Gruppo Almaviva

Almaviva

ALMAVIVA S.P.A. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
March 2020

ALMAVIVA S.P.A. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2019, 2018 AND 2017

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

AlmavivA The Italian Innovation Company S.p.A.

Consolidated financial statements as of December 31, 2019

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

Translation from the original Italian text

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

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

Report on the Audit of the Consolidated Financial Statements

We have audited the consolidated financial statements of AlmavivA Group (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of income, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

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

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

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

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

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

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

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Report on compliance with other legal and regulatory requirements

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

The Directors of AlmavivA The Italian Innovation Company S.p.A. are responsible for the preparation of the Report on Operations of AlmavivA Group as at December 31, 2019 including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations[1], with the consolidated financial statements of AlmavivA Group as at December 31, 2019 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the consolidated financial statements of AlmavivA Group as at December 31, 2019 and comply with the applicable laws and regulations.

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

Rome, 6th March 2020

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

[1] For the publication purposes in "Notices" sections of Luxembourg Stock Exchange of the consolidated financial statements of AlmavivA The Italian Innovation Company S.p.A. and its subsidiaries for the year ended as of December 31, 2019, the Report on Operations has not been translated into the English language and therefore is not part of the mentioned Consolidated Financial Statements

AlmavivA The Italian Innovation Company S.p.A.

Consolidated financial statements as at December 31, 2018

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

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

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of AlmavivA Group (the Group), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of income, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.
We are independent of AlmavivA The Italian Innovation Company S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

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Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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

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

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

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
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We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Report on compliance with other legal and regulatory requirements

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

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

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

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

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

Rome, 27th March 2019

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

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

Almaviva The Italian Innovation Company S.p.A.

Consolidated financial statements as at December 31, 2017

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Almaviva Group (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of income, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.
We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

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

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

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

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; have designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on compliance with other legal and regulatory requirements

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

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

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

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

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

Rome, 28 March 2018

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

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

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

(in thousands of Euro)	**Note**	**At December 31, 2019**	**At December 31, 2018**	**At December 31, 2017**
Intangible assets	7	63,541	57,321	55,862
Goodwill		39,455	38,847	33,778
Property, plant and equipment	8	101,435	51,085	60,493
Investments accounted for using the equity method	9	1,106	1,099	1,993
Non-current financial assets	10	4,884	1,643	1,446
Deferred tax assets	11	12,833	15,259	13,383
Other non-current assets	12	1,772	2,499	1,658
Total non-current assets		**225,026**	**167,754**	**168,614**
Inventories	13	5,972	4,684	609
Amount due from customers	13	0	0	30,200
Contract assets	14	47,201	47,235	0
Trade receivables	15	352,815	303,731	305,029
Current financial assets	16	3,415	4,140	9,406
Other current assets	17	119,553	98,893	86,087
Cash and cash equivalents	18	89,446	71,603	69,502
Total current assets		**618,402**	**530,287**	**500,832**
Non-current assets held for sale	19	2,459	2,459	2,459
Total assets		**845,886**	**700,499**	**671,905**
Share capital		154,899	154,899	154,899
Share premium reserve		17,788	17,788	17,788
Other reserves		(170,299)	(185,465)	(166,659)
Profit/(loss) for the year		12,131	16,692	221
Total group shareholders' equity		*14,520*	*3,915*	*6,249*
Non-controlling interests		*6,451*	*4,716*	*4,529*
Total shareholders' equity	20	**20,971**	**8,631**	**10,779**
Non-current liabilities for employee benefits	21	51,286	48,470	52,872
Non-current provisions	22	6,946	5,006	6,346
Non-current financial liabilities	23	322,523	274,902	251,121
Deferred tax liabilities	24	1,394	1,534	1,672
Other non-current liabilities	25	1,018	754	892
Total non-current liabilities		**383,167**	**330,666**	**312,903**
Current provisions	22	8,547	5,611	7,162
Trade payables	26	262,426	222,162	204,120
Current financial liabilities	27	34,267	14,330	12,021
Current tax liabilities	28	37,729	36,143	42,932
Other current liabilities	29	98,778	82,957	81,988
Total current liabilities		**441,748**	**361,203**	**348,223**
Total liabilities		**824,915**	**691,868**	**661,126**
Total equity and liabilities		**845,886**	**700,499**	**671,905**

The Consolidated Financial Statements as of December 31, 2019 contain the effect deriving from the first application of IFRS 16 – Leases. Mentioned effects have been disclosed in paragraph 3.2 of the notes.

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

		For the twelve months ended December 31,		
(in thousands of Euro)	**Note**	**2019**	**2018**	**2017**
Revenues from contracts with customers	30	866,715	799,704	754,991
Other Income	31	20,106	22,970	17,315
Total revenues and other income		**886,821**	**822,675**	**772,306**
Cost of raw materials and services	32	(301,674)	(279,337)	(263,902)
Personnel expenses	33	(474,007)	(457,488)	(432,971)
Depreciation and amortization	34	(41,510)	(26,872)	(29,713)
Losses from sale of non-current assets	34	(43)	(79)	(72)
Other expenses	35	(9,320)	(7,801)	(10,332)
Operating profit/(loss)		**60,267**	**51,099**	**35,316**
Financial income	36	642	600	926
Financial expenses	36	(34,822)	(29,900)	(34,392)
Exchange gains/(losses)	36	(3,748)	(335)	(280)
Profit/(loss) from investments accounted for using equity method	37	7	6	(737)
Profit/(Loss) before taxes		**22,346**	**21,469**	**832**
Income taxes	38	(8,665)	(3,453)	30
Profit/(Loss) from continuing operations		**13,681**	**18,016**	**862**
Profit/(Loss) for the year		**13,681**	**18,016**	**862**
of which:				
Profit/(loss) pertaining to the group		12,131	16,692	221
Profit/(loss) pertaining to non-controlling interests		1,550	1,323	642

The Consolidated Financial Statements as of December 31, 2019 contain the effect deriving from the first application of IFRS 16 – Leases. Mentioned effects have been disclosed in paragraph 3.2 of the notes.

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

		For the twelve months ended December 31,		
(in thousands of Euro)	**Note**	**2019**	**2018**	**2017**
Profit/(loss) for the year		**13,681**	**18,016**	**862**
Other components of comprehensive income that may be subsequently reclassified to profit or loss, after taxes:				
Exchange differences on translation of foreign operations	**20**	1,521	(11,016)	(10,488)
Gains/(losses) on cash flow hedging instruments		0	0	145
Total		**1,521**	**(11,016)**	**(10,343)**
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	**21**	(2,842)	3,866	3,453
Total		**(2,842)**	**3,866**	**3,453**
Comprehensive income/(loss) for the year		**12,360**	**10,866**	**(6,028)**
of which:				
Comprehensive income/(loss) pertaining to the group		10,662	10,183	(5,984)
Comprehensive income/(loss) pertaining to non-controlling interests		1,698	683	(44)

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

(in thousands of Euro)	Share capital	Share premium reserve	Other reserves	Profit/(loss) for the year	Total Group shareholders' equity	Reserves pertaining to NCIs	Profit/(loss) for the year	Total non-controlling interests	Total shareholders' equity
Shareholders' Equity at December 31, 2018	**154,899**	**17,788**	**(185,466)**	**16,692**	**3,915**	**3,393**	**1,323**	**4,716**	**8,631**
Profit/(loss) for the year				**12,131**	**12,131**		**1,550**	**1,550**	**13,681**
Exchange differences on translation of foreign operations			1,373		1,373	148		148	1,521
Gains/(losses) on cash flow hedging instruments					0			0	0
Actuarial gains/(losses) on valuation of liabilities for employee benefits			(2,842)		(2,842)			0	(2,842)
Comprehensive income/(loss) for the year	**0**	**0**	**(1,469)**	**12,131**	**10,662**	**148**	**1,550**	**1,698**	**12,360**
Allocation of prior year's profit/(loss)			16,692	(16,692)	0	1,323	(1,323)	0	0
Dividends					0	(564)		(564)	(564)
Other movements			(58)		(58)	601		601	543
Shareholders' Equity at December 31, 2019	**154,899**	**17,788**	**(170,300)**	**12,131**	**14,520**	**4,901**	**1,550**	**6,451**	**20,971**

The effects of the first adoption of IFRS 15, IFRS 9 and IFRS 16 had not produce any effect on Equity. In any case, for the application of IFRS 16 as at January 1st, 2019 please see Note 4.2.

Note 20.

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

(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				**7,653**	**7,653**		**1,121**	**1,121**	**8,774**
Exchange differences on translation of foreign operations			(14,154)		(14,154)	(807)		(807)	(14,961)
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**	**(13,081)**	**7,653**	**(5,428)**	**(807)**	**1,121**	**314**	**(5,114)**
Allocation of prior year's profit/(loss)			221	(221)	0	0	(642)	(642)	(642)
Dividends			(13,342)		(13,342)				(13,342)
Other movements			256		256	120		120	376
Shareholders' Equity At September 30, 2018	**154,899**	**17,788**	**(192,606)**	**7,653**	**(12,265)**	**3,200**	**1,121**	**4,321**	**(7,943)**

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

		At December 31,	At December 31,	At December 31,
(in thousands of Euro)	**Note**	**2019**	**2018**	**2017**
Profit/(loss) for the year		**13,681**	**18,016**	**862**
Adjustments to reconcile profit before tax to net cash flows:				
Income Taxes	38	8,665	3,453	(30)
Financial income	36	(642)	(600)	(926)
Financial expenses	36	34,822	29,900	34,392
Exchange (gains)/losses	36	3,748	335	280
Depreciation, amortization and write-downs	34	41,510	26,872	29,713
Write-downs/(revaluations) of non-current financial assets and equity investments	37	(7)	(6)	737
Losses from sale of non-current assets	34	43	79	72
Interest received		642	600	926
Interest paid		(26,301)	(25,551)	(32,117)
Income taxes paid		(6,125)	(4,193)	(4,175)
Cash flows generated from operating activities before changes in working capital		*70,036*	*48,905*	*29,734*
Change in trade receivables gross of the exchange rate effect	15	(49,083)	1,297	(7,262)
Change in inventories gross of the exchange rate effect	13	(1,288)	(4,075)	86
Change in contract assets gross of the exchange rate effect	14	34	(17,035)	2,731
Change in trade payables gross of the exchange rate effect	26	40,264	18,042	10,223
Change in other assets gross of the exchange rate effect	12-17	(19,932)	(13,647)	(3,811)
Change in other liabilities gross of the exchange rate effect	25-29	17,671	(5,958)	(62,807)
Foreign exchange rate effect related to items of working capital		687	5,457	10,267
Change in liabilities for employee benefits and provisions gross of exchange rate effect	22	7,692	(7,293)	(5,414)
Change in deferred tax assets (liabilities) gross of exchange rate effect	11	2,286	(2,014)	(2,728)
Cash flows generated from operating activities changes in working capital		*(1,669)*	*(25,226)*	*(58,715)*
Cash-flow generated from/(absorbed by) operating activities (A)		**68,368**	**23,679**	**(28,981)**
Investments in property, plant and equipment	8	(14,966)	(7,688)	(6,181)
Investments in intangible assets	7	(19,796)	(21,125)	(17,452)
Acquisition of investments accounted for using the equity method	9	0	0	(900)
Proceeds from divestments of PP&E, intangible assets and investments accounted for using the equity mehod		2	976	31
Change in non-current asset held for sale	19	0	0	1,790
Change in non-current financial assets	10	(3,241)	(197)	(3)
IFRS 16 adoption	8	(64,106)		
Exchange rate effect and reclassifications on fixed assets	16	135	4,666	7,736
Cash-flow generated from/(absorbed by) investing activities (B)		**(101,972)**	**(23,368)**	**(14,979)**
Proceeds from non-controlling interests for payment of share capital of subsidiaries		543	328	937
Dividends		(564)	(13,342)	(5,404)
Proceeds from borrowings	23	25,955	25,253	261,887
Repayment of borrowings	23	(21,689)	(2,893)	(42,244)
Reclassification and change in consolidation area	23	3,130	1,421	6,000
Change in non-current financial liabilities for adoption of IFRS 16	23	40,225		
Change in current financial liabilities for adoption of IFRS 16	27	19,089		
Change in current financial liabilities	27	848	2,309	(138,852)
Change in current financial assets	16	725	5,266	(1,536)
Others change		(17,326)	(22,832)	(20,041)
Comprehensive income statement components		*(1,321)*	*(7,150)*	*(6,890)*
Reversal of exchange differences on working capital		*(687)*	*(5,457)*	*(10,267)*
Reversal foreign exchange rate effect related to items of working capital		*(511)*	*(6,280)*	*(4,534)*
Income tax, net financial income and expense unpaid		*(11,059)*	*(3,609)*	*1,930*
Reversal of item "Exchange gains/(loss)"	36	*(3,748)*	*(335)*	*(280)*
Cash-flow generated from/(absorbed by) financing activities (C)		**50,936**	**(4,489)**	**60,747**
Cash flow of the year (A+B+C)		**17,332**	**(4,179)**	**16,787**
Effect of foreign exchange rates on cash and cash equivalents **(D)**		511	6,280	4,534
Cash flow of the year after exchange rates (A+B+C+D)		17,843	2,101	21,321
Cash and cash equivalents at beginning of the year		71,603	69,502	48,181
Cash and cash equivalents at end of the year		89,446	71,603	69,502

The Consolidated Financial Statements as of December 31, 2019 contain the effect deriving from the first application of IFRS 16 – Leases. Mentioned effects have been disclosed in paragraph 3.2 of the notes.

ALMAVIVA S.P.A. AND SUBSIDIARIES
EXPLANATORY NOTES

Note that the Consolidated Financial Statements for the YEAR ENDED DECEMBER 31, 2019 contain the effect deriving from the application of IFRS 16 – Leases.
Mentioned effects have been disclosed in paragraph 3.2 of the notes.

1. GENERAL INFORMATION

AlmavivA The Italian Innovation Company S.p.A. (hereinafter "AlmavivA" or the "Company") is the parent company of one of the leading Italian groups in the Information & Communication Technology sector, which operates globally with an organisational structure incorporating approximately 44,000 employees and several offices around Italy and abroad.
The Company has its registered office in Via di Casal Boccone, 188/190, Rome and it is governed by the Italian law.

The Consolidated financial statements of the Company and its subsidiaries (the "AlmavivA Group") are prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union and comprise the Consolidated statement of financial position as at December 31, 2019, 2018, and 2017 and the related Consolidated income statement, Consolidated statement of other comprehensive income, Consolidated statement of changes in shareholders' equity and Consolidated statement of cash flows for the years ended December 31, 2019, 2018 and 2017, together with the related explanatory notes thereto (hereinafter collectively as the "Consolidated Financial Statements").

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

The activities of the Group and its segments are described in Note 5, 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 44.

The Consolidated Financial Statements were approved by the Company's Board of Directors on March 5, 2020.

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

2. BASIS OF PREPARATION

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

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

The Consolidated Financial Statements 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.

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

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

In drafting this Consolidated Financial Statements no critical aspects that required the use of the exceptions set forth in IAS 1 were identified. All amounts are stated in thousands of Euro, except where indicated otherwise. The Euro represents the functional currency of the parent company and subsidiaries, and that used for presenting the financial statements.
The following table indicates the exchange rates adopted:

Exact exchange rates

Amount of currency for 1 Euro

Country	Currency	ISO	At December 31, 2019	At December 31, 2018	At December 31, 2017
Brazilian	Real	BRL	4.516	4.444	3.973
China	Yuan	CNY	7.821	7.875	7.804
Colombian	Peso	COP	3688.660	3721.810	3580.190
Indonesia	Rupiah	IDR	15595.600	16500.000	0.000
Europe	Leu	RON	4.783	4.664	4.656
United States	Dollar	USD	1.123	1.145	1.199
Tunisian	Dinar	TND	3.139	3.430	2.974

Average exchange rates

Amount of currency for 1 Euro

Country	Currency	ISO	At December 31, 2019	At December 31, 2018	At December 31, 2017
Brazilian	Real	BRL	4.414	4.309	3.604
China	Yuan	CNY	7.734	7.807	7.626
Colombian	Peso	COP	3673.073	3488.423	3333.837
Indonesia	Rupiah	IDR	15835.948	16512.150	0.000
Europe	Leu	RON	4.746	4.654	4.569
United States	Dollar	USD	1.120	1.182	1.129
Tunisian	Dinar	TND	3.282	3.111	2.729

2.1 Going Concern

AlmavivA's Board of Directors judged that there are no material uncertainties about going concern of AlmavivA Group. The reasons supporting these conclusions are illustrated in detail below.
During the 2019, AlmavivA Group consolidated the revenue growth trend started in previous period (Revenues Euro 867 Mln, + 8,4% compared to the last year). As of December 31, 2019 the profit deriving from consolidated operating activities has shown a significant growth compared to the last year and is equal to Euro 60,267 K (+ € 9,168 K compared to December 31, 2018 and + € 5,925 K net of IFRS 16 adoption effect). The Net consolidated Profit stood at € 13,681 million (+€ 16,315K net of IFRS 16 adoption effect).
It's highlighted that growth was negatively affected by the rate effect. The actual figures at constant rates would have shown an increase in terms of Revenue equal to 9.2% and Operating Profit equal to 18.9%.
In the IT area, market estimates consider the sector to grow for the fifth consecutive year, especially in the area of software, ICT solutions and ICT services. Management is studying, about all segments in which the Group carries out its business activity and in particular on CRM Europe, actions in order to improve productivity and tempering inefficiencies. However, it will also be necessary to consider any developments arising from the impacts on the economy linked to the spread of coronavirus. Although the sectors in which the AlmavivA Group operates are more resilient, uncertainties remain.
There is also an increase in terms of interest and investment, by the PA and private market, on some existing processes (smart working, advanced CRM, data science, etc.) in which AlmavivA foresees, consequently, positive effects on the reference businesses.
Forecasts for 2020 assume an increase in revenues, especially in the Central and Local Public Administration (PA) areas (thanks also to the continuous development of the SPC Lot 3 and Lot 4 contracts awarded in 2017 and to the LISPA tender awarded in April with the client Aria S.p.A., ex Lombardia Informatica SpA) and in the Finance sector (+12% compared to 2019) on some banking, insurance and trust groups (with a particular focus on the sale of new products developed internally), furthermore on Utilities and Industrial sector (+26% compared to 2019).
Forecasts for Agricoltura area assume the development of new AGEA contract (tender for SIAN Lot 2 and 3).
With regard to the Transportation area, the publication of tenders for the renewal of the framework agreements by Ferrovie dello Stato Group (expiring in January 2020 and currently assigned to the RTI led by AlmavivA) is expected. As of the date of this document, two tenders were published ("Smart Stations", value 380 € mln, and "Management of ICT infrastructure systems", value 558 mln €) and are also foreseeable by 2020. Covering the period between the expiry of the current outsourcing contract and the development of the new contracts and in order to ensure the stability of the services provided, an extension of the current outsourcing contract entrusted to the RTI led by AlmavivA (value up to € 700 million and expiry date on December, 2021) was signed.
In the Transportation area, new contracts/customers are also expected to grow, based on the commercial development of new products (Moova platform and Sadel products, also due to the LPG market which will be favored by the opportunity offered by the SPC framework contract).
There will also be an increase in activities on the International Market both in terms of activities in the public administration of the European Union ("EU"), developed through the subsidiary AlmavivA de Belgique, and in the Transportation sector (the awarding of activities for the FLOW consortium is envisaged relating to the development and management of IT systems to support the operation of 4 Riyad metro lines).
Additionally, certain actions continue, related to all Group's companies, with the maximum amount of attention and intensity of control, which in particular referred to:

- Overhead costs.
- Procurement policies.
- The decrease 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, as well as on an adequate capitalization of the companies.

