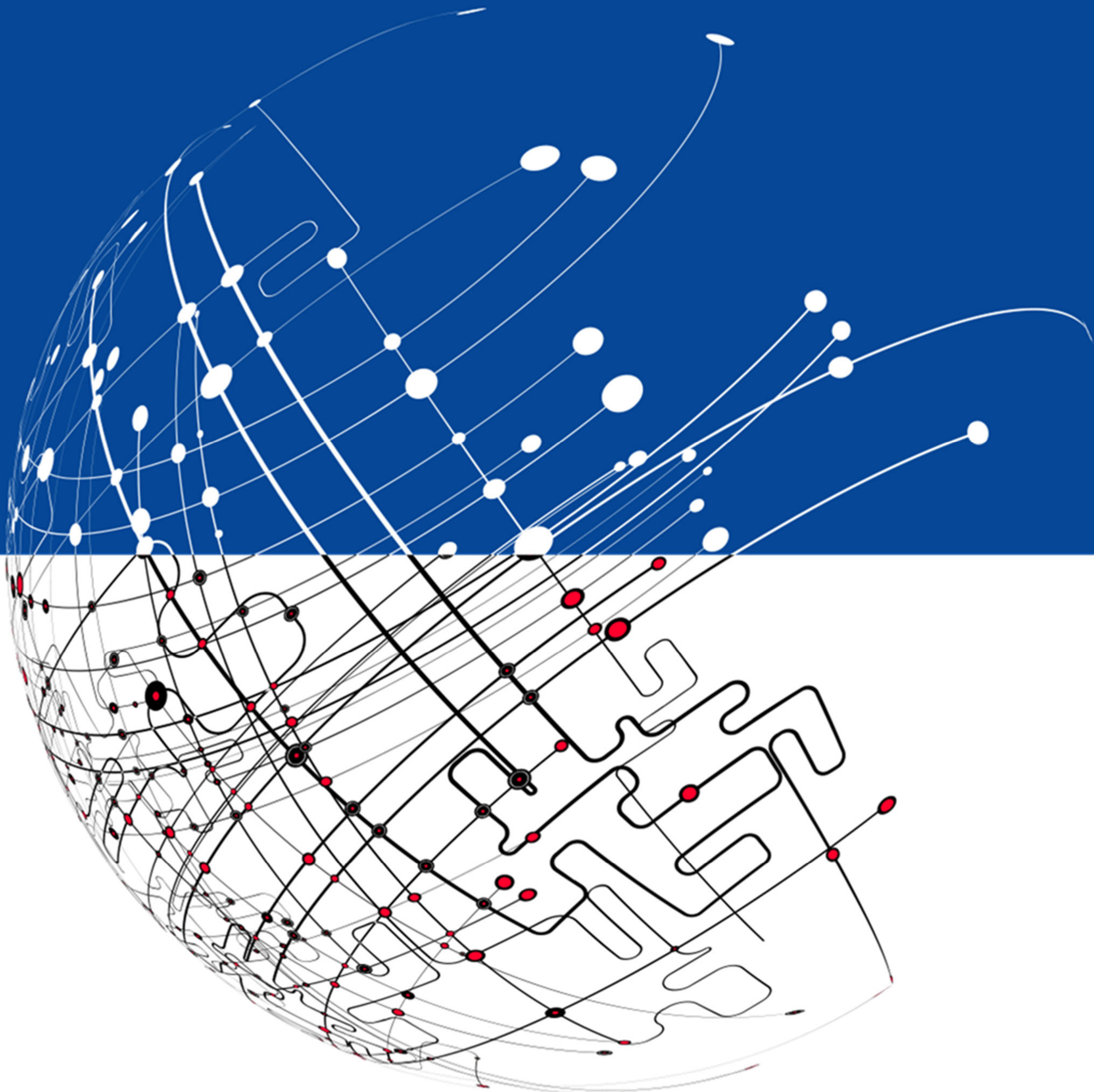
Gruppo Almaviva



ALMAVIVA S.P.A. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
March 2019

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

REPORTS OF INDEPENDENT AUDITORS

AlmavivA The Italian Innovation Company S.p.A.

Consolidated financial statements as at December 31, 2018

Independent auditor's report in accordance with article 14 of Legislative Decree n. 39, dated 27 January 2010

REPORTS OF INDEPENDENT AUDITORS

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders of
AlmavivA The Italian Innovation Company S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of AlmavivA Group (the Group), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of income, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 at December 31, 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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 our report.
We are independent of AlmavivA The Italian Innovation Company S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company AlmavivA The Italian Innovation Company S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

REPORTS OF INDEPENDENT AUDITORS

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and 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 have 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 have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming 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 have 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 have obtained sufficient appropriate audit evidence regarding the financial information of the entities 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.

We have 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 identify during our audit.

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Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010

The Directors of AlmavivA The Italian Innovation Company S.p.A. are responsible for the preparation of the Report on Operations of Group AlmavivA as at December 31, 2018 including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations[1], with the consolidated financial statements of AlmavivA Group as at December 31, 2018 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the consolidated financial statements of AlmavivA Group as at December 31, 2018 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Rome, 27th March 2019

EY S.p.A.
Signed by: Roberto Tabarrini, partner

This report has been translated into the English language solely for the convenience of international readers.

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[1] For the publication purposes in "Notices" section of Luxembourg Stock Exchange of the consolidated financial statements of AlmavivA The Italian Innovation Company S.p.A. and its subsidiaries for the year ended as of December 31, 2018, the Report on Operations has not been translated into the English language and therefore is not part of the mentioned Consolidated Financial Statements.

Almaviva The Italian Innovation Company S.p.A.

Consolidated financial statements as at December 31, 2017

Independent auditor's report in accordance with article 14 of Legislative Decree n. 39, dated 27 January 2010

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Independent auditor's report in accordance with article 14 of Legislative Decree n. 39, dated 27 January 2010 (Translation from the original Italian text)

To the Shareholders of
Almaviva The Italian Innovation Company S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Almaviva Group (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of income, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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 our report.
We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; have designed and performed audit procedures responsive to those risks, and 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 have 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 have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 have 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 have obtained sufficient appropriate audit evidence regarding the financial information of the entities 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.

We have 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 identify during our audit.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010

The Directors of Almaviva S.p.A. are responsible for the preparation of the Report on Operation of Group Almaviva as at 31 December 2017, including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the consolidated financial statements of Almaviva Group as at 31 December 2017, and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operation is consistent with the consolidated financial statements of Almaviva Group as at 31 December 2017, and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Rome, 28 March 2018

EY S.p.A.
Signed by: Roberto Tabarrini, partner

This report has been translated into the English language solely for the convenience of international readers.

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AlmavivA The Italian Innovation Company S.p.A.

Consolidated financial statements as of and for the years ended December 31, 2016, 2015 and 2014

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Independent auditor's report

To the Board of Directors of
AlmavivA The Italian Innovation Company S.p.A.

We have audited the accompanying consolidated financial statements of AlmavivA The Italian Innovation Company S.p.A. and its subsidiaries (the "AlmavivA Group"), which comprise the consolidated statement of financial position as of December 31, 2016, 2015 and 2014, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flows for the years then ended and the related explanatory notes (the "Consolidated Financial Statements").

Directors' responsibility for the Consolidated Financial Statements

The Directors are responsible for the preparation of the Consolidated Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") as adopted by the European Union. The Directors have prepared the Consolidated Financial Statements solely for their inclusion in the Offering Memorandum for the offering of notes to certain institutional investors outside the United States of America in reliance upon Regulation S of the US Securities Act of 1933, as amended (the "Act"), and to qualified institutional investors in the United States of America in reliance on the exemption from registration provided by Rule 144A under the Act.

Auditor's responsibility

Our responsibility is to express an opinion on the Consolidated Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11 of Legislative Decree n. 39, dated January 27, 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Consolidated Financial Statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the Consolidated Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position of the AlmavivA Group as of December 31, 2016, 2015 and 2014, and of its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") as adopted by the European Union.

Other matter

As indicated in the explanatory notes, the Consolidated Financial Statements have been prepared solely for their inclusion in the Offering Memorandum for the offering of notes to certain institutional investors outside the United States of America in reliance upon Regulation S of the Act or to qualified institutional investors in the United States of America in reliance on the exemption from registration provided by Rule 144A under the Act.

Rome, September 15, 2017

EY S.p.A.

ALMAVIVA S.P.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of Euro)	**Note**	**At December 31, 2018**	**At December 31, 2017**	**At December 31, 2016**
Intangible assets	6	57,321	55,862	54,419
Goodwill		38,847	33,778	33,166
Property, plant and equipment	7	51,085	60,493	76,386
Investments accounted for using the equity method	8	1,099	1,993	1,717
Non-current financial assets	9	1,643	1,446	1,449
Deferred tax assets	10	15,259	13,383	10,777
Other non-current assets	11	2,499	1,658	1,400
Total non-current assets		**167,754**	**168,614**	**179,314**
Inventories	12	4,684	609	695
Amount due from customers	13	-	30,200	32,931
Contract assets	13	47,235	-	-
Trade receivables	14	303,731	305,029	297,767
Current financial assets	15	4,140	9,406	7,870
Other current assets	16	98,893	86,087	82,718
Cash and cash equivalents	17	71,603	69,502	48,181
Total current assets		**530,287**	**500,832**	**470,162**
Non-current assets held for sale	18	2,459	2,459	4,249
Total assets		**700,499**	**671,905**	**653,725**
Share capital		154,899	154,899	154,899
Share premium reserve		17,788	17,788	17,788
Other reserves		(185,465)	(166,659)	(139,563)
Profit/(loss) for the year		16,692	221	(16,907)
Total group shareholders' equity		*3,915*	*6,249*	*16,217*
Non-controlling interests		*4,716*	*4,529*	*5,055*
Total shareholders' equity	19	**8,631**	**10,779**	**21,272**
Non-current liabilities for employee benefits	20	48,470	52,872	59,043
Non-current provisions	21	5,006	6,346	5,466
Non-current financial liabilities	22	274,902	251,121	25,478
Deferred tax liabilities	23	1,534	1,672	1,794
Other non-current liabilities	24	754	892	1,030
Total non-current liabilities		**330,666**	**312,903**	**92,810**
Current provisions	21	5,611	7,162	7,285
Trade payables	25	222,162	204,120	193,897
Current financial liabilities	26	14,330	12,021	150,873
Current tax liabilities	27	36,143	42,932	99,274
Other current liabilities	28	82,957	81,988	88,315
Other current liabilities for dividends to be paid		0	0	0
Total current liabilities		**361,203**	**348,223**	**539,643**
Total liabilities		**691,868**	**661,126**	**632,453**
Total equity and liabilities		**700,499**	**671,905**	**653,725**

ALMAVIVA S.P.A. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT

		For the twelve months ended December 31,		
(in thousands of Euro)	**Note**	**2018**	**2017**	**2016**
Revenues	29	799,704	754,991	730,163
Other Income	30	22,970	17,315	9,073
Total revenues and other income		**822,675**	**772,306**	**739,237**
Cost of raw materials and services	31	(279,337)	(263,902)	(250,056)
Personnel expenses	32	(457,488)	(432,971)	(430,532)
Depreciation and amortization	33	(26,872)	(29,713)	(29,292)
Losses from sale of non-current assets	33	(79)	(72)	(75)
Other expenses	34	(7,801)	(10,332)	(22,918)
Operating profit/(loss)		**51,099**	**35,316**	**6,364**
Financial income	35	600	926	1,643
Financial expenses	35	(29,900)	(34,392)	(27,601)
Exchange gains/(losses)	35	(335)	(280)	1,153
Profit/(loss) from investments accounted for using equity method	36	6	(737)	(838)
Profit/(Loss) before taxes		**21,469**	**832**	**(19,279)**
Income taxes	37-38	(3,453)	30	3,135
Profit/(Loss) from continuing operations		**18,016**	**862**	**(16,143)**
Profit/(Loss) for the year		**18,016**	**862**	**(16,143)**
of which:				
Profit/(loss) pertaining to the group		16,692	221	(16,908)
Profit/(loss) pertaining to non-controlling interests		1,323	642	764

ALMAVIVA S.P.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

		For the twelve months ended December 31,		
(in thousands of Euro)	**Note**	**2018**	**2017**	**2016**
Profit/(loss) for the year		**18,016**	**862**	**(16,143)**
Other components of comprehensive income that may be subsequently reclassified to profit or loss, after taxes:				
Exchange differences on translation of foreign operations	**19**	(11,016)	(10,488)	5,522
Gains/(losses) on cash flow hedging instruments		0	145	(28)
Total		**(11,016)**	**(10,343)**	**5,494**
Other components of comprehensive income that will not be subsequently reclassified to profit or loss, after taxes:				
Actuarial gains/(losses) on valuation of liabilities for employee benefits	**20**	3,866	3,453	961
Total		**3,866**	**3,453**	**961**
Comprehensive income/(loss) for the year		**10,866**	**(6,028)**	**(9,688)**
of which:				
Comprehensive income/(loss) pertaining to the group		10,183	(5,984)	(10,645)
Comprehensive income/(loss) pertaining to non-controlling interests		683	(44)	957

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

(in thousands of Euro)	Share capital	Share premium reserve	Other reserves	Profit/(loss) for the year	Total Group shareholders' equity	Reserves pertaining to NCIs	Profit/(loss) for the year	Total non-controlling interests	Total shareholders' equity
Shareholders' Equity at December 31, 2016	**154,899**	**17,788**	**(139,562)**	**(16,908)**	**16,217**	**4,291**	**764**	**5,055**	**21,272**
Profit/(loss) for the year				**221**	**221**		**642**	**642**	**863**
Exchange differences on translation of foreign operations			(9,803)		(9,803)	(686)		(686)	(10,489)
Gains/(losses) on cash flow hedging instruments			145		145			0	145
Actuarial gains/(losses) on valuation of liabilities for employee benefits			3,453		3,453			0	3,453
Comprehensive income/(loss) for the year	**0**	**0**	**(6,205)**	**221**	**(5,984)**	**(686)**	**642**	**(44)**	**(6,028)**
Allocation of prior year's profit/(loss)			(16,908)	16,908	0	764	(764)	0	0
Other movements			(3,986)		(3,986)	(482)		(482)	(4,468)
Shareholders' Equity at December 31, 2017	**154,899**	**17,788**	**(166,662)**	**221**	**6,247**	**4,859**	**642**	**4,529**	**10,779**
Profit/(loss) for the year				**16,692**	**16,692**		**1,323**	**1,323**	**18,016**
Exchange differences on translation of foreign operations			(10,375)		(10,375)	(640)		(640)	(11,015)
Gains/(losses) on cash flow hedging instruments			0		0			0	0
Actuarial gains/(losses) on valuation of liabilities for employee benefits			3,866		3,866			0	3,866
Comprehensive income/(loss) for the year	**0**	**0**	**(6,509)**	**16,692**	**10,183**	**(640)**	**1,323**	**683**	**10,866**
Allocation of prior year's profit/(loss)			221	(221)	0	642	(642)	0	0
Dividends			(13,342)		(13,342)				(13,342)
Other movements			824		824	(496)		(496)	328
Shareholders' Equity At December 31, 2018	**154,899**	**17,788**	**(185,468)**	**16,692**	**3,912**	**4,365**	**1,323**	**4,716**	**8,631**

ALMAVIVA S.P.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of Euro)	Note	At December 31, 2018	At December 31, 2017	At December 31, 2016
Profit/(loss) for the year		**18,016**	**862**	**(16,143)**
Adjustments to reconcile profit before tax to net cash flows:				
Income Taxes	37	3,453	(30)	(3,135)
Financial income	35	(600)	(926)	(1,643)
Financial expenses	35	29,900	34,392	27,601
Exchange (gains)/losses	33	335	280	(1,153)
Depreciation, amortization and write-downs	33	26,872	29,713	29,292
Write-downs/(revaluations) of non-current financial assets and equity investments	33	23	735	(108)
Losses from sale of non-current assets	33	79	72	75
Interest received		598	926	1,641
Interest paid		(25,551)	(32,117)	(25,453)
Income taxes paid		(4,193)	(4,175)	(1,176)
Cash flows generated from operating activities before changes in working capital		*48,932*	*29,733*	*9,798*
Change in trade receivables	14	1,299	(7,262)	(12,860)
Change in inventories	12	(4,075)	86	0
Change in contract assets	13	(17,035)	2,731	1,674
Change in trade payables	25	17,759	9,945	14,244
Change in other assets	16-21	(13,647)	(3,627)	(10,303)
Change in other liabilities	24-28	(5,218)	(58,601)	22,878
Foreign exchange rate effect related to items of working capital		5,457	10,267	(3,502)
Change in liabilities for employee benefits and provisions	21	(7,293)	(3,370)	670
Change in deferred tax assets (liabilities)	10	(2,014)	(2,728)	(333)
Cash flows generated from operating activities changes in working capital		*(24,767)*	*(52,559)*	*12,466*
Cash-flow generated from/(absorbed by) operating activities (A)		**24,164**	**(22,825)**	**22,264**
Investments in property, plant and equipment	7	(7,688)	(6,181)	(13,796)
Investments in intangible assets	6	(21,125)	(17,452)	(13,551)
Acquisition of investments accounted for using the equity method	8	(314)	(1,250)	(17)
Proceeds from divestments of PP&E, intangible assets and investments accounted for using the equity mehod		114	241	162
Change in non-current asset held for sale	18	0	1,790	15,510
Change in non-current financial assets	9	(188)	(50)	27
Change in current financial assets	15	5,266	(1,536)	(3,449)
Cash-flow generated from/(absorbed by) investing activities (B)		**(23,935)**	**(24,438)**	**(15,114)**
Proceeds from non-controlling interests for payment of share capital of subsidiaries		1,024	399	55
Dividends Paid		(13,342)	(5,404)	(343)
Proceeds from borrowings	22	25,253	266,519	51,099
Repayment of borrowings	22	(2,893)	(42,541)	(52,900)
Reclassification and change in consolidation area		1,421		0
Change in current financial liabilities		(15,871)	(154,922)	(10,000)
Cash-flow generated from/(absorbed by) financing activities (C)		**(4,408)**	**64,051**	**(12,089)**
Cash flow of the year (A+B+C)		**(4,179)**	**16,787**	**(4,939)**
Effect of foreign exchange rates on cash and cash equivalents **(D)**		6,280	4,534	2,475
Cash flow of the year after exchange rates (A+B+C+D)		2,101	21,321	(2,464)
Cash and cash equivalents at beginning of the year	17	69,502	48,181	50,645
Cash and cash equivalents at end of the year	17	71,603	69,502	48,181

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES

1. GENERAL INFORMATION

AlmavivA The Italian Innovation Company S.p.A. (hereinafter "AlmavivA" or the "Company") is the parent company of one of the leading Italian groups in the Information & Communication Technology sector, which operates globally with an organisational structure incorporating approximately 45,000 employees and several offices around Italy and abroad.
The Company has its registered office in Via di Casal Boccone, 188/190, Rome and it is governed by the Italian law.

The Consolidated financial statements of the Company and its subsidiaries (the "AlmavivA Group") are prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union and comprise the Consolidated statement of financial position as at December 31, 2018, 2017 and 2016 and the related Consolidated income statement, Consolidated statement of other comprehensive income, Consolidated statement of changes in shareholders' equity and Consolidated statement of cash flows for the years ended December 31, 2018, 2017 and 2016, together with the related explanatory notes thereto (hereinafter collectively as the "Consolidated Financial Statements").

The designation "IFRS" also includes all valid International Accounting Standards ("IAS"), as well as all interpretations of the IFRS Interpretations Committee, formerly the Standing Interpretations Committee ("SIC") and then the International Financial Reporting Interpretations Committee ("IFRIC").

The activities of the Group and its segments are described in Note 4, while Paragraph 2.2 presents the information on the Group's structure. The information on the Group's transactions with other related parties is presented in Note 41.

The Consolidated Financial Statements were approved by the Company's Board of Directors on March 26, 2019.

When used in these explanatory notes, unless otherwise specified or the context otherwise indicates, all references to the terms ''AlmavivA Group", "Group'', ''we'', ''us'', ''our'' and the ''Company'' refer to AlmavivA S.p.A., the parent company, and all entities included in the Consolidated Financial Statements.

2. BASIS OF PREPARATION

The Consolidated Financial Statements have been prepared on a going concern basis. In this respect AlmavivA Board of Directors' assessment, presented below in paragraph 2.1, is that no material uncertainties (as defined in paragraph 25 of IAS 1) exist about the AlmavivA Group ability to continue as a going concern.

The Consolidated Financial Statements of the AlmavivA Group were drawn up in compliance with the IFRS issued by the IASB and adopted by the European Commission pursuant to the procedure as per Art. 6 of the (EC) Regulation no. 1606/2002 of the European Parliament and Council dated July 19, 2002. The Consolidated Financial Statements are composed of the Consolidated statement of financial position, the Consolidated income statement, the Consolidated statement of other comprehensive income, the Consolidated statement of changes in shareholders' equity, the Consolidated statement of cash flows and the explanatory notes thereto, and are prepared by applying the general historical cost principle, with the exception of certain financial statement items that, based on IFRS, are measured at fair value, as indicated in the relevant accounting policies and measurement criteria for each item.

The Consolidated financial statements provide comparative information in respect of previous period. In addition, the Group presents an additional Consolidated income statement, Consolidated statement of other comprehensive income and an additional statement of cash flows related to fiscal year 2016 in order to comply with requirements included in offering memorandum.

The accounting standards adopted to draft the financial statements conform to those used to prepare the financial statements as at December 31, 2017 and 2016, with the exception of the new accounting standards, amendments and interpretations in force from January 1, 2018.

The layouts adopted for the preparation of the Consolidated financial statement are consistent with those in IAS 1, as follows:

- the **Consolidated statement of financial position** is presented by classifying assets and liabilities according to the current/non-current criterion. Current assets are those intended to be realised, sold or used in the company's normal operating cycle or in the twelve months after the end of the financial year. Current liabilities are those that are expected to be extinguished in the company's normal operating cycle or in the twelve months after the end of the financial year;
- the **Consolidated income statement** was prepared by classifying operating costs by nature, given that this type of presentation is deemed more appropriate to present the Group's specific business, conforms to the internal reporting methods and is in line with the industrial sector practice;
- the **Consolidated statement of other comprehensive income** presents the profit/(loss) for the year and the other changes in shareholders' equity that do not refer to transactions entered into by the owners in their capacity as owners;
- the **Consolidated statement of changes in shareholders' equity** provides separate disclosure of the result of the statement of other comprehensive income and of the transactions with shareholders entered into by the latter in their capacity as owners;
- the **Consolidated statement of cash flows** is prepared according to the "indirect method" as permitted by IAS 7 and presents the cash flows generated by operating activities, investing activities and financing activities.

In drafting this consolidated financial statements no critical aspects that required the use of the exceptions set forth in IAS 1 were identified. All amounts are stated in thousands of Euro, except where indicated otherwise. The Euro represents the functional currency of the parent company and subsidiaries, and that used for presenting the financial statements. Each item of the Consolidated financial statements is compared with the corresponding value of the previous year, except for that items added following adoption of IFRS 15 (Contract Assets and Revenues from contracts with customers) which have a comparative balance equal to zero since the entity adopted, as better explained below, modified approach.
The following table indicates the exchange rates adopted:

Exact exchange rates

Amount of currency for 1 Euro

Country	Currency	ISO	31.12.2018	31.12.2017	31.12.2016
Brazilian	Real	BRL	4.444	3.973	3.431
China	Yuan	CNY	7.875	7.804	7.320
Colombian	Peso	COP	3721.810	3580.190	3169.490
Indonesia	Rupiah	IDR	16500.000	0.000	0.000
Europe	Leu	RON	4.664	4.659	4.539
United States	Dollar	USD	1.145	1.199	1.054
Tunisian	Dinar	TND	3.430	2.974	2.450

Average exchange rates

Amount of currency for 1 Euro

Country	Currency	ISO	31.12.2018	31.12.2017	31.12.2016
Brazilian	Real	BRL	4.309	3.604	3.862
China	Yuan	CNY	7.807	7.626	7.350
Colombian	Peso	COP	3488.423	3333.837	3378.737
Indonesia	Rupiah	IDR	16512.150	0.000	0.000
Europe	Leu	RON	4.654	4.569	4.691
United States	Dollar	USD	1.182	1.129	1.107
Tunisian	Dinar	TND	3.111	2.729	2.374

2.1 Going Concern

As indicated above, AlmavivA's Board of Directors judged that there are no material uncertainties which could put the AlmavivA Group's capacity to continue operations in doubt. The reasons supporting these conclusions are illustrated in detail below.

It should be noted that in 2018 the growth recorded by the AlmavivA Group was negatively affected by the exchange rate effect. The final balance (with constant exchange rate) at 31.12.2018 of the previous year would have shown an increase of 11.6% in Revenues and 52.7% in terms of Operating Profit.

In the IT area, market estimates consider the sector to grow for the fifth consecutive year, especially in the area of software and ICT services.

Forecasts for 2019 assume an increase in revenues, especially in the Central and Local Public Administration (PA) areas, thanks also to the progressive development of the SPC Lot 3 and Lot 4 contracts (awarded in 2017 and on the beginning of 2018), in the Finance sector (+15 % vs 2018) on sundry banking groups, insurance and trust groups (with a particular focus on the sale of new products developed internally), as well as the extension for contracts in the Agriculture sector.

