



# CONSOLIDATED AND SEPARATE REPORT AS AT 31 DECEMBER 2019

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

- All amounts are in Euro -

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

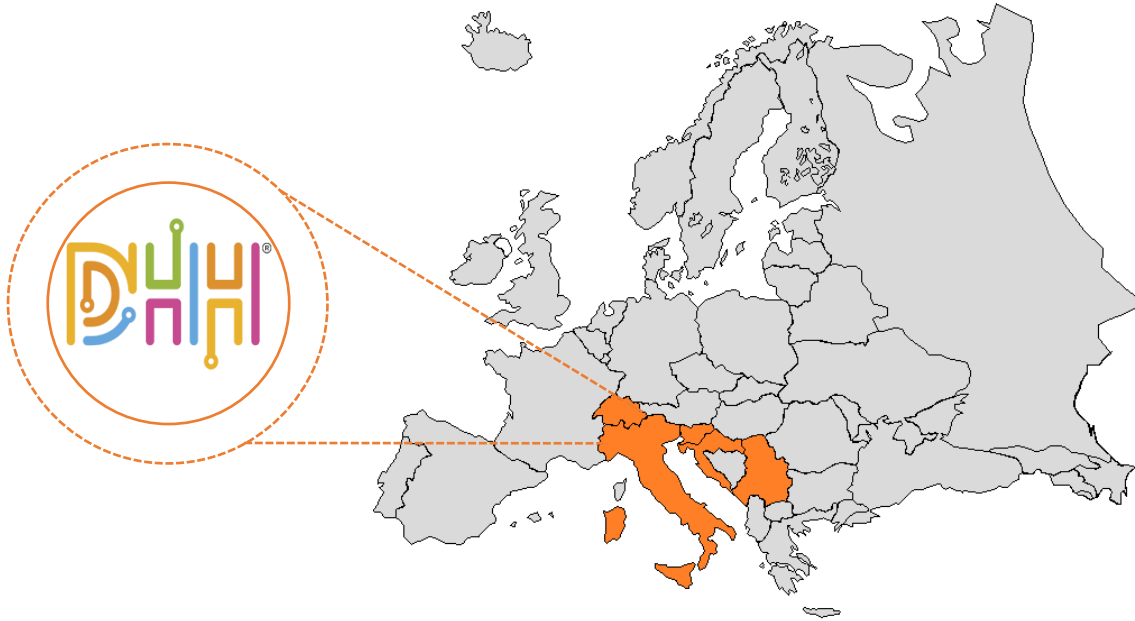
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(\*) These consolidated financial statements, making use of the option provided by art.19, Part I, of the Issuers Regulation AIM Italy, have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International 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 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

Eleven 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 (11 acquisitions since foundation, 7 acquisitions after the IPO that took place back in July 2016).

Fast growing company (FY18 Revenues +11% YoY, FY19 +8% YoY) with a well-balanced financial structure (positive net cash position of €2.2 mn as of End-of-December 2019) and sound Cash Flow generation (EBITDA to OpFCF conversion ratio in the 100% region).

# GROUP STRUCTURE BASED ON INDUSTRIAL CONGLOMERATE APPROACH

Conglomerate business model. A holding company controlling eight “Opcos” and providing advisory to all subsidiaries 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:

- The global web hosting services market size will grow by USD 72.79 billion during 2019-2023 at a CAGR of over 13%. (Source: Technavio Research Report, June 2019).
- Over the next five years the Cloud Computing market will register a 30.3% CAGR in terms of revenue, the global market size will reach US\$ 133830 million by 2024, from US\$ 46440 million in 2019. (Market Study Report).
- IDC predicts that the collective sum of the world’s data will grow 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).
- The number of people around the world using the internet has grown to 4.54 billion, an increase of 7 percent (298 million new users) compared to January 2019, nearly 60 percent of the world’s population is already online. (We Are Social).
- As a segment of IT services, cloud computing annually and is showing very few signs of slowing down. The hosting, storage and computing cloud services market was estimated to be 126 billion U.S. dollars in 2017 and was forecasted to grow to 163 billion U.S. dollars in 2021. (Statista, March 2020).

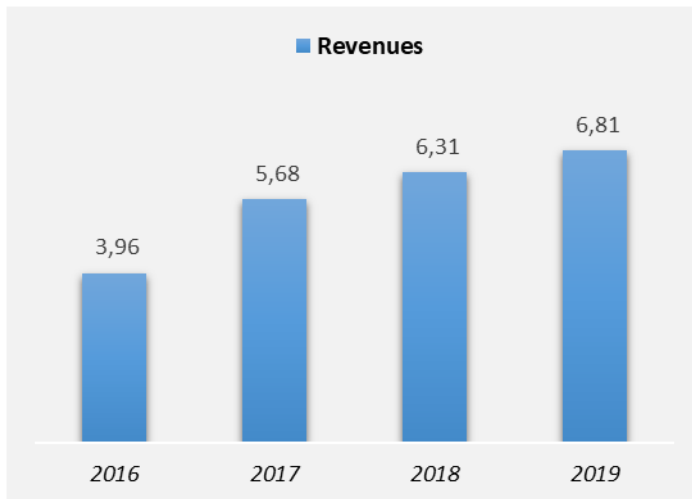
# GROWTH STRATEGY

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:

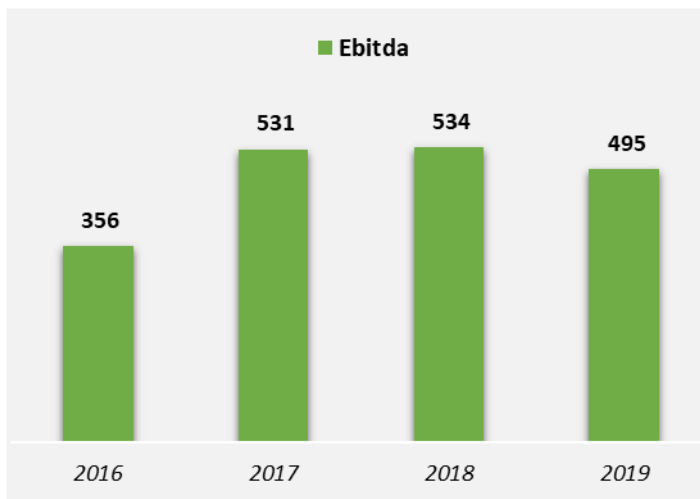
- Expanding to new geographies by acquiring top local web hosting and cloud computing players in its respective markets. Our preference goes to cash generating businesses with predictable growth, significant market share and a dedicated management team.
- Consolidating existing markets where we already 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



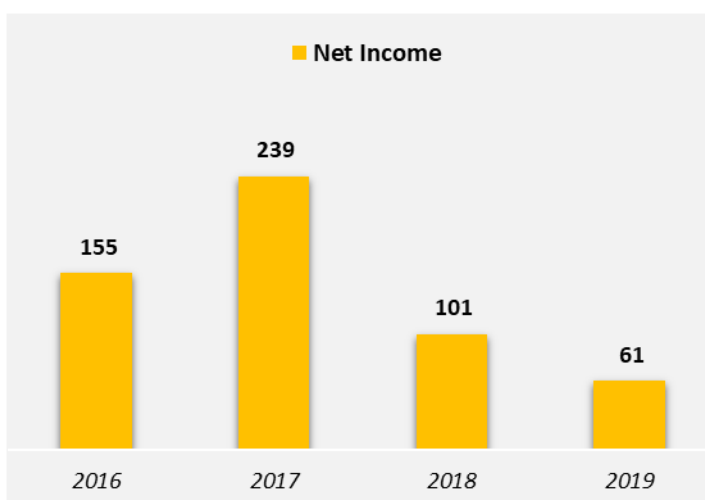
Consolidated  
**REVENUES**

equal to  
**6,81M EUR**  
**+8%**



Consolidated  
**EBITDA**

equal to  
**495k EUR**  
**-7%\***



Consolidated  
**NET INCOME**

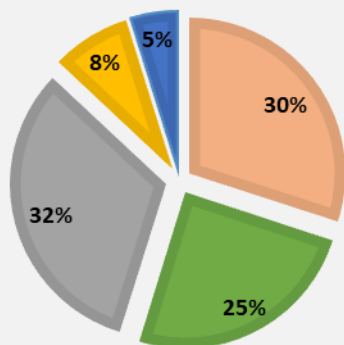
equal to  
**61k EUR**  
**-40%\*\***

\* Ebitda 2019 is comprehensive of an IFRS 16 positive impact of 117k Eur and of a negative impact of 81k Eur related to the extra costs tied to M&A.

