# Annual Financial Report 2018

GPI

# Annual Financial Report 2018

# 2018

For the independent auditor's report, the Italian version of the document shall prevail.

Every day we are committed to carrying out with care and passion the activities of our 5 Strategic Business Units:

**Software • Care • Automation • ICT • Pay**

# Passion

Integration and synergy are the keys to understanding our business: all the distinctive skills of the Group Companies make what is on offer extremely modular and promote the growth of the customer portfolio and revenues.

# Transversality

We are striving to improve the stability of a Group that is becoming increasingly stronger so that our people can feel secure with us. The ability to think about the long term is a feature of our history and constitutes the solid foundation of our actions.

# Solidity

• GPI Group

# GPI Group is the reference partner in Italy for technology and services dedicated to Healthcare and Social Services

**Established 30 years ago in Trentino by Fausto Manzana, who is currently the Chairman and CEO of the company, GPI has grown steadily over the years, both in terms of size and expertise. On this journey it has never lost sight of the fact that it is a company dedicated to creating solutions and services that have an impact on people's quality of life.**

**Thanks to specific know-how, brought by the companies which became part of the GPI universe, and the significant investments in product and process innovation applied to the sectors of e-health, e-welfare and well-being, the Group has managed to translate the impetus emerging from the world of Healthcare into cutting-edge technological solutions and new service models.**

| | |
|---|---|
| In 30 years | We have grown in terms of size and expertise without ever forgetting our social role |
| In Trentino | Our history is a testament to our strong connections in an area that has promoted the development of the company |
| In Italy | We are the reference partner for technology and services dedicated to Healthcare and Social Services |
| In the world of healthcare | We work alongside social and health organisations on a path of innovation, offering cutting-edge technologies and new support, care and prevention models |
| In the business | The offering combines IT skills and Software, Care, Automation, ICT and Pay consultancy and design expertise |
| In life | The expertise of the GPI universe brings solutions and services that have an impact on the quality of life |

# • Our history

A journey of growth aimed at enhancing skills, improving territorial cover, approaching new markets and the internationallsation of the business.

## 1988

**GPI LP was established**

## 2006

**GPI became a JSC**

## 2013

**Acquired**

**Sintac** (23%)

**Increased the stakeholding in**

**GCS** (51%)

**Incorporated**

**Selfin.it** (100%)
**S.O.I.V.E.** (100%)
**Hit** (100%)
**Sysline** (100%)

**Established**

**GPI do Brasil Ltda**
**GPI Africa Austral Sa**

## 2014

**Acquired**

**Riedl** (51%)
**Sferacarta GPI** (51%)

**Increased the stakeholding in**

**GSI** (51%)
**GCS** (75%)

**Established**

**GPI Middle East**
(Abu Dhabi)

## 2015

### Acquired

**Evolvo** (telemedicine segment)
**Lombardia Contact** (100%)
**GPI Technology** (80%)
**GPI Chile** (51%)

## 2016

### Acquired

**GPI Technology** (100%)
**Sferacarta GPI** (100%)
**GCS** (100%)
**Gbim** (70%)
**Innovation and Technologies** (healthcare segment)
**Insiel Mercato** (55%)
**PCS** (100%)

### Established

**Groowe Tech** (51%)

## 2017

### Acquired

**Saluris** (60%)
**DO.MI.NO** (70% - Cento Orizzonti)
**Nuova Sigma** (100%)
**EDP Sistemi** (100%)
**Net Medica** (100%)
**Info Line** (100%)
**Xidera** (60%)
**Hemasoft** (60%)
**Hemasoft America** (60%)
**BIM Italia** (70%)

### Incorporated

**CRG** (100%)
**SPID** (100%)
**GSI** (100%)
**Evolvo GPI** (100%)
**GPI do Brasil** (100%)

### Had a share in

**Safeaty** (19.9%)
**UpSens** (5.4%)

## 2018

### Acquired

**Paros** (100% - Argentea)
**UNI IT** (100% - Argentea)
**Erre Effe** (100%)

### Increased the stakeholding in

**Insiel Mercato** (100%)
**Neocare** (100%)
**Groowe Tech** (100%)

### Established

**Argentea (Poland)** (65.60%)
**Informatica Group (Russia)** (100%)
**Cliniche della Basilicata** (67%)

### Incorporated

**Edp**
**Erre Effe Informatica**
**Groowe Tech**
**Neocare**
**Insiel Mercato**
**Infoline**
**Net Medica**
**Nuova Sigma**
**Paros**

## • Financial Highlights

■ 2018 ■ 2017

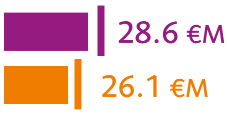
Consolidated Revenue

**203.7 €M**

(+13% vs 2017)

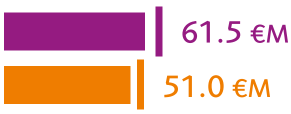

Adjusted EBITDA

**28.6 €M**




NFP

**61.5 €M**

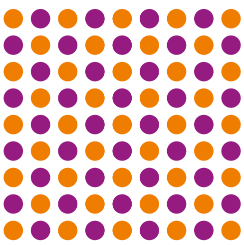


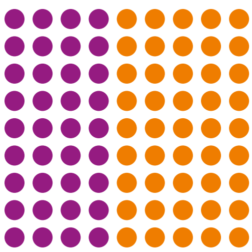

## • Corporate Highlights

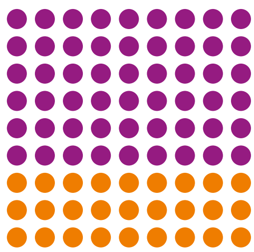
**4,377**
Employees

**39.5**
average age

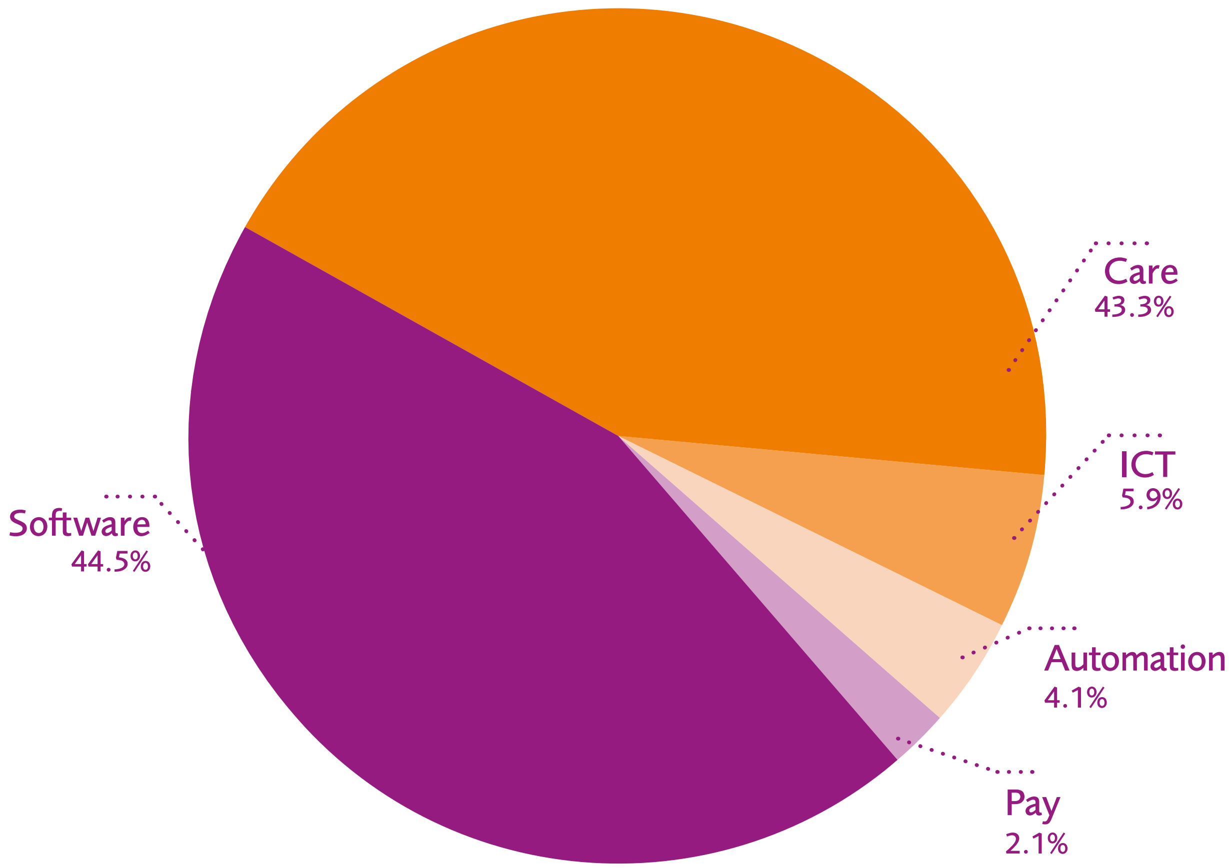
**61%**
female employees







## Revenue by Operating Segment




Customers

+1,900
Customers

Abroad
7
Offices

In Italy
+40
Offices

# • The structure of the offering

## Software

| | | | |
|---|---|---|---|
| Health Administration | Clinical System | Health Social Care | Blood & Tissue Bank |
| Human Resources | Continuum Care | Public Administration | Safety & Prevention |
| Data Analytics | Health Cooperation | PRM | Population Health Management |

## Care

| | | | |
|---|---|---|---|
| Healthcare Administration Services | Healthcare Services | Healthcare Technologies | Virtual Care Solutions |

## Automation

| | | | |
|---|---|---|---|
| Automated Pharmacy Warehouse | Hospital Pharmacy System | Pharmacy Design Studio | Automated Pharmacy Warehouse |

## ICT

| | |
|---|---|
| Desktop Services | ICT Services |

## Pay

| | |
|---|---|
| Pa Payment Solutions | Retail Payment Solutions |

## • Customers

As at 31.12.2018, the Group had over 1,900 customers (1,700 in 2017). Growth in terms of expertise also took place following multiple M&A transactions, making the offering increasingly more complete and competitive. Specifically, the acquisitions completed during the year in the area of electronic money (PAY) contributed to the strengthening of the share of public customers and Public Administration electronic payment mandates.

This wealth of know-how makes it possible to extend our range of action and promote ourselves to an increasing number of new customers (the key below is: H = Health; NH = Non-Health; PUB = Public; PRI = Private).

**HPUB**

- Healthcare Companies
- Hospitals
- Care Homes, Private Clinics, Non-Profit Organisations
- Public Providers (in-house)
- Regions, Provinces (Healthcare)

**HPRI**

- Analytics, Providers
- Trade Insurers, Insurers
- Cooperatives
- Private User
- Pharmacies

**NHPUB**

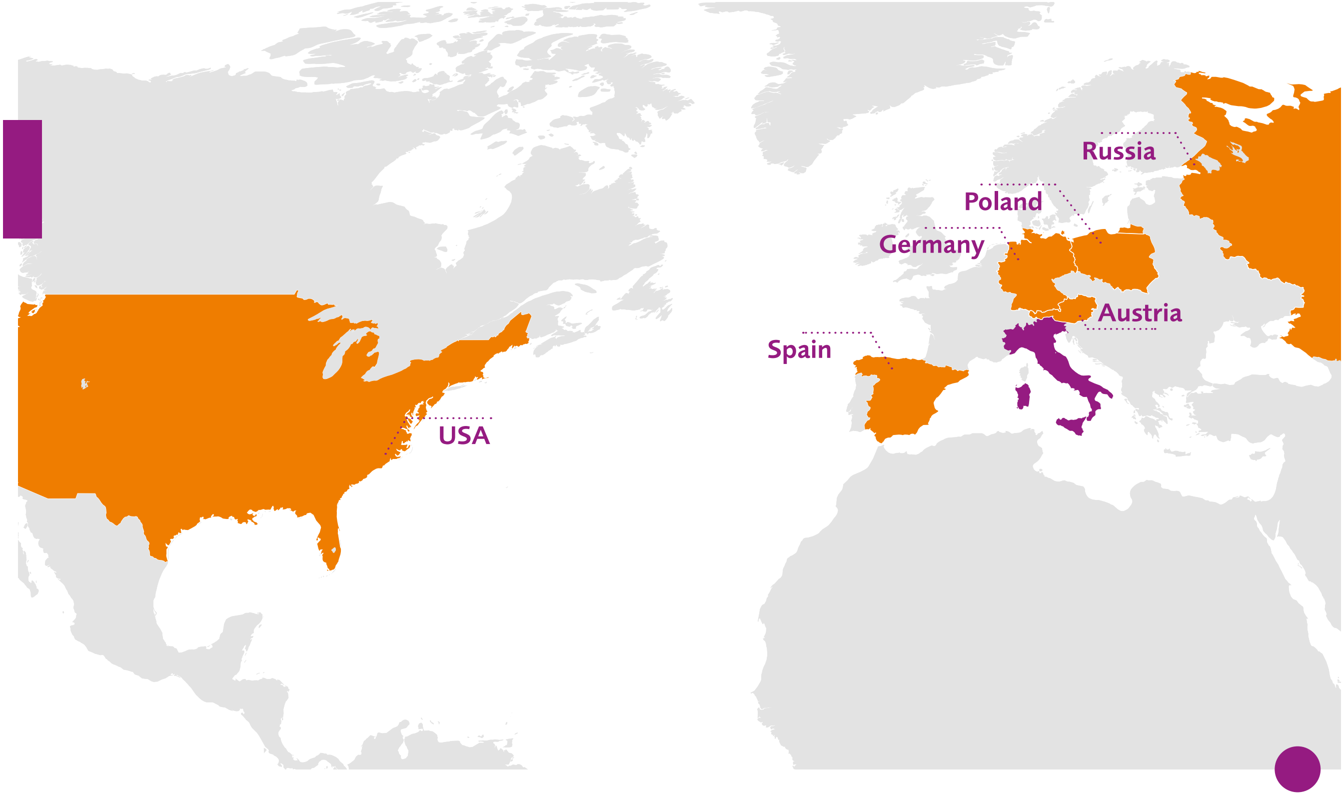
- Municipalities
- Provinces
- Regions
- Regional Agencies
- Universities
- Consortia

**NHPRI**

- Large-scale retail channel
- Banking Institutions
- Luncheon Voucher Operators
- NON-FOOD chains of shops
- Territorial Organisations (ACI, ...)

• Presence throughout the area

# The Company has a presence in Italy with more than forty branch offices located throughout the area, at the main commercial hubs. The registered office is in Trento.




The acquisitions made over the years and the preference we have been shown by an increasing number of customers have extended our scope of operations in the social and healthcare market and promoted greater territorial coverage.

As far as foreign markets are concerned, after the entry of RIEDL GMBH (2014, Germany) and PCS GMBH (2016 - Austria), in 2017 two new entities joined the Group's scope, HEMASOFT SOFTWARE SL (Spain, with the subsidiary HEMASOFT AMERICA CORP, in the United States) and SALURIS ZOO (Poland), which is expected to give a further boost to geographical diversification. The establishment of ARGENTEA SP ZOO in Warsaw in January 2018 strengthens growth prospects in European markets, particularly in the area of electronic payments. Lastly, the newly-established INFORMATICA GROUP in Moscow is responsible for commercial development in the Russian territories.

The Group operates in a large number of other European and Non-European countries through selected partners and distributors. The goal in the years to come is the further enrichment of our international markets and contacts, both in terms of new acquisitions of production and distribution companies.

**GPI currently has a direct presence in Germany, Austria, Poland, Spain, Russia and the United States through seven operating companies.**

• Governance

# The corporate governance system is based on the Articles of Association and a collection of codes and regulations that guarantee full compliance with the law. The Company believes that this corporate governance is highly suitable to promote the fulfilment of the interests of shareholders and the development of management.

# • Corporate bodies

## Board of Directors

The Board of Directors is vested with the widest powers for the ordinary and extraordinary management of the company, with the faculty to carry out all the acts deemed appropriate for the achievement of the business object, excluding only those reserved by law or the GPI Articles of Association.

The BoD shall be in office from 30 April 2018 until the approval of the financial statements as at 31.12.2020.

**Fausto Manzana** — Chairman and Chief Executive Officer

**Andrea Mora** — Vice Chairman

**Sergio Manzana** — Director

**Edda Delon*** — Director

**Paolo De Santis*** — Director

**Dario Manzana** — Director

**Antonio Perricone** — Director

## Board of Statutory Auditors

The Board of Statutory Auditors shall remain in office from the start date of stock market listing (29.12.2016) until the approval of the financial statements as at 31.12.2018. The board is made up as follows:

| | |
|---|---|
| Stefano La Placa | Chairman |
| Sergio Fedrizzi | Standing Auditor |
| Marco Salvatore | Standing Auditor |
| Massimo Corciulo | Standing Auditor |
| Massimo Pometto | Standing Auditor |

* in possession of the independence requirements pursuant to Article 148, paragraph 3 of the Consolidated Finance Law (TUF).

• Shareholder Structure

# The share capital is EUR 8,544,963.90 broken down into 15,909,539 shares with no par value, including 15,848,219 ordinary "A" shares and 61,320 special "C" shares.

Treasury Shares at 29 March 2019

**65,963**

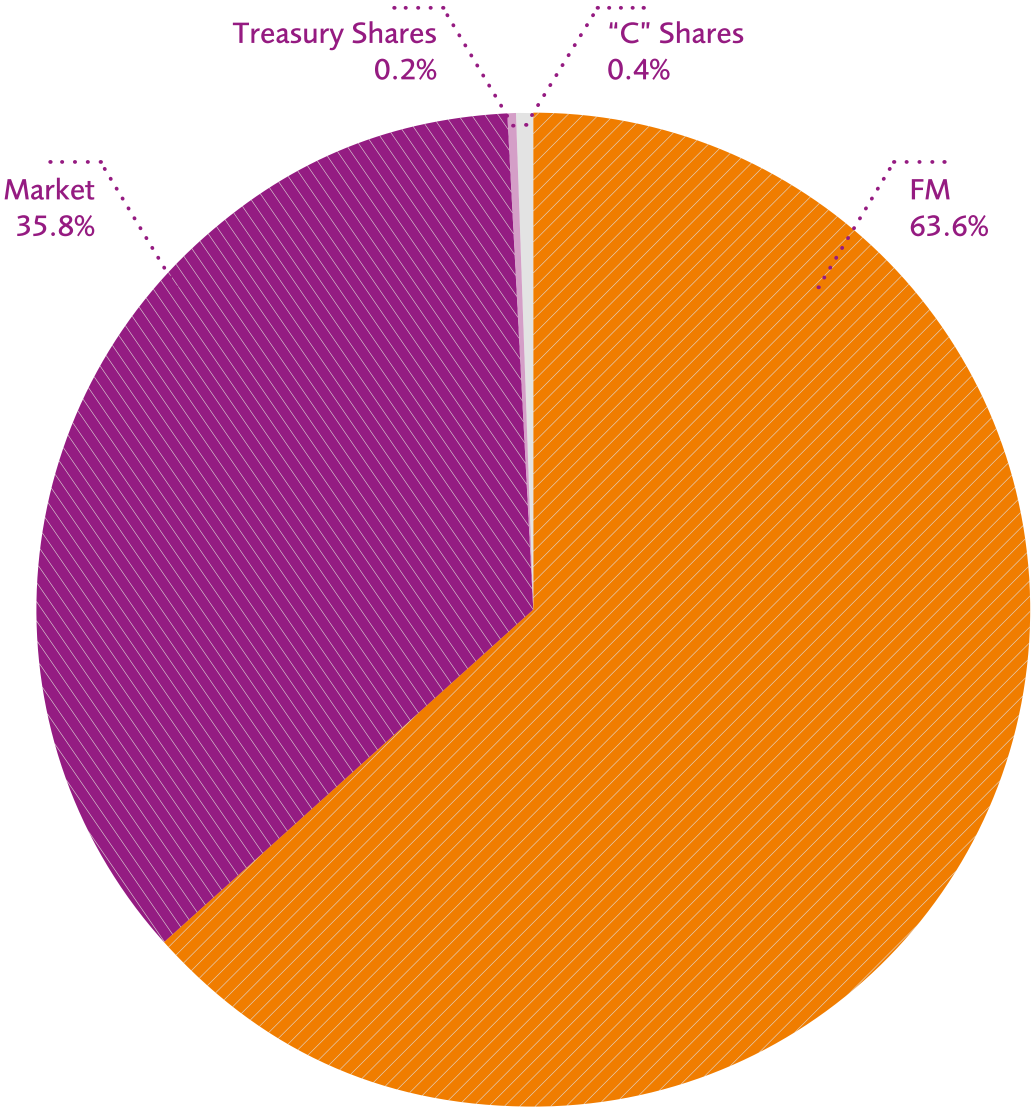
Shares Sold (November 2017 - March 2019)

**160,770**

Treasury Shares "in stock" as at 31 December 2018

**29,830**

Market




## Main shareholder

GPI JSC, as at 31.12.2018 was controlled by FM S.r.l. (Manzana Family) with a stake of 63.57% (and 63.93% of the voting rights).

## Graduation from AIM to MTA

On 28 December 2018, the Company made its début on the main Italian capital market.

# Management Report

# 01

• Chairman's Letter to the Shareholders

# Integration and synergy – these are the keys to understanding what is unfolding in an increasingly insistent way in our business experience.

**Dear Shareholders,**

**The year 2018 has represented a crucial phase of consolidation and rationalisation of the numerous transactions completed during the last two years and, more specifically, during the second half of 2017.**
**On the productive and commercial side, the Group has concentrated on implementing solutions that are best adapted for optimally enhancing our recent investments, in a synergistic way with the organic growth of the core business.**


The Chairman and Chief Executive Officer Fausto Manzana

"Clear signs of the dynamism of our market also arise from the ongoing project with an important regional authority..."

Our strategic areas of "Software" and "Care" (this is the compact definition by which we will denote, starting from 2019, the activities of our Information Systems and Health Services) are based on a portfolio of particularly complete solutions, the ideal basis for the strategies to offer to a customer base that appears to be very loyal but which is increasingly sophisticated and integrated regarding its operational needs.

Integration and synergy – these are the keys to understanding what is unfolding in an increasingly insistent way in our business experience. Emblematic is the recent case of a private clinic partner in the Triveneto area, in which the launch was completed of our management system that was directly integrated with the CUP of the Local Health Agency and with the Regional Registry; the same CUP can make use of our outpatient reporting form and a repository that is already set up for the indexing requirements that will likely be imposed by the Region. At the end of this project the customer activated the Contact Centre Service and requested a proposal for a mobile booking application.

A recently completed project in central Italy is also typical of on-going developments. It connects the need in the territory with the process expertise of general practitioners in the context of a Diagnostic, Therapeutic and Care Course (PDTA), in a dialogue which is difficult to achieve without the technological strength of our Group.

Also indicative of our productive and commercial maturation is the awarding of an important Warehouse Management System project at a renowned University Campus, in which, right from the pre-contract stages, what were prized as the distinctive elements in the execution stage was not only the general competence level, but also the knowledge of the specific customer organisation.

Unequivocal signs of the dynamism of our market also come from the ongoing project with a major regional entity for the construction of a System for Reception, Control and Transmission of Health Information Flows; in this case an innovative architectural model, based on a centralised platform in the private cloud, enables the collection of approximately 70 data flows for more than 10 provincial health care structures. Within the first half of 2019 the System will be completed and delivered to the Customer.

This range of application solutions that is so wide and effective, a reason for all of us to have a sober entrepreneurial pride and identity, leads to a crystal clear reflection: the Research and Development activity, especially if conducted alongside the customer, cannot help but be the driver of the most ambitious developments that are consistent with the changing socio-health and care models. We believe that in 2018 we reached a strategic goal: the introduction of Machine Learning technologies into the GPI application "ecosystem". One specific example: according to the patient's age, sex and pathological picture, our "Agent" (the digital automated learning engine) will propose to the doctor the best solution for planning the treatment pathway for chronic patients (activation of this project within the next few weeks). We are in the field of Chronic Care, where continental healthcare will play a decisive role from the point of view of system efficiency and effectiveness. What's more, we have developed a predictive model which, through the Agent, according to the current clinical picture of the diabetic patient, prepares a forecast that identifies the probability and over what time the same patient may develop one or more comorbidities. In this case, the experiment was carried out within the context of the Join Lab with FBK, one of the research institutes with which the Group cooperates in a very profitable manner.

## "We are in the field of Chronic Care, where continental healthcare will play a decisive role from the point of view of system efficiency and effectiveness."

Ultimately, we are turning our efforts to the construction of endogenous internalised know-how, cultivating this and preparing it for a range of application areas that are virtually limitless. This is a fundamental turning point, one that will lead us to overcome the traditional concept of "product" and "service", which will increasingly bring our two main Strategic Areas closer together, and which will open ever more challenging and intriguing growth horizons.

Among the events of 2018, we must highlight the acquisition of the 45% residual shareholding of Insiel Market SpA and that of 100% of Erre Effe Informatica Srl in March this year, the brilliant success in the award of the tender for the construction of a single platform to manage the primary and outpatient care of the entire Health System of the Republic of Malta (which was followed in the last few weeks by the award of the tender for the information flow management of the Maltese police), and finally, the take-off of the contract relating to a large part of the delivery counters of the Lazio region (which bring our health services to a catchment area of nearly 40% of the Italian population). In February 2019, after the end of the year, the closing was completed for 80% of Accura Srl, a Lombard company specialising in the care of chronic patients. If for "Software" and "Care", looking at 2018, we can talk about the strengthening of a line already drawn, for our "Pay" SBA the year has constituted a sizeable step and one that is crucial for our business. The acquisition of Paros Srl (later merged by incorporation into Argentea) and UNI IT have opened up to the Group the e-money doors for the local Public Administration, more specifically in the sector of electronic payment mandates.

It has also been a positive year and one of growth for the "Automation" SBA, which gained positions both on private pharmaceutical facilities as well as on those of the public hospitals, and for our professional services related to the "ICT" SBA, increasingly more extensive in its penetration on the territory, allowing us to reach 100,000 managed locations.

Finally, the constitution of Argentea sp zoo (Poland) and Informatica Group (Russia) confirm the opening of the Group to territories beyond the border, while the birth of Cliniche della Basilicata prepares the ground for a new experiment on the "Policura" model.

***

Exactly two years since listing on the AIM Italia market of Borsa Italiana (29 December 2016), which came about through the Business Combination with SPAC Capital For Progress 1 and a key stage for the implementation of the industrial project of the Group, on 17 December 2018, Borsa Italiana admitted GPI SpA for listing on the Mercato Telematico Azionario (MTA) stock exchange, while on 20 December 2018, CONSOB authorised the publication of the Prospectus. On 28 December 2018, the Company made its listing debut on the main Italian capital market. The milestone, reached after intense internal preparatory activity and analysis by the competent authorities, allows the Group to keep the promise made to Investors at the time of listing on the AIM and to approach a target of national and international investors that is certainly broader and more skilled, and to be able to rely upon an optimal audience of financial and business partners.

***

The consolidated final figures over 12 months are in line with the findings in the interim financial statements. The total revenues confirm a growth of +13%, and reach EUR 203.7 million. The annual growth rates of our Software area (+18%) and foreign revenues (+30%) are particularly significant.

The total revenues confirm a growth of

# +13%

EBITDA, after adjustment of the one-off costs incurred in the listing process (EUR 1.9 million), achieved a value of EUR 28.6 million. The consolidated net profit reached EUR 9.5 million, the best profit ever in the history of the Group, and will allow GPI to improve the remuneration policy of ordinary shares.

Net Invested Capital amounted to EUR 130 million, while net financial debt at 31 December amounted to EUR 61.5 million.

Consolidated net profit

**9.5 million€**

With a total workforce at 31 December 2018 composed of 4,717 resources, the scope of consolidation consists of 19 Italian and foreign legal entities, (to which is to be added, from February, the newly acquired Accura), covering strategic business areas (SBAs) that are relatively heterogeneous, and in the light of a track record of challenging growth such as that over the last four years, we would like to insist on the importance of a sharp focus on organisation/governance, on internal information systems, and on widespread training covering the entire national territory.

These are still the essential challenges in order to continue to be protagonists in a sustainable manner in the entrepreneurial adventure that began 30 years ago, transferring our business and technology excellence into adequate quality levels for our end users and consistent levels of cash flow for our stakeholders.

**"With a total workforce at 31 December 2018 composed of 4,717 resources, the scope of consolidation consists of 19 Italian and foreign legal entities"**

A thank you to all our Collaborators, Employees and Managers, on behalf of the entire Board of Directors, for their dedication and professionalism that contribute to making GPI a standard in our sector. We will do everything we can to improve cohesion and collaboration, and to share the satisfaction of further, fundamental goals that are looming on the horizon.

Chairman and Chief Executive Officer
Fausto Manzana

## Closer to you

We put people in contact with the health service, reducing the distance between the health facilities and the users

# • Corporate bodies

## Board of Directors

The Board of Directors is vested with the widest powers for the ordinary and extraordinary management of the company, with the faculty to carry out all the acts deemed appropriate for the achievement of the business object, excluding only those reserved by law or the GPI Articles of Association.

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| Massimo Pometto | Standing Auditor |

* in possession of the independence requirements pursuant to Article 148, paragraph 3 of the Consolidated Finance Law (TUF).

## Independent Auditing Firm

GPI SpA's Independent Auditing Firm is KPMG SpA, with registered offices at Via Vittor Pisani 25, Milan. The Shareholders' Meeting of 30 April last has conferred, with effect from the date of trading of the ordinary shares of GPI on the Mercato Telematico Azionario (28 December 2018), on the reasoned proposal of the Board of Statutory Auditors, a nine-year audit assignment, in accordance with Articles 13 and 17 of Legislative Decree No 39/2010. The assignment starts from the same year of entry to the MTA.

## Supervisory Body pursuant to Decree-Law No 231/2001

The Supervisory Body pursuant to Decree-Law No 231/2001, appointed by the Board of Directors of 4 May 2018 and whose term of office is similar to that of the Board of Directors, is composed as follows:

| Stefano Romito | Dario Albarello | Paola De Pascalis | Ciro Strazzeri |
|---|---|---|---|
| Chairman | Member | Member | Member |

| | |
|---|---|
| **Control and Risk Committee** | Set up in anticipation of the transfer to the MTA by the Board of Directors on 25 May 2018, the committee is made up of the Independent Directors, Edda Delon (Chairman) and Paolo De Santis. |
| **Remuneration committee** | Established and appointed in anticipation of the transfer to the MTA by the Board of Directors of 25 May 2018, the committee is made up of the Directors Paolo De Santis (Chairman) and Edda Delon. |
| **Corporate Governance Code** | The Board of Directors, by means of the resolution of 25 May 2018, has adhered to the Corporate Governance Code approved by the Committee for Corporate Governance of Borsa Italiana on 9 July 2015. |
| **Lead Independent Director** | The Board of Directors, by means of the resolution of 25 May 2018, appointed the Independent Director Edda Delon as Lead Independent Director until the financial statements were approved on 31 December 2020. |
| **Director Responsible for the Internal Control and Risk Management System** | The Board of Directors, by means of the resolution of 25 May 2018, appointed the Chief Executive Officer Fausto Manzana as Director Responsible for the Internal Control and Risk Management System. |
| **Internal Audit** | The Board of Directors, by means of the resolution of 25 May 2018, appointed the company "Conformis in Finance" as Head of the Internal Audit function, until the approval of the financial statements at 31 December 2020. |

# • Structure and activities

Consolidation scope as at 31 December 2018

| GPI SUBSIDIARIES | Management Code | Combined Group Share % | Held directly by GPI % | Held by other companies of the Group % | |
|---|---|---|---|---|---|
| GPI SpA (parent company) | GPI | 100.00 | - | - | - |
| Argentea Srl | ARG | 80.00 | 80.00 | - | - |
| Argentea SP ZOO (1) | ARP | 65.60 | - | 82.00 | ARG |
| BIM Italia Srl | BIM | 70.30 | 70.30 | - | - |
| Cento Orizzontali Scarl | COR | 55.10 | 55.10 | | |
| Cliniche della Basilicata (2) | CDB | 67.00 | 67.00 | | |
| DO.MI.NO. Srl | DOM | 38.57 | - | 70.00 | COR |
| GBIM Srl | GBI | 70.00 | 70.00 | - | - |
| GPI Chile SpA | CHI | 56.00 | 56.00 | - | - |
| Hemasoft Software SL | HEM | 60.00 | 60.00 | - | - |
| Hemasoft America Corp | HEA | 60.00 | - | 100.00 | HEM |
| Lombardia Contact Srl | LOM | 100.00 | 100.00 | - | - |
| Professional Clinical Software (PCS) GmbH | PCS | 100.00 | 100.00 | - | - |
| Riedl GmbH | RIE | 51.00 | 51.00 | - | - |
| Saluris Zoo | SAL | 60.00 | 60.00 | - | - |
| Sintac Srl | SIN | 51.00 | 51.00 | - | - |
| Uni IT Srl (3) | UNI | 80.00 | - | 100.00 | ARG |
| Xidera Srl | XID | 60.00 | 60.00 | - | - |

(1) Established on 30 January 2018, controlled by ARGENTEA SRL at 82%.
(2) Established on 2 October 2018.
(3) Resolution for merger into ARGENTEA SRL.

During the months of October and November 2018, GPI incorporated the following companies: EDP SISTEMI SRL, ERRE EFFE SRL, GROOWE TECH SRL, INFO LINE SRL, INSIEL MERCATO SPA, NEOCARE SRL, NETMEDICA SRL, NUOVA SIGMA SRL In November 2018, ARGENTEA SRL incorporated the newly acquired PAROS SRL.

# Investees

| Equity-accounted investments ASSOCIATES | Assets /function-al | Combined Group share % | Held directly by GPI % | Held directly other companies % | |
|---|---|---|---|---|---|
| Ziti Tecnologia Ltda [1] | distr. | 50.00 | 50.00 | - | - |
| GPI Middle East LLC [1] | distr. | 49.00 | 49.00 | | |
| SAIM- Südtirol Alto Adige Informatica Medica Srl [2] | distr. | 46.50 | 23.25 | 23.25 | PCS |
| Tbs IT Srl [3] | ind. | 40.00 | 40.00 | - | - |
| GMI GMBH | distr. | 16.00 | 16.00 | - | - |
| Legal & Tax Consulting STPRL [4] | cons. | 19.50 | 19.50 | - | - |
| Safeaty Srl [5] | r&d | 19.90 | 19.90 | - | - |
| Upsens Srl [6] | r&d | 4.91 | 4.91 | - | - |

(1) GPI MIDDLE EAST LLC in liquidation
(2) SAIM acquired with INSIEL closing and jointly invested in by GPI (formerly INS)/PCS at 23.25%
(3) Completed 16 March 2018.
(4) formerly Sigma Consulting STPRL and restructured on 6 December and subsequently (today Capotorto 61.0%, GPI 19.5%, Fruet 13.5% , Fiamingo 3.0%, Santi 2.0%, Subani 1.0%).
(5) On 16 January 2017 established SAFEATY SRL, owned by GPI at 19.9% and sold after the year-end (22 January 2019).
(6) March 2017 via crowdfunding.

| Equity-accounted investments NON-CONSOLIDATED SUBSIDIARIES | Assets /functional | Combined Group share % | Held directly by GPI % |
|---|---|---|---|
| Informatica Group OOO [1] | distr. | 100.00 | 100.00 |
| GPI AFRICA AUSTRAL SA [2] | distr. | 70.00 | 70.00 |

(1) Established under Russian law on 17 September 2018.
(2) GPI AFRICA AUSTRAL in liquidation.

| Equity investments accounted for at *fair value* OTHER ENTERPRISES | Share % held | Value recorded in the financial state-ments (euros) | Held by |
|---|---|---|---|
| Consorzio Stabile Glossa | 21.40 | 52,284.00 | GPI |
| Consorzio SST | 8.00 | - | GPI |
| IIT | 5.00 | - | GPI |
| Innovaal SCARL | 3.50 | 1,750.00 | GPI |
| Distretto H-BIO Puglia SCARL | 2.00 | 6,000.00 | GPI |
| Confidi | - | 39,253.00 | GPI |
| Dexit | - | 72,969.36 | GPI |
| Fond. IRCAB | - | 16,911.00 | GPI |
| Biohightech-Retimpresa | - | 2,338.40 | GPI |
| Esco Primiero | - | 2,160.00 | GPI |
| Distretto Tecnologico Trentino Habitech | - | 1,000.00 | GPI |
| Cassa Rurale di Rovereto | - | 300.00 | GPI |
| Conai | - | 6.71 | GPI |
| Consorzio Technoscience | - | 1,000.00 | GPI |

Strategic Business Areas

# The current organisation enables the Group to provide adequate responses to the changing needs and innovative pressures arising from the world of Health and Social Services.

**This is thanks to a portfolio of solutions and services that combines specialist ICT, design and consultancy expertise, together with the customer-orientated approach that characterises us and makes our business efficient and flexible. All Strategic Business Areas operate in the same fashion with both public and private customers.**

# The structure of the offering

## Software

- Health Administration
- Clinical System
- Health Social Care
- Blood & Tissue Bank
- Human Resources
- Continuum Care
- Public Administration
- Safety & Prevention
- Data Analytics
- Health Cooperation
- PRM
- Population Health Management

## Care

- Healthcare Administration Services
- Healthcare Services
- Healthcare Technologies
- Virtual Care Solutions

## Automation

- Automated Pharmacy Warehouse
- Hospital Pharmacy System
- Pharmacy Design Studio
- Automated Pharmacy Warehouse

## ICT

- Desktop Services
- ICT Services

## Pay

- Pa Payment Solutions
- Retail Payment Solutions

## Software

Software solutions and services for the management of administrative-accounting processes of the Public Administration, of treatment processes in hospital and in the territory and of socio-welfare processes.

## Care

**Administrative healthcare services**
Health Services "Business Process Outsourcing"
Auxiliary services of an administrative nature, such as: booking of medical services, contact and call centre, front-end/counter, secretarial, cultural intermediation for foreign citizens and others.
**Social-welfare healthcare services**
Socio-healthcare services, telemedicine, 3D Printing for prosthetics.

## Automation

Pharmaceutical supply chain management in hospital (hardware and software).
Automatic warehouse production for hospital logistics, territorial pharmacies, pharmaceutical distribution and Industry.

## ICT

Desktop Management Services and Professional Systems Services

## Pay

Innovative technologies and services for the management of electronic payments to banks, large-scale organised distribution, the retail market, the Public Administration.

## Market performance

The health market in which the GPI Group operates is not directly influenced by the economic and macroeconomic framework. The processes of unification and rationalisation of the health agencies at regional level have had a much greater effect, as reflected in the typology and nature of the most recent tenders to which the Group has participated.

From the point of view of sector growth, we note that the Group has moved in the context of the ICT (healthcare) market that is expected to grow between 2% and 3% and in the presence of "spending review" pressures, which have certainly affected the investment approach of healthcare companies.

However, Italy remains one of the European countries with the lowest intensity of ICT investment per capita and compared to the gross domestic product, with a growth potential that is definitely higher compared to other geographical areas.
Despite the economic situation on a national scale not being particularly expansive, the Group was able to achieve a growth of 13%, thanks also to the contribution of the newly acquired companies.

The richness of the product range acquired over time and the resultant ability to cross-sell and up-sell on the national territory in particular, together with the reliability over time recognised by customers and the strong verifiable customer loyalty, constitute the essential foundations for the Group's growth prospects in the medium and long term.

## Overview of the Business Areas

As at 31 December 2018, following the series of mergers by incorporation completed in the second half of 2018, there are 19 Companies within the scope of the strategic business areas.

| Software | Care | Automation | ICT | Pay |
|---|---|---|---|---|
| GPI | GPI | GPI | GPI | ARGENTEA |
| BIM ITALIA | CENTO ORIZZONTI | RIEDL | | ARGENTEA SP |
| GBIM | DO.MI.NO | | | UNI IT |
| GPI CHILE | LOMBARDIA CONTACT | | | |
| HEMASOFT SW | CLINICHE DELLA BASILICATA | | | |
| HEMASOFT USA | SINTAC | | | |
| INFORMATICA GROUP | | | | |
| PCS | | | | |
| SALURIS | | | | |
| XIDERA | | | | |

## • Customers

As at 31.12.2018, the Group had over 1,900 customers (1,700 in 2017). Growth in terms of expertise also took place following multiple M&A transactions, making the offering increasingly more complete and competitive. Specifically, the acquisitions completed during the year in the area of electronic money (PAY) contributed to the strengthening of the share of public customers and Public Administration electronic payment mandates.

This wealth of know-how makes it possible to extend our range of action and promote ourselves to an increasing number of new customers (the key below is: H = Health; NH = Non-Health; PUB = Public; PRI = Private).

**HPUB**

- Healthcare Companies
- Hospitals
- Care Homes, Private Clinics, Non-Profit Organisations
- Public Providers (in-house)
- Regions, Provinces (Healthcare)

**HPRI**

- Analytics, Providers
- Trade Insurers, Insurers
- Cooperatives
- Private User
- Pharmacies

**NHPUB**

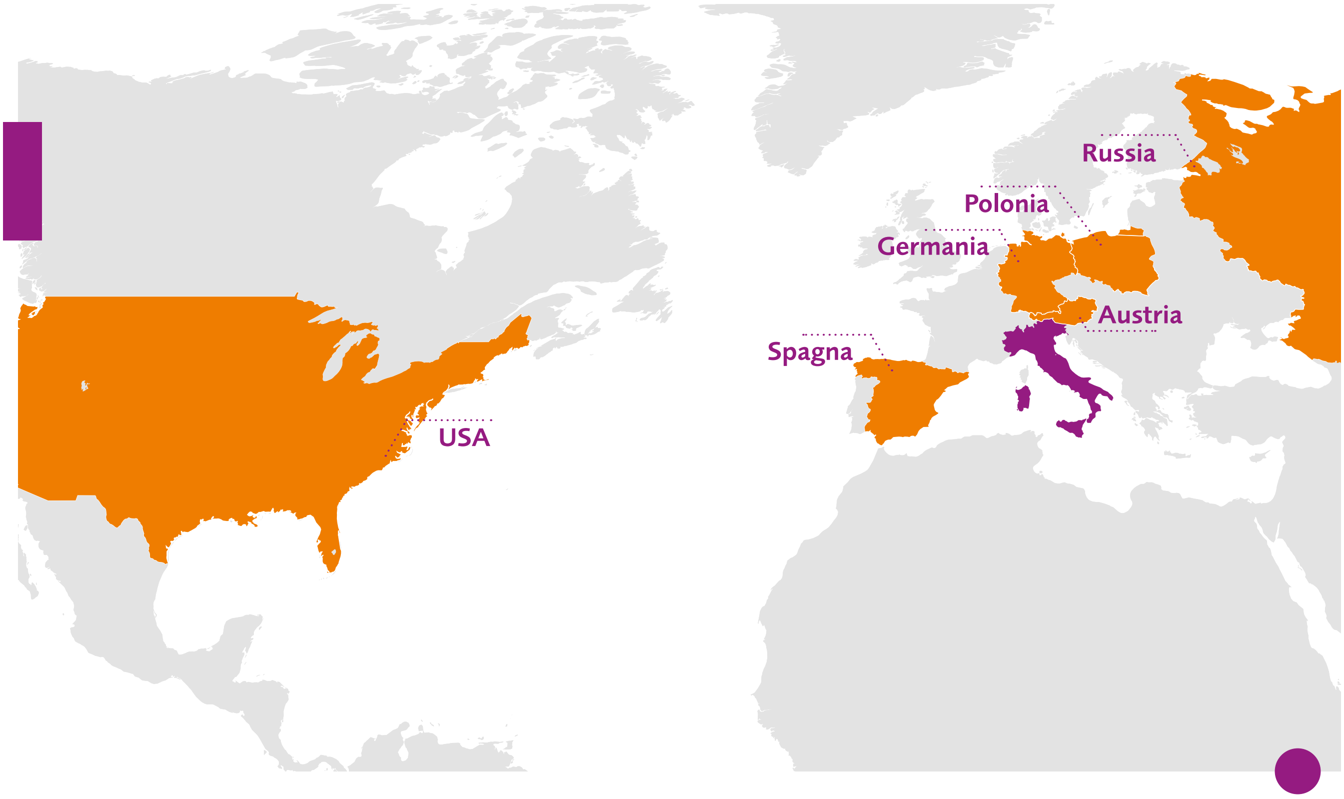
- Municipalities
- Provinces
- Regions
- Regional Agencies
- Universities
- Consortia

**NHPRI**

- Large-scale retail channel
- Banking Institutions
- Luncheon Voucher Operators
- NON-FOOD chains of shops
- Territorial Organisations (ACI, ...)

## Presence throughout the area

The Company has a presence in Italy with more than forty branch offices located throughout the area, at the main commercial hubs.The registered office is in Trento.




The acquisitions made over the years and the preference we have been shown by an increasing number of customers have extended our scope of operations in the social and healthcare market and promoted greater territorial coverage.

As far as foreign markets are concerned, after the entry of RIEDL GMBH (2014, Germany) and PCS GMBH (2016 - Austria), in 2017 two new entities joined the Group's scope, HEMASOFT SOFTWARE SL (Spain, with the subsidiary HEMASOFT AMERICA CORP, in the United States) and SALURIS ZOO (Poland), which is expected to give a further boost to geographical diversification. The establishment of ARGENTEA SP ZOO in Warsaw in January 2018 strengthens growth prospects in European markets, particularly in the area of electronic payments. Lastly, the newly-established INFORMATICA GROUP in Moscow is responsible for commercial development in the Russian territories.

The Group operates in a large number of other European and Non-European countries through selected partners and distributors. The goal in the years to come is the further enrichment of our international markets and contacts, both in terms of new acquisitions of production and distribution companies.

## Principles and rules governing the conduct of activities

The management of business in GPI refers to the set of principles, commitments and the internal rules described in the Code of Ethics and Organisation and Control Model of GPI SpA, prepared pursuant to Legislative Decree No 231/2001 (Model 231). Policies and procedures governing administrative/accounting management and personnel management are also being developed and consolidated.

The Code of Ethics seeks to ensure that, in the transactions, behaviours, ways of working and relationships, both internal and vis-à-vis external stakeholders, the principles of fairness, loyalty, integrity and transparency are consistently applied. The ethical commitments and responsibilities described in the Code must be followed by employees and collaborators, and by all those who work in or relate to the Group's interests.

Model 231, of which the Code of Ethics is an integral part, has a vital role in ensuring that activities are conducted in accordance with the legislative and regulatory framework that affects the Group's various operational areas, with specific reference to the aspects related to participation in public tenders. The Model is inspired by the "Guidelines for the construction of organisational, management and control models" developed by Confindustria and updated in July 2014, as well as by national best practices. The model currently in force was adopted on 15 October 2008 and has since been continuously updated, up to the last revision approved on 6 April 2018.

# • Main Transactions 2018

## Acquisitions

In March, GPI acquired 100% of **ERRE EFFE INFORMATICA SRL**, a Tuscan company specialised in information systems in the service of hospitals and health facilities; the transaction enabled the Group to expand its presence in a region such as Tuscany in which, in the Group's view, the Group was not adequately represented.

In the context of the same transaction, GPI acquired the remaining 45% of **INSIEL MERCATO SPA**, which is now merged into GPI SpA.

In July, through public tender, ARGENTEA SRL acquired 100% of **PAROS SRL**, a Trento company specialised in the management of electronic payment mandates for the Public Administration, as well as 49% of UNI.IT Srl (majority shareholder was UniCredit Banca SpA). These transactions combine at a business level with the additional acquisition in October of 51% of **UNI IT SRL**, which allowed ARGENTEA to achieve 100% of the control of the same company. UNI IT is the holder of the commercial relationships with a qualified customer base of agencies in the Italian territory in the same activity sector.

PAROS SRL was subsequently incorporated by merger in ARGENTEA SRL.

## Establishment of new companies

In January 2018 the subsidiary **ARGENTEA SP ZOO** was established in Warsaw, Poland, with the aim of developing the local market in the e-money sector, strengthening the Group's international presence in this strategic business area. The Newco is 82% owned by ARGENTEA SRL, while the remaining minority share was provided by a leading multinational industrial partner.

In September, as a foray into the Russian software and automation systems market, GPI established (100% shareholding) **INFORMATICA GROUP**, with registered office in Moscow; in the month of October **CLINICHE DELLA BASILICATA Srl** was born, called to develop the "Policura" model in its namesake territory, already launched in Trentino in the health services sector. The stake held by GPI is 67%, while the remaining shares are held by a local entity and by an important Group that already operates in the health sector and in the private clinics sphere in Apulia and Basilicata.

# 2018

## Acquires

- Paros Srl (100%)
- Unit IT Srl (100%)
- Erre Effe (100%)

## Equity investment increases

- Insiel Mercato (100%)
- Neocare (100%)
- Groowe Tech (100%)

## Establishes

- Argentea SP ZOO (65.60%)
- Informatica Group OOO (100%)
- Cliniche della Basilicata Srl (67%)

Legend:
- Software
- Other
- Pay

In the process of rationalising the corporate structure approved by the Board of Directors in June, GPI SpA incorporated the following companies between October and November: EDP SISTEMI SRL, ERRE EFFE SRL, GROOWE TECH SRL, INFO LINE SRL, INSIEL MERCATO SPA, NEOCARE SRL, NETMEDICA SRL, NUOVA SIGMA SRL.

## Entry to the Mercato Telematico Azionario (MTA)

Exactly two years since listing on the AIM Italia market of Borsa Italiana (29 December 2016) through the Business Combination with SPAC Capital For Progress 1, on 17 December 2018, Borsa Italiana admitted GPI SpA to be listed on the Mercato Telematico Azionario (MTA) stock exchange, while on 20 December 2018, CONSOB authorised the publication of the Prospectus. On 28 December 2018, the Company made its listing debut on the main Italian capital market.

MTA, on a national basis, includes 238 listed shares, of which 70 are in the Star segment. The capitalisation of the listed MTA shares is equal to EUR 593 billion, equal therefore to approximately one third of the Italian gross domestic product (Borsa data at 28 February). See the details of the composition of the GPI capital in the following sections.

# • Financial and operational information

## Summary financial indicators and figures

With regard to the statement of financial position aggregates, and in particular the financial indicators, please see the standards established by the ESMA Recommendation of 20 March 2013 and CONSOB Communication DEM/6064293.

In application of the CONSOB Communication of 3 December 2015, which transposes in Italy the guidelines on Alternative Performance Indicators (hereinafter "APIs") issued by the European Securities and Markets Authority (ESMA), the criteria used for the preparation of the main APIs published by the GPI Group are defined below.

The APIs presented in this annual Financial Report are considered to be significant for the assessment of operating performance with reference to the results of the Group as a whole. In addition, it is considered that APIs ensure a better synthesis and comparability over time of the same results, although they are not substitutes for or alternatives to the results determined by applying international IFRS accounting standards.

With reference to the APIs, we highlight that within the respective chapters "Economic Performance", "Economic Data for each SBA" and "Statement of financial position", GPI presents the reclassified financial statements that differ from those provided for by the IFRS international accounting standards included in the Consolidated Financial Statements and the Separate Financial Statements as at 31 December 2018 (hereinafter the "official financial statements"). These reclassified financial statements therefore present, in addition to the economic, financial and equity quantities covered by international IFRS accounting standards, certain indicators and items arising from international IFRS accounting standards, although not required by the same standards and therefore identifiable as APIs.

Hereinafter, for the sake of simplicity, are listed the main reclassified aggregates and Alternative Performance Indicators presented in the Management Report, and a brief summary of the relative composition, as well as the reconciliation of the same with the corresponding official data.

"Consumption": corresponds to the total Raw materials and consumables in the official financial statements;

"General Expenses": corresponds to the total of the Costs for services and Other operating costs in the official financial statements;

"Labour": corresponds to the item Personnel Costs in the official financial statements;

"Gross Operating Margin (EBITDA)": is the summary indicator of the gross profit arising from operating activities, determined by subtracting operating costs from operating revenues, with the exception of amortisation, depreciation, impairment losses and reversals of impairment losses, the change in operational funds and other adjustments;

"Net Operating Profit (EBIT)": is the indicator that measures the operational profitability of the total amount of capital invested in the Company, calculated by deducting from EBITDA the amortisation, depreciation, impairment losses and reversals of impairment losses, the change in operational funds and other adjustments;

"Net working capital": summarises the balance among the items of a typical business nature in the balance sheet (commercial receivables, assets and liabilities from contracts with customers, advances to suppliers, impairment provisions, trade payables and inventories);

"Non-current assets": are comprised by the items in the official financial statements presenting the total amount of Goodwill, Other intangible assets, Property, Plant and Equipment, Equity-accounted investments and non-current financial assets;

"Net invested capital": means the total amount of non-financial assets, net of non-financial liabilities;

"Net financial debt" (or NFP, Net Financial Position): represents the indicator of the share of the net invested capital covered by net liabilities of a financial nature, composed by the "Financial liabilities - current and non-current", net of "Financial Assets - current and non-current";

"Cash flow statement": this graphically represents the main cash flow items that determine the change in the net financial position from the beginning to the end of the financial year;

"Trade receivables on revenues": means the ratio, expressed in days, between the trade receivables from invoices issued at 31 December, gross of the relative impairment fund, and the revenue for the year (x 360).

"Customer contract assets on total trade receivables themselves, of the customer contract assets and supplier advance payments" (%): means the share of only the assets from customer contracts, gross of the related impairment fund, in relation to total commercial assets.

"Net working capital on revenues": means the ratio, expressed in days, between "net working capital" and revenue for the year (x 360);

"NFP/EQUITY": means the ratio of the Net Financial Position to Equity;

"NFP/EBITDA": means the ratio of the Net Financial Position to Gross Operating Margin (EBITDA);

"EBITDA/FC": provides the coverage indicator between Gross Operating Margin (EBITDA) and the balance of Financial Income and Expenses;

"Goodwill and other non-current Intangible assets/Total assets": means the ratio of the relevant items in the official financial statements and the total assets;

"Goodwill and other non-current Intangible assets/Equity": means the ratio of the relevant items in the official financial statements and the Total Equity;

"CAGR" is the acronym for Compound Annual Growth Rate, a commonly applied indicator used to express the average growth rate of a variable, given an initial year and a final reference year. In the case of GPI, the CAGR is applied to revenues and other income over a three-year period.
It should also be noted that some of the processed APIs, as indicated above, are presented net of certain adjustments made for the purposes of a homogeneous comparison over time or in application of a different accounting treatment that is considered more effective in describing the economic and financial performance of specific assets of the Group. These adjustments are mainly attributable to the Adjusted consolidated economic data presented for EBITDA and EBITDA %.

## Methodological notes and connection information

The Group's significant growth and the changes in the organisational and production structure, more specifically over the last three years, suggest the introduction of reading keys and additional analysis with reference to economic and financial data.

The decision to aggregate all healthcare services into a single reference Strategic Business Area was recently formalised at the business level; this was conducted with a view towards rationalisation, but also in response to the increasingly blurred boundaries among the supplied services, which were characterised more and more frequently by the minimum common denominator of "territorial" healthcare and by a single supply chain system (from the CUP booking to the healthcare performance, passing through telemedicine, telemonitoring and taking charge of a chronic or potentially chronic patient). This implies the need for a slight connection with the historical data, which highlights the performance of the health services of an administrative nature, excluding a small portion (< EUR 2 million of revenues) of services of a social-welfare nature, now included in the "Care" SBA.
In conjunction with the 30th anniversary of the founding of GPI, on 22 March 2019 a complete rebranding of the Group's brand name and corporate graphic lines was presented. It was decided at the same time to rename the reference SBAs in a simplified way, on the basis of the following correspondences:

| Previous name of strategic business area | New name of strategic business area |
|---|---|
| Information systems | Software |
| Administrative healthcare services<br>Social-welfare healthcare services | Care |
| Logistics and automation | Automation |
| ICT professional services | ICT |
| E-Money | Pay |

The 2018 financial statement documents refer to the new name, with frequent connections to the nomenclature previously used.

In the representation of the data for the two main business areas, starting from 2018, a different "corporate" cost allocation criterion is applied to the annual data analysis than that of the previous years. This criterion is considered more appropriate for the representation of sectoral profitability, given the recent developments in the business structure. The current allocation system is based on an equal share of the SBA net operating profitability before allocating corporate costs and the remaining share of the SBA staff costs, and replaces the previous criterion that was based solely on segment profitability.

