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**Almaviva**

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**ALMAVIVA S.P.A. AND SUBSIDIARIES**

**Interim Condensed Consolidated Financial Report for the three  
months period ended March 31st, 2020**

**Board of Directors May 26th, 2020**



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**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED FINANCIAL REPORT FOR**  
**THREE MONTHS PERIOD ENDED MARCH 31, 2020**



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

<i>(in thousands of Euro)</i>	Note	At March 31, 2020	At December 31, 2019
Intangible assets	7	62,825	63,541
Goodwill		39,308	39,455
Property, plant and equipment	8	87,390	101,435
Investments accounted for using the equity method	9	1,106	1,106
Non-current financial assets	10	4,882	4,884
Deferred tax assets	11	17,298	12,833
Other non-current assets	12	1,578	1,772
<b>Total non-current assets</b>		<b>214,387</b>	<b>225,026</b>
Inventories	13	6,433	5,972
Amount due from customers	13	0	0
Contract assets	14	59,650	47,201
Trade receivables	15	341,762	352,815
Current financial assets	16	3,415	3,415
Other current assets	17	136,758	119,553
Cash and cash equivalents	18	67,699	89,446
<b>Total current assets</b>		<b>615,717</b>	<b>618,402</b>
Non-current assets held for sale	19	2,459	2,459
<b>Total assets</b>		<b>832,563</b>	<b>845,886</b>
Share capital		154,899	154,899
Share premium reserve		17,788	17,788
Other reserves		(179,228)	(170,299)
Profit/(loss) for the year		9,829	12,131
<i>Total group shareholders' equity</i>		<i>3,288</i>	<i>14,520</i>
<i>Non-controlling interests</i>		<i>5,011</i>	<i>6,452</i>
<b>Total shareholders' equity</b>	20	<b>8,300</b>	<b>20,971</b>
Non-current liabilities for employee benefits	21	49,567	51,286
Non-current provisions	22	6,271	6,946
Non-current financial liabilities	23	318,778	322,523
Deferred tax liabilities	24	1,394	1,394
Other non-current liabilities	25	951	1,018
<b>Total non-current liabilities</b>		<b>376,961</b>	<b>383,167</b>
Current provisions	22	7,585	8,547
Trade payables	26	280,111	262,426
Current financial liabilities	27	36,129	34,267
Current tax liabilities	28	32,119	37,729
Other current liabilities	29	91,358	98,778
<b>Total current liabilities</b>		<b>447,302</b>	<b>441,748</b>
<b>Total liabilities</b>		<b>824,264</b>	<b>824,915</b>
<b>Total equity and liabilities</b>		<b>832,563</b>	<b>845,886</b>

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT**

<i>(in thousands of Euro)</i>	Note	For the three months ended March 31,	
		2020	2019
Revenues from contracts with customers	30	224,023	205,106
Other Income	31	4,634	2,740
<b>Total revenues and other income</b>		<b>228,657</b>	<b>207,846</b>
Cost of raw materials and services	32	(81,133)	(65,436)
Personnel expenses	33	(119,288)	(116,230)
Depreciation and amortization	34	(9,906)	(9,767)
Losses from sale of non-current assets	34	(74)	(1)
Other expenses	35	(1,940)	(1,972)
<b>Operating profit/(loss)</b>		<b>16,316</b>	<b>14,441</b>
Financial income	36	209	105
Financial expenses	36	(8,059)	(7,829)
Exchange gains/(losses)	36	(703)	79
Profit/(loss) from investments accounted for using equity method	37	0	0
<b>Profit/(Loss) before taxes</b>		<b>7,763</b>	<b>6,795</b>
Income taxes	38	2,447	(3,386)
<b>Profit/(Loss) from continuing operations</b>		<b>10,210</b>	<b>3,409</b>
<b>Profit/(Loss) for the year</b>		<b>10,210</b>	<b>3,409</b>
of which:			
Profit/(loss) pertaining to the group		9,829	3,085
Profit/(loss) pertaining to non-controlling interests		381	324



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

<i>(in thousands of Euro)</i>	Note	For the three months ended March 31,	
		2020	2019
<b>Profit/(loss) for the year</b>		<b>10,210</b>	<b>3,409</b>
<i>Other components of comprehensive income that may be subsequently reclassified to profit or loss, after taxes:</i>			
Exchange differences on translation of foreign operations	20	(22,018)	1,291
Gains/(losses) on cash flow hedging instruments		0	0
<b>Total</b>		<b>(22,018)</b>	<b>1,291</b>
<i>Other components of comprehensive income that will not be subsequently reclassified to profit or loss, after taxes:</i>			
Actuarial gains/(losses) on valuation of liabilities for employee benefits	21	0	0
<b>Total</b>		<b>0</b>	<b>0</b>
<b>Comprehensive income/(loss) for the year</b>		<b>(11,808)</b>	<b>4,700</b>
of which:			
Comprehensive income/(loss) pertaining to the group		(11,069)	4,299
Comprehensive income/(loss) pertaining to non- controlling interests		(739)	401

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

<i>(in thousands of Euro)</i>	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
<b>Shareholders' Equity at December 31, 2019</b>	<b>154,899</b>	<b>17,788</b>	<b>(170,300)</b>	<b>12,131</b>	<b>14,520</b>	<b>4,901</b>	<b>1,550</b>	<b>6,451</b>	<b>20,971</b>
<b>Profit/(loss) for the year</b>				<b>9,829</b>	<b>9,829</b>		<b>381</b>	<b>381</b>	<b>10,210</b>
Exchange differences on translation of foreign operations			(20,898)		(20,898)	(1,120)		(1,120)	(22,018)
Gains/(losses) on cash flow hedging instruments					0			0	0
Actuarial gains/(losses) on valuation of liabilities for employee benefits			0		0			0	0
<b>Comprehensive income/(loss) for the year</b>	<b>0</b>	<b>0</b>	<b>(20,898)</b>	<b>9,829</b>	<b>(11,069)</b>	<b>(1,120)</b>	<b>381</b>	<b>(739)</b>	<b>(11,808)</b>
Allocation of prior year's profit/(loss)			12,231	(12,231)	0	1,550	(1,550)	0	0
Dividends					0	(704)		(704)	(704)
Other movements			(163)		(163)	3		3	(160)
<b>Shareholders' Equity at March 31, 2020</b>	<b>154,899</b>	<b>17,788</b>	<b>(179,129)</b>	<b>9,729</b>	<b>3,289</b>	<b>4,630</b>	<b>381</b>	<b>5,011</b>	<b>8,300</b>

Note 20.

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

<i>(in thousands of Euro)</i>	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
<b>Shareholders' Equity at December 31, 2018</b>	<b>154,899</b>	<b>17,788</b>	<b>(185,466)</b>	<b>16,692</b>	<b>3,915</b>	<b>3,393</b>	<b>1,323</b>	<b>4,716</b>	<b>8,631</b>
<b>Profit/(loss) for the year</b>				<b>12,131</b>	<b>12,131</b>		<b>1,550</b>	<b>1,550</b>	<b>13,681</b>
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)
<b>Comprehensive income/(loss) for the year</b>	<b>0</b>	<b>0</b>	<b>(1,469)</b>	<b>12,131</b>	<b>10,662</b>	<b>148</b>	<b>1,550</b>	<b>1,698</b>	<b>12,360</b>
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
<b>Shareholders' Equity at December 31, 2019</b>	<b>154,899</b>	<b>17,788</b>	<b>(170,300)</b>	<b>12,131</b>	<b>14,520</b>	<b>4,901</b>	<b>1,550</b>	<b>6,451</b>	<b>20,971</b>

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

<i>(in thousands of Euro)</i>	Note	At March 31, 2020	At March 31 2019
<b>Profit/(loss) for the year</b>		<b>10,210</b>	<b>3,409</b>
<i>Adjustments to reconcile profit before tax to net cash flows:</i>			
Income Taxes	38	(2,447)	3,386
Financial income	36	(209)	(105)
Financial expenses	36	8,059	7,829
Exchange (gains)/losses	36	703	(79)
Depreciation, amortization and write-downs	34	9,906	9,767
Write-downs/(revaluations) of non-current financial assets and equity investments	37	(0)	0
Losses from sale of non-current assets	34	74	1
Interest received		209	105
Interest paid		(577)	(1,677)
Income taxes paid		(1,662)	(1,277)
<i>Cash flows generated from operating activities before changes in working capital</i>		<i>24,266</i>	<i>21,359</i>
Change in trade receivables gross of the exchange rate effect	15	11,053	(9,043)
Change in inventories gross of the exchange rate effect	13	(461)	(419)
Change in contract assets gross of the exchange rate effect	14	(12,449)	(9,789)
Change in trade payables gross of the exchange rate effect	26	17,685	7,720
Change in other assets gross of the exchange rate effect	12-17	(17,011)	(17,052)
Change in other liabilities gross of the exchange rate effect	25-29	(13,097)	(2,565)
Foreign exchange rate effect related to items of working capital		12,972	(749)
Change in liabilities for employee benefits and provisions gross of exchange rate effect	22	(3,356)	1,095
Change in deferred tax assets (liabilities) gross of exchange rate effect	11	(4,466)	46
<i>Cash flows generated from operating activities changes in working capital</i>		<i>(9,130)</i>	<i>(30,756)</i>
<b>Cash-flow generated from/(absorbed by) operating activities (A)</b>		<b>15,136</b>	<b>(9,397)</b>
Investments in property, plant and equipment	8	(3,512)	(1,613)
Investments in intangible assets	7	(4,198)	(3,424)
Acquisition of investments accounted for using the equity method	9	0	(18)
Proceeds from divestments of PP&E, intangible assets and investments accounted for using the equity method		2,795	0
Change in non-current asset held for sale	19	0	0
Change in non-current financial assets	10	2	3
IFRS 16 adoption	8	0	(58,267)
Exchange rate effect and reclassifications on fixed assets	7-8	9,843	46
<b>Cash-flow generated from/(absorbed by) investing activities (B)</b>		<b>4,930</b>	<b>(63,273)</b>
Proceeds from non-controlling interests for payment of share capital of subsidiaries		(160)	12
Dividends		(704)	0
Proceeds from borrowings	23	10,833	772
Repayment of borrowings	23	(13,031)	(2,549)
Reclassification and change in consolidation area	23	(1,547)	(11)
Change in non-current financial liabilities for adoption of IFRS 16	23	0	44,380
Change in current financial liabilities for adoption of IFRS 16	27	(2,012)	13,378
Change in current financial liabilities	27	3,874	3,958
Change in current financial assets	16	(0)	760
Others change		(51,610)	(5,242)
<i>Comprehensive income statement components</i>	<i>(22,018)</i>	<i>1,291</i>	
<i>Reversal of exchange differences on working capital</i>	<i>(12,972)</i>	<i>749</i>	
<i>Reversal foreign exchange rate effect related to items of working capital</i>	<i>(12,544)</i>	<i>900</i>	
<i>Income tax, net financial income and expense unpaid</i>	<i>(3,373)</i>	<i>(8,261)</i>	
<i>Reversal of item "Exchange gains/(loss)"</i>	<i>36 (703)</i>	<i>79</i>	
<b>Cash-flow generated from/(absorbed by) financing activities (C)</b>		<b>(54,357)</b>	<b>55,458</b>
<b>Cash flow of the year (A+B+C)</b>		<b>(34,291)</b>	<b>(17,212)</b>
Effect of foreign exchange rates on cash and cash equivalents (D)		12,544	(900)
Cash flow of the year after exchange rates (A+B+C+D)		(21,747)	(18,112)
Cash and cash equivalents at beginning of the year		89,446	71,603
Cash and cash equivalents at end of the year		67,699	53,491

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES**

**1. GENERAL INFORMATION**

AlmavivA The Italian Innovation Company S.p.A. (hereinafter “AlmavivA” or the “Company”) is the parent company of one of the leading Italian groups in the Information & Communication Technology sector, which operates globally with an organisational structure incorporating n. 48,223 employees and several offices around Italy and abroad.

