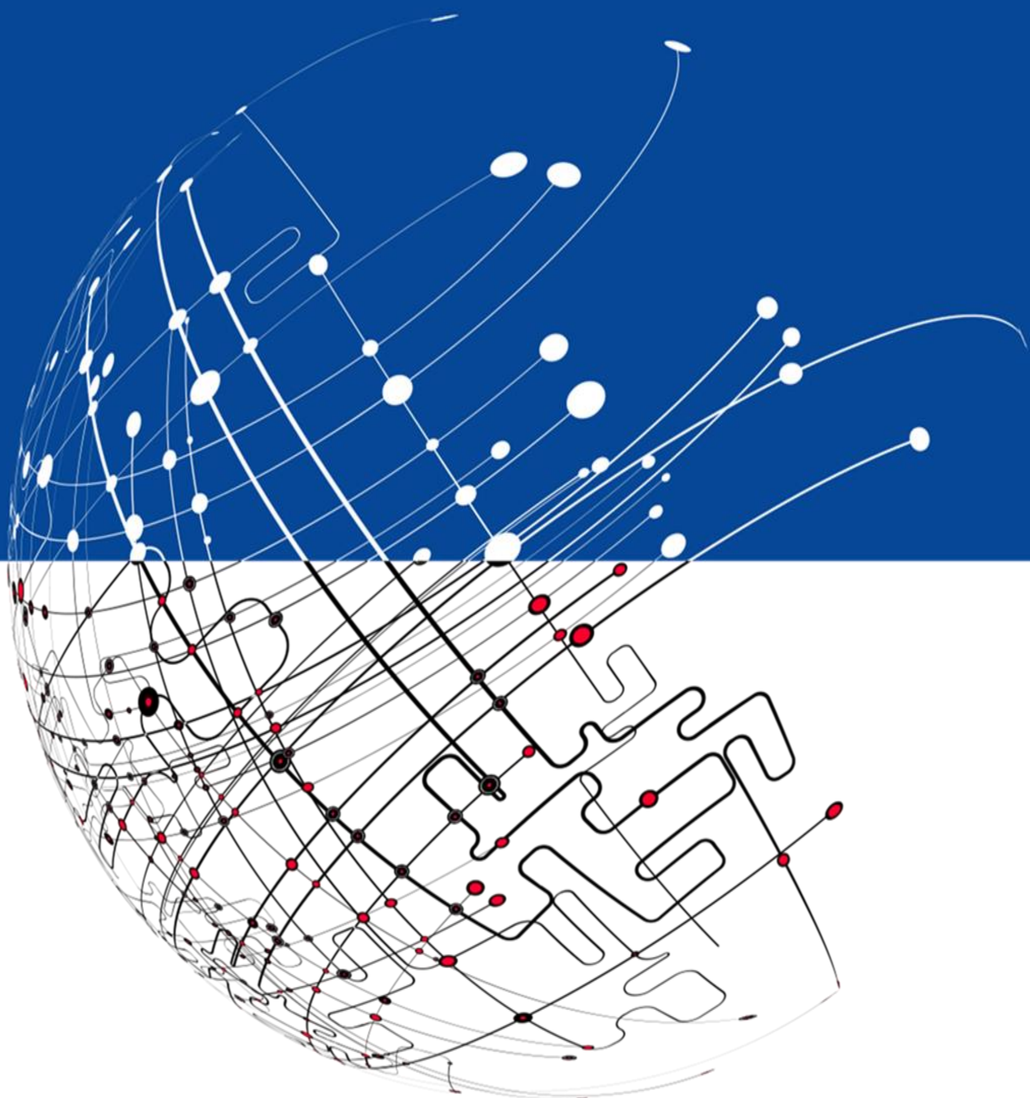
Gruppo Almaviva



ALMAVIVA S.P.A. AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017

ALMAVIVA S.P.A. AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017

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ALMAVIVA S.P.A. AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of Euro)	**Note**	**At June 30, 2018**	**At December 31, 2017**
Intangible assets	6	56.122	55.862
Goodwill		38.843	33.778
Property, plant and equipment	7	54.284	60.493
Investments accounted for using the equity method	8	1.099	1.993
Non-current financial assets	9	1.649	1.446
Deferred tax assets	10	15.234	13.383
Other non-current assets	11	2.112	1.658
Total non-current assets		**169.344**	**168.614**
Inventories and amount due from customers		0	0
Inventories and amount due from customers	12	68.654	30.809
Trade receivables	13	277.452	305.029
Current financial assets	14	3.384	9.406
Other current assets	15	98.600	86.087
Cash and cash equivalents	16	67.427	69.502
Total current assets		**515.517**	**500.832**
Non-current assets held for sale	17	2.459	2.459
Total assets		**687.320**	**671.905**
Share capital		154.899	154.899
Share premium reserve		17.788	17.788
Other reserves		(187.564)	(166.659)
Profit/(loss) for the year		10.660	221
Total group shareholders' equity		*(4.217)*	*6.249*
Non-controlling interests		*4.356*	*4.529*
Total shareholders' equity	18	**139**	**10.779**
Non-current liabilities for employee benefits	19	51.718	52.872
Non-current provisions	20	6.305	6.346
Non-current financial liabilities	21	271.451	251.121
Deferred tax liabilities	22	1.672	1.672
Other non-current liabilities	23	823	892
Total non-current liabilities		**331.969**	**312.903**
Current provisions	20	7.267	7.162
Trade payables	24	212.152	204.120
Current financial liabilities	25	11.470	12.021
Current tax liabilities	26	32.569	42.932
Other current liabilities	27	80.527	81.898
Other current liabilities for dividends to be paid	27	11.227	90
Total current liabilities		**355.212**	**348.223**
Total liabilities		**687.181**	**661.126**
Total equity and liabilities		**687.320**	**671.905**

ALMAVIVA S.P.A. AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended June 30,	
(in thousands of Euro)	**Note**	**2018**	**2017**
Revenues from contracts with customers	28	386,505	371,709
Other Income	29	11,379	6,382
Total revenues and other income		**397,884**	**378,091**
Cost of raw materials and services	30	(128,544)	(121,299)
Personnel expenses	31	(225,886)	(217,133)
Depreciation and amortization	32	(13,147)	(14,677)
Losses from sale of non-current assets	32	(79)	(62)
Other expenses	33	(4,335)	(6,312)
Operating profit/(loss)		**25,892**	**18,608**
Financial income	34	195	414
Financial expenses	34	(14,141)	(15,418)
Exchange gains/(losses)		(24)	(899)
Profit/(loss) from investments accounted for using equity method	35	6	173
Profit/(Loss) before taxes		**11,928**	**2,878**
Income taxes	36	(431)	(1,515)
Profit/(Loss) from continuing operations		**11,498**	**1,363**
Profit/(Loss) for the year		**11,498**	**1,363**
of which:			
Profit/(loss) pertaining to the group		10,660	1,094
Profit/(loss) pertaining to non-controlling interests		838	269

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

		For the six months ended June 30,	
(in thousands of Euro)	**Note**	**2018**	**2017**
Profit/(loss) for the year		**11,498**	**1,363**
Other components of comprehensive income that may be subsequently reclassified to profit or loss, after taxes:			
Exchange differences on translation of foreign operations		(10,163)	(3,168)
Gains/(losses) on cash flow hedging instruments	**21**	0	(27)
Total		**(10,163)**	**(3,195)**
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	**19**	1,073	1,462
Total		**1,073**	**1,462**
Comprehensive income/(loss) for the year		**2,408**	**(370)**
of which:			
Comprehensive income/(loss) pertaining to the group		1,934	(362)
Comprehensive income/(loss) pertaining to non-controlling interests		474	(8)

ALMAVIVA S.P.A. AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED 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, 2017	**154,899**	**17,788**	**(166,660)**	**221**	**6,249**	**3,887**	**642**	**4,529**	**10,779**
Profit/(loss) for the year				**10,660**	**10,660**		**838**	**838**	**11,498**
Exchange differences on translation of foreign operations			(9,799)		(9,799)	(364)		(364)	(10,163)
Gains/(losses) on cash flow hedging instruments			0		0			0	0
Actuarial gains/(losses) on valuation of liabilities for employee benefits			1,073		1,073			0	1,073
Comprehensive income/(loss) for the year	**0**	**0**	**(8,726)**	**10,660**	**1,934**	**(364)**	**838**	**474**	**2,408**
Allocation of prior year's profit/(loss)			221	(221)	0	0	(642)	(642)	(642)
Other movements			(12,400)		(12,400)	(5)		(5)	(12,405)
Shareholders' Equity at June 30, 2018	**154,899**	**17,788**	**(187,565)**	**10,660**	**(4,217)**	**3,518**	**838**	**4,356**	**139**

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY (Continued)

(in thousands of Euro)	Share capital	Share premium reserve	Other reserves	Profit/(loss) for the period	Total group shareholders' equity	Reserves pertaining to NCIs	Profit/(loss) for the period	Total non-controlling interests	Total shareholders' equity
Shareholders’ Equity at December 31, 2016	**154,899**	**17,788**	**(139,563)**	**(16,907)**	**16,217**	**4,291**	**764**	**5,055**	**21,272**
Profit/(loss) for the period				**1,094**	**1,094**		**269**	**269**	**1,363**
Exchange differences on translation of foreign operations (**Note 17**)			(2,891)		(2,891)	(277)		(277)	(3,168)
Gains/(losses) on cash flow hedging instruments			(27)		(27)			0	(27)
Actuarial gains/(losses) on valuation of liabilities for employee benefits (**Note 18**)			1,462		1,462			0	1,462
Comprehensive income/(loss) for the period	**0**	**0**	**-1,456**	**1,094**	**-362**	**-277**	**269**	**-8**	**-370**
Allocation of prior year's profit/(loss)			(16,907)	16,907	0	764	(764)	0	0
Other movements			374		374	(979)		(979)	(605)
Shareholders’ Equity at June 30, 2017	**154,899**	**17,788**	**(157,552)**	**1,094**	**16,229**	**3,799**	**269**	**4,068**	**20,297**

ALMAVIVA S.P.A. AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of Euro)	Note	At June 30, 2018	At June 30, 2017
Profit/(loss) for the year		**11,498**	**1,363**
Adjustments to reconcile profit before tax to net cash flows:			
Income Taxes	36	431	1,515
Financial income	34	(195)	(414)
Financial expenses	34	14,141	15,418
Exchange (gains)/losses	34	24	899
Depreciation, amortization and write-downs	32	13,147	14,677
Write-downs/(revaluations) of non-current financial assets and equity investments		(6)	(173)
Losses from sale of non-current assets		79	62
Interest received		119	414
Interest paid		(11,520)	(14,380)
Income taxes paid		(1,429)	(578)
Cash flows generated from operating activities before changes in working capital		*26,289*	*18,802*
Change in trade receivables	13	27,653	7,724
Change in inventories and amount due from customers	12	(37,845)	(1,364)
Change in trade payables	24	7,994	13,837
Change in other assets	11-15	(12,584)	(11,425)
Change in other liabilities	23-27	333	8,090
Foreign exchange rate effect related to items of working capital		13,134	2,922
Change in liabilities for employee benefits and provisions		(194)	(4,648)
Change in deferred tax assets (liabilities)		(1,851)	(274)
Cash-flow generated from/(absorbed by) operating activities (A)		**22,928**	**33,665**
Investments in property, plant and equipment	7	(4,486)	(1,974)
Investments in intangible assets	6	(12,726)	(8,046)
Acquisition of investments accounted for using the equity method		(383)	(61)
Proceeds from divestments of PP&E, intangible assets and investments accounted for using the equity mehod		20	0
Change in non-current asset held for sale	17	0	1,790
Change in non-current financial assets	9	(194)	6
Change in current financial assets	14	6,022	3,542
Cash-flow generated from/(absorbed by) investing activities (B)		**(11,747)**	**(4,743)**
Proceeds from non-controlling interests for payment of share capital of subsidiaries		294	368
Dividends approved to non-controlling interests (*)		(13,342)	(973)
Proceeds from borrowings	21	21,404	27,728
Repayment of borrowings	21	(2,834)	(45,523)
Change in current financial liabilities	25	(26,372)	(16,512)
Cash-flow generated from/(absorbed by) financing activities (C)		**(20,850)**	**(34,912)**
Cash flow of the year (A+B+C)		**(9,669)**	**(5,990)**
Effect of foreign exchange rates on cash and cash equivalents		7,593	(339)
Cash and cash equivalents at beginning of the year	16	69,502	48,181
Cash and cash equivalents at end of the year	16	67,427	41,852
**of which paid*		*2,115*	*483*

The net change in current financial assets and current financial liabilities is stated net of exchange differences.

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES

1. GENERAL INFORMATION

AlmavivA The Italian Innovation Company S.p.A. (hereinafter "AlmavivA S.p.A", the "Parent Company" or the "Company") is the parent company of one of the leading Italian groups in the Information & Communication Technology sector that operates globally, with an organisational structure incorporating roughly 44,000 employees and several offices distributed throughout Italian regions and abroad.

The parent company's registered office is in Via di Casal Boccone, 188/190, Rome and is governed by Italian law.