This report shows "Adjusted" gross operating profit, with the objective

- of eliminating the extraordinary effects of non-recurring transactions. More specifically, the economic effects of the listing on the Mercato Telematico Azionario are sterilised on 2017 and 2018, with reference only to the external costs incurred (mostly legal and administrative).
- of reporting the margins realised at the level of the Group and SBA regarding the revenues net of the portions relating to the partners in Temporary Grouping of Companies in some orders from the "Care" sector.

It is believed that the absolute margin and percentage expressed in this way will permit a meaningful management representation that is comparable over time, both in relation to the Group and in relation to the two main Strategic Business Areas.

## Consolidation Scope

Looking at the evolution of the scope of the subsidiaries, it should be noted that in 2018, the following companies have entered into the scope of consolidation: the newly established ARGENTEA SP ZOO, INFORMATICA GROUP OOO, CLINICHE DELLA BASILICATA SRL and UNI IT SRL. As mentioned above, ERRE EFFE INFORMATICA and PAROS SRL, a company acquired in 2018, have already been merged by incorporation into GPI and ARGENTEA respectively.
A reclassification of the financial statements format is provided in this report, aimed at providing optimum significance from an analytical management standpoint, and targeted in particular: i) with regard to the income statement, the highlighting of the Group's ability to generate operating income gross of the operating costs of a monetary character (EBITDA); ii) with regard to the statement of financial position, the focusing of the net working capital of a commercial nature, the Group's net invested capital, and the structure covering the same (own funds vs third-party funds).

More specifically, EBITDA is to be understood as the difference between the revenues and the operational monetary costs, with the exception of amortisation, depreciation and write-downs of non-current assets, write-downs/revaluations in general as well as provisions related to the current assets included in the item "other provisions", as resulting from the consolidated income statement.
In addition to the timely year-end closures, in order to better highlight the economic result arising from the ordinary operational management, presented below is an adjusted EBITDA version, normalised with respect to extraordinary factors or "one-offs" (external costs incurred for the listing process on the MTA), and related to revenues, net of the component technically invoiced on behalf of the partners in TGCs (Temporary Grouping of Companies).

## Economic performance

The Group has put up a further, significant increase of revenues compared to the corresponding period of 2017 (+13%, EUR 203.7 million against EUR 179.9 million last year, with a meaningful input supplied from the recent acquisitions).

| CONSOLIDATED INCOME STATEMENT reclassified, in thousands of euros | 2018 | % | 2017 | % | changes in value % | |
|---|---|---|---|---|---|---|
| Revenue | 201,856 | | 178,810 | | | |
| Other income | 1,811 | | 1,074 | | | |
| **Revenue and other income** | **203,667** | **100.0%** | **179,884** | **100.0%** | **23,783** | **+13%** |
| (Raw materials and consumables) | (7,122) | (3.5%) | (7,180) | (4.0%) | 58 | (1%) |
| (General expenses) | (55,019) | (27.0%) | (44,501) | (24.7%) | (10,518) | +24% |
| (Labour) | (114,804) | (56.4%) | (102,303) | (56.9%) | (12,501) | +12% |
| (Amortisation, depreciation and impairment losses) | (13,412) | (6.6%) | (9,576) | (5.3%) | (3,836) | +40% |
| (Other provisions) | (97) | (0.0%) | (872) | (0.5%) | 775 | (89%) |
| **EBIT**<br>**%** | **13,212**<br>**6.5%** | | **15,452**<br>**8.6%** | | **(2,240)** | **(14%)** |
| (Net financial expenses) | (299) | (0.1%) | (2,230) | (1.2%) | 1,931 | (87%) |
| (NE Profit share of equity investments) | (97) | | 0 | | | |
| Pre-tax profit | 12,816 | | 13,222 | | (406) | (3%) |
| (Income taxes) | (3,336) | | (5,360) | | 2,024 | (38%) |
| **Net profit**<br>**%** | **9,480**<br>**4.7%** | | **7,862**<br>**4.4%** | | **1,618** | **+21%** |
| Owners of the parent | 9,228 | | 7,575 | | | |
| Non-controlling interests | 252 | | 287 | | | |

The CAGR calculated over the last three years (base=2015) shows an increase of +32%.

The biggest increase was in the Software SBA; from a geographical point of view the value of foreign revenues scored an increase of +30% compared to last year.

Depreciation and amortisation amounted to EUR 13.4 million (+40% compared to 2017), reflecting the strong investment policy of 2018 and the Purchase Price Allocation calculations applied to the acquisitions of 2017 and 2018. The net profit amounted to EUR 9.5 million (4.7% of total revenues, compared to 4.4% of the corresponding item in 2017).

The impact of financial management is considerably reduced in the light of:
- the positive adjustment of payables for acquisition of equity investments;
- the adjustment, also positive, of the fair value related to the management of treasury shares as a contra-entry to the acquisition price;

Net financial charges, adjusted for these improvement effects, amounted to EUR 2.3 million, in line with last year's figures.

The weight of tax management also contracted significantly; the latter amounted to 26% of revenues and other income instead of the 40% of 2017.

The total net profit is EUR 9.5 million, of which EUR 9.2 million pertains to the Group.

| Summary of economic data<br>In thousands of euros | 2018 | 2017 |
|---|---|---|
| Revenue and other income | 203,667 | 179,884 |
| Adjusted revenues | 192,898 | 170,881 |
| **Adjusted EBITDA** | **28,580** | **26,065** |
| **Adjusted EBITDA %** | **14.8%** | **15.3%** |
| Pre-tax profit | 12,816 | 13,222 |
| **Net profit** | **9,480** | **7,862** |

Adjusted gross operating margin shows EUR 28.6 million (EUR 26.1 million in 2017). In percentage terms, combining the above-described effect of normalisation on revenues, the year 2018 shows an EBITDA of 14.8%.

See the methodological note for the applied adjustment criteria. The adjustment related to MTA costs amounted to EUR 1,859 thousand and EUR 165 thousand respectively for 2018 and 2017. The adjusted revenues shown above are only a basis for comparing the EBITDA percentages, and do not affect absolute profitability values.

It is important to note that the dynamism of the last three years in terms of expanding the scope of consolidation is requiring, at a commercial, productive and administrative level, sufficient time-scales for integration and optimisation, with activities that take a significant amount of time for a significant portion of the GPI structure.

Net Result

9.5 €M

Adjusted EBITDA

28.6 €M

## Economic data for each SBA

A summary of the income statement results for the two main business areas of the Group are presented in the following table. Please see the Notes to the consolidated financial statements for greater details.

| 2018<br>In thousands of euros | Software | | Care | | Normalised Care<br>net of social assistance | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Revenue | 89,560 | 76,565 | 87,847 | 82,906 | 86,288 | 80,751 |
| Other income | 1,117 | 129 | 405 | 285 | 393 | 285 |
| **Revenue and other income** | **90,677** | **76,694** | **88,252** | **83,191** | **86,682** | **81,036** |
| **2018/2017** | **+18%** | | **+6%** | | **+7%** | |
| ADJUSTED Revenue and other income | 90,154 | 76,219 | 78,006 | 74,663 | 76,436 | 72,508 |
| **ADJUSTED EBITDA** | **22,292** | **18,103** | **3,701** | **4,970** | **3,507** | **4,368** |
| **% ADJUSTED** | **24.7%** | **23.8%** | **4.7%** | **6.7%** | **4.6%** | **6.0%** |

The revenues of the Software area (Information Systems) and Care area (Health Administrative Services and social-welfare, predominantly CUP and contact centre) represent approximately 88% annually of the total revenues of the entire Group. The choice of presenting income statement figures by segment focused on these two areas complies with a desire to adhere to a clear criterion of importance. Software represents, in terms of activity, the technological driver of the whole Group, and this year highlights the most significant growth rate (+18%); the Care area, which reflects a smaller growth rate (+6%), sees the GPI Group in a position of leadership on a national basis, culminating recently with the tender award for the CUP and the delivery counters of the Lazio region. The comparison with the Care area is also shown in the columns on the right.

The Adjusted EBITDA of Software grew at 24.7%, while the pro rata performance of the Care area reflects the start-up period of the important new orders acquired, which will become fully operational in their contribution in the next two years.

## Statement of financial position

| Consolidated Balance Sheet reclassified, in thousands of euros | 2018 | % | 2017 | % | 2018/2017 | |
|---|---|---|---|---|---|---|
| Net working capital | 75,592 | 58.1% | 65,950 | 57.3% | 9,642 | +14.6% |
| Non-current assets | 105,205 | 80.9% | 104,804 | 91.1% | 401 | +0.4% |
| Other Operating Assets/(Liabilities) | (50,699) | 39.0% | (55,672) | (48.4%) | 4,973 | (8.9%) |
| **Net Invested Capital** | **130,098** | **100.0%** | **115,082** | **100.0%** | **15,016** | **+13.0%** |
| Equity | 68,601 | 52.7% | 64,040 | 55.6% | 4,561 | +7.1% |
| Net Financial Position (NFP) | 61,497 | 47.3% | 51,042 | 44.4% | 10,455 | +20.5% |
| **Total Equity and NFP** | **130,098** | **100.0%** | **115,082** | **100.0%** | **15,016** | **+13.0%** |

Net Working Capital showed an increase (EUR 9.6 million) attributable to revenue growth and the award of an important tender over the last few months of the year; on the other hand, the level of trade payables is in line with the previous year (EUR 33.8 million against EUR 32.7 million as at 31 December), and the value of warehouse products remained basically stable (EUR 3.9 million against EUR 4.0 million).

Non-current assets are broadly stable and incorporate the allocation made on the basis of the analysis of Purchase Price Allocation.

Net invested capital shows EUR 130.1 million, an increase of about EUR 15 million compared to 31 December 2017 (and with a percentage of growth that follows that of the consolidated revenues: +13%).

Consolidated net Equity reflects the distribution of dividends in 2017 (paid in May 2018) and the Profit generated in the year. The consolidated Equity amounts to EUR 68.6 million. The Group is financing its Net Invested Capital with a contribution of 53% from its own resources.

The Net Financial Position reflects the total cash flow of the period, amounting to EUR 61.5 million, up on 31 December 2017 (EUR 51.0 million) and against M&A and technical (tangible and intangible) investments exceeding EUR 22 million.

The summary indicators referring to the Group lead to the following considerations.

| Margins and operating cost structure<br>Adjusted Revenues % | 2018 | 2017 |
|---|---|---|
| Adjusted Consumption % | 3.7% | 4.2% |
| Adjusted General Expenses % | 22.0% | 20.7% |
| Adjusted Labour % | 59.5% | 59.9% |
| Adjusted EBITDA % | 14.8% | 15.3% |

The percentage margin, even if slightly down, remains at good levels, guaranteeing the Group an autonomous and satisfactory capacity of generating operating cash that can be applied to strategic investments and the research engine.

The structure of the operating costs shows that the influence of the personnel costs was down slightly and stood at 59.5% of the Group's adjusted revenues, also thanks to the significant increase of the weight of the Software SBA with regard to the Care SBA.

The influence of consumption is reduced, to which the manufacturing assets in the Automation SBA mainly contribute.

The influence of costs for services and general expenses increased by 1.3 percentage points on revenues.

| Equity Structure, % Net Capital Invested | 2018 | 2017 |
|---|---|---|
| Net Working Capital | 58.1% | 57.3% |
| Non-current assets | 80.9% | 91.1% |
| Other Operating Assets/(Liabilities) | (39.0%) | (48.4%) |
| **Net Invested Capital** | **100.0%** | **100.0%** |
| Equity | 52.7% | 55.6% |
| Net Financial Equity | 47.3% | 44.4% |
| **Total Equity + NFP** | **100.0%** | **100.0%** |

Working Capital accounted for 58.1% of Net Invested Capital. Non-current assets were equal to 80.9%, down compared to the percentage covered in the previous year. At the funding level, Equity (own funds) represents 86% of the total, for a percentage equal to 53%, compared with 47% of procurement from third-party funds.

| STRUCTURE OF FINANCIAL LIABILITIES by maturity<br>% on total | 2018 | 2017 |
|---|---|---|
| Short-term Financial Payables | 40.6 | 34.1 |
| Medium-/long-term Financial Payables | 87.0 | 63.0 |
| **Total Financial Payables** | **127.6** | **97.0** |
| Short-term Financial Payables | 31.8% | 35.1% |
| Medium-/long-term Financial Payables | 68.2% | 64.9% |
| **Total Financial Payables** | **100.0%** | **100.0%** |

| Other Alternative<br>Performance Indicators (APIs) | 2018 | 2017 |
|---|---|---|
| Trade receivables/Revenues (GG) | 66 | 72 |
| Attributable from contracts/Receivables, attributable from contracts and prepayments (%) | 0.65 | 0.63 |
| Net Working Capital/Revenues (GG) | 134 | 132 |
| NFP/EQUITY | 0.90 | 0.80 |
| NFP/EBITDA | 2.30 | 1.97 |
| EBITDA/Net Financial Expenses | 89.3 | 11.6 |
| Goodwill and other intangible assets/Total assets | 28% | 30% |
| Goodwill and other intangible assets/Equity | 117% | 125% |

The net financial position is negative for EUR 61.5 million; the ESMA balance includes cash for EUR 41.6 million, compared to EUR 39.9 million in the previous year. The coverage indicators between short-term trade assets and trade liabilities remained stable. The structure of financial indebtedness, rising in absolute value, shows an excellent balance.

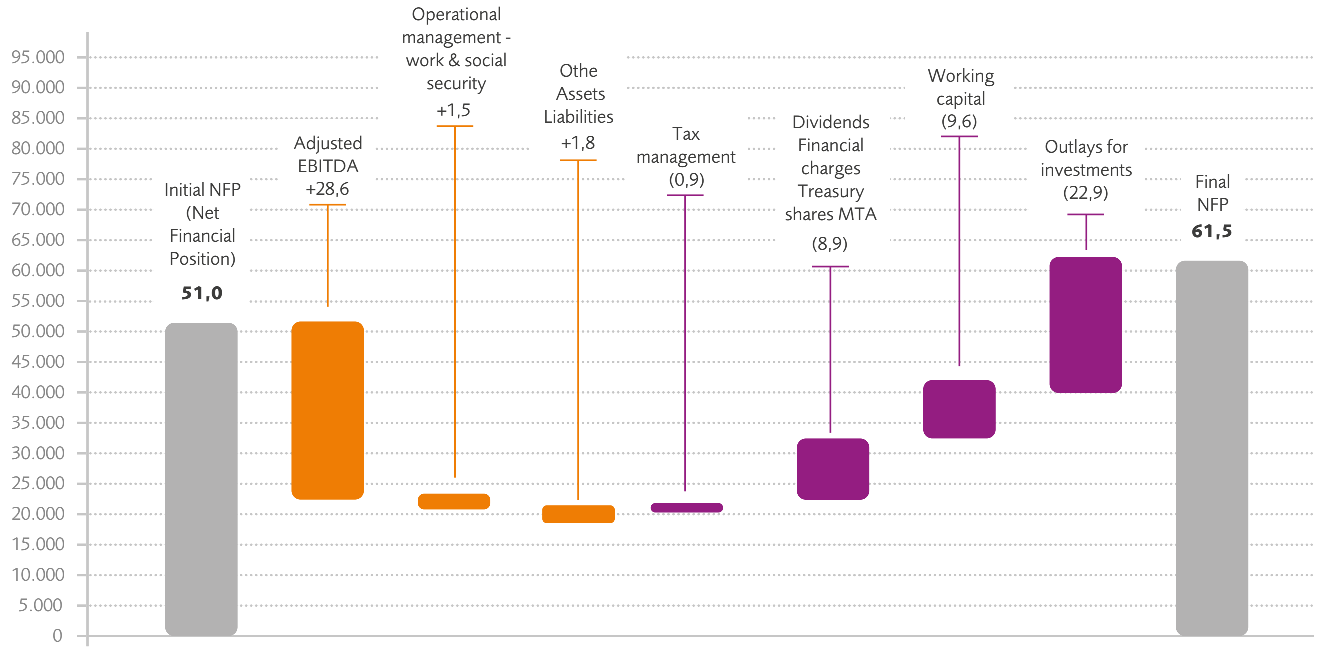
The prevalence of long-term instruments is confirmed: long-term contracted debt accounts for 68% of the total, up from 2017.

Trade receivables from invoices issued, expressed in days, show a decrease compared to 2017; contract assets in relation to total receivables and assets increased slightly, as did the impact of net trade working capital. The values of NFP/Equity and NFP on EBITDA are higher than those recorded last year. On the other hand, the percentage of goodwill and other intangible assets in relation to total assets and equity fell.

Finally, the reclassified cash flow statement shows how, in terms of flows, compared to a self-financing adjusted operating profit of EUR 28.6 million, the business working capital absorbed EUR 9.6 million, which is added to outlays for investments for EUR 22.9 million and payments for dividends, financial expenses and the purchase of treasury shares for EUR 8.9 million. These dynamics are reflected overall in the increase in NFP of EUR 10.5 million.

## 2018 Cash Flow Statement

## Reclassified, in millions of euros




## Information on the separate financial statements

| GPI SPA INCOME STATEMENT P&L<br>reclassified, in thousands of euros | 2018 | % | 2017 | % |
|---|---|---|---|---|
| Revenue | 112,874 | | 96,377 | |
| Other income | 2,918 | | 6,331 | |
| **Revenue and other income** | **115,792** | **100.0%** | **102,708** | **100.0%** |
| (Raw materials and consumables) | (6,212) | (5.4%) | (4,999) | (4.9%) |
| (General Expenses) | (31,449) | (27.2%) | (24,862) | (24.2%) |
| (Labour) | (66,685) | (57.6%) | (58,063) | (56.5%) |
| (Amortisation, depreciation and impairment losses) | (4,519) | (3.9%) | (2,976) | (2.9%) |
| (Other provisions) | (32) | (0.0%) | (549) | (0.5%) |
| **EBIT**<br>**%** | **6,894**<br>**6.0%** | | **11,259**<br>**11.0%** | |
| (Net Financial Expenses) | (954) | (0.8%) | (2,096) | (2.0%) |
| (NE Profit share of equity investments) | (4,530) | | 2,257 | |
| Pre-tax profit | **10,470** | | **11,420** | |
| Income taxes | (2,734) | | (3,532) | |
| **Net profit**<br>**%** | **7,736**<br>**6.7%** | | **7,888**<br>**7.7%** | |

| GPI SPA BALANCE SHEET reclassified, in thousands of euros | 2018 | % | 2017 | % |
|---|---|---|---|---|
| Net working capital - NWC | 68,236 | 48.5% | 49,907 | 41.4% |
| Non-current assets | 96,920 | 68.8% | 91,929 | 76.2% |
| Other Operating Assets/(Liabilities) - Others | (24,323) | (17.3%) | (21,249) | (17.6%) |
| **Net Invested Capital** | **140,833** | **100.0%** | **120,587** | **100.0%** |
| Equity | 66,785 | 47.4% | 63,870 | 53.0% |
| Net Financial Position - (NFP) - net financial debt | 74,048 | 52.6% | 56,717 | 47.0% |
| **Total Equityand NFP** | **140,833** | **100.0%** | **120,587** | **100.0%** |

It should be noted that the GPI Group consists of 19 highly integrated legal entities at the business and organisational level. GPI SpA is connected at the SBA level to most of its subsidiaries. The economic and equity interactions among the various companies therefore ensure that, inevitably, a realistic and meaningful vision of an economic/equity nature emerges only at the consolidated level.

The separate financial statements of GPI SpA, in addition, should be read in the light of the particularity of the accounting year analysed. In 2018, the economic effects of the mergers by incorporation of the companies EDP SRL, ERRE EFFE SRL, GROOWE TECH SRL, INFO LINE SRL, INSIEL MERCATO SPA, NEOCARE SRL, NETMEDICA SRL, NUOVA SIGMA SRL, are not recorded, and their impact is therefore limited to the last two months of the year.

The combination of completed business components and extraordinary transactions resulted in an increase in revenues from EUR 102.7 million to EUR 115.8 million. The net profit is well-aligned with the preceding year's values (EUR 7.7 million versus EUR 7.9 million).
Net Invested Capital increased by around EUR 20 million to EUR 140.8 million, as a result of an increase in business working capital and, to a lesser extent, of non-current assets.

The Equity reached EUR 66.8 million, and the net financial position rose to EUR 74.0 million, with a cash absorption of about EUR 17 million.

## Shareholding structure

The following table summarises the movements of the GPI SpA shares from the beginning to the end of the 2018 financial year, with a distinction among share categories.

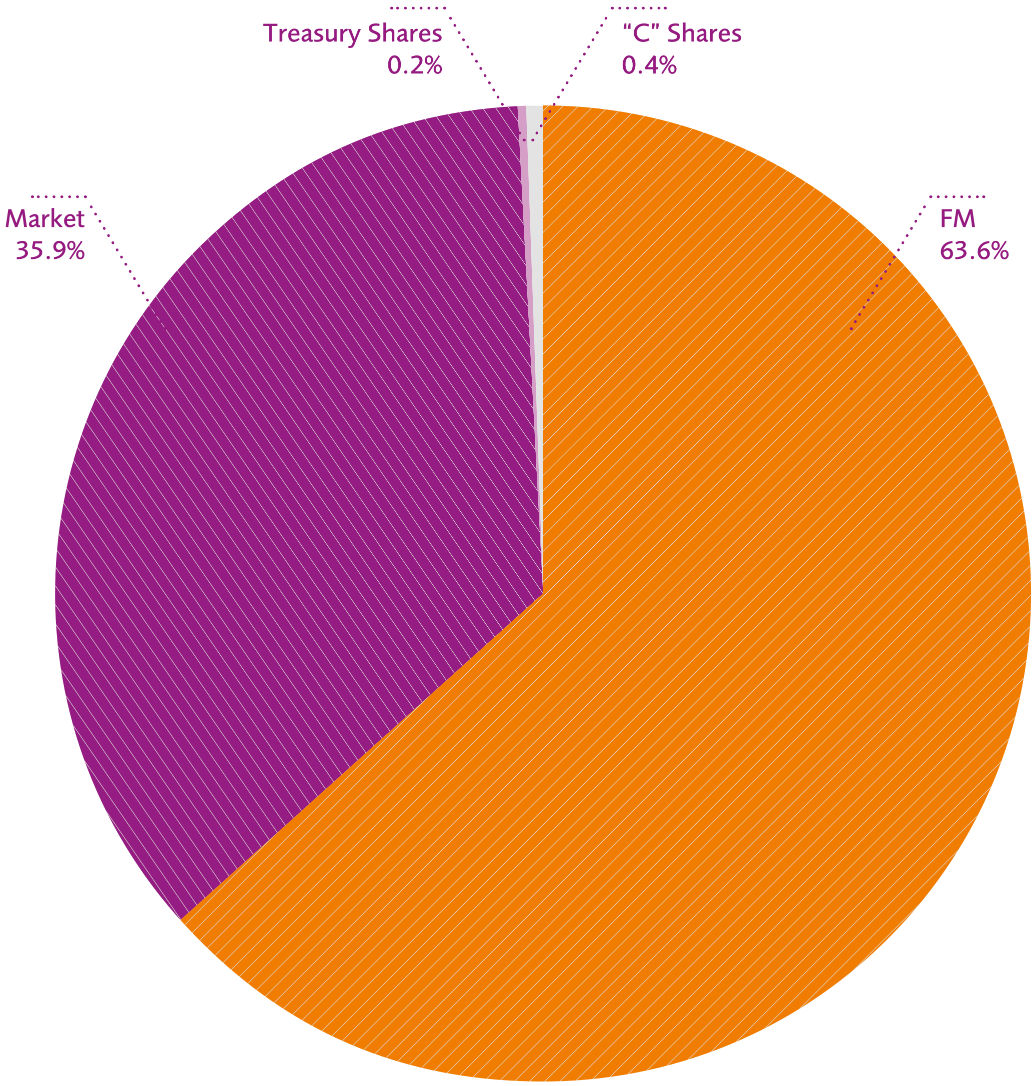
| | | |
|---|---|---|
| **01.01.2018** | **Start of Year** | **Share Capital EUR 8,532,846.90**<br>"A" Shares: 5,727,049<br>"B" Shares: 10,000,000<br>"C" Shares: 61,320<br>Warrants in circ.: 2,489,550<br>Total Shares: 15,788,369 |
| **19.02.2018** | **FM warrant conversion No 121,170 Increase CS EUR 12,117 (use of payment with future capital increase FM EUR 1,150,000)** | **Share Capital EUR 8,544,963.90**<br>"A" Shares: 5,848,219<br>"B" Shares: 10,000,000<br>"C" Shares: 61,320<br>Total Shares 15,909,539 Warrants in circ.: 2,368,380 |
| **09.11.2018** | **Conversion of "B" Shares** | **Share Capital EUR 8,544,963.90**<br>"A" Shares: 15,848,219<br>"B" Shares: -<br>"C" Shares: 61,320<br>Total Shares 15,909,539<br>Warrants in circ.: 2,368,380 |
| **31.12.2018** | **End of Year** | **Share Capital EUR 8,544,963.90**<br>"A" Shares: 15,848,219<br>"B" Shares: -<br>"C" Shares: 61,320<br>Total Shares: 15,909,539<br>Warrants: 2,368,380 |

GPI SpA, as at 31 December 2018 was controlled by FM Srl (Manzana family) with a stake of 63.57% (and 63.93% of the voting rights). The share capital of EUR 8,544,963.90 was divided up into 15,909,539 shares without par value, of which 15,848,219 were ordinary "A" shares and 61,320 special "C" shares.

Again at 31 December, the Company held 29,830 treasury shares as "stock" (see detail in the following section).
At the date of preparation of this document, the Share Capital has not changed compared to 31 December, both in terms of consistency and in the type of shares that comprise it, but in the light of the transactions carried out in the course of the first months of the year (internal dealing, the purchase of treasury shares) FM Srl controls 63.97% of the share capital and 64.47% of the voting rights.
There are 2,368,380 warrants in circulation; warrants converted from the day of listing to the date of the preparation of this document are 186,620.

On 15 November 2018, FM Srl announced that it had reduced its holding below the materiality threshold of 66.6% of the share capital with voting rights. The reduction below the materiality threshold of 66.6% occurred due to the conversion of 10,000,000 shares of special category B (multiple voting, each equipped with two voting rights in the GPI Shareholders' Meetings) into 10,000,000 ordinary shares (each with a single vote in the GPI Shareholders' Meetings) as a result of the completed conversion request communicated by the FM Srl shareholders (with regard to 9,650,000 category B shares) and by Hat Orizzonte SGR SpA (with regard to 350,000 category B shares) pursuant to the provisions of Article 6.4, letter (d) of the GPI articles of association. The conversion of the above-mentioned shares, already communicated to the market on 12 November 2018, has taken place, again in accordance with the above-mentioned Article 6.4, letter (d) of the articles of association, in the ratio of 1 (one) ordinary share for each 1 (one) special category B share, without this conversion having resulted in any changes in the amount of GPI share capital.

As of today, FM Srl appears to be the sole GPI shareholder holding a share capital with a voting right above the materiality threshold of 5%.




## Treasury and Group shares

As required by Article 2428, paragraph (3) of the Civil Code, it is confirmed that the parent company GPI SpA holds 29,830 treasury shares (corresponding to 0.19% of the share capital) at 31 December 2018, the result of several buyback programmes including the last one, still in progress, which began in September 2018. The current programme is targeted at performing investment transactions and the constitution of "warehouse" securities.

A total of 90,300 ordinary shares were purchased between June 2017 and August 2017, 75,400 ordinary shares in the period November 2017 to March 2018 and 24,900 ordinary shares from September 2018 to 31 December 2018. A total of 160,770 ordinary shares were sold, assessed according to the reference transaction at EUR 14.50/share, EUR 15.00/share and at a price increased by 20% compared to the carrying value.

After the end of the year, and up to today's date, due to the new purchase plan mentioned, 36,133 incremental treasury shares were purchased; in the absence of disposals, the number of treasury shares held as of today is equal to 65,963 (equal to 0.41% of the share capital).

No other transactions in treasury shares of subsidiaries are reported.

## Parent company and consolidated equity

With regard to the reconciliation of the Equity of the parent company GPI SpA and the consolidated equity, see Note 10.9 of the consolidated financial statements.

## Technology, Research & Development

Chronic diseases are among the leading causes of death and disability, and their very costly management represents a challenge for the sustainability of the health systems of countries around the world. Many chronic diseases originate at a young age but become clinically relevant after decades, often as a result of poor behaviours and habits, and in any case requiring long-term assistance. The long treatment path permits preventive actions, especially for those risk factors related to lifestyles.

To ensure the sustainability of health systems implies the leveraging of four types of innovation:

- innovation in care models, which make it possible to switch from reactive medicine to predictive medicine and management of chronicity, to keep people healthy and avoid acute relapse;
- technological and digital innovation, to ensure the efficiency of social healthcare operators and to move care to the territory and home, helping to empower the patient, improving their quality of life;
- pharmaceutical innovation, to activate a high-efficiency and cost-effective precision medicine, producing and using new generation drugs on a genetic basis;
- organisational innovation, to redesign organisational processes and models in an effective and preparatory way for the implementation of other forms of innovation.

GPI operates in this context, thanks to its ability to adapt and innovate its range of products and services, supporting its customers to respond promptly to the trends of this systemic revolution.

Regarding the digitalisation of health care, e-health is truly a paradigm of innovation, putting technology at the service of the patient-centred care, based on the sharing of clinical information and its transparent management. At the base of this transformation are the technology drivers, the combination of which outlines the application scenarios for the future: the cloud, portable devices, the Internet of Things, Big Data/Analytics, AI (Deep Learning and Machine Learning) and social applications.

Other significant changes are related to the scope of the processes to be digitised, which is progressively extending from the hospital to the territory, from the management of acute conditions to the management of chronicity and to the promotion of health and healthy lifestyles, by always requiring new skills and solutions that must integrate knowledge and skills with heterogeneous sources.

To meet such challenges, GPI invests every year in Research & Development, pursuing a model of innovation that enhances the creativity and the skills of its human resources, promoting the internal sharing of knowledge and encouraging the contamination and collaboration with external parties.
The current strategic lines of the Group identify some development trends within the scope of R&D: management of chronicity (chronic-care-model), initiative/predictive medicine, food safety, prevention pathways, management of reception pathways in multi-channel mode, new models of care based on virtual care.

The Group's R&D Team brings forward these areas internally and externally, thanks to the identification of specific areas of research and innovation, and active collaboration with national and international research institutions, universities and industry experts, also leveraging financing opportunities offered by the Autonomous Province of Trento, by the European Regional Development Fund and by the calls to tender by PON/MIUR at the national level.

It is noteworthy to mention the introduction of Machine Learning technologies into the GPI application ecosystem, the development of which peaked in 2018. The GPI Research Team has achieved two concrete results, one of which has been consolidated since it went into production with a customer. These are strategic results because our goal for these technologies is primarily to build home-grown know-how.

## Derivative financial instruments

Please see the explanatory notes which follow for a breakdown of the derivative financial instruments.

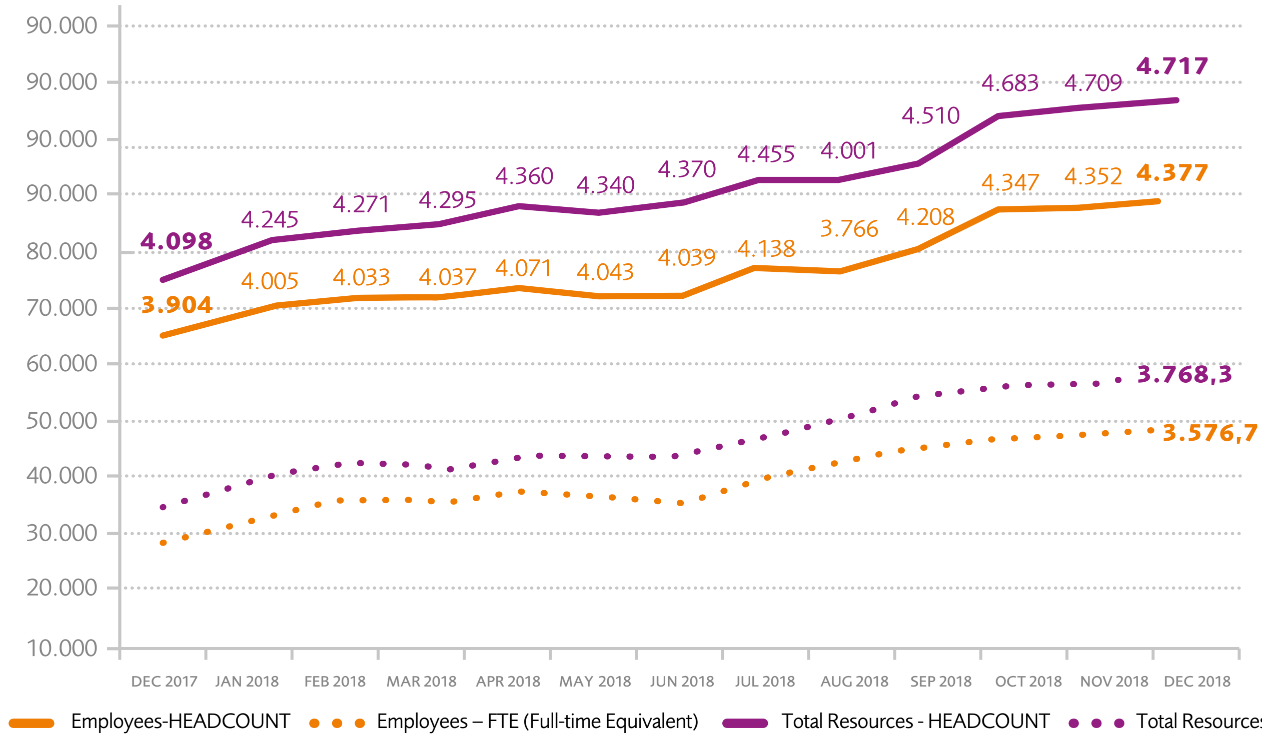
## Relations with subsidiaries and associates

Please see the explanatory notes that follow for a breakdown of relations with subsidiaries, associates and parent companies.

## Human resources

We note briefly that in 2018 the Personnel Office has continued its work of consolidation of the organisational practices in three areas: Personnel Office (administrative management), Management (union relations) and GPI Academy (human resources development).
In the sectors where GPI operates, characterised by proximity to technologies and a close relationship with customers, people are a strategic resource to ensure high quality standards and long-term development.

In recent years, GPI's corporate population has been characterised by continuous growth, which has followed that of the business. At 31 December, the Group had a total of 4,377 employees (an increase of 12% compared to 2017), referring almost entirely to GPI SpA and the Italian subsidiaries (97% of the total), distributed in a homogeneous manner across the national territory, reflecting the location of the Group's offices. In addition to this, there are 340 collaborators, including consultants, temporary workers and trainees.



At 31 December 2018, the Group had 4,377 employees compared to 3,904 in 31 December 2017, with the following breakdown:

| | 2018 | 2017 |
|---|---|---|
| White-collar workers | 4,207 | 3,754 |
| Apprentices | 45 | 32 |
| Middle managers | 74 | 76 |
| Executives | 37 | 30 |
| Blue-collar workers | 14 | 12 |

## Quality of employment and industrial relations

All Group personnel are employed under a regular employment contract and, in Italy, are entirely covered by different types of national collective agreements, the multiplicity of which is a consequence of the acquisition transactions and mergers that occurred over the years. The dynamics linked to employment require special attention towards the harmonisation of collective bargaining and the regulatory framework, and the consistent application of corporate policies, with the aim of ensuring that employees of all areas of the business and the acquired companies have the same work conditions and opportunities.

GPI promotes continuous dialogue with trade unions with a view to ensuring quality in working relationships and to ensuring good employment for all employees. More specifically, this occurs during the procurement and takeover transactions that characterise the BPO (Business Process Outsourcing) area, with an approach aimed at:

- enhancing the staffing already active with the previous contractor;
- making the new structure compatible with the project that has led to the award of the contract;
- managing all organisational aspects of change, paying close attention to company impacts.

GPI invests in the development and growth of the different professions with initial training, updates and refresher courses for the entire company population.

In 2017, the growth of the business population, in parallel with the numerous changes in the law, made necessary an intensification of the Company's commitment to training in the context of issues such as security, privacy, and responsibility under the organisational Model 231. This was accompanied by a process of selection and training of managerial figures for the management of new organisational structures. 2018, on the contrary, has seen a contraction of the training pathways due to an increased movement of the corporate base and a greater concentration on the operating activities of reorganisation of the business.

The Group stimulates internal growth, dynamism and diversity of the work experiences for the individual, considered as strategic levers to respond to the expectations and ambitions of collaborators, to motivate them and to retain good employees within the organisation. This also takes place with the objective of mitigating the risk of unavailability of specialised staff (skill shortage), a topic that concerns ICT in particular. The internal job posting tool remains an effective tool in pursuing these objectives.

GPI promotes safety in the workplace, with the aim of minimising the risks of accidents related to operations, which are largely related to the ongoing internal transfers. Since 2012, GPI SpA has been equipped with a workplace safety management system certified according to the OHSAS 18001:2007 international standard. With the publication of the Policy on Health, Safety and the Environment, it has also committed to:

- operate in accordance with safety regulations;
- assess the risks to staff in advance;
- promote training and information activities through appropriate communication channels;
- pursue improvement goals in relation to the safety of its workers.

## Organisational, management and control model pursuant to Legislative Decree No 231/2001

The Chief Executive Officer, on behalf of the Board of Directors, is responsible for structuring and maintaining an effective system for monitoring the compliance of management with internal and external rules, and for managing risks.
The main generated or potential risks, based on the analyses carried out for Model 231 and the implementation of management systems, cover the entire scope of the Group's activities. GPI is implementing a risk management model (ERM), the risk map of which will be updated periodically in response to the changes of context and to define the appropriate mitigation actions, involving all business functions. Non-financial risks and their management arrangements will be integrated into the ERM model – Risk Management Framework.
The assessment of the adequacy and functioning of the system is entrusted to the supervisory bodies: Board of Statutory Auditors, Supervisory Body (SB) and Internal Audit function. GPI SpA and the Italian Subsidiaries which are equipped with the Model 231 each have their own Supervisory Body that oversees the effective functioning and observance of the application of the Models, making use of internal auditing activities (78 audits carried out in 2018, 73 in 2017) conducted by the Directorate of General Affairs and Internal Audit.

## Operating offices

Please refer to the explanatory note for the list of offices at which the Company operates.

## Risks

See Note 10.3 of the Consolidated Financial Statements for details of financial risks, market risks, liquidity risks and credit risks.

## Related-party transactions

See Note 10.7 of the Consolidated Financial Statements for the nature and extent of related-party transactions at a consolidated level and in the GPI SpA financial statements.

## Other information

In accordance with Article 2.6.2, paragraph 7 of the Regulation of Markets organised and managed by Borsa Italiana SpA, there were no disclosure conditions referred to by Article 15 of CONSOB Regulation 16191/2007, letters a), b) and c), point i).

# • Outlook

Consistent with the initiatives undertaken in 2018, we anticipate a 2019 dedicated mainly to the following business fronts:
- Commercial, productive and administrative integration at the consolidated level of newly acquired companies, with specific attention to organisational and business synergies;
- Organisational rationalisation and focusing of the governance structure;
- Strengthening internal information systems;
- Assessment of the acquisition opportunities offered by the market. Intensification of the Group's internationalisation process with a focus on pursuing possible acquisitions outside the national borders.

2019 is expected to be characterised by a further increase in revenues and EBITDA value, in the light of the significant development potential brought about by the recent internal growth path and Mergers and Acquisitions.

Trento, 29 March 2019
Chairman and Chief Executive Officer
Fausto Manzana

# Consolidated Financial Statements as at 31 December 2018

02

# Explanatory notes

| CONSOLIDATED BALANCE SHEET, in thousands of euros | Note | 31 December 2018 | 31 December 2017 (restated) |
|---|---|---|---|
| **Assets** | | | |
| Goodwill | 7.1 | 24,038 | 23,537 |
| Other intangible assets | 7.1 | 56,023 | 56,243 |
| Property, plant and equipment | 7.2 | 15,588 | 14,772 |
| Equity-accounted investments | 7.3 | 241 | 296 |
| Non-current financial assets | 7.4 | 2,092 | 906 |
| Deferred tax assets | 7.5 | 3,291 | 3,467 |
| Contract costs | 7.7 | 7,223 | 9,050 |
| Other non-current assets | 7.6 | 1,399 | 391 |
| **Non-current assets** | | **109,894** | **108,662** |
| Inventories | 7.7 | 3,937 | 4,046 |
| Contract assets | 7.7 | 67,799 | 63,103 |
| Trade and other receivables | 7.7 | 41,005 | 41,706 |
| Cash and cash equivalents | 7.8 | 41,600 | 39,936 |
| Current financial assets | 7.4 | 24,459 | 6,066 |
| Current tax assets | 7.9 | 904 | 1,349 |
| **Current assets** | | **179,704** | **156,206** |
| **Total assets** | | **289,598** | **264,868** |
| **Equity** | | | |
| Share capital | | 8,545 | 8,533 |
| Share premium reserve | | 56,872 | 55,733 |
| Other reserves and retained earnings/(losses) carried forward, including profit/(loss) for the year | | 1,914 | (1,359) |
| **Capital and reserves attributable to the Group** | 7.10 | **67,331** | **62,906** |
| **Capital and reserves attributable to non-controlling interests** | 7.10 | **1,270** | **1,134** |
| **Total equity** | | **68,601** | **64,040** |
| **Liabilities** | | | |
| Non-current financial liabilities | 7.11 | 86,990 | 62,956 |
| Non-current provisions for employee benefits | 7.12 | 6,059 | 6,048 |
| Non-current provisions for risks and charges | 7.13 | 270 | 2,333 |
| Deferred tax liabilities | 7.5 | 11,196 | 12,936 |
| Trade and other payables | 7.14 | 15,584 | 17,176 |
| **Non-current liabilities** | | **120,100** | **101,449** |
| Contract liabilities | 7.6 | 1,574 | 1,277 |
| Trade and other payables | 7.14 | 53,598 | 60,121 |
| Current employee benefits | 7.12 | 546 | 542 |
| Current provisions for risks and charges | 7.13 | 475 | 507 |
| Current financial liabilities | 7.11 | 40,565 | 34,088 |
| Current tax liabilities | 7.9 | 4,141 | 2,843 |
| **Current liabilities** | | **100,898** | **99,378** |
| **Total liabilities** | | **220,998** | **200,827** |
| **Total equity and liabilities** | | **289,598** | **264,868** |

| CONSOLIDATED INCOME STATEMENT<br>In thousands of euros | Note | 31 December 2018 | 31 December 2017 (restated) |
|---|---|---|---|
| Revenue | 9.1 | 201,856 | 178,810 |
| Other income | 9.1 | 1,811 | 1,074 |
| **Total revenue and other income** | | **203,667** | **179,884** |
| Raw materials and consumables | 9.2 | (7,122) | (7,180) |
| Service costs | 9.3 | (52,092) | (40,223) |
| Personnel expenses | 9.4 | (114,804) | (102,303) |
| Amortisation, depreciation and impairment losses of non-current assets | 9.5 | (13,427) | (9,576) |
| Other provisions | 9.6 | (82) | (872) |
| Other operating costs | 9.7 | (2,927) | (4,278) |
| **Operating profit/(loss)** | | **13,212** | **15,452** |
| Financial income | 9.8 | 2,261 | 592 |
| Financial expense | 9.8 | (2,560) | (2,823) |
| **Net financial income (expense)** | | **(299)** | **(2,230)** |
| Share of profit/(loss) of equity-accounted investments, net of tax | 9.9 | (97) | - |
| **Pre-tax profit** | | **12,816** | **13,222** |
| Income tax | 9.10 | (3,336) | (5,360) |
| **Profit/(loss) for the year** | | **9,480** | **7,862** |
| **Profit/(loss) for the year attributable to:** | | | |
| Owners of the parent | | 9,228 | 7,575 |
| Non-controlling interests | | 252 | 287 |

| COMPREHENSIVE CONSOLIDATED INCOME STATEMENT, in thousands of euros | Note | 31 December 2018 | 31 December 2017 (restated) |
|---|---|---|---|
| **Profit for the year** | | **9,480** | **7,862** |
| **Other comprehensive income (expense)** | 7.10 | | |
| **Components that will not be reclassified in the profit/(loss) for the year** | | | |
| Revaluations of net liabilities/(assets) for defined benefits | | (142) | 18 |
| Change in the fair value of financial assets, other than equity investments, with OCI effect | | 690 | - |
| Taxes on components that will not be reclassified in the profit/(loss) for the year | | 34 | (4) |
| | | **583** | **14** |
| **Components that are or can be reclassified subsequently in the profit/(loss) for the year** | | | |
| Change in translation reserve | | 41 | 14 |
| Cash flow hedges | | 129 | (180) |
| Taxation on Items that may be reclassified subsequently to profit or loss | | (31) | 35 |
| | | **139** | **(131)** |
| **Other comprehensive income (expense) for the year, net of taxation** | | 722 | (116) |
| **Total comprehensive expense** | | **10,201** | **7,746** |
| **Total comprehensive income (expense) attributable to:** | | | |
| Owners of the parent | | 9,934 | 7,454 |
| Non-controlling interests | | 267 | 292 |

| STATEMENT OF CHANGES IN CONSOLIDATED EQUITY, In thousands of euros | Share capital | Share premium reserve | Reserve for defined benefit plans (IAS 19) | Translation reserve | Reserve of *cash flow hedge* | Fair value assessment reserve of financial assets, other than equity investments, with OCI effect | Other reserves and retained earnings/ (losses) carried forward, including profit/(loss) for the year | Total | Equity investments of third parties | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance as at 1 January 2017** | **8,526** | **55,120** | **(130)** | **5** | **(100)** | **-** | **(3,031)** | **60,390** | **947** | **61,337** |
| **Statement of comprehensive income** | | | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | 7,575 | 7,575 | 287 | 7,862 |
| Other comprehensive income (expense) | - | - | 14 | 9 | (145) | - | - | (122) | 5 | (117) |
| **Total comprehensive income** | **-** | **-** | **14** | **9** | **(145)** | **-** | **7,575** | **7,453** | **292** | **7,745** |
| **Transactions with owners** | | | | | | | | | | |
| Contributions and distributions | - | - | - | - | - | - | - | - | - | - |
| Dividends | - | - | - | - | - | - | (4,682) | (4,682) | (20) | (4,702) |
| Business combinations | - | - | - | - | - | - | - | - | (85) | (85) |
| Other transactions with owners | - | - | - | - | - | - | 567 | 567 | - | 567 |
| **Total transactions with owners** | **-** | **-** | **-** | **-** | **-** | **-** | **(4,115)** | **(4,115)** | **(105)** | **(4,220)** |
| Other changes | 7 | 613 | - | - | - | 173 | (1,614) | (821) | - | (821) |
| **Balance as at 31 December 2017** | **8,533** | **55,733** | **(116)** | **14** | **(245)** | **173** | **(1,185)** | **62,906** | **1,134** | **64,040** |
| | | | | | | | | | | |
| **Balance as at 1 January 2018** | **8,533** | **55,733** | **(116)** | **14** | **(245)** | **173** | **(1,185)** | **62,906** | **1,134** | **64,040** |
| **Statement of comprehensive income** | | | | | | | | | | **-** |
| Profit for the year | - | - | - | - | - | - | 9,228 | 9,228 | 252 | 9,480 |
| Other comprehensive income (expense) | - | - | (106) | 24 | 98 | 690 | - | 706 | 15 | 722 |
| **Total comprehensive income** | **-** | **-** | **(106)** | **24** | **98** | **690** | **9,228** | **9,934** | **267** | **10,201** |
| **Transactions with owners** | | | | | | | | | | |
| Contributions and distributions | - | - | - | - | - | - | - | - | - | - |
| Dividends | - | - | - | - | - | - | (4,742) | (4,742) | (20) | (4,762) |
| Business combinations | - | - | - | - | - | - | - | - | - | - |
| Other transactions with owners | 12 | 1,139 | - | - | - | - | (1,136) | 15 | (15) | - |
| **Total transactions with owners** | **12** | **1,139** | **-** | **-** | **-** | **-** | **(5,866)** | **(4,727)** | **(35)** | **(4,762)** |
| Other changes | - | - | (87) | 12 | 1 | - | (708) | (782) | (96) | (878) |
| **Balance as at 31 December 2018** | **8,545** | **56,872** | **(309)** | **51** | **(146)** | **863** | **1,456** | **67,331** | **1,270** | **68,601** |

| CONSOLIDATED CASH FLOW STATEMENT<br>In thousands of euros | Note | 31 December 2018 | 31 December 2017 (restated) |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit/(loss) for the year | | 9,480 | 7,862 |
| Adjustments for: | | - | - |
| - Depreciation of property, plant and equipment | 9.5 | 2,039 | 1,858 |
| - Amortisation of intangible assets | 9.5 | 9,217 | 5,607 |
| - Amortisation of contract costs | 9.5 | 2,171 | 2,111 |
| - Other provisions | 9.6 | 82 | 872 |
| - Net financial income (expense) | 9.8 | 299 | 2,230 |
| - Share of profit/(loss) of equity-accounted investments, net of tax | 9.9 | 97 | - |
| - Income tax | 9.10 | 3,336 | 5,360 |
| Changes in working capital and other changes | | (7,462) | (32,109) |
| Interest paid | | (2,616) | (2,585) |
| Income tax paid | | (3,124) | (1,586) |
| **Net cash and cash equivalents generated by operating activities** | | **13,520** | **(10,380)** |
| **Cash flows from investing activities** | | | |
| Interest collected | | 347 | 282 |
| Acquisition of subsidiaries, net of liquidity acquired | | (3,123) | (40,582) |
| Acquisition of property, plant and equipment | 7.2 | (2,408) | (1,543) |
| Development costs and other investments in intangible assets | 7.1 | (9,549) | (3,919) |
| Proceeds from the disposal of tangible and intangible assets and non-consolidated equity investments | | 489 | 339 |
| Other investments in financial assets | | (1,516) | 476 |
| **Net liquid assets absorbed by investment assets** | | **(15,760)** | **(44,947)** |
| **Cash flows from financing activities** | | | |
| Amounts collected on issue of shares | | - | 640 |
| Acquisition of treasury shares | | (636) | (1,440) |
| Amounts collected from undertaking of financial liabilities | | 56,918 | 44,804 |
| Reimbursements of financial liabilities | | (30,345) | (34,714) |
| Finance lease payments | | (575) | (775) |
| Change of payables for acquisition of investments | | (5,257) | 21,532 |
| Change in short-term financial assets | | (11,460) | (2,025) |
| Dividends paid | 7.10 | (4,742) | (4,602) |
| **Net cash and cash equivalents generated by financing activities** | | **3,904** | **23,420** |
| **Net increase (decrease) in cash and cash equivalents** | | **1,663** | **(31,907)** |
| Initial cash and cash equivalents | | 39,936 | 71,843 |
| Effect of exchange rate fluctuations on cash and cash equivalents | | | |
| **Cash and cash equivalents** | | **41,600** | **39,936** |

# • Notes to the consolidated financial statements

## 1. General information

The GPI Group (hereinafter the "Group") operates in the field of social-healthcare IT services and new hi-tech services for health.

The Group's offering combines specialised IT expertise and advisory and planning capabilities that make it possible to operate in a range of business areas: *Software*, *Care*, *Automation*, ICT and *Pay* (see Note 9.1).

The Parent Company is GPI SpA (hereinafter "GPI" or "the Parent Company"), whose ordinary shares and warrants are listed on the Electronic Stock Market managed by Borsa Italiana SpA and therefore are subject to supervision by CONSOB (Italian Securities and Exchange Commission).

The registered offices are at Via Ragazzi del '99, 13, Trento, Italy. For further information on secondary offices, see Annex 2.

As of the date of drafting these consolidated financial statements, FM Srl is the shareholder that holds the majority of GPI SpA's shares, exercising management and coordination activities.

These consolidated financial statements as at 31 December 2018 have been approved by GPI's Board of Directors during the meeting held on 29 March 2019.

## 2. Form and content of the consolidated financial statements

The consolidated financial statements as at 31 December 2018, drawn up on the assumption of the ability of the Parent Company and the other consolidated companies to continue as a going concern, have been prepared in accordance with Articles 2 and 3 of Legislative Decree No 38/2005, in compliance with the *International Financial Reporting Standards* (IFRS), issued by the International *Accounting Standards Board* and endorsed by the European Commission, which include the interpretations issued by the *International Financial Reporting Interpretations Committee* (IFRIC), as well as the previous *International Accounting Standards* (IAS) and the interpretations of the *Standard Interpretations Committee* (SIC) still in force. For the sake of simplicity, all the standards and interpretations are defined as the "IFRS" further on.

The consolidated financial statements comprise the consolidated accounting schedules (statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and cash flow statement) and these notes, applying the provisions of IAS 1 "Presentation of financial statements" and the general historical cost approach, with the exception of the financial statements items which on the basis of the IFRS are recognised at *fair value*, as indicated in the accounting standards for the individual items described in Note 3. The statement of financial position is presented on the basis of the layout which provides for the distinction between current and non-current assets and liabilities. The costs are classified on the basis of the nature of the same in the income statement. The cash flow statement is drawn up applying the indirect method.

The IFRS are applied on a consistent basis with the indications provided in the "*Conceptual Framework for Financial Reporting*", and no problematic issues which would have led to recourse to the departures as per section 19 of IAS 1 arose.

All the balances are expressed in thousands of euros, unless otherwise indicated. The euro is the functional currency of the Parent Company and the main subsidiaries, as well as the presentation currency of these consolidated financial statements. The corresponding balance for the previous year is shown for each item of the consolidated accounting schedules, for comparative purposes.

Some amounts presented for comparative purposes have been reclassified or restated, as compared to the values exhibited in the previous year, as a result of a change in the classification or the fair value of the consideration transferred (including contingent consideration) and/or the fair value of the assets acquired and liabilities assumed, measured previously on a provisional basis, in relation to the acquisition of an equity investment.

# 3. Accounting standards and policies applied

The most significant accounting standards and policies applied during the preparation of the consolidated financial statements as at 31 December 2018 are illustrated below. The accounting principles described below have been applied consistently for all periods included in these consolidated financial statements, with the exception of the adoption of new accounting standards, interpretations and amendments as reported below.

## Intangible assets and goodwill

Intangible assets are the identifiable assets lacking physical consistency, controlled by the Company and capable of producing future economic benefits, as well as goodwill, when acquired against payment.

The identifiability is defined with reference to the possibility of distinguishing the intangible assets acquired with respect to goodwill. This requirement is normally met when the intangible asset: (i) is attributable to a legal or contractual right or (ii) is separable, or can be sold, transferred, leased or exchanged autonomously or as an integral part of other assets. The control by the Company involves the ability to make use of the future economic benefits deriving from the assets and the possibility of limiting access to the same by others.

The costs relating to internal development activities are recognised under assets when: (i) the costs attributable to the intangible asset can be reliably determined; (ii) there is the intention, availability of financial resources and technical capacity to render the assets available for use or sale; (iii) it can be demonstrated that the asset is able to produce future economic benefits.

Goodwill arising from the acquisition of subsidiaries is valued at cost net of accumulated impairment losses.
Intangible assets are recognised at cost, which is determined in accordance with the same methods indicated for property, plant and equipment.

Intangible assets with a defined useful life are amortised as from the moment the same assets are available for use, in relation to the residual useful life.

The annual amortisation rates used in 2018, presented by standardised categories with an indication of the related interval of application, are shown in the table below:

| Intangible assets | Amortisation rate |
|---|---|
| *Software* | Between 6% and 33% |
| Customer relations | Between 10% and 50% |
| Other intangible assets | Between 12% and 33% |

## Property, plant and equipment

Property, plant and equipment are stated at purchase cost, inclusive of any directly attributable related charges, as well as the financial expense incurred during the period of realisation of the assets. The assets acquired via business combinations which took place before 1 January 2015 (date of transition to the IFRS by the Group) are recognised at the pre-existing carrying amount, determined within the sphere of these combinations on the basis of the previous accounting standards, as the value replacing the cost.

The cost of the property, plant and equipment, determined as indicated above, whose use is limited over time, is depreciated systematically each year, on a straight-line basis, on the basis of the estimated economic-technical life.