The Company has its registered office in Via di Casal Boccone n. 188/190, Rome and it is governed by the Italian law.

The interim condensed consolidated financial statements of the parent company and its subsidiaries (the “AlmavivA Group”) were drafted in compliance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) adopted by the European Union, in particular the international accounting standard applicable for the preparation of interim financial statements (IAS 34 - Interim Financial Reporting) and include the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated shareholders’ equity and the consolidated cash flow statement for the three period ended as at March 31, 2020 compared, as regards the income statement part, cash flow part and change in shareholders’ equity, with the three months period ended as at March 31, 2019, and as regards the balance sheet part, with December 31, 2019, together with the associated notes.

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 information on the Group’s structure are presented in Paragraph 2.2, while the activities of the Group and its segments are described in Note 5. The information on the Group’s transactions with other related parties is presented in Note 44.

The Interim Condensed Consolidated Financial Statements were approved by the Company's Board of Directors on May 26, 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 Interim Condensed Consolidated Financial Statements.

**2. BASIS OF PREPARATION**

The Interim Condensed 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 Interim Condensed 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 Interim Condensed 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.

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

The Interim Condensed Consolidated Financial Statements are drawn up on the basis of the going concern assumption. In this regard, the evaluation of AlmagivA's Board of Directors, presented hereunder in paragraph 2.1, is based on the assumption that there are no uncertainties (as defined in paragraph 25 of IAS 1) regarding the AlmagivA Group and its ability to continue its activities.

The layouts adopted for the preparation of the Interim Condensed 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 Interim Condensed 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:

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

**Exact exchange rates**

Amount of currency for 1 Euro

Country	Currency	ISO	March 31, 2020	December 31, 2019	March 31, 2018
Brazilian	Real	ISO	5.700	4.516	4.387
China	Yuan	BRL	7.778	7.821	7.540
Colombian	Peso	CNY	4451.640	3688.660	3570.250
Indonesia	Rupiah	COP	17869.240	15595.600	15998.640
Europe	Leu	IDR	4.828	4.783	4.761
United States	Dollar	RON	1.096	1.123	1.124
Tunisian	Dinar	USD	3.155	3.139	3.384

**Average exchange rates**

Amount of currency for 1 Euro

Country	Currency	ISO	March 31, 2020	December 31, 2019	March 31, 2018
Brazilian	Real	ISO	4.911	4.414	4.277
China	Yuan	BRL	7.694	7.734	7.662
Colombian	Peso	CNY	3897.673	3673.073	3559.467
Indonesia	Rupiah	COP	15706.623	15835.948	16053.497
Europe	Leu	IDR	4.797	4.746	4.737
United States	Dollar	RON	1.102	1.120	1.136
Tunisian	Dinar	USD	3.129	3.282	3.438

## 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 first three months of 2020, Almaviva Group consolidated the revenue growth trend started in previous periods (Revenues Euro 224 Mln,+ Euro 18.9 Mln that is + 9.2% on current exchange rates or +Euro 28.5 Mln that is +13.9% on constant exchange rates, compared to the same period of last year). As of March 31, 2019 the profit deriving from consolidated operating activities has shown a significant growth compared to the last year and is equal to Euro 16,316 thousand (+ Euro 1,875 thousand compared to March 31, 2019 on current exchange rates and + Euro 2,792 thousand on constant exchange rates). The Net consolidated Profit stood at Euro 10,210 thousand (+ Euro 6,801 thousand compared to net consolidated profit of last year).

As mentioned above, it's highlighted that growth was negatively affected by the rate effect.

In the first quarter, related to the health emergency relating to Covid-19, the Almaviva Group highlighted an insignificant impact. Despite a greater but limited impact on some customers and business areas during the 2020 cannot be excluded. The limitation concerns commercial activity, the slowdown of some projects on some corporate customers that have temporarily postponed them, as well as the reduced timeliness of some customers to issue the approvals necessary for billing. In addition, some of our suppliers, both in services and hardware, had some cash difficulties which prompted them to ask us for advance payments.

The limitations also concern the mandatory closure of Sadel, whose Ateco code was included in those provided by the government decrees for the Covid-19 emergency. Moreover, the social distancing, related to health emergency and consequent lockdown, required to close most of the corporate offices of the companies belonging to the Almaviva Group by resorting to the new organizational model, still in progress, based on home working.

Each company of the Group promptly adopted all the necessary measures in order to manage the emergency, in line with the regulatory provisions issued by the various countries and local authorities, guaranteeing always maximum safety to their employees, their suppliers and their workplaces. In particular, temporary agile working methods (so-called smart

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

working) have been adopted both in the IT and CRM areas; the technological infrastructure / connectivity has also been improved. It should be noted that, in IT segment, before the Covid-19, about 300 people were already working in telework mode. It is also important to highlight that Almagiva Contact provides the contact center service on the public utility number 1500-Covid-19 to answer questions from Italian citizens about the coronavirus.

In the IT area, market estimates developed before the Covid-19 emergency, 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.

Related to impact of the Covid-19 emergency, the IT business is proving very resilient both from the point of view of production and commercial prospects. In the first case, thanks to the fast activation of smart-working methods and the collaboration of customers, the activity continued in substantial continuity on the majority of customers and activities. In the second case, such trend is due to the opportunities related to the possible increase in investments by customers in the cybersecurity field, digitalization of processes, data science, analytics, big data, resulting from the consolidated experience in this emergency period.

Despite the new investments for the enhancement of the technological support infrastructure and for the adaptation of the offices and logistic structures to the new regulations, no significant economic impacts are expected.

From a financial point of view, at the present day, there is a limited impact relating to the slowdown of the testing procedures by the customers, for reasons related to logistical limitations; it is also foreseeable how some minor suppliers may need financial support in this emergency phase, with a consequent impact on the management of payments.

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 AlmagivaA) is expected. 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 AlmagivaA (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, Sadel products and related services provided by Almagiva, 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 AlmagivaA de Belgique (recent award of tenders in EEAS - European External Action Services, TAXUD - European Tax Agency and DIGIT), and in the Transportation sector (recent acquisition of a contract for the supply of PIS systems, Passenger Information Systems, in the UK).

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 33%. These specific problems (market trend, volume contraction, continuous reduction of the tariffs recognized by the customers, new



**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

regulations in terms of tenders and social clauses), increased, the negative trend related to some of the main clients of AlmagivA 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, 2020 foresees a contraction in revenues. The company has already started a series of actions to improve the efficiency of the overall operating structure and actions that have also evolved with a view to managing the current health emergency situation, with the activation of innovative models for the provision of services through the intensive use of smart-working, on all production sites and the enhancement of technological support infrastructures. The initiatives already adopted, the actions underway and the new operating models under evaluation make it possible to predict a level of cost containment and a recovery of operating efficiency (which will be fully operational in 2020) such as to lead to a reduction in the loss compared the previous year.

The Brazilian macroeconomic scenario has been also affected by the spread of Covid-19, although the sectors related to services, especially in the ICT and CRM areas, as well as in Italy and other countries in the world, are more resilient than others. The Euro/BRL exchange rate, that in the first quarter of 2020 had a growth trend already, it is estimated that it will continue to be volatile also in the next months of 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 AlmagivA, 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 AlmagivA 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, from Bradesco Group, on the 100% of Acquarius Participacoes, which owns 100% of the capital of Chain Servicos e Contact Center SA. Through this acquisition AlmagivA do Brasil consolidates its position in CRM activities, mainly in finance segment.

As regards the management of the health emergency related to Covid-19, also in Brazil as in the other Group companies, extraordinary measures have been adopted aimed at adapting the production methods, in particular thanks to the use of the methods for providing the service in home office and the improvement of the technological infrastructure, aimed at maintaining the 2020 targets.

During the first three months of 2020, AlmagivA's revenues increase of +45% compared to the same period of last year, 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 confirm of 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 AlmagivA Group commercial forces in offering AlmagivA 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 AlmagivA products with the offer called "IRIDE® Customer Centric Suite" and the commercial synergy with AlmagivA 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 addition, on IT segment, 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 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.

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

From a financial perspective, the bond debt (Senior Secured Notes) is in place for a value of Euro 250 million, senior secured, original maturity of five years (October 2022) and coupon at 7.25%. As at April 15, 2020, one of the half-yearly coupon has been paid and the subsequent one will expire on 10/15/2020. Each coupon amounts to Euro 9,063 thousand, for a total amount of Euro 18.1 million per year.

From a financial prospective, a decrease of NFP is also expected as at December 31, 2020.

## 2.2 Basis of consolidation

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

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

- 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

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

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 companies consolidated at March 31, 2020 are listed in the following table. Compared to the consolidated financial statements as at 31 December 2019, the consolidation area has changed due to the Almagora do Brasil's equity investment, from Bradesco Group, on the 100% of Acquarius Participacoes, which owns 100% of the capital of Chain Servicos e Contact Center SA.

Compared to the interim condensed consolidated financial statements as of March 31, 2019, the consolidation area has changed due to the following companies added: Wedoo Holding Srl with its subsidiaries Wedoo Srl and Wedoo LLC and Acquarius Participacoes with its subsidiary Chain Servicos e Contact Center.

The consolidated companies as at March 31, 2020, at December 31, 2019 and at March 31, 2019 are listed below:

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

<i>Companies and method of consolidation</i>	<b>Currency</b>	<b>Share held</b>	<b>At March 31, 2020</b>	<b>At December 31, 2019</b>	<b>At March 31, 2019</b>
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	Full	-
Wedoo S.r.l. ** Torino Italy	Euro	55.00%	Full	Full	-
Wedoo LLC ** Michigan U.S.	US Dollar	55.00%	Full	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
Aquarius Participacoes SA * Jundiai (SP), Brazil	Brazilian Real	100.00%	Full	-	-
Chain Servicos e Contact Center SA * Jundiai (SP), Brazil	Brazilian Real	100.00%	Full	-	-
AlmavivA Participações Ltda. Belo Horizonte, Brazil	Brazilian Real	100.00%	Full	Full	Full
Almacontact Bogotá, 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

\*Acquired in 2020  
\*\*Acquired in 2019

<i>Companies and method of consolidation (continued)</i>	<b>Currency</b>	<b>Share held</b>	<b>At March 31, 2020</b>	<b>At December 31, 2019</b>	<b>At March 31, 2019</b>
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	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.

