



# CONSOLIDATED AND SEPARATE REPORT AS AT 31 DECEMBER 2018

Financial Statement prepared in accordance with IAS/IFRS principles\*

- All amounts are in Euro -

**DHH - Dominion Hosting Holding S.p.A.**

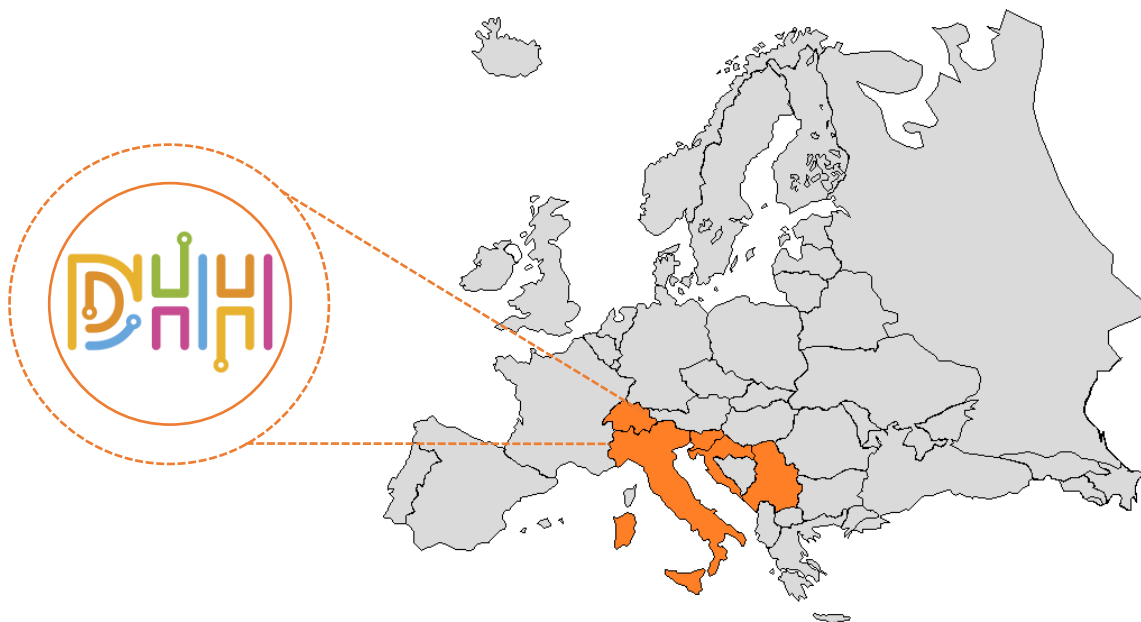
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(\*) These consolidated financial statements, making use of the option provided by art. 19, Part I, of the Issuers Regulation AIM Italy, have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International 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 a technology group striving to be the leading investor with the goal of creating the “Internet Platform of the Emerging Digital Economies”.

Established in July 2015, DHH started paving the way in becoming the leading group of tech-entrepreneurs spanning the Web Hosting, SaaS and Cloud Computing industries in markets where the Internet penetration is still in a “beginner” phase, starting from Italy and western Balkans and determined to establish a global footprint.

## CORE BUSINESS AND BUSINESS MODEL

Through its subsidiaries currently spanning five countries, DHH is proudly serving over 100 thousand customers offering solutions that mainly fall into following three segments: web hosting, domain name registration and cloud computing (Infrastructure-as-a-service). New “verticals” in basic web services / cloud computing space is expected to be added in the future.

Most of the above-mentioned services are being supplied on a one-to-many, subscription based business model, generating recurring revenue from contracted customers that are charged in advance for their subscriptions.

## MAIN FEATURES

Nine businesses 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 (FY17 Revenues +34% YoY, FY18 +11% YoY) with a well-balanced financial structure, (positive net cash position of €2.60mn as of End-of-December 2018) 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 controlling seven “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

We founded DHH on the belief that web hosting and cloud computing industries in the emerging digital economies present one of the most attractive opportunities today. Our target industries and geographies are characterised by robust growth rate expected to continue in the future and availability of talent struggling to attract recognition.

Reference market is rapidly growing and evolving, highlighting:

- In 2017, the global market for web hosting reached a valuation of USD 32.14 Bn and is projected to expand at 15.9% CAGR between 2018 and 2023. (Source: Market Research Future, August 2018)
- The global cloud computing market size is expected to grow from USD 272.0 billion in 2018 to USD 623.3 billion by 2023, at a Compound Annual Growth Rate (CAGR) of 18.0% during the forecast period. Increased automation and agility, need for delivering enhanced customer experience, and increased cost savings and return on investment are major growth factors for the cloud computing market. (Source: MarketsandMarkets Research)
- Key driver of cloud computing market size growth is the cloud system infrastructure services segment (IaaS) projected to grow at a CAGR of 21.7% between 2017 and 2021 (Source: Statista)
- Growing global Internet user base passes the 4 billion mark (Source: Wearesocial) meaning that more than half of the world’s population now uses internet.
- IDC predicts that the collective sum of the world’s data will grow from 33 zettabytes this year to a 175ZB by 2025, for a compounded annual growth rate of 61 percent. 49 percent of data will be stored in public cloud environments. (Source: International Data Corporation)

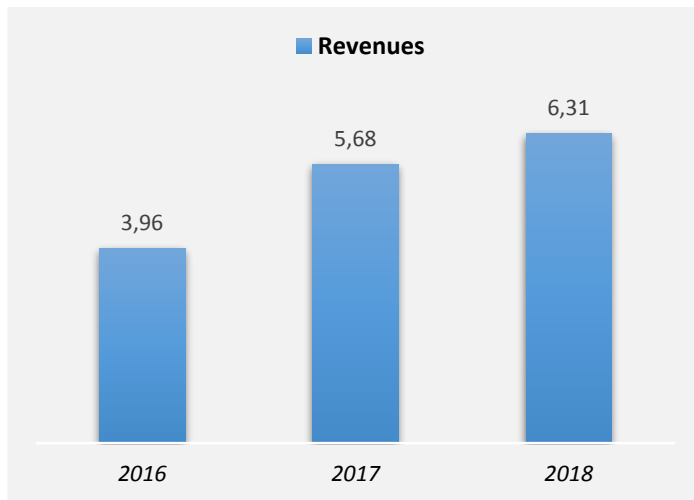
# GROWTH STRATEGY

To capitalize on aforementioned market opportunity, we formulated a strategy that allows us to simultaneously gain expansion, achieve consolidation and foster innovation.

We are aiming to exploit positive net cash position aimed at:

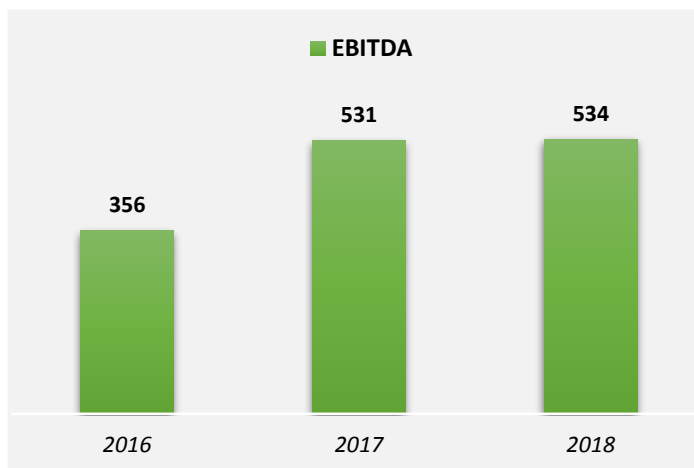
- Expanding to new geographies by acquiring top local web hosting and cloud computing players in its respective markets. Our preference goes to cash generating businesses with predictable growth, significant market share and a dedicated management team.
- Consolidating existing markets where we already have a platform company. We are looking for add-on acquisitions with the objective of increasing platform's market share.
- Innovating by supporting smaller passionate teams with compelling and useful ideas, proven traction, and bold ambition. We prefer minority equity investments in companies with under 500k in turnover and over 50% in annual revenue growth, not strictly but closely related to our existing businesses.
- 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.

# FINANCIAL HIGHLIGHTS



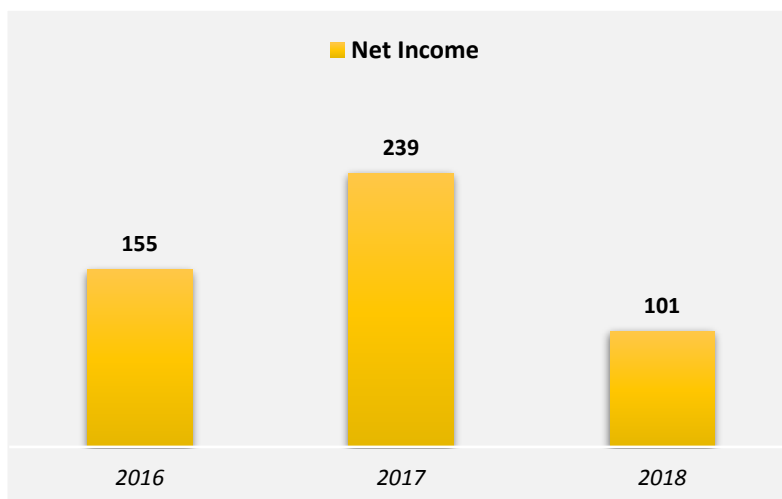
Consolidated  
**REVENUES**

equal to  
**6,31M EUR**  
**+11%\***



Consolidated  
**EBITDA**

equal to  
**534k EUR**  
**+0,6%\***

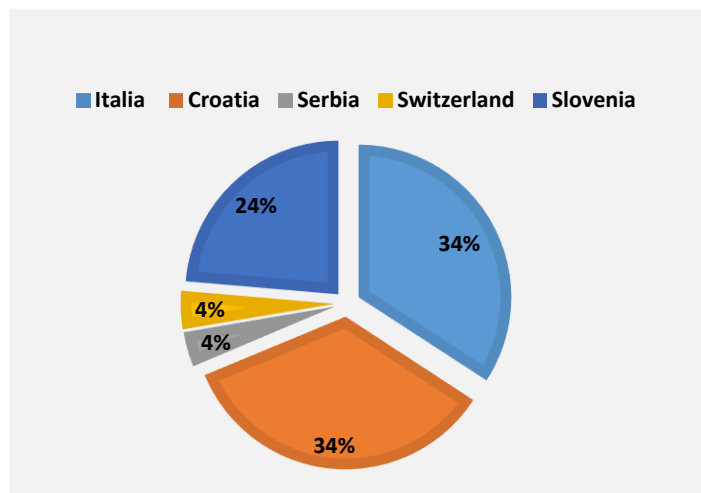


Consolidated  
**NET INCOME**


equal to  
**101k EUR**  
**-58%\***


*\*The change is calculated on the previous year (2017)*


# FINANCIAL HIGHLIGHTS




Revenues are approx.:

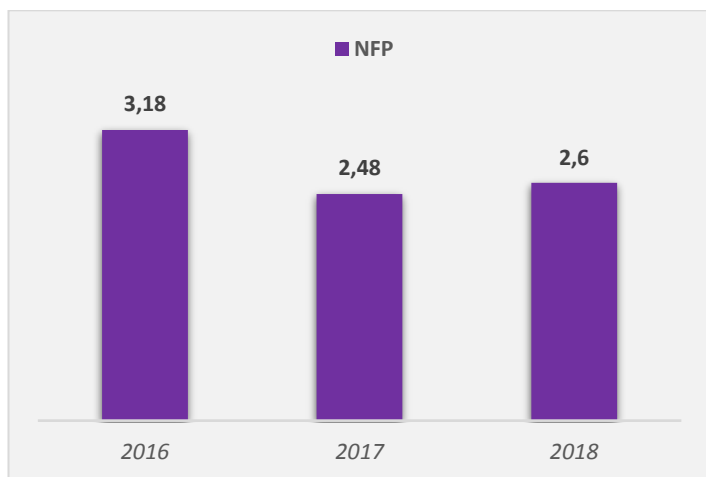
 2,04M EUR in Italy (Tophost and DHH Italia)

 1,41M EUR in Slovenia (DHH.si)

 2,06M EUR in Croatia (DHH, InfoNet, HostingIT and System Bee)

 216k EUR in Serbia (DHH SRB and mCloud)

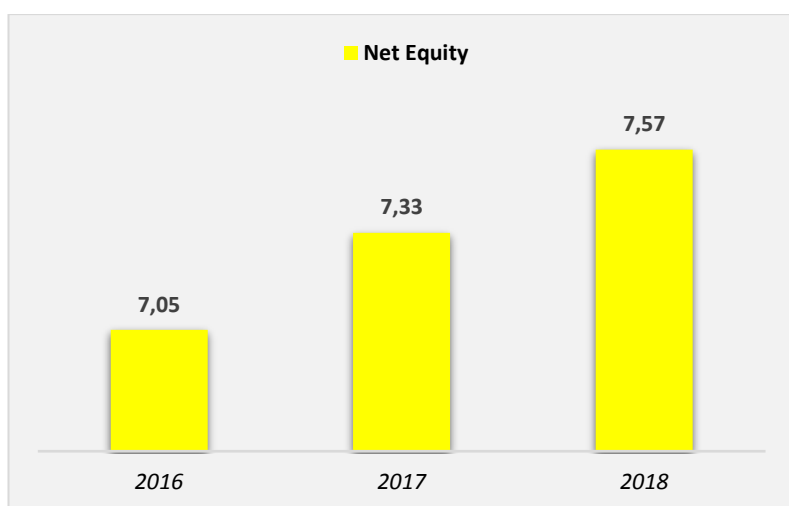
 238k EUR in Switzerland (DHH SWZ)



Consolidated  
**NET FINANCIAL  
POSITION**

equal to  
**2,60M EUR**

**+5%\***



Consolidated  
**NET EQUITY**

equal to  
**7,57M EUR**

**+3,2%\***

\* The change is calculated on the previous period (2017). NPF presented is positive.

# KEY FINANCIAL DATA

## Profit & Loss Statement

The reclassified Profit or Loss Statement of the Group as at December 31, 2018 is provided below:

<b>RECLASSIFIED CONSOLIDATED PROFIT AND LOSS STATEMENT</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
<small>(ALL AMOUNTS ARE IN EURO)</small>		
Revenues	6.306.941	5.676.037
Operating costs	(3.956.595)	(3.412.788)
<b>VALUE ADDED</b>	<b>2.350.346</b>	<b>2.263.249</b>
Personnel costs	(1.816.287)	(1.732.443)
<b>GROSS OPERATING MARGIN (EBITDA)</b>	<b>534.059</b>	<b>530.806</b>
Amortization and impairment	(361.420)	(180.618)
<b>EBIT</b>	<b>172.639</b>	<b>350.188</b>
Other non-operating income/expense	1.337	(1.346)
Financial income and expenses	(20.781)	(29.451)
<b>EARNINGS BEFORE TAXES (EBT)</b>	<b>153.195</b>	<b>319.391</b>
Income taxes	(51.807)	(80.433)
<b>NET RESULT</b>	<b>101.388</b>	<b>238.958</b>
<b>OF WHICH</b>		
Relating to the shareholders of the Group	102.796	245.472
Relating to the third party shareholders	(1.408)	(6.514)

During the financial year ended 31 December 2018 the total consolidated revenues of the Group are equal to **6,31M EUR**.

The Group is focused on web hosting services as a core business line and its revenues are approx. 2,04M EUR in Italy (Tophost and DHH Italia), 1.41M EUR in Slovenia (DHH.si), 216k EUR in Serbia (DHH SRB and mCloud) and 238k EUR in Switzerland (DHH SWZ), 2.06M EUR in Croatia (DHH, InfoNet, HostingIT and System Bee; during 2018 there was a merge between DHH, InfoNet, HostingIT and a subsequent company split, remaining companies are DHH d.o.o. and System Bee d.o.o. )

In the consolidated Profit & Loss statement results related to mCloud doo are accounted only pro-quota starting from the date of acquisition (October 2018) according IFRS 10.

The consolidated EBITDA amounts to **534k EUR**.

Comparing consolidated EBITDA as at 31 December 2018 to consolidated EBITDA as at 31 December 2017, there is a positive difference of **4k EUR**.

# MAIN BALANCE SHEET DATA

The reclassified balance sheet of the Group as at 31 December, 2018 is provided below:

<b>RECLASSIFIED CONSOLIDATED BALANCE SHEET</b> (ALL AMOUNTS ARE IN EURO)	<b>31.12.2018</b>	<b>31.12.2017</b>
Trade Receivables	552.581	440.747
Trade Payables	(379.345)	(440.610)
<b>OPERATING NET WORKING CAPITAL</b>	<b>173.236</b>	<b>137</b>
Other current receivables	239.124	245.154
Prepaid expenses and accrued income	465.721	424.515
Other current liabilities	(201.305)	(319.444)
Accrued liabilities and deferred income	(1.756.541)	(1.597.189)
Taxes payables	(92.318)	(121.724)
<b>NET WORKING CAPITAL *</b>	<b>(1.172.085)</b>	<b>(1.368.551)</b>
Goodwill	5.468.645	5.462.952
Tangible fixed assets	304.061	350.722
Intangible fixed assets	375.879	436.128
Non current financial assets	6.409	6.166
Other non current assets	1.364	2.457
Deferred tax assets	15.086	8.161
<b>FIXED ASSETS</b>	<b>6.047.518</b>	<b>6.266.586</b>
Employee benefits fund	(15.233)	(11.792)
Provisions for risks and future liabilities	-	(10.255)
Liabilities for deferred taxes	(17.396)	(24.013)
<b>NET NON CURRENT LIABILITIES</b>	<b>(32.629)</b>	<b>(46.060)</b>
<b>NET INVESTED CAPITAL **</b>	<b>4.966.731</b>	<b>4.851.975</b>
NET EQUITY OF THE GROUP	7.525.216	7.324.855
NET EQUITY TO THE THIRD PARTY SHAREHOLDERS	45.989	8.467
<b>TOTAL NET EQUITY</b>	<b>7.571.206</b>	<b>7.333.322</b>
Cash equivalents	(2.699.540)	(2.614.511)
Current financial assets	-	(0)
Non current financial liabilities	-	8.930
Current financial liabilities	95.066	124.234
<b>NET FINANCIAL POSITION ***</b>	<b>(2.604.474)</b>	<b>(2.481.347)</b>
<b>NET EQUITY AND NET FINANCIAL DEBT</b>	<b>4.966.731</b>	<b>4.851.975</b>

(\*) 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, 2018 is provided below:

<b>CONSOLIDATED NET FINANCIAL POSITION<sup>1</sup></b>	<b>31.12.2018</b>	<b>31.12.2017</b>
<b>(ALL AMOUNTS ARE IN EURO)</b>		
A. Cash	(234)	(1.319)
B. Cash equivalents	(2.699.306)	(2.613.192)
C. Securities held for trading	-	-
<b>D. LIQUIDITY (A)+(B)+(C)</b>	<b>(2.699.540)</b>	<b>(2.614.511)</b>
E. Current financial Receivables	-	(0)
F. Short-term bank liabilities	95.066	124.234
G. Current part of non-current borrowing	-	-
H. Other current financial liabilities	-	-
<b>I. CURRENT FINANCIAL DEBT (F)+(G)+(H)</b>	<b>95.066</b>	<b>124.234</b>
<b>J. NET CURRENT FINANCIAL DEBT (I)+(E)+(D)</b>	<b>(2.604.474)</b>	<b>(2.490.277)</b>
K. Non-current bank liabilities	-	8.930
L. Bonds issued	-	-
M. Other non-current liabilities	-	-
<b>N. NON-CURRENT FINANCIAL DEBT (K)+(L)+(M)</b>	<b>-</b>	<b>8.930</b>
<b>O. NET FINANCIAL DEBT (J)+(N)</b>	<b>(2.604.474)</b>	<b>(2.481.347)</b>

<sup>1</sup> 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).

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## DOMINION HOSTING HOLDING S.P.A.

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# CORPORATE BODIES

## BOARD OF DIRECTORS

Executive Chairman: **GIANDOMENICO SICA**

Managing Director: **MATIJA JEKOVEC**

Managing Director: **UROS ČIMŽAR**

Director: **ANTONIO DOMENICO BALDASSARRA**

Independent 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.



SLOVENIJA

## 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. Now it includes Infonet d.o.o. and Hosting IT d.o.o., previously DHH's subsidiaries.



## DHH SRB D.O.O. (SERBIA)

100% controlled by mCloud d.o.o. – 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.



## 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.



## sysbee SYSTEM BEE D.O.O. (CROATIA)

100% controlled by DHH S.p.A., a new company established by the spin-off of DHH d.o.o. in May 2018 - engaged in the business of web hosting and IT solutions. Sysbee is a group of system engineers and infrastructure architects dedicated to bringing DevOps culture to small and medium-sized enterprises, with over 15 years of experience in the field of cloud and web services hosting.



## MICLOUD D.O.O. (SERBIA)

62% controlled by DHH S.p.A, a cloud computing provider based in Serbia, MCloud started its operation in March 2018 and it doesn't have official historical data. Even if it can be considered as a startup, mCloud has solid traction in place, with a double-digit growth rate on bookings.

# BOARD OF DIRECTORS REPORT

## SECTION A: SIGNIFICANT EVENTS

As a general remark during 2018 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:

### **2<sup>ND</sup> JANUARY 2018**

DHH announces the change of the official domain of its corporate website: from [www.dominion.it](http://www.dominion.it) to [www.dhh.international](http://www.dhh.international).

[www.dhh.international](http://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.

### **5<sup>TH</sup> FEBRUARY 2018**

DHH announces that the merger of Hosting IT j.d.o.o./Infonet d.o.o. (two subsidiaries of DHH in Croatia) was completed.

### **20<sup>TH</sup> MARCH 2018**

DHH announces that it has entered a Joint Venture Agreement along with Seeweb, a company that is providing cloud computing and datacenter services globally. The companies have entered the agreement with the joint aim of collaboration on the project entitled "CloudSeed – Startup Turnaround." The project looks into supporting and investing in the start-up businesses that position themselves in the web hosting, SaaS and cloud computing industry.

### **30<sup>TH</sup> MARCH 2018**

DHH announces the launch of SYSBEE, a startup focused on managed hosting and led by Zvonimir Gembec, former founder and CEO of Plus Hosting, one of the veterans of the internet field in the Balkans.

### **17<sup>TH</sup> APRIL 2018**

DHH announces that the merger of Infonet d.o.o./DHH d.o.o. (two subsidiaries of DHH in Croatia) was completed.

### **16<sup>TH</sup> MAY 2018**

DHH announces that the spin off of DHH d.o.o. to establish a new company System bee d.o.o. was completed.

