CONSOLIDATED AND SEPARATE REPORT

AS AT 31 DECEMBER 2017

Financial Statement prepared in accordance with IAS/IFRS principles*

- All amounts are in Euro -

DHH - Dominion Hosting Holding S.p.A.
Via Caldera 21, 20153 Milan, Italy
Tel. +39 02 8736 5100
www.dhh.international

(*) These consolidated financial statements, making use of the option provided by art. 19, Part I, of the Issuers Regulation AIM Italy, have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and published in the Official Journal of the European Union (OJEU), as specified in notes to the financial statements. Financial statements are the result of consolidation of financial statements of companies detailed in the g rights in the ordinary shareholders, at the date.

INTRODUCTION

Dominion Hosting Holding ("DHH") is an industrial investment company focused on the web hosting, SaaS and cloud-computing industry with the goal of creating the leading *"Internet Platform of European emerging markets"*, a geographic area where expected growth rates are higher thanks to current lower digital penetration.
DHH is listed on AIM Italia, a Multilateral Trading Facility regulated by Borsa Italiana and registered as a SME Growth Market.

CORE BUSINESS AND BUSINESS MODEL

So far DHH has focused on Web Domain name registration / transfer and on Web hosting products (from simple share hosting products to more sophisticated solutions as virtual private server, cloud and managed hosting services). New "verticals" of the basic Web services / cloud computing space should be added in the next future.
Most of the above-mentioned services are supplied through cloud based Software as a service (SaaS) technicality, with a one-to-many model where contracted customers are charged in advance for their subscription.

MAIN FEATURES

Eight brands under management, with more than 100 thousand customers and 200 thousand registered domains in five promising countries: Croatia, Italy, Serbia, Slovenia and Switzerland.
In-depth and proven capabilities of turning around and up-scaling acquired assets (10 acquisitions between 2015 and 2018, 5 acquisitions after the IPO that took place back in July 2016).
Fast growing company (1H17 Revenues +47.6% YoY) with a well-balanced financial structure, (positive net cash position of €2.3mn in 1H17) and sound Cash Flow generation (EBITDA to OpFCF conversion ratio in the 100% region).

GROUP STRUCTURE BASED ON INDUSTRIAL CONGLOMERATE APPROACH

Conglomerate business model. An holding company (listed on AIM Italia MTF) controlling six "Opcos";
Holding company providing to all subsidiaries advisory in terms of both "go to market" strategy (expert support, resources and capabilities enhancement) and planning & control (Business unit control, managerial processes, financial KPIs implementation).
Main benefits of "conglomerate approach":

- Synergies in SG&A, through optimization of IT, Sales and physical infrastructure and as well as collective technology purchase,
- Synergies from cross-selling programs based on the same business model in order to boost ARPU,
- Synergies in knowledge creation and sharing among different brands.

REFERENCE MARKET FEATURES

Reference market is rapidly growing and evolving, highlighting:

- Double-digit growth rates expected in the next years both in the traditional web hosting and cloud computing markets (*Source*: Market Research Future, July 2017 and Gartner technology research,

October 2017), with global shared hosting industry expected to reach a market size of $21.1bn by 2019 (Source: Statista);
- Growing Internet user base, with 3.8 billion users expected by 2018, and as a consequence Internet volumes expected to reach two zettabytes by 2020 (Source: Websitehostinginsider);
- eCommerce and Mobile Internet penetration as main underlying drivers.

INVESTMENT STRATEGY

Exploiting positive net cash position in order to finalize further M&A deals aiming at:

- Consolidating existing market shares in the current company's reference market through the acquisition of small to mid-size companies involved in the web hosting market, attaining related customer bases and distribution networks without retaining previous management.
- Entering in new geographic markets in the web hosting, cloud computing and SaaS market, acquiring the entire company and retaining founders through an equity stake in the original company or in the combined entity. Target company should have a sound cash generating capability or it should be a hypothetical turnaround candidate.
- Investing in seed stage start-ups (investment size around €0.2mn), with innovative projects in the cloud computing and SaaS field, acquiring minority stakes combined with contingent call options, in order to build and develop digital business, guiding startups founders and providing acceleration support. The company is also looking for "unlucky" start-ups who did not succeed for different reasons, but with founders still confident and motivated for taking up such projects.
- Building a diversified product portfolio by integrating new "verticals" beyond traditional web hosting field, such as cloud computing and other Value-Added Solutions (VAS).
- Expanding supply chain, trying to meet all customers' needs, mixing high quality products with satisfying experience levels.
- Improving customers acquisition rates, renewal rates and, as a consequence, Life-Time Value (LTV).
- Implementing managerial capabilities in revamping and optimization of acquired assets from a financial and technological point of view, delivering strategic thinking, technology solutions, marketing know-how and other best practices.

KEY FINANCIAL DATA

Profit & Loss Statement

The reclassified Profit or Loss Statement of the Group as at December 31, 2017 is provided below:

RECLASSIFIED CONSOLIDATE PROFIT AND LOSS STATEMENT (ALL AMOUNTS ARE IN EURO)	31.12.2017	31.12.2016
Revenues	5.676.037	3.963.758
Operating costs	(3.412.788)	(2.679.023)
VALUE ADDED	**2.263.249**	**1.284.735**
Personnel costs	(1.732.443)	(929.125)
GROSS OPERATING MARGIN (EBITDA)	**530.806**	**355.610**
Amortization and impairment	(180.618)	(120.841)
EBIT	**350.188**	**234.769**
Other non-operating income/expense	(1.346)	7.224
Financial income and expenses	(29.451)	(22.310)
EARNINGS BEFORE TAXES (EBT)	**319.391**	219.683
Income taxes	(80.433)	(64.461)
NET RESULT	**238.958**	**155.222**
OF WHICH		
Relating to the shareholders of the Group	245.472	155.222
Relating to the third party shareholders	(6.514)	-

During the financial year ended 31 December 2017 the total consolidated revenues of the Group are equal to **5,68M EUR.**

The Group is focused on web hosting services as a core business line and its revenues are approx. 1.68M EUR in Italy (Tophost and DHH Italia), 1.4M EUR in Slovenia (DHH.si), 1.9M EUR in Croatia (DHH, InfoNet and HostingIT), 100k EUR in Serbia (Plus) and 600k EUR in Switzerland (DHH SWZ).

In the consolidated Profit & Loss statement results related to DHH Italia srl and DHH Switzerland SA are accounted only pro-quota starting from the date of acquisition (May 2017).

The consolidated EBITDA amounts to **531k EUR**.

Comparing consolidated EBITDA as at 31 December 2017 to consolidated EBITDA as at 31 December 2016, there is a positive difference of **175k EUR**, in part due to the inclusion in the consolidation of new companies.

MAIN BALANCE SHEET DATA

The reclassified balance sheet of the Group as at 31 December, 2017 is provided below:

RECLASSIFIED CONSOLIDATED BALANCE SHEET (ALL AMOUNTS ARE IN EURO)	31.12.2017	31.12.2016
Trade Receivables	440.747	110.311
Trade Payables	(440.610)	(246.242)
OPERATING NET WORKING CAPITAL	**137**	**(135.931)**
Other current receivables	245.154	254.912
Prepaid expenses and accrued income	424.515	378.141
Other current liabilities	(319.444)	(273.739)
Accrued liabilities and deferred income	(1.597.189)	(1.087.297)
Taxes payables	(121.724)	(80.280)
NET WORKING CAPITAL *	**(1.368.551)**	**(944.194)**
Goodwill	5.462.952	4.489.877
Tangible fixed assets	350.722	214.613
Intangible fixed assets	436.128	99.691
Non current financial assets	6.166	-
Other non current assets	2.457	2.457
Deferred tax assets	8.161	9.151
FIXED ASSETS	**6.266.586**	**4.815.789**
Employee benefits fund	(11.792)	(1.591)
Provisions for risks and future liabilities	(10.255)	-
Liabilities for deferred taxes	(24.013)	(2.268)
NET NON CURRENT LIABILITIES	**(46.060)**	**(3.859)**
NET INVESTED CAPITAL **	**4.851.975**	**3.867.736**
NET EQUITY OF THE GROUP	7.324.855	7.052.420
NET EQUITY TO THE THIRD PARTY SHAREHOLDERS	8.467	**-**
TOTAL NET EQUITY	**7.333.322**	**7.052.420**
Cash equivalents	(2.614.511)	(3.917.746)
Current financial assets	(0)	(8.259)
Non current financial liabilities	8.930	653.910
Current financial liabilities	124.234	87.411
NET FINANCIAL POSITION ***	**(2.481.347)**	**(3.184.684)**

DOMINION HOSTING HOLDING

NET EQUITY AND NET FINANCIAL DEBT	4.851.975	3.867.736

(*) The Net Working Capital is the difference between current assets and liabilities without financial assets and liabilities. The Net Working Capital is not recognized as accounting measure within the accounting standard adopted; it should be noted that such data has been established in accordance with Recommendation CESR 05-054b of 10 February 2005, as modified on 23 March 2011, "Guidelines for the Consistent Implementation of the European Commission's Regulations on Prospectuses".

(**) The Net Capital Invested is the algebraic sum of the Net Working Capital, assets and long-term liabilities. The Net Capital Invested is not recognized as accounting measure within the accounting standard adopted.

(***) Pursuant to CONSOB Communication no. DEM/6064293 of 28 July 2006, it should be noted that the Net Financial Position ("Net Financial Position" or "NFP") is the algebraic sum of cash and cash equivalents, current financial assets and short/long term financial liabilities (current and noncurrent liabilities).

NET FINANCIAL POSITION

The Net Financial Position of the Group as at December 31, 2017 is provided below:

CONSOLIDATED NET FINANCIAL POSITION[1] (ALL AMOUNTS ARE IN EURO)	31.12.2017	31.12.2016
A. Cash	(1.319)	(71)
B. Cash equivalents	(2.613.192)	(3.917.675)
C. Securities held for trading	-	-
D. LIQUIDITY (A)+(B)+(C)	**(2.614.511)**	**(3.917.746)**
E. Current financial Receivables	(0)	(8.259)
F. Short-term bank liabilities	124.234	1.111
G. Current part of non-current borrowing	-	86.300
H. Other current financial liabilities	-	-
I. CURRENT FINANCIAL DEBT (F)+(G)+(H)	**124.234**	**87.411**
J. NET CURRENT FINANCIAL DEBT (I)-(E)-(D)	**(2.490.277)**	**(3.838.594)**
K. Non-current bank liabilities	8.930	549.331
L. Bonds issued	-	-
M. Other non-current liabilities	-	104.579
N. NON-CURRENT FINANCIAL DEBT (K)+(L)+(M)	**8.930**	**653.910**
O. NET FINANCIAL DEBT (J)+(N)	**(2.481.347)**	**(3.184.684)**

[1] Pursuant to CONSOB Communication no. DEM/6064293 of 28 July 2006, it should be noted that the Net Financial Position ("Net Financial Position" or "NFP") is the algebraic sum of cash and cash equivalents, current financial assets and short/long term financial liabilities (current and noncurrent liabilities.

TABLE OF CONTENTS

CORPORATE BODIES

BOARD OF DIRECTORS

Executive Chairman: ***GIANDOMENICO SICA***

Managing Director: ***MATIJA JEKOVEC***

Managing Director: ***UROS ČIMŽAR***

Director: ***ANTONIO DOMENICO BALDASSARRA***

Indipendent Director: ***GUIDO BUSATO***

BOARD OF AUDITORS

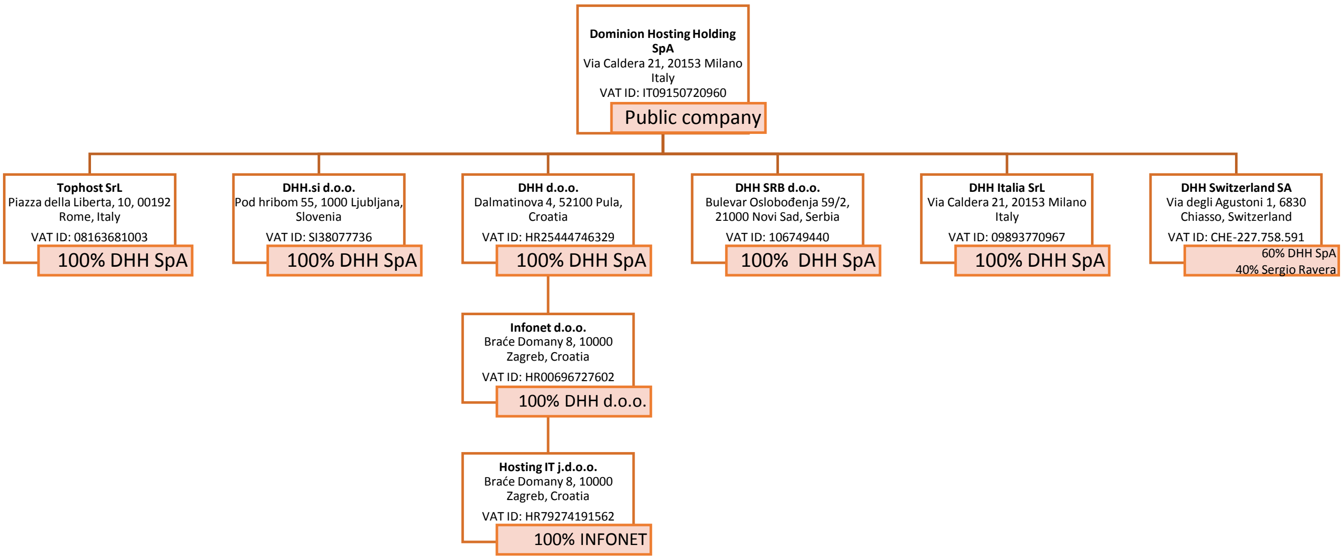
Chairman: ***UMBERTO LOMBARDI***

Statutory Auditors: ***PIERLUIGI PIPOLO, STEFANO PIZZUTELLI***

INDEPENDENT AUDITING FIRM

Auditing firm: ***BDO ITALIA S.P.A***

STRUCTURE OF THE GROUP



DOMINION HOSTING HOLDING S.P.A. (ITALY)

Parent company or consolidation parent - which stands as a point of reference in the field of hosting and software services for SMEs in emerging digital economies of Europe and provides, through the Group companies, domain name registration services, web hosting services and accessory and related services.

TOPHOST S.R.L. (ITALY)

100% controlled by D.H.H. S.p.A. - established in 2004 with the goal of becoming a major Italian player in the "mass" web hosting service industry, in a short period of time, the company has gained an important position in providing entry level web hosting services, offering comprehensive and innovative solutions at a lower price than competitors.

DHH.SI D.O.O. (SLOVENIA)

100% controlled by D.H.H. S.p.A. was established as a web development and later web agency company. After focusing on the hosting market and acquiring and merging the biggest competitor in Slovenia, DHH.si d.o.o. became Slovenia’s largest hosting provider. Today the company is an important Slovenian provider of web hosting services and its market share is growing steadily.

DHH D.O.O. (CROATIA)

100% controlled by DHH S.p.A. - was established in 2001 as IT Plus d.o.o. and later renamed to Plus hosting d.o.o. Through organic growth and after some successful small acquisitions of competitors, Plus quickly became key player in Croatian hosting area. The company is recognised on the market for its technical expertise and high quality of its customer service.

DHH SRB D.O.O. (SERBIA)

100% controlled by DHH S.pA. – established by the same founders as DHH d.o.o. in Croatia, it is a budget provider in Serbia with a small but the fastest growing presence in the Group. It currently operates around 5.000 domain names and 2.500 customers.

INFONET D.O.O. (CROATIA)

100% controlled by DHH d.o.o. – acquired in September 2016, this is the latest addition to the Group. A mid-market provider with services ranging from housing and dedicated servers to shared hosting and domain reselling. Situated in Zagreb, it operates around 5.000 customers.

HOSTING IT D.O.O. (CROATIA)

100% controlled by Infonet d.o.o. – a small spin-off of Infonet established as a budget provider in Croatian space.

DHH SWITZERLAND SA (SWITZERLAND)

60% controlled by DHH S.p.A. acquired in May 2017 – a swiss company engaged in the business of web hosting. Under the brand Artera, DHH Switzerland (previously Bee Bee Web SA) produces premium hosting and cloud services designed to meet the needs of companies and web professionals, major portals and e-commerce projects. Artera's mission is to have the best performance ever.

DHH ITALIA S.R.L. (ITALY)

100% controlled by DHH S.p.A., a new company acquired in May 2017 - engaged in the business of web hosting. DHH Italia is mainly a reseller of DHH Switzerland.

BOARD OF DIRECTORS REPORT

SECTION A: SIGNIFICANT EVENTS

As a general remark during 2017 the Group focused on developing its business strengthening its market position and improving its corporate governance increasing the number of qualified persons.

More specifically, the following material events took place on the dates indicated below:

10TH FEBRUARY 2017

In order to develop its business, DHH entered into a framework agreement with Mr. Sergio Ravera aimed at acquiring from the latter:

i) Bee Bee Web SA, a Swiss company involved in the business of web hosting

ii) And the Italian reseller of Bee Bee Web so as to strengthen the group presence in the Italian market.

In particular, under the above framework agreement the consideration included a payment in cash of Euro 900,000.00 (calculated on a debt free basis) and the issuance in favour of Mr. Ravera of no. 40,000 DHH's newly issued shares arising from a capital increase and paid for by a contribution in kind of a part of Mr. Ravera's participation into Bee Bee Web.

20TH MARCH 2017

DHH purchased from Studio4Web a branch of business dedicated to web hosting. The acquisition was carried out by DHH d.o.o., a Croatian subsidiary. The purchase price was equal to HKR 2.100.000,00 (approx. EUR 280,000.00) plus available cash (less debt).

26TH APRIL 2017

DHH appointed Dr. Guido Busato as independent director of the Company.