**The ultimate parent Company**

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

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

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:

<b>Company</b>	<b>Country</b>	<b>For the year ended March 31</b>	
		<b>2020</b>	<b>2019</b>
Lombardia Gestione S.r.l.	Italy	49.00%	49.00%
Almaviva Tunisie S.A.	Tunisia	43.75%	43.75%

**Accumulated balances of material non-controlling interest:**

<i>(in thousands of Euro)</i>		<b>For the year ended March 31</b>	
<b>Company</b>	<b>Country</b>	<b>2020</b>	<b>2019</b>
Lombardia Gestione S.r.l.	Italy	726	1,401
Almaviva Tunisie S.A.	Tunisia	928	907

**Profit allocated to material non-controlling interest:**

<i>(in thousands of Euro)</i>		<b>For the year ended March 31</b>	
<b>Company</b>	<b>Country</b>	<b>2020</b>	<b>2019</b>
Lombardia Gestione S.r.l.	Italy	10	144
Almaviva Tunisie S.A.	Tunisia	26	45

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 Interim Condensed Consolidated Financial Statements at March 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 Interim Condensed Consolidated Financial 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.

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

**Summarized income statement for**

<b>March 31, 2020</b>	<b>Lombardia Gestione S.r.l.</b>	<b>AlmavivA Tunisie S.A.</b>
<i>(in thousands of Euro)</i>		
Revenues from contracts with customers	689	594
Cost of raw materials and services	(127)	(195)
Personnel expenses	(521)	(347)
Depreciation and amortization	(12)	(66)
Depreciation and amortization	0	(7)
<b>Profit before taxes</b>	<b>28</b>	<b>69</b>
Income taxes	(7)	(10)
<b>Profit from continuing operations</b>	<b>21</b>	<b>59</b>
<b>Other comprehensive income for the year</b>	<b>21</b>	<b>59</b>
Other comprehensive income pertaining to the group	10	26
Dividends paid pertaining to non-controlling interests	0	0

**Summarized income statement for**

<b>March 31, 2019</b>	<b>Lombardia Gestione S.r.l.</b>	<b>AlmavivA Tunisie S.A.</b>
<i>(in thousands of Euro)</i>		
Revenues from contracts with customers	4,957	603
Cost of raw materials and services	(3,974)	(161)
Personnel expenses	(522)	(291)
Depreciation and amortization	(12)	(27)
Depreciation and amortization	0	(4)
<b>Profit before taxes</b>	<b>412</b>	<b>116</b>
Income taxes	(118)	(14)
<b>Profit from continuing operations</b>	<b>294</b>	<b>102</b>
<b>Other comprehensive income for the year</b>	<b>294</b>	<b>102</b>
Other comprehensive income pertaining to the group	144	45
Dividends paid pertaining to non-controlling interests	0	0

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

Summarized statement of financial position at March 31, 2020	Lombardia Gestione S.r.l.	AlmavivA Tunisie S.A.
<i>(in thousands of Euro)</i>		
Non-current assets	279	731
Trade receivables	1,074	1,979
Current liabilities	(6,640)	(1,460)
Non-current liabilities	(553)	(266)
<b>Equity</b>	<b>1,481</b>	<b>2,120</b>
Pertaining to the group	755	1,193
Pertaining to non-controlling interests	726	928

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

Summarized statement of cash flow March 31, 2019	Lombardia Gestione S.r.l.	AlmavivA Tunisie S.A.
<i>(in thousands of Euro)</i>		
Cash-flow generated from operating activities	911	175
Cash-flow absorbed by investing activities	(1)	(25)
Cash-flow absorbed by financing activities	(1,400)	(65)
<b>Cash flow of the year</b>	<b>(490)</b>	<b>85</b>

Summarized statement of cash flow December 31, 2019	Lombardia Gestione S.r.l.	AlmavivA Tunisie S.A.
<i>(in thousands of Euro)</i>		
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
<b>Cash flow of the year</b>	<b>1,580</b>	<b>306</b>

### 2.3 Effects of seasonality

The turnover and economic results of the Group are not significantly impacted by factors relating to the seasonality of the activities carried out in the Group's different operating sectors. The Group's performances actually tend to be generally uniform over the year, also thanks to the distribution to the operating activities in the two hemispheres, which makes it possible to mutually offset the periods of reduced operations of the Brazilian and European subsidiaries in the summer and winter periods. Therefore, taking into account the low economic impact of these trends, no additional financial disclosure is provided (required by IAS 34.21) relating to the trend in the last 12-months period ended as at March 31, 2020.



**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Accounting policies and measurement criteria

The accounting policies adopted in the preparation of the Interim Condensed Consolidated Financial Statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2019, except for the adoption of new standards effective as of January 1, 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

### 4. USE OF ESTIMATES AND MANAGEMENT JUDGEMENT

The preparation of the Interim Condensed 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.

Management judgement mainly refers to aspects such as:

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

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

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.

Non-current assets (or disposal groups) classified as held for sale and discontinued operations

Non-current assets (or disposal groups) whose carrying amount will be recovered through sale, rather than through ongoing use, are classified as held for sale and shown separately from the other assets in the statement of financial position. The liabilities associated with assets held for sale are also shown separately from the other liabilities in the statement of financial position. This only occurs when the sale is highly probable and the non-current assets (or disposal groups) are available in their current condition for an immediate sale. Managements evaluates as to whether such conditions are met to qualify the non-current asset (or disposal group) as Non-current assets held for sale in accordance with IFRS 5.

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

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 Interim Condensed 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: Almoviva Contact S.p.A.; Alicos; Almoviva do Brasil SA.; In Action; Atesia; Almoviva Finance; Pervoice; Gempliss; Wave; Wedoo.

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 Interim Condensed 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

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

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 Interim Condensed 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 AlmagivA 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

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

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 March 31, 2020, the Interim Condensed 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.

*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 Interim Condensed 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.

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

- c. CRM International, provides the same services as those in the previous point in South America and in Tunisia, includes the following companies: AlmagivA do Brasil, AlmagivA Participacoes, Aquarius Participacoes, Chain Servicos e Contact Center, Almacontact and AlmagivA Tunisie.
- d. Almagive – 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: Almagive, Pervoice, Almagive do Brasil and Almagive 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.

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

**For the three months ended March 31, 2020**

<i>(in thousands of Euro)</i>	IT Services	CRM Europe	CRM International	Almawave New Technology	Total Segments	Adjustments, eliminations and other	Consolidated
<b>Revenue</b>							
Revenues from contracts with customers	130,226	22,776	66,584	4,438	224,024	(0)	224,023
Inter-segment	772	1,808	27	1,293	3,900	(3,900)	0
<b>Total revenues from contracts with customers</b>	<b>130,998</b>	<b>24,584</b>	<b>66,611</b>	<b>5,731</b>	<b>227,924</b>	<b>(3,900)</b>	<b>224,023</b>
<b>Income/(Expenses)</b>							
Cost of raw materials and services	(58,509)	(5,626)	(18,899)	(2,680)	(85,715)	4,582	(81,133)
Personnel expenses	(56,789)	(22,115)	(38,275)	(2,204)	(119,383)	95	(119,288)
Depreciation and amortization and write-downs	(5,427)	(757)	(3,176)	(650)	(10,010)	104	(9,906)
Losses from sale of non-current assets	0	(74)	0	0	(74)	0	(74)
Other operating income	5,058	151	49	113	5,372	(737)	4,634
Other operating expenses	(1,810)	(187)	0	(65)	(2,063)	123	(1,940)
<b>Operating Profit</b>	<b>13,520</b>	<b>(4,025)</b>	<b>6,310</b>	<b>245</b>	<b>16,050</b>	<b>266</b>	<b>16,316</b>
% Revenue	10.3%	n.d.	9.5%	4.3%			7.3%
<b>At March 31, 2020</b>							
<b>Total assets</b>	<b>605,742</b>	<b>142,614</b>	<b>166,368</b>	<b>43,373</b>	<b>958,096</b>	<b>(153,588)</b>	<b>804,508</b>
<b>Total liabilities</b>	<b>375,075</b>	<b>81,891</b>	<b>30,569</b>	<b>17,633</b>	<b>505,168</b>	<b>(69,325)</b>	<b>435,843</b>

**For the three months ended March 31, 2019**

<i>(in thousands of Euro)</i>	IT Services	CRM Europe	CRM International	Almawave New Technology	Total Segments	Adjustments, eliminations and other	Consolidated
<b>Revenue</b>							
Revenues from contracts with customers	110,501	32,578	59,382	2,645	205,106	(0)	205,106
Inter-segment	653	1,709	15	1,310	3,687	(13,103)	0
<b>Total revenues from contracts with customers</b>	<b>111,154</b>	<b>34,287</b>	<b>59,397</b>	<b>3,955</b>	<b>208,793</b>	<b>(13,103)</b>	<b>205,106</b>
<b>Income/(Expenses)</b>							
Cost of raw materials and services	(44,869)	(7,568)	(16,444)	(1,396)	(70,276)	4,840	(65,436)
Personnel expenses	(50,916)	(28,687)	(34,799)	(1,967)	(116,370)	139	(116,230)
Depreciation and amortization and write-downs	(5,349)	(774)	(3,229)	(519)	(9,871)	104	(9,767)
Losses from sale of non-current assets	(1)	0	0	0	(1)	0	(1)
Other operating income	3,394	308	41	100	3,843	(1,103)	2,740
Other operating expenses	(1,765)	(185)	0	5	(1,945)	(27)	(1,972)
<b>Operating Profit</b>	<b>11,648</b>	<b>(2,618)</b>	<b>4,966</b>	<b>178</b>	<b>14,175</b>	<b>266</b>	<b>14,441</b>
% Revenue	10.5%	-7.6%	8.4%	4.5%			7.0%
<b>At December 31, 2019</b>							
<b>Total assets</b>	<b>580,034</b>	<b>144,310</b>	<b>196,085</b>	<b>43,233</b>	<b>963,661</b>	<b>(141,366)</b>	<b>822,295</b>
<b>Total liabilities</b>	<b>360,852</b>	<b>86,006</b>	<b>33,970</b>	<b>16,188</b>	<b>497,016</b>	<b>(68,014)</b>	<b>429,002</b>

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

**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.

	<b>For the three months ended March 31,</b>	
<i>(in thousands of Euro)</i>	<b>2020</b>	<b>2019</b>
<b>Segment profit</b>	<b>16,316</b>	<b>14,441</b>
Finance income	209	105
Finance costs	(8,059)	(7,829)
Exchange gains/(losses)	(703)	79
Gains/(losses) on equity investments	0	0
Profit/(loss) from investments accounted for using equity method	0	0
Inter-segment income/expenses (elimination)	0	0
<b>Profit/(loss) before taxes</b>	<b>7,763</b>	<b>6,795</b>

**Reconciliation of Total assets**

<i>(in thousands of Euro)</i>	<b>At March 31, 2020</b>	<b>At December 31, 2019</b>
<b>Segment operating assets</b>	<b>804,508</b>	<b>822,295</b>
Deferred tax assets	17,298	12,833
Current financial assets	3,415	3,415
Non-current financial assets	4,882	4,884
Non-current assets held for sale	2,459	2,459
<b>Total assets</b>	<b>832,563</b>	<b>845,886</b>