With regard to the Transportation area, the publication of tenders for the renewal of the framework agreements by the Ferrovie dello Stato Group, expiring in the first quarter of 2020, currently assigned to the RTI led by AlmavivA. The activities of defining possible new RTIs are therefore underway; the timing related to the publication of the new tenders has been delayed (it should be noted that the first two tenders published have been discarded following changes in the top management of the Ferrovie dello Stato Group). The hypothesis of Budget 2019 foresees in any case the continuity in the provision of services and projects in the Transportation area, in line with the extensions of the contracts signed in 2017 and 2018.

There will also be an increase in activities on the International Market both in terms of activities in the public administration of the European Union ("EU"), developed through the subsidiary AlmavivA de Belgique, and in the Transportation sector (in addition to the entry into operation of the activities included in the contract for the Finnish railways, the awarding of activities for the FLOW consortium is envisaged relating to the development and management of IT systems to support the operation of 4 Riyad metro lines).

Additionally, certain actions continue, with the maximum amount of attention and intensity of control, which in particular referred to:

- Overhead costs
- Procurement policies
- The reduction of external costs through correct balancing of direct and indirect resources and optimisation of productive processes and management
- Optimisation of the management of working capital, with particular attention to trade related receivables and work in progress
- The redesign of the corporate and organisational structure, in order to improve productive and operational efficiency, with particular focus on technical and managerial skills.

During 2019 the company could be able to benefit from the potential positive effects of the new national legislation on pensions, which could lead to an acceleration of the remix of resources in the production area with consequent professional optimization and moderation of wage growth.

Starting from August 2018, AlmavivA SpA has discontinued the use of social safety nets, which are not envisaged for 2019, and has provided for the restoration of some parts of the supplementary agreements suspended to date (fixed part of the performance bonus and the possibility of severance payments collective), considered fully operational starting from April 2019. The 2019 labor cost budget was therefore estimated considering both the foreseeable incremental items (CCNL, seniority, individual agreements) and (also on a historical basis experience) the usual management items.
In the CRM Europe area, we have observed the consolidation of the restructuring plan launched in 2017, with the development of activities both in Italy and in near-shore.

The increase in volumes, already registered in 2017, was further consolidated and balanced between activities carried out in Italy and in Europe; as a result of this in 2018, after years of continuous contractions, there was an increase in revenues. In particular, on the Naples site, the agreement in force since February 2017, with the activation of tools for measuring productivity and quality at the individual level, has made it possible to significantly improve the site's performance, where, thanks to the higher revenues generated, it was possible to change from an average amortization of 59% in 2017, to 16% in the first half of 2018, to 9% in the second half of the year and to termination at 31 December 2018. From 1st January 2019, the operating site in Naples did not has social safety nets in place.

In April 2018 the opening of a new European site was completed; the costs incurred for the start-up of the new site and the delays in starting a contract with a new customer and in the renewal of an additional contract with an existing-one (which led to an extensive start-up phase only partially covered by revenues) led to a negative impact on margins (decreased compared to previous year). It is estimated that the year 2019 will benefit from the full implementation of the new contracts and the new production structure, as well as the strategic consolidation process carried out by the main Telco market operators (with whom the company is negotiating to increase volumes), resulting in recovery of margins.
Operational testing of the new methods of sharing and analyzing individual qualitative and productive performance has provided confirmation and useful indications that can be easily observed on the need to extend these initiatives to other operating sites in order to recover margins sufficient for the sustainability of the business.

With regard to the Palermo site, a union agreement was signed on last 14th March with which various tools have been provided to carry out a correct management of the current surplus of employees.
In particular, the appeal to the social safety nets was renewed from 20th March to June 30, 2019; furthermore, a redundancy incentive program was defined, which was closed to personnel protected by the application of the social clause, which will be implemented through non-opposing dismissals to be carried out by 16th April 2019 and, finally, an experimental training project of requalification towards information technology profiles to allow the employees who will join it (the participation is on a voluntary basis) a better professional position both within the AlmavivA Group and, more generally, within the ICT labor market and in particular in the supply chain.
In AlmavivA Services Srl, in 2018 financial, we observed the start-up of the fourth site and the consolidation of site activities started in past years.

The Brazilian macroeconomic scenario is characterized by the economic recovery, with estimates of GDP growth of 3% in 2019 and 2.5% in 2020. The Euro/BRL exchange rate, which in 2018 had exceeded 4.8 and had negative effects on both revenues and EBITDA, decreased and settled at 4.30 in the first months of 2019, also due to the result of the presidential elections with the victory of the candidate Bolsonaro.
Brazil, more than other markets in which the Group is present, is experiencing a phase of consolidation and restructuring of the companies operating in the BPO-call center sector. This scenario opens up further opportunities for AlmavivA, which boasts a solid financial base, careful and timely cost control and a strict operating process.

AlmavivA do Brasil has acquired a leading role in the market and its presence is expected to continue to grow, both on customers already in the portfolio and on new customers recently acquired. In support of development, in the second half of 2018 AlmavivA do Brasil carried out a significant improvement in operations through investments in both production processes and managerial and commercial structures, as well as in the preparation of operational capacity for the exercise of new contracts in acquisition at the end of the year. On 30th August 2018 the Brazilian Supreme Court also issued a decree concerning the possibility, for Brazilian companies, of unlimited outsourcing in all phases of the production cycle.

This act represents an important turning point, recognizing the legality of outsourcing and thus helping our client companies to outsource, with possible positive effects on volume growth.
Additional benefits are also expected from the recent labor reform which, providing that legal expenses are charged to the losing party in the event of a judgment, should lead to a significant reduction in disputes in the labor law area.
Growth on the international market will also be based on the development of the Colombian CRM market thanks to the activities of the subsidiary Almacontact, characterized by the growth in volumes on historical customers and the acquisition of new customers aimed at covering both the Colombian domestic market and offering services of nearshoring to other Latin American countries and to the USA. International growth is also expected in the growth of IT activities both for the public community administration and for the European Union (growth of the AlmavivA de Belgique company); we also highlight the development of foreign activities in the Transportation sector (the awarding of activities for the construction and management of IT systems and services to support the operation of 4 metro lines in Riyad is expected).

In 2018, Almawave had an exponential growth thanks to the positive impact of the acquisition of SPC contracts. The operating result increased by 48% compared to the previous year (+€ 1.2m). In 2019 a further increase in revenues is expected both nationally and internationally (also thanks to the development of activities relating to SPC lot 3 and 4 for the Central and Local Public Administration) and the further increase in the percentage of revenues vs. third parties with respect to intercompany ones.

As part of the market expansion process, including through non-organic, vertical and transversal growth, the Group is evaluating possible acquisitions of majority shareholdings. In particular, the signing of a binding term sheet for the acquisition of the majority stake in an internationally active company in the design, implementation and supply of services in the field of interactive multimedia content, augmented reality and virtual reality is being finalized B2C and B2B solution configurators. In addition, further investment projects are being examined to accelerate growth both in the IT area (aimed at developing the market in particular as regards the production of integrated products and solutions for the transport, industry, public administration, finance and Artificial Intelligence sectors) that CRM (BPO activity and Customer Experience Management at international level).

From a financial perspective, the bond debt (Senior Secured Notes) is in place for a value of € 250 mln, senior secured, maturity of five years (October 2022) and coupon at 7.25%. In 2019, two half-yearly coupons (April 15, 2019 and October 15, 2019) will be paid, each amounting to € 9.063 million, for a total amount of € 18.1 million. Furthermore, an efficient financial management is also expected to lead to a reduction in the Net debt.
Based on the above and on the positive results obtained by the AlmavivA Group, the Directors drafted the AlmavivA Group Consolidated financial statements on the going concern assumption.

2.2 Basis of consolidation

The Consolidated financial statements comprise the financial statements of AlmavivA S.p.A. and of the Italian and foreign companies controlled directly or indirectly by AlmavivA S.p.A.

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

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

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

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

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

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

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

Consolidation criteria adopted for subsidiaries
The main consolidation criteria are the following:

- items of assets, liabilities, income and expenses of entities consolidated line by line are fully included in the Consolidated Financial Statements;
- the carrying amount of the parent's investment in the subsidiary is netted against the parent's portion of equity of investees. Any difference existing at the date when control is acquired is allocated to items of assets and/or liabilities;
- whenever required, the financial statements of subsidiaries are adjusted to align them to the accounting criteria adopted by the Group;
- minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's ownership interests in them;
- unrealised profit and loss for the Group as resulting from intragroup transactions are fully eliminated, as well as significant amounts that originate intercompany payables and receivables, costs and revenue among consolidated companies;
- consolidation adjustments take into account, when applicable, their deferred tax effect;
- dividends received over the year by a parent from a consolidated subsidiary and recognised in the parent's income statement as gains on equity investments, are eliminated and classified under "retained earnings".

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

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The acquisition cost is determined as the sum of the consideration paid, measured at fair value at the acquisition date, and the amount of the non-controlling interest of the acquired entity. For each single business combination, the Group determined whether the non-controlling interest in the acquired entity should be measured at fair value or on a pro rata basis in relation to the portion of non-controlling interest in the identifiable net assets of the acquired entity. Acquisition costs are charged in the year and stated under administrative expenses. When the Group acquires a business, it classifies or determines the acquired financial assets or liabilities undertaken in compliance with contract terms and conditions, as well as economic conditions and other pertaining terms and conditions at the acquisition date.

If the business combination is carried out in more than one step, the equity investment previously held is remeasured at fair value at the acquisition date and the resulting gain or loss is recognized in the income statement. Any possible consideration to be recognized is measured by the acquiring entity at fair value, at the acquisition date. The fair value change in the contingent consideration classified as an asset or liability, that is a financial instrument and within the scope of *IFRS 9 Financial instruments*, must be recorded in the income statement or other comprehensive income components. If the potential consideration does not fall within the scope of IFRS 9, this amount is measured according to the appropriate IFRS standard. If the potential consideration is classified in equity, its value shall not be re-determined and its subsequent payment shall be recognised in shareholders' equity.

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

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

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

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

Equity investments in associated companies and joint ventures are accounted for in the Consolidated Financial Statements using the equity method, as envisaged, respectively, by IAS 28 (Investments in associates and joint ventures) and IFRS 11 (Joint arrangements). Associated companies and joint ventures are included in the Consolidated Financial Statements when the significant influence or the joint control begins, until the date in which this joint control or significant influence cease.

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

Consolidation Area

The consolidated companies as at December 31, 2018, 2017 and 2016 are listed below:

Companies and method of consolidation	**Currency**	**Share held**	**At December 31, 2018**	**At December 31, 2017**	**At December 31, 2016**
AlmavivA S.p.A. (Parent Company) Rome, Italy	Euro	100,00%	Parent	Parent	Parent
Lombardia Gestione S.r.l. Milan, Italy	Euro	51,00%	Full	Full	Full
AlmavivA de Belgique S.A. Brussels, Belgium	Euro	100,00%	Full	Full	Full
Almaviva Digitaltec S.r.l. (2) Naples, Italy	Euro	100,00%	Full	Full	-
Wave S.r.l ** Pianoro Italy	Euro	100,00%	Full	-	-
Sadel S.p.A. ** Pianoro Italy	Euro	84,05%	Full	-	-
AlmavivA Contact S.p.A. Rome, Italy	Euro	100,00%	Full	Full	Full
AlmavivA do Brasil S.A. San Paolo, Brazil	Brazilian Real	94,70%	Full	Full	Full
AlmavivA Participações Ltda. Belo Horizonte, Brazil	Brazilian Real	100,00%	Full	Full	Full
AlmavivA Credit Ltda. Belo Horizonte, Brazil	Brazilian Real	100,00%	Full	Full	Full
Almacontact Bogotà, Colombia	Colombian Peso	100,00%	Full	Full	Full
Italy Call S.r.l. Rome, Italy	Euro	100,00%	Full	Full	Full
AlmavivA Tunisie S.A. Ville de Tunisi, Tunisie	Tunisian Dinar	56,25%	Full	Full	Full
AlmavivA Services S.r.l. Iasi, Romania	Romanian Leu	100,00%	Full	Full	Full
Almawave S.r.l. Rome, Italy	Euro	100,00%	Full	Full	Full
Almawave do Brasil Ltda. Belo Horizonte, Brazil	Brazilian Real	100,00%	Full	Full	Full
Pervoice S.r.l. Trento, Italy	Euro	50,90%	Full	Full	Full
Almawave USA Inc. San Francisco, U.S.	US Dollar	100,00%	Full	Full	Full
Agrisian S.C.p.A. in liquidazione Rome, Italy	Euro	50,86%	Full	Full	Full

* Established as at October 2017; entry in the scope of consolidation with effect from 1 November 2017

**Acquired a further 85% stake in April 2018

Companies and method of consolidation (continued)	**Currency**	**Share held**	**At December 31, 2018**	**At December 31, 2017**	**At December 31, 2016**
Sin S.p.A. *** Rome, Italy	Euro	20,02%	-	-	Equity
CCID – AlmavivA Inform. Technol. Co. Ltd Shangai, People's Republic of China	Chinese Yuan	50,00%	Equity	Equity	Equity
Consorzio Hypertix Rome, Italy	Euro	49,99%	Equity	Equity	Equity
PT: Almaviva Indonesia Kontak*****	Indonesian Rupiah	49,00%	Equity	-	-
TVEyes L.T. S.r.l. Trento, Italy	Euro	20,00%	Equity	Equity	Equity
Wave S.r.l.**** Pianoro, Italy	Euro	15,00%	-	Equity	-

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

****Established as at October 31, 2017, consolidated from November 30, 2017

****Established in 2018

The changes that affected the consolidation area during the three years December 31, 2018, 2017 and 2016, as well as any change in the share held in each consolidated company are reported here below:

In 2016:

- on March 21, 2016, the share capital of the controlled entity AlmavivA do Brasil S.A. was increased to BZR 44,223,065 and, as outcome of the above-mentioned operation, a third parties company, Simest S.p.A. subscribed a portion of the capital increase that led to the acquisition of a 5.5% total interest in the company. Accordingly, the share held by the group in the company went from 100% down to 94.50%;
- on June 27, 2016, AlmavivA Services S.r.l. was established in Romania with a share capital fully subscribed by AlmavivA Contact S.p.A.;
- the share held by the group in the associate Consorzio Hypertix lifted from 33% up to 49.99% as a result of an acquisition by AlmavivA S.p.A. of an additional 16.99% interest in the company.

In 2017:

- on January 1, 2017, the liquidation and termination of the activities by the subsidiary Almawave SA Ltd, wholly-owned by Almawave S.r.l.;
- on July 21, 2017, the acquisition of Wave S.r.l. with a stake of 15% by AlmavivA S.p.A. This company is valued according to the equity method, despite the presence of a stake of 15%, for the significant influence that AlmavivA S.p.A. can exercise, based on the contractual agreements;
- on October 19, 2017, the incorporation of AlmavivA Digitaltec S.r.l. wholly-owned by AlmavivA S.p.A.;

In 2018:

- The acquisition on 19th April 2018 of 85% of the share capital of Wave Srl, a company whose capital therefore becomes wholly owned by AlmavivA SpA. The business acquired Wave S.r.l., holds 84.05% of the share capital of Sadel S.p.A;
  the completion on 21st September 2018 of the merger by incorporation of AlmavivA Credit Ltda into Amaviva do Brasil Telemarketing and Informatica SA;
- the acquisition by Almaviva Spa, of a stake in the share capital of PT. ALMAVIVA INDONESIA KONTAK equal to 49% of the same.
- the dissolution on December 17, 2018, of the Hypertix Consortium with the simultaneous appointment of the Liquidator.

Furthermore, it is highlighted that:

- On 29th December 2018 the Shareholders' Meeting of Almacontact SA determined:
    - total coverage of losses relating to previous years through the partial reduction of the share capital (for COP 2.457.551.385) and the partial use of the Share Premium Reserve (for COP 2.289.654.158);
    - the increase in the share capital for a total of COP 7,700,000,000 of which COP 2,457,551,385 with share capital (which, in this way, stands at the value prior to its reduction) and COP 5,242,448,615 in the Share Premium Reserve;
    - Almaviva do Brasil signed-off the aforementioned increase in share capital and released it by waiving receivables from Almacontact.

The ultimate parent Company

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

Subsidiaries with significant minority interests

The information required by IFRS 12 relating to the significant minority interests that the subsidiaries have in the assets, liabilities and economic/cash flows of the Group is provided below:

		For the year ended December 31,		
Company	**Country**	**2018**	**2017**	**2016**
Lombardia Gestione S.r.l.	Italia	49.00%	49.00%	49.00%
Almaviva Tunisie S.A.	Tunisia	43.75%	43.75%	43.25%

Accumulated balances of material non-controlling interest:

(in thousands of Euro)	For the year ended December 31,		
	2018	**2017**	**2016**
Lombardia Gestione S.r.l.	1,273	1,255	1,592
AlmavivA Tunisie S.A.	708	895	1,036

Profit allocated to material non-controlling interest:

(in thousands of Euro)	For the year ended December 31,		
	2018	**2017**	**2016**
Lombardia Gestione S.r.l.	586	636	515
AlmavivA Tunisie S.A.	60	46	50

The minorities present in Sadel SpA, Pervoice SpA, Agrisian ScpA in Liquidation and Almaviva do Brasil SA, are not considered significant because: i) Sadel was acquired through Wave Srl at the end of the first quarter of 2018 with a percentage of 84.05%, and therefore the contribution on the consolidated financial statements at 31 December 2018 is not considered relevant; ii) the PerVoice contribution volumes are irrelevant for the purposes of the disclosure presented in the consolidated financial statements of AlmavivA SpA; iii) for Agrisian ScpA in liquidation and for Almaviva do Brasil minority interests in these companies are not relevant for the purposes of consolidation.

The summarized financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

Summarized income statement for

December 31, 2018	**Lombardia Gestione S.r.l.**	**AlmavivA Tunisie S.A.**
(in thousands of Euro)		
Revenues from contracts with customers	18.997	2.100
Cost of raw materials and services	(14.904)	(659)
Personnel expenses	(2.349)	(1.103)
Depreciation and amortization	(50)	(130)
Depreciation and amortization	(24)	(21)
Profit before taxes	**1.658**	**176**
Income taxes	(473)	(39)
Profit from continuing operations	**1.185**	**137**
Other comprehensive income for the year	**1.196**	**137**
Other comprehensive income pertaining to the group	586	60
Dividends paid pertaining to non-controlling interests	588	154

Summarized income statement for

December 31, 2017	**Lombardia Gestione S.r.l.**	**AlmavivA Tunisie S.A.**
(in thousands of Euro)		
Revenues	19.329	2.306
Cost of raw materials and services	(14.732)	(760)
Personnel expenses	(2.523)	(1.241)
Depreciation and amortization	(48)	(169)
Depreciation and amortization	(22)	(11)
Profit before taxes	**1.778**	**127**
Income taxes	(512)	(22)
Profit from continuing operations	**1.266**	**105**
Other comprehensive income for the year	**1298**	**105**
Other comprehensive income pertaining to the group	636	46
Dividends paid pertaining to non-controlling interests	971	-

Summarized income statement for

December 31, 2016	**Lombardia Gestione S.r.l.**	**AlmavivA Tunisie S.A.**
(in thousands of Euro)		
Revenues from contracts with customers	19.731	2.234
Cost of raw materials and services	(15.279)	(666)
Personnel expenses	(2.717)	(1.321)
Depreciation and amortization	(26)	(189)
Depreciation and amortization	(21)	(1)
Profit before taxes	**1.519**	**130**
Income taxes	(480)	(16)
Profit from continuing operations	**1.039**	**114**
Other comprehensive income for the year	**1051**	**114**
Other comprehensive income pertaining to the group	515	50
Dividends paid pertaining to non-controlling interests	343	0

Summarized statement of financial position for 2018	Lombardia Gestione S.r.l.	AlmavivA Tunisie S.A.
(in thousands of Euro)		
Non-current assets	198	314
Trade receivables	3.322	1.947
Current liabilities	(6.707)	(1.248)
Non-current liabilities	(545)	0
Equity	**2.597**	**1.618**
Pertaining to the group	1.324	910
Pertaining to non-controlling interests	1.273	708

Summarized statement of financial position for 2017	Lombardia Gestione S.r.l.	AlmavivA Tunisie S.A.
(in thousands of Euro)		
Non-current assets	312	443
Trade receivables	3.722	1.572
Current liabilities	(6.028)	(932)
Non-current liabilities	(751)	0
Equity	**2.562**	**2.046**
Pertaining to the group	1.307	1.151
Pertaining to non-controlling interests	1.255	895

Summarized statement of financial position for 2016	Lombardia Gestione S.r.l.	AlmavivA Tunisie S.A.
(in thousands of Euro)		
Non-current assets	0	12
Trade receivables	7.209	1.933
Current liabilities	(7.566)	(681)
Non-current liabilities	(784)	(10)
Equity	**3.249**	**2.367**
Pertaining to the group	1.657	1.331
Pertaining to non-controlling interests	1.592	1.036

Summarized statement of cash flow for 2018	**Lombardia Gestione S.r.l.**	**AlmavivA Tunisie S.A.**
(in thousands of Euro)		
Cash-flow generated from operating activities	1.552	267
Cash-flow absorbed by investing activities	(8)	(4)
Cash-flow absorbed by financing activities	(1.165)	(565)
Cash flow of the year	**379**	**(302)**

Summarized statement of cash flow for 2017	**Lombardia Gestione S.r.l.**	**AlmavivA Tunisie S.A.**
(in thousands of Euro)		
Cash-flow generated from operating activities	2.270	952
Cash-flow absorbed by investing activities	(18)	(4)
Cash-flow absorbed by financing activities	(1.985)	(426)
Cash flow of the year	**267**	**522**

Summarized statement of cash flow for 2016	**Lombardia Gestione S.r.l.**	**AlmavivA Tunisie S.A.**
(in thousands of Euro)		
Cash-flow generated from operating activities	879	54
Cash-flow absorbed by investing activities	(238)	(143)
Cash-flow absorbed by financing activities	(700)	(249)
Cash flow of the year	**(59)**	**(339)**

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting policies and measurement criteria

The main accounting policies and measurement criteria used in the preparation of the Consolidated Financial Statements are described hereunder. Such accounting policies and measurement criteria have been consistently applied during the three-years period 2018, 2017 and 2016.

Intangible assets
Intangible assets are identifiable assets lacking physical substance, controlled by the group and able to produce future economic benefits, as well as goodwill deriving from business combinations. Identifiability is defined with reference to the possibility of distinguishing the intangible asset acquired from goodwill. This requirement is normally satisfied when: (i) the intangible asset arises from a legal or contractual right, or (ii) the asset is separable, i.e. can be sold, transferred, leased or exchanged independently or as an integral part of other assets. Company’s control consists of the power to obtain future economic benefits from the asset or the possibility of restricting others’ access to those benefits.
As part of the transition to IFRS, the AlmavivA Group decided not to retroactively apply *IFRS 3 - Business combinations* to acquisitions made prior to October 1, 2012; consequently, for these acquisitions, the carrying amounts of the intangible assets as at said date were maintained, calculated on the basis of the previous accounting standards.
Intangible assets are booked at historical cost, inclusive of any directly attributable accessory charges. No revaluations are permitted, even in application of specific laws.

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

- Industrial patents and intellectual property rights: 10-33%;
- Concessions, licenses, trademarks and similar rights: 25%;
- Other intangible assets: 20%.

The costs relating to technological development activities are recorded under balance sheet assets when: (i) the cost attributable to the development activity can be reliably determined; (ii) there is the intention, the availability of financial resources and the technical capacity to render the asset available for use or sale; (iii) it can be demonstrated that the asset is able to produce future economic benefits.
In the presence of specific indicators of the risk of non-recovery of the carrying amount of the Intangible assets with a definite useful life, these are subject to impairment testing, as described in the specific section.

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

Property, plant and equipment
Property, plant and equipment, comprising investment property, are booked at historical cost, inclusive of any directly attributable accessory charges. The cost of Property, plant and equipment, whose use is limited over time, is systematically depreciated each year on a straight-line basis in relation to the estimated economic-technical life. If significant parts of these tangible assets have different useful lives, these components are accounted for separately. Depreciation is recorded from the moment the asset is available for use or is potentially able to generate the associated economic benefits. The annual depreciation rates used are as follows:

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

In the presence of specific indicators of the risk of non-recovery of the carrying amount of the Property, plant and equipment, these are subject to impairment testing, as described in the specific section.
Property, plant and equipment are no longer stated in the financial statements following their transfer or when no future economic benefits are expected from their use, and any resulting profit or loss (calculated as the difference between the sale value, less costs to sell, and the carrying amount) is booked to the income statement in the year of disposal. Any ordinary maintenance costs are charged to the income statement.
Assets under a financial lease, or relating to agreements that, although not taking on the explicit form of a financial lease, provide for the substantial transfer of risks and rewards of ownership, are booked at fair value, net of contributions due from the lessee, or if lower, at the present value of minimum lease payments, under Property, plant and equipment as a contra-item to the financial liability due to the lessor and depreciated according to the criteria indicated below. When there is no reasonable certainty of exercising the right of redemption, the depreciation is charged in the shorter period between the duration of the lease and the useful life of the asset.

Equity investments
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.
A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.
The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group’s investment in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.
The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.
After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Revenue from contracts with customers
Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements.
The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g.,warranties, customer loyalty points). In determining the transaction price for the sale of equipment, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).
The presentation of the revenues and the consequent contractual activities is done by contract and not by single obligation to do.