## **25<sup>TH</sup> MAY 2018**

The new GDPR regulation, the most important change in data privacy regulation in last 20 years comes into force requiring all our businesses to adapt and implement the new compliance procedures.

## **5<sup>TH</sup> JULY 2018**

The Board of Directors of DHH S.p.A. announces that Zvonimir Gembec, current CEO of System Bee D.o.o. ("Sysbee") became a shareholder of System Bee, which was previously 100% owned by DHH S.p.A.

Zvonimir Gembec entered into the ownership structure of System Bee, subscribing (cash contribution) a dedicated capital increase of approx. 116.000 EUR, thus gaining 20% of the ownership of the company.

## **16<sup>TH</sup> OCTOBER 2018**

DHH acquires mCloud and enters in the cloud computing market.

In particular, DHH completed the acquisition of the 62% of the company for a total value of 195.000 EUR, with the option to buy the other 38% in 2 years, after the approval of the financial statements 2020. In parallel, DHH sold its fully owned Serbian company – DHH SRB d.o.o. Novi Sad – to mCloud at book value, with the goal of consolidating its presence in Serbia under a single company. mCloud started its operation in March 2018 and it doesn't have official historical data. The valuation has been made on the historical data shared by the management team of mCloud and verified by DHH during the due diligence process.

## **MAINTAINED "PMI INNOVATIVA"**

During 2018 DHH S.p.A. has been confirmed "PMI Innovativa" in the related section of the company registrar 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.

## 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, 2018 taken from the year's Financial statements:

	PARTY	NATURE OF RELATIONSHIP	RECEIVABLES	PAYABLES	COSTS	REVENUES
1	Seeweb s.r.l.	Shareholder of DHH	30.807	133.442	1.046.434	67.447
2	Antonio Domenico Baldassarra	Director of DHH	0	1.224	2.500	-
3	Giandomenico Sica	Director of DHH	0	37.350	92.500	-
4	Uros Čimžar	Director of DHH	0	4.799	74.455	-
5	Matija Jekovec	Director of DHH	0	5.278	83.675	-
6	Petra Kotlušek	Wife of 4)	-	1.266	21.743	-
	<b>TOTAL</b>		<b>30.807</b>	<b>183.359</b>	<b>1.321.308</b>	<b>67.447</b>

Additional relationships with associated parties are entertained with subsidiaries of the DHH group 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 2018.

Cost and payables relate to Mr. Čimžar Mr. Jekovec and Mrs Kotlušek are associated with their position as employees of DHH.si doo.

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 EUR 90.000,00 plus VAT and any legal charges.

## SECTION D: LABOUR & ENVIRONMENT

The Group employed 75 people as of 31.12.2018 compared to 73 the previous period. 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.

## 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	31.12.2018	31.12.2017	VAR	%
Total Assets	10.128.411	9.991.512	12.357	1%
Total Equity	7.571.206	7.333.322	126.583	3%
	31.12.2018	31.12.2017		
Net sales	5.969.739	5.289.151	680.587	13%
Gross Margin	2.679.303	2.451.662	227.641	9%
EBT	153.195	319.391	(200.095)	-52%
<b>NET PROFIT</b>	<b>101.388</b>	<b>238.958</b>	<b>(158.842)</b>	<b>-58%</b>

### 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	31.12.2018	31.12.2017	
Fixed Assets Ratio	61%	63%	This ratio shows the ratio of fixed assets to total assets
Total Fixed Assets to Equity Ratio	82%	85%	This ratio shows the capital structure of the Group
Total Liabilities to Liabilities and equity ratio	25%	27%	Debt percentage ratio
Total equity to total liabilities and equity	75%	73%	Debt percentage ratio
Debt to Equity ratio	1%	2%	The percentage of debt to equity
Working Capital ratio	1,57	1,43	This ratio shows how many times the current assets cover the current liabilities
	31.12.2018	31.12.2017	

Assets return ratio	2%	4%	Net profit after tax as a percentage of the equity
Ebitda margin	9%	10%	Ebitda as a percentage of sales
Net profit margin	2%	5%	Net profit as a percentage of sales

## SECTION F: SIGNIFICANT EVENTS BETWEEN END OF YEAR 2018 AND PUBLISHING OF THIS REPORT

### **3<sup>RD</sup> JANUARY 2019**

DHH announces a change of shareholders, accordingly to article 17 – Rules for Companies. Seeweb Srl, in the framework of an internal reorganization activity, transferred its 360.000 shares of DHH (equal to the 25,352% of the social capital of DHH) to Seeweb Holding Srl.

The shareholding structure of Seeweb Srl and Seeweb Holding Srl is the same and in both cases, the majority owner is Antonio Domenico Baldassarra.

### **15<sup>th</sup> MARCH 2019**

As per the agreement signed with the shareholders of mCloud d.o.o. Beograd on 16th October 2018 (ref. press release 10/16/18), mCloud has reached the goals agreed by the parties related to the revenues of the company and other KPIs.

### **25<sup>th</sup> MARCH 2019**

DHH achieves an agreement with the shareholder of DHH Switzerland for the definitive ending of the negotiated acquisition process. A receivable of 190.000,00 Euro in favour of DHH S.p.A has been recognized and the purchase of 20% of DHH Switzerland will be regulated it.

## SECTION G: PREDICTIONS AND PLANS FOR YEAR 2019

With the acquisition of mCloud in the second half of 2018, we made a first step in adding the cloud computing vertical to our main businesses in addition to traditional web hosting and domain name sales. In 2019 we are planning a stronger engagement in this area resulting in new M&A activities and establishing DHH as a leading cloud computing player.

We can summarize the plan for 2019 to lead the group activities in two main areas: further geographic expansion and strengthening market position including both web hosting and cloud computing industries on one side and on the other side, supporting digital innovation and entrepreneurship alongside tech-communities in our current geographies.

### FURTHER GEOGRAPHIC EXPANSION AND STRONGER ENGAGEMENT IN CLOUD COMPUTING INDUSTRY

The pace of M&A activity is not expected to slow down. As we keep being dedicated to our strategy to consolidate and strengthen our market position in countries we are currently present at (Italy, Slovenia, Croatia, Serbia, Switzerland), we are also expanding the geographic scope where we are targeting web hosting and cloud computing businesses. We have continuously been working on building deal-flow pipeline across the Central and Eastern Europe and Africa where we are hoping to see new M&A deals being materialized in the next future.

### SUPPORTING INNOVATION AND TECH-ENTREPRENEURSHIP

Staying true to our vision of being the leading investor and supporter of innovation and tech-entrepreneurship in the emerging digital economies, we are planning new initiatives and projects aimed at establishing DHH as the go-to partner for startups looking to grow and developers looking to turn their ideas into reality.

We believe our current geographies are abundant with talented people with extraordinary ideas that can build successful business ventures with the support of DHH's guidance and resources. To try to successfully exploit this opportunity we will be carrying out a series of activities aimed at building a stronger local profile and closer ties with local tech-communities.

# 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**

*President*



**MATIJA  
JEKOVEC**

*Managing Director*



**UROŠ  
ČIMŽAR**

*Managing Director*



**ANTONIO  
BALDASSARRA**

*Director*



**GUIDO  
BUSATO**

*Independent Director*

### GIANDOMENICO SICA – CHAIRMAN OF THE BOARD OF DIRECTORS

Giandomenico is an entrepreneur with a passion for technology and technologic-enabled services businesses. He is founder and Managing Partner of Grafoventures, his own VC firm focused on building tech conglomerates in the Southern Europe.

He is former shareholder and executive director of 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](http://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 - INDEPENDENT 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 all 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 31.12.2018

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 2018

ASSETS (ALL AMOUNTS ARE IN EURO)	NOTES	31.12.2018	OF WHICH RELATED PARTIES	31.12.2017	OF WHICH RELATED PARTIES
Goodwill	1	5.468.645		5.462.952	
Tangible fixed assets	2	304.061		350.722	
Intangible assets	3	375.879		436.128	
Non current financial assets	4	6.409		6.166	
Other non current assets	5	1.364		2.457	
Deferred Tax assets	6	15.086		8.161	
<b>NON CURRENT ASSETS</b>		<b>6.171.445</b>		<b>6.266.586</b>	
Trade receivables	7	552.581	30.807	440.747	14.931
Current financial assets		-		-	
Other current assets	8	72.365		72.079	
Tax receivables	9	166.758		173.075	
Cash and cash equivalents	10	2.699.540		2.614.511	
Prepaid expenses and accrued income	11	465.721		424.515	
<b>CURRENT ASSETS</b>		<b>3.956.966</b>		<b>3.724.927</b>	
<b>TOTAL ASSETS</b>		<b>10.128.411</b>	<b>30.807</b>	<b>9.991.513</b>	<b>14.931</b>
<b>LIABILITIES AND NET EQUITY</b> (ALL AMOUNTS ARE IN EURO)	<b>NOTES</b>	<b>31.12.2018</b>		<b>31.12.2017</b>	<b>OF WHICH RELATED PARTIES</b>
Share Capital		142.000		142.000	
Reserves		6.696.962		6.687.687	
Retained Profit (Loss)		583.458		249.696	
Year's profit (loss) relating to the shareholders of the Group		102.796		245.472	
<b>NET EQUITY GROUP</b>		<b>7.525.216</b>		<b>7.324.855</b>	
Capital and Reserves relating to the third party shareholders		47.397		14.981	
Year's Profit/loss relating to the third party shareholders		(1.408)		(6.514)	
<b>NET EQUITY TO THE THIRD PARTY SHAREHOLDERS</b>		<b>45.989</b>		<b>8.467</b>	

NET EQUITY	12	7.571.206	7.333.322		
Non current financial payables	13	(0)	8.930		
Severance provisions	14	15.233	11.792		
Other non current liabilities		-	-		
Provisions for risk and future liabilities		-	10.255		
Liabilities for deferred taxes	15	17.396	24.013		
NON CURRENT LIABILITIES		32.629	54.990		
Trade payables	16	379.345	170.792	440.610	210.491
Other current liabilities	17	201.305	12.567	319.444	9.487
Current financial liabilities	18	95.066		124.234	
Tax payables	19	92.318		121.724	
Accrued liabilities and deferred income	20	1.756.541		1.597.189	
CURRENT LIABILITIES		2.524.576		2.603.201	
TOTAL LIABILITIES		2.557.205		2.658.191	
TOTAL LIABILITIES AND NET EQUITY		10.128.410	183.359	9.991.513	219.978

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AS AT 31 DECEMBER 2018

<b>CONSOLIDATED INCOME STATEMENT</b>	<b>NOTES</b>	<b>31.12.2018</b>	<b>OF WHICH RELATED PARTIES</b>	<b>31.12.2017</b>	<b>OF WHICH RELATED PARTIES</b>
(ALL AMOUNTS ARE IN EURO)					
Net Sales	21	5.969.739	67.447	5.289.151	23.157
Other Revenues	22	337.202		68.809	
Capitalization of Internal project	23	-		318.076	
<b>OPERATING REVENUES</b>		<b>6.306.941</b>		<b>5.676.036</b>	
Material costs	24	(33.891)		(26.412)	
Service costs and use of third party assets	25	(3.593.747)	(1.138.934)	(3.197.962)	(945.105)
Personnel costs	26	(1.816.287)	(182.374)	(1.732.443)	(175.188)
Other expenses	27	(328.957)		(188.413)	
<b>TOTAL OPERATING COSTS</b>		<b>(5.772.883)</b>		<b>(5.145.230)</b>	
<b>OPERATING INCOME - EBITDA*</b>		<b>534.059</b>		<b>530.806</b>	
Amortization and impairment	28	(361.420)		(180.618)	
<b>EBIT**</b>		<b>172.639</b>		<b>350.188</b>	
Financial income (expenses)	29	(20.781)		(29.451)	

