15 securities by Consultinvest Asset Management SGR S.p.A.; 4) 10 securities by Confidi Systema! S.c..

On **29 December 2017** Exprivia SpA exercised the faculty to increase the bond issue entitled "Exprivia SpA – 5.80% 2017-2023" ISIN IT0005316382, for an overall value of Euro 6,000,000, by means of the issue of an additional 60 securities, subscribed by Mediobanca SGR S.p.A., featuring the same characteristics as the bond-based securities already issued and subject to the provisions of the same regulations as the Bond Issue.

In December 2017, Exprivia SpA reimbursed the residual debt in advance (Euro 1.9 million) relating to the mini-bond issued in 2014 by the subsidiary merged via incorporation Exprivia Healthcare IT Srl.

Acquisitions/Sales in the Exprivia Group

On **30 March 2017**, Exprivia SpA took over the shares held by Christian Maggioni in Exprivia do Brasil Serviços de Informatica Ltda (0.08%), bringing its shareholding up to 52.30%.

On **1 July 2017**, Exprivia Digital Financial Solution Srl acquired the ESIET VAS Srl business unit operating in the IT services and consulting market for banking and financial sector customers.

On **30 November 2017** further to the enrolment in the Milan, Trento and Bari Companies' Registers, pursuant to the matters laid down by Article 70.3 of Consob Regulation No. 11971/1999 and on completion of the documentation already filed, as from 30 November 2017 the merger via incorporation of the companies Exprivia Digital Financial Solution Srl, Exprivia Healthcare IT Srl, Exprivia Telco & Media Srl within Exprivia SpA was finalised with retroactive effectiveness of the accounting and tax effects as from 1 January 2017.

On **14 December 2017,** Exprivia SpA finalised the purchase by means of subscription of the share capital equating to 81% of Italtel SpA, a historic entity operating within the telecommunications market. Exprivia financed its investment via: 1) own financial resources, for Euro 6 million; 2) conversion of the liquid and collectable trade receivables due vis-à-vis Italtel SpA, for Euro 2 million; 3) a bond issued on 14 December 2017, entitled “Exprivia SpA – 5.80% 2017-2023” (ISIN IT0005316382)”, for an overall nominal amount of Euro 17 million.

Events subsequent to 31 December 2017

There were no significant events worth noting with the exception of the following.

Italtel Group information

With reference to the Italtel Group, on 1 February 2018, Italtel and the Trade Union Organisations care of Assolombarda, carried out and completed, for all purposes of the law, a procedure for reducing the staff pursuant to Italian Law No. 223/91, combined provisions of articles 4 and 24, for a maximum number of 80 employees on the workforce care of the sites in Settimo Milanese, Rome and Carini.
Pursuant to and for the purposes of Article 5.1 of the afore-mentioned law, the Parties agreed that the identification of the workers with whom the employment relationship will be terminated, in alternative to the decision-making approaches established by the afore-mentioned legislation, will take place having taken into account the technical-production related and organisational needs, considering by way of priority those workers who have reached or reach the requisites envisaged for retirement without prejudice, in any event, to the criteria of non-opposition of the workers as envisaged by Article 4.4 of Italian Ministerial Decree No. 94033/2016.

Corporate Governance and Ownership Structures

The report on corporate governance and the ownership structures is published on the Company’s website in the section “Investor Relations – Corporate Governance – Corporate Information”.

Non-financial Data Report

The non-financial declaration is available on the company’s website in the section “Corporate - Investor Relations – Consult Financial Statements".

exprivia

Exprivia's Stock Market Performance

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

The Share Capital as at 31 December 2017 consists of 51,883,958 shares with a par value of Euro 0.52 each.

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

Composition of Shareholders

On the basis of the entries in the shareholders' register, as supplemented by instructions received in accordance with art. 120 of the Consolidated Finance Act and available information, as at 31 December 2017, the shareholder structure of Exprivia was as follows:

Shareholders	Shares	Amount held
Abaco Innovazione SpA:	24,145,117	46.54%
Treasury shares held:	3,509,153	6.76%
Other shareholders:	24,229,688	46.70%
Total shares	**51,883,958**	**100%**

Stock Performance

The graph below compares the performance of the Exprivia share price with the FTSE Italia Star index in December 2017 and with reference to the twelve months prior to this date.

Business Outlook

2017 ended with an important increase in volumes and margins greater than the trend of the reference market.

It is clear that the customers increasingly reward the capacity of companies to make investments in innovation and to offer solutions and support for a broad segment of their value chain. It is precisely in this direction that the Exprivia Group has moved, having launched three important ventures in 2017 aimed at achieving this objective. On the one hand, the acquisition with subscription of 81% of the Share Capital of Italtel, a traditional industrial group operating at international level in the development of products and solutions for telephone networks and latest generation services. This transaction will make it possible in the coming years to increase the presence of the Exprivia Group on foreign markets and increase the cross selling of the Exprivia and Italtel portfolios on the respective customers. Besides this, innovative ranges will be developed based on the complementary expertise of the new Group.

Again in this direction is the acquisition of a business segment which took place at the start of the second half and which will complement the range on the Finance market thereby permitting the Exprivia Group to present itself with a more extensive and in certain cases end-to-end range.

In conclusion, the transaction for the merger via incorporation within the parent company, which affected the main three Italian subsidiaries, aims to optimise our organisation for the purpose of increasing its effectiveness and efficiency in the core processes and make action on the market more incisive and timely.

This process is flanked by the extension and improvement of the information systems of the Group launched in 2017 and which will continue during 2018.

The afore-mentioned elements and the pick-up of the markets on which the Group operates let us look towards 2018 with optimism.

Investments

Real Estate

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

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

The acquisition of the ACS Srl investment increased the Exprivia Group's real estate; in particular, ACS owns the site in Rome, in Via della Bufalotta 378. The site is composed of two lots: the first, measuring around 1,250 sq. m. is owned by the company, the second, covering roughly 1,050sq. m., is used under a property lease, with the possibility of redemption at maturity in 2018.

These are joined by the real estate properties of Italtel in Via Reiss Romoli, Castelletto, Settimo Milanese (Mi), comprising a real estate complex for office use. The surface area of the entire lot is 40,704 sq.m. and the retail surface area is 3,767 sq.m. plus that located in Bivio Foresta, Carini (Pa) comprising an industrial complex, which extends over a total area of 117,700 sq.m., of which 35,088 sq. m. covered.

Research & Development

On a consistent basis with the previous Strategic Business Plan, in collaboration with the contact individuals of the various markets, new projects were activated according to the development lines defined in this plan: Big Date, IOT, Industry 4.0, Healthcare.
With regard to admission to the funding of the **"Digital Future" programme agreement**, the related executive project was presented, currently under assessment care of the competent bodies of the Puglia Regional Authority. The project envisages an investment of over Euro 9 million and the following aims:

- a Centre of excellence in collaboration with Bari Polytechnic for the development of solutions within the Big Data and IOT sphere;
    - a general purpose platform for the collation of data from the field (IoT sensors) and processing of the same for the purpose of creating data centric applications services;
- a vertical solution for the predictive maintenance in the Industry 4.0 sphere;
    - a vertical solution for the environment safety of the area 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**. By means of this investment, Exprivia will create an *Urban Control Center* (UCC) for the city of Matera based on innovative enabling technologies dedicated:

- to the Public Administrative sphere, for the analysis and monitoring of the dynamics of the information and physical flows of the city;
- to citizens so as to receive useful information on the performances of the infrastructures and the services;
- to the tourist so as to "discover" the area helping them to identify sites, events, experiences of interest among the countless possibilities available.

The participation of Exprivia in the MISE Grandi Progetti Call ended up in admission to the funding of the following project proposals:

- **BIG IMAGING**: “BIG DATA” and Genomic Imaging for the development of innovative nano vector biological indicators and drugs for the diagnosis and treatment of inflammatory processes in the presence of dementia;
- **FINDUSTRY 4.0**: the 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 allow 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 data of fixed nature and predictive data for the diagnosis of the pathologies being studied;
- **ESPERIA**: Exprivia will contribute to the Esperia project with regard to various activities and with different purposes and results which range from real time profiling to mixed reality, the use of blockchain for micropayments to creation of conversational agents supporting the use of the 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 a pilot onboard coexists. The Project will study and develop innovative technologies and abilities, on the ground and onboard 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, which 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 remote sensed by drone and acquired from onboard sensors. The system developed will contribute to increasing safety during navigation.
- **MiTIGO**: System for the assessment and mitigation of the hydrogeologic risk. The system 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 method of intervention for mitigating the risk.

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

- The use of Research Object, 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.

Events and Sponsorships

A selection of the main initiatives in which Exprivia took part in 2017 are provided below:

27 February - 2 March 2017 - Exprivia and Italtel together at the Mobile World Congress in Barcelona
Exprivia and Italtel, strategic partners with a complementary range for the Service Provider, Enterprise and Public Sector world, took part in Mobile World Congress, the largest global mobile communication technologies event. Exprivia and Italtel were present with an exhibition space and demo area with a selection of the main innovative solutions in the Internet of Things, Big Data & Analytics and Cloud (Network Transformation, Smart Health, Smart Cities, Smart Energy, Quality of Experience) sphere.

2-3 March 2017 - Exprivia took part in the BIAT 2017 event
Event organised by Borsa dell'Innovazione e dell'Alta Tecnologia with the aim of furthering the commercialisation, transfer of technology and scientific technical partnership via a specific business matching session between SMEs, start ups, networks, academic institutions, research centres and foreign counterparties in the aerospace, environmental, biotechnologies, renewal energies, ECT, nanotechnologies, innovative materials, mechatronic and technologies for Smart Communities sectors.
Exprivia interacts with national and foreign businesses on the subjects of Clinical-Diagnostic Systems (Health), Pre-trade Reconstruction (Finance), Contman (Banking), Effedil (Utilities), Health Safety and Environment Management System (Oil&Gas), Cryptovox (Telco).

21 March 2017 - Exprivia took part in the Smart Guide High-Flyers Day
Smart Guide High Flyers Day is a vertical event for selection and employer branding during which one-to-one interview are held between companies and recent graduates selected from among the best in Italy, divided up by subject area.
Exprivia took part with its own exhibition space to illustrate the opportunities of inclusion in the group to recent graduates.

22 March 2017 - Exprivia took part in AL Lavoro Sicilia
Event organised by AlmaLaurea care of Università degli Studi di Palermo.
AL Lavoro Sicilia is the first official Career Day of AlmaLaurea and all the Sicilian universities, first stage of the AL Lavoro 2017 Tour. The event is dedicated to the encounter between students and graduates and the HR contact individuals of leading business at Italian and international level.
Exprivia took part with its own exhibition space to illustrate the opportunities of inclusion in the group to recent graduates.

23 March 2017 - Exprivia participated in the Conference of the Supply Chain Finance Monitoring Observatory
Event organised by Milan Polytechnic care of Campus Bovisa – Milan.
The results of the 2016-2017 research of the Supply Chain Finance Observatory were presented at the conference. Exprivia participated as sponsor of the Supply Chain Finance Observatory of the School of Management at the Polytechnic of Milano.

11 April 2017 - Exprivia participated in the 2017 Italy Insurance Forum
Exprivia was a guest care of the exhibition space of the partner Itatel and presented its Big Data & Analytics solutions for the Finance and Insurance sector. BigKnowledge is a proprietary technology dedicated to the

processing of the knowledge present in structured and unstructured sources based on the application of advanced semantic analysis and machine learning techniques, which are also used in the Insurance sector.

31 May 2017 - What is the relationship between businesses and institutions, together for development and innovation?
The 2017 report on the Lombardy regional economy and on the relations between businesses and geographic areas was presented during the event, providing an overview of the ability to attract investment, on the degree of innovation of the regional industry and the state of the networks and infrastructures. Exprivia confirmed its presence at the second of the three local legs of the 2017 edition of Osservatorio Relazioni Territori-Imprese, together with entrepreneurs and managers, members of parliament, representatives of the Lombard institutions, so as to take stock of the subject of development and innovation in the companies and the institutions.

11- 12 June 2017 - Female Reproductive Health and Technological Innovation
Exprivia, as ever heedful in responding to the needs of the health sector, inaugurated the Conference participating in the Round Table opening the event. The most cutting edge endoscopic techniques for the diagnosis and treatment of many female gynaecological pathologies were presented at the Conference.

14 June 2017 - Students and businesses at the “Career Fair”
Exprivia took part in the event dedicated to students and graduates interested in finding out about, planning and launching their professional career in-house. The event participants interacted with the heads of the HR divisions of national and international companies.

15 June 2017 - 2017 IEEE IWASI Conference
Exprivia took part in the conference which brought together researchers from the academic and industrial sphere originating from all corners of the globe, so as to interact on aspects relating to the gap between electronic design and the technologies, processes and production of integrated circuits in order to obtain the quality of the design in the developments of sensors and in electronic interfaces.

16 June 2017 - ‘Digital Transformation and System Integration’: planning or realisation?
Exprivia took part in the Round Table ‘Digital Transformation and System Integration’ because Digital Transformation is today the most debated subject within the Italian market by ICT solutions businesses. The role of the System Integrators is fundamental, for the skills on the subjects of innovation on which the new digital initiatives intend to play, first and foremost: business analytics and IoT.

12-13 September 2017 - Exprivia at the Mediterranean Health Service Forum
Telemedicine experiences and new approaches to the handling for processes, which redesign new service models for Health, were presented at the event. Exprivia was present with its own stand and participated in two speeches during the session for Technological innovation applied to the health service and in the Telemedicine supporting home care session.

22-23 September 2017 - Exprivia at the Marches Regional Group Meeting
Exprivia sponsored the 2017 edition of the SIRM Marche Meeting: a convention addressing the world of radiologists specialised in Magnetic Resonance and, in particular, the Heads of Radiologist Departments at public hospitals in the Marches and Umbria regions.

20-24 September 2017 - Culture and beauty in the XVIth edition of the Trani Dialogues
Together with leading players of the international cultural, political and economic scene, during the Dialogues beauty was considered reconceiving it as a commitment and boost to activate a moral choice to improve the world. Supporting the Trani Dialogues, Exprivia confirmed the importance of culture and beauty and how

these aspects help to develop and divulge technology and innovation for the development of the area and the businesses.

26 September 2017 - Exprivia took part in the Smart City Now event
Exprivia and Italtel took part in the first edition of Smart City Now, a meeting place between ICT companies and the public administration authorities so as to interact on the methods and routes of urban innovation.
In the exhibition area, Exprivia and Italtel demonstrated a number of solutions, which meet the needs of a connected and sustainable city and of a modern health system, capable of setting up a new relational model between all the parties concerned. In this latter sphere, for example, the integration between the Italtel DoctorLINK platform and the Exprivia eLifeCare platform gave rise to an integrated telemedicine solution, which completely revolutionises the approach to home care, handling the processes and the assistance services in a complete manner.

26 September 2017 - I-Cities – Bari Polytechnic
The Conference focused on the subject of “Digital Transformation in Smart Territories: the Industry 4.0 paradigms in a Smart City”.
Exprivia took part in the event, with an exhibition space in which it presented solutions created for telemedicine and projects in the smart cities sphere.

October - December 2017 The “History Lessons” journey re-started
Exprivia sponsored “History Lessons” returning to the marvellous setting of Teatro Petruzzelli in Bari between 8 October and 17 December, whose common thread was: “The Journey”.
Six historians, introduced by Annamaria Minunno, ran through ‘great journeys’ which marked the course of collective and personal history or which produced a cultural exchange between different populations and extended the space of the known world.

4 October 2017, Rome – 11 October 2017, Milan - The explosive energy of the data at the Data Disruption Summit of Informatica.
Digital Transformation and globalisation were two of the aspects looked at in-depth at the Informatica Summit on Data Disruption during which Exprivia in particular illustrated the transformation of the date management models by means of the adoption of a "Customer Centricity” approach; furthermore, care of its exhibition space Exprivia presented solutions and success cases in the GDPR, social authentication, data management and immersive marketing sphere.

9-10 October 2017 - At the STAR Conference in London to meet the international financial community
Borsa Italiana organised the seventeenth London edition of the STAR Conference reserved for the companies of the STAR segment. At the headquarters of the London Stock Exchange in Paternoster Square Exprivia met the institutional investors and international financial community in private meetings.

15-17 October 2017 - The solutions for cardiology in the spotlight at the ICCAD in Venice
During the event, Exprivia presented its eCardio solution, the Cardiological Information System already used in the Cardiology services of leading hospitals such as Policlinico S. Orsola, Gruppo Villa Maria, Centro Cardiologico Monzino, capable of satisfying the requirements of all the outpatient, instrument and ward specialisation via the use of cutting edge technologies and solutions.

17 October 2017 – IoT in the spotlight of the SAP Innovation Forum 2017
At the SAP Innovation Forum Exprivia illustrated how the new “Leonardo IoT” solution can help businesses today to build the future of their own business, by means of encounters with experts and opinion leaders in

the sector, participating in workshops on the subject of “Transportation of special and perishable goods: how to extend and optimise the business thanks to the on-going monitoring of the environmental parameters using SAP Leonardo IoT”.

26-27 October - Technological innovation in the health service in the spotlight at the Lifetech Forum in Venice

The Life Tech Forum is the most important moment of interaction dedicated to all those who operate in the digital health, pharmaceutical and Information sectors.
Exprivia took part in the forum presenting solutions on “Big Data and Analytics in the context of the Electronic File” which, starting off from the objectives established by the decree which establishes the Electronic Health File, describes the layout of the Exprivia project with the application of Natural Language Processing and Big Data/Analytics techniques to the historical documentation of the file, supporting the care, clinical governance and scientific research and epidemiological activities.

26 October 2017 - On the road throughout the area to gain greater knowledge of Industry 4.0 in the manufacturing sector.

During the event the 4.0 Plan in the manufacturing sector was analysed seen as a new growth strategy for the fourth industrial revolution and an opportunity for the SMEs to change the business model and grow on the market, nationally and also internationally.
Exprivia contributed towards analysing this aspect providing its view on the state of the art on this digital transformation of the SMEs in the Puglia area taking part in the “Smart innovation: digital transformation and investment for growth” round table.

14-17 November 2017- The 16th edition of the International Conference of the Italian Association for Artificial Intelligence in Bari.

Artificial intelligence enters into everyday life in an increasingly predominant manner, creating a world in which the cognitive capacity of man has greatly increased, because it changes the manner of interaction between individuals and objects.
Exprivia was a Gold Sponsor of the conference, in the capacity of IT sector player, which has a clear vision of how Artificial Intelligence will change the rules of the game in business and in everyday life.

17-18 November 2017 - Breast screening: Exprivia technology at MEDiT 2017

MEDiT is the event dedicated to innovation and technological development in the health industry.
As partner of this important sector event, Exprivia presented its innovative solution in the sphere of breast screening.

17-19 November 2017 - The first edition of the “Economia Come. L'impresa di crescere” Festival in the capital.

“Economia Come” is the first Festival on economic topics held in the capital linked to globalisation, technology, new business models and work organisation, dedicated to the general public, encounters with entrepreneurs, Italian and international economists, economic journalists and innovation experts.
The Chairman and CEO Domenico Favuzzi took part in the debate, entitled “Fare impresa al Sud”, care of the Teatro Studio at the Auditorium Parco della Musica in Rome.

30 November 2017 - “100 Italian Excellences” for narrating “Made in Italy”

Exprivia participated in the event of the first issue of the Volume “100 Italian Excellences”, an editorial product that narrates the stories of more than 1,000 Italian excellences, highlighting 100 of the most impressive, symbol of economic and cultural confirmation of the Peninsula worldwide.

6 December 2017 - Reinvent the future using Exponential Technologies
We live in a world undergoing considerable evolution, thanks to the impact that the new exponential technologies are having in all the social and production-related spheres.
During the event “Inspiring Future”, held during the Career Day, Exprivia talked about Big Data, Artificial Intelligence, IoT, Blockchain, Renewables Energy, Personalized Medicine, Nanotechnology and Quantum Computing.

11 December 2017 - Technological innovation in computational linguistics at Clic-it 2017
Exprivia sponsored the fourth edition of CLiC-it 2017, Annual Conference of the Italian Computational Linguistics Association, which with the conviction that the complexity of linguistic phenomena requires interdisciplinary skills, brings together researchers of diversified subjects such as computational linguistics, linguistics, cognitive science, automatic learning, IT, recovery of information and digital humanity.

Management Training and Development

The Exprivia Group invests by focusing, in particular, on developing skills and expertise in a context strongly geared towards innovation. Preparing figures who are able to develop the creativity within the companies and who can achieve and co-ordinate the development of the digital technologies and skills focusing on medium/long-term objectives.

At the start of 2017, Exprivia created a programme entitled “One Company” which envisaged the incorporation of the subsidiaries Exprivia Telco & Media Srl, Exprivia Healthcare IT Srl, Exprivia Digital Financial Solution Srl within the holding company Exprivia SpA; subsequently it launched an important organisational overhaul of the same One Company for the purpose of obtaining organisational areas with a strong manning of the development of the market, from the offer proposal stage to customer satisfaction, with full responsibility of the customers known as Market Units and the organisational areas for the development of the range, focused on the factory and innovation processes via research activities known as Product/Solution Units. All of which with the aim of activating additional improvements in the proposal, innovation and development of the cross-market range. The new organisational project for Market Units and Production/Solution Units reprocesses and focuses One Company via the concept of cross range, providing the organisation with greater force also with regard to the cross industry range.

Furthermore, on 14 December 2017 Exprivia finalised the purchase of an 81% equity investment in the share capital of Italtel SpA permitting the creation of a new industrial entity which unites the expertise of Exprivia with regard to Information Technology and the consolidated experience of Italtel with regard to TLC, determined to play a decisive role for speeding up the digital transformation process of the country.

It is hereby specified that, in this report, the data linked to management training and development does not include that pertaining to the Strategic Subsidiary Italtel, since the investment made by Exprivia in the context of the recapitalisation of Italtel was effective as from 14 December 2017, while the section Staff and Turnover includes both the Exprivia and Italtel perimeter. The analysis of gaps in skills, on which investment policies are based, is linked to an annual process of mapping and balancing of skills identified as the Skill Inventory.

The Organisation Development office provides support to the Companies in the Group by:

- Managing performance and remuneration plans (Performance Management);
- Professional development (Training) in line with the new pertinent trend;
- Optimisation of the personnel placement and qualification process (Selection and Orientation department).

For all the Companies in the Group, Total Compensation is connected to results achieved by each individual, and is designed to be sustainable and compatible with company results while ensuring the approach is based on merit.

In 2017, the initiatives launched in 2016 were followed up, linked to individual and organisational well-being:

- **Company Welfare – Exprivia People Care.** The entire company population benefited from: supplementary healthcare insurance to cover individual and family welfare; a flexible welfare package that the employee can put together based on individual and family requirements, choosing from services connected with:
    - education, family support, goods and services in kind, associated with the concessions set forth in art. 51 of the Income Tax Consolidation Act (TUIR);
    - arrangements to support work-life balance (family care, easy shopping, culture) deductible within the limit of 5 per thousand of staff costs.
    - Company Smartphones and SIMs with unlimited data and telephone calls, restaurant e-tickets complete the package.
- Smart Working – as at 31 December 2017 the experimental programme by means of which we launched a flexible work method for managing time and space, reconciling personal and work needs, concluded. During the trial phase, we involved up to 10% of the company population for 2 days a month.

In terms of Training, in 2017 roughly 20,178 hours of training were provided in Italy, with 1,990 participants, of which: 19 specialist seminars, linked to the skills within the sphere of digital enablers, equal to 1,293 hours with 955 participants. As usual, the training courses were set up at the start of the year and reviewed every quarter in order to make the training investment policies consistent with the business objectives and sustainable with respect to budget targets. The training programmes, not including those on regulatory provisions (e.g., safety at the workplace), were organised in accordance with regulatory requirements and designed according to market and investment needs.

In detail, the training programmes were focused on:

- **Development of specialised technical skills**: measures for developing technical knowledge and skills to support technological innovation and development programmes, through specialised training plans, also for the purpose of obtaining the related certification. These specialisation courses were held for all ICT roles in the belief that improving skills means raising the value of individuals and thus the competitive advantage of the organisation. The training courses aimed at achieving certification are indicated as of particular interest:
- **Development of the managerial skills** of the middle management of the Exprivia Group, or aimed at the improvement of the organisational conduct both linked to the development of the professional skills of the management of the projects and the development of all those behaviours that contribute to creating a specific conduct and leadership style to be used in work team management so as to improve management effectiveness.

  Disclosure of knowledge/culture on aspects consistent with the investments of our Business Plan; in particular, 17 seminars were held on innovative aspects such as Cybersecurity, Mobile Health, Exponential Technologies, Process Mining, Blockchain, Risk Management.
- Action to further **knowledge and spread awareness** and observance of the rules of conduct: at the end of 2017, we launched a training programme on the Code of Ethics and on the Organisation model pursuant to 231/01 legislation. The programme addresses the entire company population and will continue until June 2018.

As regards the Business Process Outsourcing unit (Contact Centre), the following courses were held:

- About 1,324 hours dedicated to continuing education in order to improve the performance of our workers for the activities in question. These hours involved around 2,555 participants;

- About 1,541 hours dedicated to specialised training to enable our workers to deal with new activities. These initiatives involved about 616 participants.
- Around 4,732 hours were dedicated to new entry training. These initiatives involved about 52 participants.

Once again, in 2017 recourse was made to funding for training which made it possible to cover 30% of the operating expenses via Fondimpresa and Fondirigenti. Furthermore, the Exprivia Group's Corporate training school, Spegea Scarl, acquired funding from the Puglia regional authority for on-going training of Exprivia company employees employed at the Molfetta offices (only beneficiaries of the Exprivia Group) and intended for technical training within the Mobile and Cloud sphere. The training action was launched in 2017 and will continue until June 2018.

Exprivia has always aimed at the attainment of technical 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 2017, 129 certification exams were sat increasing the number of certifications in the PMP, Business Analyst (CBAP), Oracle (and in particular Oracle Certified Master JAVA EE 6 Enterprise Architect), ITIL (and in particular the first Itil Expert certification), GMC spheres.

Concerning Orientation, Recruiting and Selection, in 2017 about 215 new staff were hired, including new graduates and workers qualified in technical/IT disciplines and process experts. A total of 53 new workers were placed in the contact centre.

Furthermore, 23 additional staff were hired in the Business Process Outsourcing Business Unit (Contact Centre), following the launch of the new company Exprivia Process Outsourcing in 2016.

The selection processes were targeted at those with specialised skills in order to reinforce the associated Business Units and, therefore, Exprivia's competitiveness in each of the reference markets.

Also in 2017, as in the past, Exprivia invested in the continuous links with schools, universities, polytechnics and research centres, fully aware of its role in generating innovation and opportunities for young undergraduate students and graduates. This collaboration materialises in:

- school/work projects; we continued these projects launched on 31 May 2016. The school/work project processes are naturally included in the three-yearly plan of the training offer of the educational institution as an integral part of the educational courses (from 3rd to 5th school year); therefore, they were launched in 2016 and will continue until 2018. The school/work programme involves 120 students from 9 higher education institutes in the Puglia region, for a total average of 200 hours per student in the three-year period;
- Internships for final-year university students to carry out innovative projects for specific markets;
- Post-graduate internships to provide the opportunity to gain experience in areas directly related to business administration, or research projects in research and development laboratories;

Funding for doctorate programmes or high-level internships to combine research with market needs.

Staff and Turnover

The table below shows the staff of the Group companies as at 31 December 2017, compared with the figure at 31 December 2016. In particular, the table shows the number of resources, around 24.91% of whom are part-time, with various arrangements of contractual working hours mainly concentrated on the companies operating in Business Process Outsourcing.

Company	Employees		Media employees		Temporary workers		Media temporary workers	
	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017
Exprivia SpA	659	1691	673	1623	2	2	2	2
Exprivia Healthcare IT Srl	325		330					
Exprivia Enterprise Consulting Srl	123	107	138	114	1		1	
Exprivia Digital Financial Solutions Srl	198		196					
Exprivia Projects Srl	242	271	236	258				
Exprivia Process Outsourcing Srl	236	255	236	255				
Exprivia Telco & Media Srl	365		365					
Advanced Computer Systems Srl	64	61	64	62				
Exprivia It Solutions Shanghai	14	12	18	12	1	1	1	1
Expriva SLU (Spagna)/Prosap SA de CV/Prosap Centramerica SA	91	86	106	86		5	3	2
Exprivia do Brasil Servicos de Informatica Ltda	22	23	23	21	8	4	7	5
Spegea Scarl	7	7	7	7	1		1	
Gruppo Italtel		1432		1399		1		1
Total	**2346**	**3945**	**2392**	**3837**	**13**	**13**	**15**	**11**
Executives	*47*	*88*	*49*	*88*				
Middle managers	*193*	*489*	*199*	*492*				

The table shows the corporate changeovers of the companies Exprivia Healthcare IT Srl, Exprivia Digital Financial Solution Srl, Exprivia Telco&Media Srl towards Exprivia SpA.

Integrated Management System

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

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

In 2017, checks were regularly and successfully carried out by the certification bodies to ensure the ISO certifications are maintained.

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

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

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

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

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

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

Inter-company relations

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

The Administration, Finance and Control Department unites the Group Finance function with the Administration, Finance and Control functions.

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 pointed out:

- 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.

A cash pooling relationship is in place between the Italian Group companies, and all companies adhere to tax consolidation based on a specific regulation.

Relations with related parties

In compliance with applicable legislative and regulatory provisions, and in particular with:(i) the "Regulations on transactions with affiliated parties – CONSOB resolution no. 17221 of 12 March 2010" as amended by resolution no. 17389 of 23 June 2010; (ii) the outcome of the subsequent "consultation" published by CONSOB on 24 September 2010; (iii) the CONSOB notice on guidelines for applying the regulations published on 24 September 2010; (iv) CONSOB notice no. 10094530 of 15 November 2010 with additional clarifications, on 27 November 2010 the Board of Directors of the Company adopted a “Procedure for Transactions with Related Parties”, 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 replaced the one previously in force, which had been introduced on 27 November 2010 and is published on the Company's website under "Corporate> Corporate Governance> Corporate Information".

Transactions with related parties made by the Company during 2017 fall within normal business management and are governed by normal market conditions. No atypical or unusual transactions with such parts have been made.
Italtel SpA has an internal procedure in place concerning transactions with Related Parties approved by the company's Board of Directors on February 15, 2018.

Information regarding Management and coordination

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

It should be noted that in the performing said activity:

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

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

In accordance with art. 2.6.2(10) of the Regulations for Markets regulated and managed by Borsa Italiana SpA, the Directors declare that, as at 31 December 2017, the Company does not meet the conditions provided under art. 37(1) of CONSOB regulation no. 16191/2007.

Group Relations with the Parent Company

The financial and equity relations between the Exprivia Group and the parent company Abaco Innovazione SpA as at 31 December 2017 compared to 31 December 2016 are laid out below.

Receivables

Non-current financial assets

Description	31/12/2017	31/12/2016	Variation
Exprivia S.p.A.	2,258	2,597	(339)
TOTAL	**2,258**	**2,597**	**(339)**

The balance as at 31 December 2017 includes, for an amount of thousands 2,258 Euros, the receivable relating to an unsecured loan with no guarantees taken out in 2016 with the parent company Abaco Innovazione SpA and disbursed for thousands 1,680 Euros in cash and, for thousands 1,305 Euros as reclassification of payables outstanding as at 31 December 2015. The balance also included thousands 61 Euros in interest income accrued on said loan.

Current financial assets

Description	31/12/2017	31/12/2016	Variation
Exprivia S.p.A.	400	470	(70)
TOTAL	**400**	**470**	**(70)**

The balance at December 31, 2017 for Euro 400 thousand is related to the current portion of the loan indicated above.

Cost and financial charges

Description	31/12/2017	31/12/2016	Variation
Exprivia SpA	388	276	112
TOTAL	**388**	**276**	**112**

The balance at 31 December 2017 refers, for 388 thousand Euro, to the costs for the guarantee given by the parent company to obtain the loan disbursed by the pool of banks to Exprivia SpA in April 2016 for 25 million Euro.

Revenues and income

Description	31/12/2017	31/12/2016	Variation
Exprivia S.p.A.	83	80	3
TOTAL	**83**	**80**	**3**

Consolidated Financial Statements of the Exprivia Group as at 31 December 2017

Consolidated Financial Statements as at 31 December 2017

Consolidated Balance Sheet

Amount in thousand Euro	Note	31.12.2017	31.12.2016
Property, plant and machinery	1	28,209	16,041
Goodwill and other assets with an indefinite useful life	2	206,979	67,428
Other Intangible Assets	3	35,721	11,616
Shareholdings	4	589	168
Other financial assets	5	3,273	2,833
Other financial assets	6	4,436	1,781
Deferred tax assets	7	65,638	2,943
NON-CURRENT ASSETS		**344,845**	**102,810**
Trade receivables	8	148,487	59,422
Stock	9	41,007	1,019
Work in progress to order	10	36,821	15,652
Other Current Assets	11	34,847	12,276
Other Financial Assets	12	1,914	2,062
Cash resources	13	36,508	12,495
Other Financial Assets available for sale	14	455	463
CURRENT ASSETS		**300,039**	**103,389**
DISCONTINUED NON CURRENT ASSETS		**215**	
ASSETS		**645,099**	**206,199**

Amount in thousand Euro	Note	31.12.2017	31.12.2016
Share capital	15	25,155	25,155
Share Premium Reserve	15	18,082	18,082
Revaluation reserve	15	2,907	2,907
Revaluation reserve	15	3,931	3,931
Other reserves	15	44,461	20,579
Profits (Losses) for the previous year	15	6,931	2,246
Profit (Loss) for the year		50	2,838
SHAREHOLDERS' EQUITY		**101,517**	**75,739**
Minority interest		27,125	994
GROUP SHAREHOLDERS' EQUITY		**74,392**	**74,744**
NON-CURRENT LIABILITIES			
Non-current bond	16	22,413	1,839
Non-current bank debt	17	167,499	24,625
Other financial liabilities	18	173	721
Other no current liabilities	19	3,354	4,137
Provision for risks and charges	20	14,413	1,069
Employee provisions	21	30,025	10,404
Deferred tax liabilities	22	2,469	1,189
NON CURRENT LIABILITIES		**240,346**	**43,984**

Amount in thousand Euro	Note	31.12.2017	31.12.2016
Current bond	23		1,508
Current bank debt	24	70,717	25,846
Trade payables	25	146,584	18,631
Advances payment on work in progress contracts	26	3,152	2,831
Other financial liabilities	27	6,739	1,650
Other current liabilities	28	75,655	36,010
CURRENT LIABILITIES		**302,847**	**86,476**
DISCONTINUED NON CURRENT LIABILITIES		**389**	
TOTAL LIABILITIES		**645,099**	**206,199**

Consolidated Income Statement

Amount in thousand Euro			
	Note	**31.12.2017**	**31.12.2016**
Revenues	29	157,122	137,298
Other income	30	4,082	4,216
PRODUCTION REVENUES		**161,204**	**141,513**
Costs of raw, subsid. & consumable mat. and goods	31	9,516	4,284
Salaries	32	101,358	92,071
Costs for services	33	29,496	27,157
Costs for leased assets	34	3,811	4,065
Sundry operating expenses	35	5,544	451
Change in inventories of raw materials and finished products	36	32	48
Provisions	37	(648)	675
TOTAL PRODUCTION COSTS		**149,109**	**128,751**
DIFFERENCE BETWEEN PRODUCTION COSTS AND REVENUES		**12,095**	**12,762**

Amount in thousand Euro	Note	31.12.2017	31.12.2016
Amortisation, depreciation and write-downs	38	5,591	5,004
OPERATIVE RESULT		**6,504**	**7,758**
Financial income and charges	39	(3,860)	(2,990)
PRE-TAX RESULT		**2,644**	**4,768**
Income tax	40	2,594	1,930
PROFIT OR LOSS FOR THE YEAR	**41**	**50**	**2,838**
Attributable to:			
Shareholders of holding company		(27)	2,821
Minority interest		77	17
Earnings per share losses	42		
Basic earnings per share		(0.0006)	0.0578
Basic earnings diluted		(0.0006)	0.0578

Consolidated Statement of Comprehensive Income

Amount in thousand Euro			
Description	**Note**	**31/12/2017**	**31/12/2016**
Profit for the year		**50**	**2,838**
Other gains (losses) total will not subsequently be reclassified in profit (loss) for the year			
Profit (loss) Actuarial effect of IAS 19		(111)	(623)
Tax effect of changes		27	149
Total other comprehensive income (loss) will not subsequently be reclassified in profit (loss) for the year	**15**	**(84)**	**(474)**
Other gains (losses) total that will be subsequently reclassified to profit (loss) for the year			
Change in translation reserve		(343)	993
Profit (loss) on AFS classified financial assets		(2)	(44)
Profit (loss) on cash flow hedge derivatives		12	(12)
Total other comprehensive income (loss) that will subsequently be reclassified in profit (loss) for the year	**15**	**(333)**	**937**
NET COMPREHENSIVE INCOME FOR THE PERIOD		**(367)**	**3,301**
attributable to:			
Group		(318)	3,102
Minority interest		(49)	199

Statement of Changes in Consolidated Shareholders' Equity

Amount in thousand Euro	Company Capital	Own shares	Share Premium Fund	Reval. Reserve	Legal Reserve	Other Reserves	Profits (Losses) brought forward	Profit (Loss) for the period	Total Net Worth	Minority Interests	Total Group Net Worth
Balance at 31/12/2015	**26,980**	**(1,226)**	**18,082**	**2,907**	**3,709**	**17,202**	**1,946**	**4,598**	**74,197**	**795**	**73,402**
Reclassification previous year's profit to previous year's profit					222	3,111	215	(3,548)	0		0
Dividend								(1,050)	(1,050)		(1,050)
Change in consolidation scope							85		85		85
Purchase of own shares		(599)				(196)			(795)		(795)
Components of comprehensive income											
Profit (loss for the period)								2,838	2,838	17	2,821
Effects of applying IAS 19						(474)			(474)	(1)	(473)
Translation reserve						993			993	183	810
Profit (loss) on cash flow hedge derivatives						(12)			(12)		(12)
Profit (loss) on AFS classified financial assets						(45)			(45)		(45)
Total income (loss) for the year Overall									**3,301**	**199**	**3,102**
Balance at 31/12/2016	**26,980**	**(1,825)**	**18,082**	**2,907**	**3,931**	**20,579**	**2,246**	**2,838**	**75,739**	**994**	**74,745**
Reclassification previous year's profit to previous year's profit						(1,908)	4,747	(2,838)	0		0
Acquisition of minority Exprivia Do Brasil							1		1		1
Distribution of dividend Exprivia Do Brasil							(55)		(55)	(27)	(28)
Other movements							(8)		(8)		(8)
Acquisition of Italtel participation						26,207			26,207	26,207	0
Components of comprehensive income											
Profit (loss for the period)								50	50	77	(27)
Effects of applying IAS 19						(84)			(84)	2	(86)
Translation reserve						(343)			(343)	(128)	(215)
Profit (loss) on cash flow hedge derivatives						12			12		12
Profit (loss) on AFS classified financial assets						(2)			(2)		(2)
Total income (loss) for the year Overall									**(367)**	**(49)**	**(318)**
Balance at 31/12/2017	**26,980**	**(1,825)**	**18,082**	**2,907**	**3,931**	**44,461**	**6,930**	**50**	**101,517**	**27,125**	**74,392**

Consolidated Cash Flow Statement

Amount in thousand Euro	Note	31.12.2017	31.12.2016
Cash Flow Statement	43		
Operating activities:		(1)	(1)
Profit (loss)	41	50	2,838
Amortisation, depreciation and provisions		4,943	5,745
Provision for Severance Pay Fund		4,739	4,245
Advances/Payments Severance Pay		(4,549)	(3,544)
Adjustment of value of financial assets		14	0
Cash flow arising from operating activities		**5,197**	**9,284**
Increase/Decrease in net working capital:			
Variation in stock and payments on account		(352)	(4,649)
Variation in receivables to customers		(234)	(1,721)
Variation in receivables to parent/subsidiary/associated		828	0
Variation in other accounts receivable		1,517	(1,702)
Variation in payables to suppliers		5,710	1,758
Variation in payables to parent/subsidiary/associated company		(2,151)	
Variation in tax and social security liabilities		(2,270)	6,162
Variation in other accounts payable		1,074	3,122
Cash flow arising (used) from current assets and liabilities		**4,122**	**2,970**
Cash flow arising (used) from current activities		**9,319**	**12,254**
Investment activities:			
Variation in tangible assets		(700)	(3,970)
Variation in intangible assets		(3,035)	(10,512)
Variation in financial assets		163	399
Purchase of minority interests		(1)	
Purchase of company branch		(1,850)	
Purchase of majority shares		(25,000)	(360)
Cash and cash equivalents acquired		23,215	
Cash flow arising (used) from investment activities		**(7,209)**	**(14,443)**
Financial assets and liabilities:			
Funding variations		23,652	9,556
Changes in financial assets not held as fixed assets		(1,056)	2,766
Changes in fair value of derivatives		(2)	(35)
(Purchase) / Sale of own shares			(795)
Dividend paid		(55)	(1,050)
Variation shareholdres' equity		(351)	1,034
Cash flow arising (used) from financial activities		**22,188**	**11,477**
Increase (decrease) in cash		**24,298**	**9,288**
Banks / funds / securities and other financial assets at the beginning of the year		17,853	8,565
Banks / funds / securities and other financial assets at end of period		42,151	17,853
Increase (decrease) in liquidity		**24,298**	**9,288**
(1) including taxes and interest paid in the period		1,454	5,035

Explanatory Notes to the 2017 Consolidated Financial Statements of the Exprivia Group

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 the parent company Exprivia SpA as at 31 December 2017, 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 as at 31 December 2017.