\*\* Net Income 2019 is comprehensive of an IFRS 16 negative impact of 5k Eur and of a negative impact of 81k Eur related to the extra costs tied to M&A

# FINANCIAL HIGHLIGHTS

Italy Slovenia Croatia Serbia Switzerland



Sales are approx.:



2.03M EUR in Italy (Tophost and DHH Italia)



1.68M EUR in Slovenia (DHH.si)



2.18M EUR in Croatia (DHH, System Bee)



552k EUR in Serbia (mCloud, DHH.srb)



324k EUR in Switzerland (DHH SWZ)

PFN

3,18

2,48

2,60

2,23

31.12.2016

31.12.2017

31.12.2018

31.12.2019

Consolidated

## NET FINANCIAL POSITION

equal to

**2.23M EUR**

**-15%\***

Net Equity

7,05

7,33

7,57

7,58

31.12.2016

31.12.2017

31.12.2018

31.12.2019

Consolidated

## NET EQUITY

equal to

**7.58M EUR**

**+0,1%\*\***

\* PFN is comprehensive of a 313k EUR lease debt related to IFRS 16.

\*\* Net Equity 2019 is comprehensive of an IFRS 16 negative impact of 7k Eur.

# KEY FINANCIAL DATA

## PROFIT and LOSS STATEMENT

The reclassified Profit and Loss Statement of the Group as at December 31<sup>st</sup>, 2019 is provided below:

RECLASSIFIED CONSOLIDATED PROFIT and LOSS STATEMENT	31.12.2019	31.12.2019	31.12.2018
All amounts are in Euro	with IFRS 16 impact	without IFRS 16 impact	without IFRS 16 impact
Revenues	6.812.175	6.812.175	6.306.941
Operating costs	(4.309.578)	(4.427.065)	(3.956.595)
<b>VALUE ADDED</b>	<b>2.502.597</b>	<b>2.385.110</b>	<b>2.350.346</b>
Personnel costs	(2.007.396)	(2.007.396)	(1.816.287)
<b>GROSS OPERATING MARGIN (EBITDA)</b>	<b>495.202</b>	<b>377.715</b>	<b>534.059</b>
Amortization and impairment	(349.918)	(241.490)	(361.420)
<b>EBIT</b>	<b>145.283</b>	<b>136.225</b>	<b>172.639</b>
Other non-operating income/expense	(1.272)	(1.272)	1.337
Financial income and expenses	(31.251)	(15.726)	(20.781)
<b>EARNINGS BEFORE TAXES (EBT)</b>	<b>112.760</b>	<b>119.227</b>	<b>153.195</b>
Income taxes	(52.028)	(53.091)	(51.807)
<b>NET RESULT</b>	<b>60.732</b>	<b>66.136</b>	<b>101.388</b>
<b>OF WHICH:</b>			
relating to the shareholders of the group	99.665	103.235	102.796
relating to the third party shareholders	(38.933)	(37.099)	(1.408)

The Profit and Loss Statement has been prepared with the adoption of the new accounting standard **IFRS 16 - 'Leases'**: the accounting of instalment of costs for operating leases is replaced by amortization of the right of use and calculation of financial charges on lease liabilities. The new standard was introduced starting from January 1<sup>st</sup>, 2019; the figures for the comparative period have not been restated because the Group chose the retrospective modified approach. For further information please see the paragraph "Changes in the accounting principles".

During the financial year ended 31 December 2019 the total consolidated revenues of the Group are equal to **6,81M EUR**.

The Group is focused on web hosting services as a core business line and its revenues are approx. 2,03M EUR in Italy (Tophost and DHH Italia), 1,68M EUR in Slovenia (DHH.si), 2,18M EUR in Croatia (DHH and System Bee), 552k EUR in Serbia (mCloud) and 324k EUR in Switzerland (DHH SWZ); during 2019 there was a merge between DHH SRB and Mcloud, the remaining company is mCloud doo.

The consolidated EBITDA of the year amounts to **495k EUR** for the negative impact of the extra costs tied to M&A".

With reference to the main level of operating profitability, the application of the new method of exposing lease transactions determined a positive effect of **117k EUR** on EBITDA with IFRS 16 effect

Comparing consolidated EBITDA as at 31 December 2018 to consolidated EBITDA as at 31 December 2018 – both without IFRS 16 impact - there is a negative difference of **157k EUR**.

## MAIN BALANCE SHEET DATA

The reclassified balance sheet of the Group as at December 31<sup>st</sup>, 2019 is provided below:

RECLASSIFIED CONSOLIDATED BALANCE SHEET	31.12.2019	31.12.2019	31.12.2018
All amounts are in Euro	with IFRS 16 impact	without IFRS 16 impact	without IFRS 16 impact
Trade Receivables	382.806	382.806	552.581
Trade payables	(560.853)	(560.853)	(379.345)
<b>OPERATING NET WORKING CAPITAL</b>	<b>(178.047)</b>	<b>(178.047)</b>	<b>173.236</b>
Other current receivables	268.717	268.717	239.124
Prepaid expenses and accrued income	481.987	481.987	465.721
Other current liabilities	(220.188)	(220.188)	(201.305)
Accrued liabilities and deferred income	(1.980.692)	(1.980.692)	(1.756.541)
Taxes payables	(140.968)	(140.968)	(92.318)
<b><u>NET WORKING CAPITAL</u> *</b>	<b>(1.769.191)</b>	<b>(1.769.191)</b>	<b>(1.172.085)</b>
Goodwill	5.648.925	5.648.925	5.468.645
Tangible fixed assets	256.096	256.096	304.061
Right of use assets	304.441	-	-
Intangible fixed assets	905.963	905.963	375.879

Non current financial assets	6.661	6.661	6.409
Other non current assets	177	177	1.364
Deferred tax assets	28.531	27.396	15.086
<b>FIXED ASSETS</b>	<b>7.150.793</b>	<b>6.845.217</b>	<b>6.171.445</b>
Employee benefits fund	(14.932)	(14.932)	(15.233)
Provisions for risks and future liabilities	-	-	-
Liabilities for deferred taxes	(15.212)	(15.212)	(17.396)
<b>NET NON CURRENT LIABILITIES</b>	<b>(30.144)</b>	<b>(30.144)</b>	<b>(32.629)</b>
<b><u>NET INVESTED CAPITAL</u> **</b>	<b>5.351.458</b>	<b>5.045.883</b>	<b>4.966.731</b>
TOTAL NET EQUITY OF THE GROUP	7.595.843	7.600.680	7.525.216
NET EQUITY TO THE THIRD PARTY SHAREHOLDERS	(18.682)	(16.385)	45.989
<b>TOTAL NET EQUITY</b>	<b>7.577.161</b>	<b>7.584.295</b>	<b>7.571.206</b>
Cash equivalents	(2.537.357)	(2.537.357)	(2.699.540)
Current financial assets	(13.442)	(13.442)	-
Non current financial liabilities	205.248	-	(0)
Current financial liabilities	119.848	12.387	95.066
<b><u>NET FINANCIAL POSITION</u> ***</b>	<b>(2.225.702)</b>	<b>(2.538.412)</b>	<b>(2.604.474)</b>
<b>NET EQUITY AND NET FINANCIAL DEBT</b>	<b>5.351.458</b>	<b>5.045.883</b>	<b>4.966.731</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).

The Balance Sheet as at December 31<sup>st</sup>, 2019 reflects the application of the new accounting standard **IFRS 16 - 'Leases'**: accordingly, operating leases is represented by accounting the Right of Use Assets, between the Fixed Assets, and the Lease Liabilities, between the Net Financial Position. The new standard was introduced starting from January 1<sup>st</sup>, 2019; the figures for the comparative period have not been restated because the Group chose the retrospective modified approach. For further information please see the paragraph "Changes in the accounting principles".

The application of the new method of exposing lease transactions determined as at December 31<sup>st</sup>, 2019 a Right of Use Assets of 304k EUR, a Current Lease Liability of 107k EUR and a Non-current Lease Liability of 205k EUR.

## NET FINANCIAL POSITION

The Net Financial Position of the Group as at December 31<sup>st</sup>, 2019 is provided below:

CONSOLIDATED NET FINANCIAL POSITION	31.12.2019	31.12.2019	31.12.2018
All amounts are in Euro	with IFRS 16 impact	without IFRS 16 impact	without IFRS 16 impact
A. Cash	-	-	(234)
B. Cash equivalents	(2.537.357)	(2.537.357)	(2.699.306)
C. Securities held for trading	-	-	-
<b>D. LIQUIDITY (A)+(B)+(C)</b>	<b>(2.537.357)</b>	<b>(2.537.357)</b>	<b>(2.699.540)</b>
<b>E. CURRENT FINANCIAL RECEIVABLES</b>	<b>(13.442)</b>	<b>(13.442)</b>	<b>-</b>
F. Short-term bank liabilities	12.387	12.387	95.066
G. Current part of non-current borrowing	-	-	-
H. Current lease debt	107.462	-	-
I. Other current financial liabilities	-	-	-
<b>J. CURRENT FINANCIAL DEBT (F)+(G)+(H)+(I)</b>	<b>119.848</b>	<b>12.387</b>	<b>95.066</b>
<b>K. NET CURRENT FINANCIAL DEBT (J)-(E)-(D)</b>	<b>(2.430.950)</b>	<b>(2.538.412)</b>	<b>(2.604.474)</b>
L. Non-current bank liabilities	-	-	-
M. Bonds issued	-	-	-
N. Non-current lease debt	205.248	-	-
O. Other non-current liabilities	-	-	-
<b>P. NON-CURRENT FINANCIAL DEBT (L)+(M)+(N)+(O)</b>	<b>205.248</b>	<b>-</b>	<b>-</b>
<b>Q. NET FINANCIAL DEBT (K)+(P)</b>	<b>(2.225.702)</b>	<b>(2.538.412)</b>	<b>(2.604.474)</b>

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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 SWITZERLAND S.A. (SWITZERLAND)**

80% 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)**

80% 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. Now it includes DHH SRB d.o.o., previously DHH's subsidiary.