Other non-operating income/expense	30	1.337	(1.346)
<b>EARNINGS BEFORE TAXES</b>		<b>153.195</b>	<b>319.391</b>
Total current and deferred income taxes	31	(51.807)	(80.433)
<b>NET INCOME (LOSS) FOR THE YEAR</b>		<b>101.388 (1.253.861)</b>	<b>238.958 (1.097.136)</b>
<b>OF WHICH:</b>			
relating to the shareholders of the Group		102.796	245.472
relating to the third party shareholders		(1.408)	(6.514)
<b>EARNINGS PER SHARE</b>	<b>32</b>	<b>0,07</b>	<b>0,17</b>
<b>DILUTED EARNINGS PER SHARE</b>	<b>32</b>	<b>0,05</b>	<b>0,08</b>

<b>OVERALL CONSOLIDATED INCOME STATEMENT</b>		31.12.2018	31.12.2017
(ALL AMOUNTS ARE IN EURO)			
<b>PROFIT (LOSS) FOR PERIOD (A)</b>		<b>101.388</b>	<b>238.958</b>
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		9.850	2.967
<b>TOTAL OTHER INCOME (LOSS), NET OF FISCAL EFFECT (B)</b>			
<b>TOTAL COMPREHENSIVE PROFIT (LOSS) FOR PERIOD (A+B)</b>		<b>112.238</b>	<b>241.925</b>

(\*) 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 2018

	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
<b>TOTAL NET EQUITY OF THE GROUP</b>	<b>7.052.420</b>		<b>28.427</b>	<b>(1.464)</b>	<b>245.472</b>	<b>7.324.855</b>
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)
<b>NET EQUITY TO THE THIRD PARTY SHAREHOLDERS</b>			<b>10.550</b>	<b>4.431</b>	<b>(6.514)</b>	<b>8.467</b>
<b>TOTAL NET EQUITY</b>	<b>7.052.420</b>		<b>38.977</b>	<b>2.967</b>	<b>238.958</b>	<b>7.333.322</b>

	31.12.2017	RESULT ALLOCATION	OTHER VARIATIONS INCREASE DECREASE	EARNINGS/LOSSES REPORTED IN OCI	NET RESULT	31.12.2018
Share capital	142.000					142.000
Share premium reserve	6.679.644					6.679.644
Bonus Share Reserve	8.400					8.400
Legal Reserve		1.738				1.738
OCI Reserve	(357)			7.537		7.180
Retained earnings (accumulated losses)	249.696	243.735	90.028			583.458

NET RESULT OF THE GROUP	245.472	(245.472)			102.796	102.796
<b>TOTAL NET EQUITY OF THE GROUP</b>	<b>7.324.855</b>	<b>-</b>	<b>90.028</b>	<b>7.537</b>	<b>102.796</b>	<b>7.525.216</b>
Capital and Reserves relating to the third party shareholders	14.981	(6.514)	40.932	(2.003)		47.397
NET RESULT relating to the third party shareholders	(6.514)	6.514			(1.408)	(1.408)
<b>NET EQUITY TO THE THIRD PARTY SHAREHOLDERS</b>	<b>8.467</b>		<b>40.932</b>	<b>(2.003)</b>	<b>(1.408)</b>	<b>45.989</b>
<b>TOTAL NET EQUITY</b>	<b>7.333.322</b>	<b>-</b>	<b>130.960</b>	<b>5.535</b>	<b>101.388</b>	<b>7.571.205</b>

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

STATEMENT OF RECONCILIATION	NET PROFIT	NET EQUITY	TOTAL
<b>BALANCES OF THE PARENT COMPANY</b>	<b>42.008</b>	<b>6.839.926</b>	<b>6.881.933</b>
Elimination of gains from intra-group disposals			
Adjustment for Consolidation	50.110		50.110
Difference between the value of the consolidated investments and their own net equity value		582.494	582.494
Net profit of consolidated companies	10.679		10.679
Third party shareholders	(1.408)	47.397	45.989
<b>TOTAL NET EQUITY</b>	<b>101.388</b>	<b>7.469.817</b>	<b>7.571.205</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2018

CONSOLIDATED CASH FLOW STATEMENT (ALL AMOUNTS ARE IN EURO)	31.12.2018	31.12.2017
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit for period	101.388	238.958
Income taxes	51.807	80.433
Interest payables/(receivables)	23.453	(19.986)
(Capital losses)/gains from sales of business	-	-
<b>1. EARNINGS BEFORE INCOME TAX, INTEREST, DIVIDENDS AND CAPITAL GAIN/LOSSES</b>	<b>176.648</b>	<b>299.406</b>
Adjustments for non-cash items that are not accounted for in net working capital change:	361.489	200.439
- Allocation to reserves	4.600	20.455
- Amortization and depreciation of assets	247.279	178.927
- Permanent loss write-down	116.622	1.691
- Other adjustments on non-monetary items	(7.012)	(634)
<b>2. CASH FLOW BEFORE NWC CHANGES</b>	<b>538.137</b>	<b>499.844</b>
Changes in NWC:	(142.275)	394.115
- Decrease (increase) in inventories	-	-
- Decrease (increase) in customer receivables	(71.195)	72.988
- Increase (decrease) in supplier payables	(87.097)	78.130
- Decrease (increase) in prepaid expenses and accrued income	125.779	(3.451)
- Increase (decrease) in accrued expenses and deferred income	81.719	211.661
- Other changes to the NWC	(191.481)	34.787
<b>3. CASH FLOW AFTER NWC CHANGES</b>	<b>395.861</b>	<b>893.959</b>
Other changes:	(93.143)	(37.711)
- Interests collected/(paid)	(23.453)	19.986
- (income taxes paid)	(59.436)	(57.697)
- Dividends received	-	-
- (Use of reserves)	(10.255)	-
<b>CASH FLOW FROM OPERATING ACTIVITIES [A]</b>	<b>302.718</b>	<b>856.248</b>

<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
(Investments) disinvestment in tangible assets	(66.800)	(126.864)
(Investments) disinvestment in intangible assets	(24.931)	(796.683)
(Investments) disinvestment in financial assets	(202.758)	(556.255)
(Investments) disinvestment in non-capitalized financial assets	0	8.259
<b>CASH FLOW FROM INVESTING ACTIVITIES [B]</b>	<b>(294.489)</b>	<b>(1.471.543)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES [C]</b>		
Increase (decrease) current payables to banks	(29.168)	(69.504)
New loans (Loan Repayments)	(8.930)	(627.068)
Paid capital increase	114.898	
Treasury share sale (purchase)	-	-
(Dividends paid)		
<b>CASH FLOW FROM FINANCING ACTIVITIES [C]</b>	<b>76.800</b>	<b>(696.572)</b>
<b>INCREASE (DECREASE) IN LIQUIDITY [A]+[B]+[C]</b>	<b>85.029</b>	<b>(1.311.867)</b>
LIQUID FUNDS AT THE BEGINNING OF THE PERIOD	2.614.511	3.926.378
LIQUID FUNDS AT THE END OF THE PERIOD	2.699.540	2.614.511

# 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, 2018 are those in force at such date.

### FINANCIAL STATEMENTS FORMATS

The DHH Group consolidated Financial statements as at December 31, 2018 are approved by the Board of Directors on 28.03.2019.

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, 2018 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	SHARE
		(IN EURO)	
TOPHOST Srl	Italy	10.000	100%
DHH.si d.o.o.	Slovenia	13.813	100%
DHH d.o.o.	Croatia	2.618	100%
DHH SRB d.o.o.	Serbia	431	62%
DHH SWITZERLAND SA	Switzerland	92.327	60%
DHH ITALIA Srl	Italy	3.000	100%
SYSTEM BEE d.o.o.	Croatia	3.384	80%
MCLOUD d.o.o.	Serbia	9	62%

## SUBJECTIVE ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

## **Impairment of assets**

Goodwill and other intangible assets with indefinite useful lives are not amortized; the recoverability of their carrying amount is reviewed at least annually and whenever there is an indication that the asset may be impaired. Goodwill is tested for impairment at the lowest level (cash-generating unit "CGU") within the entity at which management assesses, directly or indirectly, the return on the investment that includes such goodwill. When the carrying amount of the cash-generating unit, including the attributed goodwill, is higher than its recoverable amount, the difference is an impairment loss that is charged first against the value of goodwill until fully absorbed; any loss not absorbed by goodwill is allocated prorata to the carrying amount of the other assets in the cash-generating unit.

## **Business combination**

The recognition of business combinations involves allocating to the acquired company's assets and liabilities the difference between the purchase price and the net book value of the net assets acquired. For most of the assets and liabilities, the allocation of this difference is performed by recognizing the assets and liabilities at their fair value. The unallocated portion is recognized as goodwill if positive, and if negative, it is taken to profit or loss. Management uses available information for the purposes of the allocation process and, in the case of the most significant business combinations, external valuations.

# 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 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 Provisions (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 future – 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 make 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**

As indicated in the Annual Report 2017 the following accounting standards, amendments and interpretations are applicable from the 1st of January 2018:

- IFRS 15 “Revenue from Contracts with Customers”
- IFRS 9 “Financial Instruments”.

IFRS 15 provide that 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 new standard requires more evaluation elements and decisions from board to define its own policy about revenue recognition. The new standard introduces an articulated methodology in five steps to establish the reporting information about the nature, amount, timing and uncertainty of revenue.

IFRS 15 replaces IAS 18 (Revenues), IAS 11 (Work in progress on Ordination) and the related interpretations on the recognition of revenues (IFRIC 13 Customer loyalty programs, IFRIC 15

Agreements for the construction of buildings, IFRIC 18 Transfers of assets from customers and SIC 31 Revenues - Barter transactions including advertising activities).

From management analysis no differences in the revenue recognition cut-off have been identified.

IFRS 9 brings together all three aspects related to the project on accounting for financial instruments: classification and valuation, loss of value and hedge accounting. With the application of the new standard, the Group has not opted for the restatement of comparative information.

Following the main aspects involved by the standard.

#### Classification and evaluation of financial assets and liabilities

Because of the type of financial assets and liabilities of the Group no significant impacts are expected from the application.

At the moment the Group does not hold significant financial liabilities valued at FVTPL because of the adoption of the “fair value option”. About financial assets the standard requires that it classifies it based on the Group’s business model for managing the asset and the asset’s contractual cash flow characteristics.

#### Incurred loss

The IFRS 9 requires that the Group recognizes Expected Credit Loss applies to bonds in portfolio, loans and trade receivables, with reference to either a 12-month period or the entire contractual term of the instrument (e.g. lifetime expected loss). The Group has opted for the simplified approach and therefore will record the expected losses on all trade receivables based on their residual contractual duration. The Group continues however to analytically consider the specificity of the sector and of some customers in its evaluations.

#### Hedge accounting

If the Group will decide to carry out hedging transactions using derivative financial instruments and to implement hedge accounting, it shall adopt the rules of IFRS 9. Given that IFRS 9 does not change the general principle that an entity accounts for effective hedging relationships, compared to the provisions of the previous IAS 39, the main changes are as follows: - the hedge effectiveness test is only prospective and can also be based on qualitative aspects, substituting the previous 80-125% test and focusing on the economic relationship between the hedging instrument and the hedged item; the possibility of designating as a hedging object only a risk component also for non-financial elements (provided that the risk component is separately identifiable and reliably estimated); - introduction of the concept “costs of hedging”; – greater possibilities to designate groups of items as hedging items, including stratifications and some net positions. In the absence of hedge accounting, changes in the fair value of derivative financial instruments will continue to be recognized in the income statement.