**Reconciliation of Total liabilities**

<i>(in thousands of Euro)</i>	<b>At March 31, 2020</b>	<b>At December 31, 2019</b>
<b>Segment operating liabilities</b>	<b>435,843</b>	<b>429,002</b>
Non-current financial liabilities	318,778	322,523
Current financial liabilities	36,129	34,267
Current tax liabilities	32,119	37,729
Deferred tax liabilities	1,394	1,394
<b>Total liabilities</b>	<b>824,264</b>	<b>824,915</b>

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

**Reconciliation of EBITDA**

**For the three months ended March 31, 2020**

<i>(in thousands of Euro)</i>	IT Services	CRM Europe	CRM International	Almawave New Technology	Total Segments	Adjustments, eliminations and other	Consolidated
<b>Operating profit</b>	<b>13,520</b>	<b>(4,025)</b>	<b>6,310</b>	<b>245</b>	<b>16,050</b>	<b>266</b>	<b>16,316</b>
(+) Depreciation and amortization	5,427	757	3,176	650	10,010	(104)	9,906
(+) Losses from sale of non-current assets	0	74	0	0	74	0	74
<b>Earning before interests, taxes, depreciation and amortization (EBITDA)</b>	<b>18,947</b>	<b>(3,194)</b>	<b>9,486</b>	<b>895</b>	<b>26,135</b>	<b>162</b>	<b>26,297</b>
% Revenue	14.5%	n.d.	14.2%	15.6%	11.5%		11.7%

**For the three months ended March 31, 2019**

<i>(in thousands of Euro)</i>	IT Services	CRM Europe	CRM International	Almawave New Technology	Total Segments	Adjustments, eliminations and other	Consolidated
<b>Operating profit</b>	<b>11,648</b>	<b>(2,618)</b>	<b>4,966</b>	<b>178</b>	<b>14,175</b>	<b>266</b>	<b>14,441</b>
(+) Depreciation and amortization	5,349	774	3,229	519	9,871	(104)	9,767
(+) Losses from sale of non-current assets	1	0	0	0	1	0	1
<b>Earning before interests, taxes, depreciation and amortization (EBITDA)</b>	<b>16,998</b>	<b>(1,844)</b>	<b>8,195</b>	<b>697</b>	<b>24,046</b>	<b>162</b>	<b>24,208</b>
% Revenue	15.3%	n.d.	13.8%	17.6%	11.5%		11.8%

**Geographic information**

<i>(in thousands of Euro)</i>	At March 31, 2020	At March 31, 2019
<i>Revenues from external customers</i>		
Italy	155,654	144,334
Brazil	62,866	56,063
Tunisia	567	588
Colombia	3,195	2,889
Europe	1,494	1,232
Other	247	0
<b>Total</b>	<b>224,023</b>	<b>205,106</b>
<b>Of which:</b>		
<i>Revenues recognized over the time</i>	<b>208,156</b>	<b>192,932</b>
<i>Revenues detected at a point in time</i>	<b>2,969</b>	<b>2,554</b>

**6. SIGNIFICANT TRANSACTIONS IN THE PERIOD**

During the period closed on March 31, 2020 certain corporate transactions took place, which are described briefly below, which involved Almagiva 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, the purchase of the entire share capital of Aquarius Participações S.A., on January 14, 2020.

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



**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

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

	<b>Fair value recognised on acquisition</b>
<i>(in thousands of Euro)</i>	
Intangible assets	326
Property, plant and equipment	2.043
Non-current financial assets	0
Other non-current assets	708
<b>Total non-current assets</b>	<b>3.078</b>
Inventories and amount due from customers	0
Trade receivables	11.933
Other current assets	2.149
Cash and cash equivalents	9.717
<b>Total current assets</b>	<b>23.800</b>
<b>Total assets</b>	<b>26.877</b>
Non-current liabilities for employee benefits	0
Non-current financial liabilities	479
<b>Total non-current liabilities</b>	<b>479</b>
Trade payables	763
Current financial liabilities	971
Current tax liabilities	4.734
Other current liabilities	0
<b>Total current liabilities</b>	<b>6.467</b>
<b>Total liabilities</b>	<b>6.945</b>
Fair value of net assets	19.932
Minorities	19.932
<b>Goodwill (provisional)</b>	<b>(0)</b>
Cash and cash equivalents acquired	9.717
Consideration paid	0
<b>Net acquired cash flow</b>	<b>9.717</b>

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

This acquisition did not generate goodwill.

If the acquisition took place at the beginning of the year, revenues from contracts with customers would have been Euro 12,183 thousand and the profit for the year Euro 720 thousand.

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

**7. INTANGIBLE ASSETS AND GOODWILL**

The table below shows for each component of Intangible assets the changes in net carrying value that occurred in 2020:

<i>(in thousands of Euro)</i>	Goodwill	Industrial patent and intellectual property rights	Concessions, licences, trademarks and similar rights	Other intangible assets	Assets under construction	Total
<b>At December 31, 2019</b>	<b>39,455</b>	<b>28,312</b>	<b>387</b>	<b>11,585</b>	<b>23,258</b>	<b>102,996</b>
Additions	0	139	1	0	0	140
Capitalisation for internal projects	0	85	0	39	3,934	4,058
Amortization	0	(1,885)	(117)	(1,231)	0	(3,233)
Disposals	(53)	0	(6)	0	0	(59)
Reclassifications and other	0	3,306	4	1,713	(5,264)	(241)
Change in consolidation area	0	0	300	0	0	300
Foreign exchange differences	(94)	(1,645)	(90)	0	0	(1,829)
<b>At March 31, 2020</b>	<b>39,308</b>	<b>28,312</b>	<b>479</b>	<b>12,106</b>	<b>21,928</b>	<b>102,133</b>

Group investments as at March 31, 2020 amounted to Euro 140 thousand and essentially relate to the “industrial patent and intellectual property rights”.

The Group also carried out additional investments in the reference period, through capitalisations for own work, totalling Euro 4,058 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 period, 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 3,233 thousand. The main amortisation rates adopted as at March 31, 2020 are included in the following intervals:

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

The change in consolidation area amounted to Euro 300 thousand refers to the intangible assets of the new company “Chain Servicos e Contact Center”.

The exchange differences from the translation to Euro of the financial statements of companies operating in non-Euro areas, amounting to Euro 1,829 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 Interim Condensed 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

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

value resulting from the Interim Condensed Consolidated Financial Statements prepared under Italian accounting standards on the date of transition as the entry value under IFRS.

<i>(in thousands of Euro)</i>	At December 31, 2019	Exchange differences	Disposals	At March 31, 2020
Alicos	2,007			2,007
Almaviva Contact	26,533			26,533
Almaviva do Brasil	1,748			1,748
Almaviva Finance	745			745
Atesia	44			44
Gempliss	198			198
In Action	1,017			1,017
Pervoice	314			314
Wave	5,121			5,121
Wedoo	630			630
Third	1,098	(94)	(53)	951
<b>Total</b>	<b>39,455</b>	<b>(94)</b>		<b>39,308</b>

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.

In the current three months, although there are no indicators of impairment losses, the management did not make the impairment test, based on the results as of December 31, 2019.

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 Almwave – New Technology (which includes goodwill in Pervoice and Gempliss). Such headroom excludes potential impacts on the Almaviva Group's Interim Condensed 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:

CRM Business	At December 31, 2019			At December 31, 2018			At December 31, 2017		
	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%
<b>WACC</b>	<b>10.0%</b>	<b>9.6%</b>	<b>7.0%</b>	<b>13.9%</b>	<b>11.90%</b>	<b>6.00%</b>	<b>7.4%</b>	<b>7.4%</b>	<b>7.4%</b>

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

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

<b>At December 31,</b>			
<b>IT SERVICES</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
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%
<b>WACC</b>	<b>7.0%</b>	<b>6.00%</b>	<b>7.1%</b>

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

<b>At December 31,</b>			
<b>AlmagivA - New Technology</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
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%
<b>WACC</b>	<b>7.0%</b>	<b>6.00%</b>	<b>7.1%</b>

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 2020:

<i>(in thousands of Euro)</i>	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
<b>At December 31, 2019</b>	<b>8,141</b>	<b>12,456</b>	<b>364</b>	<b>26,143</b>	<b>53,601</b>	<b>730</b>	<b>101,435</b>
Additions	0	334	24	347	2,498	297	3,500
Capitalisation for internal projects	0	0	0	0	0	12	12
Depreciation	(195)	(823)	(29)	(1,675)	(3,951)	0	(6,674)
Disposals	0	(22)	0	0	(2,788)	0	(2,810)
Reclassifications and other	0	8	0	678	0	(446)	240
Change in consolidation area	0	1,287	0	0	599	0	1,886
Foreign exchange differences	0	(2,359)	0	(3,129)	(4,711)	0	(10,199)
Historical cost	19,076	212,663	3,548	156,740	63,902	593	456,522
Accumulated amortization	(11,130)	(201,782)	(3,189)	(134,376)	(18,654)	0	(369,131)
<b>At March 31, 2020</b>	<b>7,946</b>	<b>10,881</b>	<b>359</b>	<b>22,364</b>	<b>45,248</b>	<b>593</b>	<b>87,390</b>

Property, plant and equipment amount to Euro 87,390 thousand as at March 31, 2020 compared to an amount of Euro 101,435 thousand as at December 31, 2019.

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

In the period, the line item increased by Euro 3,500 thousand due to the investments of the period and Euro 2,498 thousand due to the adoption of IFRS 16.

Depreciation in 2020 amounts to Euro 6,674 thousand.

The main depreciation rates adopted as at March 31, 2020, excluding the right of use related to IFRS 16, are included in the following intervals:

	<b>Rates %</b>
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.

The disposals amount to Euro 2,810 thousand and concern divestments in ROU asset.

The reclassifications and other are Euro 240 thousand.

The change in consolidation area amounted to Euro 1,886 thousand refers to the fixed assets of the new company “Chain Servicos e Contact Center”.

In 2020 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 10,199 thousand, mainly regard companies that draft their financial statements in the Brazilian Real.