# BOARD OF DIRECTORS REPORT

## Section A: Significant events during the year

As a general remark during 2019 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:

### 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, mCloud has reached the goals agreed by the parties related to the revenues of the company and other KPIs.

### 10<sup>th</sup> APRIL 2019

DHH acquired the 20% of DHH Switzerland SA from Mr. Sergio Ravera.

In the framework of the agreement signed with Mr. Ravera on 12th May 2017, DHH activated the procedure for the price adjustment on DHH Switzerland SA.

As a result of the activation of this procedure and the subsequent dialogue with Mr. Ravera, DHH and Mr. Ravera agreed on a price adjustment of 190.000 EUR to be paid by Mr. Ravera with shares of DHH Switzerland SA. For the effect of this adjustment, DHH now owns 80%, and Mr. Ravera owns 20% of DHH Switzerland SA.

DHH and Mr. Ravera signed also an agreement through which they have the option to buy (DHH) and to sell (Mr. Ravera) the remaining stake of Mr. Ravera in DHH Switzerland SA as soon as certain conditions mutually agreed by the parties – and related to business KPIs – are met. Both the options can be exercised within 120 days from the approval of the financial statements 2021 of DHH Switzerland SA.

### 2<sup>nd</sup> MAY 2019

DHH announces to have completed the merger between the two portfolio companies mCloud d.o.o. and DHH SRB d.o.o. so to result in a single entity. The merger has been designed to simplify the group organization and operations, following what already done in Slovenia and in Croatia.

9<sup>th</sup> MAY 2019

DHH during the Shareholders Meeting of 30th April announces that Giandomenico Sica, Uroš Čimžar, and Matija Jekovec, have been re-appointed as executive directors of the company. Giandomenico Sica, Chairman of the Board of Directors, will have also the responsibility of the Investor Relations activities. In the same Meeting have been re-appointed BDO Spa as Auditing Firm and as Statutory Auditors Mr. Umberto Lombardi, Pizzutelli Stefano, Pipolo Pierluigi, Capogna Umberto, Cinelli Cesare.

27<sup>th</sup> JUNE 2019

DHH announces that on 21 June Tomaž Koštial has been appointed as CEO of DHH.si.

18<sup>th</sup> JULY 2019

DHH announces that pursuant to article 17 of the AIM Italia Rules for Issuers, it has appointed EnVent Capital Markets Ltd as new Nomad; the assignment took effect from 19 July 2019.

EnVent Capital Markets Ltd, within the two months following the engagement, completed the verification of the existence of suitable procedures to guarantee the compliance by DHH S.p.A. with the AIM Italia Issuers Regulation.

26<sup>th</sup> JULY 2019

DHH announces that the period during which entitled shareholders may request the free allocation of bonus shares will begin on 28 July 2019, as stated in section 4.1.2 of the Admission Document relating to the IPO and admission to trading of DHH ordinary shares on the Stock Exchange organized and managed by Borsa Italiana S.p.A. (the "Admission Document").

5<sup>th</sup> AUGUST 2019

DHH announces to have completed the process of appointment of Veljko Drakulić as CEO of DHH d.o.o. (DHH Croatia). This appointment is part of a broader process aimed at renewing and improving the governance of the local portfolio companies of DHH through the promotion of internal managers or the appointment of a new – young – external management.

6<sup>th</sup> SEPTEMBER 2019

DHH announces that 68.550 bonus shares have been allocated to entitled shareholders, as approved by the company General Shareholders Meeting held on June 9, 2016.

As defined during the IPO process, the shareholders that in the IPO have underwritten shares of the Company and have maintained them until July 27, 2019, and have applied for the allocation of the bonus share in the period between July 28, 2019 and August 27, 2019, have been granted, free of charge 1 Company's ordinary share (ISIN IT0005203622) for every 5 shares ordinary with bonus share allocated in the context of the IPO (ISIN IT0005203663).

The allocation of the new 68.550 ordinary shares, which have the same features of the outstanding ordinary shares, determines the increase of the Company's share capital to Euro 148.855,00 represented by 1.488.550 ordinary shares with no nominal value.

11<sup>th</sup> SEPTEMBER 2019

DHH announces that, as notified to the Italian Business Register on 9 September 2019, as a result of the issuance of the bonus shares mentioned in the press release published on 6 September 2019, the share capital of DHH is now equal to Euro 148.855, represented by no. 1.488.550 ordinary shares without par value. Such variation of the share capital was registered in the mentioned Italian Business Register effective from 9 September 2019.

The share capital of DHH, fully subscribed and paid-in, has been filed with the Italian Business Register of ordinary shares without par value on 9 September 2019, as a result of the issuance of 68.550 ordinary shares in favor of the shareholders with the bonus share right, according to the provisions of the General Shareholders Meeting held on June 9, 2016.

6<sup>th</sup> DECEMBER 2019

DHH completed the acquisition of Si-Shell ([www.si-shell.net](http://www.si-shell.net)), the business unit of iServer d.o.o. – one of the most important Slovenian providers – focused on the hosting and domain segment and having approximately 1.800 active customers. The acquisition is aimed at consolidating DHH presence in the local market. This deal doesn't exceed 25% in any of the class tests (ref. Rules for Companies, art. 12), is not a substantial transaction, but has a strategic value for DHH since it increases the market share of the group in Slovenia. The valuation has been made on the historical data shared by the management team of iServer and verified by DHH during the due diligence process.

## 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.

## RISK RELATING TO COVID-19

The situation referred to "Coronavirus" and its economic effects can have an important economic repercussion on the operating turnover of the main customers of the companies controlled by DHH SpA, which could impact negatively on the entity business.

## 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<sup>st</sup>, 2019 taken from the year's Financial statements:

GROUP DHH			Receivables	Payables	Costs	Revenues
1	Seeweb s.r.l.	Supplier of DHH owned by 2)	22.095	189.633	1.265.305	71.562
2	Antonio Domenico Baldassarra	Director of DHH	0	1.714	3.500	0
3	Giandomenico Sica	Director of DHH	0	1.726	93.500	196
4	Uros Čimžar	Director of DHH	0	5.600	76.152	0
5	Matija Jekovec	Director of DHH	0	2.381	73.399	0
6	Petra Kotlušek	Wife of 4)	0	1.499	26.636	0
<b>Total</b>			<b>22.095</b>	<b>202.553</b>	<b>1.538.492</b>	<b>71.758</b>

Additional relationships with associated parties are entertained with subsidiaries of the DHH group and Seeweb Srl. 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 relate 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 2019.

Cost and payables relate to Mr. Čimžar, Mr. Jekovec are in part related to their position as employees of DHH.si and only for Mr. Jekovec also as consultant of DHH spa; Mrs Kotlušek are associated with her position as employee of DHH.si doo.

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

## Section D: Labour & Environment

The Group employed 65 people as of 31.12.2019 compared to 75 at 31.12.2018. There were no on the job fatalities or work 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 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; the variation is calculated without IFRS 16 impact.