12TH MAY 2017

DHH completed the first part of the transaction with Mr. Sergio Ravera. In particular, DHH acquired from Mr. Ravera (i) 60% of the share capital of Bee Bee Web SA and (ii) 100% of the share capital of Hosting Star S.r.l (previously Artera S.r.l.), the Italian reseller of Bee Bee Web.

After due diligence the final consideration agreed by the parties for the abovementioned deals was set at Euro 593,322.17, on a debt-free basis and after having taken into account both a) the agreement originally signed by DHH and Mr. Ravera on 10 February 2017 and b) the updated situation of both companies as at 9 May 2017. DHH paid Euro 526.322,17 as consideration for the abovementioned deals.

As a result of the above transaction DHH acquired 60% of Bee Bee Web SA and became the sole quotaholder of DHH Italia S.r.l. (previously Hosting Star S.r.l.). Mr. Sergio Ravera maintained his position as CEO of Bee Bee Web SA and became CEO of DHH Italia S.r.l.

30TH MAY 2017

In the context of the reorganization of the structure of its Group and with a purpose of simplification DHH:

(i) approved the merger of Hosting IT j.d.o.o./Infonet d.o.o. (two subsidiaries of DHH) and thereafter, the merger of Infonet d.o.o. into DHH d.o.o;

(ii) approved the acquisition by DHH SpA of the whole participation of DHH.si d.o.o. (the Slovenian subsidiary of DHH S.p.A.) holding in both its subsidiaries, Plus Hosting d.o.o. (the Serbian one) and DHH d.o.o. (the Croatian subsidiary).

30TH JUNE 2017

As a consequence of the resolution upon simplification of DHH's group approved in May 2017, DHH S.p.A. acquired the whole participation of DHH.si d.o.o. in Plus Hosting d.o.o. (Serbia). The agreed price was 0 EUR which was also book value of the investment in DHH.si d.o.o. The company was renamed from Plus Hosting d.o.o. to DHH SRB d.o.o. in accordance with the group naming policy. The operation was carried out in order to simplify the ownership structure of the group and reduce administrative overhead.

5 TH JULY 2017

As a consequence of the resolution upon simplification of DHH's group approved in May 2017, DHH S.p.A. acquired the whole participation of DHH.si d.o.o. DHH d.o.o. (Croatia). The agreed purchase price was 1.666.998 EUR. The amount will be paid in multiple installment. The operation was carried out in order to simplify the ownership structure of the group and reduce administrative overhead.

12 TH DECEMBER 2017

The Company resolved to set up a fully owned new subsidiary in Croatia focused on managed hosting. Furthermore, DHH d.o.o. would demerge and transfer to such newly incorporated company a certain number of existing agreements with clients, the ones related to managed hosting.

MAINTAINED "PMI INNOVATIVA"

During 2017 DHH S.p.A. has been confirmed "PMI Innovativa" in the related section of the company registrer in Milan. The company has incurred costs relating to research, development and innovation, over than 3% of the higher value between total costs and value of manufacturing.

SECTION B: PRINCIPAL RISKS

Disclosure relative to risks and uncertainties pursuant to the article 2428, paragraph 2, no. 6-bis, of the Italian Civil Code.

The company is potentially exposed to the following relevant risks:

INTERNAL RISKS

RISK LINKED TO THE COMPANY BEING ONLY RECENTLY INCORPORATED

Although the key persons of the Company have a multi-year professional experience in the IT field and all subsidiaries have recorded a steady and intense development in recent years, there is no guarantee that the future growth goals of the Company can be achieved or that the Company, as a holding company, will be able to record the growth rates which the individual subsidiaries have recorded in previous years, also in the light of the fact that the Company will have to face typical risks and difficulties of companies with recent operational history which might cause adverse effects on its economic, equity and financial situation.

RISK LINKED TO CERTAIN KEY PERSONS

The success of the Group depends on some of its key managers who, thanks to a solid experience and their skills, have played over time a key role in the management of the Group, contributing significantly to the development of the Group's activities. It should be noted that the key persons of the Group continue to work within the Company.

Although the Group has an operating and managerial structure capable of ensuring continuity in the management of the Group's business, a termination of the professional contribution brought by one or more key persons could have negative effects on the development of the business and the timeframe for the implementation of the Group's growth strategy.

EXTERNAL RISKS

RISK RELATED TO THE GENERAL ECONOMIC SITUATION

The persistent crisis affecting the banking system and the financial markets, as well as the subsequent worsening of the macro-economic conditions, which resulted in a contraction in consumption and industrial world-wide production, have in the last years caused the restriction on access to the credit and a low level of liquidity in the financial markets of countries in the Eurozone. The crisis of the banking system and financial markets led, along with other factors, to a scenario of economic recession in the countries where the Group operates. Considering the business model features that the Group adopted, the Group's business is mainly funded through the re-use of cash resources generated by the business itself. However, the demand for the Group's products is to some extent related to the general economic situation of the Countries where the companies of the Group operate. In this difficult macro-economic situation the Group has successfully grown and achieved positive results. However it cannot be excluded that such crisis might continue in the Eurozone countries. In such case there might be negative effects on the Group's economic, equity and financial position.

RISKS RELATING TO THE COMPETITION IN THE MAIN MARKET

The Company operates in a competitive and dynamic area. The domain registration and hosting market is characterized by high competition which is caused by, among others, the significant growth margins recorded in recent years. In particular, in Italy the market is characterized not only by a high level of competition, but also by the presence of operators holding higher market shares than the Company. Furthermore, legal and natural persons with seat or place of residence in Croatia may record for free a domain name identifying such legal/natural person. Although the Group companies operating in Croatia will continue to provide additional services to domain registration, maintaining an adequate marginality, it cannot be excluded that, due to competition, Group companies will be forced to lower their prices of domain registration.

In addition, there is a risk that the Company will not be able to properly address the strategies and offers of competitors or the entry of new national or international operators on the market losing progressively their customers and/or market shares. Such situation could generally have a negative effect on the market position of the Group and on its economic, equity and financial position.

RISK RELATING TO TECHNOLOGICAL PROGRESS

The main sector in which the Company operates is characterized by a rapid technological development, high competition as well as by a rapid obsolescence of existing products. Therefore, the success of the Company in the future will depend, among others, on the capacity to innovate and strengthen its technologies, in order to respond to the technological and emerging progress in the field in which it operates and to satisfy the clients' needs, through the development of new services and products.

In order to maintain its competitiveness on the market and to respond to the rapid technological changes, the Group will invest in research and development.

Should the Group be unable to innovate its services and, therefore, adjust to the needs of clients, negative effects may affect the company's economic, equity and financial position.

FINANCIAL RISKS

The main financial risks of the Group depend on fund raising in the market (liquidity risk) and customer's capacity to face their obligations (credit risk).

LIQUIDITY RISK

Liquidity risk refers to the potential inability to raise sufficient financial means to support investments expected for the development of the business and the Company's ongoing business and for the development of operational activities.

The Company's objective is to maximize the return on net invested capital maintaining the ability to operate over time and ensuring adequate returns for shareholders and benefits for other stakeholders with a sustainable financial structure.

CREDIT RISK

Credit risk is the exposure to potential losses arising from non-fulfilment of obligations undertaken by trade counterparties.

Most of the services of the Group are available with an annual or multi-year subscription. Therefore, clients (especially companies) may not fulfil their obligations.

MARKET RISKS

EXCHANGE RATE RISK

The Group operates in countries that use currencies other than Euro. In every country they operate, the Group companies offer the price lists of their services in local currencies. However, these price lists are often based on the purchase of services in various currencies and, mainly, on the US dollar from third parties.

The exchange risk is the risk of incurring losses due to adverse changes in foreign exchange rates on profitability. The Group companies, in fact, supply and buy products and services both in Euro and in other currencies (mainly US Dollar, Croatian Kuna, Serbian Dinar and Swiss Franc). Therefore, many of transactions carry out by the Group companies may be subject to foreign exchange risks due to money market fluctuations.

DHH d.o.o. (formerly Plus Hosting d.o.o., Croatia) has received two separate loans from DHH S.p.A. (265,000 EUR and 50,000, term 10 years) which are still outstanding. DHH d.o.o. is operating in Croatian Kuna therefore it is subject to exchange rate risks between HRK and EUR.

SECTION C: RELATED PARTY TRANSACTIONS

The transactions carried out with Group companies and other related parties mainly involve the provision of services, obtaining and using of financial resources; they are part of normal operations and are regulated at market conditions, meaning the conditions that would be applied between two independent parties.

The following is a breakdown of relations with related parties as at December 31, 2017 taken from the year's Financial statements:

	PARTY	RECEIVABLES	PAYABLES	COSTS	REVENUES
1	Seeweb s.r.l.	14.931	190.825	850.005	23.157
2	Antonio Domenico Baldassarra		737	1.500	
3	Giandomenico Sica		19.666	95.100	
4	Uros Čimžar		4.265	72.442	
5	Matija Jekovec		3.690	81.026	
6	Petra Kotlušek		793	20.220	
	TOTAL	**14.931**	**219.997**	**1.120.293**	**23.157**

Additional relationships with associated parties are entertained with subsidiary Tophost srl and Seeweb srl (shareholder). Relations with Seeweb srl mainly refer to trade relations for the purchase of wholesale hosting services with associated registration of domain names and for outsourced accounting and treasury services.

Costs and payables relating Board of Directors (Mr.Sica, Mr.Baldassarra, Mr. Čimžar and Mr. Jekovec) are of Euro 500,00 for each Board meeting in which each director will take part in 2017.

Costs and payables relating to counterparts Mr.Sica, relate to the contract signed with Grafoventures by Giandomenico Sica are related for professional strategic services; The total amount for the year is agreed for Euro 90.000,00 plus VAT and any legal charges.

SECTION D: LABOUR & ENVIRONMENT

The Group employed 73 people as of 31.12.2017 compared to 54 the previous period. The rest of employments were made to cover the needs of Customer Service and System Administration. There were no on the job fatalities or work related accidents in the period covered by this report. During the period there were no claims regarding occupational diseases of employees or former employees and causes of mobbing, for which the companies of the Group were declared liable.

The basic principle governing the Group operation is the continuous training and education of its personnel with the goal of providing the best service to the company's' customers and to provide a positive work environment for all employees.

The Group recognizes the need for continuous improvement of its environmental performance based on the principles of sustainable development and in compliance with legislation and international standards aiming to achieve a balanced economic development in harmonization with the natural environment. Following the above mentioned principles, the Group carries out its activities in a manner that ensures both the protection of the environment and preservation of the health and safety of its personnel.

During the period of this report there were no environmental issues for which one or more companies were liable, nor there were any penalties awarded by the local authorities.

Over 2017 DHH Switzerland SA has carried out a material turnaround which has *inter alia* caused the laying-off of a number of employees and the renegotiation of the agreements with certain key managers in order to render the employment cost more in line with the profile of the company and relevant revenues, whilst at the same time creating an incentivation. While there has been no notice of unsatisfied employees at the date of this report, there can be no certainty that the above, like any turnaround, might in the future result in claims for a compensation due to the loss of past remuneration.

SECTION E: EVOLUTION, PERFORMANCE AND POSITION OF THE COMPANY AND GROUP

This section includes a proper and concise representation of the development, performance activity and position of the whole business included in consolidation. This display has been created in such a way as to provide a balanced and comprehensive analysis of the above categories of issues, which corresponds to the size and complexity of these companies' activities. Furthermore, at the end of this display some indicators are being provided which the Board of Directors evaluates as useful.

GROUP FINANCIAL INDICATORS

The main financial numbers for the Group are as follows:

KEY FINANCIALS (ALL AMOUNTS ARE IN EURO)	CONSOLIDATED 31.12.2017	CONSOLIDATED 31.12.2016	VAR	%
Total Assets	9.991.512	9.485.158	*506.354*	*5%*
Total Equity	7.333.322	7.052.420	*280.902*	*4%*
Net sales	5.289.151	3.947.870	*1.341.281*	*34%*
Gross Margin	2.451.662	1.461.224	*990.438*	*68%*
EBT	319.391	219.683	*99.708*	*45%*
NET PROFIT	**238.958**	**155.222**	***83.736***	***54%***

GROUP PERFORMANCE INDICATORS

Below are listed several ratios related to the essential performance, position and economic situation of both the Group and the Company:

KEY INDICATORS (ALL AMOUNTS ARE IN EURO)	CONSOLIDATED 31.12.2017	CONSOLIDATED 31.12.2016	
Fixed Assets Ratio	63%	51%	This ratio shows the ratio of fixed assets to total assets
Total Fixed Assets to Equity Ratio	85%	68%	This ratio shows the capital structure of the Group
Total Liabilities to Liabilities and equity ratio	27%	26%	Debt percentage ratio
Total equity to total liabilities and equity	73%	74%	Debt percentage ratio
Debt to Equity ratio	2%	11%	The percentage of debt to equity
Working Capital ratio	1,43	2,63	This ratio shows how many times the current assets cover the current liabilities
Assets return ratio	4%	2%	Net profit after tax as a percentage of the equity
Gross margin	46%	37%	Gross profit as a percentage of sales
Net profit margin	5%	4%	Net profit as a percentage of sales

DOMINION HOSTING HOLDING

SECTION F: SIGNIFICANT EVENTS BETWEEN END OF YEAR 2017 AND PUBLISHING OF THIS REPORT

2ND JANUARY 2018

Dominion Hosting Holding S.p.A. announces the change of the official domain of its corporate website: from www.dominion.it to www.dhh.international.

www.dhh.international is the new reference point for all the official communications with the market. This change is one of the actions that DHH put in place to enhance its brand awareness in the market.

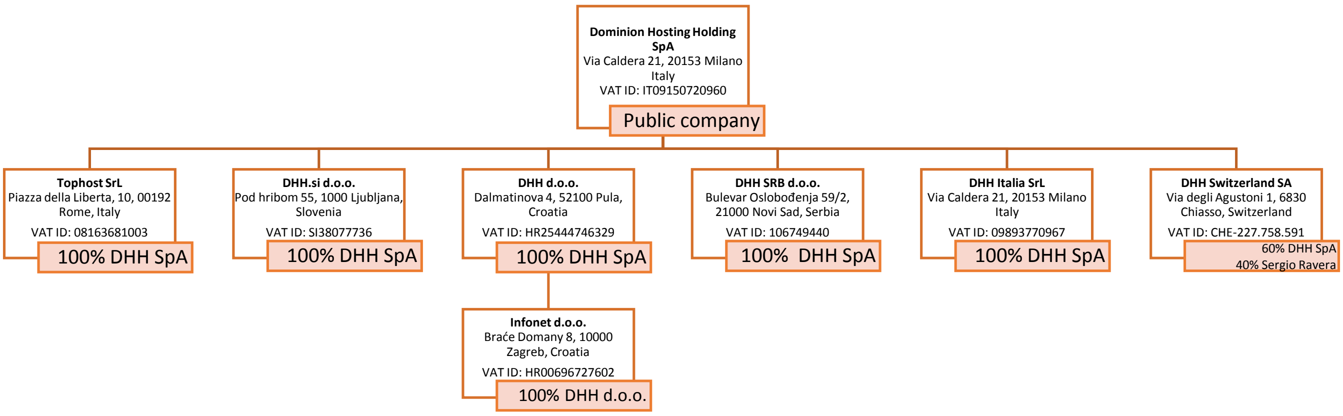
1ST FEBRUARY 2018

Dominion Hosting Holding S.p.A. announces that the Monthly Average Price, as defined in the warrant Dominion Hosting Holding S.p.A. 2016 – 2021 Regulation for January 2018 was equal to EUR 7,49 (the average price of the DHH's shares traded on the SME Growth Market recorded during the trading sessions in the month of January 2018) whereas the strike price for warrant of DHH ("Warrant") was equal to EUR 11,50.

Therefore, since the Monthly Average Price is lower than the strike price, pursuant to Article 3 of the warrant Dominion Hosting Holding S.p.A. 2016 – 2021 Regulation, the Warrants are not exercisable for the month of February and March 2018.

5TH MARCH 2018

Dominion Hosting Holding S.p.A. announces that the merger of Hosting IT j.d.o.o./Infonet d.o.o. (two subsidiaries of DHH) was completed. The new structure of the group is shown below:



SECTION G: PREDICTIONS AND PLANS FOR YEAR 2018

Web hosting and domain names sales are the first “verticals” where DHH has applied its M&A driven growth strategies.
We can summarize DHH future M&A strategy highlighting two directions:

- **Further geographic expansion and targets optimization;**
- **Investments in cloud computing market.**

FURTHER GEOGRAPHIC EXPANSION AND TARGETS OPTIMIZATION

Potential targets are companies involved in web hosting business that provide advanced products, as managed hosting.
More in details, geographic expansion aims at:

- Consolidating geographic markets in which DHH is already active with the aim to strengthen its market leadership position (Italy, Slovenia, Croatia and Serbia). The group aims at acquiring related customer bases, to give more visibility to local brands that already have a market share. This scenario was pursued for example in Croatia with the acquisition of Infonet, Hosting It and the webhosting branch of Studio4web;
- Entering in new geographic markets, acquiring local market leaders and then bolstering market presence (e.g. Bulgaria, Romania, Albania, Macedonia and Montenegro);
- Entering in new market segments, trying to meet all customer needs and preferences in the basic web-services field. In other words, company aims at integrating solutions that could be addressed also to large enterprises, which require more sophisticated and elaborated instruments.

Target markets are mainly composed by several small companies, which are typically managed by a few people. Due to the limited size and low resources, the internationalization process is clearly difficult for them.
As far as M&A deals funding is concerned, acquisitions could be implemented not only via cash, but also through equity swaps.

INVESTMENTS IN CLOUD COMPUTING MARKET

DHH future strategy also relies also on **investments in companies operating in the cloud computing market.**
DHH would combine services/products provided by the investee company with those currently offered by owned brands and at the same time attaining the related customer base.
DHH would not have to make changes to its business model based on subscription fees and renewals, as cloud computing services are provided in the same manner.
The Group is looking for small entities active in non English-speaking markets, characterized by a moderate top line amount (at least of €200,000) and high potential growth rates.
We appreciate such a strategy as cloud computing is definitively a high growing market with solid growth drivers.