The consolidated financial statements were prepared based on the draft financial statements as at 31 December 2017 provided by the management bodies of the consolidated companies. Where necessary, they were duly adjusted to bring them in line with the classification policies and accounting standards adopted by the Group. 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 Holding Company and for all the consolidated companies. The consolidated financial statements are presented in thousands of Euro, which is the currency used by the Holding Company Exprivia SpA, 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 comprehensive income statement, a separate schedule was prepared;
- For the cash flow statement, the indirect method was used.

Adjustments to Comparative Data

In order to make the disclosure of data more intelligible and also for the purpose of standardising the classifications of the Group with those of the Italtel Group, the presentation was changed for certain items in the comparative data of the balance sheet and income statement presented in accordance with IAS 1, with respect to data published in the financial statements as at 31 December 2016. This had no effect on the result and shareholders' equity at that date.

Reclassifications to the Consolidated Balance Sheet as at 31.12.16

Financial Statement approved 31.12.16 (values in thousands of euros)		Reclassifications to the Balance Sheet as at 31.12.16			
Description	amount	Description	amount	Reclassifications	Note
Property, plant and machinery	16,041	Property, plant and machinery	16,041	-	
Goodwill and other assets with an indefinite useful life	67,428	Goodwill and other assets with an indefinite useful	67,428	-	
Other intangible assets	11,616	Other intangible assets	11,616	-	
Shareholdings	168	Shareholdings	168	-	
Non-current other financial assets	2,841	Non-current other financial assets	2,833	(8)	5
Non-current tax receivables	1,773	Non-current tax receivables	1,781	8	
Defered tax assets	2,943	Defered tax assets	2,943	-	
NON-CURRENT ASSETS	102,810	**NON-CURRENT ASSETS**	102,810	-	
Trade reivables and other	71,746	Trade reivables	59,422	(12,324)	8
Stock	1,019	Stock	1,019	-	
Work in progress to order	15,652	Work in progress to order	15,652	-	
		Other Current Assets	12,276	12,276	11
Other Financial Assets	2,043	Other Financial Assets	2,062	19	12
Cash resources	12,495	Cash resources	12,495	-	
Other Financial Assets available for sale	463	Other Financial Assets available for sale	463	-	
CURRENT ASSETS	103,418	**CURRENT ASSETS**	103,389	(29)	
TOTAL ASSETS	206,228	**TOTAL ASSETS**	206,199	(29)	
Share capital	25,155	Share capital	25,155	-	
Share Premium Reserve	18,082	Share Premium Reserve	18,082	-	
Revaluation reserve	2,907	Revaluation reserve	2,907	-	
Legal reserve	3,931	Legal reserve	3,931	-	
Other reserves	20,579	Other reserves	20,579	-	
Profits (Losses) for the previous year	2,246	Profits (Losses) for the previous year	2,246	-	
Profit (Loss) for the year	2,838	Profit (Loss) for the year	2,838	-	
SHAREHOLDERS' EQUITY	75,739	**SHAREHOLDERS' EQUITY**	75,739	-	
Minority interest	994	**Minority interest**	994	-	
GROUP SHAREHOLDERS' EQUITY	74,744	**GROUP SHAREHOLDERS' EQUITY**	74,744	-	
Non-current bond	1,839	Non-current bond	1,839	-	
Non-current bank debt	24,625	Non-current bank debt	24,625	-	
Other financial liabilities	721	Other financial liabilities	721	-	
Non-current tax payables	2,882				
Other no current liabilities	436	Other no current liabilities	4,137	819	19
Provision for risks and charges	1,069	Provision for risks and charges	1,069	-	
Employee provisions	10,404	Employee provisions	10,404	-	
Deferred tax liabilities	1,189	Deferred tax liabilities	1,189	-	
NON CURRENT LIABILITIES	43,163	**NON CURRENT LIABILITIES**	43,984	819	
Current bond	1,508	Current bond	1,508	-	
Bank debt	25,846	Bank debt	25,846	-	
Payables to suppliers	18,817	Payables to suppliers	18,631	(186)	25
Advances payment on work in progress contracts	3,395	Advances payment on work in progress contracts	2,831	(564)	26
Other financial liabilities	1,285	Other financial liabilities	1,650	365	27
Tax payables	12,360				
Other current liabilities	24,115	Other current liabilities	36,010	465	28
CURRENT LIABILITIES	87,326	**CURRENT LIABILITIES**	86,476	(850)	
TOTAL LIABILITIES	206,228	**TOTAL LIABILITIES**	206,199	(29)	

The item “Other non-current financial assets” fell from a balance of Euro 2,841 thousand to Euro 2,833 thousand.

The item “Non-current tax receivables” was reclassified under “Other non-current assets” and rose from a balance of Euro 1,773 thousand to Euro 1,781 thousand.

The “Trade and other receivables” fell from a balance of Euro 71,746 thousand to Euro 59,422 thousand. Furthermore, the content of the item “Trade and other receivables” was divided up between the items “Trade receivables” (whose balance amounted to Euro 59,422 thousand) and “Other current assets” (whose balance came to Euro 12,276 thousand).

The item “Other current financial assets” rose from a balance of Euro 2,043 thousand to Euro 2,062 thousand.

The balance of the item “Non-current tax payables” (totalling Euro 2,882 thousand) was reclassified under the item “Other non-current liabilities”.

The “Payables to suppliers” was renamed “Trade payables” and fell from a balance of Euro 18,817 thousand to Euro 18,631 thousand.

The balance of the item “Current tax payables” (totalling Euro 12,360 thousand) was reclassified under the item “Other current liabilities”.

Reclassifications to the Consolidated Income Statement as at 31.12.16

Financial Statement approved 31.12.16 (values in thousands of euros)	
Description	Amount
Revenues	137,298
Other income	4,532
Change in inventories of raw materials and finished products	(48)
TOTAL REVENUES	**141,783**
Costs of raw, subsid. & consumable mat. and goods	11,078
Salaries	91,740
Costs for services	20,961
Costs for leased assets	4,219
Sundry operating expenses	312
Provisions	675
TOTAL COSTS	128,985
DIFFERENCE BETWEEN PRODUCTION COSTS AND REVENUES	12,798
Ordinary amortisement of intangible assets	2,665
Ordinary amortisement of tangible assets	1,725
Devaluation of credits included in working capital	614
Amortisation, depreciation and write-downs	5,004
OPERATIVE RESULT	7,794
Financial income and (charges)	(3,025)
PRE-TAX RESULT	4,768
Income tax	1,930
PROFIT (LOSS) FOR THE YEAR	2,838

Reclassifications to the Consolidate Income Statement as at 31.12.16			
Description	Amount	**Reclassifications**	Note
Revenues	137,298	-	
Other income	4,216	(316)	30
		48	36
TOTAL REVENUES	**141,513**	(270)	
Costs of raw, subsid. & consumable mat. and goods	4,284	(6,794)	31
Salaries	92,071	331	32
Costs for services	27,157	6,196	33
Costs for leased assets	4,065	(154)	34
Sundry operating expenses	451	139	35
Change in inventories of raw materials and finished products	48	48	36
Provisions	675		
TOTAL COSTS	128,751	(234)	
DIFFERENCE BETWEEN PRODUCTION COSTS AND REVENUES	12,762	(35)	
Ordinary amortisement of intangible assets	2,665	-	
Ordinary amortisement of tangible assets	1,725	-	
Devaluation of credits included in working capital	614	-	
Amortisation, depreciation and write-downs	5,004	-	
OPERATIVE RESULT	7,758	(35)	
Financial income and (charges)	(2,990)	35	39
PRE-TAX RESULT	4,768	-	
Income tax	1,930	-	
PROFIT (LOSS) FOR THE YEAR	2,838	-	

The item “Change in inventories of raw materials and finished products” was reclassified from “revenues” to “costs”.

The balance of the item “Costs for raw materials, consumables and goods” passed from Euro 11,078 thousand to Euro 4,284 thousand.

The balance of the item “Staff costs” passed from Euro 91,740 thousand to Euro 92,071 thousand.

The balance of the item “Costs for services” passed from Euro 20,961 thousand to Euro 27,157 thousand.

The balance of the item “Costs for leased assets” passed from Euro 4,219 thousand to Euro 4,065 thousand.

The balance of the item “Sundry operating expenses” passed from Euro 312 thousand to Euro 451 thousand.

The balance of the item “Financial income and charges and other investments” passed from Euro -3,025 thousand to Euro -2,990 thousand.

Accounting Policies and Valuation Criteria

General Information

The annual consolidated financial statements as at 31 December 2017 were drafted in accordance with Article 154-ter of Legislative Decree 58/98.

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 15 March 2018, the Board of Directors approved the consolidated financial statements and made these available to the public and to Consob, according to the methods and terms set forth in the applicable legislative and regulatory provisions.

Drafting and Presentation Criteria

The consolidation principles, accounting policies and valuation criteria are the same as those adopted to prepare the consolidated financial statements as at 31 December 2017.

The valuation and measurement policies are based on the IFRS standards in effect as at 31 December 2017 and approved by the European Union.

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

Description	Homologous date	Publication in G.U.C.E.	Effective date foreseen by the	Date foreseen Group Exprivia
Amendments to IAS 7: Disclosure Initiative	6 Nov. '17	9 Nov. '17	Exercises starting on or starting from 1 Jan '17	1 Jan '17
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	6 Nov. '17	9 Nov. '17	Exercises starting on or starting from 1 Jan '17	1 Jan '17

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

The amendments to IAS 7 "Disclosure Initiative" clarify the information on liabilities deriving from financing activities, foreseeing the inclusion in the cash flow statement of a
statement of reconciliation of the opening and closing balance of the same.

The amendments to IAS 12 "Income tax" clarify certain aspects with reference to the accounting for deferred tax assets relating to debt instruments measured at fair value.

The table below shows the IFRS and interpretations approved by IASB and approved for adoption by Europe, effective after 31 December 2017.

Description	Homologous date	Publication in G.U.C.E.	Effective date foreseen by the principle	Date foreseen Group Exprivia
IFRS 9 "Strumenti finanziari"	22 Nov. '16	22 Nov. '16	Exercises starting on or starting from 1 Jan '18	1 Jan '18
IFRS 15 Ricavi da contratti con i clienti che include l'Amendments all'IFRS 15 (Effective Date)	22 Sep. '16	29 Oct. '16	Exercises starting on or starting from 1 Jan '18	1 Jan '18
IFRS 16 Leases	31 Oct. '17	9 Nov. '17	Exercises starting on or starting from 1 Jan '19	1 Jan '19
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	3 Nov. '17	9 Nov. '17	Exercises starting on or starting from 1 Jan '18	1 Jan '18
Chiarimenti dell'IFRS 15 - Ricavi provenienti da contratti con clienti	31 Oct. '17	9 Nov. '17	Exercises starting on or starting from 1 Jan '18	1 Jan '18

The IASB finished the draft of the accounting standard on financial instruments and issued the complete version of IFRS 9 "Financial Instruments". The new rules of the standard: (i) amend the classification and measurement model for financial assets; (ii) introduce the concept of expected credit losses amongst the variables to be considered in the valuation and write-down of financial assets; (iii) amend regulations on hedge accounting.
The Group does not envisage material impacts as a consequence of the adoption of this principle on the valuation of the Group's assets, liabilities, costs and revenues.

IFRS 15 "Revenue from contracts with customers" is meant to replace IAS 18 "Revenue" and IAS 11 "Construction Contracts". The standard establishes a new model for the recognition of revenue that will apply to all contracts entered into with customers with the exception of those subject to the application of other IAS/IFRS standards (leases, insurance contracts and financial instruments). The fundamental steps for accounting for revenue in accordance with the new model are:

- identify the contract with the customer
- identify the performance obligations of the contract
- determine the price
- allocate the price to the performance obligations
- recognise revenue upon satisfaction of each performance obligation.

The new standard must be applied as from 1 January 2018.

During 2017, the analysis activities were completed for identifying the spheres affected by the new standard and the impacts of its adoption. The analysis carried out did not highlight elements, which may lead to significant differences in the revenues, and, therefore, a significant impact is not expected on the overall economic results of the Group deriving from the change in method.

We have however revealed a number of differences in approach mainly relating to the identification of the distinct contractual obligations and the related contractual fees, without noting that the same may have significant effects.

The standard by way of obligation envisages a retroactive application according to two possible methods: retroactively for each previous year (full retrospective approach) or retroactively recording the cumulative effect as from the date of initial application (modified retrospective approach). In the event of choosing the second approach, IFRS 15 is applied retroactively only to the contracts which are not finalised as of the date of initial application (1 January 2018). The Exprivia Group envisages adopting the modified retrospective approach.

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

The document "Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" aims to address some issues, which the insurance companies would have to deal with should they apply the new standard on financial instruments, IFRS 9, which will replace IFRS 4.

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

Descriptiong	Effective date foreseen by the principle
IFRS 17 Insurance Contracts (issued 18 May 2017)	Exercises starting on or starting 1 January 2021
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016)	Exercises starting on or starting 1 January 2018
IFRIC 23 Uncertainty over Income Tax Treatments (issued on 7 June 2017)	Exercises starting on or starting 1 January 2019
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (issued on 20 June 2016)	Exercises starting on or starting 1 January 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle (issued on 8 December 2016)	Exercises starting on or starting 1 January 2017/2018
Amendments to IAS 40: Transfers of Investmenty Property (issued on 8 December 2016)	Exercises starting on or starting 1 January 2018
Amendments to IFRS 9: Prepayment features with negative compensation (issued on 12 October 2017)	Exercises starting on or starting 1 January 2019
Amendments to IAS 28: Long-term interests in associates and joint ventures (issued on 12 October 2017)	Exercises starting on or starting 1 January 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017)	Exercises starting on or starting 1 January 2019

With reference to the standards and interpretations detailed below, their adoption is not expected to have any material impact on the valuation of the Group's assets, liabilities, costs and revenues.

The amendment of IFRS 17 "Insurance Contracts" aims to improve the comprehension of the investors, and not only, of the exposure to risk, of the profitability and the financial positions of the insurers.
IFRIC 22 "Foreign Currency Transactions and Advance Consideration" examines the exchange rate to be used for the translation when the payments are made or received before the related asset, cost or income.
IFRIC 23 "Uncertainty over Income Tax Treatments" provides indications on how to reflect the uncertainties on the tax treatment of a determinate phenomenon in the accounting of the income taxes.
The "Amendments to IFRS 2: classification and measurement of share-based payment transactions" introduced amendments which clarify how to recognise certain share-based payments in the accounts.
The amendments to IFRS 9 "Financial Instruments" were made in order to permit the measurement at amortised cost of financial assets characterised by an early discharge option with the so-called "negative compensation".
The IASB also published various amendments to the standards and an IFRIC interpretation, to further clarify some provisions of IFRS, such as:
• the amendment to IAS 40 "Investment property transfers of investment property", in force as at 1 January 2018;
• "Annual improvements to IFRS Standards 2014-2016 cycle" which modifies IFRS 1, IFRS 12 and IAS 28;
• the "Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures" clarify that IFRS 9 "Financial Instruments", including the impairment requirements, also applies to other financial instruments held over the long-term issued vis-à-vis an associated company or joint venture which, in essence, form part of the net investment, of the same. The net equity method does not apply to these instruments;
• "Annual improvements to IFRS Standards 2015-2017 cycle" which include amendments to IAS 12 "Income Taxes", IAS 23 "Borrowing Costs", IFRS 3 "Business Combination" and IFRS 11 "Joint Arrangements", whose amendments will come into force on 1 January 2019.

CONSOLIDATION CRITERIA

The consolidation area includes the financial statements of the Holding Company Exprivia S.p.A. with those of the subsidiaries and associated companies, except for the shareholdings held for sale.
Companies considered subsidiaries are those where: voting rights, also potential, held by the Group enable achievement of a majority of votes in the ordinary shareholders' meeting of the company; control is obtained by virtue of any agreements between the shareholders or any particular statutory stipulations that give the Group the power to oversee the company; the Group controls a sufficient number of votes to exercise control in the ordinary shareholders' meeting of the company.
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 book value 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 Interests" in the Balance Sheet and under the item "Minority Shareholders" in the Income Sheet. The result of the comprehensive income statement for a subsidiary is attributed to minorities also when this means minority interests have a negative balance. Interests in associated companies 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 associated company is carried 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 book value 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 intercompany 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 associated companies 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 consolidation area are converted using the exchange rate at the reference date of the financial statements. 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 for 31 December 2017 were as follows:

Exchange rate	Average year 2017	31/12/2017
Argentinean Peso	18.726	22.931
Brazilian Real	3.6041	3.9729
UK Sterling	0.87615	0.88723
US Dollar	1.1293	1.1993
Polish Zloty	4.2563	4.177
Peruvian Nuevo Sol	3.6815	3.8854
Saudi Arabian Riyal	4.2351	4.4974
Hong Kong Dollar	8.8012	9.3720
China Renminbi -Yuan	7.6264	7.8044
Mexican Peso	21.3278	23.6612
Guatemal Quetzal	8.3009	8.8106

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 it compared to the fair value of assets, liabilities and contingent liabilities found on purchase. Any positive difference between the purchase cost and the amount pertaining to the group of the fair value of assets, liabilities and contingent liabilities found on purchase is recognised as goodwill. If the difference is negative it is charged directly to the Income Statement. If only a temporary initial book value of a business combination can be determined the initial value adjustments are carried within twelve months from the date of purchase. Amounts pertaining to third parties are carried according to the fair value of the net assets purchased. If a business combination is made over several phases with subsequent purchase 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 carried again according to the fair value of assets, liabilities and contingent liabilities determined at the date control is achieved. Any amounts payable by the buyer are recognised at fair value on the date of acquisition. Changes in the fair value of amounts payable and classed as assets or liabilities, as a financial instrument under IAS 39, are recognised in the Income Statement or in the schedule containing the other components of the comprehensive income statement. When the amount does not fall under IAS 39 it is measured in accordance with the appropriate IFRS. If the amount is classed under shareholders' equity its value is not redetermined and its subsequent regulation is accounted for under shareholders' equity. Goodwill is initially recognised at cost, i.e., the excess of the sum of the amount paid and the amount carried for minority interests with respect to the net assets acquired and liabilities undertaken by the Group. If the amount is lower than the fair value of the acquired investee company's net assets the difference is carried in the Income Statement.
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.

Accounting estimates used in preparing the financial statements

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

ACCOUNTING STANDARDS AND VALUATION POLICIES

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 2016.
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 Issuer Regulations adopted under Resolution no. 11971/99", CONSOB notice no. 6064293 of 28 July 2006 providing rules for "Company disclosure pursuant to art. 114, 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 business 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 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 per 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 facilities	4 years
Other tangible 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 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.
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 book value.
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 book value 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, 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 by the end of the financial year.
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 book value 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, technical feasibility of product, the asset can be identified or separated, the Group controls the asset, or it has the power receive its future economic benefit, expected volume and price indicate that the costs incurred during development will generate future economic benefit) 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”.

Leasing

Machinery owned through financial leasing contracts, for which the group has substantially assumed the risks and benefits which would arise from ownership, are recognised as assets on the basis of the criteria indicated by IAS 17. They are depreciated according to estimated useful life.
Leasing agreements where the lessor substantially keeps all risks and benefits of ownership are considered as operating leasing. The costs for leasing are carried in consistent amounts in the Income Statement for the duration of the agreement.
The amount payable to the lessor is included in the other financial liabilities.

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 ASSETS

Impairment occurs every time the book value of an asset is greater than its recoverable value. The existence of any indicators suggesting impairment is checked at every balance sheet date. If those indicators are found the recoverable value 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 value of an asset is the greater between its fair value, net of sale costs, and its use value. The recoverable value 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 include the asset in question (Cash Generating Unit).
When the write-down has no reason to be maintained, the book value 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 AND LIABILITIES

Investments in other companies constituting financial assets available for sale are measured at fair value, if determinable, and gains and losses arising from changes in fair value are attributed directly to other comprehensive profit/(loss) until they are sold or are impaired; at that time, the Other comprehensive profit/(loss) previously recognised under net equity are recognised in the income statement of the period.
Investments in other companies for which the fair value is unavailable are carried at cost, less any impairment.

Dividends received from these companies are included under the item financial income and charges and other investments.

All the other financial assets are classified into the following categories:
Financial assets at fair value offset in the Income Statement: financial assets mainly acquired with the intention of making a profit from short-term price fluctuations (a period not longer than three months) or designated as such from the start;
Financial assets held to maturity: investments in financial assets with preset maturity and fixed payments or determinable payments that the Group has the intention and capability to maintain through to maturity;
Loans and other financial receivables: financial assets with payments that are fixed or can be decided, not listed on an active market and different from those originally classified as financial assets at fair value and offset in the income statement or as financial assets available for sale;
Financial assets available for sale: financial assets other than those in the above categories or those designated as such from the start.
The Group classifies financial assets at the date of acquisition and accounts for them at fair value at the date of acquisition.
After initial recognition, the financial assets at fair value offset in the income statement and assets available for sale (where there is no “active” market) are measured at fair value, financial assets held to maturity and as well as loans and other financial receivables are valued at amortised cost.
Profit and loss arising from changes in the fair value of financial assets at fair value offset in the income statement is recognised in the income statement of financial year in which they occur. Unrealised profit and loss arising from changes in the fair value of assets classified as available for sale are carried under net equity.
The fair value of financial assets is determined on the basis of their market prices or by using financial models. The fair value of unlisted financial assets is measured using special assessment techniques adapted to the specific context of the Company. Financial assets for which the current value cannot be determined in a reliable manner are accounted for at a lower cost due to impairment.
The existence of any impairment indicators is checked at each balance sheet date. Write-downs in the income statement and under net equity reflect the valuation policies for financial assets. The impairment previously accounted for is eliminated whenever the circumstances leading to the write-down no longer apply, with the exception of assets valued at cost.

Loans, payables and other financial and/or trade liabilities with preset or definable maturity are initially carried at their fair value, not including costs incurred for assuming the amounts payable. The valuation policy applied following initial recognition is the amortisation 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 “net financial income and charges". Financial payables are cancelled when the obligation underlying the payable is extinguished, voided or settled.

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 fungible goods relating to raw, ancillary and consumable materials, as well as finished products and goods are determined by applying the FIFO method.

Contract Work in Progress

Work in progress is recognised according to the state of progress or percentage of completion so that costs, revenue 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 balance sheet 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. Contract work in progress is carried without including any write-down provisions, losses on contract completion, or payments on account and advances for the contract being executed. This analysis is performed on a contract by contract basis. Whenever the difference is positive for work in progress higher than the amount of payments on account 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 contract work in progress".

CASH AT BANK AND ON HAND

Cash at bank and on hand 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), and overdraft facilities. Current account overdrafts are carried under current financial liabilities.

Own Shares

Own 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 own 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 as 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 gain/loss is carried amongst the comprehensive income statement components after the revised version of IAS 19 (Employee benefits) was adopted.

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.

STOCK OPTIONS

Share-based payments are measured at fair value on the date they are assigned. This value is charged to the income statement and offset under shareholders' equity over the entire period in which the entitlement accrues. The fair value of the options, calculated on the date of assignment, is measured by using financial mathematical models and taking into consideration the basic terms and conditions under which the entitlement is assigned. The Group plan concluded in 2011 and the related reserve was classified under other provisions.

Potential assets and liabilities

Potential assets and liabilities of an unlikely (but possible) or remote nature are not recognised in the financial statements; nevertheless, adequate information is given concerning possible potential 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 as at the balance sheet date. Provisions set aside are reviewed at every balance sheet date and adjusted to ensure they are the best current estimate.

DERIVATIVE INSTRUMENTS

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 net equity, and charging the ineffective portion to the Income statement. The changes recognised directly under net 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 IAS 39, are derecognised from the balance sheet.

REVENUE AND EXPENSES

Revenues arising from the assignment of assets are recognised when risk is transferred, which usually occurs on despatch, at the fair value of payment received or due while taking into account any discounts. Revenues arising from the provision of services are defined according to the percentage of completion, determined as the proportion of services performed at the date of reference and the total value of the services remaining to be performed.
Expenses are recognised with the same criteria used to recognise revenue recognition and, in any case, on an accruals basis.

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.

Taxes

Taxes during the reporting period are defined on the basis of amounts expected to be due according to the tax laws in force.
In addition, deferred taxes 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 net equity using the same methods used to recognise transactions or events that result in taxation.

EARNINGS PER SHARE

Earnings per share is calculated by dividing net profit for the period attributable to ordinary shareholders of the Holding Company by the average number of ordinary shares in circulation during the period.
For the purpose of calculating basic earnings per share, the economic result for the period minus the amount attributable to minority interests was used in the numerator. Further, 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 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 Euros, the Group's functional currency.
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

Over the years Exprivia group has obtained various loans including several medium-long term at a fixed rate and others at a facilitated rate, the latter relating to funded research and development projects. Concerning variable rate loans, where considered necessary the Group stipulates interest rate swap agreements or cap agreements to hedge the risk of fluctuating interest rates.
Changes in interest rates during the financial year did not have a significant impact on the financial statements.

Credit Risk

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.
The group 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 Group 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 Exprivia group 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 accoiunt liquidity from loans and credit lines already in place and cash flows the Group is able to generate, risks related to liquidity (at least in the short term) are considered insignificant.

Exchange Rate Risk

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

ACTIVITY 'FINANCIAL AT 31 December 2017	Loans and receivables "amortized cost"	Investments valued at cost	Derivative financial instruments "financial assets valued at the income statement"	Derivatives "financial liabilities designated at FV through profit or loss"	Securities available for sale "fair value level 2"	Total
In thousands of Euro						
Non current assets						
Financial assets	3,253					3,253
Derivative financial instruments			1	19		20
Investments in other companies / associated companies		589				589
Other non-current assets	4,436					4,436
Total no current assets	**7,689**	**589**	**1**	**19**	**-**	**8,298**
Current assets						
Trade receivables	148,487					148,487
Other financial assets	1,914				455	2,369
Other current assets	34,847					34,847
Cash	36,508					36,508
Total Current assets	**221,756**	**-**		**-**	**455**	**222,211**
TOTAL	**229,445**	**589**	**1**	**19**	**455**	**230,509**

LIABILITIES 'FINANCIAL AT 31 DECEMBER 2017	Loans and borrowings "amortized cost"	Investments held to maturity "amortized cost"	Derivative financial instruments "financial liabilities valued at the income statement"	Derivatives "financial liabilities designated at FV through profit or loss"	Securities available for sale "fair value level 2"	Total
In thousands of Euro						
Non Current liabilities						
Bond	22,413					22,413
Due to banks	167,499					167,499
Other financial liabilities	173					173
Other non-current liabilities	3,354					3,354
Total Non Current liabilities	**193,439**	-	-	-	-	**193,439**
Current liabilities						
Trade payables and advances	149,736					149,736
Other financial liabilities	3,530					3,530
Financial derivative hedging instruments				3,209		3,209
Due to banks	70,717					70,717
Bond						-
Other current liabilities	75,655					75,655
Total Current liabilities	**299,638**	-	-	**3,209**	-	**302,847**
TOTAL	**493,077**	**-**	**-**	**3,209**	**-**	**496,286**

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

Derivative financial instruments are measured at level 2 on the fair value hierarchy.

Fair Value Hierarchy Measurement

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

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

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

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

Consolidation of the Italtel Group

On 14 December 2017, the transaction was finalised for the acquisition via subscription by Exprivia SpA of 81% of the share capital of Italtel SpA, details of which have been provided in the Disclosure Document filed on 29 December 2017, to which reference is made, available in the website of the company in the section "Financial Press releases", drawn up in accordance with Article 71 of the Issuer's Regulation and the related schedule No. 3 of Annex 3B. Italtel SpA is a company operating in the telecommunications sectors, with headquarters in Italy and foreign offices in 14 countries.

The transaction for the acquisition of Italtel SpA took place in a context of recapitalisation and restructuring of the debt of said company vis-à-vis banks, carried out pursuant to Article 182 of the Italian Bankruptcy Law on the basis of an agreement approved in November 2017, which also envisaged the conversion of part of the receivables due from the banks in Equity financial instruments.

Further to the investment transaction, Exprivia and Cisco Systems (Italia) Srl became business partners of Italtel SpA holding, respectively, a holding of 81% and 19% in the share capital of said company.

The method identified for the consolidation of the Italtel Group is Line-by-Line Consolidation since Exprivia controls the Italtel Group; as the closure of the transaction took place on 14 December 2017, therefore a date close to the end of the 2017 financial year, the income components of the Italtel Group were not assimilated in the consolidated financial statements of the Exprivia Group as at 31 December 2017.
As of the date of first-time consolidation (31 December 2017), a difference was highlighted between the price paid and the portion of equity pertaining to Exprivia totalling Euro 15.6 million. This amount, after an initial analysis of the fair value of the asset and liability items, was temporarily allocated to goodwill pending a clearer examination of the valuation and therefore the identification of any existence of additional elements which it can be allocated to in compliance with the matters envisaged by section 45 of IFRS 3 which disciplines the accounting of business combinations. In detail, the accounting standard in question envisaged that in the event that the market value of the assets and liabilities acquired - including the potential ones - is not yet available as of the date of first-time consolidation, the company will have to make a preliminary allocation of the purchase price and complete the valuation in the subsequent period and in any event within 12 months of the acquisition date. In the specific case in question, therefore, the final determination of the goodwill could change with respect to the initial allocation due to the final definition of the overall value of the investment and the definition of the fair value of the assets and liabilities acquired.

The effects of the transaction as envisaged by IAS 7.40 are illustrated below.

Amount in thousand Euro	Book value at the acquisition date
	31.12.2017
NON-CURRENT ASSETS	225,189
CURRENT ASSETS	175,189
DISCONTINUED NON CURRENT ASSETS	215
NON CURRENT LIABILITIES	(34,865)
CURRENT LIABILITIES	(165,234)
DISCONTINUED NON CURRENT LIABILITIES	(389)
Other non-current financial assets	792
Other current financial assets	948
Bank and cash	23,215
Non-current bank debt	(147,195)
Other non-current financial liabilities	(71)
Current bank debt	(37,698)
Other financial liabilities	(4,478)
NET FINANCIAL POSITION	(164,487)
NET ASSETS OF THIRD PARTIES	(26,207)
TOTAL NET ACTIVITIES ACQUIRED	**9,411**

Amount in thousand Euro	
Opertation fee	25,000
Net assets acquired	9,411
Goodwill	**15,589**
Net financial position acquired	(164,487)
Net financial position effect	**(189,487)**

Scope of Consolidation

The consolidated financial statements as at 31 December 2017 include the equity, economic and financial situations of the Holding Company Exprivia S.p.A. and subsidiaries with the exception of the economic data of the Italtel Group and changed with respect to 31 December 2016 due to the acquisition of the Italtel SpA equity investment.

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

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

With reference to Exprivia Do Brasil Servicos de Informatica Ltda, please note that on 30 March 2017 Exprivia SpA acquired 0.08% of the share capital of the subsidiary company from a minority shareholder for about Euro 1.5 thousand, bringing its equity investment to 52.30%. The value of the shareholders' equity acquired is equal to around Euro 1.6 thousand.

The main data on the aforementioned subsidiaries consolidated using the line-by-line method are provided below (as at 31 December 2017).

Company	H.O.	Value	Company capital	Value	Results for period	Net worth	Total revenues	Total Assets	% of holding	
Advanced Computer Systems Srl	Roma	amount in Euro	2,801,307	amount in thousand Euro	(256)	3,956	9,004	20,755	100.00%	Exprivia SpA
Advanced Computer Systems D- Gmbh	Offenbach (Germania)	amount in Euro	25,000	amount in thousand Euro	12	66	520	184	100.00%	Advanced Computer Systems Srl
Consorzio Exprivia S.c.a.r.l	Milano	amount in Euro	20,000	amount in thousand Euro	(0.1)	21	3	233	85.00% 10.00% 5.00%	Exprivia SpA Exprivia Enterprise Consulting Srl Exprivia Projects Srl
Exprivia ASIA Ltd	Hong Kong	amount in Euro	313,471	amount in thousand Euro	(106)	(49)	22	366	100.00%	Exprivia SpA
Exprivia It Solutions (Shanghai) Ltd	Shanghai (Cina)	amount in Euro	221,670	amount in thousand Euro	(280)	(339)	935	294	100.00%	Exprivia ASIA Ltd
Exprivia Enterprise Consulting Srl	Milano	amount in Euro	1,500,000	amount in thousand Euro	(5,377)	208	5,708	5,688	100.00%	Exprivia SpA
Exprivia Process Outsoursing Srl	Palermo	amount in Euro	100,000	amount in thousand Euro	(427)	109	5,440	1,649	100.00%	Exprivia SpA
Exprivia Do Brasil Servicos Ltda	Rio de Janeiro (Brasile)	amount in Euro	1,482,711	amount in thousand Euro	185	1,756	2,179	2,782	52.30% 47.70%	Exprivia SpA Siemest SpA
Exprivia Projects Srl	Roma	amount in Euro	242,000	amount in thousand Euro	345	636	6,114	2,449	100.00%	Exprivia SpA
Succursal Ecuador de Exprivia SLU	Quito (Ecuador)	amount in Euro	8,338	amount in thousand Euro	(5)	(5)		3	100.00%	Exprivia SLU
Spegea Scarl	Bari	amount in Euro	125,000	amount in thousand Euro	(28)	201	874	1,429	60.00% 40.00%	Exprivia SpA Confindusria Bari
Exprivia SLU	Madrid (Spagna)	amount in Euro	197,904	amount in thousand Euro	(691)	1,616	2,197	8,455	100.00%	Exprivia SpA
ProSap Centroamerica SA	Città del Guatemala (Guatemala)	amount in Euro	567	amount in thousand Euro	56	312	546	1,276	98.00% 2.00%	ProSap Sa de CV Exprivia SpA
ProSap Sa de CV	Città del Messico (Messico)	amount in Euro	2,113	amount in thousand Euro	(536)	(1,321)	2,651	4,432	98.00% 2.00%	Exprivia SLU Exprivia SpA
ProSap Perà SAC	Lima (Perù)	amount in Euro	181,729	amount in thousand Euro	(0.3)	16		31	100.00%	Exprivia SLU
Italtel SpA	Settimo Milanese (MI)	amount in Euro	20,000,001	amount in thousand Euro	(10,458)	35,619	299,534	399,128	81.00% 19.00%	Exprivia SpA Cisco Srl
Italtel BV	Amsterdam (Olanda)	amount in Euro	6,000,000	amount in thousand Euro	541	11,040		11,386	100.00%	Italtel SpA
Italtel S.A:	Madrid (Spagna)	amount in Euro	7,353,250	amount in thousand Euro	836	9,387	24,446	19,228	100.00%	Italtel BV
Italtel Argentina S.A.	Buenos Aires (Argentina)	amount in P.A.	4,030,000	amount in thousand Euro	934	6,646	42,937	12,685	71.46% 28.54%	Italtel BV Italtel SpA
Italtel Brasil Ltda	San Paolo (Brasile)	amount in Brazilian Real	6,586,636	amount in thousand Euro	(1,154)	2,519	32,642	22,547	85.12% 14.88%	Italtel SpA Italtel BV
Italtel Deutschland GmbH	Dusseldorf (Germania)	amount in Euro	40,000	amount in thousand Euro	11	2,640	8,672	9,551	60.00% 40.00%	Italtel SpA Italtel BV
Italtel France Sas	Courbevoie (Francia)	amount in Euro	40,000	amount in thousand Euro	(779)	(751)	6,173	4,093	100.00%	Italtel SpA
Italtel U.K. Ltd	London (Gran Bretagna)	amount in UK Sterling	26,000	amount in thousand Euro	(11)	(28)		4	60.00% 40.00%	Italtel SpA Italtel BV
Italtel Belgium Sprl	Bruxelles (Belgio)	amount in Euro	500.000 (di cui versato 200.000)	amount in thousand Euro	(6)	700		701	60.00% 40.00%	Italtel SpA Italtel BV
Italtel Poland Sp.Zo.O.	Varsavia (Polonia)	amount in Zloty	400,000	amount in thousand Euro	(225)	(133)	1,070	650	100.00%	Italtel SpA
Italtel Perù Sac	Lima (Perù)	amount in Nuevo Sol	3,028,000	amount in thousand Euro	347	2,619	29,540	13,766	90.00% 10.00%	Italtel BV Iltaltel SpA
Ausoitaltel S.A.	Quito (Ecuador)	amount in US dollar	500,000	amount in thousand Euro	(776)	(698)	2,831	2,065	1.00% 99.00%	Italtel BV Iltaltel SpA
Italtel USA LLC	Miami (Florida)	amount in US dollar	150,000	amount in thousand Euro	17	156		216	100.00%	Italtel SpA
Italtel Telecommunication Hellas EPE in liquidazione	Atene (Grecia)	amount in Euro	729,750	amount in thousand Euro	(286)	129		203	100.00%	Italtel SpA
Italtel Arabia Ltd in liquidazione	Riyadh (Arabia Saudita)	amount in SAR	3,287,980	amount in thousand Euro		(1,576)		12	90.00% 10.00%	Italtel SpA Italtel BV

The primary exchange rates used for conversion into Euro of the financial statements of foreign companies for 31 December 2017 were as follows:

Exchange rate	Average year 2017	31/12/2017
Argentinean Peso	18.726	22.931
Brazilian Real	3.6041	3.9729
UK Sterling	0.87615	0.88723
US Dollar	1.1293	1.1993
Polish Zloty	4.2563	4.177
Peruvian Nuevo Sol	3.6815	3.8854
Saudi Arabian Riyal	4.2351	4.4974
Hong Kong Dollar	8.8012	9.3720
China Renminbi -Yuan	7.6264	7.8044
Mexican Peso	21.3278	23.6612
Guatemal Quetzal	8.3009	8.8106

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

SEGMENT REPORTING

The representation of the results by operating segments is carried out on the basis of the approach used by management to monitor the Group's performance. In particular, the Group has identified the segments subject to reporting on the basis of the criteria of the organisation, with reference to the related co-ordination and control structures and on the basis of the sector it belongs to within the ICT reference market.

As at 31 December 2017, the segments subject to reporting were:

- IT (Information Technology), including software, information technology solutions and services,
- 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 assets and liabilities by operating segment as at 31 December 2017 are indicated below.

31/12/2017	IT	TLC	Total
Amount in thousand Euro			
Tangible and intangible fixed assets	26.8	37.1	63.9
Goodwill	84.8	122.2	207.0
Investments	0.2	0.4	0.6
Other non-current assets	4.6	65.5	70.1
NON-CURRENT ASSETS	**116.4**	**225.2**	**341.6**
NET CIRCULATING CAPITAL	**23.5**	**10.0**	**33.5**
NON-CURRENT FUNDS AND LIABILITIES	**(13.1)**	**(34.9)**	**(48.0)**
NET INVESTED CAPITAL	**126.8**	**200.3**	**327.1**

The TLC operating segment was identified further to the inclusion within the scope of consolidation of the subsidiary Italtel SpA and its subsidiaries as from 31 December 2017. Therefore, with reference to the assets and liabilities, the comparative balances as at 31 December 2016 of the TLC CGU and the main result measures by operating segment for the years 2017 and 2016 are not included since they correspond to the balances of the "Exprivia" Group as at 31 December 2017 (without the inclusion of the Italtel Group).

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

Exprivia Group (amount in thousand Euro)	31/12/2017	31/12/2016	Variation	Variation%
Projects and Services	129,177	116,025	13,152	11.3%
Maintenance	17,092	15,119	1,973	13.0%
HW/ SW third parties	7,565	4,006	3,559	88.8%
Own licences	2,478	1,418	1,060	74.8%
Other	810	730	80	11.0%
Total	**157,122**	**137,298**	**19,824**	**14.44%**

Exprivia Group (amount in thousand Euro)	31/12/2017	Effect %	31/12/2016	Effect %	Variations %
Private	134,070	84.8%	113,877	82.9%	17.7%
Public	24,051	15.2%	23,421	17.1%	2.7%
TOTAL	**158,121**		**137,298**		**15.17%**

Exprivia Group (amount in thousand Euro)	31/12/2017	Effect %	31/12/2016	Effect %	Variations %
Italy	141,938	89.8%	123,259	89.8%	15.2%
Abroad	16,183	10.2%	14,039	10.2%	15.3%
TOTAL	**158,121**		**137,298**		**15.17%**

Further to the change in the Group's structure, by means of the concentration of the business in the holding company carried out by means of the mergers via incorporation of three subsidiaries, also as a consequence of the acquisition of the Italtel Group, the internal organisation and the methods for monitoring and planning the business results evolved towards a model which envisages two macro combinations (IT and TLC). Therefore, the operating segments were changed with respect 2016 unifying the previous segments in one "IT" segment.

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

1 - Property, Plant and Machinery

The net balance relating to the item "**property, plant and equipment**" amounted to Euro 28,209 thousand as at 31 December 2017 compared to Euro 16,041 thousand at 31 December 2016.