CONSOLIDATED KEY FINANCIALS	31.12.2019	31.12.2019	31.12.2018	variation	
All amounts are in Euro	with IFRS 16 impact	without IFRS 16 impact	without IFRS 16 impact		
Total Assets	10.835.101	10.529.526	10.128.411	401.115	4%
Total Equity	7.577.161	7.584.295	7.571.206	13.089	0%
CONSOLIDATED KEY FINANCIALS	31.12.2019	31.12.2019	31.12.2018	variation	
All amounts are in Euro	with IFRS 16 impact	without IFRS 16 impact	without IFRS 16 impact		
Net sales	6.757.942	6.757.942	5.969.739	788.203	13%
Gross Margin	2.776.505	2.659.019	2.679.303	(20.285)	-1%
EBT	112.760	119.227	153.195	(33.968)	-22%
Net Profit	60.732	66.136	101.388	(35.253)	-35%

## Group Performance Indicators

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

CONSOLIDATED KEY INDICATORS	31.12.2019	31.12.2019	31.12.2018	
	with IFRS 16 impact	without IFRS 16 impact	without IFRS 16 impact	
Fixed Assets Ratio	66%	65%	61%	This ratio shows the ratio of fixed assets to total assets
Total Fixed Assets to Equity Ratio	94%	90%	82%	This ratio shows the capital structure of the Group
Total Liabilities to Liabilities and equity ratio	30%	28%	25%	Debt percentage ratio
Total equity to total liabilities and equity	70%	72%	75%	Debt percentage ratio
Debt to Equity ratio	0%	0%	1%	The percentage of debt to equity
Working Capital ratio	1,22	1,26	1,57	This ratio shows how many times the current assets cover the current liabilities
CONSOLIDATED KEY INDICATORS	31.12.2019	31.12.2019	31.12.2018	
All amounts are in Euro	with IFRS 16 impact	without IFRS 16 impact	without IFRS 16 impact	
Assets return ratio	1%	2%	2%	Net profit after tax as a percentage of the equity
Ebitda margin	7%	6%	9%	Ebitda as a percentage of sales
Net profit margin	1%	1%	2%	Net profit as a percentage of sales

## Section F: Significant events between end of the year and publishing of this report

23<sup>rd</sup> FEBRUARY 2020

The Italian Government published the Decree-Law No 6 of 23 February 2020, the first of a series urgent measures on the containment and management of the epidemiological emergency by COVID-19.

## Section G: Predictions and plans for year 2020

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 2020 we are planning a stronger engagement in this area resulting in new M&A activities and establishing DHH as a leading cloud computing player in Southeastern Europe.

We can summarize the plan for 2020 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.

The situation referred to “Coronavirus” and its economic effects can have an important economic repercussion on the operating turnover of the main customers of our companies, which could impact negatively on the entity business.

Currently we are not in the condition to assess this risk in a precise way, since the first data we observe in our companies don’t show anything unexpected or different from “business as usual”. Nevertheless, we expect that the global economy will be negatively impacted by Coronavirus and we believe that our company won’t be called out from this situation. That’s why, despite the lack of evident signals, we are preparing our group to face possible negative scenarios during 2020.

## 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.

### Boad of Directors

The Board of Directors of the Company, re-appointed by the Shareholder's meeting held on April 30<sup>th</sup>, 2019, is entrusted with the management of the Company and is made of four members plus an independent director.

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 re-appointed by the Shareholders' meeting held on 30<sup>th</sup> April 2019 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 2021).

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:

**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 applicable law and regulations such as the Regulations (EU) No. 596 of 2014 on market abuse ("M.A.R.").

**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.

**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.

**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.

**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 ANNUAL REPORT AS AT 31.12.2019

Financial Statements 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 2019

ASSETS	NOTE	31.12.2019	31.12.2019	OF WHICH RELATED PARTIES	31.12.2018	OF WHICH RELATED PARTIES
All amounts are in Euro		with IFRS 16 impact	without IFRS 16 impact		without IFRS 16 impact	
Goodwill	1	5.648.925	5.648.925		5.468.645	
Tangible fixed assets	2	256.096	256.096		304.061	
Right of Use Assets	3	304.441	-		-	
Intangible assets	4	905.963	905.963		375.879	
Non current financial assets	5	6.661	6.661		6.409	
Other non current assets		177	177		1.364	
Deferred tax assets	6	28.531	27.396		15.086	
<b>NON CURRENT ASSETS</b>		<b>7.150.793</b>	<b>6.845.217</b>		<b>6.171.445</b>	
Trade receivables	7	382.806	382.806	22.095	552.581	30.807
Current financial assets	8	13.442	13.442		-	
Other current assets	9	121.713	121.713		72.365	
Tax receivables	10	147.003	147.003		166.758	
Cash and cash equivalents	11	2.537.357	2.537.357		2.699.540	
Prepaid expenses and accrued income	12	481.987	481.987		465.721	
<b>CURRENT ASSETS</b>		<b>3.684.309</b>	<b>3.684.309</b>		<b>3.956.966</b>	
<b>TOTAL ASSETS</b>		<b>10.835.101</b>	<b>10.529.526</b>	<b>22.095</b>	<b>10.128.411</b>	<b>30.807</b>

LIABILITIES and NET EQUITY	NOTE	31.12.2019	31.12.2019	OF WHICH RELATED PARTIES	31.12.2018	OF WHICH RELATED PARTIES
All amounts are in Euro		with IFRS 16 IMPACT	without IFRS 16 IMPACT		without IFRS 16 impact	
Share Capital		148.855	148.855		142.000	
Reserves		6.713.385	6.751.337		6.696.962	
Retained Profit (Loss)		633.938	597.254		583.458	
Year's profit (loss) relating to the shareholders of the Group		99.665	103.235		102.796	

<b>TOTAL NET EQUITY OF THE GROUP</b>		<b>7.595.843</b>	<b>7.600.680</b>	<b>7.525.216</b>	
Capital and Reserves relating to the third party shareholders		20.250	20.713	47.397	
Year's Profit/loss relating to the third party shareholders		(38.933)	(37.099)	(1.408)	
<b>NET EQUITY TO THE THIRD PARTY SHAREHOLDERS</b>		<b>(18.682)</b>	<b>(16.386)</b>	<b>45.989</b>	
<b>TOTAL NET EQUITY</b>	<b>13</b>	<b>7.577.161</b>	<b>7.584.295</b>	<b>7.571.206</b>	
Non current financial payables	14	205.248	(0)	(0)	
Severance reserves	15	14.932	14.932	15.233	
Provisions for risks and future liabilities		-	-	-	
Other non current liabilities		-	-	-	
Liabilities for deferred taxes	16	15.212	15.212	17.396	
<b>NON CURRENT LIABILITIES</b>		<b>235.392</b>	<b>30.144</b>	<b>32.629</b>	
Trade payables	17	560.853	560.853	191.359	379.345
Other current liabilities	18	220.188	220.188	11.194	201.305
Current financial liabilities	19	119.848	12.387	95.066	
Tax payables	20	140.968	140.968	92.318	
Accrued liabilities and deferred income	21	1.980.692	1.980.692	1.756.541	
<b>CURRENT LIABILITIES</b>		<b>3.022.549</b>	<b>2.915.087</b>	<b>2.524.576</b>	
<b>TOTAL LIABILITIES</b>		<b>3.257.941</b>	<b>2.945.231</b>	<b>2.557.205</b>	
<b>TOTAL LIABILITIES and NET EQUITY</b>		<b>10.835.101</b>	<b>10.529.526</b>	<b>202.553</b>	<b>10.128.411</b>
				<b>183.359</b>	

## Consolidated Statement of Comprehensive Income as at 31 December 2019

CONSOLIDATED INCOME STATEMENT	Note	31.12.2019  with IFRS 16 impact	31.12.2019  without IFRS 16 impact	OF WHICH RELATED PARTIES	31.12.2018  without IFRS 16 impact	OF WHICH RELATED PARTIES
All amounts are in Euro						
Revenues	22	6.757.942	6.757.942	71.758	5.969.739	36.639
Other Revenues	23	54.234	54.234		337.202	
Internal project		-	-		-	
<b>OPERATING REVENUES</b>		<b>6.812.175</b>	<b>6.812.175</b>		<b>6.306.941</b>	
Material costs	24	(24.180)	(24.180)		(33.891)	
Service costs and use of third party assets	25	(4.011.490)	(4.128.977)	(1.431.457)	(3.593.747)	(541.012)
Personnel costs	26	(2.007.396)	(2.007.396)	(107.035)	(1.816.287)	(91.151)
Other expenses	27	(273.908)	(273.908)		(328.957)	
<b>TOTAL OPERATING COSTS</b>		<b>(6.316.974)</b>	<b>(6.434.461)</b>		<b>(5.772.883)</b>	
<b>OPERATING INCOME - EBITDA</b>		<b>495.202</b>	<b>377.715</b>		<b>534.059</b>	
Amortization and impairment	28	(349.918)	(241.490)		(361.420)	
<b>EBIT</b>		<b>145.283</b>	<b>136.225</b>		<b>172.639</b>	
Financial income (expenses)	29	(31.251)	(15.726)		(20.781)	
Other non-operating income/expense	30	(1.272)	(1.272)		1.337	
<b>EARNINGS BEFORE TAXES</b>		<b>112.760</b>	<b>119.227</b>		<b>153.195</b>	
Total current and deferred income taxes	31	(52.028)	(53.091)		(51.807)	
<b>NET INCOME (LOSS) FOR THE YEAR</b>		<b>60.732</b>	<b>66.136</b>		<b>101.388</b>	
<b>OF WHICH:</b>						
relating to the shareholders of the Group		99.665	103.235		102.796	
relating to the third party shareholders		(38.933)	(37.099)		(1.408)	
<b>EARNINGS per SHARE (in EURO)</b>	<b>32</b>	<b>0,067</b>	<b>0,069</b>		<b>0,069</b>	
<b>DILUTED EARNINGS per SHARE (in EURO)</b>	<b>32</b>	<b>0,067</b>	<b>0,069</b>		<b>0,069</b>	