The unaudited interim condensed consolidated financial statements of the parent company and its subsidiaries (the "AlmavivA Group") were drafted in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") adopted by the European Union, in particular the international accounting standard applicable for the preparation of interim financial statements (IAS 34 - Interim Financial Reporting) and include the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated shareholders' equity and the consolidated cash flow statement for the years ended as at June 30, 2018 compared, as regards the income statement part, cash flow part and change in shareholders' equity, with June 30, 2017, and as regards the balance sheet part, with December 31, 2017, together with the associated notes.

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.

The term "IFRS" also includes all valid international accounting standards ("IAS"), as well as all interpretations of the committee for IFRS interpretations, previously called the Standing Interpretations Committee ("SIC") and later the International Financial Reporting Interpretations Committee ("IFRIC").

The activities of the Group and its sectors 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 42.

The unaudited interim condensed consolidated half-year financial statements as at June 30, 2018 were approved by the company's Board of Directors on September 11, 2018.

2. PRELIMINARY INFORMATION OF THE CONSOLIDATION PROCESS

Drafting principles

The AlmavivA Group interim condensed consolidated half-year financial statements were drafted in compliance with current laws.

AlmavivA S.p.A. prepares the interim condensed consolidated half-year financial statements of its group (hereinafter "AlmavivA Group"), although all the exemption prerequisites provided for by paragraph 4 of IFRS 10 apply.

The interim condensed consolidated half-year financial statements are drawn up on the basis of the going concern assumption. In this regard, the evaluation of AlmavivA's Board of Directors, presented hereunder in paragraph 2.1, is based on the assumption that there no uncertainties (as defined in paragraph 25 of IAS 1) regarding the AlmavivA Group and its ability to continue its activities.

2. PRELIMINARY INFORMATION OF THE CONSOLIDATION PROCESS (Continued)

Form and contents of the interim condensed consolidated half-year financial statements

The interim condensed consolidated half-year financial statements of the AlmavivA Group are drafted according to the International Financial Reporting Standards (hereinafter "IFRS" or "international accounting standards") issued by the International Accounting Standards Board (IASB) and adopted by the European Commission according to the procedure set out in Art. 6 of (EC) Regulation no. 1606/2002 of the European Parliament and Council of July 19, 2002. The interim condensed consolidated half-year financial statements are composed of the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement and these notes, and are drafted by applying the general historical cost principle, with the exception of the financial statement items that, based on IFRS, are measured at fair value, as indicated in the measurement criteria for the individual items.

The interim condensed consolidated half-year financial statements were prepared pursuant to the international accounting standard referring to interim financial statements (IAS 34 - Interim financial reporting). It should be noted that the AlmavivA Group adopts the half-year as the reference interim period for the purposes of application of the aforementioned IAS 34 and definition of the interim financial statements indicated therein.

The accounting standards adopted the recognition and measurement criteria, as well as the consolidation criteria and methods applied to draft the condensed half-year financial statements conform to those used to prepare the consolidated financial statements as at December 31, 2017, with the exception of the new accounting standards, amendments and interpretations in force from January 1, 2018, for a description, see the following paragraph 3.3.

The financial statement layouts adopted are consistent with those in IAS 1; in particular:

- the **consolidated balance sheet** 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 close of the financial year. Current liabilities are those which are expected to be extinguished in the company's normal operating cycle or in the twelve months after the close of the financial year;
- the **consolidated income statement** was prepared by classifying operating costs by nature, given that this type of presentation is deemed most suited to represent the Group's specific business, conforms to the internal reporting methods and is in line with the industrial sector practice;
- the **consolidated statement of comprehensive income** includes not only profit (loss) for the year, but also the other changes in shareholders' equity other than those generated by transactions performed with the shareholders;
- the **statement of changes in consolidated shareholders' equity** which provides separate information on the comprehensive income result and the transactions performed with the shareholders;
- the **cash flow statement** was drafted by disclosing the cash flows generated by operating activities according to the "indirect method" as permitted by IAS 7.
  In the representation with indirect method, the cash flow is reconstructed by adjusting the result of the year of the non-monetary components.

IFRS were applied in accordance with the guidelines provided in the "Framework for the Preparation and Presentation of Financial Statements", and no critical aspects were identified which required the use of the exceptions set forth in IAS 1. **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 interim condensed consolidated half-year financial statements is compared with the corresponding value of the previous year. The following table indicates the exchange rates adopted:

Exact exchange rates

Amount of currency for 1 Euro

Country	Currency	ISO	30.06.2018	31.12.2017	30.06.2017
Brazilian	Real	BRL	4,488	3,973	3,760
China	Yuan	CNY	7,717	7,804	7,739
Colombian	Peso	COP	3437,560	3580,190	3478,650
Europe	Leu	RON	4,663	4,659	4,552
United States	Dollar	USD	1,166	1,199	1,141
Tunisian	Dinar	TND	3,052	2,974	2,776

Average exchange rates

Amount of currency for 1 Euro

Country	Currency	ISO	30.06.2018	31.12.2017	30.06.2017
Brazilian	Real	BRL	4,142	3,604	3,439
China	Yuan	CNY	7,710	7,626	7,442
Colombian	Peso	COP	3449,147	3333,837	3162,048
Europe	Leu	RON	4,654	4,569	4,537
United States	Dollar	USD	1,211	1,129	1,082
Tunisian	Dinar	TND	2,982	2,729	2,555

2.1. Going Concern

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

The results of the interim condensed consolidated half-year financial statements as at June 30, 2018 are better than those recorded in the first half of 2017; with respect to the first half of 2017, revenues from contracts with customers rose by Euro 14,796 thousand (from Euro 371,709 thousand to Euro 386,505 thousand), the operating result increased by Euro 7,284 thousand (from Euro 18,608 thousand to Euro 25,892 thousand) and the net result went from a profit of Euro 1,363 thousand to a profit of Euro 11,498 thousand.

The forecasts for the second half of 2018 confirm the growth in revenues from contracts with customers of the IT market (especially Central and Local PA thanks to the progressive development of SPC contracts awarded in 2017, Finance, and sale of Almawave products on the IRIDE platform), the increase in volumes in the international market and the recovery of volumes in the CRM Europe market; the average margins are expected to increase.

2. PRELIMINARY INFORMATION OF THE CONSOLIDATION PROCESS (Continued)

Management continues to carry out actions, with the maximum amount of attention and intensity of control, which in particular referred to:

- Containment of overhead costs
- Greater efficiency in 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.

From a financial perspective, April 2018 saw the conclusion of the process to acquire 100% of the shares in the company Wave S.r.l. and, therefore, the underlying majority stake in the company Sadel S.p.A., a leading company in Italy in the field of production of PIS and IoT equipment and solutions for transport, with its own factory. The acquisition allows AlmavivA to cover the entire chain of value in relation to the services offered (from solution design, to the production of equipment, the design and writing of software, to maintenance and analysis of the data collected).

Note should also be taken of the benefits to the cost of labour of AlmavivA S.p.A. connected with the agreement signed with the trade union organisations on February 7, 2018, aimed at strengthening the competitive positioning and boosting profit margins. The agreement makes provision, in particular, for the use of Solidarity Contracts for a period of six months (up to 11 August) and the suspension of some supplementary entitlements.

In the IT domain, note should be taken of the start-up of the activities of the new company AlmavivA Digitaltec, established in Naples in November 2017, heavily focused on the development of skills relating to emerging technologies (Mobile, IoT, GIS, Industry 4.0, API and Big Data Analytics, Microservice & Containers), and initially focused on the development of new products and projects in the local Public Administration, Central Public Administration and Finance domains. The company expects rapid and significant development in the workforce in the second part of 2018, reaching over 200 staff at the end of the year.

In the CRM Europe domain, note should be taken of the recovery in profit margins recorded thanks to the fact that benefits connected to AlmavivA Contact's reorganisation process started to gradually materialise.

The development on international markets continues and is mainly based in Brazil. The CRM market continues to develop and grow in leaps and bounds.

AlmavivA do Brasil's role is ever more important and of leadership within the market, and its presence is therefore continuously growing, both insofar as customers already present in our portfolio as well as those just recently acquired, some of which in non-telco business sectors previously not served.

Moreover, the Group and in particular AlmavivA S.p.A. on the basis of the economic results achieved in the 2017 financial statements, also in compliance with the agreements in place, distributed dividends to shareholders.

Based on the above and on the positive results obtained by the AlmavivA Group, the directors drafted the AlmavivA Group interim condensed consolidated half-year financial statements on the going concern assumption.

2. PRELIMINARY INFORMATION OF THE CONSOLIDATION PROCESS (Continued)

2.2. Consolidation Scope and Principles

The interim condensed consolidated half-year 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

The Group has control over an investee when it is exposed, or has rights, to the variable returns of the investee and the ability to affect those returns through decision-making power over the investee. More specifically, the Group controls an investee if, and only if, it has:

- The decision-making power over the investee in the presence of rights that give the parent company the actual ability to direct the relevant activities of the investee, i.e. the activities that significantly affect the investee's returns.

Generally, an entity is controlled when the majority of voting rights are held. When the Group holds less than the majority of voting rights or similar rights of an investee, the Group considers all the relevant facts and circumstances in evaluating whether it has power over an investee, including:

- The contractual agreements with the other holders of voting rights of the investee;
- The rights deriving from the other contractual agreements;
- The voting rights of the Group and potential voting rights.

In particular, the entities consolidated are those whose control is held by the parent company either due to its direct or indirect ownership of the majority of votes that can be exercised at the shareholders' meeting or due to its exercise of a dominant influence expressed by the power to make the financial and management decisions of the entity, obtaining the relevant benefits, even regardless of equity relationships. The subsidiary entities are included in the scope of consolidation starting from the date when the Group gained control and are left out of the scope starting from the date when the Group loses control over them. The list of companies included in the area of consolidation is provided below. The statement of comprehensive income result regarding a subsidiary is attributed to the minority shareholders, even if this implies that the minority interest has a negative balance. Changes in the parent company's interest in a subsidiary that do not involve the loss of control are accounted for as changes in shareholders' equity. If the parent company loses control of a subsidiary, it:

- eliminates the assets (goodwill included) and the liabilities of the subsidiary;
- eliminates the book values of all minority shares in the former subsidiary;
- eliminates the cumulative exchange differences recognised in the shareholders' equity;
- recognises the fair value of the consideration received;
- recognises the fair value of all equity investments held in the former subsidiary;
- reclassifies the interest pertaining to the parent company of the components, previously recognised in the statement of comprehensive income, in the income statement or in the profit carried forward, as is deemed appropriate;
- records the profit or loss deriving from previous transfers in the income statement.

2. PRELIMINARY INFORMATION OF THE CONSOLIDATION PROCESS (Continued)

Main consolidation criteria

The main consolidation criteria follow:

- the assets and liabilities, income and expenses of the companies consolidated with the line-by-line method are fully recognised in the interim condensed consolidated half-year financial statements;
- the book value of the equity investments is eliminated against the corresponding percentage of the shareholders' equity in the investee companies, assigning their fair value on the date control is acquired to the single asset and liability items;
- if necessary, adjustments are made to the financial statements of the subsidiaries in order to bring the accounting criteria used in line with those adopted by the Group;
- the interest of the minority shareholders in the net assets of the consolidated subsidiaries is identified separately from the Group shareholders' equity;
- profits and losses not yet realised for the Group in so far as they come from transactions between Group companies are eliminated, as well as the items that give rise to payables and receivables, costs and revenues between the consolidated companies;
- the consolidation adjustments take into account their deferred tax effect, when applicable;
- the dividends received during the year by the subsidiaries and recognised in the income statement of the parent company as income from equity investment are eliminated with the "profit carried forward" contra entry.

Translating the financial statements into non-euro currency

All assets and liabilities of foreign companies in non-euro currency that fall within the consolidation area are translated using the exchange rates as at the date of reference of the financial statements (current exchange rates method), while the relevant revenues and costs are translated at the average exchange rate of the year. The exchange rate translation differences resulting from application of this method are classified as a shareholders' equity item until the equity investment is transferred in full or when the investee company ceases to be defined as a subsidiary. The amount of the exchange differences regarding the portion of equity investment sold is attributed to the shareholders' equity of the minority interest at the time of the partial sale, without loss of control. In preparing the consolidated cash flow statement, the cash flows of consolidated foreign companies stated in non-euro currency are translated using the average exchange rates of the year. Goodwill and the adjustments to fair value generated at the time the purchase cost of a foreign company is attributed are recognised in the relevant currency and are translated using the year-end exchange rate.

Business combinations and goodwill

Business combinations are recognised using the acquisition method. The cost of an acquisition is determined as the sum of the transferred prices measured at fair value on the date of purchase and the amount of the minority equity investment in the purchased company. The Group decides whether to measure the minority equity investment in the purchased company at fair value or in proportion to the minority equity investment in the identifiable net assets of the purchased company for each business combination. The acquisition costs are paid during the year and are classified as administrative costs. When the Group acquires a business, it classifies and attributes the financial assets acquired or the liabilities assumed in accordance with the contractual terms, economic conditions and other pertinent conditions existing on the date of purchase.

2. PRELIMINARY INFORMATION OF THE CONSOLIDATION PROCESS (Continued)

If the business combination is executed in multiple steps, the previously held equity investment is taken back to fair value at the purchase date and any resulting profit or loss is recognised in the income statement. The potential consideration to recognise is booked by the purchaser at fair value as at the date of purchase. The change in fair value of the potential consideration classified as an asset or liability, such as a financial instrument covered by IFRS 9 Financial instruments, must be recognised in the income statement or in the statement of other comprehensive income. In the cases in which the potential consideration does not fall within the scope of IFRS 9 Financial instruments, it is measured according to the appropriate IFRS. If the potential consideration is classified in the shareholders' equity, its value is not recalculated and its next settlement is recognised in the shareholders' equity.