Categories	Historical cost 01/01/17	Inc. per new area of consolid.	Inc.	Dec.	Historical cost at 31/12/2017	Reserve prov. at 01/01/17	Reserve prov. new consolid. Area	Provision for period	Dec.	Cum. prov. 31/12/17	Net value at 31/12/17
Land	1,336	327	-	-	1,663	-	-	-	-	-	1,663
Buildings	17,123	24,639	233	(123)	41,872	(4,589)	(17,537)	(544)	33	(22,637)	19,235
Plant and machinery	-	26,563	-	-	26,563	-	(25,252)	-	-	(25,252)	1,311
Industrial equipment	-	50,548	-	-	50,548	-	(49,191)	-	-	(49,191)	1,357
Others	19,049	76,190	597	(643)	95,193	(16,878)	(73,544)	(863)	603	(90,682)	4,510
Fixed assets in progress	-	132	-	-	132	-	-	-	-	-	132
TOTAL	**37,508**	**178,399**	**830**	**(766)**	**215,971**	**(21,467)**	**(165,524)**	**(1,408)**	**636**	**(187,763)**	**28,209**

The increase in the item **"buildings",** refers to work for technological installations carried out at the new Palermo headquarters of the subsidiary Exprivia Process Outsourcing Srl for Euro 233 thousand while the increase in the item **"other assets"**, amounting to Euro 597 thousand, refers almost exclusively to purchases of electronic office equipment (of which Euro 90 thousand acquired under lease).

The decreases relate primarily to the transfer of assets to important customers in the Healthcare market, in relation to the conclusion of contracts following which contractual provision was made for the acquisition of the aforementioned assets by said customers.

The "**change in the scope of consolidation**" includes Euro 178 thousand relating to the historical cost of the fixed assets of the Italtel Group which joined the Exprivia consolidation as from 31 December 2017; in detail, the Italtel Group contributed an increase to the value of the "**land**" for Euro 327 thousand, the net value of "**buildings**" for Euro 7,102 thousand, the "**plant and machinery**" for Euro 1,311 thousand, the "**industrial equipment**" for Euro 1,357 thousand and "**other assets**" for Euro 2,646 thousand.

The total net value of the items: **Plant and machinery** and **Industrial equipment** refers to the Italtel Group.

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

At 31 December 2017, land, industrial buildings, plant and machinery, industrial equipment and other assets of the Italtel Group included assets subject to first mortgages, pledge and special liens, in relation to the loans received by Italtel SpA as described in the comments to note 17.

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

The net book value of leased assets came to Euro 404 thousand and relates to electronic office equipment (Euro 114 thousand) and furniture and furnishings (Euro 290 thousand). It should also be noted that minimum future payments within one-year amount to Euro 759 thousand, while those due in one to five years amount to Euro 163 thousand.

2 - Goodwill and Other Assets with an Indefinite Useful Life

The item "**goodwill and other assets with an indefinite useful life**" amounted to Euro 206,979 thousand as at 31 December 2017 compared to Euro 67,428 thousand as at 31 December 2016.

Information related to impairment tests performed on goodwill and other assets with an indefinite useful life

Scope

Accounting standard IAS 36 requires that impairment tests should be performed on tangible and intangible assets in the presence of indicators, which suggest that this problem could exist.
In the case of goodwill, as well as all other intangible assets with an indefinite useful life, such impairment tests should be performed on a yearly basis or more frequently in the case of special negative events that might result in impairment.

Identification of CGU (Cash Generating Unit) 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 a group of CGUs in compliance with the maximum aggregation consistent with the notion of operating segment referred to in IFRS 8.
On a consistent basis with the Group's strategic vision, the identification of the CGUs was changed with respect to 31 December 2016 and thus in consideration, on the one hand, of the corporate reorganisation and the new organisational set-up which took place with the sphere of the Exprivia Group, and on the other hand, the acquisition of the controlling interest in Italtel SpA.
Therefore, the following CGUs were identified according to the specificity of the related management and co-ordination structures of the business, as well as the related sector in the ICT market:

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

The allocation of the goodwill to the reference CGUs is carried out on the basis of the transactions from which its originates, in particular goodwill arising from business combinations through which assets were acquired and assigned to specific CGUs from an operational standpoint was allocated to the respective CGUs.
The table below summarises allocation of goodwill to CGUs identified:

Goodwill	Amount at 31/12/2017
Amount in thousand Euro	
CGU IT	84.8
CGU TLC	122.2
TOTAL	**207.0**

The IT CGU is allocated goodwill amounting to Euro 84.8 million made up as follows:

- Euro 67.3 million, equal to the overall value of the goodwill assigned to the CGUs channelled in a single IT Software, Solutions and Services CGU coinciding with the scope of the Exprivia Group prior to the acquisition of Italtel Spa. This is goodwill arising from business combinations through which assets were acquired included in the previous scope of the Group;
- Euro 1.9 million, goodwill deriving from the acquisition of the ESIET business segment carried out in July 2017 by Exprivia Digital Financial Solution Srl (then merged via incorporation in Exprivia SpA) whose activities were allocated to the IT Software, Solutions and Services CGU;
- Euro 15.6 million equating to the difference between the purchase cost of the Italtel equity investment and the fair value of the net assets acquired attributable to the goodwill deriving from the synergies, which we expect to emerge with regard to the IT Software, Solutions and Services CGU due to the business combination.

Goodwill amounting to Euro 122.2 million was allocated to the TLC CGU, equal to the goodwill pertaining to the Italtel Group whose activities were channelled to the CGU in question.

Impairment Test Process and Assessment System

The recoverability of the amount of goodwill carried in the financial statements is checked by comparing the book value allocated to each CGU and the recoverable amount in the definition of value of use. At the date of analysis, the latter 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 of use. The DCF discounts estimated future cash flow by applying an appropriate discount rate.
For the purpose of the projections required by IAS 36, strict reference was made to the current condition of use of each CGU regardless of the cash flow from any investment plans and extraordinary transactions that may constitute a “break” from normal company operations.
The 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.
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) equal to the average of the long-term inflation rates expected for the main countries in which the CGUs operate.
The Wacc (Weighted Average Cost of Capital) discount rates used to discount the cash flows of each CGU were determined as the average of the specific discount rates for the main countries in which the CGUs operate, weighted on the basis of the respective weight envisaged in the last year of the plan.
The Beta ratios have been estimated on the basis of a panel of comparable companies specific for each CGU.

The weighted average cost of the capital was increased to incorporate an execution risk of the plans, calculated on the basis of the average deviation percentage between the EBITDA achieved and the EBITDA estimated in the last three years.
With reference to the IT CGU, 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. The main economic-financial assumptions underlying the 2018-2022 financial forecasts are listed below:

- for 2018 the projections reflect budget data for the year;
- for 2019-2022 the projections reflect an annual compound average growth rate of 4.4% (CAGR 2018-2022) and average profit margin of 12%.

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

Parameters	Italy	Brazil	Spain	Mexico	Hong Kong
Risk Free rate	1.97%	0.45%	1.55%	0.45%	0.45%
Stock market risk premium	6.00%	6.00%	6.00%	6.00%	6.00%
Beta Unlevered	0.69	0.69	0.69	0.69	0.69
D/E Target	0.12	0.12	0.12	0.12	0.12
Tax rate	24.00%	34.00%	25.00%	30.00%	16.50%
Relevered Beta	0.75	0.74	0.75	0.74	0.75
Country Risk Premium	0.00%	5.56%	0.00%	1.38%	0.57%
Execution risk premium	1.10%	1.10%	1.10%	1.10%	1.10%
Cost of own capital (Ke)	**7.55%**	**11.54%**	**7.13%**	**7.38%**	**6.64%**
EURIRS - 10 years	0.88%	0.88%	0.88%	0.88%	0.88%
Spread	4.00%	4.00%	4.00%	4.00%	4.00%
Cost of gross debt	**4.88%**	**4.88%**	**4.88%**	**4.88%**	**4.88%**
Cost of gross debt	24.00%	24.00%	24.00%	24.00%	24.00%
Cost of debt (Kd)	**3.71%**	**3.71%**	**3.71%**	**3.71%**	**3.71%**
E/(E+D)	89.44%	89.44%	89.44%	89.44%	89.44%
D/(E+D)	10.56%	10.56%	10.56%	10.56%	10.56%
WACC	**7.14%**	**10.72%**	**6.77%**	**7.00%**	**6.33%**
Weighting factor (EBITDA by country)	93.16%	1.72%	2.33%	2.33%	0.47%
Weighted average WACC per country	**7.19%**				

Parameters	Italy	Brazil	Spain	Mexico	Hong Kong
G-rate (long-term CPI by country)	**1.87%**	**4.00%**	**1.83%**	**3.00%**	**2.00%**
Weighting factor (EBITDA by country)	93.16%	1.72%	2.33%	2.33%	0.47%
Weighted average G-rate by country	**1.93%**				

With reference to the TLC CGU, the operating cash flow projections for the explicit 5-year period used for value measurement purposes are based on the plan of the Italtel Group approved by the Board of Directors on 19 July 2017 and subjected to asseveration within the sphere of the debt restructuring transaction pursuant to Article 182 *bis* of the Italian bankruptcy law. This Plan has been considered as still suitable for the performance of the impairment test as at 31 December 2017 in consideration of the following:

- the Plan and the checks carried out on the reasonableness of the same by third party experts for the purposes of the debt restructuring transaction emerge as somewhat recent (July 2017);
- the final balances relating to 2017 and the up-dated 2018 outlook figures are in line with the corresponding years of the Plan;
- management deemed the Plan assumptions relating to subsequent years to still be valid.

The main economic-financial assumptions underlying the 2018-2022 financial forecasts are listed below:

- for 2018 the projections reflect budget data for the year;
- for 2019-2022 the projections reflect an annual compound average growth rate of 3.4% (CAGR 2018-2022) and average profit margin of 8.5%.

The valuational parameters used for establishing the value in use of the TLC CGU are presented below:

Parameters	Italy	Brazil	France	Argentina	Peru	Colombia	Germany	Spain
Tasso Risk Free	1.97%	0.45%	0.67%	0.45%	0.45%	0.45%	0.45%	1.55%
Stock market risk premium	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Beta Unlevered	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02
D/E Target	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Tax rate	24.00%	34.00%	28.00%	25.00%	29.50%	34.00%	29.79%	25.00%
Relevered Beta	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02
Country Risk Premium	0.00%	5.56%	0.00%	6.34%	1.38%	2.19%	0.00%	0.00%
Execution risk premium	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%
Cost of own capital (Ke)	**10.49%**	**14.53%**	**9.19%**	**15.32%**	**10.36%**	**11.17%**	**8.97%**	**10.08%**
Weighting factor (EBITDA by country)	61.07%	8.33%	1.09%	13.03%	6.83%	1.82%	3.72%	4.12%
Weighted average WACC per country	**11.37%**							

Parameters	Italy	Brazil	France	Argentina	Peru	Colombia	Germany	Spain
G-rate (long-term CPI by country)	**1.87%**	**4.00%**	**1.96%**	**2.02%**	**2.02%**	**2.02%**	**2.05%**	**1.83%**
Weighting factor (EBITDA by country)	61.07%	8.33%	1.09%	13.03%	6.83%	1.82%	3.72%	4.12%
Weighted average G-rate by country	**2.08%**							

Sensitivity Analysis

A sensitivity analysis was carried out on the outcome of impairment tests 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 10%;
- the combined change in all three of the variables indicated above.

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

Conclusions

The tests performed did not show any impairment that should be reported in the financial statements.

3 - Other Intangible Assets

The item **Other intangible assets** amounted to Euro 35,721 thousand as at 31 December 2017 (net of amortisation) compared to Euro 11,616 thousand as at 31 December 2016.

The table below provides a summary of the item.

Categories	Historic cost 01/01/17	Increases at 31/12/17	Variation to consol. of cos	Dec. al 31/12/17	Variation to consol. of cos	Total historic cost at 31/12/17	Deprec. fund at 01/01/17	Variation to consol. of cos	Deprec. quota for period	Decreas es	Cumulat ed deprec. 31/12/17	Net value at 31/12/17
Other intangible assets	10,391	456	-	(11)	-	10,836	(6,278)	-	(957)	(15)	(7,250)	3,586
Costs for capitalized internal projects	20,739	1,446	383,972	-	-	406,157	(16,551)	(365,267)	(2,119)	27	(383,910)	22,247
Patents and Intellectual Property Rights	-	-	141,557	-	-	141,557	-	(139,814)	-	-	(139,814)	1,743
Assets under constr. & payment on a/c	3,315	1,204	3,744	(118)	-	8,145	-	-	-	-	-	8,145
TOTAL	**34,445**	**3,106**	**529,273**	**(129)**	**-**	**566,695**	**(22,829)**	**(505,081)**	**(3,076)**	**12**	**(530,974)**	**35,721**

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

It should be noted that the item "**work in progress**" mainly relates to "costs for capitalised internal projects" as a result of projects that have not yet entered into production, attributable to Advanced Computer System Srl (Euro 4,401 thousand) and to the Italtel Group (Euro 3,744 thousand).

The item "change in the scope of consolidation" includes the contributions made by the Italtel Group.

4 - Equity Investments

The balance of the item "**equity investments**" as at 31 December 2017 amounted to Euro 589 thousand compared to Euro 168 thousand as at 31 December 2016.

The composition of equity investments is described below.

Equity Investments in Associates

The balance of the item "**equity investments in associates**" as at 31 December 2017 amounted to Euro 194 thousand.

The table below provides details on the items:

Description	31/12/2017	31/12/2016	Variation
Cored - 2000 Networks Consortium in liquidation	76		76
Hermes Consortium in liquidation	118		118
TOTAL	**194**	**-**	**194**

The afore-mentioned equity investments are held by Italtel SpA and are valued with the equity method.

Equity Investments in Other Companies

The balance of the item "**equity investments in other companies**" as at 31 December 2017 amounted to Euro 395 thousand compared to Euro 168 thousand as at 31 December 2016.

The table below provides details on the item:

Description	31/12/2017	31/12/2016	Variation
Ultimo Miglio Sanitario	3	3	0
Certia	1	1	0
Conai	0	0	0
Software Engineering Research	12	12	0
Consorzio Biogene	3	3	0
Consorzio DARe	1	1	0
Consorzio DHITECH	17	17	0
H.BIO Puglia	12	12	0
Consorizio Italy Care	10	10	0
Consorzio DITNE	6	6	0
Consorzio Daisy-Net Partecipation	14	14	0
Cattolica Popolare Soc. Cooperativa	23	23	0
Innoval Scarl	3	3	0
Partecipazione Consorzio SILAB-Daisy	7	7	0
ENFAPI CONFIND Partecipation	1	1	0
Partecipazione Consorzio GLOCAL ENABLER	2	2	0
Consorzio Heath Innovation HUB/Consorzio Semantic Valley	3	3	0
Cefriel Scarl	69	33	36
Consorzio Azimut	2	2	0
Banca di Credito Cooperativo di Roma	9	9	0
Consorzio Createc	7	7	0
Consorzio Milano Ricerche	15	0	15
Consel- Consorzio Elis per la Formazione Professionale Superiore Scarl	1	0	1
SISTEL - Comunicacose Automacoa e Sistemas SA	36	0	36
Parco Scientifico e Tecnologico della Sicilia ScpA	2	0	2
Consorzio COFRIDIP	3	0	3
Distretto Teconoligico, Sicilia Micro e Nano Sistemi Scarl	27	0	27
SI-LAB Sicilia Scarl	6	0	6
Open Hub Med Scarl	100	0	100
TOTAL	**395**	**168**	**227**

The change is essentially attributable to the equity investments held by the Italtel Group, all carried at cost.

5 - Other Non-current Financial Assets

The balance of the item "**other non-current financial assets**" as at 31 December 2017 amounted to Euro 3,273 thousand compared to Euro 2,833 thousand as at 31 December 2016.

The composition of item is described below.

Receivables from Parent Companies

The balance of the item "**receivables from parent companies**", amounting to Euro 2,258 thousand as at 31 December 2017, compared to Euro 2,597 thousand at 31 December 2016, refers to the receivable due to the holding company Exprivia SpA from its parent company Abaco Innovazione SpA as a result of the loan agreement entered into between the parties in 2016. The loan for a total of Euro 2,985 thousand was disbursed in the form of Euro 1,680 thousand in cash and Euro 1,305 thousand through the reclassification of payables outstanding as at 31 December 2015. The loan term has been established as 7 equal deferred annual instalments with increasing principal portions. The decrease of Euro 339 thousand includes Euro 400 thousand relating to the amount reclassified from the item "receivables from parent companies" to "other financial assets" for the instalment due on 4 April 2018 (note 12) while the increase of Euro 61 thousand refers to the interest accrued on the loan.

Other Receivables

The balance of the item "**other receivables**" as at 31 December 2017 amounted to Euro 995 thousand compared to Euro 202 thousand as at 31 December 2016.

The item includes Euro 808 thousand referring to long-term guarantee deposits, attributable to the Italtel Group for Euro 646 thousand; Euro 187 thousand referring to financial receivables, of which Euro 146 thousand attributable to the Italtel Group and pertaining to the long-term portion, maturing in 2020, of the costs incurred for the disbursement of the loans for the research projects entitled PAIMS and SIS disbursed during 2015.

Derivative Financial Instruments

As at 31 December 2017, the item "**derivative financial instruments**" amounted to Euro 20 thousand compared to Euro 35 thousand at 31 December 2016.

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

The fair value of these derivative instruments as of the balance sheet date is illustrated below highlighting - separately - the fair value of the derivatives which satisfy the requirements for being a cash flow hedge and those which do not satisfy the requirements envisaged for hedge accounting.

Contract	Date operation	Initial date	Expiry date	Currency	Reference amount	Fair value
Interest Rate Cape - BNL	06/05/2016	30/06/2016	31/12/2022	EUR	3,769	7
Interest Rate Cape - BPM	11/05/2016	30/06/2016	30/12/2022	EUR	2,115	4
Interest Rate Cape - UNICREDIT	09/05/2016	30/06/2016	30/12/2022	EUR	3,769	7
TOTAL					**9,654**	**19**

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

The fair value changes have been recognised in the income statement for the part relating to the timing value, for Euro 15 thousand, and in the cash flow hedge reserve for the part relating to the intrinsic value.

Contract	Date operation	Initial date	Expiry date	Currency	Reference amount	Currency MtM	Fair value
IRS Payer	06/06/2016	30/06/2016	28/03/2024	EUR	2,081	EUR	1,268
TOTAL					**2,081**		**1**

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

This is an instrument valued at fair value level 2.

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

- upon a change of +1%, the fair value of derivatives would amount to around Euro 200 thousand;
- upon a change of -1%, the fair value would be nil.

6 - Other Non-current Assets

The balance of the item "**other non-current assets**" as at 31 December 2017 amounted to Euro 4,436 thousand compared to Euro 1,781 thousand as at 31 December 2016.

The change is mainly attributable to the contribution of the Italtel Group and is shown in the table below:

Description	31/12/2017	31/12/2016	Variation
Receivables from tax authorities	1,078		1,078
Receivables due from tax authorities requested as reimbursement	1,825	1,773	52
Other credits	1,533	8	1,525
TOTAL	**4,436**	**1,781**	**2,655**

Receivables from tax authorities totalling Euro 1,078 thousand refer:

- for Euro 519 thousand to withholding taxes applied abroad for Italtel SpA with an envisaged maturity in a period of between 2 and 8 years; the receivable is recognised net of a bad debt provision amounting to Euro 4,353 thousand in relation to receivables of dubious recovery;
- Euro 559 thousand referring to other receivables of Italtel SpA due from the tax authorities which are difficult to recover and are net of a write-down of Euro 372 thousand;

The "receivables from the tax authorities requested for rebate" amounting to Euro 1,825 thousand mainly relate to the amounts requested by the Exprivia Group with the exception of the Italtel Group companies, for the rebate request relating to the deductibility of the IRAP tax calculated on staff costs, which generated a recovery of IRES tax mainly attributable to Exprivia SpA (Euro 1,661 thousand). Similarly to previous years, the refunds for the years 2009 to 2011 are recognised in the item, while those relating to 2007 and 2008 were included in the item "**other current assets**".

The item Other receivables amounting to Euro 1,533 thousand mainly refers to the prepayment of costs pertaining to subsequent years. The balance mainly relates to the prepayment of fees paid in advance by the subsidiary Italtel SpA in 2016 for the rental of the Castelletto offices for the period 2016-2024 (Euro 1,000 thousand).

7 - Prepaid Taxes

The balance of the item **"prepaid taxes"**, as at 31 December 2017, amounting to Euro 65,638 thousand compared with Euro 2,943 thousand as at 31 December 2016, refers to the taxation on deductible temporary changes or for future tax benefits; the change almost entirely refers (Euro 63,045 thousand) to the contribution of the Italtel Group and mainly concerns the tax losses whose forecast recoverability is in line with the 2017-2023 Business Plan approved by the Board of Directors of Italtel on 9 January 2017, subsequently amended by means of resolution dated 19 July 2017.

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

	31/12/2017		31/12/2016	
Description	Amount temporary differ	tax effect	Amount temporary differ	tax effect
Depreciation	99	24	98	23
Goodwill	42	12	42	12
Allowance for doubtful accounts	5,292	1,270	2,692	647
Fund risks	3,421	947	706	215
Wip	48,645	12,754	66	16
Tax losses	191,744	46,145	6,738	1,703
Adjustments for IFRS	5,380	1,285	678	166
Others	13,259	3,201	616	161
TOTAL	**267,882**	**65,638**	**11,636**	**2,943**

CURRENT ASSETS

8 - Trade Receivables

The balance of the item “trade receivables” as at 31 December 2017 amounted to Euro 148,487 thousand compared to Euro 59,422 thousand as at 31 December 2016.

The following table provides details on the item as well as a comparison with 31 December 2016.

Description	31/12/2017	31/12/2016	Variation
Receivables from customers	148,388	59,422	88,966
Receivables from associated companies	86		86
Receivables from controlling companies	13		13
Total trade receivables	**148,487**	**59,422**	**89,065**

Trade Receivables

As at 31 December 2017, the item “**trade receivables**” amounted to Euro 148,388 thousand (net of the bad debt provision) compared to Euro 59,422 thousand at 31 December 2016; the change is entirely attributable to the Italtel Group.

The following table provides details on the item as well as a comparison with 31 December 2016.

Description	31/12/2017	31/12/2016	Variation
To Italian customers	98,226	42,455	55,771
To foreign customers	52,432	12,909	39,523
To public bodies	6,048	7,957	(1,909)
S-total receivables to customers	**156,706**	**63,321**	**93,386**
Less: provision for bad debts	(8,318)	(3,898)	(4,420)
Total receivables to customers	**148,388**	**59,422**	**88,966**

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

Details	31/12/2017	31/12/2016	Variation
To third parties	132,130	51,725	80,405
Invoices for issue to third parties	24,576	11,595	12,981
TOTAL	**156,706**	**63,321**	**93,386**

The value of invoices to be issued reflects the particular type of business in which Group companies operate 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 amount shown in the financial statements is the amount that had been accrued up until the close of the period and which will be invoiced in the following months.

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

Amount of receivables	in	days past due								Allowance for doubtful accounts	credits net of the fund
	due	1 - 30	31- 60	61 - 90	91-120	121-180	181-270	271-365	beyond		
132,130	38,089	9,198	3,466	3,198	1,669	662	2,853	2,067	14,977	(8,318)	123,812
100.0%	29%	7%	3%	2%	1%	1%	2%	2%	11%		

Receivables from Associates

The balance of "**receivables from associates**" as at 31 December 2017 amounted to Euro 86 thousand and refers to trade receivables relating to the associated companies of the Italtel Group (of which Euro 59 thousand due from Cored - Consorzio Reti Duemila in liquidation and Euro 27 thousand due from Consorzio Hermes in liquidation).

Receivables from Parent Companies

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

9 - Inventories

"**Inventories"** amounted to Euro 41,007 thousand as at 31 December 2017 compared to Euro 1,019 thousand at 31 December 2016 and refer to software and hardware purchased and destined to be resold in future periods; the change it entirely attributable to the Italtel Group.

The table below provides the detailed breakdown.

Description	31/12/2017	31/12/2016	Variation
Work in progress and products in progress	9,251	-	9,251
Finished products and goods	31,756	1,019	30,737
TOTAL	**41,007**	**1,019**	**39,988**

"Work in progress" is stated net of a write-down provision for Euro 2,199 thousand. "Finished products and goods for resale" are stated net of a write-down provision for Euro 47,992 thousand.

10 – Contract Work in Progress

"**Contract work in progress**" amounted to Euro 36,821 thousand as at 31 December 2017 compared to Euro 15,652 thousand at 31 December 2016 and refers to the percentage of completion of contracts in progress; the change it entirely attributable to the contribution of the Italtel Group.

Work in progress includes Euro 16.3 million relating to the IT CGU and Euro 20.5 million relating to the TLC CGU.

11 - Other Current Assets

At 31 December 2017, the item “**other current assets**” amounted to Euro 34,847 thousand compared to Euro 12,276 thousand at 31 December 2016. The table below provides a breakdown:

Description	31/12/2017	31/12/2016	Variation
Receivables for contrib.	15,967	5,476	10,490
Current tax credits	8,291	2,250	6,041
Credits for current taxes	2,877	546	2,331
Sundry credits	1,641	776	866
Receivables to welfare institutes/INAIL	1,349	232	1,117
Receivables to employees	1,461	81	1,380
Costs in future years expertise	3,261	2,915	346
TOTAL	**34,847**	**12,276**	**22,571**

The item “**grants receivable**” amounting to Euro 15,967 thousand (of which Euro 10,741 thousand attributable to the Italtel Group) refers to the amounts receivable from the Government, Regional Authorities, Public bodies for operating and capital grants in relation to the Research & Development projects in relation to which reasonable certainty exists of the acknowledgment as envisaged in section 7 of the international accounting standard IAS 20.

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

“**Current tax receivables**” and “**receivables for current taxes**” amounted to Euro 11,168 thousand as at 31 December 2017 compared to Euro 2,796 thousand at 31 December 2016. The change is mainly attributable to the contribution of the Italtel Group amounting to Euro 8,176 thousand, of which Euro 2,864 thousand representing the surplus of the tax advances paid by certain foreign companies and Euro 5,312 thousand relating to the amount due from the tax authorities for VAT.

The item “**other receivables**” totalling Euro 1,641 thousand mainly includes Euro 675 thousand in sundry receivables of the Italtel Colombia branch and Euro 347 thousand for advance payments to suppliers.

“**Receivables from pension institutions/INAIL**” amounting to Euro 1,349 thousand are mainly attributable to the contribution of the Italtel Group (Euro 1,188 thousand) and refer to amounts due from INPS for sums paid in advance by Italtel SpA by way of salary integration to staff on solidarity contracts for the period 1 January 2017 - 31 December 2017.

“**Receivables from employees**" amounting to Euro 1,461 thousand are mainly attributable (Euro 1,439 thousand) to the contribution of Italtel SpA for receivables due from employees for advances paid for work-related travel for Euro 599 thousand and advances to employees for the Solidarity Contact made in December and withheld in January 2018 for Euro 493 thousand.

The item “**expenses pertaining to future financial years**” for Euro 3,261 thousand refers to suspended costs pertaining to the following year of which Euro 1,398 thousand deriving from the acquisition of the Italtel Group.

12 – Other Current Financial Assets

The balance of the item “other current financial assets” as at 31 December 2017 amounted to Euro 1,914 thousand compared to Euro 2,062 thousand as at 31 December 2016.

The following table provides details on the item as well as a comparison with 31 December 2016.

Description	31/12/2017	31/12/2016	Variation
Credits to others	1,514	1,592	(78)
Receivables from controlling companies	400	470	(70)
TOTAL	**1,914**	**2,062**	**(148)**

Other Receivables

The balance of **"other receivables"** amounted at 31 December 2017 to Euro 1,514 thousand compared to Euro 1,592 thousand as at 31 December 2016 and includes Euro 533 thousand in amounts due from leading factoring firms relating to without recourse agreements and Euro 981 thousand relating to sundry financial receivables of which Euro 875 thousand attributable to the Italtel Group referring to investments in monetary funds comprising Argentinian Government public debt securities which can be settled and collected over the very short-term.

Receivables from Parent Companies

As at 31 December 2017, the balance of "**receivables from parent companies**" amounted to Euro 400 thousand compared to Euro 470 thousand at 31 December 2016 and related to the current portion of the Holding Company's financial receivable due from the parent company Abaco Innovazione SpA.

13 - Cash at Bank and on Hand

The item "**cash at bank and on hand**" amounted to Euro 36,508 thousand as at 31 December 2017 compared to Euro 12,495 thousand at 31 December 2016 and refers to Euro 35,608 thousand held at banks and Euro 900 thousand in cheques and cash in hand.

The cheques are mainly held by Italtel Argentina SA for Euro 839 thousand and are securities collectable within sixty days of the balance sheet date; these cheques can be promptly converted into cash and are subject to an insignificant value change risk.

The change is entirely attributable to the contribution of the Italtel Group (Euro 23,215 thousand).

Additionally, the bank balance includes secured deposits for guarantees amounting to Euro 436 thousand undertaken in favour of two banks.

14 - Other Financial Assets Available for Sale

The item "**other financial assets**" amounted to Euro 455 thousand as at 31 December 2017, compared to Euro 463 thousand at 31 December 2016. It relates to financial instruments issued by Banca Popolare di Bari, more specifically:

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

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

NON-CURRENT ASSETS DISPOSED OF

Non-current assets disposed of, amounting to Euro 215 thousand, relate to the Italtel Group and refer to Italtel Telecommunication Hellas EPE in liquidation and Italtel Arabia Ltd in liquidation.

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

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

The assets, for a total of Euro 215 thousand are made up of cash at bank and on hand for Euro 206 thousand and other receivables for Euro 9 thousand.

15 - SHAREHOLDERS' EQUITY

15 - Share Capital

"**Share Capital**", fully paid up, amounted to Euro 25,155 thousand at 31 December 2017 and did not undergo any changes with respect to the balance at 31 December 2016. It 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 3,509,153 own shares held at 31 December 2017 for a value of Euro 1,825 thousand which have not changed with respect to 31 December 2016.

15 - Share Premium Reserve

At 31 December 2017, the "**share premium reserve**" amounted to Euro 18,082 thousand and is the same as 31 December 2016.

15 - Revaluation Reserve

At 31 December 2017, the "**revaluation reserve**" amounted to Euro 2,907 thousand and is the same as 31 December 2016.

15 - Legal Reserve

At 31 December 2017, the "**legal reserve**" amounted to Euro 3,931 thousand and is the same as 31 December 2016.

15 - Other Reserves

The balance of the item "**other reserves**" as at 31 December 2017 amounted to Euro 44,461 thousand compared to Euro 20,579 thousand as at 31 December 2016 and is made up as follows:

- Euro 19,301 thousand for the "extraordinary reserve" which increased by Euro 1,938 thousand compared to 31 December 2016. The changes that took place can be assigned to the use of the extraordinary reserve for the coverage of the 2016 loss (Euro 1,908 thousand), as resolved by the shareholders' meeting of Exprivia Spa on 27 April 2017, and the effect of the definitive release of the "Puglia Digitale Project Reserve" (Euro 3,846 thousand);

* Euro 25,160 thousand for "**other reserves**" compared with Euro -631 thousand in 2016. Movements in 2017 refer to:
    * the change in the scope of consolidation due to the acquisition of Italtel for Euro 26,207 thousand;
    * the negative effect on shareholders' equity of actuarial gains and losses deriving from the adoption of IAS 19 for Euro 84 thousand;
    * the negative effect of the change in the currency translation reserve, for Euro 343 thousand;
    * the positive net effect relating to Cash Flow Hedge and AFS instruments amounting to Euro 10 thousand.

15 - Profit/loss Related to Previous Periods

The reserve for **profit/loss related to previous periods** as at 31 December 2017 came to Euro 6,931 thousand compared to Euro 2,246 thousand at 31 December 2016. It changed as compared to the previous year, essentially as a result of the following factors:

* by Euro 4,747 thousand due to the allocation of the result from the previous year;
* by Euro -55 thousand due to the distribution of dividends to a former shareholder of Exprivia do Brasil Servicos de Informatica Ltda;
* by Euro 1 thousand due to the acquisition by Exprivia SpA of 0.08% of Exprivia do Brasil Servicos de Infomatica Ltda.

15 - Minority Interests

The minority shareholders' interests (Euro 27.1 thousand at 31 December 2017) mainly relate to the Italtel Group; when establishing the minority interest account was taken of the forecasts relating to the economic-equity rights of the minority shareholders and holder of SFP of Italtel SpA.

RECONCILIATION BETWEEN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY AND THE CONSOLIDATED FINANCIAL STATEMENTS

DESCRIPTION	Result to 31/12/2016	Net Worth at 31/12/2016	Result for period to 31/12/2017	Net Worth at 31/12/2017
Exprivia S.p.A.	**(1,908,465)**	**68,501,342**	**548,350**	**73,766,264**
Contribution of consolidated companies (PN and Result)	2,220,080	31,885,934	(7,106,071)	42,448,628
Elision participations	6,000,000	(62,297,234)	7,013,750	(41,894,826)
Goodwill		37,508,663		27,120,001
Elimination of dividends	(3,337,224)		(277,650)	
Other consolidation adjustments	(136,321)	139,844	(128,013)	77,023
Third party net assets	(16,701)	(994,361)	(77,150)	(27,125,496)
TOTAL GROUP NET WORTH	**2,821,368**	**74,744,188**	**(26,784)**	**74,391,594**

NON-CURRENT LIABILITIES

16 - Bond Issues

The balance as at 31 December 2017 came to Euro 22,413 thousand and relates to the non-current portion of the bond issued entitled "Exprivia SpA - 5.80% 2017 - 2023" which the Holding company issued to finance the subscription by Exprivia SpA of 81% of Italtel SpA's share capital.

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

The Bond was subscribed by the following parties:
1) 80 securities by Anthilia Capital Partners SGR S.p.A.;
2) 65 securities by Banca Popolare di Bari S.c.p.a.;
3) 15 securities by Consultinvest Asset Management SGR S.p.A.;
4) 10 securities by Confidi Systema! S.c..

On 29 December 2017, Exprivia exercised the faculty to increase the bond issue by an additional Euro 6 million, by means of the issue of an additional 60 securities, subscribed by Mediobanca SGR S.p.A..
The securities have been placed in the centralised management system care of Monte Titoli SpA and have been admitted for listing in the multilateral trading system managed by Borsa Italiana SpA, ExtraMOT market PRO segment reserved for professional investors.
The trading Admission Document and the Bond Regulations are available on the Company's website at the following address www.exprivia.it, Investor Relations section.

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

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

Date of Reference	Net Financial Position/Shareholders' Equity	Net Financial Position/ EBITDA
31.12.2017	≤ 1.2	≤ 5.5
31.12.2018	≤ 1.1	≤ 5.5
31.12.2019	≤ 1.0	≤ 5.0
31.12.2020	≤ 1.0	≤ 4.5
31.12.2021	≤ 1.0	≥ 4.0
31.12.2022	≤ 1.0	≥ 4.0

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

As at 31 December 2017, the parameters had been observed.

17 - Non-current Payables to Banks

At 31 December 2017, the item “non-current payables to banks” amounted to Euro 167,499 thousand compared to Euro 24,625 thousand at 31 December 2016, and pertains to medium-term bank debt from major credit and financial institutions and to low-interest loans for specific investment programmes.

The change is attributable to the contribution of the Italtel Group, which amounts to Euro 147,195 thousand, while Euro 20,304 thousand refers to the residual scope of the Exprivia Group.

The table below provides details on the items and breaks down the non-current portion (Euro 167,499 thousand) and the current portion (Euro 30,022 thousand) of the payable.

Financial Institute	Typology	Contract amount	Amount paid 31.12.2017	Date contract	Expiration date	Repayment installment		Residual capital 31.12.2017	To be repaid within 12 months	To be repaid over 12 months
Ministero dello Sviluppo Economico	Financing	2,019,162	2,019,162	27/12/2009	27/02/2019	annual	0.87%	464	231	233
Monte dei Paschi di Siena	Financing	2,000,000	2,000,000	13/04/2017	30/09/2018	montly	Euribor + 1,75%	1,281	1,281	-
Intesa San Paolo	Financing	3,000,000	3,000,000	13/12/2017	13/12/2018	montly	1.90%	2,995	2,995	-
Pool – Capofila Banca Nazionale del Lavoro	Financing	25,000,000	25,000,000	01/04/2016	31/12/2022	semi-annual	Euribor + 2,65%	18,757	3,678	15,080
ICCREA Banca Impresa	Mutuo	3,000,000	3,000,000	26/05/2017	31/10/2018	montly	Euribor + 2,9%	1,773	1,773	-
ICCREA Banca Impresa	Financing	1,020,000	1,020,000	18/07/2013	30/09/2018	quarterly	Euribor+ 3,80%	166	166	-
Simest	Financing	1,955,000	1,198,063	19/04/2013	19/04/2020	semi-annual	0.50%	600	240	359
Banca del Mezzogiorno	Financing	3,500,000	3,500,000	23/06/2017	23/06/2027	quarterly	Euribor + 2,75%	3,299	347	2,952
Ubi Banca	Financing	1,500,000	1,500,000	25/05/2017	25/11/2018	montly	Euribor + 1,8%	919	919	-
Banca Popolare dell'Emilia Romagna	Financing	1,000,000	1,000,000	28/07/2017	28/10/2018	montly	Euribor + 1,85%	668	668	-
Banca Popolare di Milano	Financing	2,500,000	2,500,000	21/12/2017	30/06/2018	montly	Euribor + 1,75%	2,497	2,497	-
Deutsche Bank	Financing	500,000	500,000	21/12/2017	21/12/2018	quarterly	Euribor + 0,50%	492	492	-
Deutsche Bank	Financing	1,000,000	1,000,000	25/09/2017	25/09/2018	montly	Euribor + 0,50%	998	998	-
Banca Popolare Puglia e Basilicata	Financing	2,000,000	2,000,000	24/03/2017	a revoca	single payment	Euribor + 2,4%	2,000	2,000	-
Credito Emiliano	Financing	3,000,000	3,000,000	28/02/2017	31/08/2018	annual	Euribor+ 1,38%	3,007	3,007	-
Banca Popolare di Bari	Financing	500,000	500,000	04/12/2014	31/12/2019	quarterly	Euribor + 2,20%	207	102	105
Ministero dello Sviluppo Economico	Financing	863,478	863,478	14/09/2016	17/11/2025	annual	0.31%	805	91	714
Banca di Credito Cooperativo di Roma	Financing	287,848	287,848	20/06/2013	30/09/2018	quarterly	0.50%	44	44	-
Banca di Credito Cooperativo di Roma	Financing	287,848	287,848	20/06/2013	30/09/2018	quarterly	Euribor+ 5,25%	48	48	-
Banca di Credito Cooperativo di Roma	Financing	87,152	87,152	30/08/2013	30/09/2018	quarterly	0.50%	13	13	-
Banca di Credito Cooperativo di Roma	Financing	87,152	87,152	30/08/2013	30/09/2018	quarterly	Euribor+ 5,75%	15	15	-
Banca di Credito Cooperativo di Roma	Financing	1,130,000	1,130,000	11/08/2014	31/10/2019	montly	Euribor+ 4,25%	443	238	205
Ministero dello Sviluppo Economico	Financing	929,129	232,282	16/02/2017	30/06/2026	half-yearly	0.80%	241	16	225
Banco de Santander	Financing	571,000	571,000	28/07/2016	28/08/2018	montly	5.00%	183	183	-
Banco de Santander	Financing	112,000	112,000	17/04/2017	17/07/2018	montly	4.95%	37	37	-
Banco Popular	Financing	100,000	100,000	26/10/2015	26/10/2018	montly	4.50%	29	29	-
Banco Popular	Financing	300,000	300,000	25/02/2015	25/02/2020	montly	5.50%	128	57	72
Banco Popular	Financing	100,000	100,000	25/04/2012	10/05/2019	montly	4.25%	23	15	8
Banco Popular	Financing	610,000	610,000	29/07/2016	29/07/2021	montly	6.75%	457	107	350
Pool – Capofila Unicredit	Financing	132,005,030	132,005,030	14/12/2017	31/12/2024	amortizing not linear	Euribor + 2,5%	132,005		132,005
Cassa Depositi e Prestiti	Financing	6,493	4,334	25/09/2014	31/12/2018	amortizing not linear	Euribor + 3,00%	4	4	-
Cassa Depositi e Prestiti	Financing	531,494	354,772	25/09/2014	31/12/2018	amortizing not linear	Euribor + 3,00%	355	355	-
Cassa Depositi e Prestiti	Financing	58,435	14,718	25/09/2014	31/12/2018	amortizing not linear	0,50%	15	15	-
Cassa Depositi e Prestiti	Financing	4,783,449	1,230,705	25/09/2014	31/12/2018	amortizing not linear	0,50%	1,205	1,205	-
Cassa Depositi e Prestiti	Financing	1,272,580	1,272,580	25/08/2015	30/12/2020	amortizing not linear	Euribor + 4,00%	1,273	-	1,273
Cassa Depositi e Prestiti	Financing	141,398	141,398	10/10/2017	31/12/2020	amortizing not linear	Euribor + 4,00%	141	-	141
Cassa Depositi e Prestiti	Financing	11,453,217	6,906,218	25/08/2015	31/12/2020	amortizing not linear	0,50%	6,906	2,291	4,616
Cassa Depositi e Prestiti	Financing	1,272,580	1,272,580	10/10/2017	31/12/2020	amortizing not linear	0,50%	1,273	422	851
Cassa Depositi e Prestiti	Financing	1,230,705	1,230,705	25/08/2015	30/12/2020	amortizing not linear	Euribor + 4,00%	1,231	-	1,231
Cassa Depositi e Prestiti	Financing	136,745	136,745	10/10/2017	31/12/2020	amortizing not linear	Euribor + 4,00%	137	-	137
Cassa Depositi e Prestiti	Financing	11,076,346	6,678,967	25/08/2015	31/12/2020	amortizing not linear	0,50%	6,679	2,215	4,464
Cassa Depositi e Prestiti	Financing	1,230,705	1,230,705	10/10/2017	31/12/2020	amortizing not linear	0,50%	1,231	408	823
Ministero dell'Istruzione dell'Università e della Ricerca	Financing	6,233,536	2,230,347	22/02/2012	01/02/2020	amortizing not linear	0,50%	2,230	740	1,491
Ministero dell'Istruzione dell'Università e della Ricerca	Financing	572,480	247,801	05/11/2013	01/07/2020	amortizing not linear	0,50%	248	82	166
Totale								**197,521**	**30,022**	**167,499**

Medium-term Loan Agreement

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

The loan is backed by ordinary guarantees typical of transactions of this type, including the guarantee issued by SACE SpA in the amount of Euro 6 million, in addition to guarantees issued by 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 usual market conditions for loans of an equal amount and term, such as: representations and warranties, covenants (pari passu, negative pledge, etc.), limitations on significant extraordinary transactions (with the exception of intercompany transactions, which are exclusively allowed within the corporate scope existing as at 1 April 2016, and smaller ones), the obligation to maintain adequate insurance coverage, compulsory and optional early repayment clauses, cross defaults, etc.