OVERALL CONSOLIDATED INCOME STATEMENT	31.12.2019	31.12.2019	31.12.2018
All amounts are in Euro	with IFRS 16 impact	without IFRS 16 impact	without IFRS 16 impact
<b>PROFIT (LOSS) FOR PERIOD (A)</b>	<b>60.732</b>	<b>66.136</b>	<b>101.388</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	4.680	4.680	9.850
<b>TOTAL OTHER INCOME (LOSS), NET OF FISCAL EFFECT (B)</b>	<b>4.680</b>	<b>4.680</b>	<b>9.850</b>
<b>TOTAL COMPREHENSIVE PROFIT (LOSS) FOR PERIOD (A+B)</b>	<b>65.412</b>	<b>70.816</b>	<b>111.238</b>

(\*) EBITDA indicates earnings before interest, taxes, depreciation and amortization of 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 year ended 31 December 2019

CHANGES EQUITY	31.12.2017	Result allocation	Other variations	Earnings /losses reported in OCI	Net Result of the year	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 (Accum. losses)	249.696	243.734	90.028			583.458
Group Net Result	245.472	(245.472)			102.796	102.796
<b>TOTAL NET EQUITY 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 eserves 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>-</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>5.534</b>	<b>101.388</b>	<b>7.571.205</b>

CHANGES EQUITY	31.12.2018	Result allocation	Other variations	Earnings /losses reported in OCI	Net Result of the year	31.12.2019
Share capital	142.000		6.855			148.855
Share Premium Reserve	6.679.644		1.545			6.681.189
Bonus Share Reserve	8.400		(8.400)			-
Legal Reserve	1.738	26.662				28.400
OCI Reserve	7.180			(3.384)		3.796
Retained earnings (Accum. losses)	583.458	76.134	(25.654)	-		633.938
Group Net Result	102.796	(102.796)	-		99.665	99.665
<b>TOTAL NET EQUITY GROUP</b>	<b>7.525.216</b>	<b>-</b>	<b>(25.654)</b>	<b>(3.384)</b>	<b>99.665</b>	<b>7.595.844</b>
Capital and Reserves relating to the third party shareholders	47.397	(1.408)	(23.953)	(1.786)		20.250
Net Result relating to the third party shareholders	(1.408)	1.408			(38.933)	(38.933)
<b>NET EQUITY TO THE THIRD PARTY SHAREHOLDERS</b>	<b>45.989</b>	<b>-</b>	<b>(23.953)</b>	<b>(1.786)</b>	<b>(38.933)</b>	<b>(18.683)</b>
<b>TOTAL NET EQUITY</b>	<b>7.571.205</b>	<b>-</b>	<b>(49.607)</b>	<b>(5.170)</b>	<b>60.732</b>	<b>7.577.161</b>

## Annual 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>	(166.563)	6.881.933	6.715.370
Elimination of gains from intra-group disposals	-	-	-
Adjustment for Consolidation	27.088	-	27.088
Difference between the value of the consolidated investments and their own net equity value	-	614.245	614.245
Net profit of consolidated companies	239.140	-	239.140
Third party shareholders	(38.933)	20.250	(18.683)
<b>TOTAL NET EQUITY</b>	<b>60.732</b>	<b>7.516.428</b>	<b>7.577.161</b>

## Consolidated Statement of Cash Flows for the year ended 31 December 2019

<b>CONSOLIDATED CASH FLOW STATEMENT</b>			
	<b>31.12.2019</b> with IFRS 16 impact	<b>31.12.2019</b> without IFRS 16 impact	<b>31.12.2018</b> without IFRS 16 impact
All amounts are in Euro			
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit for period	60.732	66.136	101.388
Income taxes	52.028	53.091	51.807
Interest payables/(receivables)	32.523	16.998	23.453
(Capital losses) /gains from sales of assets	-	-	-
<b>1. EARNINGS BEFORE INCOME TAX, INTEREST, DIVIDENDS AND CAPITAL GAIN/LOSSES</b>	<b>145.283</b>	<b>136.225</b>	<b>176.648</b>
Adjustments for non-cash items that are not accounted for in net working capital change:			
- Allocation to reserves	3.915	3.915	4.600
- Amortization and depreciation of assets	349.695	241.266	247.279
- Permanent loss write-down	38.185	38.185	116.622
- Other adjustments on non-monetary items	(5.170)	(3.558)	(7.012)
<b>2. Cash Flow before NWC changes</b>	<b>531.908</b>	<b>416.033</b>	<b>538.137</b>
Changes in NWC:	550.550	550.550	(142.275)
- Decrease (increase) in inventories	-	-	-
- Decrease (increase) in customer receivables	154.307	154.307	(71.195)
- Increase (decrease) in supplier payables	196.015	196.015	(87.097)
- Decrease (increase) in prepaid expenses and accrued income	(16.266)	(16.266)	125.779
- Increase (decrease) in accrued expenses and deferred income	179.826	179.826	81.719
- Other changes to the NWC	36.668	36.668	(191.481)
<b>3. Cash flow after NWC changes</b>	<b>1.082.458</b>	<b>966.583</b>	<b>395.861</b>
Other changes:	(87.528)	(87.528)	(93.143)
- Interests collected/(paid)	(15.726)	(15.726)	(23.453)

- (income taxes paid)	(67.584)	(67.584)	(59.436)
- Dividends received	-	-	-
- (Use of reserves)	(4.217)	(4.217)	(10.255)
<b>Cash flow from operating activities [A]</b>	<b>994.931</b>	<b>879.056</b>	<b>302.718</b>

## B. CASH FLOW FROM INVESTING ACTIVITIES

(Investments) disinvestment in tangible assets	(42.141)	(42.141)	(66.800)
(Investments) disinvestment in right of use assets	(440.501)	-	-
(Investments) disinvestment in intangible assets	(868.452)	(868.452)	(24.931)
(Investments) disinvestment in financial assets	(49.731)	(49.731)	(202.758)
<b>Cash flow from investing activities [B]</b>	<b>(1.400.824)</b>	<b>(960.323)</b>	<b>(294.489)</b>

## C. CASH FLOW FROM FINANCING ACTIVITIES [C]

Increase (decrease) current payables to banks	(82.679)	(82.679)	(29.168)
New loans (Loan repayments)	324.626	-	(8.930)
Paid capital increase	1.763	1.763	114.898
Treasury share sale (purchase)	-	-	-
(Dividends paid)	-	-	-
<b>Cash flow from financing activities [C]</b>	<b>243.710</b>	<b>(80.916)</b>	<b>76.800</b>
<b>Increase (decrease) in liquidity [A]+[B]+[C]</b>	<b>(162.184)</b>	<b>(162.184)</b>	<b>85.029</b>
Liquid funds at the beginning of the period	2.699.540	2.699.540	2.614.511
Liquid funds at the end of the period	2.537.357	2.537.357	2.699.540

## Notes to Financial Statements

### Cost Sharing

The main activities of DHH S.p.A. (Holding) 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 this 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 June 30, 2019 are those in force at such date.

#### FINANCIAL STATEMENTS FORMATS

The DHH Group consolidated Financial statements as at December 31<sup>st</sup>, 2019 are approved by the Board of Directors on 26.03.2020.

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 2019 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 CONSOLIDATION AREA	OFFICE	SHARE CAPITAL (in EUR)	SHARE
TOPHOST s.r.l.	Italy	10.000	100%
DHH.si d.o.o.	Slovenia	13.813	100%
DHH d.o.o.	Croatia	2.618	100%
DHH SWITZERLAND s.a.	Switzerland	92.327	80%
DHH ITALIA s.r.l.	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.

### **Lease**

The new standards IFRS 16 – Lease, requires several judgments, assumptions and estimates applied in determining how to measure the lease liability at the commencement date, as well as on reassessment that shall be done every year.

### PARTICIPATIONS IN CONTROLLED COMPANIES

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

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

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

### Evaluation Criteria

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

#### **INTANGIBLE ASSETS**

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

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

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

#### **INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE - GOODWILL**

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

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

## **INTANGIBLE ASSETS WITH FINITE USEFUL LIFE – DEVELOPMENT COSTS**

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

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

## **INTANGIBLE ASSETS WITH FINITE USEFUL LIFE – OTHER IMMATERIAL ACTIVITIES**

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

## **TANGIBLE ASSETS**

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

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

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

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

## ***PARTICIPATIONS***

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

## ***NON-CURRENT FINANCIAL ASSETS***

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

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

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

As indicated in the Annual Report 2018, from management analysis and because of the type of financial assets of the Group, no significant impacts have been identified from the application of IFRS 9 “Financial Instruments”.

## ***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.

As indicated in the Annual Report 2018, from management analysis and because of the type of financial liabilities of the Group, no significant impacts have been identified from the application of IFRS 9 “Financial Instruments”.