Variable consideration
If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. There are no arrangements that provide customers with a right of return and/or volume rebates; variable considerations are mainly referred to penalties applicable by customers for failure to achieve certain KPIs.

Significant financing component
Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Revenue recognition for comparative figures (IAS 18 and IFRS 11)

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes.

Rendering of services
Revenue from rendering of IT services is recognized by reference to the stage of completion. Stage of completion is measured by reference to labour and other direct costs incurred to date as a percentage of total estimated costs for each contract. When the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered. Revenue recognition by reference to stage of completion requires use of estimation related to several terms of contracts (e.g. contract costs, project period, etc.). The estimates are determined by the judgement of management of the Group, supplemented by past experience and by specific indicators and considering specific circumstances concerning specific clients and agreements. In case of events that could affect revenues, costs or stage of completion, the estimates will be reviewed as consequence. The variation may lead to an increase or decrease in contract revenues or contract costs.

In the case of recurring services for maintenance contracts, revenue is recognized proportionately over the term of the contract to which they refer.
Revenue related to services rendered on time-consuming basis is recognized by reference to actual time. In case of contract revenues based on amount of calls managed or based on workstation number and assigned staff, the revenue is recognized by reference to effective quantity provided to client. Revenue related to quantitative targets is recognized only when a specific target is met. Revenue related to qualitative target is recognized when the client communicates to be satisfied.

Sale of goods
Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is condition.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section "Financial instruments – Initial recognition and subsequent measurement"

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

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

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

Financial instruments – Initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.
The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.
In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.
The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.
Fur purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instuments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit and loss.

Equity instruments

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.
Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.
The Group elected to classify irrevocably its non-listed equity investments under this category.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.
Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual term.
ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).
For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.
All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.
The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.
Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.
Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.
Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.
Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Fair value measurements

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

Leasing

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

Group as a lessee

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

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

Group as a lessor

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

Treasury shares

Treasury shares are recognised at cost and booked as a reduction of shareholders' equity. The economic effects of any subsequent sales are booked to shareholders' equity.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Restructuring provisions are recognised only when the Group has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline, and the employees affected have been notified of the plan's main features.
Provisions are periodically updated to reflect changes in the estimates of costs, the expected timing of occurrence and discounting rate; changes in estimates are accounted for in the same item of the income statement where previously had been recognised the expense.

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

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

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

The provision for employee severance indemnities, which can be construed as a defined-benefit plan, is valued by the Projected Unit Credit Method, based on actuarial and financial assumptions (actuarial assumptions: mortality, turnover, disability of the population included in the plan; financial assumptions: discount rate, rate of wage increases, capitalization rate) and is presented net of advances paid. The valuation of liabilities is performed by independent actuaries.
The increase in the present value of the provision for employee severance indemnities is recognized as personnel expense except for the revaluation of the net liability related to actuarial gains and losses which are recorded in the statement of other comprehensive income and are not subsequently booked to the income statement; the cost for interest is recognised in the income statement, under the line item Financial expenses.

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

Tax Credit according to Law 194/2014
The tax credit deriving from Art. 1, paragraph 35 of the Law of 23 December 2014, n. 190 was assimilated, in the absence of specific indications, to a public contribution and as such treated pursuant to IAS 20. The credit in question is calculated on the basis of specific expenses recognized in the income statement and on the basis of development costs capitalized then among the intangible assets. The Company, in accounting for contributions pursuant to IAS 20, applies the income method and the systematic recognition criterion can be summarized as follows: the amount of accrued credit passes to the income statement up to the total of the specific expenses that generated it and only on a residual basis it refers to development costs capitalized among intangible assets. In the latter case, the benefit deriving from the tax credit is accrued in the income statement in the years in which the amortization of the aforementioned intangible assets is charged and in the same proportion.

Impairment test of assets and corresponding reversal
At the balance sheet date or at least once per year, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculations on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years.
For assets excluding goodwill, an assessment is made at the balance sheet date or at least once per year to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.
Goodwill is tested for impairment annually as at 31 December or at least once per year and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

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

Income taxes
Current income taxes are calculated on the basis of the estimate of taxable income; the expected payable is booked to the item "current tax liabilities". Tax payables and receivables for current income taxes are booked at the value that is expected to be paid/recovered to/from the tax authorities, by applying the applicable tax rates and regulations or essentially approved at the end of the reporting period.
Deferred income taxes are calculated on the temporary differences between the values of assets and liabilities booked to the financial statements and the corresponding values recognised for tax purposes on the basis of the rates and regulations in force. Deferred tax assets are recognised when their recovery is considered likely; the recoverability of deferred tax assets is considered likely when taxable income is expected to be available, in the year in which the temporary difference will be cancelled, such as to allow the tax deduction to be carried out. Similarly, unused tax credits and deferred tax assets on tax losses are recognised within the limits of their recoverability.
Deferred taxes are booked to the income statement, with the exception of those related to items recognised directly in shareholders' equity; based on said assumption, also the associated deferred taxes are booked to shareholders' equity.
Prepaid and deferred taxes are offset where there is a legal right which allows current tax assets and current tax liabilities to be offset and deferred taxes refer to the same taxpayer and same tax authority.

Tax consolidation
Up to December 31, 2018, the parent company and its Italian investees, as they met the legal requirements, exercised the option of participating in the tax consolidation under the parent company AlmavivA Technologies Srl.
The economic and financial relations arising from the participation in the tax consolidation are governed by a single contract.
Given that the tax basis of the tax consolidation is the sum of the taxable amounts and the tax losses that the individual entities assign to the consolidating company, any loss transferred to the tax consolidation is recognised under the consolidating company and based on the reasonable certainty of recovery assessed on a consolidated basis.
The agreements also provide the option of assigning to the consolidating company any excess taxes against which the consolidating company and the consolidated companies recognise reciprocal equity balances.
Recognition in equity requires the replacement of the tax payables and receivables with payables and receivables among consolidated entities. In particular, the recognition is made as follows:

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

Consolidated company
Recognises current tax expenses (income from participation in the tax consolidation) against taxable amounts (losses) concerning a payable (receivable) to the consolidating company.
Where provided for pursuant to specific consolidation agreements, any retrocession of tax losses transferred during the consolidation period requires the adjustment of the payable to the consolidating company against an expense for participation in the tax consolidation.

Offsetting of financial assets and liabilities
Financial assets and liabilities are offset in the balance sheet when an entity currently has a legally enforceable right of set-off and intends either to settle on a net basis or to realise the financial asset and settle the liability simultaneously.

Assets held for sale and discontinued operations
Non-current assets and current and non-current assets of disposal groups are classified as held for sale if the relative carrying amount will be recovered mainly through sale rather than continuous use. This condition is considered respected when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present conditions. An entity that is committed to a sale plan involving a loss of control of a subsidiary should classify all the assets and liabilities of the subsidiary as held for sale, regardless of whether the entity will retain a non-controlling interest in its former subsidiary after the sale. Verification of respect for the conditions set forth for the classification of an item as held for sale requires the company management to carry out subjective evaluations by formulating reasonable and realistic assumptions based on the information available. Non-current assets held for sale, current and non-current assets relating to disposal groups and directly associated liabilities are booked to the balance sheet separately from other company assets and liabilities. Immediately prior to the classification as held for sale, assets and liabilities falling under a disposal group are measured according to the applicable accounting standards. Subsequently, non-current assets held for sale are not subject to amortisation/depreciation and are measured at the lower of the carrying amount and the associated fair value, less costs to sell.

The classification of an equity investment valued according to the equity method, or a portion of said shareholding, as an asset held for sale, entails the suspension of the application of said measurement method to the entire equity investment or solely to the portion classified as asset held for sale; therefore, in this case, the carrying amount is actually equal to the value deriving from the application of the equity method at the reclassification date. Any shareholdings not classified as held for sale continue to be measured according to the equity method until the conclusion of the sale plan. Following the sale, the residual shareholding is measured by applying the criteria indicated in previous point “Non-current financial assets - Equity investments”, except where said item continues to be measured according to the equity method. Any difference between the carrying amount of the non-current assets and the fair value less the costs to sell is booked to the income statement as impairment; any subsequent write-backs are recognised up to the amount of the write-downs recorded previously, including therein those recognised prior to the qualification of the asset as held for sale. Non-current assets and current and non-current assets of disposal groups, classified as held for sale, constitute discontinued operations if, either: (i) they represent a separate major line of business or geographical area of operations (ii) are part of a plan to dispose of a separate major line of business or geographical area of operations; or (iii) are a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations, as well as any capital gain/loss realised as a result of disposal, are indicated separately in the appropriate item of the income statement, net of the associated tax effects; the income statement values of discontinued operations are also indicated for the years being compared. When events are verified that no longer allow non-current assets or disposal groups to be classified as held for sale, they are reclassified to the respective items of the balance sheet and recognised at the lower between: (i) the carrying amount on the date of classification as held for sale, adjusted for amortisation/depreciation, impairment and write-backs that would have been recognised if the assets or disposal groups had not been classified as held for sale; and (ii) the recoverable value at the reclassification date. If the interruption of the sale plan concerns a subsidiary, a joint operation, a joint venture or an associated company, or a shareholding in a joint venture or an associated company, the values presented in the financial statements are re-stated from the moment of the classification as held for sale/discontinued operations. In the event in which a discontinued operation is reclassified as held for use, the economic results, previously stated in a separate item of the income statement, are reclassified and included under continuing operations for all the years presented.

3.2 New accounting standards, interpretations and amendments adopted by the Group

The Group applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below. Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 15 Revenues from contracts with customers
IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.
IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted IFRS 15 using modified retrospective method as indicated in IFRS 15.C3b. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at 1st January 2018.
The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS18and related Interpretations.

The effect of adopting IFRS 15 is not material as indicated in consolidated financial statements as of December 31, 2017. However, mentioned adoption has affected several reclassifications in consolidated balance sheet. The most significant one is, as follows:

- Euro 11,609 thousand related to invoices to be issued that have been accounted as contract assets and for this reason reclassified from item Trade receivables to item Amount due from customers.

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended 31st December 2018 as a result of the adoption of IFRS 15. The adoption of IFRS 15 did not have a material impact on OCI or the Group’s operating, investing and financing cash flows. The first column shows amounts prepared under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted.

Amounts in €/000	**IFRS 15**	**Previous IFRS**	**Increase/ (Decrease)**
Revenues from contracts with customers	799,704	-	799,704
Revenues	-	801,355	(801,355)
Other Income	22,970	22,970	-
Total revenues and other income	822,675	824,325	(1,650)
Cost of raw materials and services	(279,337)	(279,337)	-
Personnel expenses	(457,488)	(457,488)	-
Depreciation and amortization	(26,872)	(26,872)	-
Losses from sale of non-current assets	(79)	(79)	-
Other expenses	(7,801)	(9,451)	(1,650)
EBIT	51,099	51,099	-

Amounts in €/000	IFRS 15	Previous IFRS	Increase/ (Decrease)
Inventories	4,684	4,684	-
Amount due from customers	-	35,626	(35,626)
Contract assets	47,235	-	47,235
Trade receivables	303,731	316,990	(13,259)
Current financial assets	4,140	4,140	-
Other current assets	98,893	98,893	-
Cash and cash equivalents	71,603	71,603	-
Total current assets	**530,287**	**531,937**	**(1,650)**
Provision	5,611	7,261	(1.650)
Trade payables	222,162	222,162	-
Current financial liabilities	14,330	14,330	-
Current tax liabilities	36,143	36,143	-
Other current liabilities	82,957	82,957	-
Total current liabilities	**361,203**	**362,853**	**(1,650)**

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

The Group centrally managed the adoption of IFRS 9 and, for these reasons, made an assessment on financial instruments affected by new requirements of IFRS 9 in terms of Classification & Measurement and developed new process in terms of Impairment of Assets to support the expected credit losses calculation. Furthermore, as indicated in the new standard, the Group adopted the “Option Out” for Hedge Accounting (IFRS 9, Par. 7.2.21), applying for the financial statements of fiscal year 2018, the requirements of IAS 39 awaiting the endorsements of new rules in terms of accounting for macro hedge.

The effect of adopting IFRS 9 is not material, as follows. he Group has not restated the comparative information, which continues to be reported under IAS 39.

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

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

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

Payables are initially recognised at cost, corresponding to the fair value of the liabilities, net of any directly attributable transaction costs. Following initial recognition, payables are measured based on the amortised cost criterion, by using the effective interest rate method.
Trade receivables and payables, whose maturity falls within the normal commercial terms, are not discounted.

Classification & Measurement
The new standard provides for the classification of financial assets on the basis of the Business Model with which a company manages the financial assets and the contractual characteristics of the cash flows of these instruments (Solely payments of principal and interest on the principal amount outstanding:

i. The assessment of the Business Model determines the classification of the instrument based on the objective with which the instrument is held within the company's portfolio. Financial assets are measured at amortized cost if they are held with the aim of collecting contractual cash flows (Held to Collect). Financial assets are measured at fair value with changes to the Other Comprehensive Income if these are held with the aim of both collecting contractual cash flows and being sold (Held to Collect and Sell). Finally, they are measured at fair value with changes in income statement if they are not held with the objectives typical of the other Business Models
ii. The assessment of the characteristics of the contractual cash flows requires that the financial assets are valued at amortized cost if the characteristics of the contractual cash flows represent only expected cash flows which provide for the repayment of the principal and interest accrued on that capital. In the event that this condition is not respected, an evaluation will be made by determining the fair value.

At present, the Almaviva Group does not hold financial instruments for trading purposes or financial instruments that envisage contractual cash flows not only representing repayment of capital and accrued interest, with the exception of receivables systematically subject to non-recourse assignment. This category of receivables is recorded in the financial statements at fair value, which is approximal with the sale price of the same. The total amount, as indicated in the table at the end of this paragraph, is equal to Euro/thousands 15,911.

Equity instruments are measured at the FVTPL unless the specific accounting option at FVOCI is exercised. The latter possibility may be exercised only if the Company does not hold such investments for trading purposes and, in this case, the changes recorded in OCI are never charged to the income statement.
The investments held by the Almaviva Group that fall within the definition of Equity Instrument according to IFRS 9 have an insignificant value within the consolidated financial statements of the Group.
Financial liabilities are recorded at amortized cost unless they are held for trading purposes. IFRS 9 grants a specific option to account for the liabilities at fair value in the event that this option helps eliminate an accounting misalignment.

At the time the option is exercised, all changes in fair value are recognized in the income statement, with the exception of changes in fair value attributable to the effect of their own credit risk, which are instead charged to OCI. The Group analyzed the characteristics of the contractual cash flows of loans and receivables considering that they meet the criteria for the amortized cost valuation in accordance with IFRS 9. Therefore, it is not expected to proceed with a reclassification of these financial instruments.

Impairment of Assets
IFRS 9 introduces a new framework related to the calculation of the impairment of financial assets and certain types of off-balance sheet financial instruments (loan commitment and financial guarantees). The new calculation method provides for the estimate of the devaluation of certain financial instruments on the basis of the concept of expected loss (Expected Loss) which differs from the methodology provided by IAS 39 which provides for the determination of losses based on a concept of realized loss (Incurred Loss).

The adoption of the Expected Credit Loss model for the impairment of financial assets involves the recognition of a write-down on said financial assets on the basis of a predictive approach, based on the forecast of the counterparty default (so-called PD) and recovery capacity in the event that the default event occurs (so-called loss given default or LGD). IFRS 9 requires the Group to record expected credit losses on all bonds in the portfolio, loans and trade receivables, with reference to either a 12-month period or the entire duration of the instrument (eg lifetime expected loss) according to the adoption of the General or Simplified Model as better described below. Given the characteristics and the duration of exposures, the Group has applied the simplified approach for trade receivables and therefore will record the expected losses based on their residual contractual duration.

General Approach
The PD represents the probability that an activity is not repaid and goes into default, this magnitude is determined both in a time horizon of 12 months (Stage 1) and in a lifetime time horizon (Stage 2). The PD for each instrument is constructed considering both historical data and precise market conditions, through the use of reasonable and supportable information on future economic conditions, also through the use of Internal Rating where available.
The EAD represents the estimated credit exposure to the counterparty when the default event occurs. This parameter includes an estimate of any value that is expected to be recovered at the time of default (such as collateral, guarantees, insurance policies, etc.).
LGD represents the amount that is expected to fail to recover at the time the default event occurs and is determined both on a historical basis and via supportable and reasonable information regarding future market conditions.

Simplified Approach
IFRS 9 also grants the possibility of using a further approach, defined as "simplified". This method can be used only for the categories of financial instruments:

i. Trade receivables;
ii. Leasing under IFRS 16 (applicable starting from 1st January 2019);
iii. Contract Assets under IFRS 15.

This approach allows only the use of the PD lifetime to calculate the expected losses eliminating the need to determine the PD at 12 months and to monitor the credit risk at each evaluation date.

Provision Matrix (Simplified Approach)
A further expedient envisaged by IFRS 9 within the simplified approach envisages the use of the c.d. Provision Matrix. This model provides for the use of write-down percentages determined by maturity date based on the historical losses recorded by the Group. These percentages must be subsequently enriched with forward looking information in order to reflect in such percentages also market information as well as historical information.

The Group has adopted the simplified approach regarding the impairment of assets. For commercial claims relating to customers operating in the private sector, the practical expedient of the provision matrix was used. The data processed by the applied models, supported by qualitative considerations on future market conditions, led to an impact of devaluations that is not significant compared to the previous IAS 39 standard.

In summary, upon the adoption of IFRS 9, the Group had the following required or elected reclassifications as at 1st January 2018:

		IFRS 9 Measurement category		
IAS 39 Measurement category	**€/000**	**FVTPL**	**Amortized cost**	**FVTOCI**
Loans and receivables				
Trade receivables	305,029	15,911	289,118	-
Current financial assets	9,406	-	9,406	-
Current financial liabilities	12,021	-	12,021	-
Non-current financial liabilities	251,121	-	251,121	-
Available for sales	-	-	-	-
Non-listed equity investments	32	-	-	32*

'* *measured at cost due to irrelevance of the amount*

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations
The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's consolidated financial statements.

Amendments to IAS 40 Transfers of Investment Property
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group's accounting policy for cash-settled share based payments, is consistent with the approach clarified in the amendments. In addition, the Group has no share-based payment transaction with net settlement features for withholding tax obligation sand had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, the amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
The amendments address concerns arising from implementing the new financial instruments standard, IFRS9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Group.

Amendments to IAS 28 Investments in Associates and Joint Ventures -Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice
The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, then it may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards -Deletion of short-term exemptions for first-time adopters
Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments do not have any impact on the Group's consolidated financial statement.

3.3 Standard issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 16 Leases
IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-IncentivesandSIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease, IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS17. The standard includes two recognition exemptions for lessees –leases of 'low-value' assets (e,g,, personal computers) and short-term leases (i,e,, leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i,e,, the lease liability) and an asset representing the right to use the underlying asset during the lease term (i,e,, the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e,g,, a change in the lease term, a

change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset, Lessor accounting under IFRS 16 is substantially unchanged from today's accountingunder IAS17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases, IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Transition to IFRS 16
The Group plans to apply the standard with modified approach and will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC4. The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i,e,, personal computers, printing and photocopying machines) that are considered of low value.

In 2018, the Group began a detailed analysis of the effects deriving from the application of IFRS 16. This analysis is being finalized at the time of preparation of these consolidated financial statements. The operating leases of the Group are significant both in terms of amount and amounts, considering that all the locations in which the companies operate see the Group acting as lessee. Therefore, a significant impact on EBITDA and financial liabilities is expected; impact, on the other hand, of little relevance to the profit for the year and consequently to the Shareholders' Equity.

IFRS 17 Insurance Contracts
I n May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4)that was issued in 2005,IFRS 17 applies to all types of insurance contracts (i,e,, life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach);
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply the interpretation from its effective date. Since the Group operates in a complex multinational tax environment, applying the Interpretation may affect its consolidated financial statements. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the consolidated financial statements of the Group.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event;
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income. The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests. The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures. The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

Annual Improvements 2015-2017 Cycle (issued in December 2017)

These improvements include:

IFRS 3 Business combinations
The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation. An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments will apply on future business combinations of the Group.

IFRS 11 Joint arrangements
A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured. An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transaction.

IAS 12 Income taxes
The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period. Since the Group’s current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

IAS 23 Borrowing costs
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Group’s current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

3.4 Use of Estimates and Management Judgement

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

Management judgement mainly refers to aspects such as:

- the evaluation of existence of control, joint control or significant influence over group entities, as further described in paragraph 2,2 above;
- the evaluation of the useful lives of Intangible assets and Property, plant and equipment, as further described in paragraph 3,1 above;
- the analysis about whether the conditions to qualify assets or operations as Non-current assets held for sale in accordance with IFRS 5 are met and if those assets or operations also represent discontinued operations or not;
- the definition of the Group’s Operating and reportable segments that are relevant to the business and reflect the regular review process in terms of operating results performed by the entity's chief operating decision maker to make decisions about resources to be allocated to segments and assess their performance, as further described in paragraph 4 below;
- the identification of cash-generating units as the smallest groups of assets that generate largely independent cash inflows and to which goodwill is also allocated.

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

Non-current assets (or disposal groups) classified as held for sale and discontinued operations
Non-current assets (or disposal groups) whose carrying amount will be recovered through sale, rather than through ongoing use, are classified as held for sale and shown separately from the other assets in the statement of financial position. The liabilities associated with assets held for sale are also shown separately from the other liabilities in the statement of financial position. This only occurs when the sale is highly probable and the non-current assets (or disposal groups) are available in their current condition for an immediate sale. Managements evaluates as to whether such conditions are met to qualify the non-current asset (or disposal group) as Non-current assets held for sale in accordance with IFRS 5.
Non-current assets (or disposal groups) classified as held for sale are first recognized in compliance with the appropriate IFRS applicable to the specific assets or liabilities and subsequently measured at the lower of the carrying amount and the fair value, net of costs to sell. Any subsequent impairment losses are recognized as a direct adjustment to the non-current assets (or disposal groups) classified as held for sale and expensed in the income statement.
The corresponding values for the previous period are not reclassified.

A discontinued operation is a component of an entity that has been divested or classified as held for sale and:
- represents a major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Gains or losses on discontinued operations – whether disposed of or classified as held for sale – are shown separately in the income statement, net of the tax effects. The corresponding values for the previous period, where present, are reclassified and reported separately in the income statement, net of tax effects, for comparative purposes.

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

Non-current assets that no longer meet the requirements for classification as held for sale or which cease to belong to a disposal group classified as held for sale are measured as the lower of:
- the book value before the asset (or disposal group) was classified as held for sale, adjusted for depreciation, amortization, write-downs or write-backs that would have been recognized if the asset (or disposal group) had not been classified as held for sale; and
- the recoverable value, which is equal to the greater of its fair value net of costs to sell and its value in use, as calculated at the date on which the decision not to sell was taken.

Identification of cash-generating units (CGUs)
In application of IAS 36, the goodwill recognized in the Consolidated Financial Statements of the Group as a result of business combinations has been allocated to individual CGUs or groups of CGUs that will benefit from the combination. In identifying such CGUs, management took account of the specific nature of the assets and the business acquired through the business combination that originated the goodwill (e,g, geographical area and business area), verifying that the cash flows of a given group of assets were closely interdependent and largely independent of those associated with other assets (or groups of assets), The assets allocated to each CGU were also identified in a way consistent with the manner in which management manages and monitors those assets within the business model adopted.
As a result of this process, the following CGUs were identified where goodwill was allocated: AlmavivA Contact S,p,A,; Alicos; AlmavivA do Brasil S,A,; In Action; AlmavivA Finance; Pervoice; Gempliss; Atesia.

Use of estimates and assumptions
In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements.

Revenue from contracts with customers
The Group concluded that revenues related to services rendered in IT business have to be recognized over time because the customer simultaneously receives and consumes the benefits provided by the Group. The same conclusion has been reached for main contract in CRM business.

The Group determined that the input method is the best method in measuring progress of the installation services because there is a direct relationship between the Group's effort (i,e,, labour hours incurred) and the transfer of service to the customer. The Group recognises revenue on the basis of the labour hours expended relative to the total expected labour hours to complete the service, In other circumstances, the Group considered more correct to use the method based on the outputs as a suitable criterion for measuring the progress of the services provided by the Group. In this last case, the determination of the function points shared with the customer constitutes the basis for the recognition of revenues.

Some contracts for the sale of IT and CRM services provide for penalties to the Group for failure to reach contractually indicated KPIs. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration. Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Provision for expected credit losses of trade receivables and contract assets
The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i,e,, by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).
The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i,e,, gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 14.

Recoverability of non-current assets
The carrying amount of non-current assets is subject to periodic verification and whenever the circumstances or events dictate the need to, Goodwill is verified at least annually. These recoverability checks are performed according to the criteria set out in IAS 36, described in more detail in Note 9 below. In particular, the recoverable value of a non-current asset is based on the estimates and assumptions used to determine the amount of the cash flows and the discount rate applied. If it is believed that the carrying amount of a non-current asset has suffered impairment, it is written down to the amount of the associated recoverable value, estimated with reference to its use and any future sale, based on the contents of the most recent company plan approved.

Provisions for risks
In relation to the legal risks to which the AlmavivA Group is exposed, provisions have been allocated to cover all significant liabilities for cases in which the legal representatives have verified the likelihood of an unfavourable outcome and a reasonable estimate of the loss amount.