DRIVERS OF CLOUD COMPUTING TAKE UP

More and more SMEs are switching from “on premise” software / tools to cloud based ones due to:

- Costs savings. With cloud computing SMEs can save capital costs with zero in-house server storage and application requirements, improving cost efficiency by more closely matching cost pattern to revenues/demand one;
- Much more reliable and consistent than in-house IT infrastructure. Hosted application and services can easily and quickly be transited to any of the available server. Cloud organization benefits from a massive pool of IT resources and failover proof mechanisms;
- Faster provisioning. Cloud services are provided on-demand, and most cloud computing resources can be provisioned in few minutes;
- Greater flexibility. Cloud computing allows company’s business to easily upscale or downscale each IT requirements as and when required;
- Energy-efficient technology, reducing carbon footprint.

SECTION H: CORPORATE GOVERNANCE

CORPORATE GOVERNANCE MODEL

The corporate governance structure adopted by Dominion Hosting Holding S.p.A. is articulated according to the traditional system that features:

- the shareholders' meeting;
- the board of directors entrusted with the management of the Company;
- the board of statutory auditors.

BOARD OF DIRECTORS

The Board of Directors of the Company, appointed by the Shareholder's meeting held on 15th April 2016, is entrusted with the management of the Company and is made of four members plus an independent director who has to be appointed. The current board of directors' term will expire when the financial statements for 2018 will be approved.

The members of the Board of Directors (with a brief professional profile of each of them) are the following:

GIANDOMENICO SICA – CHAIRMAN OF THE BOARD OF DIRECTORS

Giandomenico is an entrepreneur with a passion for technology and technologic-enabled services businesses. At present he is involving as a "co-entrepreneur" in Dominion Hosting Holding and in MailUp, an industrial group of Email Service Providers focused on the non-English speaking markets and listed on the Italian Stock Exchange (IPO 2014).

He is also a former partner of Digital Magics (www.digitalmagics.com), a venture incubator of digital startups listed on the Italian Stock Exchange (IPO 2013).

His background is in Philosophy (BA hons 2003 at the University of Milan).

MATIJA JEKOVEC – MANAGING DIRECTOR

Matija co-founded the Klaro group in 2003 and worked as a developer and later R&D manager. Through his technical career he acquired an intimate knowledge of development, software architecture, implementation of development processes (agile development, test driven development continuous integration) and system administration. As the company shifted focus to hosting and acquired some of its competitors, Matija managed the operations for the group and had an active role in building the largest hosting group in Slovenia.

His background is in Computer Science and he is still actively involved in the developer community in Slovenia.

UROŠ ČIMŽAR – MANAGING DIRECTOR

Uroš Čimžar has over 15 years of experience in the web and hosting industry. While he was still at university, he co-founded Klaro where he worked as CEO. Klaro was one of the top 10 Slovenian web agencies, but the team also worked on its own internal projects like Domovanje.com. Over the years, Uroš has accumulated extensive entrepreneurial experience, mostly in the fields of finance, marketing and business development. He also shares his knowledge with the Slovenian business community as guest speaker at various events. He is particularly passionate about promoting entrepreneurial thinking, especially among young people.

ANTONIO BALDASSARRA – DIRECTOR

With over 25 years of experience in Electronics, Telecommunication and Computer Science, Antonio is the founder and CEO of Seeweb, a leading Italian company in the field of IT services, cloud computing and data centers.

Antonio is currently president of the Hosters and Registrars Association, member of the Technical Committee and of the Board of Directors at Rome Nautilus Mediterranean Exchange (Namex), and formerly he was a member of the ccTLD Steering Committee (CIR) of .IT registry at IIT-CNR in Pisa.

Antonio is also committed to creation and enhancement of businesses, and he has a great passion for the development of start-ups and nascent companies operating in the world of Internet and cloud computing through business angel activities and industrial relationships.

GUIDO BUSATO - INDIPENDENT DIRECTOR

Born in 1963, Mr. Guido Busato is an entrepreneur and managing director with over 25 years of working experience in finance, environmental and energy markets. Specialized in new business start-up with excellent track-record in banking and asset management.

Since 2003 he is the founder, owner and manager of EcoWay S.p.A., the first Italian trading and advisory firm on environmental markets and finance, leader in CO2 trading for Italy and from 2014 active also on power markets with a focus on renewable energy.

From 2015, through the family Holding BREG, he is managing a small Family Office with equity investments in Italian SMEs.

His professional career started in the early ‘90s in Mediocredito Lombardo S.p.A. then in Credito Italiano.

BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors is the governance body charged with ensuring that the Company is operating in compliance with the law and the By-laws and performs a management oversight function.

Pursuant to Article 40 of By-laws, the Board of Statutory Auditors performs all the functions provided for Italian law. It has been appointed by the Shareholders’ meeting held on 15th April 2016 and is made of three Standing Auditors and two Alternate Auditors.

The Board of Statutory Auditors will remain in office for three fiscal years from the date of appointment (so, until the approval of financial statements for 2018).

The current Auditors are listed below:

NAME	ROLE
Umberto Lombardi	Chairman
Stefano Pizzutelli	Standing Auditor
Pierluigi Pipolo	Standing Auditor
Umberto Capogna	Alternate Auditor
Cesare Cinelli	Alternate Auditor

PROCEDURES

In order to establish and maintain good standards of corporate governance, Dominion Hosting Holding S.p.A. has adopted the following procedures:

1. ***INTERNAL PROCEDURE FOR THE MANAGEMENT AND HANDLING OF CONFIDENTIAL INFORMATION AND FOR THE EXTERNAL COMMUNICATION OF DOCUMENTS AND INFORMATION***: this procedure regulates the management and handling of confidential information about the Company, with a special reference to the inside information (as defined pursuant to article 7 of the M.A.R.), bearing in mind the current laws and regulations concerning the prevention and the repression of any form of market abuse. This procedure has been approved pursuant to articles 17, 24, 25 and 31 of AIM Italia Issuers' regulations – Mercato Alternativo del Capitale, as well as in compliance with alla applicable law and regulations such as the Regulations (EU) No. 596 of 2014 on market abuse ("**M.A.R.**").

2. ***INTERNAL DEALING PROCEDURE***: this procedure, deals with the practice of internal dealing, i.e. the transparency of all transactions performed by Relevant Persons and Close Associates of Relevant Persons (both as defined in such procedure) that involves shares, as well as financial instruments linked to shares issued by Dominion Hosting Holding S.p.A.; such procedure aims at regulating all disclosure requirements and conditions to which the Relevant Persons, the Close Associates of Relevant Persons and the Company itself are subject, with the goal to ensure a timely, correct and proportional disclosure to the public.

3. ***NOMAD COMMUNICATION OBLIGATIONS PROCEDURE***: this procedure regulates the process through which the Company provides the Nomad with any information which may be necessary, opportune or reasonably requested by the latter to fulfil its duties according to the AIM Italia Issuers' Regulations and according to the AIM Italia – Alternative Capital Market Nominated Advisers Regulations, as amended and integrated from time to time.

4. ***TRANSACTIONS WITH RELATED PARTIES PROCEDURE***: this procedure relating to the governance of transactions with related parties is aimed at identifying the rules which govern the approval and execution of transactions with Related Parties (as defined in such procedure) put in place by Dominion Hosting Holding S.p.A. directly or through Subsidiary (as defined in such procedure), in order to ensure the transparency and the substantial and procedural correctness of such transactions following the trading of the Company's shares on AIM Italia – Mercato Alternativo del Capitale ("AIM Italia"), a multi-lateral trading facility organized and managed by Borsa Italiana.

5. ***PROCEDURE FOR SETTING UP AND KEEPING A REGISTER OF PERSONS WITH ACCESS TO INSIDE INFORMATION***: this procedure regulates the institution and the keeping of the register of persons with access to inside information which, pursuant to article 7 of the M.A.R., means any information of a precise nature, which has not been made public, relating, directly or indirectly, to the Company or one or more of its financial instruments listed on AIM Italia and which, if it were made public, would be likely to have a significant effect on the prices of such financial instruments or on the price of related derivative financial instruments prices.

GROUP CONSOLIDATED REPORT

AS AT 31.12.2017

Financial Statement prepared in accordance with IAS/IFRS principles*

- All amounts are in Euro -

(*) These consolidated financial statements, making use of the option provided by art. 19, Part I, of the Issuers Regulation AIM Italy, have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and published in the Official Journal of the European Union (OJEU), as specified in notes to the financial statements. Financial statements are the result of consolidation of financial statements of companies detailed in the chapter “Structure of the group” (the "Group") in which Dominion Hosting Holding S.p.A. directly or indirectly controls the majority of voting rights in the ordinary shareholders, at the above date.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

ASSETS (ALL AMOUNTS ARE IN EURO)	NOTES	31.12.2017	OF WHICH RELATED PARTIES	31.12.2016
Goodwill	1	5.462.952		4.489.877
Tangible fixed assets	2	350.722		214.613
Intangible assets	3	436.128		99.691
Non current financial assets	4	6.166		0
Other non current assets	5	2.457		2.457
Prepaid Tax assets	6	8.161		9.151
NON CURRENT ASSETS		**6.266.586**		**4.815.789**
Trade receivables	7	440.747	14.931	110.311
Current financial assets	8	-		8.259
Other current assets	9	72.079		104.410
Tax receivables	10	173.075		150.502
Cash and cash equivalents	11	2.614.511		3.917.746
Prepaid expenses and accrued income	12	424.515		378.141
CURRENT ASSETS		**3.724.927**		**4.669.369**
TOTAL ASSETS		**9.991.513**	**14.931**	**9.485.158**

LIABILITIES AND NET EQUITY (ALL AMOUNTS ARE IN EURO)	NOTES	31.12.2017	31.12.2016
Share Capital		142.000	142.000
Reserves		6.687.687	6.719.637
Retained Profit (Loss)		249.696	35.561
Year's profit (loss) relating to the shareholders of the Group		245.472	155.222
NET EQUITY GROUP		**7.324.855**	**7.052.420**
Capital and Reserves relating to the third party shareholders		14.981	
Year's Profit/loss relating to the third party shareholders		(6.514)	

DOMINION HOSTING HOLDING

NET EQUITY TO THE THIRD PARTY SHAREHOLDERS		**8.467**		
NET EQUITY	**13**	**7.333.322**		**7.052.420**
Non current financial payables	14	8.930		549.332
Severance reserves	15	11.792		1.591
Other non current liabilities	16	-		104.578
Provisions for risk and future liabilities	17	10.255		-
Liabilities for deferred taxes	18	24.013		2.268
NON CURRENT LIABILITIES		**54.990**		**657.769**
Trade payables	19	440.610	210.491	246.242
Other current liabilities	20	319.444	9.487	273.739
Current financial liabilities	21	124.234		87.411
Tax payables	22	121.724		80.280
Accrued liabilities and deferred income	23	1.597.189		1.087.297
CURRENT LIABILITIES		**2.603.201**		**1.774.969**
TOTAL LIABILITIES		**2.658.191**		**2.432.738**
TOTAL LIABILITIES AND NET EQUITY		**9.991.513**	**219.978**	**9.485.158**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AS AT 31 DECEMBER 2017

CONSOLIDATED INCOME STATEMENT (ALL AMOUNTS ARE IN EURO)	NOTE	31.12.2017	OF WHICH RELATED PARTIES	31.12.2016
Revenues	24	5.289.151	23.157	3.947.870
Other Revenues	25	68.809		15.888
Internal project	26	318.076		
OPERATING REVENUES		**5.676.036**		**3.963.758**
Material costs	27	(26.412)		(11.803)
Service costs and use of third party assets	28	(3.197.962)	(945.105)	(2.490.731)
Personnel costs	29	(1.732.443)	(175.188)	(929.125)
Other expenses	30	(188.413)		(176.489)
TOTAL OPERATING COSTS		**(5.145.230)**		**(3.608.148)**
OPERATING INCOME - EBITDA*		**530.806**		**355.610**

Amortization and impairment	31	(180.618)	(120.841)
EBIT**		**350.188**	**234.769**
Financial income (expenses)	32	(29.451)	(22.310)
Other non-operating income/expense	33	(1.346)	7.224
EARNINGS BEFORE TAXES		**319.391**	**219.683**
Total current and deferred income taxes	34	(80.433)	(64.461)
NET INCOME (LOSS) FOR THE YEAR		**238.958**	**155.222**
OF WHICH:			
relating to the shareholders of the Group		245.472	155.222
relating to the third party shareholders		(6.514)	
EARNINGS PER SHARE (IN EURO)	**35**	**0,17**	**0,33**
DILUTED EARNINGS PER SHARE (IN EURO)	**35**	**0,08**	**0,14**

OVERALL CONSOLIDATED INCOME STATEMENT (ALL AMOUNTS ARE IN EURO)	31.12.2017	31.12.2016
PROFIT (LOSS) FOR PERIOD (A)	**238.958**	**155.222**
Components which should be subsequently classified in the Income Statement		
Components which should not be classified in the Income statement		
Profit/(losses) arising from the translation of the consolidated companies' financial statements in currencies other than Euro	2.967	471
TOTAL OTHER INCOME (LOSS), NET OF FISCAL EFFECT (B)		**471**
TOTAL COMPREHENSIVE PROFIT (LOSS) FOR PERIOD (A+B)	**241.925**	**155.693**

(*) EBITDA indicates earnings before interest, taxes, depreciation and amortization or fixed assets and write-down of receivables. Therefore EBITDA represents the operating margin before choices in amortisation policy and assessing trade receivables. EBITA, as defined above, represents the index used by the Company's directors to monitor and assess business trends. EBITDA is not identified as an accounting measure under national accounting standard, it should not be considered as an alternative measure to evaluate the results of the Company. Because the composition of EBITDA is not regulated by the main reference accounting, the criteria used by the Company may not be identical to those used by other companies and therefore cannot be used for comparative purposes.

(**) EBIT indicates earnings before interest and taxes. Therefore EBIT represents the year's results before third party and treasury share dividend distribution. EBIT, as defined above, represents the index used by the directors of the Company to monitor and assess business trends. EBIT is not identified as an accounting measure under national accounting standard, consequently it should not be considered as an alternative measure to evaluate the results of the Company. Because the composition of EBIT is not regulated by the main reference accounting, the criteria used by the Company may not be identical to those used by other companies and therefore cannot be used for comparative purposes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2017

	31.12.2015 (PRO-FORMA)	PRO-FORMA DIFFERENCIES	SHARE CAPITAL INCREASE IPO	EARNINGS/ LOSSES REPORTED IN OCI	NET RESULT	31.12.2016
Share capital	100.000		42.000			142.000
Share premium reserve	3.081.168		3.629.598			6.710.766
Bonus Share Reserve			8.400			8.400
OCI Reserve				471		471
Retained earnings (Accumulated losses)	(1.435)	36.996				35.561
Net result	235.855	(235.855)			155.222	155.222
TOTAL NET EQUITY	**3.415.588**	**(198.859)**	**3.679.998**	**471**	**155.222**	**7.052.420**

	31.12.2016	RESULT ALLOCATION	OTHER VARIATIONS INCREASE DECREASE	EARNINGS/LOSSES REPORTED IN OCI	NET RESULT	31.12.2017
Share capital	142.000					142.000
Share premium reserve	6.710.766		(31.122)			6.679.644
Bonus Share Reserve	8.400					8.400
OCI Reserve	471			(828)		(357)
Retained earnings (accumulated losses)	35.561	155.222	59.549	(636)		249.696
NET RESULT OF THE GROUP	155.222	(155.222)			245.472	245.472
TOTAL NET EQUITY OF THE GROUP	**7.052.420**		**28.427**	**(1.464)**	**245.472**	**7.324.855**
Capital and Reserves relating to the third party shareholders			10.550	4.431		14.981
NET RESULT relating to the third party shareholders					(6.514)	(6.514)

DOMINION HOSTING HOLDING

NET EQUITY TO THE THIRD PARTY SHAREHOLDERS		**10.550**	**4.431**	**(6.514)**	**8.467**
TOTAL NET EQUITY	**7.052.420**	**38.977**	**2.967**	**238.958**	**7.333.322**

STATEMENT OF RECONCILIATION BETWEEN SHAREHOLDER'S EQUITY AND THE RESULT OF THE PARENT COMPANY

STATEMENT OF RECONCILIATION	NET PROFIT	NET EQUITY	TOTAL
BALANCES OF THE PARENT COMPANY	**9.881**	**6.830.044**	**6.839.925**
Elimination of gains from intra-group disposals	(52.336)		(52.336)
Adjustment for Consolidation	(20.010)		(20.010)
Difference between the value of the consolidated investments and their own net equity value		249.339	249.339
Net profit of consolidated companies	307.937		307.937
Third party shareholders	(6.514)	14.981	8.467
TOTAL NET EQUITY	**238.958**	**7.094.364**	**7.333.322**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2017

CONSOLIDATED CASH FLOW STATEMENT ALL AMOUNTS ARE IN EURO	31.12.2017	31.12.2016
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit for period	238.958	155.222
Income taxes	80.433	64.461
Interest payables/(receivables)	(19.986)	22.310
(Capital losses)/gains from sales of business	-	-
1. EARNINGS BEFORE INCOME TAX, INTEREST, DIVIDENDS AND CAPITAL GAIN/LOSSES	**299.406**	**241.993**
Adjustments for non-cash items that are not accounted for in net working capital change:	200.439	117.477
- Allocation to reserves	20.455	1.591
- Amortization and depreciation of assets	178.927	120.841
- Permanent loss write-down	1.691	-
- Other adjustments on non-monetary items	(634)	(4.955)
2. CASH FLOW BEFORE NWC CHANGES	**499.844**	**359.470**
Changes in NWC:	394.115	85.109
- Decrease (increase) in inventories	-	-
- Decrease (increase) in customer receivables	72.988	99.064
- Increase (decrease) in supplier payables	78.130	30.738
- Decrease (increase) in prepaid expenses and accrued income	(3.451)	38.811
- Increase (decrease) in accrued expenses and deferred income	211.661	67.620
- Other changes to the NWC	34.787	(151.124)
3. CASH FLOW AFTER NWC CHANGES	**893.959**	**444.579**
Other changes:	(37.711)	(96.139)
- Interests collected/(paid)	19.986	(22.310)
- (income taxes paid)	(57.697)	(64.461)
- Dividends received	-	-

DOMINION HOSTING HOLDING

- (Use of reserves)	-	(9.368)
CASH FLOW FROM OPERATING ACTIVITIES [A]	**856.248**	**348.440**
B. CASH FLOW FROM INVESTING ACTIVITIES		
(Investments) disinvestment in tangible assets	(126.864)	(95.769)
(Investments) disinvestment in intangible assets	(796.683)	(32.242)
(Investments) disinvestment in financial assets	(556.255)	(2.967.481)
(Investments) disinvestment in non-capitalized financial assets	8.259	314.034
CASH FLOW FROM INVESTING ACTIVITIES [B]	**(1.471.543)**	**(2.781.458)**
C. CASH FLOW FROM FINANCING ACTIVITIES [C]		
Increase (decrease) current payables to banks	(69.504)	11.504
New loans (Loan Repayments)	(627.068)	(459.545)
Paid capital increase		6.010.727
Treasury share sale (purchase)	-	-
(Dividends paid)		(8.627)
CASH FLOW FROM FINANCING ACTIVITIES [C]	**(696.572)**	**5.554.059**
INCREASE (DECREASE) IN LIQUIDITY [A]+[B]+[C]	**(1.311.867)**	**3.121.041**
LIQUID FUNDS AT THE BEGINNING OF THE PERIOD	3.926.378*	796.705
LIQUID FUNDS AT THE END OF THE PERIOD	2.614.511	3.917.746

* The difference between the liquid funds at the beginning of the period 2017 and at the end of the period 2016 is due to cash and cash equivalents of the new acquisitions (DHH Italia and DHH Switzerland).