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

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

Date of Reference	Net Borrowing/ EBITDA	Net Borrowing/Own funds	EBITDA / Net financial charges	Investments
31.12.2017	≤ 5.5	≤ 1.2	≥ 3.0	≤ 38 ml
30.06.2018	≤ 5.5	≤ 1.2	≥ 3.0	≤ 38 ml
31.12.2018	≤ 5.5	≤ 1.1	≥ 3.0	≤ 6.0 ml
30.06.2019	≤ 5.5	≤ 1.1	≥ 3.0	≤ 6.0 ml
31.12.2019	≤ 5.0	≤ 1.0	≥ 3.5	≤ 6.0 ml
30.06.2020	≤ 5.0	≤ 1.0	≥ 3.5	≤ 6.0 ml
31.12.2020	≤ 4.5	≤ 1.0	≥ 4.0	≤ 6.0 ml
30.06.2021	≤ 4.5	≤ 1.0	≥ 4.0	≤ 6.0 ml
31.12.2021	≥ 4.0	≤ 1.0	≥ 4.0	≤ 6.0 ml
30.06.2022	≥ 4.0	≤ 1.0	≥ 4.0	≤ 6.0 ml

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

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

As at 31 December 2017 the remaining debt amounted to Euro 18,757 thousand, Euro 3,678 thousand of which is to be repaid within the next twelve months (and therefore recorded under current liabilities) and the remaining Euro 15,080 thousand to be repaid in 2018-2022 (carried under non-current liabilities).

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

Low-interest Loan from Ministry of Economic Development - Istituto Finanziario Ubi Banca (formerly Centrobanca) POR Puglia

A loan resolved and fully paid for Euro 2,019 thousand as at 31 December 2017 in favour of the parent company Exprivia SpA; it was targeted at financing a research and development project under Law 46/82 F.I.T. art. 14 Circular No. 1034240 of 11 May 2001, expires on 27 February 2019 and bears a below-market fixed rate of interest of 0.87% annually.

Iccrea Banca Impresa Loan

A loan for Euro 1,020 thousand stipulated by Exprivia SpA on 18 July 2013 to be repaid in quarterly instalments starting from 30/09/2013 until 30/09/2018. It is targeted at supporting international development in Brazil through the subsidiary Exprivia do Brasil. The interest rate applied is the Euribor + a 3.80% spread.

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

Simest Loan

A loan of Euro 1,955 thousand resolved in favour of the holding company Exprivia SpA, entered into on 19 April 2013, of which Euro 1,198 thousand disbursed on 31 December 2017, is to be repaid in six-month instalments starting from 19.10.2015 until 19.04.2020. The loan is targeted at supporting international development in China and bears a below-market fixed rate of interest (0.50% yearly).

Banca del Mezzogiorno Loan

A loan of Euro 3,500 thousand resolved in favour of the holding company Exprivia SpA, entered into on 23 June 2017, to be repaid in quarterly instalments starting from 23.09.2017 until 23.06.2027. 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 were secured in a current account at 31 December 2017.

Banca Popolare di Bari Loan

A loan for Euro 500 thousand stipulated by Exprivia Healthcare IT Srl to be repaid in quarterly instalments starting from 31/03/2015 until 31/12/2019.

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

There are no real guarantees for this loan.

Low-interest Loan CUP 2.0

Loan totalling Euro 863 thousand resolved in favour of Exprivia SpA (formerly Exprivia Healthcare IT Srl), of which the full amount approved was disbursed as at 31 December 2017. 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 17.11.2025 and bears a below-market fixed rate of interest of 0.3120%.

Low-interest Loan from Banca di Credito Cooperativo di Roma

Loan 121/446091 taken out by the subsidiary ACS Srl for Euro 1,130 thousand stipulated on 11.08.2014 and provided on 11.08.2014 to be repaid in monthly instalments starting from 31.08.2014 until 31.10.2019.

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

Low-interest Loan from Banca di Credito Cooperativo di Roma

Loan 121/416528 of Euro 288 thousand stipulated by the subsidiary ACS Srl on 20.06.2013, to be repaid in 22 quarterly instalments starting from 30.06.2013 until 30.09.2018.

The interest rate applied is 0.50%.

Ordinary Loan from Banca di Credito Cooperativo di Roma

Loan 121/416527 of Euro 288 thousand stipulated by the subsidiary ACS Srl on 20.06.2013, to be repaid in 22 quarterly instalments starting from 30.06.2013 until 30.09.2018.

The interest rate applied is the Euribor +5.25%.

Low-interest Loan from Banca di Credito Cooperativo di Roma

Loan 121/420830 of Euro 87 thousand stipulated by the subsidiary ACS Srl on 30.08.2013, to be repaid in 21 quarterly instalments starting from 30.09.2013 until 30.09.2018.

The interest rate applied is 0.50%.

Ordinary Loan from Banca di Credito Cooperativo di Roma

Loan 121/420832 of Euro 87 thousand stipulated by the subsidiary ACS Srl on 30.08.2013, to be repaid in quarterly instalments starting from 30.09.2013 until 30.09.2018.

The interest rate applied is the Euribor +5.75%.

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

The low-interest loan up to a maximum of Euro 929 thousand and disbursed for Euro 232 thousand as at 31.12.2017 taken out by the subsidiary ACS Srl on 16.02.2017, expiring on 30.06.2026, bears a below-market fixed rate of interest of 0.80%.
There are no real guarantees for this loan.

Term Loan and Restructuring Agreements

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

The loans with secured guarantees, equal to Euro 132,005 thousand, are divided up into 3 credit lines, and in greater detail:

- Euro 36,352 thousand relating to the Restructuring line will be repayable as follows:

  a. Euro 2,110 thousand as at 31 December 2019;
  b. Euro 4,220 thousand as at 31 December 2020;
  c. Euro 3,377 thousand as at 31 December 2023;
  d. Euro 26,645 thousand as at 31 December 2024.

- Euro 6,700 thousand of TERM - E line, used in full, and will be repayable as follows:

  - Euro 390 thousand as at 31 December 2019;
  - Euro 780 thousand as at 31 December 2020;
  - Euro 622 thousand as at 31 December 2023;
  - Euro 4,907 thousand as at 31 December 2024.

- Euro 88,952 thousand of TERM - D/E line, used in full, and will be repayable as follows:

  - Euro 2,500 thousand as at 31 December 2019;
  - Euro 5,000 thousand as at 31 December 2020;
  - Euro 79,238 thousand as at 31 December 2024.

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

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

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

Leverage Ratio: this indicates the ratio between Net Financial Position and Ebitda.

Interest Cover Ratio: this indicates the ratio between Ebitda and Net Financial Charges.

Capital Expenditure: this refers to total investments.

Cassa Depositi e Prestiti Project ASIC - Istituto Finanziario Banca Intesa and Mediocredito Loan

A loan for Euro 5,380 thousand (Rotating fund for supporting the businesses and for investment in research) and disbursed on 31 December 2017 for Euro 1,605 thousand stipulated by Italtel Spa with repayment in six-month instalments starting from 30/12/2014 until 31/12/2018.

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

There are no real guarantees for this loan.

Cassa Depositi e Prestiti Project PA_IMS - Istituto Finanziario Banca Intesa and Mediocredito Loan

Loan resolved for a total of Euro 14,140 thousand, and disbursed as at 31 December 2017 for Euro 9,593 thousand in favour of Italtel Spa with repayment in six-month instalments as at 30 June and 31 December of each year of duration of the loan with last maturity date on 31 December 2020.

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

The rate applied is the Euribor plus a 4.00% spread for the bank loans amounting to Euro 1,414 thousand and a low interest rate equal to 0.5% on the part of the soft loans amounting to Euro 12,726 thousand, of which Euro 8,179 thousand disbursed as at 31 December 2017.

There are no real guarantees for this loan.

Cassa Depositi e Prestiti Project SIS - Istituto Finanziario Banca Intesa and Mediocredito Loan

Loan resolved for a total of Euro 13,675 thousand, and disbursed as at 31 December 2017 for Euro 9,277 thousand in favour of Italtel Spa with repayment in six-month instalments as at 30 June and 31 December of each year of duration of the loan with last maturity date on 31 December 2020.

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

The rate applied is the Euribor plus a 4.00% spread for the bank loans amounting to Euro 1,367 thousand and a low interest rate equal to 0.5% on the part of the soft loans amounting to Euro 12,307 thousand, of which Euro 7,910 thousand disbursed as at 31 December 2017.

There are no real guarantees for this loan.

Ministry of Education, Universities and Research Project PNGN - Istituto Finanziario Banca Intesa and Mediocredito Loan

Loan under the form of facilitated credit and grant towards costs using the fund for concessions and research (FAR) for the development of the "Platform for Next Generation Network – PNGN" research project amounting to Euro 6,806 thousand and disbursed as at 31 December 2017 for Euro 2,478 thousand taken out by Italtel Spa on 22 February 2012 with reimbursement in 20 quarterly instalments until 1 July 2020.

The interest rate applied is 0.50%.

There are no real guarantees for this loan.

NET FINANCIAL POSITION

In accordance with the CONSOB notice of 28 July 2006 and CESR recommendation of 10 February 2005 "Recommendations for standard implementation of European Commission regulations on disclosure schedules", the table below shows the net financial position of the Exprivia Group as at 31 December 2017 and at 31 December 2016.

		al 31.12.2017	al 31.12.2016
A.	Cash	900	39
B.	Other liquid assets	35,608	12,456
C 1.	Securities held for trading	455	463
C 2.	Own shares	2,547	2,547
D	**Liquid (A)+(B)+(C)**	**39,510**	**15,506**
E.	**Current financial receivables**	**1,914**	**2,062**
F.	Current bank debts	(59,438)	(20,160)
G.	Current portion of non-current bank debts	(11,279)	(7,194)
H.	Other current financial debts	(6,739)	(1,650)
I.	**Current financial debts (F) + (G) + (H)**	**(77,456)**	**(29,004)**
J.	**Net current financial debts (I) + (E) + (D)**	**(36,032)**	**(11,436)**
K.	Non-current bank debts	(167,499)	(24,625)
L.	Bond	(22,413)	(1,839)
M.	Other non- current financial payables net of non-current financial recivables and derivate financial istruments	3,100	2,113
N.	**Non-current financial debts (K) + (L) + (M)**	**(186,812)**	**(24,351)**
O.	**Net financial debits (J) + (N)**	**(222,844)**	**(35,787)**

Own shares held by the holding company (Euro 2,547 thousand) are included in the calculation of the net financial position.

18 - Other Non-current Financial Liabilities

The balance of "**other non-current financial liabilities**" as at 31 December 2017 amounted to Euro 173 thousand compared to Euro 721 thousand as at 31 December 2016.

Euro 71 thousand refers to the Italtel Group while Euro 92 thousand refers to the Exprivia scope.

Description	31/12/2017	31/12/2016	Variation
Payables to non-current suppliers	163	698	(535)
Debts to other lenders	10	10	-
Derivative financial instruments	-	13	(13)
TOTAL	**173**	**721**	**(548)**

Non-current Trade Payables

The balance of "**non-current trade payables**" as at 31 December 2017 came to Euro 163 thousand compared to Euro 698 thousand at 31 December 2016 and refers to the medium/long-term payment relating to contracts for leased assets.

Amounts Payable to Other Lenders

The balance of "amounts payable to other lenders" as at 31 December 2017 amounted to Euro 10 thousand, the same as at 31 December 2016, and refers to the company ACS Srl.

Derivative Financial Instruments

The balance of the item "**derivative financial instruments**" as at 31 December 2017 was zero compared with Euro 13 thousand as at 31 December 2016.

19 - Other Non-current Liabilities

The balance of "**other non-current liabilities**" as at 31 December 2017 amounted to Euro 3,354 thousand compared to Euro 4,137 thousand as at 31 December 2016.

Description	31/12/2017	31/12/2016	Variation
Payables / social security institutions	420	583	(163)
Non-current tax payables	2,298	2,882	(584)
Debts towards others	636	672	(36)
TOTAL	**3,354**	**4,137**	**(783)**

Amounts Payable to Pension and Social Security Institutions

The balance of "amounts payable to pension and social security institutions" amounted to Euro 420 thousand as at 31 December 2017 compared to Euro 583 at 31 December 2016 and mainly refers to the division into medium/long-term instalments of the expired pension payables attributable to ACS Srl as a result of the instalment plans obtained.

Non-current Tax Liabilities

The item "**non-current tax liabilities**" as at 31 December 2017 amounted to Euro 2,298 thousand compared to Euro 2,882 thousand at 31 December 2016. They refer to the division into medium/long-term instalments of the expired tax liabilities pertaining to the subsidiary ACS Srl (Euro 2,206 thousand) and the division into medium/long-term instalments of the tax payable (Euro 91 thousand), which arose following the tax payment slip received from the Italian Internal Revenue Agency in October 2017 and which refers to the IRES from the national tax consolidation scheme related to the years 2013-2014.

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

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

Amounts Payable to Others

The balance of "amounts payable to others" amounted at 31 December 2017 to Euro 636 thousand compared to Euro 672 thousand as at 31 December 2016 and includes Euro 411 thousand in amounts due to employees of the subsidiary ACS Srl, Euro 113 thousand relating to the suspended portion of public capital grants received by the subsidiary Italtel SpA and Euro 112 thousand due to guarantee deposits payable referring to the Italtel Group.

20 - Provision for risks and charges

At 31 December 2017, the item "**provision for risks and charges**" amounted to Euro 14,413 thousand compared to Euro 1,069 thousand at 31 December 2016. The breakdown is shown in the table below:

Description	31/12/2017	31/12/2016	Variation
Fund risks disputes	250	-	250
Risk fund tax dispute	957	700	257
Risk provisions staff	11,622	253	11,369
Provision for other risks	1,584	116	1,468
TOTAL	**14,413**	**1,069**	**13,344**

The provision for risks and charges includes Euro 14,249 thousand relating to the consolidation of the Italtel Group.

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

The "**provision for tax dispute risks**" amounting to Euro 957 thousand fully derives from the acquisition of the Italtel Group and refers to tax liabilities associated with the collection of receivables from foreign Group companies.

The provision made in 2016, Euro 700 thousand, in relation to the tax dispute pertaining to Exprivia Enterprise Consulting Srl was fully written off since the Company decided to comply with the institute of the so-called "scrapping" for the definition of the pending tax disputes.

For more details, please refer to note 35 “Sundry operating expenses”.

The **“provision for staff risks”**, amounting to Euro 11,622 thousand includes Euro 10,964 thousand for amounts set aside by the Italtel Group for employees within the sphere of the restructuring envisaged by the 2017-2023 Business plan, while the residual balance refers to the provision made by the Group companies to cover the risk associated with outstanding disputes with former employees.

The **“provision for other risks”** amounting to Euro 1,584 thousand as at 31 December 2017 essentially refers to the provision made by the Italtel Group for a total of Euro 1,558 thousand, of which Euro 1,110 thousand relating to future losses on work in progress.

21 - Employee Provisions

Severance Indemnity Fund

The balance of the item “severance indemnity fund" amounting to Euro 453 thousand relates to the Italtel Group and is inherent to the Indemnity for the early termination of the employment relationship.

Employee Severance Indemnity Fund

The amounts for the employee severance indemnity accrued after 31 December 2006 were paid to the INPS pension fund and union pension funds. The residual employee severance indemnity amounted to Euro 30,025 thousand as at 31 December 2017 compared to Euro 10,404 thousand at 31 December 2016. The fund is net of amounts deposited in funds and the treasury. An actuarial assessment was performed on the liability in accordance with IAS 19.

Italtel SpA’s contribution came to Euro 18,868 thousand.

Description	31/12/2017	31/12/2016
Discount rate	1.30%	1.30%
Inflation rate	1.50%	1.50%
Annual rate of wage growth	2.50%	2.50%
Annual rate of TFR growth	2.62%	2.62%
Mortality	Tav ISTAT 2011	Tav ISTAT 2011
Inability	Tav. INAIL	Tav. INAIL
Turn-over	3% -5,5%	5.50%
Probability advance	2,5% - 3%	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 Monte Carlo-based stochastic simulation that makes it possible to develop projections of amounts payable for each employee while taking into account the demographic and salary data of each position without making aggregations and without introducing average values.

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

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

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

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

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

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

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

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

22 - Deferred Tax Liabilities

The item "**provision for deferred taxes**" amounted to Euro 2,469 thousand compared to Euro 1,189 thousand as at 31 December 2016, and refers to allocations for temporary changes that will be reversed in subsequent financial years.

Description	31/12/2017		31/12/2016	
	Amount temporary differences	Tax effect	Amount temporary differences	Tax effect
TFR	-51	-9	69	19
Depreciation	1	0		
Goodwill	1,714	483	1,631	458
Buildings	3,186	910	2,528	704
Contributions	894	215		
Others	734	176		
Taxes	-	-	26	6
Provision for bad credit	26	7	4	1
Adjustments for IFRS	2,855	687	4	1
TOTAL	**9,360**	**2,469**	**4,262**	**1,189**

The contribution of the Italtel Group came to Euro 1,070 thousand mainly attributable to the timing differences relating to the bad debt provision (Euro 215 thousand), timing differences pertaining to the Colombian foreign branch in agreement with the local tax laws (Euro 50 thousand) and the discounting back of the severance indemnity fund (Euro 679 thousand).

CURRENT LIABILITIES

23 - Current Bond Issues

The "**current bond issue**" outstanding as at 31 December 2016 and referring to Exprivia Healthcare It Srl merged via incorporation in Exprivia SpA was written-off since it was reimbursed in full in December 2017.

24 - Current Bank Debt

As at 31 December 2017, the item "**current bank debt**" amounted to Euro 70,717 thousand compared to Euro 25,846 thousand at 31 December 2016. Euro 30,022 thousand refers to the current portion of payables for loans and mortgages (previously described under the item "non-current bank debt", note 17) and Euro 40,695 thousand refers to current account overdrafts at major credit institutions.

25 - Trade Payables

Trade payables amounted to Euro 146,584 thousand compared to Euro 18,631 thousand at 31 December 2016. The breakdown is shown in the table below:

Description	31/12/2017	31/12/2016	Variation
Trade payables	146,399	18,631	127,768
Payables to associates	185		185
TOTAL	**146,584**	**18,631**	**127,953**

Payables to associates refer to the Italtel Group inherent to the companies Cored - Consorzio Reti Duemila in liquidation (Euro 75 thousand) and Consorzio Hermes in liquidation (Euro 110 thousand).

Trade Payables - Suppliers

Trade payables - suppliers amounted to Euro 146,399 thousand as at 31 December 2017 compared to Euro 18,631 thousand at 31 December 2016.

The table below provides details on the item:

Description	31/12/2017	31/12/2016	Variation
Invoices received Italy	68,218	11,700	56,518
Invoices received foreing	23,873	995	22,878
Invoices to consultants	359	1,293	(934)
Invoices to be received	53,949	4,643	49,306
TOTAL	**146,399**	**18,631**	**127,768**

The contribution of the Italtel Group came to Euro 122,056 thousand and includes Euro 52,684 thousand for invoices received (Italy), Euro 21,175 thousand for invoices received (abroad), Euro 79 thousand for invoices from consultants and Euro 48,118 thousand for invoices to be received.

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

Trade payables	in	days past due							
	due	1 - 30	31- 60	61 - 90	91-120	121-180	181-270	271-365	beyond
92,451	24,763	8,412	5,286	1,493	2,289	1,854	1,222	1,373	2,833
100%	27%	12%	8%	2%	3%	3%	2%	2%	4%

26 - Advance Payments on Contract Work in Progress

Advance Payments

As at 31 December 2017 the item "**advance payments**" amounted to Euro 3,152 thousand compared with Euro 2,831 thousand at 31 December 2016 and refers to contract work in progress for which the payments on account and advance payments ended up being higher than the work in progress in financial terms at period-end.

27 - Other Financial Liabilities

"**Other financial liabilities**" amounted to Euro 6,739 thousand as at 31 December 2017 compared to Euro 1,650 thousand at 31 December 2016.

The table below provides details on the item:

Description	31/12/2017	31/12/2016	Variation
Payables for the purchase of investments	116	360	(244)
Debiti verso altri	2,655	1,106	1,549
Strrumenti finanziari	3,209		3,209
Debiti verso fornitori beni leasing	759	184	575
TOTAL	**6,739**	**1,650**	**5,089**

Payables for Purchase of Equity Investments

The item "**payables for the purchase of equity investments**" as at 31 December 2017 amounted to Euro 116 thousand compared to Euro 360 thousand as at 31 December 2016 and refers to the payable of Exprivia SpA for the purchase of the Esiet business segment (total price Euro 1,850 thousand).

Amounts Payable to Others

The balance of the item "**amounts payable to others**" amounted to Euro 2,655 thousand, compared to Euro 1,106 thousand at 31 December 2016 and mainly refers to payables due to factoring companies for advances received for the receivables transferred.

The contribution of the Italtel Group came to Euro 1,166 thousand and mainly includes Euro 625 thousand for a transaction for the "with recourse" discounting of invoices of the customer Telemex (Colombia) and Euro 277 thousand for an amount erroneously collected and returned in 2018. Furthermore, the balance includes Euro 262 thousand of accrued financial expense relating to interest and commission on loans outstanding, accrued between 14 December 2017 and 31 December 2017.

Financial Instruments

The balance of the item "financial instruments" as at 31 December 2017 amounting to Euro 3,209 thousand is attributable to the Italtel Group.

Italtel SpA has derivatives contracts for hedging the net exposure in dollars for a notional Euro 22,404 thousand at the exchange rate as at 31 December 2017.
Derivative contracts were entered into as from May 2017 for the hedging of the exchange rate risk in relation to the OPM sales agreements entered into with the customer TIM. On the basis of international standard IAS 39, these hedging transactions relating to the future cash flows, associated with an asset or liability

recognised in the financial statements, are measured and stated in the financial statements according to the Cash Flow Hedge methods.

As at 31 December 2017, in relation to these hedging transactions, for a notional amount of Euro 34,808 thousand at the exchange rate as at 31 December, Italtel had a negative equity reserve for Euro 783 thousand, gross of the tax effect of Euro 188 thousand.

The exchange rate hedging transactions opened as at 31 December 2017 all had a maturity date between January and October 2018.

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

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

Trade Payables - Suppliers of Leased Assets

The balance of the item "Trade payables - suppliers of leased assets" as at 31 December 2017 amounted to Euro 759 thousand compared to Euro 184 thousand as at 31 December 2016 and refers to the current portion of the payable for lease agreements.

The contribution of the Italtel Group amounts to Euro 103 thousand.

28 - Other Current Liabilities

"**Other current liabilities**" amounted to Euro 75,655 thousand as at 31 December 2017 compared to Euro 36,010 thousand at 31 December 2016.

The contribution of the Italtel Group amounts to Euro 40,842 thousand.

The table below provides details on the item:

Description	31/12/2017	31/12/2016	Variation
Payables / social security institutions	10,220	6,719	3,501
Other tax debts	15,099	12,360	2,739
Other debts	50,337	16,931	33,406
TOTAL	**75,656**	**36,010**	**39,646**

Amounts Payable to Pension and Social Security Institutions

The change refers to the acquisition of the Italtel Group for Euro 3,195 thousand.

Other Tax Liabilities

The balance of the item "**other tax liabilities**" as at 31 December 2017 amounted to Euro 15,098 thousand compared to Euro 12,360 thousand as at 31 December 2016; the contribution of the Italtel Group is Euro 4,917 thousand.

The items also include the liability, amounting to Euro1,114 thousand, relating to the dispute with the Inland Revenue Agency concerning VAT for the years 2004, 2005 and 2006 and concerning Exprivia Enterprise Consulting Srl which has been fully dealt with in note 35 Sundry operating expenses to which reference is made.

Other Payables

The balance of the item amounts to Euro 50,337 thousand compared with Euro 16,391 thousand as of 31 December 2016; the increase for the year essentially refers to the acquisition of the Italtel Group for Euro 32,630 thousand; in particular the balance mainly refers to the amount payable to employees inclusive of the incentive for outgoing staff as at 31 December 2017 and paid in January 2018, the provision for deferred remuneration accrued during the year and the portions of deferred revenues pertaining to the following year.

NON-CURRENT LIABILITIES DISPOSED OF

The balance of non-current liabilities disposed of, amounting to Euro 389 thousand, relates to the liabilities of the Italtel Group and refers to Italtel Telecommunication Hellas EPE in liquidation and Italtel Arabia Ltd in liquidation.

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

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

The liabilities totalling Euro 389 thousand are made up of sundry payables for Euro 65 thousand and amounts due to the tax authorities for Euro 324 thousand.

Explanatory Notes to the Consolidated Income Statement

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

As indicated previously, the consolidated income statement and consolidated statement of comprehensive income do not include the balances of Italtel Group.

29 - Revenue

Revenue from sales and services in 2017 amounted to Euro 157,122 thousand compared to Euro 137,298 thousand in the same period of 2016.

Details of the revenues relating to 31 December 2017 by type of services compared with the previous year are shown below.

Exprivia Group (amount in thousand Euro)	31/12/2017	31/12/2016	Variation	Variation%
Projects and Services	129,177	116,025	13,152	11.3%
Maintenance	17,092	15,119	1,973	13.0%
HW/ SW third parties	7,565	4,006	3,559	88.8%
Own licences	2,478	1,418	1,060	74.8%
Other	810	730	80	11.0%
Total	**157,122**	**137,298**	**19,824**	**14.44%**

30 - Other Income

Other income in 2017 amounted to Euro 4,082 thousand compared to Euro 4,216 thousand in the same period of 2016. It refers to:

Other Revenue and Income

The "**other revenue and income**" as at December 2017 amounted to Euro 258 thousand compared to Euro 403 thousand in 2016. The table below provides details on the items.

Description	31/12/2017	31/12/2016	Variation
Other revenue	169	373	(204)
Capital gains	89	30	59
TOTAL	**258**	**403**	**(145)**

The item "**capital gains**" refers primarily (Euro 71 thousand) to the gain realised on the sale of the property owned by ProSap SA de CV (Mexico).

Grants for Operating Expenses

In 2017 "**grants for operating expenses"** amounted to Euro 1,291 thousand compared to Euro 1,886 thousand in 2016 and refer to grants and tax credits pertaining to the period or authorised in the period relating to funded research and development projects, primarily attributable to Exprivia SpA for Euro 1,026 thousand and ACS Srl for Euro 255 thousand. The grants are carried net of the amount allocated to the risk provision for any minor grants that might not be received. The significant decrease compared to the same period of the previous year was caused by the conclusion of several projects at the end of 2016.

Costs for Capitalised Internal Projects

"**Costs for capitalised internal projects**" amounted to Euro 2,532 thousand in 2017 compared to Euro 1,927 thousand in the same period of 2016 and mainly refer to costs incurred in the period to develop products for the Banking & Finance and Healthcare segments for Euro 1,328 thousand. The increase during the period is mainly attributable to the subsidiary ACS in the Aerospace & Defence sphere for Euro 1,204 thousand.

31 – Costs for Raw Materials, Consumables and Goods

The balance of the item "**Costs for raw materials, consumables and goods**" passed from Euro 9,516 thousand in 2017 to Euro 4,284 thousand in the same period last year. The table below provides details on the items.

Description	31/12/2017	31/12/2016	Variation
Purchase of HW-SW products	8,751	3,892	4,859
Stationery and consumables	76	103	(27)
Fuel and oil	148	183	(35)
Other costs	541	106	435
TOTAL	**9,516**	**4,284**	**5,232**

The increase in the item "purchases of hardware and software products" matches the increase in revenues.

32 - Staff Costs

The item "**staff costs**" amounted to Euro 101,358 thousand in total in 2017 compared to Euro 92,071 thousand in the same period of 2016. The table below provides details on the item:

Description	31/12/2017	31/12/2016	Variation
Salaries and wages	74,408	67,439	6,969
Social charges	19,434	17,611	1,823
Severance Pay	4,739	4,246	493
Other staff costs	2,777	2,775	2
TOTAL	**101,358**	**92,071**	**9,287**

The number of employees at 31 December 2017, excluding the contribution of the Italtel Group (1,432 employees and 1 temporary worker) came to 2,525, of which 2,513 employees and 12 temporary workers, while the Group employed 2,359 workers at 31 December 2016, of which 2,346 employees and 13 temporary workers.

The average for 2017, excluding the Italtel Group, was 2,438 employees and 10 temporary workers.

33 - Costs for Services

The consolidated balance of the item "**Costs for services**" passed from Euro 29,496 thousand in 2017 to Euro 27,157 thousand in 2016. The table below provides details on the items:

Description	31/12/2017	31/12/2016	Variation
Technical and commercial consultancy	12,879	10,025	2,854
Administrative/company/legal consultancy	1,723	2,420	(697)
Data processing service	525	479	46
Auditors' fees	198	161	37
Travel and transfer expenses	2,547	2,265	282
Utilities	1,181	1,114	67
Advertising and agency expenses	485	621	(136)
Bank charges	475	438	37
HW and SW maintenance	7,261	7,141	120
Insurance	453	417	36
Costs of temporary staff	384	601	(217)
Other costs	1,151	1,176	(24)
Mail services	234	299	(65)
TOTAL	**29,496**	**27,157**	**2,339**

The most significant change was caused by the increase in costs for technical and commercial consulting, which is closely correlated with the rise in revenues.

The statement below is provided in accordance with Art. 149-duodecies of CONSOB Issuer Regulations to show amounts paid to the independent auditors in 2017 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 service	Party providing the service	Recipient	Fee attibutable 2017
Auditing services	PricewaterhouseCoopers	Parent Company	143
	PricewaterhouseCoopers	Subsidiaries**	732
Services other than auditing *	PricewaterhouseCoopers	Parent Company	105
TOTAL			**981**

* Non-audit services related to due diligence activities (Euro 80 thousand) and the examination of the pro forma schedules included in the Disclosure Document relating to the acquisition of Italtel SpA (Euro 25 thousand).

** The costs relating to the subsidiaries include Euro 681 thousand relating to the Italtel Group, which was not reflected in the income statement.

34 - Costs for Leased Assets

The consolidated balance of the item "**Costs for leased assets**" passed from Euro 3,811 thousand in 2017 to Euro 4,065 thousand in 2016. The table below provides details on the items:

Description	31/12/2017	31/12/2016	Variation
Rental expenses	1,813	1,827	(14)
Car rental/leasing	832	854	(22)
Rental of other assets	954	1,257	(303)
Royalties	113	109	4
Other costs	99	18	81
TOTAL	**3,811**	**4,065**	**(254)**

35 - Sundry Operating Expenses

In 2017, the consolidated balance of the item "**sundry operating expenses**" amounted to Euro 5,543 thousand in 2017 compared to Euro 451 thousand in 2016. The table below provides details on the item:

Description	31/12/2017	31/12/2016	Variation
Annual subscriptions	141	210	(69)
Taxes	360	(213)	573
Contingency liabilities	31	405	(374)
Sundry expenses	4,942		4,942
Penalties and damages	69	49	20
TOTAL	**5,544**	**451**	**5,093**

The item "**tax dispute expenses**" refers to the VAT payable relating to the so-called "facilitated settlement" of the notices of assessment received in previous years by the subsidiary Exprivia Enterprise Consulting Srl.

The afore-mentioned item includes the portion relating to the payable (Euro 4,942 thousand) while the interest portion (Euro 1,002 thousand) has been recognised in the item "interest and other financial charges" which is detailed in note 29.

The dispute stems from a tax audit performed in 2007 by the Inland Revenue Agency on Exprivia Enterprise Consulting (hereinafter "EEC"), formerly WellNetwork SpA. In the report on findings drafted following said audit and concerning the events that occurred prior to the acquisition by Exprivia of EEC, the latter was notified of alleged violations of VAT legislation, undeclared capital gains and irrelevant entertainment costs. Based on the results of the report on findings, the Inland Revenue Agency issued assessment notices to EEC relating to the 2004 and 2005 tax periods; in these notices, the Inland Revenue Agency confirmed the qualification of the purchase transactions forming the object of the report on findings as objectively non-existent, consequently contesting EEC's deduction of the relevant costs for direct tax purposes and the deduction of the related VAT.
EEC challenged the 2004 and 2005 assessment notices before the Tax Commission of Piacenza which, at the hearing on 8/11/2011, combined the two appeals and, by means of judgment 55/01/12, filed on 31/08/2012, cancelled said Notices, ruling out the possibility, regarding the matter in question, of said transactions being classified as objectively non-existent, unlike what was claimed by the Inland Revenue Agency, and also excluding said transactions from being considered non-existent from an objective viewpoint.
The Inland Revenue Agency served notice, on 18 February 2013, of an appeal against the aforementioned judgment before the Regional Tax Commission of Bologna, whose proceedings were scheduled for 12 May 2017; following the request for suspension of the proceedings, they were suspended.

On 27/10/2014, EEC received notification from the Inland Revenue Agency of Piacenza of a new assessment notice in relation to the aforementioned report on findings for the year 2006. By means of said assessment, the Inland Revenue Agency, despite recalling the contents of the report on findings, no longer contested the non-existence of the transactions from an objective viewpoint but rather a subjective standpoint, therefore disallowing EEC's deductibility of VAT connected with said transactions for an amount of Euro 2,052,896, in addition to sanctions totalling Euro 5,132,240. Concerning the assessment relating to 2006, on 16/04/2015 EEC filed an appeal (RG 119/2015). The Provincial Tax Commission of Piacenza, at the hearing on 21/09/2015 ordered the suspension of the executive effects of the assessment notice and set 14/12/2015 as the date for the hearing for discussing the merits of the case. On 15 February 2016, the Provincial Tax Commission of Piacenza filed judgment No. 28/02/2016, confirming EEC as the losing party. On 6 June 2016, EEC filed an appeal before the Bologna Regional Tax Commission against judgment No. 28/02/2016. The Bologna Regional Tax Commission, under decree No. 759/2016 of 12/07/2016, upheld the application for suspension 'inaudita altera parte' (without prior hearing of the other party) and called the council chambers for 27 September 2016 to discuss said request, in which the Bologna Regional Tax Commission definitively upheld the request for suspension of judgment No. 28/02/2016 on the assessment notice. The hearing for discussion was set for 19 January 2017.
Following the hearing, the Regional Tax Commission filed judgment No. 887/4/2017 on 7 March 2017, in which it rejected the appeal filed by EEC, with the subsequent confirmation of the VAT assessed while, as regards sanctionary profiles, the appeal judges partially upheld the conditional exemptions, recalculating and reducing the sanctions applied to the company.
The judgment therefore establishes a non-deductible amount of VAT of Euro 2,052,896 plus sanctions of Euro 4,105,738 and interest.
The company has therefore presented, on the basis of the opinions of the legal firm, which has seen to its defence, a measure for the suspension of the executive nature of the appeal sentence care of the Bologna Regional Tax Commission.
On 19 June 2017, the Council Chambers meeting was scheduled for the discussion of the request for the suspension of the enforceability of the Regional Tax Commission's ruling relating to the year 2006, which had been challenged before the Court of Cassation, before the Regional Tax Commission of Bologna, sect. No. 5. On 21 June 2017, a ruling was filed against this.
Exprivia Enterprise Consulting Srl decided to comply with the institute of the so-called settlement of the tax disputes for all three years disputed, undertaking to pay the total amount of Euro 5,801 thousand in three instalments as summarised below:

- The first equal to Euro 2.3 million paid on 28 September 2017;
- The second equal to Euro 2.3 million paid on 28 November 2017;
- The third equal to Euro 1.2 million to be paid by 30 June 2018.

At the same time the company took precautionary action vis-à-vis Asperience Srl (formerly Data Management SpA), from which Exprivia SpA had acquired the equity investment in Exprivia Enterprise Consulting Srl, for the compensation of the damage suffered due to the tax dispute and the final definition of the pending disputes. The company, assisted by its legal advisors, in the presence of the sums outlaid so far on the basis of the mandatory guarantees envisaged at the time of purchase of Wel.Network, now EEC, has taken action presenting an appeal before the Milan Court pursuant to Articles 671 of the Italian Code of Civil Procedure, 2905-2906 of the Italian Civil Code and 700 of the Italian Code of Civil Procedure on 9 October 2017 requesting authorisation for the attachment as per Article 671 of the Italian Code of Civil Procedure on the movable and fixed assets of Asperience Srl.

The Milan Court, by means of order dated 30 October 2017, partially upheld the request of Exprivia Enterprise Consulting Srl, authorising the attachment on the movable and fixed assets, as well as the receivables pertaining to Aspericence Srl up to the amount of Euro 3,100 thousand, also ordering the counterparty to reimburse the company for the legal costs.

The Court order was objected to by Asperience Srl; the objection proceedings concluded on 30 November 2017 with partial reform, confirming the attachment for a reduced amount of 280 thousand.

Further to the serving of the two writs of execution, Asperience Srl took steps to pay the legal costs for the precautionary proceedings and the objection for Euro 34 thousand.

Exprivia Enterprise Consulting also established arbitration proceedings vis-à-vis Asperience Srl for the purpose of ascertaining the right to Exprivia Enterprise Consulting Srl to be compensated by the counterparty and obtain from the same the payment of Euro 4.1 million relating to the liability linked to the facilitated settlement of the tax disputes mentioned above, plus the legal costs.

36 – Change in Inventories of Raw Materials and Finished Products

In 2017, the balance of the item "**change in inventories of raw materials and finished products**" amounted to Euro 32 thousand compared to Euro 48 thousand in the same period of the previous year. It refers to changes in finished products.

37 - Provisions

The consolidated balance of the item "**provisions**" passed from Euro -648 thousand in 2017 to Euro 675 thousand in 2016.

The table below provides details on the items.

Description	31/12/2017	31/12/2016	Variation
Provision for tax litigation risks	(700)	700	(1,400)
Provision for legal disputes with employees	72	(67)	139
Other provisions	(20)	42	(62)
TOTAL	**(648)**	**675**	**(1,323)**

The release of the provision of Euro 700 thousand relates to the final settlement of the tax demands received by the subsidiary Exprivia Enterprise Consulting Srl, as described above in note 35 Sundry operating expenses.

38 - Amortisation, Depreciation and Write-downs

Amortisation and Depreciation

In 2017, "amortisation and depreciation" amounted to Euro 4,520 thousand compared with Euro 4,391 thousand in 2016 and refer for Euro 3,112 thousand to amortisation of intangible fixed assets and for Euro 1,408 thousand to depreciation of tangible fixed assets. Details of the aforementioned items are provided in notes 1 and 3.

Write-downs

The **"write-downs**" in 2017 amounted to Euro 1,071 thousand compared with Euro 614 thousand in 2016 and include Euro 860 thousand for write-downs of current receivables, around Euro 100 thousand for write-downs of inventory and around Euro 110 thousand for write-downs of other assets.

39 - Financial (Income) Charges and Other Investments

The balance of the item "**financial (income) charges and other investments**" amounted to a negative Euro 3,860 thousand in 2017 compared with a negative Euro 2,990 thousand in the same period last year.

The table below provides details on the items.

Description	31/12/2017	31/12/2016	Variation
Proceeds from shareholdings from parents	78	75	3
Income from other investments	13	13	0
Other income other than the above	246	397	(151)
Interest and other financial charges	(3,790)	(3,001)	(789)
From parent charges	(388)	(276)	(112)
Profit and loss on currency exchange	(19)	(198)	179
TOTAL	**(3,860)**	**(2,990)**	**(870)**

Income from Parent Companies

The balance of the item "**income from parent companies**" amounted to Euro 78 thousand in 2017 compared to Euro 75 thousand in the same period in 2016 and refers to interest accrued to Abaco Innovazione SpA on a loan disbursed by Exprivia SpA.

Income from Other Investments

The balance of the item "**income from other investments**" totalled Euro 13 thousand in 2017 and did not undergo any changes with respect to 2016; it refers to dividends received by minority interests.

Other Financial Income

The balance of the item "**other financial income**" passed from Euro 246 thousand in 2017 to Euro 397 thousand in 2016. The table below provides details on the item.

Description	31/12/2017	31/12/2016	Variation
Bank interest receivable	2	4	(2)
Discounts and rebates from suppliers	14	35	(21)
Interest income from securities	119	123	(4)
Other interest income	111	235	(124)
TOTAL	**246**	**397**	**(151)**

Interest and Other Financial Charges

The consolidated balance of the item "**interest and other financial charges**" passed from Euro 3,790 thousand in 2017 to Euro 3,001 thousand in 2016. The table below provides details on the items.