Goodwill is initially recognised at cost represented by the surplus of the total of consideration paid and the amount recorded for the minority interest with respect to the identifiable net assets purchased and the liabilities assumed by the Group. After the initial recognition, goodwill is measured at cost less the accumulated losses of value and is subject to impairment testing.

Equity investments in associated companies and joint ventures

An associated company is a company over which the Group exercises significant influence. The term "significant influence" means the power to participate in determining the financial and management policies of the investee company without having control or joint control of it. A joint venture is a joint arrangement in which the parties holding joint control benefit from rights on the net assets of the agreement. The term "joint control" means the contract-based sharing of the control of an agreement, which exists only when the decisions on the significant assets require unanimous consent of all the parties sharing the control.

Equity investments in associated companies and in joint ventures are included in the interim condensed consolidated half-year financial statements with the equity method as required by IAS 28 (Equity investments in associated companies and joint ventures) and IFRS 11 (Joint arrangements), respectively. The associated companies and joint ventures are included in the interim condensed consolidated half-year financial statements starting from the date when the significant influence or joint control commences and continue until this situation ceases to exist.

Recognition and measurement criteria for associated companies and joint ventures: equity-accounted investments

In applying the equity method, the equity investment in an associated company or a joint venture is initially recognised at cost. The book value of the equity investment is increased or decreased to recognise the interest of the participant in the profits or losses of the investee company realised after the date of purchase. The goodwill pertaining to the associated company or joint venture is included in the book value of the equity investment and is not subject to amortisation or to individual impairment testing. The aggregate amount of the profit (loss) of the associated companies and joint ventures attributable to the Group is recognised on the profit/(loss) statement for the year after the operating result, and represents the profit (loss) after taxes and the amounts due to the other shareholders of the associated company or joint venture. After the equity method is applied, the Group assesses whether it is necessary to recognise a loss in value of its equity investment in the associated companies or joint ventures. The Group assesses whether there is objective evidence that the equity investments in the associated companies or joint ventures have sustained impairment on every balance sheet date. If this is the case, the Group calculates the amount of the loss as the difference between the recoverable value of the associated company or joint venture and its book value in its financial statements, and recognises this difference on the profit/(loss) statement for the year. When significant influence over an associated company or joint control over a joint venture is lost, the Group assesses and recognises the residual equity investment at fair value. The difference between the carrying amount of the equity investment on the date the significant influence or the joint control is lost and the fair value of the residual equity investment and considerations received is recognised in the income statement.

2.3. Effects of seasonality

The turnover and economic results of the Group are not significantly impacted by factors relating to the seasonality of the activities carried out in the Group's different operating sectors. The Group's performances actually tend to be generally uniform over the year, also thanks to the distribution to the operating activities in the two hemispheres, which makes it possible to mutually offset the periods of reduced operations of the Brazilian and European subsidiaries in the summer and winter periods. Therefore, taking into account the low economic impact of these trends, no additional financial disclosure is provided (required by IAS 34.21) relating to the trend in the last 12-month period ended as at June 30, 2018.

Consolidation area

The consolidated companies as at June 30, 2018 are listed below. With respect to the consolidated financial statements as at December 31, 2017, the consolidation area changed as following:

- the acquisition, on April 19, 2018, of 85% of the share capital of Wave S.r.l., a company whose capital therefore became wholly-owned by AlmavivA S.p.A..

  Wave S.r.l., in turn, holds 84.05% of the share capital of Sadel S.p.A..

With respect to June 30, 2017, the consolidation area changed as following:

- the incorporation of AlmavivA Digitaltec S.r.l. wholly-owned by AlmavivA S.p.A.;
- the acquisition by AlmavivA S.p.A. of 100% of the share capital of Wave S.r.l., of which 15% in the second half of 2017 and the remaining 85% in the first half of 2018, as already stated in previously.

The Group's interim condensed consolidated half-year financial statements include:

2. PRELIMINARY INFORMATION OF THE CONSOLIDATION PROCESS (Continued)

Companies and method of consolidation	Currency	Share held	At June 30, 2018	At December 31, 2017	At June 30, 2017
AlmavivA S.p.A. (Parent Company) Rome, Italy	Euro	100.00%	Full	Full	Full
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 June 30, 2018	At December 31, 2017	At June 30, 2017
Sin S.p.A. *** Rome, Italy	Euro	20.02%	-	-	-
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
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

2. PRELIMINARY INFORMATION OF THE CONSOLIDATION PROCESS (Continued)

Note 8 contains more details on the equity investments valued according to the equity method.

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:

		2018	**2017**
Lombardia Gestione S.r.l.	Italy	49,00%	49,00%
Almaviva Tunisie S.A.	Tunisia	43,25%	43,25%

minority interests	**2018**	**2017**
Lombardia Gestione S.r.l.	931	1.255
Almaviva Tunisie S.A.	758	895

profit attributed to minority interests	**2018**	**2017**
Lombardia Gestione S.r.l.	264	636
Almaviva Tunisie S.A.	24	46

The economic-financial data of these subsidiaries are reported below. This information is based on the financial statement balances before intercompany netting:

2. PRELIMINARY INFORMATION OF THE CONSOLIDATION PROCESS (Continued)

Summarized income statement for 30.06.2018	Lombardia Gestione S.r.l.	AlmavivA Tunisie S.A.
(in thousands of Euro)		
Revenues from contracts with customers	9.227	1.007
Cost of raw materials and services	(7.199)	(321)
Personnel expenses	(1.245)	(539)
Depreciation and amortization	(25)	(77)
Depreciation and amortization	(11)	(7)
Profit before taxes	**733**	**64**
Income taxes	(210)	(9)
Profit from continuing operations	**523**	**55**
Other comprehensive income for the year	**538**	**55**
Other comprehensive income pertaining to the group	264	24
Dividends paid pertaining to non-controlling interests	588	154

Summarized income statement for 30.06.2017	Lombardia Gestione S.r.l.	AlmavivA Tunisie S.A.
(in thousands of Euro)		
Revenues from contracts with customers	9.249	1.104
Cost of raw materials and services	(7.152)	(306)
Personnel expenses	(1.288)	(632)
Depreciation and amortization	(23)	(88)
Depreciation and amortization	(9)	(5)
Profit before taxes	**614**	**72**
Income taxes	(179)	(13)
Profit from continuing operations	**435**	**59**
Other comprehensive income for the year	**454**	**59**
Other comprehensive income pertaining to the group	222	26
Dividends paid pertaining to non-controlling interests	971	-

2. PRELIMINARY INFORMATION OF THE CONSOLIDATION PROCESS (Continued)

Summarized statement of financial position for 2018	**Lombardia Gestione S.r.l.**	**AlmavivA Tunisie S.A.**
(in thousands of Euro)		
Non-current assets	308	392
Trade receivables	2.999	1.720
Current liabilities	(6.723)	(1.329)
Non-current liabilities	(720)	0
Equity	**1.900**	**1.732**
Pertaining to the group	969	974
Pertaining to non-controlling interests	931	758

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 cash flow for June 30, 2018	**Lombardia Gestione S.r.l.**	**AlmavivA Tunisie S.A.**
(in thousands of Euro)		
Cash-flow generated from operating activities	180	418
Cash-flow absorbed by investing activities	(8)	(37)
Cash-flow absorbed by financing activities	(1.200)	(358)
Cash flow of the year	**- 1.028**	**23**

Summarized statement of cash flow for June 30,2017	**Lombardia Gestione S.r.l.**	**AlmavivA Tunisie S.A.**
(in thousands of Euro)	**Keuro**	**Keuro**
Cash-flow generated from operating activities	1.994	415
Cash-flow absorbed by investing activities	0	19
Cash-flow absorbed by financing activities	(1.966)	(283)
Cash flow of the year	**28**	**151**

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. New accounting standards, interpretations and updates adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments that require restatement of previous financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

IFRS 15 Revenues from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenues and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized 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.

The standards requires entities to exercise judgment, 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.

The Group adopted IFRS 15 using modified retrospective method as indicated in IFRS 15.C3b.

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 reclassification 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.

IFRS 9 Financial Instruments

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.

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 approximable with the sale price of the same.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

La perdita attesa è funzione della probabilità di default (PD), dell'esposizione al default (EAD) e della loss given default (LGD), e tale stima deve essere effettuata sia incorporando informazioni forward looking che attraverso l'uso di giudizi dettati dall'esperienza sul credito al fine di riflettere fattori che non siano catturati dai modelli.

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;

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 IFRS 9 Financial Instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 a 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 obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these 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, IFRS 9, 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, the entity 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 statements.

3.2. Use of estimates and assumptions by management

The drafting of financial statements in compliance with IFRS also requires the use of estimates and assumptions which are reflected in the book values of assets and liabilities, costs and revenues, and in the disclosure of contingent assets and contingent liabilities. The estimates and assumptions are based on the best information available on the reporting date and on previous experiences when the carrying amount of assets and liabilities is not easy to infer from other sources. Therefore, the final results could differ from these estimates. The estimates and assumptions are periodically reviewed and the effects of any changes booked immediately to the income statement.

ASSUMPTIONS BY MANAGEMENT

The main assumptions made by management in preparing the financial statements of the AlmavivA Group refer primarily to the following aspects:

- the evaluation of the existence of control, joint control or a significant influence over the Group entities, as described in paragraph 2.2;
- the evaluation of the useful life of the intangible assets and tangible assets, as described in paragraph 3.1;
- an analysis of whether the conditions for qualifying an asset or transaction as a non-current asset held for sale in compliance with IFRS 5 are satisfied and whether these assets or transactions also represent disposal operations or not;
- the definition of the Group's operating segments which are relevant for the business and that reflect the regular revision process in terms of operating results performed at the top decision-making level regarding the resources to be allocated to the segments and the evaluation of their performances, as detailed in paragraph 4;
- the identification of the cash generating units (CGU) as small groups of assets that generate cash inflows that are largely independent and to which goodwill is also allocated.

The assumptions not addressed in other parts of this document are commented hereunder.

Non-current assets (or disposal groups) classified as held for sale or assets being disposed

Non-current assets (or disposal groups) whose carrying amount will be recovered through sale, rather than continuous use, are classified as held for sale and are shown separately from other assets in the balance sheet. The liabilities associated to assets being disposed are also reported separately from the other balance sheet liabilities. This occurs only when the sale is highly probable and the non-current assets (or disposal groups) are available for immediate sale in their present condition. Management evaluates whether these conditions are satisfied for qualifying non-current assets (or disposal groups) as non-current assets held for sale pursuant to IFRS 5.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-current assets (or disposal groups) classified as held for sale are recognised for the first time in compliance with the IAS/IFRS applicable to specific assets or liabilities and subsequently valued at the lower of their carrying amount and fair value, less costs to sell. Any subsequent impairment is recognised as direct adjustments to the non-current assets (or disposal groups) classified as held for sale and are stated 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 transferred or classified as held for sale and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan for the disposal of a separate major line of business or geographical area of operations;
- is a subsidiary acquired exclusively with a view to resale.

Gains or losses on discontinued operations, both sold 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, if present, are reclassified and reported separately in the income statement net of the tax effects, for comparative purposes.

Management uses its judgment in determining whether the non-current assets held for sale or the disposal group qualify as such.

Non-current assets that no longer meet the requirements for being classified as held for sale or that cease to belong to a disposal group classified as held for sale are measured at the lower of:

- the carrying amount of the asset (or disposal group) before its classification as held for sale, adjusted for amortisation/depreciation, write-downs or write-backs that would have been recognised if said asset (or disposal group) had not been classified as held for sale; and
- the recoverable value, equal to the greater of its fair value less costs to sell and its value in use, calculated on the date on which the decision not to sell was taken.

Identification of Cash Generating Units (CGU)

In application of the provisions of "IAS 36 - Impairment of assets", the goodwill booked to the Group's interim condensed consolidated half-year financial statements, by virtue of business combinations, was allocated to the single CGUs or groups of CGUs, which are expected to benefit from the combination. In the process of identification of the aforementioned CGUs, management took into account the specific nature of the activity and of the business it belongs to (regional area, business areas, reference legislation, etc.), verifying that the cash flows deriving from a group of assets was strictly independent and completely separate from those deriving from other assets (or groups of assets). The assets included in each CGU were also identified on the basis of the methods used by the management to manage and monitor them as part of the "business model" adopted.

As a result of this process, the following CGUs were identified to which goodwill was allocated: AlmavivA Contact S.p.A., Alicos, AlmavivA do Brasil S.A., In Action, AlmavivA Finance, Pervoice, Gempliss and Atesia.

Use of estimates

Estimates mainly relate to the critical evaluation processes and key assumptions used by the Group for IFRS purposes, which could have a significant impact on the data presented in the consolidated half-year financial statements or which involve the risk of possible substantial differences with respect to the future values of the amounts of assets and liabilities. The main areas in which estimates are used as reported below.

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 measurement”. 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 June 30, 2018, the interim condensed consolidated half-year 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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 occurs. The test related to impairment indicators of deferred tax assets in the interim condensed consolidated financial statements as at 30 June 2018 was carried out on the current business plan 2017 -2021 approved by the Board of Directors.