The Group presented a balance of the item “land and buildings” of Euro 7,946 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, and March 31, 2020:

<i>(in thousands of Euro)</i>	<b>At March 31, 2020</b>	<b>At December 31, 2019</b>
CCID – Almaviva Inform. Technol. Co. Ltd	988	988
Consorzio Hypertix in liquidation	99	99
TVEyes L.T. S.r.l.	19	19
SIN S.p.A.	0	0
<b>Total</b>	<b>1,106</b>	<b>1,106</b>

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 March 31, 2020 are listed below:

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

	Registered office		Share Capital	Shares held (%)	Investor
CCID – Almoviva Inform. Technol. Co. Ltd	Shangai, China	¥	39,642,000.00	50.00	Almoviva S.p.A.
Consorzio Hypertix in liquidation	Rome, Italy	€	198,000.00	49,99	Almoviva 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, and March 31, 2020:

<i>(in thousands of Euro)</i>	At March 31, 2020	At December 31, 2019
Long-term loans	4,841	4,843
Others Equity investments	41	41
<b>Non-current financial assets</b>	<b>4,882</b>	<b>4,884</b>

### *Non-current financial receivables*

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

<i>(in thousands of Euro)</i>	At March 31, 2020	At December 31, 2019
Amount failling due within 12 months	0	0
Amount failling due between 1-5 years	4,841	4,843
<b>Non-curre nt financial receivables</b>	<b>4,841</b>	<b>4,843</b>

Non-current financial receivables, amounting to Euro 4,841 thousand (Euro 4,843 thousand as at December 31, 2019) are all instrumental to operating activities and concern loans to personnel for Euro 10 thousand and financial assets due to Auselda for Euro 1,181 thousand, and Guardia di Finanza Euro 3,650 refer to a significant financial component on some contracts, which are related to deferred payments on services that Almoviva 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 March 31, 2020 and December 31, 2019:

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

**Other Equity investments**

<i>(in thousands of Euro)</i>	<b>At March 31, 2020</b>	<b>At December 31, 2019</b>
Conai	1	1
Calpark	5	5
Banca Brutia	5	5
Uirnet	5	5
Consorzio Namex	3	3
Other	22	22
<b>Total</b>	<b>41</b>	<b>41</b>

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 March 31, 2020, 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 at December 31, 2019), refer to equity investments in other companies.

**11. DEFERRED TAX ASSETS**

The tables below show the amount of AlmagivA Group's Deferred tax assets as at March 31, 2020 and December 31, 2019:

<i>(in thousands of Euro)</i>	<b>At March 31, 2020</b>	<b>At December 31, 2019</b>
<b>Deferred Tax Assets</b>	<b>17,298</b>	<b>12,833</b>

The table below shows a breakdown of deferred tax assets by Italian and foreign subsidiaries for years ended March 31, 2020 and December 31, 2019:

<i>(in thousands of Euro)</i>	<b>At March 31, 2020</b>	<b>At December 31, 2019</b>
Italian subsidiaries	8,370	8,280
Foreign subsidiaries	8,928	4,553
<b>Total Deferred Tax Assets</b>	<b>17,298</b>	<b>12,833</b>

The Deferred tax assets related to Italian subsidiaries do not include tax losses due to inclusion in tax consolidation of parent company AlmagivA 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:

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

<i>(in thousands of Euro)</i>	At March 31, 2020	At December 31, 2019
<b>Balance at the beginning of the year</b>	<b>12,833</b>	<b>15,259</b>
Increases	5,951	0
Decreases	0	(2,630)
Effect of currency translation	(2,125)	(64)
Other changes	639	268
<b>Balance at the end of the year</b>	<b>17,298</b>	<b>12,833</b>

Deferred tax assets amounted to Euro 17,298 thousand (Euro 12,833 thousand as at December 31, 2019) 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 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 1,578 thousand as at March 31, 2020 compared to an amount of Euro 1,772 thousand as at December 31, 2019, as illustrated in the table below:

<i>(in thousands of Euro)</i>	At March 31, 2020	At December 31, 2019
Security deposits	786	881
Prepaid expenses	788	887
Other receivables	4	4
<b>Other non-current assets</b>	<b>1,578</b>	<b>1,772</b>

Prepaid expenses mainly refer to the training of AlmagivA Contact (Euro 320 thousand), AlmagivA Services (Euro 358 thousand) and AlmagivA Digitaltec (Euro 106 thousand) and Sadel (Euro 2 thousand).

## 13. INVENTORIES

Inventories of the Group are equal to Euro 6,433 thousand and are composed as follows:

<i>(in thousands of Euro)</i>	At March 31, 2020	At December 31, 2019
Raw materials (at cost)	2,065	2,005
Work in progress (at cost)	1,423	1,274
Finished goods (at lower of cost and net realizable value)	2,945	2,693
<b>Total inventories at the lower of cost and net realizable value</b>	<b>6,433</b>	<b>5,972</b>



**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

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 5,003 thousand, to AlmavivA S.p.A.is Euro 1,425 thousand and Pervoice Euro 5 thousand.

#### 14. CONTRACT ASSETS

At March 31, 2020, the Group had contract assets totalling Euro 59,650 thousand (Amount due from customers were Euro 47,201 thousand at December 31, 2019).

<i>(in thousands of Euro)</i>	<b>At March 31, 2020</b>	<b>At December 31, 2019</b>
Amount due from customers (gross)	48,784	36,287
Amount due from customers due to IFRS 15	10,866	10,914
<b>Inventories and Amount due from customers</b>	<b>59,650</b>	<b>47,201</b>

The overall increase of Euro 12,449 thousand, refers essentially to the increase in IT Services activities which generated further contractual activities, not yet completed or not yet tested by the client.

#### 15. TRADE RECEIVABLES

The table below shows the amount of AlmavivA Group's Trade receivables as at March 31, 2020, and December 31,2019 together with the related gross amount, the amount retained as a guarantee and the bad debt provision.

<i>(in thousands of Euro)</i>	<b>At March 31, 2020</b>	<b>At December 31, 2019</b>
Trade receivables, gross amount	357,181	368,377
Trade receivables, amount retained as a guarantee	5,638	5,475
Bad debt provision	(21,057)	(21,037)
<b>Trade receivables</b>	<b>341,762</b>	<b>352,815</b>

Trade receivables decremented by Euro 11,053 thousand in 2020, from an amount of Euro 352,815 thousand as at December 31, 2019 to an amount of Euro 341,762 thousand as at March 31, 2020. The decrease in trade receivables, partly also due to the exchange rate effect, is mainly related IT Services, CRM International and Almawave New Technologies even though an increment on revenues.

Starting from 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 (Expected Credit Loss) was determined based on information obtained from external info-providers.

The following table shows the ageing of the gross amount of trade receivables, excluding the portion retained by customers as a guarantee, as at March 31, 2020 and December 31, 2019:

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

<i>(in thousands of Euro)</i>	<b>At March 31, 2020</b>	<b>At December 31, 2019</b>
Amount not yet due	258,138	293,249
Amount due by less than 30 days	21,113	16,103
Amount due between 30-60 days	16,819	4,639
Amount due between 61-90 days	7,542	3,077
Amount due between 91-120 days	4,431	2,882
Amount due by more than 120 days	49,138	48,427
<b>Trade receivables, gross amount</b>	<b>357,181</b>	<b>368,377</b>

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).

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 period ended March 31, 2020 and December 31, 2019:

<i>(in thousands of Euro)</i>	<b>At March 31, 2020</b>	<b>At December 31, 2019</b>
<b>Balance at the beginning of the year</b>	<b>21,037</b>	<b>20,513</b>
Provisions	0	494
Uses	0	0
Other	20	30
<b>Balance at the end of the year</b>	<b>21,057</b>	<b>21,037</b>

## 16. CURRENT FINANCIAL ASSETS

The following table shows the amount of the Current financial assets as at December 31, 2019, and March 31, 2020.

<i>(in thousands of Euro)</i>	<b>At March 31, 2020</b>	<b>At December 31, 2019</b>
<b>Current financial assets</b>	<b>3,415</b>	<b>3,415</b>

The current financial assets are all instrumental for operating activities and refer primarily to AlmavivA SpA. 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.

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

**17. OTHER CURRENT ASSETS**

Other current assets amount to Euro 136,758 thousand as at March 31, 2020, compared to Euro 119,553 thousand as at December 31, 2019.

The amount is composed as follow:

<i>(in thousands of Euro)</i>	<b>At March 31, 2020</b>	<b>At December 31, 2019</b>
Receivables due from personnel	3,466	3,349
Receivables due from social security institutions	2,390	2,740
Receivables due from tax authorities	28,063	18,705
Receivables related to tax consolidation	28,311	27,357
Prepaid expenses	16,088	7,111
Advances to suppliers	8,571	7,934
Sundry items	49,869	52,357
<b>Other current assets</b>	<b>136,758</b>	<b>119,553</b>

Other current assets increase by Euro 17,205 thousand in 2020, corresponding to a 14,4% 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 2,390 thousand (Euro 2,740 thousand as at December 31, 2019):

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

Receivables due from the tax authorities of Euro 28,063 thousand (Euro 18,705 thousand as at December 31, 2019) are distinguished into receivables for direct taxes of Euro 5411 thousand, (Euro 3,688 thousand relating to AlmagivA S.p.A., Euro 941 thousand to AlmagivA Contact S.p.A. and, to a lesser extent, other Group companies); receivables for indirect taxes for Euro 22,652 thousand related mainly to AlmagivA S.p.A. and Brazilian companies.

The receivables from tax consolidation of Euro 28,311 thousand (Euro 27,357 thousand as at December 31, 2019) derive from the transfer to the parent company AlmagivA Technologies S.r.l. of the tax positions of the companies participating in the scheme in question. The increase of Euro 954 thousand relates to higher intercompany receivables relating to national IRES tax consolidation as a consequence of the results made in the period.

Prepaid expenses of Euro 16,088 thousand (Euro 7,111 thousand as at December 31, 2019) include costs pertaining to the future, primarily of AlmagivA S.p.A. (Euro 14,751 thousand), AlmagivA Contact (Euro 720 thousand), AlmagivA Services (Euro 354 thousand) and, to a lesser extent, the other Group companies.

Sundry items, amounting to Euro 49,869 thousand as at March 31, 2020 (Euro 52,357 thousand as at December 31, 2019), 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 receivables of:

- receivables due from the State and Public Authorities for projects financed
- receivables for reimbursements which refer:
  - to the amounts paid in advance by AlmagivA 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 “AlmagivA 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 S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

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”), most recently confirmed also by the United States Supreme Court. 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 67,699 thousand as at March 31, 2020 compared to Euro 89,446 thousand as at December 31, 2019. 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, 2019), 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 8,300 thousand as at March 31, 2020 compared to Euro 20,972 thousand as at December 31, 2019.

The composition of the Shareholders' equity is as follows:

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

<i>(in thousands of Euro)</i>	<b>At March 31, 2020</b>	<b>At December 31, 2019</b>
Share capital	154,899	154,899
Share premium reserve	17,788	17,788
Legal reserve	7,619	6,320
Other reserves:		
<i>FTA reserve</i>	4,493	4,493
<i>OCI reserve</i>	2,921	2,921
<i>Translation reserve</i>	(40,872)	(19,974)
<i>Other reserves</i>	(153,392)	(164,061)
	(186,850)	(176,620)
Profit/(loss) for the year	9,829	12,131
<b>Total group shareholders' equity</b>	<b>3,288</b>	<b>14,520</b>
Reserves pertaining to NCIs:		
<i>Translation reserve</i>	(2,111)	(991)
<i>Other reserves</i>	6,741	5,892
	4,630	4,901
Profit/(loss) for the year pertaining to NCIs	381	1,550
<b>Total non-controlling interests</b>	<b>5,011</b>	<b>6,451</b>
<b>Total Shareholders' equity</b>	<b>8,300</b>	<b>20,972</b>

The Share capital as at March 31, 2020 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:

<i>in number of shares</i>	<b>Ordinary shares</b>	<b>"Class A" special shares</b>	<b>"Class B" special shares</b>	<b>Total shares</b>	<b>% of Total shares</b>
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%
Fintecna S.p.A. (*)	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%
<b>Share capital</b>	<b>107,567,301</b>	<b>32,331,764</b>	<b>15,000,000</b>	<b>154,899,065</b>	<b>100.00%</b>

(\*) From 1 January 2020 the merger by incorporation of Ligestra Due S.r.L. was formalized in Fintecna S.p.A.