NOTES TO FINANCIAL STATEMENTS

COST SHARING

The main activities of DHH are delivering strategic thinking, technology solutions analysis, financial and marketing know-how to the Group companies with the goal of expansion and optimization of the business. DHH also provides best practice, management control system and expertise on processes, quality of delivery and operations.

Under these assumptions, revenues of DHH are strictly related to these kind of activities and, in great part, related to corresponding costs. Regular costs of DHH are due to governance, compliance and operating of group control system procedures.

BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

PRINCIPLES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

DHH S.p.A., availing itself of the option set out under article 19, First Part, of the AIM Regulations for Issuers elected to adopt the international accounting principles (IFRS) issued by the International Accounting Standards Board (IASB) and published in the Gazzetta Ufficiale della Comunità Europea (G.U.C.E.) for the preparation of its own financial statements.

The central body of IFRS encompasses all IFRS, up-to-date accounting principles and the interpretations drawn-up by the International Financial Reporting Interpretations Committee (IFRIC) formerly known as Standing Interpretations Committee ("SIC"). It should be noted that the accounting principles applied for the preparation of the financial statements as at December 31, 2017 are those in force at such date.

FINANCIAL STATEMENTS FORMATS

The DHH Group consolidated Financial statements as at December 31, 2017 are approved by the Board of Directors on 28.03.2018

This annual report is prepared in order to comply with disclosure requirements pursuant to the Article 18, First Part, of the AIM Italia Issuers Rules.

The accounting format and the information set out in these financial statements have been drawn up according to accounting principle IAS 1, presentation of Financial Statements, updated and published by IASB in 2007, effective as from 1 January 2009 and subsequent changes and integrations. The financial statements, with Euro units, is made up of mandatory accounting principles (profit and loss account, balance sheet, prospect of variations of net worth and financial report) and relevant explanatory notes. The prospect of the balance sheet and financial report has been drawn up on the basis of the classification criteria of assets and liabilities "current/not current". An asset/liability is classified as "current" depending on the following criteria:

- It is expected it will be collected/paid or will be assigned or utilized in the normal operating cycle or when it is held mainly for negotiation purposes;
- Or it is expected it will be collected/paid within twelve months from the end of the financial year.

As to the prospect of the overall economic results, the revenues and costs are classified according to their nature. The gross margin is calculated as the difference between net revenues and operating costs, excluding the non-monetary costs relevant to amortizations and devaluations, net of any value-restoration. The operating result is calculated as the difference between net revenues and operational costs including non-monetary costs relevant to amortizations and devaluations of current assets, net of any value-restoration. The criterion adopted for the accounting of assets and liabilities is the historical cost.

The drawing up of the financial statements and explanatory notes required certain estimates and assumptions both in the determination of assets and liabilities and the evaluation of contingent assets and liabilities.

The Financial statements have been drawn-up pursuant to the general principle of presenting a reliable and true balance sheet, financial balance sheet, economic result and financial flow of consolidated companies, in accordance with the general principles of going concern, accrual principle, materiality and aggregation, offsetting prohibition and comparative information.

The Group Financial Statements for DHH (the "Group") as at 31 December, 2017 have been drawn up on the basis of the financial statements of the holding company and of the companies in which D.H.H. S.p.A. (the "Consolidating Company") holds -directly or indirectly- the majority of votes exercisable in the Ordinary Shareholders' Meeting, with reference to the same date, as detailed below:

CONTROLLED COMPANIES IN THE CONSOLIDATED AREA	OFFICE	SHARE CAPITAL (in Euro)	SHARE
TOPHOST Srl	Italy	10.000	100%
DHH.si d.o.o.	Slovenia	13.813	100%
DHH d.o.o.	Croatia	2.618	100%
INFONET d.o.o.	Croatia	66.947	100%
HOSTING IT j.d.o.o.	Croatia	10	100%
DHH SRB d.o.o.	Serbia	431	100%
DHH SWITZERLAND SA	Switzerland	92.327	60%
DHH ITALIA Srl	Italy	3.000	100%

The preparation of the Financial statements in accordance with the applicable accounting principles require the use by the management of estimates, which may have a material effect on the amounts set out in the financial statements. Estimates and the relevant assumptions are based on the historical experience and other factors which are deemed reasonable with reference to the current circumstances and knowledge at the reference date for the Financial Statements. The actual results may differ from estimates. The estimates and relevant assumptions are reviewed on an ongoing basis. The effects of the estimate reviews are recorded in the period in which such estimates have been reviewed. Decisions by management, having significant effects on the balance sheet and estimates and showing a significant risk of material review to the accounting value of assets and liabilities affected in the following financial years are discussed in the comments to the relevant financial statement items.

The main estimates are utilized to track the provisions for risks on receivables, amortizations, devaluations, lasting reduction of the value of non-financial assets ("impairment"), benefits for employees, recovery of anticipated taxes, taxes and other provisions, fair value determination of financial instruments.

With reference to the financial statement presentation the Group made the following choices:

1. the consolidated profit or loss statement has been drawn up according to the format with cost allocation by nature, highlighting the intermediate result as to operational result and result before taxes. The operational result is determined as the difference between the net income and operational costs (including non-monetary costs relevant to amortization and devaluation of current and non- current assets, net of any restoration of value). In order to allow a better measurement of normal operation management cost and revenue items arising of events or transactions non-recurrent by nature and value materiality are indicated separately.
2. The consolidated aggregated profit or loss statement shows cost and revenue items, net of the fiscal effect which, as requested or allowed by various international accounting principles are directly recorded within money reserves.
3. The consolidated statement of financial position has been drawn up according to the format evidencing the split of assets and liabilities between current and non current. An asset/liability is classified as "current" according to one of the following criteria:
   - It is expected it will be collected/paid or will be assigned or utilized in the normal operating cycle or when it is held mainly for negotiation purposes;
   - Or it is expected it will be collected/paid within twelve months from the end of the financial year.

CONSOLIDATION PRINCIPLES

PARTICIPATIONS IN CONTROLLED COMPANIES

Companies, in which the Group has the power to exert, directly or indirectly, the control determining the financial and management choices and obtaining the relevant benefits, are consolidated with the global integration method.

According to such method assets and liabilities, income and expenses of controlled companies are fully assumed in the consolidated financial statements; the accounting value of participations is deleted in exchange for a corresponding fraction of the net worth, grating the relevant assets and liabilities the current value at the time of the control acquisition.

Any difference, if positive, is registered in the assets as “goodwill” if not depending on the increased value of other assets or, if negative, to the profit and loss statement.

EVALUATION CRITERIA

The main criteria for drawing up the interim financial statements are set out below.

INTANGIBLE ASSETS

Intangible assets are assets without a physical substance, they are recognised only if they are identifiable, controllable and they can be predicted to generate future economic benefits and their cost can be determined in an accurate way. Intangible assets with a defined life are evaluated at their purchase or production cost net of amortization and accumulated losses of value.

Amortization is variable, depending on the expected residual life and it starts when the activity is available for use. Useful life is re-examined yearly and any changes are made with prospective application.

Intangible assets with residual undefined life are not amortized but are subject annually or more often, if necessary, to checks to identify any value reduction (impairment test) even in the absence of value-loss indicators. Such check is run at the level of cash generating unit, to which the same immaterial asset is attributed.

INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE - GOODWILL

The goodwill, arising from the acquisition of a controlled company or other merger transactions, represents the positive excess of the acquisition cost compared to the percentage due to the Group of current values, fair value, assets, liabilities and potential liabilities identifiable at the acquisition date.

The goodwill is accounted for assets with residual indefinite life and is not amortized but annually subject – even in the absence of value-loss indicators or even more frequently if necessary- to checks to identify any value reduction (impairment test), as well as to verify the indefinite duration requirement. Value-losses are immediately recognised in the profit and loss statement and are not subsequently restored. After the initial recording the goodwill is evaluated at the cost net of any accumulated losses. In case of transfer of a controlled company the net value of the goodwill attributable to it is included in the determination of capital gain or capital loss arising from the transfer. For purposes of running the impairment test the goodwill is attributed to the cash generating units or CGU or CGU groups which are expected to benefit from the aggregation.

INTANGIBLE ASSETS WITH FINITE USEFUL LIFE – DEVELOPMENT COSTS

Development costs, essentially relevant to the development of new products are capitalized if and to the extent such costs may be determined in an accurate way, the generated activity is clearly identifiable and there is evidence their bearing will give rise to future economic benefits. In particular, for purpose of capitalization what matter is (i) the technical feasibility and (ii) the intention to complete the activity so as to make it sustainable for use or sale, (iii) the existence of adequate technical and financial resources to complete the development and (iv) the sale and reliability of cost evaluation with reference to activity during the development. Upon checking these conditions, costs are recognised within the assets of the balance sheet and amortized, at constant rates, since the beginning of commercial production of the product. Useful life is determined with reference to a prudent estimate of the relevant economic benefits and it is initially estimated at five years, depending on the features of the relevant product.

The development costs for which the above conditions are not met are recognised in the profit or loss statement when they are accrued and may not be capitalized in subsequent years.

INTANGIBLE ASSETS WITH FINITE USEFUL LIFE – OTHER IMMATERIAL ACTIVITIES

Other immaterial activities are recorded in the statement of financial position only to the extent it is likely the use of the activity will give rise to future economic benefits and the cost of the activity can be recorded in an accurate way. If such conditions are met immaterial activities are recorded at their purchase cost, corresponding to the price paid increased by side costs and, for goods contributed in kind, the values ascertained in the relevant deeds. Other immaterial activities due to the purchase of going concerns are recorded separately from the goodwill, if their fair value can be determined in a reliable way. The gross accounting value of other intangible activities with defined useful life is regularly spread across the financial years in which they are being used through the provision of constant amortization costs, with reference to the estimated useful life. Amortization starts when the activity is ready for use. For contributed activities amortization is determined on the basis of the useful residual life.

TANGIBLE ASSETS

Tangible assets are registered at their purchase or production or contribution cost, including any additional expenses necessary to make the asset ready for use. In case an extended time is necessary to make the asset ready for use, the purchase or production cost includes the financial cost which theoretically could be avoided without an investment.

No revaluation has been made, including pursuant to specific laws. The above said activities are specifically amortized on the basis of certain economical-technical parameters determined with reference to the theoretical usability of the goods. In case a tangible asset includes more than a significant element with a different useful life amortization is done for each component.

The amortizable value is represented by deducting book value from the net value of its residual life, if significant and if it can be reasonably ascertained. The amortization ratio applied to any unit is reviewed at least at closing of any financial year and, if there are significant changes in the expected consumption of the future economic benefits generated by an asset the ratio is modified to reflect this change as contemplated under IAS 8.

Gains and losses arising from transfers or dismissals of assets are determined as difference between the sale revenue and the net book value of the asset and recognised in the profit and loss statement. The costs relevant to renewals, changes and transformation which extend the useful life of an asset are capitalized. If there are events leading to a presumed reduction of the accounting value of material assets their recovery is controlled by comparing the book value with the recoverable value, represented by the higher between (i) fair value less disposal costs and (ii) current value.

PARTICIPATIONS

Participations in controlled companies are valued with the cost method. By applying such method, they are subject to impairment test with the rules set out under IAS 36 to the extent there is objective evidence of a loss of value of the participation due to one or more events occurred after the initial recognition having an impact on future cash flows of the participated company and dividends which it may distribute. Such objective evidence arises if there is a persistent negative trend. In such cases devaluation is determined as difference between the book value of the participation and its recoverable value, normally determined on the basis of the higher between use value, determined discounting future cash flows and fair value net of sale costs.

NON-CURRENT FINANCIAL ASSETS

Non-current financial assets are those which are non-derivative financial assets, which are classified as:

- Loans and receivables (L&R);
- Investments held to maturity (HTM)
- Financial assets at fair value recorded in the profit and loss statement and valued using the fair value method (FVTPL).

Fair value generally corresponds to the market value. If there is no active market value fair value is determined utilizing evaluation techniques e.g. the actualized future cash flow method at a market interest rate. Differences arising from such evaluations are recorded in a specific net worth reserve. The suspended evaluation effects of such reserve are recognised in the profit or loss statement at the time of disposal of the financial transaction leading to such disposal, realization of sale thereof. In case the loss of value is durable, such amount is reclassified from equity to profit and loss.

CURRENT ASSETS

The drafting of the statement of cash flow, the statement of financial position and the profit or loss statement requires estimates and assumptions having an effect on the value of assets and liabilities and relevant report, as well as on contingent assets and liabilities at the reference date. Estimates and relevant assumptions are based on the preceding experiences of the Company and other factors deemed reasonable in the circumstances and have been adopted to determine the accounting value of assets and liabilities the value of which may not be easily discerned from other objective sources. The final results may therefore differ from such estimates. Estimates and assumptions are reviewed periodically and the effects of the relevant variations reflected in the profit and loss statement.

TRADE RECEIVABLES

Trade receivables are recorded at their fair value, corresponding generally to their nominal value, net of value-loss referred to sums which may not be collected, recorded in specific provisions for doubtful receivables. Receivables, with an expiry date that falls within the normal commercial terms, are not actualized. Receivables expressed in a currency other than Euro have been evaluated at the end of period currency registered by the European Central Bank.

CASH AND EQUIVALENT INSTRUMENTS

Cash and equivalent instruments are recorded at their nominal value and include the nominal value, i.e. those values having availability on demand and short term requirements, good outcome and absence of expenses for their collection.

TRADE PAYABLES

Trade payables are recorded at their nominal value which is normally approximated at the amortized cost. Payables expressed in a currency other than Euro have been evaluated at the end of period currency registered by the European Central Bank.

FINANCIAL LIABILITIES

Financial liabilities, other than derivative financial instruments, are recorded at the settlement date measured at fair value of liabilities, net of directly related transaction costs.

EMPLOYEES BENEFITS

Severance Indemnity Reserve (TFR), which is mandatory for Italian companies pursuant to art. 2120 of the Civil Code, is considered as deferred remuneration and is based on the years of service and on the salary earned by the employee during his service period. For benefits subject to actuarial valuation, liabilities relating to TFR must be calculated by projecting on a forward basis the amount already accrued at the time when the relationship between employer and employee is terminated and by subsequently proceeding with its time-discounting on the date of financial statement under the actuarial method "Projected Unit Credit Method". Such actuarial method is based on demographic and financial assumptions to reasonably estimate of the amount of benefits that each employee has already accrued as result of his employee service.

Through actuarial valuation the current service cost, which represents the amount of rights matured by employee at reporting date, is recorded in the profit or loss statements. Among financial (Gain)/Losses is also recorded the interest cost which represents the figurative expenditure that the company would bear by securing a market loan for an amount corresponding to TFR. The actuarial gain and losses resulting from changes in the actuarial assumptions adopted are directly recorded in the balance sheet.

RECOGNITION OF REVENUES

Revenues are recorded - according to territorial competence principle - when the Group is likely to benefit from future economic benefits and such benefits may be reliably determined. In particular, revenues from sales and services are recorded when the transfer of all the risks and benefits arising from the passage of title takes place or upon execution of a service. Revenues are recorded net of discounts, allowances, settlement discounts and rebates.

EXPENSES

Expenses are recorded when they are incurred, in accordance with the principle of matching expenses and revenues that directly and jointly derive from the same transactions or events. Expenses which may not be associated with revenues are immediately recorded in the profit or loss statement. Value losses are recorded in the profit or loss statement of the financial year in which such value losses occurred.

FINANCIAL INCOME AND EXPENSES

Financial income and expenses are considered on an accrual basis, recorded interest matured on the net value of the relevant financial assets and liabilities using the effective interest rate.

TAXES

Current and deferred taxes are recognised in the profit or loss statement if not related to the transactions directly recorded in the net equity. Income taxes are determined on the basis of taxable income for the period in accordance with laws. The “deferred tax liabilities” and the “receivables for advanced taxes” are calculated – in accordance with IAS 12 – on the temporary differences between the fiscal value of an asset or liability and its balance sheet value, to the extent likely that – in the foreseeable feature – such differences will disappear. The amount of the “deferred tax liabilities” as well as the “receivables for deferred tax” is determined on the basis of the tax rate which – according to the tax regulations in force on the accounting entry reference date – will apply at the time when the tax asset will be realized or the tax liabilities will be due. The recognition of deferred tax assets is made when their recovery is probable. Receivables for advanced taxes and deferred tax liabilities are offset whenever such compensation is allowed by law.