If significant parts of property, plant and equipment have different useful lives, these components are recognised separately in the accounts. Land, whether free from construction or associated with industrial and non-industrial buildings, is not depreciated since it has an unlimited useful life.

The annual depreciation rates used in 2018, presented by standardised categories with an indication of the related interval of application, are shown in the table below:

| Property, plant and equipment | Depreciation rate |
|---|---|
| Buildings | 3% |
| Plant and machinery | Between 12% and 30% |
| Industrial equipment | 15% |
| Other assets | Between 12% and 15% |

Property, plant and equipment acquired under financial lease agreements are initially recognised as property, plant and equipment, as a balancing entry to the related payable, at a value equal to the related *fair value* or, if lower, the current value of the minimum payments due contractually. The amount paid is split up into its components of financial expense, recognised in the income statement, and principal repayments, deducted from the financial debt.

In the presence of specific indicators regarding the risk of non-recovery of the carrying amount of property, plant and equipment, these are subject to an *impairment test* to detect any losses in value, as described further on in the specific section.

Property, plant and equipment are no longer recorded in the financial statements further to their disposal; any gain or loss (calculated as the difference between the disposal value, net of the selling costs, and the carrying amount) is recognised in the income statement in the year of disposal.

## Equity Investments

Equity investments in non-consolidated subsidiaries, associates and joint ventures are accounted for using the equity method and initially recognised at cost, recognising the portion of the profits or losses accrued during the year pertaining to the Group in the income statement, with the exception of the effects relating to other changes in the equity of the investees, other than transactions with the shareholders, which are directly reflected in the Group's comprehensive income statement.

Associates are entities over whose financial and operating policies the Group exercises a significant influence, despite not having control or joint control, while joint ventures are represented by an agreement through which the Group has rights to the net assets, rather than claiming rights on the assets and assuming obligations for the liabilities.

In the event of possible losses exceeding the carrying amount of the investment, the excess is recognised in a specific liability reserve to the extent that the investing company is obliged to fulfil legal or implicit obligations vis-à-vis the investee or in any event to cover the losses.

## Contract costs

The entity accounts for the incremental costs for obtaining the contract with the customer as an asset, if it expects to recover them.
The incremental costs of obtaining a contract are costs that the entity incurs to obtain a contract with the customer, and that it would not have incurred if it had not obtained the contract.

The costs of obtaining a contract that would have been incurred even if the contract had not been obtained are recognised as an expense when they are incurred, unless they are explicitly chargeable to the customer even if the contract is not obtained or they do not meet the accounting requirements as assets, such as costs for the fulfilment of the contract.

As a practical expedient, the entity can account for the incremental costs of obtaining a contract as an expense when they are incurred, if the amortisation period of the asset that the entity would have otherwise applied does not exceed a year.

If the costs incurred for the fulfilment of the contract with the customer do not fall within the scope of another standard, the entity recognises the costs incurred for the fulfilment of the contract as assets only if the costs meet all of the following conditions:
- the costs are directly related to the contract or an envisaged contract, which the entity can specifically identify (which may be, for example, the costs incurred to provide services in the framework of the renewal of the current contract, or the design of an asset to be transferred according to a specific contract that is not yet approved);
- the costs allow the entity to have new or more resources to be used to satisfy (or continue to fulfil) the obligations to perform in the future; and
- the costs are expected to be recovered.

Costs that are directly related to the contract (or to a specific envisaged contract) include the following:
- direct labour costs (for example, the salaries of employees directly providing the services promised to the customer);
- direct raw material costs (for example, supplies used to provide the customer with the promised services);
- the allocations of costs that are directly related to the contract or the contractual activities (for example, the costs of management and supervision of the contract, insurance and depreciation of tools, equipment, and assets consisting in the right of use that is used for the fulfilment of the contract);
- the costs explicitly chargeable to the customer under the contract; and
- other costs incurred for the sole reason that the entity has concluded the contract (for example, payments to subcontractors).

An entity shall recognise the following costs as expenses at the time they are incurred:
- general and administrative costs, unless explicitly chargeable to the customer under the contract;
- costs for loss of materials, hours of work or other resources used for the performance of the contract which were not included in the contract price;
- costs related to obligations to be fulfilled (or partially fulfilled) provided for in the contract (i.e. costs related to past services); and
- costs for which the entity is unable to determine whether they are related to obligations to perform that are not fulfilled or obligations to perform that are fulfilled (or partially fulfilled).

## Revenue

The Group has used the option to apply from the year ending 31 December 2016, in advance, the accounting standard approved by the European Commission in the course of 2016, "IFRS 15 Revenue from Contracts with Customers".

Revenue is recognised on the basis of the payments allocated to *performance obligations* arising from contracts with customers.

The recognition of revenue takes place at the time the related *performance obligation* is satisfied, or when the Group has transferred control over the good or service to the customer, in the following ways:
- *over time;*
- *at a point in time*.

The following table shows the main types of products and services which the Group supplies to its customers and the related recognition methods:

| Products and services | Nature and timescale for satisfying the *performance obligations* |
|---|---|
| **Supply of *hardware* and *software*** | The Group recognises the "*point in time*" revenue when the *hardware* and *software* devices are available for use by the customer. This normally takes place on completion of the installation of the devices by the Group. |
| **Supply of administrative services** | Within the sphere of long-term contracts for the supply of administrative services, the Group recognises the portion of "*point in time*" revenue corresponding to the preparation and launch of the technological and operational infrastructure. The handling of the administrative services, usually long term, determines the recognition of the "*over time*" revenue. |
| **Corrective and adaptive maintenance of the *software* and helpdesk *services*** | The fees for services for corrective and adaptive maintenance of *software* and *helpdesk* services are recognised "*over time*", on a straight-line basis over the supply period, since the economic benefits are independent from the degree of use of said services by the customers. |
| **Developmental maintenance of the *software*** | The Group recognises the revenue from services for the developmental maintenance of the software on the basis of the disbursement of said services. This normally takes place "*over time*" on the basis of the days of work carried out which can be invoiced. |
| **Supply of machinery (including under *financial leases*)** | The revenue arising from the supply of machinery (also under financial *leases*) is recognised at the time the risks and the benefits arising from control over the asset are transferred to the customer, which normally takes place on delivery. |
| ***Desktop Management Activity*** | The fees for system assistance and *Desktop Management* are recognised "*over time*", in the context of usually long-term contracts. |
| ***Payroll* Services** | The Group's revenues related to the payroll processing services and the auditing of the information resulting from the calculation of salaries are recognised "*over time*". |

In cases where a contract with the customer involves several *performance obligations*, the Group takes steps to make an equal allocation of the contractual payment on the basis of the "expected cost plus margin" approach. This typically takes place in packages for the supply of hardware and/or software and maintenance, in administrative service contracts (CUP) and in the e-money sector.

Interest income, as well as income expense, is calculated on the value of the related financial assets and liabilities, using the effective interest rate.

Dividends are recognised when the right of the shareholders to receive the related payment arises.

## Contract assets and liabilities

The contracts with customers are recognised on the basis of the payments accrued with reasonable certainty in relation to the satisfaction of the *performance obligations* deriving from said contracts.

The accrued payments include: (i) revenue accrued on the *performance obligations* fulfilled "over time" and (ii) revenues accrued on the *performance obligations* fulfilled "*at a point in time*" or, if the *performance obligations* which lead to the recognition of "*at a point in time*" revenue have not yet been fulfilled as of the reporting date, the costs incurred for the fulfilment of the *performance obligations* not yet fulfilled.

The positive or negative difference between the payment accrued and the amount invoiced is recognised respectively under the assets or under the liabilities in the statement of financial position, having also taken into account any write-downs made for risks associated with the failure to recognise the services performed.

In the event that due to the fulfilment of the *performance obligations* laid down by the contracts a loss is envisaged, this is immediately booked to the income statement irrespective of the state of fulfilment of the *performance obligations*.

## Financial instruments

The financial instruments held by the Group are represented by the items described below.

- Financial assets

  Financial assets include equity investments, current securities, current financial receivables, also represented by the positive *fair value* of derivative financial instruments, trade receivables and other receivables, as well as cash and cash equivalents.

  In particular, the cash and cash equivalents include cash, bank deposits and highly marketable securities that can be converted into cash immediately and that are subject to an insignificant risk of change in value.

  Current securities comprise short-term securities or marketable securities representing temporary cash investments that do not meet the requirements to be classified as cash and cash equivalents. The financial assets represented by debt securities are classified in the financial statements and valued on the basis of the business model that the Group has decided to adopt for the handling of the financial assets themselves, and on the basis of the cash flows associated with each financial asset. Financial assets also include equity investments that are not held for trading. These assets are strategic investments and the Group has decided to recognise changes in their fair value among profit and loss components of the income statement ('FVTPL' or *fair value through profit and loss*).

  Financial assets are subject to being verified regarding their recoverability by applying an *impairment* model based on the *expected credit losses*, or "ECL".

- Financial liabilities

  Financial liabilities include financial payables, which are also represented by the negative *fair value* of financial derivatives, commercial payables and other payables.

  Financial liabilities are classified and valued at amortised cost, except for financial liabilities that are initially recognised at *fair value*, for example, financial liabilities related to contingent considerations (*earn out*) related to business combinations, derivative instruments and financial liabilities for *options* on minority holdings.

- Derecognition of financial assets and financial liabilities

  A financial asset or liability (or, where applicable, part of a financial asset or liability, or part of a group of similar financial assets or liabilities) is cancelled from the financial statements when the Group has unconditionally transferred the right to receive cash flows from the asset or the obligation to make payments or execute other obligations related to the liability.

- Derivative financial instruments and hedging transactions
  Financial derivatives are only used for hedging purposes in order to reduce interest rate risk. Financial derivatives are accounted for in accordance with the methods established for *hedge accounting* (*fair value hedge or cash flow hedge*) only when, at the inception of the hedge, there is a designation of the hedging relationship itself. All financial derivatives are recognised at *fair value*.
  If *hedge accounting* cannot be applied, the gains or losses arising from the current value of the derivative financial instrument are to be recorded in the income statement.

## Inventories

Inventories, mainly made up of stock and spare parts for the maintenance and assembly of machines, are recognised at purchase or production cost and the net estimated realisable value which can be obtained from their sale during the normal performance of the activities, whichever is the lower. The purchase cost is determined by means of the application of the weighted average cost method.

## Receivables and payables

Receivables are initially recognised at *fair value* and subsequently at amortised cost, using the effective interest rate method, net of the related impairment losses with reference to the sums deemed non-collectible. The estimate of the sums deemed uncollectible is based on the value of the estimated future cash flows. These flows take into account the envisaged recovery timescales, the estimated realisable value, any guarantees received, as well as the costs which it is believed will have to be incurred for the recovery of the receivables. The original value of the receivables is reinstated in subsequent years to the extent that the reasons which led to the adjustment cease to exist. In this case, the write-back is recorded in the income statement and cannot in any event exceed the amortised cost which the receivable would have had in the absence of the previous adjustments.

Payables are initially recognised at cost, corresponding to the *fair value* of the liability, net of any directly attributable transaction costs. After initial recognition, payables are valued using the amortised cost approach, adopting the effective interest rate method.

Trade receivables and payables, whose maturity falls within the normal trade terms, are not discounted.

## Employee benefits

The liabilities relating to short-term benefits guaranteed to employees, provided during the employment relationship, are recognised on an accruals basis for the amount accrued as of the year-end date.

The liabilities relating to benefits guaranteed to employees, provided in coincidence with or after the termination of the employment relationship by means of defined contribution plans, are recognised for the amount accrued as of the year-end date.

The liabilities relating to benefits guaranteed to employees, provided in coincidence with or after the termination of the employment relationship by means of defined benefit plans, are recognised in the period that the right accrues, net of any assets serving the plan and the advances paid out, are determined in accordance with actuarial hypotheses and are recognised on an accruals basis in line with the work services necessary for obtaining the benefits. The valuation of these liabilities is carried out by independent actuaries. The gain or the loss deriving from making the actuarial calculation is recorded in full in the statement of comprehensive income in the reference period.

## Provisions for risks and charges

Provisions for risks and charges are recognised when: (i) there is a current obligation (legal or implicit) vis-à-vis third parties which derives from a past event; (ii) an outlay of resources to satisfy the obligation is probable; and (iii) a reliable estimate of the amount of the obligation can be made.

The provisions are stated at the value representing the best estimate of the amount which the Company would pay to settle an obligation or to transfer it to third parties as of the year-end date. If the effect of the discounting back is significant, the provisions are determined by discounting the expected cash flows using a discount rate which reflects the current market valuation of the cost of money. When the discounting is carried out, the increase in the provision due to the passage of time is recorded as financial expense.

## Public grants

Operating grants are recorded in the income statement in the year of pertinence, on a consistent basis with the costs which they are commensurate with.

The grants related to assets received for projects and development activities are stated under liabilities in the statement of financial position and are subsequently recognised under operating revenues in the income statement, on a consistent basis with the amortisation of the assets to which they refer.

Any grants received for investments in property, plant and equipment are recognised as a reduction of the cost of the assets to which they refer and contribute, as a reduction, to the calculation of the related depreciation charges.

## Treasury shares

In the case of a repurchase of shares recognised in equity, the consideration paid, including costs directly attributable to the transaction, are recognised as a reduction of equity. The shares thus repurchased are classified as treasury shares and recognised in the treasury share reserve. The consideration received from the subsequent sale or resale of treasury shares is recognised as an increase in equity. Any positive or negative difference arising from the transaction is to be recognised in the share premium reserve.

## Income tax

Income tax is recognised on the basis of an estimate of the tax liabilities to be paid, in compliance with the provisions in force applicable to each Group company.

The payables relating to income tax are stated under current tax liabilities in the statement of financial position, net of the advances paid. Any positive imbalance is recorded under current tax assets.

The deferred tax assets and liabilities are calculated on the basis of the timing differences between the carrying amount of the assets and liabilities (emerging from the application of accounting standards applied as described in this Note 3 Accounting standards and policies applied) and the value of the same for tax purposes (deriving from the application of the tax legislation existing in the subsidiary's country) and are recognised: (i) the former, only if sufficient taxable income which would permit their recovery is probable; (ii) the latter, if existing, in any event.

The Parent Company GPI SpA has prepared the National Tax Consolidation Scheme once again for 2018; a number of the Italian subsidiaries comply with this.

## Impairment losses and reversals of impairment losses (impairment test)

As of the reporting date, the carrying amount of property, plant and equipment, intangible assets, financial assets and equity investments is subject to assessment so as to determine whether there are indications that these assets have suffered a loss in value (impairment). If these indications exist, steps are taken to estimate the value of said assets, to check the recoverability of the amounts recorded in the financial statements and to determine the amount of any impairment loss to be recognised. With regard to intangible assets with an indefinite useful life and those in progress, the aforementioned *impairment test* is carried out at least once a year, irrespective of the occurrence or otherwise of events which lead to the supposition of impairment, or more frequently in the event that events or changes in circumstances take place which may reveal possible impairments.

If it is not possible to estimate the recoverable value of an asset individually, the estimate of the recoverable value is included within the sphere of a *cash-generating unit* (CGU) to which the assets belong. This check involves the estimate of the recoverable value of the assets (represented by the estimated market value, net of selling costs, or the value in use, whichever is the higher) and the comparison with the related carrying amount. If the latter is higher, the asset is written down to the recoverable value.

When determining the value in use, the pre-tax estimated future cash flows are discounted using a discount rate, pre-tax, which reflects the current estimate of the market referring to the cost of the capital in relation to time and the specific risks of the asset. In the estimate of the future cash flows of operating functioning CGUs, by contrast, cash flows and discount rates net of taxation are used, which produce results more or less equivalent to those deriving from a pre-tax valuation. The impairment losses are recognised in the income statement and classified differently depending on the nature of the impaired assets. The same are reversed, within the limits of the impairment losses recognised, in the event that the reasons which generated the latter cease to exist, with the exception of goodwill and participating financial instruments valued at cost in the cases where the *fair value* cannot be reliably determined.

## Estimates and valuations

As provided for by the IFRS, the drafting of the financial statements requires estimates and valuations to be made which are reflected in the determination of the carrying amount of the assets and liabilities, as well as in the information provided in the notes, also with reference to the contingent assets and liabilities outstanding at year-end.

The decisions taken by the management during the process of the application of the IFRS standards, which have the most significant effects on the amounts recognised in the consolidated financial statements, relate to the identification of the "performance obligations" deriving from contracts with customers and their valuation.

Estimates are used primarily for the determination of amortisation and depreciation, asset *impairment* tests (including the valuation of receivables), for provisions, benefits for employees, the *fair value* of financial assets and financial liabilities, deferred tax assets and liabilities, the acquisition of a subsidiary: the *fair value* of transferred consideration (including a contingent consideration) and the *fair value* of the assets acquired and the liabilities assumed, are accounted for on a provisional basis.

The effective results recognised subsequently could, therefore, differ from these estimates; furthermore, the estimates and the valuations are reviewed and updated periodically and the effects deriving from any changes in the same are immediately reflected in the financial statements.

## Translation of foreign currency balances

a. Foreign management

The financial statements of each consolidated company are drawn up using the functional currency relating to the economic context in which each company operates. The transactions in currencies other than the functional currency are recognised using the exchange rate in force as of the date of the transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are subsequently adjusted to the exchange rate in force as of the pertinent year-end date and the exchange differences possibly emerging are recognised in the income statement. The non-monetary assets and liabilities denominated in foreign currency and recognised at historical cost are converted using the exchange rate in force as of the date of initial recognition of the transaction.

For the purposes of consolidation in the Group's accounts, the conversion of the financial statements of the consolidated companies with functional currency other than the euro takes place by applying the exchange rate in force as of the year-end date to the assets and liabilities, including the goodwill and the adjustments made at the time of consolidation, while the average exchange rates for the period (if they approximate the exchange rates in force as of the date of the respective transactions) or for the period subject to consolidation, if lower, are applied to the income statement items. The related exchange differences are recognised directly in the statement of comprehensive income and reclassified in the income statement at the time of the loss of control over the investment and, therefore, of the related deconsolidation.

b. Foreign currency transactions

Foreign exchange transactions are to be converted into the functional currency of each Group entity at the exchange rate in force on the date of the transaction.

Monetary items in foreign currency at the year-end closing date are to be converted into the functional currency using the exchange rate on the same date. Non-monetary items that are measured at *fair value* in a foreign currency are translated into the functional currency using the exchange rates in force on the date on which the *fair value* has been determined. Non-monetary items that are valued at historical cost in a foreign currency are to be converted using the exchange rate at the same date as the transaction. Exchange differences arising from conversion are generally recognised in the profit/(loss) for the year.

However, exchange differences arising from the conversion of the following items are recognised among other components of the comprehensive income statement for cash flow hedges to the extent that the hedge is effective.

## Valuation of the *fair value* and *fair value* hierarchy

With regard to all the transactions or balances (financial or non-financial) in relation to which an accounting standard requires or permits measurement at *fair value* and which falls within the scope of application of IFRS 13, the Group applies the following criteria:

a) identification of the *unit of account*, in other words the level at which an asset or a liability is aggregated or disaggregated so as to be recognised for IFRS purposes;
b) identification of the main market (or, in the absence thereof, the most advantageous market) on which transactions could take place for the asset or the liability subject to valuation; in the absence of evidence to the contrary, it is presumed that the market currently used coincides with the main market or, in the absence thereof, with the most advantageous market;
c) definition, for non-financial assets, of the *highest* and *best use*: in the absence of evidence to the contrary, the *highest and best use* coincides with the current use of the asset;

d) definition of the most appropriate valuation techniques for the estimate of the *fair value*: these techniques maximise the recourse to observable data, which the market participants would use for determining the price of the asset or the liability;
e) determination of the *fair value* of the assets, as the price which would be received for the related sale, and of the liabilities and the capital instruments, as the price which would be paid for the related transfer in a regular transaction between market operators as of the date of valuation;
f) inclusion of the *non-performance risk* in the valuation of the assets and liabilities and, in particular for the financial instruments, determination of an adjustment factor in the measurement of the *fair value* in order to include not only the counterparty risk (CVA - *credit valuation adjustment*) but also the related credit risk (DVA - *debit valuation adjustment*).

On the basis of the data used for the valuations at *fair value*, a *fair value* hierarchy is identified on the basis of which to classify the assets and liabilities valued at *fair value*, or for which the *fair value* is indicated in the financial statements disclosure:

a) level 1: this includes the prices listed on active markets for assets or liabilities identical to those subject to valuation;
b) level 2: this includes observable data, other than that included in level 1, such as for example: i) prices listed on active markets for similar assets or liabilities; ii) prices listed on inactive markets for similar or identical assets or liabilities; iii) other observable data (interest rate curves, implicit volatilities, credit *spreads*);
c) level 3: this uses non-observable data, which can be resorted to if observable input data is not available. The non-observable data used for the purposes of the *fair value* valuation reflect the hypotheses that the market participants would adopt in fixing the price for the assets and liabilities subject to valuation.

Reference is made to the notes relating to the individual financial statements items for the definition of the *fair value* hierarchy level on the basis of which to classify the individual instruments valued at *fair value*, or for which the *fair value* is indicated in the financial statements disclosure.

No transfers took place during the year between the various *fair value* hierarchy levels.

With regard to the medium-/long-term financial instruments, other than derivatives, should market listings not be available, the *fair value* is determined by discounting the expected cash flows, using the market interest rate curve as of the reference date and considering the counterparty risk in the event of financial assets and the related credit risk in the event of financial liabilities.

## New accounting standards

The following international accounting standards and interpretations issued by the IASB and endorsed by the EU entered into force during the financial year and are therefore mandatory from 1 January 2018. For such standards, which already apply starting from the year 2017, the Group had not opted for early adoption except for the accounting standard "IFRS 15 Revenue from Contracts with Customers" used from the year ended 31 December 2016:

| Document title | Issue date | Date of entry into force | Date of approval | EU Regulation and date of publication |
|---|---|---|---|---|
| IFRS 15 - Revenue from Contracts with Customers | May 2014 (*) | 1 January 2018 | Sept-16 | (EU) 2016/1905 29.10.2016 |
| IFRS 9 - Financial Instruments | Jul-14 | 1 January 2018 | Nov-16 | (EU) 2016/2067 29.11.2016 |
| Clarifications to IFRS 15 - Revenue from Contracts with Customers | Apr-16 | 1 January 2018 | Oct-17 | (EU) 2017/1987 09.11.2017 |
| Joint application of IFRS 9 Financial Instruments and IFRS 4 Insurance Contracts - (Amendments to IFRS 4) | Sept-16 | 1 January 2018 | Nov-17 | (EU) 2017/1988 09.11.2017 |
| Improvements to the IFRS - 2014-2016 cycle (Amendments to IFRS 1 and IAS 28) | Dec-16 | 1 January 2018 | Feb-18 | (EU) 2018/182 08.02.2018 |
| Classification and valuation of transactions with share-based payments (Amendments to IFRS 2) | Jun-16 | 1 January 2018 | Feb-18 | (EU) 2018/289 27.02.2018 |
| Changes of use of investment property (Amendments to IAS 40) | Dec-16 | 1 January 2018 | Mar-18 | (EU) 2018/400 15.03.2018 |
| Interpretation IFRIC 22 - Foreign currency transactions and advances | Dec-16 | 1 January 2018 | Mar-18 | (EU) 2018/519 03.04.2018 |

The impact deriving from the IFRS 9 accounting standard is shown below, while the introduction of other documents in 2018 did not have a significant impact on the consolidated financial statements.

## IFRS 9 – Effects deriving from the first adoption

IFRS 9 Financial Instruments, published by the IASB in July 2014 and endorsed by the European Union in November 2016, replaced IAS 39 Financial Instruments: Recognition and Measurement, starting from 1 January 2018. IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities, a new model for the calculation of the *impairment* of financial assets and new provisions for *hedge accounting*.

IFRS 9 was applied retrospectively by the Group as from 1 January 2018, applying the following transitional provisions:
- the Group availed itself of the exemption which permits it to not redefine the comparative information of the previous year for changes in classification and valuation (including the new provisions relating to the methods for calculating the *impairment* of financial assets). Therefore, differences in the carrying amounts of financial assets and financial liabilities arising from the adoption of IFRS 9 were recognised under retained earnings and reserves as at 1 January 2018;
- with reference to the accounting representation methods of hedging transactions, the Group decided to continue to apply the provisions of IAS 39, thereby postponing the application of the *hedge accounting* provided for by IFRS 9, as allowed by the new standard.

## A) Classification and valuation of financial instruments

**Financial assets**

By means of IFRS 9, receivables, loans and debt securities included in financial assets are classified into the following three categories according to the characteristics of the cash flows from these assets (verified by the *SPPI Test)* and the business model with which they are handled:
- assets valued at amortised cost;
- assets valued at *fair value*, recognised as a counter-entry of other components of the comprehensive income statement (FVOCI, i.e. *fair value through other comprehensive income*);
- assets valued at *fair value*, recognised as a counter-entry of the income statement (FVTPL, i.e. *fair value through profit or loss* ).

Derivatives incorporated in contracts where the primary element is a financial asset falling within the scope of the standard must no longer be separated. Instead the hybrid instrument is examined in order to classify its overall purpose.

The above-mentioned categories provided by IFRS 9 replace the previous IAS 39 categories, i.e. assets held to maturity, loans and receivables, assets available for sale and assets valued at FVTPL.

In particular, a financial asset must be valued at its amortised cost if it is not designated at FVTPL, and both of the following conditions are satisfied:
- the financial asset is held in the framework of a business model whose objective is to hold financial assets for the collection of contractual cash flows;
- the contractual terms of the financial asset include, at certain dates, the cash flows represented only by payments of principal and interest on the principal amount to be repaid.

A financial asset must be valued at FVOCI if it is not designated at FVTPL, and both of the following conditions are satisfied:
- the financial asset is held in the framework of a business model whose objective is achieved both through the collection of contractual cash flows and by the sale of financial assets;
- the contractual terms of the financial asset include, at certain dates, the cash flows represented only by payments of principal and interest on the principal amount to be repaid.

All financial assets that do not fall under the two previous categories are valued at FVTPL.

The impact recorded on the equity at the opening of 1 January 2018, subsequent to the application of the new provisions, was not significant.

With reference to the equity securities represented by equity investments other than those in subsidiaries, associates and *joint ventures* and which are not held for *trading* purposes, the Group has decided not to exercise the option for an FVOCI valuation, and therefore these investments are valued at FVTPL.

**Financial liabilities**
IFRS 9 maintains, in substance, the provisions of IAS 39 for the classification and valuation of financial liabilities, except for financial liabilities valued at FVTPL, for which it is expected that the changes in *fair value* related to the changes in the issuer's credit risk (*'own credit risk'*) are recognised among the other components of the comprehensive income statement instead of in the result for the year, unless this results in an accounting asymmetry.

The first application of IFRS 9 did not have an impact for the Group with regard to financial liabilities.

## B) *Impairment*

IFRS 9 replaces the *impairment* model provided in IAS 39 that was based on the "*incurred loss*", with a forecasting model based on *expected credit loss* or "ECL". With reference to these new provisions, it is not necessary to verify the event triggering the loss (*impairment trigger*) in order to make the consequent recognition in the financial statements, but it is required to have an immediate recognition of the expected future loss, using data from the past and present, as well as the *forward-looking* information regarding future circumstances.

The Group valued the trade receivables in accordance with the simplified method provided by IFRS 9 in the presence of receivables with a non-significant financial component: in particular, a provision based on *expected losses* was recognised over the entire life of the assets. This provision, established since the date on which the receivables were registered, was determined on the basis of supporting information, which is available without unreasonable effort and which includes not only historical and current data but also prospective data. This valuation method did not result in material differences compared to that resulting from the previous model applied by the Group, which included the calculation of a provision based on a specific analysis of the *incurred loss* on the existing receivables, increased by an additional provision determined on the basis of historical experience.

The following table provides an overview of the financial assets and liabilities outstanding at 31 December 2017, highlighting the related valuation criterion applied under the previous IAS 39 and the new IFRS 9.

| ASSETS<br>In thousands of euros | IAS 39 | | | IFRS 9 | | |
|---|---|---|---|---|---|---|
| | Business Model | Valuation criteria | Balance 31.12.2017 | Business Model | Valuation criteria | Balance 1.1.2018 |
| **Non-current financial assets** | | | | | | |
| Equity investments accounted for at *fair value* | AFS | FVOCI | 130 | FVTPL | FVTPL | 130 |
| Securities other than equity investments available for sale | AFS | FVOCI | 156 | FVTPL | FVTPL | 156 |
| Securities other than equity investments held to maturity | HTM | Amortised cost | 506 | FVTPL | FVTPL | 506 |
| Other financial assets | L&R | Amortised cost | 114 | HTC | Amortised cost | 114 |
| **Current financial assets** | | | | | | |
| Receivables from *factoring agents* | L&R | Amortised cost | 5,455 | FVTPL | FVTPL | 5,455 |
| Other financial assets | L&R | Amortised cost | 611 | HTC | Amortised cost | 611 |
| **Trade assets** | | | | | | |
| Trade receivables and other current receivables | L&R | Amortised cost | 41,706 | HTC | Amortised cost | 41,706 |
| Other non-current assets | L&R | Amortised cost | 391 | HTC | Amortised cost | 391 |
| **Cash and cash equivalents** | | | | | | |
| Cash and cash equivalents | L&R | Amortised cost | 39,936 | HTC | Amortised cost | 39,936 |

| LIABILITIES<br>In thousands of euros | IAS 39 | | IFRS 9 | |
|---|---|---|---|---|
| | Valuation criteria | Balance 31.12.2017 | Valuation criteria | Balance 1.1.2018 |
| **Non-current financial liabilities** | | | | |
| Bank loans and borrowings | Amortised cost | 24,738 | Amortised cost | 24,738 |
| Bond issues | Amortised cost | 35,436 | Amortised cost | 35,436 |
| Financial *leasing* liabilities | Amortised cost | 2,639 | Amortised cost | 2,639 |
| Derivatives with negative *fair value* | *Cash flow hedge* | 143 | *Cash flow hedge* | 143 |
| **Current financial liabilities** | | | | |
| Bank loans and borrowings | Amortised cost | 20,757 | Amortised cost | 20,757 |
| Bond issues | Amortised cost | 10,750 | Amortised cost | 10,750 |
| Financial *leasing* liabilities | Amortised cost | 452 | Amortised cost | 452 |
| Amounts due to factoring agents | Amortised cost | 2,130 | Amortised cost | 2,130 |
| **Trade payables** | | | | |
| Trade payables and other current payables | Amortised cost | 77,297 | Amortised cost | 77,297 |

Legend:
- AFS: *available for sale*;
- FVOCI: *fair value through other comprehensive income*;
- FVTPL: *fair value through profit and loss*;
- HTM: *held to maturity*;
- L&R: *loans and receivables*;
- HTC: *hold to collect*.

## Accounting standards published but NOT yet adopted

The following standards and their interpretations shall apply from financial years beginning on 1 January 2019 and thereafter:

| Document title | Issue date | Date entered into force | Date of approval | EU Regulation and date of publication |
|---|---|---|---|---|
| IFRS 16 *Leasing* | Jan-16 | 1 January 2019 | Oct-17 | (EU) 2017/1986<br>09.11.2017 |
| Prepayment features with negative compensation (Amendments to IFRS 9) | Oct-17 | 1 January 2019 | Mar-18 | (EU) 2018/498<br>26.03.2018 |
| Interpretation IFRIC 23 — Uncertainty over Income Tax Treatments | Jun-17 | 1 January 2019 | Oct-18 | (EU) 2018/1595<br>24.10.2018 |

The Group did not apply these standards in advance.

## IFRS 16

IFRS 16 is applied for financial years beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at the date of first application of IFRS 16 or that already applied IFRS 15. IFRS 16 introduces a single accounting model for *leases* in the financial statements of lessees, according to which the lessee recognises an asset that represents the right to use the underlying asset and a liability that reflects the obligation for the payment of lease payments. Exemptions to IFRS 16 are provided for short-term *leases* and those of low value. The accounting method for the lessor remains similar to that provided for in the current standard, i.e. the lessor continues to classify the *leases* as operational or financial. IFRS 16 will enter into force for periods beginning on or after 1January 2019. Early application is permitted, but not until an entity has adopted IFRS 15. A lessee may choose to apply the standard by using a fully retrospective or a modified retrospective approach.

For the purposes of presentation in the financial statements regarding the effects arising from the first time adoption of IFRS 16, for which the evaluation and refinement is currently ongoing, the Group has chosen to apply the standard retrospectively, recording the cumulative effect resulting from the application of the standard in equity as of 1 January 2019, as provided for by IFRS 16, sections: C7-C13.
In particular, the Group will account for certain contracts as *leasing* that were previously classified as operational:
- a financial liability, recognised as the present value of the remaining payments due discounted using the lessee's marginal lending rate;
- a right of use, equal to the value of the financial liability at the date of transition, net of any accrued income and prepayments/ accrued expenses and deferred income related to the *lease* and recognised in the balance sheet as of the closing date of these financial statements.

In the adoption of IFRS 16, the Group intends to make use of the exemption granted in IFRS 16:5(a) in relation to *short-term leases*. Likewise, the Group intends to make use of the exemption granted by IFRS 16:5(b) as regards the *lease* contracts for which the underlying *asset* is configured as a *low-value asset* (i.e. the underlying assets of the *lease* contract do not exceed EUR 5 thousand when new).

The main impacts on the Group's consolidated financial statements are estimated as follows:
- balance sheet position: increased non-current assets due to the registration of the "right to the use of leased assets" in respect of greater financial liabilities; consequently, a *leasing* payable of between EUR 10.5 and EUR 11.6 million is expected to be registered in the course of the transition;
- income statement: the registration of the "amortisation of the right of use of the assets " and of the "financial expense charges for interest" in place of "other operating costs", with a consequent positive impact on the EBITDA percentage of between 8.4 and 9.3 percentage points per year within the scope of consolidation;
- cash flow statement: the payment of the *leasing* payments for the capital portion of the repayment of the debt will be reclassified from "cash flows generated by operating activities" to "cash flows generated by financing activities".

## Documents NOT yet approved by the EU at 31 December 2018

The international accounting standards, interpretations, amendments to existing accounting standards and interpretations, or specific provisions contained in the standards and interpretations approved by the IASB which have not yet been endorsed for adoption in Europe at the date of these financial statements, are set out below:

| Document title | Issue date on the part of the IASB | Date of entry into force of the IASB document | Planned date of approval by the EU |
|---|---|---|---|
| ***Standards*** | | | |
| IFRS 14 *Regulatory Deferral Accounts* | Jan-14 | 1 January 2016 | Date of approval not expected |
| IFRS 17 *Insurance Contracts* | May-17 | 1 January 2021 | TBD |
| ***Amendments*** | | | |
| *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)* | Sept-14 | Deferred until completion of the IASB project on the *equity method* | Postponed pending the conclusion of the IASB project on the *equity method* |
| *Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)* | Oct-17 | 1 January 2019 | Q1 2019 |
| *Annual Improvements to IFRS Standards (2015-2017 Cycle)* | Dec-17 | 1 January 2019 | Q1 2019 |
| *Definition of business (Amendments to IFRS 3)* | Oct-18 | 1 January 2020 | 2019 |
| *Definition of material (Amendments to IAS 1 and IAS 8)* | Oct-18 | 1 January 2020 | 2019 |
| *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)* | Feb-18 | 1 January 2019 | Q1 2019 |
| *Amendments to References to the Conceptual Framework in IFRS Standards* | Mar-18 | 1 January 2020 | 2019 |

## 4. Consolidation criteria

Besides the Parent Company, the scope of consolidation includes the companies over which GPI, directly or indirectly, exercises control, either by virtue of the share-based possession of the majority of the votes which can be exercised during shareholders' meetings (also having taken into account potential rights to vote arising from options which can be exercised immediately) or due to the effect of other events or circumstances which (also irrespective of the entity of the share-based relationships) assign power over the Company, the exposure or the right to variable returns on the investment in the Company and the ability to use the power over the Company to influence the returns from the investment. Acquisitions of companies and business units are accounted for by using the *acquisition method*, as provided for by IFRS 3. The subsidiaries are consolidated on a line-by-line basis and are listed in Annex 1. IFRS 3 has not been applied retroactively to the acquisitions made before 1 January 2015, the date on which the Parent Company changed over to the IFRS; consequently, for these acquisitions the value of goodwill determined on the basis of the previous accounting standards was maintained, equal to the carrying amount outstanding as of that date, subject to verification and recognition of any impairment losses.

The Group accounts for business combinations by using the acquisition method on the date on which it actually obtains control of the acquired company. The consideration transferred and the net identifiable assets acquired are usually recognised at *fair value*. The carrying value of any goodwill is submitted to an annual impairment test to identify any losses for impairment. Any profits resulting from a purchase at a favourable price are recognised immediately in the profit/(loss) for the year, while the costs related to combinations, different from those related to the issuance of debt securities or equity instruments, are recognised as an expense in the profit/(loss) for the year when incurred.

The contingent consideration is recognised at *fair value* on the acquisition date. If the contingent consideration that satisfies the definition of a financial instrument is classified as equity, it will not be subject to subsequent valuation and the future settlement will be accounted for directly in equity. Other contingent fees are valued at *fair value* at the end of each reporting period, and changes in the *fair value* are recognised in profit/(loss) for the year.

The companies listed in the aforementioned Annex 1, whose inclusion would be irrelevant from an quantitative and qualitative standpoint, are excluded from the scope of consolidation, for the purposes of a correct representation of the financial position, profit and loss and cash flows of the Group, given the insignificant operational trend of the same (since they are not yet or no longer operating or they are companies whose liquidation process is more or less concluded).

Entities are to be excluded from the scope of consolidation from the date on which the Group loses control of the them. In the case of loss of control, the Group eliminates the assets and liabilities of the subsidiary, any equity interests of third parties and other components of equity related to the subsidiary companies. Any gain or loss arising from the loss of control shall be recognised in profit/(loss) for the year. Any equity investment retained in a former subsidiary will be measured at *fair value* at the date of loss of control.

Third-party equity investments are valued in proportion to the relative share of net identifiable assets of the acquired company at the acquisition date. Changes in the Group's equity investment in a subsidiary which do not result in a loss of control are accounted for as transactions made between shareholders as shareholders.

The consolidation of the figures, also carried out on the basis of specific *reporting package* drawn up, as of the reporting date and in compliance with the IFRS standards adopted by the Group, by each subsidiary, is carried out with reference to the following standards and methods:

- the acquisitions of businesses and business segments are recognised by means of the use of the *acquisition method*, as provided for by IFRS 3; accordingly, the assets acquired and the liabilities undertaken, which are identifiable, are recognised at the respective *fair value* as of the acquisition date. The acquisition cost is measured by the total of the *fair value*, as of the date of exchange, of the assets provided, the liabilities undertaken and any equity instruments issued by the Group companies in exchange for control over the acquired entity.
- Goodwill is recognised as the positive difference between the acquisition cost, increased by both the *fair value* as of the acquisition date of any non-controlling interests already held in the acquired entity, and the value of the non-controlling interests held by third parties in the acquired entity (the latter recognised at *fair value* or in proportion to the current value of the identifiable net assets of the acquired entity), and the *fair value* of these assets and liabilities.
- As of the acquisition date, the emerging goodwill is allocated to each of the essentially independent cash flow generating units which it is expected will benefit from the synergies deriving from the business combination.
- In the event of a negative difference between the acquisition cost (increased by the components illustrated above) and the *fair value* of the assets and liabilities, this is recognised as income in the income statement for the year of acquisition.
- Any goodwill relating to non-controlling interests is included in the carrying amount of the interests relating to these companies.

- After initial recognition, goodwill is not amortised and is decreased by possible accumulated impairment losses, established using the methods described in the section "Impairment losses and reversals of impairment losses (*impairment test*)".
- Elimination of the items deriving from financial statement and income statement transactions between companies included in the scope of consolidation, including therein the reversal of any profits and losses not yet realised, recognising the consequent deferred tax effects;
- Elimination of the intercompany dividends and related allocation to the initial equity reserves;
- Elimination of the carrying amount of the interests in companies included in the scope of consolidation and the corresponding portions of equity; allocation of the positive or negative differences emerging from the related pertinent items (assets, liabilities and equity), defined with reference to the moment of acquisition of the interest, subsequently taking into account subsequent changes. After acquisition of control, any purchases of holdings from minority owners, or sales to these of holdings which do not involve the loss of control over the Company, are recognised as transactions with shareholders and the related effects are reflected directly under equity; it follows that any differences between the value of the change in the non-controlling interest and the cash and cash equivalents exchanged are recognised under changes in Group equity;
- Conversion of the *reporting package* of the consolidated companies with functional currencies other than the euro, applying the method already illustrated in the standard relating to "translation of foreign currency items" of Note 3 Accounting standards and principles applied.

The exchange rates applied during the year for the conversion of the consolidation packages with functional currencies other than the euro are those published by the Bank of Italy and presented in the following table:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| Currencies | Spot exchange rate as at 31 December | Average exchange rate | Spot exchange rate as at 31 December | Average exchange rate |
| Euro/Chilean Peso | 794.37 | 756.94 | 737.29 | 732.61 |
| Euro/Polish Zloty | 4.30 | 4.26 | n/s | n/s |
| Euro/US Dollar | 1.14 | 1.18 | 1.20 | 1.13 |

At 31 December 2018, the scope of consolidation changed compared to that at 31 December 2017 due to the acquisition of control of UNI IT Srl and the establishment of the companies Argentea Sp. Zoo and Cliniche della Basilicata Srl; also acquired were the companies Erre Effe Informatica Srl and Paros Srl, merged by incorporation during the year into GPI SpA and Argentea Srl. The main acquisitions are described in the subsequent Note 5 Main corporate transactions and acquisitions during the year.

In conclusion, during 2018 a number of corporate reorganisation transactions took place within the scope of the Group subsidiaries. In particular, mergers by incorporation into GPI SpA were carried out with regard to the following companies: Nuova Sigma Srl, EDP Sistemi Srl, Netmedica Srl, Neocare Srl, Groowe Tech Srl, Erre Effe Informatica Srl, Info Line Srl, Insiel Mercato SpA. Paros Srl was merged by incorporation into Argentea Srl.

# 5. Main acquisitions and corporate transactions during the year

## Acquisition of Erre Effe Informatica Srl

On 16 March 2018, the Parent Company GPI acquired 100% of the shares of ERRE EFFE INFORMATICA Srl, a company that is active in the search for IT solutions able to transfer the innovation that accompanies the constant evolution of *hardware* and *software* technologies to the healthcare sector. The solutions of Erre Effe Informatica Srl oversee the main management areas, both hospital and territorial, optimising their operational activity.

For the purposes of drawing up these consolidated financial statements, the acquisition transaction was recognised, in accordance with IFRS 3, by means of the use of the *acquisition method* which led to the recognition of the finally identified *fair values* of the following assets acquired and the liabilities undertaken:

| ACQUISITION ALLOCATION ERRE EFFE INFORMATICA SRL In thousands of euros | 30 June 2018 | | |
|---|---|---|---|
| | As originally defined | *Fair value* adjustments | Revised allocation |
| Other intangible assets | 102 | - | 102 |
| Property, plant and equipment | 102 | - | 102 |
| Deferred tax assets | 16 | - | 16 |
| Inventories | 45 | (45) | - |
| Trade and other receivables | 1,831 | - | 1,831 |
| Cash and cash equivalents | 124 | - | 124 |
| Current tax assets | 14 | - | 14 |
| Non-current provisions for employee benefits | (316) | - | (316) |
| Trade and other payables | (1,045) | - | (1,045) |
| Current tax liabilities | (11) | - | (11) |
| **Total net assets acquired** | **862** | **(45)** | **818** |
| **Cost of the acquisition** | | | **(1,563)** |
| Cash and cash equivalents acquired | 124 | | 124 |
| **Net financial outlays deriving from the acquisition** | **124** | | **(1,439)** |
| Provisional allocation to goodwill | 701 | (701) | - |
| Allocation to *customer relationships* | - | 318 | 318 |
| Deferred taxation on *customer relationships* | - | (89) | (89) |
| Goodwill allocation | - | 517 | 517 |
| **Total allocation** | **701** | **45** | **746** |

The restatement of the provisional allocation made in the condensed interim consolidated financial statements at 30 June 2018, following the conclusion of the *purchase price allocation* process, resulted in the allocation of the differential between the price paid and the equity acquired to the *Customer Relationship* items (included in intangible assets) and the related liabilities for deferred taxes, and for the residual to the goodwill item.

It should be noted that Erre Effe Informatica Srl was merged by incorporation into GPI SpA with effect from 1 October 2018.

## Acquisition of Paros Srl

On 6 July 2018, the subsidiary Argentea Srl acquired 100% of Paros Srl, a company operating in the *Information Technology* sector and specialised in the provision of technical services related to "computerised payment management system" projects for the management of payments or receipts from/to public administration entities.

For the purposes of drawing up these consolidated financial statements, the transaction was recognised, in accordance with IFRS 3, by means of the use of the *acquisition method* which led to the recognition of the provisionally identified *fair values* of the assets acquired and the liabilities undertaken. As of the date of preparation of these consolidated financial statements, GPI had not yet completed the process for allocation of the price paid for the acquisition, which will be completed in 2019.

The equity attributable to non-controlling interests was recognised on the basis of the proportional interest holding of minority parties in the net assets identified in relation to the acquisition.

The following table shows the carrying amounts of the net assets acquired, as well as the related *fair values* identified:

| ACQUISITION ALLOCATION PAROS SRL<br>In thousands of euros | Carrying amount | *Fair value* adjustments | *Fair value* |
|---|---|---|---|
| Other intangible assets | 74 | (72) | 2 |
| Property, plant and equipment | 45 | - | 45 |
| Deferred tax assets | 116 | - | 116 |
| Trade and other receivables | 456 | - | 456 |
| Cash and cash equivalents | 704 | - | 704 |
| Current tax assets | 1 | - | 1 |
| Non-current provisions for employee benefits | (60) | - | (60) |
| Non-current provisions for risks and charges | (333) | 333 | - |
| Current financial liabilities | (0) | - | (0) |
| Trade and other payables | (430) | - | (430) |
| Current tax liabilities | (41) | - | (41) |
| **Total net assets acquired** | **532** | **262** | **793** |
| **Non-controlling interests** | | | **(159)** |
| **Cost of the acquisition (80% of the holding)** | | | **(400)** |
| Cash and cash equivalents acquired | 564 | - | 564 |
| **Net cash flow deriving from the acquisition** | | | **164** |
| Profit for purchase at favourable prices | | | 235 |

It should be noted that Paros Srl was merged by incorporation into Argentea Srl with effect from 1 November 2018.

## Acquisition of UNI IT Srl

On 6 July 2018, the subsidiary Argentea Srl acquired 49% of UNI IT Srl, and then completed the purchase of 100% of the shares on 3 October 2018. UNI IT Srl is a company specialised in the development and distribution of advanced IT solutions for public administrations.

For the purposes of drawing up these consolidated financial statements, the transaction was recognised, in accordance with IFRS 3, by means of the use of the *acquisition method* which led to the recognition of the provisionally identified *fair values* of the assets acquired and the liabilities undertaken. As of the date of preparation of these consolidated financial statements, GPI had not yet completed the process for allocation of the price paid for the acquisition, which will be completed in 2019.

The equity attributable to non-controlling interests was recognised on the basis of the proportional interest holding of minority parties in the net assets identified in relation to the acquisition. The following table shows the carrying amounts of the net assets acquired, as well as the related *fair values* identified:

| ACQUISITION ALLOCATION UNI IT SRL<br>In thousands of euros | Carrying amount | *Fair value adjustments* | *Fair value* |
|---|---|---|---|
| Other intangible assets | 397 | - | 397 |
| Property, plant and equipment | 1 | - | 1 |
| Deferred tax assets | 20 | - | 20 |
| Contract assets | 439 | - | 439 |
| Trade and other receivables | 707 | - | 707 |
| Cash and cash equivalents | 635 | - | 635 |
| Current tax assets | 182 | - | 182 |
| Non-current provisions for employee benefits | (1) | - | (1) |
| Trade and other payables | (935) | - | (935) |
| Current tax liabilities | (0) | - | (0) |
| **Total net assets acquired** | **1,446** | **-** | **1,446** |
| **Non-controlling interests** | | | **(289)** |
| **Cost of the acquisition (80% of the holding)** | | | **(1,176)** |
| Cash and cash equivalents acquired | 508 | - | 508 |
| **Net cash flow deriving from the acquisition** | | | **(667)** |
| Difference between price paid and net assets acquired | | | (19) |

It is noted that the difference between the acquisition cost and the valuation of the assets and liabilities acquired generated goodwill amounting to EUR 19,000; in consideration of the non-materiality of the amount, the Group has prudently established that the aforementioned difference be expensed to the income statement.

## 6. Completion of the process of the allocation of the price paid for acquisitions made in the previous year

The following tables show the carrying amounts of the net assets acquired and the related *fair values* that were finally identified in relation to the acquisitions made during 2017.

### Determination of final allocation for DO.MI.NO Srl

| ACQUISITION ALLOCATION DO.MI.NO SRL<br>In thousands of euros | 31 December 2017 | |
|---|---|---|
| | As originally defined | Revised allocation |
| Property, plant and equipment | 4 | 4 |
| Trade and other receivables | 14 | 14 |
| Cash and cash equivalents | 726 | 726 |
| Current tax assets | 9 | 9 |
| Non-current provisions for employee benefits | (214) | (214) |
| Current provisions for risks and charges | (5) | (5) |
| Deferred tax liabilities | - | - |
| Trade and other payables | (368) | (368) |
| Current tax liabilities | (19) | (19) |
| **Total net assets acquired** | **148** | **148** |
| Non-controlling interests | (44) | (44) |
| **Cost of the acquisition (70% of the holding)** | **(259)** | **(259)** |
| Cash and cash equivalents acquired | 726 | 726 |
| **Net financial outlays deriving from the acquisition** | **726** | **467** |
| Goodwill allocation | 156 | 156 |

The valuation of the acquired assets and liabilities confirmed the full goodwill allocation of the difference between the price paid and the acquired equity, as already provisionally allocated in the consolidated financial statements for the year ended 31 December 2017.

## Determination of final allocation for Netmedica Srl

| ACQUISITION ALLOCATION NETMEDICA SRL<br>In thousands of euros | 31 December 2017 | |
|---|---|---|
| | As originally defined | Revised allocation |
| Other intangible assets | 14 | 14 |
| Property, plant and equipment | 1 | 1 |
| Inventories | 8 | 8 |
| Trade and other receivables | 120 | 120 |
| Cash and cash equivalents acquired | 47 | 47 |
| Trade and other payables | (149) | (149) |
| Current tax liabilities | (107) | (107) |
| **Total net assets acquired** | **(66)** | **(66)** |
| **Share capital after recapitalisation** | **10** | **10** |
| **Cost of the acquisition** | **(76)** | **(76)** |
| Cash and cash equivalents acquired | 47 | 47 |
| **Net financial outlays deriving from the acquisition** | **(29)** | **(29)** |
| Provisional allocation to goodwill | 66 | - |
| Allocation to *customer relationship* | - | 91 |
| Deferred taxation on *customer relationship* | - | (25) |
| Goodwill allocation | - | - |
| **Total allocation** | **66** | **66** |

The restatement of the provisional allocation following the conclusion of the *purchase price allocation* process resulted in the allocation of the differential between the price paid and the equity acquired to the *Customer Relationship* items (included in intangible assets) and the related liabilities for deferred taxes.

It should be noted that Netmedica Srl was merged by incorporation into GPI SpA with effect from 1 October 2018.

## Determination of final allocation for Nuova Sigma Srl

| ACQUISITION ALLOCATION NUOVA SIGMA SRL<br>In thousands of euros | 31 December 2017 | |
|---|---|---|
| | As originally defined | Revised allocation |
| Other intangible assets | 5,327 | 5,327 |
| Property, plant and equipment | 35 | 35 |
| Equity-accounted investments | 3 | 3 |
| Inventories | 1 | 1 |
| Trade and other receivables | 2,955 | 2,955 |
| Cash and cash equivalents | 740 | 740 |
| Current tax assets | 46 | 46 |
| Non-current provisions for employee benefits | (801) | (801) |
| Trade and other payables | (3,242) | (3,242) |
| Current tax liabilities | (70) | (70) |
| **Total net assets acquired** | **4,994** | **4,994** |
| **Cost of the acquisition** | **(10,311)** | **(10,311)** |
| Cash and cash equivalents acquired | 740 | 740 |
| **Net financial outlays deriving from the acquisition** | **(9,571)** | **(9,571)** |
| Provisional allocation to goodwill | 5,317 | - |
| Allocation to brand | - | 3,682 |
| Deferred taxation on brand | - | (1,027) |
| Allocation to *backlog* | - | 1,278 |
| Deferred taxation on *backlog* | - | (357) |
| Goodwill allocation | - | 1,741 |
| **Total allocation** | **-** | **5,317** |

The restatement of the provisional allocation following the conclusion of the purchase price allocation process resulted in the allocation of the differential between the price paid and the equity acquired to the *Backlog* and Brand items (included in intangible assets) and the related liabilities for deferred taxes, and for the residual to the goodwill item.

It should be noted that Nuova Sigma Srl was merged by incorporation into GPI SpA with effect from 1 October 2018.

## Determination of final allocation for Info Line Srl

| ACQUISITION ALLOCATION INFO LINE SRL<br>In thousands of euros | 31 December 2017 | |
|---|---|---|
| | As originally defined | Revised allocation |
| Other intangible assets | 294 | 294 |
| Property, plant and equipment | 94 | 94 |
| Non-current financial assets | 415 | 415 |
| Deferred tax assets | 1 | 1 |
| Trade and other receivables | 1,469 | 1,469 |
| Cash and cash equivalents | 1,232 | 1,232 |
| Current financial assets | 91 | 91 |
| Current tax assets | 72 | 72 |
| Non-current financial liabilities | (219) | (219) |
| Non-current provisions for employee benefits | (512) | (512) |
| Trade and other payables | (640) | (640) |
| Current tax liabilities | (185) | (185) |
| **Total net assets acquired** | **2,111** | **2,111** |
| **Cost of the acquisition** | **(5,065)** | **(5,065)** |
| Cash and cash equivalents acquired | 1,232 | 1,232 |
| **Net financial outlays deriving from the acquisition** | **(3,833)** | **(3,833)** |
| Provisional allocation to goodwill | 2,954 | - |
| Allocation to software | - | 805 |
| Deferred taxation on *software* | - | (225) |
| Allocation to *backlog* | - | 854 |
| Deferred taxation on *backlog* | - | (238) |
| Goodwill allocation | - | 1,758 |
| **Total allocation** | **-** | **2,954** |

The restatement of the provisional allocation following the conclusion of the *purchase price allocation* process resulted in the allocation of the differential between the price paid and the equity acquired to the *Software* and *Backlog* items (included in intangible assets) and the related liabilities for deferred taxes, and for the residual to the goodwill item.

It should be noted that Info Line Srl was merged by incorporation into GPI SpA with effect from 1 November 2018.

## Determination of final allocation for Hemasoft

| ACQUISITION ALLOCATION HEMASOFT<br>In thousands of euros | 31 December 2017 | |
|---|---|---|
| | As originally defined | Revised allocation |
| Other intangible assets | 1 | 1 |
| Property, plant and equipment | 42 | 42 |
| Non-current financial assets | 57 | 57 |
| Deferred tax assets | 84 | 84 |
| Trade and other receivables | 824 | 824 |
| Cash and cash equivalents | 1,085 | 1,085 |
| Trade and other payables | (104) | (104) |
| Current tax liabilities | (27) | (27) |
| **Total net assets acquired** | **1,961** | **1,961** |
| **Cost of the acquisition** | **(15,300)** | **(15,300)** |
| Cash and cash equivalents acquired | 1,085 | 1,085 |
| **Net financial outlays deriving from the acquisition** | **(14,215)** | **(14,215)** |
| Provisional allocation to goodwill | 13,339 | - |
| Allocation to *software* | - | 2,354 |
| Deferred taxation on *software* | - | (657) |
| Allocation to brand | - | 3,006 |
| Deferred taxation on brand | - | (839) |
| Allocation to *customer relationship* | - | 5,911 |
| Deferred taxation on *customer relationship* | - | (1,649) |
| Goodwill allocation | - | 5,213 |
| **Total allocation** | **-** | **13,339** |

The restatement of the provisional allocation following the conclusion of the *purchase price allocation* process resulted in the allocation of the differential between the price paid and the equity acquired to the *Software*, Brand and *Customer Relationship* items (included in intangible assets) and the related liabilities for deferred taxes, and for the residual to the goodwill item.