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

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

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 7,619 thousand as at March 31, 2020 and increased by Euro 1,299 thousand compared to December 31, 2019.

Share premium reserve

The Share premium reserve amounted to Euro 17,788 thousand as at March 31, 2020 and remained unchanged compared to December 31, 2019.

FTA reserve

The FTA reserve amounted to Euro 4,493 thousand as at March 31, 2020, as detailed below, and remained unchanged compared to December 31, 2019:

- 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 2,921 thousand as at March 31, 2020 (compared to Euro 2,921 thousand as at December 31, 2019) 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 March 31, 2020, it totalled negative Euro 42,983 thousand (of which the Group's share was a negative Euro 40,872 thousand and the portion pertaining to non-controlling interests amounted to negative Euro 2,111 thousand).

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).

Other reserves

The Other reserves equalled to a negative Euro 146,651 thousand as at March 31, 2020 (Euro negative 158,169 thousand as at December 31, 2019) 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 Euro 153,392 thousand (Euro negative 164,061 thousand as at December 31, 2019), while the portion attributable to non-controlling interests is Euro 6,741 thousand (Euro 5,892 thousand as at December 31, 2019).

**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

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

level of indebtedness in relation to shareholders' equity, whose situation as at March 31, 2020 is summarised in the following table.

<i>(in thousands of Euro)</i>	<i>Note</i>	<b>At March 31, 2020</b>	<b>At December 31, 2019</b>
Non current Net Financial Position	23	(318,778)	(322,523)
Current Net Financial Position	16-18-27	34,986	58,594
Non current financial receivables	10	4,882	4,884
<b>Financial indebtness ("Debt")</b>	0	(278,911)	(259,045)
Total Group Shareholder Equity	20	3,288	14,520
Non Controlling Interests	20	5,011	6,452
<b>Total Shareholders' Equity ("Equity")</b>	20	8,300	20,971
<b>Debt/Equity ratio</b>		<b>(33.6)</b>	<b>(12.4)</b>

Financial debt at March 31, 2020, equal to Euro 278,911 thousand, includes values deriving from the application of the standard IFRS 16 equal to Euro 51,185 thousand (Euro 34,108 thousand related to non-current financial liabilities and Euro 17,077 thousand related to current financial liabilities). The Financial debt before effect mentioned before would be equal to Euro 227,726 thousand.

## 21. LIABILITIES FOR EMPLOYEE BENEFITS

Liabilities for employee benefits as at March 31, 2020 are reported below:

<i>(in thousands of Euro)</i>	<b>At March 31, 2020</b>	<b>At December 31, 2019</b>
<b>Liabilities for employee benefits</b>	<b>49,567</b>	<b>51,286</b>

The line item decreased by Euro 1,719 thousand in 2020, from Euro 51,286 thousand as at December 31, 2019 to Euro 49,567 thousand as at March 31, 2020.

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.

According to "Accounting policies and measurement criteria", in the Interim Condensed Consolidated Financial Statement as of March 31, 2020, actuarial valuation has not been calculated.

## 22. PROVISIONS

Provisions as at March 31, 2020 are reported below:

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

<i>(in thousands of Euro)</i>	<b>At March 31, 2020</b>	<b>At December 31, 2019</b>
Non-current portion of provisions for risks and charges	6,271	6,946
Current portion of provisions for risks and charges	7,585	8,547
<b>Provisions for risks and charges</b>	<b>13,856</b>	<b>15,493</b>

The line item decreased by Euro 1,637 thousand in 2020, from Euro 15,493 thousand as at December 31, 2019 to Euro 13,856 thousand as at March 31, 2020.

<i>(in thousands of Euro)</i>	<b>Provision for taxes</b>	<b>Provision for redundancy incentives</b>	<b>Provision for guarantees granted</b>	<b>Provisions for legal disputes</b>	<b>Other provisions for risks and charges</b>	<b>Total</b>
<b>Balance as at January 1, 2020</b>	<b>585</b>	<b>2,591</b>	<b>134</b>	<b>2,201</b>	<b>9,982</b>	<b>15,493</b>
Accruals	601	0	0	53	821	1,475
Utilizations	0	0	0	0	(1,445)	(1,445)
Decreases	0	(2,033)	0	(95)	(78)	(2,206)
Other changes not recorded through income statement	0	0	0	539	0	539
<b>Balance as at March 31, 2020</b>	<b>1,186</b>	<b>558</b>	<b>134</b>	<b>2,698</b>	<b>9,280</b>	<b>13,856</b>
of which:						
Non-current portion	585	22	134	0	5,530	6,271
Current portion	601	536	0	2,698	3,750	7,585

Tax, administrative, civil and labour disputes are handled by the Almoviva 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 March 31, 2020 (Euro 585 thousand as at December 31, 2019) and include provisions for taxes:

- for Euro 370 thousand (Euro 370 thousand as at December 31, 2019) pertaining to Almoviva for an eventual notice of assessment relative to the 1999 tax period;
- for Euro 68 thousand (unchanged from 2015) pertaining to Almoviva and originating from the incorporated company Almoviva Sud;
- for Euro 65 thousand (unchanged from 2015) pertaining to Almoviva and originating from the incorporated company Almoviva Finance S.p.A.;
- for Euro 16 thousand (unchanged from 2015) pertaining to Almoviva and referring to a tax assessment made by the Italian Tax Police – Customs and Intracommunity VAT originating from the incorporated company Almoviva Tsf S.p.A.;
- for Euro 66 thousand (unchanged from 2015) pertaining to Almoviva 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;



**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

Provisions for redundancy incentives

The Provision for redundancy incentives "Fondo esodi agevolati" equal to Euro 536 thousand as at March 31, 2020 (Euro 2,591 thousand as at December 31, 2019) 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 2,698 thousand as at December 31, 2019 (compared to Euro 2,201 thousand as at December 31, 2019) mainly recorded by AlmavivA for Euro 1,158 thousand (Euro 1,146 thousand as at December 31, 2019), AlmavivA Contact for Euro 494 thousand (Euro 548 thousand as at December 31, 2019), AlmavivA do Brasil for Euro 1,036 thousand (Euro 497 thousand as at December 31, 2019) and to a smaller extent by other Group companies.

Other provisions

The line items, including non-current and current portion, amount to Euro 9,280 thousand as at March 31, 2020, with a decrease of Euro 702 thousand in 2020, corresponding to a 7%. The amount includes other provisions for risks recorded by AlmavivA for Euro 5,875 thousand as at March 31, 2020 (Euro 6,299 thousand as at December 31, 2019), AlmavivA Contact for Euro 683 thousand as at March 31, 2020 (Euro 710 thousand as at December 31, 2019), Lombardia Gestione for Euro 589 thousand as at March 31, 2020 (Euro 589 thousand as at December 31, 2019), Agrisian in Liquidation for Euro 2,035 thousand as at March 31, 2020 (Euro 2,086 thousand as at December 31, 2019) and by other Group companies.

**23. NON-CURRENT FINANCIAL LIABILITIES**

Non-current financial liabilities as at March 31, 2020 are reported below:

<i>(in thousands of Euro)</i>	<b>At March 31, 2020</b>	<b>At December 31, 2019</b>
Banks	29,407	28,443
Bond	240,368	239,492
Amounts due to other lenders	14,895	14,363
Financial liabilities for leasing IFRS 16	34,108	40,225
<b>Non-current financial liabilities</b>	<b>318,778</b>	<b>322,523</b>

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

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

<i>(in thousands of Euro)</i>	At January 1, 2020	Proceeds from borrowings	Repayments of borrowings	Reclassification and other adjustments	At March 31, 2020
AlmavivA S.p.A.	257,854	10,533	(5,000)	877	264,264
Sadel S.p.A.	1,570	300	(347)	0	1,523
AlmavivA do Brasil	11,671	0	(1,542)	(2,424)	7,705
SIMEST Operation	11,000	0	0	0	11,000
Wedoo S.r.l.	203	0	(25)	0	178
Financial liabilities for leasing IFRS 16	40,225	0	(6,117)	0	34,108
<b>Non-current financial liabilities</b>	<b>322,523</b>	<b>10,833</b>	<b>(13,031)</b>	<b>(1,547)</b>	<b>318,778</b>

  

<i>(in thousands of Euro)</i>	At January 1, 2019	Proceeds from borrowings	Repayments 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
<b>Non-current financial liabilities</b>	<b>274,902</b>	<b>25,955</b>	<b>(21,689)</b>	<b>43,355</b>	<b>322,523</b>

The balance of the line item as at March 31, 2020 is Euro 318,778 thousand, with a decrease of Euro 3,745 thousand compared to the prior year.

Long-term financial liabilities of Euro 318,778 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 240,368 thousand as at March 31, 2020.

Bank liabilities totaled Euro 29,407 thousand and relate to AlmavivA S.p.A. for Euro 20,001 thousand mainly for the draw of the Revolving line, to AlmavivA do Brasil for Euro 7,705 thousand, and to Sadel for Euro 1,523 thousand and Wedoo for Euro 178 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%.

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

Liabilities to other lenders amounting to Euro 14,895 thousand refer primarily to the subsidised loans received on the financed projects of AlmagivA S.p.A. (Euro 3,895 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 AlmagivA do Brasil subscribed by SIMEST. This transaction makes provision, inter alia, for the irrevocable obligation of the subsidiary AlmagivA 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.

<i>(in thousands of Euro)</i>	> 12 months	< 5 years	> 5 years
Banks	29,407	29,407	0
Bond	240,368	240,368	0
Amounts due to other lenders	14,895	14,433	462
Financial liabilities for leasing IFRS 16	34,108	33,236	872
	<b>318,778</b>	<b>317,444</b>	<b>1,334</b>

#### 24. DEFERRED TAX LIABILITIES

The tables below show the amount of AlmagivA Group’s Deferred tax liabilities as at March 31, 2020 and the related changes occurred in each of these periods.

<i>(in thousands of Euro)</i>	At March 31, 2020	At December 31, 2019
<b>Deferred tax liabilities</b>	<b>1,394</b>	<b>1,394</b>
	For the three months ended March 31, 2020	At December 31, 2019
<b>Balance at the beginning of the year</b>	<b>1,394</b>	<b>1,534</b>
Increases	0	0
Decreases	0	(140)
<b>Balance at the end of the year</b>	<b>1,394</b>	<b>1,394</b>

Deferred tax liabilities refer exclusively to AlmagivA 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.

#### 25. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities amount to Euro 951 thousand as at March 31, 2020 compared to an amount of Euro 1,018 thousand as at December 31, 2019, as illustrated in the table below:

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

<i>(in thousands of Euro)</i>	<b>At March 31, 2020</b>	<b>At December 31, 2019</b>
Deferred income on capital grants	951	1,018
<b>Other non-current liabilities</b>	<b>951</b>	<b>1,018</b>

The fully amount refers to deferred income on capital grants.