Based on the above considerations, the application of IFRS 9 did not have any impact on the Group.

Furthermore, the following accounting standards, amendments and interpretations, applicable from 1 January 2018, are not significant or have not produced effects for the Group:

- changes to IFRS 2 “Classification and recognition of share-based payment transactions”, such changes are related to:
  - calculation methods of fair value of transactions with payment based on shares settled in cash on the valuation date (ie on the date of assignment, on the closing date of each

accounting period and on the date of adjustment) which must be made taking into consideration the market conditions (eg a share price target) and conditions other than the vesting conditions;

- the accounting treatment of share-based payment transactions settled with equity instruments in which the entity acts as a withholding tax for the employee's tax liabilities (withholding tax);
  - accounting for changes to the terms and conditions that determine the change in classification from payments based on share "cash-settled" to payments based on shares "regulated with equity instruments".
- 
- changes to IAS 28 "Investments in associates and joint ventures": clarification that the recognition of a fair value investment recorded in the profit / (loss) for the year is a choice that applies to the individual investment;
  - changes to IAS 40 "Changes in the destination of real estate investments";
  - IFRIC 22 interpretation "Foreign currency transactions and advances";
  - changes to IFRS 4: joint application of IFRS 9 "Financial instruments" and IFRS 4 "Insurance contracts";
  - changes to IFRS 1 "First adoption of International Financial Reporting Standards": cancellation of short-term exemptions for first-time adopters;

## **B. ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BY THE IASB BUT NOT YET IN FORCE**

As indicated in the Annual Report 2017, among the principles issued by the IASB, but not yet in force for the preparation of these financial statements, attention is focused on IFRS 16 "Leases", which will be applicable starting from 1 January 2019.

IFRS 16 defines the principles for the recognition, measurement, presentation and reporting of leases and requires lessees to recognize in the balance sheet all lease contracts, including contracts qualified according to current practice as operational (such as some rentals), on the basis of a single model substantially similar to that used to account for financial leases in accordance with IAS 17. At the start date of the lease, the lessee will recognize a liability for future lease payments (that is, the lease liability) and an asset that represents the right to use the underlying asset for the duration of the contract (that is, the right to use the activity). The lessor will have to separately account for the interest expenses on the lease liability and the amortization of the right to use the asset.

The lessors will also have to remeasure the liability linked to the lease contracts upon the occurrence of certain events (for example: a change in the conditions of the lease, a change in future lease payments resulting from the change of an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as a correction of the right to use the asset.

The principle provides for two exemptions for the survey by lessors:

- leases related to low value assets;
- short-term leases (for example contracts expiring within 12 months or less).

With reference to options and exemptions provided by IFRS 16, the Company will adopt the following choices:

- IFRS 16 is generally not applied to intangible assets, short-term contracts (ie less than 12 months) and contracts with low unit value;
- rights of use and financial liabilities relating to leasing contracts are classified on specific items in the statement of financial position;

- contracts with similar characteristics are valued using a single discount rate;
- the leasing contracts previously valued as finance leases pursuant to IAS 17 maintain the values previously recorded.

The main impacts on the Company's financial statements, which are still being refined, can be summarized as follows:

- Statement of financial position: greater non-current assets for the recognition of the "right to use the leased asset" in counterpart for higher financial liabilities of approximately 0,2M Eur.
- Separate income statement: different nature, qualification and classification of expenses (amortization of the "right of use of the asset" and "financial charges for interest" compared to "Costs for the use of third-party assets - operating lease payments", as by IAS 17). On a contract portfolio basis (and the related fees) as at 1st January 2019, the estimated increase in EBITDA for 2019 would be approximately 0,1M Eur.

Furthermore, the combination of the amortization on a straight-line basis of the "right of use of the asset" and the effective interest rate method applied to the payables for leasing, compared to IAS 17, is based on a different time distribution of the total cost of the contract leasing, with higher charges in the income statement in the first years of the leasing contract and decreasing charges in recent years.

- Cash flow statement: lease installments, for the principal portion of debt repayment, will be reclassified from «cash flow from operating activities» to «cash flow from financing activities».

The impacts are based on the results of the analyzes at the date of preparation of these financial statements and may change as the implementation process is still in progress.

## 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 30.075 EUR for auditing activities and 3.040 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 31.12.2018	ANNUAL AVERAGE EXCHANGE RATE 2018
Croatian Kuna (HRK)	7,41	7,42
Serbian Dinar (RSD)	118,31	118,21
Swiss Franc (CHF)	1,13	1,15

# 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 SWITZERLAND SA	Switzerland	92.327	60%
DHH ITALIA S.r.l.	Italy	3.000	100%
DHH d.o.o.	Croatia	2.618	100%
SYSTEM BEE d.o.o.	Croatia	3.384	80%
MCLOUD d.o.o.	Serbia	9	62%

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

NAME	REGISTERED OFFICE	SHARE CAPITAL (IN EURO)	% SHARE
DHH SRB d.o.o.	Serbia	431	62%

## ***CHANGE IN THE SCOPE OF CONSOLIDATION***

With regard to the changes in the scope of consolidation, compared to the consolidated report as at 31.12.2017, it should be noted the companies InfoNet d.o.o. and Hosting IT j.o.o. become direct subsidiaries of the Group through their merger in DHH d.o.o. and the inclusion of System Bee d.o.o. made with the split of the company Dhh d.o.o. Moreover during the year there was the purchase of the Serbian company mCloud d.o.o. and the sold of DHH SRB d.o.o. to mCloud d.o.o. Consequently DHH SRB become an indirect subsidiary of the Group.

## ***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.

## SERVICES PROVIDED

The strategic goal of DHH relies mostly on providing SMEs with simple and flexible digital products, to establish, build and increase their online presence and visibility, and to enhance their business turnover and profitability with small investments. In general terms, and remaining in the SMEs field, solutions offered by players in web services segment such as DHH can be broadly classified in the following categories: products / solutions aimed at getting SMEs online, products / solutions aimed at making SMEs visible online, products / solutions aimed at helping SMEs to grow their online business.

More in details, among potential that a full-range web service solutions provider can offer to SMEs looking for web presence and visibility there are:

### ***PRODUCTS / SOLUTIONS AIMED AT GETTING SMES ONLINE, SUCH AS:***

- Web Hosting, which sell a set of products, services resources that share storage, bandwidth and processing power, enabling subscribers to create an initial web presence quickly;
- Domain Registration, Management Resale;
- Website Builders, that enable subscribers to create a customized web presence with varying degrees of technical sophistication; o Security tools, offering malware protection solutions to protect subscribers' websites from virus, malicious code and other threats. In this category are also included Secure Socket Layer (SSL) certificates, which encrypt data collected on a subscriber's websites;
- Site Back-up, allowing subscribers to schedule, maintain, manage and restore backups of their online data.

### ***PRODUCTS / SOLUTIONS AIMED AT MAKING SMES VISIBLE ONLINE THROUGH:***

- Search Engine Optimization (SEO) and Search Engine Marketing (SEM), helping subscribers to distribute their business profiles to online directories and manage links and keywords with on-page diagnostic tools;
- Mobile solutions, enabling subscribers to have their websites rendered on mobile devices and target mobile customers among other features and functionality;
- Social media solutions, among which tools and services that enable subscribers to communicate effectively with their target audiences through social networks. These instruments allow subscribers to easily integrate their website content on Facebook, Twitter and of social media, and track the results of their marketing campaigns;
- Analytic tools, providing control panels and dashboards that enable subscribers to assess their website activity and the impact of their digital presence and marketing campaigns.

### ***PRODUCTS / SOLUTIONS AIMED AT HELPING SMES TO GROW THEIR ONLINE BUSINESS SUCH AS:***

- Advanced Web Hosting, as for instance Virtual Private Server (VPS) or dedicated hosting solutions which allow customers to scale their growing business and build additional functions into their websites;
- Productivity solutions, which include custom mailboxes that reflect a subscriber's domain name and tools to unify email inbox with other communications streams, such as social media feeds;

- eCommerce enablement, offering secure and encrypted payment tools, shopping carts, payment processing related services, mobile payments and of eCommerce to expand the SMBs online management;
- Professional services, among which dedicated engineering and web design to help customers create their ideal presence complete with some of the more eCommerce, productivity and marketing products.

***MOST OF THE ABOVE-MENTIONED ARE NO MORE SUPPLIED TROUGH “HOSTING MODEL”, BUT TROUGH THE SO-CALLED CLOUD COMPUTING. THIS MARKET WHICH CAN BE DIVIDED INTO THREE PRIMARY SERVICE MODELS:***

- Software as a service (SaaS), meaning the software is owned, delivered and managed remotely by one or more providers. The provider delivers software with a one-to-many (multi tenancy) model where contracted customers are charged on a pay-for-use basis or on a fixed monthly fee;
- Infrastructure as a service (IaaS), is a standardized, highly automated offering, where more computer resources, complemented by storage and network capabilities are owned and hosted by a service provider and offered to customers on-demand. Customers are able to build this infrastructure, using a web-based graphical user interface that serves as an IT operations management console for the overall environment;
- Platform as a service (PaaS), usually depicted in all-cloud diagrams between the SaaS layer above and the IaaS layer below, is a broad collection of application infrastructure (middleware) services (including application platform, integration, business process management and database services).

## **CLOUD SERVICES**

This business line includes cloud hosting, cloud servers and cloud data centre solutions for advanced customers. All systems and solutions are designed and implemented so there is no “single point of failure”. Based on their needs, advanced customers can opt for cloud hosting solution if they want to host a site on private VPS cloud servers without limiting the the number of sites, databases, email accounts, and other culprits for technical issues, at the price of shared hosting, or Fast SSD virtual servers with Windows or Linux operating system, choosing the appropriate template or pre-installed web scripts: cPanel, WordPress, Joomla, Magento, and others. It comes with guaranteed resources that you can modify at any time as needed. Cloud Data Centre is an ideal solution for even more demanding business users who have the possibility to lease resources and design VM on their own, distributing as they wish CPU, RAM, HDD, backups, network interfaces, and IP addresses.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 1: GOODWILL

The item “goodwill” is equal to 5.468.645 EUR, with an increase of 5.693 EUR compared to the same value recorded in the consolidated as at 31.12.2017. Moreover, part of this goodwill relating to the fair value of the customer list of DHH Italia srl and Studio4Web has a definite useful life of 7 years, so this part is amortized.

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.

## NOTE 2: TANGIBLE ASSETS

Tangible assets are equal to 304.061 EUR. The decrease in the value of tangible fixed assets is mainly related to less investments during the year.

The details of movement in tangible assets during the financial year 2018 are provided below:

NOTE 2: TANGIBLE ASSETS	COMPUTERS AND ELECTRONIC EQUIPMENT	VEHICLES	OTHER ASSETS	TOTAL
<b>VALUE AT 1.1.2018</b>	<b>767.064</b>	<b>14.059</b>	<b>101.131</b>	<b>882.254</b>
Investments	70.817	-	8.772	79.589
Impairments and other movements	(29.332)	-	-	(29.332)
<b>COST AT 31.12.2018</b>	<b>808.548</b>	<b>14.059</b>	<b>109.903</b>	<b>932.510</b>
<b>ACCUMULATED DEPRECIATION AT 1.1.2018</b>	<b>471.604</b>	<b>14.059</b>	<b>45.870</b>	<b>531.532</b>
Depreciation 2018	71.420	-	13.255	84.675
Impairments and other movements	12.873	-	(632)	12.242
<b>ACCUMULATED DEPRECIATION AT 31.12.2018</b>	<b>555.897</b>	<b>14.059</b>	<b>58.493</b>	<b>628.449</b>
<b>NET BOOK VALUE</b>				
At 1.1.2018	295.460	-	55.262	350.722
At 31.12.2018	252.651	-	51.410	304.061

### NOTE 3: INTANGIBLE ASSETS

Intangible assets are equal to 375.879 EUR as at 31 December 2018.