During 2020 the Group could be able to benefit from the potential positive effects of the new national legislation on pensions, which could lead to an acceleration of the remix of resources in the production area with consequent professional optimization and moderation of wage growth.
In CRM Europe there was a contraction in revenues, compared to the prior period, equal to about 15%. These specific problems (market trend, volume contraction, continuous reduction of the tariffs recognized by the customers, new regulations in terms of tenders and social clauses), increased, during the 2019, the negative trend related to some of the main clients of AlmavivA Contact, leading to a decrease in revenues with an impact mainly on the site of Palermo for

Telco and Media customers. Due to this situation, worsened by a volumes decrease recorded in the final part of the year on the main customers on the site, an institutional discussion restarted at the Ministry of Labor and Social Policies, also attended by the Ministry of Economic Development, the Ministry for the South and the Municipality of Palermo, in order to find a solutions and paths that guarantee continuity in term of employment and economic sustainability.
Due to this situation, 2020 foresees a contraction in revenues. At the end of 2019, the company has already started a series of actions to improve the efficiency of the overall operating structure on the sites and cost containment actions that will be full operative in 2020, and to allow us to predict a reduction in term of loss of that period compared to the previous year.
The Brazilian macroeconomic scenario confirms an economic recovery, with revised estimates of GDP growth of 1.9% in 2020 and 2.0% in 2020). The Euro/BRL exchange rate, that in the first semester of 2020 had a growth trend, is expected on average about 4.5. Inflation is expected to drop to 3.4% (3.7% in 2019); the Selic rate is now 5.0% per annum, the lowest value in recent years and forecasts are stable at 5.0% also for 2020.
The Brazilian market, more than other markets where the Group operates, has characterized by a phase of consolidation and restructuring of the companies operating in the BPO-call center sector. In this situation, there are further opportunities for AlmavivA, which boasts a solid financial base, careful and timely cost control and a strict operating process.
In this situation we highlight the approval of the reform of the new social security, which aims to balance a social security system that did not guarantee its sustainability in the medium/long term, and the tax reform which, hopefully, should bring together and simplification of rates. Furthermore, as at November 12, 2019 the Federal Government has published the “*provisional measure 905*” (comparable to an Italian Decree-law), named "*Green and yellow program*", whose main purpose is to reduce taxes on labor in order to promote employment. Furthermore, the proposed new rules should serve to pacify a series of tax and social security disputes, with a positive repercussion in employment.
Important benefits are expected for AlmavivA Do Brasil both from these reforms and from previous provisions regarding the legality of outsourcing and therefore on the possibility for our client companies to outsource activities, with positive effects on the growth of volumes managed.
On this site, as at January 14, 2020, we highlight the recent equity investment on the 100% of Bradesco Group’s share capital in the capital of Chain Servicos and Contact Center SA. Through this acquisition AlmavivA do Brasil consolidates its position in CRM activities, mainly in finance segment.
Growth on the International market will also be based on the development of the Colombian CRM market thanks to the activities of the subsidiary Almacontact, characterized by the growth in volumes on historical clients and by the new clients acquisition; that growth is oriented to covering both the Colombian domestic market and offering services of nearshoring to other Latin American countries and to the USA.
During the 2019, Almawave’s revenues increase due to the positive impact of the new contracts SPC acquisition. In the 2020, is expected an increase of revenues in both local and international markets areas. In particular on local market is expected an increase of the On-Premise and Software As-A-Service offer both of the IRIDE® Customer Centric Suite, thanks to the definition of innovative technological solutions in the Business Intelligence, Big Data and Open Data area, to the confirmof leadership in the Speech Analytics sector and growth of self-automated solutions (conversational IVR & chatbot), further growth of activities on the Public Market Administration, linked to the development of contracts with the Central and Local Public Administration on the basis of the SPC Lot 3 and Lot 4 framework agreements awarded in 2017 and to the synergies with the AlmavivA Group commercial forces in offering Almawave products and services to customers of the Public Administration and Individuals.
On the International market the development of the Brazilian market and Latin America area go on, with an offer characterized by solutions that include the integration of Almawave products with the offer called "IRIDE® Customer Centric Suite" and the commercial synergy with AlmavivA do Brasil and Almacontact Colombia.
As part of the market expansion process, including through non-organic, vertical and transversal growth, the Group is evaluating possible acquisitions of controlling investments.
In particular, in addition to the completion of the acquisition on the CRM market in Brazil, highlighted above, AlmavivA S.p.A. completed, as at July, 25 2019, the acquisition of the majority stake (55%) of the Wedoo company, through a capital increase in the Wedoo Holding holding company. The operation also involved Wedoo LLC (USA), also a subsidiary of Wedoo Holding srl. Wedoo is a digital agency that has been operating for years in the field of digital communication and experience design at national and international level, mainly in the industrial sector (automotive, food and beverage, design) and Public Administration, an intense collaboration with AlmavivA was already active in this field. The more traditional communication services are combined with high-tech services in the field of CGI-Computer Generated Imagery computer graphics and real-time graphics solutions (AR-Augmented Reality, VR-Virtual Reality, Web-GL-Web- based Graphics Library).
In addition, further investment projects are being examined to accelerate growth both in the IT area (aimed at developing the market in particular as regards the production of integrated products and solutions for the transport, industry, public administration, finance. In particular, an agreement is being negotiated for the acquisition of the majority stake in a strong-growing company in services on the Salesforce platform.

In order to accelerate the development of innovative solutions and services with high technological value, assessments are also underway regarding the possible activation of university spin-off participations.
The development policy of partnerships with the most important software vendors also continues (AWS Advanced certification obtained and, by March 2020, Salesforce Platinum).
From a financial perspective, the bond debt (Senior Secured Notes) is in place for a value of € 250 million, senior secured, maturity of five years (October 2022) and coupon at 7.25%. In 2019, two half-yearly coupons have been paid. The payment of two additional six-monthly coupons is expected in 2020 (15.04.2020 and 15.10.2020) each amounting to € 9.063 million, for a total amount of € 18.1 million.
From a financial prospective, a decrease of NFP is also expected as at December 31, 2020.

2.2 Basis of consolidation

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

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

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

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

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

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

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

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

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

- items of assets, liabilities, income and expenses of entities consolidated line by line are fully included in the Consolidated Financial Statements;
- the carrying amount of the parent's investment in the subsidiary is netted against the parent's portion of equity of investees. Any difference existing at the date when control is acquired is allocated to items of assets and/or liabilities;
- whenever required, the financial statements of subsidiaries are adjusted to align them to the accounting criteria adopted by the Group;

- minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's ownership interests in them;
- unrealised profit and loss for the Group as resulting from intragroup transactions are fully eliminated, as well as significant amounts that originate intercompany payables and receivables, costs and revenue among consolidated companies;
- consolidation adjustments take into account, when applicable, their deferred tax effect;
- dividends received over the year by a parent from a consolidated subsidiary and recognised in the parent's income statement as gains on equity investments, are eliminated and classified under "retained earnings".

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

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

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

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

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

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

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

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

Recognition and measurement criteria adopted for associates and joint arrangements: investments accounted for using the equity method

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

Consolidation Area

The consolidated companies as at December 31, 2019, 2018 and 2017 are listed below:

Companies and method of consolidation	**Currency**	**Share held**	**At December 31, 2019**	**At December 31, 2018**	**At December 31, 2017**
AlmavivA S.p.A. (Parent Company) Rome, Italy	Euro	100.00%	Parent	Parent	Parent
Lombardia Gestione S.r.l. Milan, Italy	Euro	51.00%	Full	Full	Full
AlmavivA de Belgique S.A. Brussels, Belgium	Euro	100.00%	Full	Full	Full
Almaviva Digitaltec S.r.l. Naples, Italy	Euro	100.00%	Full	Full	Full
Wave S.r.l Pianoro Italy	Euro	100.00%	Full	Full	Full
Sadel S.p.A. Pianoro Italy	Euro	84.05%	Full	Full	Full
Wedoo Holding S.r.l. * Torino Italy	Euro	55.00%	Full	-	-
Wedoo S.r.l. * Torino Italy	Euro	100.00%	Full	-	-
Wedoo LLC * MIchigan U.S.	US Dollar	100.00%	Full	-	-
AlmavivA Contact S.p.A. Rome, Italy	Euro	100.00%	Full	Full	Full
AlmavivA do Brasil S.A. San Paolo, Brazil	Brazilian Real	94.68%	Full	Full	Full
AlmavivA Participações 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

*Acquiered in 2019

Companies and method of consolidation (continued)	**Currency**	**Share held**	**At December 31, 2019**	**At December 31, 2018**	**At December 31, 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
PT: Almaviva Indonesia Kontak***	Indonesian Rupiah	49.00%	Equity	Equity	-
TVEyes L.T. S.r.l. Trento, Italy	Euro	20.00%	Equity	Equity	Equity

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

***Established in 2018

The ultimate parent Company

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

Subsidiaries with significant minority interests

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

		For the year ended December 31		
Company	**Country**	**2019**	**2018**	**2017**
Lombardia Gestione S.r.l.	Italy	49.00%	49.00%	49.00%
Almaviva Tunisie S.A.	Tunisia	43.75%	43.75%	43.75%

Accumulated balances of material non-controlling interest:

(in thousands of Euro)		For the year ended December 31		
Company	**Country**	**2019**	**2018**	**2017**
Lombardia Gestione S.r.l.	Italy	1,401	1,273	1,255
Almaviva Tunisie S.A.	Tunisia	907	708	895

Profit allocated to material non-controlling interest:

(in thousands of Euro)		For the year ended December 31		
Company	**Country**	**2019**	**2018**	**2017**
Lombardia Gestione S.r.l.	Italy	692	586	636
Almaviva Tunisie S.A.	Tunisia	123	60	46

The minorities present in Sadel S.p.A., Pervoice S.p.A., Agrisian ScpA in Liquidation, AlmavivA do Brasil SA, Wedoo Holding S.r.l., Wedoo S.r.l. and Wedoo LLC. are not considered significant because: i) Sadel was acquired through Wave S.r.l.in the first half of 2018 with a percentage of 84.05%, and therefore the contribution on the Consolidated Financial Statements at December 31,2020 is not considered relevant; ii) the Pervoice S.p.A., Wedoo Holding S.r.l., Wedoo S.r.l.e Wedoo LLC. contribution volumes are irrelevant for the purposes of the disclosure presented in the Consolidated Financial Statements of AlmavivA S.p.A.; iii) for Agrisian SCpA in liquidation and for AlmavivA do Brasil minority interests in these companies are not relevant for the purposes of consolidation.

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

Summarized income statement for

December 31, 2019	**Lombardia Gestione S.r.l.**	**AlmavivA Tunisie S.A.**
(in thousands of Euro)		
Revenues from contracts with customers	20,497	2,599
Cost of raw materials and services	(15,866)	(581)
Personnel expenses	(2,052)	(1,306)
Depreciation and amortization	(49)	(239)
Depreciation and amortization	(22)	(42)
Profit before taxes	**1,989**	**351**
Income taxes	(547)	(71)
Profit from continuing operations	**1,442**	**280**
Other comprehensive income for the year	**1,413**	**280**
Other comprehensive income pertaining to the group	692	123
Dividends paid pertaining to non-controlling interests	564	0

Summarized income statement for

December 31, 2018	**Lombardia Gestione S.r.l.**	**AlmavivA Tunisie S.A.**
(in thousands of Euro)		
Revenues from contracts with customers	18,997	2,100
Cost of raw materials and services	(14,904)	(659)
Personnel expenses	(2,349)	(1,103)
Depreciation and amortization	(50)	(130)
Depreciation and amortization	(24)	(21)
Profit before taxes	**1,658**	**176**
Income taxes	(473)	(39)
Profit from continuing operations	**1,185**	**137**
Other comprehensive income for the year	**1196**	**137**
Other comprehensive income pertaining to the group	586	60
Dividends paid pertaining to non-controlling interests	588	154

Summarized income statement for

December 31, 2017	**Lombardia Gestione S.r.l.**	**AlmavivA Tunisie S.A.**
(in thousands of Euro)		
Revenues from contracts with customers	19,329	2,306
Cost of raw materials and services	(14,732)	(760)
Personnel expenses	(2,523)	(1,241)
Depreciation and amortization	(48)	(169)
Depreciation and amortization	(22)	(11)
Profit before taxes	**1,778**	**127**
Income taxes	(512)	(22)
Profit from continuing operations	**1,266**	**105**
Other comprehensive income for the year	**1298**	**105**
Other comprehensive income pertaining to the group	636	46
Dividends paid pertaining to non-controlling interests	971	0

Summarized statement of financial position at December 31, 2019	Lombardia Gestione S.r.l.	AlmavivA Tunisie S.A.
(in thousands of Euro)		
Non-current assets	290	772
Trade receivables	3,635	2,039
Current liabilities	(8,225)	(1,459)
Non-current liabilities	(590)	(320)
Equity	**2,860**	**2,072**
Pertaining to the group	1,459	1,166
Pertaining to non-controlling interests	1,401	907

Summarized statement of financial position at December 31, 2018	Lombardia Gestione S.r.l.	AlmavivA Tunisie S.A.
(in thousands of Euro)		
Non-current assets	198	314
Trade receivables	3,322	1,947
Current liabilities	(6,707)	(1,248)
Non-current liabilities	(545)	0
Equity	**2,597**	**1,618**
Pertaining to the group	1,324	910
Pertaining to non-controlling interests	1,273	708

Summarized statement of financial position at December 31, 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 December 31, 2019	Lombardia Gestione S.r.l.	AlmavivA Tunisie S.A.
(in thousands of Euro)		
Cash-flow generated from operating activities	2,759	517
Cash-flow absorbed by investing activities	0	(694)
Cash-flow absorbed by financing activities	(1,179)	483
Cash flow of the year	**1,580**	**306**

Summarized statement of cash flow December 31, 2018	Lombardia Gestione S.r.l.	AlmavivA Tunisie S.A.
(in thousands of Euro)		
Cash-flow generated from operating activities	1,537	267
Cash-flow absorbed by investing activities	(8)	(4)
Cash-flow absorbed by financing activities	(1,150)	(565)
Cash flow of the year	**379**	**(302)**

Summarized statement of cash flow December 31, 2017	Lombardia Gestione S.r.l.	AlmavivA Tunisie S.A.
(in thousands of Euro)		
Cash-flow generated from operating activities	2,238	952
Cash-flow absorbed by investing activities	(18)	(4)
Cash-flow absorbed by financing activities	(1,953)	(426)
Cash flow of the year	**267**	**522**

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting policies and measurement criteria

The main accounting policies and measurement criteria used in the preparation of the Consolidated Financial Statements are described hereunder. Such accounting policies and measurement criteria have been consistently applied during the three-years period 2019, 2018 and 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Intangible assets

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

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

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

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

Property, plant and equipment

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

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

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

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

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

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

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

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

Revenue from contracts with customers
Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements.
The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g.,warranties, customer loyalty points). In determining the

transaction price for the sale of equipment, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).
The presentation of the revenues and the consequent contractual activities is done by contract and not by single obligation to do.

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

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

<u>Contract balances</u>

Contract assets

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

Trade receivables

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

Contract liabilities

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

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

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

<u>*Financial instruments – Initial recognition and subsequent measurement*</u>
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets
Initial recognition and measurement

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

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

Equity instruments

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

Derecognition

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

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

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

Impairment of financial assets

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

Financial liabilities
Initial recognition and measurement

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss.