## 26. TRADE PAYABLES

Trade payables amounts to Euro 280,111 thousand as at March 31, 2020 compared to an amount of Euro 262,426 thousand as at December 31, 2019, as illustrated in the table below:

<i>(in thousands of Euro)</i>	<b>At March 31, 2020</b>	<b>At December 31, 2019</b>
<b>Trade payables</b>	<b>280,111</b>	<b>262,426</b>

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 63,772 thousand (Euro 62,775 thousand in 2019), while those falling due in under 12 months amounted to Euro 216,339 thousand (Euro 199,651 thousand in 2019).

Due to the adoption of IFRS 16, the amount of Euro 3,548 thousand was reclassified from Trade Payables to Current Financial Liabilities, as at March 31, 2020.

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:

<i>(in thousands of Euro)</i>	<b>At March 31, 2020</b>	<b>At December 31, 2019</b>
Payables due to banks	9,599	10,297
Current portion bonds	8,320	3,813
Payables due to other lenders	866	734
Financial lease payables	35	64
Accrued liabilities from financial expenses	232	269
Other financial payables	0	1
Financial liabilities for leasing IFRS 16	17,077	19,089
<b>Current financial liabilities</b>	<b>36,129</b>	<b>34,267</b>

Short-term financial liabilities of Euro 36,129 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 Almagora do Brasil, financial accruals and sundry short-term payables.

The amount related to the adoption of IFRS 16 is Euro 17,077 thousand.

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

**28. TAX PAYABLES**

Tax payables as at March 31, 2020 are reported below:

<i>(in thousands of Euro)</i>	<b>At March 31, 2020</b>	<b>At December 31, 2019</b>
Income taxes	2,207	2,514
Other taxes	29,912	35,215
<b>Tax payables</b>	<b>32,119</b>	<b>37,729</b>

Tax payables amount to Euro 32,119 thousand as at March 31, 2020 compared to Euro 37,729 thousand as at December 31, 2019, thus recording a decrease of Euro 5,610 thousand in 2020.

They 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 in Brasil. 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, and March 31, 2020 are reported below:

<i>(in thousands of Euro)</i>	<b>At March 31, 2020</b>	<b>At December 31, 2019</b>
Payables due to social security institutions	10,849	18,417
Payables due to personnel	40,651	37,193
Miscellaneous payables	28,376	28,329
Deferred income	11,482	14,839
<b>Other current liabilities</b>	<b>91,358</b>	<b>98,778</b>

The line item decrement by Euro 7,420 thousand in 2020, from an amount of Euro 98,778 thousand at December 31, 2019 to an amount of Euro 91,358 thousand at March 31, 2020. The decrement of the period is around 7,5%.

The payables due to social security and welfare institutions amounted to Euro 10,849 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 subsidiaries appertain to CRM Europe segment, the monthly pay relating to March, which was paid in the first few days of April 2020, as per the ordinary management of the payments of wages and salaries.

Miscellaneous payables of Euro 28,376 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 AlmagivA Technologies S.r.l.

Deferred income of Euro 11,482 thousand related to the economic components pertaining to future years.

**30. REVENUE**

Revenue from contracts with customers for each of the periods ended March 31, 2020, and March 31, 2019 are reported in the following table:

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

Please consider that label “Revenue” has to be read as “Revenues from contracts with customers” as defined in IFRS 15.

<i>(in thousands of Euro)</i>	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Revenues from sales and services	208,156	192,932
Revenues from sale of goods	2,969	2,554
Revenues from contract work in progress	12,898	9,620
<b>Revenues from contracts with customers</b>	<b>224,023</b>	<b>205,106</b>

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.

<i>(in thousands of Euro)</i>	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
<b><i>Type of goods or service</i></b>		
ICT Services rendered	131,695	110,592
CRM Services rendered	89,359	91,960
Goods transferred in Transportation business	2,969	2,554
<b>Total revenue from contracts with customers</b>	<b>224,023</b>	<b>205,106</b>

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 AlmagivA S.p.A. in the contracts relating to the Transportation sector.

Revenues increased by Euro 18,917 thousand from Euro 205,106 thousand for the year ended March 31, 2019 to Euro 224,023 thousand for the period ended March 31, 2020.

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 the periods ended March 31, 2019, and 2020, Inter-segment elimination has not been considered and eliminated.

<i>(in thousands of Euro)</i>	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
IT Services	130,226	110,501
CRM Europe	22,776	32,578
CRM International	66,584	59,382
AlmagivA – New Technology	4,438	2,645
<b>Revenues from contracts with customers</b>	<b>224,023</b>	<b>205,106</b>

The revenues of the IT Services segment as at March 31, 2020 arose by Euro 130,226 thousand, equal to 17.9% 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 Welfare, Ministries, Health, Treasury and public finance, Banking and Insurance, Agriculture-Environment business areas and, to a lesser extent, in other areas. This growth was partially offset by a reduction in revenues attributable to Transport and Other areas.

The revenues of the CRM Europe segment recorded a decrease of Euro 9,802 thousand (30.1%) in the period ended as at March 31, 2020 compared to the previous period. The decrease mainly concerned the Telco and Media, Government areas and in a lesser extent Utilities, partially offset by an increase in Transport and Other areas.

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**EXPLANATORY NOTES (continued)**

The revenues of the CRM International segment recorded an increase of Euro 7,201 thousand, 12.1% as at March 31, 2020 when compared to the previous period. The increase is related to Financial mainly driven by the acquisition of Chain Servicos e Contact Center in Brazil, while Telco and Media, Government and other areas area has slightly decreased.

The revenues of the Almaxwave-New Technology segment rose by Euro 1,793 thousand, 67.8% compared to the previous year. Intersegment revenues remained practically unchanged 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.

Almaxviva 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 transaction price, net of variable consideration, allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at March 31, 2020 are, as follows:

<i>(in thousands of Euro)</i>	Total at March 31, 2020	To be absorb within the current financial year	To be absorb within the next financial year
<b>Backlog (*)</b>	<b>1,584,420</b>	<b>(395,130)</b>	<b>1,189,290</b>

(\*) IT Services and Almaxwave New Technology segments

### 31. OTHER INCOME

Other income for each of the periods ended March 31, 2020, and March 31, 2019 are reported in the following table:

<i>(in thousands of Euro)</i>	For the three months ended March 31,	
	2020	2019
Recovery of personnel costs	203	221
Recovery of costs of service provision	703	770
Recovery of costs of use of assets	15	4
Reversal of provisions	1,496	911
Other income	1,596	365
Operating grants	296	370
Reversal of over-accruals of trade payables	325	99
<b>Other income</b>	<b>4,634</b>	<b>2,740</b>

Other income are equal to Euros 4,634 thousand (Euro 2,740 thousand at March 31, 2019) and are mainly related to: (i) the absorption of other ordinary provisions for guarantees; (ii) to the recovery of personnel costs, provision of services and cost of use of third-party assets (equal to respectively Euro 203 thousand, Euro 703 thousand, Euro 15 thousand) connected to personnel seconded to third parties and to the complex of activities and services rendered to third parties; (iii) to other proceeds for adjustments of items allocated in previous years.

### 32. COST OF RAW MATERIALS AND SERVICES

Cost of raw materials and services for each of the periods ended at March 31, 2020, and 2019 are reported in the following table:

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**EXPLANATORY NOTES (continued)**

<i>(in thousands of Euro)</i>	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Raw materials, consumables, supplies and goods	10,115	6,047
Costs for services	70,774	58,321
Costs of use of third party assets	1,444	2,194
Costs for services capitalised for assets created internally	(1,141)	(396)
Changes in inventories	(60)	(730)
<b>Cost of raw materials and services</b>	<b>81,133</b>	<b>65,436</b>

The item increased by Euro 15,697 thousand in the period. 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 13,640 thousand, from an amount of Euro 44,869 thousand in 2019 to Euro 58,509 thousand in 2020), in the CRM Europa segment (in which the costs for services decrease by Euro 1,941 thousand from Euro 7,568 thousand in 2019 to Euro 5,626 thousand in 2020), in Almaxwave-New Technology segment (increase in costs of Euro 1,284 thousand, up from Euro 1,396 thousand in 2019 to Euro 2,680 thousand in 2020) and in the CRM International segment (due to the increase of the costs for services for Euro 2,455 thousand from Euro 16,444 thousand in 2019 to Euro 18,899 thousand in 2020). Other increase are related to intersectoral costs of Euro 259 thousand.

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 March 31, 2020 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 costs of services for the periods:

<i>(in thousands of Euro)</i>	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Maintenance	7,846	6,156
Insurance	689	563
Consultancy and professional services	28,677	24,041
Advertising, promotion and entertainment	140	160
Telephone expenses	1,383	1,343
Travel and stays	970	1,225
Energy and fluids	2,574	2,378
Distribution and warehousing	1,156	1,480
Other costs for services	27,339	20,975
<b>Costs for services</b>	<b>70,774</b>	<b>58,321</b>

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.

The increase of the costs is correlated to the revenues increase.

### 33. PERSONNEL EXPENSES

Personnel expenses for each of the periods ended March 31, 2020 and 2019 are broken down as follows:



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**EXPLANATORY NOTES (continued)**

<i>(in thousands of Euro)</i>	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Salaries and wages	98,503	95,737
Social security contributions	17,855	17,662
Employee benefit expenses	4,325	3,845
Other costs	596	622
Agency work	918	998
Personnel expenses capitalised for assets created internally	(2,929)	(2,634)
<b>Personnel expenses</b>	<b>119,288</b>	<b>116,230</b>

Personnel expenses increased by Euro 3,058 thousand, or 2,6%, from Euro 116,230 thousand in the period ended March 31, 2019 to Euro 119,288 thousand in the period ended March 31, 2020.