3.3. Recently issued accounting standards

IFRS 16 Leases

IFRS 16 was published in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 defines the principles for recognising, measuring, presenting and disclosing leases and requires lessees to recognise all leases based on a single lessee accounting model similar to that used to recognise financial leases pursuant to IAS 17. The standard envisages two recognition exemptions for the lessee – leases where the underlying asset has a "low value" (such as personal computers) and short-term leases (such as leases with a lease term of 12 months or less). At the start date of the lease, the lessee will recognise a liability in respect of lease payments (i.e. the leasing liability) and an asset that represents the right to use the underlying asset for the duration of the lease (i.e. right to use the asset). The lessees will have to recognise separately interest expenses on a lease liability and the amortisation of a right-of-use asset.

The lessees will also have to re-measure the lease liability when certain events occur (e.g.: change in the lease term, change in future lease payments resulting from a change in an index or a rate used to determine those payments). The lessee will recognise generally the re-measurements of the lease liability as adjustments to the right-of-use asset.

The accounting by lessors envisaged by IFRS 16 is essentially unchanged from the current accounting in accordance with IAS 17. Lessors will continue to classify all leases using the same classification principle provided by IAS 17 and by distinguishing two types of leases: operating lease and finance lease.

IFRS 16 requires lessees and lessors more extended disclosure compared to IAS 17.

IFRS 16 is effective for years starting on or after January 1, 2019. Early application is allowed, but not before the entity has adopted IFRS 15. A lessee shall either apply the standard with full retrospective effect or modified retrospective effect. The transitional provisions envisaged by the standard allow for some benefits.

In 2018, the Group will continue to define the potential impact of IFRS 16 on its consolidated financial statements, please refer to note 39 for the quantification of financial leases and redemption commitments.

4. OPERATING AND REPORTABLE SEGMENTS

Starting from the financial statements as at June 30, 2017, the Group provides the disclosure required by IFRS 8 regarding Segment Reporting. This disclosure was supplemented - in anticipation of the bond loan transaction - in the special purpose financial statements included in the F-Pages of the Offering Memorandum.

4. OPERATING AND REPORTABLE SEGMENTS (Continued)

As set forth in IFRS 8, the management identified its operating segments based on the criteria indicated in the standard, which requires the identification of those segments whose reported revenue, from both external customers and from sales or intersegment transfers, is 10% or more of the combined revenues from contracts with customers, internal and external, of all operating segments. Consequently, the following three main operating segments were identified: (a) IT Services; (b) CRM Europa; and (c) CRM International.

In addition to the above, the management identified a fourth operating segment, Almawave - New Technology, which it is believed to provide important information to stakeholders and investors in terms of significant investments made by the Group in the new technologies sector in the last few years, regardless of the fact that it does not exceed the quantitative threshold set out in IFRS 8.

Information on the operating segment based on the four operating segments indicated above is consistent with the information used by the top management in its collective role of Chief Operating Decision Maker, as they monitor the operating results of these operating segments separately in order to take decisions on the allocation of resources and the evaluation of performances. The trend in the sector is evaluated on the basis of the profit or loss and is assessed consistently with the income statement in the interim condensed consolidated half-year financial statements.

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.

For management purposes the organization into segments is based on the products and services supplied as illustrated hereunder:

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, AlmavivA Credit, 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 transfer prices between the operating segments are negotiated internally using similar methods to transactions with third parties.

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.

4. OPERATING AND REPORTABLE SEGMENTS (Continued)

OPERATING SEGMENTS

For the six months ended June 30, 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	196,303	69,500	115,711	4,992	386,506	(0)	386,505
Inter-segment	1,676	3,574	28	3,449	8,727	(8,727)	0
Total revenues from contracts with customers	**197,979**	**73,074**	**115,739**	**8,441**	**395,233**	**(8,727)**	**386,505**
Income/(Expenses)							
Cost of raw materials and services	(86,482)	(17,162)	(33,402)	(2,525)	(139,572)	11,028	(128,544)
Personnel expenses	(91,611)	(59,036)	(71,936)	(3,536)	(226,120)	234	(225,886)
Depreciation and amortization and write-downs	(7,572)	(1,045)	(4,321)	(919)	(13,856)	709	(13,147)
Losses from sale of non-current assets	5	(84)	0	0	(79)	0	(79)
Other operating income	11,853	386	85	1,245	13,569	(2,190)	11,379
Other operating expenses	(3,804)	(452)	0	(59)	(4,315)	(21)	(4,335)
Operating Profit	**20,368**	**(4,320)**	**6,165**	**2,646**	**24,859**	**1,033**	**25,892**
At June 30, 2018							
Total assets	**463,722**	**145,229**	**145,776**	**33,141**	**787,868**	**(123,274)**	**664,594**
Total liabilities	**294,154**	**93,091**	**36,620**	**10,851**	**434,716**	**(64,696)**	**370,020**

For the six months ended June 30, 2017

(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	170,472	60,896	137,415	2,926	371,709	(0)	371,709
Inter-segment	1,941	3,347	108	3,782	9,178	(18,132)	0
Total revenues from contracts with customers	**172,413**	**64,243**	**137,523**	**6,708**	**380,887**	**(18,132)**	**371,709**
Income/(Expenses)							
Cost of raw materials and services	(73,676)	(17,124)	(39,421)	(1,784)	(132,006)	10,706	(121,299)
Personnel expenses	(82,139)	(50,623)	(81,050)	(3,481)	(217,294)	161	(217,133)
Depreciation and amortization and write-downs	(7,621)	(1,106)	(5,370)	(789)	(14,886)	209	(14,677)
Losses from sale of non-current assets	(52)	0	0	(10)	(62)	0	(62)
Other operating income	6,770	1,078	0	133	7,981	(1,599)	6,382
Other operating expenses	(3,332)	(1,265)	(1,916)	(2)	(6,515)	203	(6,312)
Operating Profit	**12,363**	**(4,797)**	**9,766**	**774**	**18,106**	**502**	**18,608**
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**

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.

4. OPERATING AND REPORTABLE SEGMENTS (Continued)

RECONCILIATION OF OPERATING PROFIT

	For the six months ended June 30,	
(in thousands of Euro)	**2018**	**2017**
Segment profit	**25,892**	**18,608**
Finance income	195	414
Finance costs	(14,141)	(15,418)
Exchange gains/(losses)	(24)	(899)
Gains/(losses) on equity investments	0	0
Profit/(loss) from investments accounted for using equity method	6	173
Inter-segment income/expenses (elimination)	0	0
Profit/(loss) before taxes	**11,928**	**2,878**

Reconciliation of Total assets

(in thousands of Euro)	**At June 30, 2018**	**At December 31, 2017**
Segment operating assets	**664,594**	**645,211**
Deferred tax assets	15,234	13,383
Current financial assets	3,384	9,406
Non-current financial assets	1,649	1,446
Non-current assets held for sale	2,459	2,459
Total assets	**687,320**	**671,905**

Reconciliation of Total liabilities

(in thousands of Euro)	**At June 30, 2018**	**At December 31, 2017**
Segment operating liabilities	**370,020**	**353,380**
Non-current financial liabilities	271,451	251,121
Current financial liabilities	11,470	12,021
Current tax liabilities	32,569	42,932
Deferred tax liabilities	1,672	1,672
	0	
Total liabilities	**687,181**	**661,126**

4. OPERATING AND REPORTABLE SEGMENTS (Continued)

Revenues from contracts with customers by geographic area

Geographic information

(in thousands of Euro)	**At June 30, 2018**	**At December 31, 2017**
Revenues from external customers		
Italy	**267,621**	**232,341**
Brazil	110,410	133,108
Tunisia	980	1,104
Colombia(1)	4,336	3,346
Europe(2)	3,158	1,810
Total	386,505	371,709
Of which:		
Rendering of services		**370,243**
Sales of goods		**1,466**
Revenues recognized over the time	**385,549**	
Revenues detected at a point in time	**956**	

5. SIGNIFICANT TRANSACTIONS IN THE PERIOD

During the half-year that closed on June 30, 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:

5. SIGNIFICANT TRANSACTIONS IN THE PERIOD (Continued)

(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
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)**

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

5. SIGNIFICANT TRANSACTIONS IN THE PERIOD (Continued)

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 1,447 thousand to Group's net revenues and for Euro 2,067 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 388,330 thousand and the profit for the year Euro 9,732 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

Intangible assets of the Group amounted to Euro 94,965 thousand (Euro 89,640 thousand as at December 31, 2017) and are composed as follows:

INTANGIBLE ASSETS

(in thousands of Euro)	Goodwill	Start-up and expansion costs	Industrial patent and intellectual property rights	Concessions, licences, trademarks and similar rights	Other intangible assets	Assets under construction	Total
At December 31, 2017	**33,778**		**26,440**	**608**	**12,265**	**16,549**	**89,640**
Additions	5,121		596	15	13	13	5,758
Capitalisation for internal projects			163	302		6,504	6,969
Amortization			(3,199)	(125)	(3,128)		(6,452)
Disposals							0
Reclassifications and other			3,855		5,771	(9,638)	(12)
Foreign exchange differences	(56)		(906)	24			(938)
At June 30, 2018	**38,843**		**26,949**	**824**	**14,921**	**13,428**	**94,965**

Group investments as at June 30, 2018 amounted to Euro 5,758 thousand and essentially relate to the goodwill of Euro 5,121 thousand recorded for AlmavivA S.p.A.'s acquisition of Wave S.r.l. and its subsidiary Sadel S.p.A., to "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 6,969 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 half-year, totalled Euro 26,949 thousand and, therefore, highlights the Group's software and IT applications developed internally and the developmental maintenance carried out on 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 half-year, following the analyses conducted, the values booked are fully recoverable.

Amortisation on the intangible assets in the half totalled Euro 6,452 thousand. The main depreciation rates adopted as at June 30, 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 938 thousand, mainly regard companies that draft their financial statements in the Brazilian Real. Goodwill that has arisen over the years is detailed as follows:

6. INTANGIBLE ASSETS AND GOODWILL (Continued)

(in thousands of Euro)	At December 31, 2017	Exchange differences	Additions	At June 30, 2018
Alicos	2,007			2,007
Almaviva Contact	26,533			26,533
Almaviva do Brasil	1,748			1,748
Almaviva Finance	745			745
Atesia	44			44
Gempliss	198			198
In Action	1,017			1,017
Pervoice	314			314
Wave	0		5,121	5,121
Third	1,172	(56)		1,116
Total	**33,778**	**(56)**	**5,121**	**38,843**

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 of the goodwill booked in the financial statements was estimated by determining the value in use of the CGUs under review, through the use of the discounted cash flow models, which provide for the estimate of expected cash flows and the application of an appropriate discount rate, determined by using market inputs like the risk-free, beta and market risk premium rates. 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.

The AlmavivA Group verifies the recoverability of the goodwill at the close of the year or at least once per year, or more frequently if there are indicators of impairment.

During the current half, even if no indicators of permanent losses in value are found, management have performed the impairment test in question on the base to the current business plan, after to have verified the criteria set forth in IAS 36.

The results of the impairment tests conducted as at June 30, 2018 confirmed that the values in use exceeded the book values. The aforesaid also in the assumption of a shock-down (-20%) in margins and a shock-up (+2%) in the discount rates of cash flows considered.

The discount rate corresponding to the average cost of capital (WACC) relating to the CRM segment (to which the goodwill deriving from Atesia, Alicos, AlmavivA Contact, AlmavivA do Brasil and InAction relates), was determined using the following assumptions:

6. INTANGIBLE ASSETS AND GOODWILL (Continued)

IMPAIRMENT TEST - WACC

		30-giu-18	
CRM Business	**Brasile**	**Colombia**	**Altri**
Beta	1	1	1
Risk Free Rate	11%	7%	1.3%
Market risk premium	4.0%	4.0%	4.0%
Costo medio del debito	10.0%	10.0%	8.6%
Debt Ratio	70.0%	30.0%	30.0%
Tasso di crescita	7.0%	7.0%	0.0%
Imposte	34%	33%	24%
WACC	**11.0%**	**10.5%**	**6.6%**

In the previous evaluation the assumptions were as follows:

CRM Business	Brazil	Colombia	Others
Beta	1	1	1
Risk Free Rate	10.00%	7.50%	1.50%
Expected Market Return	4.0%	4.0%	4.0%
Average Cost of Debt	17.0%	15.0%	5.6%
Debt/Equity Ratio (%)	70-30	30-70	30-70
Gordon Growth Rate	7.5%	8.0%	0.0%
Taxes	34%	33%	24%
WACC	**13.9%**	**11.9%**	**6.0%**

While as regards the discount rate corresponding to the average cost of capital (WACC) relating to the Finance segment (to which the goodwill deriving from AlmavivA Finance relates), it was determined using the following assumptions:

Finance Business	2018
Beta	1
Risk Free Rate	1,29%
Expected Market Returr	4.0%
Average Cost of Debt	8,61%
Debt/Equity Ratio (%)	30-70
Gordon Growth Rate	0.0%
Taxes	24%
WACC	**6,60%**

In the previous evaluation the assumptions were as follows:

6. INTANGIBLE ASSETS AND GOODWILL (Continued)

Finance Business	
Beta	1
Risk Free Rate	1.46%
Expected Market Return	4.0%
Average Cost of Debt	5.6%
Debt/Equity Ratio (%)	30-70
Gordon Growth Rate	0.0%
Taxes	24%
WACC	**6,0%**

As regards the discount rate corresponding to the average cost of capital (WACC) relating to the Almawave – New Technology segment (to which the goodwill deriving from Gempliss and Pervoice relates), it was determined using the following assumptions:

Beta	1
Risk Free Rate	1,29%
Market risk premium	4,00%
Costo medio del debito	8,61%
Debt ratio	30-70
Tasso di crescita	0,00%
Imposte	24,00%
WACC	6,60%

In the previous evaluation the assumptions were as follows:

Almawave	
Beta	1
Risk Free Rate	1.46%
Expected Market Return	4.0%
Average Cost of Debt	5.6%
Debt/Equity Ratio (%)	30-70
Gordon Growth Rate	0.0%
Taxes	24%
WACC	**6,0%**

The Other intangible assets mainly include the costs relative to software products, incurred to make changes to the products used as part of contracts under way.