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

Loans and borrowings

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

Derecognition

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

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

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

Group as a lessee
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.
A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

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

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

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable

estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statement net of any reimbursement.
If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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

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

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

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

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

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

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

Impairment test of assets and corresponding reversal

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

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

The Group bases its impairment calculations on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years.

For assets excluding goodwill, an assessment is made at the balance sheet date or at least once per year to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31 December or at least once per year and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Costs

Costs are recognized when the related goods and services are sold or consumed during the year, when they are allocated on a systematic basis or when their future economic benefits cannot be identified.

Operating lease fees are booked to the income statement over the duration of the lease.

Costs incurred for the acquisition of new know-how, the study of alternative products or processes, of new techniques or models, for the design and construction of prototypes or, nonetheless, incurred for other scientific research or technological development activities that do not meet the conditions for recognition in balance sheet assets are considered current costs and booked to the income statement in the year they are incurred.

Income taxes

Current income taxes are calculated on the basis of the estimate of taxable income; the expected payable is booked to the item "current tax liabilities". Tax payables and receivables for current income taxes are booked at the value that is expected to be paid/recovered to/from the tax authorities, by applying the applicable tax rates and regulations or essentially approved at the end of the reporting period.

Deferred income taxes are calculated on the temporary differences between the values of assets and liabilities booked to the financial statements and the corresponding values recognised for tax purposes on the basis of the rates and regulations in force. Deferred tax assets are recognised when their recovery is considered likely; the recoverability of deferred tax assets is considered likely when taxable income is expected to be available, in the year in which the temporary difference will be cancelled, such as to allow the tax deduction to be carried out. Similarly, unused tax credits and deferred tax assets on tax losses are recognised within the limits of their recoverability.

Deferred taxes are booked to the income statement, with the exception of those related to items recognised directly in shareholders' equity; based on said assumption, also the associated deferred taxes are booked to shareholders' equity.

Prepaid and deferred taxes are offset where there is a legal right which allows current tax assets and current tax liabilities to be offset and deferred taxes refer to the same taxpayer and same tax authority.

Tax consolidation
Up to December 31, 2019, the parent company and its Italian investees, as they met the legal requirements, exercised the option of participating in the tax consolidation under the parent company AlmavivA Technologies S.r.l.
The economic and financial relations arising from the participation in the tax consolidation are governed by a single contract.
Given that the tax basis of the tax consolidation is the sum of the taxable amounts and the tax losses that the individual entities assign to the consolidating company, any loss transferred to the tax consolidation is recognised under the consolidating company and based on the reasonable certainty of recovery assessed on a consolidated basis.
The agreements also provide the option of assigning to the consolidating company any excess taxes against which the consolidating company and the consolidated companies recognise reciprocal equity balances.
Recognition in equity requires the replacement of the tax payables and receivables with payables and receivables among consolidated entities. In particular, the recognition is made as follows:

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

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

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

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

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

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

3.2 New standards, interpretations and amendments adopted by the Group

IFRS 16 – Leases

IFRS 16 supersedes 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. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.
Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (‘short-term leases’), and lease contracts for which the underlying asset is of low value (‘low-value assets’).

As of January 1, 2019, the effect of the IFRS 16 first time adoption on the financial statement is represented in the table below (increase/(decrease):

(in thousands of Euro)		**January 1, 2019**
Assets		
Property, plan and equipment		64,106
Prepayments	-	393
TOTAL ASSETS		**63,713**
Liabilities		
Lease Liabilities		67,463
Deferred tax liabilities		-
Trade and other payables	-	3,750
TOTAL LIABILITIES		**63,713**
Total adjustment on equity		
Retained earnings		-
Non-controlling interests		-
		-

Based on the foregoing, as at January 1, 2019:

- Right-of-use assets of Euro 64,106 thousand were recognised and presented separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of Euro 310 thousand that were reclassified from Property, plant and equipment.
- Additional lease liabilities of Euro 67.463 thousand (included in Non-current and current financial liabilities) were recognised.
- Prepayments of Euro 393 thousand and trade and other payables of Euro 3,750 thousand related to previous operating leases were derecognised.

Leasing liabilities as of January 1, 2019 can be reconcile with the engages deriving from operating leasing as of December 31, 2018 as follows:

(in thousands of Euro)	**Italy**	**Foreign**	**Total**
Operating lease commitments as at 31 December 2018	**17,310**	**7,537**	**24,847**
Weighted average incremental borrowing rate as at 1 January 2019	8.61%	11.48%	
Discounted operating lease commitments at 1 January 2019	41,563	28,987	70,550
Commitments relating to short-term lease	1,450	1,947	3,397
Commitments relating to lease previously classified as finance leases	0	310	310
Lease liabilities as at 1 January 2019	**40,113**	**27,350**	**67,463**

a) Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of plant, machinery, vehicles and other equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance

costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and other payables, respectively.
Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 was applied to these leases from January 1, 2019.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.
As provided by the standard, both right-of-use assets and lease liabilities has been classified within existing line item of statement of financial position. Right-of-use assets have been classified following the nature of underlying asset and the lease liabilities have been classified within current or no current financial liabilities based on lease term.
The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Relied on its assessment of whether leases are onerous immediately before the date of initial application.
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application.
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

<u>Right-of-use assets</u>
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.
In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date
and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below €5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of four to six years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).
c) Amounts recognised in the statement of financial position and profit or loss

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

(in thousands of Euro)	As at January 1, 2019	Foreign exchange differences	Additions	Depreciation expenses	As at December 31, 2019	Lease liabilities as at January 1, 2019	Interest expense	Payments	Lease liabilities as at December 31, 2019
Land and buildings	62,396	(395)	3,051	(14,781)	50,271				
Other equipment	1,710	(5)	887	(971)	1,621				
Right of use Asset	**64,106**	**(400)**	**3,938**	**(15,752)**	**51,892**	**67,463**	**5,667**	**(13,816)**	**59,314**

The Group did not recognize rent expense from short-term leases, leases of low-value assets and variable lease payments for the period ended December 31, 2019.

IFRIC Interpretation 23 – Uncertainty over income Tax Treatment

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

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of the tax treatments by taxation authorities

- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The interpretation did not have an impact on the consolidated financial statements of the Group.

IFRIC Interpretation 23 – Uncertainty over income Tax Treatment

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

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

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Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the Consolidated Financial Statements of the Group.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit

liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).
These amendments had no impact on the Consolidated Financial Statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

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

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.
The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.
These amendments had no impact on the Consolidated Financial Statements as the Group does not have long-term interests in its associate and joint venture.

IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.
An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.
These amendments had no impact on the Consolidated Financial Statements as of December 31, 2019 of the Group as there is no transaction where a joint control is obtained.

IFRS 11 Joint Arrangements

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.
An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.
These amendments had no impact on the Consolidated Financial Statements as of December 31, 2019 of the Group as there is no transaction where a joint control is obtained.

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.
An entity applies the amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.
Since the Group’s current practice is in line with these amendments, they had no impact on the Consolidated Financial Statements of the Group.

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.
The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.
Since the Group's current practice is in line with these amendments, they had no impact on the Consolidated Financial Statements of the Group.

Standards issued but not yet effective

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

IFRS 17 Insurance Contracts

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

- A specific adaptation for contracts with direct participation features (the variable fee approach)

- A simplified approach (the premium allocation approach) mainly for short-duration contracts

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

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.
Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Company will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

4. USE OF ESTIMATES AND MANAGEMENT JUDGEMENT

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

<u>*Management judgement mainly refers to aspects such as:*</u>

- the evaluation of existence of control, joint control or significant influence over group entities, as further described in paragraph 2.2 above;
- the evaluation of the useful lives of Intangible assets and Property, plant and equipment, as further described in paragraph 3.1 above;
- the analysis about whether the conditions to qualify assets or operations as Non-current assets held for sale in accordance with IFRS 5 are met and if those assets or operations also represent discontinued operations or not;
- the definition of the Group's Operating and reportable segments that are relevant to the business and reflect the regular review process in terms of operating results performed by the entity's chief operating decision maker to make decisions about resources to be allocated to segments and assess their performance, as further described in Note 5 below;
- the identification of cash-generating units as the smallest groups of assets that generate largely independent cash inflows and to which goodwill is also allocated.

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

<u>*Significant opinion in determining the lease term of contracts that contain an extension option - The Group as a lessee.*</u>

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Group does not include the renewal period as part of the lease term for leases of plant with shorter non-cancellable period (> 4 years) as these are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term because there would be negative impacts on operations if alternative assets were not available.

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

A discontinued operation is a component of an entity that has been divested or classified as held for sale and:

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

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

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

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

- the book value before the asset (or disposal group) was classified as held for sale, adjusted for depreciation, amortization, write-downs or write-backs that would have been recognized if the asset (or disposal group) had not been classified as held for sale; and
- the recoverable value, which is equal to the greater of its fair value net of costs to sell and its value in use, as calculated at the date on which the decision not to sell was taken.

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

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

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

The Group determined that the input method is the best method in measuring the progress of the installation services because there is a direct relationship between the Group's effort (i.e., labour hours incurred) and the transfer of service to the customer. The Group recognises revenue on the basis of the labour hours expended relative to the total expected labour hours to complete the service, In other circumstances, the Group considered more correct to use the method based on the outputs as a suitable criterion for measuring the progress of the services provided by the Group. In this last case, the determination of the function points shared with the customer constitutes the basis for the recognition of revenues.
Some contracts for the sale of IT and CRM services provide for penalties to the Group for failure to reach contractually indicated KPIs. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration. Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

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

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Notes 14 and 15.

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 12 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 unfavorable outcome and a reasonable estimate of the loss amount.

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

Determination of the fair value of financial instruments
The fair value of financial instruments is determined on the basis of the prices directly observable on the market, where available, or, for unlisted financial instruments, by using specific valuation techniques that maximise the observable inputs on the market. In circumstances where this is not possible, the inputs are estimated by the management by taking into account the characteristics of the instruments subject to valuation. In compliance with IFRS 13, the Group includes the measurement of credit risk, both of the counterparty (Credit Valuation Adjustment or CVA) and its own credit risk (Debit Valuation Adjustment or DVA), in order to be able to adjust the fair value of the derivatives for the corresponding measurement of the counterparty risk, by applying the methodology reported in the section "Information on fair value measurements". Variations in the assumptions made in estimating the input data could impact the fair value recognised in the financial statements for these instruments.

Recovery of prepaid taxes
As at December 31, 2019, the Consolidated Financial Statements include prepaid taxes, connected to the recognition of tax losses that can be used in future years and income components subject to deferred deductibility of taxes, for an amount whose recovery in future years is considered highly likely by the directors. The recoverability of the aforementioned prepaid taxes is subject to the achievement of sufficient future taxable income to absorb the aforementioned tax losses and for the use of the benefits of other deferred tax assets. Significant management judgments are required in order to determine the amount of prepaid taxes that can be recognised in the financial statements, based on the timing and amount of the future taxable income as well as the future tax planning strategies and tax rates in force at the moment of their reversal. However, at the moment the Group should ascertain that it is unable to recover, in future years, all or part of the prepaid taxes recognised, the consequent adjustment will be booked to the income statement in the year in which said circumstance is verified.
Please refer to paragraph 3.1 “Accounting policy and measurement criteria” above, for more details on each relevant financial item included in each category of estimates.

Development costs
The Group capitalises costs for product development projects. Initial capitalisation of costs is based on management’s judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

5. OPERATING AND REPORTABLE SEGMENTS

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

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

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

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

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

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

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

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

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

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

For the twelve months ended December 31, 2019

(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	500,895	118,627	232,103	15,089	866,715	(0)	866,715
Inter-segment	3,039	6,708	79	6,221	16,047	(16,047)	0
Total revenues from contracts with customers	**503,934**	**125,335**	**232,182**	**21,310**	**882,762**	**(16,047)**	**866,715**
Income/(Expenses)							
Cost of raw materials and services	(226,732)	(24,390)	(61,696)	(8,566)	(321,383)	19,710	(301,674)
Personnel expenses	(217,313)	(109,726)	(138,936)	(8,454)	(474,429)	421	(474,007)
Depreciation and amortization and write-downs	(22,954)	(4,062)	(12,808)	(2,104)	(41,927)	417	(41,510)
Losses from sale of non-current assets	1	(44)	0	0	(43)	0	(43)
Other operating income	19,860	1,240	487	2,035	23,623	(3,517)	20,106
Other operating expenses	(7,603)	(1,616)	(79)	(89)	(9,387)	67	(9,320)
Operating Profit	**49,194**	**(13,262)**	**19,151**	**4,133**	**59,216**	**1,051**	**60,267**
% Revenue	*9.8%*	*n.d.*	*8.2%*	*19.4%*			*7.0%*
At December 31, 2019							
Total assets	**580,034**	**144,310**	**196,085**	**43,233**	**963,661**	**(141,366)**	**822,295**
Total liabilities	**360,852**	**86,006**	**33,970**	**16,188**	**497,016**	**(68,014)**	**429,002**

The Consolidated Financial Statements as of December 31, 2019 contain the effect deriving from the first application of IFRS 16 – Leases. Mentioned effects have been disclosed in paragraph 3.2 of the notes.

For the twelve months ended December 31, 2018

(in thousands of Euro)	IT Services	CRM Europe	CRM International	Almawave New Technology	Total Segments	Adjustments, eliminations and other	Consolidated
Revenue							
Revenues from contracts with customers	423,644	140,609	225,802	9,649	799,704	(0)	799,704
Inter-segment	3,387	7,247	110	6,361	17,105	(13,103)	0
Total revenues from contracts with customers	**427,031**	**147,856**	**225,912**	**16,010**	**816,809**	**(13,103)**	**799,704**
Income/(Expenses)							
Cost of raw materials and services	(192,186)	(35,141)	(68,266)	(5,438)	(301,031)	21,694	(279,337)
Personnel expenses	(193,727)	(119,943)	(137,140)	(7,163)	(457,973)	485	(457,488)
Depreciation and amortization and write-downs	(15,278)	(2,173)	(8,056)	(1,781)	(27,289)	417	(26,872)
Losses from sale of non-current assets	5	(84)	0	0	(79)	0	(79)
Other operating income	24,374	858	163	2,208	27,604	(4,633)	22,970
Other operating expenses	(5,963)	(1,468)	(397)	(130)	(7,959)	158	(7,801)
Operating Profit	**44,256**	**(10,096)**	**12,216**	**3,706**	**50,083**	**1,016**	**51,099**
% Revenue	*10.4%*	*-6.8%*	*5.4%*	*23.1%*			*6.4%*
At December 31, 2018							
Total assets	**489,692**	**142,483**	**151,648**	**35,325**	**819,148**	**(142,150)**	**676,998**
Total liabilities	**300,396**	**94,889**	**33,697**	**11,951**	**440,933**	**(75,973)**	**364,961**

For the twelve months ended December 31, 2017

(in thousands of Euro)	IT Services	CRM Europe	CRM International	Almawave New Technology	Total Segments	Adjustments and eliminations	Consolidated
Revenue							
External customers	366,471	126,239	256,008	6,273	754,991	0	754,991
Inter-segment	3,640	6,573	45	7,591	17,849	(17,849)	0
Total revenue	**370,111**	**132,812**	**256,053**	**13,864**	**772,840**	**(17,849)**	**754,991**
Income/(Expenses)							
Cost of raw materials and services	(165,691)	(33,670)	(81,969)	(3,809)	(285,139)	21,237	(263,902)
Personnel expenses	(167,935)	(104,387)	(153,781)	(7,246)	(433,350)	379	(432,971)
Depreciation and amortization and write-downs	(15,903)	(2,316)	(10,355)	(1,557)	(30,130)	417	(29,713)
Losses from sale of non-current assets	(61)	(1)	0	(10)	(72)	0	(72)
Other operating income	16,667	2,825	201	1,264	20,957	(3,642)	17,315
Other operating expenses	(8,037)	(2,531)	(67)	(2)	(10,636)	304	(10,332)
Operating Profit	**29,151**	**(7,269)**	**10,083**	**2,504**	**34,469**	**847**	**35,316**
At December 31, 2018							
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**

Reconciliation of Operating profit/(loss)

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

	For the twelve months ended December 31,		
(in thousands of Euro)	2019	2018	2017
Segment profit	**60,267**	**51,099**	**35,316**
Finance income	642	600	926
Finance costs	(34,822)	(29,900)	(34,392)
Exchange gains/(losses)	(3,748)	(335)	(280)
Gains/(losses) on equity investments	0	0	0
Profit/(loss) from investments accounted for using equity method	7	6	(737)
Inter-segment income/expenses (elimination)	0	0	0
Profit/(loss) before taxes	**22,346**	**21,469**	**832**

Reconciliation of Total assets

(in thousands of Euro)	At December 31, 2019	At December 31, 2018	At December 31, 2017
Segment operating assets	**822,295**	**676,998**	**645,211**
Deferred tax assets	12,833	15,259	13,383
Current financial assets	3,415	4,140	9,406
Non-current financial assets	4,884	1,643	1,446
Non-current assets held for sale	2,459	2,459	2,459
Total assets	**845,886**	**700,499**	**671,905**

Reconciliation of Total liabilities

(in thousands of Euro)	At December 31, 2019	At December 31, 2018	At December 31, 2017
Segment operating liabilities	**429,002**	**364,961**	**353,380**
Non-current financial liabilities	322,523	274,902	251,121
Current financial liabilities	34,267	14,330	12,021
Current tax liabilities	37,729	36,143	42,932
Deferred tax liabilities	1,394	1,534	1,672
Total liabilities	**824,915**	**691,868**	**661,126**

Reconciliation of EBITDA

For the twelve months ended December 31, 2019

(in thousands of Euro)	IT Services	CRM Europe	CRM International	Almawave New Technology	Total Segments	Adjustments, eliminations and other	Consolidated
Operating profit	**49,194**	**(13,262)**	**19,151**	**4,133**	**59,216**	**1,051**	**60,267**
(+) Depreciation and amortization	22,954	4,062	12,808	2,104	41,927	(417)	41,510
(+) Losses from sale of non-current assets	(1)	44	0	0	43	0	43
Earning before intersts, taxes, depreciation and amortization (EBITDA)	**72,147**	**(9,156)**	**31,959**	**6,236**	**101,186**	**634**	**101,820**
% Revenue	*14.3%*	*n.d.*	*13.8%*	*29.3%*	*11.5%*		*11.7%*

For the twelve months ended December 31, 2018

(in thousands of Euro)	IT Services	CRM Europe	CRM International	Almawave New Technology	Total Segments	Adjustments, eliminations and other	Consolidated
Operating profit	**44,256**	**(10,096)**	**12,216**	**3,706**	**50,083**	**1,016**	**51,099**
(+) Depreciation and amortization	15,278	2,173	8,056	1,781	27,289	(417)	26,872
(+) Losses from sale of non-current assets	(5)	84	0	0	79	0	79
Earning before intersts, taxes, depreciation and amortization (EBITDA)	**59,529**	**(7,838)**	**20,273**	**5,487**	**77,451**	**599**	**78,050**
% Revenue	*13.9%*	*n.d.*	*9.0%*	*34.3%*	*9.5%*		*9.8%*

For the twelve months ended December 31, 2017

(in thousands of Euro)	IT Services	CRM Europe	CRM International	Almawave New Technology	Total Segments	Adjustments, eliminations and other	Consolidated
Operating profit	**29,151**	**(7,269)**	**10,083**	**2,504**	**34,469**	**847**	**35,316**
(+) Depreciation and amortization	15,903	2,316	10,355	1,557	30,130	(417)	29,713
(+) Losses from sale of non-current assets	61	1	0	10	72	0	72
Earning before intersts, taxes, depreciation and amortization (EBITDA)	**45,115**	**(4,952)**	**20,437**	**4,070**	**64,671**	**430**	**65,101**

The Consolidated Financial Statements as of December 31, 2019 contain the effect deriving from the first application of IFRS 16 – Leases. Mentioned effects have been disclosed in paragraph 3.2 of the notes.