The average number of employees of companies included in the consolidation area, broken down by category, for each period ended March 31, 2020 and 2019 is as follows:

	<b>At March 31, 2020</b>	<b>At March 31, 2019</b>
Executives	256.7	234.0
Middle managers	888.3	830.3
White-collar employees	47,657.0	44,009.7
<b>Total Group average employees</b>	<b>48,802.0</b>	<b>45,074.0</b>
Agency workers	122.7	155.0
<b>Total workforce</b>	<b>48,924.7</b>	<b>45,229.0</b>

#### 34. DEPRECIATION AND AMORTIZATION, PROFIT/(LOSS) FROM SALE OF ASSETS

Depreciation and amortization for each period ended March 31, 2020 and 2019 are broken down as follows:

<i>(in thousands of Euro)</i>	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Industrial patent and intellectual property rights	1,681	1,743
Concession, licence and trademarks	255	75
Other	1,297	1,489
<b>Total Amortisation</b>	<b>3,233</b>	<b>3,307</b>
Civil and industrial buildings	195	204
Industrial and commercial equipment	28	31
Plants and machinery owned	820	958
Other assets owned and leased	1,678	1,799
ROU Asset - Civil and industrial buildings IFRS16	3,671	3,235
ROU Asset - Plants and machinery owned and leased IFRS16	0	36
ROU Asset - Other assets owned and leased IFRS16	280	197
<b>Total Depreciation</b>	<b>6,673</b>	<b>6,460</b>
<b>Total Depreciation and Amortisation</b>	<b>9,906</b>	<b>9,767</b>

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

<i>(in thousands of Euro)</i>	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
<i>Disposals of Intangible Assets</i>	(52)	0
<i>Disposals of Tangible Assets</i>	(22)	(1)
<b>Total losses from sale on non-current assets</b>	<b>(74)</b>	<b>(1)</b>

**35. OTHER EXPENSES**

Other operating expenses for each period ended March 31, 2020 and 2019 are broken down as follows:

<i>(in thousands of Euro)</i>	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Write-down of receivables	0	0
Provisions for risks	821	1,146
Taxes and duties	89	65
Membership fees	176	176
Other expenses	769	489
Accruals to provisions	0	0
Reversal of over-accruals of trade receivables	85	96
<b>Other operating expenses</b>	<b>1,940</b>	<b>1,972</b>

Other operating expenses decreased by Euro 32 thousand, or -1,6%, from Euro 1,972 thousand in the period ended March 31, 2019 to Euro 1,940 thousand in the period ended March 31, 2020. Net allocations to provisions for risks and charges were booked by the IT Services segment. 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 includes almost exclusively the economic effect recorded due to the settlement of previous receivables.

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

Financial income, Financial expenses and Exchange gains/(losses) for each of the periods ended March 31, 2020 and 2019 are reported below:

<i>(in thousands of Euro)</i>	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Financial income	209	105
Financial expenses	(6,829)	(6,807)
Exchange gains/(losses)	(703)	79
Financial expenses for leasing IFRS 16	(1,230)	(1,022)
<b>Net financial result</b>	<b>(8,553)</b>	<b>(7,645)</b>

As per the previous table, the result of financial income and expenses was negative Euro 8,553 thousand as at March 31, 2020, compared to a negative result of Euro 7,645 thousand as at March 31, 2019, mainly driven by Exchange losses.

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

**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 was zero for each period ended March 31, 2019 and 2020.

**38. INCOME TAXES**

Income taxes for each of the periods ended March 31, 2020, and 2019 are broken down as follows:

<i>(in thousands of Euro)</i>	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Italian Companies		
<i>IRAP (Regional business tax)</i>	586	627
<i>IRES (Corporate income tax)</i>	2,739	2,521
<i>(Income) expenses from compliance with tax consolidation</i>	(954)	(649)
	<b>2,371</b>	<b>2,499</b>
Foreign companies		
<i>Other current taxes</i>	1,133	699
	<b>1,133</b>	<b>699</b>
<b>Current Taxes</b>	<b>3,504</b>	<b>3,198</b>
Italian Companies		
<i>IRAP (Regional business tax)</i>	131	(5)
<i>IRES (Corporate income tax)</i>	(221)	(704)
	<b>(90)</b>	<b>(709)</b>
Foreign companies		
<i>Other deferred taxes</i>	(5,861)	897
	<b>(5,861)</b>	<b>897</b>
<b>Deferred taxes</b>	<b>(5,951)</b>	<b>188</b>
<b>Income taxes for the year - Non recurring portion</b>	<b>0</b>	<b>0</b>
<b>Total Income taxes</b>	<b>(2,447)</b>	<b>3,386</b>

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

**39. INCOME TAXES RECONCILIATION**

Income taxes for each of the periods ended March 31, 2020, and 2019 are broken down as follows:

<i>(in thousands of Euro)</i>	For the three months ended March 31,			
	2020		2019	
<b>Income before taxes</b>	7,763	100.0%	6,795	100.0%
<b>Theoretical taxes (*)</b>	1,863	24.0%	1,631	24.0%
<b>Effective tax charge</b>	(2,447)	-31.5%	3,386	49.8%
<b>differences between theoretical and effective tax charge</b>	(4,310)	-55.5%	1,755	25.8%
<b>1) different foreign tax rates</b>	(4,683)	-60.3%	784	11.5%
<b>2) permanent differences:</b>				
2a) IRAP and other italian regional taxes	586	7.5%	627	9.2%
2b) taxes of prior periods	0	0.0%	0	0.0%
2c) tax credit R&D	0	0.0%	0	0.0%
2d) consolidation adjustments	49	0.6%	49	0.7%
2e) IAS 19	0	0.0%	0	0.0%
2f) other differences (**)	(262)	-3.4%	295	4.3%
<b>Total differences</b>	(4,310)	-55.5%	1,755	25.8%

(\*) Theoretical tax 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 occurrence

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

#### 40. GUARANTEES AND COMMITMENTS

The Group granted the following guarantees as at March 31, 2020:

- personal guarantees of Euro 228,006 thousand (Euro 227,548 thousand as at December 31, 2018), which are “in favour of subsidiaries” recorded by Almoviva 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 21,423 thousand, guarantees recorded by Lombardia Gestione of Euro 5,266 thousand for the execution of the service agreement and Almoviva Contact S.p.A. in the amount of Euro 15,873 thousand; Sadel S.p.A. in the amount of Euro 284 thousand.
- collateral given of Euro 29,025 thousand refers to 100% pledges of shares held by Almoviva S.p.A. in Almoviva Contact S.p.A. (Euro 3,000 thousand), to pledges on 94.68% of the shares held by Almoviva Contact S.p.A. in Almoviva 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 Almoviva S.p.A. and any other credit due to Almoviva S.p.A. from Almoviva Technologies; a pledge contract on the trade receivables and intercompany items of Almoviva Contact S.p.A., Almoviva S.r.l. and Almoviva do Brasil; a pledge contract on certain bank accounts of Almoviva S.p.A., Almoviva Contact S.p.A. and Almoviva do Brasil. To further secure this loan, the shares held by Almoviva Technologies S.r.l. equal to 95.11% of the share capital of Almoviva 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 8,577 thousand (Euro 8,546 thousand as at December 31, 2019) and refer to third party assets held by Almoviva S.p.A.

#### 41. RISKS AND OTHER INFORMATION

##### *Credit risk*

The maximum theoretical exposure to credit risk for the Almoviva Group as at March 31, 2020 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 Almoviva 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 Almoviva Group’s receivables, together with a breakdown by amounts falling due and past due. For more detailed information, please refer to Note 15 above.

<i>(in thousands of Euro)</i>	<b>At March 31, 2020</b>	<b>At December 31, 2019</b>
- Amount falling due	258,138	293,249
- Past due	77,986	54,091
<b>Trade receivables net of Bad debt provision</b>	<b>336,124</b>	<b>347,340</b>

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**EXPLANATORY NOTES (continued)**

***Financial leasing and redemption commitments (ex IAS 17)***

The Group signed, for the period antecedent to March 31, 2020, 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. AlmagivA 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 AlmagivA 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 AlmagivA 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, 2020 not recorded in the financial statements owing to the absence of the necessary requirements set out in reference standard IAS 37.

**AlmagivA S.p.A.**

*Aubay Research & Technologies S.p.A./Sogei S.p.A./AlmagivA 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 90I", 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 AlmagivA of the additional reasons. RTI

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
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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 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 MATTIM'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 Ripresearee 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 Authority.*

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. The case was withheld in a decision.

*RTI AlmavivA S.p.A. (Agent of 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 Advorsory 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 has notified a cross-appeal as at October 16, 2019. At the

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outcome of the hearing on March 4, 2020, with sentence of April 6, 2020, the Lazio TAR rejected the appeal of the RTI Enterprise.

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

*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*



**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

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-Equititalia Contact Center Services". RTI Covisian lodged an appeal at Council of State and RTI Comdata lodged an incident appeal. At the outcome of the hearing on February 27, 2020, the case was withheld in decision.

**Labour Disputes**

During 2016, AlmamivA 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 AlmamivA 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 AlmamivA 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 period.

**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.

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

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 March 31, 2020		For the three months ended March 31., 2020			
	Receivables	Payables	Costs of Services	Other Costs	Revenues from Services	Other Income
<i>Relationships with the controlling company of Almagiva S.p.A.</i>						
Almagiva Technologies Srl	28,441	13,180	75	0	0	1
<i>Relationships with the controlling companies valued at equity method</i>						
Consorzio Hypertix	68	0	0	0	0	0
Sin Srl	18,540	258	91	0	6,474	188
TVEyes L.T.	4	0	0	0	0	4
Almagiva CCID	112	1	0	0	0	2
PT Almagiva Indonesia Kontak	3	0	0	0	0	0
<i>Other</i>						
Elvit Consultoria e Participacoes LTDA	0	0	14	0	0	0
<b>Totale</b>	<b>47,168</b>	<b>13,439</b>	<b>180</b>	<b>0</b>	<b>6,474</b>	<b>195</b>

(in thousands of Euro)	At December 31, 2019		For the year ended December 31, 2019			
	Receivables	Payables	Costs of Services	Other Costs	Revenues from Services	Other Income
<i>Relationships with the controlling company of Almagiva S.p.A.</i>						
Almagiva Technologies Srl	27,516	10,485	300	0	0	2
<i>Relationships with the controlling companies valued at equity method</i>						
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
Almagiva CCID	112	2	0	0	0	5
PT Almagiva Indonesia Kontak	6	0	0	0	9	0
<i>Other</i>						
Elvit Consultoria e Participacoes LTDA	0	5	61	0	0	0
<b>Totale</b>	<b>43,007</b>	<b>10,721</b>	<b>523</b>	<b>0</b>	<b>28,208</b>	<b>822</b>

(in thousands of Euro)	At March 31, 2019		For the three months ended March 31., 2019			
	Receivables	Payables	Costs of Services	Other Costs	Revenues from Services	Other Income
<i>Relationships with the controlling company of Almagiva S.p.A.</i>						
Almagiva Technologies Srl	20,605	5,309	75	0	0	1
<i>Relationships with the controlling companies valued at equity method</i>						
Consorzio Hypertix	218	0	0	0	0	0
Sin Srl	13,795	17	0	0	424	210
Consorzio Namex	0	0	0	0	0	0
TVEyes L.T.	4	0	0	0	0	4
Almagiva CCID	106	0	0	0	0	0
<i>Other</i>						
Elvit Consultoria e Participacoes LTDA	0	0	16	0	0	0
<b>Totale</b>	<b>34,728</b>	<b>5,326</b>	<b>91</b>	<b>0</b>	<b>424</b>	<b>215</b>

**ALMAVIVA S.P.A. AND SUBSIDIARIES**  
**EXPLANATORY NOTES (continued)**

**45. SUBSEQUENT EVENTS**

After March 31, 2020 as regards the health emergency related to Covid-19, the Al maviva Group is suffering from the impacts and limitations on some customers and business areas. The limitation concerns the commercial activity, the slowdown of some projects on some corporate customers that have temporarily postponed them, as well as the reduced timeliness of some customers to issue the approvals necessary for the billing activity and the difficulties in which some of our suppliers pour, both of services and of hardware. The protracted lockdown confirmed the decision to maintain most of the corporate offices of the companies belonging to the Al maviva Group closed, by resorting to the new organizational model, still in progress, based on home working.