The details of movement in intangible assets during the financial year 2018 are provided below:

NOTE 3: INTANGIBLE ASSETS	SOFTWARE LICENSES	INTERNALLY DEVELOPED SOFTWARE	OTHER ASSETS	TOTAL
VALUE AT 1.1.2018	70.400	422.915	23.336	516.650
Investments	17.250	-	15.940	33.190
Impairments and other movements	(232)	-	-	(232)
COST AT 31.12.2018	87.418	422.915	39.275	549.608
ACCUMULATED DEPRECIATION AT 1.1.2018	28.323	46.459	5.741	80.523
Depreciation 2018	14.508	73.480	6.094	94.082
Impairments and other movements	-	-	-	-
ACCUMULATED DEPRECIATION AT 31.12.2018	42.831	119.939	11.835	174.605
NET BOOK VALUE				
At 1.1.2018	42.077	376.456	17.595	436.128
At 31.12.2018	44.588	302.975	27.440	375.879

### NOTE 4: NON-CURRENT FINANCIAL ASSETS

Such item, equal to 6.409 EUR as at 31 December 2018 was referred to guarantee deposits.

### NOTE 5: OTHER NON-CURRENT ASSETS

The item equal to 1.364 EUR records capital of DHH SRB that is recognized by mCloud d.o.o..

### NOTE 6: DEFERRED TAX ASSETS

Deferred tax assets are equal 15.086 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 31.12.2018.

### NOTE 7: TRADE RECEIVABLES

Trade receivables are equal to 552.581 EUR as at 31.12.2018 with an increase of 111.834 EUR compared to the same item recorded on 31.12.2017.

The distribution of receivables by geographical area is as follow:

<b>TRADE RECEIVABLES</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
Italy	202.089	267.641
EU countries	98.848	92.628
Other countries	255.358	96.659
<b>TOTAL GROSS TRADE RECEIVABLES</b>	<b>556.295</b>	<b>456.928</b>
Provision for bad debt	(3.714)	(16.181)
<b>TOTAL NET TRADE RECEIVABLES</b>	<b>552.581</b>	<b>440.747</b>

#### **NOTE 8: OTHER CURRENT ASSETS**

Other current assets are equal to 72.365 EUR.

#### **NOTE 9: TAX RECEIVABLES**

Tax receivables are equal to 166.758 EUR as at 31 December 2018 with a decrease of 6.317 EUR compared to 2017 and are composed as follows:

<b>TAX RECEIVABLES</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
VAT	157.511	134.626
Other tax receivables	9.247	38.449
<b>TOTAL</b>	<b>166.758</b>	<b>173.075</b>

#### **NOTE 10: CASH AND CASH EQUIVALENTS**

The total amount of this item is equal to 2.699.540 EUR, with an increase of 85.029 EUR compared to 31.12.2017. The balance, expressed in Euro, represents cash equivalents and existence of ready cash and value on closure of the financial periods.

#### **NOTE 11: PREPAID EXPENSES AND ACCRUED INCOME**

Prepaid expenses and accrued income are equal to 465.721 EUR as at 31 December 2018, with an increase of 41.206 EUR compared to 31.12.2017 consolidated. Such item is mainly linked to costs for wholesale services incurred in the financial year, but attributable to subsequent financial year.

#### **NOTE 12: NET EQUITY**

##### **SHARE CAPITAL**

On 31 December 2018 fully paid-up share capital is divided in 1.420.000 ordinary shares without nominal value and with an accounting par value of Euro 0,10 each.

## RESERVES

Reserves is equal to 6.696.962 EUR. In particular, the amount is divided into:

- Share Premium Reserves 6.679.644 EUR
- Bonus Share Reserve 8.400 EUR
- Legal reserve 1.738 EUR
- OCI Reserves 7.180 EUR

	VALUE AS AT 01.01.2018	INCREASE	DECREASE	VALUE AS AT 31.12.2018
Share premium reserves	6.679.644	-	-	6.679.644
Bonus share	8.400	-	-	8.400
Legal Reserve		1.738		1.738
OCI Reserve	(357)	7.537	-	7.180
<b>TOTAL</b>	<b>6.687.687</b>	<b>9.275</b>	<b>-</b>	<b>6.696.962</b>

## NOTE 13 NON-CURRENT FINANCIAL LIABILITIES

Non-current liabilities to banks and other lenders are equal to zero.

## NOTE 14 SEVERANCE PROVISIONS

This item records TFR related to employees of the companies of Group, pursuant to art. 2120 of the Civil Code. On 31 December 2018 the amount of this item is equal to 15.233 EUR and is solely linked to employee recruited by Italian subsidiary Tophost Srl and Slovenian subsidiary DHH.si

## NOTE 15 LIABILITIES FOR DEFERRED TAXES

This item is equal to 17.396 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 16 TRADE PAYABLES

On 31.12.2018 trade payables are equal to 379.345 EUR, with a decrease of 61.265 EUR compared to the same item recorded on 31.12.2017. The distribution of payables by geographical area is as follow:

TRADE PAYABLES	31.12.2018	31.12.2017
Italy	211.097	283.517
EU Countries	100.357	97.628
Other countries	67.890	59.465

**NOTE 17 OTHER CURRENT LIABILITIES**

Other current liabilities are equal to 201.305 EUR on 31.12.2018, with a decrease of 118.138 EUR compared to 2017.

**NOTE 18 CURRENT FINANCIAL LIABILITIES**

Current liabilities to bank and other lenders are equal to 95.066 EUR on 31.12.2018, with a decrease of 29.168 EUR compared to 2017. This amount decreases in part by the repayment of interests and in great part by reduction of short term bank exposure.

**NOTE 19 TAX PAYABLES**

Tax payables are equal to 92.318 EUR on 31.12.2018, with a decrease of 29.406 EUR compared to 31.12.2017 and its composition is as follows:

TAX PAYABLES		31.12.2018	31.12.2017
VAT		41.866	93.282
Income tax		30.626	8.230
Withheld		19.826	20.212
<b>TOTAL</b>	<b>TAX</b>		<b>121.724</b>
<b>PAYABLES</b>		<b>92.318</b>	

**NOTE 20 ACCRUED LIABILITIES AND DEFERRED INCOME**

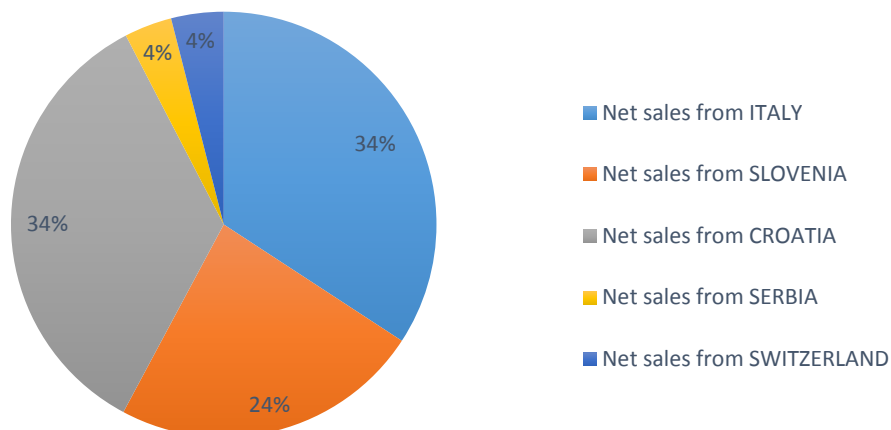
Accrued liabilities and deferred income are equal to 1.756.541 EUR at 31 December 2018, with an increase of 159.353 EUR mainly linked to advanced revenues for hosting service but partially attributable to the period after 31 December 2017.

**NOTE 21 NET SALES**

On 31 December 2018 revenues from sales and services of the Group are equal to 5.969.739 EUR, with an increase of 680.587 EUR compared to 31.12.2017.

On 31 December 2018 the net sales by geographical area is the following:

## NET SALES FROM COUNTRY



\* Net sales from mCloud d.o.o. refer to the consolidated period (from October 2018)

### NOTE 22 OTHER REVENUES

Other revenues are equal to 337.202 EUR as at 31.12.2018 with an increase of 268.393 EUR compared to 31.12.2017. In the most part the increase is due to the closing of the agreement with DHH Switzerland SA and its shareholder: a receivable of 190.000,00 Euro in favour of DHH S.p.A has been recognized

### NOTE 23 INTERNAL PROJECTS

There aren't new internal projects capitalized as at 31.12.2018.

### NOTE 24 MATERIAL COSTS

Costs for materials and consumables are equal to 33.891 EUR on 31 December 2018 with an increase of 7.478 EUR compared to 31.12.2017 and they are related to hardware and other materials.

### NOTE 25 SERVICE COSTS AND USE OF THIRD PARTY ASSETS

Service costs are equal to 3.593.747 EUR on 31 December 2018, with an increase of 395.786 EUR compared to 31.12.2017 and are composed as follows:

SERVICE COSTS	31.12.2018	31.12.2017
Datcenter Service	487.105	385.363
Wholesale Costs	2.118.790	2.045.279
Commercial and marketing expenses	77.762	46.961

Professional services	894.669	710.441
Other costs for services	15.421	9.917
<b>TOTAL</b>	<b>3.593.747</b>	<b>3.197.962</b>

## NOTE 26 PERSONNEL COSTS

Personnel cost is equal to 1.816.287 EUR on 31 December 2018, with an increase of 83.845 EUR compared to 2017 consolidated and is divided among the Group as follows:

PERSONNEL COSTS	31.12.2018	31.12.2017
DHH S.p.A.	-	-
TOPHOST S.r.l.	87.983	95.813
DHH.SI d.o.o.	700.615	601.268
DHH d.o.o .	534.826	548.338
DHH SRB d.o.o.	40.667	34.479
INFONET d.o.o. (now DHH d.o.o)	1.455	28.821
HOSTING IT j.d.o.o. (now DHH d.o.o.)	-	-
DHH SWITZERLAND S.A.	340.419	423.724
DHH ITALIA S.r.l.	11.090	-
SYSTEM BEE d.o.o.	77.445	-
MCLOUD d.o.o.	21.788	-
<b>TOTAL</b>	<b>1.816.287</b>	<b>1.732.443</b>

The increase of Group's overall cost is, on one hand, related to reviewing contracts by increasing in salaries. On 31 December 2018 the average number of employees was:

NUMBER OF EMPLOYEES BY CATEGORY	MANAGERS	EMPLOYEES
DHH S.p.A.	-	-
TOPHOST S.r.l.	-	2
DHH.SI d.o.o.	2	23
DHH d.o.o.	2	23
DHH SRB d.o.o.	-	4
INFONET d.o.o. (now DHH d.o.o.)	-	-
HOSTING IT j.d.o.o. (now DHH d.o.o.)	-	-
DHH SWITZERLAND S.A.	1	7

DHH ITALIA S.r.l.	-	1
SYSTEM BEE d.o.o.	1	5
MCLOUD d.o.o.	1	3
<b>TOTAL</b>	<b>7</b>	<b>68</b>

## NOTE 27 OTHER EXPENSES

Other expenses are equal to 328.957 EUR on 31 December 2018, with an increase of 140.544 EUR compared to 31.12.2017, in the most part the value is due to a credit loss recognized by DHH Spa for settlement agreement with DHH Switzerland SA and its shareholder.