Geographic information

(in thousands of Euro)	At December 31, 2019	At December 31, 2018	At December 31, 2017
Revenues from external customers			
Italy	628,645	567,441	493,963
Brazil	218,607	215,131	247,029
Tunisia	2,520	1,990	2,261
Colombia	11,691	8,964	6,974
Europe	5,081	6,178	4,764
Other	171	0	0
Total	**866,715**	**799,704**	**754,991**
Of which:			
Revenues recognized over the time	**851,451**	**789,225**	**755,301**
Revenues detected at a point in time	**14,416**	**3,695**	**2,421**

6. SIGNIFICANT TRANSACTIONS IN THE PERIOD

During the period that closed on December 31, 2019, 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 period, the most significant one, concerns the participation in Wedoo Holding shares, in July 25, 2019, with a share capital of 55.00%. Wedoo Holding, in turn, holds 100.00% of the share capital of Wedoo S.r.l. (established in Italy) and of Wedoo LLC. (established in USA).

The fair values of the identifiable assets and liabilities as at the date of acquisition were:

(in thousands of Euro)	**Fair value recognised on acquisition**
Intangible assets	297
Property, plant and equipment	268
Non-current financial assets	0
Other non-current assets	0
Total non-current assets	**565**
Inventories and amount due from customers	0
Trade receivables	1,954
Other current assets	443
Cash and cash equivalents	283
Total current assets	**2,680**
Total assets	**3,245**
Non-current liabilities for employee benefits	327
Non-current financial liabilities	406
Total non-current liabilities	**733**
Trade payables	414
Current financial liabilities	300
Current tax liabilities	1,271
Other current liabilities	450
Total current liabilities	**2,435**
Total liabilities	**3,168**
Fair value of net assets	77
Minorities	707
Goodwill (previsional)*	**630**
Cash and cash equivalents acquired	283
Consideration paid	(900)
Net acquired cash flow	**(617)**

The net cash flow of the acquisition includes only the consideration paid on the reference date of the condensed period yearly Consolidated Financial Statements.

For changes in goodwill recorded in the period, please refer to the information in Note 7.
From the acquisition date, Wedoo contributed for Euro 986 thousand to Group’s net revenues and for Euro negative 317 thousand to the Group's Profit/(Loss) before taxes.

If the acquisition took place at the beginning of the year, revenues from contracts with customers would have been Euro 862,266 thousand and the profit for the year Euro 13,350 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 development of application, and to the multimedia services). Goodwill is not tax-deductible.

7. INTANGIBLE ASSETS AND GOODWILL

The table below shows for each component of Intangible assets the changes in net carrying value that occurred in 2019, 2018 and 2017:

(in thousands of Euro)	Goodwill	Industrial patent and intellectual property rights	Concessions, licences, trademarks and similar rights	Other intangible assets	Assets under construction	Total
At January 1, 2017	**33,166**	**28,548**	**236**	**14,659**	**10,976**	**87,585**
Additions	701	1,928	653	15	19	3,316
Capitalisation for internal projects	0	350		0	13,786	14,136
Amortization	0	(7,717)	(227)	(6,209)	0	(14,153)
Disposals		0				0
Reclassifications and other	0	4,609		3,800	(8,232)	177
Foreign exchange differences	(89)	(1,278)	(54)			(1,421)
At December 31, 2017	**33,778**	**26,440**	**608**	**12,265**	**16,549**	**89,640**
Additions	5,121	1,720	66	57	338	7,302
Capitalisation for internal projects	0	390	295	0	13,138	13,823
Amortization	0	(7,124)	(279)	(6,236)	0	(13,639)
Disposals	0	0	0	0	0	0
Reclassifications and other	0	3,863	1	6,652	(10,542)	(26)
Foreign exchange differences	(52)	(852)	(28)	0	0	(932)
At December 31, 2018	**38,847**	**24,437**	**663**	**12,738**	**19,483**	**96,168**
Additions	630	5,037	6	15	862	6,550
Capitalisation for internal projects	0	155	0	0	13,091	13,246
Amortization	0	(7,183)	(293)	(5,929)	0	(13,405)
Disposals	0	(1)	0	0	0	(1)
Reclassifications and other	0	6,001	4	4,762	(10,178)	589
Foreign exchange differences	(22)	(134)	7	(1)	0	(150)
At December 31, 2019	**39,455**	**28,312**	**387**	**11,585**	**23,258**	**102,996**

Group investments as at December 31, 2019 amounted to Euro 6,550 thousand and essentially relate to the "industrial patent and intellectual property rights"; the increases refer to the costs for the acquisition of open-ended and proprietary user licenses and software development costs incurred by almost all operating segments, in addition to reclassifications from assets under construction for assets that were deployed during the year; the decrease is mainly due to the amortisation in the year calculated on a straight-line basis in relation to the residual possibility of use of said assets.
The Group also carried out additional investments in the reference period, through capitalisations for own work, totalling Euro 13,246 thousand relating to costs incurred primarily as part of the creation and internal development of assets (software, IT applications and research activities) also employed in the implementation and management of the services offered in the operating segments in which said Group operates.

On completion of the aforementioned activities, the investments are incorporated primarily in the item "Industrial patent and intellectual property rights" which, at the close of the financial year, totalled Euro 28,312 thousand and, therefore, highlights the Group's software and IT applications developed internally and the developmental maintenance carried out them. In relation to these assets, the Group periodically conducts an analysis targeted at verifying their recoverable value with respect to the book value based on the expected future economic benefits related to said assets (active contracts in the portfolio and planned acquisitions). At the close of the financial year, following the analyses conducted, the values booked are fully recoverable.

Amortisation on the intangible assets for the year totalled Euro 13,405 thousand. The main amortisation rates adopted as at December 31, 2019 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 Euro 150 thousand, mainly regarding companies that draft their financial statements in Brazilian Real.

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

(in thousands of Euro)	At December 31, 2017	Exchange differences	Original amount	Exchange differences	Additions	At December 31, 2018	Exchange differences	Additions	At December 31, 2019
Alicos	**2,007**		**3,078**			**2,007**			**2,007**
Almaviva Contact	**26,533**		**101,134**			**26,533**			**26,533**
Almaviva do Brasil	**1,748**		**2,250**			**1,748**			**1,748**
Almaviva Finance	**745**		**4,989**			**745**			**745**
Atesia	**44**		**885**			**44**			**44**
Gempliss	**198**		**250**			**198**			**198**
In Action	**1,017**		**9,752**			**1,017**			**1,017**
Pervoice	**314**		**314**			**314**			**314**
Wave	**0**		**0**		5,121	**5,121**			**5,121**
Wedoo						**0**		630	**630**
Third	**1,172**		**1,336**	(52)		**1,120**	(22)		**1,098**
Total	**33,778**	**0**	**123,988**	**(52)**	**5,121**	**38,847**	**(22)**	**630**	**39,455**

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

As at December 31, 2019, Directors deemed it appropriate to carry out a new verification of the recoverability of the values recorded, although the presence of indicators of lasting impairment did not exist. Directors, verified the criteria established by IAS 36, carried out the impairment test in question based on the current business plan.

The plans taken as a reference, for the impairment illustrated below, refer to the period 2019-2024. Impairments are based on assumptions consistent with the company's business model. All the companies included in the plan are respecting the aforementioned assumptions without significant deviations.

Impairment tests made in December 31, 2019 confirmed headroom in goodwill of Cash Generating Units related to CRM Europe and CRM International segments (which includes goodwill of Atesia S.p.A., Alicos S.p.A., AlmavivA Contact S.p.A., AlmavivA do Brasil SA. e In Action S.r.l.), IT Services (which includes goodwill of AlmavivA Finance S.p.A.and Wave S.r.l) and Almawave – New Technology (which includes goodwill in Pervoice and Gempliss). Such headroom excludes potential impacts on the AlmavivA Group's Consolidated Financial Statements due to the recognition of impairment losses on the goodwill analysed.

This is confirmed also in case of shock-down (-20%) of margin and shock-up (+2%) of discount rates of considered cash flows.

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

	At December 31, 2019			At December 31, 2018			At December 31, 2017		
CRM Business	**Brasile**	**Colombia**	**Others**	**Brazil**	**Colombia**	**Others**	**Brazil**	**Colombia**	**Others**
Beta	1	1	1	1	1	1	1	1	1
Risk Free Rate	7,3%	5,8%	2,8%	10.00%	7.50%	1.46%	1.74%	1.74%	1.74%
Expected Market Return	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	5.5%	5.5%	5.5%
Average Cost of Debt	10%	10%	8.6%	17.00%	5.6%	5.6%	5.6%	5.6%	5.6%
Debt/Equity Ratio (%)	70.0	70.0	30.0	70-30	30-70	30-70	30-70	30-70	30-70
Taxes	34%	33%	24.0%	34%	33%	24%	24%	24%	24%
WACC	**10.0%**	**9.6%**	**7.0%**	**13.9%**	**11.90%**	**6.00%**	**7.4%**	**7.4%**	**7.4%**

The discount rate corresponding to the Weighted Average Cost of Capital (WACC) of the *Finance business* (attributable to the goodwill coming from AlmavivA Finance) was determined for each period using the following assumptions:

	At December 31,		
IT SERVICES	**2019**	**2018**	**2017**
Beta	1	1	1
Risk Free Rate	1.92%	1.46%	1.74%
Expected Market Return	4.00%	4.00%	5.0%
Average Cost of Debt	8.61%	5.60%	5.6%
Debt/Equity Ratio (%)	30-70	30-70	30-70
Taxes	24.0%	24.0%	24.0%
WACC	**7.0%**	**6.00%**	**7.1%**

The discount rate corresponding to the Weighted Average Cost of Capital (WACC) of Almawave - New Technology (attributable to the goodwill coming from Gempliss and Pervoice) was determined for each period using the following assumptions:

	At December 31,		
Almawave - New Technology	**2019**	**2018**	**2017**
Beta	1	1	1
Risk Free Rate	1.92%	1.46%	1.74%
Expected Market Return	4.00%	4.00%	5.0%
Average Cost of Debt	8.61%	5.60%	5.6%
Debt/Equity Ratio (%)	30-70	30-70	30-70
Taxes	24.0%	24.0%	24.0%
WACC	**7.0%**	**6.00%**	**7.1%**

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

8. PROPERTY, PLANT AND EQUIPMENT

The table below shows for each component of Property, plant and equipment the changes in net carrying value that occurred in 2019, 2018 and 2017:

(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	ROU Asset	Assets under construction and payments on account	Total
At January 1, 2017	**10,411**	**23,204**	**452**	**41,917**		**401**	**76,386**
Additions	72	2,090	84	3,796		139	6,181
Capitalisation for internal projects							0
Depreciation	(780)	(6,165)	(149)	(8,467)			(15,561)
Disposals		(4)		(8)		(7)	(19)
Reclassifications and other	0	0	3	214		(394)	(177)
Foreign exchange differences		(2,484)		(3,831)			(6,315)
Historical cost	19,076	221,398	3,108	159,364		139	**403,085**
Accumulated amortization	(9,373)	(204,757)	(2,719)	(125,743)		0	**(342,592)**
At December 31, 2017	**9,703**	**16,641**	**389**	**33,621**		**139**	**60,493**
Additions		2,519	111	4,868		190	7,688
Capitalisation for internal projects							0
Depreciation	(807)	(4,514)	(151)	(7,761)			(13,233)
Disposals		(124)		(31)			(155)
Reclassifications and other	73	151		32		(139)	117
Foreign exchange differences		(1,457)	23	(2,391)			(3,825)
Historical cost	19,155	216,622	3,398	157,420		190	**396,785**
Accumulated amortization	(10,186)	(203,406)	(3,026)	(129,082)		0	**(345,700)**
At December 31, 2018	**8,969**	**13,216**	**372**	**28,338**	**0**	**190**	**51,085**
Additions	0	2,730	130	5,296	6,083	512	14,751
ROU Asset at January 31,2019	0	0	0	0	64,106	0	64,106
Capitalisation for internal projects						215	215
Depreciation	(781)	(3,347)	(138)	(7,688)	(16,150)	0	(28,105)
Disposals		(18)		(26)			(44)
Reclassifications and other	(47)	33	0	435	0	(187)	234
Foreign exchange differences	0	(158)	0	(212)	(438)	0	(808)
Historical cost	19,076	218,813	3,524	162,947	69,645	730	**474,735**
Accumulated amortization	(10,935)	(206,357)	(3,160)	(136,804)	(16,044)	0	**(373,300)**
At December 31, 2019	**8,141**	**12,456**	**364**	**26,143**	**53,601**	**730**	**101,435**

Property, plant and equipment amount to Euro 101,435 thousand as at December 31, 2019 compared to an amount of Euro 51,085 thousand as at December 31, 2018 and to an amount of Euro 60,493 thousand as at December 31, 2017.

In 2019, the line item increased by Euro 14,751 thousand due to the investments of the period and Euro 64,106 due to the adoption of IFRS 16.

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

Property, plant and equipment amount to Euro 60,493 thousand as at December 31, 2017. The investments amounted to Euro 6,181 thousand as at December 31, 2017; they mainly refer to the item “Other assets owned and leased”.

The main depreciation rates adopted as at December 31, 2019, excluding the right of use related to IFRS 16, 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 period.

In 2019 the exchange differences from the translation to Euro of the financial statements of companies operating in non-Euro areas, is negative for an amount of Euro 808 thousand, mainly regard companies that draft their financial statements in the Brazilian Real.

The reclassifications and other are Euro 234 thousand.

The Group presented a balance of the item "land and buildings" of Euro 8,141 thousand related to the building located in Rome at Via dello Scalo Prenestino, owned by the IT Services.

9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The table below shows the balance and composition of the Non-current financial assets as at December 31, 2019, 2018 and 2017:

(in thousands of Euro)	**At December 31, 2019**	**At December 31, 2018**	**At December 31, 2017**
CCID – Almaviva Inform. Technol. Co. Ltd	988	988	988
Consorzio Hypertix in liquidation	99	99	99
TVEyes L.T. S.r.l.	19	12	6
Wave S.r.l.	0	0	900
SIN S.p.A.	0	0	0
Total	**1,106**	**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.

Equity investments measured with the equity method as at December 31, 2019 are listed below:

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

10. NON-CURRENT FINANCIAL ASSETS

The table below shows the balance and composition of the Non-current financial assets as at December 31, 2019, 2018 and 2017:

(in thousands of Euro)	**At December 31, 2019**	**At December 31, 2018**	**At December 31, 2017**
Long-term loans	4,843	1,602	1,414
Others Equity investments	41	41	32
Non-current financial assets	**4,884**	**1,643**	**1,446**

Non-current financial receivables

The following table reports the portions of the long-term loans due within or over twelve months:

(in thousands of Euro)	At December 31, 2019	At December 31, 2018	At December 31, 2017
Amount failling due within 12 months	0	0	0
Amount failling due between 1-5 years	4,843	1,602	1,414
Non-current financial receivables	**4,843**	**1,602**	**1,414**

Non-current financial receivables, amounting to Euro 4,843 thousand (Euro 1,602 thousand as at December 31, 2018 and Euro 1,414 thousand as at December 31, 2017) are all instrumental to operating activities and concern loans to personnel for Euro 9 thousand and financial assets due to Auselda for Euro 1,181 thousand, and Guardia di Finanza Euro 3,653 refer to a significant financial component on some contracts, which are related to deferred payments on services that AlmavivA granted to this client.