## **EMPLOYEES BENEFITS**

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

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

## **RECOGNITION OF REVENUES**

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

As indicated in the Annual Report 2018, from management analysis no differences in the revenues recognition cut-off have been identified from the application of IFRS 15 “Revenues from Contracts with Customers”.

## **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 HAVE BEEN ADOPTED BY THE GROUP**

As indicated in the Annual Report 2018, the following accounting standards, amendments and interpretations are applicable from the 1<sup>st</sup> of January 2019:

- IFRS 16 - “Leases”.

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).

The Group has various contracts for the use of data center equipment owned by third parties. Lease contracts are generally stipulated for a duration of 3 to 5 years but may have extension options. The lease terms are individually negotiated and provided different conditions. The contracts do not include covenants.

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

- IFRS 16 is generally not applied to intangible assets, short-term contracts (i.e. 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;
- the lease term is calculated considering the non-cancellable period of the lease, together with the periods covered by an option to extend the agreement, if it is reasonably certain that it will be exercised;
- contracts with similar characteristics are valued using a single discount rate;
- the incremental debt rate is defined as the interest rate that DHH would pay to borrow funds necessary to purchase an asset of a similar value, considered for the right to use other things being equal, for a similar period, with the same level of risk and in a similar economic context;
- the leasing contracts previously valued as finance leases pursuant to IAS 17 maintain the values previously recorded.

The main impacts on the Group's financial statements 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 340k 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 the contract portfolio basis (and the related fees) as at 1<sup>st</sup> January 2019 the increase in EBITDA for 2019 amounts in 117k 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, is reclassified from «cash flow from operating activities» to «cash flow from financing activities».

Furthermore, the following accounting standards, amendments and interpretations, applicable from 1<sup>st</sup> January 2019, are not significant or have not produced effects for the Group:

- IFRIC 23 interpretation "Uncertainty over Income Tax Treatments";
- changes to IAS 28 - "Investments in associates and joint ventures";
- changes to IAS 19 - "Plan Amendment, Curtailment or Settlement";
- IASB document with changes in IFRS 3 - "Investment in Associates and Joint Ventures", in IFRS 11 - "Joint Arrangements" and IAS 23 - "Borrowing Costs";
- changes to IAS 12 – "Income taxes".

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

Among the principles issued by the IASB, but not yet in force for the preparation of these financial statements, attention is focused on:

- Conceptual Framework in IFRS Standards, issued on 29<sup>th</sup> March 2018 with first application starting from 1<sup>st</sup> January 2020;
- changes in IFRS 3 – "Business Combinations", issued on 22<sup>nd</sup> October 2018 with first application starting from 1<sup>st</sup> January 2020;
- changes in IAS 1 – "Presentation of Financial Statements" and IAS 8 – "Accounting Policies, Changes in Accounting Estimates and Errors", issued on 31<sup>st</sup> October 2018 with first application starting from 1<sup>st</sup> January 2020;
- IFRS 17 – "Insurance Contracts", issued on 18<sup>th</sup> May 2017 with first application starting from 1<sup>st</sup> January 2021.

## 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 39.004 EUR for auditing activities and 2.190 EUR for other activities. The compensation for the Board statutory auditors is equal to 22.616 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 31.12.2019	AVERAGE EXCHANGE RATE
Croatian Kuna (HRK)	7,4395	7,4205
Serbian Dinar (RSD)	117,8319	117,8641
Swiss Franc (CHF)	1,0854	1,1111

## 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 EUR)	SHARE
TOPHOST s.r.l.	Italy	10.000	100%
DHH.si d.o.o.	Slovenia	13.813	100%
DHH d.o.o.	Croatia	2.618	100%
DHH SWITZERLAND s.a.	Switzerland	92.327	80%
DHH ITALIA s.r.l.	Italy	3.000	100%
SYSTEM BEE d.o.o.	Croatia	3.384	80%
MCLOUD d.o.o.	Serbia	9	62%

### CHANGE IN THE SCOPE OF CONSOLIDATION

With regard to the changes in the scope of consolidation, compared to the consolidated report as at 31.12.2018 it should be noted the merger of DHH SRB d.o.o. in mCloud d.o.o

### 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 5.648.925 EUR, with a net increase of 180.280 EUR compared to the same value recorded in the consolidated as at 31.12.2018. The increase refers:

- for 55k EUR to the price adjustment of mCloud d.o.o., accordingly to the goals agreed by the shareholders and reached by the company;
- for 183k EUR to the price adjustment of DHH Switzerland s.a.; for the effect of this adjustment, DHH now owns 80% and Mr. Ravera owns 20% of the company.

The decrease refers to the part of goodwill with a defined useful life by specific evaluations, in particular it's related to the fair value of DHH Italia srl and DHH Switzerland s.a.'s customer list with an estimated residual life of 6,5 years.

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

### NOTE 2: TANGIBLE ASSETS

Tangible assets are equal to 256.096 EUR.

The details of movement in tangible assets during the year 2019 are provided below.

TANGIBLE ASSETS	Computers and electronic equipment	Vehicles	Other assets	Assets under construction & payments on account	TOTAL
<b>Value at 01.01.2019</b>	808.548	14.059	109.903	-	<b>932.510</b>
Investments	34.900	-	5.746	2.008	42.655
(Disposals)	(2.784)	(14.059)	(866)	-	(17.709)
Impairments and other movements	-	-	-	-	-
<b>Cost at 31.12.2019</b>	<b>840.665</b>	<b>-</b>	<b>114.783</b>	<b>2.008</b>	<b>957.456</b>
<b>Accumulated depreciation at 01.01.2019</b>	<b>555.897</b>	<b>14.059</b>	<b>58.493</b>	<b>-</b>	<b>628.449</b>
Depreciation	81.074	-	7.975	-	89.049

(Disposals)	(1.597)	(14.059)	(482)	-	(16.138)
Impairments and other movements	-	-	-	-	-
<b>Accumulated depreciation at 31.12.2019</b>	635.374	-	65.986	-	<b>701.360</b>

#### Net Book Value

At 01.01.2019	252.651	-	51.410	-	304.061
At 31.12.2019	205.291	-	48.797	2.008	<b>256.096</b>

### NOTE 3: RIGHT OF USE ASSETS

Right of use assets are equal to 304.441 EUR. The effects of the application of IFRS 16 - "Leases", applied from January 1<sup>st</sup>, 2019, are provided below. For further information on the first application of the new accounting standard, please refer to the comments in "Evaluation criteria".

RIGHT OF USE ASSETS	Data center equipments	Vehicles	Other assets	TOTAL
<b>Value at 01.01.2019</b>	157.613	-	-	<b>157.613</b>
Investments	256.270	26.617	-	282.888
Impairments and other movements	-	-	-	-
<b>Cost at 31.12.2019</b>	413.884	26.617	-	<b>440.501</b>
<b>Accumulated amortization at 01.01.2019</b>	27.631	-	-	<b>27.631</b>
Amortization	107.692	737	-	108.429
Impairments and other movements	-	-	-	-
<b>Accumulated amortization at 31.12.2019</b>	135.324	737	-	<b>136.060</b>
<b>Net Book Value</b>				
At 01.01.2019	129.982	-	-	129.982
At 31.12.2019	278.560	25.881	-	<b>304.441</b>

**NOTE 4: INTANGIBLE ASSETS**

Intangible assets are equal to 905.963 EUR as at 31<sup>ST</sup> December 2019. The details of movement in intangible assets during the year 2019 are provided below.

INTANGIBLE ASSETS	Software licenses	Internally developed software	Other assets	Customer List	Assets under construction & payments on account	TOTAL
<b>Value at 01.01.2019</b>	<b>87.418</b>	<b>422.915</b>	<b>40.205</b>	<b>-</b>	<b>-</b>	<b>550.538</b>
Investments	700	-	5.338	604.436	12.509	622.984
Impairments and other movements	-	-	-	-	-	-
<b>Cost at 31.12.2019</b>	<b>88.118</b>	<b>422.915</b>	<b>45.544</b>	<b>604.436</b>	<b>12.509</b>	<b>1.173.522</b>
<b>Accumulated amortization at 01.01.2019</b>	<b>42.831</b>	<b>119.939</b>	<b>11.835</b>	<b>-</b>	<b>-</b>	<b>174.605</b>
Amortization	12.349	71.637	4.661	4.306	-	92.954
Impairments and other movements	-	-	-	-	-	-
<b>Accumulated amortization at 31.12.2019</b>	<b>55.180</b>	<b>191.577</b>	<b>16.496</b>	<b>4.306</b>	<b>-</b>	<b>267.559</b>
<b>Net Book Value</b>						
At 01.01.2019	44.588	302.975	28.370	0	-	375.933
At 31.12.2019	32.938	231.338	29.047	600.130	12.509	<b>905.963</b>

The Customer List increase referred to the acquisition of Si-Shell, the business unit of iServer d.o.o., which is one the most important Slovenian providers focused on the hosting and domain segment and having approximately 1.800 active customers. The acquisition is aimed at consolidating DHH presence in the Slovenian market.