## Determination of final allocation for Xidera Srl

| ACQUISITION ALLOCATION XIDERA SRL<br>In thousands of euros | 31 December 2017 | |
|---|---|---|
| | As originally defined | Revised allocation |
| Other intangible assets | 30 | 30 |
| Property, plant and equipment | 385 | 385 |
| Non-current financial assets | 1 | 1 |
| Inventories | 190 | 190 |
| Trade and other receivables | 470 | 470 |
| Cash and cash equivalents acquired | 17 | 17 |
| Current tax assets | 4 | 4 |
| Non-current financial liabilities | (165) | (165) |
| Non-current provisions for employee benefits | (145) | (145) |
| Financial liabilities | (143) | (143) |
| Trade and other payables | (326) | (326) |
| **Total net assets acquired** | **319** | **319** |
| **Cost of the acquisition** | **(2,469)** | **(2,469)** |
| Cash and cash equivalents acquired | 17 | 17 |
| **Net financial outlays deriving from the acquisition** | **(2,452)** | **(2,452)** |
| Provisional allocation to goodwill | 2,150 | - |
| Goodwill allocation | - | 2,150 |
| **Total allocation** | **2,150** | **2,150** |

The valuation of the acquired assets and liabilities confirmed the full goodwill allocation of the difference between the price paid and the acquired equity, as already provisionally allocated in the consolidated financial statements for the year ended 31 December 2017.

## Determination of final allocation for BIM Italia Srl

| ACQUISITION ALLOCATION BIM ITALIA SRL<br>In thousands of euros | 31 December 2017 | |
|---|---|---|
| | As originally defined | Revised allocation |
| Other intangible assets | 9,875 | 7,246 |
| Property, plant and equipment | 50 | 50 |
| Trade and other receivables | 4 | 4 |
| Cash and cash equivalents | 510 | 510 |
| Current financial assets | 10 | 10 |
| Deferred tax liabilities | - | (2,018) |
| Non-current provisions for employee benefits | (433) | (433) |
| Trade and other payables | (170) | (170) |
| **Total net assets acquired** | **9,846** | **5,199** |
| **Cost of the acquisition** | **(11,577)** | **(11,577)** |
| Cash and cash equivalents acquired | 510 | 510 |
| **Net financial outlays deriving from the acquisition** | **(11,067)** | **(11,067)** |
| Provisional allocation to goodwill | 1,731 | - |
| Allocation to *software* | - | (2,629) |
| Deferred taxation on *software* | - | (2,018) |
| Goodwill allocation | - | 6,378 |
| **Total allocation** | **1,731** | **1,731** |

The restatement of the provisional allocation following the conclusion of the *purchase price allocation* process resulted in the allocation of the differential between the price paid and the equity acquired to a reduction of the value of the *Software* item (included in intangible assets) and the related liabilities for deferred taxes, and for the residual to the goodwill item.

The following tables summarise the equity and economic effects following the above-reported final allocations:

| In thousands of euros | 31 December 2017 | Net Medica | Nuova Sigma | Info Line | Hemasoft | BIM Italia | 31 December 2017 (restated) |
|---|---|---|---|---|---|---|---|
| Assets | | | | | | | |
| Goodwill | 31,854 | (66) | (3,576) | (1,196) | (8,126) | 4,647 | 23,537 |
| Other intangible assets | 41,306 | 53 | 4,752 | 1,592 | 11,169 | (2,629) | 56,243 |
| Other non-current assets | 28,882 | - | - | - | - | - | 28,882 |
| **Non-current assets** | **102,042** | **(13)** | **1,176** | **396** | **3,043** | **2,018** | **108,662** |
| **Current assets** | **156,206** | **-** | **-** | **-** | **-** | **-** | **156,206** |
| **Total assets** | **258,248** | **(13)** | **1,176** | **396** | **3,043** | **2,018** | **264,868** |
| **Equity** | | | | | | | |
| Share capital | 8,533 | - | - | - | - | - | 8,533 |
| Share premium reserve | 55,733 | - | - | - | - | - | 55,733 |
| Other reserves and retained earnings/(losses) carried forward, including profit/(loss) for the year | (1,061) | (27) | (150) | (48) | (73) | - | (1,359) |
| **Capital and reserves attributable to the Group** | **63,205** | **(27)** | **(150)** | **(48)** | **(73)** | **-** | **62,906** |
| **Capital and reserves attributable to non-controlling interests** | **1,134** | **-** | **-** | **-** | **-** | **-** | **1,134** |
| **Total equity** | **64,339** | **(27)** | **(150)** | **(48)** | **(73)** | **-** | **64,040** |
| **Liabilities** | | | | | | | - |
| Deferred tax liabilities | 6,018 | 15 | 1,326 | 444 | 3,116 | 2,018 | 12,936 |
| Other non-current liabilities | 88,489 | - | - | - | - | - | 88,489 |
| **Non-current liabilities** | **94,507** | **15** | **1,326** | **444** | **3,116** | **2,018** | **101,425** |
| **Current liabilities** | **99,402** | **-** | **-** | **-** | **-** | **-** | **99,402** |
| **Total liabilities** | **193,909** | **15** | **1,326** | **444** | **3,116** | **2,018** | **200,827** |
| **Total equity and liabilities** | **258,248** | **(13)** | **1,176** | **396** | **3,043** | **2,018** | **264,868** |

| In thousands of euros | 31 December 2017 | Net Medica | Nuova Sigma | Info Line | Hema-soft | Reclassifi-cations | 31 December 2017 (*restated*) |
|---|---|---|---|---|---|---|---|
| Revenue | 178,810 | - | - | - | - | - | 178,810 |
| Other income | 1,074 | - | - | - | - | - | 1,074 |
| **Total revenue and other income** | **179,884** | **-** | **-** | **-** | **-** | **-** | **179,884** |
| Raw materials and consumables | (7,180) | - | - | - | - | - | (7,180) |
| Service costs | (40,223) | - | - | - | - | - | (40,223) |
| Personnel expenses | (102,303) | - | - | - | - | - | (102,303) |
| Amortisation, depreciation and impairment losses of non-current assets | (9,161) | (38) | (208) | (67) | (102) | - | (9,576) |
| Other provisions | (872) | - | - | - | - | - | (872) |
| Other operating costs | (4,278) | - | - | - | - | - | (4,278) |
| **Operating profit/(loss)** | **15,867** | **(38)** | **(208)** | **(67)** | **(102)** | **-** | **15,452** |
| Financial income | 566 | - | - | - | - | 26 | 592 |
| Financial expense | (2,797) | - | - | - | - | (26) | (2,823) |
| **Net financial income (expense)** | **(2,230)** | **-** | **-** | **-** | **-** | **-** | **(2,230)** |
| Share of profit/(loss) of equity-accounted investments, net of tax | - | - | - | - | - | - | - |
| **Pre-tax profit** | **13,637** | **(38)** | **(208)** | **(67)** | **(102)** | **-** | **13,222** |
| Income tax | (5,477) | 11 | 58 | 19 | 30 | - | (5,360) |
| **Profit/(loss) for the year** | **8,160** | **(27)** | **(150)** | **(48)** | **(73)** | **-** | **7,862** |

# 7. Information on the statement of financial position items

The items of the statement of financial position as at 31 December 2018 are commented on below. For the breakdown of the items of the statement of financial position deriving from related-party transactions, please refer to Note 10.7 Related-party transactions.

## 7.1 Intangible assets and goodwill

| In thousands of euros | Goodwill | Software costs | Customer Relationships | Other Intangible non-current assets | Intangible non-current assets in progress and prepayments | Total |
|---|---|---|---|---|---|---|
| Historical cost | 23,537 | 54,616 | 11,318 | 16,252 | 6,649 | 112,372 |
| Accumulated depreciation and write-downs | - | (27,421) | (585) | (4,585) | - | (32,591) |
| **Carrying amount as at 31 December 2017** | **23,537** | **27,195** | **10,734** | **11,667** | **6,649** | **79,781** |
| Increases | - | 854 | - | 1,434 | 7,261 | 9,549 |
| Decreases | - | (252) | - | - | (209) | (461) |
| Historical cost - Business combinations | 517 | 646 | 318 | 397 | 2 | 1,879 |
| Provision - Business combinations | - | (544) | - | - | - | (544) |
| Reclassifications | - | 2,547 | - | - | (2,547) | - |
| Other changes | - | (739) | - | (186) | - | (925) |
| Amortisation, depreciation and impairment losses | (15) | (6,192) | (1,651) | (1,359) | - | (9,217) |
| **Total changes** | **502** | **(3,680)** | **(1,333)** | **286** | **4,506** | **281** |
| Historical cost | 24,053 | 58,410 | 11,636 | 18,083 | 11,155 | 123,338 |
| Accumulated amortisation and write-downs | (15) | (34,896) | (2,236) | (6,130) | - | (43,277) |
| **Carrying amount as at 31 December 2018** | **24,038** | **23,514** | **9,401** | **11,953** | **11,155** | **80,062** |

Intangible assets as at 31 December 2018 came to EUR 80,062 thousand, up EUR 281 thousand when compared with 2017 (EUR 79,781 thousand).

The increases for investments made during the year, amounting to EUR 9,549 thousand, are mainly related to the capitalisation of costs incurred for the development of *software* applications.

The item intangible non-current assets in progress and interim payments contains EUR 10,630 thousand for development projects related to *software* not yet completed.

As described in Note 5 Main corporate transactions and acquisitions during the year, the business combinations carried out during 2018 provided a net increase of EUR 501 thousand, the details of which are provided in the previous Note 5.

The composition of goodwill, amounting to EUR 24,038 thousand as at 31 December 2018, is illustrated in the following table.

| In thousands of euros | Stress test (WACC) | WACC | 31 December 2018 | 31 December 2017 (*restated*) | 31 December 2017 |
|---|---|---|---|---|---|
| **Goodwill arising from acquisitions made during 2018:** | | | | | |
| Acquisition of Erre Effe Informatica Srl (see Note 5) | 15.2% | 8.9% | 517 | - | - |
| **Goodwill arising from acquisitions made in previous years:** | | | | | |
| Acquisition of Netmedica Srl (see Note 6) | | | - | - | 66 |
| Acquisition of BIM Italia Srl (see Note 6) | 14.6% | 9.9% | 6,378 | 6,378 | 1,731 |
| Acquisition of Xidera Srl (see Note 6) | 13.1% | 9.4% | 2,150 | 2,150 | 2,150 |
| Acquisition of Hemasoft (see Note 6) | 12.8% | 8.4% | 5,213 | 5,213 | 13,339 |
| Acquisition of Info Line Srl (see Note 6) | 13.4% | 9.0% | 1,758 | 1,758 | 2,954 |
| Acquisition of Nuova Sigma Srl (see Note 6) | 12.4% | 9.0% | 1,741 | 1,741 | 5,317 |
| Acquisition of DO.MI.NO Srl (see Note 6) | 1616.7% | 8.9% | 156 | 156 | 156 |
| Acquisition of PCS | 9.1% | 7.7% | 4,045 | 4,045 | 4,045 |
| Hospital information systems (GBIM Srl) | | | - | 15 | 15 |
| Desktop management (formerly GPI Technology Srl) | 34.4% | 8.9% | 1,336 | 1,336 | 1,336 |
| Pharmaceutical distribution (Riedl GmbH) | 43.0% | 7.4% | 452 | 452 | 452 |
| Veterinary (formerly Sferacarta Srl) | 49.1% | 9.4% | 293 | 293 | 293 |
| **Total** | | | **24,038** | **23,537** | **31,854** |

From the change in the consolidation area which occurred in the course of the 2018 financial year, there emerged an increase of goodwill of EUR 517 thousand, entirely attributable to the acquisitions listed in the table above and described in further detail in Note 5 Main corporate transactions and acquisitions during the year.

Pursuant to IAS 36, goodwill is not subject to amortisation but to an annual *impairment test*, or more frequently if there are specific events and circumstances that may raise a presumption of a reduction of value.

The GPI Group, with the Board of Directors on 29 March 2019, submitted the carrying value of the Net Invested Capital (NIC) as at 31 December 2018 to a recoverability test. The NIC also includes the value of goodwill.

In determining the recoverable amount, identified in the value in use as the sum of the discounted cash flows generated in the future and in a continuous manner of the NIC (*discounted cash flow unlevered* method), the management has made reference to the three-year *Business Plan* (2019-2021) of the individual companies approved by the GPI Board of Directors on 29 March 2019.

In greater detail, for the purposes of the determination of the recoverable value of the Net Invested Capital, the discounting of cash flows was made using a discount rate (WACC), which takes into account the risks specific to the assets and that reflects the current market assessments of the time value of money. Different WACC rates have been calculated as shown in the table above.

The recoverable value also includes the *terminal value* that is calculated with the "perpetuity growth" method considering a growth rate (g rate) equal to zero. In the *terminal value*, an operating cash flow was considered equal to the last year of the plan, adjusted so as to reflect a fully operational situation. The level of amortisation and investment was balanced and a change in working capital of zero was assumed.

The weighted average cost of capital calculated for the purposes of the discounting of the cash flows is based on a weighting between the cost of debt and the cost of *equity*, prepared on the basis of the values of companies comparable to GPI and therefore working in the same activity sector. The *impairment test* did not reveal any losses of value, with the result that the value of use of the CGUs was always greater than the carrying value.

Furthermore, since the recoverable value is determined on the basis of projections, the Parent Company also prepared *sensitivity* analyses, varying the underlying assumptions of the *impairment* test. The column "Stress test (WACC)" shows the discount rates above which a write-down of the respective goodwill amounts is carried out.

## 7.2 Property, plant and equipment

| In thousands of euros | Land | Industrial buildings | Plant, machinery and equipment | Other assets | Non-current assets in progress | Total |
|---|---|---|---|---|---|---|
| Historical cost | 2,299 | 12,508 | 6,338 | 7,134 | 20 | 28,299 |
| Accumulated depreciation and write-downs | - | (3,082) | (4,721) | (5,724) | - | (13,527) |
| **Carrying amount as at 31 December 2017** | **2,299** | **9,426** | **1,617** | **1,410** | **20** | **14,772** |
| Increases | - | 687 | 1,032 | 627 | 62 | 2,408 |
| Decreases | - | - | - | (28) | - | (28) |
| Historical cost - Business combinations | 13 | 128 | 8 | 322 | - | 472 |
| Provision - Business combinations | - | (63) | (8) | (253) | - | (324) |
| Other changes cost | 354 | 169 | (184) | 865 | (20) | 1,184 |
| Other changes provision | - | (146) | 138 | (849) | - | (857) |
| Depreciation | - | (633) | (855) | (551) | - | (2,039) |
| **Total changes** | **367** | **142** | **131** | **134** | **42** | **816** |
| Historical cost | 2,666 | 13,492 | 7,194 | 8,921 | 62 | 32,336 |
| Accumulated depreciation and write-downs | - | (3,924) | (5,447) | (7,377) | - | (16,747) |
| **Carrying amount as at 31 December 2018** | **2,666** | **9,568** | **1,748** | **1,544** | **62** | **15,588** |

Property, plant and equipment as at 31 December 2018 came to EUR 15,588 thousand, up EUR 816 thousand when compared with 2017 (EUR 14,772 thousand).

Land and buildings as at 31 December 2018 include a revaluation of EUR 1,512 thousand made at the time of first-time application of the IFRS, on which deferred tax liabilities are recognised.

The increases amounting to EUR 2,408 thousand mainly refer to the investments made to implement the new tenders won by the Group.

As described in Note 5 Main corporate transactions and acquisitions during the year, the business combinations carried out during 2018 provided a net increase of EUR 148 thousand, the details of which are provided in the previous Note 5.

Property, plant and equipment under lease as at 31 December 2018 were as follows:

| In thousands of euros | Land | Buildings | Industrial plant, machinery and equipment | Other assets | Non-current assets in progress | Total |
|---|---|---|---|---|---|---|
| **Assets under *lease*** | 591 | 2,685 | 67 | - | - | 3,343 |
| Assets not under *lease* | 1,708 | 6,741 | 1,550 | 1,410 | 20 | 11,429 |
| **Total as at 31 December 2017** | **2,299** | **9,426** | **1,617** | **1,410** | **20** | **14,772** |
| Assets under *lease* | 844 | 2,203 | 184 | 29 | - | 3,260 |
| Assets not under *lease* | 1,822 | 7,365 | 1,563 | 1,515 | 62 | 12,328 |
| **Total as at 31 December 2018** | **2,666** | **9,568** | **1,748** | **1,544** | **62** | **15,588** |

## 7.3 Equity-accounted investments

| In thousands of euros | % holding | 31 Dec. 2017 | Business combinations | Other changes | Revaluations/ write-downs | 31 Dec. 2018 |
|---|---|---|---|---|---|---|
| Südtirol Alto Adige Informatica Medica Srl | 46.50% | 254 | - | - | (65) | 189 |
| Consorzio Glossa | 21.40% | 42 | - | - | 10 | 52 |
| TBS IT Telematic & Biomedical Services Srl | 40.00% | - | (593) | 593 | - | - |
| **Total** | | **296** | **(593)** | **593** | **(55)** | **241** |

It should be noted that in the course of the year an associate equity investment was acquired in the company TBS IT Telematic & Biomedical Services Srl, a company specialised in IT professional services, health information systems and administrative health services. Following the acquisition, GPI provided to set up a provision for future recapitalisation charges of EUR 593 thousand. Following the recapitalisations, TBS IT completed the ongoing restructuring operation, with the simultaneous release of the provision against the losses that were incurred during the year and up to its own share of interest.

## 7.4 Financial assets

| In thousands of euros | 2018 | 2017 |
|---|---|---|
| **Non-current financial assets** | | |
| Derivatives | 164 | - |
| Other equity investments and financial instruments | 821 | 130 |
| Other financial assets | 1,106 | 776 |
| **Total non-current financial assets** | **2,092** | **906** |
| **Current financial assets** | | |
| Other equity investments and financial instruments | 3,474 | - |
| Derivatives | 2 | - |
| Amounts due from*factoring agents* | 16,914 | 5,455 |
| Other financial assets | 4,068 | 611 |
| **Total current financial assets** | **24,459** | **6,066** |

Non-current financial assets as at 31 December 2018 came to EUR 2,092 thousand, up EUR 1,186 thousand when compared with 31 2017 (EUR 906 thousand).

In the item "other non-current financial assets" there is a part of the remaining consideration for the acquisition of the Hemasoft Group, paid into an *escrow* account for EUR 1,000 thousand, to guarantee the payment of any indemnity obligation of the seller as contractually agreed. The item "other non-current equity investments and financial instruments" ismainly comprised of an insurance policy concluded with "Itas Vita SpA" for EUR 414 thousand, with a gross annual rate of return of 2.76%.

Current financial assets as at 31 December 2018 came to EUR 24,459 thousand, up EUR 18,393 thousand when compared with 2017 (EUR 6,066 thousand).

Amounts due from *factoring agents*, up by EUR 11,459 thousand, refer to the factoring of receivables not yet collected, without recourse.
The other current equity investments and financial instruments are mainly related to a deposit account entered into with "Banca Mediolanum" for EUR 2,891 thousand and an insurance policy entered into with "Credit Agricole Vita SpA".

The item "other current financial assets" increased during the year, mainly as a result of the granting of an interest-bearing loan to the associate TBS IT Telematic & Biomedical Services Srl (5% interest rate) for an amount of EUR 1,540 thousand.

For details regarding *fair value* hierarchy levels, please refer to Note 8.

## 7.5 Deferred tax assets and deferred tax liabilities

The breakdown of deferred tax assets and liabilities, by type of taxation, is illustrated in the following table:

| In thousands of euros | 31 December 2018 | 31 December 2017 |
|---|---|---|
| **Deferred tax assets** | | |
| IRES | 2,325 | 2,653 |
| IRAP | 178 | 214 |
| Foreign deferred taxes | 788 | 600 |
| | **3,291** | **3,467** |
| **Deferred tax liabilities** | | |
| IRES | (7,015) | (7,889) |
| IRAP | (726) | (1,604) |
| Foreign deferred taxes | (3,456) | (3,444) |
| | **(11,197)** | **(12,936)** |
| **Net deferred tax assets (liabilities)** | **(7,906)** | **(9,469)** |

The change in net deferred tax assets during 2018 is broken down as follows:

- the decrease in net deferred tax assets recorded in the income statement is mainly associated with the reversal of deferred tax assets recognised in previous years on deductible timing differences relating to the assets deriving from agreements with customers and intangible assets;
- the following table contains the breakdown of deferred tax liabilities and assets recognised on each financial statement item.

| In thousands of euros | |
|---|---|
| **Net deferred tax assets as at 31 December 2017 (restated)** | **(9,469)** |
| Recognitions in the income statement | 543 |
| Recognitions under other comprehensive income | 3 |
| Business combinations and incorporations | 63 |
| Other changes | 955 |
| **Net deferred tax assets as at 31 December 2018** | **(7,906)** |

The effect on deferred taxes at 31 December 2018 following the allocation of the price paid on acquisition is detailed in Notes 5 and 6 above.

The following table contains the breakdown of deferred tax liabilities and assets recognised on each financial statement item:

| In thousands of euros | 31 December 2018 | Of which assets | Of which liabilities |
|---|---|---|---|
| Intangible assets | (7,195) | 1,855 | (9,051) |
| Property, plant and equipment | (377) | 72 | (449) |
| Contract assets | 1,276 | 1,256 | 20 |
| Trade and other receivables | 31 | 31 | - |
| Contract costs | (1,502) | - | (1,502) |
| Other | (138) | 76 | (214) |
| Net deferred tax assets (liabilities) | (7,905) | 3,291 | (11,196) |

The deferred taxes relating to property, plant and equipment refer to the unredeemed revaluation on the property housing the headquarters made at the time of initial adoption of the IFRS.

With regard to the intangible assets and goodwill, these essentially refer to the lower carrying amount, with respect to the value for tax purposes, of capitalisations made by the Group.

The net deferred tax assets recognised on assets deriving from agreements with customers mainly refer to the adjustments made on invoices to be issued at the time of first adoption of the IFRS.

## 7.6 Other non-current assets

The other non-current assets amount to EUR 1,399 thousand, an increase of EUR 1,008 thousand compared with 2017 (EUR 391 thousand). This item mainly includes other sundry non-current receivables of EUR 1,073 thousand (accruals and prepaid expenses) and guarantee deposits of EUR 326 thousand.

## 7.7 Net trade assets

### Trade and other receivables

| In thousands of euros | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Trade receivables | 35,210 | 30,991 |
| Other receivables | 5,796 | 10,715 |
| **Trade and other receivables** | **41,005** | **41,706** |

Trade and other receivables came to EUR 41,005 thousand, down EUR 701 thousand when compared with 2017(EUR 41,706 thousand).

| In thousands of euros | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Trade receivables | 37,144 | 36,034 |
| Allowance for impairment | (1,935) | (5,044) |
| Other receivables | 2,083 | 4,386 |
| Receivables for public grants | 482 | 1,026 |
| Receivables for indirect taxes | 812 | 536 |
| Deposits, advances and prepaid expenses | 2,418 | 4,768 |
| **Trade and other receivables** | **41,005** | **41,706** |

Trade and other current receivables as at 31 December 2018 were made up as follows:
- gross trade receivables, of which from customers in Italy of EUR 33,977 thousand and from foreign customers of EUR 3,167 thousand, increased by EUR 1,110 thousand;
- the allowance for impairment recorded a decrease of EUR 3,109 thousand as a result of its reclassification to assets arising from customer contracts for EUR 3,212 thousand. Provisions made in the year amounted to EUR 97 thousand, while uses amounted to EUR 5 thousand;
- other receivables decreased by EUR 4,919 thousand; the item includes receivables for public grants (EUR 482 thousand), receivables for indirect taxes (EUR 812 thousand), guarantee deposits, advances and prepaid expenses (EUR 2,418 thousand), other receivables from third parties (EUR 2,083 thousand) mainly made up of accrued income and prepaid expenses (EUR 918 thousand), and receivables from employees (EUR 124 thousand);
- an increase of EUR 1,001 thousand.

The composition by payment due date of trade receivables with the allocation of the corresponding allowance for impairment is as follows:

| In thousands of euros | Receivable total | Falling due | Due | 1-90 | 91-180 | 181-360 | Over 360 | Non-performing |
|---|---|---|---|---|---|---|---|---|
| **Total gross receivables** | **37,144** | **16,643** | **20,500** | **6,450** | **3,580** | **3,124** | **4,869** | **2,478** |
| *Incidence of gross receivables %* | *100.0%* | *44.8%* | *55.2%* | *17.4%* | *9.6%* | *8.4%* | *13.1%* | *6.7%* |
| **Allowance for impairment** | **(1,935)** | **(65)** | **(1,870)** | **(43)** | **(28)** | **(19)** | **(665)** | **(1,116)** |
| *Impairment % by band* | *(5.2)%* | *(0.4)%* | *(9.1)%* | *(0.7)%* | *(0.8)%* | *(0.6)%* | *(13.6)%* | *(45.0)%* |
| **Net receivables** | **35,209** | **16,578** | **18,631** | **6,407** | **3,552** | **3,105** | **4,205** | **1,362** |
| *Incidence of net receivables %* | *100.0%* | *47.1%* | *52.9%* | *18.2%* | *10.1%* | *8.8%* | *11.9%* | *3.9%* |

### Contract costs

| In thousands of euros | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Contract costs | 14,218 | 13,891 |
| Amortisation provision for contract costs | (6,995) | (4,841) |
| **Non-recurring net costs for customer contracts** | **7,223** | **9,050** |

Contract costs came to EUR 7,223 thousand, down EUR 1,827 thousand when compared with 2017 (EUR 9,050 thousand).

The increase relates to the costs incurred for the acquisition of the contract for the supply of administrative services to the Lazio Region launched during the year.

This item refers mainly to costs for the acquisition of the contract for the supply of administrative services to the Lombardy health service, provided by the subsidiary, Lombardia Contact Srl; the decrease with respect to 2017 is the result of the amortisation for the year of the aforesaid costs of EUR 1,922 thousand and an increase of contract costs, for EUR 95 thousand, net of the amortisation for the year.

### Contract assets and liabilities

| In thousands of euros | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Contract assets | 67,799 | 63,103 |
| Contract liabilities | (1,574) | (1,277) |
| **Net contract assets** | **66,225** | **61,826** |

The change in the financial statement items under analysis during 2018 is described in the following table:

| In thousands of euros | Assets | Liabilities |
|---|---|---|
| **Opening balance** | **63,103** | **(1,277)** |
| Transfers to trade receivables during the year | (30,155) | 121 |
| Transfers to credit notes during the year | - | (418) |
| Acquisitions from changes in consolidation scope (Note 5) | 439 | - |
| Reclassification of write-downs from trade receivables | (3,212) | - |
| Recognition of revenues not yet invoiced | 37,623 | - |
| **Net contract assets** | **67,799** | **(1,574)** |

The recognition of revenue not yet invoiced during the year mainly relates to GPI and its subsidiaries Lombardia Contact Srl, Argentea Srl and to the incorporated INSIEL SpA.

The business combinations essentially concern the newly acquired UNI IT, greater details on which are provided in Note 5 Main corporate transactions and acquisitions during the year.

**Inventories**

| In thousands of euros | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Raw materials | 786 | 994 |
| Semi-finished | - | 14 |
| Finished goods | 3,102 | 2,804 |
| Inventory write-down provision | - | - |
| Advances to suppliers | 50 | 234 |
| **Total inventories** | **3,937** | **4,046** |
| Carrying amount of inventories pledged as security for liabilities | - | - |

Inventories came to EUR 3,937 thousand, up EUR 109 thousand when compared with 2017 (EUR 4,046 thousand).

The companies that own warehouses are GPI SpA, Argentea Srl, Xidera Srl and Riedl GmbH and Sintac Srl.

## 7.8 Cash and cash equivalents

| In thousands of euros | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Bank current accounts | 41,397 | 39,796 |
| On-demand deposits | 10 | - |
| Cash | 192 | 140 |
| **Cash and cash equivalents reported in the statement of financial position** | **41,600** | **39,936** |

Cash and cash equivalents came to EUR 41,600 thousand, up EUR 1,664 thousand when compared with 2017 (EUR 39,936 thousand). The changes are shown in the consolidated cash flow statement.

Cash and cash equivalents are recognised at nominal value and include the values which possess the following requirements: high liquidity, available on demand or over the very short term and an insignificant risk of change in their value.

## 7.9 Current income tax assets and liabilities

Income tax assets and liabilities of the GPI Group are made up as follows:

| In thousands of euros | Current tax assets | | Current tax liabilities | |
|---|---|---|---|---|
| | 31 Dec. 18 | 31 Dec. 17 | 31 Dec. 18 | 31 Dec. 17 |
| IRES | 894 | 683 | (3,579) | (2,162) |
| IRAP | 11 | 282 | (562) | (681) |
| Income tax (expense) of foreign companies | - | 384 | (0) | - |
| **Net current taxes** | **904** | **1,349** | **(4,141)** | **(2,843)** |

Current tax assets refer to tax credits claimed in reference to tax deductions, tax relief and investments to be recovered in future years.

Tax liabilities as at 31 December 2018 include IRES (corporate income tax) accrued during the year under the tax consolidation scheme of EUR 1,370 thousand, net of the advances paid.

## 7.10 Equity

Equity attributable to owners of the Group came to EUR 67,331 thousand, up EUR 4,425 thousand when compared with 2017 (EUR 62,906 thousand). The main changes during the year, shown in detail in the statement of changes in equity, relate to:

- the profit for the year attributable to the Group amounting to EUR 9,228 thousand;
- the increase of the subscribed share capital to EUR 12 thousand and the share premium reserve to EUR 1,139 thousand following the conversion of *warrants* during the year, implemented through the use of the item "other equity reserves";
- the distribution of the balance of dividends for 2017 for a total of EUR 4,742 thousand;
- the positive result of the other components of the comprehensive income statement, equal to EUR 706 thousand, net of the related tax effects, is determined mainly by the positive variation of the *fair value* of the financial assets with OIC (Italian Accounting Body) effect;
- other transactions with shareholders for EUR 15 thousand mainly related to the acquisition of the non-controlling interests of the companies Groowe Tech Srl, Neocare Srl;
- the purchase of treasury shares in the course of the year for EUR 636 thousand, included in the line of the other movements.

Equity attributable to non-controlling interests came to EUR 1,270 thousand, up EUR 136 thousand when compared with 2017 (EUR 1,134 thousand). The main changes during the year, shown in detail in the statement of changes in equity, are essentially attributable to the combined effect of the following factors:

- the profit for the year attributable to non-controlling interests amounting to EUR 252 thousand;
- the distribution of the balance of dividends for 2017 pertaining to non-controlling interests for a total of EUR 20 thousand;
- the positive result of the other items of the comprehensive income statement, equal to EUR 15 thousand, determined by the change in the translation reserve for assets and liabilities of consolidated companies in functional currencies other than the euro.

As at 31 December 2018, GPI's wholly subscribed and paid-up share capital amounted to EUR 8,544,964, represented by 15,909,539 shares, of which 15,848,219 are ordinary shares and 61,320 C Shares. The ordinary treasury shares in the portfolio amount to 29,830. It is noted that at the date of these consolidated financial statements, 2,368,380 *warrants* are in circulation. The *warrants* converted from the day of listing to 31 December 2018 are 186,620.

GPI's objectives in the management of the capital are aimed at creating value for the shareholders, safeguarding the business as a going-concern, ensuring the interests of the *stakeholders*, as well as permitting efficient access to external sources of finance, such as to adequately support the development of the Group activities.

The reconciliation between the Group's profit and equity at the end of the period and the profit and equity of the Parent GPI SpA is detailed in the following table:

| In thousands of euros | 31 December 2018 | 2018 |
|---|---|---|
| | **Equity** | **Profit for the period** |
| **GPI SpA** | **66,785** | **7,737** |
| Elimination of the carrying value of consolidated companies | (45,216) | - |
| Profit/(loss) and Equity of consolidated companies | 56,462 | 526 |
| Recognition of equity investments using the *anticipation acquisition method* | (10,614) | 1,032 |
| Elimination of internal profits | (78) | (78) |
| Other adjustments | (9) | 11 |
| **GPI Group** | **67,331** | **9,228** |

## 7.11 Financial liabilities

| In thousands of euros | 2018 | 2017 |
|---|---|---|
| **Non-current financial liabilities** | | |
| **Medium-/long-term financial payables** | | |
| Bank loans and borrowings | 52,716 | 24,738 |
| Bond issues | 31,556 | 35,436 |
| Derivatives with negative *fair value* | 193 | 143 |
| Other financial liabilities | - | - |
| | **84,465** | **60,317** |
| **Liabilities for medium-/long-term finance leases** | **2,525** | **2,639** |
| | **2,525** | **2,639** |
| **Total non-current financial liabilities** | **86,990** | **62,956** |
| **Current financial liabilities** | | |
| **Short-term financial payables** | | |
| Bank loans and borrowings | 34,443 | 20,756 |
| Payables to *factoring agents* | 2,658 | 2,130 |
| Bond issues | 3,000 | 10,750 |
| Other current financial liabilities | 109 | - |
| | **40,211** | **33,635** |
| **Liabilities for short-term finance leases** | **355** | **453** |
| | **355** | **453** |
| **Total current financial liabilities** | **40,565** | **34,088** |

The amounts due to *factoring agents* concern the advances on factoring of receivables with recourse.

Bank loans and borrowings include various lines of short- and medium-to-long-term financing to service equity investments and the needs generated by the Group's operational activity amounting to EUR 87,159 thousand, of which EUR 10,360 thousand includes prepayment effects and current account overdrafts. The table below provides the detail of the items, with evidence of the current and non-current portion of the debt:

| Credit Institution | Origination | Maturity | Initial amount | Residual debt as at 31.12.2018 | of which the current portion | Residual debt as at 31.12.2017 | of which the current portion | Repayment mode | Interest rate |
|---|---|---|---|---|---|---|---|---|---|
| Intesa Sanpaolo | 2016 | 2019 | 1,000 | - | - | 500 | 417 | Instalment | Variable on 3M Euribor |
| Banca di Verona | 2018 | 2018 | 2,000 | - | - | | | Bullet | Fixed |
| Intesa Sanpaolo | 2018 | 2023 | 10,000 | 10,000 | 2,000 | - | - | Instalment | Variable on 6M Euribor |
| Mediocredito Centrale | 2016 | 2019 | 3,000 | 750 | 750 | 2,000 | 1,250 | Instalment | Variable on 3M Euribor |
| Banco Popolare Verona | 2015 | 2019 | 2,500 | 322 | 322 | 959 | 637 | Instalment | Variable on 3M Euribor |
| Cassa Risparmio Bolzano | 2015 | 2020 | 2,000 | 722 | 409 | 1,123 | 402 | Instalment | Variable on 3M Euribor |
| Cassa Risparmio Bolzano | 2017 | 2018 | 2,000 | - | - | 2,000 | 2,000 | Bullet | Fixed |
| Cassa Rurale Rovereto | 2014 | 2019 | 750 | 160 | 160 | 315 | 155 | Instalment | Variable on 6M Euribor |
| Cassa Rurale Rovereto | 2016 | 2023 | 739 | 528 | 111 | 635 | 107 | Instalment | Variable on 6M Euribor |
| Credem | 2017 | 2019 | 1,000 | 167 | 167 | 834 | 667 | Instalment | Variable on 12M Euribor |
| Credito Valtellinese | 2018 | 2019 | 5,000 | 4,287 | 4,287 | | | Instalment | Fixed |
| Deutsche Bank | 2016 | 2018 | 2,000 | - | - | 1,000 | 1,000 | Instalment | Variable on 3M Euribor |
| MPS | 2017 | 2020 | 2,500 | 1,250 | 833 | 2,083 | 833 | Instalment | Variable on 6M Euribor |
| MPS | 2015 | 2018 | 1,500 | - | - | 250 | 250 | Instalment | Variable on 6M Euribor |
| Banca Popolare Alto Adige | 2016 | 2021 | 2,500 | 1,523 | 500 | 2,015 | 492 | Instalment | Fixed |
| Banca Popolare Alto Adige | 2015 | 2020 | 1,000 | 314 | 208 | 517 | 205 | Instalment | Variable on 6M Euribor |
| Banca Popolare Alto Adige | 2013 | 2018 | 500 | - | - | 74 | 74 | Instalment | Variable on 6M Euribor |
| Raiffeisen | 2015 | 2019 | 2,500 | 326 | 326 | 969 | 642 | Instalment | Variable on 3M Euribor |
| UniCredit | 2015 | 2021 | 10,000 | 4,545 | 1,818 | 6,363 | 1,818 | Instalment | Variable on 3M Euribor |
| UniCredit | 2014 | 2019 | 1,000 | 57 | 57 | 278 | 220 | Instalment | Variable on 3M Euribor |
| UniCredit | 2017 | 2023 | 25,000 | 25,000 | 2,778 | 13,000 (*) | - | Instalment | Variable on 6M Euribor |
| UniCredit | 2014 | 2018 | 2,000 | - | - | 692 | 692 | Instalment | Variable on 3M Euribor |
| Mediocredito Italiano | 2013 | 2018 | 491 | - | - | 55 | 55 | Instalment | Variable on 6M Euribor |
| Mediocredito Italiano | 2013 | 2018 | 462 | - | - | 51 | 51 | Instalment | Variable on 6M Euribor |
| Banco Popolare Verona | 2015 | 2018 | 1,500 | - | - | 125 | 125 | Instalment | Variable on 3M Euribor |
| Cassa Centrale CR | 2009 | 2018 | 22 | - | - | 1 | 1 | Instalment | Variable on 3M Euribor |

| Credit Institution | Origination | Maturity | Initial amount | Residual debt as at 31.12.2018 | of which the current portion | Residual debt as at 31.12.2017 | of which the current portion | Repayment mode | Interest rate |
|---|---|---|---|---|---|---|---|---|---|
| Cassa Rurale Alto Garda | 2008 | 2018 | 500 | - | - | 54 | 54 | Instalment | Variable on 3M Euribor |
| Intesa Sanpaolo | 2018 | 2023 | 10,000 | 9,000 | 2,000 | - | - | Instalment | Variable on 6M Euribor |
| BNL | 2018 | 2021 | 15,000 | 15,000 | 5,000 | - | - | Instalment | Variable on 3M Euribor |
| Banca di Verona | 2018 | 2019 | 2,000 | 2,000 | 2,000 | - | - | Bullet | Fixed |
| Intesa Sanpaolo | 2015 | 2018 | 250 | 42 | 42 | 51 | - | Instalment | Fixed |
| Intesa Sanpaolo | 2016 | 2019 | 300 | - | - | 126 | - | Instalment | Fixed |
| Intesa Sanpaolo | 2017 | 2018 | 2,000 | - | - | 668 | 668 | Instalment | Variable on 1M Euribor |
| MPS | 2007 | 2018 | 43 | - | - | 42 | 42 | Instalment | Fixed |
| BNL | 2017 | 2018 | 2,000 | - | - | 1,000 | 1,000 | Instalment | Variable on 6M Euribor |
| Credem | 2017 | 2019 | 1,000 | 251 | 251 | 1,000 | 749 | Instalment | Variable on 12M Euribor |
| Deutsche Bank | 2017 | 2018 | 1,000 | - | - | 1,000 | 1,000 | Bullet | Variable on 3M Euribor |
| MPS | 2008 | 2018 | 180 | - | - | 13 | - | Instalment | Variable on 3M Euribor |
| BKS Bank | 2007 | 2023 | 1,000 | 353 | 71 | 418 | 68 | Instalment | Fixed |
| Banca Popolare di Sondrio | 2010 | 2025 | 320 | 165 | 22 | 186 | 21 | Instalment | Variable on 3M Euribor |
| Cassa Rurale Rovereto | 2016 | 2019 | 115 | 36 | 36 | 74 | 38 | Instalment | Variable on 6M Euribor |
| **Total** | | | **118,672** | **76,798** | **24,148** | **27,471** | **15,733** | | |

Below is an analysis of the bank debt by category of effective interest rate excluding the effect of any hedging derivatives and the amounts due to *factoring agents*:

| In thousands of euros | 31 December 2018 | | 31 December 2017 | |
|---|---|---|---|---|
| | Nominal value | Carrying amount | Nominal value | Carrying amount |
| Non-interest bearing | - | - | - | - |
| Up to 2.5% | 81,719 | 81,719 | 30,618 | 30,618 |
| Between 2.5% and 5% | 43,264 | 42,820 | 52,241 | 51,677 |
| Between 5% and 7.5% | 57 | 57 | 12,476 | 12,476 |
| Between 7.5% and 10% | - | - | - | - |
| Over 10% | - | - | - | - |
| **Total financial liabilities** | **125,039** | **124,596** | **95,335** | **94,771** |

The maturities of the financial liabilities in terms of nominal value of the expected outlay, as contractually defined, are described below.

| In thousands of euros | Payables to banks for loans | Bond issues (nominal value) | Total |
|---|---|---|---|
| Within 12 months | 34,443 | 3,000 | 37,443 |
| Between one and five years | 52,691 | 31,556 | 84,247 |
| Beyond five years | 25 | 0 | 25 |
| | 87,160 | 34,556 | 121,716 |

The bond issues are recognised using the amortised cost method.

The following table summarises the bonds issued by the Group, expressed both at nominal redemption value, net of repurchases, and at market value:

| Security (ISIN code) | Amount | Nominal redemption value | Coupon | Issue date | Maturity date | Issue price (%) | Market price as at 31.12.2018 | Market value as at 31.12.2018 |
|---|---|---|---|---|---|---|---|---|
| IT0004981913 | 12,000 | 12,000 | 5.50% | 23.12.2013 | 30.06.2018 | discharged on 01.07.2018 | | |
| IT0005156192 | 4,750 | 4,750 | 4.25% | 29.12.2015 | 31.01.2025 | discharged on 09.03.2018 | | |
| IT0005187320 | 15,000 | 15,000 | 4.30% | 01.06.2016 | 31.10.2023 | 98.69 | 96.51 | 14,477 |
| IT0005312886 | 20,000 | 20,000 | 3.00% | 30.11.2017 | 31.12.2022 | 100 | 96.51 | 19,302 |

| Security (ISIN code) | Amount | Nominal redemption value | Coupon | Issue date | Maturity date | Issue price (%) | Market price as at 31.12.2017 | Market value as at 31.12.2017 |
|---|---|---|---|---|---|---|---|---|
| IT0004981913 | 12,000 | 12,000 | 5.50% | 23.12.2013 | 30.06.2018 | 100 | 102.68 | 12,322 |
| IT0005156192 | 4,750 | 4,750 | 4.25% | 29.12.2015 | 31.01.2025 | 100 | 100 | 4,750 |
| IT0005187320 | 15,000 | 15,000 | 4.30% | 01.06.2016 | 31.10.2023 | 98.69 | 94.51 | 14,177 |
| IT0005312886 | 20,000 | 20,000 | 3.00% | 30.11.2017 | 31.12.2022 | 100 | 96.51 | 19,302 |

The outstanding bonds as at 31 December 2018 possess the following main characteristics:

- The 2013-2018 Loan (first mini-bond issued by GPI) quoted on ExtraMOT-Professional Segment and issued at the end of 2013. The 2013-2018 Loan, entitled "GPI Tasso Fisso (5.50%) 2013 - 2018", for an amount of EUR 12,000 thousand, was subscribed and paid in full during 2014. The 2013-2018 Bonds are of "bullet" type, direct, unconditional and non-subordinated, and accrued interest at a nominal annual rate of 5.50% fixed for the entire life of the loan itself. Interest payments (coupon detachment) took place on 30 June of each year for the term of the 2013-2018 Loan. The 2013-2018 Loan was issued at par as from 23 December 2013 and on the same date the rights to dividends began. At the date of preparation of these consolidated financial statements, the 2013-2018 Loan was fully discharged;
- The 2015-2025 Loan (second mini-bond issued by GPI) was not listed and was issued, subscribed and fully paid in December 2015. The 2015-2025 Loan, called "GPI *Fixed Rate* 2015-2025", was equal to EUR 4,750 thousand of nominal value. At the date of preparation of these consolidated financial statements, the 2015-2025 Loan was fully discharged;
- The 2016-2023 Loan (third mini-bond issued by GPI) quoted on ExtraMOT-Professional Segment, issued in June 2016. The 2016-2023 Loan, entitled "GPI Tasso Fisso (4.3%) 2016-2023", for an amount of EUR 15,000 thousand, was subscribed and paid in full during 2016. Depending on the value of the NFP/EBITDA financial *covenant*, certified at each calculation date in accordance with the regulation itself, the initial interest rate (equal to 4.3%) of the 2016-2023 Bonds is subject to an increase up to 1.50 percentage points (5.8%) or a decrease of 0.30 percentage points (4.0%). Interest payments (coupon detachment) take place on a half-yearly basis, in arrears. The 2016-2023 Loan was issued at par as from 1 June 2016 and on the same date the rights to dividends began. The maturity for all the 2016-2023 Bonds was fixed at 31 October 2023; the reimbursement will take place at par and, therefore, at 100% of the nominal value;

- The 2017-2022 Loan (fourth mini-bond issued by GPI), quoted on ExtraMOT-Professional Segment, issued in November 2017. The 2017-2022 Loan, entitled "GPI SpA - (3%) 2017-2022", is for an amount of EUR 20,000 thousand of nominal value and was fully subscribed and paid in during 2017. The 2017-2022 Bonds bear interest at a nominal annual gross fixed rate of 3%. Interest payments (coupon detachment) take place on a half-yearly basis, in arrears. The 2017-2022 Loan was issued at par as from 30 November 2017, and on the same date the rights to dividends began. The maturity for 2017-2022 Bonds was fixed at 31 December 2022; the reimbursement will take place at par and, therefore, at 100% of the nominal value.

In relation to certain loan agreements and bond issues, shown in the table below, the Group has undertaken to comply with certain financial parameters (financial *covenants*). It is noted that on the date of preparation of these consolidated financial statements all contractual commitments, including financial *covenants*, are complied with.

The following table shows, inter alia, the financial *covenants* pertaining to the financing agreements and the bond loans outstanding at 31 December 2018:

| Debtor company | Counterpart | Origination | Maturity | *Financial covenant* at the date of the consolidated financial statements[(1)] | Original amount | Residual debt as at 31.12.2018 | Residual debt as at 31.12.2017 |
|---|---|---|---|---|---|---|---|
| GPI SpA | 2016-2023 Bonds | 01.06.2016 | 31.10.2023 | NFP/NE<2.50 | 15,000 | 15,000 | 15,000 |
| GPI SpA | 2017-2022 Bonds | 30.11.2017 | 31.12.2022 | NFP/NE<2.50<br>NFP/EBITDA<3.50 | 20,000 | 20,000 | 20,000 |
| GPI SpA | BNL | 21.12.2018 | 21.12.2021 | NFI/NE<=2.5<br>NFP/EBITDA<3.50 | 15,000 | 15,000 | - |
| GPI SpA | Intesa Sanpaolo | 31.10.2018 | 31.10.2023 | NFP/NE<=1.75<br>NFP/EBITDA<=3.25 | 10,000 | 10,000 | - |
| GPI SpA | Intesa Sanpaolo | 31.05.2018 | 31.05.2023 | NFP/NE<=1.75<br>NFP/EBITDA<=3.25 | 10,000 | 9,000 | - |
| GPI SpA | Cassa Risparmio Bolzano | 03.12.2015 | 30.09.2020 | NFI/NE<=2.5<br>NFI/EBITDA<=3.5 | 2,000 | 722 | 1,123 |
| GPI SpA | UniCredit | 27.01.2014 | 30.01.2019 | NE>=EUR 7 million | 1,000 | 57 | 278 |
| GPI SpA | UniCredit (*) | 20.06.2015 | 30.06.2021 | NFI/NE<1.75<br>NFI/EBITDA<3.25 | 10,000 | 4,545 | 6,363 |
| GPI SpA | UniCredit (*) | 29.09.2017 | 30.09.2023 | NFI/NE<1.75<br>NFI/EBITDA<3.25 | 25,000 | 25,000 | 13,000 |
| | | | | | **108,000** | **99,324** | **55,764** |

(1) To be calculated according to the definitions established in the individual contracts.
(*) The Group has also undertaken not to assume a financial indebtedness arising from deferred payment clauses in respect of the price of an asset, for a maximum overall levy of more than EUR 30 million over the term of the Loan.
Legend:
NFP/NFI: Net Financial Position.
NE: Equity.
EBITDA: Gross Operating Margin.

The regulations and the prospectuses relating to the bond issues of the GPI Group are available on the following website: www.GPI.it.
Note that some of the above-indicated financing contains withdrawal clauses *ad nutum*, *cross default*, *cross acceleration*, *change of control*, *pari passu and/or negative pledge*.

The liabilities for finance leases refer to leases of property, plant and equipment recorded in the accounts as per the financial method provided for by IAS 17. The following table illustrates the maturities of the liabilities for finance *leases*.

| In thousands of euros | Minimum payments due for *leases* | | Interest | | Current value of minimum payments due for *leases* | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Within 12 months | 442 | 548 | 87 | 95 | 355 | 453 |
| Between one and five years | 1,472 | 1,221 | 109 | 255 | 1,363 | 966 |
| Beyond five years | 1,216 | 1,821 | 53 | 148 | 1,163 | 1,673 |
| | **3,130** | **3,590** | **249** | **498** | **2,881** | **3,092** |

The hedging derivatives relating to elements classified under financial liabilities are as follows:

| In thousands of euros | Risk cover | 31.12.2018 | | 31.12.2017 | |
|---|---|---|---|---|---|
| | | *Fair Value* Positive/ (Negative) | Notional of reference | *Fair Value* Positive/ (Negative) | Notional of reference |
| *Cash flow hedge* derivatives | | | | | |
| *Interest Rate Swap* 2016-2028 | Interest rate | (9) | 1,228 | - | 1,326 |
| *Interest Rate Swap* 2015-2021 | Interest rate | (38) | 4,545 | (62) | 6,364 |
| *Interest Rate Swap* 2017-2023 | Interest rate | (145) | 12,500 | (83) | 12,500 |
| | | **(193)** | **18,273** | **(145)** | **20,190** |

The interest rate risk hedging transactions are classified as *cash flow hedge* transactions in accordance with IFRS 9. The carrying amount of the hedging transactions falls under level 2 of the *fair value* hierarchy.

Please see section 10.3 for the description of the Company's exposure to liquidity risk.

As required by IAS 7, the following table summarises the cash flows, related to financial and derivative liabilities, which occurred during the year:

| In thousands of euros | 31 Dec. 17 | *Cash flows* | Non-cash changes | | 31 Dec. 18 |
|---|---|---|---|---|---|
| | | | *Acquisition* | *New leases* | |
| Financial *lease* liabilities - non-current | 2,639 | - | (295) | 181 | 2,525 |
| Bank loans - non-current | 24,881 | 54,923 | (26,895) | | 52,909 |
| Bond loan - non-current | 35,436 | (1,000) | (2,880) | - | 31,556 |
| **Non-current financial liabilities (A)** | **62,956** | **53,923** | **(30,070)** | **181** | **86,990** |
| Financial *lease* liabilities - current | 452 | (575) | 328 | 150 | 355 |
| Bank loans - current | 15,733 | (18,595) | 26,945 | | 24,083 |
| Bond loan - current | 10,750 | (10,750) | 3,000 | - | 3,000 |
| Overdrafts to banks for anticipatory effects | 5,023 | 5,337 | - | - | 10,360 |
| Other current financial liabilities | 2,130 | 638 | - | - | 2,768 |
| **Current financial liabilities (B)** | **34,088** | **(23,945)** | **30,273** | **150** | **40,566** |
| **Financial liabilities (A) + (B)** | **97,044** | **29,978** | **203** | **331** | **127,556** |

## Net financial position in accordance with the ESMA Recommendation of 20 March 2013

The following section shows the amount of the net financial position as required by CONSOB Communication DEM/6064293 dated 28 July 2006, which refers to the Recommendation of the *European Securities and Markets Authority* - ESMA of 20 March 2013 (which does not provide for the deduction of the financial indebtedness of the non-current financial assets).

| In thousands of euros | 31 December 2018 | 31 December 2017 (*restated*) | 31 December 2017 |
|---|---|---|---|
| Cash and cash equivalents (A) | 41,600 | 39,936 | 39,936 |
| Current financial assets (B) | 24,459 | 6,066 | 6,066 |
| Current account overdrafts | - | (832) | (832) |
| Current portion of medium-/long-term financial liabilities (*) | (24,083) | (15,733) | (13,733) |
| Bond issues | (3,000) | (10,750) | (12,000) |
| Other financial payables | (13,482) | (6,773) | (7,547) |
| **Current financial liabilities (C)** | **(40,565)** | **(34,088)** | **(34,112)** |
| Current net financial position (D = A + B + C) | 25,493 | 11,914 | 11,890 |
| Bond issues | (31,556) | (35,436) | (34,186) |
| Medium-/long-term loans (*) | (52,909) | (24,881) | (26,881) |
| Other non-current financial payables | (2,525) | (2,639) | (1,865) |
| **Non-current financial liabilities (E)** | **(86,990)** | **(62,956)** | **(62,932)** |
| **Net Financial Position as per the ESMA Recommendation (F = D + E)** | **(61,498)** | **(51,042)** | **(51,042)** |
| Non-current financial assets (G) | 2,092 | 906 | 906 |
| Payables for acquisition of equity investments (G) | (16,225) | (23,422) | (23,422) |
| **Net Financial Position, including non-current financial assets and payables for purchase of equity investments (H = F + G)** | **(75,631)** | **(73,558)** | **(73,558)** |

(*) Current guaranteed portion: EUR 3,396 thousand (EUR 1,920 thousand at 31 December 2017); non-current guaranteed portion EUR 11,175 thousand (EUR 5,063 thousand at 31 December 2017).

The table below illustrates the incorrect classifications between short and long term, which emerged after the GPI Shareholders' Meeting of 30 April 2018 that was called to approve the financial statements, which resulted in the *restatement* at 31 December 2017 of the statement of financial position. The effect of these adjustments results in an overall increase in non-current financial liabilities of EUR 24 thousand and a decrease in current financial liabilities of the same amount.

| In thousands of euros | 31 December 2017 | Financing Reclassification | Reclassification of *Leasing* | Reclassification of Bond Issue | 31 December 2017 (*restated*) |
|---|---|---|---|---|---|
| Cash and cash equivalents (A) | 39,936 | - | - | - | 39,936 |
| Current financial assets (B) | 6,066 | - | - | - | 6,066 |
| Current account overdrafts | (832) | - | - | - | (832) |
| Current portion of medium-/long-term financial liabilities | (13,733) | (2,000) | - | - | (15,733) |
| Bond issues | (12,000) | - | - | 1,250 | (10,750) |
| Other financial payables | (7,547) | - | 774 | | (6,773) |
| **Current financial liabilities (C)** | **(34,112)** | **(2,000)** | **774** | **1,250** | **(34,088)** |
| Current net financial position (D = A + B + C) | 11,890 | (2,000) | 774 | 1,250 | 11,914 |
| Bond issues | (34,186) | - | - | (1,250) | (35,436) |
| Medium-/long-term loans | (26,881) | 2,000 | - | - | (24,881) |
| Other non-current financial payables | (1,865) | - | (774) | - | (2,639) |
| **Non-current financial liabilities (E)** | **(62,932)** | **2,000** | **(774)** | **(1,250)** | **(62,956)** |
| **Net financial position as per the ESMA Recommendation (F = D + E)** | **(51,042)** | **-** | **-** | **-** | **(51,042)** |
| Non-current financial assets (G) | 906 | - | - | - | 906 |
| Payables for acquisition of equity investments (G) | (23,422) | - | - | - | (23,422) |
| **Net financial position, including non-current financial assets and payables for purchase of equity investments H = F + G)** | **(73,558)** | **-** | **-** | **-** | **(73,558)** |

## 7.12 Provisions for employee benefits

The breakdown and changes in employee benefits is illustrated in the following table:

| In thousands of euros | Post-employment benefits | | Other employee benefits | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Balance as at 1 January | 6,036 | 4,216 | 554 | 531 |
| **Included in the profit/(loss) for the year** | | | | |
| Cost relating to work services | - | 92 | 49 | 23 |
| Gain relating to past work services | (164) | (23) | - | - |
| Financial expense (income) | 47 | 29 | - | - |
| | **5,919** | **4,314** | **603** | **554** |
| **Included under other comprehensive income (expense)** | | | | |
| Actuarial loss/(gain) from: | | | | |
| - demographic hypotheses | - | - | - | - |
| - financial hypotheses | (127) | 2 | 33 | - |
| - adjustments based on past experience | 201 | (20) | - | - |
| | **74** | **(18)** | **33** | **-** |
| **Other** | | | | |
| Business combinations | 377 | 2,104 | - | - |
| Benefits disbursed | (402) | (364) | - | - |
| | **(25)** | **1,740** | **-** | **-** |
| **Balance as at 31 December** | **5,968** | **6,036** | **636** | **554** |
| - current portion | 546 | 542 | - | - |
| - non-current portion | 5,423 | 5,494 | 636 | 554 |

Post-employment benefits relate to the Group's Italian companies and, on the basis of Italian legislation, accrue in relation to the service provided and are disbursed at the time that the employee leaves the Company.