Investments on equity instruments

The investments on equity instruments classified as available for sale are investments held in other entities over which the Group has neither control nor joint control or significant influence.
Such equity investments are classified as available-for-sale financial instruments in accordance with IAS 32, and - as such - are accounted for at the cost recognised at the payment date provided that the fair value cannot be reliably determined, as such companies have not shares listed in stock exchange market.

The following table provides the breakdown of the line item by investment at December 31, 2019, 2018 and 2017:

Other Equity investments

(in thousands of Euro)	At December 31, 2019	At December 31, 2018	At December 31, 2017
Conai	1	1	1
Calpark	5	5	5
Banca Brutia	5	5	5
Uirnet	5	5	5
Consorzio Namex	3	3	3
Other	22	22	13
Total	**41**	**41**	**32**

Due to irrelevance of the investments in question, the Directors have measured these investments at cost and therefore the fair value has not been determined as reported in drafting criteria to which reference is made.
At December 31, 2019, no impairment losses were recorded on the item in question. In this case, the impairment was determined following the analytical model described in the preparation criteria.

Equity investments available for sale of Euro 41 thousand (Euro 41 thousand as at December 31, 2018 and Euro 32 thousand as at December 31, 2017), refer to equity investments in other companies.

11. DEFERRED TAX ASSETS

The tables below show the amount of AlmavivA Group's Deferred tax assets as at December 31, 2019, 2018 and 2017:

(in thousands of Euro)	At December 31, 2019	At December 31, 2018	At December 31, 2017
Deferred Tax Assets	**12,833**	**15,259**	**13,383**

The table below shows a breakdown of deferred tax assets by Italian and foreign subsidiaries for years ended December 31, 2019, 2018 and 2017:

(in thousands of Euro)	**At December 31, 2019**	**At December 31, 2018**	**At December 31, 2017**
Italian subsidiaries	8,280	8,362	8,317
Foreign subsidiaries	4,553	6,897	5,066
Total Deferred Tax Assets	**12,833**	**15,259**	**13,383**

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

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

(in thousands of Euro)	**At December 31, 2019**	**At December 31, 2018**	**At December 31, 2017**
Balance at the beginning of the year	**15,259**	**13,383**	**10,777**
Increases	0	2,771	4,279
Decreases	(2,630)	0	(821)
Effect of currency translation	(64)	(662)	(730)
Other changes	268	(233)	(122)
Balance at the end of the year	**12,833**	**15,259**	**13,383**

Deferred tax assets amounted to Euro 12,833 thousand (Euro 15,259 thousand as at December 31, 2018 and 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.

The line item decreased by Euro 2,426 thousand in 2019, from an amount of Euro 15,259 thousand at December 31, 2018 to an amount of Euro 12,833 thousand at December 31, 2019 and increased by Euro 1,876 thousand in 2018 from an amount of Euro 13,383 thousand at December 31, 2017.

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.

12. OTHER NON-CURRENT ASSETS

Other non-current assets amount to Euro 1,772 thousand as at December 31, 2019 compared to an amount of Euro 2,499 thousand as at December 31, 2018 and to an amount of Euro 1,658 thousand as at December 31, 2017, as illustrated in the table below:

(in thousands of Euro)	**At December 31, 2019**	**At December 31, 2018**	**At December 31, 2017**
Security deposits	881	811	723
Prepaid expenses	887	1,684	931
Other receivables	4	4	4
Other non-current assets	**1,772**	**2,499**	**1,658**

The overall decrease recorded in 2019 amounts to Euro 727 thousand, corresponding to a 29,1% growth-rate, is mainly related to a decrease of Euro 797 thousand of Prepaid expenses and an increase 70 thousand of Security deposits.

The overall increase recorded in 2018 amounts to Euro 841 thousand, corresponding to a 50,7% growth-rate, is mainly related to an increase of Euro 753 thousand of Prepaid expenses and 88 thousand of Security deposits.

In 2019, prepaid expenses mainly refer to the training of AlmavivA Contact (Euro 375 thousand), AlmavivA Services (Euro 366 thousand) and AlmavivA Digitaltec (Euro 144 thousand).

13. INVENTORIES

Inventories of the Group are equal to Euro 5,972 thousand and are composed as follows:

(in thousands of Euro)	**At December 31, 2019**	**At December 31, 2018**	**At December 31, 2017**
Raw materials (at cost)	2,005	1,311	0
Work in progress (at cost)	1,274	1,141	0
Finished goods (at lower of cost and net realizable value)	2,693	2,232	609
Total inventories at the lower of cost and net realizable value	**5,972**	**4,684**	**609**

During 2019, 2018, nor 2017 have not been accounted any expenses for inventories to carry them at net realizable value. The total amount related to Sadel S.p.A.is Euro 4,542 thousand, to AlmavivA S.p.A.is Euro 1,425 thousand and Pervoice Euro 5 thousand.

14. CONTRACT ASSETS

At December 31, 2019, the Group had contract assets totalling Euro/thousand 47,201 (Amount due from customers were Euro 36,287 thousand at December 31, 2019, Euro 35,651/thousand at December 31, 2018 and Euro 30,200/thousand at December 31, 2017).

(in thousands of Euro)	**At December 31, 2019**
Balance at the beginning of the year	**47,235**
Increases	25,706
Decreases	(25,740)
Balance at the end of the year	**47,201**

15. TRADE RECEIVABLES

The table below shows the amount of AlmavivA Group's Trade receivables as at December 31, 2019, 2018 and 2017 together with the related gross amount, the amount retained as a guarantee and the bad debt provision.

(in thousands of Euro)	**At December 31, 2019**	**At December 31, 2018**	**At December 31, 2017**
Trade receivables, gross amount	368,377	317,742	321,189
Trade receivables, amount retained as a guarantee	5,475	6,502	4,349
Bad debt provision	(21,037)	(20,513)	(20,509)
Trade receivables	**352,815**	**303,731**	**305,029**

Trade receivables increased by Euro 49,084 thousand in 2019, from an amount of Euro 303,731 thousand as at December 31, 2018 to an amount of Euro 352,815 thousand as at December 31, 2019, and Euro decrease of 1,298 thousand in 2018, from an amount of Euro 305,029 thousand as at December 31, 2017.
This trend is essentially related to the gross amount of trade receivables, which increased by Euro 50,635 thousand in 2019 and decreased Euro 3,447 thousand in 2018.

The amounts of trade receivables retained as a guarantee show a different trend rising in 2018 and decreasing in 2019 by Euro 2,153 thousand and Euro 1,027 thousand, respectively.
Starting from the 2018 financial year, the bad debt provision was determined by the practical expedient of the Provision Matrix for private customers. For customers in the public sector, the ECL was determined based on information obtained from external info-providers.

The following table show the ageing of the gross amount of trade receivables, excluding the portion retained by customers as a guarantee, as at December 31, 2019, 2018 and 2017:

(in thousands of Euro)	**At December 31, 2019**	**At December 31, 2018**	**At December 31, 2017**
Amount not yet due	293,249	257,178	255,429
Amount due by less than 30 days	16,103	6,913	11,065
Amount due between 30-60 days	4,639	4,855	4,471
Amount due between 61-90 days	3,077	3,827	1,352
Amount due between 91-120 days	2,882	1,718	1,725
Amount due by more than 120 days	48,427	43,251	47,147
Trade receivables, gross amount	**368,377**	**317,742**	**321,189**

As mentioned in 2017 Financial Statements, on May 2, 2017 the Italian Ministry of Economic Development made an order that put into special administration under Decree-Law “Marzano”, the company Alitalia – Società Aerea Italiana S,p,A, With the same order a College of Commissioners has been appointed, The College consist of Luigi Gubitosi, Enrico Laghi and Stefano Paleari. On December 6, 2019 the College of Commissioners left the charge and instead of them it was appointed the Lawyer Giuseppe Leogrande, as sole commissioner.
The entity – supported by an internal and external legal opinion further substantiated by recent case-law – considers pre-deductible the net receivables from Alitalia Società Aerea Italiana S,p,A, (for an amount equal to Euro 5,999 thousand). For these reasons, mentioned receivables have been considered fully recoverable; on the other hand, considering that the collection period could depends on the development of the special administration, the entity calculated the present value of abovementioned receivables and accrued € 404 thousands as financial expenses, Next steps of special administration will be closely monitored to evaluate any changes in conditions on the basis of actual decision taken by representatives as well as the accounting effects.

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

The following table shows the changes in the bad debt provision for each of the three years ended December 31, 2019, 2018 and 2017:

(in thousands of Euro)	At December 31, 2019	At December 31, 2018	At December 31, 2017
Balance at the beginning of the year	**20,513**	**20,509**	**20,448**
Provisions	494	124	67
Uses	0	(143)	0
Other	30	23	(6)
Balance at the end of the year	**21,037**	**20,513**	**20,509**

16. CURRENT FINANCIAL ASSETS

The following table shows the amount of the Current financial assets as at December 31, 2019, 2018 and 2017. The line item shows a decrease of Euro 725 thousand in 2019, corresponding to a 17,5%, and also Euro 5,266 thousand in 2018, corresponding to a 56,0%.

(in thousands of Euro)	At December 31, 2019	At December 31, 2018	At December 31, 2017
Current financial assets	**3,415**	**4,140**	**9,406**

The current financial assets are all instrumental for operating activities and refer primarily to AlmavivA S.p.A., and more specifically, are mainly related to the receivables due from one of the main clients for Euro 3,222 thousand refer to a significant financial component on some contracts, which are related to deferred payments on services that AlmavivA granted to this client and Wedoo for Euro 193 thousand. The decrease of Euro 5,266 thousand from Euro 9,406 thousand in 2017, is related to the acquisition of the 85% of the shares of Waver S.r.l. (took place on April 2018). There are no financial assets either past due or written down. These are measured, as indicated above, at amortized cost having passed the Solely for Payments of Principal and Interests (SPPI) test.

17. OTHER CURRENT ASSETS

Other current assets amount to Euro 119,553 thousand as at December 31, 2019, compared to Euro 98,893 thousand as at December 31, 2018 and to Euro 86,087 thousand as at December 31, 2017.
The amount is composed as follow:

(in thousands of Euro)	At December 31, 2019	At December 31, 2018	At December 31, 2017
Receivables due from personnel	3,349	2,619	1,335
Receivables due from social security institutions	2,740	1,688	1,908
Receivables due from tax autorithies	18,705	15,725	12,684
Receivables related to tax consolidation	27,357	19,788	17,622
Prepaid expenses	7,111	4,317	4,552
Advances to suppliers	7,934	5,330	3,713
Sundry items	52,357	49,426	44,273
Other current assets	**119,553**	**98,893**	**86,087**

Other current assets increase by Euro 20,627 thousand in 2019, corresponding to a 20.9% growth rate, and an increase by Euro 12,806 thousand in 2018, corresponding to a 14.9% growth rate.

In particular, note that almost all receivables from INPS not yet collected and regarding mainly the following fall under the item Receivables due from social security institutions, which amounted to Euro 2,740 thousand (Euro 1,688 thousand as at December 31, 2018 and Euro 1,908 thousand as at December 31, 2017):

- 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

Increase in 2019 for Euro 1,052 thousand is due to collection of them.

Receivables due from the tax authorities of Euro 18,672 thousand (Euro 15,725 thousand as at December 31, 2018 and Euro 12,684 thousand as at December 31, 2017) are distinguished into receivables for direct taxes of Euro 5,325 thousand, (Euro 3,622 thousand relating to AlmavivA S.p.A., Euro 938 thousand to AlmavivA Contact S.p.A. and, to a lesser extent, other Group companies); receivables for indirect taxes for Euro 13,347 thousand related mainly to AlmavivA S.p.A.and Brazilian companies.

The receivables from tax consolidation of Euro 27,357 thousand (Euro 19,788 thousand as at December 31, 2018 and Euro 17,622 thousand as at December 31, 2017) derive from the transfer to the parent company AlmavivA Technologies S.r.l. of the tax positions of the companies participating in the scheme in question. The increase of Euro 7,569 thousand relates to higher intercompany receivables relating to national IRES tax consolidation as a consequence of the results made in 2019.
Prepaid expenses of Euro 7,111 thousand (Euro 4,317 thousand as at December 31, 2018 and Euro 4,552 thousand as at December 31, 2017) include costs pertaining to the future, primarily of AlmavivA S.p.A. (Euro 6,160 thousand), AlmavivA Contact (Euro 398 thousand), AlmavivA Services (Euro 383 thousand) and, to a lesser extent, the other Group companies.

Sundry items, amounting to Euro 52,357 thousand as at December 31, 2019 (Euro 49,426 thousand and Euro 44,273 thousand as at December 31, 2018 and 2017, respectively), mainly include the receivables of the Brazilian companies for deposits for outstanding litigation with employees, receivables due from the Government and public entities and receivables for reimbursements.

Sundry items also included the receivable of:

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

18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents amounted to Euro 89,446 thousand as at December 31, 2019 compared to Euro 71,603 thousand as at December 31, 2018 and to Euro 69,502 thousand as at December 31, 2017. The line item refers to credit balances at banks in existence at the end of each period and the amounts held at the Group treasuries. These voices are not subject to any restriction and are not foresee disinvestment costs.

19. NON-CURRENT ASSETS HELD FOR SALE

Assets held for sale amounting to Euro 2,459 thousand (Euro 2,459 thousand as at December 31, 2018 and as at December 31, 2017), concern the residual amount to be collected relating to the sale, not yet perfected, of the 20.02% equity investment in the associated company SIN S.p.A. the sale of which is based on the "Sale of shares" contract signed on September 19, 2007 between AGEA - Agenzia per le Erogazioni in Agricoltura and the private Shareholders and the subsequent "Amendment deed to the sale of shareholdings and pledge" whereby the parties agreed that the deadline relating to the effectiveness of the transfer of all shares representing the equity investments held by the private shareholders in SIN S.p.A., originally scheduled for September 19, 2016, would be postponed until the completion by Consip S.p.A. of the public procedure and the handover to the new supplier. The receivable of Euro 2,459 thousand is the residual amount still to be collected of the original receivable of Euro 19,759 thousand booked to the financial statements as at December 31, 2015 was, on one hand, collected in 2016-2017 in the amount of Euro 16,336 thousand and, on the other hand, decreased by Euro 964 thousand in 2016 due to costs deriving from the recalculation of the price based on the amendment deed for the sale of the shareholding of October 27, 2016, mentioned above. The collection of Euro 16,336 thousand took place in the amount of Euro 8,008 thousand through the distribution of reserves by SIN 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.

20. SHAREHOLDERS' EQUITY

The total Shareholders' equity amount to Euro 20,971 thousand as at December 31, 2019 compared to Euro 8,631 thousand as at December 31, 2018 and to Euro 10,779 thousand as at December 31, 2017.
The composition of the Shareholders' equity is as follows:

(in thousands of Euro)	**At December 31, 2019**	**At December 31, 2018**	**At December 31, 2017**
Share capital	154,899	154,899	154,899
Share premium reserve	17,788	17,788	17,788
Legal reserve	*6,320*	*5,073*	*4,384*
Other reserves:			
FTA reserve	*4,493*	*4,493*	*4,493*
OCI reserve	*2,830*	*5,763*	*1,897*
Translation reserve	*(19,974)*	*(21,347)*	*(10,972)*
Other reserves	*(163,970)*	*(179,448)*	*(166,462)*
	(176,621)	(190,538)	(171,044)
Profit/(loss) for the year	12,131	16,692	221
Total group shareholders' equity	***14,520***	***3,915***	***6,249***
Reserves pertaining to NCIs:			
Translation reserve	*(991)*	*(1,139)*	*(499)*
Other reserves	*5,892*	*4,532*	*4,386*
	4,901	3,393	3,887
Profit/(loss) for the year pertaining to NCIs	1,550	1,323	642
Total non-controlling interests	***6,451***	***4,716***	***4,529***
Total Shareholders' equity	**20,972**	**8,631**	**10,779**

The Share capital as at December 31, 2019 amounted to Euro 154,899 thousand and due to the collateral agreements signed concurrently with the conclusion of the loan agreement, in previous years, the amount was fully paid-in and consisted of:

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

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

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

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

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

  For both of the share classes described above, there are no unconditional obligations to pay money. The shares mentioned comply with the definition of equity instrument pursuant to IAS 32.

Legal reserve
The Legal reserve amounted to Euro 6,320 thousand as at December 31, 2019 and increased by Euro 1,247 thousand compared to December 31, 2018 and Euro 689 thousand compared to December 31, 2017.

Share premium reserve
The Share premium reserve amounted to Euro 17,788 thousand as at December 31, 2019 and remained unchanged compared to December 31, 2018 and 2017.

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

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

OCI reserve
The OCI reserve totalled Euro 2,830 thousand as at December 31, 2019 (compared to Euro 5,763 thousand as at December 31, 2018 and Euro 1,897 thousand as at December 31, 2017) and includes the actuarial valuation of TFR (employee severance indemnity) of the Group companies.

Translation reserve
The Translation reserve concerns the exchange differences from the translation to Euro of the financial statements of companies operating in non-Euro value.
As at December 31, 2019, it was a negative Euro 20,965 thousand (of which the Group's share was a negative Euro 19,974 thousand and the portion pertaining to non-controlling interests amounted to negative Euro 991 thousand).
As at December 31, 2018, it totalled negative Euro 22,486 thousand (of which the Group's share was a negative Euro 21,347 thousand and the portion pertaining to non-controlling interests amounted to negative Euro 1,139 thousand).
As at December 31, 2017, it totalled negative Euro 11,471 thousand (of which the Group's share was a negative Euro 10,972 thousand and the portion pertaining to non-controlling interests amounted to negative Euro 499 thousand).