Pension plans
Some Group employees benefit from pension plans that offer social security benefits based on the salary history and respective years of service. The calculations of the costs and liabilities associated to these plans are based on the estimates made by actuarial consultants, who use a combination of statistical-actuarial factors, including statistical data relating to previous years and forecasts of future costs. Mortality and withdrawal indexes, assumptions regarding the future evolution of discount rates, salary growth rates and inflation rates are also considered as estimate components. These estimates may differ substantially from the actual results, due to the evolution of the economic and market conditions, increases/reductions in withdrawal rates and the life span of the participants. These differences may have a significant impact on the quantification of the pension costs and the other related expenses.

Determination of the fair value of financial instruments
The fair value of financial instruments is determined on the basis of the prices directly observable on the market, where available, or, for unlisted financial instruments, by using specific valuation techniques that maximise the observable inputs on the market. In circumstances where this is not possible, the inputs are estimated by the management by taking into account the characteristics of the instruments subject to valuation. In compliance with IFRS 13, the Group includes the

measurement of credit risk, both of the counterparty (Credit Valuation Adjustment or CVA) and its own credit risk (Debit Valuation Adjustment or DVA), in order to be able to adjust the fair value of the derivatives for the corresponding measurement of the counterparty risk, by applying the methodology reported in the section "Information on fair value measurements". Variations in the assumptions made in estimating the input data could impact the fair value recognised in the financial statements for these instruments.

Recovery of prepaid taxes
As at December 31, 2018, the Consolidated financial statements include prepaid taxes, connected to the recognition of tax losses that can be used in future years and income components subject to deferred deductibility of taxes, for an amount whose recovery in future years is considered highly likely by the directors. The recoverability of the aforementioned prepaid taxes is subject to the achievement of sufficient future taxable income to absorb the aforementioned tax losses and for the use of the benefits of other deferred tax assets. Significant management judgments are required in order to determine the amount of prepaid taxes that can be recognised in the financial statements, based on the timing and amount of the future taxable income as well as the future tax planning strategies and tax rates in force at the moment of their reversal. However, at the moment the Group should ascertain that it is unable to recover, in future years, all or part of the prepaid taxes recognised, the consequent adjustment will be booked to the income statement in the year in which said circumstance is verified.

Please refer to paragraph 3,1 "Accounting policy and measurement criteria" above, for more details on each relevant financial item included in each category of estimates.

Development costs
The Group capitalises costs for product development projects. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model, In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. At 31 December 2018, the carrying amount of capitalised development costs was Euro 14,720 thousand (Euro 14,050 thousand as of December 31, 2017).

4. OPERATING AND REPORTABLE SEGMENTS

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

In addition to the above, management identified a fourth operating segment, *Almawave – New Technology*, that it is considered to provide important information to the stakeholders and investors in terms of significant investments made by the Group in new technology sector in recent years, regardless the fact that it does not exceed the quantitative threshold outlined in IFRS 8.

The operating segment information based on the above four Operating and reportable segments is consistent with that used by the top management in its collective role as Chief Operating Decision Maker, as they monitor the operating results of these Operating and reportable segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the Consolidated Financial Statements.
The Group's financing strategy (including finance costs and finance income) is managed on a Group basis and therefore is not allocated to Operating and reportable segments. As a result of that, income taxes remain also unallocated.

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

a. IT Services, provide ICT and Cloud Computing solutions, includes the following companies: AlmavivA, Lombardia Gestione, AlmavivA de Belgique, Agrisian, Almaviva Digitaltec, Sadel and Wave;
b. CRM Europe, provides Contact Centre services and operates predominantly in the European Union, includes the following companies: AlmavivA Contact, Italy Call and AlmavivA Services;
c. CRM International, provides the same services as those in the previous point in South America and in Tunisia, includes the following companies: AlmavivA do Brasil, AlmavivA Participacoes, Almacontact and AlmavivA Tunisie;

d. Almawave – New Technology, segment operating in the supply of innovative solutions geared towards the best interaction with work instruments, aimed at improving the people experience, includes the following companies: Almawave, Pervoice, Almawave do Brasil and Almawave USA.

No segment combinations took place for the purpose of determining the reportable operating segments.

The directors observe the results achieved by the business units separately for the purpose of taking decisions regarding the allocation of resources and performance assessment. The transfer prices between the operating segments are negotiated internally using similar methods to transactions with third parties.

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

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

For the year ended December 31, 2018

(in thousands of Euro)	IT Services	CRM Europe	CRM International	Almawave New Technology	Total Segments	Adjustments, eliminations and other	Consolidated
Revenue							
Revenues from contracts with customers	423,644	140,609	225,802	9,649	799,704	0	799,704
Inter-segment	3,387	7,247	110	6,361	17,105	(17,105)	0
Total revenues from contracts with customers	**427,031**	**147,856**	**225,912**	**16,010**	**816,809**	**(17,105)**	**799,704**
Income/(Expenses)							
Cost of raw materials and services	(192,186)	(35,141)	(68,266)	(5,438)	(301,031)	21,694	(279,337)
Personnel expenses	(193,727)	(119,943)	(137,140)	(7,163)	(457,973)	485	(457,488)
Depreciation and amortization and write-downs	(15,278)	(2,173)	(8,056)	(1,781)	(27,289)	417	(26,872)
Losses from sale of non-current assets	5	(84)	0	0	(79)	0	(79)
Other operating income	24,374	858	163	2,208	27,604	(4,633)	22,970
Other operating expenses	(5,963)	(1,468)	(397)	(130)	(7,959)	158	(7,801)
Operating Profit	**44,256**	**(10,096)**	**12,216**	**3,706**	**50,083**	**1,016**	**51,099**
At December 31, 2018							
Total assets	**489,692**	**142,483**	**151,648**	**35,325**	**819,148**	**(142,150)**	**676,998**
Total liabilities	**300,396**	**94,889**	**33,697**	**11,951**	**440,933**	**(75,973)**	**364,961**

For the year ended December 31, 2017

(in thousands of Euro)	IT Services	CRM Europe	CRM International	Almawave New Technology	Total Segments	Adjustments, eliminations and other	Consolidated
Revenue							
Revenues	366,471	126,239	256,008	6,273	754,991	(0)	754,991
Inter-segment	3,640	6,573	45	7,591	17,849	(13,103)	0
Total revenues	**370,111**	**132,812**	**256,053**	**13,864**	**772,840**	**(13,103)**	**754,991**
Income/(Expenses)							
Cost of raw materials and services	(165,691)	(33,670)	(81,969)	(3,809)	(285,139)	21,237	(263,902)
Personnel expenses	(167,935)	(104,387)	(153,781)	(7,246)	(433,350)	379	(432,971)
Depreciation and amortization and write-downs	(15,903)	(2,316)	(10,355)	(1,557)	(30,130)	417	(29,713)
Losses from sale of non-current assets	(61)	(1)	0	(10)	(72)	0	(72)
Other operating income	16,667	2,825	201	1,264	20,957	(3,642)	17,315
Other operating expenses	(8,037)	(2,531)	(67)	(2)	(10,636)	304	(10,332)
Operating Profit	**29,151**	**(7,269)**	**10,083**	**2,504**	**34,469**	**847**	**35,316**
At December 31, 2017							
Total assets	**421,795**	**127,650**	**160,052**	**30,590**	**740,088**	**(94,877)**	**645,211**
Total liabilities	**275,252**	**82,635**	**35,130**	**11,272**	**404,289**	**(50,909)**	**353,380**

For the year ended December 31, 2016

(in thousands of Euro)	IT Services	CRM Europe	CRM International	Almawave New Technology	Total Segments	Adjustments and eliminations	Consolidated
Revenue							
External customers	352,112	130,057	241,297	6,697	730,163	0	730,163
Inter-segment	4,210	6,706	0	6,287	17,203	(17,203)	0
Total revenue	**356,322**	**136,763**	**241,297**	**12,984**	**747,366**	**(17,203)**	**730,163**
Income/(Expenses)							
Cost of raw materials and services	(155,093)	(38,051)	(75,870)	(3,484)	(272,498)	22,442	(250,056)
Personnel expenses	(163,925)	(122,096)	(137,864)	(6,820)	(430,705)	173	(430,532)
Depreciation and amortization and write-downs	(16,513)	(2,389)	(9,501)	(1,306)	(29,709)	417	(29,292)
Losses from sale of non-current assets	0	(75)	0	0	(75)	0	(75)
Other operating income	12,745	791	205	257	13,998	(4,925)	9,073
Other operating expenses	(12,884)	(9,979)	0	(11)	(22,874)	(44)	(22,918)
Operating Profit	**20,652**	**(35,035)**	**18,267**	**1,620**	**5,503**	**861**	**6,364**
At December 31, 2016							
Total assets	**387,718**	**121,663**	**172,000**	**26,657**	**708,038**	**(78,658)**	**629,380**
Total liabilities	**254,028**	**90,974**	**40,409**	**11,725**	**397,136**	**(42,100)**	**355,035**

Reconciliation of Operating profit/(loss)

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

	For the twelve months ended December 31,		
(in thousands of Euro)	2018	2017	2016
Segment profit	**51,099**	**35,316**	**6,364**
Finance income	600	926	1,643
Finance costs	(29,900)	(34,392)	(27,601)
Exchange gains/(losses)	(335)	(280)	1,153
Gains/(losses) on equity investments	0	0	0
Profit/(loss) from investments accounted for using equity method	6	(737)	(838)
Inter-segment income/expenses (elimination)	0	0	0
Profit/(loss) before taxes	**21,469**	**832**	**(19,279)**

Reconciliation of Total assets

(in thousands of Euro)	At December 31, 2018	At December 31, 2017	At December 31, 2016
Segment operating assets	**676,998**	**645,211**	**629,380**
Deferred tax assets	15,259	13,383	10,777
Current financial assets	4,140	9,406	7,870
Non-current financial assets	1,643	1,446	1,449
Non-current assets held for sale	2,459	2,459	4,249
Total assets	**700,499**	**671,905**	**653,725**

Reconciliation of Total liabilities

(in thousands of Euro)	At December 31, 2018	At December 31, 2017	At December 31, 2016
Segment operating liabilities	**364,961**	**353,380**	**355,035**
Non-current financial liabilities	274,902	251,121	25,478
Current financial liabilities	14,330	12,021	150,873
Current tax liabilities	36,143	42,932	99,274
Deferred tax liabilities	1,534	1,672	1,794
	0		
Total liabilities	**691,868**	**661,126**	**632,453**

Geographic information

(in thousands of Euro)	At December 31, 2018	At December 31, 2017	At December 31, 2016
Revenues from external customers			
Italy	567,441	493,963	487,590
Brazil	215,131	247,029	237,030
Tunisia	1,990	2,261	2,234
Colombia	8,964	6,974	2,495
Europe	6,178	4,764	814
Total	**799,704**	**754,991**	**730,163**

Reconciliation of EBITDA

For the twelve months ended December 31, 2018

(in thousands of Euro)	IT Services	CRM Europe	CRM International	Almawave New Technology	Total Segments	Adjustments, eliminations and other	Consolidated
Operating profit	**44,256**	**(10,096)**	**12,216**	**3,706**	**50,083**	**1,016**	**51,099**
(+) Depreciation and amortization	15,278	2,173	8,056	1,781	27,289	(417)	26,872
(+) Losses from sale of non-current assets	(5)	84	0	0	79	0	79
Earnings before interests, taxes, depreciation and amortization (EBITDA)	**59,529**	**(7,838)**	**20,273**	**5,487**	**77,451**	**599**	**78,050**

For the twelve months ended December 31, 2017

(in thousands of Euro)	IT Services	CRM Europe	CRM International	Almawave New Technology	Total Segments	Adjustments, eliminations and other	Consolidated
Operating profit	**29,151**	**(7,269)**	**10,083**	**2,504**	**34,469**	**847**	**35,316**
(+) Depreciation and amortization	15,903	2,316	10,355	1,557	30,130	(417)	29,713
(+) Losses from sale of non-current assets	61	1	0	10	72	0	72
Earnings before interests, taxes, depreciation and amortization (EBITDA)	**45,115**	**(4,952)**	**20,436**	**4,070**	**64,671**	**430**	**65,101**

For the twelve months ended December 31, 2016

(in thousands of Euro)	IT Services	CRM Europe	CRM International	Almawave New Technology	Total Segments	Adjustments, eliminations and other	Consolidated
Operating profit	**20,652**	**(35,035)**	**18,267**	**1,620**	**5,503**	**861**	**6,364**
(+) Depreciation and amortization	16,513	2,389	9,501	1,306	29,709	(417)	29,292
(+) Losses from sale of non-current assets	0	75	0	0	75	0	75
Earnings before interests, taxes, depreciation and amortization (EBITDA)	**37,165**	**(32,571)**	**27,767**	**2,926**	**35,287**	**444**	**35,731**

5. SIGNIFICANT TRANSACTIONS OF THE PERIOD

During the year ended at 2018, certain corporate transactions took place, which are described briefly below, which involved AlmavivA S,p,A, and certain companies which are direct or indirect investees of the latter, the main information regarding said transactions is provided below.
Among the transactions that took place during the half-year, the most significant one concerns the conclusion in April 19, 2018 of the process of acquisition of 100% of the shares of Wave S,r,l, which, in turn, holds 84,05% of the share capital of Sadel S,p,A, Therefore, from April 2018, Wave S,r,l, and its subsidiary Sadel are fully consolidated in the AlmavivA Group.
On 19 April 2018, the Group completed the acquisition of Sadel S,p,A, by signing the full share capital of Wave Srl which holds 84,05% of the target company, Sadel S,p,A, as previously mentioned, it is a leading company in Italy in the production of PIS and IoT equipment and solutions for mobility, with its own factory in Bologna.
The fair values of the identifiable assets and liabilities as at the date of acquisition were:

(in Euro thousands)	**Fair value recognised on acquisition**
NON CURRENT ASSETS	
Property, plant and equipment	95
Intangible assets (provisional)(*)	7
Non current assets	31
Deferred tax assets	8
TOTAL NON CURRENT ASSETS	**141**
CURRENT ASSETS	
Inventory	1,845
Trade receivables	8,640
Other current assets	733
Cash and cash equivalents	352
TOTAL CURRENT ASSETS	**11,570**
TOTAL ASSETS	**11,711**
NON CURRENT LIABILITIES	
Employee severance indemnity	266
Non current financial liabilities	1,700
TOTAL NON CURRENT LIABILITIES	**1,966**
CURRENT LIABILITIES	
Trade payables	3,772
Current financial liabilities	3,885
Deferred tax liabilities	81
Other current liabilities	367
TOTAL CURRENT LIABILITIES	**8,106**
TOTAL LIABILITIES	**10,072**
Fair value of net assets	1,639
Minorities	(260)
Goodwill (provisional)*	5,121
Purchase consideration transferred	**6,500**
Cash and cash equivalents acquired	352
Consideration paid	(4,100)
Net acquired cash flow	**(3,749)**

(*) Devaluation of the fair value of intangibles assets requires additional information that could lead to the change in the goodwill recorded. These changes may be implemented by April 18, 2019 (one year from the acquisition).

The net cash flow of the acquisition includes only the consideration paid on the reference date of the condensed half-yearly consolidated financial statements.
For changes in goodwill recorded in the half-year, please refer to the information in note no.6.
From the acquisition date, Sadel contributed for Euro 1,721 thousand to Group’s net revenues and for Euro 1,851 thousand to the Group's Profit before taxes. If the acquisition took place at the beginning of the year, revenues from contracts with customers would have been Euro 801,804 thousand and the profit for the year Euro 16,251 thousand.

The recognized goodwill refers to the opportunity that the Group has acquired and that allows it to oversee the entire value chain within the services offered (from the design of the solution, to the production of equipment, from the design and writing of software, to maintenance and analysis of collected data). Goodwill is not tax-deductible. All transaction costs, equal to Euro 300 thousand have been expensed in the income statement and recognized in the operating cash flow of the cash flow statement.

6. INTANGIBLE ASSETS AND GOODWILL

The table below shows for each component of Intangible assets the changes in net carrying value that occurred in 2018, 2017 and 2016:

At January 1, 2016	**33,051**	**0**	**23,167**	**19**	**16,435**	**12,182**	**84,854**
Additions			2,133	250	4		2,387
Capitalisation for internal projects			807		49	10,307	11,163
Amortization			(6,802)	(47)	(6,122)		(12,971)
Disposals					(12)		(12)
Reclassifications and other			7,219		4,305	(11,513)	11
Foreign exchange differences	115		2,024	14			2,153
At December 31, 2016	**33,166**		**28,548**	**236**	**14,659**	**10,976**	**87,585**
Additions	701		1,928	653	15	19	3,316
Capitalisation for internal projects	0		350		0	13,786	14,136
Amortization	0		(7,717)	(227)	(6,209)	0	(14,153)
Disposals			0				0
Reclassifications and other	0		4,609		3,800	(8,232)	177
Foreign exchange differences	(89)		(1,278)	(54)			(1,421)
At December 31, 2017	**33,778**		**26,440**	**608**	**12,265**	**16,549**	**89,640**
Additions	5,121		1,720	66	57	338	7,302
Capitalisation for internal projects			390	295		13,138	13,823
Amortization			(7,124)	(279)	(6,236)		(13,639)
Disposals							0
Reclassifications and other			3,863	1	6,652	(10,542)	(26)
Foreign exchange differences	(52)		(852)	(28)			(932)
At December 31, 2018	**38,847**		**24,437**	**663**	**12,738**	**19,483**	**96,168**

Group investments as at December 31, 2018 amounted to Euro 7,302 thousand and essentially relate to the “industrial patent and intellectual property rights”; the increases refer to the costs for the acquisition of open-ended and proprietary user licenses and software development costs incurred by almost all operating segments, in addition to reclassifications from assets under construction for assets that were deployed during the year; the decrease is mainly due to the amortisation in the year calculated on a straight-line basis in relation to the residual possibility of use of said assets.
The Group also carried out additional investments in the reference period, through capitalisations for own work, totalling Euro 13,823 thousand relating to costs incurred primarily as part of the creation and internal development of assets (software, IT applications and research activities) also employed in the implementation and management of the services offered in the operating segments in which said Group operates.

On completion of the aforementioned activities, the investments are incorporated primarily in the item “Industrial patent and intellectual property rights” which, at the close of the financial year, totalled Euro 24,437 thousand and, therefore, highlights the Group’s software and IT applications developed internally and the developmental maintenance carried out them. In relation to these assets, the Group periodically conducts an analysis targeted at verifying their recoverable value with respect to the book value based on the expected future economic benefits related to said assets (active contracts in the portfolio and planned acquisitions). At the close of the financial year, following the analyses conducted, the values booked are fully recoverable.
Amortisation on the intangible assets for the year totalled Euro 13,639 thousand. The main amortisation rates adopted as at December 31, 2018 are included in the following intervals:

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

The exchange differences from the translation to Euro of the financial statements of companies operating in non-euro areas, amounting to a negative Euro 932 thousand, mainly regard companies that draft their financial statements in the Brazilian Real.

Group investments as at December 31, 2017 amounted to Euro 3,316 thousand and essentially relate to the "industrial patent and intellectual property rights"; the increases refer to the costs for the acquisition of open-ended and proprietary user licenses and software development costs incurred by almost all operating segments, in addition to reclassifications from assets under construction for assets that were deployed during the year; the decrease is mainly due to the amortisation in the year calculated on a straight-line basis in relation to the residual possibility of use of said assets.
The Group also carried out additional investments in the reference period, through capitalisations for own work, totalling Euro 14,136 thousand relating to costs incurred primarily as part of the creation and internal development of assets (software, IT applications and research activities) also employed in the implementation and management of the services offered in the operating segments in which said Group operates. Amortisation on the intangible assets for the year totalled Euro 14,153 thousand.

The main changes 2016 are referred to internal capitalizations charged on Assets under construction for a total amount of Euro 11,163 thousand and to total additions for Euro 2,387 thousand, basically referred to industrial patent rights and, more specifically, to the costs for the acquisition of open-ended and proprietary user licenses and software development costs incurred mainly by AlmavivA and Almawave.
Amortization for the period were calculated based on the amortization rates disclosed in paragraph 3,1 above and totalled Euro 12,971 thousand.
The exchange differences from the translation to Euro of the financial statements of companies operating in non-euro areas, amounting to Euro 2,153 thousand, mainly relate to the Brazilian companies that prepare their financial statements in Brazilian Real.
In addition to the above, Assets under construction of AlmavivA, Pervoice, Almawave, and AlmavivA Contact for a total amount of Euro 11,513 thousand became ready for use during the year and were reclassified to the appropriate categories of Intangibles assets. The amortization process for such intangibles started accordingly.

Goodwill and Impairment testing
Detailed information of the movements affecting the Goodwill during the three-year period 2018, 2017 and 2016 is provided below. The majority of the goodwill recorded in the Consolidated Financial Statements arose from business combinations that took place before the Group first applied IFRS on October 1, 2012, We remind that at first time application, the Group opted for the exemption for business combinations provided for by IFRS 1 that allowed the adopter to use the net book value resulting from the Consolidated Financial Statements prepared under Italian accounting standards on the date of transition as the entry value under IFRS.

(in thousands of Euro)	At December 31, 2016	Exchange differences	Additions	At December 31, 2017	Exchange differences	Additions	At December 31, 2018
Alicos	**2,007**			**2,007**			**2,007**
Almaviva Contact	**26,533**			**26,533**			**26,533**
Almaviva do Brasil	**1,748**			**1,748**			**1,748**
Almaviva Finance	**745**			**745**			**745**
Atesia	**44**			**44**			**44**
Gempliss	**198**			**198**			**198**
In Action	**1,017**			**1,017**			**1,017**
Pervoice	**314**			**314**			**314**
Wave	**0**			**0**		5,121	**5,121**
Third	**560**	(89)	701	**1,172**	(52)		**1,120**
Total	**33,166**	**(89)**	**701**	**33,778**	**(52)**	**5,121**	**38,847**

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

AlmavivA Group generally calculate the recoverable amount of goodwill at the end of each fiscal year or where there are impairment indicators and at least once per year.

At year end, AlmavivA representatives' test the absence of impairment indicators and then they used the calculation made during interim financial statement as of June 30, 2018 after checking criterion illustrated below and aligned to IAS 36 requirements:

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

The business plans taken as a reference for the impairment described below are related to the period 2019-2022 and are based on assumptions consistent with the company's business model. All the companies included in the business plans are complying with the aforementioned assumptions without significant deviations.

Impairment tests made in June 30, 2018 confirmed, as mentioned above, such headrooms. This is confirmed also in case of shock-down (-20%) of margin and shock-up (+2%) of discount rates of considered cash flows.

The goodwill of the new acquired company Wave, allocated in IT Services segment, has been verified at acquisition date and for the half-year financial statements as of June 30, 2018.

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

\	At December 31, 2018			At December 31, 2017			At December 31, 2016		
CRM Business	**Brazil**	**Colombia**	**Others**	**Brazil**	**Colombia**	**Others**	**Brazil**	**Colombia**	**Others**
Beta	1	1	1	1	1	1	1	1	1
Risk Free Rate	11,00%	7,00%	1,30%	10,00%	7,50%	1,46%	1,74%	1,74%	1,74%
Expected Market Return	4,00%	4,00%	4,00%	4,00%	4,00%	4,00%	5,50%	5,50%	5,50%
Average Cost of Debt	10,00%	10,00%	8,60%	17,00%	5,60%	5,60%	5,60%	5,60%	5,60%
Debt/Equity Ratio (%)	70-30	70-30	70-30	70-30	30-70	30-70	30-70	30-70	30-70
Gordon Growth Rate	7,00%	7,00%	0,00%	7,50%	8,00%	0,00%	0,00%	0,00%	0,00%
Taxes	34,00%	33,00%	24,00%	34,00%	33,00%	24,00%	24,00%	24,00%	24,00%
WACC	**11,0%**	**10,5%**	**6,6%**	**13,9%**	**11,9%**	**6,0%**	**7,4%**	**7,4%**	**7,4%**

The reference to cash flows and discount rates after taxes is adopted because it gives results basically equivalent to those coming from a pre-tax evaluation. The impairment tests revealed a recoverable value relating to the CRM business CGUs higher than the relevant book values. The difference of the value in use of the CRM business CGUs compared to the book values, including the goodwill referring to it, remains positive also when the following events occur, alternatively:

- average 20% decrease of the margins expected on the terminal value; or
- increase of 2 percentage points of the discount rate.

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

	At December 31,		
Finance Business	**2018**	**2017**	**2016**
Beta	1	1	1
Risk Free Rate	1,29%	1,46%	1,74%
Expected Market Return	4,00%	4.00%	5.0%
Average Cost of Debt	8.61%	5.60%	5.6%
Debt/Equity Ratio (%)	30-70	30-70	30-70
Gordon Growth Rate	0,00%	0,00%	0,00%
Taxes	24,00%	24,00%	24,00%
WACC	**6,6%**	**6,0%**	**7,1%**

The reference to cash flows and discount rates after taxes is adopted because it gives results basically equivalent to those coming from a pre-tax evaluation. Please note that the impairment test revealed a recoverable value relating to the Finance sector CGU higher than the relevant book values. The surplus of the value in use of the Finance Sector CGU compared to the book value, including the goodwill referring to it, is positive also when the following events occur, alternatively:

- average 20% decrease of the margins expected on the terminal value; or

- increase of 2 percentage points of the discount rate.