The increase due to business combinations is related to the transactions described in Note 5 Main corporate transactions and acquisitions during the year.

The benefits due to the termination of the employment relationship of each employee are calculated on the basis of the duration and the taxable remuneration. The liability is renewed annually in relation to the official cost of living index and the legal interest. It is not associated with any accrual period or condition, or any financial funding obligation; therefore, there are no assets serving the benefits.

The regulations were subsequently supplemented by Legislative Decree No 252/2005 and by Law No 296/2006 which, for companies with at least 50 employees, established that the portions accrued as from 2007 are destined, as per the option of the employees, either to the INPS Treasury Fund or the forms of supplementary welfare, assuming the nature of "Defined contribution plans".

The revaluations of the amounts outstanding as of the option dates however remain recorded under post-employment benefits for all the companies, while for the companies with less than 50 employees, the amounts accrued and not intended for supplementary welfare are also included. In accordance with IAS 19, this provision is recognised as a "Defined benefit plan".

The following table describes the financial and demographic hypotheses adopted in the calculation of the liability in accordance with IAS 19.

| Financial hypotheses | 2018 | 2017 |
|---|---|---|
| Annual discount rate | 1.57% | 1.30% |
| Annual inflation rate | 1.50% | 1.50% |
| Annual post-employment benefits increase rate | 2.63% | 2.63% |
| Annual salary increase rate | 1.00% | 1.00% |
| Annual turnover rate | 5.00% | 5.00% |
| *Duration* | 9.5 | 9.7 |

## 7.13 Provisions for risks and charges

| In thousands of euros | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Provisions for tax risks | 475 | 785 |
| Other provisions for risks and charges | 270 | 2,055 |
| **Total provisions for risks and charges** | **745** | **2,840** |
| Non-current | 270 | 2,333 |
| Current | 475 | 507 |
| **Total provisions for risks and charges** | **745** | **2,840** |

Provisions for risks and charges amount to EUR 745 thousand, down EUR 2,095 thousand with respect to 2017 (EUR 2,840 thousand). The provision has recorded the following main movements:

- a decrease in the provision for tax risks for EUR 316 thousand, linked to the partial reabsorption of the provision set aside in 2017, subsequent to the presentation of the request for facilitated settlement of pending tax disputes in accordance with the provisions of Articles 6 and 7, paragraph 2, letter B) and paragraph 3 of Decree-Law No 119 of 23 October 2018, converted with amendments by Law No 136 of 17 December 2018;
- a use of the provision for risks for EUR 1,648 thousand due to costs incurred for the conclusion of contracts with customers already existing at the time of the acquisition of Insiel Mercato SpA that occurred in December 2016.

## 7.14 Trade and other payables

| In thousands of euros | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Trade payables | 32,198 | 31,379 |
| Payables for acquisition of investments | 16,225 | 23,422 |
| Payables for employees | 17,514 | 16,060 |
| Other payables | 3,245 | 6,436 |
| **Total trade and other payables** | **69,182** | **77,297** |
| Non-current | 15,584 | 17,176 |
| Current | 53,598 | 60,121 |
| **Total trade and other payables** | **69,182** | **77,297** |

Trade and other payables amount to EUR 69,182 thousand, down EUR 8,115 thousand with respect to 2017 (EUR 77,297 thousand). This decrease is mainly due to the payment of payables for equity investment purchases.
Trade and other current payables as at 31 December 2018 were made up as follows:

- trade payables due to third parties up by EUR 819 thousand. The increase is attributable in part to the greater need of the Group for procurement so as to cover the new contractual agreements entered into with the customers;
- the payables for the purchase of equity investments decreased subsequent to the payment, also by means of treasury shares, of payables relating to the acquisitions of Hemasoft, Nuova Sigma, Info Line, EDP, Domino, Xidera, BIM Italia, and for the *fair value* adjustment of payables still owing in relation to earn-out mechanisms and *put/call* options on the percentage still held by non-controlling interests;
- payables for employees reported an increase of EUR 1,454 thousand and include amounts due to employees of EUR 10,546 thousand and amounts due to social security and welfare institutions of EUR 6,968 thousand. The increase is mainly attributable to the rise in the average workforce, also in relation to the new Group companies;
- other current payables, amounting to EUR 3,245 thousand, went down by EUR 3,191 thousand, and mainly contain accruals and deferred income (EUR 1,619 thousand) and prepayments from customers (EUR 779 thousand).

The composition by payment due date of trade receivables with the allocation of the corresponding allowance for impairment is as follows:

| In thousands of euros | Total payable | Falling due | Due | 1-90 | 91-180 | 181-360 | Over 360 |
|---|---|---|---|---|---|---|---|
| **Payables to suppliers** | **32,198** | **18,565** | **13,633** | **7,915** | **1,959** | **1,100** | **2,659** |
| Payables to suppliers % | 100.0% | 57.7% | 42.3% | 24.6% | 6.1% | 3.4% | 8.3% |

## 8. Financial instruments

The following shows the carrying amount of the financial assets and liabilities at 31 December 2018 and 31 December 2017 compared with the related fair value, including the relative level of the *fair value* hierarchy:

| 31 December 2018<br>In thousands of euros | Note | Carrying amount | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|---|
| Financial assets measured at *fair value* | | | | | | |
| Other equity investments and financial instruments - non-current | 7.4 | 821 | 10 | - | 811 | 821 |
| Other equity investments and financial instruments - current | 7.4 | 3,474 | 2,891 | - | 583 | 3,474 |
| Receivables from *factoring agents* | 7.4 | 16,914 | - | - | 16,914 | 16,914 |
| Trade receivables and other receivables - current | 7.7 | 4,084 | - | - | 4,084 | 4,084 |
| Active derivatives - non-current | 7.4 | 164 | - | - | 164 | 164 |
| Active derivatives - current | 7.4 | 2 | - | - | 2 | 2 |
| | | **25,459** | **2,901** | **-** | **22,558** | **25,459** |
| Financial liabilities measured at *fair value* | | | | | | |
| *Interest rate swap* hedges | 7.11 | (193) | - | (193) | - | (193) |
| | | **(193)** | **-** | **(193)** | **-** | **(193)** |
| **Financial liabilities not measured at *fair value*** | | | | | | |
| Payables for acquisition of equity investments | 7.11 | (16,225) | - | - | (16,225) | (16,225) |
| Bond issues | 7.11 | (34,556) | (33,479) | - | - | (33,479) |
| | | **(50,781)** | **(33,479)** | **-** | **(16,225)** | **(49,703)** |

| 31 December 2017<br>In thousands of euros | Note | Carrying amount | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|---|
| **Financial assets measured at *fair value*** | | | | | | |
| Other equity investments and financial instruments - non-current | 7.4 | 286 | 156 | - | 130 | 286 |
| Receivables from *factoring agents* | 7.4 | 5,455 | - | - | 5,455 | 5,455 |
| Trade receivables and other receivables - current | 7.4 | - | - | - | - | - |
| Active derivatives - non-current | 7.4 | - | - | - | - | - |
| Active derivatives - current | 7.4 | - | - | - | - | - |
| | | **5,741** | **156** | **-** | **5,585** | **5,741** |
| **Financial liabilities measured at *fair value*** | | | | | | |
| *Interest rate swap* hedges | 7.11 | (145) | - | (145) | - | (145) |
| | | **(145)** | **-** | **(145)** | **-** | **(145)** |
| **Financial liabilities not measured at *fair value*** | | | | | | |
| Payables for acquisition of equity investments | 7.11 | (23,422) | - | - | (23,422) | (23,422) |
| Bond issues | 7.11 | (46,186) | (46,101) | - | (4,750) | (50,551) |
| | | **(69,608)** | **(46,101)** | **-** | **(28,172)** | **(73,973)** |

# 9. Information on the consolidated income statement items

The main balances of the 2018 consolidated income statement are analysed as follows. For the breakdown of the balances of the income statement items deriving from related-party transactions, please refer to Note 10.7 Related-party transactions.

## 9.1 Revenue and other income

**Methodological notes and connection information**
The Group's significant growth and the changes in the organisational and production structure, more specifically over the last three years, suggest the introduction of reading keys and additional analysis with reference to economic and financial data.

The decision to aggregate all healthcare services into a single reference SBA (Strategic Business Area) was recently formalised at the *business* level; this was done with a view towards rationalisation, but also in response to the increasingly blurred boundaries between the supplied services, which were characterised more and more frequently by the minimum common denominator of "territorial" healthcare and by a single supply chain system (from the CUP booking to the healthcare performance, transitioning to telemedicine, telemonitoring and taking charge of a chronic or potentially chronic patient). This implies the need for a slight connection with the historical data, which highlights the performance of the health services of an administrative nature, excluding a small portion (less than EUR 2 million of revenues) of services of a social-welfare nature, now included in the "*Care*" SBA.

In conjunction with the 30th anniversary of the founding of GPI, on 22 March 2019 a complete *rebranding* of the Group's brand name and corporate graphic lines was introduced. It was decided at the same time to rename the reference SBAs in a simplified way, on the basis of the following correspondences:

| Previous name of SBA | New name of SBA |
|---|---|
| Information Systems | *Software* |
| Administrative Healthcare Services | *Care* |
| Social-Welfare Healthcare Services | |
| Logistics and Automation | *Automation* |
| ICT professional services | ICT |
| E-Money | *Pay* |

In the representation of the data for the two main SBAs, starting from 2018, a different *corporate* cost allocation criterion is applied to the annual data analysis than that of the previous years. This criterion is considered more appropriate for the representation of sectoral profitability, given the recent developments in the *business* structure. The current allocation system is based on an equal share of the SBA net operating profitability before allocating corporate costs and the remaining share of the SBA staff costs, and replaces the previous criterion that was based solely on segment profitability.

It is believed that the absolute margin and percentage expressed in this way will permit a meaningful management representation that is comparable over time, both in relation to the Group and in relation to the two main SBAs.

The following table shows the connecting effects on the 2017 profitability by SBA:

| 2017 (old SBA configuration)<br>In thousands of euros | Information Systems | *Business Process Outsourcing* | Services Healthcare Welfare | Other operating sectors | Total |
|---|---|---|---|---|---|
| Revenue | 76,569 | 80,747 | 2,155 | 19,339 | 178,810 |
| Other income | 129 | 285 | - | 660 | 1,074 |
| **Revenue and other income** | **76,698** | **81,032** | **2,155** | **19,999** | **179,884** |
| Raw materials and consumables | (2,536) | (672) | (188) | (3,784) | (7,180) |
| General Expenses | (19,756) | (19,589) | (960) | (4,196) | (44,501) |
| Personnel expenses | (38,263) | (54,381) | (567) | (9,092) | (102,303) |
| Amortisation, depreciation and impairment losses | (6,115) | (2,814) | (68) | (579) | (9,576) |
| Other provisions | (250) | - | - | (622) | (872) |
| Financial income (expense) | (1,193) | (678) | (44) | (315) | (2,230) |
| Portion of profits from equity investments accounted for using the equity method | - | - | | - | - |
| **Pre-tax profit of the segments** | **8,585** | **2,898** | **328** | **1,411** | **13,222** |

**Revenue**

The GPI Group monitors the trend of revenues and costs by SBA. The most significant SBAs are:

- *Software*, which includes the set of *software* solutions and related services (corrective, adaptive, preventive and developmental maintenance) aimed at the management of the administrative-accounting processes and the care processes for the public and private socio-healthcare structures, and, more generally, of the public administration authorities.
- *Care*, which includes the ancillary services of an administrative nature (such as booking/cancellation of healthcare services, *contact centre* services, administrative/counter acceptance services, administrative secretarial services, cultural intermediation for foreign citizens and additional administrative services of *business process outsourcing*). This also includes services provided by clinical structures that use the "Policura" *brand*, telemedicine services and 3D prosthetics;
- *Automation*, which includes integrated technological solutions (*hardware* and *software* infrastructures) for the management of the pharmaceutical *supply chain*;
- ICT services, which represents a diverse set of products and services that include (i) the services of *desktop management*, or support services and maintenance of the workstations of the users of the *hardware* and *software*; (ii) support systems services such as administration of the *data centre* in the different components, consultancy services in the field of *networking* and *database administration*;
- *Pay*, which includes innovative technologies and services offered for the management of electronic payments for the world of large-scale organised distribution, *retail* chains and *banking*.

| 2018<br>In thousands of euros | *Software* | *Care* | Other operating segments | Total |
|---|---|---|---|---|
| Revenue | 89,560 | 87,847 | 24,449 | 201,856 |
| Other income | 1,117 | 405 | 289 | 1,811 |
| **Revenue and other income** | **90,677** | **88,252** | **24,737** | **203,667** |
| Raw materials and consumables | (2,351) | (731) | (4,040) | (7,122) |
| General expenses | (24,341) | (24,875) | (5,803) | (55,019) |
| Personnel expenses | (42,854) | (59,431) | (12,520) | (114,804) |
| Amortisation, depreciation and impairment losses | (9,656) | (2,993) | (778) | (13,427) |
| Other provisions | 160 | 72 | (314) | (82) |
| Financial income (expense) | (151) | (117) | (32) | (299) |
| Portion of profits from equity investments accounted for using the equity method | (97) | - | - | (97) |
| **Pre-tax profit of the segments** | **11,388** | **177** | **1,251** | **12,816** |

| 2017 (new SBA configuration)<br>In thousands of euros | *Software* | *Care* | Other operating segments | Total |
|---|---|---|---|---|
| Revenue | 76,565 | 82,906 | 19,339 | 178,810 |
| Other income | 129 | 285 | 660 | 1,074 |
| **Revenue and other income** | **76,694** | **83,191** | **19,999** | **179,884** |
| Raw materials and consumables | (2,463) | (928) | (3,789) | (7,180) |
| General expenses | (18,523) | (21,702) | (4,277) | (44,501) |
| Personnel expenses | (37,371) | (55,782) | (9,150) | (102,303) |
| Amortisation, depreciation and impairment losses | (5,988) | (3,001) | (587) | (9,576) |
| Other provisions | (250) | - | (622) | (872) |
| Financial income (expense) | (1,027) | (878) | (325) | (2,230) |
| Portion of profits from equity investments accounted for using the equity method | - | - | - | - |
| **Pre-tax profit of the segments** | **11,073** | **900** | **1,249** | **13,222** |

The Group's significant overall growth (+ EUR 23 million, + 13% compared to 2017) is mainly based on the increase recorded in the strategic area. From the point of view of geographical segmentation, foreign revenues show an increase of 30% compared to 2017. The following table shows the composition of revenues by area:

| In thousands of euros | 2018 | 2017 |
|---|---|---|
| Italy | 184,767 | 165,661 |
| EU | 13,349 | 12,846 |
| Non-EU | 3,740 | 303 |
| **Total** | **201,856** | **178,810** |

The percentage of EU and non-EU revenues is 8.5%, concentrated in the DACH area (Austria, Germany and Switzerland) but with an important and growing contribution from Spain, the United States and Poland.

**Other income**

Other income amounts to EUR 1,811 thousand and showed an increase of EUR 737 thousand with respect to 2017.

## 9.2 Raw materials and consumables

Raw materials and consumables came to EUR 7,122 thousand, down EUR 58 thousand when compared with 2017 (EUR 7,180 thousand). This item includes costs for the purchase of materials amounting to EUR 7,532 thousand and the changes in inventories of EUR 410 thousand.

## 9.3 Service costs

| In thousands of euros | 2018 | 2017 |
|---|---|---|
| *Outsourcing* | 26,481 | 19,038 |
| Consulting | 11,273 | 4,095 |
| *Leases* and potential lease instalments | 4,012 | 3,293 |
| Travel and subsistence expenses | 2,901 | 2,103 |
| Utilities | 2,519 | 2,129 |
| Maintenance | 43 | 457 |
| Other | 4,863 | 9,108 |
| **Total service costs** | **52,092** | **40,223** |

Service costs amount to EUR 50,092 thousand and reported an increase of 30% with respect to 2017 (EUR 40,223 thousand), mainly due to the expansion of the consolidation scope. The item mainly refers to the increase in *outsourcing* services, consulting and other costs. *Outsourced* processing refers to the purchase of *software* assistance services, costs incurred for services to be resold and staffing costs relating to certain CUPs. Consulting essentially refers to administrative and commercial advice.

Other costs include the fees for the directors and the statutory auditors, the cost of utilities and other service costs.

Note that during the year, costs were incurred for services of a non-recurring nature of EUR 1,858 thousand relating to advice for the transfer of GPI to the MTA stock market.

## 9.4 Personnel expenses

| In thousands of euros | 2018 | 2017 |
|---|---|---|
| Wages and salaries | 83,010 | 77,402 |
| Social security charges | 24,334 | 19,636 |
| Post-employment benefits (TFR) | 6,048 | 4,956 |
| Other personnel expenses | 1,412 | 309 |
| **Total personnel expenses** | **114,804** | **102,303** |

Personnel expenses came to EUR 114,804 thousand, up EUR 12,501 thousand (+12%) when compared with 2017 (EUR 102,303 thousand). The increase refers both to a general increase in the average workforce following the start of new projects, as well as to the effect of the acquisitions in the second half of 2017 (consolidated as from the date of acquisition in the consolidated financial statements as at 31 December 2017).

The breakdown of the workforce as at 31 December by level is as follows.

| Category | 2018 | 2017 |
|---|---|---|
| Executives | 37 | 30 |
| Middle managers | 74 | 76 |
| White-collar workers | 4,207 | 3,754 |
| Apprentices | 45 | 32 |
| Blue-collar workers | 14 | 12 |
| **Total** | **4,377** | **3,904** |

## 9.5 Amortisation, depreciation and impairment losses

| In thousands of euros | 2018 | 2017 |
|---|---|---|
| Amortisation of intangible non-current assets | 9,217 | 5,607 |
| Depreciation of property, plant and equipment | 2,039 | 1,858 |
| Amortisation of contract costs | 2,171 | 2,111 |
| **Total amortisation and depreciation** | **13,427** | **9,576** |

Amortisation, depreciation and impairment losses come to EUR 13,427 thousand and include the amortisation of intangible assets and depreciation of property, plant and equipment of EUR 11,256 thousand and the amortisation of contractual costs of EUR 2,171 thousand. The amortisation of intangible assets and depreciation of property, plant and equipment were carried out in 2018 on the basis of the percentages indicated in Note 3. Accounting standards and policies applied The increase of EUR 3,851 thousand mainly refers to the amortisation of *intangible assets* that emerged from the completion of the allocation process of the price paid, as better specified in Notes 5 and 6.

## 9.6 Other provisions

Other provisions amounted to EUR 82 thousand and refer exclusively to the allowance for impairment recorded in the year to cover trade receivables with lower probability of collection.

## 9.7 Other operating costs

Other operating costs amount to EUR 2,927 thousand and reported a decrease of EUR 1,351 thousand with respect to 2017 (EUR 4,278 thousand). The change compared to the previous year is due to the different cost structures, more specifically of the Group's foreign subsidiaries.

## 9.8 Net financial income (expense)

| In thousands of euros | 2018 | 2017 |
|---|---|---|
| Interest income from: | | |
| - Loans, receivables and bank current accounts | 402 | 369 |
| - Income from fair value measurement of financial assets and liabilities | 1,863 | - |
| – Dividends | - | 16 |
| – Other | (3) | 207 |
| **Financial income** | **2,261** | **592** |
| Interest expense from: | | |
| - Loans, receivables and bank current accounts | (1,245) | (943) |
| - Loss expense from fair value measurement of financial assets and liabilities | 107 | (42) |
| - Interest expense on bonds | (1,422) | (1,690) |
| – Other | - | (149) |
| **Financial expense** | **(2,560)** | **(2,823)** |
| **Net financial expense recognised under profit/(loss) for the year** | **(299)** | **(2,231)** |

Net financial expense amounts to EUR 299 thousand, down EUR 1,932 thousand compared with 2017 (EUR 2,231 thousand). This decrease is mainly due to the payment of payables for equity investment purchases, more specifically:

- to *capital gains* on payments with treasury shares, equal to EUR 341 thousand;
- to the write-off of the minor payable for the purchase of Info Line Srl, equal to EUR 472 thousand;
- to the adjustment of the *fair value* of the payables for the purchase of equity investments of EUR 872 thousand;
- the adjustment of the *fair value* of embedded derivatives with regard to the envisaged payments with treasure shares.

## 9.9 Share of profit/(loss) of equity-accounted investments, net of tax

The share of profit of equity-accounted investments shows a balance of EUR 97 thousand in the year 2018, due to the profit of EUR 121 thousand of the associate Südtirol Alto Adige Informatica Medica Srl, and the losses of EUR 24 thousand attributable to the Glossa Consortium.

## 9.10 Income tax

The composition of the income tax, distinguishing between the current portion and the deferred and prepaid portion, is illustrated as follows:

| In thousands of euros | 2018 | 2017 |
|---|---|---|
| **Current taxes** | | |
| IRES | 2,585 | 2,915 |
| IRAP | 1,033 | 1,614 |
| Foreign current taxes | 261 | 368 |
| Provision for tax risks | - | 785 |
| **Total current taxes** | **3,879** | **5,682** |
| Deferred taxes | | |
| IRES | (187) | 178 |
| IRAP | (272) | (55) |
| Foreign deferred taxes | (84) | (445) |
| **Total deferred taxes** | **(543)** | **(322)** |
| **Income tax deriving from operations in the year** | **3,336** | **5,360** |

# 10. Other information

## 10.1 Earnings per share

The following table shows the statement for the calculation of the earnings per share:

| Earnings per share | |
|---|---|
| Number of shares | 15,909,539 |
| Earnings for the year pertaining to the Group (in thousands of euros) | 9,228 |
| **Basic earnings per share (euros)** | **0.58** |

With regard to the requirements pursuant to Article 1, paragraphs 125-129 of Law No 124/2017 on the transparency of the public disbursement system, please refer to the information reported in the individual separate financial statements of the Group companies.

## 10.2 Significant non-recurring transactions

No significant non-recurring transactions were completed other than those already described in *Note 5* above.
Note that in December, GPI was admitted to listing on the MTA Stock Exchange subsequent to a process developed during the year. This operation resulted in non-recurring costs of EUR 1,858 thousand.
The first day of the listing was 28 December 2018.

## 10.3 Financial risk management

**Objectives and policies for handling the financial risks of the GPI Group**

During the ordinary performance of its operating activities, the GPI Group is exposed to:

- Market risk, mainly changes in the interest rates associated with the financial assets disbursed and the financial liabilities undertaken;
- Liquidity risk, with reference to the availability of financial resources suitable for covering its operating activities and the settlement of the liabilities undertaken;
- Credit risk, associated with both the normal trade transactions, and the possibility of default of a financial counterparty.

The strategy of the Company for the management of the financial risks is compliant and consistent with the business objectives defined by GPI's Board of Directors.

**Market risk**

The strategy followed for this type of risk aims to mitigate interest and currency risks and optimise the cost of the debt.

The management of these risks is carried out in observance of the principles of prudence and on a consistent basis with the best market practices.

The main objectives indicated by the *policy* are as follows:

- Pursue the defence of the scenario of the long-term plan from the effects caused by exposure to the risk of changes in the exchange and interest rates, identifying the optimum combination between fixed rate and floating rate;
- Pursue a potential reduction in the cost of the Group's debt;

Handle the transactions concerning financial derivatives, taking into account the economic and equity impacts which the same may also have in relation to their classification and representation in the accounts.

As at 31 December 2018, the Group had ongoing cash flow hedging transactions, classified in accordance with IAS 39 as *cash flow hedges*, on the exposure to medium/long-term loans. For the *fair value* measurements of financial derivatives, please refer to Note 7.11 Financial liabilities.

With reference to the floating rate loans, the Group is not subject to significant impacts deriving from a change in the interest rates to the extent of 0.10% (10 bps).

**Liquidity risk**

The liquidity risk represents the risk that the available financial resources may be insufficient for covering the bonds maturing. The Group believes that it has access to sources of finance sufficient for satisfying the planned financial requirements, having taken into account the cash and cash equivalents, its ability to generate cash flows, the ability to track down sources of finance on the bond market and the availability of credit facilities from banks.

The distribution by maturity of the financial liabilities outstanding as at 31 December 2018 is shown in Note 7.11 Financial liabilities.

As at 31 December 2018, the Group had a reserve of liquidity estimated at around EUR 45.7 million, made up of:

- EUR 41.6 million attributable to cash and cash equivalents and/or invested for a period not exceeding the short term;
- EUR 4.2 million attributable to credit facilities granted but not used.

In conclusion, please refer to Note 7.11 Financial liabilities for the quantitative and qualitative analysis of the financial liabilities.

**Credit risk**

The Company handles the credit risk essentially using counterparties with a high credit standing and does not have significant concentrations of credit risk.

Also the credit risk originated by open positions on transactions involving financial derivatives can be considered to be of a marginal amount, since the counterparties used are leading lending institutions.

The credit positions, if significant individually, in relation to which an objective condition of partial or total uncollectability is revealed, are subject to individual write-down. The amount of the write-down takes into account an estimate of the recoverable flows and the related date of collection, the expense and the charges for future recovery, as well as the value of the guarantees and the deposits received from customers. Provisions on a collective basis have been provided for receivables which are not subject to analytical impairment, having taken into account the past experience and the statistical data available. For a breakdown of the allowance for impairment relating to trade receivables, please refer to Note 7.7 Net trade assets.

## 10.4 Disclosure on non-controlling interests in consolidated companies

| 31 December 2018<br>In thousands of euros | ARGENTEA SRL and DIRECT SUBSIDIARIES | CONSORZIO STABILE CENTO ORIZZONTI and DIRECT SUBSIDIARIES | SINTAC SRL | GBIM SRL | CLINICHE DELLA BASILICATA SRL | RIEDL GMBH | GPI CHILE | SALURIS ZOO | TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| Non-current assets | 1,356 | 202 | 613 | 1,589 | - | 1,877 | 33 | - | 5,669 |
| Current assets | 5,428 | 4,950 | 395 | 1,558 | 8 | 2,760 | 4 | 17 | 15,119 |
| Non-current liabilities | (204) | (196) | (1) | (230) | - | (1,413) | - | - | (2,043) |
| Current liabilities | (5,079) | (4,680) | (1,052) | (759) | 0 | (2,383) | (41) | (3) | (13,996) |
| **Equity** | **1,203** | **91** | **(23)** | **1,546** | **6** | **651** | **(3)** | **8** | **3,479** |
| **Equity attributable to non-controlling interests** | **298** | **184** | **(22)** | **613** | **3** | **190** | **(2)** | **5** | **1,270** |
| Revenue | 4,465 | 16,003 | 247 | 1,557 | - | 4,703 | 5 | 38 | 27,020 |
| Profit/(loss) for the year | 66 | 285 | (68) | (224) | (2) | 304 | 0 | 16 | 378 |
| Other comprehensive income (expense) | 6 | - | - | - | - | - | - | - | 6 |
| **Total comprehensive income(expense) for the year** | **72** | **285** | **(68)** | **(224)** | **(2)** | **304** | **0** | **16** | **384** |
| Profit/(loss) pertaining to the investments of non-controlling interests | 14 | 171 | (33) | (55) | (1) | 149 | 0 | 6 | 252 |
| Other comprehensive income (expense) pertaining to non-controlling interests | 1 | - | - | - | - | - | - | - | 1 |

| 31 December 2018<br>In thousands of euros | ARGENTEA SRL and DIRECT SUBSIDIARIES | CONSORZIO STABILE CENTO ORIZZONTI and DIRECT SUBSIDIARIES | SINTAC SRL | GBIM SRL | NEOCARE SRL | RIEDL GMBH | GPI CHILE | TOTAL |
|---|---|---|---|---|---|---|---|---|
| Non-current assets | 286 | 281 | 444 | 1,990 | - | 1,105 | 35 | 4,141 |
| Current assets | 2,753 | 6,123 | 463 | 1,373 | 552 | 2,438 | 10 | 13,712 |
| Non-current liabilities | (190) | - | (36) | (135) | - | (1,385) | - | (1,746) |
| Current liabilities | (1,312) | (6,417) | (848) | (1,002) | (466) | (2,074) | (50) | (12,169) |
| **Equity** | **1,537** | **(13)** | **23** | **2,226** | **86** | **84** | **(5)** | **4,158** |
| **Equity attributable to non-controlling interests** | **307** | **(6)** | **11** | **668** | **9** | **41** | **37** | **1,134** |
| Revenue | 3,103 | 15,515 | 192 | 1,863 | - | 4,461 | - | 26,231 |
| Profit/(loss) for the year | 323 | - | (1) | 246 | (13) | 291 | (26) | 892 |
| Other comprehensive income (expense) | - | - | - | - | - | - | 11 | 11 |
| **Total comprehensive income (expense) for the year** | **323** | **-** | **(1)** | **246** | **(13)** | **291** | **(15)** | **903** |
| Profit/(loss) pertaining to the investments of non-controlling interests | 65 | - | - | 74 | (1) | 143 | (13) | 287 |
| Other comprehensive income (expense) pertaining to non-controlling interests | - | - | - | - | - | - | 5 | 5 |

## 10.5 Guarantees

As at 31 December 2018, the Group had guarantees totalling EUR 8,159 thousand.

| Type | Commitment guaranteed | Guaranteed counterparty | Amount (in thousands of euros) |
|---|---|---|---|
| Mortgage | Loan | Credit institute | 353 |
| Surety | Loan | Credit institute | 36 |
| Mortgage | Loan | Credit institute | 165 |
| Pledge | Loan | Credit institute | 7,605 |
| | | | **8,159** |

## 10.6 Contingent liabilities

The Group has carried out an analysis of the contracts being executed as of the reporting date and has not noted the existence of significant contingent liabilities other than those indicated in Note 7.13.

## 10.7 Related-party transactions

The table below lists the related-party transactions during 2018 and 2017:

| 31 December 2018<br>In thousands of euros | Receivables | Payables | Revenue | Costs |
|---|---|---|---|---|
| FM Srl | - | 1,998 | - | 404 |
| LTP Stprl | 116 | - | - | - |
| CONSORZIO STABILE GLOSSA | 118 | - | 57 | - |
| TBS.IT Srl | 1,871 | 50 | 439 | 16 |
| SAIM Srl | 5,533 | - | 2,863 | - |
| CIV SpA | 39 | - | 48 | - |
| **Total** | **7,677** | **2,047** | **3,407** | **421** |

| 31 December 2017<br>In thousands of euros | Receivables | Payables | Revenue | Costs |
|---|---|---|---|---|
| FM Srl | - | 1,616 | - | 453 |
| **Total** | **-** | **1,616** | **-** | **453** |

The total amount of receivables from related parties amounted to EUR 4,675 thousand at 31 December 2018. Payables came to EUR 2,047 thousand, revenues to EUR 3,359 thousand and costs to EUR 421 thousand.

Receivables from LTP Stprl are linked to services rendered during the acquisition phase.

Receivables from CONSORZIO STABILE GLOSSA are linked to commercial and technical services rendered.

Receivables from TBS.IT Srl are mainly linked to financial receivables for loans received from GPI and services provided by the Group.

Receivables from SAIM Srl are linked to commercial and technical services rendered.

Payables to FM Srl are mainly linked to the services rendered as part of the listing on the AIM market managed by Borsa Italiana SpA.

Payables to TBS.IT Srl are linked to payables of a commercial nature for services received by the GPI Group.

Revenues from TBS.IT Srl relate to technical and corporate services rendered.

Revenues from SAIM Srl are mainly linked to commercial and technical services rendered.

Revenues from CONSORZIO STABILE GLOSSA are mainly linked to commercial and technical services rendered.

The costs relate to charges relating to guarantees provided by FM Srl.

## 10.8 Significant events after the reporting date

Among the significant events in 2019, it is noted that in January CERVED confirmed the A3.1 rating to GPI.

On 18 February 2019, GPI SpA completed the acquisition of ACCURA Srl (80%), specialised in the management and handling of chronic illness in the healthcare sector.

Also in February 2019, GPI concluded the acquisition of minority shareholdings in the following companies:
WEZEN TECHNOLOGIES SRL
OPEN PROCESS SRL
BUSINESS PROCESS ENGINEERING SRL

In March 2019, a tender was awarded for the provision of *software* and IT services to the Maltese police.
Finally, on 22 March, on the 30th anniversary of the Group's creation, GPI launched a *rebranding* initiative. The current brands and logos will be completely replaced by a new graphic *package*. A new *website* and a new internal social media communication tool were also introduced.

## 10.9 Other information

As provided by law, the fees paid to Directors, Statutory Auditors and Managers with strategic responsibilities are highlighted.

| In thousands of euros | 2018 |
|---|---|
| Directors' fees | 1,035 |
| Statutory Auditors' fees | 65 |
| Fees for key management personnel | 182 |

See Annex 5 for the fees paid to the audit firm.

# Annex 1 - Consolidation scope and GPI Group investments - 31 December 2018

| Name | Registered office | % of total interest of the Group | Currency in use | Share capital at 31.12.2018 |
|---|---|---|---|---|
| **Parent:** | | | | |
| GPI SpA | Trento, Italy | | Euro | 8,544,964 |
| **Consolidated subsidiaries using the line-by-line method:** | | | | |
| Argentea Srl | Trento, Italy | 80.00% | Euro | 100,000 |
| Argentea Sp. Zoo | Warsaw, Poland | 65.60% | Polish Zloty | 60,000 |
| BIM Italia Srl | Trento, Italy | 70.30% | Euro | 1,000,000 |
| Consorzio Stabile Cento Orizzonti | Trento, Italy | 55.10% | Euro | 10,000 |
| Cliniche della Basilicata Srl | Potenza, Italy | 67.00% | Euro | 10,000 |
| Do.Mi.No Srl | Venice, Italy | 38.57% | Euro | 25,500 |
| GBIM Srl | Pavia, Italy | 70.00% | Euro | 100,000 |
| GPI Chile | Santiago de Chile, Chile | 56.00% | Chilean peso | 161,510,229 |
| Hemasoft America Corp. | Miami, USA | 60.00% | USD | 988 |
| Hemasoft SL | Madrid, Spain | 60.00% | Euro | 600,200 |
| Lombardia Contact Srl Soc.Unipers. | Milan, Italy | 100.00% | Euro | 2,000,000 |
| Professional Clinic GmbH | Klagenfurt, Austria | 100.00% | Euro | 1,230,000 |
| Riedl GmbH | Plaue, Germany | 51.00% | Euro | 160,000 |
| Saluris Sp Zoo | Lublin, Poland | 60.00% | Polish Zloty | 40,000 |
| Sintac Srl | Trento, Italy | 51.00% | Euro | 10,200 |
| Uni It Srl | Trento, Italy | 80.00% | Euro | 1,000,000 |
| Xidera Srl | Milan, Italy | 60.00% | Euro | 10,000 |
| **Subsidiaries excluded from the consolidation scope:** | | | | |
| Informatica Group OOO | Moscow, Russia | 100.00% | Russian rouble | 10,000 |
| GPI Africa Austral Sa | Maputo, Mozambique | 70.00% | Mozambican metical | 50,000 |
| **equity-accounted investments:** | | | | |
| Associates: | | | | |
| SAIM - Südtirol Alto Adige Informatica Medica Srl | Bolzano, Italy | 46.50% | Euro | 200,000 |
| Consorzio Stabile Glossa | Naples, Italy | 21.40% | Euro | 130,000 |
| TBS IT Telematic & Biomedical Services Srl | Milan, Italy | 40.00% | Euro | 600,000 |

## Annex 2 - Operational offices

The registered offices are at Via Ragazzi del '99, 13 Trento, Italy. The Group has the following operational offices:

- Via del Credito, 5 – 31033 Castelfranco Veneto (TV)
- Via XXIX Aprile, 2 – 30031 Dolo (VE)
- Via Brixia Zust, 10 – 25100 Brescia (BS)
- Loc. Padriciano, 99 – 34149 Trieste (TS)
- Via Emilia, 72 – 43010 Fontevivo (PR)
- Via Donat Cattin, 83 – 52100 Arezzo (AR)
- Via Alessandro Volta, 13/A – 39100 Bolzano (BZ)
- Corso Lodi, 111 – 20139 Milan (MI)
- Huelén, 111 – Providencia Santiago (Chile)
- Industriering, 11 – 9020 Klagenfurt am Wörthersee (Austria)
- In der Aue, 9 – D – 99338 Plaue (Germany)
- Waldhornstrasse, 26 – 82110 Germering (Germany)
- Tomasza Zana, 11A – 20–601 Lublin (Poland)
- Piazza San Vigilio, 1 – 38026 Ossana (TN)
- Via Maestro Piero, 6 – 38053 Castello Tesino (TN)
- Via Costalta, 10 – 38040 Luserna (TN)
- Via del Garda, 44 bis – 38068 Rovereto (TN)
- Via Solteri, 56 – 38121 Trento (TN)
- Via Sommarive, 18 – 38123 Frazione Povo (TN)
- Via Abbagnano, 3 – 60019 Senigallia (AN)
- Strada Prov. per Casamassima Km 3 – 70124 Bari (BA)
- Via Bazzanese, 69-75 – 40033 Casalecchio di Reno (BO)
- Via Anzalone, 12 – 95024 Acireale (CT)
- Via L. Settembrini, 8 – 88100 Catanzaro (CZ)
- Via Minzoni Don Giovanni, 24 – 20158 Milan (MI)
- Via Leopoldo Nobili, 188/B – 41126 Modena (MO)
- Centro Direzionale Isola E7 – 80143 Naples (NA)
- Via Libertà, 201/A – 90143 Palermo (PA)
- Via S. Crispino 106 – 35129 Padua (PD)
- Via Vincenzo Verrastro, 29/31 – 85100 Potenza (PZ)
- Via Danubio, 9 – 42124 Reggio Emilia (RE)
- Via Cristoforo Colombo 115 – 00147 Rome (RM)
- Via Arnaldo da Brescia, 7 – 10134 Turin (TO)
- Via Trento, 11 – 36071 Arzignano (VI)
- Via della Meccanica, 16 – 37139 Verona (VR)
- 7300 N. Kendall Dr. Suite 470 - Miami, FL 33156 (USA)
- C/ Antonio Lopez 249 - 28041, Madrid (Spain)
- P° Belén 9 A - 47011 de Valladolid (Spain)
- Via dei Pini – 95033 Biancavilla (CT)
- Via Brixia Zust, 10 – 95033 Brescia (BS)
- Via Reggio Calabria, 12 – 87100 Cosenza (CS)
- Via Santelli, 35 – 50134 Florence (FI)
- P.zza della Vittoria, 12/12 – 16121 Genoa (GE)
- Via G. Saragat, 1 – 30174 Mestre (VE)
- Via Pier Lombardo fraz. Lumellogno, 28100 – Novara (NO)
- Via Mario Rapisardi, 15 – 90144 Palermo (PA)
- Via Vittorio Emanuele, 424 – 95047 Paternò (CT)
- P.zzale Volontari del Sangue, 2 – 27100 Pavia (PV)
- Via Malasoma, 20 – 56121 Pisa (PI)
- Località Contrada Mozzoni, 14 – 66030 Treglio (CH)
- Viale Tredicesimo, 181 – 33100 Udine (UD)
- Largo Don Uva, 2 – 85100 Potenza (PZ)

# Annex 3 - Consolidated balance sheet prepared pursuant to CONSOB Resolution 15519 of 27 July 2006

| In thousands of euros | 31 December 2018 | Of which related parties (Note 10.7) | 31 December 2017 (*restated*) | Of which related parties (Note 10.7) |
|---|---|---|---|---|
| **Assets** | | | | |
| Goodwill | 24,038 | | 23,537 | |
| Other intangible assets | 56,023 | | 56,243 | |
| Property, plant and equipment | 15,588 | | 14,772 | |
| Equity-accounted investments | 241 | | 296 | |
| Non-current financial assets | 2,092 | | 906 | |
| Deferred tax assets | 3,291 | | 3,467 | |
| Contract costs | 7,223 | | 9,050 | |
| Other non-current assets | 1,399 | | 391 | |
| **Non-current assets** | **109,894** | | **108,662** | |
| Inventories | 3,937 | | 4,046 | |
| Contract assets | 67,799 | 5,581 | 63,103 | |
| Trade and other receivables | 41,005 | 557 | 41,706 | |
| Cash and cash equivalents | 41,600 | | 39,936 | |
| Current financial assets | 24,459 | 1,540 | 6,066 | |
| Current tax assets | 904 | | 1,349 | |
| **Current assets** | **179,704** | | **156,206** | |
| **Total assets** | **289,598** | | **264,868** | |
| **Equity** | | | | |
| Share capital | 8,545 | | 8,533 | |
| Share premium reserve | 56,872 | | 55,733 | |
| Other reserves and retained earnings/(losses) carried forward, including profit/(loss) for the year | 1,914 | | (1,359) | |
| **Capital and reserves attributable to the Group** | **67,331** | | **62,906** | |
| **Capital and reserves attributable to non-controlling interests** | **1,270** | | **1,134** | |
| **Total equity** | **68,601** | | **64,040** | |
| Liabilities | | | | |
| Non-current financial liabilities | 86,990 | | 62,956 | |
| Non-current provisions for employee benefits | 6,059 | | 6,048 | |
| Non-current provisions for risks and charges | 270 | | 2,333 | |
| Deferred tax liabilities | 11,196 | | 12,936 | |
| Trade and other payables | 15,584 | | 17,176 | |
| **Non-current liabilities** | **120,100** | | **101,449** | |
| Contract liabilities | 1,574 | | 1,277 | |
| Trade and other payables | 53,598 | 2,047 | 60,121 | 1,616 |
| Current employee benefits | 546 | | 542 | |
| Current provisions for risks and charges | 475 | | 507 | |
| Current financial liabilities | 40,565 | | 34,088 | |
| Current tax liabilities | 4,141 | | 2,843 | |
| **Current liabilities** | **100,898** | | **99,378** | |
| **Total liabilities** | **220,998** | | **200,827** | |
| Total equity and liabilities | 289,598 | | 264,868 | |

# Annex 4 - Consolidated income statement prepared pursuant to CONSOB Resolution 15519 of 27 July 2006

| In thousands of euros | 31 December 2018 | Of which related parties (Note 10.7) | 31 December 2017 *(restated)* | Of which related parties (Note 10.7) |
|---|---|---|---|---|
| **Revenue** | **201,856** | 3,138 | **178,810** | |
| Other income | 1,811 | 219 | 1,074 | |
| **Total revenue and other income** | **203,667** | | **179,884** | |
| Raw materials and consumables | (7,122) | | (7,180) | |
| Service costs | (52,092) | (57) | (40,223) | (41) |
| Personnel expenses | (114,804) | | (102,303) | |
| Amortisation, depreciation and impairment losses of non-current assets | (13,427) | | (9,576) | |
| Other provisions | (82) | | (872) | |
| Other operating costs | (2,927) | | (4,278) | |
| **Operating profit/(loss)** | **13,212** | | **15,452** | |
| Financial income | 2,261 | 50 | 592 | |
| Financial expense | (2,560) | (364) | (2,823) | (412) |
| **Net financial income (expense)** | **(299)** | | **(2,230)** | |
| Share of profit/(loss) of equity-accounted investments, net of tax | (97) | | - | |
| **Pre-tax profit** | **12,816** | | **13,222** | |
| Income tax | (3,336) | | (5,360) | |
| **Profit/(loss) for the year** | **9,480** | | **7,862** | |
| **Profit/(loss) for the year attributable to:** | | | | |
| Owners of the parent | 9,228 | | 7,575 | |
| Non-controlling interests | 252 | | 287 | |

# Annex 5 - Disclosure pursuant to Article 149-duodecies of the CONSOB Issuers' Regulation 11971/1999

## GPI SpA

| Type of services | Subject that has supplied the service | Notes | Fees in thousands of euros |
|---|---|---|---|
| Financial audit | Auditor of the Parent Company | | 82 |
| Voluntary financial audit | Auditor of the Parent Company | (1) | 175 |
| Certification services | Auditor of the Parent Company | (2) | 21 |
| Other services | Auditor of the Parent Company | (3) | 273 |
| **Total GPI SpA** | | | **551** |

## Subsidiaries

| Type of services | Subject that has supplied the service | Notes | Fees in thousands of euros |
|---|---|---|---|
| Financial audit | Auditor of the Parent Company | | 34 |
| Financial audit | Network of the auditor of the Parent Company | | 15 |
| **Total subsidiaries** | | | **49** |
| **Total GPI Group** | | | **600** |

(1) - Voluntary audit of the consolidated financial report as at 31 December 2015 and the consolidated interim financial report as at 30 June 2018.
(2) - Certification of compliance on the non-financial consolidated declaration.
(3) - Signature of Single Tax Return and Form 770, comfort letter for the purpose of listing on the MTA Stock Market.

The Healthcare Partner

**Attestazione ai sensi dell'art. 154 bis del D.lgs. 24 febbraio 1998 n. 58 (Testo Unico della Finanza) relativa al bilancio consolildato.**

1. I sottoscritti Fausto Manzana in qualità di "Amministratore Delegato" e Stefano Corvo in qualità di "Dirigente preposto alla redazione dei documenti contabili societari" di GPI S.p.A. attestano, tenuto anche conto di quanto previsto dall'art. 154-bis, commi 3 e 4, del decreto legislativo 24 febbraio 1998, n.58:

- l'adeguatezza in relazione alle caratteristiche dell'impresa e

- l'effettiva applicazione

delle procedure amministrative e contabili per la formazione del **bilancio consolidato** nel corso del periodo 1 gennaio – 31 dicembre 2018.

2. L'adeguatezza delle procedure amministrative e contabili per la formazione del bilancio consolidato 2018 è stata valutata sulla base del modello Internal Control – Integrated Framework emanato dal Commitee of Sponsoring Organisations of the Treadway Commission che rappresenta il modello di riferimento a livello internazionale generalmente accettato.

3. Si attesta, inoltre, che:

3.1 Il bilancio consolidato al 31 dicembre 2018:

a. è redatto in conformità ai principi contabili internazionali applicabili riconosciuti dall'Unione Europea ai sensi del Regolamento (CE) n. 1606/2002 del Parlamento europeo e del Consiglio, del 19 luglio 2002 e successive integrazioni;

b. corrisponde alle risultanze dei libri e delle scritture contabili;

c. è idoneo a fornire una rappresentazione veritiera e corretta della situazione patrimoniale, economica e finanziaria dell'Emittente e dell'insieme delle imprese incluse nel consolidamento.

3.2 La relazione sulla gestione comprende un'analisi attendibile dell'andamento e del risultato della gestione, nonché della situazione dell'Emittente e dell'insieme delle imprese incluse nel consolidamento, unitamente ad una descrizione dei principali rischi ed incertezze cui sono esposti.

Trento , 29 marzo 2019

Amministratore Delegato

Fausto Manzana

Dirigente preposto alla redazione
dei documenti contabili societari

Stefano Corvo

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R.E.A. C.C.I.A.A. TN nr. 189428
Cap. Soc. Euro 8.544.963,90 i.v.

www.gpi.it

# Separate Financial Statements of GPI SpA

03

| STATEMENT OF FINANCIAL POSITION<br>In thousands of euros | *Note* | 31 December 2018 | 31 December 2017 |
|---|---|---|---|
| **Assets** | | | |
| Goodwill | *5.1* | 5,645 | 1,630 |
| Intangible assets | *5.1* | 29,653 | 9,808 |
| Property, plant and equipment | *5.2* | 12,925 | 11,798 |
| Equity-accounted investments | *5.3* | 45,325 | 66,642 |
| Non-current financial assets | *5.4* | 3,125 | 1,906 |
| Deferred tax assets | *5.5* | 3,201 | 2,606 |
| Contract costs | *5.7* | 247 | 145 |
| Other non-current assets | *5.6* | 653 | 149 |
| **Non-current assets** | | **100,774** | **94,684** |
| Inventories | *5.7* | 2,573 | 2,759 |
| Contract assets | *5.7* | 61,905 | 37,510 |
| Trade and other receivables | *5.7* | 38,117 | 36,022 |
| Cash and cash equivalents | *5.8* | 28,071 | 24,858 |
| Current financial assets | *5.4* | 24,040 | 4,945 |
| Current tax assets | *5.9* | 764 | 765 |
| **Current assets** | | **155,470** | **106,859** |
| **Total assets** | | **256,244** | **201,543** |
| **Equity** | | | |
| Share capital | | 8,545 | 8,533 |
| Share premium reserve | | 56,872 | 55,733 |
| Other reserves and retained earnings/(losses) carried forward, including profit/(loss) for the year | | 1,368 | -396 |
| **Total equity** | ***5.10*** | **66,785** | **63,870** |
| **Liabilities** | | | |
| Non-current financial liabilities | *5.11* | 86,499 | 61,966 |
| Non-current provisions for employee benefits | *5.12* | 4,371 | 1,516 |
| Non-current provisions for risks and charges | *5.13* | 170 | 76 |
| Deferred tax liabilities | *5.5* | 2,344 | 806 |
| Other non-current liabilities | *5.14* | 5,888 | 7,283 |
| **Non-current liabilities** | | **99,272** | **71,647** |
| Contract liabilities | *5.7* | 1,083 | 1,181 |
| Trade and other payables | *5.15* | 45,105 | 36,674 |
| Current employee benefits | *5.12* | 528 | 540 |
| Current provisions for risks and charges | *5.13* | 469 | 785 |
| Current financial liabilities | *5.11* | 39,660 | 24,554 |
| Current tax liabilities | *5.9* | 3,342 | 2,292 |
| **Current liabilities** | | **90,187** | **66,026** |
| **Total liabilities** | | **189,459** | **137,673** |
| **Total equity and liabilities** | | **256,244** | **201,543** |

| INCOME STATEMENT<br>In thousands of euros | Note | 2018 | 2017 |
|---|---|---|---|
| Revenue | | 112,874 | 96,377 |
| Other income | | 2,918 | 6,331 |
| **Total revenue and other income** | **7.1** | **115,792** | **102,708** |
| Raw materials and consumables | *7.2* | (6,212) | (4,999) |
| Service costs | *7.3* | (30,091) | (23,426) |
| Personnel expenses | *7.4* | (66,685) | (58,064) |
| Amortisation, depreciation and impairment losses | *7.5* | (4,519) | (2,976) |
| Other provisions | *7.6* | (32) | (549) |
| Other operating costs | *7.7* | (1,358) | (1,436) |
| **Operating profit/(loss)** | | **6,894** | **11,259** |
| Financial income | | 2,291 | 473 |
| Financial expense | | (3,245) | (2,570) |
| **Net financial income (expense)** | **7.8** | **(954)** | **(2,097)** |
| Portion of profit of equity-accounted investments, net of tax | *7.9* | 4,530 | 2,258 |
| **Pre-tax profit** | | **10,470** | **11,420** |
| Income tax | *7.10* | (2,734) | (3,532) |
| **Profit/(loss) for the year** | | **7,736** | **7,888** |

| STATEMENT OF COMPREHENSIVE INCOME<br>In thousands of euros | Note | 2018 | 2017 |
|---|---|---|---|
| **Profit for the year** | | **7,736** | **7,888** |
| **Other comprehensive income (expense)** | ***5.10*** | | |
| **Items that will not be reclassified subsequently to profit or loss** | | | |
| Revaluations of net liabilities/(assets) for defined benefits | | (93) | 18 |
| Change in the fair value of financial assets, other than equity investments, with OCI effect | | 690 | - |
| Taxation on items that will not be reclassified subsequently to profit or loss | | 18 | (4) |
| | | **615** | **14** |
| **Components that are or can be subsequently reclassified in the profit/(loss) for the year** | | | |
| Change in translation reserve | | - | 5 |
| Cash flow hedges | | 96 | (180) |
| Taxes on components that are or can be subsequently reclassified in the profit/(loss) for the year | | (19) | 35 |
| | | **78** | **(140)** |
| **Other comprehensive income (expense) for the year, net of tax** | | **693** | **(126)** |
| **Total comprehensive income for the year** | | **8,428** | **7,762** |

| STATEMENT OF CHANGES IN EQUITY<br>In thousands of euros | Share capital | Share premium reserve | Revaluation of defined benefit plans (IAS 19) | Translation reserve | Cash flow hedge reserve | Fair value assessment reserve of financial assets, other than equity investments, with OCI effect | Other reserves and retained earnings/ (losses) carried forward, including profit/(loss) for the year | Total equity |
|---|---|---|---|---|---|---|---|---|
| **Balance as at 1 January 2017** | **8,526** | **55,120** | **(108)** | **4** | **(100)** | | **(2,287)** | **61,156** |
| **Total comprehensive income** | | | | | | | | |
| Profit/(loss) for the year | - | - | - | - | - | - | 7,888 | 7,888 |
| Other components of the comprehensive income statement | - | - | 5 | (145) | 14 | - | - | (126) |
| **Total comprehensive income** | **-** | **-** | **5** | **(145)** | **14** | **-** | **7,888** | **7,762** |
| **Transactions with owners** | | | | | | | | |
| Contributions and distributions | - | - | - | - | - | - | - | - |
| Dividends | - | - | - | - | - | - | (4,602) | (4,602) |
| Business combinations | - | - | - | - | - | - | 345 | 345 |
| Other transactions with owners | - | - | - | - | - | - | - | - |
| **Total transactions with owners** | **-** | **-** | **-** | **-** | **-** | **-** | **(4,257)** | **(4,257)** |
| Other changes | 7 | 613 | - | - | - | 173 | (1,582) | (789) |
| **Balance as at 31 December 2017** | **8,533** | **55,733** | **(103)** | **(141)** | **(86)** | **173** | **(239)** | **63,870** |
| | | | | | | | | |
| **Balance as at 1 January 2018** | **8,533** | **55,733** | **(103)** | **(141)** | **(86)** | **173** | **(239)** | **63,870** |
| **Total comprehensive income for the year** | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | 7,736 | 7,736 |
| Other components of the comprehensive income statement | - | - | (75) | - | 98 | 690 | (21) | 693 |
| **Total comprehensive income for the year** | **-** | **-** | **(75)** | **-** | **98** | **690** | **7,715** | **8,428** |
| **Transactions with owners** | | | | | | | | |
| Contributions and distributions | - | - | - | - | - | - | - | - |
| Dividends | - | - | - | - | - | - | (4,742) | (4,742) |
| Business combinations | - | - | - | - | - | - | - | - |
| Other transactions with owners | 12 | 1,139 | - | - | - | - | (1,151) | - |
| **Total transactions with owners** | **12** | **1,139** | **-** | **-** | **-** | **-** | **(5,892)** | **(4,741)** |
| Other changes | - | - | (86) | 146 | (159) | - | (674) | (774) |
| **Balance as at 31 December 2018** | **8,545** | **56,872** | **(265)** | **5** | **(146)** | **863** | **909** | **66,784** |

| CASH FLOW STATEMENT<br>In thousands of euros | Note | 2018 | 2017 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit/(loss) for the year | | 7,737 | 7,888 |
| Adjustments for: | | | 0 |
| - Depreciation of property, plant and equipment | *7.5* | 1,381 | 1,060 |
| - Amortisation of intangible assets | *7.5* | 2,899 | 1,388 |
| - Amortisation of contract costs | *7.5* | 239 | 170 |
| - Other provisions | *7.6* | 32 | 549 |
| - Net financial income (expense) | *7.8* | 954 | 2,097 |
| - Portion of profit of equity-accounted investments, net of tax | *7.9* | (4,530) | (2,258) |
| - Income tax | *7.10* | 2,734 | 3,531 |
| Changes in working capital and other changes | | (5,119) | (21,746) |
| Interest paid | | (2,640) | (2,476) |
| Income taxes paid | | (1,477) | (82) |
| **Net cash and cash equivalents generated by operating activities** | | **2,210** | **(9,878)** |
| **Cash flows from investing activities** | | | |
| Interest collected | | 42 | 268 |
| Dividends collected | | 1,044 | 1,064 |
| Acquisition of subsidiaries | *4* | (1,563) | (32,747) |
| Acquisition of property, plant and equipment | *5.2* | (1,618) | (345) |
| Development costs and other investments in intangible assets | *5.1* | (6,920) | (3,604) |
| Other investments in financial assets | | 2,012 | 11,017 |
| **Net cash and cash equivalents absorbed by investing activities** | | **(7,002)** | **(24,346)** |
| **Cash flows from financing activities** | | | |
| Amounts collected on issue of shares | | - | 620 |
| Acquisition of treasury shares | | (636) | (1,440) |
| Amounts collected from undertaking of financial liabilities | | 56,918 | 38,500 |
| Reimbursements of financial liabilities | | (30,345) | (45,145) |
| Finance lease payments | | (575) | (502) |
| Acquisition of non-controlling interests | | - | (126) |
| Change of payables for acquisition of investments | | (5,257) | 11,056 |
| Change in short-term financial assets | | (10,661) | (1,953) |
| Dividends paid | *5.10* | (4,742) | (4,602) |
| **Net cash and cash equivalents generated by financing activities** | | **4,702** | **(3,593)** |
| **Net increase (decrease) in cash and cash equivalents** | | **(90)** | **(37,817)** |
| Cash and cash equivalents as at 1 January | | 24,858 | 61,912 |
| Cash from mergers | | 3,303 | 763 |
| **Cash and cash equivalents as at 31 December** | ***5.8*** | **28,071** | **24,858** |

# • Explanatory notes

## 1. General information

GPI SpA GPI SpA (hereinafter the "Company" or "GPI") is the Parent of a Group which operates in the field of social-healthcare IT services and new hi-tech services for health.