Description	31/12/2017	31/12/2016	Variation
Bank interest payable	374	659	(285)
Interest on loans and mortgages	1,159	1,084	75
Sundry interest	1,779	991	788
Charges on financial products and sundry items	74	45	29
Rounding up/down	244	1	243
Interest cost IAS 19	160	222	(62)
TOTAL	**3,790**	**3,001**	**789**

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The item “**other interest**” includes default interest relating to the tax payable (equal to Euro 1,001 thousand) concerning the dispute between the Inland Revenue Agency and Exprivia Enterprise Consulting Srl. For more details, please refer to note 35 Sundry operating expenses.

Charges from Parent Companies

The balance of the item “**charges from parent companies**” amounted to Euro 388 thousand in 2017 compared with Euro 276 thousand in 2016 and refers to the portion applicable to the period of charges recognised by Exprivia SpA to the parent company Abaco Innovazione SpA for guarantees issued by the latter with respect to its subsidiary.

Gains and Losses on Currency Exchange

In 2017, the item “**losses on currency exchange**” amounted to Euro 19 thousand compared with a loss of Euro 198 thousand in 2016 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 Exprivia Group.

40 - Taxes

In 2017, “**taxes**” amounted to Euro 2,594 thousand compared to Euro 1,930 thousand in 2016; the table below provides details on the changes compared to the previous period:

Description	31/12/2017	31/12/2016	Variation
IRES	1,457	1,824	(367)
IRAP	764	658	106
Foreing tax	87	107	(20)
Taxes from prior years	4	(268)	272
Defered tax	7	45	(38)
Deferred tax assets	275	(436)	711
TOTAL	**2,594**	**1,930**	**664**

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

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

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

41 - Profit (Loss) for the Period

The 2017 income statement closed with a consolidated profit (after tax) of Euro 50 thousand compared with a consolidated profit of Euro 2,838 thousand in 2016.

42 - Earnings (Loss) Per Share

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

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

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

At 31 December 2017, the basic and diluted loss per share amounted to Euro -0.0006.

Profit (loss) amount in thousand Euro	31/12/2017
Profits for determining basic earnings per share (Net profit due to shareholders of parent company)	(26,784)
Profit for determining the earnings per basic share	(26,784)

Number of shares	31/12/2017
Number of ordinary shares at 1 January 2017	51,883,958
Purchase of own shares at 31 December 2017	(3,509,153)
Average weighted number ordinary shares for calculation of basic profit	48,374,805

Earnings per share (Euro)	31/12/2017
Profit (loss) per basic share	-0.0006
Diluted earnings (loss) per share	-0.0006

43 - Information on the Cash Flow Statement

The increase in cash and cash equivalents is due to the positive flows deriving from the financing activities for Euro 22.2 million, plus the positive flows deriving from operations for Euro 9.3 million, partly offset by the negative flows deriving from the investment activities for Euro 7.2 million.

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 SpA and the companies included in the consolidation area essentially consist in 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 in units of Euro for commercial relations, financial relations and those of another kinds with companies included in the scope of consolidation.

Non-current Financial Receivables

Description	31/12/2017	31/12/2016	Variazioni
ACS	1,858,318	800,000	1,058,318
Exprivia Asia		205,000	(205,000)
TOTAL	**1,858,318**	**1,005,000**	**853,318**

Trade Receivables

Description	31/12/2017	31/12/2016	Variation
Consorzio Exprivia	89,459	217	89,242
Advanced Computer Systems Spa	346,129	150,908	195,221
Exprivia Projects Srl	197,599	245,922	(48,323)
ProSap	739,111	990,976	(251,865)
Exprivia Digital Financial Solution Srl		568,941	(568,941)
Spegea S. c. a.r.l.	17,413	20,951	(3,538)
Exprivia Healthcare IT Srl		835,035	(835,035)
Exprivia Enterprise Consulting Srl	261,573	2,317,376	(2,055,803)
Exprivia Asia Ltd		39,232	(39,232)
Exprivia Telco & Media Srl		767,065	(767,065)
Exprivia Process Outsoursing Srl	365,040	18,547	346,493
Italtel S.p.A.	2,252,476		2,252,476
TOTAL	**4,268,800**	**5,955,170**	**(1,686,370)**

Current Financial Receivables

Description	31/12/2017	31/12/2016	Variation
Advanced Computer Systems Srl	600,000		600,000
Exprivia Enterprise Consulting Srl	1,009,253		1,009,253
Gruppo ProSap	1,267,434	437,198	830,236
Exprivia Asya	356,641		356,641
Exprivia SI	4,005,623	3,891,082	114,542
Exprivia Process Outsourcing	30,521		30,521
TOTAL	**7,269,472**	**4,328,280**	**2,941,191**

Trade Payables

Description	31/12/2017	31/12/2016	Variation
Exprivia Digital Financial Solution Srl		519,818	(519,818)
Advanced Computer Systems Srl	51,013	16,413	34,600
Exprivia Projects Srl	1,628,688	1,748,214	(119,526)
Exprivia Healthcare It Srl		252,596	(252,596)
Exprivia Enterprise Consulting Srl	328,078	728,733	(400,655)
Exprivia Telco & Media Srl		320,393	(320,393)
Spegea S.c. a r.l.	52,519	138,914	(86,395)
Exprivia do Brasil	3,000	3,000	-
Exprivia Asia Ltd	1,521		1,521
Gruppo Exprivia SLU	108,091	103,715	4,376
Exprivia Process Outsourcing	16,527		16,527
Italtel SpA	395,784		395,784
TOTAL	**2,585,221**	**3,831,797**	**(1,246,576)**

Current Financial Payables

Description	31/12/2017	31/12/2016	Variation
Exprivia Digital Financial Solution Srl		5,565,938	(5,565,938)
Exprivia Projects Srl	493,923	8,994	484,929
Exprivia Healthcare It Srl		171,139	(171,139)
Spegea S.c. a r.l.	168,096	161,143	6,953
TOTAL	**662,019**	**5,907,214**	**(5,245,195)**

Other Payables

Description	31/12/2017	31/12/2016	Variation
Spegea for consolidated ires	12,360	11,610	750
Exprivia Projects for consolidated ires	3,582	17,416	(13,834)
Exprivia Projects per instance ires on irap	15,699	15,699	-
Exprivia Process Outosoucing for consolidated ires	135,835	-	135,835
Exprivia Enterprise Consulting for consolidated ires	178,413	164,449	13,964
Exprivia Healthcare per istance ires on irap	-	88,273	(88,273)
TOTAL	**345,889**	**297,447**	**48,442**

Trade Costs

Description	31/12/2017	31/12/2016	Variation
Spegea Scarl	117,613	157,205	(39,592)
Exprivia Projects Srl	6,129,798	5,395,761	734,037
Exprivia Enterprise Consulting Srl	4,417,450	5,387,975	(970,525)
Exprivia Process Outsourcing Srl	16,527		16,527
Gruppo ProSap	428,146	106,667	321,479
Exprivia Shanghai	114,409		114,409
Advanced Computer Systems Srl	26,774	(7,664)	34,438
Exprivia Digital Financial Solution Srl		1,093,829	(1,093,829)
Exprivia Asia Ltd		126,525	(126,525)
Consorzio Exprivia Scarl		4,200	(4,200)
Exprivia Healthcare It Srl		1,047,023	(1,047,023)
Exprivia Telco & Media Srl		1,052,404	(1,052,404)
Exprivia Do Brasil		3,000	(3,000)
TOTAL	**11,250,718**	**14,366,925**	**(3,116,207)**

Financial Charges

Description	31/12/2017	31/12/2016	Variation
Spegea Scarl	5,952	5,994	(42)
Exprivia Projects Srl	10,190	11,826	(1,636)
Exprivia Process Outsourcing Srl	735		735
Exprivia Digital Financial Solution Srl		189,960	(189,960)
Exprivia Healthcare It Srl		27,528	(27,528)
TOTAL	**16,877**	**235,308**	**(218,431)**

Trade Revenues and Income

Description	31/12/2017	31/12/2016	Variation
Spegea Scarl	7,750	14,216	(6,466)
Exprivia Projects Srl	719,764	824,360	(104,596)
Exprivia Enterprise Consulting Srl	434,492	442,866	(8,374)
Exprivia Process Outsourcing Srl	457,289		457,289
Gruppo ProSap	25,660		25,660
Advanced Computer Systems Srl	405,857	96,500	309,357
Exprivia Digital Financial Solution Srl		5,421,216	(5,421,216)
Consorzio Exprivia Scarl	89,233		89,233
Exprivia Healthcare It Srl		1,816,317	(1,816,317)
Exprivia Telco & Media Srl		1,511,965	(1,511,965)
TOTAL	**2,140,045**	**10,127,440**	**(7,987,395)**

Financial Income

Description	31/12/2017	31/12/2016	Variation
Exprivia Projects Srl	7,500	312,225	(304,725)
Exprivia Enterprise Consulting Srl	13,661		13,661
Exprivia Process Outsourcing Srl	9,243		9,243
Gruppo ProSap	232,717	171,806	60,911
Advanced Computer Systems Srl	101,241	916	100,325
Exprivia Digital Financial Solution Srl		2,872,480	(2,872,480)
Exprivia Asia Ltd	12,409	23,329	(10,920)
Exprivia Healthcare It Srl		146,552	(146,552)
Exprivia Telco & Media Srl		16,161	(16,161)
TOTAL	**376,770**	**3,543,469**	**(3,166,698)**

Relations with Parent Companies

For information concerning relations with the parent company, see the Directors' Report in the sections "Group Relations with the Parent Company" and "Report on Management and Coordination Activities".

Relations with Other Related Parties

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

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

Equity Investments in Other Companies

Description	31/12/2017	31/12/2016	Variation
Daisy-Net- Driving Advances of ICT in South Italya	13,939	13,939	0
DHITECH Srl	17,000	-	17,000
Consorzio DITNE	5,582	-	5,582
Consorzio Biogene	3,000	-	3,000
Innoval S.C. A.R.L.	2,500	-	2,500
TOTAL	**42,021**	**13,939**	**28,082**

Trade Payables - Suppliers

Description	31/12/2017	31/12/2016	Variation
Kappa Emme Sas	72,750	25,000	47,750
Daisy-Net- Driving Advances of ICT in South Italya	111,599	-	111,599
Consorzio DITNE	5,000	-	5,000
SER&Praticces Srl	2,806	-	2,806
Innovision International Ltd	25,000	51,248.00	(26,248)
TOTAL	**217,155**	**76,248**	**140,907**

Costs

Description	31/12/2017	31/12/2016	Variation
Kappa Emme Sas	195,000	150,000	45,000
Consorzio Biogene	11,937	-	11,937
Consorzio DITNE	10,357	-	10,357
Innovision International Ltd	25,000	50,004	(25,004)
TOTAL	**242,294**	**200,004**	**42,290**

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

	31/12/2017				31/12/2016			
Offices	Fixed remuneration	Equity compensation committees	Wages and salaries	Other incentives	Fixed remuneration	Equity compensation committees	Wages and salaries	Other incentives
Administrators	626	87	806	141	709	80	1,305	230
Statutory Auditors	150				155			
Strategic managers			97	5			90	30
TOTAL	**776**	**87**	**903**	**145**	**864**	**80**	**1,395**	**260**

The table below provides information on remuneration for directors, statutory auditors and key executives of the Italtel Group; amounts are in Euro thousands. The income statement of the Italtel Group is not included in the consolidated income statement of the Exprivia Group.

	31/12/2017			
Offices	Fixed remuneration	Equity compensation committees	Wages and salaries	Other incentives
Administrators	916	20		
Statutory Auditors	81			
Strategic managers			1,543	
TOTAL	**997**	**20**	**1,543**	**0**

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 relations with related parties relating to the Italtel Group are illustrated below:

31 December 2017	Trade receivables	Financial receivables	Trade payables	Financial payables	Other receivables/payables
Associates:					
Cored - Consorzio Reti Duemila in liquidation	59	-	-	-	(78)
Consorzio Hermes in liquidation	27	-	-	-	(107)
Other related parties:					
Italtel Group S.p.A.	-	-	-	-	-
Cisco Systems Group	4,162	-	(46,629)	-	-
Total	**4,248**	**-**	**(46,629)**	**-**	**(185)**

The Italtel Group is party to operating lease agreements essentially concerning offices, vehicles and IT apparatus. The following table summarises the commitments relating to these agreements.

	31/12/2017	31/12/2016
To be reimbursed		
- within 12 months	5,036	4,772
- between one and two years	4,929	4,617
- between two and three years	4,683	4,557
- between three and four years	4,420	4,470
- between four and five years	3,371	3,298
- beyond five years	5,846	8,431
Total	**28,285**	**30,145**

The Italtel Group has trade guarantees outstanding for Euro 22,962 thousand, of which Euro 799 thousand related to the customer Telecom Italia S.p.A., divided up into bank guarantees for Euro 10,812 thousand and insurance guarantees for Euro 12,150 thousand. These guarantees have differentiated maturities up until March 2022.

There is an additional bank guarantee for Euro 8,000 thousand in favour of the lessor, maturing on 31 December 2024, to guarantee the payment of the rental fees for the Castelletto – Settimo Milanese complex.

There are additional financial guarantees for Euro 15,100 thousand to guarantee the disbursement of loans for research and development activities for Euro 2,000 thousand maturing on 30 June 2018, Euro 5,100 thousand maturing on 31 December 2019 and Euro 8,000 on 20 January 2021.

Potential Liabilities

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

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 ValerioStea, Executive manager responsible for preparing the corporate accounts of Exprivia SpA, certify the following, taking into account the provisions of Art. 154-bis (3, 4) of Legislative Decree no. 58 of 24 February 1998:

- adequacy, in relation to the characteristics of the group and
- actual application of administrative and accounting procedures to draft the consolidated financial statements for the reporting period at 31 December 2017.

Furthermore, it is certified that the financial statements:

a) correspond to accounting records;

b) were prepared in accordance with International Financial Reporting Standards, which were adopted by the European Commission with regulation 1725/2003 as amended, and are suitable for giving an accurate and correct representation of the equity, economic and financial situation of the company.

c) The Directors' Report for the group includes a reliable analysis that is consistent with the financial statements, operating trends and results, and also the situation of the company and group of subsidiaries included in consolidation, together with the description of the main risks and uncertainties.

Molfetta, 15 March 2018

Domenico Favuzzi	**Valerio Stea**
Chairman and Chief Executive Officer	The Reporting Officer

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 2017, 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 2017, 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

PricewaterhouseCoopers SpA

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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.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Goodwill	
Note 2 to the consolidated financial statements of the Exprivia Group as of 31 December 2017 ("Goodwill and other assets with an indefinite useful life"). The value of goodwill as of 31 December 2017 amounted to Euro 207 million, corresponding to 32 per cent of total assets. We focused our audit on such financial statement area in consideration of: - the significance of the amount of goodwill compared to the Group shareholders' equity as of 31 December 2017; - the impact of the estimates made by management in relation to the future cash flows and the discounting rate applied to them on the determination of the recoverable amount, namely the value in use of the related cash generating units ("CGU"). The recoverability of the values of goodwill recognised in the financial statements was verified by management through the comparison between the carrying value of the CGUs 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 CGUs using the Discounted Cash Flow model. The discount rate (WACC), as the long-term growth rate (g), used by management were determined with the support of an independent expert who prepared the relevant report.	As part of our audit, we analysed the allocation of the goodwill amounts to the CGUs identified by the Company on the basis of what provided for by international accounting standards. We analysed, with the support of the PwC network experts in evaluation models, the impairment tests of goodwill prepared by the Group; we also analysed the methodology used by management to develop the impairment tests in consideration of the prevailing professional evaluation practice and in particular of what envisaged by international accounting standards and specifically by IAS 36 adopted by the European Union. We verified the mathematical accuracy of the tests. With reference to the future cash flows expected for the CGUs, we verified that these agreed with data approved by the Boards of Directors of the Company and of the subsidiary Italtel SpA. Moreover, as regards the future plans related to Italtel SpA we verified that these were consistent with the debt rescheduling plan prepared by the Company pursuant to article 182 bis of the Italian Bankruptcy Law, certified by an external expert and validated by the Court of Milan. We analysed the main assumptions used in the preparation of the CGUs' forecast plans. We evaluated the reasonableness and consistency of the prospective data used by the Company in relation to the purposes of

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
	the impairment tests, in consideration of the future plans approved by management and of the results achieved in the prior years. We analysed, with the support of the PwC network experts, the methodology for the determination of the discounting rates used by the Company (WACC), and of the long-term growth rate (g) on the basis of the prevailing professional evaluation practice and under the market conditions at the reporting date. We also reperformed the sensitivity analyses carried out by the Company.
Recognition of the extraordinary business combinations (Italtel transaction) Note "Consolidation of the Italtel Group" and note 2 "Goodwill and other assets with an indefinite useful life" to the consolidated financial statements of the Exprivia Group as of 31 December 2017. The analysis of the evaluation and recognition process of the acquisition via subscription by Exprivia SpA of 81 per cent of the share capital of Italtel SpA, completed on 14 December 2017 (as this date neared the closing of 2017, the P&L data of the Italtel Group was not included in the consolidated financial statements of the Exprivia Group as of 31 December 2017) represented one of the main activities of our audit process given the complexity of the abovementioned transaction and of its recognition. The acquisition of Italtel occurred within the context of the recapitalization and restructuring of the Company debts to banks, carried out pursuant to article 182 of the Italian Bankruptcy Law on the basis of an agreement approved in November 2017, which also provided for the	As part of our audit activities, we carried out the main following activities, in order to tackle such key aspect: • Analysis of the documentation and discussion with the corporate functions involved on the methods for the determination of the acquisition costs; • Analysis of the recognition of the transaction and determination of the amounts of consolidated equity attributable to minority interests in accordance with the provisions of "IFRS 3 Revised - Business Combinations" and "IFRS 10 Consolidated financial statements", adopted by the European Union. Finally, we verified that the information reported in the explanatory notes to the consolidated financial statements as of 31

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
conversion of a part of the receivables claimed by the banks into Equity Financial Instruments. The above transactions, all connected to each other, were carried out on the basis of arrangements between all the parties involved which specifically provide for economic and financial rights of the shareholders or holders of the Equity Financial Instruments, which were considered in the determination of the amount of the net consolidated equity attributable to minority interests. The process of goodwill allocation, on a residual basis, equal to Euro 15.6 million, will terminate within 12 months from the date of the acquisition of control of Italtel SpA, in compliance with the provisions of the international accounting standards.	December 2017 was adequate, complete and related to the key matter under examination.
Deferred tax assets Note 7 to the consolidated financial statements of the Exprivia Group as of 31 December 2017 ("Deferred tax assets"). The value of deferred tax assets as of 31 December 2017 amounted to Euro 65.6 million, corresponding to 10 per cent of total assets. We focused our audit activity on such financial statement area in consideration of: - the significant amount of deferred tax assets, mainly related to Italtel SpA and its subsidiaries (Euro 60 million and Euro 3 million respectively); - the impact on the determination of the recoverable amount of deferred tax assets of the management evaluations on future results that the company business can generate.	As part of our audit activities, we analysed, with the support of PwC network experts, the temporary differences on which the deferred tax assets were recorded, verifying that these were correct and accurate. With reference to the future taxable income underlying the analysis for the recoverability of deferred tax assets prepared by the management of Exprivia SpA and Italtel SpA, we verified that these were consistent with the budget data approved by the boards of directors of the Company and of the subsidiary Italtel SpA. In particular, with reference to the future plans related to Italtel SpA, we verified that these were consistent with the debt restructuring plan prepared by the Company pursuant to article 182 bis of the Italian Bankruptcy Law, certified by an external

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
	expert and validated by the Court of Milan.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is 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 management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is 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, management uses the going concern basis of accounting unless management either intends to liquidate Exprivia SpA or to cease operations, or has no realistic alternative but to do so.
Those charged with governance are 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 auditors' 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 an 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 management;
- We concluded on the appropriateness of management's 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 those charged with governance, in their 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

Management of Exprivia SpA is 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 2017, 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 2017 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 2017 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

Management of Exprivia SpA is responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.

We have verified that management 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, 30 March 2018

PricewaterhouseCoopers SpA

Signed by

Corrado Aprico
(Partner)

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

8 of 8

Exprivia S.p.A.

Registered office and administrative headquarters: Molfetta (BA), Via Adriano Olivetti 11

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VAT No. 09320730154

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING PURSUANT TO ARTICLE 153 OF LEGISLATIVE DECREE 58/98 ("TUF", Consolidated Finance Act) AND ARTICLE 2429 OF THE ITALIAN CIVIL CODE

Dear shareholders,

During the course of the year closed on 31 December 2017, the Board of Statutory Auditors of Exprivia S.p.A. (the "Company") conducted the supervisory activities required by law while also taking into account Consob communications relative to shareholding control and activities of the Board of Statutory Auditors in addition to the "Code of conduct of the Boards of Statutory Auditors of listed companies in regulated markets" recommended by the Italian National Board of Chartered Accountants.

During the course of the year closed on 31 December 2017, the Board of Statutory Auditors therefore monitored (i) compliance with the law and with the Articles of Association, (ii) compliance with the principles of correct administration, (iii) the adequacy of the organisational structure of the company for those elements falling under its competence as well as the internal control system and the administrative/accounting system in addition to the reliability of the latter in correctly reporting operational events, (iv) the modalities for the correct implementation of the corporate governance rules provided for in the Corporate Governance Code of the Corporate Governance Committee for listed companies, and to which the Company has adhered; and (v) the adequacy of the provisions imparted to subsidiaries on the basis of Article 114, paragraph 2, of the TUF.

In addition, the Board of Statutory Auditors - acting in its capacity of Internal Control and Auditing Committee pursuant to Art. 19 of Legislative Decree no. 39 of 27 January 2010 - also monitored (i) the financial reporting process, (ii) the effectiveness of the internal control, internal audit and risk management systems, (iii) the regulatory audit of the annual and consolidated financial statements, and (iv) the independence of the independent auditors.

In particular, the following is reported:

1. The Board monitored operations of greater economic and financial significance that were conducted by the Company and which it acquired knowledge of by participating in Board meetings, shareholders' meetings and through communications with top management; these were deemed in compliance with the law and the Articles of Association. In particular, the following most significant operations and events are reported:

- on 30 November 2017 - and following registration within the Registries of Companies of Milan, Trento and Bari, in accordance with the provisions of Art. 70, third paragraph, of Consob Regulation no. 11971/1999 and following the complete integration of the previous registered documentation - the merger by incorporation of Exprivia Digital Financial Solutions S.r.l., Exprivia Healthcare IT Srl and Exprivia Telco & Media S.r.l. into Exprivia S.p.A. was completed with retroactive accounting and tax effects of as of 1 January 2017;
- on 14 December 2017 Exprivia S.p.A. completed the purchase of a shareholding equal to 81% of the share capital of Italtel S.p.A., a historical firm operating in the telecommunications market. Exprivia financed its investment through: 1) its own financial resources, for 6 million Euro, 2) conversion of liquid and due trade receivables from Italtel S.p.A. for 2 million Euro; 3) a bond issued on 14 December 2017 named "Exprivia SpA. - 5.80% 2017-2023" (ISIN IT0005316382)", for a total nominal amount of 17 million Euro.

2. The Board did not note the existence of atypical and/or unusual operations with companies of the Group, or with third parties or related parties, during the course of 2017.

Operations of ordinary nature implemented with companies of the Group and with related parties – described by the Directors in the Report on Operations, which contains a full description of the risks and uncertainties of the Company and Group, as well as in the Explanatory Notes, to which reference is made for relevant topics – were appropriate and in line with the interests of the Company in addition to fully and clearly supplying information in relation to events which characterised company operations and its future outlook.

3. With regard to operations pursuant to point 2 above, the Board deems the information provided by the Directors in the Report on Operations and within the Explanatory Notes to be adequate.

4. The reports of the independent auditors PricewaterhouseCoopers S.p.A. (henceforth, the "Independent Auditors") on the financial statements of the year as well as on the consolidated financial statements – issued in accordance with Articles 14 and 16 of Legislative Decree no. 39 of 27 January 2010 and Article 10 of (EU) Regulation no. 537/2014 of 30 March 2018 – did not report irregularities. The report on the financial statements of the year refers to a key factor concerning goodwill and contains an information reference pertaining to the extraordinary merger by incorporation of the subsidiary companies Exprivia Digital Financial Solution Srl, Exprivia Healthcare IT Srl and Exprivia Telco & Media Srl as well as the business combination with Italtel SpA. The report on the consolidated financial statements, on the other hand, analyses three key factors concerning goodwill, the accounting of extraordinary business combination operations (Italtel operation) and prepaid taxes. The reports of the independent auditors - to which reference is made for all details - certify that the financial statements of the year and the consolidated financial statements are drafted with clarity and in compliance with standards that regulate their preparation in addition to truthfully and accurately reporting the financial situation, the economic result and the cash flows of the Company and Group for the year closed on 31.12.2017. The aforementioned reports also certify that the report on operations and the information pursuant to paragraph 1, letters c), d), f), l), m) as well as paragraph 2, lett. b) of Art. 123 bis of the TUF – presented within the corporate governance and shareholding structure report – are consistent with the financial statements of the year and the consolidated financial statements.

The Board of Statutory Auditors has reviewed the certification that the Independent Auditors issued on 28 March 2018 in accordance with Article 17 of Legislative Decree no. 39 of 27 January 2010 in which it (i) certified that it has not found any facts which could compromise independence or any causes for incompatibility pursuant to Articles 10 and 17 of Legislative Decree 39/2010 and its relative implementation provisions, and (ii) communicated that it provided non-auditing services to the Company, even from its own network.

5. During the course of the year, no complaints pursuant to Article 2408 of the Italian Civil Code were received.

6. The Board is not aware of any other petitions to report in this report.

7-8. During the 2017 financial year, the Company paid PricewaterhouseCoopers S.p.A. - for assignments concerning auditing services - compensation totalling € 143,300.00 as well as € 105,380.00 for assignments relating to non-auditing services, while the subsidiaries of Exprivia S.p.A. paid fees of € 732,100.00 for auditing services, of which € 681,100.00 relative to the Italtel Group and no remuneration for non-auditing services.

Given the type of professional services that were provided (financial due diligence, review of pro-forma data) as well as the certification of independence and the absence of any incompatibility issued by PricewaterhouseCoopers S.p.A., the Board of Statutory Auditors believes that no critical factors emerged in relation to the independence of the Independent Auditors.

9. During the course of 2017, the Board of Statutory Auditors issued the required legal opinions and certifications.

The Board of Statutory Auditors, in compliance with the provisions of the Corporate Governance Code, also verified:

a) the correct application of the criteria and as well as the assessment procedures applied by the Board of Directors in order to evaluate the independence of its members using criteria pursuant to the law and the Corporate Governance Code;

b) the continued existence of the independence requirements of the Auditors themselves – already verified prior to their appointment – on the basis of criteria pursuant to the law and the Corporate Governance Code.

The individual members of the Board also certify compliance with limits on the accumulation of offices pursuant to Art. 148-bis, paragraph 1, of the TUF. The members of the Board of Statutory Auditors agreed upon the need - in the case of transactions for which they may have an interest on their own or on behalf of third parties - to report this situation to the Board of Directors and to other members of the Board.

10. In 2017, the Board of Directors of the Company met eleven times and the Control and Risk Committee met five times while the Appointments and Remuneration Committee met four times. During the same year, the Board of Statutory Auditors met nine times; the Board also participated in all the Board and Shareholders' meetings held during the year.

The Chairman of the Board of Statutory Auditors also participated in the meetings of the Control and Risk Committee and of the Appointments and Remuneration Committee.

11. The Board of Statutory Auditors has acquired information on, and monitored – for that falling under its competence –, compliance with the principles of correct administration as well as on the adequacy of the administrative structure of the Company for the purposes of complying with these principles.

In particular, and with regard to the deliberative processes of the Board of Directors, the Board verified that the management decisions made by the Directors complied with the law and with the Articles of Association and verified that the relative resolutions were not in conflict with the Company's interests.

The Board therefore believes that the principles of correct administration have been respected.

With reference to the regulatory novelties introduced by Leg. Decree no. 254 of 30 December 2016 – which incorporates Directive 2014/95/EU in relation to the communication of non-financial information as well as reporting on diversity within administrative, management and control bodies of large-sized companies and Groups – the Board of Statutory Auditors:

(i) has verified that the Company is structured to meet the obligation of drafting the Non-Financial Statement pursuant to Legislative Decree 254/2016, effective as of 1 January 2017 (henceforth, the "NFS");

(ii) has received adequate information on the training process implemented by the Company to define the scope of non-financial reporting relative to corporate/environmental factors deemed relevant for the Group in order to draft the NFS for 2017 as well as on the procedures introduced by the Company to regulate roles, activities, responsibilities and schedules during the process of data collection and validation and to regulate the preparation and approval of the NFS;

(iii) has been informed of the process for conferring the task of certifying compliance of the NFS.

12. The Board of Statutory Auditors has monitored the organisational structure of the Company and has concluded, in light of the supervisory activities that were implemented and for that falling under its own competence, that this structure is overall adequate.

13. The Board of Statutory Auditors has monitored the internal control system of the Company, interacting and coordinating with the Control and Risks Committee as well as with the Internal Audit department, the CEO – acting in the capacity of Director entrusted with the internal control and risk management system – and with the Supervisory Body.

In addition, the Board of Statutory Auditors, acting in its capacity as Internal Control and Auditing Committee and pursuant to Art. 19 of Legislative Decree no. 39 of 27 January 2010, also acknowledges that it has learned - during the course of the usual exchange of information with the Independent Auditors and from the additional report required by Article 11 of Regulation (EU) no. 537/2014, pursuant to the same Article 19 of Legislative Decree no. 39 of 27 January 2010 - that there are no significant weaknesses in the internal control system in relation to financial reporting. The Board worked collaboratively and with continuous information flows with the Independent Auditors and with the Control and Risks Committee.

In addition, the Board of Statutory Auditors has monitored the operations implemented by the Company with related parties by verifying the functioning and correct application of the relative procedure approved by the Board of Directors following the issue of Consob Regulations no. 17221 of 12 March 2010.

The Board – in light of its supervisory activities, and also taking into account the evaluations on the adequacy, efficacy and effective functioning of the internal control system formulated by the Control and Risks Committee and by the Board of Directors – believes that this system is, for that falling under its competence, overall adequate.

14. The Board of Statutory Auditors has monitored the administrative/accounting system of the Company as well as on its reliability to correctly report operational facts through both the collection of information from the Assigned Executive and from the managers of the competent departments; it also reviewed company documentation and analysed the results of the work implemented by the Independent Auditors.

In particular, the Board reported that the Assigned Executive completed – with the support of the Internal Audit department, and for the Company as well as its strategically relevant subsidiaries – an evaluation on the adequacy and effective application of the administrative and accounting procedures pursuant to Article 154-bis of the TUF; this activity certified that the financial statement documents are capable of supplying a truthful and accurate representation of the financial and economic situation of the Company and of the companies included within the scope of consolidation.

It should also be noted that the Company has continued its process of strengthening the system for control of risks and procedures, formalised within the realm of the requirements pursuant to Leg. Decree 262/05 and which will be completed by also taking into account the Italtel Group.

15. We do not have observations to make on the adequacy of the informational flows of subsidiaries which aim to ensure legal reporting obligations.

16. During the course of the year, the Board of Statutory Auditors has met the managers of the Independent Auditors in order to exchange data and information which is relevant for the purposes of Article 150, paragraph 3, of the TUF.
In these meetings, the Independent Auditors has not communicated any fact or anomaly that is worth mentioning in this report.

17. The Company has adhered to the Corporate Governance Code for listed companies approved by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A.

The corporate governance system adopted by the Company is described in detail in the Report on Corporate Governance and Shareholding Structures for the 2017 financial year approved by the Board of Directors on 15 March 2018.

18. Within the realm of the supervisory and control activities implemented during the course of the year, no reprehensible actions, omissions or irregularities were noted that would report mentioning in this report.

19. The Board of Statutory Auditors acknowledges that the Chief Executive Officer and the Manager responsible for drafting accounting and corporate documents issued - on 15 March 2018, and in accordance with the model indicated in Art. 81-ter of Consob Regulation no. 11971/1999 - the certification required by Art. 154-bis, fifth paragraph, of Leg. decree no. 58/1998.

The Board, to the extent of its knowledge, notes that – during the preparation of the consolidated financial statements and the financial statements of the year – no legal norms were derogated.

The Board did not note any reasons to prevent the approval of the financial statements as of 31.12.2017 - as per the draft prepared and approved by the Board of Directors in its meeting of 15 March 2018 - given the results of the activities carried out by the accounting control body, and - from the perspective of that falling under its competence – in terms of its general compliance with the law as regards its preparation as well as its structure and completeness of information; the Board of Statutory Auditors agrees with the Board of Directors on the proposed allocation of the profit for the year.

Bari, 30 March 2018

The Board of Statutory Auditors

Ignazio Pellecchia - Chairman

Anna Lucia Muserra - Standing Auditor

Gaetano Samarelli - Standing Auditor

Exprivia SpA's Separate Financial Statements as at 31 December 2017

Financial Statements of Exprivia SpA as at 31 december 2017

Balance Sheet

Amount in Euro	Note	31.12.2017	31.12.2016
Property, plant and machinery	1	11,468,570	11,867,086
Goodwill and other assets with an indefinite useful life	2	54,072,211	12,622,395
Other Intangible Assets	3	3,219,723	32,725
Shareholdings	4	42,039,447	62,406,601
Other financial assets	5	4,177,126	3,636,478
Other no current assets	6	1,661,051	1,348,732
Deferred tax assets	7	1,024,163	615,922
NON-CURRENT ASSETS		**117,662,291**	**92,529,939**
Trade receivables	8	51,074,549	22,054,988
Stock	9	149,924	132,888
Work in progress to order	10	12,259,211	9,375,850
Other Current Assets	11	6,817,576	6,826,705
Other Financial Assets	12	8,229,458	6,381,702
Cash resources	13	10,465,631	4,218,280
Other Financial Assets available for sale	14	455,336	457,041
CURRENT ASSETS		**89,451,685**	**49,447,454**
ASSETS		**207,113,976**	**141,977,393**

Amount in Euro	Note	31.12.2017	31.12.2016
Share capital	15	25,154,899	25,154,899
Share Premium Reserve	15	18,081,738	18,081,738
Revaluation reserve	15	2,907,138	2,907,138
Revaluation reserve	15	3,931,382	3,931,382
Other reserves	15	23,142,758	20,334,649
Profit/Loss for the year		548,350	(1,908,465)
SHAREHOLDERS' EQUITY		**73,766,265**	**68,501,341**
NON-CURRENT LIABILITIES			
Non-current bond	16	22,413,056	
Non-current bank debt	17	19,443,788	22,266,679
Other financial liabilities	18	49,852	137,669
Other no current liabilities	19	163,388	380,092
Provision for risks and charges	20	114,874	37,000
Employee provisions	21	8,627,001	3,139,640
Deferred tax liabilities	22	785,478	808,033
NON CURRENT LIABILITIES		**51,597,437**	**26,769,113**
Current bank debt	23	30,238,523	15,351,391
Trade payables	24	23,438,059	12,546,739
Advances payment on work in progress contracts	25	1,948,507	1,579,883
Other financial liabilities	26	2,274,628	6,583,024
Other current liabilities	27	23,850,557	10,645,902
CURRENT LIABILITIES		**81,750,274**	**46,706,939**
TOTAL LIABILITIES		**207,113,976**	**141,977,393**

Exprivia – Income Statement as at 31.12.2017

Amount in Euro	Note	31.12.2017	31.12.2016
Revenues	28	130,742,530	60,334,751
Other income	29	2,490,794	2,148,203
PRODUCTION REVENUES		**133,233,324**	**62,482,954**
Costs of raw, subsid. & consumable mat. and goods	30	8,760,845	1,620,816
Salaries	31	77,583,644	32,598,062
Costs for services	32	28,536,901	20,849,683
Costs for leased assets	33	2,881,021	2,230,278
Sundry operating expenses	34	447,510	421,827
Change in inventories of raw materials and finished products	35	32,436	(110,494)
Provisions	36	20,002	(36,028)
TOTAL PRODUCTION COSTS		**118,262,359**	**57,574,144**
DIFFERENCE BETWEEN PRODUCTION COSTS AND REVENUES		**14,970,965**	**4,908,810**

Amount in Euro	Note	31.12.2017	31.12.2016
Ordinary amortisement of intangible assets		1,765,981	282,195
Ordinary amortisement of tangible assets		1,164,672	1,081,483
Devaluation of credits included in working capital		7,125,547	6,035,108
Amortisation, depreciation and write-downs	37	**10,056,200**	**7,398,786**
OPERATIVE RESULT		**4,914,765**	**(2,489,976)**
Financial income and charges	38	**(1,812,015)**	**1,524,326**
PRE-TAX RESULT		**3,102,750**	**(965,650)**
Income tax	39	**2,554,400**	**942,815**
PROFIT OR LOSS FOR YEAR	**40**	**548,350**	**(1,908,465)**

Comprehensive Income Statement as at 31.12.2017

EURO Description	Note	31/12/2017	31/12/2016
Profit (loss) for the year		**548,350**	**(1,908,465)**
Other gains (losses) total will not subsequently be reclassified in profit (loss) for the year			
Profit (loss) for the actuarial effect of applying IAS 19		(133,615)	(193,610)
Tax effect of changes		32,068	46,466
Total other comprehensive income (loss) will not subsequently be reclassified in profit (loss) for the year		**(101,547)**	**(147,144)**
Other gains (losses) total that will be subsequently reclassified to profit (loss) for the period we			
Profit (loss) on financial assets classified as AFS		(1,705)	(44,520)
Profit (loss) on cash flow hedge derivatives		12,243	(12,286)
Total other comprehensive income (loss) that will subsequently be reclassified in profit (loss) for the period	**15**	**10,538**	**(56,806)**
Total comprehensive income		**457,341**	**(2,112,415)**

Statement of Changes in Shareholders’ Equity as at 31.12.2017

Amount in Euro	Share capital	Own share	Share premium reserve	Revaluation reserve	Legal reserve	Ohter reserves	Profit (loss) for the year	Total Equity
Balance at 31/12/2015	**26,979,658**	**(1,225,642)**	**18,081,738**	**2,907,138**	**3,709,496**	**17,568,385**	**4,437,726**	**72,458,499**
Reclassification previous year's profit					221,886	3,165,905	(3,387,791)	-
Dividend distribution						-	(1,049,935)	(1,049,935)
Components of comprehensive income:								
Profit / (loss) for the year							(1,908,465)	(1,908,465)
Effects of applying IAS 19						(147,144)		(147,144)
Profit (loss) on cash flow hedge derivatives						(12,286)		(12,286)
Profit (loss) on financial assets classified as AFS						(44,520)		(44,520)
Total comprehensive income (loss) for the year								**(2,112,415)**
Balance at 31/12/2016	**26,979,658**	**(1,824,759)**	**18,081,738**	**2,907,138**	**3,931,382**	**20,334,649**	**(1,908,465)**	**68,501,341**
Reclassification previous year's profit						(1,908,465)	1,908,465	-
Fusion reserve						5,293,170		5,293,170
Fusion reserve for effects deriving from the application IAS 19						(485,587)		(485,587)
Components of comprehensive income:								
Profit / (loss)							548,350	548,350
Effects of applying IAS 19						(101,547)		(101,547)
Profit (loss) on cash flow hedge derivatives						12,243		12,243
Profit (loss) on financial assets classified as AFS						(1,705)		(1,705)
Total comprehensive income (loss) for the year								**457,341**
Balance at 31/12/2017	**26,979,658**	**(1,824,759)**	**18,081,738**	**2,907,138**	**3,931,382**	**23,142,758**	**548,350**	**73,766,265**

Exprivia - Cash Flow Statement as at 31.12.2017

Amount in Euro	Note	31.12.2017		31.12.2016	
Cash Flow Statement	41				
Operating activities:					
- Profit (loss)	40	548,350	(1)	(1,908,465)	(1)
- Amortisation and depreciation		10,076,202		7,362,757	
- Provision for Severance Pay Fund		3,699,481		1,533,416	
- Advances/Payments Serverance Pay		1,787,880		(1,622,617)	
- Change in fair value of derivatives		14,797		217	
Cash flow arising from operating activities		**16,126,711**		**5,365,308**	
Increase/Decrease in net working capital:					
- Variation in stock and payments on account		(2,548,574)		(734,126)	
- Variation in receivables to customers		(28,788,093)		2,225,316	
- Variation in receivables to parent/subsidiary/associated company		2,743,701		(1,299,207)	
- Variation in other accounts receivable		(1,061,037)		328,033	
- Variation in payables to suppliers		12,137,895		(624,493)	
- Variation in payables to parent/subsidiary/associated company		(1,198,133)		(1,067,739)	
- Variation in tax and social security liabilities		5,187,247		(696,968)	
- Variation in other accounts payable		7,968,967		(625,064)	
Cash flow arising (used) from current assets and liabilities		**(5,558,028)**		**(2,494,248)**	
Cash flow arising (used) from current activities		**10,568,683**		**2,871,060**	
Investment activities:					
- Variation in tangible assets		(766,156)		(143,446)	
- Variation in intangible assets		(46,402,794)		(24,530)	
- Variation in financial assets		36,353,404		(1,960,495)	
- Purchase majority interests		(25,000,000)		(360,000)	
Cash flow arising (used) from investment activities		**(35,815,546)**		**(2,488,471)**	
Financial activities:					
- Changes in financial assets other than fixed assets		(901,948)		(96,375)	
- Changes in fair value of derivatives		(14,797)		(34,568)	
- Capital increase				(794,806)	
- Dividend paid				(1,049,935)	
- Variation shareholdres'equity		4,716,574		(44,522)	
Cash flow arising (used) from financial activities		**3,799,829**		**(2,020,206)**	
Increase (decrease) in cash		**(21,447,034)**		**(1,637,617)**	
Banks / funds / securities and other financial assets at the beginning of the		14,693,500		8,403,864	
Banks / cash and other financial liabilities at the beginning of the year		(44,338,762)		(36,411,509)	
Banks / funds / securities and other financial assets at end of period		23,327,550		14,693,500	
Banks / cash and other financial liabilities at end of period		(74,419,847)		(44,338,762)	
Increase (decrease) in liquidity		**(21,447,034)**		**(1,637,617)**	
(1) including taxes and interest paid in the period		3,508,976		3,746,350	

Explanatory Notes to Exprivia SpA's Separate Financial Statements for 2017

Exprivia SpA Assets

With regard to the other companies in the Group, the Holding Company Exprivia S.p.A plays a highly industrial role which includes research & development, developing solutions and projects, customer service and, naturally, sales support. The Holding Company carried out co-ordination and management activities as per Article 2497 of the Italian Civil Code et seq. over all the Exprivia Group companies, with the exception of Italtel SpA and its subsidiaries.