7. PROPERTY, PLANT AND EQUIPMENT

The AlmavivA Group's tangible assets, owned or leased, amounted to Euro 54,284 thousand (Euro 60,493 thousand as at December 31, 2017) and are composed as follows:

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(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 December 31, 2017	**9,703**	**16,641**	**389**	**33,621**	**139**	**60,493**
Additions	0	1,124	45	1,874	1,443	4,486
Capitalisation for internal projects						0
Depreciation	(403)	(2,417)	(71)	(3,804)		(6,695)
Disposals		(64)		(38)	0	(102)
Reclassifications and other	72	64	23	(16)	(33)	110
Foreign exchange differences		(1,483)		(2,524)	(1)	(4,008)
Historical cost	19,155	221,039	3,176	158,660	1,548	**403,578**
Accumulated amortization	(9,783)	(207,174)	(2,790)	(129,547)	0	**(349,294)**
At June 30, 2018	**9,372**	**13,865**	**386**	**29,113**	**1,548**	**54,284**

The investments amounted to Euro 4,486 thousand as at June 30, 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 assets under construction recorded an increase of Euro 1,443 thousand, relating primarily to the IT Services operating segment and, to a lesser extent, the CRM Europe segment.

Depreciation in the first half of 2018 amounted to Euro 6,695 thousand.

Disposals during the period amounted to Euro 102 thousand, while the reclassifications and other amounted to positive Euro 110 thousand.

The main depreciation rates adopted as at June 30, 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 half, the company checked the non-existence of indicators of impairment.

The exchange differences from the translation to Euro of the financial statements of companies operating in non-euro areas, negative Euro 4,008 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 9,372 thousand relating mainly to the building located in Rome at Via dello Scalo Prenestino, owned by the IT Services segment. The property is depreciated at 3%.

8. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

Joint ventures and associated companies

Equity investments accounted for using equity method are analysed below:

INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(in thousands of Euro)	At June 30, 2018	At December 31, 2017
CCID – Almaviva Inform. Technol. Co. Ltd	988	988
Consorzio Hypertix	99	99
TVEyes L.T. S.r.l.	12	6
Wave S.r.l.	0	900
SIN S.p.A.	0	0
Total	**1,099**	**1,993**

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 item in question decreased by Euro 900 thousand, for the amount of Wave S.r.l. that, owing to the acquisition of an additional share of 85%, changes from associated company to consolidated subsidiary; it increased by Euro 6 thousand due to the adjustment of TVEyes L.T. S.r.l..

The Group's equity investment in the aforementioned company is accounted for in the interim condensed consolidated half-year 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 interim condensed consolidated half-year financial statements. There is no intercompany financing towards the joint venture and associated companies.

(in thousands of Euro)	At December 31, 2017	Income Statement effect	Increases (Decreases)	At June 30, 2018
CCID – Almaviva Inform. Technol. Co. Ltd	988	0	0	988
Consorzio Hypertix	99	0	0	99
TVEyes L.T. S.r.l.	6	6	0	12
Wave S.r.l.	900	0	(900)	0
SIN S.p.A.	0	0	0	0
Total	**1,993**	**6**	**(900)**	**1,099**

	Sede	Capitale sociale		Possesso (%)	Partecipante
CCID – Almaviva Inform. Technol. Co. Ltd	Shangai, China	¥	39.642.000,00	50,00	AlmavivA S.p.A.
Consorzio Hypertix	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 AlmavivA Group's non-current financial assets amounted to Euro 1,649 thousand (Euro 1,446 thousand as at December 31, 2017) and are composed as follows:

NON-CURRENT FINANCIAL ASSETS

(in thousands of Euro)	At June 30, 2018	At December 31, 2017
Long-term loans	1,608	1,414
Others Equity investments	41	32
Non-current financial assets	**1,649**	**1,446**

(in thousands of Euro)	At June 30, 2018	At December 31, 2017
Amount failling due within 12 months	0	0
Amount failling due between 1-5 years	1,608	1,414
Non-current financial receivables	**1,608**	**1,414**

Non-current financial receivables, amounting to Euro 1,608 thousand (Euro 1,414 thousand as at December 31, 2017) are all instrumental to operating activities and concern loans to personnel for Euro 427 thousand and financial assets due to Auselda for Euro 1,181 thousand. The aforementioned financial receivables relate entirely to AlmavivA S.p.A..

Others Equity investments amounting to Euro 41 thousand (Euro 32 thousand as at December 31, 2017), refer to equity investments in other companies and are composed as follows:

Othres Equity investments

	At 30-Jun-2018	At 31-Dec-2017
CONAI	*1*	*1*
CALPARK	*5*	*5*
BANCA BRUTIA	*5*	*5*
SEMANTIC VALLEY	*0*	*0*
UIRNET	*5*	*5*
CONSORZIO NAMEX	*3*	*3*
OTHER	*22*	*13*
Total	**41**	**32**

10. DEFERRED TAX ASSETS

Deferred tax assets amounted to Euro 15,234 thousand (Euro 13,383 thousand as at December 31, 2017) 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.

10. DEFERRED TAX ASSETS (Continued)

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.

(in thousands of Euro)	At June 30, 2018	At December 31, 2017
Deferred Tax Assets	**15,234**	**13,383**

Broken down into:

(in thousands of Euro)	At June 30, 2018	At December 31, 2017
Italian subsidiaries	9,231	8,317
Foreign subsidiaries	6,003	5,066
Total Deferred Tax Assets	**15,234**	**13,383**

Changed as follows:

(in thousands of Euro)	At June 30, 2018	At December 31, 2017
Balance at the beginning of the year	**13,383**	**10,777**
Increases	2,621	4,279
Decreases	(57)	(821)
Effect of currency translation	(721)	(730)
Other changes	8	(122)
Balance at the end of the year	**15,234**	**13,383**

11. OTHER NON-CURRENT ASSETS

Other non-current assets amounted to Euro 2,112 thousand (Euro 1,658 thousand as at December 31, 2017) and are composed as follows:

(in thousands of Euro)	At June 30, 2018	At December 31, 2017
Security deposits	814	723
Prepaid expenses	1,294	931
Other receivables	4	4
Other non-current assets	**2,112**	**1,658**

11. OTHER NON-CURRENT ASSETS (Continued)

Prepaid expenses refer to the correct accrual in the year of the "Sign in Bonus" recognised to Alitalia by AlmavivA Contact and the training of AlmavivA Contact (Euro 414 thousand), AlmavivA Digitaltec (Euro 92 thousand) and AlmavivA Services (Euro 788 thousand).

12. INVENTORIES AND AMOUNT DUE FROM CUSTOMERS

Group inventories and amounts due from customers amounted to Euro 68,654 thousand (Euro 30,809 thousand as at December 31, 2017) and are composed as follows:

(in thousands of Euro)	**At June 30, 2018**	**At December 31, 2017**
Amount due from customers (gross)	52,854	30,200
Amount due from customers due to IFRS 15	11,609	0
Inventories	4,191	609
Inventories and Amount due from customers	**68,654**	**30,809**

They mainly refer to the contract work in progress relating to the activities performed by the parent company AlmavivA S.p.A. and are measured on the basis of the criteria explained previously.

The overall increase of Euro 37,845 thousand refers to:

- the gross amount due from customers for Euro 22,654 thousand attributable mainly to the IT Services sector net of advances received for Euro 204 thousand;
- in addition, starting from January 1, 2018, in application of new IFRS 15, the company carried out a reclassification to the item "Amount due from customers in application of IFRS 15" of the contractual activities for which, at that date, there was no unconditional right of the individual Group companies to receive the consideration from customers given relating to activities still not completed and previously recorded under trade receivables for an amount of Euro 11,609 thousand;
- inventories totalled Euro 4,191 thousand (Euro 609 thousand as at December 31, 2017), marking an increase mainly due to the contribution of the company Sadel (Euro 3,556 thousand).

13. TRADE RECEIVABLES

Trade receivables totalled Euro 277,452 thousand (Euro 305,029 thousand as at December 31, 2017):

(in thousands of Euro)	**At June 30, 2018**	**At December 31, 2017**
Trade receivables, gross amount	292,635	321,189
Trade receivables, amount retained as a guarantee	5,404	4,349
Bad debt provision	(20,587)	(20,509)
Trade receivables	**277,452**	**305,029**

Receivables are stated net of the bad debt provision of Euro 20,587 thousand (Euro 20,509 thousand as at December 31, 2017):

13. TRADE RECEIVABLES (Continued)

(in thousands of Euro)	At June 30, 2018	At December 31, 2017
Balance at the beginning of the year	**20,509**	**20,448**
Provisions	0	67
Uses	(143)	0
Other	221	(6)
Balance at the end of the year	**20,587**	**20,509**

The bad debt provision refers to receivables past due by more than 120 days.

Some trade receivables are collected by assignment of receivables to factoring companies with non-recourse sale contracts.

The following table shows the ageing of the gross amount of trade receivables, excluding trade receivables retained as guarantee as at June 30, 2018 and December 31, 2017:

(in thousands of Euro)	At June 30, 2018	At December 31, 2017
Amount not yet due	232,141	255,429
Amount due by less than 30 days	2,923	11,065
Amount due between 30-60 days	6,421	4,471
Amount due between 61-90 days	4,177	1,352
Amount due between 91-120 days	2,081	1,725
Amount due by more than 120 days	44,892	47,147
Trade receivables, gross amount	**292,635**	**321,189**

As already reported in the financial statements as at 31/12/2017, it should be noted that in May 2, 2017, the Ministry of Economic Development ordered by decree the admission of Alitalia – Società Aerea Italiana S.p.A. to the extraordinary administration based on the Marzano law decree. A board of commissioners composed by Luigi Gubitosi, Enrico Laghi and Stefano Paleari was appointed with the same decree. The company - supported by the opinion of its legal representatives, both internal and external, and further supported by the recent positions adopted in case law - believes that the net receivables due from Alitalia Società Aerea Italiana S.p.A. under E.A. for an amount of Euro 5,999 thousand are, at the current state of play, pre-deductible and as a result fully recoverable. Future developments in the bankruptcy proceedings will be carefully monitored in order to evaluate any changes in the conditions that led the directors to adopt the current position as well as the effects of the same.

If should be noted that Note 37 “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.

14. CURRENT FINANCIAL ASSETS

As at June 30, 2018, the current financial assets amounted to Euro 3,384 thousand (Euro 9,406 thousand as at December 31, 2017), are all instrumental for operating activities and refer primarily to AlmavivA S.p.A., for Euro 3,207 thousand, relating to projects financed by the government and other for an amount of Euro 177 thousand. The change compared to 31 December 2017, equal to Euro 6,022 thousand, is essentially due to the option for the acquisition of further 85% stake in the company Wave Srl which took place in April 2018 and which was extensively described in other parts of this document and, to a lesser extent, in receivables relating to the cash transferred with the business units acquired in the second half of 2017 by Almaviva Contact and Almaviva Services. There were no financial assets past due or written down.

(in thousands of Euro)	**At June 30, 2018**	**At December 31, 2017**
Current financial assets	**3,384**	**9,406**

15. OTHER CURRENT ASSETS

Other current assets amounted to Euro 98,600 thousand (Euro 86,087 thousand as at December 31, 2017) and are composed as follows:

(in thousands of Euro)	**At June 30, 2018**	**At December 31, 2017**
Receivables due from personnel	2,429	1,335
Receivables due from social security institutions	1,923	1,908
Receivables due from tax autorithies	15,377	12,684
Receivables related to tax consolidation	18,312	17,622
Prepaid expenses	8,713	4,552
Advances to suppliers	6,938	3,713
Sundry items	44,908	44,273
Other current assets	**98,600**	**86,087**

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 1,923 thousand:

- 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.

The receivables from tax consolidation of Euro 18,312 thousand 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.

Prepaid expenses of Euro 8,713 thousand include costs pertaining to the future, primarily of AlmavivA S.p.A. (Euro 7,362 thousand), Lombardia Gestione (Euro 147 thousand), AlmavivA Contact (Euro 980 thousand) and, to a lesser extent, the other Group companies.

Receivables due from the tax authorities of Euro 15,377 thousand are distinguished into: receivables for direct taxes (Euro 4,942 thousand) relating to AlmavivA S.p.A. amounting to Euro 2,140 thousand, AlmavivA Contact for Euro 1,556 thousand and, to a lesser extent, other Group companies; receivables for indirect taxes (Euro 10,435 thousand) relating to AlmavivA S.p.A. for Euro 1,169 thousand, to Lombardia Gestione for Euro 1,077 thousand, to Brazilian companies for Euro 5,536 thousand and, to a lesser extent to other companies belonging to Group.