Other reserves
The Other reserves equalled to a negative Euro 163,970 thousand as at December 31, 2019 (Euro negative 174,916 thousand and Euro negative 162,076 thousand as at December 31, 2018 and 2017, respectively) and are represented by consolidation reserves and by undistributed profits or losses carried forward. Out of this amount, the portion pertaining to the Group is a negative Euro 163,970 thousand (Euro negative 179,448 thousand and Euro negative 166,462 thousand as at December 31, 2018 and 2017, respectively), while the portion attributable to non-controlling interests is Euro 5,892 thousand (Euro 4,532 thousand and Euro 4,386 thousand as at December 31, 2018 and 2017, respectively).

Capital management

The Group's objectives in terms of capital management are the protection of business continuity, the creation of value for stakeholders and support for Group development. In particular, the Group aims to maintain an adequate level of capitalisation which makes it possible to achieve an economic return for shareholders, guarantee access to external sources of financing and satisfy investors. In this context, the Group manages its capital structure and makes adjustments to it, if rendered necessary by changes to economic conditions. To this end, the Group constantly monitors the evolution of the level of indebtedness in relation to shareholders' equity, whose situation as at December 31, 2019 is summarised in the following table.

(in thousands of Euro)	*Note*	**At December 31, 2019**	**At December 31, 2018**	**At December 31, 2017**
Non current Net Financial Position	*23*	(322.523)	(274.902)	(251.121)
Current Net Financial Position	*16-18-27*	58.594	61.414	66.887
Non current financial receivables	*10*	4.884	1.643	1.446
Financial indebtness ("Debt")	*0*	(259.045)	(211.845)	(182.788)
Total Group Shareholder Equity	*20*	14.520	3.915	6.249
Non Controlling Interests	*20*	6.451	4.716	4.529
Total Shareholders' Equity ("Equity")	*20*	20.971	8.631	10.779
Debt/Equity ratio		**(12,4)**	**(24,5)**	**(17,0)**

21. LIABILITIES FOR EMPLOYEE BENEFITS

Liabilities for employee benefits as at December 31, 2019, 2018 and 2017 are reported below:

(in thousands of Euro)	**At December 31, 2019**	**At December 31, 2018**	**At December 31, 2017**
Liabilities for employee benefits	**51,286**	**48,470**	**52,872**

The line item increased by Euro 2,816 thousand in 2019, from Euro 48,470 thousand as at December 31, 2018 to Euro 51,286 thousand as at December 31, 2019 and decrease by Euro 4,402 thousand in 2018 from Euro 52,872 thousand.

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

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

(in thousands of Euro)	**At December 31, 2019**	**At December 31, 2018**	**At December 31, 2017**
Balance at the beginning of the year	**48,470**	**52,872**	**59,043**
Change of the consolidatement area	264	357	0
Service cost	504	238	185
Interest cost	1,984	1,612	1,395
Payments / Utilizations	(2,869)	(2,743)	(4,298)
Actuarial gains/(losses) recognized in OCI	2,933	(3,866)	(3,453)
Balance at the end of the year	**51,286**	**48,470**	**52,872**
of which:			
Non-current portion	49,494	48,304	52,671
Current portion	1,792	166	201

The main assumptions made for the actuarial estimate process of the employee severance indemnity as at December 31, 2019, 2018 and 2017 are summarised below:

Financial Assumptions	**At December 31, 2019**	**At December 31, 2018**	**At December 31, 2017**
Discount rate	2,675%	4,092%	2,430%
Inflation rate	1,500%	2,000%	2,000%
Annual rate of TFR increase	2,630%	3,000%	3,000%
Annual rate of salary increase	variable according to seniority	variable according to seniority	variable according to seniority
Annual turnover rate	variable according to seniority	variable according to seniority	variable according to seniority
Annual rate of disbursement of advances	variable according to seniority	variable according to seniority	variable according to seniority

It should be noted that the discount rate used for determining the present value of the obligation has been determined, pursuant to par. 78 of IAS 19, related to the average yield curve resulted from the Curva BB Corp. index and denominated in Euro.
Below is presented a sensitivity analysis in order to quantifying the effect produced on the determination of the current average value of the services in correspondence with the change in the discount rate, applying a shift of +/- 50 basis points compared to the curve of the data detected at the date of reference:

(in thousands of Euro)	*Rate +50 bp*	*Rate -50 bp*
Past Service Liability	49,542	53,031
Actuarial Profit/(loss)	1,554	4,943

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

Financial Assumptions	**Discount Rate**	
	0.5% Increase	0.5% Decrease
December 31, 2019 effect on DBO	(1,379)	2,010
December 31, 2018 effect on DBO	(1,446)	1,828
December 31, 2017 effect on DBO	(1,927)	2,052

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

Demographic Assumptions	**For the year ended December 31, 2019**
Mortality	Table RG 48 State General Accounting Office
Disability	INPS Table - Commerce Sector
Retirement	General Mandatory Insurance requirements

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

22. PROVISIONS

Provisions as at December 31, 2019, 2018 and 2017 are reported below:

(in thousands of Euro)	**At December 31, 2019**	**At December 31, 2018**	**At December 31, 2017**
Non-current portion of provisions for risks and charges	6,946	5,006	6,346
Current portion of provisions for risks and charges	8,547	5,611	7,162
Provisions for risks and charges	**15,493**	**10,617**	**13,508**

The line item increased by Euro 4,876 thousand in 2019, from Euro 10,617 thousand as at December 31, 2018 to Euro 15,493 thousand as at December 31, 2019 and decreased by Euro 2,891 thousand in 2018 from Euro 13,508 thousand as at December 31, 2017.

(in thousands of Euro)	Provision for taxes	Provision for redundacy incentives	Provision for guarantees granted	Provisions for legal disputes	Other provisions for risks and charges	Total
Balance as at January 1, 2017	**1,085**	**22**	**134**	**2,333**	**9,177**	**12,751**
Accruals	0	0	0	515	4,031	4,546
Utilizations	0	0	0	0	(1,440)	(1,440)
Decreases	0	0	0	(323)	(2,268)	(2,591)
Other changes not recorded through income statement	0	0	0	(89)	331	242
Balance as at December 31, 2017	**1,085**	**22**	**134**	**2,436**	**9,831**	**13,508**
of which:						
Non-current portion	0	0	0	0	0	6,346
Current portion	1,085	22	134	2,436	9,831	13,508
Balance as at January 1, 2018	**1,085**	**22**	**134**	**2,436**	**9,831**	**13,508**
Accruals	\	0	0	440	1,640	2,080
Utilizations	(500)	0	0	0	(2,536)	(3,036)
Decreases	0	0	0	(673)	(1,264)	(1,937)
Other changes not recorded through income statement	0	0	0	(46)	48	2
Balance as at December 31, 2018	**585**	**22**	**134**	**2,157**	**7,719**	**10,617**
of which:						
Non-current portion	585	22	134	0	4,265	5,006
Current portion	0	0	0	2,157	3,454	5,611
Balance as at January 1, 2019	**585**	**22**	**134**	**2,157**	**7,719**	**10,617**
Accruals	0	2,569	0	598	3,971	7,138
Utilizations	0	0	0	(58)	(1,588)	(1,646)
Decreases	0	0	0	(488)	(176)	(664)
Other changes not recorded through income statement	0	0	0	(8)	56	48
Balance as at December 31, 2019	**585**	**2,591**	**134**	**2,201**	**9,982**	**15,493**

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

Information and comments on the various provisions are provided below.

Provisions for taxes
The line item amounts to Euro 585 thousand as at December 31, 2019 (Euro 585 thousand as at December 31, 2018 and Euro 1,085 thousand as at December 31, 2017) and include provisions for taxes:

- for Euro 370 thousand (Euro 370 thousand as at December 31, 2018 and Euro 370 thousand as at December 31, 2017) pertaining to AlmavivA for an eventual notice of assessment relative to the 1999 tax period;
- for Euro 68 thousand (unchanged from 2015) pertaining to AlmavivA and originating from the incorporated company AlmavivA Sud;
- for Euro 65 thousand (unchanged from 2015) pertaining to AlmavivA and originating from the incorporated company AlmavivA Finance S.p.A.;
- for Euro 16 thousand (unchanged from 2015) pertaining to AlmavivA and referring to a tax assessment made by the Italian Tax Police – Customs and Intracommunity VAT originating from the incorporated company AlmavivA Tsf S.p.A.;
- for Euro 66 thousand (unchanged from 2015) pertaining to AlmavivA Contact and established in connection with the risks associated to the deduction of costs considered by the Tax Authorities to be non-deductible following a tax audit that took place in 2004 with respect to the fiscal year 2002;

Provisions for redundancy incentives
The Provision for redundancy incentives "Fondo esodi agevolati" equal to Euro 2,591 thousand is related to the trade union agreement of October 11, 2019 of AlmavivA S.p.A., aimed at employees who had accrued the pension requirement during 2019 through "quota 100", early retirement, female option (in the latter case “opzione donna”, the requirements must be matured by December 31, 2018) and that they had voluntarily decided to leave the company, except for those who will accrue the old-age pension requirement during the year 2020.

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

Provisions for legal disputes
The Provision for legal disputes amounts to Euro 2,201 thousand as at December 31, 2019 (compared to Euro 2,157 thousand and Euro 2,436 thousand as at December 31, 2018 and 2017, respectively) mainly recorded by AlmavivA for Euro 1,146 thousand (Euro 1,171 thousand and Euro 1,110 thousand as at December 31, 2018 and 2017, respectively), AlmavivA Contact for Euro 548 thousand (Euro 413 thousand and Euro 693 thousand as at December 31, 2018 and 2017, respectively), AlmavivA do Brasil for Euro 497 thousand (Euro 505 thousand and Euro 562 thousand as at December 31, 2018 and 2017, respectively) and to a smaller extent by other Group companies.

Other provisions
The line items, including non-current and current portion, amount to Euro 9,982 thousand as at December 31, 2019, with a increase of Euro 2,263 thousand in 2019, corresponding to a 29.3%, and an decrease by Euro 2,112 thousand in 2018, corresponding to a 21.5% growth. The amount includes other provisions for risks recorded by AlmavivA for Euro 6,499 thousand as at December 31, 2019 (Euro 4,139 thousand and Euro 6,255 thousand as at December 31, 2018 and 2017, respectively), AlmavivA Contact for Euro 710 thousand as at December 31, 2019 (Euro 855 thousand and Euro 1,333 thousand as at December 31, 2018 and 2017, respectively), Lombardia Gestione for Euro 589 thousand as at December 31, 2019 (Euro 89 thousand and Euro 115 thousand as at December 31, 2018 and 2017, respectively), Agrisian in Liquidation for Euro 2,086 thousand as at December 31, 2019 (Euro 2,119 thousand and Euro 2,107 thousand as at December 31, 2018 and 2017, respectively) and by other Group companies.

23. NON-CURRENT FINANCIAL LIABILITIES

Non-current financial liabilities as at December 31, 2019, 2018 and 2017 are reported below:

(in thousands of Euro)	**At December 31, 2019**	**At December 31, 2018**	**At December 31, 2017**
Banks	28,443	23,899	1
Bond	239,492	236,322	233,427
Amounts due to other lenders	14,363	14,681	17,693
Financial liabilities for leasing IFRS 16	40,225	0	0
Non-current financial liabilities	**322,523**	**274,902**	**251,121**

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

(in thousands of Euro)	At January 1, 2019	Proceeds from borrowings	Repayements of borrowings	Reclassification and other adjustments	At December 31, 2019
AlmavivA S.p.A.	259,705	13,343	(18,364)	3,170	257,854
Sadel S.p.A.	1,338	943	(711)	0	1,570
AlmavivA do Brasil	2,859	11,669	(2,614)	(243)	11,671
SIMEST Operation	11,000	0	0	0	11,000
Wedoo S.r.l.	0	0	0	203	203
Financial liabilities for leasing IFRS 16	0	0	0	40,225	40,225
Non-current financial liabilities	**274,902**	**25,955**	**(21,689)**	**43,355**	**322,523**

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

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

The balance of the line item as at December 31, 2019 is Euro 322,523 thousand, with an increase of Euro 47,621 thousand compared to the prior year. The increase is mainly related to the adoption of IFRS 16 (Euro 40,225 thousand).
The line item shows also an increase of Euro 23,781 thousand in 2018, when the balance was Euro 274,902 thousand, as at December 31, 2017 the balance was Euro 251,121 thousand.

Long-term financial liabilities of Euro 322,523 thousand refer primarily to the bond of Euro 250,000 thousand issued on October 5, 2017, 7.25% coupon with half-yearly payment on October 15 and April 15 of each year and final maturity on October 15, 2022. The bond was listed on the Luxembourg stock exchange on the Euro MTF Market (unregulated market). The issue and placement were performed by the merchant bank Goldman Sachs as Sole Book Runner and banca UBI in the role of co-Manager.
The issue was preceded by a Road Show in the main European financial markets including London, Paris, Frankfurt, Amsterdam and Milan, achieving resounding success among investors. Demand was 4 times higher than supply, concentrated among large international investors high profile. The issue was also supported by a Revolving Facility for an original amount of Euro 20,000 thousand, increased to Euro 40,000 thousand on October 5, 2017 (The line is fully committed for Euro 40,000 thousand and without any clean-down condition). The Revolving line expires on February 5, 2022 and can be used for general purposes relating to company business.
The bond issue was used for the full reimbursement of the Senior Secured Bridge and Revolving loan agreement, signed on August 3, 2017, between AlmavivA 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 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 239,492 thousand as at December 31, 2019.

Bank liabilities totaled Euro 28,443 thousand and relate to AlmavivA S.p.A. for Euro 15,001 thousand mainly for the draw of the Revolving line, to AlmavivA do Brasil for Euro 11,669 thousand, and to Sadel for Euro 1,570 thousand and Wedoo for Euro 203 thousand. With regard to the Revolving Credit Facility line, every quarter, the observance of a covenant called "Net Consolidated Leverage Ratio" is assessed, only if the use of the line is higher than 40%.

Liabilities to other lenders amounting to Euro 14,363 thousand refer primarily to the subsidised loans received on the financed projects of AlmavivA S.p.A. (Euro 3,361 thousand) and, for Euro 11,000 thousand relating to the payable due to Simest.

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

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

(in thousands of Euro)	> 12 months	< 5 years	> 5 years
Banks	28,443	28,443	0
Bond	239,492	239,492	0
Amounts due to other lenders	14,363	13,901	462
Financial liabilities for leasing IFRS 16	40,225	37,102	3,123
	322,523	**318,938**	**3,585**

24. DEFERRED TAX LIABILITIES

The tables below show the amount of AlmavivA Group's Deferred tax liabilities as at December 31, 2019, 2018 and 2017 and the related changes occurred in each of the three years.

(in thousands of Euro)	**At December 31, 2019**	**At December 31, 2018**	**At December 31, 2017**
Deferred tax liabilities	**1,394**	**1,534**	**1,672**

	For the twelve months ended December 31, 2019	For the twelve months ended December 31, 2018	For the twelve months ended December 31, 2017
Balance at the beginning of the year	**1,534**	**1,672**	**1,794**
Increases	0	0	0
Decreases	(140)	(138)	(122)
Balance at the end of the year	**1,394**	**1,534**	**1,672**

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

The line item decreased by Euro 138 thousand in 2018, from an amount of Euro 1,672 thousand at December 31, 2017 to an amount of Euro 1,534 thousand at December 31, 2018, and further reduced by Euro 140 thousand in 2019 to an amount of Euro 1,394 thousand.

25. OTHER NON-CURRENT LIABILITES

Other non-current liabilities amount to Euro 1,018 thousand as at December 31, 2019 compared to an amount of Euro 754 thousand as at December 31, 2018 and to an amount of Euro 892 thousand as at December 31, 2017, as illustrated in the table below:

(in thousands of Euro)	At December 31, 2019	At December 31, 2018	At December 31, 2017
Deferred income on capital grants	1,018	754	892
Other non-current liabilities	**1,018**	**754**	**892**

The fully amount refers to deferred income on capital grants.

26. TRADE PAYABLES

Trade payables amounts to Euro 262,426 thousand as at December 31, 2019 compared to an amount of Euro 222,162 thousand as at December 31, 2018 and to an amount of Euro 204,120 thousand as at December 31, 2017, as illustrated in the table below:

(in thousands of Euro)	At December 31, 2019	At December 31, 2018	At December 31, 2017
Trade payables	**262,426**	**222,162**	**204,120**

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 62,775 thousand (Euro 51,380 thousand in 2018), while those falling due in under 12 months amounted to Euro 196,651 thousand (Euro 170,782 thousand in 2018).
Due to the adoption of IFRS 16, the amount of Euro 3,515 thousand was reclassified from Trade Payables to Current Financial Liabilities, as at December 31,2019.

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

27. CURRENT FINANCIAL LIABILITIES

Current Financial liabilities analysis, that include current lease liabilities related to new standard IFRS 16 application, is reported below:

(in thousands of Euro)	**At December 31, 2019**	**At December 31, 2018**	**At December 31, 2017**
Payables due to banks	10,297	6,499	497
Current portion bonds	3,813	3,834	4,335
Payables due to other lenders	734	3,222	4,126
Financial lease payables	64	315	2,820
Accrued liabilities from financial expenses	269	459	168
Other financial payables	1	1	75
Financial liabilities for leasing IFRS 16	19,089	0	
Current financial liabilities	**34,267**	**14,330**	**12,021**

Short-term financial liabilities of Euro 34,267 thousand refer to payables for short-term loans taken out with banks, the portion of payables for interest accrued vis-à-vis bondholders whose payment is set for April 15, 2020.
The item includes payables for the financial leases, primarily AlmavivA do Brasil, financial accruals and sundry short-term payables.
The increment related to the adoption of IFRS 16 amounts Euro 19,089 thousand.