ESTIMATES AND VALUATIONS

The preparation of the consolidated financial statements and related notes require estimates and assumptions affecting the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the end of the reporting period. The final results may differ from such estimates.

In particular, estimates are used to made the impairment tests, as well as to record the amortization and depreciation, the impairment of assets, the provisions for risks. Estimates and assumptions are periodically reviewed and the effects of any variation are periodically recognised in the profit or loss statement.

CHANGES IN THE ACCOUNTING PRINCIPLES

The main changes in the relevant accounting principles are described below:

A. ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS THAT HAVE BEEN RATIFIED AND ARE APPLICABLE/HAVE BEEN ADOPTED BY THE GROUP IN ADVANCE

<u>Amendment to IAS 12 – Income Tax (applicable from 1 January 2017 with the option for early application)</u>

On 19 January 2016, the IASB published some amendments to IAS 12. These amendments are intended to clarify how to account for deferred financial assets relating to debt instruments measured at fair value. The Group estimates no significant impacts of the amendment on its financial assets and liabilities.

<u>Amendment to IAS 7 – Statement of Cash Flows (applicable from 1 January 2017, not yet ratified by the European Union)</u>

On 29 January 2016, the IASB issued the amendments to IAS 7 – Statement of Cash Flows: The amendment requires that information relating to the changes in financial liabilities is reported, with the aim

of improving the information provided to investors to help them better understand the changes to such payables. This amendment relates purely to the presentation of the financial statements and will not therefore have any effect on the Group's financial position or profitability.

Annual improvement to IFRSs 2014-2016 Cycle (AIP)- Amendments to IFRS 1, IAS 28 and IFRS 12

On 7 February 2018, the IASB issued the "Annual improvement to IFRSs 2014-2016 Cycle", about technical and editorial changes of international accounting standards. The main changes are referred to amendements to IFRS 1, IAS 28 and IFRS 12. Such improvements are not expected to have a significant impact on the Group's consolidated financial statements.

B. *ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS THAT HAVE BEEN RATIFIED BUT ARE NOT YET APPLICABLE/HAVE NOT BEEN ADOPTED BY THE GROUP IN ADVANCE*

IFRS 9 – Financial Instruments (applicable from 1 January 2018)

The new document represents the first part of the process intended to wholly replace IAS 39. IFRS 9 introduces new criteria for the classification and measurement of financial assets and liabilities and for the derecognition of financial assets. Specifically, the recognition and measurement criteria for financial assets and their related classification in the financial statements have been modified. The new provisions establish a classification and measurement model for financial assets, based exclusively on the following categories: assets measured at amortised cost or assets measured at fair value and new dispositions about the representation of "hedging accounting".

The principle will not have significant impact on Group figures.

a) New criteria to classify and evaluate financial assets

With IFRS 9, financial assets and debt securities recognized in financial assets are based on categories of the financial flows of these assets and the business model in which they are managed:
- assets valued at amortized cost;
- assets measured at fair value recorded in the other components of the comprehensive income statement (FVOCI);
- assets measured at fair value recognized in the profit / (loss) (FVTPL).
Derivatives incorporated in contracts where the primary element is a financial asset that falls within the scope of the principle must no be separated. The hybrid instrument is instead examined for the purposes of the classification as a whole.

These categories replace the previous categories of IAS 39, that is, assets held to maturity, loans and receivables, assets available for sale and assets valued at FVTPL.
Furthermore, IFRS 9 provides as a general rule that all investments other than those in subsidiaries, related companies and joint ventures are valued at FVTPL. If these investments are not held for trading purposes, it is possible to adopt the option to present the subsequent fair value changes in the other components of the comprehensive income statement, recording in the profit (loss) only the effects connected to the distribution of dividends; in this case, the amounts accumulated in the other components of the comprehensive income statement will never be reclassified to profit (loss) for the year, even when the investment is sold.

Because of the type of financial assets and liabilities of the Group as at 31 December 2017, no significant impacts are expected from the application of IFRS 9.

b) New criteria to classify and evaluate financial liabilities

IFRS 9 essentially maintains the provisions of IAS 39 for the classification and measurement of financial liabilities, with the exception of financial liabilities valued at FVTPL, for which it is envisaged that the fair value changes related to changes in the credit risk of the issuers (so-called 'own credit risk') are recognized in the other components of the comprehensive income statement rather than in the profit (loss) for the period, unless this results in an accounting asymmetry.

The Group does not hold significant financial liabilities valued at FVTPL as at 31 December 2017 and therefore the first application of IFRS 9 is not expected to have significant impacts.

c) New model for the impairment of financial assets

IFRS 9 replaces the impairment model based on the 'incurred loss' envisaged by IAS 39 with a forecast model based on the 'expected credit loss' ('expected credit loss' or 'ECL').
The new impairment model applies to all financial assets that are not already valued at the FVTPL or that are valued at amortized cost or FVOCI.
According to IFRS 9, funds to cover loan losses will be valued using one of the following bases:
- 12-months ECL, ie the ECLs deriving from possible non-compliance within twelve months from the closing date of the financial year; and
- ECL lifetime, ie the ECLs deriving from all possible defaults along the expected life of a financial instrument.
The evaluation of the ECL lifetime always applies to trade receivables, including impaired loans, and to other financial assets whose credit risk at the end of the financial year recorded a significant increase starting from the initial recognition. If subsequently the credit risk of a financial asset, not represented by trade receivables, should significantly decrease, the evaluation of the 12-month ECL will be applied.

The main financial assets of the Group valued at amortized cost, to which the new impairment model is applied, are represented by trade receivables. In consideration of the Group's ordinary activities, the management of relations with counterparties, the analysis of the historicity of insolvency situations and the forecast of future economic conditions, no significant misalignments in the measurement of provision for doubtful accounts deriving from the first application of the new model of impairment of IFRS 9.

IFRS 15 – Revenue from Contracts with Customers (applicable from 1 January 2018)

The aim of the new standard is to improve the quality and uniformity of revenue recognition and of the comparability of financial statements prepared in accordance with IFRS and US accounting principles. Under the new standard, revenue recognition may no longer be based on the earnings method but on the asset-liability method, which focuses on the date that control of the sold asset was transferred. The Group is finalizing the assessment of the net sales valuation model, as required by the new reporting standard IFRS 15. In particular, no differences in the revenue recognition cut-off have been identified. Subsequently, no impact on economic results is expected from the application of the new standard.

IFRS 16 – Leases (applicable from 1 January 2019 with the option for early application)

On 13 January 2016, the IASB published the new accounting standard IFRS 16 – Leases. The new standard replaces IAS 17 and provides methods of accounting presentation that more appropriately reflect the nature of leases in the balance sheet.

The new IFRS 16 is applicable from 1 January 2019, but early adoption is permitted for companies that also apply IFRS 15 – Revenues from Contracts with Customers. In particular, the Standard introduces a univocal method for financial statement leases classification. The lessee will account for an additional asset representing the right of use on the underlying asset in the contract, and a liability that represents the obligation to pay leasing expenses. Furthermore, leasing expense accounting will also change because, rather than fixed operating expenses, the lessee will have to account for amortization and financial expenses.

The Group will applicate the new standard from 1 January 2019, with this method:

- with regard to the first application of the standard, the Group intends to adopt the revised retrospective application of the model. Therefore the data of the comparative period will not be restated and some simplifications and practical expedients will be applied as permitted by the reference standard;

- for the identification of the scope, the Group decided to manage separately leases on low value assets (i.e. assets with a unitary value lower than EUR 5.000) and lease assets pertinent to short-term contracts (i.e. with a leasing period lower than 12 months). Costs related to these typologies of contracts will continue to be accounted as separate operating expenses. The most representative asset class exempted by the application comprises some of the Group’s IT Equipment.

- the valuation of residual and significant contracts for the application of IFRS 16 is currently being finalized. Based on the provisional analyzes, the greatest impacts will affect existing agreements relating to buildings, vehicles and industrial equipments.

C. ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT ENDORSED YET

<u>IFRS 17 – Insurance contracts (applicable from 1 January 2021)</u>

This standard is rlated to accounting for insurance contracts (previously known as IFRS 4 Phase II). The accounting model is the ‘Building Block Approach’ (BBA), based on discounted expected cash flows, which includes the creation of a ‘risk adjustment’ and ‘contractual service margin’, which are released via amortisation over subsequent periods. The new accounting standard is not applicable to the consolidated financial statements.

<u>IFRS 14 – Regulatory Deferral Accounts (applicable from 1 January 2016)</u>

Under the new standard, only first-time adopters of IFRS are allowed to continue to recognise amounts relating to the rate regulation according to the previous accounting principles adopted. In order to improve comparability with entities that already apply IFRS and hence do not recognise such amounts, the standard requires the rate regulation effect to be presented separately from the other items. The European Commission has decided not to start the approval process for this interim standard and to wait for the definitive standard. The new standard is not applicable to the consolidated financial statements.

<u>Amendment to IFRS 10-IAS 28 – Sales or Contributions of Assets between an Investor and its Associate/Joint Venture (applicable from 1 January 2016)</u>

The amendment, published in September 2014, is intended to resolve a conflict between the requirements of IFRS 10 and IAS 28 in the event that an investor sells or contributes a business to an associate or joint venture. The main change introduced by the amendment is that the gain or loss resulting from the loss of control must be recognised in full at the time of the sale or contribution of the business. A partial gain or loss is only recorded in the event of a sale or contribution involving individual assets only. The IASB has suspended publication and approval of this amendment until a date that is still to be determined.

Amendment to IFRS 2 – Classification and Measurement of Share-based Payment Transactions (issued on 29 June 2016)

This includes clarifications on the accounting treatment of stock options that are subject to performance-linked vesting conditions. The Group estimates no significant impacts of the amendment on its consolidated financial statements.

Interpretetion IFRIC 22-Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016)

IFRIC 22 seeks to clarify the accounting for transactions involving the receipt or payment of advances in foreign currency, in particular when an entity registers a non-monetary asset or liability for advances before to recognition of the related asset, of the revenue or of the cost. IFRIC 22 is applicable from 1 January 2018, early application is permitted.

Amendment to IAS 40-*Transfers of Investmenty Property* (issued on 8 December 2016)

About the main changes introduced by the amendment, it is specified that the change of destination from tangible asset to property investment can take place only when there is evidence of a change in use.

Interpretetion IFRIC 23-*Uncertainty over Income Tax Treatments* (issued on 7 June 2017)

IFRIC 23 aims to clarify how to calculate current and deferred taxes where there are uncertainties regarding the tax treatments adopted by the entity that prepares the financial statements and which may not be accepted by the tax authority.

Amendment IFRS 9-*Prepayment features with negative compensation* (issued on 12 october 2017)

The main objective of the amendment is to evaluate the information provided by the application of the amortized cost for instruments that contain symmetrical prepayment options and have contractual cash flows that are exclusively capital and interest payments (SPPI). Changes made with this amendment have been evaluated by the Group in the context of the overall analysis of the application of the IFRS 9, commented above.

Amendment IAS 28–*Long-term interests in associates and joint-venture* (issued on 12 october 2017)

Changes intend to clarify the application of IFRS 9 to long-term investments in related companies and joint ventures, which are part of the net investment but for which the equity method is not applied. Changes made with this amendment have been evaluated by the Group in the context of the overall analysis of the application of the IFRS 9, commented above.

OTHER INFORMATION

MATERIAL NON-RECURRING EVENTS AND TRANSACTIONS – ATYPICAL AND/OR UNUSUAL TRANSACTIONS

When material non-recurring events and transactions and atypical and/or unusual transactions occur, the notes to the financial statement disclose the impact of these events on the statement of financial position and on the statement of comprehensive income. Atypical or unusual transactions mean transactions whose significance/relevance, nature of the counterparts, subject matter of the transaction, transfer pricing method and timing of the event (near the end of the financial year) can give rise to doubts as to: correctness/completeness of information recorded, conflicts of interests, protection of the company equity, protection of minority interests.

COMPENSATION OF THE STATUTORY AUDITOR AND AUDITOR FIRM

The overall compensation paid by the Group to the auditor firm is equal to 22.852 EUR for auditing activities and 18.470 EUR for other activities. The compensation for statutory auditor is equal to 16.380 EUR.

RELATED PARTIES

The Explanatory Notes provide the information on the effect that operations with related parties have on the economic and financial situation.

TRANSLATION OF FOREIGN COMPANIES' FINANCIAL STATEMENTS

Exchange rates used to translate in Euros the financial statements prepared in currencies other than Euro are set out below (source National Bank of Italy):

CURRENCY	EXCHANGE RATE AS AT 31.12.2017	ANNUAL AVERAGE EXCHANGE RATE 2017
Croatian Kuna (HRK)	7,4400	7,457
Serbian Dinar (RSD)	118,6386	121,139
Swiss Franc (CHF)	1,1702	1,139*

* Swiss average exchange rate refers to the only consolidation period (from May 2017).

SCOPE OF CONSOLIDATION

The subsidiaries included in the scope of consolidation are listed below.

PARENT COMPANY

Name

DOMINION HOSTING HOLDING S.P.A.

REGISTERED OFFICE

MILANO – VIA CALDERA,21 - ITALIA

Direct subsidiaries which are consolidated with the “integral method”:

NAME	REGISTERED OFFICE	SHARE CAPITAL (IN EURO)	% SHARE
TOPHOST S.r.l.	Italy	10.000	100%
DHH.si d.o.o.	Slovenia	13.813	100%
DHH SRB d.o.o.	Serbia	431	100%
DHH SWITZERLAND SA	Switzerland	92.327	60%
DHH ITALIA S.r.l.	Italy	3.000	100%
DHH d.o.o.	Croatia	2.618	100%

Indirect subsidiaries which are consolidated with the “integral method”:

NAME	REGISTERED OFFICE	SHARE CAPITAL (IN EURO)	% SHARE
INFONET d.o.o.	Croatia	66.947	100%
HOSTING IT j d.o.o.	Croatia	10	100%

CHANGE IN THE SCOPE OF CONSOLIDATION

With regard to the changes in the scope of consolidation, compared to the consolidated report as at 31.12.2016, it should be noted the inclusion in the consolidation of the companies InfoNet d.o.o. and Hosting IT j.o.o., the acquisition of which occurred in September 2016 by the subsidiary Klaro d.o.o. and its subsidiaries Domovanje d.o.o. and Domenca d.o.o, with subsequent change of name to DHH d.o.o and the companies DHH Switzerland SA. and DHH Italia S.r.l. the effect for the last companies occurred in May 2017. During the year 2017 the Croatian and Serbian companies become direct subsidiaries.

INTRA-GROUP TRANSACTIONS

All balances and transactions between the companies which were consolidated with integral method as well as any unrealized gains on intercompany transactions have been deleted.

GROUP SEGMENT INFORMATION

DOMAINS

Domain is a mnemonic address of a website on the Internet. Top level domains (TLDs) are regulated by ICANN and given into management to companies called registries. Registries are wholesalers and sell through companies called registrars. Subsidiaries of DHH purchase domains directly from registries (mostly so called country TLDs or ccTLDs: .eu, .si, .hr, rs …) or through registrars (.com, .net, .org, .it …). Domains are sold to end customers as registrations (first purchase of domain) or renewals (repeat purchase of domain). Domains can also be transferred to different registrars. As DHH we offer registration of over 500 different top level domains.

According to Verisign, the Registry Operator for the .com gTLD, the third quarter of 2015 closed with around 299 million domain name registrations across all TLDs, +1.1% over Q2 2015. Registrations have grown by 14.8 million, +5.2% yoy. The .com and .net TLDs experienced aggregate growth, reaching a combined total of approximately 135.2 million domain in Q3 2015, +3.4% yoy.

Customers in this service lines are small business or individuals that purchase domains for themselves. They are larger companies that manage their portfolio of domains (usually for their brands/companies) in one place. They are resellers with a large number of domains that need to manage them from one place and that may not have any hosting subscription with us. They are SEO specialists that need a large number of registered domains.

SHARED HOSTING

Shared hosting business line includes all products for hosting web sites in a shared environment. This means, that a single server hosts anywhere from a few hundred web sites (Domovanje, Domenca, Plus, Infonet, HostingIT) to ten thousand web sites (Tophost). Customers are limited by disk space, allowed number of connections from visitors of the site and other limitation. They have access to a control panel (cPanel or Plesk) where they can manage their subscription themselves. Customers of this business line are end customers who wish to host their personal website or blog or their company's web site. Other customers are resellers (individual or companies that make web sites and need a hosting partner) and developers (who make web applications and need a hosting provider). E-commerce is becoming a vital channel in corporate strategy. In 2014 ecommerce has made continuous progress, up more than 14% to 50% of EU individuals, advancing in a close parallel with Internet use. In Europe 35% of large companies sell online (+6% over the last five years), while only 14.5% of SMEs sell online (+3.5% over the last five years). The gap between SMEs and large companies has increased over last years. European SMEs continue to miss out on the opportunities of online sales. The best performing countries include the Czech Republic, Denmark and Croatia, but they are far from reaching the 2015 EU target of 33%. Most of e-commerce sites are currently hosted on shared hosting platform, which is why the issuers believes in high potential for growth in this service line.

DEDICATED HOSTING

This business line includes physical dedicated servers (physical computers connected to a quality network in a secured datacenter), virtual servers (many isolated servers on a single physical computers) and different levels of managed services. This business line is most hardware intensive because each physical dedicated server requires us to order, setup, install and deploy a new machine in the data center. Contrary to shared hosting, only a single (dedicated physical server) or a few (up to 20 or 30 in case of virtual machine) customers can be put a physical machine. Customers include companies with mission critical applications, resellers, developers. These customers include the biggest customers of DHH with revenues up to 30.000 € yearly.