Information Regarding Management and Coordination

In accordance with Art. 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 parent 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 as at 31 December 2016. For further information on the financial standing of Abaco Innovazione SpA at 31 December 2016, 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.

	Bigger set
Company name	Abaco Innovazione SpA
City (if in Italy) or abroad	Molfetta (BA) - Via Adriano Olivetti 11
Fiscal Number (for italian company)	05434040720
Place of deposit of the consolidated balance sheet	Sede legale

Amount in Euro		31.12.2016	31.12.2015
Shareholdings		29,856,647	29,843,247
	Holdings in subsidiary companies	29,856,647	29,843,247
TOTAL NON CURRENT ASSETS		**29,856,647**	**29,843,247**
Commercial credits and others		10,313	21,513
	Receivables to subsidiaries	1,324	1,324
	Tax assets	8,989	20,189
Liquid assets		865,855	151,692
	Bank assets	865,796	151,633
	Cheques and unpresented effects	59	59
TOTAL CURRENT ASSETS		**876,168**	**173,205**
TOTAL ASSETS		**30,732,815**	**30,016,452**
Company capital		979,301	979,301
	Company capital	979,301	979,301
Other reserves		24,960,704	24,444,731
	Legal reserve	200,000	200,000
	Other reserve	24,760,704	24,244,731
Profits/Losses on previous periods		4,586	4,586
	Profits/ Losses brought forward	4,586	4,586
Profit/Loss for period		582,221	515,973
TOTAL NET WORTH		**26,526,812**	**25,944,591**
Non current liabilities to banks		2,596,910	1,305,338
	Non current liabilities to banks	2,596,910	1,305,338
TOTAL NON CURRENT LIABILITIES		**2,596,910**	**1,305,338**
Current liabilities to banks		44	1,726,955
	Payables to banks current share	44	1,726,955
Payables to suppliers		178,167	220,567
	Payables to suppliers	178,167	220,567
Payables to suppliers		469,678	220,567
	Payables to suppliers	469,678	220,567
Tax liabilities		6,113	342
	Tax liabilities	6,113	342
Other current liabilities		955,091	818,659
	Payables to welfare and social security	93,307	93,054
	Other liabilities	861,784	725,605
TOTAL CURRENT LIABILITIES		**1,609,093**	**2,766,523**
TOTAL LIABILITIES		**30,732,815**	**30,016,452**

Amount in Euro	31.12.2016	31.12.2015
INCOME	276,231	84,575
Income from sales and services	276,231	84,575
TOTAL PRODUCTION REVENUES	**276,231**	**84,575**
COSTS CONNECTED WITH BENEFITS FOR EMPLOYEES	53,169	53,169
Other costs for services	39,049	51,831
Sundry management charges	17,472	29,634
TOTAL PRODUCTION COSTS	**109,690**	**134,634**
DIFFERENCE BETWEEN PRODUCTION REVENUE AND COSTS	**166,541**	**(50,059)**
	166,541	**(50,059)**
FINANCIAL INCOME AND CHARGES	421,451	545,323
PRE-TAX RESULT	**587,992**	**495,264**
INCOME TAX	(5,771)	20,709
PROFIT OR LOSS FOR THE PERIOD	**582,221**	**515,973**

Form and content of separate financial statements

Introduction

The separate financial statements for Exprivia SpA as at 31 December 2017 were prepared in accordance with art. 4 of Italian Legislative Decree no. 38 of 28 February 2005 and the international accounting standards (IFRS) in force as at 31 December 2015, 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 Issuer Regulations 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 comprehensive income statement, a separate schedule was prepared;
- For the cash flow statement, the indirect method was used.

The schemes are prepared in accordance 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.

Merger by incorporation into Exprivia SpA

2017 saw an important merger project within the Exprivia Group; on 31 July 2017, the Extraordinary Shareholders' Meetings of Exprivia Spa and of its wholly-owned subsidiaries Exprivia Digital Financial Solution Srl, Exprivia Healthcare IT Srl and Exprivia Telco & Media Srl approved the merger by incorporation of the 3 subsidiaries within the Holding Company which, on 30 November 2017, further to the enrolment in the Milan, Trento and Bari Companies' Registers, pursuant to the matters laid down by Article 70.3 of Consob Regulation No. 11971/1999 and on completion of the documentation already filed, as from 30 November 2017, was finalised with retroactive effectiveness of the accounting and tax effects as from 1 January 2017. This transaction highly desired by management aims to increase the synergies within just Exprivia SpA both from the standpoint of the commercial efforts and in relation to the improved and more efficient allocation of the resources. The merger described here falls within the sphere of that which the revised OPI2 defines as "restructuring merger" relating therefore to the mergers in which the holding company incorporates one or more subsidiaries. Given the elements characterising the parent-subsidiary mergers via incorporation (absence of economic exchange with third economies and persistence of control over the entity acquired), these transactions cannot be considered to be business combinations. Accordingly, they are excluded from the sphere of application of IFRS 3. Their recognition in the accounts, therefore, must be carried out in accordance with the guidelines of IAS 8.10. Since these transactions, by their very nature, lack significant influence over the cash flows of the companies subject to merger, the choice of the accounting policies must therefore favour standards suitable for ensuring the continuity of the values. In

other words, a restructuring merger leads to the convergence of the consolidated financial statements of the absorbing entity as of the merger date towards the separate financial statements of the absorbing entity post-merger, implementing the so-called “legal consolidation”. Given that, as illustrated above, the effectiveness of the accounting and tax effects is back-dated to 1 January 2017 and given that it is believed that the control over the activities of the absorbed company has not changed but rather direct control replaces indirect control, the accounting approach used needs to be consistent with the treatment of the costs and revenues of the absorbed company/subsidiary in the consolidated financial statements, which is achieved via their inclusion in the income statement of the absorbing company as from the start of the previous year, presented for comparative purposes with respect to that in which the merger via incorporation took place, or as from the date of effective acquisition from third parties if subsequent. This approach would lead to the accounting back-dating of the effects of the merger also with reference to the costs and revenues of the absorbed company in the previous year and their consequent restatement for comparative purposes in the financial statements for the current year.
Given the difficulty of carrying out this restatement from a legal standpoint, it is deemed that the back-dating for accounting purposes of the costs and revenues of the absorbed company for the previous year can be represented in specific pro-forma financial statements schedules in the directors’ report so as to facilitate the comments on the economic performance for the current year.
Likewise, the fact that the presentation of the post-merger balance sheet figures (sum of the assets and liabilities of the absorbing and absorbed companies), as well as the allocation of the difference from cancellation as indicated above) is also carried out for the previous year, presented for comparative purposes, is deemed consistent with this approach

The pro-forma financial statement schedule of Exprivia SpA, which - for the balances as at 31 December 2016 - reflects the contribution of Exprivia Digital Financial Solution Srl, Exprivia Healthcare IT Srl and Exprivia Telco & Media Srl, due to the merger.

Exprivia SPA

Amount in Euro		Pro Forma
	31.12.2017	31.12.2016
Property, plant and machinery	11,468,570	12,300,866
Goodwill and other assets with an indefinite useful life	54,072,211	52,213,773
Other Intangible Assets	3,219,723	3,335,154
Shareholdings	42,039,447	15,319,890
Other financial assets	4,177,126	3,679,147
Other no current assets	1,661,051	1,697,092
Deferred tax assets	1,024,163	1,180,705
NON-CURRENT ASSETS	**117,662,291**	**89,726,627**
Trade receivables	51,074,549	52,210,402
Stock	149,924	199,161
Work in progress to order	12,259,211	10,952,958
Other Current Assets	6,817,576	8,372,737
Other Financial Assets	8,229,458	6,381,702
Cash resources	10,465,631	8,775,188
Other Financial Assets available for sale	455,336	457,041
CURRENT ASSETS	**89,451,685**	**87,349,189**
ASSETS	**207,113,976**	**177,075,816**

Amount in Euro	Pro Forma	
	31.12.2017	**31.12.2016**
Share capital	25,154,899	25,154,899
Share Premium Reserve	18,081,738	18,081,738
Revaluation reserve	2,907,138	2,907,138
Legal reserve	3,931,382	3,931,382
Other reserve	23,142,758	23,887,652
Profit/Loss for the year	548,350	(668,611)
SHAREHOLDERS' EQUITY	**73,766,265**	**73,294,198**
Non-current bond	22,413,056	1,839,297
Non-current bank debt	19,443,788	23,262,252
Other financial liabilities	49,852	87,668
Other no current liabilities	163,388	144,254
Provision for risks and charges	114,874	108,372
Employee provisions	8,627,001	8,054,459
Deferred tax liabilities	785,478	809,033
NON CURRENT LIABILITIES	**51,597,437**	**34,305,335**

Amount in Euro		Pro Forma
	31.12.2017	**31.12.2016**
Bond		1,508,246
Current bank debt	30,238,523	22,749,476
Trade payables	23,438,059	17,838,623
Advances payment on work in progress contracts	1,948,507	2,017,247
Other financial liabilities	2,274,628	1,647,359
Other current liabilities	23,850,557	23,715,332
CURRENT LIABILITIES	**81,750,274**	**69,476,283**
TOTAL LIABILITIES	**207,113,976**	**177,075,816**
Revenues	130,742,530	118,864,686
Other income	2,490,794	3,494,093
Production costs	(118,262,359)	(109,367,970)
DIFFERENCE BETWEEN PRODUCTION COSTS AND REVENUES	**14,970,965**	**12,990,809**
Amortisation, depreciation and write-downs	(10,056,200)	(9,580,001)
OPERATIVE RESULT	**4,914,765**	**3,410,808**
Financial income and (charges)	(1,812,015)	(1,796,795)
PRE-TAX RESULT	**3,102,750**	**1,614,013**
Income tax	(2,554,400)	(2,282,624)
PROFIT OR (LOSS) FOR YEAR	**548,350**	**(668,611)**

Pro-forma Cash flow statement

Amount in Euro	31.12.2017		31.12.2016	
Cash Flow Statement				
Operating activities:				
- Profit (loss)	548,350	(1)	(1,908,465)	(1)
- Amortisation and depreciation	10,076,202		7,362,757	
- Provision for Severance Pay Fund	3,676,068		1,533,416	
- Advances/Payments Serverance Pay	(3,237,141)		(1,622,617)	
- Change in fair value of derivatives	14,097		217	
Cash flow arising from operating activities	**11,077,577**		**5,365,308**	
Increase/Decrease in net working capital:				
- Variation in stock and payments on account	(1,342,558)		(734,126)	
- Variation in receivables to customers	1,034,222		2,225,316	
- Variation in receivables to parent/subsidiary/associated company	(5,015,929)		(1,299,207)	
- Variation in other accounts receivable	1,554,191		328,033	
- Variation in payables to suppliers	6,029,716		(624,493)	
- Variation in payables to parent/subsidiary/associated company	(293,564)		(1,067,739)	
- Variation in tax and social security liabilities	(1,000,749)		(696,968)	
- Variation in other accounts payable	726,462		(625,064)	
- Variation in risk funds reserve				
Cash flow arising (used) from current assets and liabilities	**1,691,791**		**(2,494,248)**	
Cash flow arising (used) from current activities	**12,769,368**		**2,871,060**	
Investment activities:				
- Variation in tangible assets	(332,377)		(143,446)	
- Variation in intangible assets	(1,658,987)		(24,530)	
- Variation in financial assets	(3,459,464)		(1,960,495)	
- Purchase of company branch	(1,850,000)			
- Purchase of minority interests	(1,481)			
- Purchase majority interests	(25,000,000)		(360,000)	
Cash flow arising (used) from investment activities	**(32,302,309)**		**(2,488,471)**	
Financial activities:				
- Changes in financial assets other than fixed assets	(17,919)		(96,375)	
- Changes in fair value of derivatives	(1,854)		(34,568)	
- Capital increase			(794,806)	
- Dividend paid			(1,049,935)	
- Variation shareholdres'equity	(1,704)		(44,522)	
Cash flow arising (used) from financial activities	**(21,477)**		**(2,020,206)**	
Increases (decreases) in cash	**(19,554,418)**		**(1,637,617)**	
Banks / funds / securities and other financial assets at the beginning of the year	14,693,500		8,403,864	
Banks / cash and other financial liabilities at the beginning of the year	(44,338,762)		(36,411,509)	
Banks, active banks and financial receivables and financial debts from fusion at the beginning of the year	(1,892,617)			
Banks / funds / securities and other financial assets at the end of the year	23,327,550		14,693,500	
Banks / cash and other financial liabilities at end of period	(74,419,847)		(44,338,762)	
Increase (decrease) in liquidity	**(19,554,418)**		**(1,637,617)**	
(1) including taxes and interest paid in the period	3,508,976		3,746,350	

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Adjustments to Comparative Data

In order to make the disclosure of data more intelligible, the presentation was changed for certain items in the comparative data of the balance sheet and income statement presented in accordance with IAS 1, with respect to data published in the financial statements as at 31 December 2016. This had no effect on the result and net equity at that date.

The reclassifications are mainly linked to the process for the alignment of the basis of presentation of the financial statements with the newly acquired Italtel Group.

Reclassifications to the Balance Sheet as at 31.12.16

Financial Statement approved 31.12.16		Reclassified statement 31.12.16			
Description	amount	Description	Amount	Reclassifications	Note
Property, plant and machinery	11,867,086	Property, plant and machinery	11,867,086	-	
Goodwill and other assets with an indefinite usefu	12,622,395	Goodwill and other assets with an indefinite u	12,622,395	-	
Other intangible assets	32,725	Other intangible assets	32,725	-	
Shareholdings	62,406,601	Shareholdings	62,406,601	-	
Non-current other financial assets	3,636,478	Non-current other financial assets	3,636,478	-	
Non-current tax receivables	1,348,732	Non-current tax receivables	1,348,732	-	6
Defered tax assets	615,922	Defered tax assets	615,922	-	
NON-CURRENT ASSETS	92,529,939	**NON-CURRENT ASSETS**	92,529,939	-	
Trade recivables and other	33,220,884	Trade recivables	22,054,988	- 11,165,896	8
Stock	132,888	Stock	132,888	-	
Work in progress to order	9,375,850	Work in progress to order	9,375,850	-	
		Other current assets	6,826,705	6,826,705	11
Other Financial Assets	2,042,511	Other financial assets	6,381,702	4,339,191	12
Cash resources	4,218,280	Cash resources	4,218,280	-	
Other Financial Assets available for sale	457,041	Other Financial Assets available for sale	457,041	-	
CURRENT ASSETS	49,447,453	**ATTIVITA' CORRENTI**	49,447,453	0	
TOTAL ASSETS	141,977,392	**TOTAL ASSETS**	141,977,392	0	
Share capital	25,154,899	Share capital	25,154,899	-	
Share Premium Reserve	18,081,738	Share Premium Reserve	18,081,738	-	
Revaluation reserve	2,907,138	Revaluation reserve	2,907,138	-	
Legal reserve	3,931,382	Legal reserve	3,931,382	-	
Other reserves	20,334,649	Other reserves	20,334,649	-	
Profit (loss) for the year	(1,908,465)	Profit (loss) for the year	(1,908,465)	-	
SHAREHOLDERS' EQUITY	68,501,341	**SHAREHOLDERS' EQUITY**	68,501,341	-	
Non-current bank	22,266,679	Non-current bank	22,266,679	-	
Non current other financial liabilities	517,761	Other non current financial liabilities	137,669	- 380,092	18
		Other non current liabilities	380,092	380,092	19
Provision for risks and charges	37,000	Provision for risks and charges	37,000	-	
Employee provisions	3,139,640	Employee provisions	3,139,640	-	
Deferred tax liabilities	808,033	Deferred tax liabilities	808,033	-	
NON CURRENT LIABILITIES	26,769,113	**NON CURRENT LIABILITIES**	26,769,113	-	
Current bank	15,351,391	Current bank	15,351,391	-	
Payables to suppliers	8,741,739	Payables to suppliers	12,546,739	3,805,000	24
Advances payment on work in progress contracts	1,579,883	Advances payment on work in progress contra	1,579,883	-	
Other financial liabilities	10,685,471	Other financial liabilities	6,583,024	- 4,102,447	26
Tax payables	2,602,828			297,447	
Other current liabilities	7,745,627	Other current liabilities	10,645,902		27
CURRENT LIABILITIES	46,706,939	**CURRENT LIABILITIES**	46,706,939	-	
TOTAL LIABILITIES	141,977,393	**TOTAL LIABILITIES**	141,977,393	-	

Non-current Assets

The item “Non-current tax receivables” was reclassified under “Other non-current assets”; the balance remained unchanged as at 31 December 2016.

Current Assets

The item “trade and other receivables” underwent a decrease of Euro 11,165,896 due to the reclassification of the financial balance in the item “other current financial assets” for Euro 4,339,191 and other receivables for Euro 6,826,705 under other current assets.

Non-current Liabilities

The balance of the item “other non-current financial liabilities” fell from Euro 571,761 to Euro 137,669 due to the reclassification of the balances inherent to other payables classified under the item “other non-current liabilities” for Euro 380,029.

Current Liabilities

The balance of the item “payables to supplier” (renamed “trade payables” so as to bring together all the trade balances) rose from Euro 8,741,739 to Euro 12,549,733 due to the reclassification of the trade balances previously included in the item “Other financial liabilities” (Euro 3,805,000).

The balance of the item “other financial liabilities” fell from Euro 10,685,471 to Euro 6,583,024 due to the reclassification of the trade balances (Euro 3,805,000) and the other balances (Euro 297,447) classified in the item “other current liabilities”.

Reclassifications to the Income Statement as at 31.12.16

Financial Statement approved 31.12.16	
Description	Amount
Revenues	60,334,751
Other income	2,298,909
Change in inventories of raw materials and finished products	110,494
TOTAL REVENUES	62,744,154
Costs of raw, subsid. & consumable mat. and goods	6,602,610
Salaries	32,464,621
Costs for services	16,226,493
Costs for leased assets	2,294,472
Sundry operating expenses	283,176
Provisions	(36,028)
TOTAL COSTS	57,835,344
DIFFERENCE BETWEEN PRODUCTION COSTS AND REVENUES	4,908,810
Ordinary amortisement of intangible assets	282,195
Ordinary amortisement of tangible assets	1,081,483
Devaluation of credits included in working capital	6,035,108
Amortisation, depreciation and write-downs	7,398,786
OPERATIVE RESULT	(2,489,976)
Financial income and (charges)	1,524,326
PRE-TAX RESULT	(965,650)
Income tax	942,815
PROFIT (LOSS) FOR THE YEAR	(1,908,465)

Reclassifications to the Income Statement as at 31.12.16			
Description	Amount	Reclassifications	Note
Revenues	60,334,751	-	
Other income	2,148,203	- 150,706	29
		- 110,494	35
TOTAL REVENUES	62,482,954	261,200	
Costs of raw, subsid. & consumable mat. and goods	1,620,816	- 4,981,794	30
Salaries	32,598,062	133,441	31
Costs for services	20,849,683	4,623,190	32
Costs for leased assets	2,230,278	- 64,194	33
Sundry operating expenses	421,827	138,651	34
Change in inventories of raw materials and finished prod	(110,494)	- 110,494	35
Provisions	(36,028)	-	
TOTAL COSTS	57,574,144	261,200	
DIFFERENCE BETWEEN PRODUCTION COSTS AND REVENU	4,908,810	-	
Ordinary amortisement of intangible assets	282,195	-	
Ordinary amortisement of tangible assets	1,081,483	-	
Devaluation of credits included in working capital	6,035,108	-	
Amortisation, depreciation and write-downs	7,398,786	- 0	
OPERATIVE RESULT	(2,489,976)	0	
Financial income and (charges)	1,524,326	-	
RISULTATO ANTE IMPOSTE	(965,650)	0	
Imposte	942,815	-	
UTILE O (PERDITA) D'ESERCIZIO	(1,908,465)	0	

Total Revenues

The balance as at 31 December 2017 of the item “Other revenue and income” presented for comparative purposes, decreased compared to the data published in the financial statements as at 31 December 2016, by Euro 150,706 (from Euro 666,830 to Euro 516,124) with reference to income for employee vehicle assignments stated to reduce “Sundry operating expenses” by Euro 64,194 and with reference to the indemnity for lack of notice stated to reduce “Staff costs” for Euro 86,511.

The “changes in inventories of raw materials and finished products” were reclassified from revenues and costs further to the reclassification by nature.

Total Costs

The balance of the item “costs for raw materials, consumables and goods” passed from Euro 6,602,610 to Euro 1,620,816 due to the reclassification of the balances relating to hardware and software maintenance costs previously stated in the item “costs for services”.

The balance of the item “staff costs” passed from Euro 32,464,621 to Euro 32,598,062 due to the reclassification of the balances relating to costs for training and insurance for employees in the item “costs for services”.

The balance of the item “Costs for services” passed from Euro 16,226,493 to Euro 20,849,693. The increase of Euro 4,623,200 is due to:

. Euro 4,981,794 relating to the reclassification of the costs for hardware and software maintenance from “costs for raw materials, consumables and goods”;

. Euro -219,952 reclassified under “staff costs”;

. Euro -138,651 reclassified under “sundry operating expenses”.

The balance of the item “costs for leased assets” passed from Euro 2,294,472 to Euro 2,230,278; the change, Euro 138,651, is attributable to the reclassification of operating costs previously stated under “costs for services”.

The changes in inventories of raw materials and finished products were reclassified from revenues and costs.

Drafting and Presentation Criteria

The accounting principles and valuation criteria are the same as those adopted in the provision for the financial statements for the year ended December 31, 2016.
The evaluation and measurement criteria are based on the IFRS principles in force as of 31 December 2017 and approved by the European Union.
The following table shows the IFRS/Interpretations approved by the IASB and endorsed for adoption in Europe and applied for the first time to the current year.

Description	Publication in G.U.C.E.	Effective date foreseen by the	Date foreseen for Exprivia
Amendments to IAS 7: Disclosure Initiative	9 Nov. '17	Exercises starting on or starting from 1 Jan '17	1 Jan '17
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	9 Nov. '17	Exercises starting on or starting from 1 Jan '17	1 Jan '17

The adoption of these standards did not have any material impact on the valuation of the Exprivia assets, liabilities, costs and revenues.

The amendments to IAS 7 “Disclosure Initiative” clarify the information on liabilities deriving from financing activities, foreseeing the inclusion in the cash flow statement of a statement of reconciliation of the opening and closing balance of the same.

The amendments to IAS 12 “Income tax” clarify certain aspects with reference to the accounting for deferred tax assets relating to debt instruments measured at fair value.

The table below shows the IFRS and interpretations approved by IASB and approved for adoption by Europe, effective after 31 December 2017.

Description	Publication in G.U.C.E.	Effective date foreseen by the principle	Date foreseen for Exprivia
IFRS 9 "Strumenti finanziari"	22 Nov. '16	Exercises starting on or starting from 1 Jan '18	1 Jan '18
IFRS 15 Ricavi da contratti con i clienti che include l'Amendments all'IFRS 15 (Effective Date)	29 Oct. '16	Exercises starting on or starting from 1 Jan '18	1 Jan '18
IFRS 16 Leases	9 Nov. '17	Exercises starting on or starting from 1 Jan '19	1 Jan '19
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	9 Nov. '17	Exercises starting on or starting from 1 Jan '18	1 Jan '18
Chiarimenti dell'IFRS 15 - Ricavi provenienti da contratti con clienti	9 Nov. '17	Exercises starting on or starting from 1 Jan '18	1 Jan '18

The IASB finished the draft of the accounting standard on financial instruments and issued the complete version of IFRS 9 “Financial Instruments”. The new rules of the standard: (i) amend the classification and measurement model for financial assets; (ii) introduce the concept of expected credit losses amongst the variables to be considered in the valuation and write-down of financial assets; (iii) amend regulations on hedge accounting.
The Group does not envisage material impacts as a consequence of the adoption of this principle on the valuation of the Group’s assets, liabilities, costs and revenues.

IFRS 15 “Revenue from contracts with customers” is meant to replace IAS 18 “Revenue” and IAS 11 “Construction Contracts”. The standard establishes a new model for the recognition of revenue that will apply to all contracts entered into with customers with the exception of those subject to the application of other IAS/IFRS standards (leases, insurance contracts and financial instruments). The fundamental steps for accounting for revenue in accordance with the new model are:

- identify the contract with the customer
- identify the performance obligations of the contract
- determine the price
- allocate the price to the performance obligations
- recognise revenue upon satisfaction of each performance obligation.

The new standard must be applied as from 1 January 2018.

During 2017, the analysis activities were completed for identifying the spheres affected by the new standard and the impacts of its adoption. The analysis carried out did not highlight elements, which may lead to significant differences in the revenues, and, therefore, a significant impact is not expected on the overall economic results of the Group deriving from the change in method.

We have however revealed a number of differences in approach mainly relating to the identification of the distinct contractual obligations and the related contractual fees, without noting that the same may have significant effects.

The standard by way of obligation envisages a retroactive application according to two possible methods: retroactively for each previous year (full retrospective approach) or retroactively recording the cumulative effect as from the date of initial application (modified retrospective approach). In the event of choosing the second approach, IFRS 15 is applied retroactively only to the contracts which are not finalised as of the date of initial application (1 January 2018). The Exprivia Group envisages adopting the modified retrospective approach.

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

The document “Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts” aims to address some issues, which the insurance companies would have to deal with should they apply the new standard on financial instruments, IFRS 9, which will replace IFRS 4.

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

Descriptiong	Effective date foreseen by the principle
IFRS 17 Insurance Contracts (issued 18 May 2017)	Exercises starting on or starting 1 January 2021
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016)	Exercises starting on or starting 1 January 2018
IFRIC 23 Uncertainty over Income Tax Treatments (issued on 7 June 2017)	Exercises starting on or starting 1 January 2019
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (issued on 20 June 2016)	Exercises starting on or starting 1 January 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle (issued on 8 December 2016)	Exercises starting on or starting 1 January 2017/2018
Amendments to IAS 40: Transfers of Investmenty Property (issued on 8 December 2016)	Exercises starting on or starting 1 January 2018
Amendments to IFRS 9: Prepayment features with negative compensation (issued on 12 October 2017)	Exercises starting on or starting 1 January 2019
Amendments to IAS 28: Long-term interests in associates and joint ventures (issued on 12 October 2017)	Exercises starting on or starting 1 January 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017)	Exercises starting on or starting 1 January 2019

With reference to the standards and interpretations detailed below, their adoption is not expected to have any material impact on the valuation of the Exprivia assets, liabilities, costs and revenues.

The amendment of IFRS 17 “Insurance Contracts” aims to improve the comprehension of the investors, and not only, of the exposure to risk, of the profitability and the financial positions of the insurers.
IFRIC 22 “Foreign Currency Transactions and Advance Consideration” examines the exchange rate to be used for the translation when the payments are made or received before the related asset, cost or income.
IFRIC 23 "Uncertainty over Income Tax Treatments” provides indications on how to reflect the uncertainties on the tax treatment of a determinate phenomenon in the accounting of the income taxes.
The “Amendments to IFRS 2: classification and measurement of share-based payment transactions” introduced amendments which clarify how to recognise certain share-based payments in the accounts.

The amendments to IFRS 9 “Financial Instruments” were made in order to permit the measurement at amortised cost of financial assets characterised by an early discharge option with the so-called “negative compensation”.
The IASB also published various amendments to the standards and an IFRIC interpretation, to further clarify some provisions of IFRS, such as:
• the amendment to IAS 40 “Investment property transfers of investment property”, in force as at 1 January 2018;
• “Annual improvements to IFRS Standards 2014-2016 cycle” which modifies IFRS 1, IFRS 12 and IAS 28;
• the “Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures” clarify that IFRS 9 "Financial Instruments", including the impairment requirements, also applies to other financial instruments held over the long-term issued vis-à-vis an associated company or joint venture which, in essence, form part of the net investment, of the same. The net equity method does not apply to these instruments;
• “Annual improvements to IFRS Standards 2015-2017 cycle” which include amendments to IAS 12 “Income Taxes”, IAS 23 “Borrowing Costs”, IFRS 3 “Business Combination” and IFRS 11

“Joint Arrangements”, whose amendments will come into force on 1 January 2019.

Accounting estimates used in preparing the financial statements

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

Accounting standards and valutation policies

The accounting policies adopted in the preparation of these separate financial statements are consistent with those applied in preparing the separate financial statements of the Company for the year ended December 31, 2016.
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 Issuer Regulations adopted under Resolution no. 11971/99", CONSOB notice no. 6064293 of 28 July 2006 providing rules for "Company disclosure pursuant to art. 114, 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 business 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 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 per 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 furniture and electronic machines	5-8 years
Equipment and cars	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 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.
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 book value.
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 book value 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, 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 by the end of the financial year.
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 book value 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, technical feasibility of product, the asset can be identified or separated, the Company controls the asset, or it has the power receive its future economic benefit, expected volume and price indicate that the costs incurred during development will generate future economic benefit) 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 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.
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. dditionally, if control is acquired the amounts related to minority call options are considered financial liabilities as provided for under IAS 32.
Upon loss of significant influence on a related company or joint venture control of a joint venture, the company evaluates and recognizes the residual equity at fair value, the difference between the carrying value of the investment at the date of loss of influence Significant or joint control and the fair value of the residual participations and the amounts received are recognized in the income statement.

Leasing

Machinery owned through financial leasing contracts, for which the group has substantially assumed the risks and benefits which would arise from ownership, are recognised as assets on the basis of the criteria indicated by IAS 17. They are depreciated according to estimated useful life.
Leasing agreements where the lessor substantially keeps all risks and benefits of ownership are considered as operating leasing. The costs for leasing are carried in consistent amounts in the Income Statement for the duration of the agreement.
The amount payable to the lessor is included in the other financial liabilities.

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 assets

Impairment occurs every time the book value of an asset is greater than its recoverable value. The existence of any indicators suggesting impairment is checked at every balance sheet date. If those indicators are found the recoverable value 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 value of an asset is the greater between its fair value, net of sale costs, and its use value. The recoverable value 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 include the asset in question (Cash Generating Unit).
When the write-down has no reason to be maintained, the book value 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 and liabilities

Investments in other companies constituting financial assets available for sale are measured at fair value, if determinable, and gains and losses arising from changes in fair value are attributed directly to other comprehensive profit/(loss) until they are sold or are impaired; at that time, the Other comprehensive profit/(loss) previously recognised under net equity are recognised in the income statement of the period.
Investments in other companies for which the fair value is unavailable are carried at cost, less any impairment.
Dividends received from these companies are included under the item financial income and charges and other investments.

All the other financial assets are classified into the following categories:
Financial assets at fair value offset in the Income Statement: financial assets mainly acquired with the intention of making a profit from short-term price fluctuations (a period not longer than three months) or designated as such from the start;
Financial assets held to maturity: investments in financial assets with preset maturity and fixed payments or determinable payments that the Group has the intention and capability to maintain through to maturity;
Loans and other financial receivables: financial assets with payments that are fixed or can be decided, not listed on an active market and different from those originally classified as financial assets at fair value and offset in the income statement or as financial assets available for sale;
Financial assets available for sale: financial assets other than those in the above categories or those designated as such from the start.
The Group classifies financial assets at the date of acquisition and accounts for them at fair value at the date of acquisition.
After initial recognition, the financial assets at fair value offset in the income statement and assets available for sale (where there is no “active” market) are measured at fair value, financial assets held to maturity and as well as loans and other financial receivables are valued at amortised cost.
Profit and loss arising from changes in the fair value of financial assets at fair value offset in the income statement is recognised in the income statement of financial year in which they occur. Unrealised profit and loss arising from changes in the fair value of assets classified as available for sale are carried under net equity.
The fair value of financial assets is determined on the basis of their market prices or by using financial models. The fair value of unlisted financial assets is measured using special assessment techniques adapted to the specific context of the Company. Financial assets for which the current value cannot be determined in a reliable manner are accounted for at a lower cost due to impairment.
The existence of any impairment indicators is checked at each balance sheet date. Write-downs in the income statement and under net equity reflect the valuation policies for financial assets. The impairment previously accounted for is eliminated whenever the circumstances leading to the write-down no longer apply, with the exception of assets valued at cost.

Loans, payables and other financial and/or trade liabilities with preset or definable maturity are initially carried at their fair value, not including costs incurred for assuming the amounts payable. The valuation policy applied following initial recognition is the amortisation 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 “net financial income and charges". Financial payables are cancelled when the obligation underlying the payable is extinguished, voided or settled.

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.

Contract Work in Progress

Work in progress is recognised according to the state of progress or percentage of completion so that costs, revenue 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 balance sheet 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. Contract work in progress is carried without including any write-down provisions, losses on contract completion, or payments on account and advances for the contract being executed. This analysis is performed on a contract by contract basis. Whenever the difference is positive for work in progress higher than the amount of payments on account 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 contract work in progress".

Cash at Bank and on hand

Cash at bank and on hand 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), and overdraft facilities. Current account overdrafts are carried under current financial liabilities.

Own Shares

Own 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 own 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 as 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 gain/loss is carried amongst the comprehensive income statement components after the revised version of IAS 19 (Employee benefits) was adopted.

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 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.

Stock options

Share-based payments are measured at fair value on the date they are assigned. This value is charged to the income statement and offset under shareholders' equity over the entire period in which the entitlement accrues. The fair value of the options, calculated on the date of assignment, is measured by using financial mathematical models and taking into consideration the basic terms and conditions under which the entitlement is assigned. The Group plan concluded in 2011 and the related reserve was classified under other provisions.

Potential assets and liabilities

Potential assets and liabilities of an unlikely (but possible) or remote nature are not recognised in the financial statements; nevertheless, adequate information is given concerning possible potential 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 as at the balance sheet date. Provisions set aside are reviewed at every balance sheet date and adjusted to ensure they are the best current estimate.

Derivative instruments

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 net equity, and charging the ineffective portion to the Income statement. The changes recognised directly under net 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 IAS 39, are derecognised from the balance sheet.

Revenue and Expenses

Revenues arising from the assignment of assets are recognised when risk is transferred, which usually occurs on despatch, at the fair value of payment received or due while taking into account any discounts.
Revenues arising from the provision of services are defined according to the percentage of completion, determined as the proportion of services performed at the date of reference and the total value of the services remaining to be performed.
Expenses are recognised with the same criteria used to recognise revenue recognition and, in any case, on an accruals basis.

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.

Taxes

Taxes during the reporting period are defined on the basis of amounts expected to be due according to the tax laws in force.
In addition, deferred taxes 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 net 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 Euros, the Company's functional currency.
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.

Segment information

The Company changed the structure of its internal organization in consideration of the corporate and organizational reorganization that took place following the merger by incorporation of the main Italian subsidiaries and the consequent greater orientation of the Company to the planning and monitoring of business results in a unitary manner. This entailed the aggregation of all the previously disclosed information sectors in a single sector, the IT sector, which corresponds to the legal entity Exprivia SpA.

Financial risk management

The Exprivia is exposed to the following financial risks:

Interest Rate Risk

Over the years Exprivia has obtained various loans including several medium-long term at a fixed rate and others at a facilitated 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 fluctuating interest rates.
Changes in interest rates during the financial year did not have a significant impact on the financial statements.

Credit Risk

Exprivia 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 group 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 Exprivia 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 accoiunt 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 conducted by the Exprivia 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.
The table below provides a reconciliation between financial assets and liabilities included in the schedule for the Company balance sheet and classes of financial assets and liabilities provided by IFRS 7 (amounts in millions of euro):

ACTIVITY 'FINANCIAL IN December 31, 2017	Loans and receivables "amortized cost"	Investments valued at cost	Financial derivative instruments "financial assets valued at the end of the financial year"	Derivatives "financial asset designated at FV through profit or loss"	Securities available for sale "fair value level 2"	Total
In thousands of Euro						
Non current assets						
Financial assets	4,157					4,157
Investments in other companies		149				149
Derivative financial instruments			1	19		20
Non current assets	1,661					1,661
Total no current assets	**5,818**	**149**	**1**	**19**	**-**	**5,987**
Current assets						
Trade receivables	51,075					51,075
Other financial assets	8,229				455	8,684
Other current assets	6,818					6,818
Cash	10,466					10,466
Total Current assets	**76,588**	**0**	**0**	**0**	**455**	**77,043**
TOTAL	**82,406**	**149**	**1**	**19**	**455**	**83,030**

LIABILITIES 'FINANCIAL IN December 31, 2017	Loans and receivables "amortized cost"	Investments valued at cost	Derivative financial instruments "financial liabilities valued at the FV in	Derivatives "financial asset designated at FV through profit or	Securities available for sale "fair value level 2"	Total
In thousands of Euro						
Non Current liabilities						
Bond	22,413					22,413
Due to banks	19,444					19,444
Other financial liabilities	50					50
Other non current liabilities	163			0		163
Total Non Current liabilities	**42,070**	**0**	**0**	**0**	**-**	**42,070**
Current liabilities						
Trade payables and advances	25,386					25,386
Other financial liabilities	2,275					2,275
Due to banks	30,239					30,239
Other liabilities	23,850					23,850
Total Current liabilities	**81,750**	**0**	**0**		**-**	**81,750**
TOTAL	**123,820**	**0**	**0**	**0**	**0**	**123,820**

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

Derivative financial instruments are measured at level 2 on the fair value hierarchy.

Fair Value Hierarchy Measurement

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

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

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

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

Explanatory Notes on the Exprivia SpA Balance Sheet

Details are provided below on the entries making up the assets and liabilities that comprise the consolidated financial position, 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

1 - Property, Plant and Machinery

As at 31 December 2017, the balance of the item "**property, plant and equipment**", net of depreciation, amounted to Euro 11,468,570 compared to Euro 11,867,086 at 31 December 2016.
The table below shows movement in the reporting period:

Categories	Historical cost 01/01/17	Additions by merger	Inc.	Dec.	Historical cost at 31/12/17	Reserve prov. at 01/01/17	Additions by merger	Provision for period	Dec.	Cum. prov.	Net value at 31/12/17
Land	540,754	-	-	-	540,754	-	-	-	-	-	540,754
Buildings	13,316,901	-	-	-	13,316,901	(3,403,500)	-	(417,646)	-	(3,821,146)	9,495,755
Others	7,294,783	6,968,558	351,666	(632,362)	13,982,645	(5,881,852)	(6,534,778)	(747,026)	613,072	(12,550,584)	1,432,061
TOTAL	**21,152,438**	**6,968,558**	**351,666**	**(632,362)**	**27,840,300**	**(9,285,351)**	**(6,534,778)**	**(1,164,672)**	**613,072**	**(16,371,730)**	**11,468,570**

The columns "**Incre. due to merger**" and "**Accum. deprec. due to merger**" include the effects of the mergers of Exprivia Healthcare IT Srl, Exprivia Telco & Media Srl and Exprivia Digital Financial Solution Srl.

The increase in the item "**others**", equal to Euro 351,666, pertains to plant costs (Euro 9,188), electronic office equipment (Euro 312,420), furniture and furnishings (Euro 500), sundry machinery and equipment (Euro 11,986) and mobile telephony (Euro 17,572).

The decreases were mainly attributable to:
- redemptions of leased assets relating to an important customer referable to Exprivia Healthcare IT Srl merged via incorporation in Exprivia SpA, in relation to the conclusion of a contract as a result of which contractual provision was made for the acquisition of the aforementioned assets by said customer;
- the disposal of furniture and furnishings due to the transfer of the local business unit from Trezzano sul Naviglio to Castelletto di Settimo Milanese.

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 precise fulfilment of obligations arising from the Euro 25 million loan taken out on 1 April 2016 from a pool of banks (for additional details, please see note 17).

The net book value of financially leased assets amounted to Euro 289,963 and pertains to furniture and furnishings. It should also be noted that minimum future payments within one-year amount to Euro 7,841, while those due in one to five years amount to Euro 49,852.

2 - Goodwill and Other Assets with an Indefinite Useful Life

The item “**goodwill**” as at 31 December 2017 amounted to Euro 54,072,211 compared to Euro 12,622,395 at 31 December 2016.
The table below provides details on the item:

Categories	Historical cost 01/01/17	Increment for the year	Decrem. for the year	Net value at 31/12/17
Goodwill	12,622,395		(35,849)	12,586,546
Difference Exprivia Digital Financial Solution Srl merger		11,643,982		11,643,982
Difference Exprivia Healthcare It Srl merger		27,947,396		27,947,396
Goodwill divesment Esiet Vas branch		1,894,287		1,894,287
TOTAL	**12,622,395**	**41,485,665**	**(35,849)**	**54,072,211**

The increase, amounting to Euro 41,485,664, relates to the goodwill which was created further to the merger of the companies Exprivia Healthcare It Srl for Euro 27,947,396, Exprivia Digital Financial Solution Srl for Euro 11,643,982 and the acquisition of the business segment Esiet Vas carried out with effect as at 1 July 2017 from Exprivia Digital Financial Solution Srl (merged via incorporation in Exprivia SpA).