**NOTE 5: NON-CURRENT FINANCIAL ASSETS**

Such item, equal to 6.661 EUR as at 31<sup>st</sup> December 2019 is referred to guarantee deposits.

**NOTE 6: DEFERRED TAX ASSETS**

Deferred tax assets are equal to 28.531 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 31.12.2019.

#### **NOTE 7: TRADE RECEIVABLES**

Trade receivables are equal to 382.806 EUR as at 31.12.2019 with a decrease of 169.775 EUR compared to the same item recorded on 31.12.2018.

The distribution of receivables by geographical area is as follow.

TRADE RECEIVABLES	31.12.2019	31.12.2018	variation
Italy	176.211	202.089	(25.878)
EU countries	145.207	98.848	46.359
Other countries	61.388	255.358	(193.970)
Sub-Total	382.806	556.295	(173.489)
Fund for bad debt	-	(3.714)	3.714
<b>TOTAL NET TRADE RECEIVABLES</b>	<b>382.806</b>	<b>552.581</b>	<b>(169.775)</b>

#### **NOTE 8: CURRENT FINANCIAL ASSETS**

Current financial assets are equal to 13.442 EUR, with the same in increase compared to 31.12.2018. The item is referred to securities.

#### **NOTE 9: OTHER CURRENT ASSETS**

Other current assets are equal to 121.713 EUR, with an increase of 49.348 EUR compared to 31.12.2018.

#### **NOTE 10: TAX RECEIVABLES**

Tax receivables are equal to 147.003 EUR as at the end of 2019 with a decrease of 19.755 EUR compared to 31.12.2018 and are composed as follows.

TAX RECEIVABLES	31.12.2019	31.12.2018	variation
VAT	131.956	157.511	(25.555)
Other tax receivables	15.047	9.247	5.800
<b>Total</b>	<b>147.003</b>	<b>166.758</b>	<b>(19.755)</b>

## NOTE 11: CASH AND CASH EQUIVALENTS

The total amount of this item is equal to 2.537.357 EUR, with a decrease of 162.184 EUR compared to 31.12.2018. The balance, expressed in Euro, represents cash equivalents and existence of ready cash and value on closure of the financial periods.

## NOTE 12: PREPAID EXPENSES AND ACCRUED INCOME

Prepaid expenses and accrued income are equal to 481.987 EUR as at 31<sup>st</sup> December 2019, with an increase of 16.266 EUR compared to 31.12.2018. Such item is mainly linked to costs for wholesale services incurred in the financial period, but attributable to subsequent financial periods.

## NOTE 13: NET EQUITY

### SHARE CAPITAL

On 31<sup>st</sup> December 2019 fully paid-up share capital is divided in 1.488.550 ordinary shares without nominal value and with an accounting parity of Euro 0,10 each.

On 6<sup>th</sup> September 2019 n. 68.550 bonus shares have been allocated to entitled shareholders, as approved by the company General Shareholders Meeting held on June 9<sup>th</sup>, 2016.

As defined during the IPO process, the shareholders that in the IPO have underwritten shares of the Company and have maintained them until July 27, 2019, and have applied for the allocation of the bonus share in the period between July 28, 2019 and August 27, 2019, have been granted, free of charge 1 Company's ordinary share (ISIN IT0005203622) for every 5 shares ordinary with bonus share allocated in the context of the IPO (ISIN IT0005203663).

The allocation of the new 68.550 ordinary shares, which have the same features of the outstanding ordinary shares, determines the increase of the Company's share capital to Euro 148.855,00 represented by 1.488.550 ordinary shares with no nominal value.

### RESERVES

Reserves is equal to 6.713.385 EUR. In particular, the amount is divided into:

Share Premium Reserves 6.681.189 EUR

Legal Reserves 28.400 EUR

OCI Reserves 3.796 EUR.

RESERVES	31.12.2018	increase	decrease	31.12.2019
Share Premium Reserves	6.679.644	1.545	-	6.681.189
Bonus Share	8.400	-	(8.400)	0
Legale Reserve	1.738	26.662	-	28.400
OCI Reserve	7.180	-	(3.384)	3.796
<b>Total</b>	<b>6.696.962</b>	<b>28.207</b>	<b>(11.784)</b>	<b>6.713.385</b>

#### **NOTE 14 NON-CURRENT FINANCIAL LIABILITIES**

Non-current financial liabilities refer to the new item created according to IFRS 16 – “Leases” for the total amount of 205k EUR.

#### **NOTE 15 SEVERANCE RESERVES**

This item records TFR related to employees of the companies of Group, pursuant to art. 2120 of the Civil Code. On 31<sup>st</sup> December 2019 the amount of this item is equal to 14.932 EUR and is linked to employee recruited by Italian subsidiary Tophost Srl (8.602 EUR) and Slovenian subsidiary DHH.si (6.330 EUR).

#### **NOTE 16 LIABILITIES FOR DEFERRED TAXES**

This item is equal to 15.212 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 this balance sheet according with international accounting standards and corresponding values relevant for tax purposes.

#### **NOTE 17 TRADE PAYABLES**

On 31.12.2019 trade payables are equal to 560.853 EUR, with an increase of 181.508 EUR compared to the same item recorded on 31.12.2018. The distribution of payables by geographical area is as follow.

TRADE PAYABLES	31.12.2019	31.12.2018	variation
Italy	259.136	211.097	48.039
EU countries	118.425	100.357	18.068
Other countries	183.292	67.890	115.402
<b>TOTAL PAYABLES</b>	<b>560.853</b>	<b>379.345</b>	<b>181.508</b>

#### **NOTE 18 OTHER CURRENT LIABILITIES**

Other current liabilities are equal to 220.188 EUR on 31.12.2019, with an increase of 18.882 EUR compared to 31.12.2018.

#### **NOTE 19 CURRENT FINANCIAL LIABILITIES**

Current liabilities to bank and other lenders are equal to 119.848 EUR on 31.12.2019, with a net increase of 82.679 EUR compared to 31.12.2018. This item includes for 107k EUR the current lease liabilities and for 12k EUR the bank accounts overdraft of the Group. The mainly decrease is due to the bank account overdraft of DHH Switzerland.

## NOTE 20 TAX PAYABLES

Tax payables are equal to 140.968 EUR on 31.12.2019, with an increase of 48.650EUR compared to 31.12.2018 and its composition is as follows.

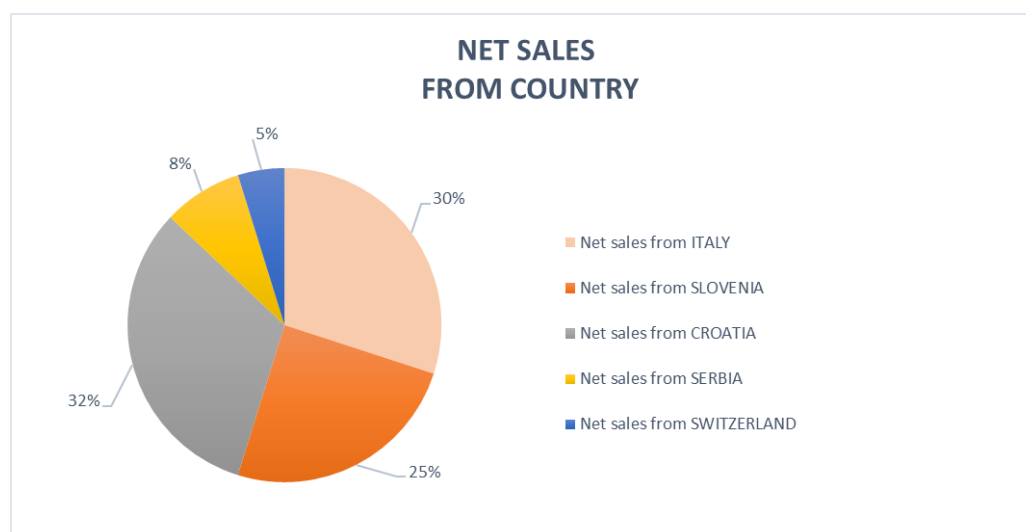
TAX PAYABLES	31.12.2019	31.12.2018	variation
VAT	99.135	41.866	57.269
Income tax	8.202	30.626	(22.424)
Withholding tax	33.631	19.826	13.805
<b>Total</b>	<b>140.968</b>	<b>92.318</b>	<b>48.650</b>

## NOTE 21 ACCRUED LIABILITIES AND DEFERRED INCOME

Accrued liabilities and deferred income are equal to 1.980.692 EUR at 31<sup>st</sup> December 2019, with an increase of 224.151 EUR mainly linked to advanced revenues for hosting.