COMPLEMENTARY SERVICES

This business line includes all products that are complementary to main business lines (domains, shared and dedicated hosting) but are currently to small to deserve their own business line. These include: web site builder, e-mail marketing software, SSLs, Business class email. Web site builder is a tool for building web sites. It is targeted at lame users that can build them with very small investment. E-mail marketing software is used to setup newsletter, send them to a list of addresses and monitor feedback from receivers (did they receive the email, did the look at it, on which links they clicked …). SSLs are used to secure communication between visitor of customer's site and the server. They are interesting for e-commerce sites or any other sites that require exchange of sensitive data (passwords) but have lately been used even by ordinary web sites. Business class email expands normal e-mail service by collaboration tools like shared calendars and contacts. These business lines will expand in the future and some of the products may be moved into separate business lines.

OTHER

Business line "other" includes all revenue generated by services not included into other categories. They include discontinued or deprecated products. In DHH.si d.o.o. it includes all revenue from a proprietary in-house developed CMS and large customers of web agency. This revenue is only expected to fall in the future and needs to be maintained in the best way to slow down churn without much investment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: GOODWILL

The item "goodwill" is equal to 5.462.952 EUR, with an increase of 973.075 EUR compared to the same value recorded in the consolidated as at 31.12.2016. The increase is related to inclusion the new companies (DHH Switzerland SA and DHH Italia srl) and the acquisition of a new branch from Studio4Web by the croatian company and the new branch Artera by the italian company. Part of this goodwill for an amount of EUR 207.000 is relating to the fair value of the customer list of DHH Italia srl and DHH Switzerland SA with an estimated life of 7 years.

As mentioned in the section related to the accounting principles, goodwill is not amortized, but subject to impairment test and written-off for impairment losses. The DHH Group yearly verifies the recoverability of goodwill and the other assets with an indefinite useful life by specific evaluations (impairment test) on each cash generating unit (Cash Generating Units or "CGU"). Impairment test has been executed according with latest economic and financial forecasts for future financial years. The recoverability of the assets recorded in each CGU is verified by comparing the net book value attributed to the single CGU with the recoverable value that is determined as usage value (recoverable amount). Such value is represented by the current value of the future cash flows which may result from the continuous use of the CGU.

In light of the evaluations carried out, any write-down of the accounting values of goodwill was made.

NOTE 2: TANGIBLE ASSETS

Tangible assets are equal to 350.722 EUR. The increase in the value of tangible fixed assets is mainly related to the acquisition of new electronic equipment and by the inclusion in the consolidation of DHH Switzerland SA.

The details of movement in tangible assets during the financial year 2017 are provided below:

NOTE 2: TANGIBLE ASSETS	COMPUTERS AND ELECTRONIC EQUIPMENT	VEHICLES	OTHER ASSETS	TOTAL
VALUE AT 1.1.2017	**544.911**	**14.059**	**70.019**	**628.989**
Investments	223.216	-	31.486	254.702
Impairments and other movements	(1.064)	-	(374)	(1.438)
COST AT 31.12.2017	**767.064**	**14.059**	**101.131**	**882.254**
ACCUMULATED DEPRECIATION AT 1.1.2017	**362.259**	**14.059**	**38.059**	**414.377**
Depreciation 2017	110.099	-	7.966	118.065
Impairments and other movements	(754)	-	(156)	(910)
ACCUMULATED DEPRECIATION AT 31.12.2017	**471.604**	**14.059**	**45.870**	**531.532**

NET BOOK VALUE				
At 1.1.2017	182.653	-	31.960	214.613
At 31.12.2017	295.460	-	55.262	350.722

NOTE 3: INTANGIBLE ASSETS

Intangible assets are equal to 436.128 EUR as at 31 December 2017. The increase in the value of intangible assets is related to internal projects.

The details of movement in intangible assets during the financial year 2017 are provided below:

NOTE 3: INTANGIBLE ASSETS	SOFTWARE LICENSES	INTERNALLY DEVELOPED SOFTWARE	OTHER ASSETS	TOTAL
VALUE AT 1.1.2017	**33.011**	**106.597**	**20.984**	**160.591**
Investments	37.389	316.318	2.352	356.059
Impairments and other movements	-	-	-	
COST AT 31.12.2017	**70.400**	**422.915**	**23.336**	**516.650**
ACCUMULATED DEPRECIATION AT 1.1.2017	**17.897**	**38.949**	**4.055**	**60.901**
Depreciation 2017	10.426	7.510	1.687	19.622
Impairments and other movements	-	-	-	
ACCUMULATED DEPRECIATION AT 31.12.2017	**28.323**	**46.459**	**5.741**	**80.523**
NET BOOK VALUE				
At 1.1.2017	15.114	67.648	16.929	99.691
At 31.12.2017	42.077	376.456	17.595	436.128

NOTE 4: NON-CURRENT FINANCIAL ASSETS

Such item, equal to 6.166 EUR as at 31 December 2017 was referred to guarantee deposits. The balance on 31.12.2016 is equal to zero.

NOTE 5: OTHER NON-CURRENT ASSETS

The item equal to 2.457 EUR records the part due beyond the operation of current long-term loan.

NOTE 6: DEFERRED TAX ASSETS

Deferred tax assets are equal 8.161 EUR and records only advanced taxes calculated based on:

- the temporary differences arising between assets and losses recorded for the purpose of drawing up of this balance sheet according with international accounting standards and corresponding values relevant for tax purposes;
- the deductible temporary differences relating to directors' fees, posted on an accrual basis but not paid at the date of 31.12.2017.

NOTE 7: TRADE RECEIVABLES

Trade receivables are equal to 440.747 EUR as at 31.12.2017 with an increase of 330.436 EUR compared to the same item recorded on 31.12.2016.

The distribution of receivables by geographical area is as follow:

TRADE RECEIVABLES	31.12.2017	31.12.2016
Italy	267.641	29.388
EU countries	92.628	98.340
Other countries	96.659	8.602
TOTAL GROSS TRADE RECEIVABLES	**456.928**	**136.330**
Fund for bad debt	(16.181)	(26.019)
TOTAL NET TRADE RECEIVABLES	**440.747**	**110.311**

NOTE 8: CURRENT FINANCIAL ASSETS

Current financial assets are equal to zero as at 31 December 2017.

NOTE 9: OTHER CURRENT ASSETS

Other current assets are equal to 72.079 EUR, with a decrease of 32.331 EUR compared to 31.12.2016.

NOTE 10: TAX RECEIVABLES

Tax receivables are equal to 173.075 EUR as at 31 December 2017 with an increase of 22.573 EUR compared to 2016 and are composed as follows:

TAX RECEIVABLES	AMOUNT AS AT 31.12.2017	AMOUNT AS AT 31.12.2016
VAT	134.626	117.625
Other tax receivables	38.449	32.877
TOTAL	**173.075**	**150.502**

NOTE 11: CASH AND CASH EQUIVALENTS

The total amount of this item is equal to 2.614.511 EUR, with a decrease of 1.303.235 EUR compared to 31.12.2016. The balance, expressed in Euro, represents cash equivalents and existence of ready cash and value on closure of the financial periods. This decrease is largely due to investments made during the reference period.

NOTE 12: PREPAID EXPENSES AND ACCRUED INCOME

Prepaid expenses and accrued income are equal to 424.515 EUR as at 31 December 2017, with an increase of 46.374 EUR compared to 31.12.2016 consolidated. Such item is mainly linked to costs for wholesale services incurred in the financial year, but attributable to subsequent financial year.

NOTE 13: NET EQUITY

SHARE CAPITAL

On 31 December 2017 fully paid-up share capital is divided in 1.420.000 ordinary shares without nominal value and with an accounting nominal value of Euro 0,10 each.

RESERVES

Reserves is equal to 6.687.687 EUR. In particular, the amount is divided into:

- Share Premium Reserves 6.679.644 EUR
- Bonus Share Reserve 8.400 EUR
- OCI Reserves (357) EUR

	VALUE AS AT 01.01.2017	OTHER VARIATIONS - INCREASE	OTHER VARIATIONS - DECREASE	FINANCIAL RESULT	VALUE AS AT 31.12.2017
Share premium reserves	6.710.766	(31.122)	-	-	6.679.644
Bonus share	8.400	-	-	-	8.400
OCI Reserve	471	-	(828)	-	(357)
TOTAL	**6.719.637**	**(31.122)**	**(828)**	**-**	**6.687.687**

NOTE 14 NON-CURRENT FINANCIAL LIABILITIES

Non-current liablities to banks and other lenders are equal to 8.930 EUR. The amount is referred to DHH doo’s bank loan. Comparing to 2016, there is a decrease of 540.402 EUR. In the most part the decrease is referred to the total loan’s repayment of DHH.si.

NOTE 15 SEVERANCE RESERVES

This item records TFR related to employees of the companies of Group, pursuant to art. 2120 of the Civil Code. On 31 December 2017 the amount of this item is equal to 11.792 EUR and is solely linked to employee recruited by Italian subsidiary Tophost Srl and Slovenian subsidiary DHH.si. Due to not relevance of the amount entity IAS19 principle has not adopted.

NOTE 16 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities are equal to zero, with a decrease of 104.578 EUR. The amount as at 31.12.2016 was mainly linked to payment the long-term debt of Slovenian subsidiary DHH.si d.o.o. which has been incurred for purchasing its Croatian subsidiary DHH d.o.o. Now the amount is reclassified in current liabilities.

NOTE 17 PROVISIONS FOR RISKS AND FUTURE LIABILITIES

This item is equal to 10.255 EUR and it is associated to DHH Swz.

NOTE 18 LIABILITIES FOR DEFERRED TAXES

This item is equal to 24.013 EUR and records the tax effect arising from the elimination of shareholding for the purpose of the consolidation by integral method and the temporary differences arising between assets and losses recorded for the purpose of drawing up of this balance sheet according with international accounting standards and corresponding values relevant for tax purposes.

NOTE 19 TRADE PAYABLES

On 31.12.2017 trade payables are equal to 440.610 EUR, with an increase of 194.368 EUR compared to the same item recorded on 31.12.2016. The distribution of payables by geographical area is as follow:

TRADE PAYABLES	31.12.2017	31.12.2016
Italy	283.517	135.145
EU Countries	97.628	109.679
Other countries	59.465	1.418
TOTAL PAYABLES	**440.610**	**246.242**

NOTE 20 OTHER CURRENT LIABILITIES

Other current liabilities are equal to 319.443 EUR on 31.12.2017, with an increase of 45.705 EUR compared to 2016; this amount increases in part by the inclusion in the consolidation of new companies.

NOTE 21 CURRENT FINANCIAL LIABILITIES

Current liabilities to bank and other lenders are equal to 124.234 EUR on 31.12.2017, with an increase of 36.823 EUR compared to 2016. This amount increases in part by the inclusion in the consolidation of new companies.

NOTE 22 TAX PAYABLES

Tax payables are equal to 121.724 EUR on 31.12.2017, with an increase of 41.444 EUR compared to 31.12.2016 and its composition is as follows:

TAX PAYABLES	31.12.2017	31.12.2016
VAT	93.282	42.524
Income tax	8.230	23.987
Withheld	20.212	13.769
TOTAL TAX PAYABLES	**121.724**	**80.280**

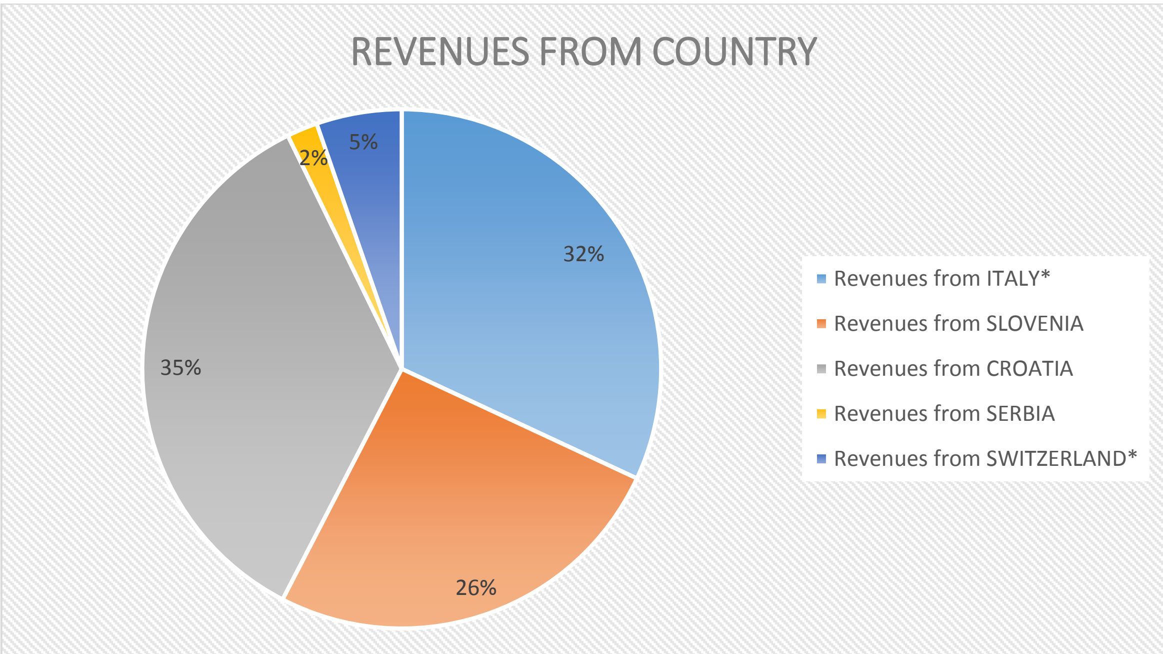
NOTE 23 ACCRUED LIABILITIES AND DEFERRED INCOME

Accrued liabilities and deferred income are equal to 1.597.189 EUR at 31 December 2017, with an increase of 509.892 EUR mainly linked to advanced revenues for hosting service but partially attributable to the period after 31 December 2016.

NOTE 24 REVENUES

On 31 December 2017 revenues from sales and services of the Group are equal to 5.289.151 EUR, with an increase of 1.341.281 EUR compared to 31.12.2016. This amount increases in part by the inclusion in the consolidation of new companies.

On 31 December 2017 the revenues by geographical area is the following:



* Revenues from DHH Switzerland SA and DHH Italia srl refer to the consolidated period (from May 2017)

NOTE 25 OTHER REVENUES

Other revenues are equal to 68.809 EUR as at 31.12.2017 with an increase of 52.921 EUR compared to 31.12.2016 (as at 31.12.16 was Eur 15.888).

NOTE 26 INTERNAL PROJECTS

This item is referred to the costs of internal projects accomplished in-house, it is equal to 318.076 EUR; the projects are related to the development of an internal IT system projects in Slovenia (amount 108.083 EUR), development of a cPanel based shared hosting platform in Croatia (amount 130.077 EUR) and development of an internal billing processesand provisioning of servies in Switzerland (amount 79.916 EUR).

NOTE 27 MATERIAL COSTS

Costs for materials and consumables are equal to 26.412 EUR on 31 December 2017 with a decrease of 14.610 EUR compared to 31.12.2016 and they are related to hardware and other materials.

NOTE 28 SERVICE COSTS AND USE OF THIRD PARTY ASSETS

Service costs are equal to 3.197.962 EUR on 31 December 2017, with an increase of 707.231 EUR compared to 31.12.2016 and are composed as follows:

SERVICE COSTS	31.12.2017	31.12.2016
Datacenter Service	385.363	179.109
Wholesale Costs	2.045.279	1.727.103
Commercial and marketing expenses	46.961	34.601
Professional services	710.441	541.791
Other costs for services	9.917	8.127
TOTAL	**3.197.962**	**2.490.731**

NOTE 29 PERSONNEL COSTS

Personnel cost is equal to 1.732.443 EUR on 31 December 2017, with an increase of 803.318 EUR compared to 2016 consolidated and is divided among the Group as follows:

PERSONNEL COSTS	31.12.2017	31.12.2016
DHH S.p.A.	-	-
TOPHOST Srl	95.813	55.903
DHH.SI doo	601.268	416.865
DHH doo	548.338	423.254
DHH SRB d.o.o.	34.479	18.171
INFONET d.o.o.	28.821	13.755
HOSTING IT j.d.o.o.	-	1.177

DHH SWITZERLAND SA	423.724	-
DHH ITALIA Srl	-	-
TOTAL	**1.732.443**	**929.125**

The increase of Group's overall cost is, on one hand, related to the inclusion of new employees and reviewing contracts by increasing in salaries. On 31 December 2017 DHH Group's staff is the following:

NUMBER OF EMPLOYEES BY CATEGORY	MANAGERS	EMPLOYEES
DHH S.p.A.	-	-
TOPHOST Srl	-	2
DHH.SI doo	2	20
DHH doo	2	28
DHH SRB	2	4
INFONET doo	1	1
HOSTING IT j.d.o.o.	1	-
DHH SWITZERLAND SA	1	9
DHH ITALIA Srl	-	-
TOTAL	**9**	**64**

NOTE 30 OTHER EXPENSES

Other expenses are equal to 188.413 EUR on 31 December 2017, with an increase of 11.925 EUR compared to 31.12.2016 and such expenses are structural costs.

NOTE 31 AMORTIZATIONS AND IMPAIRMENTS

Amortizations and depreciations are equal to 180.618 EUR on 31 December 2017, with an increase of 59.777 EUR compared to 31.12.2016. Part of this amortizations is relating to the customer list of DHH Italia srl and DHH Switserland SA with an estimated lif e of 7 years.

The value of amortizations and depreciations is provided below:

AMORTIZATIONS AND IMPAIRMENTS	31.12.2017	31.12.2016
Depreciations	118.729	89.266
Amortizations	60.198	18.974
Impairment	1.691	12.601
Total	**180.618**	**120.841**

NOTE 32 FINANCIAL INCOME (EXPENSES)

On 31 December 2017 net financial expenses are equal to 29.451 EUR, with an increase of 7.141 EUR compared to 31.12.2016.