The Group's offering combines specialised IT expertise and advisory and planning capabilities that make it possible to operate in a range of Strategic Business Areas (SBAs): Software, Care, Automation, ICT Services and Pay services.

GPI's ordinary shares and warrants are listed on the Electronic Stock Market managed by Borsa Italiana SpA and therefore are subject to supervision by CONSOB (Italian Securities and Exchange Commission).

The registered offices are at Via Ragazzi del '99, 13 Trento, Italy. For further information on secondary offices, see Annex 2.

As of the date of drafting these financial statements, FM Srl is the shareholder that holds the majority of GPI SpA's shares, exercising management and coordination activities.

These separate financial statements as at 31 December 2018 have been approved by GPI's Board of Directors during the meeting held on 29 March 2019.

## 2. Form and content of the financial statements

The financial statements as at 31 December 2018, drawn up on the assumption of the Company's ability to continue a going concern, have been prepared in accordance with Articles 2 and 3 of Legislative Decree No 38/2005, in compliance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board and endorsed by the European Commission, which include the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as well as the previous International Accounting Standards (IAS) and the interpretations of the Standard Interpretations Committee (SIC) still in force. For the sake of simplicity, all the standards and interpretations are defined as the "IFRS" further on.

The financial statements comprise the accounting schedules (statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and cash flow statement) and these notes, applying the provisions of IAS 1 "Presentation of financial statements" and the general historical cost approach with the exception of the financial statements items which on the basis of the IFRS are recognised at fair value, as indicated in the accounting standards for the individual items described in Note 3. The statement of financial position is presented on the basis of the layout which provides for the distinction between current and non-current assets and liabilities. The costs are classified on the basis of the nature of the same in the income statement. The cash flow statement is drawn up applying the indirect method.

The IFRS are applied on a consistent basis with the indications provided in the "Conceptual Framework for Financial Reporting", and no problematic issues which would have led to recourse to the departures as per section 19 of IAS 1 arose.

All the balances are expressed in thousands of euros, unless otherwise indicated. The euro is the functional currency of the Company and the main subsidiaries, as well as the presentation currency of these separate financial statements. The corresponding balance for the previous year is shown for each item of the accounting schedules, for comparative purposes.

Some amounts related to financial liabilities (current and non-current) presented for comparative purposes have been reclassified, compared to the values presented in the previous year, as a result of a change in classification (see Note 5.11 Financial Liabilities).

## 3. Accounting standards and policies applied

The most significant accounting standards and policies applied during the preparation of the financial statements as at 31 December 2018 are illustrated below. The accounting principles described below have been applied consistently for all periods included in these financial statements, with the exception of the adoption of new accounting standards, interpretations and amendments as reported below.

## Intangible assets and goodwill

Intangible assets are the identifiable assets lacking physical consistency, controlled by the Company and capable of producing future economic benefits, as well as goodwill, when acquired against payment.

The identifiability is defined with reference to the possibility of distinguishing the intangible assets acquired with respect to goodwill. This requirement is normally met when the intangible asset: (i) is attributable to a legal or contractual right or (ii) is separable, or can be sold, transferred, leased or exchanged autonomously or as an integral part of other assets. The control by the Company involves the ability to make use of the future economic benefits deriving from the assets and the possibility of limiting access to the same by others.

The costs relating to internal development activities are recognised under assets when: (i) the costs attributable to the intangible asset can be reliably determined; (ii) there is the intention, availability of financial resources and technical capacity to render the assets available for use or sale; (iii) it can be demonstrated that the asset is able to produce future economic benefits.

Goodwill arising from the acquisition of subsidiaries is valued at cost net of accumulated impairment losses.
Intangible assets are recognised at cost, which is determined in accordance with the same methods indicated for property, plant and equipment.
Intangible assets with a defined useful life are amortised as from the moment that the same assets are available for use, in relation to the residual useful life.

The annual amortisation rates used in 2018, presented by standardised categories with an indication of the related interval of application, are shown in the table below:

| Intangible assets | Amortisation rate |
|---|---|
| Software | Between 6% and 33% |
| Customer relations | Between 20% and 50% |
| Other intangible assets | Between 12% and 33% |

## Property, plant and equipment

Property, plant and equipment are stated at purchase cost, inclusive of any directly attributable related charges, as well as the financial expense incurred during the period of realisation of the assets. The assets acquired via business combinations which took place before 1 January 2015 (date of transition to the IFRS by the Company) are recognised at the pre-existing carrying amount, determined within the sphere of these combinations on the basis of the previous accounting standards, as the value replacing the cost.

The cost of the property, plant and equipment, determined as indicated above, whose use is limited over time, is depreciated systematically each year, on a straight-line basis, on the basis of the estimated economic-technical life.

If significant parts of property, plant and equipment have different useful lives, these components are recognised separately in the accounts. Land, whether free from construction or associated with industrial and non-industrial buildings, is not depreciated since it has an unlimited useful life.

The annual depreciation rates used in 2018, presented by standardised categories with an indication of the related interval of application, are shown in the table below:

| Property, plant and equipment | Depreciation rate |
|---|---|
| Buildings | 3% |
| Plant and machinery | Between 12% and 30% |
| Industrial equipment | 15% |
| Other assets | Between 12% and 15% |

Property, plant and equipment acquired under financial lease agreements are initially recognised as property, plant and equipment, as a balancing entry to the related payable, at a value equal to the related *fair value* or, if lower, the current value of the minimum payments due contractually. The amount paid is split up into its components of financial expense, recognised in the income statement, and principal repayments, deducted from the financial debt.

In the presence of specific indicators regarding the risk of non-recovery of the carrying amount of the property, plant and equipment, these are subject to an *impairment test* to detect any losses in value, as described further on in the specific section.

Property, plant and equipment are no longer recorded in the financial statements further to their disposal; any gain or loss (calculated as the difference between the disposal value, net of the selling costs, and the carrying amount) is recognised in the income statement in the year of disposal.

## Equity Investments

Equity investments in subsidiaries, associates and joint ventures are accounted for using the equity method and are initially recognised at cost, recognising the portion of the profits or losses accrued during the year pertaining to the Company in the income statement, with the exception of the effects relating to other changes in the equity of the investees, other than transactions with the shareholders, which are directly reflected in the Company's statement of comprehensive income.

Associates are entities over whose financial and operating policies the Company exercises a significant influence, despite not having control or joint control, while joint ventures are represented by an agreement through which the Company has rights to the net assets, rather than claiming rights on the assets and assuming obligations for the liabilities.

In the event of possible losses exceeding the carrying amount of the investment, the excess is recognised in a specific liability reserve to the extent that the investing company is obliged to fulfil legal or implicit obligations vis-à-vis the investee or in any event to cover the losses.

## Contract costs

The Company accounts for the incremental costs for obtaining the contract with the customer as an asset, if it expects to recover them.
The incremental costs of obtaining a contract are costs that the Company incurs to obtain a contract with the customer and that it would not have incurred if it had not obtained the contract.

The costs of obtaining a contract that would have been incurred even if the contract had not been obtained are recognised as an expense when they are incurred, unless they are explicitly chargeable to the customer even if the contract is not obtained or they do not meet the accounting requirements as assets, such as costs for the fulfilment of the contract.

As a practical expedient, the Company can account for the incremental costs of obtaining a contract as an expense when they are incurred, if the amortisation period of the asset that the Company would have otherwise applied does not exceed a year.
If the costs incurred for the fulfilment of the contract with the customer do not fall within the scope of another standard, the Company recognises the costs incurred for the fulfilment of the contract as assets only if the costs meet all of the following conditions:

- the costs are directly related to the contract or an envisaged contract, which the Company can specifically identify (which may be, for example, the costs incurred to provide services in the framework of the renewal of the current contract, or the design of an asset to be transferred according to a specific contract that is not yet approved);
- the costs allow the Company to have new or more resources to be used to satisfy (or continue to fulfil) the obligations to perform in the future; and
- the costs are expected to be recovered.

Costs that are directly related to the contract (or to a specific envisaged contract) include the following:

- direct labour costs (for example, the salaries of employees directly providing the services promised to the customer);
- direct raw material costs (for example, supplies used to provide the customer with the promised services);
- the allocations of costs that are directly related to the contract or the contractual activities (for example, the costs of management and supervision of the contract, insurance and depreciation of tools, equipment, and assets consisting in the right of use that is used for the fulfilment of the contract);
- the costs explicitly chargeable to the customer under the contract; and
- other costs incurred for the sole reason that the entity has concluded the contract (for example, payments to subcontractors).

The Company shall recognise the following costs as expenses at the time they are incurred:
- general and administrative costs, unless explicitly chargeable to the customer under the contract;
- costs for loss of materials, hours of work or other resources used for the performance of the contract which were not included in the contract price;
- costs related to obligations to be fulfilled (or partially fulfilled) provided for in the contract (i.e. costs related to past services); and
- costs for which the entity is unable to determine whether they are related to obligations to perform that are not fulfilled or obligations to perform that are fulfilled (or partially fulfilled).

## Revenue

GPI has used the option to apply from the year ending 31 December 2016, in advance, the accounting standard approved by the European Commission in the course of 2016, "IFRS 15 Revenue from Contracts with Customers".

Revenue is recognised on the basis of the payments allocated to *performance obligations* arising from contracts with customers.

The recognition of revenue takes place at the time the related *performance obligation* is satisfied, or when the Company has transferred control over the good or service to the customer, in the following ways:
- *over time;*
- *at a point in time*.

The following table shows the main types of products and services which the Group supplies to its customers and the related recognition methods:

| Products and services | Nature and timescale for satisfying the performance obligations |
|---|---|
| **Supply of hardware and software** | GPI recognises the "point in time" revenue when the hardware and software devices are available for use by the customer. This normally takes place on completion of the installation of the devices by the Company. |
| **Supply of administrative services** | Within the sphere of long-term contracts for the supply of administrative services, GPI recognises the portion of "point in time" revenue corresponding to the preparation and launch of the technological and operational infrastructure. The handling of the administrative services, usually long term, determines the recognition of the "over time" revenue. |
| **Corrective and adaptive maintenance of software and help-desk services** | The fees for services for corrective and adaptive maintenance of software and help-desk services are recognised "over time", on a straight-line basis over the supply period, since the economic benefits are independent from the degree of use of said services by the customers. |
| **Developmental maintenance of the software** | GPI recognises the revenue from services for the developmental maintenance of the software on the basis of the disbursement of said services. This normally takes place "over time" on the basis of the days of work carried out which can be invoiced. |
| **Supply of machinery (including under financial leases)** | The revenue arising from the supply of machinery (also under financial leases) is recognised at the time the risks and the benefits arising from control over the asset are transferred to the customer, which normally takes place on delivery. |
| **Desktop Management Activity** | The fees for system assistance and Desktop Management are recognised "over time", in the context of usually long-term contracts. |
| **Payroll Services** | The Company's revenues related to the payroll processing services and the auditing of the information resulting from the calculation of salaries are recognised "over time". |

In cases where a contract with the customer involves several *performance obligations*, the Company takes steps to make an equal allocation of the contractual payment on the basis of the "expected cost plus margin" approach. This typically takes place in packages for the supply of hardware and/or software and maintenance, in administrative service contracts (CUP) and in the e-money sector.

Interest income, as well as income expense, is calculated on the value of the related financial assets and liabilities, using the effective interest rate.

Dividends are recognised when the right of the shareholders to receive the related payment arises.

## Contract assets and liabilities

The contracts with customers are recognised on the basis of the payments accrued with reasonable certainty in relation to the satisfaction of the *performance obligations* arising from said contracts.

The accrued payments include: (i) revenue accrued on the *performance obligations* fulfilled "over time" and (ii) revenues accrued on the *performance obligations* fulfilled "*at a point in time*" or, if the *performance obligations* which lead to the recognition of "*at a point in time*" revenue have not yet been fulfilled as of the reporting date, the costs incurred for the fulfilment of the *performance obligations* not yet fulfilled.

The positive or negative difference between the payment accrued and the amount invoiced is recognised respectively under the assets or under the liabilities in the statement of financial position, having also taken into account any write-downs made for risks associated with the failure to recognise the services performed.

In the event that due to the fulfilment of the *performance obligations* laid down by the contracts a loss is envisaged, this is immediately booked to the income statement irrespective of the state of fulfilment of the *performance obligations*.

## Financial instruments

The financial instruments held by the Company are represented by the items described below.

- Financial assets
  Financial assets include equity investments, current securities, current financial receivables, also represented by the positive *fair value* of derivative financial instruments, trade receivables and other receivables, as well as cash and cash equivalents.

  In particular, the cash and cash equivalents include cash, bank deposits and highly marketable securities that can be converted into cash immediately and that are subject to an insignificant risk of change in value.

  Current securities comprise short-term securities or marketable securities representing temporary cash investments that do not meet the requirements to be classified as cash and cash equivalents. The financial assets represented by debt securities are classified in the financial statements and valued on the basis of the business model that the Company has decided to adopt for the handling of the financial assets themselves, and on the basis of the cash flows associated with each financial asset. Financial assets also include equity investments that are not held for trading. These assets are strategic investments and the Company has decided to recognise changes in their fair value among profit and loss components of the income statement ('FVTPL' or *fair value through profit and loss*).

  Financial assets are subject to being verified regarding their recoverability by applying an *impairment* model based on the *expected credit losses*, or "ECL".

- Financial liabilities
  Financial liabilities include financial payables, which are also represented by the negative *fair value* of financial derivatives, commercial payables and other payables.

  Financial liabilities are classified and valued at amortised cost, except for financial liabilities that are initially recognised at *fair value*, for example, financial liabilities related to contingent considerations (*earn out*) related to business combinations, derivative instruments and financial liabilities for *options* on minority holdings.

- Derecognition of financial assets and financial liabilities
  A financial asset or liability (or, where applicable, part of a financial asset or liability, or part of a group of similar financial assets or liabilities) is cancelled from the financial statements when the Group has unconditionally transferred the right to receive cash flows from the asset or the obligation to make payments or execute other obligations related to the liability.

- Derivative financial instruments and hedging transactions
  Financial derivatives are only used for hedging purposes in order to reduce interest rate risk. Financial derivatives are accounted for in accordance with the methods established for *hedge accounting* (*fair value hedge or cash flow hedge*) only when, at the inception of the hedge, there is a designation of the hedging relationship itself. All financial derivatives are recognised at *fair value*.

  If *hedge accounting* cannot be applied, the gains or losses arising from the current value of the derivative financial instrument are to be recorded in the income statement.

## Inventories

Inventories, mainly made up of stock and spare parts for the maintenance and assembly of machines, are recognised at purchase or production cost and the net estimated realisable value which can be obtained from their sale during the normal performance of the activities, whichever is the lower. The purchase cost is determined by means of the application of the weighted average cost method.

## Receivables and payables

Receivables are initially recognised at *fair value* and subsequently at amortised cost, using the effective interest rate method, net of the related impairment losses with reference to the sums deemed non-collectible. The estimate of the sums deemed uncollectible is based on the value of the estimated future cash flows. These flows take into account the envisaged recovery timescales, the estimated realisable value, any guarantees received, as well as the costs which it is believed will have to be incurred for the recovery of the receivables. The original value of the receivables is reinstated in subsequent years to the extent that the reasons which led to the adjustment cease to exist. In this case, the write-back is recorded in the income statement and cannot in any event exceed the amortised cost which the receivable would have had in the absence of the previous adjustments.

Payables are initially recognised at cost, corresponding to the *fair value* of the liability, net of any directly attributable transaction costs. After initial recognition, payables are valued using the amortised cost approach, adopting the effective interest rate method.

Trade receivables and payables, whose maturity falls within the normal trade terms, are not discounted.

## Employee benefits

The liabilities relating to short-term benefits guaranteed to employees, provided during the employment relationship, are recognised on an accruals basis for the amount accrued as of the year-end date.

The liabilities relating to benefits guaranteed to employees, provided in coincidence with or after the termination of the employment relationship by means of defined contribution plans, are recognised for the amount accrued as of the year-end date.

The liabilities relating to benefits guaranteed to employees, provided in coincidence with or after the termination of the employment relationship by means of defined benefit plans, are recognised in the period that the right accrues, net of any assets serving the plan and the advances paid out, are determined in accordance with actuarial hypotheses and are recognised on an accruals basis in line with the work services necessary for obtaining the benefits. The valuation of these liabilities is carried out by independent actuaries. The gain or the loss deriving from making the actuarial calculation is recorded in full in the statement of comprehensive income in the reference period.

## Provisions for risks and charges

Provisions for risks and charges are recognised when: (i) there is a current obligation (legal or implicit) vis-à-vis third parties which derives from a past event; (ii) an outlay of resources to satisfy the obligation is probable; and (iii) a reliable estimate of the amount of the obligation can be made.

The provisions are stated at the value representing the best estimate of the amount which the Company would pay to settle an obligation or to transfer it to third parties as of the year-end date. If the effect of the discounting back is significant, the provisions are determined by discounting the expected cash flows using a discount rate which reflects the current market valuation of the cost of money. When the discounting is carried out, the increase in the provision due to the passage of time is recorded as financial expense.

## Public grants

Operating grants are recorded in the income statement in the year of pertinence, on a consistent basis with the costs which they are commensurate with.

The grants related to assets received for projects and development activities are stated under liabilities in the statement of financial position and are subsequently recognised under operating revenues in the income statement, on a consistent basis with the amortisation of the assets to which they refer.

Any grants received for investments in property, plant and equipment are recognised as a reduction of the cost of the assets to which they refer and contribute, as a reduction, to the calculation of the related depreciation charges.

## Treasury shares

In the case of a repurchase of shares recognised in equity, the consideration paid, including costs directly attributable to the transaction, are recognised as a reduction of equity. The shares thus repurchased are classified as treasury shares and recognised in the treasury share reserve. The consideration received from the subsequent sale or resale of treasury shares is recognised as an increase in equity. Any positive or negative difference arising from the transaction is to be recognised in the share premium reserve.

## Income tax

Income tax is recognised on the basis of an estimate of the tax liabilities to be paid, in compliance with the provisions in force applicable to Company.

The payables relating to income tax are stated under current tax liabilities in the statement of financial position, net of the advances paid. Any positive imbalance is recorded under current tax assets.

The deferred tax assets and liabilities are calculated on the basis of the timing differences between the carrying amount of the assets and liabilities (emerging from the application of accounting standards applied as described in this Note 3 Accounting standards and policies applied) and the value of the same for tax purposes (deriving from the application of the tax legislation existing in the subsidiary's country) and are recognised: (i) the former, only if sufficient taxable income which would permit their recovery is probable; (ii) the latter, if existing, in any event.

GPI SpA has prepared the National Tax Consolidation Scheme once again for 2018; a number of the Italian subsidiaries comply with this.

## Impairment losses and reversals of impairment losses (impairment test)

As of the reporting date, the carrying amount of property, plant and equipment, intangible assets, financial assets and equity investments is subject to assessment so as to determine whether there are indications that these assets have suffered a loss in value (impairment). If these indications exist, steps are taken to estimate the value of said assets, to check the recoverability of the amounts recorded in the financial statements and to determine the amount of any impairment loss to be recognised. With regard to intangible assets with an indefinite useful life and those in progress, the aforementioned *impairment test* is carried out at least once a year, irrespective of the occurrence or otherwise of events which lead to the supposition of impairment, or more frequently in the event that events or changes in circumstances take place which may reveal possible impairments.

If it is not possible to estimate the recoverable value of an asset individually, the estimate of the recoverable value is included within the sphere of a *cash-generating unit* (CGU) to which the assets belong. This check involves the estimate of the recoverable value of the assets (represented by the estimated market value, net of selling costs, or the value in use, whichever is the higher) and the comparison with the related carrying amount. If the latter is higher, the asset is written down to the recoverable value.

When determining the value in use, the pre-tax estimated future cash flows are discounted using a discount rate, pre-tax, which reflects the current estimate of the market referring to the cost of the capital in relation to time and the specific risks of the asset. In the estimate of the future cash flows of operating functioning CGUs, by contrast cash flows and discount rates net of taxation are used, which produce results more or less equivalent to those deriving from a pre-tax valuation. The impairment losses are recognised in the income statement and classified differently depending on the nature of the impaired assets. The same are reversed, within the limits of the impairment losses recognised, in the event that the reasons which generated the latter cease to exist, with the exception of goodwill and participating financial instruments valued at cost in the cases where the *fair value* cannot be reliably determined.

## Estimates and valuations

As provided for by the IFRS, the drafting of the financial statements requires estimates and valuations to be made which are reflected in the determination of the carrying amount of the assets and liabilities, as well as in the information provided in the notes, also with reference to the contingent assets and liabilities outstanding at year-end.

The decisions taken by the management during the process of the application of the IFRS standards, which have the most significant effects on the amounts recognised in the financial statements, relate to the identification of the "performance obligations" deriving from contracts with customers and their valuation.

Estimates are used primarily for the determination of amortisation and depreciation, asset *impairment* tests (including the valuation of receivables), for provisions, benefits for employees, the *fair value* of financial assets and financial liabilities, deferred tax assets and liabilities, the acquisition of a subsidiary: the fair value of transferred consideration (including a contingent consideration) and the fair value of the assets acquired and the liabilities assumed, are accounted for on a provisional basis.

The effective results recognised subsequently could, therefore, differ from these estimates; furthermore, the estimates and the valuations are reviewed and updated periodically and the effects deriving from any changes in the same are immediately reflected in the financial statements.

## Foreign currency transactions

Foreign exchange transactions are to be converted into the functional currency of the Company at the exchange rate in force on the date of the transaction.

Monetary items in foreign currencies at the year-end closing date are to be converted into the functional currency using the exchange rate on the same date. Non-monetary items that are measured at fair value in a foreign currency are translated into the functional currency using the exchange rates in force on the date on which the fair value has been determined. Non-monetary items that are valued at historical cost in a foreign currency are to be converted using the exchange rate at the same date as the transaction. Exchange differences arising from conversion are generally recognised in the profit/(loss) for the year.

However, exchange differences arising from the conversion of the following items are recognised among other components of the comprehensive income statement for cash flow hedges to the extent that the hedge is effective.

## Valuation of the fair value and fair value hierarchy

With regard to all the transactions or balances (financial or non-financial) in relation to which an accounting standard requires or permits measurement at *fair value* and which falls within the scope of application of IFRS 13, the Company applies the following criteria:

a. identification of the *unit of account*, in other words the level at which an asset or a liability is aggregated or disaggregated so as to be recognised for IFRS purposes;
b. identification of the main market (or, in the absence thereof, the most advantageous market) on which transactions could take place for the asset or the liability subject to valuation; in the absence of evidence to the contrary, it is presumed that the market currently used coincides with the main market or, in the absence thereof, with the most advantageous market;
c. definition, for non-financial assets, of the *highest* and best use: in the absence of evidence to the contrary, the *highest and best use* coincides with the current use of the asset;
d. definition of the most appropriate valuation techniques for the estimate of the *fair value*: these techniques maximise the recourse to observable data, which the market participants would use for determining the price of the asset or the liability;
e. determination of the *fair value* of the assets, as the price which would be received for the related sale, and of the liabilities and the capital instruments, as the price which would be paid for the related transfer in a regular transaction between market operators as of the date of valuation;
f. inclusion of the *non-performance risk* in the valuation of the assets and liabilities and, in particular for the financial instruments, determination of an adjustment factor in the measurement of the *fair value* in order to include not only the counterparty risk (CVA - *credit valuation adjustment*) but also the related credit risk (DVA - *debit valuation adjustment*).

On the basis of the data used for the valuations at *fair value*, a *fair value* hierarchy is identified on the basis of which to classify the assets and liabilities valued at *fair value* or for which the *fair value* is indicated in the financial statements disclosure:
a. level 1: this includes the prices listed on active markets for assets or liabilities identical to those subject to valuation;
b. level 2: this includes observable data, other than that included in level 1, such as for example: i) prices listed on active markets for similar assets or liabilities; ii) prices listed on inactive markets for similar or identical assets or liabilities; iii) other observable data (interest rate curves, implicit volatilities, credit spreads);
c. level 3: this uses non-observable data, which can be resorted to if observable input data is not available. The non-observable data used for the purposes of the *fair value* valuation reflect the hypotheses that the market participants would adopt in fixing the price for the assets and liabilities subject to valuation.

Reference is made to the notes relating to the individual financial statement items for the definition of the *fair value* hierarchy level on the basis of which to classify the individual instruments valued at *fair value*, or for which the *fair value* is indicated in the financial statements disclosure.

No transfers took place during the year between the various *fair value* hierarchy levels.

The *fair value* of the derivative instruments is determined by discounting the expected cash flows, using the market interest rate curve as of the reference date and the curve of the listed credit default swaps of the counterparty and of the Group companies, so as to include the non-performance risk explicitly provided for by IFRS 13.

With regard to the medium-/long-term financial instruments, other than derivatives, should market listings not be available, the *fair value* is determined by discounting the expected cash flows, using the market interest rate curve as of the reference date and considering the counterparty risk in the event of financial assets and the related credit risk in the event of financial liabilities.

## New accounting standards

The following international accounting standards and interpretations issued by the IASB and endorsed by the EU entered into force during the financial year and are therefore mandatory from 1 January 2018. For such standards, which already apply starting from the year 2017, the Group had not opted for early adoption except for the accounting standard "IFRS 15 Revenue from Contracts with Customers" used from the year ended 31 December 2016:

| Document title | Issue date | Date of entry into force | Date of approval | EU Regulation and date of publication |
|---|---|---|---|---|
| IFRS 15 - Revenue from Contracts with Customers | May 2014 (*) | 1 January 2018 | Sept-16 | (EU) 2016/1905 29.10.2016 |
| IFRS 9 - Financial Instruments | Jul-14 | 1 January 2018 | Nov-16 | (EU) 2016/2067 29.11.2016 |
| Clarification of IFRS 15 - Revenue from Contracts with Customers | Apr-16 | 1 January 2018 | Oct-17 | (EU) 2017/1987 09.11.2017 |
| Joint application of IFRS 9 - Financial instruments and IFRS 4 - Insurance contracts - (Amendments to IFRS 4) | Sept-16 | 1 January 2018 | Nov-17 | (EU) 2017/1988 09.11.2017 |
| Improvements to the IFRS - 2014-2016 cycle (Amendments to IFRS 1 and IAS 28) | Dec-16 | 1 January 2018 | Feb-18 | (EU) 2018/182 08.02.2018 |
| Classification and valuation of transactions with share-based payments (Amendments to IFRS 2) | Jun-16 | 1 January 2018 | Feb-18 | (EU) 2018/289 27.02.2018 |
| Changes of use of investment property (Amendments to IAS 40) | Dec-16 | 1 January 2018 | Mar-18 | (EU) 2018/400 15.03.2018 |
| Interpretation IFRIC 22 - Foreign currency transactions and advances | Dec-16 | 1 January 2018 | Mar-18 | (EU) 2018/519 03.04.2018 |

The impact deriving from the IFRS 9 accounting standard is shown below, while the introduction of other documents in 2018 did not have a significant impact on the financial statements.

## IFRS 9 – Effects deriving from the first adoption

IFRS 9 Financial Instruments, published by the IASB in July 2014 and endorsed by the European Union in November 2016, replaced IAS 39 Financial Instruments: Recognition and Measurement, starting from 1 January 2018. IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities, a new model for the calculation of the *impairment* of financial assets and new provisions for *hedge accounting*.

IFRS 9 was applied retrospectively by the Company as from 1 January 2018, applying the following transitional provisions:

- the Company availed itself of the exemption which permits it to not redefine the comparative information of the previous year for changes in classification and valuation (including the new provisions relating to the methods for calculating the *impairment* of financial assets). Therefore, differences in the carrying amounts of financial assets and financial liabilities arising from the adoption of IFRS 9 were recognised under retained earnings and reserves as at 1 January 2018;

- with reference to the accounting representation methods of hedging transactions, the Company decided to continue to apply the provisions of IAS 39, thereby postponing the application of the *hedge accounting* provided for by IFRS 9, as allowed by the new standard.

## A) Classification and valuation of financial instruments

**Financial assets**

By means of IFRS 9, receivables, loans and debt securities included in financial assets are classified into the following three categories according to the characteristics of the cash flows from these assets (verified by the SPPI Test) and the business model with which they are handled:

- assets valued at amortised cost;
- assets valued at fair value, recognised as a counter-entry of other components of the comprehensive income statement ('FVOCI', i.e. fair value through other comprehensive income);
- assets valued at *fair value*, recognised as a counter-entry of the income statement ('FVTPL', i.e. *fair value through profit or loss*);

Derivatives incorporated in contracts where the primary element is a financial asset falling within the scope of the standard must no longer be separated. Instead the hybrid instrument is examined in order to classify its overall purpose.

The above-mentioned categories provided by IFRS 9 replace the previous IAS 39 categories, i.e. assets held to maturity, loans and receivables, assets available for sale and assets valued at FVTPL.

In particular, a financial asset must be valued at its amortised cost if it is not designated at FVTPL, and both of the following conditions are satisfied:

- the financial asset is held in the framework of a business model whose objective is to hold financial assets for the collection of contractual cash flows;
- the contractual terms of the financial asset include, at certain dates, the cash flows represented only by payments of principal and interest on the principal amount to be repaid.

A financial asset must be valued at FVOCI if it is not designated at FVTPL, and both of the following conditions are satisfied:

- the financial asset is held in the framework of a business model whose objective is achieved both through the collection of contractual cash flows and by the sale of financial assets;
- the contractual terms of the financial asset include, at certain dates, the cash flows represented only by payments of principal and interest on the principal amount to be repaid.

All financial assets that do not fall under the two previous categories are valued at FVTPL.

The impact recorded on the equity at the opening of 1 January 2018, subsequent to the application of the new provisions, was not significant.

With reference to the equity securities represented by equity investments other than those in subsidiaries, associates and joint ventures and which are not held for trading purposes, the Company has decided not to exercise the option for an FVOCI valuation, and therefore these investments are valued at FVTPL.

| ASSETS<br>In thousands of euros | IAS 39 | | | IFRS 9 | | |
|---|---|---|---|---|---|---|
| | Business Model | Criteria of valuation | Balance 31.12.2017 | Business Model | Criteria of valuation | Balance 1.1.2018 |
| **Non-current financial assets** | | | | | | |
| Equity investments accounted for at fair value | AFS | FVOCI | 119 | FVTPL | FVTPL | 119 |
| Securities other than equity investments available for sale | AFS | FVOCI | 129 | FVTPL | FVTPL | 129 |
| Securities other than equity investments held to maturity | HTM | Amortised Cost | 91 | FVTPL | FVTPL | 91 |
| Other financial assets | L&R | Amortised Cost | 1,567 | HTC | Amortised Cost | 1,567 |
| **Current financial assets** | | | | | | |
| Amounts due from factoring agents | L&R | Amortised Cost | 3,899 | FVTPL | FVTPL | 3,899 |
| Other financial assets | L&R | Amortised Cost | 1,046 | HTC | Amortised Cost | 1,046 |
| Trade assets | | | | | | |
| Trade receivables and other current receivables | L&R | Amortised Cost | 36,022 | HTC | Amortised Cost | 36,022 |
| Other non-current assets | L&R | Amortised Cost | 149 | HTC | Amortised Cost | 149 |
| **Cash and cash equivalents** | | | | | | |
| Cash and cash equivalents | L&R | Amortised Cost | 24,858 | HTC | Amortised cost | 24,858 |

Legend:
- AFS: available for sale;
- FVOCI: fair value through other comprehensive income;
- FVTPL: fair value through profit and loss;
- HTM: held to maturity;
- L&R: loans and receivables;
- HTC: hold to collect.

**Financial liabilities**

IFRS 9 maintains, in substance, the provisions of IAS 39 for the classification and valuation of financial liabilities, except for financial liabilities valued at FVTPL, for which it is expected that the changes in *fair value* related to the changes in the issuer's credit risk (the *'own credit risk'*) are recognised among the other components of the comprehensive income statement instead of in the result for the year, unless this results in an accounting asymmetry.

The first application of IFRS 9 did not have an impact for the Company with regard to financial liabilities.

| LIABILITIES<br>In thousands of euros | IFRS 9 | | IFRS 9 | |
|---|---|---|---|---|
| | Criteria of valuation | Balance 31.12.2017 | Criteria of valuation | Balance 1.1.2018 |
| **Non-current financial liabilities** | | | | |
| Bank loans and borrowings | Amortised cost | 23,748 | Amortised cost | 23,748 |
| Bond issues | Amortised cost | 35,436 | Amortised cost | 35,436 |
| Financial leasing liabilities | Amortised cost | 2,639 | Amortised cost | 2,639 |
| Derivatives with negative fair value | Cash flow hedge | 143 | Cash flow hedge | 143 |
| **Current financial liabilities** | | | | |
| Bank loans and borrowings | Amortised cost | 12,935 | Amortised cost | 12,935 |
| Bond issues | Amortised cost | 10,750 | Amortised cost | 10,750 |
| Financial leasing liabilities | Amortised cost | 452 | Amortised cost | 452 |
| Amounts due to factoring agents | Amortised cost | 417 | Amortised cost | 417 |
| **Trade payables** | | | | |
| Trade payables and other current payables | Amortised cost | 36,674 | Amortised cost | 36,674 |

## B) Impairment

IFRS 9 replaces the *impairment* model provided in IAS 39 that was based on the "*incurred loss*", with a forecasting model based on *expected credit loss* or "ECL". With reference to these new provisions, it is not necessary to verify the event triggering the loss (*impairment trigger*) in order to make the consequent recognition in the financial statements, but it is required to have an immediate recognition of the expected future loss, using data from the past and present, as well as the *forward looking* information regarding future circumstances.

GPI valued the trade receivables in accordance with the simplified method provide by IFRS 9 in the presence of receivables with a non-significant financial component: in particular, a provision based on *expected losses* was recognised over the entire life of the assets. This provision, established since the date on which the receivables were registered, was determined on the basis of supporting information, which is available without unreasonable effort and which includes not only historical and current data but also prospective data. This valuation method did not result in material differences compared to that resulting from the previous model applied by the Company, which included the calculation of a provision based on a specific analysis of the *incurred loss* on the existing receivables, increased by an additional provision determined on the basis of historical experience.

## Accounting standards published but NOT yet adopted

The following standards and their interpretations shall apply from financial years beginning on 1 January 2019 and thereafter:

| Document title | Issue date | Date of entry into force | Date of approval | EU Regulation and date of publication |
|---|---|---|---|---|
| IFRS 16 Leasing | Jan-16 | 1 January 2019 | Oct-17 | (EU) 2017/1986 09.11.2017 |
| Prepayment features with negative compensation (Amendments to IFRS 9) | Oct-17 | 1 January 2019 | Mar-18 | (EU) 2018/498 26.03.2018 |
| Interpretation IFRIC 23 — Uncertainty over Income Tax Treatments | Jun-17 | 1 January 2019 | Oct-18 | (EU) 2018/1595 24.10.2018 |

GPI did not apply these standards in advance.

## IFRS 16

IFRS 16 is applied for financial years beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at the date of first application of IFRS 16 or that already applied IFRS 15. IFRS 16 introduces a single accounting model for leases in the financial statements of lessees, according to which the lessee recognises an asset that represents the right to use the underlying asset and a liability that reflects the obligation for the payment of lease payments. Exemptions to IFRS 16 are provided for short-term leases and those of low value. The accounting method for the lessor remains similar to that provided for in the current standard, i.e. the lessor continues to classify the leases as operational or financial. A lessee may choose to apply the standard by using a fully retrospective or a modified retrospective approach.

For the purposes of presentation in the financial statements regarding the effects arising from the first time adoption of IFRS 16, for which the evaluation and refinement is currently ongoing, the Company has chosen to apply the standard retrospectively, recording the cumulative effect resulting from the application of the standard in equity as of 1 January 2019, as provided for by IFRS 16, sections C7-C13.
In particular, GPI will account for certain contracts as *leasing* that were previously classified as operational:

- a financial liability, recognised as the present value of the remaining payments due discounted using the lessee's marginal lending rate;
- a right of use, equal to the value of the financial liability at the date of transition, net of any accrued income and prepayments/ accrued expenses and deferred income related to the *lease* and recognised in the balance sheet as of the closing date of these financial statements.

In the adoption of IFRS 16, the Company intends to make use of the exemption granted in IFRS 16:5(a) in relation to *short-term leases*. Likewise, the Group intends to make use of the exemption granted by IFRS 16:5(b) as regards the *lease* contracts for which the underlying *asset* is configured as a *low-value asset* (i.e. the underlying assets of the *lease* contract do not exceed EUR 5 thousand when new).

The main impacts on the GPI's separate financial statements are estimated as follows:
- balance sheet position: increased non-current assets due to the registration of the "right to the use of leased assets" in respect of greater financial liabilities; consequently, a leasing payable of between EUR 7.9 and EUR 8.7 million is expected to be registered in the course of the transition;
- income statement: the entry of "amortisation of the right of use of the activities" and "financial expenses-interest" in place of "other operating costs", with a consequent positive impact on EBITDA percentage of between 14.4 and 15.9 percentage points per year (note that the figure is particularly penalising on 2018 given the mergers that occurred during the year with accounting effect from 1 October to 1 November);
- cash flow statement: the payment of the leasing payments for the capital portion of the repayment of the debt will be reclassified from "cash flows generated by operating activities" to "cash flows generated by financing activities".

## Documents NOT yet approved by the EU at 31 December 2018

The international accounting standards, interpretations, amendments to existing accounting standards and interpretations, or specific provisions contained in the standards and interpretations approved by the IASB which have not yet been endorsed for adoption in Europe at the date of these financial statements, are set out below:

| Document title | Date of issue by the IASB | Date of entry into force of the IASB document | Planned date of approval by the EU |
|---|---|---|---|
| **Standards** | | | |
| IFRS 14 Regulatory Deferral Accounts | Jan-14 | 1 January 2016 | Date of approval not expected |
| IFRS 17 Insurance Contracts | May-17 | 1 January 2021 | TBD |
| **Amendments** | | | |
| Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) | Sept-14 | Deferred until completion of the IASB project on the equity method | Postponed pending the conclusion of the IASB project on the equity method |
| Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) | Oct-17 | 1 January 2019 | Q1 2019 |
| Annual Improvements to IFRS Standards (2015-2017 Cycle) | Dec-17 | 1 January 2019 | Q1 2019 |
| Definition of business (Amendments to IFRS 3) | Oct-18 | 1 January 2020 | 2019 |
| Definition of material (Amendments to IAS 1 and IAS 8) | Oct-18 | 1 January 2020 | 2019 |
| Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) | Feb-18 | 1 January 2019 | Q1 2019 |
| Amendments to References to the Conceptual Framework in IFRS Standards | Mar-18 | 1 January 2020 | 2019 |

# 4. Main corporate and extraordinary transactions and acquisitions during the year

## Acquisition and merger by incorporation of Erre Effe Informatica Srl

On 16 March 2018, the GPI acquired 100% of the shares of ERRE EFFE INFORMATICA Srl, a company that is active in the search for IT solutions which can transfer the innovation that accompanies the constant evolution of hardware and software technologies to the healthcare sector. The solutions of Erre Effe Informatica Srl oversee the main management areas, both hospital and territorial, optimising their operational activity.

For the purpose of drawing up these separate financial statements, the investment in the company was recognised using the equity method as from the date when control was obtained. In accordance with IAS 28, the cost of the investment includes the purchase price and the other costs directly attributable to the purchase, such as professional and legal advice and other costs relating to the transaction.

It should be noted that Erre Effe Informatica Srl was merged by incorporation into GPI SpA with effect from 1 October 2018.

## Merger by incorporation of Groowe Tech Srl

With a legal and accounting effective date of 1 October 2018, GPI incorporated the company Groowe Tech Srl, constituted by GPI with a shareholding equal to 51% on 6 September 2016, of which it acquired the entire shareholding on 18 June 2018. The company is focused on providing software solutions and services for the management of hospital treatment processes.

## Merger by incorporation of Neocare Srl

With a legal and accounting effective date of 1 October 2018, GPI incorporated the company Neocare Srl, constituted by GPI with a shareholding equal to 90% on 21 December 2015, of which it acquired the entire shareholding on 24 May 2018. The company is focused on providing software solutions and services for the management of hospital neonatal treatment processes.

## Merger by incorporation of Netmedica Srl

With a legal and accounting effective date of 1 October 2018, GPI incorporated the company Netmedica Srl, of which GPI acquired the entire shareholding on 9 August 2017 in the context of a recapitalisation of the company. The company was focused on providing solutions for General Medical Practitioners. With registered offices in Padua, it was the first official initiative of the GPI Group into this sector, which is particularly strategic for the prospects of the area and of the development of "Chronic Care".

## Merger by incorporation of Insiel Mercato SpA

With a legal and accounting effective date of 1 November 2018, GPI incorporated the company Insiel Mercato SpA, of which GPI acquired the entire shareholding on 29 December 2016. Insiel Mercato was an Italian company set up in order to comply with the requirements of Article 13 of Decree-Law No 223/2006 (Bersani Decree). By resolution of the Regional Council No 5 of 29 May 2008, the Friuli-Venezia Giulia Region initiated the spin-off transaction of the "non-permitted activities" carried out by Insiel SpA. This spin-off was accomplished by means of a transaction involving the partial demerger of Insiel SpA, by virtue of which the spun-off company (Insiel) retained only the activities carried out in favour of the Friuli-Venezia Giulia Autonomous Region, under the "in-house providing" regime, while the beneficiary company (Insiel Mercato SpA, newly constituted) took over the entire business unit of the company relating to the market activities previously carried out by Insiel SpA, for subjects other than the Friuli-Venezia Giulia Region and its affiliated institutions.

Consistent with legal requirements, in February 2009 the Friuli-Venezia Giulia Region initiated the sales procedure of Insiel Mercato. Constituted on 31 December 2008, Insiel Mercato SpA began operations in January 2009. On 30 December 2009, following the completion of the public procedure for the sale of 100% of the share capital of Insiel Mercato, the Friuli-Venezia Giulia Autonomous Region signed a contract transferring all shares of Insiel Mercato to the company TBS IT Telematic & Biomedical Services Srl, with legal effect from 1 January 2010. On 29 December 2016, GPI acquired 55% of the share capital of Insiel Mercato from the TBS Group. Insiel Mercato SpA focused on the implementation of IT solutions for Public Administration and Healthcare, offering the following software solutions:

- Ascot Web, dedicated to public entities, offers high quality services to citizens and businesses, to increase the effectiveness of government action and reduce expenses, while optimising the management of entity resources. The main application areas relate to Demographic Services, Taxes, Accounting, Personnel, Document Management, and Online Services for citizens and businesses;
- AsTer, dedicated to local health authorities for the management of all social-healthcare activities provided in hospitals, in regional healthcare facilities and at the patient's home;
- Emonet is the market-leading software solution in Italy for the management of the entire transfusion cycle, and permits the full traceability of the blood transfusion cycle from collection of the units to their processing, storage and distribution, even in new organisational contexts centralised at the departmental or regional level;
- LiSA is the online healthcare software that promotes the vision of integrated healthcare in the region in order to stimulate dialogue between the information systems of different structures and administrations, the sharing of the data, the reconstruction of the history of the health of the citizen and the access to services from a multiplicity of points and channels.

Following the acquisition of Insiel Mercato SpA, GPI became the owner of a shareholding equal to 23% of the share capital of the company SAIM - Südtirol Alto Adige Informatica Medica Srl.

## Merger by incorporation of Info Line Srl

With a legal and accounting effective date of 1 November 2018, GPI incorporated the company Info Line Srl, of which GPI acquired 100% of the share from Sigma-Old on 23 October 2017. Info Line Srl operated in the business of providing application software and services for Human Resources Management.

## Merger by incorporation of New Sigma Srl and EDP Sistemi Srl

With a legal and accounting effective date of 1 November 2018, GPI incorporated the company Nuova Sigma Srl (of which it had purchased 100% of the equity investment on 10 August 2017) and its 100%-owned subsidiary EDP Sistemi Srl, companies that bring know-how and HR market shares in the segment dedicated to Information Technology for Human Resources in the Public sector (Health and other fields), and in the private sector. With offices in Mestre and Brescia respectively, the two companies have historically developed leading positions that allow the GPI Group to aim for a leading role in the market.

# 5. Information on the statement of financial position items

The items of the statement of financial position as at 31 December 2018 are commented on below. For the breakdown of the items of the statement of financial position deriving from related-party transactions, please refer to Note 8.4 Related-party transactions.

## 5.1 Intangible assets and goodwill

| In thousands of euros | Goodwill | Software | Customer relations | Other Intangible non-current assets | Non-current assets (intangible) in progress and prepayments | Total |
|---|---|---|---|---|---|---|
| Cost as at 1 January 2017 | 1,630 | 20,603 | - | 92 | 2,638 | 24,963 |
| Accumulated amortisation and write-downs | - | (15,334) | - | (5) | - | (15,339) |
| **Carrying amount as at 1 January 2017** | **1,630** | **5,269** | | **87** | **2,638** | **9,624** |
| Increases | - | 715 | - | (35) | 2,708 | 3,388 |
| Decreases | - | (809) | - | - | (483) | (1,292) |
| Historical cost - Business combinations | - | 1,501 | - | 115 | 180 | 1,796 |
| Provision - Business combinations | - | (702) | - | - | - | (702) |
| Other changes cost | - | 63 | - | (65) | - | (2) |
| Other changes provision | - | | - | - | - | - |
| Amortisation | - | (1,312) | - | (62) | - | (1,374) |
| **Total changes** | | **(544)** | **-** | **(47)** | **2,405** | **1,814** |
| Historical cost | 1,630 | 22,010 | - | 172 | 5,043 | 28,855 |
| Accumulated amortisation and write-downs | | (17,285) | - | (132) | | (17,417) |
| **Carrying amount as at 31 December 2017** | **1,630** | **4,725** | **-** | **40** | **5,043** | **11,438** |
| Increases | - | 736 | - | - | 6,184 | 6,920 |
| Decreases | - | - | - | - | (146) | (146) |
| Historical cost - Business combinations | 4,015 | 12,019 | 2,450 | 4,607 | 1,311 | 24,402 |
| Provision - Business combinations | - | (2,900) | (605) | (533) | - | (4,038) |
| Other changes cost | - | 1,656 | - | (102) | (1,966) | (412) |
| Other changes provision | - | (132) | - | 167 | - | 35 |
| Amortisation | - | (2,595) | (131) | (172) | - | (2,899) |
| **Total changes** | **4,015** | **8,784** | **1,713** | **3,966** | **5,382** | **23,861** |
| Historical cost | 5,645 | 36,422 | 2,450 | 4,677 | 10,425 | 59,619 |
| Accumulated amortisation and write-downs | - | (22,913) | (736) | (671) | - | (24,321) |
| **Carrying amount as at 31 December 2018** | **5,645** | **13,509** | **1,713** | **4,006** | **10,425** | **35,298** |

Intangible assets as at 31 December 2018 came to EUR 35,298 thousand, up EUR 23,860 thousand when compared with 2017 (EUR 11,438 thousand).

The item "intangible non-current assets in progress and prepayments" contains EUR 10,323 thousand for development projects related to software not yet completed.

The increases in investments made in the year, amounting to EUR 6,920 thousand, are mainly related to the capitalisation of costs incurred during the year for software development, largely for projects not yet completed and therefore registered under non-current assets in progress.

The value of business combinations refers to the value of the non-current assets acquired as a result of mergers during the year, as detailed in the table below:

| In thousands of euros | Goodwill | Software | Customer relations | Other Intangible non-current assets | Intangible non-current assets in progress and prepayments | Total |
|---|---|---|---|---|---|---|
| Erre Effe Informatica Srl | 517 | 74 | 274 | - | - | 865 |
| Netmedica Srl | - | 2 | - | - | - | 2 |
| Insiel Mercato SpA | - | 3,403 | - | - | 1,031 | 4,434 |
| Info Line Srl | 1,757 | 849 | 569 | 183 | 10 | 3,368 |
| Nuova Sigma Srl | 1,741 | 4,767 | 1,001 | 3,891 | 270 | 11,669 |
| EDP Sistemi Srl | - | 26 | - | - | - | 26 |
| **Carrying amount as at 31 December 2018** | **4,015** | **9,120** | **1,845** | **4,074** | **1,311** | **20,364** |

The composition of goodwill, amounting to EUR 5,645 thousand as at 31 December 2018, is illustrated in the following table.

| In thousands of euros | Stress test (WACC) | WACC | 31 December 2018 | 31 December 2017 (published) |
|---|---|---|---|---|
| ***Goodwill arising from acquisitions made during 2018:*** | | | | |
| Acquisition of Erre Effe Informatica Srl | 15.20% | 8.90% | 517 | - |
| ***Goodwill arising from acquisitions made in previous years:*** | | | | |
| Acquisition of Info Line Srl | 13.40% | 9.00% | 1,758 | - |
| Acquisition of Nuova Sigma Srl | 12.40% | 9.00% | 1,741 | - |
| Desktop management (formerly GPI Technology Srl) | 34.40% | 8.90% | 1,336 | 1,336 |
| Veterinary (formerly Sferacarta Srl) | 49.10% | 9.40% | 293 | 293 |
| **Total** | | | **5,645** | **1,630** |

Pursuant to IAS 36, goodwill is not subject to amortisation but to an annual impairment test, or more frequently if there are specific events and circumstances that may raise a presumption of a reduction of value.

GPI submitted the carrying value of the Net Invested Capital (NIC) of the five cash-generating units as at 31 December 2018 to a recoverability test. The NIC also includes the value of goodwill.
In determining the recoverable amount, identified in the value in use as the sum of the discounted cash flows generated in the future and in a continuous manner of the NIC (Discounted Cash Flow Unlevered method), the management has made reference to the three-year Business Plan (2019-2021) of the individual companies approved by the GPI Board of Directors on 29 March 2019.

In greater detail, for the purposes of the determination of the recoverable value of the Net Invested Capital, the discounting of cash flows was made using a discount rate (WACC), which takes into account the risks specific to the assets and that reflects the current market assessments of the time value of money. Different WACC rates have been calculated as shown in the table above.

The recoverable value also includes the *Terminal Value* that is calculated with the "perpetuity growth" method considering a growth rate (*g rate*) equal to zero. In the Terminal Value, an operating cash flow was considered equal to the last year of the plan, adjusted so as to reflect a fully operational situation. The level of amortisation and investment was balanced and a change in working capital of zero was assumed.

The weighted average cost of capital calculated for the purposes of the discounting of the cash flows is based on a weighting between the cost of debt and the cost of *equity*, prepared on the basis of the values of companies comparable to GPI and therefore working in the same activity sector. The *impairment test* did not reveal any losses of value, with the result that the value of use of the CGUs was always greater than the carrying value.

Furthermore, since the recoverable value is determined on the basis of projections, the Company also prepared *sensitivity* analyses, varying the underlying assumptions of the impairment test. The "*Stress test* (WACC)" column shows the discount rates above which a write-down of the respective goodwill amounts is carried out.

## 5.2 Property, plant and equipment

| In thousands of euros | Land | Buildings | Plant, machinery and industrial equipment | Other assets | Assets under construction | Total |
|---|---|---|---|---|---|---|
| Cost as at 1 January 2017 | 1,708 | 9,655 | 2,561 | 3,249 | 108 | 17,281 |
| Accumulated depreciation and write-downs | - | (1,806) | (1,730) | (2,604) | - | (6,140) |
| **Carrying amount as at 1 January 2017** | **1,708** | **7,849** | **831** | **645** | **108** | **11,141** |
| Increases | - | 812 | 758 | 454 | 39 | 2,063 |
| Decreases | (144) | (11) | - | (1) | (129) | (285) |
| Historical cost - Business combinations | - | 97 | 446 | 257 | - | 800 |
| Provision - Business combinations | - | (92) | (176) | (220) | - | (488) |
| Other changes cost | - | - | - | - | - | - |
| Other changes provision | - | (409) | (755) | (278) | - | (1,442) |
| Depreciation | - | - | - | 9 | - | 9 |
| **Total changes** | **(144)** | **397** | **273** | **221** | **(90)** | **657** |
| Historical cost | 1,564 | 10,553 | 3,765 | 3,959 | 18 | 19,859 |
| Accumulated depreciation and write-downs | - | (2,307) | (2,661) | (3,093) | - | (8,061) |
| **Carrying amount as at 31 December 2017** | **1,564** | **8,246** | **1,104** | **866** | **18** | **11,798** |
| Increases | - | 490 | 596 | 498 | 34 | 1,618 |
| Decreases | - | 8 | - | (20) | (20) | (32) |
| Historical cost - Business combinations | 13 | 957 | 135 | 2,624 | 2 | 3,731 |
| Provision - Business combinations | - | (262) | (128) | (2,392) | - | (2,783) |
| Other changes cost | 541 | (557) | 28 | - | - | 12 |
| Other changes provision | - | (21) | (18) | 0 | - | (39) |
| Depreciation | - | (442) | (630) | (309) | - | (1,381) |
| **Total changes** | **554** | **173** | **(17)** | **401** | **16** | **1,127** |
| Historical cost | 2,118 | 11,451 | 4,525 | 7,061 | 34 | 25,189 |
| Accumulated depreciation and write-downs | - | (3,032) | (3,437) | (5,794) | - | (12,264) |
| **Carrying amount as at 31 December 2018** | **2,118** | **8,419** | **1,087** | **1,267** | **34** | **12,925** |

Property, plant and equipment as at 31 December 2018 came to EUR 12,925 thousand, up EUR 1,127 thousand when compared with 2017 (EUR 11,798 thousand).

The increase of EUR 1,618 thousand is mainly attributable to the increase in the item buildings in connection with the works at the Company and plant, machinery, equipment and electronic office machinery.

Land and buildings as at 31 December 2018 include a revaluation of EUR 1,512 thousand made at the time of first-time application of the IFRS, on which deferred tax liabilities are recognised.

The value of business combinations refers to the value of the non-current assets acquired as a result of mergers during the year.