28. TAX PAYABLES

Tax payables as at December 31, 2019, 2018 and 2017 are reported below:

(in thousands of Euro)	**At December 31, 2019**	**At December 31, 2018**	**At December 31, 2017**
Income taxes	2,514	3,258	4,269
Other taxes	35,215	32,885	38,663
Tax payables	**37,729**	**36,143**	**42,932**

Tax payables amount to Euro 37,696 thousand as at December 31, 2019 compared to Euro 36,143 thousand as at December 31, 2018 and to Euro 42,932 thousand as at December 31, 2017, thus recording a increase of Euro 1,553 thousand in 2019 and a decrease of Euro 6,789 thousand in 2018.
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.

29. OTHER CURRENT LIABILITIES

Other current liabilities as at December 31, 2019, 2018 and 2017 are reported below:

(in thousands of Euro)	**At December 31, 2019**	**At December 31, 2018**	**At December 31, 2017**
Payables due to social security institutions	18,417	19,980	25,015
Payables due to personnel	37,193	34,230	32,146
Miscellaneous payables	28,329	17,231	11,075
Deferred income	14,839	11,516	13,752
Other current liabilities	**98,778**	**82,957**	**81,988**

The line item increased by Euro 969 thousand in 2018, from an amount of Euro 81,988 thousand at December 31, 2017 to an amount of Euro 82,957 thousand at December 31, 2018 and an increment by Euro 15,821 thousand in 2018 to an amount of Euro 98,778 thousand. At December 31,2019 the increase of fiscal year 2019 (19.1% compared to fiscal year 2018 and 1.2% compared to 2018).
The payables due to social security and welfare institutions amounted to Euro 18,417 thousand and refer to mandatory contributions accrued and payable to social security institutions for wages and salaries and remuneration paid.

The payables due to personnel refer, primarily, to the provision for holidays and leave accrued by personnel and still not utilised, as well as, as regards the subsidiary AlmavivA Contact S.p.A. and Sadel S.p.A., the monthly pay relating to December, which was paid in the first few days of January 2020, as per the ordinary management of the payments of wages and salaries.

Miscellaneous payables of Euro 28,329 thousand mainly include the payables due to corporate bodies, payables to project workers, payables to insurance companies, amounts due for collections to be repaid to partners and payables related to the fiscal consolidation to AlmavivA Technologies S.r.l.
Deferred income of Euro 14,839 thousand related to the economic components pertaining to future years.

30. REVENUE

Revenue from contracts with customers for each of the three years ended December 31, 2019, 2018 and 2017 are reported in the following table:
Please consider that label “Revenue” has to be read as “Revenues from contracts with customers” as defined in IFRS 15.

	For the twelve months ended December 31,		
(in thousands of Euro)	**2019**	**2018**	**2017**
Revenues from sales and services	851,451	789,225	755,301
Revenues from sale of goods	14,416	3,695	2,421
Revenues from contract work in progress	848	6,784	(2,731)
Revenues from contracts with customers	**866,715**	**799,704**	**754,991**

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

Timing of revenue recognition	**2019**
Goods transferred at a point in time	14,416
Services transferred over time	852,299
Total revenue from contracts with customers	**866,715**

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

Revenues increased by Euro 44,714 thousand from Euro 754,991 thousand for the year ended December 31, 2017 to Euro 799,704 thousand for the year ended December 31, 2018 and further grew by Euro 67,010 thousand to Euro 866,715 thousand for the year ended December 31, 2019.

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

The table below shows a breakdown of revenues by Operating and reportable segments for years ended December 31, 2019, 2018 and 2017, Inter-segment elimination has not been considered and eliminated.

	For the twelve months ended December 31,		
(in thousands of Euro)	**2019**	**2018**	**2017**
Type of goods or service			
ICT Services rendered	501,568	429,598	370,323
CRM Services rendered	350,730	366,412	382,247
Goods transferred in Transportation business	14,416	3,695	2,421
Total revenue from contracts with customers	**866,715**	**799,704**	**754,991**

The revenues of the IT Services segment as at December 31, 2019 rose by Euro 77,251 thousand, equal to 18.2% compared to the previous year. This increase is due mainly to the growth in revenues, the increase in demand for services, with respect to customers of the Transport, Homeland Security, Banking and Insurance, Welfare, Agriculture-Environment business areas and, to a lesser extent, in other areas. This growth was partially offset by a reduction in revenues attributable to Local Government and Utilities areas.

The revenues of the CRM Europe segment recorded a decrease of Euro 21,982 thousand (15.6%) in the financial year ended as at December 31, 2019 compared to the previous period. The decrease mainly concerned the Telco and Media areas, Transport and Utilities partially offset by an increase in Government area.

The revenues of the CRM International segment recorded an increase of Euro 6,301 thousand, 2.8% as at December 31, 2019 when compared to the previous period. The increase is related to Telco and Media, Government and other areas while Financial area has slightly decreased.

The revenues of the Almawave-New Technology segment rose by Euro 5,441 thousand, 56.4% compared to the previous year. Intersegment revenues decreased by Euro 1,058 thousand compared to the previous year. The rise is due primarily to the increase in revenues deriving from the sale of software technologies to customers (including other segments) in the Finance, Government and other areas, partially offset by the fall in revenues from customers in the Telco/Media, Utilities, and Transport areas.

AlmavivA Group revenues are mainly realised in Italy. Revenues produced abroad primarily regard Brazil and to a lesser extent, Tunisia and Colombia. For more details on the breakdown by geographical area, please refer to Note 5.

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

The revenues of the IT Services segment as at December 31, 2017 rose by Euro 14,359 thousand, equal to 4% compared to the previous year. This increase is due mainly to the growth in revenues, the increase in demand for services, with respect to customers of the Transport, Homeland Security, Banking and Insurance, Welfare business areas and, to a lesser extent, in other areas. This growth was partially offset by a reduction in revenues attributable to the Agriculture-

Environment and Ministries areas due to the public spending review policies implemented by the Italian Government in the last few years.

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

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

In 2018, the revenues of the Almawave-New Technology segment rose by Euro 3,376 thousand, 53.8% compared to the previous year. Intersegment revenues decreased by Euro 1,230 thousand compared to the previous year. The rise is due primarily to the increase in revenues deriving from the sale of software technologies to customers (including other segments) in the Utilities, Government and other areas, partially offset by the fall in revenues from customers in the Telco/Media, Banking/Insurance, and Transport areas.

The Group basically operates in multiple sectors of operations, as further described in Paragraph 5 above.
AlmavivA Group revenues are mainly realised in Italy. Revenues produced abroad regard primarily Brazil and to a lesser extent Tunisia (for any further details please refer to Paragraph 5 – Geographic information).

The transaction price, net of variable consideration, allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2019 are, as follows:

(in thousands of Euro)	**Total at December 31, 2019**	**To be absorb within the current financial year**	**To be absorb within the next financial year**
Backlog (*)	**1,631,696**	**(636,704)**	**994,992**

(*) IT Services and Almawave New Technology segments

31. OTHER INCOME

Other income for each of the three years ended December 31, 2019, 2018 and 2017 are reported in the following table:

(in thousands of Euro)	**For the twelve months ended December 31,**		
	2019	**2018**	**2017**
Recovery of personnel costs	852	1,198	1,610
Recovery of costs of service provision	3,956	3,483	4,534
Recovery of costs of use of assets	70	27	261
Reversal of provisions	1,646	2,582	1,722
Other income	3,893	2,939	1,916
Operating grants	9,208	11,301	4,996
Reversal of over-accruals of trade payables	481	1,440	2,276
Other income	**20,106**	**22,970**	**17,315**

Other revenues and income amounted to Euro 20,106 thousand and Euro 22,970 thousand as at December 31, 2019 and 2018 respectively, and Euro 17,315 thousand as at December 31, 2017. The most significant item regards Operating grants (As fully detailed in the Report on Operations, the company made use of the Research and Development tax credit set forth in Art. 1, paragraph 35, of Law nr. 190 of December 23, 2014, based on the methods set out in the aforementioned legislation) Other income, and Reversal of provisions.
This credit, according to the methodology described in the drafting criterion, is accrued in the operating grants for an amount.
The Group recognizes this credit only when there is the virtual certainty of the contribution. This last criterion is only satisfied when an opinion is obtained from companies qualified to evaluate these activities. For these reasons, the research and development tax credit recorded in the financial statements as at 31 December 2019 refers to the years 2019 for AlmavivA S.p.A., 2018 and 2017 for Almawave S.r.l., and only to the year 2019 for Pervoice S.p.A.
The method adopted by the companies for the calculation of the tax credit due has followed the indications of the law and started by determining the average of the research and development activities, capitalized or directly expensed in the income statement, carried out in the three-year period 2012-2014. The activities carried out both in 2018 and in 2019, were compared with the average value described above in order to determine the incremental value. The formulas were then applied to the incremental value in order to obtain the value of the contribution to be assigned to the entity.

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

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

32. COST OF RAW MATERIALS AND SERVICES

Cost of raw materials and services for each of the three years ended December 31, 2019, 2018 and 2017 are reported in the following table:

(in thousands of Euro)	For the twelve months ended December 31,		
	2019	2018	2017
Raw materials, consumables, supplies and goods	26,757	19,075	19,399
Costs for services	272,358	239,889	223,984
Costs of use of third party assets	6,368	24,847	23,546
Costs for services capitalised for assets created internally	(2,733)	(3,577)	(3,113)
Changes in inventories	(1,076)	(897)	86
Cost of raw materials and services	**301,674**	**279,337**	**263,902**

The item increased by Euro 22,337 thousand in the year. The increase is, generally speaking, attributable to the higher revenues in the IT Services segment, with a subsequent increase in the costs for services (Euro 34,546 thousand, from an amount of Euro 192,186 thousand in 2018 to Euro 226,732 thousand in 2019), in the CRM Europa segment (in which the costs for services decrease by Euro 10,751 thousand from Euro 35,141 thousand in 2018 to Euro 24,390 thousand in 2019), in Almawave-New Technology segment (increase in costs of Euro 3,128 thousand, up from Euro 5,438 thousand in 2018 to Euro 8,566 thousand in 2019) and in the CRM International segment, (decrease in costs of Euro 6,570 thousand, from Euro 68,266 thousand in 2018 to Euro 61,696 thousand in 2019).

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

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

The cost of use of third-party assets decreased compared to the previous period, due to the adoption of the new accounting standard IFRS 16 - Leases. At December 31, 2019 this value is related to rent expense from short-term leases (less than 12 months), leases of low-value assets (less than Euro 5 thousand) and other contracts out of the scope of new accounting standard IFRS 16.

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

(in thousands of Euro)	For the twelve months ended December 31,		
	2019	**2018**	**2017**
Maintenance	25,698	24,999	26,239
Insurance	2,605	2,070	2,105
Consultancy and professional services	129,350	106,946	88,013
Advertising, promotion and entertainment	964	789	642
Telephone expenses	5,122	6,308	7,066
Travel and stays	5,855	5,278	4,896
Energy and fluids	9,655	8,167	9,604
Distribution and warehousing	4,189	6,464	5,936
Other costs for services	88,920	78,868	79,483
Costs for services	**272,358**	**239,889**	**223,984**

The item Other costs for services includes the operating expenses and various services such as corporate protection expenses, canteen expenses and meal vouchers for employees, legal and notary expenses, commissions and expenses for bank services, training course expenses, cleaning expenses and costs incurred on behalf of group companies that basically refer to charges for insurance policies and travel and transfer expenses.

In addition, in 2019, they include the fees due to Directors totalling Euro 3,363 thousand, fees due to the Board of Statutory Auditors for Euro 262 thousand and fees due to the independent auditors for Euro 567 thousand, in 2018 fees due to Directors were Euro 2,000 thousand, fees due to the Board of Statutory Auditors for Euro 234 thousand and fees due to the independent auditors for Euro 559 thousand.

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

Costs for services amount to Euro 272,358 thousand in 2019 compared to Euro 239,889 thousand in 2018 and to Euro 223,984 thousand in 2017 and contribute to the aggregate amount of Cost of raw materials and services for 90.3% in 2019, 85.9% in 2017 and 84.9% in 2017.

33. PERSONNEL EXPENSES

Personnel expenses for each of the three years ended December 31, 2019, 2018 and 2017 are broken down as follows:

(in thousands of Euro)	For the twelve months ended December 31,		
	2019	**2018**	**2017**
Salaries and wages	386,500	375,351	356,986
Social security contributions	72,676	68,603	62,686
Employee benefit expenses	15,205	11,631	11,582
Other costs	6,309	4,116	2,743
Agency work	4,260	7,963	9,989
Personnel expenses capitalised for assets created internally	(11,030)	(10,246)	(11,023)
Personnel expenses	**474,007**	**457,488**	**432,971**

Personnel expenses increased by Euro 16,519 thousand, or 3.6%, from Euro 457,488 thousand in the financial year ended December 31, 2018 to Euro 474,007 thousand in the financial year ended December 31, 2019. This increase, as well as cost for raw materials and services, was in line with the overall revenue trend and resulted primarily from increased expense for salaries and wages, which increased by Euro 11,149 thousand from Euro 375,351 thousand in 2018 to Euro 386,500 thousand in 2019. This increase was a consequence of higher workforce. The increase in these costs was partially offset by an increase by Euro 783 thousand in personal expenses capitalized for assets created internally related to IT Services segment and Almawave - New Technology segment and by the Agency work for 3,703 thousand.

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

The average number of employees of companies included in the consolidation area, broken down by category, for each of the three years ended December 31, 2019, 2018 and 2017 is as follows:

	At December 31, 2019	**At December 31, 2018**	**At December 31, 2018**
Executives	241,4	206,7	207,0
Middle managers	849,8	763,8	751,5
White-collar employees	42.818,8	42.677,8	40.145,8
Total Group average employees	***43.910,0***	***43.648,3***	***41.104,3***
Agency workers	179,8	352,4	521,5
Total workforce	***44.089,8***	***44.000,7***	***41.625,8***

34. DEPRECIATION AND AMORTIZATION

Depreciation and amortization for each of the three years ended December 31, 2019, 2018 and 2017 are broken down as follows:

(in thousands of Euro)	For the twelve months ended December 31,		
	2019	**2018**	**2017**
Industrial patent and intellectual property rights	7,183	7,961	6,425
Concession, licence and trademarks	293	(558)	1,510
Other	5,929	6,237	6,217
Total Amortisation	***13,406***	***13,639***	***14,153***
Civil and industrial buildings	781	807	780
Industrial and commercial equipment	138	151	149
Plants and machinery owned	3,348	4,514	6,165
Other assets owned and leased	7,688	7,761	8,467
ROU Asset - Civil and industrial buildings IFRS16	15,179	0	0
ROU Asset - Other assets owned and leased IFRS16	971	0	0
Total Depreciation	***28,105***	***13,233***	***15,561***
Total Depreciation and Amortisation	**41,510**	**26,872**	**29,713**

Depreciation increased, during the period ended December 31, 2019, compared to the previous period, exclusively due to the adoption of the new accounting standard IFRS 16 - Leases.

35. OTHER EXPENSES

Other operating expenses for each of the three years ended December 31, 2019, 2018 and 2017 are broken down as follows:

(in thousands of Euro)	For the twelve months ended December 31,		
	2019	**2018**	**2017**
Write-down of receivables	514	234	67
Provisions for risks	3,971	1,937	3,939
Taxes and duties	502	417	192
Membership fees	668	628	602
Other expenses	2,964	3,573	4,309
Accruals to provisions	0	0	92
Reversal of over-accruals of trade receivables	701	1,012	1,131
Other operating expenses	**9,320**	**7,801**	**10,332**

Other operating expenses increased by Euro 1,519 thousand, or 19.5%, from Euro 7,801 thousand in the financial year ended December 31, 2018 to Euro 9,320 thousand in the financial year ended December 31, 2019. Net allocations to provisions for risks and charges were booked by the IT Services segment (Euro 3,971 thousand). Information on the provisions for risks and charges is provided in Note 22, to which the reader is referred. Other operating costs - non-recurring portion which include almost exclusively the economic effect recorded due to settlement of previous receivables.

Other operating expenses, in 2018, decreased by Euro 2,531 thousand, or -24.5%, from Euro 10,332 thousand in the financial year ended December 31, 2017 to Euro 7,801 thousand in the financial year ended December 31, 2018. Net allocations to provisions for risks and charges were booked by the IT Services segment (Euro 1,640 thousand) and CRM International segment (Euro 297 thousand). Information on the provisions for risks and charges is provided in Note 22, 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.

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

Financial income, Financial expenses and Exchange gains/(losses) for each of the three years ended December 31, 2019, 2018 and 2017 are reported below:

(in thousands of Euro)	For the twelve months ended December 31,		
	2019	**2018**	**2017**
Financial income	642	600	926
Financial expenses	(28,945)	(29,900)	(34,392)
Exchange gains/(losses)	(3,748)	(335)	(280)
Financial expenses for leasing IFRS 16	(5,877)	0	0
Net financial result	**(37,928)**	**(29,636)**	**(33,746)**

As per the previous table, the result of financial income and expenses was negative Euro 37,928 thousand as at December 31, 2019, compared to a negative result of Euro 29,636 thousand as at December 31, 2018, increased by Euro 8,292 thousand , this worsening, is mainly due to the adoption of IFRS 16 (Euro 5,877 thousand).

Excluding IFRS 16 effects and Exchange gains /(losses) the line shows an improvement of Euro 998 thousand.