The details of financial income and expenses are provided in the table below:

FINANCIAL INCOME	31.12.2017	31.12.2016
Bank and postal interests income	99	109
Interests on loans	-	317
Other interests	20.007	19.038
TOTAL	**20.106**	**19.464**
FINANCIAL EXPENSES	31.12.2017	31.12.2016
Bank and postal interests expenses	16.658	27.133
Other financial expenses	32.899	14.641
TOTAL	**49.557**	**41.774**

NOTE 33 OTHER NON-OPERATING INCOME/EXPENSE

This item, which is equal to an expenses 1.346 EUR, records the cost resulting from the elimination of shareholding DHH SRB d.o.o.

NOTE 34 TOTAL CURRENT AND DEFERRED INCOME TAXES

As at 31 December 2017 total current and deferred income taxes of the Group are equal to 80.433 EUR.

NOTE 35 EARNINGS PER SHARE

BASIS

The earnings/(losses) per share are calculated as the ratio between the Group’s profit multiplied by the weighted average number of outstanding shares, net of any own shares.

DILUTED

The diluted earnings/(losses) per share are calculated as the ratio between the Group’s profit multiplied by the weighted average number of outstanding shares, net of any own shares. For the purposes of calculating the diluted earnings per share, the weighted average of outstanding shares is adjusted assuming the conversion of all the potential shares having a dilutive effect, particularly warrants.

CATEGORY	AMOUNT AS AT 31.12.2017	AMOUNT AS AT 31.12.2016
Consolidated net income attributable to the Group's shareholders	245.472	155.222
Number of ordinary shares	1.420.000	1.420.000
Average weighted number of outstanding shares	1.420.000	463.397
BASE EARNINGS PER SHARE - EPS (EARNING PER SHARE)	**0,173**	**0,33**
Average weighted number of outstanding warrants	1.420.000	610.795
Average weighted number of outstanding shares plus warrants	2.840.000	1.074.192
DILUTED EPS	**0,086**	**0,14**

DOMINION HOSTING HOLDING S.P.A.

PARENT COMPANY FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

Financial Statements prepared in accordance with IAS/IFRS principles

- All amounts are in Euro -

FINANCIAL STATEMENTS

Here below the Financial Statements of the Parent Company Dominion Hosting Holding S.p.A. as at 31 December 2017

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

ASSETS (ALL AMOUNTS ARE IN EURO)	NOTES	31.12.2017	OF WHICH RELATED PARTIES	31.12.2016
Investments	1	5.313.720		3.085.834
Intangible assets	2	6.376		1.237
Non-current financial assets	3	566.390		600.000
Deferred tax assets	4	6.580		9.152
NON-CURRENT ASSETS		**5.893.067**		**3.696.223**
Trade receivables	5	195.608		143.703
Other current financial assets	6	11.721		2.490
Tax receivables	7	134.650		114.440
Cash and cash equivalents	8	1.439.021		3.149.732
Prepaid expenses and accrued income	9	18.162		17.016
CURRENT ASSETS		**1.799.163**		**3.427.381**
TOTAL ASSETS		**7.692.230**		**7.123.604**

LIABILITIES AND NET EQUITY (ALL AMOUNTS ARE IN EURO)	NOTES	31.12.2017		31.12.2016
Share Capital	10	142.000		142.000
Reserves	11	6.688.044		6.699.919
Year's result		9.881		(11.875)
NET EQUITY	**12**	**6.839.925**		**6.830.044**
Non-current financial liabilities	13	-		250.000
Severance reserves		-		-
Other non current liabilities	14	505.114		-
Liabilities for deferred taxes		-		-
NON-CURRENT LIABILITIES		**505.114**		**250.000**
Trade payables	15	59.837	26.827	21.412

DOMINION HOSTING HOLDING

Other current liabilities	16	22.920	3.531	14.967
Current financial liabilities	17	256.825		3.218
Tax payables	18	7.543		3.963
Accrued liabilities and deferred income	19	65		0
CURRENT LIABILITIES		**347.191**		**43.560**
TOTAL LIABILITIES		**852.305**		**293.560**
TOTAL LIABILITIES AND NET EQUITY		**7.692.230**	**30.358**	**7.123.604**

STATEMENT OF COMPREHENSIVE INCOME AS AT 31 DECEMBER 2017

PROFIT AND LOSS STATEMENT (ALL AMOUNTS ARE IN EURO)	NOTE	31.12.2017	OF WHICH RELATED PARTIES	31.12.2016
Revenues	20	333.318		139.296
Other revenues		-		102
TOTAL REVENUE		**333.318**		**139.398**
Service costs and use of third party assets	21	(322.259)	(138.411)	(156.124)
Personnel costs		-		-
Other operating costs	22	(2.566)		(3.079)
TOTAL OPERATING COSTS		**324.825**		**(159.203)**
OPERATING RESULT – EBITDA*		**8.492**		**(19.805)**
Amortizations and impairment	23	(823)		(309)
EBIT**		**7.669**		**(20.114)**
Financial income (expenses)	24	4.784		(913)
EARNINGS BEFORE TAXES		**12.453**		**(21.027)**
Total current and deferred income taxes	25	2.572		9.152
YEAR'S PROFIT (LOSS)		**9.881**		**(11.875)**
OF WHICH:				
attributable to equity holders of the Parent company		9.881		(11.875)
Attributable to minority interests		-		-
EARNINGS PER SHARE	**26**	**0,006**		**(0,003)**

DILUTED EARNINGS PER SHARE	**26**	**0,003**	**(0,003)**

OVERALL PROFIT AND LOSS STATEMENT OF DHH (ALL AMOUNTS ARE IN EURO)	31.12.2017	31.12.2016
YEAR'S PROFIT (LOSS) (A)	**9.881**	**(11.875)**
Components which should be classified in the Profit and loss statement		
Components which should not be classified in the Profit and loss statement		
TOTAL OTHER PROFIT (LOSS) NET TO FISCAL EFFECT (B)	**-**	**-**
Total year's overall profit (loss) (A+B)	**9.881**	**(11.875)**

(*)EBITDA indicates earnings before interest, taxes, depreciation and amortization or fixed assets and write-down of receivables. Therefore EBITDA represents the operating margin before choices in amortisation policy and assessing trade receivables. EBITA, as defined above, represents the index used by the Company's directors to monitor and assess business trends. EBITDA is not identified as an accounting measure under national accounting standard, it should not be considered as an alternative measure to evaluate the results of the Company. Because the composition of EBITDA is not regulated by the main reference accounting, the criteria used by the Company may not be identical to those used by other companies and therefore cannot be used for comparative purposes.

(**) EBIT indicates earnings before interest and taxes.Therefore EBIT represents the year's results before third party and treasury share dividend distribution. EBIT, as defined above, represents the index used by the directors of the Company to monitor and assess business trends. EBIT is not identified as an accounting measure under national accounting standard, consequently it should not be considered as an alternative measure to evaluate the results of the Company. Because the composition of EBIT is not regulated by the main reference accounting, the criteria used by the Company may not be identical to those used by other companies and therefore cannot be used for comparative purposes.

STATEMENT OF CASH FLOW AS AT 31 DECEMBER 2017

CASH FLOW STATEMENT (ALL AMOUNTS ARE IN EURO)	31.12.2017	31.12.2016
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit for period	9.881	(11.875)
Income taxes	2.572	(9.152)
Interest payables/ (receivables)	(4.784)	913
(Capital losses)/gains from sales assets	-	-
1. EARNING BEFORE INCOME TAX, INTEREST, DIVIDENDS AND CAPITAL GAIN/LOSSES	7.669	**(20.114)**
Adjustments for non-cash items that are not accounted In net working capital change:	823	309
- Allocation to reserve	-	-
- Amortization and depreciation of assets	823	309
- Permanent loss write-downs	-	-
- Other adjustments on non-monetary items	-	-
2. CASH FLOW BEFORE NWC CHANGES	**8.492**	**(19.805)**
Changes in NWC:	(23.239)	(224.461)
- Decrease (increase) in inventories	-	-
- Decrease (increase) in customer receivables	(51.906)	(136.702)
- Increase (decrease) in supplier payables	38.425	15.482
- Decrease (increase) in prepaid expenses and accrued income	(1.146)	(12.059)
- Increase (decrease) in accrued expenses and deferred income	65	-
- Other changes to the NWC	(8.676)	(91.182)
3. CASH FLOW AFTER NWC CHANGES	**(14.746)**	**(244.266)**
Other changes:	4.784	(913)
- Interest collected/ (paid)	4.784	(913)
- (Income tax paid)	-	9.152
- Dividends received	-	-
- (Use of reserves)	-	(9.152)
CASH FLOW FROM OPERATING ACTIVITIES [A]	**(9.962)**	**(245.179)**

DOMINION HOSTING HOLDING

B. CASH FLOW FROM INVESTING ACTIVITIES		
(Investments) in tangible assets	-	-
(Investments) in intangible assets	(5.962)	(1.547)
(Investments) in financial assets	(2.194.277)	(2.931.168)
(Investments) in non-capitalized financial assets	(9.231)	(2.490)
CASH FLOW FROM INVESTING ACTIVITIES [B]	**(2.209.470)**	**(2.935.205)**
C. CASH FLOW FROM FINANCING ACTIVITIES [C]		
Third party resources	-	-
Increase (decrease) current payables to bank	-	3.218
New loans	508.721	250.000
Loan repayments	-	-
Own resources	-	-
Paid capital increase	-	6.011.166
Treasury share sale (purchase)	-	-
(Dividends paid)	-	-
CASH FLOW FROM FINANCING ACTIVITIES [C]	**508.721**	**6.264.384**
INCREASE (DECREASE) IN LIQUIDITY [A]+[B]+[C]	**(1.710.711)**	**3.084.000**
LIQUID FUNDS AT THE BEGINNING OF THE PERIOD	3.149.732	65.732
LIQUID FUNDS AT THE END OF THE PERIOD	1.439.021	3.149.732

NET FINANCIAL POSITION AS AT 31 DECEMBER 2017

NET FINANCIAL POSITION OF DHH (ALL AMOUNTS ARE IN EURO)	31.12.2017	31.12.2016
A. Cash	-	-
B. Cash equivalents	(1.439.021)	(3.149.732)
C. Securities held for trading	-	-
D. LIQUIDITY (A)+(B)+(C)	**(1.439.021)**	**(3.149.732)**
E. Current financial receivables	(11.721)	(2.490)
F. Short-term bank liabilities	-	-
G. Current part of non-current borrowing	6.825	3.218
H. Other current financial liabilities	250.000	-
I. CURRENT FINANCIAL DEBT (F)+(G)+(H)	**256.825**	**3.218**
J. NET CURRENT FINANCIAL DEBT (I)-(E)-(D)	**(1.193.917)**	**(3.149.004)**
K. Non-current bank liabilities	-	-
L. Bond issued	-	-
M. Other non-current liabilities	505.114	250.000
N. NON-CURRENT FINANCIAL DEBT (K)+(L)+(M)	**505.114**	**250.000**
O. NET FINANCIAL DEBT (J)+(N)	**(688.803)**	**(2.899.004)**

DOMINION HOSTING HOLDING

STATEMENT OF CHANGES IN NET EQUITY

	VALUE AS AT 01.01.2016	OTHER VARIATIONS - INCREASE	OTHER VARIATIONS - DECREASE	FINANCIAL RESULT	VALUE AS AT 31.12.2016
Share Capital	10.000	132.000			142.000
Share premium reserves	840.000	5.870.766	(19.247)		6.691.519
Bonus Share		8.400			8.400
Year's profit (loss)	(19.247)		19.247	(11.875)	(11.875)
TOTAL	**830.753**	**6.011.166**		**(11.875)**	**6.830.044**

	VALUE AS AT 01.01.2017	OTHER VARIATIONS - INCREASE	OTHER VARIATIONS - DECREASE	FINANCIAL RESULT	VALUE AS AT 31.12.2017
Share Capital	142.000		-	-	142.000
Share premium reserves	6.691.519	(11.875)	-	-	6.679.644
Bonus share	8.400	-	-	-	8.400
Year's profit (loss)	(11.875)	11.875	-	9.881	9.881
TOTAL	**6.830.044**	**-**	**-**	**9.881**	**6.839.925**

EVALUATION CRITERIA

The main criteria for drawing up the interim financial statements are set out below.

INTANGIBLE ASSETS

Intangible assets are assets without a physical substance, they are recognised only if they are identifiable, controllable and they can be predicted to generate future economic benefits and their cost can be determined in an accurate way. Intangible assets with a defined life are evaluated at their purchase or production cost net of amortization and accumulated losses of value.

Amortization is variable, depending on the expected residual life and it starts when the activity is available for use. Useful life is re-examined yearly and any changes are made with prospective application.

Intangible assets with residual undefined life are not amortized but are subject annually or more often, if necessary, to checks to identify any value reduction (impairment test) even in the absence of value-loss indicators. Such check is run at the level of cash generating unit, to which the same immaterial asset is attributed.

INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE - GOODWILL

The goodwill, arising from the acquisition of a controlled company or other merger transactions, represents the positive excess of the acquisition cost compared to the percentage due to the Group of current values, fair value, assets, liabilities and potential liabilities identifiable at the acquisition date.

The goodwill is accounted for assets with residual indefinite life and is not amortized but annually subject – even in the absence of value-loss indicators or even more frequently if necessary- to checks to identify any value reduction (impairment test), as well as to verify the indefinite duration requirement. Value-losses are immediately recognised in the profit and loss statement and are not subsequently restored. After the initial recording the goodwill is evaluated at the cost net of any accumulated losses. In case of transfer of a controlled company the net value of the goodwill attributable to it is included in the determination of capital gain or capital loss arising from the transfer. For purposes of running the impairment test the goodwill is attributed to the cash generating units or CGU or CGU groups which are expected to benefit from the aggregation.

INTANGIBLE ASSETS WITH FINITE USEFUL LIFE – DEVELOPMENT COSTS

Development costs, essentially relevant to the development of new products are capitalized if and to the extent such costs may be determined in an accurate way, the generated activity is clearly identifiable and there is evidence their bearing will give rise to future economic benefits. In particular, for purpose of capitalization what matter is (i) the technical feasibility and (ii) the intention to complete the activity so as to make it sustainable for use or sale, (iii) the existence of adequate technical and financial resources to complete the development and (iv) the sale and reliability of cost evaluation with reference to activity during the development. Upon checking these conditions, costs are recognised within the assets of the balance sheet and amortized, at constant rates, since the beginning of commercial production of the product. Useful life is determined with reference to a prudent estimate of the relevant economic benefits and it is initially estimated at five years, depending on the features of the relevant product.

The development costs for which the above conditions are not met are recognised in the profit or loss statement when they are accrued and may not be capitalized in subsequent years.

INTANGIBLE ASSETS WITH FINITE USEFUL LIFE – OTHER IMMATERIAL ACTIVITIES

Other immaterial activities are recorded in the statement of financial position only to the extent it is likely the use of the activity will give rise to future economic benefits and the cost of the activity can be recorded in an accurate way. If such conditions are met immaterial activities are recorded at their purchase cost, corresponding to the price paid increased by side costs and, for goods contributed in kind, the values ascertained in the relevant deeds. Other immaterial activities due to the purchase of going concerns are recorded separately from the goodwill, if their fair value can be determined in a reliable way. The gross accounting value of other intangible activities with defined useful life is regularly spread across the financial years in which they are being used through the provision of constant amortization costs, with reference to the estimated useful life. Amortization starts when the activity is ready for use. For contributed activities amortization is determined on the basis of the useful residual life.

TANGIBLE ASSETS

Tangible assets are registered at their purchase or production or contribution cost, including any additional expenses necessary to make the asset ready for use. In case an extended time is necessary to make the asset ready for use the purchase or production cost includes the financial cost which theoretically could be avoided without an investment.

No revaluation has been made, including pursuant to specific laws. Said activities are specifically amortized on the basis of certain economical-technical parameters determined with reference to the theoretical usability of the goods. In case a tangible asset includes more than a significant element with a different useful life amortization is done for each component.

The amortizable value is represented by deducting book value from the net value of its residual life, if significant and if it can be reasonably ascertained. The amortization ratio applied to any unit is reviewed at least at closing of any financial year and, if there are significant changes in the expected consumption of the future economic benefits generated by an asset the ratio is modified to reflect this change as contemplated under IAS 8.

Gains and losses arising from transfers or dismissals of assets are determined as difference between the sale revenue and the net book value of the asset and recognised in the profit and loss statement. The costs relevant to renewals, changes and transformation which extend the useful life of an asset are capitalized. If there are events leading to a presumed reduction of the accounting value of material assets their recovery is controlled by comparing the book value with the recoverable value, represented by the higher between (i) fair value less disposal costs and (ii) current value.

PARTICIPATIONS

Participations in controlled companies are valued with the cost method. By applying such method, they are subject to impairment test with the rules set out under IAS 36 to the extent there is objective evidence of a loss of value of the participation due to one or more events occurred after the initial recognition having an impact on future cash flows of the participated company and dividends which it may distribute. Such objective evidence arises if there is a persistent negative trend. In such cases devaluation is determined as difference between the book value of the participation and its recoverable value, normally determined on the basis of the higher between use value, determined discounting future cash flows and fair value net of sale costs.

NON-CURRENT FINANCIAL ASSETS

Non-current financial assets are those which are non-derivative financial assets, which are classified as:

- Loans and receivables (L&R);
- Investments held to maturity (HTM)
- Financial assets at fair value recorded in the profit and loss statement and valued using the fair value method (FVTPL).

Fair value generally corresponds to the market value. If there is no active market value fair value is determined utilizing evaluation techniques e.g. the actualized future cash flow method at a market interest rate. Differences arising from such evaluations are recorded in a specific net worth reserve. The suspended evaluation effects of such reserve are recognised in the profit or loss statement at the time of disposal of the financial transaction leading to such disposal, realization of sale thereof. In case the loss of value is durable such amount is reclassified from equity to profit or loss.