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

	At December 31,		
Gruppo Almawave	**2018**	**2017**	**2016**
Beta	1	1	1
Risk Free Rate	1,29%	1.46%	1.74%
Expected Market Return	4,00%	4.00%	5.0%
Average Cost of Debt	8,61%	5.60%	5.6%
Debt/Equity Ratio (%)	30-70	30-70	30-70
Gordon Growth Rate	0,00%	0.00%	0.0%
Taxes	24,00%	24%	24%
WACC	**6,6%**	**6,0%**	**7,1%**

The reference to cash flows and discount rates after taxes is adopted because it gives results basically equivalent to those coming from a pre-tax evaluation. Please note that the impairment test revealed a recoverable value relating to the Almawave S,r,l, CGU higher than the relative book values. The surplus of the value in use of the Almawave S,r,l, CGU compared to the book value, including the goodwill referring to it, is positive also when the following events occur, alternatively:

- average 20% decrease of the margins expected on the terminal value; or
- increase of 2 percentage points of the discount rate.

7. PROPERTY, PLANT AND EQUIPMENT

The table below shows for each component of Property, plant and equipment the changes in net carrying value that occurred in 2018, 2017 and 2016:

(in thousands of Euro)	Land and buildings	Plant and machinery owned and leased	Industrial and commercial equipment owned and leased	Other assets owned and leased	Assets under construction and payments on account	Total
At January 1, 2016	**10,930**	**18,744**	**512**	**38,365**	**256**	**68,808**
Additions	252	7,341	109	5,614	400	13,716
Capitalisation for internal projects				80		80
Depreciation	(775)	(7,101)	(167)	(8,279)		(16,322)
Disposals		(12)				(12)
Reclassifications and other	4	133	(1)	111	(256)	(9)
Foreign exchange differences		4,099		6,027		10,126
Historical cost	19,004	221,796	3,022	159,193	401	**403,416**
Accumulated amortization	(8,593)	(198,592)	(2,570)	(117,276)	0	**(327,030)**
At December 31, 2016	**10,411**	**23,204**	**452**	**41,917**	**401**	**76,386**
Additions	72	2,090	84	3,796	139	6,181
Capitalisation for internal projects						0
Depreciation	(780)	(6,165)	(149)	(8,467)		(15,561)
Disposals		(4)		(8)	(7)	(19)
Reclassifications and other	0	0	3	214	(394)	(177)
Foreign exchange differences		(2,484)		(3,831)		(6,315)
Historical cost	19,076	221,398	3,108	159,364	139	**403,085**
Accumulated amortization	(9,373)	(204,757)	(2,719)	(125,743)	0	**(342,592)**
At December 31, 2017	**9,703**	**16,641**	**389**	**33,621**	**139**	**60,493**
Additions		2,519	111	4,868	190	7,688
Capitalisation for internal projects						0
Depreciation	(807)	(4,514)	(151)	(7,761)		(13,233)
Disposals		(124)		(31)		(155)
Reclassifications and other	73	151		32	(139)	117
Foreign exchange differences		(1,457)	23	(2,391)		(3,825)
Historical cost	19,155	216,622	3,398	157,420	190	**396,785**
Accumulated amortization	(10,186)	(203,406)	(3,026)	(129,082)	0	**(345,700)**
At December 31, 2018	**8,969**	**13,216**	**372**	**28,338**	**190**	**51,085**

Property, plant and equipment amount to Euro 51,085 thousand as at December 31, 2018 compared to an amount of Euro 60,493 thousand as at December 31, 2017 and to an amount of Euro 76,386 thousand as at December 31, 2016.
In 2018, the line item decreased by Euro 9,408 thousand compared to the preceding year, with a 15,6% reduction in percentage, while in 2017 the balance of Property, plant and equipment showed an decrease of Euro 15,893 thousand compared to the preceding year, corresponding to an 20,8% growth-rate on a year-on-year basis.

Property, plant and equipment amount to Euro 51,085 thousand as at December 31, 2018, The investments amounted to Euro 7,688 thousand as at December 31, 2018; they mainly refer to the item "Other assets owned and leased", for the purchase of the hardware equipment, network and plant upgrades of the IT Services and CRM International segments, and to a lesser extent, the other segments. Tangible fixed assets under construction recorded an increase of Euro 190 thousand, relating primarily to the IT Services operating segment and, to a lesser extent, the CRM Europe segment.
Depreciation in 2018 amounts to Euro 13,233 thousand.
The main depreciation rates adopted as at December 31, 2018 are included in the following intervals:

	Rates %
Buildings	3
Plants and machinery	15~40
Industrial and commercial equipment	15~30
Other assets	12~30

There were no write-downs or write-backs during the year, At the end of the year, the Company verified the absence of indicators of permanent value losses.

The exchange differences from the translation to Euro of the financial statements of companies operating in non-euro areas, Euro 3,848 thousand, mainly regard companies that draft their financial statements in the Brazilian Real.
The Group presented a balance of the item "land and buildings" of Euro 8,969 thousand regarding the building located in Rome at Via dello Scalo Prenestino, owned by the IT Services segment. The property is depreciated at 3% per year.

The main changes occurred in 2016 that led to the increase of Euro 7,578 thousand compared to the preceding year are attributable to: (i) additions for Euro 13,716 thousand in connection with the purchase of plant and machinery (Euro 7,341 thousand) such as hardware, network and plant upgrades of AlmavivA, AlmavivA do Brasil and, to a lesser extent, other Group companies, with the purchase of other assets (Euro 5,614 thousand) and with costs incurred for the installation, still in progress, of equipment and systems for mass storage, filing and management of data, classified as assets under construction (Euro 400 thousand); (ii) a positive foreign exchange difference of Euro 10,126 thousand; net of (iii) depreciations for Euro 16,322 thousand calculated in accordance with the depreciation rates disclosed in paragraph 3,1 above.

The amount recorded as Land and buildings almost exclusively consists of the book value of the building located in Rome at Via dello Scalo Prenestino, owned by AlmavivA. The book value amounted to Euro 8,969 thousand, Euro 9,703 thousand and Euro 10,411 thousand at December 31,2018, 2017 and 2016, respectively. The property is depreciated at a rate of 3% per year.

Plant and machinery also include assets under a finance lease. The amount of Plant and machinery under a finance lease at December 31, 2018, 2017 and 2016 is reported in the following table and is mostly related to plants and machinery leased by AlmavivA do Brasil.

(in thousands of Euro)	**At December 31, 2018**	**At December 31, 2017**	**At December 31, 2016**
Property, plant and equipment under a finance lease	412	473	449

8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The table below shows the balance of the Investments accounted for using the equity method and related changes occurred as at December 31, 2018, 2017 and 2016,

(in thousands of Euro)	**At December 31, 2016**	**Income Statement effect**	**Increases (Decreases)**	**At December 31, 2017**	**Income Statement effect**	**Increases (Decreases)**	**At December 31, 2018**
CCID – Almaviva Inform. Technol. Co. Ltd	1,614	(626)		988	0	0	988
Consorzio Hypertix in liquidation	99	0		99	0	0	99
TVEyes L.T. S.r.l.	4	2		6	6	0	12
Wave S.r.l.	0	0	900	900	0	(900)	0
SIN S.p.A.	0	0		0	0	0	0
Total	**1,717**	**(624)**		**1,993**	**6**	**(900)**	**1,099**

Equity investments accounted for using the equity method amount Euro 1,099 thousand as at December 31, 2018, Euro 1,993 thousand as at December 31, 2017, compared to an amount of Euro 1,717 thousand as at December 31, 2016.

The decrease of Euro 900 thousand is related to the company Wave S,r,l,, that due to the acquisition of the 85% during 2018, determined the control acquisition and then is classified as a subsidiary.

The sole joint venture of the Group is the 50% equity investment in CCID-AlmavivA Inform, Technol, Co, Ltd. a Chinese company operating the local call centre segment.
The Group's equity investment in the aforementioned company is accounted for in the Consolidated financial statements using the equity method. The main data relating to both the joint venture and the associated companies are summarised below, based on the latest available financial statements, prepared in accordance with the IFRS as well as the reconciliation with the carrying amounts of the equity investments in the Consolidated financial statements.

The other changes recorded in 2016 and 2017 related to Income statement effects associated with the registration of the profit or loss for each year corresponding to the share of net result of the equity investment.

Equity investments measured with the equity method as at December 31, 2018 are listed below:

	Registered office		Share Capital	Shares held (%)	Investor
CCID – Almaviva Inform. Technol. Co. Ltd	Shangai, China	¥	39,642,000.00	50.00	AlmavivA S.p.A.
Consorzio Hypertix in liquidation	Rome, Italy	€	198,000.00	49,99	AlmavivA S.p.A.
TVEyes L.T. S.r.l.	Trento, Italy	€	20,000.00	20.00	Pervoice S.p.A.

9. NON-CURRENT FINANCIAL ASSETS

The table below shows the balance and composition of the Non-current financial assets as at December 31, 2018, 2017 and 2016:

(in thousands of Euro)	At December 31, 2018	At December 31, 2017	At December 31, 2016
Long-term loans	1,602	1,414	1,364
Others Equity investments	41	32	85
Non-current financial assets	**1,643**	**1,446**	**1,449**

Non-current financial receivables
The Non-current financial receivables fully regard long-term loans instrumental to operating activities. The line item shows an increase of Euro 197 thousand in 2018, corresponding to 13,6%, and a decrease of Euro 3 thousand in 2017, corresponding to a decrease of 0,2%.
The following table reports the portions of the long-term loans due within or over twelve months:

(in thousands of Euro)	At December 31, 2018	At December 31, 2017	At December 31, 2016
Amount failling due within 12 months	0	0	148
Amount failling due between 1-5 years	1,602	1,414	1,216
Non-current financial receivables	**1,602**	**1,414**	**1,364**

Non-current financial receivables, amounting to Euro 1,602 thousand (Euro 1,414 thousand as at December 31, 2017 and Euro 1,364 thousand as at December 31, 2016) are all instrumental to operating activities and concern loans to personnel for Euro 421 thousand and financial assets due to Auselda for Euro 1,181 thousand. The aforementioned financial receivables relate entirely to AlmavivA SpA, do not accrue interest and are not in foreign currency.

Equity investments classified as available for sale
The Equity investments classified as available for sale are investments held in other entities over which the Group has neither control nor joint control or significant influence.

Such equity investments are classified as available-for-sale financial instruments in accordance with IAS 39, and - as such - are accounted for at the cost recognised at the payment date provided that the fair value cannot be reliably determined, as such companies have not shares listed in stock exchange market.

The following table provides the breakdown of the line item by investment at December 31, 2018, 2017 and 2016:

Other Equity investments

	At December 31, 2018	At December 31, 2017	At December 31, 2016
CONAI	1	1	1
CALPARK	5	5	5
BANCA BRUTIA	5	5	5
SEMANTIC VALLEY	0	0	0
UIRNET	5	5	5
CONSORZIO NAMEX	3	3	3
OTHER	22	13	15
CONSORZIO TECHNAPOLI (*)	0	0	51
Total	**41**	**32**	**85**

(*) exercised the withdrawal by the Consorzio during the 2017 financial year,

Due to irrelevance of the investments in question, the Directors have measured these investments at cost and therefore the fair value has not been determined as reported in drafting criteria to which reference is made.
At 31 December 2018, no impairment losses were recorded on the item in question. In this case, the impairment was determined following the analytical model described in the preparation criteria.

Equity investments available for sale of Euro 41 thousand (Euro 32 thousand as at December 31, 2017 and Euro 85 thousand as at December 31, 2016), refer to equity investments in other companies.

10. DEFERRED TAX ASSETS

The tables below show the amount of AlmavivA Group's Deferred tax assets as at December 31, 2018, 2017 and 2016,

(in thousands of Euro)	At December 31, 2018	At December 31, 2017	At December 31, 2016
Deferred Tax Assets	**15,259**	**13,383**	**10,777**

The table below shows a breakdown of deferred tax assets by Italian and foreign subsidiaries for years ended December 31, 2018, 2017 and 2016:

(in thousands of Euro)	At December 31, 2018	At December 31, 2017	At December 31, 2016
Italian subsidiaries	8,362	8,317	8,329
Foreign subsidiaries	6,897	5,066	2,448
Total Deferred Tax Assets	**15,259**	**13,383**	**10,777**

The Deferred tax assets related to Italian subsidiaries do not include tax losses due to inclusion in tax consolidation of parent company AlmavivA Technologies. The nature of deferred tax assets related to Italian and foreign subsidiaries are mainly related to tax increases (i,e, provisions, remuneration to the BoD members).

The table below shows the changes occurred in deferred tax assets in each of the three years:

(in thousands of Euro)	At December 31, 2018	At December 31, 2017	At December 31, 2016
Balance at the beginning of the year	**13,383**	**10,777**	**10,995**
Increases	2,771	4,279	627
Decreases	0	(821)	(408)
Effect of currency translation	(662)	(730)	511
Other changes	(233)	(122)	(948)
Balance at the end of the year	**15,259**	**13,383**	**10,777**

Deferred tax assets amounted to Euro 15,259 thousand (Euro 13,383 thousand as at December 31, 2017 and Euro 10,777 thousand as at December 31, 2016) and are stated net of deferred tax liabilities that can be offset, and were allocated, up to the limits of the amounts that are expected to be recovered in future years based on the availability of expected taxable income, mainly in relation to the deductible temporary differences (allocations to provisions for risks and other deferred expenses) and, for a residual part, to previous tax losses.

The line item increased by Euro 1,876 thousand in 2018, from an amount of Euro 13,383 thousand at December 31, 2017 to an amount of Euro 15,259 thousand at December 31, 2018 and increased by Euro 2,606 thousand in 2017 from an amount of Euro 10,777 thousand at December 31, 2016.

The Group evaluated the recoverability of the prepaid taxes recognised by considering the estimates of future taxable income based on the forecasts in the latest business plan approved by the Board of Directors, and in light of which the management concluded that the taxable income will be sufficient to allow the use of the deferred tax assets in question.

11. OTHER NON-CURRENT ASSETS

Other non-current assets amount to Euro 2,499 thousand as at December 31, 2018 compared to an amount of Euro 1,658 thousand as at December 31, 2017 and to an amount of Euro 1,400 thousand as at December 31, 2016, as illustrated in the table below:

(in thousands of Euro)	At December 31, 2018	At December 31, 2017	At December 31, 2016
Security deposits	811	723	576
Prepaid expenses	1,684	931	820
Other receivables	4	4	4
Other non-current assets	**2,499**	**1,658**	**1,400**

The overall increase recorded in 2018 amounts to Euro 841 thousand, corresponding to a 50,7% growth-rate, is mainly related to an increase of Euro 753 thousand of Prepaid expenses and 88 thousand of Security deposits.
The increase recorded in 2017 amounts to Euro 258 thousand, corresponding to a 18,4 % growth in percentage, is mainly related to an increase of Euro 111 thousand in Prepaid expenses together with an increase of Euro 147 thousand in Security deposits.
Prepaid expenses mainly refer to the training of AlmavivA Contact (Euro 403 thousand), AlmavivA Services (Euro 785 thousand) and Almaviva Digitaltec (Euro 238 thousand).

12. INVENTORIES

Inventories of the Group are equal to Euro 4,684 thousand and are composed as follows:

(in thousands of Euro)	At December 31, 2018	At December 31, 2017	At December 31, 2016
Raw materials (at cost)	1,311	0	0
Work in progress (at cost)	1,141	0	0
Finished goods (at lower of cost and net realizable value)	2,232	609	695
Total inventories at the lower of cost and net realizable value	**4,684**	**609**	**695**

During 2018 nor 2017 have not been accounted any expenses for inventories to carry them at net realizable value. Inventories have changed mainly for business combination of Sadel SpA. The total amount related to Almaviva SpA is Euro 1,043 thousand and the amount related to Sadel SpA is Euro 3,641 thousand.

13. CONTRACT ASSETS

At December 31, 2018, the Group had contract assets totalling Euro/thousand 47,235 (Amount due from customers were Euro 30,200 thousand at December 31, 2017 and Euro 32,931/thousand at December 31, 2016).
Starting from 1st January 2018, in application of the new accounting standard IFRS 15, the contract assets for which the Group's companies did not have the unconditional right to receive the consideration from customers were reclassified in the item in question as they relate to assets not yet completed and previously recognized in the trade receivables for a value of Euro 11,609 thousand.
The overall increase of Euro 17,035 in addition to the aforementioned reclassification, refers essentially to the increase in IT Services activities which generated further contractual activities for a total of Euro 5,426.

(in thousands of Euro)	At December 31, 2018	At December 31, 2017	At December 31, 2016
Amount due from customers (gross)	35,651	30,200	32,931
Amount due from customers due to IFRS 15	11,584	0	0
Inventories	**47,235**	**30,200**	**32,931**

14. TRADE RECEIVABLES

The table below shows the amount of AlmavivA Group's Trade receivables as at December 31, 2018, 2017 and 2016 together with the related gross amount, the amount retained as a guarantee and the bad debt provision.

(in thousands of Euro)	At December 31, 2018	At December 31, 2017	At December 31, 2016
Trade receivables, gross amount	317,742	321,189	315,204
Trade receivables, amount retained as a guarantee	6,502	4,349	3,011
Bad debt provision	(20,513)	(20,509)	(20,448)
Trade receivables	**303,731**	**305,029**	**297,767**

Trade receivables decreased by Euro 1,298 thousand in 2018, from an amount of Euro 305,029 thousand as at December 31, 2017 to an amount of Euro 303,731 thousand as at December 31, 2018, and Euro increase of 7,262 thousand in 2017, from an amount of Euro 297,767 thousand as at December 31, 2016.
This trend is essentially related to the gross amount of trade receivables, which decreased by Euro 3,447 thousand in 2018 and increased Euro 5,985 thousand in 2017.
The amounts of trade receivables retained as a guarantee show a different trend as they rise both in 2017 and in 2018 by Euro 1,338 thousand and Euro 2,153 thousand, respectively.

Starting from the 2018 financial year, the bad debt provision was determined by the practical expedient of the Provision Matrix for private customers. For customers in the public sector, the ECL was determined based on information obtained from external info-providers.
The following table show the ageing of the gross amount of trade receivables, excluding the portion retained by customers as a guarantee, as at December 31, 2018, 2017 and 2016:

(in thousands of Euro)	At December 31, 2018	At December 31, 2017	At December 31, 2016
Amount not yet due	257,178	255,429	248,380
Amount due by less than 30 days	6,913	11,065	30,177
Amount due between 30-60 days	4,855	4,471	2,702
Amount due between 61-90 days	3,827	1,352	2,756
Amount due between 91-120 days	1,718	1,725	1,719
Amount due by more than 120 days	43,251	47,147	29,470
Trade receivables, gross amount	**317,742**	**321,189**	**315,204**

As mentioned in 2017 Financial Statements, on May 2, 2017 the Italian Ministery of Economic Development made an order that put into special administration under Decree-Law "Marzano", the company Alitalia – Società Aerea Italiana S,p,A, With the same order a College of Commissioners has been appointed, The College consist of Luigi Gubitosi, Enrico Laghi and Stefano Paleari. The entity – supported by an internal and external legal opinion further substantiated by recent case-law – considers pre-deductible the net receivables from Alitalia Società Aerea Italiana S,p,A, (for an amount equal to Euro 5,999 thousand). For these reasons, mentioned receivables have been considered fully recoverable; on the other hand, considering that the collection period could depends on the development of the special administration, the entity calculated the present value of abovementioned receivables and accrued € 404 thousands as financial expenses, Next steps of special administration will be closely monitored to evaluate any changes in conditions on the basis of actual decision taken by representatives as well as the accounting effects.

It should be noted that Note 40 "Guarantees, commitments, risks and other information" provides additional information regarding the credit risk management policy adopted by the Group and the ageing of the receivables past due but not written down.

The following table shows the changes in the bad debt provision for each of the three years ended December 31, 2018, 2017 and 2016:

(in thousands of Euro)	At December 31, 2018	At December 31, 2017	At December 31, 2016
Balance at the beginning of the year	**20,509**	**20,448**	**20,446**
Provisions	124	67	93
Uses	(143)	0	(91)
Other	23	(6)	0
Balance at the end of the year	**20,513**	**20,509**	**20,448**

15. CURRENT FINANCIAL ASSETS

The following table shows the amount of the Current financial assets as at December 31, 2018, 2017 and 2016. The line item shows a decrease of Euro 5,266 thousand in 2018, corresponding to a 56,0%, and an increase of Euro 1,536 thousand in 2017, corresponding to a 19,5% growth.

(in thousands of Euro)	At December 31, 2018	At December 31, 2017	At December 31, 2016
Current financial assets	**4,140**	**9,406**	**7,870**

The current financial assets are all instrumental for operating activities and refer primarily to AlmavivA SpA, and more specifically, are mainly related to the receivables due from one of the main clients for Euro 3,917 thousand and Almaviva Contact SpA for Euro 223 thousand. The decrease of Euro 5,266 thousand from Euro 9,406 thousand in 2017, is related to the acquisition of the 85% of the shares of Waver Srl (took place on April, 2018).
There are no financial assets either past due or written down. These are measured, as indicated above, at amortized cost having passed the Solely for Payments of Principal and Interests (SPPI) test.

16. OTHER CURRENT ASSETS

Other current assets amount to Euro 98,893 thousand as at December 31, 2018, compared to Euro 86,087 thousand as at December 31, 2017 and to Euro 82,718 thousand as at December 31, 2016.
The amount is composed as follow:

(in thousands of Euro)	**At December 31, 2018**	**At December 31, 2017**	**At December 31, 2016**
Receivables due from personnel	2,619	1,335	1,102
Receivables due from social security institutions	1,688	1,908	6,759
Receivables due from tax autorithies	15,725	12,684	11,470
Receivables related to tax consolidation	19,788	17,622	19,884
Prepaid expenses	4,317	4,552	3,692
Advances to suppliers	5,330	3,713	2,956
Sundry items	49,426	44,273	36,855
Other current assets	**98,893**	**86,087**	**82,718**

Other current assets increase by Euro 12,806 thousand in 2018, corresponding to a 14.9% growth rate, and by Euro 3,369 thousand in 2017, corresponding to a 4.1% growth rate.

In particular, note that almost all receivables from INPS not yet collected and regarding mainly the following fall under the item Receivables due from social security institutions, which amounted to Euro 1,688 thousand (Euro 1,908 thousand as at December 31, 2017 and Euro 6,759 thousand as at December 31, 2016):

- the contribution reduction arising from the adoption of the industry sector “solidarity contract”;
- recovery of the solidarity cheque paid in advance to the AlmavivA Contact employees.

Decrease in 2018 for Euro 220 thousand is due to collection of them.

Receivables due from the tax authorities of Euro 15,725 thousand (Euro 12,684 thousand as at December 31, 2017 and Euro 11,470 thousand as at December 31, 2016) are distinguished into receivables for direct taxes of Euro 5,268 thousand, (Euro 3,147 thousand relating to AlmavivA SpA, Euro 1,132 thousand to AlmavivA Contact and, to a lesser extent, other Group companies); receivables for indirect taxes for Euro 10,457 thousand related mainly to Brazilian companies.

The receivables from tax consolidation of Euro 19,788 thousand (Euro 17,622 thousand as at December 31, 2017 and Euro 19,884 thousand as at December 31, 2016) derive from the transfer to the parent company AlmavivA Technologies S.r.l. of the tax positions of the companies participating in the scheme in question. The increase of Euro 2,166 thousand relates to higher intercompany receivables relating to national IRES tax consolidation as a consequence of the results made in 2018.
Prepaid expenses of Euro 4,317 thousand (Euro 4,552 thousand as at December 31, 2017 and Euro 3,692 thousand as at December 31, 2016) include costs pertaining to the future, primarily of AlmavivA SpA (Euro 3,222 thousand), AlmavivA Contact (Euro 438 thousand), AlmavivA Services (Euro 509 thousand) and, to a lesser extent, the other Group companies.

Sundry items, amounting to Euro 49,426 thousand as at December 31, 2018 (Euro 44,273 thousand and Euro 36,855 thousand as at December 31, 2017 and 2016, respectively), mainly include the receivables of the Brazilian companies for deposits for outstanding litigation with employees, receivables due from the Government and public entities and receivables for reimbursements.

Sundry items also included the receivable of:

- receivables due from the State and Public Authorities for projects financed;

- receivables for reimbursements which refer:
  - to the amounts paid in advance by AlmavivA Contact to former employees in respect of a reinstatement judgment readily contested through an appeal in the process of being settled;
  - the receivable for the request for reimbursement of the legal expenses incurred for the dispute initiated by Loop AI Labs Inc. against some of the Group companies (the "AlmavivA Companies" collectively) as well as third parties, explained in the paragraph on Legal Issues and Litigation in the report on operations (the "US Dispute"). This receivable was also subject to a further dispute given that the AlmavivA companies summoned before the court an insurance company that had underwritten a policy named "Civil Liability Insurance for Directors", requesting that it be sentenced to reimburse expenses and defence costs that they have incurred and will incur in the US Dispute (the "Expenses"), in addition to providing compensation for damages caused by the failure to provide an advance for the Expenses. The insurance company appeared before the court to request the rejection of the demands submitted by the AlmavivA Companies. After the parties filed their preliminary briefs, the Judge invited the insurance company to submit a settlement proposal. In the meantime, the US Dispute concluded both in the first and in the second instance, with the rejection of all demands of Loop AI Labs Inc. (the "US Decision"). The lawyers hired by the defence of the AlmavivA Companies believe that, also considering the US Decision, the justification of the action lodged against the insurance company and the self-serving nature of the procedural position, reservations and objections of the latter are confirmed. The Group, as required by IAS 37, has monitored the evolution of the situation and, based on the assertion of the external lawyer and by virtue of the more than positive evolution of the US affair, considers virtually certain the credit claimed against the insurer.