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

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

Gains/(losses) on equity investments and loss from investments accounted for using equity method for each of the three years ended December 31, 2019, 2018 and 2017 are reported below:

(in thousands of Euro)	For the twelve months ended December 31,		
	2019	**2018**	**2017**
Other gains on equity investments	0	0	0
Share of lossesa from investments accounted for using equity method	7	6	(737)
Net result from equity investments	**7**	**6**	**(737)**

As shown in the table above, the Net result from equity investments changed by Euro 1 thousand in 2019 from a negative amount of Euro 6 thousand for the year ended December 31, 2018 to an amount of Euro 7 thousand for the year ended December 31, 2019.

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

The analysis is provided in Note 9, “Equity investments accounted for using the equity method”.

38. INCOME TAXES

Income taxes for each of the three years ended December 31, 2019, 2018 and 2017 are broken down as follows:

(in thousands of Euro)	**For the twelve months ended December 31,**		
	2019	**2018**	**2017**
Italian Companies			
IRAP (Regional business tax)	2,124	1,668	1,524
IRES (Corporate income tax)	7,881	5,737	4,409
(Income) expenses from compliance with tax consolidation	(6,042)	(3,079)	(3,117)
	3,963	**4,326**	**2,816**
Foreign companies			
Other current taxes	3,375	2,475	418
	3,375	**2,475**	**418**
Current Taxes	**7,338**	**6,801**	**3,234**
Italian Companies			
IRAP (Regional business tax)	130	(73)	(18)
IRES (Corporate income tax)	(780)	(1,276)	821
	(650)	**(1,349)**	**803**
Foreign companies			
Other deferred taxes	1,106	(1,320)	(4,261)
	1,106	**(1,320)**	**(4,261)**
Deferred taxes	**456**	**(2,669)**	**(3,458)**
Income taxes for the year - Non recurring portion	**871**	**(679)**	**194**
Total Income taxes	**8,665**	**3,453**	**(30)**

39. INCOME TAXES RECONCILIATION

Reconciliation of tax expense and the accounting profit multiplied by Group Almaviva's domestic tax rate for 2017, 2018 and 2019:

(in thousands of Euro)	31.12.2019		31.12.2018		31.12.2017	
Income before taxes	**22,438**	**100.00%**	**21,469**	**100.00%**	**832**	**100.00%**
Theoretical taxes (*)	***5,385***	***24.00%***	***5,153***	***24.00%***	***200***	***24.00%***
Effective tax charge	**8,665**	**38.62%**	**3,453**	**16.08%**	**(30)**	**-3.61%**
differences between theoretical and effective tax charge	**3,280**	**14.62%**	**(1,700)**	**-7.92%**	**(230)**	**-27.61%**
1) different foreign tax rates	3,010	13.42%	3,130	14.58%	(379)	-45.55%
2) permanent differences:						
2a) IRAP and other italian regional taxes	2,124	9.47%	1,668	7.77%	1,524	183.17%
2b) taxes of prior periods	871	3.88%	(679)	-3.16%	194	23.34%
2c) tax credit R&D	(2,086)	-9.30%	(2,393)	-11.15%	(907)	-109.01%
2d) consolidation adjustments	400	1.78%	(3,250)	-15.14%	(1,665)	-200.11%
2e) other differences (**)	(1,040)	-4.64%	(176)	-0.82%	1,003	120.55%
Total differences	**3,279**	**14.61%**	**(1,700)**	**-7.92%**	**(230)**	**-27.61%**

(*) Theoretical taxe charge calculated by applying IRES (italian statutory tax rate)

(**) Other differents are mainly related to these fiscal effects: IFRS 16 adoption, deduction for super-amortization, non-deductible occurence

40. GUARANTEES AND COMMITTMENTS

The Group granted the following guarantees as at December 31, 2019:

- personal guarantees of Euro 227,548 thousand (Euro 239,046 thousand as at December 31, 2018), 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 20,965 thousand, guarantees recorded by Lombardia Gestione of Euro 5,266 thousand for the execution of the service agreement and AlmavivA Contact S.p.A. in the amount of Euro 15,382 thousand; Sadel S.p.A.in the amount of Euro 317 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.
- To date there are no risks of enforcement of the aforementioned guarantees and the Group also does not receive commissions related to the commitments made.

Other guarantees, commitments and risks

These amounted to Euro 8,546 thousand (Euro 8,564 thousand as at December 31, 2018) and refer to third party assets held by AlmavivA S.p.A. (Euro 8,478 thousand) and Lombardia Gestione (Euro 68 thousand).

41. RISKS AND OTHER INFORMATION

Credit risk

The maximum theoretical exposure to credit risk for the AlmavivA Group as at December 31, 2019 is represented by the carrying amount of financial assets reported in the financial statements, in addition to the nominal value of guarantees given on the payables or commitments of third parties.

Trade receivables due from customers represent the greatest exposure to credit risk. In respect of the risk of customer default, an appropriate write-down provision is recorded in the financial statements, the amount of which is periodically reviewed. The write-down process adopted by AlmavivA S.p.A. requires trade positions to be subject to an individual write-down based on the age of the receivable, the reliability of the individual debtor and the progress of debt management and collection procedures. Trade receivables are generated by the Group operations in different regions/countries (predominantly in Italy and Brazil) with diversified customers and counterparties from a geographical and sector point of view (industrial, energy, telephone firms, public administrations, commercial companies, etc.) and in terms of dimensions (large corporate, small and medium enterprises, residential customers).

The following table shows the overall exposure of AlmavivA Group's receivables, together with a breakdown by amounts falling due and past due. For more detailed information, please refer to Note 15 above.

(in thousands of Euro)	**At December 31, 2019**	**At December 31, 2018**	**At December 31, 2017**
- Amount falling due	293,249	257,178	255,429
- Past due	54,091	40,051	45,251
Trade receivables net of Bad debt provision	**347,340**	**297,229**	**300,680**

Financial leasing and redemption commitments (ex IAS 17)

The Group signed, for the period antecedent to December 31, 2018, 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.

Liquidity risk

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

Exchange rate risk

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

42. 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.

43. 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 22. For those proceedings whose negative outcome, owing to the different case law positions, was only considered possible, no specific allocations were made in accordance with the regulations governing the drafting of the financial statements.

Contingent liabilities

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

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

AlmavivA S.p.A.

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

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

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

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

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

RTI Exitone requested the cancellation, upon the adoption of precautionary measures, of the measure of August 4, 2016, announcing the final award in favour of RTI AlmavivA of the "*Restricted procedure tender for the award of the concession for the SISTRI waste tracking system for the Ministry of the Environment and Protection of the Land and the Sea - ID 1642*" announced by the sole shareholder company Consip S.p.A. The precautionary claim was rejected. By resolution of November 30, 2016, Consip S.p.A. cancelled by its own determination the award measure of August 4, 2016. By means of judgment of January 25, 2017, the appeal of RTI Exitone was as a result declared barred to further proceedings. Consip S.p.A., after once again conducting the procedure to verify the anomaly of RTI AlmavivA, awarded the tender to the same RTI by measure dated February 1, 2017. RTI Exitone requested the annulment, following the adoption of precautionary measures, of the measure of February 1, 2017. With a sentence of February 22, 2019, the Lazio TAR rejected the appeal filed by the RIT Exitone, which has appealed the judgment by Lazio's TAR at Council of State. With a sentence of January 16, 2020, the Council of State rejected the appeal filed by the RIT Exitone. The outcome of the risk assessment did not determine the need to record any provisions for risks.

RTI AlmavivA S.p.A. (agent of the RTI with Telecom Italia S.p.A. and Agriconsulting S.r.l.) / Consip S.p.A. / Ministry of the Environment and Protection of the Land and the Sea ("MATTIM") / The Presidency of the Council of Ministers

The RTI AlmavivA lodged an appeal at Lazio's TAR, for the jointly sentence of MATTIM, Consip and The Presidency of the Council of Ministers in order to pay the indemnity and other amounts due as of damage refund. This refund was requested due to the MATTM's provision that revoked the tender for the concession of the Waste Traceability Control System (SISTRI), announced by Consip and assigned to RTI Almaviva. The hearing date has to be fixed.

RTI Agriconsulting S.p.A. (Agent of RTI With Consorzio Stabile Arcodrea Engineering Soc. Consortile a r.l., Consorzio Stabile Reply Public Sector, Agrifuturo Soc. Coop. a mutualità prevalente, CGR Compagnia Generale Ripreseaeree S.p.A.)/ Consip S.p.A./ RTI AlmavivA S.p.A.(Agent of RTI with Engineering Ingegneria Informatica S.p.A., Sistemi Informativi Geografici S.R.L.)/ Ministry of Agriculture and Forestry / Ministry of Economy and Finance / Agriculture Disbursement Agency / Anti-corruption National Authorit.

RTI Agriconsulting lodged an appeal at Lazio's TAR for the cancellation, of the admission order and the measures of announcing the final award in favour of RTI AlmavivA related to Lot 2 of the split procedure race. This procedure was due to for the entrustment of the development and management services of the National Agricultural Information System (SIAN) for Agea. With a sentence of August 27, 2019, the Lazio's TAR rejected partially the appeal. RTI Agriconsulting lodged an appeal at Council of State and RTI AlmavivA lodged an incidental autonomous appeal. On January 23, 2020, at the end of the hearing date, the case was withheld in a decision.

RTI AlmavivA S.p.A. (Agent ofl RTI con Engineering Ingegneria Informatica SpA/ Consip S.p.A./ RTI Leonardo Finmeccanica SpA (Agent of RTI con HPE Services Italia Srl, e-GEOS SpA, Green Aus SpA, ABACO SpA)/ Ministry of Agriculture and Forestry / Ministry of Economy and Finance / Agriculture Disbursement Agency / Anti-corruption National Authority.

RTI AlmavivA S.p.A lodged an appeal at Lazio's TAR requesting the cancellation, upon the adoption of precautionary measures, of the measures of announcing the final award in favour of RTI Leonardo related to Lot 3 of the split procedure race. This procedure was due to for the entrustment of the development and management services of the National Agricultural Information System (SIAN) for Agea. With a sentence of November 6, 2019, the Lazio's TAR accepted the appeal. RTI Leonardo lodged an appeal at Council of State, who fixed the hearing date for May 21, 2020.

After the hearing of merit of July 10, 2019, the case was withheld in a decision.

RTI Enterprise Services Italia S.r.l. (Agent of RTI with KPMG Advsory S.p.A, Dedagroup Public Service S.r.l, Eustema S.p.A; Exprivia S.p.A)/ Consip S.p.A/ Anti-corruption National Authority/AlmavivA S.p.A (Agent of RTI formed with Consorzio Reply Public Sector, Business Integration Partners S.p.A)/ Accenture S.p.A (Agent of RTI with Accenture Technology Solution S.r.l; Pricewaterhouse Coopers Advisory S.p.A; GPI S.p.A)/ Leonardo S.p.A (Agent of RTI with Dedalus Italia S.p.A, Deloitte Consulting S.r.l, NTT Data Italia S.p.A)/Capgemini Italia S.p.A (Agent of RTI with Fincons S.p.A, Tbridge S.p.A., Indra Italia S.p.A, Progesi S.p.A).

RTI Enterprise requested the cancellation of the measures of announcing the final award in favour of RTI AlmavivA related to Lot 2 of the split procedure race. This procedure was due for a Framework agreement related to IT Application services for Public Administrations – ID 1881. RTI AlmavivA RTI AlmavivA has notified a cross-appeal as at October 16, 2019. The hearing date has been fixed for March 4, 2020.

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

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

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

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

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

AlmavivA Contact S.p.A.

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

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

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

On November 14, 2008, Alicos S.p.A. applied for inclusion in proving a debt in bankruptcy with regard to Alitalia Linee Aeree Italiane S.p.A. under E.A., requesting recognition as a secured creditor for the call centre services it provided. Alicos S.p.A., admitted as an unsecured creditor, appealed in accordance with art. 111 bis of the Bankruptcy Law, then rejected. Against this decision of rejection, AlmavivA Contact S.p.A. filed an appeal, then rejected. With appeal in accordance with art. 98 of the Bankruptcy Law, AlmavivA Contact S.p.A. challenged the debt in bankruptcy. The appeal was rejected and AlmavivA Contact S.p.A. filed an appeal at the Court of Cassation. The Court dismissed the appeal by order, against which AlmavivA Contact S.p.A has brought an 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. The management, in consideration of the risk assessment carried out, considered appropriate to proceed with the allocation of a provision for bad debts related to the ongoing dispute.

RTI Covisian S.p.A. (agent of RTI with Transcom Worldwide SpA/ AlmavivA Contact S.p.A./Fastweb S.p.A.)/ INPS – Istituto Nazionale di Previdenza Sociale/ Anti-corruption National Authority/ RTI Comdata S.p.A. (agent of RTI with Network Contacts S.r.l./ Telesurvey Italia S.r.l. in liquidation/ Telesurvey S.r.l. in liquidation)/ RTI GPI S.p.A (agent of RTI con Nethex Care S.p.A./ NTT Data Italia S.p.A.)/ RTI Abramo Customer Care S.p.A.(agent of RTI con Youtility Center S.r.l./ Ennova Services S.p.A.)/ Tax Authority / Agenzia per l'Italia Digitale

With a sentence of July 2, 2019, the Lazio's TAR rejected the appeal filed by the RTI Covisian related to the cancellation, of the measures of announcing the final award in favour of RTI Comdata of the "procedure tender for the award of the concession for Inps-Equitalia Contact Center Services". RTI Covisian lodged an appeal at Council of State and RTI Comdata lodged an incident appeal. The hearing date has been fixed for Febrary 27, 2020.

Pervoice S.p.A.

Cedat85 S.r.l./ RAI – Radiotelevisione Italiana S.p.A./ Pervoice S.p.A.

Cedat85 appealed to Lazio's TAR for the annulment, upon the adoption of precautionary measures, of the refusal of access, by the RAI contracting station, to some acts related to the procedure of assignment of the development, integration and making available services of TGR semi-automatic subtitling platform for experimentation, definitively awarded in favour of Pervoice. With a sentence of December 6, 2019, Lazio's TAR declared the conclusion of the matter of contention.

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 terms of individual disputes, it's confirmed that all five courts of Court of Appeal (second instance judge) in Rome confirmed the absence of procedural defects and the legitimacy of layoffs, the few judgments of a different nature which were handed down in the Court of First Instance are being reformed.

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.

In the last year no extrajudicial appeals have been 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 continued to declare the appeals lodged by certain associates to be inadmissible for procedural reasons.

With regard to the temporary employee's 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 current year.

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.

44. TRANSACTIONS WITH RELATED PARTIES

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

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

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

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

Trade and other relations

Trade and other relations are analysed as follows:

(in thousands of Euro)	At December 31, 2019 Receivables	Payables	For the year ended December 31, 2019 Costs of Services	Other Costs	Revenues from Services	Other Income
Relationships with the controlling company of AlmavivA S.p.A.						
AlmavivA Technologies Srl	27.516	10.485	300	0	0	2
Relationships with the controlling companies valued at equity method						
Consorzio Hypertix	68	0	0	0	0	0
Sin Srl	15.301	167	151	0	28.199	796
Consorzio Namex	0	0	11	0	0	0
TVEyes L.T.	4	62	0	0	0	19
Almaviva CCID	112	2	0	0	0	5
PT Almaviva Indonesia Kontak	6	0	0	0	9	0
Other						
Elvit Consultoria e Partcipacoes LTDA	0	5	61	0	0	0
Totale	**43.007**	**10.721**	**523**	**0**	**28.208**	**822**

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

	At December 31, 2017 Receivables	Payables	For the year ended December 31, 2017 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**

45. SUBSEQUENT EVENTS

ALMAVIVA DO BRASIL TELEMARKETING AND INFORMÁTICA SA – STAKE ACQUISITION

On January 14, 2020, the purchase of the entire share capital of Aquarius Participações S.A., was finalized.

Aquarius Participações S.A., in turn, holds 99.99% of the share capital of Chain Serviços e Contact Center S.A. ("Chain").

On the same date, Aquarius Participações S.A. finalized the purchase of the residual share of Chain, which becomes wholly controlled (indirectly) by AlmavivA Do Brasil Telemarketing and Informatica SA.

ALMAWAVE SRL – STOCK TRADING ON PERVOICE

On January 31, 2020, Almawave S.r.l. purchased additional n. 51,800 shares of the share capital of the subsidiary Pervoice S.p.A., consequently, now holds a shareholding equal to 58.63%.
La Finanziaria Trentina S.p.A. through this transaction, completely left the shareholder base of Pervoice, and has sold its shares not only to Almawave S.r.l. but also to Clesius S.r.l., Infojuice S.r.l. and Summit S.r.l.

ALMAVIVA CONTACT SPA

On February 3, 2020, trade union signed an agreement for Palermo site, which foresee the continued use of the social security net, with variable percentages, until 30 September 2020.

ALMAVIVA SPA

On Febrary 19, 2020, Ferservizi S.p.A. notified to RTI AlmavivA the extension related to the Framework Agreement of 01/11/2011. This agreement, with a due date on December 31, 2021, has a maximum not bound amount of 700 million of Euros.

ALMAVIVA SPA

The Court of Appeal of Rome, with a sentence published on February 29, 2020, rejected the appeal for nullity proposed by Agea against the arbitration award of 2012, confirming its contents. Therefore: condemns Agea to release various surety policies provided by Agrisian to guarantee the correct execution of contractual services and to refund to the latter the premium supplements (plus interest) paid for the periods after the date in which the release; to pay Agrisian several unpaid bills (plus interest); to reimburse litigation costs. Finally, he declares unfounded the complaints of non-fulfillment brought to Agrisian by a special commission established by Agea, rejecting, in relation to these claims, the claims for compensation and enforcement of policies advanced by Agea.