15. OTHER CURRENT ASSETS (Continued)

The various items of Euro 44,908 thousand mainly include:

- the receivables of CRM International for deposits for outstanding litigation with employees;
- receivables due from the State and Public Authorities for projects financed;
- receivables for reimbursements which refer:
  - to the amounts paid for settling the disputes with project workers for wages, for social security contributions and for damages deriving from the stabilisation of project workers whose reimbursement by the seller is provided for in the indemnity clause set forth in the purchase agreement of Atesia, subsequently merged in the acquirer AlmavivA Contact;
  - 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 (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 in the first 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.

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents, which amounted to Euro 67,427 thousand (Euro 69,502 thousand as at December 31, 2017), refer to credit balances at banks as at June 30, 2018 and the amounts held at the Group treasuries. These items are not subject to restrictions nor is provision made for disposal costs.

17. NON-CURRENT ASSETS HELD FOR SALE

Assets held for sale amounting to Euro 2,459 thousand (Euro 2,459 thousand as at December 31, 2017), concern the residual amount to be collected relating to the sale, still not completed, 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 which 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 S.p.A. 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. The delay in completion of the sale of the investment is determined by causes that fall outside the control of the parties.

18. SHAREHOLDERS' EQUITY

(in thousands of Euro)	**At June 30, 2018**	**At December 31, 2017**
Share capital	154,899	154,899
Share premium reserve	17,788	17,788
Legal reserve	*5,073*	*4,384*
Other reserves:		
FTA reserve	*4,493*	*4,493*
OCI reserve	*2,970*	*1,897*
CFH reserve	*0*	*0*
translation reserve	*(20,771)*	*(10,972)*
other reserves	*(179,330)*	*(166,462)*
	(192,638)	(171,043)
Profit/(loss) for the year	10,660	221
Total group shareholders' equity	***(4,217)***	***6,249***
Reserves pertaining to NCIs:		
translation reserve	*(863)*	*(499)*
other reserves	*4,381*	*4,386*
	3,518	3,887
Profit/(loss) for the year pertaining to NCIs	838	642
Total non-controlling interests	***4,356***	***4,529***
Total Shareholders' equity	**139**	**10,779**

Share Capital

As at June 30, 2018 the share capital of Euro 154,899,065.00 was fully paid-up 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.

In August 2017, the parent company AlmavivA Technologies S.r.l. and the shareholder Interbanca S.p.A. signed a contract for the sale of 20,584,400 ordinary shares and 32,331,764 Class A shares of AlmavivA – The Italian Innovation Company S.p.A. owned by Interbanca S.p.A. to AlmavivA Technologies S.r.l..
As a result of the aforementioned transfer of ownership, the stake in AlmavivA S.p.A. held by the parent company AlmavivA Technologies S.r.l. reached 95.11%, while Interbanca S.p.A. completely left AlmavivA S.p.A.'s shareholding structure.

At the same time as signing of the contract, the trust registration of the AlmavivA shares held by G.B.L. Fiduciaria S.p.A. was discarded.

The shares, all of which have a nominal value of Euro 1.00 (one/00) each, are held by:

18. SHAREHOLDERS' EQUITY (Continued)

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%
Confederazione 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 totalled Euro 17,788 thousand, unchanged with respect to the previous year.

Legal reserve

The legal reserve amounted to Euro 5,073 thousand and was unchanged compared to the year of comparison.

FTA reserve

It acknowledged the changes brought about by the transition to the international accounting standards (IAS/IFRS) and amounted to Euro 4,493 thousand, detailed below:

AlmavivA S.p.A. Euro 4,782 thousand

AlmavivA Contact S.p.A. Euro -141 thousand

Almawave S.r.l. Euro -270 thousand

AlmavivA do Brasil S.A. Euro 122 thousand

OCI reserve for actuarial gains and losses

The OCI reserve totalled a positive Euro 2,970 thousand (positive Euro 1,897 thousand as at December 31, 2017) and includes the actuarial valuation of TFR (employee severance indemnity) of the Group companies.

18. SHAREHOLDERS' EQUITY (Continued)

Translation reserve

The translation reserve concerns the exchange differences from the translation to Euro of the financial statements of companies operating in non-euro areas. As at June 30, 2018, it was a negative Euro 21,634 thousand (Euro 11,471 thousand as at December 31, 2017) of which the Group's share was a negative Euro 20,771 thousand and the portion pertaining to minority interests a negative Euro 863 thousand.

Other reserves

The "Other reserves" equal to a negative Euro 179,330 thousand are represented by consolidation reserves and by undistributed profits or losses carried forward.

Minority interests in shareholders' equity of Euro 4,356 thousand include the capital, reserves and the net profit for the current financial period attributable to the minority shareholders of the consolidated companies.

In general, the decrease in the Group's shareholders' equity, despite the positive net result achieved for Euro 11,498 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 the first half of 2018 for Euros 10,163 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 31 December 2017 to 4.488 at 30 June 2018, with an average of 4.142 (the average exchange rate used for the financial statements as at 31 December 2017 it was 3.604). The effects just mentioned contributed significantly to the reduction in consolidated equity.

19. LIABILITIES FOR EMPLOYEE BENEFITS

Provision for employee benefits totalled Euro 51,718 thousand and is detailed as follows:

(in thousands of Euro)	**At June 30, 2018**	**At December 31, 2017**
Liabilities for employee benefits	**51,718**	**52,872**

The provision 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.

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

19. LIABILITIES FOR EMPLOYEE BENEFITS (Continued)

(in thousands of Euro)	At June 30, 2018	At December 31, 2017
Balance at the beginning of the year	**52,872**	**59,043**
Change of the consolidatement area	274	0
Service cost	117	185
Interest cost	800	1,395
Payments / Utilizations	(1,272)	(4,298)
Actuarial gains/(losses) recognized in OCI	(1,073)	(3,453)
Balance at the end of the year	**51,718**	**52,872**
of which:		
Non-current portion	51,429	52,671
Current portion	289	201

The main assumptions made for the actuarial estimate process of the employee severance indemnity as at June 30, 2018 are summarised below:

Financial Assumptions	At June 30, 2018	At December 31, 2017
Discount rate	3.348%	3.049%
Inflation rate	2.000%	2.000%
Annual rate of TFR increase	3.000%	3.000%
Annual rate of salary increase	variable according to seniority	variable according to seniority
Annual turnover rate	variable according to seniority	variable according to seniority
Annual rate of disbursement of advances	variable according to seniority	variable according to seniority

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 IBoxx Overall BBB 10+ index commensurate with the average length of the collective agreement subject to valuation.

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	2018/2017
Mortality	Table RG 48 State General Accounting Office
Disability	INPS Tables - Commerce Sector
Retirement	General Mandatory Insurance Requirements

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

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.

19. LIABILITIES FOR EMPLOYEE BENEFITS (Continued)

Financial Assumptions	**Discount Rate**	
	0.5% Increase	0.5% Decrease
June 30,2018 effect on DBO	(2,040)	(1,683)
December 31, 2017 effect on DBO	(1,927)	2,052

20. PROVISIONS

The provisions for risks and charges amounted to Euro 13,572 thousand (Euro 13,508 thousand as at December 31, 2017). The current/non-current breakdown of provisions for risks and charges as at 31.12.2017 and 30.06.2018 is indicated below:

(in thousands of Euro)	**At June 30, 2018**	**At December 31, 2017**
Non-current portion of provisions for risks and charges	6,305	6,346
Current portion of provisions for risks and charges	7,267	7,162
Provisions for risks and charges	**13,572**	**13,508**

(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, 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	1,027	0	0	0	300	0	1,907	3,234
Utilizations	0	0	0	0	0		(2,013)	(2,013)
Decreases	0	0	0	0	(559)	0	(566)	(1,125)
Other changes not recorded through income statement	0	0	0	0	(51)	0	19	(32)
Balance as at June 30, 2018	**2,112**	**22**	**134**	**0**	**2,126**	**0**	**9,178**	**13,572**
of which:								
Non-current portion	0	0	0	0	0	0	0	6,305
Current portion	0	0	0	0	0	0	0	7,267

Information and comments on the various provisions are provided below.

The “Provision for taxes” of Euro 2,112 thousand (Euro 1,085 thousand as at 31.12.2017) is composed as follows:

20. PROVISIONS (Continued)

The "Provision for non-current taxes" of Euro 1,085 thousand (Euro 1,085 thousand as at December 31, 2017) concerns:

- AlmavivA S.p.A. for Euro 16 thousand (unchanged from 2017) referring to a tax assessment made by the Italian Tax Police – Customs and Intercommunity VAT originating from the merged company AlmavivA Tsf S.p.A.;
- AlmavivA S.p.A. in the amount of Euro 370 thousand (unchanged from 2017) for the entry in the taxpayers' roll of an assessment notice relative to the 1999 tax period;
- AlmavivA S.p.A. for Euro 68 thousand (unchanged from 2017) deriving from the merged company AlmavivA Sud;
- AlmavivA S.p.A. for Euro 65 thousand (unchanged from 2017) deriving from the merged company AlmavivA Finance S.p.A;
- AlmavivA Contact S.p.A. in the amount of Euro 500 thousand (unchanged from 2017) originating from the merged company Atesia S.p.A. for the allocation regarding the ongoing dispute with the Inland Revenue Agency relative to the tax credits pursuant to law 388/2000;
- AlmavivA Contact S.p.A. for Euro 66 thousand (unchanged from 2017) relating to 2002, established pursuant to the risks connected to the deduction of costs considered by the Tax Authorities to be non-deductible following a tax audit that took place in 2004.

The "Provision for current taxes" which includes taxes for the period of the Group companies of Euro 1,027 thousand.
"Provision for redundancy incentives" of Euro 22 thousand relating to the additional restructuring expenses, in line with the business plan, for the reorganisation of personnel that began in 2007.
"Risk provision for guarantees granted" of a non-commercial nature equal to Euro 134 thousand recorded by AlmavivA S.p.A..
The "Provision for legal disputes" of Euro 2,126 thousand recorded primarily by AlmavivA S.p.A. for Euro 1,342 thousand, by AlmavivA Contact S.p.A. for Euro 216 thousand, by the Brazilian companies for Euro 500 thousand and Almawave S.r.l. for Euro 68 thousand.
In addition, current and non-current other provisions for risks were recorded totalling Euro 9,178 thousand relating to prudential allocations on commercial risks relating to penalties for Euro 3,186 thousand of AlmavivA S.p.A., Euro 66 thousand of AlmavivA Contact, Euro 6 thousand of AlmavivA Services and Euro 89 thousand of Lombardia Gestione; the provision for the stabilisation of project workers of Euro 742 thousand of AlmavivA Contact and provisions for commercial guarantees for Euro 2,574 thousand of AlmavivA S.p.A. and Euro 407 thousand of AlmavivA Contact, the provision for liquidation costs of Euro 2,108 thousand by Agrisian.

21. NON-CURRENT FINANCIAL LIABILITIES

Non-current financial liabilities amounted to Euro 271,451 thousand (Euro 251,121 thousand as at December 31, 2017) and they refer to long-term payables as detailed below.

(in thousands of Euro)	**At June 30, 2018**	**At December 31, 2017**
Banks	21,744	1
Bond	234,831	233,427
Amounts due to other lenders	14,876	17,693
Non-current financial liabilities	**271,451**	**251,121**

of which as at June 30, 2018 by maturity:

21. NON-CURRENT FINANCIAL LIABILITIES (Continued)

(in thousands of Euro)	> 12 months	< 5 years	> 5 years	**Total**
Banks	21,744	21,744	0	21,744
Bond	234,831	234,831	0	234,831
Amounts due to other lenders	14,876	13,679	1,197	14,876
	271,451	**270,254**	**1,197**	**271,451**

The tables relating to loans, extinguishments and reclassifications carried out in the year ended as at June 30, 2018 are shown below:

(in thousands of Euro)	**At January1, 2018**	**Proceeds from borrowings**	**Repayements of borrowings**	**Reclassification and other adjustments**	**At June 30, 2018**
AlmavivA S.p.A.	239,620	21,404	(2,666)		258,358
AlmavivA do Brasil	501			1,765	2,266
SIMEST Operation	11,000		(173)		10,827
Non-current financial liabilities	**251,121**	**21,404**	**(2,839)**	**1,765**	**271,451**

(in thousands of Euro)	**At January1, 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)		501
SIMEST Operation	11,000	0	0		11,000
Non-current financial liabilities	**25,478**	**261,887**	**(42,244)**	**6,000**	**251,121**

Long-term financial liabilities of Euro 271,451 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 April 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 high profile investors. 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 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 S.p.A. 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 use of the loan was subject to both the termination of the trustee agreements in place between AlmavivA Technologies S.r.l., Interbanca S.p.A. and G.B.L. Fiduciaria S.p.A. and the granting of a pledge, directly by AlmavivA Technologies S.r.l. on the entire equity investment held by the latter, at the date of use, in AlmavivA S.p.A., equal to 95.11% of the latter's share capital. In addition, the loan agreement made provision for the possibility of refinancing the loan through the issuing of a bond for said purpose. The bond was issued on October 5, 2017 as described below.

21. NON-CURRENT FINANCIAL LIABILITIES (Continued)

On August 9, 2017, the Senior Secured Bridge and Revolving loan agreement was closed, with the disbursement by Goldman Sachs International of the Facility B line in several tranches. 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 234,831 thousand as at June 30, 2018.