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents amounted to Euro 71,603 thousand as at December 31, 2018 compared to Euro 69,502 thousand as at December 31, 2017 and to Euro 48,141 thousand as at December 31, 2016. The line item refers to credit balances at banks in existence at the end of each period and the amounts held at the Group treasuries. These voices are not subject to any restriction and are not foresee disinvestment costs.

18. NON-CURRENT ASSETS HELD FOR SALE

Assets held for sale amounting to Euro 2,459 thousand (Euro 4,249 thousand as at December 31, 2017 and Euro 4,249 thousand as at December 31, 2016), concern the residual amount to be collected relating to the sale, not yet perfected, of the 20.02% equity investment in the associated company SIN S.p.A. the sale of which is based on the "Sale of shares" contract signed on September 19, 2007 between AGEA - Agenzia per le Erogazioni in Agricoltura and the private Shareholders and the subsequent "Amendment deed to the sale of shareholdings and pledge" whereby the parties agreed that the deadline relating to the effectiveness of the transfer of all shares representing the equity investments held by the private shareholders in SIN S.p.A., originally scheduled for September 19, 2016, would be postponed until the completion by Consip S.p.A. of the public procedure and the handover to the new supplier. The receivable of Euro 2,459 thousand is the residual amount still to be collected of the original receivable of Euro 19,759 thousand booked to the financial statements as at December 31, 2015 was, on one hand, collected in 2016-2017 in the amount of Euro 16,336 thousand and, on the other hand, decreased by Euro 964 thousand in 2016 due to costs deriving from the recalculation of the price based on the amendment deed for the sale of the shareholding of October 27, 2016, mentioned above. The collection of Euro 16,336 thousand took place in the amount of Euro 8,008 thousand through the distribution of reserves by SIN SpA on September 19, 2016 and Euro 6,538 thousand through the payment of a first tranche on October 28, 2016 and Euro 1,790 thousand through the payment of a second tranche on April 18, 2017 as set forth in the agreement.

19. SHAREHOLDERS' EQUITY

The total Shareholders' equity amount to Euro 8,631 thousand as at December 31, 2018 compared to Euro 10,779 thousand as at December 31, 2017 and to Euro 21,272 thousand as at December 31, 2016.
The composition of the Shareholders' equity is as follows:

(in thousands of Euro)	**At December 31, 2018**	**At December 31, 2017**	**At December 31, 2016**
Share capital	154,899	154,899	154,899
Share premium reserve	17,788	17,788	17,788
Legal reserve	*5,073*	*4,384*	*3,951*
Other reserves:			
FTA reserve	*4,493*	*4,493*	*4,493*
OCI reserve	*5,763*	*1,897*	*(1,556)*
Translation reserve	*(21,347)*	*(10,972)*	*(1,170)*
Other reserves	*(179,448)*	*(166,462)*	*(145,280)*
	(190,538)	(171,043)	(143,513)
Profit/(loss) for the year	16,692	221	(16,908)
Total group shareholders' equity	***3,914***	***6,249***	***16,217***
Reserves pertaining to NCIs:			
Translation reserve	*(1,139)*	*(499)*	*186*
Other reserves	*4,532*	*4,386*	*4,105*
	3,393	3,887	4,291
Profit/(loss) for the year pertaining to NCIs	1,323	642	763
Total non-controlling interests	***4,716***	***4,529***	***5,055***
Total Shareholders' equity	**8,631**	**10,779**	**21,272**

The Share capital as at December 31, 2018 amounted to Euro 154,899 thousand and due to the collateral agreements signed concurrently with the conclusion of the loan agreement, in previous years, the amount was fully paid-in and consisted of:

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

Consider that in August 2017, the parent company AlmavivA Technologies S.r.l. acquired all the shares owned by Interbanca S.p.A., therefore the share of Almaviva Technologies S.r.l. reached 95.11%.
The shares, all of which have a nominal value of Euro 1.00 each, are held by:

in number of shares	**Ordinary shares**	**"Class A" special shares**	**"Class B" special shares**	**Total shares**	**% of Total shares**
Almaviva Technologies S.r.l.	100,000,000	32,331,764	15,000,000	147,331,764	95.11%
RAI S.p.A.	1,291,522			1,291,522	0.83%
Ligestra Due S.r.l.	1,119,894			1,119,894	0.72%
Confagricoltura	1,093,172			1,093,172	0.71%
Conf. Italiana Agricoltori	1,093,172			1,093,172	0.71%
Conf. Nazionale Coldiretti	1,093,172			1,093,172	0.71%
Assicurazioni Generali S.p.A.	1,056,490			1,056,490	0.68%
Visualnet S.r.l.	819,879			819,879	0.53%
Share capital	**107,567,301**	**32,331,764**	**15,000,000**	**154,899,065**	**100.00%**

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

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

application of the shareholder, the right to vote in the Company's ordinary and extraordinary shareholders' meetings; in the event of the liquidation of the company, they are entitled to receive a percentage of the liquidation proceeds, increased by 10.1%.

Share premium reserve
The Share premium reserve amounted to Euro 17,788 thousand as at December 31, 2018 and remained unchanged compared to December 31, 2017 and 2016.

Legal reserve
The Legal reserve amounted to Euro 5,073 thousand as at December 31, 2018 and increased by Euro 689 thousand compared to December 31, 2017 and Euro 433 thousand compared to December 31, 2016.

FTA reserve
The FTA reserve amounted to Euro 4,493 thousand as at December 31, 2018, as detailed below, and remained unchanged compared to December 31, 2017 and 2016:

- AlmavivA for Euro 4,782 thousand;
- AlmavivA Contact for negative Euro 141 thousand;
- Almawave for negative Euro 270 thousand;
- AlmavivA do Brasil for Euro 122 thousand.

OCI reserve
The OCI reserve totalled Euro 5,763 thousand as at December 31, 2018 (compared to Euro 1,897 thousand as at December 31, 2017 and negative Euro 1,556 thousand as at December 31, 2016) and includes the actuarial valuation of TFR (employee severance indemnity) of the Group companies.

Translation reserve
The Translation reserve concerns the exchange differences from the translation to Euro of the financial statements of companies operating in non-Euro value.
As at December 31, 2018, it was a negative Euro 22,486 thousand (of which the Group's share was a negative Euro 21,347 thousand and the portion pertaining to non-controlling interests amounted to negative Euro 1,139 thousand).
As at December 31, 2017, it totalled negative Euro 11,471 thousand (of which the Group's share was a negative Euro 10,972 thousand and the portion pertaining to non-controlling interests amounted to negative Euro 499 thousand).
As at December 31, 2016, it totalled negative Euro 984 thousand (of which the Group's share was a negative Euro 1,170 thousand and the portion pertaining to non-controlling interests amounted to Euro 186 thousand).

Other reserves
The Other reserves equalled to a negative Euro 174,916 thousand as at December 31, 2018 (Euro negative 162,076 thousand and Euro negative 141,175 thousand as at December 31, 2017 and 2016, respectively) and are represented by consolidation reserves and by undistributed profits or losses carried forward. Out of this amount, the portion pertaining to the Group is a negative Euro 179,448 thousand (Euro negative 166,462 thousand and Euro negative 145,280 thousand as at December 31, 2017 and 2016, respectively), while the portion attributable to non-controlling interests is Euro 4,532 thousand (Euro 4,386 thousand and Euro 4,105 thousand as at December 31, 2017 and 2016, respectively).

In general, the decrease in the Group's shareholders' equity, despite the positive net result achieved for Euro 18,016 thousand, is attributable, on the one hand, to the distribution of the dividends related to the net result as at 31 December 2017 of AlmavivA SpA. for Euro 12,600 thousand, Lombardia Gestione for Euro 1,200 thousand (of which third parties for Euro 588 thousand) and AlmavivA Tunisie for Euro 347 thousand (of which third parties for Euro 154 thousand) and, secondly, for the negative effect deriving from the worsening of the translation reserve recorded in 2018 for Euro 11,015 thousand, mainly linked to the worsening of the R$/Euro exchange rate during the reference period. In fact, the spot exchange rate for the Brazilian currency against the functional currency of the consolidated financial statements grew-up from 3.973 at December 31, 2017 to 4.444 at December 31, 2018, with an average of 4.309 (the average exchange rate used for the financial statements as at 31 December 2017 it was 3.604) and, furthermore, to other changes given by the increase of actuarial benefits deriving from calculation of employee benefits.

Capital management

The Group's objectives in terms of capital management are the protection of business continuity, the creation of value for stakeholders and support for Group development. In particular, the Group aims to maintain an adequate level of capitalisation which makes it possible to achieve an economic return for shareholders, guarantee access to external sources of financing and satisfy investors. In this context, the Group manages its capital structure and makes adjustments to it, if rendered necessary by changes to economic conditions. To this end, the Group constantly monitors the evolution of the level of indebtedness in relation to shareholders' equity, whose situation as at December 31, 2018 is summarised in the following table.

(in thousands of Euro)	*Note*	At December 31, 2018	At December 31, 2017	At December 31, 2016
Non current Net Financial Position	*22*	(274,902)	(251,121)	(25,478)
Current Net Financial Position	*15-17-26*	61,414	66,887	(94,822)
Non current financial receivables	*9*	1,643	1,446	1,449
Financial indebtness ("Debt")		(211,845)	(182,788)	(118,851)
Total Group Shareholder Equity	*19*	3,915	6,249	16,217
Non Controlling Interests	*19*	4,716	4,529	5,055
Total Shareholders' Equity ("Equity")	*19*	8,631	10,779	21,273
Debt/Equity ratio		**(24.5)**	**(17.0)**	**(5.6)**

20. LIABILITIES FOR EMPLOYEE BENEFITS

Liabilities for employee benefits as at December 31, 2018, 2017 and 2016 are reported below:

(in thousands of Euro)	At December 31, 2018	At December 31, 2017	At December 31, 2016
Liabilities for employee benefits	**48,470**	**52,872**	**59,043**

The line item decreased by Euro 4,402 thousand in 2018, from Euro 52,872 thousand as at December 31, 2017 to Euro 48,470 thousand as at December 31, 2018 and by Euro 6,171 thousand in 2017 from Euro 59,043 thousand.

The liability for employee severance indemnity, governed by Art. 2120 of the Italian Civil Code, includes the estimate of the obligation, determined on the basis of actuarial techniques, relating to the amount to be paid to the employees of Italian companies when their employment is terminated.
The indemnity, provided in the form of capital, is equal to the sum of the allocation amounts calculated on the salaries paid in relation to the employment contract and revalued until the termination of said employment. As a result of the legislative amendments introduced on January 1, 2007, employee severance indemnity accruing will be allocated to pension funds, to the treasury fund set up by INPS (National Social Security Institute) or, in the case of companies with less than 50 employees, may be retained in the company. This means that a significant portion of the employee severance indemnity accruing is classified as a defined contribution plan, given that the company's obligation is represented exclusively by the payment of contributions to the pension fund or to INPS. The liability related to employee severance indemnity prior to January 1, 2007 continues to represent a defined benefit plan to be evaluated according to actuarial techniques.

Liabilities for employee benefits valued on the basis of actuarial techniques are analysed as follows:

(in thousands of Euro)	At December 31, 2018	At December 31, 2017	At December 31, 2016
Balance at the beginning of the year	**52,872**	**59,043**	**60,400**
Change of the consolidatement area	357	0	0
Service cost	238	185	270
Interest cost	1,612	1,395	1,468
Payments / Utilizations	(2,743)	(4,298)	(2,134)
Actuarial gains/(losses) recognized in OCI	(3,866)	(3,453)	(961)
Balance at the end of the year	**48,470**	**52,872**	**59,043**
of which:			
Non-current portion	48,304	52,671	56,533
Current portion	166	201	2,510

The main assumptions made for the actuarial estimate process of the employee severance indemnity as at December 31, 2018, 2017 and 2016 are summarised below:

Financial Assumptions	**At December 31, 2018**	**At December 31, 2017**	**At December 31, 2016**
Discount rate	4.092%	3.049%	2.430%
Inflation rate	2.000%	2.000%	2.000%
Annual rate of TFR increase	3.000%	3.000%	3.000%
Annual rate of salary increase	variable according to seniority	variable according to seniority	variable according to seniority
Annual turnover rate	variable according to seniority	variable according to seniority	variable according to seniority
Annual rate of disbursement of advances	variable according to seniority	variable according to seniority	variable according to seniority

A sensitivity analysis is reported below which outlines the effects on the liability relating to the provision for Employee Severance Indemnity defined following the variations, reasonably possible at the end of the year, in the individual relevant actuarial assumptions adopted in estimating the aforementioned liability.

Financial Assumptions	**Discount rate**	
	+50bps	**-50bps**
December 31, 2018 effect on DBO	(1,446)	1,828
December 31, 2017 effect on DBO	(1,927)	2,052
December 31, 2016 effect on DBO	(2,204)	2,354

It should be noted that the discount rate used to calculate the present value of the obligation was determined, consistent with paragraph 78 of IAS 19, with reference to the average return curve deriving from the BB Corp curve denominated in Euro.
In consideration of the particular phase of the bond markets, for the discounting of the flows of payments, the company used the structure of rates of corporate bonds of issuers with a BB rating and denominated in Euro recorded by Thomson Reuters at the reference date.

Demographic Assumptions	**For six month eneded June 30,218 and June 30, 2017 and and for the year ended December 31, 2016**
Mortality	Table RG 48 State General Accounting Office
Disability	INPS Table - Commerce Sector
Retirement	General Mandatory Insurance requirements

No payments of contributions on defined benefit plans to employees are envisaged for the next year.

21. PROVISIONS

Provisions as at December 31, 2018, 2017 and 2016 are reported below:

(in thousands of Euro)	**At December 31, 2018**	**At December 31, 2017**	**At December 31, 2016**
Non-current portion of provisions for risks and charges	5,006	6,346	5,466
Current portion of provisions for risks and charges	5,611	7,162	7,285
Provisions for risks and charges	**10,617**	**13,508**	**12,751**

The line item increased by Euro 757 thousand in 2017, from Euro 12,751 thousand as at December 31, 2016 to Euro 13,508 thousand as at December 31, 2017 and then decreased by Euro 2,891 thousand in 2018 to Euro 10,617 thousand.

(in thousands of Euro)	Provision for taxes	Provision for redundacy incentives	Provision for guarantees granted	Provisions for contractual and commercial risks	Provisions for legal disputes	Provisions for mobility	Other provisions for risks and charges	Total
Balance as at January 1, 2016	**1,459**	**22**	**134**	**0**	**2,116**	**0**	**6,821**	**10,552**
Accruals	0	0	0	0	662	0	4,616	5,278
Utilizations	(374)	0	0	0	(229)	0	(831)	(1,434)
Decreases	0	0	0	0	(350)	0	(1,574)	(1,924)
Other changes not recorded through income statement	0	0	0	0	134	0	145	279
Balance as at December 31, 2016	**1,085**	**22**	**134**	**0**	**2,333**	**0**	**9,177**	**12,751**
of which:								
Non-current portion	1,085	22	134	0	0	0	4,225	5,466
Current portion	0	0	0	0	2,333	0	4,952	7,285
Balance as at January 1, 2017	**1,085**	**22**	**134**	**0**	**2,333**	**0**	**9,177**	**12,751**
Accruals	0	0	0	0	515	0	4,031	4,546
Utilizations	0	0	0	0	0	0	(1,440)	(1,440)
Decreases	0	0	0	0	(323)	0	(2,268)	(2,591)
Other changes not recorded through income statement	0	0	0	0	(89)	0	331	242
Balance as at December 31, 2017	**1,085**	**22**	**134**	**0**	**2,436**	**0**	**9,831**	**13,508**
of which:								
Non-current portion	0	0	0	0	0	0	0	6,346
Current portion	0	0	0	0	0	0	0	7,162
Balance as at January 1, 2018	**1,085**	**22**	**134**	**0**	**2,436**	**0**	**9,831**	**13,508**
Accruals	0	0	0	0	440	0	1,640	2,080
Utilizations	(500)	0	0	0	0		(2,536)	(3,036)
Decreases	0	0	0	0	(673)	0	(1,264)	(1,937)
Other changes not recorded through income statement	0	0	0	0	(46)	0	48	2
Balance as at June 30, 2018	**585**	**22**	**134**	**0**	**2,157**	**0**	**7,719**	**10,617**
of which:								
Non-current portion	0	0	0	0	0	0	0	5,006
Current portion	0	0	0	0	0	0	0	5,611

Tax, administrative, civil and labour disputes are handled by the AlmavivA Group's legal department that provided, for the preparation of the financial statements, a comprehensive and exhaustive overview of the different proceedings in progress. In respect of these disputes, the Company carries out an accurate assessment of the risk of being the losing party which determined the recognition of the appropriate provisions for disputes likely to have a negative outcome and, which could be reasonably quantified, as represented and commented on in this paragraph, under "Provisions for risks and charges". For those proceedings whose negative outcome, owing to the different case law positions, is only considered possible, no specific provision is recorded in accordance with the regulations governing the preparation of the financial statements.

Information and comments on the various provisions are provided below.

Provisions for taxes
The line item amounts to Euro 585 thousand as at December 31, 2018 (Euro 1,085 thousand as at December 31, 2017 and Euro 1,085 thousand as at December 31, 2016) and include provisions for taxes:

- for Euro 370 thousand (Euro 370 thousand as at December 31, 2017 and Euro 362 thousand as at December 31, 2016) pertaining to AlmavivA for an eventual notice of assessment relative to the 1999 tax period;
- for Euro 68 thousand (unchanged from 2015) pertaining to AlmavivA and originating from the incorporated company AlmavivA Sud;
- for Euro 65 thousand (unchanged from 2015) pertaining to AlmavivA and originating from the incorporated company AlmavivA Finance S.p.A.;
- for Euro 16 thousand (unchanged from 2015) pertaining to AlmavivA and referring to a tax assessment made by the Italian Tax Police – Customs and Intracommunity VAT originating from the incorporated company AlmavivA Tsf S.p.A.;
- for Euro 66 thousand (unchanged from 2015) pertaining to AlmavivA Contact and established in connection with the risks associated to the deduction of costs considered by the Tax Authorities to be non-deductible following a tax audit that took place in 2004 with respect to the fiscal year 2002;

Provisions for redundancy incentives
The Provision for redundancy incentives relates to additional restructuring expenses, in line with the Business plan, for the reorganisation of the personnel that began in 2007.

Provisions for guarantees granted
The Provision for guarantees granted of a non-commercial nature is related to provisions recorded by the parent company AlmavivA. The balance of the line item has remained unchanged from 2015.

Provisions for contractual and commercial risks
The Provision for contractual and commercial risks was related to provisions recorded by the parent company AlmavivA. The balance recorded in previous years was fully absorbed in 2015.

Provisions for legal disputes
The Provision for legal disputes amounts to Euro 2,157 thousand as at December 31, 2018 (compared to Euro 2,436 thousand and Euro 2,333 thousand as at December 31, 2017 and 2016, respectively) mainly recorded by AlmavivA for Euro 1,171 thousand (Euro 1,110 thousand and Euro 923 thousand as at December 31, 2017 and 2016, respectively), AlmavivA Contact for Euro 413 thousand (Euro 693 thousand and Euro 688 thousand as at December 31, 2017 and 2016, respectively), AlmavivA do Brasil for Euro 505 thousand (Euro 562 thousand and Euro 650 thousand as at December 31, 2017 and 2016, respectively) and to a smaller extent by other Group companies.

Provisions for mobility
The Provision for guarantees granted is related to provisions recorded by the parent company AlmavivA. The balance of the balance recorded in previous years was fully absorbed in 2015.

Other provisions
The line items, including non-current and current portion, amount to Euro 7,719 thousand as at December 31, 2018, with a decrease of Euro 2,112 thousand in 2018, corresponding to a 21.5%, and an increase by Euro 654 thousand in 2017, corresponding to a 7.1% growth. The amount includes other provisions for risks recorded by AlmavivA for Euro 4,139 thousand as at December 31, 2018 (Euro 6,255 thousand and Euro 5,021 thousand as at December 31, 2017 and 2016, respectively), AlmavivA Contact for Euro 855 thousand as at December 31, 2018 (Euro 1,333 thousand and Euro 1,724 thousand as at December 31, 2017 and 2016, respectively), Lombardia Gestione for Euro 89 thousand as at December 31, 2018 (Euro 115 thousand and Euro 82 thousand as at December 31, 2017 and 2016, respectively), Agrisian in Liquidation for Euro 2,119 thousand as at December 31, 2018 (Euro 2,107 thousand and Euro 2,340 thousand as at December 31, 2017 and 2016, respectively) and by other Group companies.

22. NON-CURRENT FINANCIAL LIABILITIES

Non-current financial liabilities as at December 31, 2018, 2017 and 2016 are reported below:

(in thousands of Euro)	**At December 31, 2018**	**At December 31, 2017**	**At December 31, 2016**
Banks	23,899	1	9,940
Bond	236,322	233,427	0
Amounts due to other lenders	14,681	17,693	15,538
Non-current financial liabilities	**274,902**	**251,121**	**25,478**

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

(in thousands of Euro)	At January 1, 2018	Proceeds from borrowings	Repayements of borrowings	Reclassification and other adjustments	At December 31, 2018
AlmavivA S.p.A.	239,620	22,895	(2,810)	0	259,705
Sadel S.p.A.	0	0	(83)	1,421	1,338
AlmavivA do Brasil	501	2,358	0	0	2,859
SIMEST Operation	11,000	0	0	0	11,000
Non-current financial liabilities	**251,121**	**25,253**	**(2,893)**	**1,421**	**274,902**

(in thousands of Euro)	At January 1, 2017	Proceeds from borrowings	Repayements of borrowings	Reclassification and other adjustments	At December 31, 2017
AlmavivA S.p.A.	2,001	234,375	(2,756)	6,000	239,620
AlmavivA do Brasil	12,477	27,512	(39,488)	0	501
SIMEST Operation	11,000	0	0	0	11,000
Non-current financial liabilities	**25,478**	**261,887**	**(42,244)**	**6,000**	**251,121**

(in thousands of Euro)	At January 1, 2016	Proceeds from borrowings	Repayements of borrowings	Reclassification and other adjustments	At December 31, 2016
AlmavivA S.p.A.	1,068	933	(12,000)	12,000	2,001
AlmavivA do Brasil	14,211	38,762	(40,496)	0	12,477
SIMEST Operation	0	11,404	(404)	0	11,000
Non-current financial liabilities	**15,279**	**51,099**	**(52,900)**	**12,000**	**25,478**

The balance of the line item as at December 31, 2018 is Euro 274,902 thousand, with an increase of Euro 23,781 thousand compared to the prior year. The line item shows also an increase of Euro 225,643 thousand in 2017, when the balance was Euro 251,121 thousand, as at December 31, 2016 the balance was Euro 25,478 thousand.

Long-term financial liabilities of Euro 274,902 thousand refer primarily to the bond of Euro 250,000 thousand issued on October 5, 2017, 7.25% coupon with half-yearly payment on October 15 and April 15 of each year and final maturity on October 15, 2022. The bond was listed on the Luxembourg stock exchange on the Euro MTF Market (unregulated market). The issue and placement were performed by the merchant bank Goldman Sachs as Sole Book Runner and banca UBI in the role of co-Manager.
The issue was preceded by a Road Show in the main European financial markets including London, Paris, Frankfurt, Amsterdam and Milan, achieving resounding success among investors. Demand was actually 4 times higher than supply, concentrated among large international investors high profile. The issue was also supported by a Revolving Facility for an original amount of Euro 20,000 thousand, increased to Euro 40,000 thousand on October 5, 2017 (The line is fully committed for Euro 40,000 thousand and without any clean-down condition). The Revolving line expires on February 5, 2022 and can be used for general purposes relating to company business.
The bond issue was used for the full reimbursement of the Senior Secured Bridge and Revolving loan agreement, signed on August 3, 2017, between AlmavivA Spa and Goldman Sachs International which made provision for total financing of Euro 270,000 thousand composed of the following two lines:
1 - Facility B of Euro 250,000 thousand;
2 - Revolving Facility of Euro 20,000 thousand.
The new sources of financing were used to repay the financial indebtedness of AlmavivA S.p.A. deriving from the loan agreement signed on August 13, 2012 with a pool of banks, the extinguishment of the expired VAT payable of AlmavivA S.p.A., amounting to Euro 32,766 thousand at said date, including sanctions and interest, and of the subsidiary AlmavivA Contact S.p.A., amounting to Euro 33,758 thousand at said date, including sanctions and interest, plus the reimbursement of some with-recourse factoring contracts, the reimbursement of the financial indebtedness of the subsidiary AlmavivA do Brasil and the payment of costs relating to the transaction.

Thanks to the Senior Secured Bridge and Revolving transaction before the bond issue and the increase from Euro 20,000 thousand to Euro 40,000 thousand of the Revolving line after, AlmavivA made the Group’s debt structure more stable, extending the average term of the loans by making provision for medium-term repayments in a single expiry and reducing the overall cost of debt between liabilities in Italy and Brazil.
The bond is accounted in the financial statements using the amortised cost method and has a value of Euro 236,322 thousand as at December 31, 2018.
Bank liabilities totalled Euro 1 thousand and relate to AlmavivA SpA.