Property, plant and equipment as at 31 December 2018 were divided up between leased assets and assets not leased.

| In thousands of euros | Land | Buildings | Plant, machinery and industrial equipment | Other assets | Assets under construction | Total |
|---|---|---|---|---|---|---|
| Leased assets | - | 3,007 | 397 | - | - | 3,404 |
| Assets not leased | 1,564 | 5,239 | 707 | 866 | 18 | 8,394 |
| **Total as at 31 December 2017** | **1,564** | **8,246** | **1,104** | **866** | **18** | **11,798** |
| Leased assets | 843 | 2,203 | 184 | 29 | 0 | 3,259 |
| Assets not leased | 1,275 | 6,216 | 903 | 1,238 | 34 | 9,666 |
| **Total as at 31 December 2018** | **2,118** | **8,419** | **1,087** | **1,267** | **34** | **12,925** |

## 5.3 Equity-accounted investments

| In thousands of euros | % ownership | 31/12/2017 | Acquisitions | Transactions with owners | Distributions | Mergers/IC transfers | IS profit or loss | Other changes | Changes in Translation Reserves | Changes in Reserves Cash flow hedge | Actuarial gains/ losses | 31/12/2018 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Equity-accounted investments in subsidiaries** | | | | | | | | | | | | |
| LOMBARDIA CONTACT Srl | 100% | 12,228 | - | - | (714) | - | (1,102) | - | - | - | (7) | 10,406 |
| ARGENTEA Srl | 80% | 1,229 | - | - | (80) | - | 48 | - | () | - | (5) | 1,192 |
| SINTAC Srl | 51% | 12 | - | - | - | - | (35) | - | | - | - | (23) |
| GPI CHILE SpA | 56% | (2) | - | - | - | - | - | - | () | - | - | (2) |
| CONSORZIO STABILE CENTO ORIZZONTI a rl | 55.10% | 54 | - | - | - | - | (16) | 7 | - | - | - | 45 |
| RIEDL GmbH | 51% | 495 | - | - | - | - | 155 | - | - | - | - | 650 |
| GBIM Srl | 70% | 1,714 | - | - | - | - | (157) | - | - | - | - | 1,557 |
| NEOCARE Srl | 100% | 77 | - | 9 | - | (98) | 12 | - | - | - | - | - |
| INSIEL MERCATO SpA | 100% | 4,493 | - | - | - | (7,543) | 3,051 | - | - | - | - | - |
| PROFESSIONAL CLINIC SOFTWARE GmbH | 100% | 11,801 | - | - | (250) | - | 121 | - | - | - | (33) | 11,638 |
| INFO LINE Srl | 100% | 5,074 | - | - | - | (5,046) | (28) | - | - | - | - | () |
| NETMEDICA Srl | 100% | 90 | - | - | - | 84 | (175) | - | - | - | - | () |
| NUOVA SIGMA Srl | 100% | 10,523 | - | - | - | (11,881) | 1,358 | - | - | - | - | |
| HEMASOFT SL | 60% | 9,167 | - | - | - | - | 268 | - | 25 | - | - | 9,460 |
| XIDERA Srl | 60% | 1,481 | - | - | - | - | 214 | - | - | - | - | 1,695 |
| BIM ITALIA Srl | 70% | 8,139 | - | - | - | - | 447 | - | - | - | - | 8,586 |
| SALURIS zoo | 60% | 19 | - | - | - | - | (12) | - | () | - | - | 7 |
| GROOWE TECH Srl | 100% | 10 | - | 2 | - | (17) | 4 | - | - | - | - | () |
| ERRE EFFE Srl | 100% | - | 1,563 | - | - | (1,998) | 435 | - | - | - | - | - |
| CLINICHE DELLA BASILICATA Srl | 67% | - | 7 | - | - | - | (1) | - | - | - | - | 6 |
| INFORMATICA GROUP Ooo | 100% | - | - | - | - | - | - | - | - | - | - | - |
| **Investments in associates** | | | | | | | | | | | | |
| Ziti Tecnologica Ltda | 50% | - | - | - | - | - | - | - | - | - | - | - |
| Consorzio Glossa a rl | 21% | 38 | - | - | - | - | 14 | - | - | - | - | 52 |
| TBS IT Telematic & Biomedical Service Srl | 40% | - | - | - | - | - | - | - | - | - | - | - |
| SAIM - Südtirol Alto Adige Informatica Medica Srl | 23% | - | - | - | - | 128 | (72) | - | - | - | - | 57 |
| **Total valuations at equity** | | **66,642** | **1,569** | **11** | **(1,044)** | **(26,370)** | **4,530** | **7** | **24** | **-** | **(45)** | **45,325** |

It should be noted that during the year, the associate equity investment was acquired in the company TBS IT Telematic & Biomedical Service Srl, a company specialised in IT professional services, health information systems and administrative health services. Following the acquisition, GPI provided to set up a provision for future recapitalisation charges of EUR 593 thousand. Following the recapitalisations, TBS IT completed the ongoing restructuring operation, with the simultaneous release of the provision following the losses that were incurred during the year and up to its own share of interest.

For more details on the other acquisitions and extraordinary transactions in the year, See Note 4 and the Management Report.

## 5.4 Financial assets

| In thousands of euros | 31 December 2018 | 31 December 2017 |
|---|---|---|
| **Non-current financial assets** | | |
| Derivatives | 164 | -0 |
| Other equity investments and financial instruments | 136 | 210 |
| Other financial assets | 2,825 | 1,696 |
| **Total non-current financial assets** | **3,125** | **1,906** |
| **Current financial assets** | | |
| Derivatives | 2 | 377 |
| Amounts due from factoring agents | 14,561 | 3,899 |
| Other financial assets | 9,477 | 669 |
| **Total current financial assets** | **24,040** | **4,945** |

The following are classified under non-current financial assets:
- the *fair value* of the derivatives incorporated in the purchase agreement of the equity investment in the subsidiary Xidera Srl;
- other equity investments and financial instruments, which consist predominantly of equity instruments of non-listed companies;
- other financial assets, such as the loan granted to the indirect subsidiary Riedl GmbH for EUR 1,320 thousand, the escrow paid to a primary credit institution following the acquisition of the equity investment in Hemasoft for an amount equal to EUR 1,000 thousand, as well as EUR 414 thousand related to the insurance policy with "Itas Vita SpA" with a maturity of between one and five years and with a gross return rate equal to 2.79%.

The following are classified under current financial assets:
- amounts due from factoring agents, equal to EUR 14,561 thousand, refer to the factoring of receivables, without recourse, not yet collected;
- other financial assets such as:
  - the loans granted to Group companies totalling EUR 4,367 thousand and specifically EUR 1,970 thousand to the subsidiary Argentea Srl; for EUR 1,540 thousand to the associate TBS IT Telematic & Biomedical Services Srl; for EUR 741 thousand to the subsidiary Sintac Srl; for EUR 69 thousand to the subsidiary Safeaty Srl; for EUR 36 thousand to the subsidiary GPI Chile, as well as other smaller loans;
  - the insurance policy with "Credit Agricole Vita SpA", with a maturity exceeding five years and with a gross yield equal to 2.86%, already owned by the incorporated Info Line Srl for EUR 582 thousand, as well as the purchase that occurred during 2018, in units of funds managed by a leading credit institution, with a nominal value of EUR 3,000 thousand (*fair value* equal to EUR 2,891 thousand as detailed at section 6);
  - the VAT receivable equal to EUR 1,531 thousand, referring to previous years for which reimbursement was obtained in the first days of 2019.

Note that securities other than equity investments are classified in accordance with the new standard IFRS 9 as financial assets measured at fair value with the effects charged to the income statement.
For details regarding *fair value* hierarchy levels, see section 6 financial instruments.

## 5.5 Deferred tax assets and liabilities

The breakdown of deferred tax assets and liabilities, by type of taxation, is illustrated in the following table:

| In thousands of euros | 31 December 2018 | 31 December 2017 |
|---|---|---|
| **Deferred tax assets** | | |
| IRES | 2,957 | 2,433 |
| IRAP | 244 | 173 |
| Foreign | 0 | 0 |
| | **3,201** | **2,606** |
| **Deferred tax liabilities** | | |
| IRES | (2,042) | (726) |
| IRAP | (302) | (80) |
| Foreign | 0 | 0 |
| | **(2,344)** | **(806)** |
| **Net deferred tax assets (liabilities)** | **857** | **1,800** |

The change in net deferred tax assets during 2018 is broken down as follows:

| | |
|---|---|
| **Net deferred tax assets as at 31 December 2017** | **1,800** |
| Recognitions in the income statement | (782) |
| Recognitions under other comprehensive income | (1) |
| Mergers and other changes | (160) |
| **Net deferred tax assets as at 31 December 2018** | **857** |

The increase in net deferred tax assets recorded in the income statement is mainly associated with the allocation of deferred tax assets on deductible timing differences relating to the assets deriving from contracts with customers and intangible assets.

The following table contains the breakdown of deferred tax liabilities and assets recognised on each financial statement item.

| In thousands of euros | 31 December 2018 | Of which assets | Of which liabilities |
|---|---|---|---|
| Intangible assets | (943) | 676 | (1,618) |
| Property, plant and equipment | (377) | 72 | (449) |
| Contract assets | 2,075 | 2,195 | (120) |
| Trade and other receivables | 31 | 31 | - |
| Other non-current liabilities | (9) | 146 | (156) |
| Provisions for risks and charges | 81 | 81 | - |
| **Net deferred tax assets (liabilities)** | **857** | **3,201** | **(2,344)** |

The deferred taxes relating to property, plant and equipment refer to the unredeemed revaluation on the property housing the headquarters made at the time of initial adoption of the IFRS.

With respect to intangible assets and goodwill, they refer mainly to the greater value recognised for tax purposes of the capitalisations carried out in previous years in accordance with the requirements of the national accounting standards then applied, as well as to the allocation of the merger deficits that occurred during the year in question and in previous years.

Net deferred tax assets recognised on assets arising from customer contracts are mainly related to adjustments made to invoices to be issued during the first adoption of the IFRS and to subsequent provisions to the impairment provision.

## 5.6 Other non-current assets

| In thousands of euros | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Non-current assets deposits | 19 | 18 |
| Long-term deferred income | 191 | 130 |
| Other non-current receivables | 444 | 1 |
| **Total** | **653** | **149** |

The other non-current assets amount to EUR 653 thousand, an increase of EUR 504 thousand compared with 2017 (EUR 149 thousand). The increase in other receivables compared to the previous period is mainly due to the receivable carried over by the incorporated Nuova Sigma Srl.

## 5.7 Net trade assets

Inventories

| In thousands of euros | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Raw materials and consumables | - | - |
| Work in progress | - | - |
| Finished goods | 2,388 | 2,385 |
| Less: inventory write-down provision | - | - |
| Advances to suppliers | 185 | 374 |
| **Total** | **2,573** | **2,759** |
| Carrying amount of inventories pledged as security for liabilities | - | - |

Inventories came to EUR 2,573 thousand, down EUR 186 thousand when compared with 2017 (EUR 2,759 thousand). Finished products and goods refer mainly to SBA Automation products with reference to finished ready-to-deliver machines (*nursey rolley*, *buster* and *phasys*).

Inventories held by third parties amount to EUR 656 thousand.

## Trade and other receivables

| In thousands of euros | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Trade receivables | 33,215 | 29,197 |
| Other receivables | 4,902 | 6,825 |
| **Trade and other receivables** | **38,117** | **36,022** |

Trade and other receivables came to EUR 38,117 thousand, up compared with 2017 (EUR 2,095 thousand).

Trade and other receivables as at 31 December 2018 were made up as follows:

| In thousands of euros | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Trade receivables | 35,032 | 31,596 |
| Allowance for impairment | (1,816) | (2,399) |
| Other receivables | 1,853 | 3,663 |
| Receivables for public grants | 482 | 864 |
| Receivables for indirect taxes | 209 | 931 |
| Guarantee deposits | 2,358 | 1,367 |
| **Total** | **38,117** | **36,022** |

Receivables from gross customers, of which EUR 28,753 thousand is due from third-party customers in Italy; EUR 1,308 thousand due from third-party customers abroad; and EUR 4,971 thousand due from Group companies, these latter down by EUR 10,654 thousand compared to the amount recognised at 31 December 2017.

The allowance for impairment, after the provision made during the year amounting to EUR 107 thousand, registered a net decrease of EUR 583 thousand due to the allocation of the portion set aside in previous years for activities arising from contracts with customers to the dedicated item, commented in the section at the bottom of this note "Assets and liabilities arising from contracts with customers";

Other receivables amounted to EUR 1,853 thousand, down EUR 1,810 thousand with respect to 2017, and include:

- receivables from employees (EUR 75 thousand),
- receivables from Group companies (EUR 417 thousand) accrued in respect of the subsidiaries LOMBARDIA CONTACT Srl and CONSORZIO STABILE CENTO ORIZZONTI a rl, participants in national tax consolidation (a reduction of EUR 582 thousand compared to 2017 due to the interruption of the settlement of the group VAT to which it had exercised the option in reference to the years 2016-2017, as well as the elimination of receivables from the companies incorporated during 2018),
- other receivables from third parties amounting to a total of EUR 417 thousand, which relate mainly to receivables claimed by the Company as a withholding agent (EUR 403 thousand),
- accruals and prepaid expenses for the correct temporal allocation of costs incurred, in particular with regard to the performance bonds required for participation in the tender procedure (EUR 236 thousand), as well as invoices received from suppliers relating to the subsequent year (EUR 500 thousand).

The receivable for public contributions for EUR 482 thousand recorded a decrease with respect to 2017 equal to EUR 381 thousand for the collection of the balance received in 2018, from the Autonomous Province of Trento with reference to Provincial Law No 6/99, following the conclusion of the reporting and evaluation procedure for the "MDO" project.

The receivable for indirect taxes refers to the balance of the VAT receivable, down compared to what was recognised at 31 December 2017 for the allocation to the item "other current financial assets" of receivables relating to earlier years for which a reimbursement was received in early January 2019 (see also Note 5.4).

Security deposits, recognised for EUR 2,358 thousand, mainly relate to guarantees provided to third parties or security deposits paid for tender procedures in progress (EUR 1,329 thousand), as well as advances and guarantees to suppliers (EUR 1,029 thousand).

The composition by payment due date of trade receivables with the allocation of the corresponding allowance for impairment is as follows:

| In thousands of euros | Receivable total | Falling due | Due | 1-90 | 91-180 | 181-360 | Over 360 | Non-performing |
|---|---|---|---|---|---|---|---|---|
| Receivables from customers | 30,067 | 12,287 | 17,781 | 5,364 | 3,252 | 2,650 | 4,110 | 2,405 |
| Receivables from Group companies | 4,965 | 2,437 | 2,528 | 773 | 287 | 525 | 943 | 0 |
| **Total gross receivables** | **35,032** | **14,724** | **20,308** | **6,137** | **3,539** | **3,175** | **5,053** | **2,405** |
| ***Total gross receivables*** | ***100.0%*** | ***42.0%*** | ***58.0%*** | ***17.5%*** | ***10.1%*** | ***9.1%*** | ***14.4%*** | ***6.9%*** |
| Allowance for impairment | (1,816) | (56) | (1,760) | (41) | (27) | (18) | (630) | (1,043) |
| Impairment % by band | -5.2% | -0.4% | -8.7% | -0.7% | -0.8% | -0.6% | -12.5% | -43.4% |
| **Net receivables** | **33,216** | **14,667** | **18,548** | **6,096** | **3,512** | **3,157** | **4,422** | **1,362** |
| ***Incidence of net receivables %*** | ***100.0%*** | ***44.2%*** | ***55.8%*** | ***18.4%*** | ***10.6%*** | ***9.5%*** | ***13.3%*** | ***4.1%*** |

## Contract costs

| In thousands of euros | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Contract costs | 645 | 315 |
| Amortisation provision for contract costs | (398) | (170) |
| **Total** | **247** | **145** |

Non-recurring costs for contracts with customers, before the respective accumulated amortisation, amounted to EUR 645 thousand, up by EUR 330 thousand compared to 2017 (EUR 315 thousand).

The increase relates to the costs incurred for the acquisition of the contract for the supply of administrative services to the Lazio Region launched during the year.

The total change, net of amortisation charged in the year for EUR 228 thousand, is EUR 102 thousand.

## Contract assets and liabilities

| In thousands of euros | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Contract assets | 61,905 | 37,510 |
| Contract liabilities | (1,083) | (1,181) |
| **Total** | **60,821** | **36,329** |

The net balance of contract assets and liabilities came to EUR 60,821 thousand, up EUR 24,492 thousand when compared with 2017 (EUR 36,329 thousand). These items refer to revenue generated during the year but not yet invoiced and credit notes to be issued relating to the same. The significant increase in this item stems both from the effect of the merger transactions completed in 2018 as well as from the effect of endogenous business growth compared to the previous period.
The change in the financial statement items under analysis during 2018 is described in the following table:

| In thousands of euros | Assets | Liabilities |
|---|---|---|
| **Initial balance** | **37,510** | **(1,181)** |
| Transfers to trade receivables during the year | (104,654) | 103 |
| Reclassification of write-downs from trade receivables | (3,212) | - |
| Recognition of revenues not yet invoiced | 140,900 | - |
| Business combinations | (8,640) | (5) |
| **Final balance** | **61,905** | **(1,083)** |

## 5.8 Cash and cash equivalents

Cash and cash equivalents are recognised at nominal value and include the values which possess the following requirements: high liquidity, available on demand or over the very short term, and an insignificant risk of change in their value.

| In thousands of euros | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Bank current accounts | 27,895 | 24,749 |
| On-demand deposits | 0 | 0 |
| Cash | 176 | 109 |
| **Cash and cash equivalents reported in the statement of financial position** | **28,071** | **24,858** |

The increase in cash and cash equivalents is equal to EUR 3,213 thousand. For a better understanding of the dynamics of cash and cash equivalents, please refer to the Cash Flow Statement.

## 5.9 Current income tax assets and liabilities

Income tax assets and liabilities of the Company are made up as follows:

| In thousands of euros | Current tax assets | | Current tax liabilities | |
|---|---|---|---|---|
| | 31 December 2018 | 31 December 2017 | 31 December 2018 | 31 December 2017 |
| IRES | 764 | 622 | (1,761) | (1,782) |
| IRAP | 0 | 0 | (210) | (510) |
| Other income taxes | 0 | 10 | 0 | 0 |
| Taxes for tax consolidation | 0 | 133 | (1,370) | - |
| **Total** | **764** | **765** | **(3,342)** | **(2,292)** |

Current tax assets refer to tax credits claimed by the Company in reference to tax deductions, tax relief and investments to be recovered in future years.
Tax liabilities as at 31 December 2018 include IRES (corporate income tax) accrued during the year under the tax consolidation scheme of EUR 1,370 thousand, net of the advances paid.

## 5.10 Equity

Equity attributable to GPI SpA came to EUR 66,784 thousand, up EUR 2,914 thousand when compared with 2017 (EUR 63,870 thousand).

The main changes during the year, shown in detail in the statement of changes in equity reported in the financial statements, relate to:

- The profit for the year amounting to EUR 7,736 thousand;
- the increase of the subscribed share capital to EUR 12 thousand and the share premium reserve to EUR 1,139 thousand following the conversion of warrants during the year, through the use of the item "other equity reserves";
- The distribution of the balance of dividends for 2017 for a total of EUR 4,742 thousand;
- the positive result of the other components of the comprehensive income statement, equal to EUR 693 thousand, net of the related tax effects, is determined mainly by the positive variation of the *fair value* of the financial assets with OIC (Italian Accounting Body) effect;
- The purchase of treasury shares in the course of the year for EUR 636 thousand, included in the line of the other movements.

As at 31 December 2018, GPI's wholly subscribed and paid-up share capital amounted to EUR 8,544,964, represented by 15,909,539 shares, of which 15,848,219 are ordinary shares and 61,320 C Shares. The ordinary treasury shares in the portfolio amount to 29,830. It is noted that at the date of these financial statements, 2,368,380 warrants are in circulation. The warrants converted from the day of listing to 31 December 2018 are 186,620.

The statement of analysis of share capital and the equity reserves, with an indication of the related possible use and illustration of the available portion, is presented below.

| In thousands of euros | Balance as at 31 December 2018 | Possibility of use (A, B, C) (*) | Portion available | Summary of the uses in the last 3 years | |
|---|---|---|---|---|---|
| | | | | For coverage of losses | For other reasons |
| Share capital issued | 8,545 | B | - | - | - |
| Share premium reserve | 56,872 | A, B | 56,872 | - | - |
| Legal reserve | 1,756 | A, B | - | - | - |
| Shareholder payment reserve account, future capital increase | 3 | A, B | - | - | - |
| Reserve from revaluation of investments at equity | (3,420) | B | - | - | - |
| FTA reserve of property, plant and equipment | 1,512 | B | - | - | - |
| Extraordinary reserve | 1,259 | A, B, C | 1,259 | - | - |
| Valuation reserve for financial instruments of cash flow hedge | (146) | n/a | - | - | - |
| Reserve from profits (losses) on actuarial valuation of provisions for employee benefits | (265) | n/a | - | - | - |
| Treasury share reserve | (246) | n/a | - | - | - |
| Other reserves and retained earnings, including the profit/(loss) for the year | 913 | n/a | - | - | - |
| **Total** | **66,784** | | **58,132** | **-** | **-** |

(*) Legend: A, for capital increase; B, for loss cover; C, for distribution to shareholders.

## 5.11 Financial liabilities

The details of the items constituting financial liabilities are shown below.

For more details on the reclassified amounts, see the table provided in the commentary to the note "Net financial position in accordance with the ESMA Recommendation of 20 March 2013", at the end of this section.

| In thousands of euros | 31 December 2018 | 31 December 2017 (restated) | Reclassifications | 31 December 2017 |
|---|---|---|---|---|
| **Non-current liabilities** | | | | |
| **Medium-/long-term financial payables** | | | | |
| Bank loans and borrowings | (52,225) | (23,748) | 2,000 | (25,748) |
| Bond issues | (31,556) | (35,436) | (1,250) | (34,186) |
| Loans and borrowings with other financial backers | 0 | 0 | | 0 |
| Derivative financial instruments | (193) | (143) | | (143) |
| Other financial liabilities | 0 | 0 | | 0 |
| | (83,974) | (59,327) | | (60,077) |
| **Liabilities for medium-/long-term finance leases** | **(2,525)** | **(2,639)** | **(774)** | **(1,865)** |
| | (2,525) | (2,639) | | (1,865) |
| **Total non-current liabilities** | **(86,499)** | **(61,966)** | **(24)** | **(61,942)** |
| | | | | |
| **Current liabilities** | | | | |
| **Short-term financial payables** | | | | |
| Bank loans and borrowings | (33,641) | (12,935) | (2,000) | (10,935) |
| Amounts due to factoring agents | (2,635) | (417) | | (417) |
| Bank overdrafts | 0 | 0 | | 0 |
| Bond issues | (3,000) | (10,750) | 1,250 | (12,000) |
| Derivative financial instruments | 0 | 0 | | 0 |
| Loans and borrowings with other financial backers | (30) | 0 | | 0 |
| Other financial liabilities | (0) | 0 | | 0 |
| | (39,306) | (24,102) | | (23,352) |
| **Liabilities for short-term finance leases** | **(355)** | **(452)** | **774** | **(1,226)** |
| | (355) | (452) | | (1,226) |
| **Total current liabilities** | **(39,660)** | **(24,554)** | **24** | **(24,578)** |

Payables to banks, totalling EUR 85,866 thousand (of which EUR 52,225 thousand refers to non-current bank loans, EUR 24,020 thousand to current bank loans and EUR 9,621 thousand to portfolio anticipation effects), comprise several short- and medium-/long-term financing lines to service the investments and needs generated by the Company's operational activity. The table below provides the detail of the financing lines, with evidence of the current and non-current portion of the debt:
An analysis follows of the gross financial indebtedness by effective interest rate bands relating to bank loans, bonds, advances on invoices and financial leases:

| In thousands of euros | | | | 31/12/2018 | | | 31/12/2017 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Type of financing | Credit institute | Origination | Maturity | Initial amount | Residual amount | of which the current portion | Residual amount | of which the current portion | Mode of reimbursement | Interest rate | Guarantees |
| Unsecured loan | Intesa Sanpaolo | 2016 | 2019 | 1,000 | 0 | 0 | 500 | 417 | Instalment | Variable on 3M Euribor | |
| Unsecured loan | Banca di Verona | 2018 | 2018 | 2,000 | 0 | 0 | | | Bullet | Fixed | |
| Unsecured loan | Intesa Sanpaolo | 2018 | 2023 | 10,000 | 10,000 | 2,000 | 0 | 0 | Instalment | Variable on 6M Euribor | |
| Unsecured loan | Mediocredito Centrale | 2016 | 2019 | 3,000 | 750 | 750 | 2,000 | 1,250 | Instalment | Variable on 3M Euribor | |
| Unsecured loan | Banco Popolare Verona | 2015 | 2019 | 2,500 | 322 | 322 | 959 | 637 | Instalment | Variable on 3M Euribor | Surety |
| Unsecured loan | Cassa Risparmio Bolzano | 2015 | 2020 | 2,000 | 722 | 409 | 1,123 | 402 | Instalment | Variable on 3M Euribor | |
| Unsecured loan | Cassa Risparmio Bolzano | 2017 | 2018 | 2,000 | 0 | 0 | 2,000 | 2,000 | Bullet | Fixed | |
| Unsecured loan | Cassa Rurale Rovereto | 2014 | 2019 | 750 | 160 | 160 | 315 | 155 | Instalment | Variable on 6M Euribor | |
| Unsecured loan | Cassa Rurale Rovereto | 2016 | 2023 | 739 | 528 | 111 | 635 | 107 | Instalment | Variable on 6M Euribor | |
| Unsecured loan | Credem | 2017 | 2019 | 1,000 | 167 | 167 | 834 | 667 | Instalment | Variable on 12M Euribor | |
| Unsecured loan | Credito Valtellinese | 2018 | 2019 | 5,000 | 4,287 | 4,287 | | | Instalment | Fixed | |
| Unsecured loan | Deutsche Bank | 2016 | 2018 | 2,000 | 0 | 0 | 1,000 | 1,000 | Instalment | Variable on 3M Euribor | |
| Unsecured loan | MPS | 2017 | 2020 | 2,500 | 1,250 | 833 | 2,083 | 833 | Instalment | Variable on 6M Euribor | Surety |
| Unsecured loan | MPS | 2015 | 2018 | 1,500 | 0 | 0 | 250 | 250 | Instalment | Variable on 6M Euribor | Surety |
| Unsecured loan | Banca Popolare Alto Adige | 2016 | 2021 | 2,500 | 1,523 | 500 | 2,015 | 492 | Instalment | Fixed | |
| Unsecured loan | Banca Popolare Alto Adige | 2015 | 2020 | 1,000 | 314 | 208 | 517 | 205 | Instalment | Variable on 6M Euribor | |
| Unsecured loan | Banca Popolare Alto Adige | 2013 | 2018 | 500 | 0 | 0 | 74 | 74 | Instalment | Variable on 6M Euribor | |
| Unsecured loan | Raiffeisen | 2015 | 2019 | 2,500 | 326 | 326 | 969 | 642 | Instalment | Variable on 3M Euribor | |
| Unsecured loan | UniCredit | 2015 | 2021 | 10,000 | 4,545 | 1,818 | 6,363 | 1,818 | Instalment | Variable on 3M Euribor | Surety |
| Unsecured loan | UniCredit | 2014 | 2019 | 1,000 | 57 | 57 | 278 | 220 | Instalment | Variable on 3M Euribor | Surety |
| Unsecured loan | UniCredit | 2017 | 2023 | 25,000 | 25,000 | 2,778 | 13,000 | 0 | Instalment | Variable on 6M Euribor | Surety |
| Unsecured loan | UniCredit | 2014 | 2018 | 2,000 | 0 | 0 | 692 | 692 | Instalment | Variable on 3M Euribor | Surety |
| Unsecured loan | Mediocredito Italiano | 2013 | 2018 | 491 | 0 | 0 | 55 | 55 | Instalment | Variable on 6M Euribor | |
| Unsecured loan | Mediocredito Italiano | 2013 | 2018 | 462 | 0 | 0 | 51 | 51 | Instalment | Variable on 6M Euribor | |
| Unsecured loan | Banco Popolare Verona | 2015 | 2018 | 1,500 | 0 | 0 | 125 | 125 | Instalment | Variable on 3M Euribor | Surety |
| Unsecured loan | Cassa Centrale CR | 2009 | 2018 | 22 | 0 | 0 | 1 | 1 | Instalment | Variable on 3M Euribor | |
| Unsecured loan | Cassa Rurale Alto Garda | 2008 | 2018 | 500 | 0 | 0 | 54 | 54 | Instalment | Variable on 3M Euribor | Surety |
| Unsecured loan | Intesa Sanpaolo | 2018 | 2023 | 10,000 | 9,000 | 2,000 | 0 | 0 | Instalment | Variable on 6M Euribor | |
| Unsecured loan | BNL | 2018 | 2021 | 15,000 | 15,000 | 5,000 | 0 | 0 | Instalment | Variable on 3M Euribor | |
| Unsecured loan | Banca di Verona | 2018 | 2019 | 2,000 | 2,000 | 2,000 | 0 | 0 | Bullet | Fixed | |
| Unsecured loan | Intesa Sanpaolo | 2015 | 2018 | 250 | 42 | 42 | 51 | 0 | Instalment | Fixed | |
| Unsecured loan | Intesa Sanpaolo | 2016 | 2019 | 300 | 0 | 0 | 126 | 0 | Instalment | Fixed | |
| Unsecured loan | Intesa Sanpaolo | 2017 | 2018 | 2,000 | 0 | 0 | 668 | 668 | Instalment | Variable on 1M Euribor | |
| Unsecured loan | MPS | 2007 | 2018 | 43 | 0 | 0 | 42 | 42 | Instalment | Fixed | Surety |
| Unsecured loan | BNL | 2017 | 2018 | 2,000 | 0 | 0 | 1,000 | 1,000 | Instalment | Variable on 6M Euribor | |
| Unsecured loan | Credem | 2017 | 2019 | 1,000 | 251 | 251 | 1,000 | 749 | Instalment | Variable on 12M Euribor | |
| Unsecured loan | Deutsche Bank | 2017 | 2018 | 1,000 | 0 | 0 | 1,000 | 1,000 | Bullet | Variable on 3M Euribor | |
| Unsecured loan | MPS | 2008 | 2018 | 180 | 0 | 0 | 13 | 0 | Instalment | Variable on 3M Euribor | Surety |
| | | | | **117,237** | **76,245** | **24,020** | **39,793** | **15,606** | | | |

| In thousands of euros | 31 December 2018 | | 31 December 2017 | |
|---|---|---|---|---|
| | Nominal value | Carrying amounts | Nominal value | Carrying amounts |
| Up to 2.5% | 81,504 | 81,504 | 26,080 | 26,080 |
| Between 2.5% and 5% | 42,185 | 41,741 | 48,060 | 47,496 |
| Between 5% and 7.5% | 57 | 57 | 12,384 | 12,384 |
| Between 7.5% and 10% | - | - | - | - |
| Over 10% | - | - | - | - |
| **Total financial liabilities** | **123,746** | **123,302** | **86,524** | **85,960** |

The maturities of the payables to the banks and bonds in terms of nominal value of the expected outlay, as contractually defined, are described below.

| In thousands of euros | Bank loans and borrowings | Bond issues | Total |
|---|---|---|---|
| Within 12 months | 33,641 | 3,000 | 36,641 |
| Between one and five years | 52,225 | 31,556 | 83,781 |
| Beyond five years | 0 | 0 | 0 |
| | **85,866** | **34,556** | **205,923** |

The bond issues are recognised using to the amortised cost method.

The following table summarises the bonds issued by the Company, expressed both at nominal redemption value, net of repurchases, and at market value:

| Security (cod. ISIN) | Amount | Nominal value of reimbursement | Coupon | Issue date | Maturity date | Issue price (%) | Market price as at 31.12.2018 | Market value as at 31.12.2018 |
|---|---|---|---|---|---|---|---|---|
| IT0004981913 | 12,000 | 12,000 | 5.50% | 23.12.2013 | 30.06.2018 | discharged on 01.07.2018 | | |
| IT0005156192 | 4,750 | 4,750 | 4.25% | 29.12.2015 | 31.01.2025 | discharged on 09.03.2018 | | |
| IT0005187320 | 15,000 | 15,000 | 4.30% | 01.06.2016 | 31.10.2023 | 98.69 | 94.51 | 14,177 |
| IT0005312886 | 20,000 | 20,000 | 3.00% | 30.11.2017 | 31.12.2022 | 100 | 96.51 | 19,302 |

| Security (cod. ISIN) | Amount | Nominal value of reimburse-ment | Coupon | Issue date | Maturity date | Issue price (%) | Market price as at 31.12.2018 | Market value as at 31.12.2018 |
|---|---|---|---|---|---|---|---|---|
| IT0004981913 | 12,000 | 12,000 | 5.50% | 23.12.2013 | 30.06.2018 | 100 | 102.68 | 12,322 |
| IT0005156192 | 4,750 | 4,750 | 4.25% | 29.12.2015 | 31.01.2025 | 100 | 100 | 4,750 |
| IT0005187320 | 15,000 | 15,000 | 4.30% | 01.06.2016 | 31.10.2023 | 98.69 | 96.51 | 14,477 |
| IT0005312886 | 20,000 | 20,000 | 3.00% | 30.11.2017 | 31.12.2022 | 100 | 96.51 | 19,302 |

The bonds outstanding at 31 December 2018 have the following main characteristics:

- The 2013-2018 Loan (first mini-bond issued by GPI) quoted on ExtraMOT-Professional Segment and issued at the end of 2013. The 2013-2018 Loan, entitled "GPI Tasso Fisso (5.50%) 2013 - 2018", for an amount of EUR 12,000 thousand, was subscribed and paid in full during 2014. The 2013-2018 Bonds are of "bullet" type, direct, unconditional and non-subordinated, and accrued interest at a nominal annual rate of 5.50% fixed for the entire life of the loan itself. Interest payments (coupon detachment) took place on 30 June of each year for the term of the 2013-2018 Loan. The 2013-2018

Loan was issued at par as from 23 December 2013 and on the same date the rights to dividends began. At the date of preparation of these financial statements, the 2013-2018 Loan was fully discharged;

- The 2015-2025 Loan (second mini-bond issued by GPI) was not listed and was issued, subscribed and fully paid in December 2015. The 2015-2025 Loan, called "GPI Fixed Rate 2015-2025", was equal to EUR 4,750 thousand of nominal value. At the date of preparation of these financial statements, the 2015-2025 Loan was fully discharged;
- The 2016-2023 Loan (third mini-bond issued by GPI) quoted on ExtraMOT-Professional Segment, issued in June 2016. The 2016-2023 Loan, entitled "GPI Tasso Fisso (4.3%) 2016-2023", for an amount of EUR 15,000 thousand, was subscribed and paid in full in 2016. Depending on the value of the NFP/EBITDA financial covenant, certified at each calculation date in accordance with the regulation itself, the initial interest rate (equal to 4.3%) of the 2016-2023 Bonds is subject to an increase up to 1.50 percentage points (5.8%) or a decrease of 0.30 percentage points (4.0%). Interest payments (coupon detachment) take place on a half-yearly basis, in arrears. The 2016-2023 Loan was issued at par as from 1 June 2016, and on the same date the rights to dividends began. The maturity for all the 2016-2023 Bonds was fixed at 31 October 2023; the reimbursement will take place at par and, therefore, at 100% of the nominal value;
- The 2017-2022 Loan (fourth mini-bond issued by GPI), quoted on ExtraMOT-Professional Segment, issued in November 2017. The 2017-2022 Loan, entitled "GPI SpA - (3%) 2017-2022", is for an amount of EUR 20,000 thousand of nominal value and was fully subscribed and paid in during 2017. The 2017-2022 Bonds bear interest at a nominal annual gross fixed rate of 3%. Interest payments (coupon detachment) take place on a half-yearly basis, in arrears. The 2017-2022 Loan was issued at par as from 30 November 2017, and on the same date the rights to dividends began. The maturity for 2017-2022 Bonds was fixed as at 31 December 2022; the reimbursement will take place at par and, therefore, at 100% of the nominal value;

In relation to certain loan agreements and bond issues, shown in the table below, the Company has undertaken to comply with certain financial parameters (the financial *covenants*). It is noted that on the date of preparation of these consolidated financial statements all contractual commitments, including financial *covenants*, are complied with.

The following table shows, inter alia, the financial *covenants* pertaining to the financing agreements and the bond loans outstanding at 31 December 2018:

| Counterpart | Origination | Maturity | *Financial Covenant* at the date of the financial statements (1) | Original amount | Residual debt at 31 December 2018 | Residual debt at 31 December 2017 |
|---|---|---|---|---|---|---|
| 2016-2023 Bonds | 01.06.2016 | 31.10.2023 | NFP/NE<2.50 | 15,000 | 15,000 | 15,000 |
| 2017-2022 Bonds | 30.11.2017 | 31.10.2023 | NFP/NE<2.50<br>NFP/EBITDA<3.50 | 20,000 | 20,000 | 20,000 |
| BNL | 21.12.2018 | 21.12.2021 | NFP/NE<=2.50<br>NFP/EBITDA<=3.50 | 15,000 | 15,000 | - |
| Intesa Sanpaolo | 31.10.2018 | 31.10.2023 | NFP/NE<=1.75<br>NFP/EBITDA<=3.25 | 10,000 | 10,000 | - |
| Intesa Sanpaolo | 31.05.2018 | 31.05.2023 | NFP/NE<=1.75<br>NFP/EBITDA<=3.25 | 10,000 | 9,000 | - |
| Cassa Risparmio Bolzano | 03.12.2018 | 30.09.2020 | NFP/NE<=2.50<br>NFP/EBITDA<=3.50 | 2,000 | 722 | 1,123 |
| UniCredit | 27.01.2014 | 30.01.2019 | NE>=7 million | 1,000 | 57 | 278 |
| UniCredit (*) | 26.06.2015 | 30.06.2021 | NFP/NE<=1.75<br>NFP/EBITDA<=3.25 | 10,000 | 4,545 | 6,363 |
| UniCredit (*) | 29.09.2017 | 30.09.2023 | NFP/NE<=1.75<br>NFP/EBITDA<=3.25 | 25,000 | 25,000 | 13,000 |
| | | | | **108,000** | **99,324** | **55,764** |

(1) to be calculated according to the definitions established in the individual contracts.
( * ) The Group has also undertaken not to assume a financial indebtedness arising from deferred payment clauses in respect of the price of an asset, for a maximum overall levy of more than EUR 30 million over the term of the Loan.
Legend:
NFP/NFI: Net Financial Position
NE: Equity
EBITDA: Gross Operating Margin.

The regulations and the prospectuses relating to the bond issues of the GPI Group are available on the following website: www.GPI.it.

The liabilities for finance leases refer to leases of property, plant and equipment recorded in the accounts as per the financial method laid down by IAS 17. The following table illustrates the maturities of the liabilities for financial leases. Note that the column "2017 (restated)" takes account of the reclassification made in the amounts "within one year" and "between one and five years" in reference to the present value of the payments due for leases (see also the table provided in the commentary to the note "Net financial position in accordance with the ESMA Recommendation of 20 March 2013", at the end of this section).

| In thousands of euros | Minimum payments due for leases | | Interest | | Current value of minimum payments due for leases | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 (restated) | 2018 | 2017 | 2018 | 2017 (restated) |
| Within 12 months | 434 | 536 | 79 | 84 | 355 | 452 |
| Between one and five years | 1,580 | 1,271 | 217 | 233 | 1,363 | 1,038 |
| Beyond five years | 1,269 | 1,749 | 107 | 148 | 1,162 | 1,601 |
| | **3,282** | **3,556** | **403** | **465** | **2,879** | **3,091** |

The hedging derivatives relating to elements classified under financial liabilities are as follows:

| In thousands of euros | Hedged risk | 31.12.2018 | | 31.12.2017 | |
|---|---|---|---|---|---|
| | | Positive / (Negative) fair value | Notional of reference | Positive / (Negative) fair value | Notional of reference |
| **Cash flow hedge derivatives** | | | | | |
| Interest Rate Swap 2016-2028 | Interest rate | -9 | 1,228 | 0 | 1,326 |
| Interest Rate Swap 2015-2021 | Interest rate | -38 | 4,545 | -62 | 6,364 |
| Interest Rate Swap 2017-2023 | Interest rate | -145 | 12,500 | -83 | 12,500 |
| | | **-193** | **18,273** | **-145** | **20,190** |

The interest rate risk hedging transactions are classified as cash flow hedge transactions in accordance with IFRS 9. The carrying amount of the hedging transactions falls under level 2 of the fair value hierarchy.
Please see *section 8.1* for the description of the Company's exposure to liquidity risk.

Payables to factoring agents showed an increase of EUR 2,218 thousand, due to the greater disposals made during the year compared to 2017 and to the incorporation of the subsidiary Insiel Mercato SpA (in the table below, required by IAS 7, they are included under "Other current financial liabilities")

As required by IAS 7, the following table summarises the cash flows, related to financial and derivative liabilities, that occurred during the year:

| In thousands of euros | 31/12/2017 | Cash flows | Non-cash changes | | 31/12/2018 |
|---|---|---|---|---|---|
| | | | Acquisition | New leases | |
| Financial lease liabilities - non-current | 2,639 | 0 | -295 | 181 | 2,525 |
| Bank loans - non-current | 23,891 | 36,117 | -7,590 | 0 | 52,418 |
| Bond loan - component of debt that is non-current | 35,436 | -1,000 | -2,880 | 0 | 31,556 |
| **Non-current financial liabilities (A)** | **61,966** | **35,117** | **-10,765** | **181** | **86,499** |
| Financial lease liabilities - current | 452 | -575 | 328 | 150 | 355 |
| Bank loans - current | 12,146 | 4,347 | 7,527 | 0 | 24,020 |
| Bond loan - component of debt that is current | 10,750 | -10,750 | 3,000 | 0 | 3,000 |
| Overdrafts to banks for anticipatory effects | 789 | 8,832 | 0 | 0 | 9,621 |
| Other current financial liabilities | 417 | 2,248 | 0 | 0 | 2,665 |
| **Current financial liabilities (B)** | **24,554** | **4,102** | **10,855** | **150** | **39,661** |
| **Financial liabilities (A) + (B)** | **86,520** | **39,219** | **90** | **331** | **126,160** |

## Net financial position in accordance with the ESMA Recommendation of 20 March 2013

The following section shows the amount of the net financial position as required by Consob Communication DEM/6064293 dated 28 July 2006 which refers to the Recommendation of the European Securities and Markets Authority (ESMA) of 20 March 2013 (which does not provide for the deduction of the financial indebtedness of the non-current financial assets).

The table below illustrates the incorrect classifications between short and long term, which emerged after the GPI Shareholders' Meeting of 30 April 2018 that was called to approve the financial statements, which resulted in the *restatement* at 31 December 2017 of the statement of financial position. The effect of these adjustments results in an overall increase in non-current financial liabilities of EUR 24 thousand and a decrease in current financial liabilities of the same amount.

| In thousands of euros | 31 December 2017 | Reclassification of Financing | Lease Reclassification | Reclassification Bond Issue | 31 December 2017 (restated) |
|---|---|---|---|---|---|
| Cash and cash equivalents (A) | 24,858 | - | - | - | 24,858 |
| Current financial assets (B) | 4,945 | - | - | - | 4,945 |
| Current account overdrafts | - | - | - | - | - |
| Current portion of medium-/long-term financial liabilities | (10,146) | (2,000) | - | - | (12,146) |
| Bond issues | (12,000) | - | - | 1,250 | (10,750) |
| Other financial payables | (2,432) | - | 774 | | (1,658) |
| **Current financial liabilities (C)** | **(24,578)** | **(2,000)** | **774** | **1,250** | **(24,554)** |
| Current net financial position (D = A + B + C) | 5,225 | (2,000) | 774 | 1,250 | 5,249 |
| Bond issues | (34,186) | - | - | (1,250) | (35,436) |
| Medium-/long-term loans | (25,891) | 2,000 | - | - | (23,891) |
| Other non-current financial payables | (1,865) | - | (774) | - | (2,639) |
| **Non-current financial liabilities (E)** | **(61,942)** | **2,000** | **(774)** | **(1,250)** | **(61,966)** |
| **Net Financial Position as per the ESMA Recommendation (F = D + E)** | **(56,717)** | **-** | **-** | **-** | **(56,717)** |
| Non-current financial assets (G) | 1,906 | - | - | - | 1,906 |
| Payables for acquisition of equity investments (G) | (12,908) | - | - | - | (12,908) |
| **Net Financial Position, including non-current financial assets and payables for the purchase of equity investments (H = F + G)** | **(67,719)** | **-** | **-** | **-** | **(67,719)** |

The following table shows the amount of the net financial position at 31 December 2018 compared to 31 December 2017, showing the amounts covered by guarantees. For more details on the latter, see section 8.2.

| In thousands of euros | 31 December 2018 | of which is guaranteed | 31 December 2017 (restated) | of which is guaranteed |
|---|---|---|---|---|
| Cash and cash equivalents (A) | 28,071 | | 24,858 | |
| Current financial assets (B) | 28,125 | | 4,945 | |
| Current account overdrafts | - | | 0 | |
| Current portion of medium-/long-term financial liabilities | (24,020) | (3,031) | (12,146) | (1,818) |
| Bond issues | (3,000) | | (10,750) | |
| Other financial payables | (12,641) | (237) | (1,658) | |
| **Current financial liabilities (C)** | **(39,660)** | **(3,268)** | **(24,554)** | **(1,818)** |
| Current net financial position (D = A + B + C) | 16,535 | (3,268) | 5,249 | (1,818) |
| Bond issues | (31,556) | | (35,436) | |
| Medium-/long-term loans | (52,418) | (10,749) | (23,891) | (4,545) |
| Other non-current financial payables | (2,525) | | (2,639) | |
| **Non-current financial liabilities (E)** | **(86,499)** | **(10,749)** | **(61,966)** | **(4,545)** |
| **Net financial position as per the ESMA Recommendation (F = D + E)** | **(69,964)** | **(14,017)** | **(56,717)** | **(6,363)** |
| Non-current financial assets (G) | 3,125 | | 1,906 | |
| Payables for acquisition of equity investments (G) | (6,543) | | (12,908) | |
| **Net financial position, including non-current financial assets and payables for the purchase of equity investments (H = F + G)** | **(73,383)** | **(14,017)** | **(67,719)** | **(6,363)** |

Note that the Company holds certain agreements for the acquisition of minority shares in the companies BIM Italia Srl, Xidera Srl and Hemasoft which, according to international accounting standards, qualify as derivatives; these derivatives have been valued at a *fair value* of zero at the date of these financial statements.

## 5.12 Provisions for employee benefits

As at 31 December 2018, employee benefits came to EUR 4,899 thousand, up EUR 2,842 thousand when compared with 2017 (EUR 2,056 thousand). This increase is mainly due to the portion of employee benefits resulting from mergers of subsidiaries carried out in the year and already described above.

| In thousands of euros | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Post-employment benefits | (4,899) | (2,056) |
| **Total liabilities for employee benefits** | **(4,899)** | **(2,056)** |
| Non-current | (4,371) | (1,516) |
| Current | (528) | (540) |
| | **(4,899)** | **(2,056)** |

The following table shows the change in the net assets and liabilities for defined benefits, drawn up on the basis of the actuarial report.

| In thousands of euros | 2018 | 2017 |
|---|---|---|
| **Balance as at 1 January** | **2,056** | **1,817** |
| **Included in the profit/(loss) for the year** | | |
| Cost relating to current work services | 0 | 92 |
| Gain relating to past work services | -30 | -23 |
| Financial (income)/expense | 44 | 29 |
| | **2,070** | **1,915** |
| **Included under other comprehensive income (expense)** | | |
| Actuarial loss/(gain) deriving from: | | |
| - demographic hypotheses | - | - |
| - financial hypotheses | -119 | 2 |
| - adjustments based on past experience | 194 | -20 |
| Effect of changes in the exchange rates | - | - |
| | **75** | **-18** |
| **Other** | | |
| Contributions paid by the employer | - | - |
| Incoming/(outgoing) transfers | 3,106 | 313 |
| Benefits disbursed | -352 | -154 |
| | **2,754** | **159** |
| **Balance as at 31 December** | **4,899** | **2,056** |

Post-employment benefits relate to the Group's Italian companies and, on the basis of Italian legislation, accrue in relation to the service provided and are disbursed at the time that the employee leaves the Company.

The benefits due to the termination of the employment relationship of each employee are calculated on the basis of the duration and the taxable remuneration. The liability is renewed annually in relation to the official cost of living index and the legal interest. It is not associated with any accrual period or condition, or any financial funding obligation; therefore, there are no assets serving the benefits.

The regulations were subsequently supplemented by Legislative Decree No 252/2005 and by Law No 296/2006 which, for companies with at least 50 employees, established that the portions accrued as from 2007 are destined, as per the option of the employees, either to the INPS Treasury Fund or the forms of supplementary welfare, assuming the nature of "Defined contribution plans".

The revaluations of the amounts outstanding as of the option dates however remain recorded under post-employment benefits for all the companies, while for the companies with less than 50 employees, the amounts accrued and not intended for supplementary welfare are also included. In accordance with IAS 19, this provision is recognised as a “Defined benefit plan”.

The following table describes the financial and demographic hypotheses adopted in the calculation of the liability in accordance with IAS 19.

| FINANCIAL HYPOTHESES | 31/12/2018 | 31/12/2017 |
|---|---|---|
| Annual discount rate | 1.57% | 1.30% |
| Annual inflation rate | 1.50% | 1.50% |
| Annual post-employment benefits increase rate | 2.63% | 2.63% |
| Annual salary increase rate | 1.00% | 1.00% |
| *Annual turnover rate* | 5.00% | 5.00% |
| *Duration* | 9.5 | 9.7 |

In compliance with IAS 19, additional information is provided regarding the sensitivity analysis for each significant actuarial assumption at the end of the year, illustrating the effects that would have occurred as a result of changes in the reasonably possible actuarial hypotheses at that date, in absolute terms, as well as the payments provided for under the plan (amounts in thousands of euros):

| SENSITIVITY ANALYSIS OF THE MAIN VALUATION PARAMETERS | 31/12/2018 |
|---|---|
| *Turnover* rate + 1% | 4,880 |
| *Turnover* rate - 1% | 4,920 |
| Inflation rate + 0.25% | 4,967 |
| Inflation rate - 0.25% | 4,832 |
| Discount rate + 0.25% | 4,793 |
| Discount rate - 0.25% | 5,009 |

| ESTIMATED FUTURE DISBURSEMENTS | 31/12/2018 |
|---|---|
| Years | Amount |
| 1 | 528 |
| 2 | 325 |
| 3 | 443 |
| 4 | 280 |
| 5 | 256 |

## 5.13 Provisions for risks and charges

Provisions for risks and charges amount to EUR 639 thousand, down EUR 222 thousand with respect to 2017 (EUR 861 thousand). The provision shows the following movements:

- a decrease in the provision for tax risks for EUR 316 thousand, linked to the partial reabsorption of the provision set aside in 2017, subsequent to the presentation of the request for facilitated settlement of pending tax disputes in accordance with the provisions of Articles 6 and 7, paragraph 2, letters B) and paragraph 3 of Decree-Law No 119 of 23 October 2018, converted with amendments by Law No 136 of 17 December 2018;
- an increase in other provisions for risks and charges for the importation of the balances of the incorporated Insiel Mercato SpA (existing provision equal to EUR 168 thousand), subsequently utilised in the amount of EUR 68 thousand due to costs incurred for the completion of contracts with existing customers at the time of the acquisition of the company that took place in December 2016.

| In thousands of euros | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Provisions for tax risks | 469 | 785 |
| Other provisions for risks and charges | 170 | 76 |
| | **639** | **861** |
| Non-current | 170 | 76 |
| Current | 469 | 785 |
| | **639** | **861** |

## 5.14 Other non-current liabilities

| In thousands of euros | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Other payables | 39 | 39 |
| Payables for acquisition of investments | 5,849 | 7,244 |
| | **5,888** | **7,283** |

Other non-current liabilities came to EUR 5,888 thousand, down EUR 1,395 thousand when compared with 2017 (EUR 7,283 thousand), and include the residual payable for the purchase of investments (EUR 5,849 thousand) and other sundry non-current payables.

## 5.14 Trade and other payables

| In thousands of euros | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Trade payables | 25,143 | 16,667 |
| Amounts due to Group companies | 3,232 | 1,711 |
| Payables for acquisition of investments | 695 | 5,664 |
| Payables for employees | 12,907 | 7,787 |
| Payables for indirect taxes | 583 | 1,007 |
| Other payables | 2,545 | 3,838 |
| **Trade and other payables** | **45,105** | **36,674** |

| In thousands of euros | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Non-current | - | - |
| Current | 45,105 | 36,674 |
| **Total** | **45,105** | **36,674** |

Trade and other payables amount to EUR 45,105 thousand, up EUR 8,431 thousand with respect to 2017 (EUR 36,674 thousand).

Trade and other current payables as at 31 December 2018 were made up as follows:

- Trade payables to third parties equal to EUR 25,143 thousand (which relate to invoices to be received amounting to EUR 9,199 thousand, attributable in part to costs incurred in the listing process, attributable to the year) up EUR 8,476 thousand

(EUR 5,169 thousand relating to the increase in invoices to be received). The increase is attributable in part to the greater need of the Company for procurement so as to cover the new contractual agreements entered into with the customers as well as to merger transactions that took place during 2018;

- Trade payables to the Group, equal to EUR 3,232 thousand (which include invoices to be received equal to EUR 406 thousand);
- Payables for the purchase of equity investments equal to EUR 695 thousand, decreased subsequent to the payment, also by means of treasury shares, of payables relating to the acquisitions of Hemasoft, Nuova Sigma, Info Line, EDP, Domino, Xidera, BIM Italia, and for the *fair value* adjustment of payables still owing in relation to *earn-out* mechanisms;
- Payables for employees that showed an increase of EUR 5,121 thousand and include amounts due to employees of EUR 7,572 thousand and amounts due to social security and welfare institutions of EUR 5,335 thousand. The increase is mainly attributable to the rise in the average workforce, partially due to the merger transactions that took place in 2018;
- Payables for indirect taxes and payments due as a withholding agent decreased by about EUR 424 thousand;
- Other current payables, amounting to EUR 2,545 thousand, showed an increase of EUR 1,293 thousand; this item mainly includes non-financial accrued expenses and deferred income (EUR 1,319 thousand), customer advances (EUR 773 thousand) and other current payables (EUR 453 thousand).