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 Related to Impairment Tests Performed on Goodwill and Other Assets with an Indefinite Useful Life

Scope

Accounting standard IAS 36 requires that impairment tests should be performed on tangible and intangible assets in the presence of indicators, which suggest that this problem could exist.
In the case of goodwill, as well as all other intangible assets with an indefinite useful life, such impairment tests should be performed on a yearly basis or more frequently in the case of special negative events that might result in impairment.

Identification of CGU (Cash Generating Unit) 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.
On a consistent basis with the Group’s strategic visions, the identification of the CGUs was changed with respect to 31 December 2016 in consideration of the corporate and organisational reorganisation carried out further to the merger via incorporation of the main Italian subsidiaries and the consequent increased orientation of the Company towards the planning and monitoring of the business results in a unitary manner.

Therefore, the goodwill is allocated in full to the 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 book value of the CGU and the recoverable amount in the definition of value of use. At the date of analysis, the latter 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 of 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.
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 1.9%, 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 the capital, Wacc (Weighted Average Cost of Capital), was increased to incorporate an execution risk of the plans, calculated on the basis of the average deviation percentage between the EBITDA achieved and the EBITDA estimated in the last three years.
The main economic-financial assumptions underlying the 2018-2022 financial forecasts are listed below:

- for 2018 the projections reflect budget data for the year;
- for 2019-2022 the projections reflect an annual compound average growth rate of 3.1% (CAGR 2018-2022) and average profit margin of 11.7%.

The WACC (Weighted Average Cost of Capital) used to discount cash flows was equal to 7.13% and was determined using the following parameters:

Country	Italy
Risk free rate	1.97%
Market risk premium	6.0%
D/E	12%
Beta unlevered	69%
Beta levered	75%
Risk Premium	4.5%
Country Risk Premium	
Premium for additional risk	1.09%
Ke	**7.54%**
Kd (IRS 10 years)	0.9%
Spread	4.0%
AVG Kd Pre tax	**4.88%**
Aliquota IRES/IS	24%
Kd aftet Tax	**3.71%**
D/D+E	10.6%
E/D+E	89.4%
WACC	**7.13%**

Sensitivity Analysis

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

- a 0.5% increase in the weighted average cost of capital;
- a 0.5% 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 book values.

Conclusions

The tests performed did not show any impairment that should be reported in the financial statements.

3 - Other Intangible Assets

As at 31 December 2017, the balance of the item “**other intangible assets**” amounted, net of amortisation applied, to Euro 3,219,723 compared with Euro 32,725 at 31 December 2016.
The table below shows movement in the reporting period:

Categories	Historical cost 01/01/17	Increment for melting effect	Inc/ at 31/12/17	Decrementi al 31/12/17	Total historical cost 31/12/17	Reserve prov/ at 01/01/17	Increment for melting effect	Dep/ of the perdiod	Decrementi	Dep/ 31/12/17	Net value at 31/12/17
Cost of plant and extension	1,018,350	2,521,806	287,534	(155,224)	3,672,466	(985,625)	(2,409,324)	(181,769)	154,224	(3,422,493)	249,973
Development of advertising		10,365,818	1,328,166		11,693,984		(7,175,870)	(1,548,364)		(8,724,234)	2,969,750
TOTAL	**1,018,350**	**12,887,624**	**1,615,700**	**(155,224)**	**15,366,450**	**(985,625)**	**(9,585,194)**	**(1,730,133)**	**154,224**	**(12,146,726)**	**3,219,723**

The columns “**Incre. due to merger**” and “**Accum. amort. due to merger**” include the effects of the mergers of Exprivia Healthcare IT Srl, Exprivia Telco & Media Srl and Exprivia Digital Financial Solution Srl.

The increase in the item “**other intangible assets**” for Euro 287,534 is mainly due to the purchase of software licenses.

The increase in the item “**costs for capitalised internal projects”** for Euro 1,328,166 is attributable to the creation of software applications referring to Exprivia Digital Financial Solution Srl and Exprivia Healthcare It Srl merged via incorporation within Exprivia SpA.

4 - Equity Investments

The balance of the item “**equity investments**” as at 31 December 2017 amounted to Euro 42,039,447 compared with Euro 62,406,601 at 31 December 2016.
The item is broken down below.

Equity Investments in Subsidiaries

At 31 December 2017, the item “**investments in subsidiaries**” amounted to Euro 41,890,563 compared with Euro 62,286,708 at 31 December 2016. The table below provides details on the item:

Description	31/12/2017	31/12/2016	Variation
Exprivia Projects Srl	1,391,391	1,391,391	0
Group Exprivia S.L.U	2,479,868	2,479,868 -	0
Exprivia Enterprise Consulting Srl	5,954,869	5,954,869	-
Exprivia Do Brasil	1,671,481	1,670,000	1,481
Exprivia Digital Fin. Solution Srl		14,185,705	(14,185,705)
Advanced Computer Systems Srl	4,400,818	2,900,818	1,500,000
Spegea S.c.a r.l.	300,000	300,000	
Exprivia Healthcare It Srl		32,436,159	(32,436,159)
Consorzio Exprivia S.c. a r.l.	24,161	17,898	6,263
Exprivia Telco & Media Srl		500,000	(500,000)
Exprivia Asia Ltd	350,000	350,000	
Italtel S.p.A.	25,000,000		25,000,000
Exprivia Process Outsoursing Srl	317,975	100,000	217,975
TOTAL	**41,890,563**	**62,286,708**	**(20,396,145)**

The investments were subjected to impairment tests where impairment indicators were detected.
In particular, the recoverability of the book value of the equity investment in Exprivia Enterprise Consulting Srl was verified, amounting to Euro 6 million, based on the cash flow projections deriving from the economic-financial forecasts for the years 2018-2022 approved by the company's Board of Directors which envisage the following main assumptions:

- for 2018 the projections reflect budget data for the year;
- for the years 2019-2022 the projections reflect a compound annual growth rate of 3.2% (CAGR 2018-2022).

The impairment test was performed by applying the methodology indicated in note 2 with reference to Goodwill.
Furthermore, the recoverability of the book value of the equity investment in Gruppo Exprivia SLU was verified, amounting to Euro 2.5 million, based on the cash flow projections deriving from the economic-financial forecasts for the years 2018-2022 approved by the company's Board of Directors, which envisage the following main assumptions:

- for 2018 the projections reflect budget data for the year;
- for the years 2019-2022 the projections reflect a compound annual growth rate of 28% (CAGR 2018-2022), justified mainly by the effect of the business synergies, especially in the Latam market, which are expected to emerge vis-à-vis the foreign subsidiary due to the business combination with Italtel SpA.

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, Spain and Latam, and equal respectively to 2.40% and 6.87%.

In conclusion, the recoverability of the book value of the equity investment in Exprivia Process Outsourcing Srl was verified, amounting to Euro 318 thousand, based on the cash flow projections deriving from the economic-financial forecasts for the years 2018-2022 approved by the company's Board of Directors, which envisage the following main assumptions:

- for 2018 the projections reflect budget data for the year;
- for the years 2019-2022 the projections reflect a compound annual growth rate of 2% (CAGR 2018-2022).

The impairment test was performed by applying the methodology indicated in note 2 with reference to Goodwill.

The tests performed did not show any impairment loss with respect to the book value of the investments.
A sensitivity analysis was also carried out on the outcome of impairment tests of the equity investments assuming the following changes:

- a 0.5% increase in the weighted average cost of capital;
- a 0.5% 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 book values with reference to the equity investment in Exprivia Enterprise Consulting Srl for Euro 0.4 million.

The main changes during 2017 compared with 2016 are attributable to:

- increase of Euro 25,000,000 relating to the equity investment Italtel SpA. On 14 December 2017, the transaction was finalised for the acquisition via subscription by Exprivia SpA of 81% of the share capital of Italtel SpA, details of which have been provided in the Disclosure Document filed on 29 December 2017, to which reference is made, available in the website of the company in the section "Financial Press releases", drawn up in accordance with Article 71 of the Issuer's Regulation and the related schedule No. 3 of Annex 3B. Italtel SpA is a company operating in the telecommunications sector, with headquarters in Italy and foreign offices in 14 countries. The transaction for the acquisition of Italtel SpA took place in a context of recapitalisation and restructuring of the debt of said company vis-à-vis banks, carried out pursuant to Article 182 of the Italian Bankruptcy Law on the basis of an agreement approved in November 2017, which also envisaged the conversion of part of the receivables due from the banks in Equity financial instruments. Further to the investment transaction, Exprivia and Cisco Systems (Italia) S.r.l. became business partners of Italtel SpA holding, respectively, an interest of 81% and 19% in the share capital of said company;

- decrease of Euro 47,121,864 relating to the investment held by Exprivia SpA in the companies merged via incorporation on 30 November 2017 (Euro 14,185,705 relating to Exprivia Digital Financial Solution Srl, Euro 32,436,159 relating to Exprivia Healthcare It Srl and Euro 500,000 relating to Exprivia Telco & Media Srl);

- increase of Euro 1,500,000 relating to the payments made by Exprivia SpA to its subsidiary Advanced Computer Systems Srl for future share capital increases;

- increase of Euro 217,975 relating to the waiver of the receivables due to Exprivia SpA from its subsidiary Exprivia Process Outsourcing Srl for the purpose of conversion in conferrals towards capital for the purpose of endowing the companies with a suitable capital structure for the development of the business.

Company	H.O.	Value	Company capital	Value	Results for period	Net worth	Total revenues	Total Assets	% of holding	
Advanced Computer Systems Srl	Roma	amount in Euro	2,801,307	amount in thousand Euro	(256)	3,956	9,004	20,755	100.00%	Exprivia SpA
Consorzio Exprivia S.c.a.r.l	Milano	amount in Euro	20,000	amount in thousand Euro	(0.1)	21	3	233	85.00% 10.00% 5.00%	Exprivia SpA Exprivia Enterprise Consulting Srl Exprivia Projects Srl
Exprivia ASIA Ltd	Hong Kong	amount in Euro	313,471	amount in thousand Euro	(106)	(49)	22	366	100.00%	Exprivia SpA
Exprivia Enterprise Consulting Srl	Milano	amount in Euro	1,500,000	amount in thousand Euro	(5,377)	208	5,708	5,688	100.00%	Exprivia SpA
Exprivia Process Outsoursing Srl	Palermo	amount in Euro	100,000	amount in thousand Euro	(427)	109	5,440	1,649	100.00%	Exprivia SpA
Exprivia Do Brasil Servicos Ltda	Rio de Janeiro (Brasile)	amount in Euro	1,482,711	amount in thousand Euro	185	1,756	2,179	2,782	52.30% 47.70%	Exprivia SpA Siemest SpA
Exprivia Projects Srl	Roma	amount in Euro	242,000	amount in thousand Euro	345	636	6,114	2,449	100.00%	Exprivia SpA
Spegea Scarl	Bari	amount in Euro	125,000	amount in thousand Euro	(28)	201	874	1,429	60.00% 40.00%	Exprivia SpA Confindusria Bari
Exprivia SLU	Madrid (Spagna)	amount in Euro	197,904	amount in thousand Euro	(691)	1,616	2,197	8,455	100.00%	Exprivia SpA
ProSap Centroamerica SA	Città del Guatemala (Guatemala)	amount in Euro	567	amount in thousand Euro	56	312	546	1,276	98.00% 2.00%	ProSap Sa de CV Exprivia SpA
ProSap Sa de CV	Città del Messico (Messico)	amount in Euro	2,113	amount in thousand Euro	(536)	(1,321)	2,651	4,432	98.00% 2.00%	Exprivia SLU Exprivia SpA
Italtel SpA	Settimo Milanese (MI)	amount in Euro	20,000,001	amount in thousand Euro	(10,458)	35,619	299,534	399,128	81.00% 19.00%	Exprivia SpA Cisco Srl

It should be noted that, as at 31 December 2017, there is a first-rank pledge on the equity investments in Exprivia Projects Srl and Exprivia Enterprise Consulting Srl, representing 100% of their share capital, granted in respect of the loan of Euro 25 million taken out on 1 April 2016 with a pool of banks.

On 31 December 2017, there was a pledge on Security No. 9 representative of 25,000,000 category A shares corresponding to 81% of the ordinary share capital of Italtel, granted to guarantee the obligations deriving from loan agreements taken out by Italtel. The voting rights and the dividend right remain with the shareholder.

Equity Investments in Other Companies

As at 31 December 2017, the balance of the item "**investments in other companies**" amounted to Euro 148,885 compared to Euro 119,893 as at 31 December 2016. The table below provides details on this item:

Description	31/12/2017	31/12/2016	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	-
Partecipazione SELP	100,000		100,000
Banca Cattolica Popolare s.c.a.r.l.	23,491		23,491
Partecipazione Consorzio HEALTH INNOVATION HUB	3,000		3,000
Innoval Scarl	2,500		2,500
Partecipazione Consorzio SILAB-Daisy	7,347	7,347	-
Partecipazione Consorzio GLOCAL ENABLER	2,000	2,000	-
Cefriel Scarl	33,000	33,000	-
Fondo svalutazione altre imprese	(100,000)		(100,000)
TOTAL	**148,885**	**119,893**	**28,991**

The changes refer to the equity investments in Banca Cattolica Popolare S.c a r.l., Consorzio Health Innovation Hub and Innoval S.c.a r.l. acquired by Exprivia SpA further to the merger via incorporation of the subsidiary Exprivia Healthcare IT Srl.

5 - Other Non-current Financial Assets

The balance of the item "**other non-current financial assets**" as at 31 December 2017 amounted to Euro 4,177,126 compared to Euro 3,636,478 at 31 December 2016. The table below provides details on the item:

Description	31/12/2017	31/12/2016	Variazioni
Receivables from subsidiaries	1,858,318	1,005,000	853,318
Receivables from controlling companies	2,257,520	2,596,910	(339,390)
Financial receivables from others	41,077		41,077
Financial instruments	20,210	34,568	(14,357)
TOTAL	**4,177,126**	**3,636,478**	**540,648**

Receivables from Subsidiaries

As at 31 December 2017, the balance of "**receivables from subsidiaries**" amounted to Euro 1,858,318 and relates to the interest-bearing loan granted to the subsidiary ACS srl.

Receivables from Parent Companies

The balance of the item "**receivables from parent companies**", amounting to Euro 2,257,520 as at 31 December 2017, compared to Euro 2,596,910 at 31 December 2016, refers to the receivable due to the Holding company Exprivia SpA from its parent company Abaco Innovazione SpA as a result of the loan agreement stipulated by the parties in 2016. The loan, amounting to Euro 2,985,338, was disbursed in cash (Euro 1,680,000) and through the reclassification of payables outstanding as at 31 December 2015 (Euro 1,305,338). The loan term has been established as 7 equal deferred annual instalments with increasing principal portions. The second instalment of Euro 400,469 is due on 4 April 2018; the amount was classified under "receivables from parent companies" under "other current financial assets" (note 12). The receivable was increased by Euro 61,079 for interest accrued.

Financial Receivables from Others

As at 31 December 2017, the item "**other financial receivables**" amounted to Euro 41,077 and referred to medium/long-term guarantee deposits.

Derivative Financial Instruments

As at 31 December 2017, the item "**derivative financial instruments**" amounted to Euro 20,210 compared to Euro 34,568 at 31 December 2016.

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

The fair value of these derivative instruments as of the balance sheet date is illustrated below highlighting - separately - the fair value of the derivatives which satisfy the requirements for being a cash flow hedge and those which do not satisfy the requirements envisaged for hedge accounting.

Hedge Accounting	Operation date	Initial date	Expiry date	Currency	Reference amount	Fair value
Interest Rate Cape - BNL	06/05/2016	30/06/2016	31/12/2022	EUR	4,900,000	7,396
Interest Rate Cape - BPM	11/05/2016	30/06/2016	30/12/2022	EUR	2,750,000	4,151
Interest Rate Cape - UNICREDIT	09/05/2016	30/06/2017	30/12/2022	EUR	4,900,000	7,396
TOTAL					**12,550,000**	**18,942**

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

The fair value changes have been recognised in the income statement for the part relating to the timing value, for Euro 15,181, and in the cash flow hedge reserve for the part relating to the intrinsic value, for Euro 44.

Non Hedge Accounting	Operation date	Initial date	Expiry date	Currency	Reference amount	Fair value
IRS Payer	06/06/2016	30/06/2016	28/03/2024	EUR	3,500,000	1,268
TOTAL					**3,500,000**	**1,268**

Note that the derivative product, indicated in the previous table, subscribed by the Holding company Exprivia with Unicredit was initially linked to a distinct loan with a floating interest rate 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.

This is an instrument valued at fair value level 2.

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

- upon a change of +1%, the fair value of derivatives would amount to around Euro 200 thousand;
- upon a change of -1%, the fair value would be nil.

6 - Other Non-current Assets

Other Non-current Assets

The item “**Other non-current assets**” amounted to Euro 1,661,051 as at 31 December 2017 compared to Euro 1,348,732 at 31 December 2016; the increase of Euro 312,319 refers to the credit relating to the deductibility of the IRAP calculated on staff costs which generated a recovery of IRES for the company subject to merger Exprivia Telco & Media Srl, which previously did not take part in the tax consolidation scheme. Article 4 of Italian Decree Law No. 16/2012 extended the above deduction to tax periods prior to 31 December 2012 for the years 2007 to 2011. The receivables in the periods from 2009 to 2011 were recorded under non-current assets, while the receivables for 2007 and 2008 were included in the item “**Other current assets**”.

7 – Deferred tax assets

As at 31 December 2017, the item “**deferred tax assets**” amounted to Euro 1,024,163 compared to Euro 615,922 at 31 December 2016. The table below provides details of the item, compared with the figures at 31 December 2016.

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Description	31/12/2017		31/12/2016	
	Amount temporary differ	tax effect	Amount temporary differ	tax effect
Depreciation	8,522	2,045		
Goodwill	42,015	11,878		
Allowance for doubtful accounts	2,078,748	498,908	1,555,000	373,200
Fund risks	633,455	174,899	432,699	151,234
Adjustments for IFRS	638,162	146,899	193,609	46,466
Others	712,660	189,534	197,787	45,022
TOTAL	**4,113,562**	**1,024,163**	**2,379,095**	**615,922**

The item “other” refers, for Euro 638 thousand, to fees still not paid as at 31 December 2017 (tax effect of Euro 181 thousand), for Euro 48 thousand, to fair value changes in AFS instruments (tax effect of Euro 2 thousand) and for Euro 26 thousand to inventory write-down (tax effect of Euro 6 thousand).

CURRENT ASSETS

8 - Trade Receivables

The item “**trade receivables**” rose from Euro 22,054,988 as at 31 December 2016 to Euro 51,074,549 as at 31 December 2017. The table below provides details on the items.

Description	31/12/2017	31/12/2016	Variazioni
Trade receivables from customers	46,792,915	16,099,818	30,693,097
Trade receivables from controlled companies	4,268,800	5,955,170	(1,686,370)
Trade receivables from controlling companies	12,834		12,834
TOTAL	**51,074,549**	**22,054,988**	**29,019,561**

The change is mainly due to the contribution of Exprivia Digital Financial Solution Srl, Exprivia Healthcare IT Srl and Exprivia Telco & Media Srl merged by incorporation in Exprivia Telco & Media Srl.

Trade Receivables - Customers

"**Trade receivables - customers**" rose from Euro 16,099,818 at 31 December 2016 to Euro 46,792,915 as at 31 December 2017 and are recorded under assets net of the bad debts provision of Euro 2,586,406 as an adjustment for the risk of doubtful debts.

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

Description	31/12/2017	31/12/2016	Variation
To Italian customers	40,237,303	15,609,079	24,628,224
To foreign customers	3,103,041	1,026,770	2,076,271
To public bodies	6,038,977	1,063,305	4,975,672
S-total receivables to customers	**49,379,321**	**17,699,154**	**31,680,167**
Less: provision for bad debts	(2,586,406)	(1,599,336)	(987,070)
Total receivables to customers	**46,792,915**	**16,099,818**	**30,693,097**

Details	31/12/2017	31/12/2016	Variation
To third parties	37,798,751	13,922,174	23,876,577
Invoices for issue to third parties	11,580,569	3,776,980	7,803,589
TOTAL	**49,379,321**	**17,699,154**	**31,680,167**

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 2017 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 associated bad debts provision:

Amount of receivables	in		days past due								Allowance for doubtful accounts	Credits net of the fund
	expire	due	1 - 30	31- 60	61 - 90	91-120	121-180	181-270	271-365	beyond		
37,798,751	26,266,415	11,532,336	2,093,984	1,639,443	633,687	411,053	272,552	464,265	858,743	5,158,609	(2,586,406)	35,212,345
100.0%	69%	31%	6%	4%	2%	1%	1%	1%	2%	14%		

Trade Receivables - Subsidiaries

The item "**trade receivables - subsidiaries**" as at 31 December 2017 amounted to Euro 4,268,800 compared to Euro 5,955,170 in the previous year.

The table below provides details on this item:

Description	31/12/2017	31/12/2016	Variation
Consorzio Exprivia	89,459	217	89,242
Advanced Computer Systems Spa	346,129	150,908	195,221
Exprivia Projects Srl	197,599	245,922	(48,323)
ProSap	739,111	990,976	(251,865)
Exprivia Digital Financial Solution Srl		568,941	(568,941)
Spegea S. c. a.r.l.	17,413	20,951	(3,538)
Exprivia Healthcare IT Srl		835,035	(835,035)
Exprivia Enterprise Consulting Srl	261,573	2,317,376	(2,055,803)
Exprivia Asia Ltd		39,232	(39,232)
Exprivia Telco & Media Srl		767,065	(767,065)
Exprivia Process Outsoursing Srl	365,040	18,547	346,493
Italtel S.p.A.	2,252,476		2,252,476
TOTAL	**4,268,800**	**5,955,170**	**(1,686,370)**

The comparative balance of the item "Trade receivables - subsidiaries" differs from that published as a result of the reclassification of the financial receivables and the other receivables.

In particular, Euro 4,328,280 (Note 12) has been reclassified in the item **"Other current financial receivables"** with regard to the loans of Exprivia SLU and Prosap Messico and Euro 1,071,006 (Note 11) in the item **"Other current assets"** relating to the IRES receivables of Exprivia Digital Financial Solution Srl and Exprivia Telco & Media Srl merged via incorporation within Exprivia SpA.

Receivables from subsidiaries are all regulated by framework agreements and mainly refer to charges for 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" as at 31 December 2017 amounted to Euro 12,834 and refers to receivables for administrative services of Exprivia recharged to the parent company Abaco Innovazione SpA.

9 - Inventories

As at 31 December 2017, the item "**inventories**" amounted to Euro 149,924 compared with Euro 132,888 at 31 December 2016 and refers to software and hardware products held for resale.

10 – Contract Work in Progress

As at 31 December 2017 the item "contract work in progress" amounted to Euro 12,259,211 compared to Euro 9,375,850 at 31 December 2016 and refers to the value of work in progress contracts valued according to contractual payments accrued.
The item is stated net of the work risk provision for Euro 120,767.

11 - Other Current Assets

The balance of the item "**other current assets**" as at 31 December 2017 amounted to Euro 6,817,576 compared with Euro 6,826,705 at 31 December 2016.
The table below provides the breakdown of the item:

Description	31/12/2017	31/12/2016	Variazioni
Other receivables from subsidiaries	840	1,071,006	(1,070,166)
Tax credits	766,052	212,908	553,144
Other current assets	6,050,684	5,542,791	507,893
TOTAL	**6,817,576**	**6,826,705**	**(9,129)**

Other Receivables from Subsidiaries

As at 31 December 2017 the item "other receivables from subsidiaries" amounted to Euro 840 compared to Euro 1,071,006 at 31 December 2016 and refers to the IRES credit of the subsidiary Advanced Computer System ACS Srl due to compliance with the national tax consolidation scheme vis-à-vis Exprivia SpA.

The table below provides details on the items.

Description	31/12/2017	31/12/2016	Variazioni
Accounts receivable from ACS for IRES from a consolidated tax office	840		840
Receivables from Exprivia Healthcare It Srl for IRES from a consolidated tax office		33,846	(33,846)
Receivables from Exprivia Digital Financial Solution Srl for IRES from a consolidated tax office		1,026,872	(1,026,872)
Receivables from Exprivia Telco & Media for IRES from a tax consoliato		10,287	(10,287)
TOTAL	**840**	**1,071,006**	**(1,070,166)**

The change is attributable to the effect of the merger of the companies shown in the table.

Tax Receivables

As at 31 December 2017, the item "**tax receivables**" amounted to Euro 766,052 compared to Euro 212,908 at 31 December 2016. The table below provides a breakdown and a comparison with the previous year:

Description	31/12/2017	31/12/2016	Variation
Receivables to tax a/c - IRAP	(32,954)	20,632	(53,586)
Credit per instance irap on ires	587,588	150,811	436,777
Tax authority deductions on foreign payments	10,849	14,089	(3,240)
Credits to tax authority for VAT	81,785	-	81,785
Credits with tax authority	118,784	27,377	91,407
TOTAL	**766,052**	**212,908**	**553,144**

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. Tax receivables pertaining to 2007 and 2008 were reclassified under current tax receivables.

The most significant change inherent to the item "receivable for IRAP application on IRES" is attributable to the effect of the merger via incorporation in Exprivia of Exprivia Telco & Media Srl and Exprivia Healthcare It Srl.

Other Current Assets

The balance of "**Other current assets**" as at 31 December 2017 amounted to Euro 6,050,686 compared with Euro 5,542,792 at 31 December 2016.

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

Description	31/12/2017	31/12/2016	Variation
Receivables for contrib.	4,171,962	4,052,590	119,372
Sundry credits	71,558	25,851	45,707
Receivables to factoring	-	4,356	(4,356)
Receivables to welfare institutes/INAIL	161,048	40,506	120,542
Costs in future years expertise	1,646,118	1,419,489	226,629
TOTAL	**6,050,686**	**5,542,792**	**507,894**

The amounts receivable in relation to "**government grants**" refer to grants accrued and/or accounted for to date in relation to 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 amounting to Euro 397,814 for any minor grants that might not be received and the advances received on completed projects for Euro 900,349.

The item "**expenses pertaining to future financial years**" for Euro 1,646,118 mainly refers to maintenance costs for future reporting periods.

12 – Other Current Financial Assets

The item "**other current financial assets**" as at 31 December 2017 amounted to Euro 8,229,458 compared with Euro 6,381,702 at 31 December 2016.
The table below provides details on the item:

Description	31/12/2017	31/12/2016	Variation
Credits to others	559,517	1,583,744	(1,024,227)
Receivables from subsidiaries	7,269,472	4,328,280	2,941,191
Receivables from controlling companies	400,469	469,678	(69,209)
TOTAL	**8,229,458**	**6,381,702**	**1,847,756**

Other Receivables

The balance of "**other receivables**" totalled Euro 559,517 as at 31 December 2017 compared with Euro 1,583,744 as at 31 December 2016 and mainly refers to receivables due from factoring companies for receivables transferred on a non-recourse basis as detailed below:

Description	31/12/2017	31/12/2016	Variation
Factoring receivables	532,780	1,572,833	(1,040,053)
Security deposits	12,719	10,911	1,808
Other receivables	14,018	-	14,018
TOTAL	**559,517**	**1,583,744**	**(1,024,227)**

Receivables from Subsidiaries

As at 31 December 2017, the balance of "Receivables from subsidiaries" amounted to Euro 7,269,472, compared with Euro 4,328,280 as at 31 December 2016, 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	31/12/2017	31/12/2016	Variation
Advanced Computer Systems Srl	600,000		600,000
Exprivia Enterprise Consulting Srl	1,009,253		1,009,253
Gruppo ProSap	1,267,434	437,198	830,236
Exprivia Asya	356,641		356,641
Exprivia SI	4,005,623	3,891,082	114,542
Exprivia Process Outsourcing	30,521		30,521
TOTAL	**7,269,472**	**4,328,280**	**2,941,191**

Receivables from Parent Companies

As at 31 December 2017, the balance of "**receivables from parent companies**" amounted to Euro 400,469 and related to the current portion of the Holding Company's financial receivable due from the parent company Abaco Innovazione SpA.

13 - Cash at Bank and on Hand

As at 31 December 2017 the item "**cash at bank and on hand**" amounted to Euro 10,465,631 compared with Euro 4,218,280 at 31 December 2016 and refers to Euro 10,433,918 held at banks and Euro 31,713

in cash on hand. Additionally, the bank balance includes secured deposits for guarantees amounting to Euro 436 thousand undertaken in favour of banks.

Information on the Cash Flow Statement

The net financial position as at 31 December 2017 was a negative Euro 48.5 million, up with respect to 31 December 2016 when it was a negative Euro 27.1 million. Net of the Italtel transaction, which involved an investment of Euro 25 million, the Company, would have improved its financial debt by Euro 3.6 million, thanks to positive cash flows from operating activities (Euro 10.6 million) and prudent investment management.

14 - OTHER FINANCIAL ASSETS Available for Sale

The item “**other financial assets**” amounted to Euro 455,336 as at 31 December 2017, compared to Euro 457,041 at 31 December 2016. It relates to financial instruments issued by Banca Popolare di Bari, more specifically:

(i) 33,427 shares of said bank for an amount of Euro 7.5 each, totalling Euro 250,702.50

(ii) 33,427 bonds “Banca Popolare di Bari 6.50% 2014/2021 subordinate Tier II” for Euro 6.00 each, amounting to Euro 204,633.41.

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

SHAREHOLDERS’ EQUITY

15 - Share Capital

“**Share capital**”, fully paid up, amounts to Euro 25,154,899 and did not undergo any changes with respect to 31 December 2016. It 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 3,509,153 own shares held at 31 December 2017 for a value of Euro 1,824,759.

Exprivia Shares Held Directly by Members of the Board of Directors

As at 31 December 2017, Domenico Favuzzi, Chairman and CEO of Exprivia SpA, directly held 290,434 Exprivia shares. In addition, 8,400 Exprivia shares were held by the Vice-President Dante Altomare, 50,000 shares by the director Filippo Giannelli, 7,000 shares by the director Valeria Savelli and 12,000 shares by the standing statutory auditor Gaetano Samarelli.
None of the other members of the Board of Directors, their spouses not legally separated, or their underage children hold, directly or indirectly, any shares in Exprivia SpA..

15 - Share Premium Reserve

At 31 December 2017, the “share premium reserve” amounted to Euro 18,081,738 and is the same as 31 December 2016.

15 - Revaluation Reserve

As at 31 December 2017, the “**revaluation reserve**” amounted to Euro 2,907,138 and is the same as at 31 December 2016.

15 - Legal Reserve

As at 31 December 2017, the "**legal reserve**" amounted to Euro 3,931,382 and is the same as at 31 December 2016.

15 - Other reserves

The balance of the item "**other reserves**" amounted to Euro 23,142,758 as at 31 December 2017 compared to Euro 20,334,649 at 31 December 2016 and pertains to:

- Euro 19,301,316 for the "**extraordinary reserve**" compared to Euro 17,363,657 at 31 December 2016. The changes that took place can be assigned to the use of the extraordinary reserve for the coverage of the 2016 loss (Euro 1,908,465), as resolved by the shareholders' meeting of Exprivia Spa on 27 April 2017, and the effect of the definitive release of the "Puglia Digitale Project Reserve" (Euro 3,846,124);
- Euro 3,841,442 for "**other reserves**" compared to Euro 2,970,992. Movements in 2017 refer to:
    - the positive effect on shareholders' equity deriving from the merger via incorporation of Exprivia Healthcare IT Srl, Exprivia Digital Financial Solution Srl and Exprivia Telco & Media Srl, for Euro 5,293,171;
    - the positive effect on shareholders' equity of the change in fair value of the derivative financial instruments for Euro 12,243;
    - the negative effect deriving from the recognition of the merger reserve relating to the effects deriving from application of IAS 19 net of the tax effect of Euro 485,588;
    - the negative effect on 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 101,547;
    - the negative effect on shareholders' equity deriving from the financial assets classified as AFS for Euro 1,705;
      the definitive release of the "Puglia Digitale Project Reserve" amounting to Euro 3,846,124, which has been booked to the Extraordinary reserve".

Description	Amount	Origin / Nature	Possibility of use	Available shares	Summary of utilizations made in the previous three years - to cover losses
Share capital	26,979,658.16	Capitale			
Legal reserve	3,958,799.37	Utili	B		
Extraordinary reserve	19,301,316.24	Utili	A;B;C.	19,301,316.24	(1,908,465.25)
Capital payment		Capitale	A;B;C.		
Reserve for unrealized exchange gains		Utili			
Total other reserves	23,526,490.97			23,584,348.37	
TOTAL	**73,766,264.74**			**42,885,664.61**	
Non-distributable amount	30,880,600.13				
Residual distributable share	42,885,664.61				
			Key: A: for capital increase; B: to cover losses; C: for distribution to members; D: for other statutory restrictions; E other		

NON-CURRENT LIABILITIES

16 - Bond Issues

The balance as at 31 December 2017 came to Euro 22,413,056 and relates to the non-current portion of the bond issued entitled "Exprivia S.p.a. - 5.80% 2017 - 2023" which the Holding company issued to finance the subscription by Exprivia SpA of 81% of Italtel SpA's share capital.

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

The Bond was subscribed by the following parties:
1) 80 securities by Anthilia Capital Partners SGR S.p.A.;
2) 65 securities by Banca Popolare di Bari S.c.p.a.;
3) 15 securities by Consultinvest Asset Management SGR S.p.A.;
4) 10 securities by Confidi Systema! S.c..

On 29 December 2017, Exprivia exercised the faculty to increase the bond issue by an additional Euro 6 million, by means of the issue of an additional 60 securities, subscribed by Mediobanca SGR S.p.A..
The securities have been placed in the centralised management system care of Monte Titoli S.p.A. and have been admitted for listing in the multilateral trading system managed by Borsa Italiana SpA, ExtraMOT market PRO segment reserved for professional investors.
The trading Admission Document and the Bond Regulations are available on the Company's website at the following address www.exprivia.it, Investor Relations section.

It is pointed out that the amount pertains fully to the scope of the Exprivia Group with the exclusion of the Italtel Group.

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

exprivia

Date of Reference	Net Financial Position/Shareholders' Equity	Net Financial Position/ EBITDA
31.12.2017	≤ 1.2	≤ 5.5
31.12.2018	≤ 1.1	≤ 5.5
31.12.2019	≤ 1.0	≤ 5.0
31.12.2020	≤ 1.0	≤ 4.5
31.12.2021	≤ 1.0	≥ 4.0
31.12.2022	≤ 1.0	≥ 4.0

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

As at 31 December 2017, the parameters had been observed.

17 - Non-current Payables to Banks

As at 31 December 2017 the balance of the item "**non-current payables to banks"** amounted to Euro 19,443,788 compared with Euro 22,266,679 last year, and pertains to the amounts of medium-term borrowing overdue for over twelve months after 31 December 2017 and low-interest loans for specific investment programmes.
The table below provides details on the items and breaks down the non-current portion (Euro 19,443,788) and the current portion (Euro 21,483,669) of the payable.

Financial Institute	Typology	Contract amount	Amount paid 31.12.2017	Date contract	Expiration date	Repayment installment	Rate applied	Residual capital 31.12.2017	To be repaid within 12 months	To be repaid over 12 months
Ministero dello Sviluppo Economico	Financing	2,019,162	2,019,162	27/12/2009	27/02/2019	annual	0.87%	464,026	231,040	232,986
Monte dei Paschi di Siena	Financing	2,000,000	2,000,000	13/04/2017	30/09/2018	montly	Euribor + 1,75%	1,280,702	1,280,702	
Intesa San Paolo	Financing	3,000,000	3,000,000	13/12/2017	13/12/2018	montly	1.90%	2,994,555	2,994,555	
Pool – Capofila Banca Nazionale del Lavoro	Financing	25,000,000	25,000,000	01/04/2016	31/12/2022	semi-annual	Euribor + 2,65%	18,757,188	3,677,589	15,079,599
ICCREA Banca Impresa	Mutuo	3,000,000	3,000,000	26/05/2017	31/10/2018	montly	Euribor + 2,9%	1,773,292	1,773,292	
ICCREA Banca Impresa	Financing	1,020,000	1,020,000	18/07/2013	30/09/2018	quarterly	Euribor+ 3,80%	166,403	166,403	
Simest	Financing	1,955,000	1,198,063	19/04/2013	19/04/2020	semi-annual	0.50%	599,631	240,212	359,419
Banca del Mezzogiorno	Financing	3,500,000	3,500,000	23/06/2017	23/06/2027	quarterly	Euribor + 2,75%	3,299,367	346,967	2,952,400
Ubi Banca	Financing	1,500,000	1,500,000	25/05/2017	25/11/2018	montly	Euribor + 1,8%	918,929	918,929	
Banca Popolare dell'Emilia Romagna	Financing	1,000,000	1,000,000	28/07/2017	28/10/2018	montly	Euribor + 1,85%	667,533	667,533	
Banca Popolare di Milano	Financing	2,500,000	2,500,000	20/12/2017	30/06/2018	montly	Euribor + 1,75%	2,496,604	2,496,604	-
Deutsche Bank	Financing	500,000	500,000	21/12/2017	21/12/2018	quarterly	Euribor + 0,50%	492,332	492,332	-
Deutsche Bank	Financing	1,000,000	1,000,000	25/09/2017	25/09/2018	montly	Euribor + 0,50%	997,512	997,512	-
Banca Popolare Puglia e Basilicata	Financing	2,000,000	2,000,000	24/03/2017	a revoca	single payment	Euribor + 2,4%	2,000,000	2,000,000	-
Credito Emiliano	Financing	3,000,000	3,000,000	02/03/2017	31/08/2018	annual	Euribor+ 1,38%	3,006,685	3,006,685	-
Banca Popolare di Bari	Financing	500,000	500,000	04/12/2014	31/12/2019	quarterly	Euribor + 2,20%	207,455	102,435	105,020
Ministero dello Sviluppo Economico	Financing	863,478	863,478	14/09/2016	17/11/2025	annual	0.31%	805,243	90,879	714,364
Totale								**40,927,457**	**21,483,669**	**19,443,788**

Medium-term Loan Agreement

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

The loan is backed by ordinary guarantees typical of transactions of this type, including the guarantee issued by SACE SpA in the amount of Euro 6 million, in addition to guarantees issued by 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 usual market conditions for loans of an equal amount and term, such as: representations and warranties, covenants (pari passu, negative pledge, etc.), limitations on significant extraordinary transactions (with the exception of intercompany transactions, which are exclusively allowed within the corporate scope existing as at 1 April 2016, and smaller ones), the obligation to maintain adequate insurance coverage, compulsory and optional early repayment clauses, cross defaults, etc.

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

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

Date of Reference	Net Borrowing/ EBITDA	Net Borrowing/Own funds	EBITDA / Net financial charges	Investments
31.12.2017	≤ 5.5	≤ 1.2	≥ 3.0	≤ 38 ml
30.06.2018	≤ 5.5	≤ 1.2	≥ 3.0	≤ 38 ml
31.12.2018	≤ 5.5	≤ 1.1	≥ 3.0	≤ 6.0 ml
30.06.2019	≤ 5.5	≤ 1.1	≥ 3.0	≤ 6.0 ml
31.12.2019	≤ 5.0	≤ 1.0	≥ 3.5	≤ 6.0 ml
30.06.2020	≤ 5.0	≤ 1.0	≥ 3.5	≤ 6.0 ml
31.12.2020	≤ 4.5	≤ 1.0	≥ 4.0	≤ 6.0 ml
30.06.2021	≤ 4.5	≤ 1.0	≥ 4.0	≤ 6.0 ml
31.12.2021	≥ 4.0	≤ 1.0	≥ 4.0	≤ 6.0 ml
30.06.2022	≥ 4.0	≤ 1.0	≥ 4.0	≤ 6.0 ml

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

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

At 31 December 2017, the remaining debt amounted to Euro 19,230,770, Euro 3,846,154 of which should be repaid within twelve months (carried under short-term liabilities) and the remaining Euro 15,384,616 to be repaid in 2018-2022 (carried under long-term liabilities).

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

Low-interest Loan from Ministry of Economic Development - Istituto Finanziario Ubi Banca (formerly Centrobanca) POR Puglia

A loan resolved and fully paid for Euro 2,019,162 as at 31 December 2017 in favour of the parent company Exprivia SpA; it was targeted at financing a research and development project under Law 46/82 F.I.T. art. 14 Circular No. 1034240 of 11 May 2001, expires on 27 February 2019 and bears a below-market fixed rate of interest of 0.87% annually.

Iccrea Banca Impresa Loan

A loan for Euro 1,020,000 stipulated by Exprivia SpA on 18 July 2013 to be repaid in quarterly instalments starting from 30/09/2013 until 30/09/2018. It is targeted at supporting international development in Brazil through the subsidiary Exprivia do Brasil. The interest rate applied is the Euribor + a 3.80% spread.

The loan is backed by a SACE guarantee of Euro 535,500.