## NOTE 28 AMORTIZATIONS AND IMPAIRMENTS

Amortizations and depreciations are equal to 361.420 EUR on 31 December 2018, with an increase of 180.802 EUR compared to 31.12.2017.

The great part is related to the impairment loss CGU represented by DHH Italy S.r.l. and DHH Switzerland SA for an amount of 110.023 Eur.

Amortizations is relating to the customer list of DHH Italia srl, DHH Switzerland SA and Studio4Web with an estimated life of 7 years and of the internal projects accomplished in-house.

The value of amortizations and depreciations is provided below:

AMORTIZATIONS AND IMPAIRMENTS	31.12.2018	31.12.2017
Depreciations	106.078	118.729
Amortizations	138.720	60.198
Impairment	116.622	1.691
<b>Total</b>	<b>361.420</b>	<b>180.618</b>

## NOTE 29 FINANCIAL INCOME (EXPENSES)

On 31 December 2018 net financial expenses are equal to 20.781 EUR, with a decrease of 8.670 EUR compared to 31.12.2017.

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

FINANCIAL INCOME	31.12.2018	31.12.2017
Bank interest income	89	99
Interests on loans	11.870	-
Other interests	13.147	20.007
<b>TOTAL</b>	<b>25.106</b>	<b>20.106</b>

FINANCIAL EXPENSES	31.12.2018	31.12.2017
Bank interest expenses	13.762	16.658
Other financial expenses	32.125	32.899
<b>TOTAL</b>	<b>45.887</b>	<b>49.557</b>

### NOTE 30 OTHER NON-OPERATING INCOME/EXPENSE

This item, which is equal to an income of 1.337 EUR, records the income resulting from the sold of shareholding DHH SRB d.o.o. to mCloud d.o.o.

### NOTE 31 TOTAL CURRENT AND DEFERRED INCOME TAXES

As at 31 December 2018 total current and deferred income taxes of the Group are equal to 51.807 EUR.

### NOTE 32 EARNINGS PER SHARE

#### BASE

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 31.12.2018	AMOUNT AS AT 31.12.2017
Consolidated net income attributable to the Group's shareholders	102.796	245.472
Number of ordinary shares	1.420.000	1.420.000
Average weighted number of outstanding shares	1.420.000	1.420.000
<b>BASE EARNINGS PER SHARE - EPS (EARNING PER SHARE)</b>	<b>0,072</b>	<b>0,173</b>
Average weighted number of outstanding warrants	2.059.795	1.420.000
Average weighted number of outstanding shares plus warrants	2.840.000	2.840.000
<b>DILUTED EPS</b>	<b>0,050</b>	<b>0,086</b>



# DOMINION HOSTING HOLDING S.P.A.

## PARENT COMPANY FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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 2018

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

ASSETS	NOTES	31.12.2018	OF WHICH RELATED PARTIES	31.12.2017	OF WHICH RELATED PARTIES
(ALL AMOUNTS ARE IN EURO)					
Investments	1	5.351.224		5.313.720	
Intangible assets	2	12.580		6.376	
Non-current financial assets	3	571.402		566.390	
Deferred tax assets	4	5.822		6.580	
<b>NON-CURRENT ASSETS</b>		<b>5.941.028</b>		<b>5.893.067</b>	
Trade receivables	5	529.157		195.608	
Other current financial assets	6	8.475		11.721	
Tax receivables	7	150.977		134.650	
Cash and cash equivalents	8	877.624		1.439.021	
Prepaid expenses and accrued income	9	14.253		18.162	
<b>CURRENT ASSETS</b>		<b>1.580.486</b>		<b>1.799.163</b>	
<b>TOTAL ASSETS</b>		<b>7.521.514</b>		<b>7.692.230</b>	

LIABILITIES AND NET EQUITY	NOTES	31.12.2018		31.12.2017	OF WHICH RELATED PARTIES
(ALL AMOUNTS ARE IN EURO)					
Share Capital		142.000		142.000	
Reserves		6.697.926		6.688.044	
Year's result		42.008		9.881	
<b>NET EQUITY</b>	<b>10</b>	<b>6.881.933</b>		<b>6.839.925</b>	
Non-current financial liabilities		-		-	
Severance reserves		-		-	
Other non current liabilities	11	505.114		505.114	
Liabilities for deferred taxes		-		-	
<b>NON-CURRENT LIABILITIES</b>		<b>505.114</b>		<b>505.114</b>	
Trade payables	12	88.870	52.109	59.837	26.827
Other current liabilities	13	28.342	7.560	22.920	3.531

Current financial liabilities	14	-	256.825		
Tax payables	15	17.149	7.543		
Accrued liabilities and deferred income		106	65		
CURRENT LIABILITIES		134.083	347.191		
TOTAL LIABILITIES		639.581	852.305		
TOTAL LIABILITIES AND NET EQUITY		7.521.514	59.669	7.692.230	30.358

## STATEMENT OF COMPREHENSIVE INCOME AS AT 31 DECEMBER 2018

PROFIT AND LOSS STATEMENT	NO TE S	31.12.2018	OF WHICH RELATED PARTIES	31.12.2017	OF WHICH RELATED PARTIES
(ALL AMOUNTS ARE IN EURO)					
Revenues	16	442.185		333.318	
Other revenues	17	288.012		-	
<b>TOTAL REVENUE</b>		<b>730.197</b>		<b>333.318</b>	
Service costs and use of third party assets	18	(409.966)	(174.461)	(322.259)	(138.411)
Personnel costs		-		-	
Other operating costs	19	(101.610)	(1.302)	(2.566)	
<b>TOTAL OPERATING COSTS</b>		<b>511.576</b>	<b>(175.763)</b>	<b>324.825</b>	
<b>OPERATING RESULT – EBITDA*</b>		<b>218.621</b>		<b>8.492</b>	
Amortizations and impairment	20	(168.326)		(823)	
<b>EBIT**</b>		<b>50.295</b>		<b>7.669</b>	
Financial income (expenses)	21	4.918		4.784	
<b>EARNINGS BEFORE TAXES</b>		<b>55.212</b>		<b>12.453</b>	
Total current and deferred income taxes	22	(13.205)		(2.572)	
<b>YEAR'S PROFIT (LOSS)</b>		<b>42.008</b>		<b>9.881</b>	<b>138.411</b>
OF WHICH:					
attributable to equity holders of the Parent company		42.008		9.881	
Attributable to minority interests		-		-	
<b>EARNINGS PER SHARE</b>	<b>23</b>	<b>0,06</b>		<b>0,006</b>	
<b>DILUTED EARNINGS PER SHARE</b>	<b>24</b>	<b>0,04</b>		<b>0,003</b>	

**OVERALL PROFIT AND LOSS  
STATEMENT OF DHH**

(ALL AMOUNTS ARE IN EURO)

**31.12.2018****31.12.2017**

<b>YEAR'S PROFIT (LOSS) (A)</b>	<b>42.008</b>	<b>9.881</b>
Components which should be classified in the Profit and loss statement		
Components which should not be classified in the Profit and loss statement		
<b>TOTAL OTHER PROFIT (LOSS) NET TO FISCAL EFFECT (B)</b>	<b>-</b>	<b>-</b>
<b>Total year's overall profit (loss) (A+B)</b>	<b>42.008</b>	<b>9.881</b>

(\*)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 2018

<b>CASH FLOW STATEMENT</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
(ALL AMOUNTS ARE IN EURO)		
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit for period	42.008	9.881
Income taxes	13.205	2.572
Interest payables/ (receivables)	(4.918)	(4.784)
(Capital losses)/gains from sales assets	-	-
<b>1. EARNING BEFORE INCOME TAX, INTEREST, DIVIDENDS AND CAPITAL GAIN/LOSSES</b>	<b>50.295</b>	<b>7.669</b>
Adjustments for non-cash items that are not accounted		
In net working capital change:	2.222	823
- Allocation to provisions	-	-
- Amortization and depreciation of assets	2.222	823
- Permanent loss write-downs	-	-
- Other adjustments on non-monetary items	-	-
<b>2. CASH FLOW BEFORE NWC CHANGES</b>	<b>52.517</b>	<b>8.492</b>
Changes in NWC:	(301.866)	(23.239)
- Decrease (increase) in inventories	-	-
- Decrease (increase) in customer receivables	(333.549)	(51.906)
- Increase (decrease) in supplier payables	29.033	38.425
- Decrease (increase) in prepaid expenses and accrued income	3.909	(1.146)
- Increase (decrease) in accrued expenses and deferred income	41	65
- Other changes to the NWC	(1.299)	(8.676)
<b>3. CASH FLOW AFTER NWC CHANGES</b>	<b>(249.349)</b>	<b>(14.746)</b>
Other changes:	(7.529)	4.784
- Interest collected/ (paid)	4.918	4.784
- (Income tax paid)	(12.447)	-
- Dividends received	-	-
- (Use of provisions)	-	-
<b>CASH FLOW FROM OPERATING ACTIVITIES [A]</b>	<b>(256.878)</b>	<b>(9.962)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
(Investments) in tangible assets	-	-

(Investments) in intangible assets	(8.426)	(5.962)
(Investments) in financial assets	(42.515)	(2.194.277)
(Investments) in non-capitalized financial assets	3.246	(9.231)
<b>CASH FLOW FROM INVESTING ACTIVITIES [B]</b>	<b>(47.695)</b>	<b>(2.209.470)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES [C]</b>		
Third party resources	-	-
Increase (decrease) current liabilities to bank	(256.825)	-
New loans	-	508.721
Loan repayments	-	-
Own resources	-	-
Paid capital increase	-	-
Treasury share sale (purchase)	-	-
(Dividends paid)	-	-
<b>CASH FLOW FROM FINANCING ACTIVITIES [C]</b>	<b>(256.825)</b>	<b>508.721</b>
<b>INCREASE (DECREASE) IN LIQUIDITY [A]+[B]+[C]</b>	<b>(561.398)</b>	<b>(1.710.711)</b>
LIQUID FUNDS AT THE BEGINNING OF THE PERIOD	1.439.021	3.149.732
LIQUID FUNDS AT THE END OF THE PERIOD	877.624	1.439.021

# NET FINANCIAL POSITION AS AT 31 DECEMBER 2018

NET FINANCIAL POSITION OF DHH	31.12.2018	31.12.2017
(ALL AMOUNTS ARE IN EURO)		
A. Cash	-	-
B. Cash equivalents	(877.624)	(1.439.021)
C. Securities held for trading	-	-
<b>D. LIQUIDITY (A)+(B)+(C)</b>	<b>(877.624)</b>	<b>(1.439.021)</b>
E. Current financial receivables	(8.475)	(11.721)
F. Short-term bank liabilities	-	-
G. Current part of non-current borrowing	-	6.825
H. Other current financial liabilities	-	250.000
<b>I. CURRENT FINANCIAL DEBT (F)+(G)+(H)</b>	<b>-</b>	<b>256.825</b>
<b>J. NET CURRENT FINANCIAL DEBT (I)+(E)+(D)</b>	<b>(886.099)</b>	<b>(1.193.917)</b>
K. Non-current bank liabilities	-	-
L. Bond issued	-	-
M. Other non-current liabilities	505.114	505.114
<b>N. NON-CURRENT FINANCIAL DEBT (K)+(L)+(M)</b>	<b>505.114</b>	<b>505.114</b>
<b>O. NET FINANCIAL DEBT (J)+(N)</b>	<b>(380.985)</b>	<b>(688.803)</b>