Bank liabilities totalled Euro 21,744 thousand and relate to AlmavivA S.p.A. for Euro 20,001 thousand for the draw of the Revolving line and to Sadel for Euro 1,743 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 June 30, 2018.

Liabilities to other lenders amounting to Euro 14,876 thousand refer primarily to the subsidised loans received on the financed projects of AlmavivA S.p.A. (Euro 3,526 thousand) and, for Euro 11,000 thousand relating to the payable due to Simest.

22. DEFERRED TAX LIABILITIES

Deferred tax liabilities, amounting to Euro 1,672 thousand (Euro 1,672 thousand as at December 31, 2017), are as follows:

(in thousands of Euro)	**At June 30, 2018**	**At December 31, 2017**
Deferred tax liabilities	**1,672**	**1,672**

(in thousands of Euro)	**For the six months ended June 30, 2018**	**At December 31, 2017**
Balance at the beginning of the year	**1,672**	**1,794**
Increases	0	0
Decreases	0	(122)
Effect of currency translation	0	0
Other changes	0	0
Balance at the end of the year	**1,672**	**1,672**

23. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities amounted to Euro 823 thousand (Euro 892 thousand as at December 31, 2017) and are composed as follows:

(in thousands of Euro)	At June 30, 2018	At December 31, 2017
Deferred income on capital grants	823	892
Other non-current liabilities	**823**	**892**

The deferred income relates to the portion of capital grants pertaining to future years.

24. TRADE PAYABLES

These amounted to Euro 212,152 thousand, marking an increase of Euro 8,032 thousand compared to the previous year. 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 58,803 thousand (Euro 64,337 thousand in 2017), while those falling due in under 12 months amounted to Euro 153,349 thousand (Euro 139,783 thousand in 2017).

(in thousands of Euro)	At June 30, 2018	At December 31, 2017
Trade payables	**212,152**	**204,120**

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

25. CURRENT FINANCIAL LIABILITIES

The analysis of short-term financial liabilities is indicated below:

(in thousands of Euro)	At June 30, 2018	At December 31, 2017
Payables due to banks	2,821	497
Obbligazioni	3,764	4,335
Payables due to other lenders	2,972	4,126
Financial lease payables	1,391	2,820
Accrued liabilities from financial expenses	512	168
Other financial payables	10	75
Current financial liabilities	**11,470**	**12,021**

Short-term financial liabilities of Euro 11,470 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 October 15, 2018. Lastly, the item also includes payables for finance leases, primarily of AlmavivA do Brasil, financial accruals and various short-term payables.

26. TAX LIABILITIES

Current tax liabilities amounted to Euro 32,569 thousand (Euro 42,932 thousand as at December 31, 2017) and are composed as follows:

(in thousands of Euro)	**At June 30, 2018**	**At December 31, 2017**
Income taxes	3,496	4,269
Other taxes	29,073	38,663
Tax payables	**32,569**	**42,932**

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.

27. OTHER CURRENT LIABILITIES

- Other current liabilities amounted to Euro 80.527 thousand (Euro 81.898 thousand as at December 31, 2017) and are composed as follows:

(in thousands of Euro)	**At June 30, 2018**	**At December 31, 2017**
Payments on account	1,074	933
Payables due to social security institutions	16,197	25,015
Payables due to personnel	43,762	32,146
Miscellaneous payables	9,921	10,052
Deferred income	9,573	13,752
Other current liabilities	**80,527**	**81,898**

  - The payables due to social security and welfare institutions amounted to Euro 16,197 thousand and refer to mandatory contributions accrued and payable to social security institutions for wages and salaries and remuneration paid, plus the payables past due for which AlmavivA Contact, following the request for the payment extension, accepted the proposal for the division into instalments received by INPS;
  - The payables due to personnel refer, primarily, to the provision for holidays and leave accrued by personnel and still not paid, as well as to provision "thirteenth" accrued as to June 30, 2018;
  - Sundry payables of Euro 9,921 thousand mainly include the payables due to corporate bodies, payables to project workers, payables to insurance companies and amounts due for collections to be repaid to partners;
  - Deferred income of Euro 9,573 thousand related to the economic components pertaining to future years.

- The other current liabilities for dividends to be paid of Euro 11,227 thousand (Euro 90 thousand as to 31 December 2017) refer to dividends approved and not yet paid to third-party shareholders.

28. REVENUES FROM CONTRACTS WITH CUSTOMERS

The main items of "Revenues from contracts with customers" are analysed hereunder.

Revenues from contracts with customers

(in thousands of Euro)	For the year ended June 30	
	2018	**2017**
Revenues from sales and services	361,517	368,879
Revenues from sale of goods	956	1,466
Revenues from contract work in progress	24,032	1,364
Revenues from contracts with customers	**386,505**	**371,709**

(in thousands of Euro)	Revenues detected at a point in time	Revenues recognized over the time
Revenues from contracts with customers	**956**	**385,549**

Revenues from contracts with customers 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 from contracts with customers recorded in relation to the provision of services and sale of assets.

The table below shows the breakdown of the revenues from contracts with customers of the operating segments for 2018 and 2017, net of the effect of intersegment revenues:

(in thousands of Euro)	For the year ended June 30	
	2018	**2017**
IT Services	196,303	170,472
CRM Europe	69,500	60,896
CRM International	115,711	137,415
Almawave – New Technology	4,992	2,926
Revenues from contracts with customers	386,505	371,709

The revenues from contracts with customers of the IT Services segment as at June 30, 2018 rose by Euro 25,831 thousand, equal to 15% compared to the previous year. This increase is due mainly to the growth in the demand for services with respect to customers of the Transport, Homeland Security, Local Government, Welfare, Transport and Ministry business areas. This growth was partially offset by a reduction in revenues attributable to the Agriculture-Environment and Others areas.

The revenues from contracts with customers of the CRM Europe segment recorded an increase of Euro 8,604 thousand (14%) in 2018 compared to the previous period. The increase mainly concerned the Government, Telco and Media business areas while the Utilities and Transport business areas recorded a decrease in revenues in the half.

The revenues from contracts with customers of the CRM International segment recorded a decrease of Euro 21,704 thousand, down by 16% as at June 30, 2018 when compared to the previous year. The decrease in revenues concerned all the business areas, predominantly the Telco/Media area.

28. REVENUES FROM CONTRACTS WITH CUSTOMERS (Continued)

The revenues from contracts with customers of the Almawave-New Technology segment rose by Euro 2,066 thousand, up 71% compared to the previous year, while the intersegment revenues dropped by Euro 333 thousand compared to the previous year. Therefore, total revenues, including intersegment revenues, increased by Euro 1,733 thousand. This rise is due primarily to the increase in revenues deriving from the sale of software technologies to customers (including other segments) in the Banking/Insurance Transport, Government and Others areas, partially offset by the fall in revenues from customers in the Utilities areas.

Revenues from contract work in progress include the contractual revenues deriving from production recorded in the year from customers and still not completed, net of invoices in the year and related to contracts not conclude in previous years; the value was determined according to the percentage of completion method.

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

The following table shows the amount related to the performance obligation not completed or partially completed at reporting date according to paragraph 122 in IFRS 15:

(in thousands of Euro)	Total	To absorb within the current financial year	To absorb within the next financial year	To absorb beyond the next financial year
Backlog at June 30, 2018 (*)	**1,294,254**	(270,595)	(323,077)	(700,582)

(*) IT Services and Almawave New Technology segments

The table does not include variable fees that are not determined or determinable at the reporting date.

29. OTHER INCOME

Other revenues and income are analysed as follows:

(in thousands of Euro)	For the year ended June 30	
	2018	**2017**
Recovery of personnel costs	692	820
Recovery of costs of service provision	1,037	2,277
Recovery of costs of use of assets	12	183
Reversal of provisions	2,040	1,282
Other income	1,820	857
Operating grants	4,430	620
Reversal of over-accruals of trade payables	1,348	343
Other income	**11,379**	**6,382**

Other revenues and income amounted to Euro 11,379 thousand (Euro 6,382 thousand as at June 30, 2017) and the most significant item regards the operating grants AlmavivA S.p.A. 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. This credit, according to the methodology set forth in the drafting criteria, is included in the operating grants, and amounted to Euro 3,700 thousand. The Group recognises this credit only when it is virtually certain to receive the grant itself. The latter criterion is only satisfied when it obtains an appraisal from companies

29. OTHER INCOME (Continued)

qualified to perform the valuation of said assets. For these reasons, the Research and Development tax credit booked in the half-year financial statements as at June 30, 2018 refers to the year 2017 for AlmavivA S.p.A..

The method adopted by the companies to calculate the tax credit due was in compliance with the legal indications and started from the determination of the average of the research and development activities, capitalised or expensed directly to the income statement, carried out in the 2012-2014 three-year period. The activities performed in 2017 were compared with the average value described above in order to determine their incremental value. Formulas were then applied to the incremental value to obtain the value of the grant due.

The others most significant items regard the recovery of personnel costs, for the provision of services and use of third party assets (totalling respectively Euro 692 thousand, Euro 1,037 thousand, Euro 12 thousand), connected with the personnel seconded to third parties and the collection of activities and services provided to third parties and the absorption of risk provisions relating to guarantees given to customers in the IT Services' transport area.

Operating costs

The main items of "Operating costs" are analysed below.

30. COST OF RAW MATERIALS AND SERVICES

Purchases, provision of services and sundry costs are analysed as follows:

(in thousands of Euro)	For the year ended June 30	
	2018	**2017**
Raw materials, consumables, supplies and goods	8,150	7,055
Costs for services	110,405	103,543
Costs for services capitalised for assets created internally	(1,738)	(1,180)
Costs of use of third party assets	11,727	11,881
Changes in inventories		
Cost of raw materials and services	**128,544**	**121,299**

The item increased by Euro 7,245 thousand in the half. The increase is, generally speaking, attributable to the higher revenues from contracts with customers in the IT Services segment, with a subsequent increase in the costs for services (Euro 12,806 thousand, from an amount of Euro 73,676 thousand in the first half of 2017 to Euro 86,482 thousand in the first half of 2018); higher revenues from contracts with customers and higher margin were recorded in the CRM Europe segment (indeed the costs for services remained almost in line with the previous half, from Euro 17,124 thousand in the first half of 2017 to Euro 17,162 thousand in the first half of 2018) and in the Almawave-New Technology segment (increase in costs of Euro 741 thousand, up from Euro 1,784 thousand in the first half of 2017 to Euro 2,525 thousand in the first half of 2018). This effect was partially offset in the CRM International segment, owing to the drop in costs for services as a result of the decrease in revenues from contracts with customers (down by Euro 6,019 thousand, from Euro 39,421 thousand in the first half of 2017 to Euro 33,402 thousand in the first half of 2018).

The table below provides details of the breakdown of costs for services for the periods ended as at June 30, 2018 and 2017:

30. COST OF RAW MATERIALS AND SERVICES (Continued)

(in thousands of Euro)	For the year ended June 30	
	2018	**2017**
Maintenance	11,806	11,098
Insurance	1,059	1,026
Consultancy and professional services	46,759	40,252
Advertising, promotion and entertainment	266	297
Telephone expenses	3,388	3,387
Travel and stays	2,662	2,366
Energy and fluids	4,162	5,022
Distribution and warehousing	3,133	3,579
Other costs for services	37,170	36,516
Costs for services	**110,405**	**103,543**

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 vis-à-vis third parties incurred on behalf of Group companies that essentially refer to charges for insurance policies and travel and transfer expenses.

In addition, they include the fees due to Directors totalling Euro 1,174 thousand, fees due to the Board of Statutory Auditors of Euro 104 thousand and fees due to the independent auditors of Euro 199 thousand.

31. PERSONNEL EXPENSES

Personnel costs are broken down as follows:

(in thousands of Euro)	For the year ended June 30	
	2018	**2017**
Salaries and wages	185,683	179,873
Social security contributions	33,856	30,770
Employee benefit expenses	5,365	6,381
Other costs	2,222	1,207
Agency work	3,990	4,990
Costs of seconded personnel	0	0
Expenses for redundancy incentives	0	0
Personnel expenses capitalised for assets created internally	(5,230)	(6,088)
Personnel expenses	**225,886**	**217,133**

Personnel costs rose by Euro 8,753 thousand, equal to 4.03%. The increase in these costs was partially offset by an increase of Euro 858 thousand relating to the capitalisations of the personnel costs for activities performed internally in the IT Services and Almawave-New Technology segments.