CURRENT ASSETS

The drafting of the statement of cash flow, the statement of financial position and the profit or loss statement requires estimates and assumptions having an effect on the value of assets and liabilities and relevant report, as well as on contingent assets and liabilities at the reference date. Estimates and relevant assumptions are based on the preceding experiences of the Company and other factors deemed reasonable in the circumstances and have been adopted to determine the accounting value of assets and liabilities the value of which may not be easily discerned from other objective sources. The final results may therefore differ from such estimates. Estimates and assumptions are reviewed periodically and the effects of the relevant variations reflected in the profit or loss statement.

TRADE RECEIVABLES

Trade receivables are recorded at their fair value, corresponding generally to their nominal value, net of value-loss referred to sums which may not be collected, recorded in specific provisions for doubtful receivables. Receivables, with an expiry date that falls within the normal commercial terms, are not actualized. Receivables expressed in a currency other than Euro have been evaluated at the end of period currency registered by the European Central Bank.

CASH AND EQUIVALENT INSTRUMENTS

Cash and equivalent instruments are recorded at their nominal value and include the nominal value, i.e. those values having availability on demand and short term requirements, good outcome and absence of expenses for their collection.

TRADE PAYABLES

Trade payables are recorded at their nominal value which is normally approximated at the amortized cost. Payables expressed in a currency other than Euro have been evaluated at the end of period currency registered by the European Central Bank.

FINANCIAL LIABILITIES

Financial liabilities, other than derivative financial instruments, are recorded at the settlement date measured at fair value of liabilities, net of directly related transaction costs.

EMPLOYEES BENEFITS

Severance Indemnity Reserve (TFR), which is mandatory for Italian companies pursuant to art. 2120 of the Civil Code, is considered as deferred remuneration and is based on the years of service and on the salary earned by the employee during his service period. For benefits subject to actuarial valuation, liabilities relating to TFR must be calculated by projecting on a forward basis the amount already accrued at the time when the relationship between employer and employee is terminated and by subsequently proceeding with its time-discounting on the date of financial statement under the actuarial method "Projected Unit Credit Method". Such actuarial method is based on demographic and financial assumptions to reasonably estimate of the amount of benefits that each employee has already accrued as result of his employee service.

Through actuarial valuation the current service cost, which represents the amount of rights matured by employee at reporting date, is recorded in the profit or loss statements. Among financial (Gain)/Losses is also recorded the interest cost which represents the figurative expenditure that the company would bear by securing a market loan for an amount corresponding to TFR. The actuarial gain and losses resulting from changes in the actuarial assumptions adopted are directly recorded in the balance sheet.

RECOGNITION OF REVENUES

Revenues are recorded - according to territorial competence principle - when the Group is likely to benefit from future economic benefits and such benefits may be reliably determined. In particular, revenues from sales and services are recorded when the transfer of all the risks and benefits arising from the passage of title takes place or upon execution of a service. Revenues are recorded net of discounts, allowances, settlement discounts and rebates.

EXPENSES

Expenses are recorded when they are incurred, in accordance with the principle of matching expenses and revenues that directly and jointly derive from the same transactions or events. Expenses which may not be associated with revenues are immediately recorded in the profit or loss statement. Value losses are recorded in the profit or loss statement of the financial year in which such value losses occurred.

FINANCIAL INCOME AND EXPENSES

Financial income and expenses are considered on an accrual basis, recorded interest matured on the net value of the relevant financial assets and liabilities using the effective interest rate.

TAXES

Current and deferred taxes are recognised in the profit or loss statement if not related to the transactions directly recorded in the net equity. Income taxes are determined on the basis of taxable income for the period in accordance with laws. The "deferred tax liabilities" and the "receivables for advanced taxes" are calculated – in accordance with IAS 12 – on the temporary differences between the fiscal value of an asset or liability and its balance sheet value, to the extent likely that – in the foreseeable feature – such differences will disappear. The amount of the "deferred tax liabilities" as well as the "receivables for deferred tax" is determined on the basis of the tax rate which – according to the tax regulations in force on the accounting entry reference date – will apply at the time when the tax asset will be realized or the tax liabilities will be due. The recognition of deferred tax assets is made when their recovery is probable. Receivables for advanced taxes and deferred tax liabilities are offset whenever such compensation is allowed by law.

ESTIMATES AND VALUATIONS

The preparation of the consolidated financial statement and related notes require estimates and assumptions affecting the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the end of the reporting period. The final results may differ from such estimates.

In particular, estimates are used to made the impairment tests, as well as to record the amortization and depreciation, the impairment of assets, the provisions for risks. Estimates and assumptions are periodically reviewed and the effects of any variation are periodically recognised in the profit or loss statement.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 INVESTMENTS

This item amounts to 5.313.720 EUR, with an increase of 2.227.887 EUR as compared to the value as at 31.12.2016, because of the inclusion of new companies: DHH Switzerland, DHH Italia S.r.l., DHH SRB d.o.o. and DHH d.o.o. About the acquisition of DHH Switzerland, there is a difference between the purchase cost and the paid amount and it is equal to Euro 70.000. It will be paid when determinated conditions occurr.

SHAREHOLDINGS IN SUBSIDIARIES	VALUES IN EURO
TOPHOST S.r.l.	1.232.929
DHH. SI d.o.o. (previously KLARO d.o.o.)	1.852.904
DHH SWITZERLAND SA (previously Bee Bee Web SA)	545.442
DHH ITALIA S.r.l.	12.224
DHH SRB d.o.o. (previously Plus Hosting d.o.o)	1.346
DHH d.o.o. (previously Plus HR d.o.o.)	1.668.874
TOTAL	**5.313.720**

The shareholdings in subsidiaries are valued at cost. By applying this method, they are subjected to impairment testing following the IAS 36 rules if, and only if, there is an objective evidence of the shareholding's value loss due to one or more events occurred after its initial subscription that impact on the subsidiary's future cash flows and on the dividends that the same subsidiary may distribute. Such objective evidence exists in case of a persistent negative performance of the subsidiary. In these cases, the write-down is equal to the difference between the shareholding's carrying value and its recoverable amount, which is normally determined on the basis of the value in use quantified by discounting future cash flows and the fair value net of selling costs, whichever is the higher. The impairment test has been carried out considering the most recent economic-financial forecasts for future financial years, as resulting from the budget data developed by the Group's Management, and making projections of such data.

The evaluations made revealed no need for a write-down of the carrying amounts of the investments.

NOTE 2 INTANGIBLE FIXED ASSETS

Intangible fixed assets is equal to 6.376 EUR as at 31.12.2017. The increase is related to the upgrading of TMP software throught the inclusion of some new modules and to DHH SpA trademark registration.

The following table provides a breakdown of movements regarding intangible fixed assets occurred in the 2017 financial year:

INTANGIBLE ASSETS	SOFTWARE LICENSES

VALUE AT 01.01.2017	**1.547**
Investments	5.962
Disinvestments and other movements	-
COST AT 31.12.2017	**7.509**

ACCUMULATED AMORTIZATION AT 01.01.2017	**309**
Amortization 2017	823
Disinvestments and other movements	-
ACCUMULATED AMORTIZATION AT 31.12.2017	**1.132**
NET BOOK VALUE	
At January 1, 2017	1.238
At December 31, 2017	6.376

NOTE 3 NON-CURRENT FINANCIAL ASSETS

This item is equal to 566.390 EUR as at December 31, 2017 and it is made up as follows:

MEDIUM-LONG TERM LOANS	AMOUNT
Loan in favour of DHH.SI d.o.o. - Slovenia	1.390
Loan in favour of DHH d.o.o. – Croatia	315.000
Loan in favour of DHH Italia - Italy	250.000
TOTAL	**566.390**

About the financial loan in favour of DHH.si, the amount 1.390 EUR refers to the interest accrued in 2016 but hasn't yet been paid.

NOTE 4 DEFERRED-TAX ASSETS

Deferred-tax assets are equal to 6.580 EUR and they are referred exclusively to deferred taxes calculated with regard to temporary differences between the value of assets and liabilities used for the drafting of the financial statements according to international accounting principles and the respective values relevant for tax purposes. The management has been assessed the recoverability of that amont in next years according with the business plan of the entity.

NOTE 5 TRADE RECEIVABLES

Trade receivables are equal to 195.608 EUR as at 31.12.2017, with an increase of 51.905 EUR compared to 31.12.2016. The increase is in most part referred to the amount of cost sharing. The table below includes the breakdown by geographic region of trade receivables:

GEOGRAPHY	AMOUNT AS AT 31.12.2017	AMOUNT AS AT 31.12.2016
Italy	49.361	50.374
EU countries	131.564	93.329
Non-EU countries	14.683	-
TOTAL GROSS TRADE RECEIVABLES	**195.608**	**143.703**

NOTE 6 CURRENT FINANCIAL ASSETS

Current financial assets amount to 11.721 EUR as at 31.12.2017, with an increase compared to 2016. They are made up solely of the interests accrued during the financial year and payable in the subsequent financial year, over the loans granted in favour of DHH.SI d.o.o., DHH d.o.o. Croatia and DHH Italia Srl.

NOTE 7 TAX RECEIVABLES

Tax receivables are equal to 134.650 EUR as at December 31, 2017, with an increase of 20.210 EUR as compared to 2016, and are made up as follows:

CATEGORY	AMOUNT AS AT 31.12.2017	AMOUNT AS AT 31.12.2016
VAT	134.647	114.448
Deductions on active interests	3	2
TOTAL	**134.650**	**114.440**

The increase is mainly attributable to the VAT receivable accrued during the 2017 financial year.

NOTE 8 CASH AND CASH EQUIVALENTS

This item is equal to 1.439.021 EUR, with a decrease of 1.710.711 EUR as compared to 2016, and it is made up exclusively of cash equivalents available as at 31.12.2017 on bank deposits in the name of the company.

The decrease occurred during the financial year is essentially attributable to new investments and new loans in favour of the subsidiaries.

NOTE 9 PREPAID AND ACCRUED EXPENSES

Prepaid and accrued expenses are equal to 18.162 EUR as at 31.12.2017 with an increase of 1.146 EUR as compared to 2016.

NOTE 10-11-12 NET EQUITY

The Net equity as at December 31, 2017 is made up as follows:

SHARE CAPITAL

The share capital is fully paid and – as at December 31, 2017 – is made up of 1.420.000 ordinary shares without nominal value, with an accounting par value of Euro 0,10 each.

RESERVES

Reserves is equal to 6.688.044 EUR. In particular, the amount is divided in:

- Share Premium Reserves 6.679.644 EUR
- Bonus Share Reserve 8.400 EUR

In particular, the changes occurred can be summarized as follows:

	VALUE AS AT 01.01.2017	OTHER VARIATIONS - INCREASE	OTHER VARIATIONS - DECREASE	FINANCIAL RESULT	VALUE AS AT 31.12.2017
Share Capital	142.000		-	-	142.000
Share premium reserves	6.691.519	(11.875)	-	-	6.679.644
Bonus share	8.400	-	-	-	8.400
Retained earnings (accumulated losses)	-	-	-	-	-
Year's profit (loss)	(11.875)	11.875		9.881	9.881
TOTAL	**6.830.044**	**-**		**9.881**	**6.839.925**

NOTE 13 NON-CURRENT FINANCIAL PAYABLES

They are equal to zero, the amount 250.000 EUR as at 31.12.2016 related to the loan granted by the subsidiary Tophost Srl, now it is recognized in current financial payables because of its maturity in June 2018.

NOTE 14 OTHER NOT-CURRENT LIABILITIES

The item is equal to 505.114 EUR and it is related to the purchase of DHH doo from DHH.si doo by the way of group reorganization.

NOTE 15 TRADE PAYABLES

Trade payables are equal to 59.837 EUR as at 31.12.2017, with an increase of 38.425 EUR as compared to 31.12.2016. The table below includes the breakdown by geographic region of trade payables:

TRADE PAYABLES	31.12.2017	31.12.2016
Italy	43.496	21.412
EU countries	6.924	-

Non-EU countries	9.417	-
TOTAL PAYABLES	**59.837**	**21.412**

NOTE 16 OTHER CURRENT LIABILITIES

Other current liabilities are equal to 22.920 EUR as at 31.12.2017, with a decrease of 7.953 EUR. This item records the payables towards directors and auditors for the remunerations accrued by them and not cleared during the financial year and other current liabilities as payroll and social security contributions.

NOTE 17 CURRENT FINANCIAL LIABILITIES

Current financial payables are equal to 256.825 EUR and are made up of 250.000 related to the loan granted by Tophost and 6.825 as payable towards the subsidiary Tophost S.r.l. for loan interests, as said above.

NOTE 18 TAX PAYABLES

Tax payables are equal to 7.543 EUR as at 31.12.2017, with an increase of 3.580 EUR compared to 2016. Such item only records payable towards the tax authorities for withholding taxes made.

NOTE 19 ACCRUED LIABILITIES AND DEFFERED INCOME

Accrued liabilities and deferred income are equal to 65 EUR as at 31 December 2017.

NOTE 20 REVENUES

Revenues deriving from sell and performance are equal to 333.318 EUR as at 31 December 2017, with an increase of 194.122 EUR compared to 31 December 2016. The increase is functional to the recharge of costs for services rendered by the parent company to subsidiaries.

NOTE 21 SERVICE COSTS AND USE OF THIRD PARTY ASSETS

Service costs are equal to 322.259 EUR as at 31 December 2017, with an increase of 166.135 EUR compared to 2016 and they are made up as follows:

SERVICE COSTS	31.12.2017	31.12.2016
Wholesale costs	24.732	4.576
Commercial and marketing expenses	11.311	10.900
Professional services	286.216	140.648
TOTAL	**322.259**	**156.124**

NOTE 22 OTHER OPERATING COSTS

Other operating costs are equal to 2.566 EUR as at 31 December 2017, with a decrease of 512 EUR compared to 31 December 2016.

NOTE 23 AMORTIZATIONS AND IMPAIRMENT

Amortizations and impairment are equal to 823 EUR as at 31 December 2017, with an increase of 514 EUR compared to 31 December 2016, and only records the amortization rate for the period relating to software and DHH SpA trademark.

NOTE 24 FINANCIAL INCOMES (EXPENSES)

On 31 December 2017 net financial incomes are equal to 4.784 EUR. Financial income and expense are accrued on the loan agreement between direct company and indirect company.

The financial incomes (expenses) are specified below:

FINANCIAL INCOMES	31.12.2017	31.12.2016
Bank and postal interest income	17	8
Loans' interest income	11.721	2.490
TOTAL	**11.738**	**2.498**
FINANCIAL EXPENSES	31.12.2017	31.12.2016
Loans interests expenses	6.825	3.218
Other financial expenses	129	193
TOTAL	**6.954**	**3.411**

NOTE 25 INCOME TAXES

Income taxes are equal to 2.572 EUR and only records advanced taxes calculated in connection with the temporary differences arising between the values of the assets and liabilities recorded for the purpose of drawing up the financial statements according to international accounting principles and corresponding tax value reported in the tax returns.

In particular, the same result from the difference between the development costs in 2015 and 2016, expensed under IAS and recoverable in five years for tax purposes and according to statutory financial statements prepared in accordance with Italian GAAP.

No recording of deferred tax assets for tax losses carried forward was carried out, since at the moment there DHH separate provide holding services and there is no reasonable certainty of generating taxable incomes over the following financial years.

NOTE 26 EARNINGS PER SHARE

The number of share for calculation are the same described in the note 35 of Consolidated Financial Statements.

RECONCILIATION BETWEEN NET EQUITY AND THE RESULTS FOR THE PERIOD:

A statement of reconciliation between the individual financial statements drawn up according to national accounting principles and financial statements drawn up according to IAS principles for the purpose of consolidation is illustrated below:

	SHARE CAPITAL	RESERVES	YEAR'S RESULTS	TOTAL OF NET EQUITY
NET EQUITY ITALIAN GAAP	**142.000**	**6.717.025**	**1.738**	**6.860.763**
Removal of intangible assets		(38.133)	10.716	(27.417)
Advanced taxes IAS		9.152	(2.572)	6.580
NET EQUITY IAS	**142.000**	**6.688.044**	**9.881**	**6.839.925**

COMPENSATION OF THE STATUTORY AUDITOR AND AUDITOR FIRM

The compensation paid for the auditor firm is equal to 15.000 EUR for auditing activities and 16.930 EUR for other activities. The compensation for statutory auditor is equal to 16.380 EUR.

RELATED PARTIES' TRANSACTIONS

	RELATED PARTIES	RECEIVABLES	PAYABLES	COSTS	REVENUES
1	Seeweb s.r.l.		7.906	25.717	
2	Antonio Domenico Baldassarra		737	1.500	
3	Giandomenico Sica		19.666	95.100	
4	Uros Čimžar		1.025	1.500	
5	Matija Jekovec		1.025	14.594	
	TOTAL		**30.358**	**138.411**	

Costs and payables relating Board of Directors (Mr. Sica, Mr. Baldassarra, Mr. Čimžar and Mr. Jekovec) are of Euro 500,00 for each Board meeting in which each director will take part in 2017.

Costs and payables relating to counterparts Mr. Sica, relate to the contract signed with Grafoventures by Giandomenico Sica are related for professional strategic services; The total amount for the year is agreed for Euro 90.000,00 plus VAT and any legal charges.

During 2017 DHH S.p.A. has been confirmed "PMI Innovativa" in the related section of the company registrer in Milan. With reference to the information required by art. 4 of DL 24 January 2015, no. 3 relating to research, development and innovation costs, it should be noted that during the financial year the company has incurred:

- costs equal to 5.000,00 EUR relating to the performances carried out by VALUE TRACK S.r.l. for the precompetitive development of the company;
- costs equal to 3.610,00 EUR relating to the upgrading of TMP software throught the inclusion of some new modules;
- costs equal to 2.352,00 EUR relating to the research and "DHH" trademark registration.

Such costs are over than 3% of the higher value between total cost and value of manufacturing.

Milan, 28 March 2018

The Chairman of the Board of Directors

Giandomenico Sica