Bank liabilities totaled Euro 23,899 thousand and relate to AlmavivA S.p.A. for Euro 20,001 thousand mainly for the draw of the Revolving line, to Almaviva do Brasil for Euro 2,582 thousand, and to Sadel for Euro 1,316 thousand. With regard to the Revolving Credit Facility line every quarter, the observance of a covenant called "Net Consolidated Leverage Ratio" is assessed. This covenant is complied with at December 31, 2018.

Liabilities to other lenders amounting to Euro 14,681 thousand refer primarily to the subsidised loans received on the financed projects of AlmavivA S.p.A. (Euro 3,382 thousand) and, for Euro 11,000 thousand relating to the payable due to Simest.

In particular, non-current financial liabilities to Simest, in the amount of Euro 11,000 thousand, relate to the portion of share capital and the share premium of AlmavivA do Brasil subscribed by SIMEST. This transaction makes provision, inter alia, for the irrevocable obligation of the subsidiary AlmavivA Contact to acquire from SIMEST (which has committed to sell) the shares subscribed by the latter by June 30, 2023. There are several conditions that can anticipate the date of exercise of the options, which in any case cannot fall before June 30, 2019. As the conditions laid out in IAS 32 "Financial instruments: presentation" were met, the entire amount subscribed by Simest was classified under financial liabilities and measured in accordance with the requirements laid out in IAS 39 "Financial instruments: recognition and measurement".

The tables below provide an analysis of the main loans, with an indication of the maturity. The values indicated include only the medium-long term financial liabilities, excluding the related current portions, which are classified as current financial liabilities.

(in thousands of Euro)	> 12 months	< 5 years	> 5 years
Banks	23,899	23,899	0
Bond	236,322	236,322	0
Amounts due to other lenders	14,681	13,915	766
	274,902	**274,136**	**766**

[*] The amount is classified "Due over 5 years" but, as indicated above, the exercise of the options between AlmavivA Contact and SIMEST could be anticipated, but in any case, it cannot occur before June 30, 2019.

23. DEFERRED TAX LIABILITIES

The tables below show the amount of AlmavivA Group's Deferred tax liabilities as at December 31, 2018, 2017 and 2016 and the related changes occurred in each of the three years.

(in thousands of Euro)	At December 31, 2018	At December 31, 2017	At December 31, 2016
Deferred tax liabilities	**1,534**	**1,672**	**1,794**

	For the twelve months ended December 31, 2018	For the twelve months ended December 31, 2017	For the twelve months ended December 31, 2016
Balance at the beginning of the year	**1,672**	**1,794**	**2,345**
Increases	0	0	285
Decreases	(138)	(122)	(836)
Balance at the end of the year	**1,534**	**1,672**	**1,794**

Deferred tax liabilities refer exclusively to AlmavivA S,p,A, and mainly concern fiscal impact of fair value as deemed cost applied (as defined in and allowed by IFRS 1) to land and buildings owned by abovementioned entity.

The line item decreased by Euro 122 thousand in 2017, from an amount of Euro 1,794 thousand at December 31, 2016 to an amount of Euro 1,672 thousand at December 31, 2017, and further reduced by Euro 138 thousand in 2018 to an amount of Euro 1,534 thousand.

24. OTHER NON-CURRENT LIABILITES

Other non-current liabilities amount to Euro 754 thousand as at December 31, 2018 compared to an amount of Euro 892 thousand as at December 31, 2017 and to an amount of Euro 1,030 thousand as at December 31, 2016, as illustrated in the table below:

(in thousands of Euro)	At December 31, 2018	At December 31, 2017	At December 31, 2016
Deferred income on capital grants	754	892	1,030
Other non-current liabilities	**754**	**892**	**1,030**

The fully amount refers to deferred income on capital grants.

25. TRADE PAYABLES

Trade payables amounts to Euro 222,162 thousand as at December 31, 2018 compared to an amount of Euro 204,120 thousand as at December 31, 2017 and to an amount of Euro 193,897 thousand as at December 31, 2016, as illustrated in the table below:

(in thousands of Euro)	At December 31, 2018	At December 31, 2017	At December 31, 2016
Trade payables	**222,162**	**204,120**	**193,897**

They mainly include payables for the provision of services, as well as those relating to various services for activities carried out in the year. More specifically, trade-related payables past due amounted to Euro 51,380 thousand (Euro 64,337 thousand in 2017), while those falling due in under 12 months amounted to Euro 170,782 thousand (Euro 139,783 thousand in 2017).

Please note that the trade-related payables are regulated based on the contractual conditions and specific agreements with the Group's suppliers.

26. CURRENT FINANCIAL LIABILITIES

Current financial liabilities as at December 31, 2018, 2017 and 2016 are reported below:

(in thousands of Euro)	At December 31, 2018	At December 31, 2017	At December 31, 2016
Payables due to banks	6,499	497	112,396
Current portion bonds	3,834	4,335	0
Payables due to other lenders	3,222	4,126	34,872
Financial lease payables	315	2,820	3,482
Accrued liabilities from financial expenses	459	168	115
Other financial payables	1	75	8
Current financial liabilities	**14,330**	**12,021**	**150,873**

Short-term financial liabilities of Euro 14,330 thousand refer to payables for short-term loans taken out with banks, the portion of payables for interest accrued vis-à-vis bondholders whose payment is set for April 15, 2019.
The item includes payables for the financial leases, primarily AlmavivA do Brasil, financial accruals and sundry short-term payables.

The following table shows the composition of the item "Net change in other current and non-current financial liabilities" of the Cash flow statement:

As at December 31, 2018

	at 31/12/2018	at 31/12/2017	Changes
Current financial liabilities	14.330	12.021	2.309
Exchange rate differences on cash and cash equivalents			(6.280)
Exchange rate differences on net working capital			(5.457)
Exchange rate differences on shareholders' equity			(11.016)
Exchange rate differences on tangible and intangible assets			4.780
Non-paid interests expenses and amortization cost effects			(2.454)
Exchange rate differences from P/L			(335)
OTher changes and reclassification from non current to current liabilities			2.582
			(15.871)

As at December 31, 2017

	al 31/12/2017	al 31/12/2016	Variazione
Current financial liabilities	12.021	150.873	(138.852)
Exchange rate differences on cash and cash equivalents			(4.534)
Exchange rate differences on net working capital			(10.267)
Exchange rate differences on shareholders' equity			(10.488)
Exchange rate differences on tangible and intangible assets			7.737
Non-paid interests expenses and amortization cost effects			(587)
Exchange rate differences from P/L			(280)
Other changes and reclassification from non current to current liabilities			2.349
			(154.922)

27. TAX PAYABLES

Tax payables as at December 31, 2018, 2017 and 2016 are reported below:

(in thousands of Euro)	At December 31, 2018	At December 31, 2017	At December 31, 2016
Income taxes	3,258	4,269	6,327
Other taxes	32,885	38,663	92,947
Tax payables	**36,143**	**42,932**	**99,274**

Tax payables amount to Euro 36,143 thousand as at December 31, 2018 compared to Euro 42,932 thousand as at December 31, 2017 and to Euro 99,274 thousand as at December 31, 2016, thus recording a decrease of Euro 6,789 thousand in 2018 and a decrease of Euro 56,342 thousand in 2017.
The refer primarily to payables for IRPEF to be paid, to payables for IRAP direct taxes, to payables for deferred VAT, payables for ordinary VAT, as well as to the taxes of foreign companies, in particular the AlmavivA do Brasil Group. It should be noted that the Group does not present payables for past due taxes given that thanks to the financial transaction which took place in 2017, the Group settled, at the date of the transaction, all debts for taxes past due, also through the division into instalments agreed with the tax authorities.

28. OTHER CURRENT LIABILITIES

Other current liabilities as at December 31, 2018, 2017 and 2016 are reported below:

(in thousands of Euro)	At December 31, 2018	At December 31, 2017	At December 31, 2016
Payables due to social security institutions	19,980	25,015	24,197
Payables due to personnel	34,230	32,146	40,558
Miscellaneous payables	17,231	11,075	13,311
Deferred income	11,516	13,752	10,248
Other current liabilities	**82,957**	**81,988**	**88,315**

The line item decreased by Euro 6,327 thousand in 2017, from an amount of Euro 88,315 thousand at December 31, 2016 to an amount of Euro 81,988 thousand at December 31, 2017 and a increment by Euro 969 thousand in 2018 to an amount of Euro 82,957 thousand. The increase of fiscal year 2018 (1,2% compared to fiscal year 2017 and -7.2% compared to 2016).
The payables due to social security and welfare institutions amounted to Euro 19,980 thousand and refer to mandatory contributions accrued and payable to social security institutions for wages and salaries and remuneration paid;

The payables due to personnel refer, primarily, to the provision for holidays and leave accrued by personnel and still not utilised, as well as, as regards the subsidiary AlmavivA Contact SpA. and Sadel SpA, the monthly pay relating to December, which was paid in the first few days of January 2019, as per the ordinary management of the payments of wages and salaries.

Miscellaneous payables of Euro 17,231 thousand mainly include the payables due to corporate bodies, payables to project workers, payables to insurance companies, amounts due for collections to be repaid to partners and payables related to the fiscal consolidation to Almaviva Technologies Srl.
Deferred income of Euro 11,516 thousand related to the economic components pertaining to future years.

29. REVENUE

Revenue from contracts with customers for each of the three years ended December 31, 2018, 2017 and 2016 are reported in the following table:
Please consider that label “Revenue” has to be read as “Revenues from contracts with customers” as defined in IFRS 15.

	For the year ended December 31		
(in thousands of Euro)	2018	2017	2016
Revenues from sales and services	789,225	755,301	727,810
Revenues from sale of goods	3,695	2,421	4,027
Revenues from contract work in progress	6,784	(2,731)	(1,674)
Revenue	**799,704**	**754,991**	**730,163**

The following is a breakdown of revenues deriving from contracts with customers based on the timing of recognition of the same for the 2018 financial year in which IFRS 15 was applied for the first time.

Timing of revenue recognition	**31.12.2018**
Goods transferred at a point in time	3,695
Services transferred over time	796,009
Total revenue from contracts with customers	**799,704**

Revenues deriving from contracts with Group customers include estimated revenues based on the input and output method as indicated in the drafting criteria. Revenues from assets transferred at a point in time result from deliveries made by AlmavivA SpA in the contracts relating to the Transportation sector.

Revenues increased by Euro 24,827 thousand from Euro 730,163 thousand for the year ended December 31, 2016 to Euro 754,991 thousand for the year ended December 31, 2017 and further grew by Euro 44,714 thousand to Euro 799,704 thousand for the year ended December 31, 2018.

Revenues from ordinary operations of the Group include the contractual revenues accrued from production recorded in the year, determined according to the percentage of completion method and revenues recorded in relation to the provision of services and sale of assets.

The table below shows a breakdown of revenues by Operating and reportable segments for years ended December 31, 2018, 2017 and 2016, Inter-segment elimination has not been considered and eliminated.

	For the year ended December 31		
(in thousands of Euro)	**2018**	**2017**	**2016**
IT Services	423,644	366,471	366,471
CRM Europe	140,609	126,239	130,057
CRM International	225,802	256,008	256,008
Almawave – New Technology	9,649	6,273	6,697
Revenues	**799,704**	**754,991**	**759,234**

The revenues of the IT Services segment as at December 31, 2018 rose by Euro 57,173 thousand, equal to 15.6% compared to the previous year. This increase is due mainly to the growth in revenues, the increase in demand for services, with respect to customers of the Transport, Homeland Security, Banking and Insurance, Welfare business areas and, to a lesser extent, in other areas. This growth was partially offset by a reduction in revenues attributable to the Agriculture-Environment and Ministries areas due to the public spending review policies implemented by the Italian Government in the last few years.

The revenues of the CRM Europe segment recorded an increase of Euro 14,371 thousand (11.4%) in the financial year ended as at December 31, 2018 compared to the previous period. The increase concerned the Government, Telco and Media areas, while Transport and Utilities areas registered a decrease in revenues.

The revenues of the CRM International segment recorded a decrease of Euro 30, 206 thousand, 11.8% as at December 31, 2018 when compared to the previous period. The decrease was mainly determined by the exchange rate.

The revenues of the Almawave-New Technology segment rose by Euro 3,376 thousand, 53.8% compared to the previous year. Intersegment revenues decreased by Euro 1,230 thousand compared to the previous year. The rise is due primarily to the increase in revenues deriving from the sale of software technologies to customers (including other segments) in the Utilities, Government and other areas, partially offset by the fall in revenues from customers in the Telco/Media, Banking/Insurance, and Transport areas.

AlmavivA Group revenues are mainly realised in Italy. Revenues produced abroad primarily regard Brazil and to a lesser extent, Tunisia and Colombia. For more details on the breakdown by geographical area, please refer to Note 4.

The revenues of the IT Services segment as at December 31, 2017 rose by Euro 14,359 thousand, equal to 4% compared to the previous year. This increase is due mainly to the growth in revenues, the increase in demand for services, with respect to customers of the Transport, Homeland Security, Banking and Insurance, Welfare business areas and, to a lesser extent, in other areas. This growth was partially offset by a reduction in revenues attributable to the Agriculture-Environment and Ministries areas due to the public spending review policies implemented by the Italian Government in the last few years.
Revenues in IT Services in fiscal year 2016 are increased by 24,283 thousand, or 7.4%. This increase was primarily due to growth in revenue from customers in key industry sectors of transportation and banking and insurance as well as certain local government customers. However, the growth in revenue was partially offset by a decline in revenue attributable to public welfare sector due to spending review policies implemented by Italian Government and delay in new tenders' award procedures. The growth in revenues occurred in fiscal year 2016 is higher compared to previous year (+7.4% equal to an increase in absolute values of 24,283 thousand). The mentioned growth has been primary driven by an increase in demand for services from customers in the transportation and the banking and insurance sectors in connection with strategic initiatives of several customers in those segments. The growth in revenues in these sectors was partially offset by a decline in revenue from customers in the public administration sector in connection to abovementioned spending review policies which unavoidably impact on our segment revenues.

The revenues of the CRM Europe segment recorded a decrease of Euro 3,818 thousand (-3%) in the financial year ended as at December 31, 2017 compared to the previous period. The reduction concerned the two business areas of the segment (-49% in the Transport area and -10% in the Government area), while the Telco/Media business area registered an increase in revenues of Euro 4,161 thousand, or 5% compared to the previous year, the Utilities areas recorded an increase in revenues of Euro 1,171 thousand, equal to 6%, and to a lesser extent, other areas recorded an increase. On the whole, the contained decrease in revenues demonstrated a recovery in the production of the segment following the personnel restructuring operation implemented in 2016

As opposed to just commented revenues in CRM Europe, the sales in CRM International are increased by 14,711 thousand, or 6.1%, during the 2016 and 2017. The increase was mainly determined by the growth in revenues deriving from customers of the business Government and Others area (Euro 27,046 thousand compared to the previous year), partially offset by the reduction in the revenues of the Telco/Media (-Euro 10,884 thousand compared to the previous year) and Financial (-Euro 1,406 thousand) business areas. In fiscal year 2016, the increase of revenues was primarily due to growth in revenue from customers in the telecommunications and media sector, including as a consequence of geographic expansion into Colombia. The growth in revenue was partially offset by negative exchange rate trends as the Brazilian Real weakened against the Euro.

The revenues of the Almawave-New Technology segment fell by Euro 425 thousand, down 6% compared to the previous year, but total revenues, including intersegment revenues, rose by Euro 879 thousand, up by 7% compared to the previous year. This rise is due primarily to the increase in revenues deriving from the sale of software technologies to customers (including other segments) in the Telco/Media, Government and Transport areas, partially offset by the fall in revenues from customers in the Banking/Insurance, Utilities and Other areas.

The Group basically operates in multiple sectors of operations, as further described in Paragraph 4 above.
AlmavivA Group revenues are mainly realised in Italy. Revenues produced abroad regard primarily Brazil and to a lesser extent Tunisia (for any further details please refer to Paragraph 4 – Geographic information).

The transaction price, net of variable consideration, allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 are, as follows:

(in thousands of Euro)	**Total at December 31, 2018**	**To absorb within the current financial year**	**To absorb within the next financial year**
Backlog (*)	**1,301,000**	**(362,000)**	**939,000**

(*) IT Services and Almawave New Technology segments

30. OTHER INCOME

Other income for each of the three years ended December 31, 2018, 2017 and 2016 are reported in the following table:

(in thousands of Euro)	**For the year ended December 31**		
	2018	**2017**	**2016**
Recovery of personnel costs	1,198	1,610	1,873
Recovery of costs of service provision	3,483	4,534	2,566
Recovery of costs of use of assets	27	261	21
Reversal of provisions	2,582	1,722	1,202
Other income	2,939	1,916	1,021
Operating grants	11,301	4,996	1,074
Reversal of over-accruals of trade payables	1,440	2,276	1,316
Other income	**22,970**	**17,315**	**9,073**

Other revenues and income amounted to Euro 22,970 thousand and Euro 17,315 thousand as at December 31, 2018 and 2017 respectively, and Euro 9,073 thousand as at December 31. The most significant item regards Operating grants (As fully detailed in the Report on Operations, the company made use of the Research and Development tax credit set forth

in Art. 1, paragraph 35, of Law no. 190 of December 23, 2014, based on the methods set out in the aforementioned legislation) Other income, and Reversal of provisions.
This credit, according to the methodology described in the drafting criterion, is accrued in the operating grants for an amount equal to Euro 9.888 thousand. The Group recognizes this credit only when there is the virtual certainty of the contribution. This last criterion is only satisfied when an opinion is obtained from companies qualified to evaluate these activities. For these reasons, the research and development tax credit recorded in the financial statements as at 31 December 2017 refers to the years 2017 and 2018 for AlmavivA SpA, Almawave Srl refers to 2017, and only to the year 2018 for Pervoice SpA,
The method adopted by the companies for the calculation of the tax credit due has followed the indications of the law and started by determining the average of the research and development activities, capitalized or directly expensed in the income statement, carried out in the three-year period 2012-2014. The activities carried out both in 2017 and in 2018, were compared with the average value described above in order to determine the incremental value. The formulas were then applied to the incremental value in order to obtain the value of the contribution to be assigned to the entity.

The later has been reported in other income after having demonstrated that related activities were passed through profit and loss either as direct expenses or amortization of intangibles.

In 2017, Other revenues and income amounted to Euro 17,315 thousand (Euro 9,073 thousand as at December 31, 2016) and the most significant item regards the recovery of personnel costs, for the provision of services and use of third party assets (totalling respectively Euro 1,610 thousand, Euro 4,534 thousand, Euro 261 thousand), connected with the personnel seconded to third parties and the collection of activities and services provided to third parties.

31. COST OF RAW MATERIALS AND SERVICES

Cost of raw materials and services for each of the three years ended December 31, 2018, 2017 and 2016 are reported in the following table:

(in thousands of Euro)	**For the year ended December 31**		
	2018	**2017**	**2016**
Raw materials, consumables, supplies and goods	19,075	19,399	19,279
Costs for services	239,889	223,984	212,676
Costs for services capitalised for assets created internally	(3,577)	(3,113)	(3,722)
Costs of use of third party assets	24,847	23,546	21,823
Changes in inventories	(897)	86	0
Cost of raw materials and services	**279,337**	**263,902**	**250,056**

The item increased by Euro 15,435 thousand in the year. The increase is, generally speaking, attributable to the higher revenues in the IT Services segment, with a subsequent increase in the costs for services (Euro 26,495 thousand, from an amount of Euro165,691 thousand in 2017 to Euro 192,186 thousand in 2018), and also in the CRM Europa segment (in which the costs for services rose by Euro 1,471 thousand from Euro 33,670 thousand in 2017 to Euro 35,141 thousand in 2018), in the Almawave-New Technology segment (increase in costs of Euro 1,629 thousand, up from Euro 3,809 thousand in 2017 to Euro 5,438 thousand in 2018). This effect was partially offset in the CRM International segment, owing to the drop-in costs for services as a result of the exchange rate.

In 2017, the item Cost of raw materials and services, increased by Euro 13,846 thousand in the year. The increase is, generally speaking, attributable to the higher revenues in the IT Services segment, with a subsequent increase in the costs for services (Euro 10,512 thousand, from an amount of Euro 155,093 thousand in 2016 to Euro 165,605 thousand in 2017), and also in the CRM International segment (in which the costs for services rose by Euro 6,099 thousand from Euro 75,870 thousand in 2016 to Euro 81,969 thousand in 2017), in the Almawave-New Technology segment (increase in costs of Euro 325 thousand, up from Euro 3,484 thousand in 2016 to Euro 3,809 thousand in 2017) and for Euro 1,005 thousand, to the increase deriving from the lower intersegment items between 2016 and 2017. This effect was partially offset in the CRM Europe segment, owing to the drop-in costs for services as a result of the decrease in revenues (down by Euro 4,381 thousand, from Euro 38,051 thousand in 2016 to Euro 33,670 thousand in 2017).

The table below shows, in more details, the disaggregation of cost of services for all three years' period:

(in thousands of Euro)	For the year ended December 31		
	2018	**2017**	**2016**
Maintenance	24,999	26,239	20,052
Insurance	2,070	2,105	2,038
Consultancy and professional services	106,946	88,013	88,656
Advertising, promotion and entertainment	789	642	650
Telephone expenses	6,308	7,066	6,449
Travel and stays	5,278	4,896	4,937
Energy and fluids	8,167	9,604	10,678
Distribution and warehousing	6,464	5,936	8,298
Other costs for services	78,868	79,483	70,918
Costs for services	**239,889**	**223,984**	**212,676**

The item Other costs for services includes the operating expenses and various services such as corporate protection expenses, canteen expenses and meal vouchers for employees, legal and notary expenses, commissions and expenses for bank services, training course expenses, cleaning expenses and costs incurred on behalf of group companies that basically refer to charges for insurance policies and travel and transfer expenses.
In addition, in 2018, they include the fees due to Directors totalling Euro 2,000 thousand, fees due to the Board of Statutory Auditors for Euro 234 thousand and fees due to the independent auditors for Euro 559 thousand.

In 2017, they included the fees due to Directors totalling Euro 1,666 thousand, fees due to the Board of Statutory Auditors for Euro 205 thousand and fees due to the independent auditors for Euro 445 thousand.

Costs for services amount to Euro 239,889 thousand in 2018 compared to Euro 223,984 thousand in 2017 and to Euro 212,676 thousand in 2016 and contribute to the aggregate amount of Cost of raw materials and services for 85.9% in 2018, 84.9% in 2017 and 85.1% in 2016.

32. PERSONNEL EXPENSES

Personnel expenses for each of the three years ended December 31, 2018, 2017 and 2016 are broken down as follows:

(in thousands of Euro)	For the year ended December 31		
	2018	**2017**	**2016**
Salaries and wages	375,351	356,986	352,437
Social security contributions	68,603	62,686	65,972
Employee benefit expenses	11,631	11,582	13,950
Other costs	4,116	2,743	2,086
Agency work	7,963	9,989	3,191
Costs of seconded personnel	71	8	39
Expenses for redundancy incentives	0	0	378
Personnel expenses capitalised for assets created internally	(10,246)	(11,023)	(7,521)
Personnel expenses	**457,488**	**432,971**	**430,532**

Personnel expenses increased by Euro 24,517 thousand, or 5.7%, from Euro 432,971 thousand in the financial year ended December 31, 2017 to Euro 457,488 thousand in the financial year ended December 31, 2018. This increase, as well as cost for raw materials and services, was in line with the overall revenue trend and resulted primarily from increased expense for salaries and wages, which increased by Euro 18,366 thousand from Euro 356,986 thousand in 2017 to Euro 375,351 thousand in 2018. This increase was a consequence of higher workforce. The increase in these costs was partially offset by an increase by Euro 777 thousand in personal expenses capitalized for assets created internally related to IT Services segment and Almawave - New Technology segment.

Personnel expenses, in 2017, increased by Euro 2,439 thousand, or 0.6%, from Euro 430,532 thousand in the financial year ended December 31, 2016 to Euro 432,971 thousand in the financial year ended December 31, 2017. This increase, as well as cost for raw materials and services, was in line with the overall revenue trend and resulted primarily from increased expense for salaries and wages, which increased by Euro 4,548 thousand from Euro 352,437 thousand in 2016 to Euro 356,986 thousand in 2017. This increase was a consequence of higher workforce. The increase in these costs was partially offset by an increase by Euro 3,502 thousand in personal expenses capitalized for assets created internally related to IT Services segment and Almawave - New Technology segment.