The table below shows trade payables, with the division of the amount falling due and currently due, and for the latter, the interval of days elapsed from the original due date.

| In thousands of euros | Total payable | Falling due | Due | 1-90 | 91-180 | 181-360 | Over 360 |
|---|---|---|---|---|---|---|---|
| Trade payables to third parties | 25,143 | 13,989 | 11,154 | 6,124 | 1,818 | 702 | 2,510 |
| Trade payables to companies of the Group | 3,232 | 1,200 | 2,032 | 1,325 | 239 | 456 | 12 |
| **Total trade payables** | **28,375** | **15,189** | **13,185** | **7,449** | **2,056** | **1,157** | **2,522** |
| **Payables incidence %** | **100.0%** | **53.5%** | **46.5%** | **26.3%** | **7.2%** | **4.1%** | **8.9%** |

## 6. Financial instruments

The following shows the carrying amount of the financial assets and liabilities at 31 December 2018 and 31 December 2017 compared with the related fair value, including the relative level of the *fair value* hierarchy:

| 31 December 2018<br>In thousands of euros | *Note* | Carrying amounts | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|---|
| **Financial assets measured at *fair value*** | | | | | | |
| Other equity investments and financial instruments - non-current | *5.4* | 136 | 10 | - | 126 | 136 |
| Other equity investments and financial instruments - current | | 3,474 | 2,891 | - | 583 | 3,474 |
| Amounts due from factoring agents | | 14,561 | - | - | 14,561 | 14,561 |
| Trade receivables and other receivables - current | *5.7* | 4,084 | - | - | 4,084 | 4,084 |
| Active derivatives - non-current | *5.4* | 164 | - | - | 164 | 164 |
| Active derivatives - current | | 2 | - | - | 2 | 2 |
| | | **22,421** | **2,901** | **-** | **19,520** | **22,421** |
| **Financial liabilities measured at *fair value*** | | | | | | |
| Interest rate swap hedges | *5.11* | (193) | - | (193) | - | (193) |
| | | **(193)** | **-** | **(193)** | **-** | **(193)** |
| **Financial liabilities not measured at *fair value*** | | | | | | |
| Payables for acquisition of equity investments | *5.11* | (6,543) | - | - | (6,543) | (6,543) |
| Bond issues | *5.11* | (34,556) | (33,479) | - | (1,078) | (34,556) |
| | | **(41,099)** | **(33,479)** | **-** | **(7,621)** | **(41,099)** |

| 31 December 2017<br>In thousands of euros | Note | Carrying amounts | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|---|
| **Financial assets measured at *fair value*** | | | | | | 2,510 |
| Other equity investments and financial instruments - non-current | *5.4* | 248 | 129 | - | 119 | 248 |
| Amounts due from factoring agents | | 3,899 | - | - | 3,899 | 3,899 |
| Trade receivables and other receivables - current | *5.7* | - | - | - | - | - |
| Active derivatives - non-current | *5.4* | - | - | - | - | - |
| Active derivatives - current | | - | - | - | - | - |
| | | **4,147** | **129** | **-** | **4,018** | **4,147** |
| **Financial liabilities measured at *fair value*** | | | | | | |
| Interest rate swap hedges | *5.11* | (143) | - | (143) | - | (143) |
| | | **(143)** | **-** | **(143)** | **-** | **(143)** |
| **Financial liabilities not measured at *fair value*** | | | | | | |
| Payables for acquisition of equity investments | *5.11* | (5,664) | - | - | (5,664) | (5,664) |
| Bond issues | ***5.11*** | (46,186) | (46,101) | - | (4,750) | (50,551) |
| | | **(51,850)** | **(46,101)** | **-** | **(10,414)** | **(56,215)** |

# 7. Information on the income statement items

The main balances of the 2018 income statement are analysed as follows. For the breakdown of the balances of the income statement items deriving from related-party transactions, please refer to Note 8.4 Related-party transactions.

## 7.1 Revenue and other income
## Methodological notes and connection information

The Company's significant growth and the changes in the organisational and production structure, more specifically over the last three years, suggest the introduction of reading keys and additional analysis with reference to economic and financial data.

The decision to aggregate all healthcare services into a single reference SBA was recently formalised at the *business* level; this was done with a view towards rationalisation, but also in response to the increasingly blurred boundaries among the supplied services, which were characterised more and more frequently by the minimum common denominator of "territorial" healthcare and by a single supply chain system (from the CUP booking to the healthcare performance, passing through telemedicine, telemonitoring and taking charge of a chronic or potentially chronic patient). This implies the need for a slight connection with the historical data, which highlights the performance of the health services of an administrative nature, excluding a small portion (less than EUR 2 million of revenues) of services of a social-welfare nature, now included in the "*Care*" SBA.

In conjunction with the 30th anniversary of the founding of GPI, on 22 March 2019 a complete *rebranding* of the Group's brand name and corporate graphic lines was presented. It was decided at the same time to rename the reference SBAs in a simplified way, on the basis of the following correspondences:

| PREVIOUS NAME<br>SBA | NEW NAME<br>SBA |
|---|---|
| Information Systems | *Software* |
| Administrative Healthcare Services<br>Social-Welfare Healthcare Services | *Care* |
| Logistics and Automation | *Automation* |
| ICT professional services | *ICT* |
| E-Money | *Pay* |

In the representation of the data for the two main SBAs, starting from 2018, a different *corporate* cost allocation criterion is applied to the annual data analysis than that of the previous years. This criterion is considered more appropriate for the representation of sectoral profitability, given the recent developments in the business structure. The current allocation system is based on an equal share of the SBA net operating profitability before allocating corporate costs and the remaining share of the SBA staff costs, and replaces the previous criterion that was based solely on segment profitability.

It is believed that the absolute margin and percentage expressed in this way will permit a meaningful management representation that is comparable over time, both in relation to the Group and in relation to the two main SBAs.

The following table shows the connecting effects on the 2017 profitability by SBA:

| 2017 (restated)<br>In thousands of euros | Information Systems | *Business Process Outsourcing* | Health and Care Services | Other operating segments | Total |
|---|---|---|---|---|---|
| Revenue | 36,640 | 45,753 | 1,703 | 12,281 | 96,376 |
| Other income | 3,361 | 1,775 | 6 | 1,190 | 6,331 |
| **Revenue from third-party customers** | **40,000** | **47,528** | **1,709** | **13,471** | **102,708** |
| Raw materials and consumables | (1,004) | (570) | (138) | (3,286) | (4,999) |
| General expenses | (9,981) | (12,240) | (594) | (2,047) | (24,862) |
| Personnel expenses | (22,448) | (27,796) | (387) | (7,432) | (58,063) |
| Amortisation, depreciation and impairment losses | (2,066) | (727) | (17) | (167) | (2,976) |
| Other provisions | (513) | (28) | - | (8) | (549) |
| Financial income (expense) | (1,002) | (834) | (26) | (235) | (2,097) |
| Share of result of equity-accounted investments | 2,258 | - | - | - | 2,258 |
| **Pre-tax profit of the segments** | **5,244** | **5,333** | **547** | **296** | **11,420** |

## Revenue

The organisational model applied by the Company is developed by SBAs. This makes it possible to provide adequate answers to the transformation needs and to the pressures for innovation coming from the world of Health and Social Services. This is thanks to a portfolio of solutions and services that combines specialist ICT, design and consultancy expertise, together with the *customer-orientated* approach that characterises the Company and makes doing business efficient and flexible. All SBAs operate in the same fashion with both public and private customers. GPI monitors the trend of revenues and costs by SBA.

The most significant SBAs are:

- Software, which includes the set of software solutions and related services (corrective, adaptive, preventive and developmental maintenance) aimed at the management of the administrative-accounting processes and the care processes for the public and private socio-healthcare structures, and, more generally, of the public administration authorities.
- *Care*, which includes the ancillary services of an administrative nature (such as booking/cancellation of healthcare services, contact centre services, administrative/counter acceptance services, administrative secretarial services, cultural intermediation for foreign citizens and additional administrative services of *business process outsourcing*). This also includes services provided by clinical structures that use the "Policura" brand, telemedicine services and 3D prosthetics;
- *Automation*, which includes integrated technological solutions (hardware and software infrastructures) for the management of the pharmaceutical *supply chain*;
- ICT services, which represents a diverse set of products and services that include (i) the services of *desktop management* , or support services and maintenance of the workstations of the users of the *hardware* and *software*; (ii) support systems services such as administration of the *data centre* in the different components, consultancy services in the field of networking and *database administration*;
- *Pay*, which includes innovative technologies and services offered for the management of electronic payments for the world of large-scale organised distribution, retail chains and *banking*.

| 2018<br>In thousands of euros | *Software* | *Care* | Other operating segments | Total |
|---|---|---|---|---|
| Revenue | 42,886 | 51,398 | 18,590 | 112,874 |
| Other income | 900 | 1,513 | 504 | 2,918 |
| **Revenue from third-party customers** | **43,786** | **52,911** | **19,094** | **115,792** |
| Raw materials and consumables | (1,455) | (565) | (4,192) | (6,212) |
| General expenses | (11,787) | (15,637) | (4,025) | (31,450) |
| Personnel expenses | (21,170) | (35,428) | (10,087) | (66,685) |
| Amortisation, depreciation and impairment losses | (3,514) | (784) | (221) | (4,519) |
| Other provisions | 30 | (47) | (15) | (32) |
| Financial income (expense) | (404) | (418) | (131) | (954) |
| Share of result of equity-accounted investments | 4,530 | - | - | 4,530 |
| **Pre-tax profit of the segments** | **10,015** | **31** | **425** | **10,470** |

| 2017<br>In thousands of euros | *Software* | *Care* | Other operating seg-ments | Total |
|---|---|---|---|---|
| Revenue | 36,628 | 47,464 | 12,284 | 96,376 |
| Other income | 2,949 | 2,074 | 1,309 | 6,331 |
| **Revenue from third-party customers** | **39,577** | **49,538** | **13,593** | **102,708** |
| Raw materials and consumables | (946) | (749) | (3,303) | (4,999) |
| General expenses | (9,080) | (13,474) | (2,308) | (24,862) |
| Personnel expenses | (22,028) | (28,481) | (7,554) | (58,063) |
| Amortisation, depreciation and impairment losses | (1,943) | (831) | (202) | (2,976) |
| Other provisions | (506) | (33) | (10) | (549) |
| Financial income (expense) | (874) | (951) | (272) | (2,097) |
| Share of result of equity-accounted investments | 2,258 | - | - | 2,258 |
| **Pre-tax profit of the segments** | **6,456** | **5,019** | **(55)** | **11,420** |

The value of Revenues from sales and services has grown due to good domestic market performance in the *Software* and *ICT* sectors and through regional tender awards, in particular in the Care sector.

The other revenue item mainly contains payables to Group companies and the relative decrease in volumes is due to the incorporations that took place during 2018.

The composition of revenue and other income is detailed as follows:

| In thousands of euros | 2018 | 2017 |
|---|---|---|
| **Revenue from sales and services** | **112,874** | **96,377** |
| *Other income:* | | |
| Recharged to Group companies | 2,207 | 4,868 |
| Grants related to income | 105 | 33 |
| Other | 606 | 1,430 |
| **Total revenue and other income** | **115,792** | **102,708** |

The item "other income" mainly contains payables to Group companies and are due to higher administrative and logistic costs incurred by GPI regarding the increase in the volumes of certain subsidiaries and the expansion of the Group's scope of consolidation.

## 7.2 Raw materials and consumables

| In thousands of euros | 2018 | 2017 |
|---|---|---|
| Costs for consumables | 6,207 | 4,826 |
| Change in goods inventories | 514 | -3 |
| Change in finished products inventories | -509 | 176 |
| **Total service costs** | **6,212** | **4,999** |

Raw materials and consumables came to EUR 6,212 thousand, up EUR 1,213 thousand when compared with 2017 (EUR 4,999 thousand). This item includes costs for the purchase of materials amounting to EUR 6,207 thousand and the changes in inventories of EUR 5 thousand. The increase reported is entirely attributable to the rise in the value of the purchases in relation to the greater number of contracts entered into with customers.

## 7.3 Service costs

| In thousands of euros | 2018 | 2017 |
|---|---|---|
| Outsourcing services | 15,113 | 11,556 |
| Consulting | 7,263 | 4,699 |
| *Leases* and potential lease instalments | 2,088 | 1,616 |
| Travel and subsistence expenses | 1,936 | 1,336 |
| Utilities | 959 | 776 |
| Maintenance | 56 | 47 |
| Other | 2,675 | 3,396 |
| **Total service costs** | **30,091** | **23,426** |

Service costs amount to EUR 30,091 thousand and reported an increase of 28.5 % with respect to 2017 (EUR 23,246 thousand). The item includes:

- *outsourcing* services, for which the increase amounted to EUR 3,557 thousand is attributable entirely to the increase in the value of the acquisition in relation to a greater number of contracts concluded with customers;
- consultancy that mainly refers to consultancy of an administrative and commercial type, which went up EUR 2,565 thousand compared to 2017, mainly due to costs incurred for the listing process that took place during 2018;
- *leases*, rentals and use costs increased by a total of EUR 656 thousand;
- employee travel and transfer expenses, that increased by EUR 600 thousand, in relation to the increase of the Company's headcount;
- other costs for services, mainly related to other personnel costs, such as canteen and training courses (EUR 719 thousand), collaborative and part-time employee costs (EUR 319 thousand), costs for banking services (EUR 295 thousand) and surety costs (EUR 174 thousand).

## 7.4 Personnel expenses

| In thousands of euros | 2018 | 2017 |
|---|---|---|
| Wages and salaries | 47,648 | 42,866 |
| Social security charges | 14,887 | 11,869 |
| Post-employment benefits (TFR) | 3,837 | 3,021 |
| Other personnel expenses | 313 | 308 |
| **Total personnel expenses** | **66,685** | **58,064** |

Personnel expenses came to EUR 66,685 thousand, up EUR 8,621 thousand (+14.9 %) when compared with 2017 (EUR 58,064 thousand). The increase relates almost exclusively to a general increase in average headcount to support the *business* growth and subsequent to the mergers of the companies that took place during the year (see Note 4).

## 7.5 Amortisation, depreciation and impairment losses

| In thousands of euros | 2018 | 2017 |
|---|---|---|
| Amortisation of intangible non-current assets | 2,899 | 1,374 |
| Depreciation of property, plant and equipment | 1,381 | 1,442 |
| Amortisation of contract costs | 239 | 160 |
| **Total amortisation, depreciation and impairment losses** | **4,519** | **2,976** |

Amortisation, depreciation and impairment losses come to EUR 4,519 thousand and include the depreciation of property, plant and equipment of EUR 1,381 thousand and the amortisation of intangible assets of EUR 2,899 thousand. The amortisation of intangible assets and depreciation of property, plant and equipment were carried out in 2018 on the basis of the percentages indicated in Note 3 Accounting standards and policies applied.

## 7.6 Other provisions

| In thousands of euros | 2018 | 2017 |
|---|---|---|
| Provisions for risks | 0 | 0 |
| Allowance for impairment | 32 | 549 |
| Other provisions | 0 | 0 |
| Impairment of investments | 0 | 0 |
| **Total other provisions** | **32** | **549** |

Net changes in the allowance for impairment is equal to EUR 32 thousand, composed of:

- provision of EUR 1,224 thousand for impairment of assets arising from customer contracts and at the same time the release of provisions inherited from the incorporated company Insiel Mercato SpA for EUR 1,299 thousand;
- provision of EUR 107 thousand for the impairment of trade receivables.

## 7.7 Other operating costs

Other operating costs amount to EUR 1,358 thousand and reported a decrease of EUR 78 thousand with respect to 2017 (EUR 1,436 thousand). This item is mainly composed of:

| In thousands of euros | 2018 | 2017 |
|---|---|---|
| Insurance | 288 | 68 |
| Other operating costs | 279 | 808 |
| Other tax costs | 268 | 133 |
| Advertising and promotional costs | 11 | 9 |
| Operational interest | 513 | 417 |
| **Total other operating costs** | **1,358** | **1,436** |

## 7.8 Net financial income (expense)

| In thousands of euros | 2018 | 2017 |
|---|---|---|
| Interest income from: | | |
| - Loans, receivables and bank current accounts | 429 | 315 |
| - Gain from *fair value* measurement of financial assets and liabilities | 1,863 | - |
| - Dividends | - | 16 |
| - Exchange rate gains | - | - |
| - Other | - | 142 |
| **Financial income** | **2,291** | **473** |
| Interest expense from: | | |
| - Loans, receivables and bank current accounts | (1,097) | (717) |
| - Loss expense from *fair value* measurement of financial assets and liabilities | (725) | (42) |
| - Interest expense on bonds | (1,422) | (1,690) |
| - Other | - | (2) |
| - Financial liabilities valued at amortised cost - interest expense | - | (119) |
| - Net exchange rate losses | (1) | - |
| **Financial expense** | **(3,245)** | **(2,570)** |
| **Net financial expense recognised under profit/(loss) for the year** | **(954)** | **(2,097)** |

Net financial income (expense) amounts to EUR 954 thousand, down EUR 1,144 thousand compared with 2017 (EUR 2,097 thousand). This decrease is mainly due to the payment of payables for equity investment purchases, more specifically:

- to *capital gains* on payments with treasury shares, equal to EUR 341 thousand;
- to the write-off of the minor payable for the purchase of Info Line Srl, equal to EUR 472 thousand;
- to the adjustment of the *fair value* of the payables for the acquisition of equity investments;
- the adjustment of the *fair value* of embedded derivatives with regard to the envisaged payments with treasure shares.

## 7.9 Share of profit/(loss) of equity-accounted investments, net of tax

The share of profit/(loss) of equity-accounted investments came to EUR 4,530 thousand (EUR 2,258 thousand in 2017). For details regarding the accounting of subsidiaries and associates, see Note 5.3.

## 7.10 Income tax

| In thousands of euros | 2018 | 2017 |
|---|---|---|
| **Current taxes** | | |
| IRES | 1,792 | 2,171 |
| IRAP | 477 | 652 |
| Release of tax risk provision | (316) | - |
| Provision for tax risks | - | 785 |
| **Total current taxes** | **1,953** | **3,608** |
| **Deferred taxes** | | |
| IRES | 889 | (11) |
| IRAP | (108) | (65) |
| Other deferred taxes | - | - |
| **Total deferred taxes** | **782** | **(76)** |
| **Income tax deriving from operations in the year** | **2,734** | **3,532** |

The total current tax burden for 2018 is down by EUR 554 thousand compared to 2017. This change is attributable to the alignment of IRES and IRAP payables ascribed as of 31 December 2017 of EUR 399 thousand.

# 8. Other information

## 8.1 Financial risk management

**Objectives and policies for handling the financial risks**
During the ordinary performance of its operating activities, GPI is exposed to:
- Market risk, mainly changes in the interest rates associated with the financial assets disbursed and the financial liabilities undertaken;
- Liquidity risk, with reference to the availability of financial resources suitable for covering its operating activities and the settlement of the liabilities undertaken;
- Credit risk, associated with both the normal trade transactions, and the possibility of default of a financial counterparty.

The strategy of the Company for the management of the financial risks is compliant and consistent with the business objectives defined by the Company's Board of Directors.

**Market risk**
The strategy followed for this type of risk aims to mitigate interest and currency risks and optimise the cost of the debt.

The management of these risks is carried out in observance of the principles of prudence and on a consistent basis with the best market practices.
The main objectives indicated by the *policy* are as follows:
- Pursue the defence of the scenario of the long-term plan from the effects caused by exposure to the risk of changes in the exchange and interest rates, identifying the optimum combination between fixed rate and floating rate;
- Pursue a potential reduction in GPI's cost of debt;

Handle the transactions concerning financial derivatives, taking into account the economic and equity impacts which the same may also have in relation to their classification and representation in the accounts.

As at 31 December 2018, GPI has ongoing cash flow hedging transactions. For the fair value measurements of financial derivatives, please refer to Note 5.11 Financial liabilities.

With reference to the floating rate loans, the Company is not subject to significant impacts arising from a change in the interest rates to the extent of 0.10% (10 bps).

**Liquidity risk**
The liquidity risk represents the risk that the available financial resources may be insufficient for covering the bonds maturing. GPI believes that it has access to sources of finance sufficient for satisfying the planned financial requirements, having taken into account the cash and cash equivalents, its ability to generate cash flows, the ability to track down sources of finance on the bond market and the availability of credit facilities from banks.

The distribution by maturity of the financial liabilities outstanding as at 31 December 2018 is shown in Note 5.11 Financial liabilities.

As at 31 December 2018, the Company had a liquidity reserve estimated at around EUR 31.3 million, made up of:
- EUR 28.1 million attributable to cash and cash equivalents and/or invested for a period not exceeding the short term;
- EUR 3.2 million attributable to credit facilities granted but not used.

In conclusion, please refer to Note 5.11 Financial liabilities for the quantitative and qualitative analysis of the financial liabilities.

**Credit risk**
GPI handles the credit risk essentially using counterparties with a high credit standing, and does not have significant concentrations of credit risk.

Also the credit risk originated by open positions on transactions involving financial derivatives can be considered to be of a marginal amount, since the counterparties used are leading lending institutions.

The credit positions, if significant individually, in relation to which an objective condition of partial or total uncollectability is revealed, are subject to individual write-down. The amount of the write-down takes into account an estimate of the recoverable flows and the related date of collection, the expense and the charges for future recovery, as well as the value of the guarantees and the deposits received from customers. Provisions on a collective basis have been provided for receivables which are not subject to analytical impairment, having taken into account the past experience and the statistical data available. For a breakdown of the allowance for impairment relating to trade receivables, please refer to Note 5.7 Net trade assets and liabilities.

## 8.2 Guarantees
As at 31 December 2018, the Company had a number of collateral guarantees issued to third parties. These include:

| In thousands of euros | Commitment guaranteed | Guaranteed counterparty | Amount (in thousands of euros) |
|---|---|---|---|
| Pledge on Lombardia Informatica Srl shareholding | Loan | Credit institute | 7,605 |
| | | | **7,605** |

## 8.3 Contingent liabilities
The Group has carried out an analysis of the contracts being executed as of the reporting date and has not noted the existence of significant contingent liabilities.

## 8.4 Relations with Group companies and related parties

The nature and the balances of the transactions entered into by the Parent Company GPI SpA with the GPI Group companies as at 31 December 2018 are illustrated below:

| In thousands of euros | Assets | | | Liabilities | | |
|---|---|---|---|---|---|---|
| | Trade receivables (*) | Other receivables | Financial assets | Trade payables | Other payables | Financial liabilities |
| ARGENTEA Srl | 400 | - | 1,970 | (12) | (24) | - |
| BIM ITALIA Srl | 1 | - | - | (45) | - | - |
| CONSORZIO STABILE CENTO ORIZZONTI a rl | 2,754 | 14 | - | (3) | - | - |
| DO.MI.NO. Srl | 75 | - | - | - | - | - |
| GBIM Srl | 648 | - | - | - | - | (30) |
| GMI GmbH | - | - | - | - | - | - |
| GPI CHILE SpA | - | - | 36 | - | - | - |
| GPI MIDDLE EAST INFORMATION TECHNOLOGY | - | - | - | - | - | - |
| HEMASOFT SOFTWARE SL | - | 1 | - | (444) | - | - |
| LOMBARDIA CONTACT Srl | 1,382 | 398 | - | (570) | - | - |
| PROFESSIONAL CLINIC SOFTWARE GmbH | 499 | 2 | - | (1,251) | - | - |
| RIEDL GmbH | 875 | 1 | 1,320 | (554) | - | - |
| SALURIS zoo | 1 | - | - | - | - | - |
| SINTAC Srl | 179 | - | 741 | - | - | - |
| XIDERA Srl | 51 | - | - | (296) | - | - |
| **Total** | **6,863** | **416** | **4,066** | **(3,174)** | **(24)** | **(30)** |

(*) Trade receivables include the value of assets arising from customer contracts.

| In thousands of euros | Revenue | | | Costs | | |
|---|---|---|---|---|---|---|
| | Revenue from sales | Other revenue | Financial income | Operating costs (products) | Operating costs (services) | Financial expenses |
| ARGENTEA Srl | 70 | 216 | 66 | (7) | (2) | - |
| BIM ITALIA Srl | 3 | - | - | - | (36) | - |
| CONSORZIO STABILE CENTO ORIZZONTI a rl | 4,143 | 129 | 55 | (0) | - | - |
| DO.MI.NO. Srl | | 62 | - | - | - | - |
| GBIM Srl | 510 | 111 | 0 | 0 | - | - |
| GMI GmbH | - | - | - | - | - | - |
| GPI CHILE SpA | - | - | - | - | - | - |
| GPI MIDDLE EAST INFORMATION TECHNOLOGY | - | - | - | - | - | - |
| HEMASOFT SOFTWARE SL | - | - | - | - | (192) | - |
| LOMBARDIA CONTACT Srl | 18 | 1,496 | 112 | - | (557) | - |
| PROFESSIONAL CLINIC SOFTWARE GmbH | 270 | 134 | - | (79) | (115) | - |
| RIEDL GmbH | 40 | - | 73 | (2,601) | - | - |
| SALURIS zoo | 1 | - | - | - | (24) | - |
| SINTAC Srl | (0) | 10 | 39 | - | - | - |
| XIDERA Srl | - | 51 | - | (488) | (92) | - |
| **Total** | **5,054** | **2,207** | **345** | **(3,175)** | **(1,018)** | **0** |

The table below lists the related-party transactions during 2018:

| In thousands of euros | Receivables | Payables | Revenue | Costs |
|---|---|---|---|---|
| FM Srl | - | (1,998) | - | (404) |
| LTP Stprl | 116 | - | - | - |
| CONSORZIO STABILE GLOSSA | 118 | - | 57 | - |
| TBS.IT Srl | 1,871 | (50) | 439 | (16) |
| SAIM Srl | 5,533 | - | 2,863 | - |
| CIV | 39 | - | 48 | - |
| **Total** | **7,677** | **(2,047)** | **3,407** | **(421)** |

The total amount of receivables from related parties amounted to EUR 7,677 thousand at 31 December 2018. Payables came to EUR 2,047 thousand, revenues to EUR 3,407 thousand and costs to EUR 421 thousand.

Receivables from LTP Stprl are linked to services rendered during the acquisition phase.

Receivables from CONSORZIO STABILE GLOSSA are mainly linked to commercial and technical services rendered.

Receivables from TBS.IT Srl are linked to financial receivables for loans received from GPI and services provided by the Group.

Receivables from SAIM Srl are mainly linked to commercial and technical services rendered.

Payables to FM Srl are mainly linked to the services rendered as part of the listing on the AIM market managed by Borsa Italiana SpA.

Payables to TBS.IT Srl are linked to payables of a commercial nature for services received by the GPI Group.

Revenues from TBS.IT Srl relate to technical and corporate services rendered.

Revenues from SAIM Srl are mainly linked to commercial and technical services rendered.

Revenues from CONSORZIO STABILE GLOSSA are mainly linked to commercial and technical services rendered.

## 8.5 Management and coordination activities

GPI SpA is subject to the management and coordination of FM Srl with headquarters in Via Borgolecco 15, Bussolengo (VR), Italy. The highlights from the last set of approved financial statements of FM Srl are presented below.

| In thousands of euros | 31/12/2017 | 31/12/2016 |
|---|---|---|
| **Balance sheet** | | |
| Non-current assets | 17,568 | 16,503 |
| Current assets | 3,823 | 3,169 |
| Accrued expenses and deferred income | 86 | 100 |
| **Total assets** | **21,477** | **19,772** |
| Equity | 14,897 | 12,262 |
| Post-employment benefits | - | - |
| Payables | 6,578 | 7,508 |
| Accrued expenses and deferred income | 2 | 2 |
| **Total liabilities and equity** | **21,477** | **19,772** |
| **Income statement** | | |
| Production revenue | 658 | 1,834 |
| Production costs | (818) | (2,628) |
| Net financial income (expense) | 2,796 | 1,592 |
| Taxation | - | - |
| **Profit (loss) for the year** | **2,636** | **798** |

## 8.6 Fees paid to Directors and Statutory Auditors

As provided by law, the fees paid to Directors and Statutory Auditors for the performance of their responsibilities are highlighted.

| In thousands of euros | 2018 | 2017 | Changes |
|---|---|---|---|
| Directors | 576 | 629 | (53) |
| Board of Statutory Auditors | 50 | 32 | 18 |
| | **626** | **661** | **(35)** |

The amount of remuneration to the Independent Auditors is provided in the explanatory notes of the consolidated financial statements.

## 8.7 Employment data

The corporate headcount, broken down by category, has undergone the following changes compared to the previous year.

| In thousands of euros | Average 2018 | Average 2017 | Changes |
|---|---|---|---|
| Executives | 25 | 16 | 9 |
| Middle managers and clerks | 2,520 | 1,706 | 814 |
| Blue-collar workers | 14 | 9 | 5 |
| Apprentices | 40 | - | 40 |
| **Overall headcount** | **2,599** | **1,731** | **868** |

## 8.8 Proposal for the allocation of net profit for the year

GPI SpA's Board of Directors invites the shareholders to allocate the profit for the year ended as at 31 December 2018, amounting to EUR 7,735,906, as follows:

- distribution of a gross dividend of EUR 0.33 for each share entitled to the dividend (excluding treasury shares in the portfolio at the coupon date), based on the amount of profit for 2018;
- to allocate the residual amount to retained earnings after the distribution of the dividend referred to in the previous point.

## 8.9 Subsequent events

Among the significant events in 2019, it is noted that in January CERVED confirmed the A3.1 rating to GPI.

On 18 February 2019, GPI SpA completed the acquisition of ACCURA SRL (80%), specialised in the management and handling of chronic illness in the healthcare sector.

Also in February 2019, GPI concluded the acquisition of minority shareholdings in the following companies:
WEZEN TECHNOLOGIES SRL
OPEN PROCESS SRL
BUSINESS PROCESS ENGINEERING SRL

In March 2019, a tender was awarded for the provision of *software* and IT services to the Maltese police.
Finally, on 22 March, on the 30th anniversary of the Group's creation, GPI launched a *rebranding* initiative. The current brands and logos will be completely replaced by a new graphic *package*. Also presented is a new web and a new internal social media communication tool.

## 8.10 Information pursuant to Article 1, paragraphs 125-129 of Law No 124/2017 on the transparency of the public disbursement system

In compliance with current legislation and on the basis of the interpretations of the regulations provided by Assonime (Circular 5/2019), it is specified that the Company falls within the scope of the obligation of disclosure pursuant to Article 1, paragraphs 125-129 of Law No 124/2017.

Specifically, given the possibility provided by Article 3-quater of Decree-Law No 135/2015, please refer to the data already published in the National Registry of State Aid (www.rna.gov.it), for the amounts collected for this purpose by the Company. In addition to the data already provided therein, the following information is provided:

| Dispensing entity | Amount of economic benefit received (in euros) | Description |
|---|---|---|
| Autonomous Province of Trento - Provincial Agency for the promotion of economic activities | 381,315 | balance contributed pursuant to Provincial Law No 6/99, Article 5 |
| Tax savings | 27,150 | "65%" tax deduction for energy saving expenditure |
| Gestore dei Servizi Energetici GSE SpA | 9,635 | "Energy Account" contribution |
| **Total** | **418,100** | |

## Annex 1 - Reports

## Annex 2 - Operational offices

The registered offices are at Via Ragazzi del '99, 13, Trento, Italy. GPI SpA has the following operational offices:

- Via Brixia Zust, 10 – 25100 Brescia (BS)
- Via Donat Cattin, 83 – 52100 Arezzo (AR)
- In der Aue, 9 – D – 99338 Plaue (Germany)
- Piazza San Vigilio, 1 – 38026 Ossana (TN)
- Via Maestro Piero, 6 – 38053 Castello Tesino (TN)
- Via Costalta, 10 – 38040 Luserna (TN)
- Via del Garda, 44 bis – 38068 Rovereto (TN)
- Via Solteri, 56 – 38121 Trento (TN)
- Via Sommarive, 18 – 38123 Frazione Povo (TN)
- Via Abbagnano, 3 – 60019 Senigallia (AN)
- Strada Prov. per Casamassima Km 3 – 70124 Bari (BA)
- Via Bazzanese, 69-75 – 40033 Casalecchio di Reno (BO)
- Via Anzalone, 12 – 95024 Acireale (CT)
- Via L. Settembrini, 8 – 88100 Catanzaro (CZ)
- Via Minzoni Don Giovanni, 24 – 20158 Milan (MI)
- Via Leopoldo Nobili, 188/B – 41126 Modena (MO)
- Centro Direzionale Isola E7 – 80143 Naples (NA)
- Via Libertà, 201/A – 90143 Palermo (PA)
- Via S. Crispino 106 – 35129 Padua (PD)
- Via Vincenzo Verrastro, 29/31 – 85100 Potenza (PZ)
- Via Danubio, 9 – 42124 Reggio Emilia (RE)
- Via Cristoforo Colombo 115 – 00147 Rome (RM)
- Via Arnaldo da Brescia, 7 – 10134 Turin (TO)
- Via Trento, 11 – 36071 Arzignano (VI)
- Via della Meccanica, 16 – 37139 Verona (VR)
- Via Santelli, 35 – 50134 Florence (FI)
- P.zza della Vittoria, 12/12 – 16121 Genoa (GE)
- Via G. Saragat, 1 – 30174 Mestre (VE)
- Via Mario Rapisardi, 15 – 90144 Palermo (PA)
- Via Malasoma, 20 – 56121 Pisa (PI)
- Via Rodolfi, 37 – 36100 Vicenza (VI)
- Loc. Contrada Mozzoni, 14 – 66030 Treglio (CH)

# Annex 3 - Balance sheet prepared pursuant to Consob Resolution 15519 of 27 July 2006

| In thousands of euros | 31 December 2018 | of which with related parties | 31 December 2017 (restated) | of which with related parties |
|---|---|---|---|---|
| **Assets** | | | | |
| Goodwill | 5,645 | | 1,630 | |
| Intangible assets | 29,653 | | 9,808 | |
| Property, plant and equipment | 12,925 | | 11,798 | |
| Equity-accounted investments in subsidiaries | 45,325 | | 66,642 | |
| Non-current financial assets | 3,125 | 1,320 | 1,906 | 1,320 |
| Deferred tax assets | 3,201 | | 2,606 | |
| Contract costs | 247 | | 145 | |
| Other non-current assets | 653 | | 149 | |
| **Non-current assets** | **100,774** | | **94,684** | |
| Inventories | 2,573 | | 2,759 | |
| Contract assets | 61,905 | | 37,510 | |
| Trade and other receivables | 38,117 | 13,416 | 36,022 | 16,223 |
| Cash and cash equivalents | 28,071 | | 24,858 | |
| Current financial assets | 24,040 | 4,286 | 4,945 | 858 |
| Current tax assets | 764 | | 765 | |
| **Current assets** | **155,470** | | **106,859** | |
| **Total assets** | **256,244** | | **201,543** | |
| **Equity** | | | | |
| Share capital | 8,545 | | 8,533 | |
| Share premium reserve | 56,872 | | 55,733 | |
| Other reserves and retained earnings/(losses) carried forward, including profit/(loss) for the year | 1,368 | | -396 | |
| **Total equity** | **66,785** | | **63,870** | |
| **Liabilities** | | | 0 | |
| Non-current financial liabilities | 86,499 | | 61,966 | |
| Non-current provisions for employee benefits | 4,371 | | 1,516 | |
| Non-current provisions for risks and charges | 170 | | 76 | |
| Deferred tax liabilities | 2,344 | | 806 | |
| Other non-current liabilities | 5,888 | | 7,283 | |
| **Non-current liabilities** | **99,272** | | **71,647** | |
| Contract liabilities | 1,083 | | 1,181 | |
| Trade and other payables | 45,105 | 5,246 | 36,674 | 5,701 |
| Current employee benefits | 528 | | 540 | |
| Current provisions for risks and charges | 469 | | 785 | |
| Current financial liabilities | 39,660 | 30 | 24,554 | |
| Current tax liabilities | 3,342 | | 2,292 | |
| **Current liabilities** | **90,187** | | **66,026** | |
| **Total liabilities** | **189,459** | | **137,673** | |
| **Total equity and liabilities** | **256,244** | | **201,543** | |

The Healthcare Partner

**Attestazione ai sensi dell'art. 154 bis del D.lgs. 24 febbraio 1998 n. 58 (Testo Unico della Finanza) relativa al bilancio separato.**

1. I sottoscritti Fausto Manzana in qualità di "Amministratore Delegato" e Stefano Corvo in qualità di "Dirigente preposto alla redazione dei documenti contabili societari" di GPI S.p.A. attestano, tenuto anche conto di quanto previsto dall'art. 154-bis, commi 3 e 4, del decreto legislativo 24 febbraio 1998, n.58:

- l'adeguatezza in relazione alle caratteristiche dell'impresa e

- l'effettiva applicazione

delle procedure amministrative e contabili per la formazione del **bilancio separato** nel corso del periodo 1 gennaio – 31 dicembre 2018.

2. L'adeguatezza delle procedure amministrative e contabili per la formazione del bilancio separato al 31.12.2018 è stata valutata sulla base del modello Internal Control – Integrated Framework emanato dal Commitee of Sponsoring Organisations of the Treadway Commission che rappresenta il modello di riferimento a livello internazionale generalmente accettato.

3. Si attesta, inoltre, che:

3.1 Il bilancio separato al 31 dicembre 2018:

a. è redatto in conformità ai principi contabili internazionali applicabili riconosciuti dall'Unione Europea ai sensi del Regolamento (CE) n. 1606/2002 del Parlamento europeo e del Consiglio, del 19 luglio 2002 e successive integrazioni;

b. corrisponde alle risultanze dei libri e delle scritture contabili;

c. è idoneo a fornire una rappresentazione veritiera e corretta della situazione patrimoniale, economica e finanziaria dell'Emittente.

3.2 La relazione sulla gestione comprende un'analisi attendibile dell'andamento e del risultato della gestione, nonché della situazione dell'Emittente, unitamente ad una descrizione dei principali rischi ed incertezze cui sono esposti.

Trento , 29 marzo 2019

Amministratore Delegato

Fausto Manzana

Dirigente preposto alla redazione
dei documenti contabili societari

Stefano Corvo

# • Report of the Board of Statutory Auditors to the Shareholders' Meeting in accordance with Article 2429 of the Italian Civil Code

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Dear Shareholders,

By means of this Report the Board of Statutory Auditors is called upon to report to the Shareholders' Meeting called to approve the Financial Statements closed at 31 December 2018, of the supervisory activities carried out during the course of the year.

On 17 December 2018, Borsa Italiana has admitted the shares and warrants of GPI SpA to be listed on the Mercato Telematico Azionario (MTA) stock exchange, while on 20 December 2018, CONSOB authorised the publication of the Prospectus. The first day of listing of the shares and the *warrants* on the MTA took place on 28 December 2018; therefore, this report is understood to be submitted in accordance with Article 153 of Legislative Decree No 58/98, with exclusive reference to the activity carried out by the Company starting from that date.

The Board of Statutory Auditors specifies having carried out their institutional activities in accordance and in compliance with the rules and principles of behaviour recommended for the purpose by the National Council of Chartered Accountants and Accounting Experts and preparing this report, taking into account — insofar as it is compatible — also the indications provided by CONSOB Communication DEM 1025564 of 6 April 2001, in consideration of the fact that the shares and *warrants* of GPI SpA have been admitted to listing on the MTA since 28 December 2018.

It should also be noted that the Board of Statutory Auditors has waived the terms referred to in Article 2429 of the Italian Civil Code.

The Board of Directors presented the Financial Statements to 31 December 2018, consisting of: statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and the explanatory notes to the financial statements that include a summary of the most significant accounting standards applied, and accompanied by the Management Report, the consolidated non-financial statement (prepared in accordance with Legislative Decree No 254 of 30 December 2016) and the Report on Corporate Governance and Ownership Structure (prepared in accordance with Article 123-bis of the Consolidated Finance Act (TUF)).

The statutory audit of the financial statements for the year ended 31 December 2018, as mentioned in the introduction, was performed by KPMG SpA, which issued the reports required by Article 14 of Legislative Decree No 39 of 27 January 2010 and Article 10 of Regulation (EU) No 537/2014, expressing an "unqualified opinion" both on the individual financial statements and on the consolidated financial statements of the Company closed on 31 December 2018.

## 1. Considerations on the most important economic, financial and equity transactions and events carried out by the Company and on their compliance with the law and the memorandum of association

The most significant events that occurred in the course of the 2018 financial year and in the early months of 2019 are comprehensively detailed in the Management Report as at 31 December 2018 and in the separate and consolidated financial statements closed on 31 December 2018.

The information acquired on the most significant economic, financial and equity transactions, performed by the Company, allowed us to ascertain their compliance with the law and the Articles of Association and their compliance with the corporate purpose.
As anticipated, the securities of the Parent Company GPI were admitted to the MTA as of 28 December 2018, and previously were already admitted to the AIM.

Corporate transactions
During 2018, the Company acquired 45% of the remaining share capital of Insiel Mercato SpA and 100% of Erre Effe Informatica Srl in March, and established Argentea Sp Zoo (Poland), Informatica Group (Russia) and Cliniche della Basilicata Srl. During October and November 2018, GPI incorporated the following companies: EDP Sistemi Srl, Erre Effe Srl, Groowe Tech Srl, Info Line Srl, Insiel Mercato SpA, Neocare Srl, Netmedica Srl and Nuova Sigma Srl. In November 2018, Argentea Srl incorporated the newly acquired Paros Srl.

These transactions were made in compliance and in accordance with the law and the Articles of Association and were motivated by the development plans of the Company and of the Group and were carried out in accordance with the principles of proper *business* management.

## 2. Atypical or unusual transactions with third parties, related parties or intragroup

We have acquired relevant information on intragroup and related party transactions. These transactions are adequately described in the Notes to the financial statements, in accordance with the provisions of the Italian Civil Code. It is determined that there was adequate information provided by the Directors in their Report, and, where necessary, in the explanatory notes to the separate and consolidated financial statements, concerning transactions of major economic, financial and equity significance, as well as regarding the asset and liability transactions that took place among subsidiaries, associates and with related parties.

### 2.1 Atypical or unusual transactions with related parties

In the course of our supervisory activity we have not encountered any atypical or unusual transactions with related parties.

### 2.2 Atypical or unusual transactions with third parties or with intragroup companies

In the course of our supervisory activity we have not encountered any atypical or unusual transactions with third parties or with intragroup companies.

### 2.3 Ordinary intragroup and related-party transactions

The Company, in compliance with the Regulation on Related-Party Transactions No 17221, approved by CONSOB by means of its Resolution of 12 March 2010, as amended, as well as taking account of the directions and guidelines referred to in CONSOB Communication DEM/10078683 of 24 September 2010, had already adopted in 2016, on the occasion of the listing of its securities on the AIM Italia market, the "Procedure for transactions with related parties" for the rules for managing transactions concluded by the Issuer and by the Group with related parties. The Board of Directors of the Company, at its meeting of 25 May 2018, but with effect from the commencement of trading of the GPI shares and warrants on the MTA, took steps to amend, supplement and update such procedure, subject to the favourable opinion of the Control and Risk Committee, in its oversight function regarding transactions with related parties.

The Directors provided information, at the end of the notes to the financial statements, section "other information", on ordinary transactions with related parties, to which reference is made.

The Board of Statutory Auditors assessed the compliance of the procedures with the principles contained in the above CONSOB Regulation, and it attended, during 2018, all the meetings of the Control and Risk Committee, in which the transactions with related parties were examined, monitoring the observance of the procedure adopted by the Company.

## 3. Comments on any requests for information by the Independent Auditors

On 8 April 2019, the Independent Auditors KPMG SpA issued their Audit Opinion Reports on the separate and consolidated financial statements, pursuant to Articles 14 of Legislative Decree No 39 of 27 January 2010 and has, furthermore, sent on the same date to this Board the Supplementary Report pursuant to Article 11 of Regulation (EU) No 537/2014.

The above-referenced documents do not contain any request for information.

## 4. Complaints pursuant to Article 2408 of the Italian Civil Code.

During the 2018 financial year, and until the date of the Report, no complaints under Article 2408 of the Italian Civil Code were received.

## 5. Presentation of claims

During the 2018 financial year, and until the date of the Report, no claims were received to be referred to the Shareholders' Meeting.

## 6. Further assignments to the Independent Auditors and related costs

The Board of Statutory Auditors examined the report on the independence of the Independent Auditors, pursuant to Article 17 of Legislative Decree No 39/2010, issued by them on 8 April 2019, which does not highlight situations that have compromised their independence or that causes incompatibility, in accordance with Articles 10 and 17 of the same Decree and the related implementation provisions.

The Company assigned a specific task for the limited examination of the consolidated non-financial statement of the GPI Group, pursuant to Article 3, paragraph 10 of Legislative Decree No 254/16, for the financial years ending 31 December 2018 to 31 December 2026 to KPMG SpA based on the terms and conditions communicated by KPMG with an offer dated 15 February 2019.

On the basis also of the statement of the Independent Auditors, the Board of Statutory Auditors notes that the fees for the year 2018 paid to KPMG SpA are listed in the appropriate statement prepared by the Directors pursuant to Article 149 *duodecies* of the Regulation implementing Legislative Decree No 58 of 24 February 1998, concerning the rules for issuers, as contained in the note to the separate financial statements, section "Disclosure of considerations to independent auditors pursuant to Article 2427, paragraph 1, letter 16-bis) of the Italian Civil Code".

## 7. Assignment of tasks to parties related to the Independent Auditors

There were no further appointments conferred on the shareholders, directors, members of the control bodies and the employees of the Independent Auditors itself and of the companies controlled by it or associated with it.

## 8. Opinions issued pursuant to the law

On 29 March 2018, the Board issued a reasoned opinion on the consensual termination of the contract for the statutory audit of accounts with KPMG SpA, pursuant to Article 7 of Ministerial Decree No 261/2012 and, on 14 April 2018, for the conferral of the new audit task to the same KPMG, subject to the listing of the Company on the MTA - Mercato Telematico Azionario.

On 22 February 2019, the Board further expressed its favourable opinion that the limited review of the consolidated non-financial statement of the GPI Group, pursuant to Article 3, paragraph 10 of Legislative Decree No 254/16, for the financial years ending 31 December 2018 to 31 December 2026, be entrusted to KPMG SpA based on the terms and conditions communicated by KPMG with an offer dated 15 February 2019.

## 9. Frequency of meetings of the Board of Directors and the Board of Statutory Auditors

The administrative bodies of the Company have operated regularly and minutes have been drawn up for their meetings. The Board of Statutory Auditors attended the meetings of the Board of Directors, obtaining extensive and detailed information on management performance and on its foreseeable evolution, as well as on the more significant economic, equity or financial transactions, for their size or characteristics, performed by the Company. More specifically, the Board of Statutory Auditors acknowledges that the decision-making process of the Board of Directors is properly inspired by compliance with the fundamental principle of informed action.
The Board of Statutory Auditors met regularly and reported the minutes of its meetings in the meeting book of the Board of Statutory Auditors.

The number of meetings of the Board of Directors and Board of Statutory Auditors, the attendance of the individual members and the average duration of the meetings are indicated in the Report on *Corporate Governance* which should be referred to.

## 10. Comments on compliance with the principles of proper administration

We acquired knowledge and monitored, to the extent of our responsibility, compliance with the fundamental criterion of sound and prudent management of the Company and of the more general principle of due diligence, all based on the attendance in the meetings of the Board of Directors, the documentation and the timely information directly received from the various management bodies in relation to the transactions performed by the Company and with specific analysis and verifications. The information obtained allowed us to verify compliance with the law and the Articles of Association of the actions resolved and implemented, and that the same were not manifestly imprudent or risky.

The Delegated Body acted in compliance with the limits of the delegation attributed to it.

## 11. Comments on the adequacy of the organisational structure

The Board of Directors of the Company, by a resolution adopted at the meeting of 4 May 2018, in order to ensure the effective performance of its functions, established an internal **Remuneration Committee** and the **Control and Risk Committee,** also attributing to the latter the responsibility in relation to Related-Party Transactions.

The Control and Risk Committee and the Remuneration Committee consist of two independent directors, Mr Edda Delon and Mr Paolo De Santis. At the time of the appointment, the Board of Directors considered the members' experience and knowledge of accounting, financial or risk management and remuneration policies to be adequate for both Committees.

At its meeting of 25 May 2018, the Board of Directors of the Company approved the GPI SpA adoption of the provisions contained in the Corporate Governance Code for listed companies promoted by the *Corporate governance* **committee**, subject to the Appointments Committee, the succession Plan for executive directors and the remuneration policy, subsequently adopted, and more precisely at the beginning of the year.

In the same meeting, subject to the favourable opinion of the Board of Statutory Auditors, the "Procedure for the management and communication of privileged information and the keeping and updating of the register of persons having access to insider information as well as the register of persons who have access to specific relevant information" ("Inside Information" Procedure) was approved, and subsequently updated by means of the Resolution of 22 October 2018.

We acquired knowledge and monitored, to the extent of our responsibility, that the adequacy of the organisational structure, as supplemented by the decisions described above, does not have, in the present case, specific findings to report.

## 12. Comments on the adequacy of the internal control system

The Board of Directors of the Company, at the time of the adoption to the Corporate Governance Code, resolved to expressly grant to the Board of Directors and all the Committees set up within it all the responsibilities as provided in the Code.

The Board of Directors has identified the Chief Executive Officer Mr Fausto Manzana as the "Director in charge of the Internal Control and Risk Management System", assigning him the related duties and powers pursuant to the Corporate Governance Code.

At present, taking into account significant organisational impacts arising from the restructuring of the Group carried out between October and December 2018, and the listing on the MTA that was concluded on 28 December 2018, the tasks and objectives of the internal control system are still in a process of implementation.
The Company has set itself the goal of completing the related implementation processes in the course of the next few months, and in any event by the end of the current year, so that the main risks concerning the Company and its subsidiaries are correctly and organically identified and one can then proceed with the activity measurements, management and systematic monitoring of business risks.

The assessment of the adequacy and functioning of the system is entrusted, in addition to the Board of Statutory Auditors, to the Supervisory Body and to the *Internal Audit* function.

The Company also started specific activities to implement a risk management model (ERM).

The Control and Risk Committee is involved in and constantly monitors the implementation activities of such a corporate risk management model, supporting and stimulating the implementation process. The Board is invited to attend and has attended all Committee meetings.

The Board of Directors, upon the favourable opinion of the Control and Risk Committee and having consulted the Board of Statutory Auditors, in its meeting of 25 May 2018 appointed for the three-year period 2018-2020 Conformis in Finance Srl, a company endowed with adequate requisites of professionalism, independence and organisation, Head of the *Internal Audit* Function, with the task of verifying that the Internal Control System and Risk Management system is functioning and adequate.

With this company the Board of Statutory Auditors held regular meetings during the year and took note of the reports issued by the same.

On the basis of the information collected directly and through attendance at the meetings of the Board and of the internal Board committees, the Board of Statutory Auditors considers that the organisational structure as a whole is adequate.

## 13. Comments on the adequacy of the administrative-accounting system

The Board of Directors, in its meeting of 4 May 2018, with the favourable opinion of the Board of Statutory Auditors, appointed the administrative Director, Mr Stefano Corvo, the Administrative Director of the Company, as the Officer in charge of preparing corporate accounting documents, in accordance with Article 154-bis of the Consolidated Finance Act (TUF) and Article 19 of the Articles of Association.

The Board of Statutory Auditors periodically monitored the correct functioning of the current system, also through meetings with Mr Corvo, the collection of information from managers of competent company functions, the examination of corporate documentation and the periodic analysis of the results of the work carried out by the Independent Auditors, also on the occasion of the Company's interim report.

More specifically, the Board of Statutory Auditors notes that the Chief Executive Officer and the Financial Reporting Officer have issued the certification that the financial statement documents provide a truthful and correct representation of the equity, economic and financial position of the Company and of the subsidiary companies included in the scope of consolidation.

The statements made by the Chief Executive Officer and the Financial Reporting Officer, on the basis of the information obtained, are complete.

The Board of Statutory Auditors, in consideration of the supervisory activities performed, and taking into account the assessments of adequacy, efficacy and effective functioning of the organisational, administrative and accounting structure drawn up by the Board of Directors, considers, to the extent of its responsibility, that this system is, as a whole, adequate and reliable in its representation of the management facts.

## 14. Comments on the adequacy of the instructions given to subsidiaries

The Board of Statutory Auditors has monitored the adequacy of the provisions imparted by the Company to its subsidiaries pursuant to Article 11.4, paragraph 2 of the Consolidated Finance Act (TUF), and the correct flow of information among the same, and believes that the Company is capable of fulfilling the obligations of communication established by law.

## 15. Significant matters that emerged during the meetings with the statutory auditors

The supervisory activities on the auditing activity, referred to in Article 19 of the Legislative Decree No 39 of 27 January 2010, were conducted by the Board of Statutory Auditors in the framework of the above-mentioned meetings with the assigned Independent Auditors, who illustrated the quarterly controls performed and their outcomes, the auditing strategy, as well as the fundamental issues encountered in the conduct of the activity. These meetings did not reveal any criticality affecting the Company's individual financial statements or consolidated financial statements.

With regard to the opinions and certificates, the Independent Auditors have:

- issued an unqualified opinion, from which it results that GPI's separate and consolidated financial statements provide a true and correct view of the financial position of GPI and of the Group as at 31 December 2018, of the economic result and cash flows for the year then ended, in accordance with *International Financial Reporting Standards* as adopted by the European Union, as well as the measures issued in implementation of Article 9 of Legislative Decree No 38/2005;

- issued a declaration of consistency, from which it appears that the Management Reports accompanying the separate and consolidated financial statements as at 31 December 2018, and some specific information contained in the Report on Corporate Governance and Ownership Structure referred to in Article 123-bis, paragraph 4 of the Consolidated Finance Act (TUF), which is the responsibility of the directors of the Company, are prepared in accordance with legal standards;
- stated, as regards any significant errors in the Management Reports, on the basis of knowledge and understanding of the business and its context, acquired in the course of the audit, to not have anything to report.

The Independent Auditor's Report includes, furthermore, the indication of the key aspects of the audit, in relation to which, however, no separate opinion is expressed, having been addressed in the context of the audit and in the formation of the opinion on the financial statements as a whole.

On today's date, the Independent Auditors also presented to the Board of Statutory Auditors the additional Report provided for in Article 11 of Regulation (EU) No 537/2014, which shows that there are no significant deficiencies in the internal control system in relation to the financial reporting process that deserve to be brought to the attention of those responsible for the activities of *governance*.

In the annex to the additional Report referred to in the preceding section, the Independent Auditors submitted to the Board of Statutory Auditors the statement of independence, as required by Article 6 of Regulation (EU) No 537/2014, from which there emerge no situations that could compromise independence. Finally, the Board of Statutory Auditors acknowledges the transparency report prepared by the Independent Auditors published on the corporate website pursuant to Article 18 of Legislative Decree No 39/2010.

## 16. Adherence to the Corporate Governance Code

As stated above, the Company has adhered to the principles established by the Corporate Governance Code promoted by Borsa Italiana SpA, and on 29 March 2019 the Board of Directors approved the annual Report on Corporate Governance and Ownership Structure.

We recall that:
- the Board has identified the Chairman and Chief Executive Officer Mr Fausto Manzana as the director responsible for overseeing the functionality of the internal control and risk management system;
- the Control and Risk Committee operates within the Board of Directors in an advisory and propositional capacity; with regard to the role, tasks and operation, please refer to the specific chapter of the Report on *Corporate Governance*;
- the Company has set up the Remuneration Committee.

The Company did not consider it necessary to set up an Appointments Committee within the Board.

The Board of Statutory Auditors has verified the correct application of the criteria adopted by the Board to assess the independence of its non-executive members, as well as the proper application of the related assessment procedures.

As a result of these verifications, no comments were made by the Board of Statutory Auditors.

The Board of Statutory Auditors has also successfully assessed the independence of its members.

## 17. Final assessments concerning the supervisory activity

In conclusion, we certify that our supervisory activities have not revealed omissions, objectionable facts or irregularities worthy of mention to Shareholders and Supervisory Bodies.

## 18. Proposals to the Shareholders' Meeting

The Board of Statutory Auditors examined the draft financial statements as at 31 December 2018 and reviewed the consolidated financial statements on the same date. The Board of Statutory Auditors, to the best of its knowledge, notes that no legal provisions have been derogated from in the preparation of the Separate and Consolidated Financial Statements.

Not being entrusted with the function of legal review, the Board of Statutory Auditors oversaw the general layout of the Financial Statements, its general compliance with the law as regards its formation and structure and, in this regard, there are no specific matters to report.
The Board of Statutory Auditors acknowledges that, prior to the approval of the draft financial statements, the Directors have approved the results of the impairment test and verified the compliance of the same with the requirements of IAS 36.

The Board of Statutory Auditors has verified compliance with the statutory rules relating to the preparation of the management report and, in this respect too, there are no comments to report.

The Financial Statements for the year ended 31 December 2018, prepared by the Directors pursuant to the law and regularly transmitted to the Board of Statutory Auditors (together with the Management Report), showed a profit amounting to EUR 7,736 thousand. The Board of Directors described in detail in the Management Report and Notes the formation of the operating result and the events that generated it.

We also have no objection to the Board of Directors' proposal on the allocation of the profit for the financial year of EUR 7,735,906.

CONCLUSIONS

As a result of the supervisory activity carried out and taking account of the results of the activity carried out by the subject charged with the legal auditing of the accounts, contained in the specific report accompanying the Financial Statements:

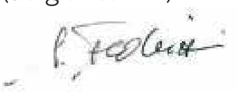
- we acknowledge the adequacy of the organisational, administrative and accounting structure adopted by the Company and its concrete functioning, as well as the efficiency and effectiveness of the internal control, internal audit and risk management system;
- we express, to the extent of our responsibility, our favourable opinion to the approval of the Financial Statements for the year ended 31 December 2018, and the proposal made by the Board of Directors concerning the appropriation of the profit for the year.

Trento, 8 April 2019

Board of Statutory Auditors

(Stefano La Placa)

(Sergio Fedrizzi)



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