# STATEMENT OF CHANGES IN NET EQUITY

	VALUE AS AT 01.01.2017	INCREASE	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
<b>TOTAL</b>	<b>6.830.044</b>	<b>-</b>	<b>-</b>	<b>9.881</b>	<b>6.839.925</b>

	VALUE AS AT 01.01.2018	INCREASE	DECREASE	FINANCIAL RESULT	VALUE AS AT 31.12.2018
Share Capital	142.000	-	-	-	142.000
Share premium reserves	6.679.644	-	-	-	6.679.644
Bonus share	8.400	-	-	-	8.400
Legal Reserves	-	1.738	-	-	1.738
Retained profit/(loss)	-	8.143	-	-	8.143
Year's profit (loss)	9.881	(9.881)	-	42.008	42.008
<b>TOTAL</b>	<b>6.839.925</b>	<b>-</b>	<b>-</b>	<b>42.008</b>	<b>6.881.933</b>

## EVALUATION CRITERIA

The main criteria for drawing up the financial statements are the same used for the consolidated financial statements listed in the section of this report on page 39.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1 INVESTMENTS

This item amounts to 5.351.224 EUR, with an increase of 37.504 EUR as compared to the value as at 31.12.2017. During the year there have been some changes in shareholdings values: shareholding in DHH SWZ had a decrease of 166.104 EUR because of an impairment loss, there was the inclusion of new company mCloud d.o.o., the sold of DHH SRB and the creation of System Bee d.o.o. as a result of partial company splitting of DHH d.o.o..

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)	379.338
DHH ITALIA S.r.l.	12.224
DHH d.o.o. (previously Plus HR d.o.o.)	1.368.476
SYSTEM BEE d.o.o.	307.065
mCloud d.o.o.	198.286
<b>TOTAL</b>	<b>5.351.224</b>

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 12.579 EUR as at 31.12.2018. The increase is related to the upgrading of TMP software through the inclusion of some new modules.

The following table provides a breakdown of movements regarding intangible fixed assets occurred in the 2018 financial year:

INTANGIBLE ASSETS		SOFTWARE LICENSES
VALUE AT 01.01.2018		7.508
	Investments	8.426
	Disinvestments and other movements	-
COST AT 31.12.2018		15.934
ACCUMULATED AMORTIZATION AT 01.01.2018		1.132
	Amortization 2018	2.222
	Disinvestments and other movements	-
ACCUMULATED AMORTIZATION AT 31.12.2018		3.355
NET BOOK VALUE		
	At January 1, 2018	6.376
	At December 31, 2018	12.579

### NOTE 3 NON-CURRENT FINANCIAL ASSETS

This item is equal to 571.402 EUR as at December 31, 2018 and it is made up as follows:

MEDIUM-LONG TERM LOANS	AMOUNT
Loan in favour of DHH.SI d.o.o. - Slovenia	6.402
Loan in favour of DHH d.o.o. – Croatia	315.000
Loan in favour of DHH Italia - Italy	250.000
<b>TOTAL</b>	<b>571.402</b>

About the financial loan in favour of DHH.si, the amount 6.402 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 5.822 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 amount in next years according with the business plan of the entity.

## NOTE 5 TRADE RECEIVABLES

Trade receivables are equal to 529.157 EUR as at 31.12.2018, with an increase of 333.549 EUR compared to 31.12.2017. The increase is in most part referred to the amount of cost sharing and to a receivables related to settlement agreement with DHH Switzerland SA and its shareholder. The table below includes the breakdown by geographic region of trade receivables:

GEOGRAPHY	AMOUNT AS AT 31.12.2018	AMOUNT AS AT 31.12.2017
Italy	88.825	49.361
EU countries	224.497	131.564
Non-EU countries	215.835	14.683
<b>TOTAL GROSS TRADE RECEIVABLES</b>	<b>529.157</b>	<b>195.608</b>

## NOTE 6 CURRENT FINANCIAL ASSETS

Current financial assets amount to 8.745 EUR as at 31.12.2018, with a decrease compared to 2017. 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 d.o.o. Croatia and DHH Italia Srl.

## NOTE 7 TAX RECEIVABLES

Tax receivables are equal to 150.977 EUR as at December 31, 2018, with an increase of 16.327 EUR as compared to 2017, and are made up as follows:

CATEGORY	AMOUNT AS AT 31.12.2018	AMOUNT AS AT 31.12.2017
VAT	150.974	134.647
Deductions on active interests	3	3
<b>TOTAL</b>	<b>150.977</b>	<b>134.650</b>

The increase is mainly attributable to the VAT receivable accrued during the 2018 financial year.

## NOTE 8 CASH AND CASH EQUIVALENTS

This item is equal to 877.624 EUR, with a decrease of 561.397 EUR as compared to 2017, and it is made up exclusively of cash equivalents available as at 31.12.2018 on bank deposits in the name of the company.

The decrease occurred during the financial year is essentially attributable to the reimbursement of the loan in favour of Tophost and to new investment in mCloud d.o.o.

## NOTE 9 PREPAID AND ACCRUED EXPENSES

Prepaid and accrued expenses are equal to 14.253 EUR as at 31.12.2018 with a decrease of 3.909 EUR as compared to 2017.

## NOTE 10 NET EQUITY

The Net equity as at December 31, 2018 is made up as follows:

### SHARE CAPITAL

The share capital is fully paid and – as at December 31, 2018 – 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 6.697.925 EUR. In particular, the amount is divided in:

- Share Premium Reserves 6.679.644 EUR
- Bonus Share Reserve 8.400 EUR
- Legal reserves 1.738 EUR

In particular, the changes can be summarized as follows:

	VALUE AS AT 01.01.2018	INCREASE	DECREASE	FINANCIAL RESULT	VALUE AS AT 31.12.2018
Share Capital	142.000	-	-	-	142.000
Share premium reserves	6.679.644	-	-	-	6.679.644
Bonus share	8.400	-	-	-	8.400
Legal Reserves		1.738			1.738
Retained earnings (accumulated losses)	-	8.143	-	-	8.143
Year's profit (loss)	9.882	(9.882)		42.008	42.008
<b>TOTAL</b>	<b>6.839.926</b>	<b>-</b>		<b>42.008</b>	<b>6.881.933</b>

## NOTE 11 OTHER NOT-CURRENT LIABILITIES

The item is equal to 505.114 EUR and it is related to the purchase of DHH d.o.o. from DHH.si d.o.o. by the way of group reorganization occurred in the last period.

## NOTE 12 TRADE PAYABLES

Trade payables are equal to 88.870 EUR as at 31.12.2018, with an increase of 29.033 EUR as compared to 31.12.2017. The table below includes the breakdown by geographic region of trade payables:

TRADE PAYABLES	31.12.2018	31.12.2017
Italy	70.885	43.496
EU countries	3.170	6.924
Non-EU countries	14.814	9.417
<b>TOTAL PAYABLES</b>	<b>88.870</b>	<b>59.837</b>

### **NOTE 13 OTHER CURRENT LIABILITIES**

Other current liabilities are equal to 28.342 EUR as at 31.12.2018, with an increase of 5.422. 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 14 CURRENT FINANCIAL LIABILITIES**

Current financial payables are equal to 0 EUR as at 31.12.2018, with a decrease of 256.825 EUR because of the repayment of the loan granted by Tophost that have its maturity in June 2018.

### **NOTE 15 TAX PAYABLES**

Tax payables are equal to 17.149 EUR as at 31.12.2018, with an increase of 9.605 EUR compared to 2017. Such item only records payable towards the tax authorities for withholding taxes made.

### **NOTE 16 REVENUES**

Revenues deriving from sell and performance are equal to 442.185 EUR as at 31 December 2018, with an increase of 108.868 EUR compared to 31 December 2017. The increase is functional to the recharge of costs for services rendered by the parent company to subsidiaries.

### **NOTE 17 OTHER REVENUES**

Other revenues are equal to 288.012 EUR as at 31 December 2018, in the most part of the value is related to the settlement agreement with DHH Switzerland SA and its shareholder.

### **NOTE 18 SERVICE COSTS AND USE OF THIRD PARTY ASSETS**

Service costs are equal to 409.966 EUR as at 31 December 2018, with an increase of 87.706 EUR compared to 2017 and they are made up as follows:

SERVICE COSTS	31.12.2018	31.12.2017
Wholesale costs	26.728	24.732
Commercial and marketing expenses	9.229	11.311
Professional services	374.009	286.216
<b>TOTAL</b>	<b>409.966</b>	<b>322.259</b>

## NOTE 19 OTHER OPERATING COSTS

Other operating costs are equal to 101.610 EUR as at 31 December 2018, with an increase of 99.044 EUR compared to 31 December 2017. The increase is due to a credit loss on receivable related to the settlement agreement with DHH Switzerland SA and its shareholder.

## NOTE 20 AMORTIZATIONS AND IMPAIRMENT

Amortizations and impairment are equal to 168.326 EUR as at 31 December 2018, with an increase of 167.503 EUR compared to 31 December 2017. The item records the amortization rate for the period relating to software and DHH SpA trademark, the relevant increase is due to the recognition of the impairment loss of DHH SWZ shareholding.

## NOTE 21 FINANCIAL INCOMES (EXPENSES)

On 31 December 2018 net financial incomes are equal to 4.918 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	31.12.2018	31.12.2017
Bank and postal interest income	14	17
Loans interest income	8.475	11.721
<b>TOTAL</b>	<b>8.489</b>	<b>11.738</b>
FINANCIAL EXPENSES	31.12.2018	31.12.2017
Loans interest expenses	3.384	6.825
Other financial expenses	187	129
<b>TOTAL</b>	<b>3.571</b>	<b>6.954</b>

## NOTE 22 INCOME TAXES

Income taxes are equal to 13.205 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.

## NOTE 23 EARNINGS PER SHARE

The number of share for calculation are the same described in the note 32 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
<b>NET EQUITY ITALIAN GAAP</b>	<b>142.000</b>	<b>6.718.763</b>	<b>33.864</b>	<b>6.894.627</b>
Removal of intangible assets		(27.417)	10.716	(16.702)
Advanced taxes IAS		6.580	(2.572)	4.008
<b>NET EQUITY IAS</b>	<b>142.000</b>	<b>6.697.926</b>	<b>42.008</b>	<b>6.881.933</b>

## 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 1.500 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.		15.994	26.041	
2	Antonio Domenico Baldassarra		1.224	2.500	
3	Giandomenico Sica		37.350	92.500	
4	Uros Čimžar		1.700	2.500	
5	Matija Jekovec		1.700	21.915	
	<b>TOTAL</b>		<b>57.968</b>	<b>145.456</b>	

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 2018.

Costs and payables relating to counterparts Mr. Sica, relate to the contract signed with Grafoventures by Giandomenico Sica are related for professional strategic services.

During 2018 DHH S.p.A. has been confirmed "PMI Innovativa" in the related section of the company registrar 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 26.574,00 EUR relating to the performances carried out by VALUE TRACK S.r.l. Intermonte Sim and Equinot S.a.s. for the precompetitive development of the company;
- costs equal to 8.300,00 EUR relating to the upgrading of TMP software through the inclusion of some new modules;

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

Milan, 28 March 2019

The Chairman of the Board of Directors

Giandomenico Sica