The average number of employees of companies included in the consolidation area, broken down by category, for each of the three years ended December 31, 2018, 2017 and 2016 is as follows:

	At December 31, 2018	At December 31, 2017	At December 31, 2016
Executives	206.7	207.0	204.0
Middle managers	763.8	751.5	716.3
White-collar employees	42,677.8	40,145.8	42,127.3
Total Group average employees	***43,648.3***	***41,104.3***	***43,047.6***
Agency workers	352.4	521.5	456.8
Total workforce	***44,000.7***	***41,625.8***	***43,504.4***

33. DEPRECIATION AND AMORTIZATION

Depreciation and amortization for each of the three years ended December 31, 2018, 2017 and 2016 are broken down as follows:

(in thousands of Euro)	For the year ended December 31		
	2018	**2017**	**2016**
Industrial patent and intellectual property rights	7,124	7,717	6,802
Concession, licence and trademarks	279	227	47
Other	6,237	6,208	6,122
Total Amortisation	***13,639***	***14,153***	***12,971***
Civil and industrial buildings	807	780	775
Industrial and commercial equipment	151	149	167
Plants and machinery owned and leased	4,514	6,165	7,101
Other assets owned and leased	7,761	8,467	8,279
Capital (gains) from disposals of fixed assets	0	0	0
Total Depreciation	***13,233***	***15,561***	***16,321***
Total Depreciation and Amortisation	**26,872**	**29,713**	**29,292**

34. OTHER EXPENSES

Other operating expenses for each of the three years ended December 31, 2018, 2017 and 2016 are broken down as follows:

(in thousands of Euro)	For the year ended December 31		
	2018	**2017**	**2016**
Write-down of receivables	234	67	93
Provisions for risks	1,937	3,939	4,222
Other provisions	0	0	0
Taxes and duties	417	192	166
Membership fees	628	602	700
Other expenses	3,573	4,309	14,923
Accruals to provisions	0	92	394
Reversal of over-accruals of trade receivables	1,012	1,131	2,420
Other operating expenses	**7,801**	**10,332**	**22,918**

Other operating expenses decreased by Euro 2,531 thousand, or -24.5%, from Euro 10,332 thousand in the financial year ended December 31, 2017 to Euro 7,801 thousand in the financial year ended December 31, 2018. Net allocations to provisions for risks and charges were booked by the IT Services segment (Euro 1,640 thousand) and CRM International segment (Euro 297 thousand). Information on the provisions for risks and charges is provided in Note 21, to which the reader is referred. Other operating costs - non-recurring portion which include almost exclusively the economic effect recorded due to settlement of previous receivables.

Other operating expenses decreased by Euro 12,586 thousand, or -54.9%, from Euro 22,918 thousand in the financial year ended December 31, 2016 to Euro 10,332 thousand in the financial year ended December 31, 2017. This decrease was primarily due to expenses relating to the closure of the site in Rome in 2016 as part of the restructuring of our CRM Europe Division.
Net allocations to provisions for risks and charges were booked by the IT Services segment (Euro 3,523 thousand), the CRM Europe segment (Euro 416 thousand) and the CRM International segment (Euro 611 thousand). Information on the provisions for risks and charges is provided in Note 21, to which the reader is referred. Other operating costs - non-recurring portion which include almost exclusively the economic effect recorded due to settlement of previous receivables.

35. FINANCIAL INCOME/(EXPENSES) AND EXCHANGE GAINS/(LOSSES)

Financial income, Financial expenses and Exchange gains/(losses) for each of the three years ended December 31, 2018, 2017 and 2016 are reported below:

	For the year ended December 31		
(in thousands of Euro)	**2018**	**2017**	**2016**
Financial income	600	926	1,643
Financial expenses	(29,900)	(34,392)	(27,601)
Exchange gains/(losses)	(335)	(280)	1,153
Net financial result	**(29,636)**	**(33,746)**	**(24,805)**

As per the previous table, the result of financial income and expenses was negative Euro 29,636 thousand as at December 31, 2018, compared to a negative result of Euro 33,746 thousand as at December 31, 2017, marking an improvement of Euro 4,110 thousand.
The improvement of the period is related to the Group financial transaction implemented during the year 2017.

The result of financial income and expenses in 2017 was negative Euro 33,746 thousand as at December 31, 2017, compared to a negative result of Euro 24,805 thousand as at December 31, 2016, marking a worsening of Euro 8,941 thousand.
The increase in the year is connected to the rise in the financial indebtedness of Brazilian companies in the months prior to the Group financial transaction implemented during the year. The difference between exchange gains/(losses) registered in the current year compared to the previous year is related to fluctuations in the conversions carried out by foreign companies on items in foreign currency.

36. GAINS/(LOSSES) ON EQUITY INVESTMENTS INCLUDING THOSE RESULTING FROM VALUATION AT EQUITY METHOD

Gains/(losses) on equity investments and loss from investments accounted for using equity method for each of the three years ended December 31, 2018, 2017 and 2016 are reported below:

(in thousands of Euro)	For the year ended December 31		
	2018	**2017**	**2016**
Other gains on equity investments	0	0	94
Share of lossesa from investments accounted for using equity method	6	(737)	(932)
Net result from equity investments	**6**	**(737)**	**(838)**

As shown in the table above, the Net result from equity investments improved by Euro 743 thousand in 2018 from a negative amount of Euro 737 thousand for the year ended December 31, 2017 to an amount of Euro 6 thousand for the year ended December 31, 2018 and further improved by Euro 101 thousand in 2017 to an amount of negative Euro 737 thousand for the year ended December 31, 2017 from a negative amount of Euro 838 thousand at December 31, 2016.

The analysis is provided in Note 8, "Equity investments accounted for using the equity method".

37. INCOME TAXES

Income taxes for each of the three years ended December 31, 2018, 2017 and 2016 are broken down as follows:

(in thousands of Euro)	For the year ended December 31		
	2018	**2017**	**2016**
Italian Companies			
IRAP (Regional business tax)	1,668	1,524	1,338
IRES (Corporate income tax)	5,737	4,409	4,341
(Income) expenses from compliance with tax consolidation	(3,079)	(3,117)	(8,787)
	4,326	**2,816**	**(3,108)**
Foreign companies			
Other current taxes	2,475	418	1,419
	2,475	**418**	**1,419**
Current Taxes	**6,801**	**3,234**	**(1,689)**
Italian Companies			
IRAP (Regional business tax)	(73)	(18)	(210)
IRES (Corporate income tax)	(1,276)	821	(173)
	(1,349)	**803**	**(383)**
Foreign companies			
Other deferred taxes	(1,320)	(4,261)	(388)
	(1,320)	**(4,261)**	**(388)**
Deferred taxes	**(2,669)**	**(3,458)**	**(771)**
Income taxes for the year - Non recurring portion	**(679)**	**194**	**(676)**
Total Income taxes	**3,453**	**(30)**	**(3,135)**

38. INCOME TAXES RECONCILIATION

Reconciliation of tax expense and the accounting profit multiplied by Group Almaviva's domestic tax rate for 2016, 2017 and 2018:

	For the year ended December 31		
(in thousands of Euro)	**2018**	**2017**	**2016**
Income before taxes	21,469	832	(19,278)
Theoretical taxe rate	24.0%	24.0%	27.5%
Theoretical taxes	**5,153**	**200**	**(5,301)**
Effect of different foreign tax rates	602	(35)	(300)
Non-deductible expenses	(270)	4,662	502
Tax losses previous years / consolidated tax revenues	(3,079)	(3,117)	0
Effect of writedowns for deferred tax assets and redetermination of tax rates	0	0	2,073
IRAP (Italian regional business tax)	1,668	1,524	1,128
Effect on deferred taxation of changes in tax rates	(2,669)	(3,458)	(561)
Other differences and minor items	2,048	194	(676)
Total	**3,453**	**(30)**	**(3,135)**

39. GUARANTEES AND COMMITTMENTS

The Group granted the following guarantees as at December 31, 2018:

- personal guarantees of Euro 239,046 thousand (Euro 235,926 thousand as at December 31, 2017), which are "in favour of subsidiaries" recorded by AlmavivA S.p.A. for co-obligations issued to various insurance companies in the interest of Agrisian S.c.p.A. in Liquidation amounting to Euro 206,583 thousand and relative to the contract with the Ministry of Agricultural and Forest Resources; "in favour of other parties" in the amount of Euro 32,463 thousand, guarantees recorded by Lombardia Gestione of Euro 13,165 thousand for the execution of the 6-year service agreement and AlmavivA Contact S.p.A. in the amount of Euro 19,928 thousand;
- collateral given of Euro 29,025 thousand refers to 100% pledges of shares held by AlmavivA S.p.A. in AlmavivA Contact S.p.A. (Euro 3,000 thousand), to pledges on 94.68% of the shares held by AlmavivA Contact S.p.A. in AlmavivA do Brasil (Euro 26,025 thousand) to guarantee the new bond loan which has already been detailed in full in these Notes. In relation to these bonds, in order to guarantee the fulfilment of the secured credits, the following were established: a pledge contract on trade receivables and intercompany items of AlmavivA SpA and any other credit due to AlmavivA SpA from AlmavivA Technologies; a pledge contract on the trade receivables and intercompany items of AlmavivA Contact S.p.A., Almawave S.r.l. and AlmavivA do Brasil; a pledge contract on certain bank accounts of AlmavivA S.p.A, AlmavivA Contact S.p.A. and AlmavivA do Brasil. To further secure this loan, the shares held by AlmavivA Technologies S.r.l. equal to 95.11% of the share capital of AlmavivA S.p.A. were also pledged;
- To date there are no risks of enforcement of the aforementioned guarantees and the Group also does not receive commissions related to the commitments made.

Other guarantees, commitments and risks
These amounted to Euro 8,564 thousand (Euro 8,625 thousand as at December 31, 2017) and refer to third party assets held by AlmavivA S.p.A. (Euro 8,478 thousand) and Lombardia Gestione (Euro 68 thousand).

40. RISKS AND OTHER INFORMATION

Credit risk

The maximum theoretical exposure to credit risk for the AlmavivA Group as at December 31, 2018 is represented by the carrying amount of financial assets reported in the financial statements, in addition to the nominal value of guarantees given on the payables or commitments of third parties.
Trade receivables due from customers represent the greatest exposure to credit risk. In respect of the risk of customer default, an appropriate write-down provision is recorded in the financial statements, the amount of which is periodically reviewed. The write-down process adopted by AlmavivA S.p.A. requires trade positions to be subject to an individual write-down based on the age of the receivable, the reliability of the individual debtor and the progress of debt management and collection procedures. Trade receivables are generated by the Group operations in different regions/countries (predominantly in Italy and Brazil) with diversified customers and counterparties from a geographical and sector point of

view (industrial, energy, telephone firms, public administrations, commercial companies, etc.) and in terms of dimensions (large corporate, small and medium enterprises, residential customers).

The following table shows the overall exposure of AlmavivA Group's receivables, together with a breakdown by amounts falling due and past due. For more detailed information, please refer to Note 14 above.

(in thousands of Euro)	**At December 31, 2018**	**At December 31, 2017**	**At December 31, 2016**
- Amount falling due	257,178	255,429	248,380
- Past due	40,051	45,251	46,376
Trade receivables net of Bad debt provision	**297,229**	**300,680**	**294,756**

Financial leasing and redemption commitments

The Group signed financial leases and redemption commitments for various plants and machinery. The Group's obligation deriving from these contracts is guaranteed by the property deed of the lessor on the leased assets. The renewal can be effected, if desired by the lessee company. The following table details the amount of the future fees of AlmavivA S.p.A. (for 2016 and 2017) and AlmavivA do Brasil S.A. (from 2016 to 2018) deriving from the financial leases and rental contracts and the present value of these fees:

(in thousands of Euro)	**Residual debt as at December 31,**		
	2018	**2017**	**2016**
Within 1 year	247	2,766	4,737
Between 1 and 5 years	82	225	2,998
After 5 years	0	0	0
Total minimum payments	*328*	*2,991*	*7,735*
less: Interest expenses	*(19)*	*(218)*	*(1,715)*
Present value of leasing payments	**310**	**2,773**	**6,020**

Liquidity risk

Liquidity risk, according to generally accepted definition, represents the risk that available financial resources could be not sufficient to cover maturing financial liabilities. AlmavivA SpA evaluated this risk as remote for the company and for the Group. During the assessment, the entity considered its own capability to generate cash flows from operating activities and from sources of financing that, after renewed financial structure, allow to get a significant saving on cost of borrowing.

Exchange rate risk

Exposure to the risk of exchange rates changing derives from the company's transactions in non-euro currencies (mainly the Brazilian Real) and affects the consolidated financial statements (economic result and shareholders' equity) due to translating assets and liabilities of companies that draft their financial statements with functional currency other than the Euro. The risk arising from translating assets and liabilities of companies that draft their financial statements with non-euro functional currency is not usually subject to hedging, barring another specific assessment.

41. INFORMATION ON FAIR VALUE MEASUREMENT

Thanks to the financial transaction realised by the Group in August 2017 which determined the repayment of the financial indebtedness of AlmavivA SpA deriving from the loan agreement signed on August 13, 2012 with a pool of banks, the interest rate swap contracts targeted at protecting the company and the Group from the risk of fluctuations in interest rates relative to the aforementioned loan were consequently extinguished.

42. LEGAL ISSUES AND LITIGATIONS

Tax, administrative, civil and labour disputes are handled by the AlmavivA Group's competent departments that provided, for the drafting of the financial statements, a comprehensive and exhaustive overview of the different proceedings in progress. In respect of these disputes, the company, also with the help of the opinions provided by the Group's external legal representatives, carried out an accurate assessment of the risk of being the losing party which determined the recognition of the appropriate provisions for disputes likely to have a negative outcome and, which could be reasonably quantified, as represented and commented on in these notes, under "Provisions for risks and charges" - Note 19. For those proceedings whose negative outcome, owing to the different case law positions, was only considered possible, no specific allocations were made in accordance with the regulations governing the drafting of the financial statements.

Contingent liabilities

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

Shown below are the main contingent liabilities as at December 31, 2017 not recorded in the financial statements owing to the absence of the necessary requirements set out in reference standard IAS 37.

AlmavivA S.p.A.

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

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

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

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

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

RTI Exitone requested the cancellation, upon the adoption of precautionary measures, of the measure of August 4, 2016, announcing the final award in favour of RTI AlmavivA of the "*Restricted procedure tender for the award of the concession for the SISTRI waste tracking system for the Ministry of the Environment and Protection of the Land and the Sea - ID 1642*" announced by the sole shareholder company Consip S.p.A. The precautionary claim was rejected. By resolution of November 30, 2016, Consip S.p.A. cancelled by its own determination the award measure of August 4, 2016. By means of judgment of January 25, 2017, the appeal of RTI Exitone was as a result declared barred to further proceedings. Consip S.p.A., after once again conducting the procedure to verify the anomaly of RTI AlmavivA, awarded the tender to the same RTI by measure dated February 1, 2017. RTI Exitone requested the annulment, following the adoption of precautionary measures, of the measure of February 1, 2017. RTI AlmavivA has filed a cross-appeal. Subsequently, RTI Exitone waived the precautionary measure. The Regional Administrative Court ordered the CTU (court-appointed expert witness) and deferred a discussion of the case to the hearing of January 24, 2018. With a sentence of February 22, 2019, the Lazio TAR rejected the appeal filed by the RIT Exitone. The outcome of the risk assessment did not determine the need to record any provisions for risks.

RTI AlmavivA S.p.A. (agent of the RTI with Fastweb S.p.A., and Infoblu S.p.A.)/Ministry of Infrastructures and Transport/RTI Engineering S.p.A. (agent of the RTI with Leonardo S.p.A., Telecom Italia S.p.A., and Intersistemi Italia S.p.A.)/RTI Enterprise Services Italia S.r.l. (agent of the RTI with Abramo Customer Care S.p.A., Ecosfera Servizi S.r.l. and Postel S.p.A.)

RTI AlmavivA requested the cancellation, upon the adoption of precautionary measures, of the measure for the final award to RTI Engineering of the Tender for the assignment of Information System Management and Development Services for the Department of Transport, Navigation, General Matters and Personnel, called by the Ministry of Infrastructures and Transport. RTI Engineering and RTI Enterprise appeared in court and filed a cross-appeal. At the hearing on June 20, 2018, with the precautionary claim having been waived, a public hearing was set for October 17, 2018, based on the amalgamation of the proceedings with those already initiated by RTI Enterprise. With rulings of November 6, 2018, the TAR accepted the appeal of the RTI Enterprise - cancelling the tender documents - and rejected the appeal of the RTI Almaviva.

RTI Accenture S.p.A. (agent of the RTI with Almaviva S.p.A., Avanade Italy S.r.l., Datamanagement Pa S.p.A. and Datamanagement Italia S.r.l.) / I.N.P.S. National Social Security Institute / RTI Engineering S.p.A. (agent of the RTI with Eustema S.p.A.)

The RTI Accenture has requested the annulment, subject to the adoption of precautionary measures, of the definitive awarding measure, in favor of RTI Engineering, of lots 1 and 2 of the tender within the EU, divided into 7 lots, aimed at awarding "Services of Application Development and Maintenance of the INPS ". At the hearing in the council chamber the parties renounced the precautionary petition and the public hearing of merit was set for December 11, 2018, subject to the express commitment of the INPS not to sign the contract. Subsequently, the hearing was postponed to 12 February 2019 and, subsequently, the case was withheld in the decision. The outcome of the risk assessment did not determine the need to record any provisions for risks.

RTI Present S.p.A. (agent of the RTI with Pricewaterhouseandcoopers Advisory S.p.A. and Consulthink S.p.A.) / I.N.A.I.L. National Institute against Accidents at Work / Almaviva S.p.A.

The RTI Present has requested the annulment, subject to the adoption of precautionary measures, of the definitive awarding measure in favor of Almaviva of the open procedure tender for the assignment of qualitative analysis and software certification services and performance testing services for INAIL. At the hearing in the council chamber held on 6 February 2019, the Lazio TAR rejected the precautionary motion proposed by the RTI Present and postponed the discussion of the merits of the dispute at the hearing of 5 June 2019. The outcome of the risk assessment did not determine the need to record any provisions for risks.

AlmavivA S.p.A., Almawave S.r.l. and Almawave USA Inc.

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

A Californian start-up subpoenaed a former senior manager of Almawave USA Inc. together with Almawave S.r.l., AlmavivA S.p.A. and third parties before a U.S. court regarding the alleged conduct of the senior manager of Almawave USA Inc. Those summoned appeared before the court and contested the claim. With a decision of March 9, 2017, the U.S. court rejected the demands of Loop AI Labs Inc., which appealed the decision. The AlmavivA Group companies lodged an appeal for the recovery of legal costs, and any further procedural initiatives are currently under assessment. With decision of November 9, 2018, the ruling of the court of first instance was confirmed. The outcome of the risk assessment did not determine the need to record any provisions for risks.

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

Almaviva S.p.A. and other Group companies, as policyholders, have asked the Court of Milan to order Lloyd's Insurers to reimburse legal expenses and defence costs incurred and to be incurred in the context of the American dispute described above, in addition to compensation for damages. At the preliminary hearing of 16 May 2017, the judge invited the Insurers to formulate a case of settlement of the dispute and updated the discussion of the case, for the same duties, at the hearing of 28 June 2017. At this hearing, the judge - having acknowledged the failure to reach an agreement between the parties and, upon termination of the reserve assumed, postponed the case to clarify the conclusions first at the hearing of 27 February 2019 and, subsequently, on 14 January 2020. of the risk assessment did not determine the need to enter risk funds.

AlmavivA Contact S.p.A.

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

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

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

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

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

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

Labour Disputes

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

In 2017, the first appeals submitted by the dismissed workers were received.

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

In relation to the individual disputes, as many as 40 of the 42 magistrates of the Court of Rome established the validity of the procedure which were concerned by the proceedings in question. As regards the two cases that did not meet with a majority decision, the company immediately filed the relative opposition appeals which will be ruled on by the magistrates of the Court of Rome who had already ruled favourably for the company.

During 2018, the first judgments brought before the Court of Appeal (superior judge with respect to the Court) of Rome were also decided, which has so far confirmed (with sentences issued by 3 of the 5 colleges overall) the legitimacy of the procedure and the consequent layoffs.

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

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

With reference to the residual dispute initiated by former associates of the company of the headquarters of Catania and Palermo, we must point out that the Court of Appeal of Palermo confirmed the line favourable to AlmavivA Contact. The

Court of Catania has, up until now, declared the appeals lodged by certain associates to be inadmissible for procedural reasons.

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

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

43. TRANSACTIONS WITH RELATED PARTIES

The transactions carried out by the group with related parties basically concerned:

(a) the exchange of goods, the supply of services, the funding and use of financial means with the companies under joint control, associated companies and the subsidiaries outside the consolidation area, as better described hereunder;

(b) the exchange of goods and the supply of services with other subsidiaries in of the Italian State, as better described hereunder.

All transactions were carried out in the company's interest and, except for the transactions with the entities that pursue humanitarian, cultural and scientific initiatives, they are usually carried out on an arm's length basis, i.e. under conditions that would be applied between two independent parties.
The jointly controlled companies, associated companies and subsidiaries outside the consolidation area are listed in the attachment "Significant companies and equity investments", considered an integral part of these notes.
The amounts of all the relationships initiated with the related parties are reported in the following tables, together with the nature of the most significant transactions.

Trade and other relations
Trade and other relations are analysed as follows:

	At December 31, 2018		For the year ended December 31, 2018			
(in thousands of Euro)	**Receivables**	**Payables**	**Costs of Services**	**Other Costs**	**Revenues from Services**	**Other Income**
Relationships with the controlling company of AlmavivA S.p.A.						
AlmavivA Technologies Srl	19,908	2,975	300	0	10	1
Relationships with the controlling companies valued at equity method						
Consorzio Hypertix	218	0	0	44	0	0
Sin Srl	14,387	17	0	0	25,956	1,029
Consorzio Namex	0	0	10	0	0	0
TVEyes L.T.	4	14	33	10	0	12
Almaviva CCID	106		0	0	0	0
Other						
Elvit Consultoria e Partcipacoes LTDA	0	16	61	0	0	0
Totale	**34,623**	**3,022**	**404**	**54**	**25,966**	**1,042**

	At December 31, 2017		For the year ended December 31, 2017			
	Receivables	Payables	Costs for Services	Other Costs	Revenues for Services	Other Income
Relationships with the controlling company of AlmavivA S.p.A.						
AlmavivA Technologies Srl	19,151	15	300	-	10	-
Relationships with the controlling companies valued at equity method						
Consorzio Hypertix			-	-	165	
Sin Srl	20,574	260	271	57	28,288	945
Consorzio Namex	433		8	-	-	-
TVEyes L.T.	3		22	-	-	14
Other						
Sadel S.p.A.		8,617	3,974	-	-	-
Almaviva CCID	106		-	-	-	-
Dentons Europe Studio Legale e Trib.		5	16	-	-	-
Elvit Consultoria e Partcipacoes LTDA			72	-	-	-
Totale	**40,267**	**8,897**	**4,663**	**57**	**28,463**	**959**

	At December 31, 2016		For the year ended December 31, 2016			
	Receivables	Payables	Costs for Services	Other Costs	Revenues for Services	Other Income
Relationships with the controlling company of AlmavivA S.p.A.						
AlmavivA Technologies Srl	20,084	45	317	55	10	-
Relationships with the controlling companies valued at equity method						
Consorzio Hypertix	1,564	-	-	-	1,823	-
Consorzio Technapoli	-	52	-	-	-	-
Sin Srl	13,440	776	237	280	26,902	1,177
TVEyes L.T.	3	-	21	-	-	11
Other						
DLA Piper	-	143	113	-	-	-
Elvit Consultoria e Partcipacoes LTDA		-	74			
Totale	**35,091**	**1,016**	**762**	**335**	**28,735**	**1,188**

44. SUBSEQUENT EVENTS

Lombardia Gestione S,r,l,

In January 2019, the Tender 4/2017/LI announced by Lombardia Informatica S.p.A. (Lispa), having as object: "Restricted procedure pursuant to art. 61 of Legislative Decree 50/2016 for the Outsourcing of instrumental services for the management and evolution of the technological infrastructures of Lombardia Informatica S.p.A. functional to the provision of application services " which last 66 months, was awarded by Lombardia Gestione which participated to Lot 1. This outcome of the tender arise from Lombardia Informatica S.p.A. in public session on 31st January 2019 and, following call for rectification of the results on 7th February 2019.

AlmavivA Contact S.p.A.

On March 13, 2019, a new union agreement was signed for the Palermo site, in line with the solutions identified by the previous agreements aimed at the progressive stabilization of the site, with which various tools have been provided to ensure correct management of the current redundancy of employees.

Through the Agreement, in particular, it was agreed to renew the use of social security nets up to June 30, 2019. Furthermore, a redundancy incentive was defined, except for the personnel protected during the period from the application of the legislation on so-called social clause, which will be implemented through non-oppositional dismissals to be carried out by 16th April 2019.

In consideration of the rapid evolution that characterizes the innovation market, an experimental training project for redevelopment has been set-up for Information Technology profiles in order to allow employees who will join, with participation on a voluntary basis, to expand opportunities of better professional placement, both within the Almaviva Group and, more generally, within the ICT labor market and the supply chain.

45. OTHER INFORMATION

Law 124/2017 introduced some transparency measures on the subjects who receive public funds. The obligation of transparency also applies to companies that have received grants, contributions, paid positions and in any case economic advantages from public administrations, from companies controlled by them and companies with public participation. Each company is required to indicate the amounts of the amounts received in the notes to the financial statements; publication is not due if the "total" amount received by the lender is less than 10,000 euros. On the other hand, all the items that in the period contributed to exceeding this limit will have to be published, although the value of the individual disbursement is lower; as reported in Assonime's circular 5/2019, it is considered that fees for services relating to contracts stipulated with the public administration in the performance of business activities and/or deriving from contracts with corresponding services are excluded. The Company is carefully evaluating the evolution of the interpretations of the law and providing the details in the explanatory notes within the time frame provided for by the law.

Following table shows details to be provided based on requirements of mentioned Law.

Item	Lending body	Cashed	Purpose
N.1	MIUR (Italian Ministry of Education)	€/000 277	Balance of contribution received during 2018 and related to project denominated PON01_02934 “Health Soaf”. The projects were concluded at the end of April 2015.