The average number of employees of companies included in the consolidation area, broken down by category, is as follows:

31. PERSONNEL EXPENSES (Continued)

	At June 30, 2018	At June 30, 2017
Executives	212.5	207.0
Middle managers	796.3	751.5
White-collar employees	42,051.2	40,145.8
Total Group average employees	***43,060.0***	***41,104.3***
Agency workers	343.0	580.8
Total workforce	***43,403.0***	***41,685.1***

32. DEPRECIATION AND AMORTISATION

This item is analysed below:

(in thousands of Euro)	For the year ended June 30	
	2018	**2017**
Industrial patent and intellectual property rights	3,199	3,639
Concession, licence and trademarks	125	47
Other	3,128	3,126
Total Amortization	***6,452***	***6,812***
Civil and industrial buildings	403	390
Industrial and commercial equipment	71	71
Plants and machinery owned and leased	2,417	3,273
Other assets owned and leased	3,804	4,131
Capital (gains) from disposals of fixed assets	0	0
Total Depreciation	***6,695***	***7,865***
Total Depreciation and amortization	**13,147**	**14,677**

33. OTHER EXPENSES

Other operating costs are analysed as follows:

(in thousands of Euro)	For the year ended June 30	
	2018	2017
Write-down of receivables	0	0
Provisions for risks	1,899	1,215
Other provisions	0	0
Taxes and duties	178	91
Membership fees	312	295
Other expenses	1,572	4,176
Accruals to provisions	9	102
Reversal of over-accruals of trade receivables	365	433
Other operating expenses	**4,335**	**6,312**

Net allocations to provisions for risks and charges were booked by the IT Services segment (Euro 1,893 thousand) and the CRM Europe segment (Euro 6 thousand). Information on the provisions for risks and charges is provided in Note 20, 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.

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

Financial income (charges) are analysed as follows:

(in thousands of Euro)	For the year ended June 30	
	2018	2017
Financial income	**195**	**414**
Financial expenses	**(14,141)**	**(15,418)**
Exchange gains/(losses)	**(24)**	**(899)**
Net financial result	**(13,970)**	**(15,903)**

As per the previous table, the result of financial income and expenses was a negative Euro 13,970 thousand as at June 30, 2018, compared to a negative result of Euro 15,903 thousand as at June 30, 2017, marking an improvement of Euro 1,933 thousand.

The improvement in the period is attributable primarily to the financial transactions of the Group which took place in the second half of 2017.

35. PROFIT FROM INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Effect of valuation using equity method

The effect of valuation using the equity method resulted in a positive balance of Euro 6 thousand and relates almost exclusively to the acquisition of the profit of the associated company TVEyes.

35. PROFIT FROM INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

(in thousands of Euro)	30-06-2018	30-06-2017
Gains/(losses) on equity investments	**0**	**0**
Profit/(loss) from investments accounted for using equity method	**6**	**173**
Net result from equity investments	**6**	**173**

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

36. INCOME TAXES

Income taxes are analysed below:

(in thousands of Euro)	For the year ended June 30	
	2018	**2017**
Italian Companies		
IRAP (Regional business tax)	737	650
IRES (Corporate income tax)	2,480	2,691
(Income) expenses from compliance with tax consolidation	(1,287)	(1,505)
	1,930	1,836
Foreign companies		
Other current taxes	1,512	215
	1,512	215
Current Taxes	**3,442**	**2,051**
Italian Companies		
IRAP (Regional business tax)	57	14
IRES (Corporate income tax)	(963)	(41)
	(906)	(27)
Foreign companies		
Other deferred taxes	(1,658)	(514)
	(1,658)	(514)
Deferred taxes	**(2,564)**	**(541)**
Income taxes for the year - non recurring portion	**(447)**	**5**
Total Income taxes	**431**	**1,515**

37. RECONCILIATION BETWEEN THE THEORETICAL AND ACTUAL IRES RATES OF GROUP COMPANIES:

	For the year ended June 30	
	2018	2017
Income before taxes	11,928	2,878
Theoretical taxe rate	24.0%	24.0%
Theoretical taxes	**2,863**	**691**
Effect of different foreign tax rates	(1,823)	(107)
Non-deductible expenses	1,441	2,295
Tax losses previous years / consolidated tax revenues	(1,287)	(1,505)
Effect of writedowns for deferred tax assets and redetermination of tax rates	0	0
IRAP (Italian regional business tax)	737	636
Effect on deferred taxation of changes in tax rates	(2,564)	(500)
Other differences and minor items	1,065	5
Total	**431**	**1,515**

38. GUARANTEES AND COMMITMENTS

Guarantees given

The Group granted the following guarantees as at June 30, 2018:

- personal guarantees of Euro 236,460 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 29,343 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 S.p.A. and any other credit due to AlmavivA S.p.A. 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.

Other guarantees, commitments and risks

These amounted to Euro 8,625 thousand (Euro 8,625 thousand as at December 31, 2017) and refer to third party assets held by AlmavivA S.p.A. (Euro 8,557 thousand) and Lombardia Gestione (Euro 68 thousand).

39. RISKS AND OTHER INFORMATION

Financial risk management

Credit risk

The maximum theoretical exposure to credit risk for the AlmavivA Group as at June 30, 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 the AlmavivA Group's receivables.

(in thousands of Euro)	At June 30, 2018	At December 31, 2017
- Amount falling due	232,141	255,429
- Past due	39,907	45,251
Trade receivables net of Bad debt provision	**272,048**	**300,680**

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 do Brasil S.A. deriving from the financial leases and rental contracts and the present value of these fees:

		30.06.2018		31.12.2017
(in thousands of Euro)	**Residual Debt**	**Current value of future payments**	**Residual Debt**	**Current value of future payments**
within the year	1,535	1,535	2,766	2,766
Over the year but within 5 years	350	350	225	225
Over 5 years	0	0	0	0
Total of minimum payments	1,885	1,885	2,991	2,991
Deducted interest expense	-144	-144	-218	-218
Current value of leasing fees	**1,741**	**1,741**	**2,773**	**2,773**

Liquidity risk

Liquidity risk represents the risk of the available financial resources being insufficient to cover the obligations falling due. AlmavivA S.p.A. evaluated said risk, concluding that it is remote for the company and for the Group. In the

39. RISKS AND OTHER INFORMATION (Continued)

assessment, account was taken of the company's capacity to generate cash flows from operations and sources of financing which, as a result of the renewed financial structure, make it possible to achieve a significant saving on the 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.

40. 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 S.p.A. 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.

41. 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 20. 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 June 30, 2018 not recorded in the financial statements owing to the absence of the necessary requirements set out in reference standard IAS 37.

41. LEGAL ISSUES AND LITIGATIONS (Continued)

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", proclaimed 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 (regional administrative court) 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 means of its own determination, the award measure of August 4, 2016. By means of judgment of January 25, 2017, the appeal of RTI Exitone was consequently 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 TAR (regional administrative court) ordered the CTU (court-appointed expert witness) and deferred a discussion of the case to the hearing of January 24, 2018, then put back to October 24, 2018. The outcome of the risk assessment did not determine the need to record any provisions for risks.

RTI Datacontact S.r.l. (as agent of RTI with Lucana Sistemi S.r.l. and Gruppo Servizi Informatici S.r.l.)/Regione Basilicata/Televita S.p.A. (as agent of RTI formed with Publysis S.p.A. and AlmavivA S.p.A.)

RTI Datacontact requested the cancellation, upon the adoption of precautionary measures, of the measure for the final award to RTI Televita (with AlmavivA S.p.A. as principal) of the "Open procedure for the contract for the evolution of advanced solutions and services supporting the Digital Agenda for the period 2016-2020 - Cig: 6515399557".

At the hearing in the council chambers for the discussion of the precautionary claim, held on March 23, 2017, RTI Datacontact requested that the precautionary claim be dealt with during the hearing on the merits and the Basilicata TAR (regional administrative court) scheduled the hearing for April 20, 2017. Following said hearing, a decision in this case was pending and by means of the judgment of July 11, 2017, in upholding the main appeal and the cross-appeal submitted by the parties, the regional administrative court annulled the tender. RTI Televita and Regione Basilicata filed separate appeals against the judgment of the regional administrative court. By means of a ruling of April 26, 2018, the Council of State, based on the amalgamation of the two appeals, confirmed, albeit with different reasons, the judgment challenged. The outcome of the risk assessment did not determine the need to record any provisions for risks.

RTI Capgemini Italia S.p.A. (as the agent of RTI with Aruba S.p.A., Sirti S.p.A. and Maggioli S.p.A.)/Consip S.p.A./RTI AlmavivA S.p.A. (as the agent of RTI with Almawave S.r.l., Indra Italia S.p.A. and PricewaterhouseCoopers Advisory S.p.A.)

RTI Capgemini Italia requested the cancellation, upon the adoption of precautionary measures, of the measure for the final award to RTI AlmavivA of lot 4 of the "Restricted procedure, broken down into 4 Lots, for the assignment of Cloud Computing, Security, Creation of Portal and Online Service as well as Application Cooperation services or Public Administrations (ID SIGEF 1403)", announced by the sole shareholder company Consip S.p.A. RTI AlmavivA has filed a cross-appeal. After RTI Capgemini's waiver of the precautionary measure, the hearing on the merits was scheduled for June 21, 2017. Following said hearing, by means of judgment of June 26, 2017, the TAR (regional administrative court) rejected the appeal submitted by the RTI Capgemini and the administration subsequently stipulated the tender contract with the RTI AlmavivA on August 4, 2017. On August 28, 2017, RTI Capgemini filed an appeal against the judgment of the regional administrative court. By means of judgment dated April 3, 2018, the Council of State rejected the appeal. 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.

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. 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 the other Group companies, as the insured parties, requested the Court of Milan to order Lloyd's Insurers to be sentenced to reimburse expenses and the legal defence costs that they incurred and will be incurred as part of the dispute pending in the USA (described above), in addition to compensation for damages. At the preliminary hearing on May 16, 2017, the judge invited the Insurers to submit a proposal for the settlement of the dispute and postponed the discussion of the case, for the same parties, to the hearing on June 28, 2017. At said hearing, the judge - having acknowledged the failure of the parties to reach an agreement and, disregarding the reservation assumed previously - adjourned the case for the presentation of final conclusions to the hearing on February 27, 2019. The outcome of the risk assessment did not determine the need to record any provisions for risks.

41. LEGAL ISSUES AND LITIGATIONS (Continued)

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 (regional administrative court) 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., now 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 preferential lender 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. AlmavivA Contact S.p.A. filed an appeal against this decision of rejection, which was 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 Airport S.p.A. under E.A.
On January 23, 2009, Alicos S.p.A. applied for inclusion in proving a debt in bankruptcy with regard to Alitalia Airport 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 decision of rejection, then barred to further proceedings. 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. The Court dismissed the appeal. 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.

Alicos S.p.A., currently AlmavivA Contact S.p.A./Volare S.p.A. under E.A.
Alicos S.p.A. applied for inclusion in proving a debt in bankruptcy with regard to Volare 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, then abandoned. 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. The Court dismissed the appeal. The Management, in consideration of the risk assessment conducted, saw fit to allocate a bad debt provision in relation to the ongoing dispute.

41. LEGAL ISSUES AND LITIGATIONS (Continued)

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.

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.

42. 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;

42. TRANSACTIONS WITH RELATED PARTIES (Continued)

(b) the exchange of goods and the supply of services with other subsidiaries 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 as at June, 2018", considered an integral part of these notes.

The amounts of the trade and other, and financial relationships initiated with the related parties follow, together with the type of the most significant transactions

Trade and other relations

Trade and other relations are analysed as follows:

42. TRANSACTIONS WITH RELATED PARTIES (Continued)

	At June 30, 2018		For the year ended June 30, 2018			
	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	17,889	10,140	175	-	-	-
Relationships with the controlling companies valued at equity method						
Consorzio Hypertix	218	-	-	44	-	-
Sin Srl	11,940	498	239	-	2,528	421
Consorzio Namex	-	-	8	-	-	-
TVEyes L.T.	3	6	11	-	-	5
Other						
Almaviva CCID	106		-	-	-	-
Elvit Consultoria e Partcipacoes LTDA	21		32	-	-	-
Totale	**30,177**	**10,644**	**465**	**44**	**2,528**	**426**

	At June 30, 2017		For the year ended June 30, 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	19,066	15	150	-	-	-
Relationships with the controlling companies valued at equity method						
Consorzio Hypertix	510	-	-	-	165	-
Sin Srl	14,056	948	172	-	12,428	-
TVEyes L.T.	3	7	22	-	8	-
Almaviva CCID	1					
Other						
Dentons Europe Studio Legale e Trib.	-	5	5	-	-	-
Elvit Consultoria e Partcipacoes LTDA		22	37			
Totale	**33,636**	**997**	**386**	**-**	**12,601**	**-**

	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**

43. SUBSEQUENT EVENTS

- The “Patto per il Lavoro” (Labour Pact) will take effect on August 1 in the AlmavivA Contact productive centre in Palermo, as a result of the positive outcome of the consultation with workers. The Pact develops the framework of initiatives contained in the recent Agreement signed by the company and the Trade Union Organisations, in the presence of the Regional Departments of Productive Activities, Labour and Training and the Department of Labour of the Municipality of Palermo.

  The main initiatives refer to the implementation of a quality plan for the boosting of efficiency and increase in productivity, with the active involvement and participation of workers and a reference role for trade union representatives, training and professional retraining courses as part of the area digital transformation process.

- The trend of the R$/ Euro exchange rate, after 30 June 2018, is worsening and this could lead to further negative effects on the consolidated shareholders' equity also in the financial statements as at 31 December 2018.

AlmavivA The Italian Innovation Company S.p.A.

Review report on the interim condensed consolidated financial statements as of June 30, 2018

Translation from the original Italian text

EY
Building a better working world

Review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)

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

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the statement of financial position, the statements of income, the statement of comprehensive income, the statement of changes in equity and cash flows and the related explanatory notes of AlmavivA The Italian Innovation Company S.p.A. and its subsidiaries (the "AlmavivA Group") as of 30 June 2018. The Directors of AlmavivA The Italian Innovation Company S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of AlmavivA Group as of June 30, 2018 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Rome, 11 September 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