Simest Loan

A loan of Euro 1,955,000 resolved in favour of the holding company Exprivia SpA, entered into on 19 April 2013, of which Euro 1,198,063 disbursed on 31 December 2017, is to be repaid in six-month instalments starting from 19 October 2015 until 19 April 2020. The loan is targeted at supporting international development in China and bears a below-market fixed rate of interest (0.50% yearly).

Banca del Mezzogiorno Loan

A loan of Euro 3,500,000 resolved in favour of the holding company Exprivia SpA, entered into on 23 June 2017, to be repaid in quarterly instalments starting from 23.09.2017 until 23.06.2027. 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 were secured in a current account at 31 December 2017.

Banca Popolare di Bari Loan

A loan for Euro 500,000 stipulated by Exprivia SpA (formerly Exprivia Healthcare IT Srl) to be repaid in quarterly instalments starting from 31/03/2015 until 31/12/2019.

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

There are no real guarantees for this loan.

Low-interest Loan CUP 2.0

Loan totalling Euro 863,478 resolved in favour of Exprivia SpA (formerly Exprivia Healthcare IT Srl), of which the full amount approved was disbursed as at 31 December 2017. 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 17.11.2025 and bears a below-market fixed rate of interest of 0.3120%.

Net Financial Position

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

		al 31.12.2017	al 31.12.2016
A.	Cash	31,713	3,544
B.	Other liquid assets	10,433,918	4,214,736
C 1.	Securities held for trading	455,336	457,041
C 2.	Own share	2,547,084	2,547,084
D	**Liquidy (A)+(B)+(C)**	**13,468,051**	**7,222,405**
E.	**Current financial receivables**	**8,229,458**	**6,381,702**
F.	Current bank debts	(25,549,399)	(10,663,505)
G.	Current part of non-current debt	(4,689,124)	(4,687,886)
H.	Other current financial debts	(2,274,628)	(6,583,024)
I.	**Current financial debts (F) + (G) + (H)**	**(32,513,151)**	**(21,934,415)**
J.	**Net current financial debt (I) + (E) + (D)**	**(10,815,642)**	**(8,330,308)**
K.	Non-current bank debts	(19,443,788)	(22,266,679)
L.	Bond	(22,413,056)	
M.	Other non-current financial payables net of non-current financial receivables and derivantive financial instruments	4,127,274	3,498,809
N.	**Non-current financial debts (K) + (L) + (M)**	**(37,729,570)**	**(18,767,870)**
O.	**Net financial debits (J) + (N)**	**(48,545,212)**	**(27,098,178)**

Own shares held by the company (Euro 2,547,084) are included in the calculation of the net financial position. They were not listed under the opening and closing balance of financial assets in the cash flow statement since the change is shown in a dedicated item.

18 - Other Non-current Financial Liabilities

As at 31 December 2017 the item “**Other non-current financial liabilities**” amounted to Euro 49,852 compared to Euro 137,669 at 31 December 2016.

Description	31/12/2017	31/12/2016	Variation
Financial payables to non-current suppliers	49,852	75,165	(25,313)
Financial debts for other lenders	-	12,503	(12,503)
Financial payables to non-current subsidiaries	-	50,000	(50,000)
TOTAL	**49,852**	**137,669**	**(87,817)**

As at 31 December 2017, the item "**non-current financial payables to suppliers**" amounted to Euro 49,852 and refers to the medium/long-term portion of the amounts due to leasing companies.

19 - Other Non-current Liabilities

As at 31 December 2017 the balance of the item "**other non-current liabilities**" amounted to Euro 163,388 compared to Euro 380,092 at 31 December 2016.

Description	31/12/2017	31/12/2016	Variation
Non-current tax payables	91,005	-	91,005
Payables to non-current subsidiaries	72,383	380,092	(307,709)
TOTAL	**163,388**	**380,092**	**(216,704)**

Non-current Tax Liabilities

The balance of the item "**non-current tax liabilities**" at 31 December 2017 amounted to Euro 91,005 and refers to the long-term portion relating to tax payment slips received and in relation to which instalments payment plans have been agreed.

Non-current Payables to Subsidiaries

The item "**non-current payables to subsidiaries**" amounted to Euro 72,383 as at 31 December 2017, compared with Euro 380,093 as at 31 December 2016, and refers to the tax receivable deriving from the application for a refund of IRAP on IRES which, as a result of national tax consolidation scheme, is assigned to the Holding Company by its subsidiaries Exprivia Projects Srl (Euro 63,537), and Spegea Scasrl (Euro 8,846).

The table below provides details on the item:

Description	31/12/2017	31/12/2016	Variation
Exprivia Projects Srl for reimbursement request	63,537	63,537	-
Exprivia Healthcare It Srl for reimbursement request	-	307,710	(307,710)
Spegea Scarl for repayment request	8,846	8,846	-
TOTAL	**72,383**	**380,093**	**(307,710)**

As a result of the merger of Exprivia Healthcare It Srl in Exprivia SpA the receivable, amounting to Euro 307,710, was reclassified under non-current tax receivables pertaining to Exprivia SpA.

20 - Provisions for Risks and Charges

The balance of the item "**provisions for risks and charges**" as at 31 December 2017 amounted to Euro 114,874 compared with Euro 37,000 at 31 December 2016.

The "**provision for staff risks**", amounting to Euro 114,874, increased by Euro 77,874 compared to 31 December 2016, in relation to the opening of outstanding disputes with former employees as at 31 December 2017.

Description	31/12/2017	31/12/2016	Variation
Risk provisions staff	114,874	30,000	84,874
Provision for other risks		7,000	(7,000)
TOTAL	**114,874**	**37,000**	**77,874**

"**Employee provisions**" as at 31 December 2017 increased Euro 30,000 due to the contribution of Exprivia Telco & Media merged via incorporation within Exprivia SpA and by Euro 54,874 as a result of the allocation for the year in relation to the risk associated with outstanding disputes with former employees.

21 - Employee Provisions

Employee Severance Indemnity Fund

The amounts for the **employee severance indemnity** accrued after 31 December 2006 were paid to the INPS pension fund and union pension funds. The residual employee severance indemnity at 31 December 2017 amounted to Euro 8,627,001 compared with Euro 3,139,640 at 31 December 2016.
The following table shows changes in the provision in the year.

Description	31/12/2017	31/12/2016	Variation
Initial existence	3,139,640	3,081,697	57,943
Fusion effect	5,742,713		5,742,713
Interest Cost	40,815	61,634	(20,819)
Steps		816	(816)
Uses / liquidations of the exercise	(434,292)	(198,117)	(236,175)
(Profit) actuarial losses	138,125	193,610	(55,485)
Total end of the year	**8,627,001**	**3,139,640**	**5,487,361**

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

Description	31/12/2017	31/12/2016
Discount rate	1.30%	1.30%
Inflation rate	1.50%	1.50%
Annual rate of wage growth	3.00%	2.50%
Annual rate of TFR growth	2.62%	2.62%
Mortality	Tav ISTAT 2011	Tav ISTAT 2011
Inability	Tav. INAIL	Tav. INAIL
Turn-over	5.50%	5.50%
Probability advance	2.50%	2.50%
Amount% of the severance pay in advance	70.00%	70.00%

Some of the general criteria used for the projections are described below. In order to meet the need to make assessments based on all the information available, a technical procedure was used known in the actuarial literature as MAGIS (actuarial method of years in operation on an individual basis and by means of random drawings).
This method is a Monte Carlo-based stochastic simulation that makes it possible to develop projections of amounts payable for each employee while taking into account the demographic and salary data of each position without making aggregations and without introducing average values.
To make the procedure possible, drawings are made for each employee year by year to determine elimination by death, invalidity and incapacity due to resignation or termination.
Reliability is ensured by replicating the procedure a certain number of times until the results are stable.
The calculations were made by the number of years necessary for all the workers currently employed are no longer in service.
The projections were made on a closed group, meaning no new recruits were included.

In accordance with IAS 19, actuarial valuations were carried out using the Projected Unit Credit Method. This method makes it possible to calculate employee severance indemnities accrued at a certain date based on actuarial assumptions, distributing the charge for all remaining years workers are employed. It is no longer an expense to be paid if the company winds up its business at the balance sheet date, but gradually provisioning the charge according to the remaining service period of employees.
The method makes it possible to calculate certain demographic and financial variables at the date of assessment, especially charges relating to service already rendered by employees represented by the DBO – Defined Benefit Obligation (also called Past Service Liability). It is obtained by calculating the present value of amounts due to the worker (severance indemnities) arising from seniority gained at the date of assessment.
For revaluation purposes, employee severance indemnities increased, with the exclusion of the amount accrued at the close of the period, through the application of a rate comprising 1.50% to a fixed extent 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.

22 - Deferred Tax Liabilities

Provisions for Deferred Taxes

The item "**provision for deferred taxes**" as at 31 December 2017 amounted to Euro 785,478 compared with Euro 808,033 at 31 December 2016.

The table below provides details on this item:

Description	31/12/2017		31/12/2016	
	Amount temporary differences	Tax effect	Amount temporary differences	Tax effect
TFR	(185,629)	(44,551)	(50,640)	(13,926)
Goodwill	900,858	258,096	774,363	221,855
Buildings	1,990,547	570,291	2,090,658	598,973
Provision for bad credit	4,164	999		
Adjustments for IFRS	2,244	643	3,949	1,131
TOTAL	**2,712,184**	**785,478**	**2,818,330**	**808,033**

CURRENT LIABILITIES

23 - Current Bank Debt

As at 31 December 2017, the item “**current bank debt**” amounted to Euro 30,238,523 compared with Euro 15,351,391 at 31 December 2016. Euro 21,483,669 refers to the current amount of payables for loans and mortgages (as already described under the item “**non-current bank debt**”, (note 17) and Euro 8,754,854 refers to bank payables due to major credit institutions stemming from current operations (credit facilities for future advances, credit facilities relating to cash overdrafts)).

24 - Trade Payables

The item “**trade payables**” amounted to Euro 23,438,059 as at 31 December 2017 compared to Euro 12,546,739 at 31 December 2016.

Description	31/12/2017	31/12/2016	Variation
Trade payables to supplier	20,852,838	8,714,943	12,137,895
Trade payables to subsidiaries	2,585,221	3,831,796	(1,246,575)
TOTAL	**23,438,059**	**12,546,739**	**10,891,320**

Trade Payables - Suppliers

The item “**trade payables - suppliers”** amounted to Euro 20,852,838 at 31 December 2017 compared to Euro 8,741,943 at 31 December 2016. The table below provides details on the item.

Description	31/12/2017	31/12/2016	Variation
Invoices received Italy	14,527,567	6,097,772	8,429,796
Invoices received foreing	1,151,297	34,376	1,116,921
Invoices to consultants	248,947	40,382	208,565
Invoices to be received	4,925,026	2,542,413	2,382,613
TOTAL	**20,852,838**	**8,714,943**	**12,137,895**

The change is mainly attributable to the effect of the mergers for incorporation of Exprivia Digital Financial Solution Srl, Exprivia Healthcare IT Srl and Exprivia Telco & Media Srl in Exprivia SpA.

The table below provides details on the payables by due date, net of invoices to be received:

Trade	in		days past due							
payables	expire	due	1 - 30	31- 60	61 - 90	91-120	121-180	181-270	271-365	beyond
(15,927,811)	(9,901,210)	(6,026,601)	(2,455,830)	(1,911,727)	(405,772)	(493,217)	(261,132)	(37,004)	(70,994)	(390,926)
100%	62%	38%	15%	12%	2%	4%	2%	0%	0%	2%

Trade Payables - Subsidiaries

As at 31 December 2017, the item "**trade payables - subsidiaries**" amounted to Euro 2,585,221 compared with Euro 3,831,796 at 31 December 2016 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	31/12/2017	31/12/2016	Variation
Exprivia Digital Financial Solution Srl		519,818	(519,818)
Advanced Computer Systems Srl	51,013	16,413	34,600
Exprivia Projects Srl	1,628,688	1,748,214	(119,526)
Exprivia Healthcare It Srl		252,596	(252,596)
Exprivia Enterprise Consulting Srl	328,078	728,733	(400,655)
Exprivia Telco & Media Srl		320,393	(320,393)
Spegea S.c. a r.l.	52,519	138,914	(86,395)
Exprivia do Brasil	3,000	3,000	-
Exprivia Asia Ltd	1,521		1,521
Gruppo Exprivia SLU	108,091	103,715	4,376
Exprivia Process Outsourcing	16,527		16,527
Italtel SpA	395,784		395,784
TOTAL	**2,585,221**	**3,831,797**	**(1,246,576)**

With respect to the balance published in 2016, Euro 5,907,214 was reclassified under "**Other financial liabilities**" (Note 26) relating to financial payables and Euro 297,447 was reclassified in the item "**Other current liabilities**" (Note 27) relating to sundry payables.

25 - Advance Payments on Contract Work in Progress

Advance Payments

As at 31 December 2017, the item "**advance payments**" amounted to Euro 1,948,507 compared to Euro 1,579,883 at 31 December 2016 and refers to advance payments received for contract work in progress.

26 - Other Financial Liabilities

The balance of the item "**other financial liabilities**" as at 31 December 2017 amounted to Euro 2,274,628 compared with Euro 6,583,024 at 31 December 2016.

Description	31/12/2017	31/12/2016	Variation
Financial payables to subsidiaries	662,019	5,907,214	(5,245,195)
Payables for the purchase of investments	115,875	359,999	(244,124)
Debts towards others	1,488,893	289,015	1,199,878
Payables to suppliers of leasing assets	7,841	26,796	(18,955)
TOTAL	**2,274,628**	**6,583,024**	**(4,308,396)**

Financial Payables - Subsidiaries

As at 31 December 2017, the item "**financial payables to subsidiaries**" amounted to Euro 662,019 compared with Euro 5,907,214 at 31 December 2016 and refers to financial transactions with the Company and its subsidiaries under normal market conditions regulated by specific agreements, specifically cash pooling transactions detailed below.

The most significant change with respect to the previous year is attributable to the contribution due to the merger via incorporation of Exprivia Digital Financial Solution Srl and Exprivia Healthcare IT Srl.

Description	31/12/2017	31/12/2016	Variation
Exprivia Digital Financial Solution Srl		5,565,938	(5,565,938)
Exprivia Projects Srl	493,923	8,994	484,929
Exprivia Healthcare It Srl		171,139	(171,139)
Spegea S.c. a r.l.	168,096	161,143	6,953
TOTAL	**662,019**	**5,907,214**	**(5,245,195)**

Payables for Purchase of Equity Investments

The balance of "**payables for purchase of equity investments**" as at 31 December 2017 amounted to Euro 115,875 and refers to the residual payable for the acquisition of the business segment Esiet Srl.

Amounts Payable to Others

The item "**amounts payable to others**" amounted to Euro 1,488,893 as at 31 December 2017 compared to Euro 289,015 at 31 December 2016. The table below provides details on the items.

Description	31/12/2017	31/12/2016	Variation
Advances on projects	141,909	51,566	90,343
Payables to Factoring	471,981	237,449	234,532
Financial payables to others	875,003	-	875,003
TOTAL	**1,488,893**	**289,015**	**1,199,878**

The item “advances on projects” refers to advance payments received in previous years exceeding the receivable recognised definitively by the disbursing entity.

“Financial payables to others” refers to the purchase of software licences.

Trade Payables - Suppliers of Leased Assets

The balance of “**trade payables - suppliers of leased assets**” at 31 December 2017 amounted to Euro 7,841 compared to Euro 26,796 in the previous year and relates to the current amount payable to leasing suppliers.

27 - Other Current Liabilities

The balance of “**other current liabilities**” as at 31 December 2017 amounted to Euro 23,850,557 compared with Euro 10,645,902 at 31 December 2016.

Description	31/12/2017	31/12/2016	Variation
Payables / social security institutions	5,346,417	2,047,872	3,298,545
Tax payables	4,491,529	2,602,828	1,888,701
Payables to subsidiaries	345,889	297,447	48,442
Other debts	13,666,722	5,697,755	7,968,967
TOTAL	**23,850,557**	**10,645,902**	**13,204,655**

Payables to Pension and Social Security Institutions

As at 31 December 2017, the item “payables to pension and social security institutions” amounted to Euro 5,346,417 compared with Euro 2,047,872 at 31 December 2016. The table below shows the breakdown and the comparison with 2016.

Description	31/12/2017	31/12/2016	Variation
INPS with contributions	3,216,289	1,263,575	1,952,714
Payables to pension funds	237,109	55,882	181,227
Enter other social security and welfare	106,839	35,657	71,182
Payables for penalties and interest	1,823,357	713,162	1,110,195
INAIL with contributions	(37,177)	(20,404)	(16,773)
TOTAL	**5,346,417**	**2,047,872**	**3,298,545**

The change is mainly attributable to the contribution of Exprivia Digital Financial Solution Srl, Exprivia Telco & Media Srl and Exprivia Healthcare IT Srl merged via incorporation in Exprivia SpA.

Tax Liabilities

The item "**tax liabilities**" amounted to Euro 4,491,529 as at 31 December 2017 compared to Euro 2,602,828 at 31 December 2016. The table below provides details on the items.

Description	31/12/2017	31/12/2016	Variation
Payables to tax authority for VAT	773,558	651,333	122,225
Payables to tax authority for IRES	633,107	447,438	185,669
Payables to tax authority for IRPEF employees	2,851,460	1,142,837	1,708,623
Payables to tax authority for IRPEF freelance workers	46,270	22,808	23,462
Payables to tax authority for IRPEF collaborators	54,371	34,294	20,077
Payables to tax authority	96,849	58,334	38,515
Payables to tax authority for interest and penalties	35,914	245,784	(209,870)
TOTAL	**4,491,529**	**2,602,828**	**1,888,701**

The change is mainly attributable to the contribution of Exprivia Digital Financial Solution Srl, Exprivia Telco & Media Srl and Exprivia Healthcare IT Srl merged via incorporation in Exprivia SpA.

Payables to Subsidiaries

The item "**payables to subsidiaries**" amounted to Euro 345,889 as at 31 December 2017 compared to Euro 297,447 at 31 December 2016. The table below provides details on the items.

Description	31/12/2017	31/12/2016	Variation
Spegea for consolidated ires	12,360	11,610	750
Exprivia Projects for consolidated ires	3,582	17,416	(13,834)
Exprivia Projects per instance ires on irap	15,699	15,699	-
Exprivia Process Outosoucing for consolidated ires	135,835	-	135,835
Exprivia Enterprise Consulting for consolidated ires	178,413	164,449	13,964
Exprivia Healthcare per istance ires on irap	-	88,273	(88,273)
TOTAL	**345,889**	**297,447**	**48,442**

Other Payables

As at 31 December 2017, the item "**other payables**" amounted to Euro 13,666,722 compared with Euro 5,697,755 at 31 December 2016.
The table below provides details on the item:

Description	31/12/2017	31/12/2016	Variation
Directors' pay for settlement	35,121	24,914	10,207
Employees/Collaborators for fees accrued	4,217,966	1,547,284	2,670,682
Accrued holidays, festivities, summer & yr-end bonuses	5,864,772	2,267,040	3,597,732
Payables to associations	270,275	106,364	163,911
Sundry payables	523,676	167,031	356,645
Maintenance/services/contributions competence in future years	2,754,912	1,585,122	1,169,790
TOTAL	**13,666,722**	**5,697,755**	**7,968,967**

The change is mainly attributable to the contribution of Exprivia Digital Financial Solution Srl, Exprivia Telco & Media Srl and Exprivia Healthcare IT Srl merged via incorporation in Exprivia SpA.

Explanatory Notes on the Exprivia SpA Income Statement

Details are provided below on the entries making up the costs and revenue 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.

28 - Revenue

Revenue from Sales and Services

"**Revenue from sales and services**", also including changes in work in progress, totalled Euro 130,742,530 in 2017, compared to Euro 60,334,751 in 2016, and include intercompany revenues for a net value of Euro -3,779,428 (revenue of Euro 9,948,961 netted against costs for Euro 6,047,004, plus work in progress for Euro 122,529).

The change is mainly attributable to the contribution of Exprivia Digital Financial Solution Srl, Exprivia Telco & Media Srl and Exprivia Healthcare IT Srl merged via incorporation in Exprivia SpA.

Description	31/12/2017	31/12/2016	Variation
Hardware and plants	3,303,921	645,386	2,658,535
Licences, software and products	5,144,565	1,274,859	3,869,704
Project development	103,533,044	51,947,612	51,585,432
Maintenance	18,761,000	6,466,894	12,294,106
TOTAL	**130,742,530**	**60,334,751**	**70,407,779**

The table below provides details on the items and intercompany relations:

Description	Exprivia Enterprise Consulting Srl	Exprivia Projects Srl	Spegea S.c.a.r.l.	Abaco Innovazione	Consorzio Exprivia	ACS Srl	Exprivia SLU	Exprivia Process Outsourcing	Totale
Professional services	398,480	(5,875,828)	7,750		89,233	377,857	25,660	31,270	(4,945,577)
Commercial advice	36,012	64,710	-		-	-	-	130,194	230,916
Corporate services and logistics	0	483,878	-	5,000	-	28,000	-	295,825	812,703
TOTAL	**434,492**	**(5,327,240)**	**7,750**	**5,000**	**89,233**	**405,857**	**25,660**	**457,289**	**(3,901,958)**

Transactions with subsidiaries are all regulated by framework agreements and specific contracts.
In relation to the aforementioned revenues, it should be noted that the item is stated net of costs of Euro 6,047,004 for services provided by the subsidiary Exprivia Projects Srl in relation to a contract in the BPO area, whose final contract with the customer is held by Exprivia SpA.

29 - Other Income

The item "**other income**" amounted to Euro 2,490,794 in 2017 compared to Euro 2,148,203 as at 31 December 2016.

Description	31/12/2017	31/12/2016	Variation
Other revenue	137,072	516,124	(379,052)
Contributions on operating account	1,025,556	1,632,079	(606,523)
Costs for capitalized internal projects	1,328,166	-	1,328,166
TOTAL	**2,490,794**	**2,148,203**	**342,591**

Other Revenue and Income

The balance of the item "other revenue and income" in 2017 amounted to Euro 137,072 compared to Euro 516,124 in the previous year. The table below provides details on the items.

Description	31/12/2017	31/12/2016	Variation
Other revenue	126,276	63,149	63,127
Other operating income	10,797	8,200	2,597
Income from assignment of vehicles to staff	-	444,775	(444,775)
TOTAL	**137,072**	**516,124**	**(379,052)**

The decrease relating to the other revenues of the subsidiaries is mainly attributable to the effect of the mergers of Exprivia Healthcare It Srl, Exprivia Digital Financial Solution Srl and Exprivia Telco & Media Srl.

Grants for Operating Expenses

In 2017, the item "**grants for operating expenses**" amounted to Euro 1,025,556 compared to Euro 1,632,079 in the previous year and refers to grants and tax credits pertaining to the period or authorised in the period for funded research and development projects.

Costs for Capitalised Internal Projects

The balance of the item "**costs for capitalised internal projects"** in 2017 amounted to Euro 1,328,166 and refers to internal projects capitalised attributable to Exprivia Digital Financial Solution Srl and Exprivia Healthcare It Srl merged via incorporation within Exprivia SpA.

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30 – Costs for Raw Materials, Consumables and Goods

In 2017, costs for “**raw materials, consumables and goods**” amounted to Euro 8,760,845 compared with Euro 1,620,816 in the previous year. The table below provides details on the items.

Description	31/12/2017	31/12/2016	Variation
Purchase of HW-SW products	8,066,486	1,533,054	6,533,432
Stationery and consumables	59,672	19,573	40,099
Fuel and oil	108,405	52,767	55,638
Other costs	526,282	15,422	510,860
TOTAL	**8,760,845**	**1,620,816**	**7,140,029**

The increase is mainly due to the effects of the mergers via incorporation during 2017.

31 - Staff Costs

The balance of the item “**staff costs**” as at 31 December 2017 came to Euro 77,583,644 in total compared to Euro 32,598,062 in 2016.
The table below provides details on the items.

Description	31/12/2017	31/12/2016	Variation
Salaries and wages	55,690,780	22,638,469	33,052,312
Social charges	14,851,607	6,124,319	8,727,288
Severance Pay	3,676,068	1,533,416	2,142,652
Other staff costs	3,365,188	2,301,858	1,063,330
TOTAL	**77,583,644**	**32,598,062**	**44,985,582**

The increase is mainly due to the effects of the mergers via incorporation during 2017.

The number of employees as at 31 December 2017 amounted to 1,693 workers (1,691 employees and 2 temporary workers), compared to 661 in 2016 (659 employees and 2 temporary workers).
The change with respect to 2016 is mainly attributable to the effect of the mergers of Exprivia Healthcare It Srl, Exprivia Digital Financial Solution Srl and Exprivia Telco & Media Srl.

The average number of employees as at 31 December 2017 was 1,627.

The item “**other staff costs**” includes the net amount relating to costs and revenues for charge-backs for seconded staff of Group companies (Euro 991,389):

- Exprivia Projects Srl costs for Euro 247,138;
- Exprivia Enterprise Consulting Srl costs for Euro 817,609;
- ACS Srl revenues for Euro -73,358.

32 - Costs for Services

In 2017, the balance of the item “**costs for services**” amounted to Euro 28,536,901 compared with Euro 20,849,683 in the previous year. The table below provides the 2017 figures, compared with those of 2016:

Description	31/12/2017	31/12/2016	Variation
Technical and commercial consultancy	9,457,542	3,542,623	5,914,919
Administrative/company/legal consultancy	1,900,588	1,440,847	459,741
Consultancy to associated companies	5,203,713	7,616,682	(2,412,969)
Auditors' fees	156,437	84,162	72,275
Travel and transfer expenses	1,819,814	935,590	884,224
Utilities	905,265	612,445	292,820
Advertising and agency expenses	480,541	445,047	35,494
Bank charges	365,444	192,354	173,090
HW and SW maintenance	6,702,489	5,093,788	1,608,701
Insurance	364,929	359,865	5,064
Costs of temporary staff	166,437	4,346	162,091
Other costs	1,013,702	521,933	491,769
TOTAL	**28,536,901**	**20,849,683**	**7,687,218**

The increase is mainly due to the effects of the mergers via incorporation during 2017.

The table below provides details on intercompany services, amounting to Euro 5,203,713, broken down by company and type of service. There are framework agreements and special professional contracts in place between the companies of the group.

Description	vs. Spegea	vs. Projetcs	vs. Exprivia Ent. Consul.	vs. Italtel S.p.A.	vs. Exprivia Process	vs. Exprivia SL	vs. Prosap	vs. Exprivia Shangai	vs. ACS	Total
Professional services	117,613	82,794	3,395,529			329,824	98,322	114,409	26,774	4,165,265
Commercial Fronting			227,072							227,072
Corporate services and logistics			401,861							401,861
Selling expenses			392,988		16,527					409,515
TOTAL	**117,613**	**82,794**	**4,417,450**	**0**	**16,527**	**329,824**	**98,322**	**114,409**	**26,774**	**5,203,713**

The statement below is provided in accordance with Art. 149-*duodecies* of CONSOB Issuer Regulations to show amounts paid to the independent auditors in 2017 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.

Tipologia di servizi	Subject who provided the service	Recipient	Corresponding
Review services	PricewaterhouseCoopers	Parent Company	143,300
Services other than revision *	PricewaterhouseCoopers	Parent Company	105,380
TOTAL			**248,680**

* Non-audit services related to due diligence activities (Euro 80,380) and the examination of the pro forma schedules included in the Disclosure Document relating to the acquisition of Italtel SpA (Euro 25,000).

33 - Costs for Leased Assets

In 2017, the item "**costs for leased assets**" amounted to Euro 2,881,021 compared to Euro 2,230,278 in the previous year and is broken down in the table below:

Description	31/12/2017	31/12/2016	Variation
Rental expenses	1,360,940	875,879	485,061
Car rental/leasing	650,227	272,260	377,967
Rental of other assets	695,477	1,012,842	(317,365)
Royalties	110,494	41,483	69,011
Other costs	63,884	27,814	36,070
TOTAL	**2,881,021**	**2,230,278**	**650,743**

34 - Sundry Operating Expenses

In 2017, "**sundry operating expenses**" amounted to Euro 447,510 compared to Euro 421,827 in the previous year and is broken down in the table below:

Description	31/12/2017	31/12/2016	Variation
Annual subscriptions	132,233	70,250	61,983
Taxes	269,791	146,041	123,749
Penalties and fines	47,019	5,564	41,455
Charitable donations	25,645	23,225	2,419
Contingency liabilities	(88,683)	142,394	(231,077)
Write-offs	2,758	4,508	(1,750)
Penalties and damages	40,529		40,529
Capital losses on disposals	18,219	29,845	(11,625)
TOTAL	**447,510**	**421,827**	**25,683**

35 – Change in Inventories of Raw Materials and Finished Products

In 2017, the balance of the item “**change in inventories of raw materials and finished products**” amounted to Euro 32,436 compared with Euro -110,494 in the previous year. It refers to changes in hardware/software products purchased from the resale by the various business units.

36 - Provisions

“**Provisions**” in 2017 amounted to Euro 20,002 compared with Euro -36,028 in 2016 and refer to the risks provision for work disputes outstanding with former employees (Euro 55 thousand net of the release of the fund for Euro 35 thousand).

37 - Amortisation, Depreciation and Write-downs

As at 31 December 2017, the balance of the item “amortisation, depreciation and write-downs” amounted to Euro 10,056,200 compared with Euro 7,398,786 in the previous year and comprises amounts pertaining to the reporting period for amortisation and depreciation of intangible and tangible assets and write-downs. The table below provides a breakdown for the item as well as a comparison with 2016:

Description	31/12/2017	31/12/2016	Variation
Amortisation intangible assets	1,765,981	282,195	1,483,786
Amortisation tangible assets	1,164,672	1,081,483	83,189
Provision for bad debts	94,997	31,108	63,889
Inventory write-down	16,800		16,800
Other Assets write-downs	7,013,750	6,004,000	1,009,750
TOTAL	**10,056,200**	**7,398,786**	**2,657,414**

Amortisation of intangible assets amounted to Euro 1,765,981 and is detailed under notes 2 and 3.

The write-downs amounting to Euro 7,013,750 were recognised as a result of the losses generated during the year by certain subsidiaries and covered by the Holding Company via the waiver of receivables due from the same (Exprivia Enterprise Consulting Srl for Euro 5,393,750, Gruppo Exprivia SLU for Euro 1,400,000 and Exprivia Process Outsourcing Srl for Euro 220,000).

38 - Financial Income (expense) and Other Investments

In 2017, the balance of the item "**Financial income (expense) and other investments**" amounted to Euro 1,812,015 in charges compared with Euro 1,524,326 in income in 2016. The breakdown between income and charges is shown in the table below:

Description	31/12/2017	31/12/2016	Variation
Income from investments in subsidiaries	277,650	3,337,224	(3,059,574)
Income from controlling companies	78,474	75,150	3,324
Income from subsidiaries	376,770	205,979	170,791
Income from other financial assets available for sale	13,037	13,037	-
Income other than the previous ones	110,281	19,382	90,899
Interest and other financial charges	(2,263,124)	(1,617,510)	(645,614)
Charges from controlling companies	(388,226)	(276,231)	(111,995)
Charges from subsidiaries	(16,877)	(235,041)	218,164
Profit and loss on foreign exchange		2,336	(2,336)
TOTAL	**(1,812,015)**	**1,524,326**	**(3,336,341)**

Income from Equity Investments

In 2017, "**income from equity investments**" amounted to Euro 277,650 compared to Euro 3,337,224 in the previous year and refers to dividends received from the subsidiary Exprivia Projects Srl. The change with respect to the previous year is attributable to the effect of the mergers of Exprivia Healthcare It Srl, Exprivia Digital Financial Solution Srl and Exprivia Telco & Media Srl.

Income from Parent Companies

In 2017, the item "**income from parent companies**" amounted to Euro 78,474 compared with Euro 75,150 in the previous year and related to receivable interest accrued on loans in place with the parent company Abaco Innovazione SpA.

Income from Subsidiaries

In 2017, "**income from subsidiaries**" amounted to Euro 376,770 compared with Euro 205,979 in the previous year and refers to interest accrued from cash pooling and for loans in place with its subsidiaries.

Income from Other Financial Assets Available for Sale

In 2017, the item "**income from other financial assets available for sale**" amounted to Euro 13,037 and refers to income received from Banca Popolare di Bari for bonds and shares subscribed; the balance did not undergo any changes with respect to the previous year.

Other Income Other Than the Above

The item "**other income other than the above**" in 2017 amounted to Euro 110,281 compared to Euro 19,382 in 2016.

Description	31/12/2017	31/12/2016	Variation
Bank interest receivable	1,466	998	468
Discounts and rebates from suppliers	13,980		13,980
Other interest income	94,756	18,221	76,535
Rounding up of assets	79	163	(84)
TOTAL	**110,281**	**19,382**	**90,899**

Interest and Other Financial Charges

In 2017 the item "**interest and other financial charges**" amounted to Euro 2,263,124 compared with Euro 1,617,510 in 2016.

Description	31/12/2017	31/12/2016	Variation
Bank interest payable	214,347	161,173	53,174
Interest on loans and mortgages	1,128,968	844,148	284,820
Sundry interest	746,466	495,074	251,392
Charges on financial products and sundry items	66,601	55,481	11,120
Interest cost IAS 19	106,742	61,634	45,108
TOTAL	**2,263,124**	**1,617,510**	**645,614**

Charges from Parent Companies

The balance of the item "**charges from parent companies**" amounted to Euro 388,226 in 2017 compared with Euro 276,231 as at 31 December 2016 and refers to the portion applicable to the period of charges recognised to the parent company Abaco Innovazione SpA for guarantees issued by the latter.

Charges from Subsidiaries

In 2017 the item "**charges from subsidiaries**" amounted to Euro 16,877 compared with Euro 235,041 as at 31 December 2016 and refers to interest for the cash pooling in place with its subsidiaries.

39 - Taxes

In 2017, the item "**taxes**" amounted to Euro 2,554,400 compared with Euro 942,815 in 2016. The table below provides details on the items.

Description	31/12/2017	31/12/2016	Variation
IRES	1,683,992	650,633	1,033,359
IRAP	688,774	241,402	447,372
Taxes from prior years	21,229	5,425	15,804
Defered tax	7,070	44,931	(37,861)
Deferred tax assets	153,335	424	152,911
TOTAL	**2,554,400**	**942,815**	**1,611,585**

The table below shows the reconciliation between the theoretical IRES charge reported in the balance sheet and the actual tax charge:

Description	31/12/2017		31/12/2016	
	AMOUNT	%	AMOUNT	%
RECONCILIATION OF THEORETICAL AND EFFECTIVE RATE				
PROFIT BEFORE TAXES	3,102,750		(965,650)	
TAX THEORY	744,660	**24.0%**	(265,554)	**27.5%**
COSTS AND EXPENSES NOT DEDUCTIBLE	8,807,268		6,615,662	
REVENUES NOT TAXABLE	(3,077,082)		(3,190,207)	
DEPRECIATION	(106,453)		267,210	
OTHER DECREASES	(1,709,856)		(361,077)	
TAXABLE INCOME TAX	7,016,627		2,365,937	
IRES YEAR	**1,683,992**		**650,633**	
EFFECTIVE RATE		**54.3%**		**67.4%**

40 - Profit (Loss) for the Year

The income statement closed with a profit (after tax) of Euro 548,350 and is confirmed in the balance sheet as well.

RELATED PARTIES

As per the requirements of CONSOB resolution No. 11520 of 1 July 1998, the table below illustrates the remuneration for Holding Company Directors, Statutory Auditors and Key Executives. For further information, see the "**Remuneration Report**" available on the Company website (www.exprivia.it) in the section Corporate – Corporate Governance - Corporate Information.

	31/12/2017				31/12/2016			
Offices	Fixed remuneration	Equity compensation committees	Wages and salaries	Other incentives	Fixed remuneration	Equity compensation committees	Wages and salaries	Other incentives
Administrators	535,000	86,667	388,668	52,068	421,000	80,000	257,271	20,000
Statutory Auditors	110,562				84,162			
Strategic managers			96,678	4,725			90,000	30,000
TOTAL	**645,562**	**86,667**	**485,346**	**56,793**	**505,162**	**80,000**	**347,271**	**50,000**

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

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 provides information on relations with other related parties:

Equity investments in other companies

Description	31/12/2017	31/12/2016	Variation
Daisy-Net- Driving Advances of ICT in South Italya	13,939	13,939	0
DHITECH Srl	17,000	0	17,000
Consorzio DITNE	5,582	0	5,582
Consorzio Biogene	3,000	0	3,000
Innoval S.C. A.R.L.	2,500	0	2,500
TOTAL	**42,021**	**13,939**	**28,082**

Trade payables - suppliers

Description	31/12/2017	31/12/2016	Variation
Kappa Emme Sas	72,750	25,000	47,750
Daisy-Net- Driving Advances of ICT in South Italya	111,599	-	111,599
Consorzio DITNE	5,000	-	5,000
SER&Praticces Srl	2,806	-	2,806
TOTAL	**192,155**	**25,000**	**167,155**

Costs

Description	31/12/2017	31/12/2016	Variation
Kappa Emme Sas	195,000	150,000	45,000
Consorzio Biogene	11,937	-	11,937
Consorzio DITNE	10,357	-	10,357
TOTAL	**217,294**	**150,000**	**67,294**

Transactions Deriving from Atypical/unusual Operations

In accordance with Consob notice No. 6064293 of 28 July 2006, it should be pointed out that in 2017 the Company did not undertake any atypical and/or unusual operations, as defined in the notification itself.

Potential Liabilities

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

Subsequent Events

No additional significant events were reported between closing the 2017 financial year and 15 March 2018.

Molfetta, 15 March 2018

On behalf of the Board of Directors
Chairman and Chief Executive Officer
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 as at 31 December 2017. We propose that the profit of Euro 548,350 be distributed to the Legal reserve for Euro 27,417.50 and the remaining Euro 520,932.50 to the Extraordinary reserve.

Molfetta, 15 March 2018

On behalf of the Board of Directors
Chairman and Chief Executive Officer
Domenico Favuzzi

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

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

- Adequacy, in relation to the characteristics of the Company and
- the effective application of administrative and accounting procedures to draft the year-end financial statements for the reporting period at 31 December 2017.

Furthermore, it is certified that the financial statements:

a) Correspond to accounting records;

b) were prepared in accordance with International Financial Reporting Standards, which were adopted by the European Commission with regulation 1725/2003 as amended, and are suitable for giving an accurate and correct representation of the equity, economic and financial situation of the company.

c) The Directors' Report for the group 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, 15 March 2018

Domenico Favuzzi	Valerio Stea
Chairman and Chief Executive Officer	The Reporting Officer

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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 Financial Statements

Opinion

We have audited the financial statements of Exprivia SpA (the Company), which comprise the balance sheet as of 31 December 2017, 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 2017, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers SpA

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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.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Goodwill	
Note 2 to the financial statements of Exprivia SpA as of 31 December 2017 ("Goodwill and other assets with an indefinite useful life"). The value of goodwill as of 31 December 2017 amounted to Euro 54 million, corresponding to 26 per cent of total assets. We focused our audit on such financial statement area in consideration of: - the significance of the amount of goodwill also compared to the Company shareholders' equity as of 31 December 2017; -the impact of the estimates made by management in relation to the future cash flows and the discounting rate applied to them, on the determination of the recoverable amount, namely the value in use of the related cash generating units ("CGU"). The recoverability of the values of goodwill recognised in the financial statements was verified by management through the comparison between the carrying value of the CGU to which goodwill is allocated and the related value in use, identifiable as the present value of future cash flows that are expected to be generated from the CGU using the Discounted Cash Flow model. The discount rate (WACC), as the long-term growth rate (g) used by management were determined with the support of an independent expert who prepared the relevant report.	We analysed the allocation of the goodwill amounts to the CGU identified by the Company on the basis of what provided for by international accounting standards. We analysed, with the support of the PwC network experts in evaluation models, the impairment test of goodwill prepared by the Company; we also analysed the methodology used by management to develop the impairment test in consideration of the prevailing professional evaluation practice and in particular of what envisaged by international accounting standards and specifically by IAS 36 adopted by the European Union. We verified the mathematical accuracy of the tests. With reference to the future cash flows expected for the CGU identified, we verified that these agreed with data approved by the Board of Directors of the Company. We analysed the main assumptions used by the Company in the preparation of the CGUs' forecast plans. We evaluated the reasonableness and consistency of the prospective data used by the Company in relation to the purposes of the impairment tests, in consideration of the future plans approved by management and of the results achieved in the prior years. We analysed, with the support of the PwC network experts, the methodology for the

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
	determination of the discounting rate used by the Company (WACC), and of the long-term growth rate (g) on the basis of the prevailing professional evaluation practice and under the market conditions at the reporting date. We also reperformed the sensitivity analyses carried out by the Company.

Emphasis of matter

We draw your attention to note "Merger by incorporation into Exprivia SpA" and note "4 – Equity investments" to the financial statements that describe respectively the merger by incorporation, carried out in 2017, of the subsidiaries Exprivia Digital Financial Solution Srl, Exprivia Healthcare IT Srl and Exprivia Telco & Media Srl and the related effects on the financial statements of Exprivia SpA, and the acquisition through subscription by Exprivia SpA of 81 per cent of the share capital of Italtel SpA.
Our opinion is not qualified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is 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 management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is 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, management uses the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
Those charged with governance are 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 auditors' 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 an 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 management;
- We concluded on the appropriateness of management's 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 those charged with governance, in their 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

Management of Exprivia SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Exprivia SpA as of 31 December 2017, 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 2017 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 2017 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, 30 March 2018

PricewaterhouseCoopers SpA

Signed by

Corrado Aprico
(Partner)

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