## NOTE 22 NET SALES

The revenues from sales and services of the Group of 2019 are equal to 6.757.942 EUR, with an increase of 788.203 EUR compared to 31.12.2018. This amount increases for a good business performance. On 31<sup>st</sup> December 2019 the revenues by geographical area is the following:



## NOTE 23 OTHER REVENUES

Other revenues are equal to 54.234 EUR as at 31.12.2019 with a decrease of 282.969 EUR compared to 31.12.2018.

## NOTE 24 MATERIAL COSTS

Costs for materials and consumables are equal to 24.180 EUR on 31<sup>st</sup> December 2019 with a decrease of 9.711 EUR compared to 31.12.2018 and they are related to hardware and other materials.

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

Service costs are equal to 4.011.490 EUR on 31<sup>st</sup> December 2019, with an increase of 417.743 EUR compared to 31.12.2018 and are composed as follows.

	31.12.2019	31.12.2018	variation
Datcenter Service	565.707	487.105	78.602
Wholesale Costs	2.441.436	2.118.790	322.646
Commercial and marketing expenses	116.563	77.762	38.801
Professional services	879.456	894.669	(15.213)
Other costs for services	8.329	15.421	(7.092)
<b>Total</b>	<b>4.011.490</b>	<b>3.593.747</b>	<b>417.743</b>

**NOTE 26 PERSONNEL COSTS**

Personnel cost is equal to 2.007.396 EUR on 31<sup>st</sup> December 2019, with an increase of 191.108 EUR compared to the year 2018 consolidated and is divided among the Group as follows.

	31.12.2019	31.12.2018	variation
TOPHOST s.r.l.	88.923	87.983	940
DHH.si d.o.o.	799.819	700.615	99.204
DHH d.o.o.	441.977	534.826	(92.849)
DHH SRB d.o.o.	13.439	40.667	(27.228)
INFONET d.o.o.	-	1.455	(1.455)
DHH Italia s.r.l.	-	11.090	(11.090)
DHH Switzerland SA	325.436	340.419	(14.983)
SYSTEM BEE d.o.o.	138.274	77.445	60.829
MCLOUD d.o.o.	199.528	21.787	177.740
<b>Total</b>	<b>2.007.396</b>	<b>1.816.287</b>	<b>191.108</b>

The increase of Group's overall cost is, on one hand, related to reviewing contracts by increasing in salaries. The average number of employees is as follows :

	Managers	Employees
	31.12.2019	31.12.2019
TOPHOST s.r.l.	-	2
DHH.si d.o.o.	1	17
DHH d.o.o.	1	19
DHH Switzerland SA	1	7
SYSTEM BEE d.o.o.	1	5
MCLOUD d.o.o.	2	9
<b>Total</b>	<b>6</b>	<b>59</b>

#### **NOTE 27 OTHER EXPENSES**

Other expenses are equal to 273.908 EUR on 31<sup>st</sup> December 2019, with a decrease of 55.049 EUR compared to 31.12.2018 and such expenses are structural costs.

#### **NOTE 28 AMORTIZATIONS AND IMPAIRMENTS**

Amortizations and depreciations are equal to 349.918 EUR on 31<sup>st</sup> December 2019, with an increase of 11.501 EUR compared to 31.12.2018. The part referred to the amortization of right of use assets amounts to 108k EUR. A Part of this amortizations is relating to the customer list of DHH Italia S.r.l. and DHH Switzerland S.a. with an estimated life of 6,5 years and of the internal projects accomplished in-house.

The value of amortizations and depreciations is provided below.

	31.12.2019	31.12.2018	variation
Depreciations	90.106	106.078	(15.972)
Amortizations	258.853	138.720	120.133
Impairment	960	116.622	(115.662)
<b>Total</b>	<b>349.918</b>	<b>361.420</b>	<b>(11.501)</b>

## **NOTE 29 FINANCIAL INCOME (EXPENSES)**

On 31<sup>st</sup> December 2019 net financial expenses are equal to 31.251 EUR, with an increase of 10.471 EUR compared to the previous year.

The part referred to the interests on lease liabilities amounts to 16k EUR.

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

As at 31<sup>st</sup> December 2019 the item amounts to 1.272 EUR.

## **NOTE 31 TOTAL CURRENT AND DEFERRED INCOME TAXES**

At the end of the year 2019 total current and deferred income taxes of the Group are equal to 52.028 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	31.12.2019	31.12.2018
Consolidated net income attributable to the Group's shareholders	99.665	102.796
Number of ordinary shares	1.488.550	1.488.550
Average weighted number of outstanding shares	1.488.550	1.488.550
<b>BASE EARNINGS PER SHARE - EPS</b>	<b>0,067</b>	<b>0,069</b>
Average weighted number of outstanding warrants	1.420.000	1.420.000
Average weighted number of outstanding shares plus warrants	1.488.550	1.488.550
<b>DILUTED EPS</b>	<b>0,067</b>	<b>0,069</b>



# DOMINION HOSTING HOLDING S.P.A.

## PARENT COMPANY FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

Financial Statements prepared in accordance with IAS/IFRS principles

- All amounts are in Euro -

## Separate Financial Statements

Here below the Separate Financial Statements of the Parent Company Dominion Hosting Holding S.p.A. as at 31<sup>st</sup> December 2019.

### STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

ASSETS (ALL AMOUNTS ARE IN EURO)	NOTES	31.12.2019	OF WHICH RELATED PARTIES	31.12.2018	OF WHICH RELATED PARTIES
Investments	1	5.583.999		5.351.224	
Intangible assets	2	9.393		12.580	
Non-current financial assets	3	540.000		571.402	
Deferred tax assets	4	5.516		5.822	
<b>NON-CURRENT ASSETS</b>		<b>6.138.908</b>		<b>5.941.028</b>	
Trade receivables	5	188.499		529.157	
Other current financial assets	6	8.181		8.475	
Tax receivables	7	131.908		150.977	
Cash and cash equivalents	8	376.064		877.624	
Prepaid expenses and accrued income	9	23.786		14.253	
<b>CURRENT ASSETS</b>		<b>728.438</b>		<b>1.580.486</b>	
<b>TOTAL ASSETS</b>		<b>6.867.346</b>		<b>7.521.514</b>	

LIABILITIES AND NET EQUITY (ALL AMOUNTS ARE IN EURO)	NOTES	31.12.2019	OF WHICH RELATED PARTIES	31.12.2018	OF WHICH RELATED PARTIES
Share Capital		148.855		142.000	
Reserves		6.733.078		6.697.926	
Year's result		(166.563)		42.008	
<b>NET EQUITY</b>	<b>10</b>	<b>6.715.370</b>		<b>6.881.933</b>	
Non-current financial liabilities		-		-	
Severance reserves		-		-	
Other non current liabilities	11	-		505.114	
Liabilities for deferred taxes		-		-	
<b>NON-CURRENT LIABILITIES</b>		<b>-</b>		<b>505.114</b>	
Trade payables	12	111.401	15.964	88.870	52.109
Other current liabilities	13	32.499	8.202	28.342	7.560
Tax payables	14	7.936		17.149	

Accrued liabilities and deferred income	93		106	
<b>CURRENT LIABILITIES</b>	<b>151.976</b>		<b>134.083</b>	
<b>TOTAL LIABILITIES</b>	<b>151.976</b>		<b>639.581</b>	
<b>TOTAL LIABILITIES AND NET EQUITY</b>	<b>6.867.346</b>	<b>24.166</b>	<b>7.521.514</b>	<b>59.769</b>

## STATEMENT OF COMPREHENSIVE INCOME AS AT 31 DECEMBER 2019

<b>PROFIT AND LOSS STATEMENT</b> (ALL AMOUNTS ARE IN EURO)	<b>NOTES</b>	<b>31.12.2019</b>	<b>OF WHICH RELATED PARTIES</b>	<b>31.12.2018</b>	<b>OF WHICH RELATED PARTIES</b>
Revenues	15	455.144		442.185	
Other revenues		0		288.012	
<b>TOTAL REVENUE</b>		<b>455.144</b>		<b>730.197</b>	
Service costs and use of third party assets	16	(585.067)	(148.710)	(409.966)	(174.461)
Personnel costs		-		-	-
Other operating costs	17	(4.012)	(40)	(101.610)	(1.302)
<b>TOTAL OPERATING COSTS</b>		<b>(589.079)</b>	<b>(148.750)</b>	<b>(511.576)</b>	<b>(175.763)</b>
<b>OPERATING RESULT – EBITDA*</b>		<b>(133.935)</b>		<b>218.621</b>	
Amortizations and impairment	18	(40.412)		(168.326)	
<b>EBIT**</b>		<b>(174.347)</b>		<b>7.669</b>	
Financial income (expenses)	19	8.090		4.918	
<b>EARNINGS BEFORE TAXES</b>		<b>(166.257)</b>		<b>12.453</b>	
Total current and deferred income taxes	20	(306)		(13.205)	
<b>NET PROFIT (LOSS)</b>		<b>(166.563)</b>	<b>(148.750)</b>	<b>42.008</b>	<b>(175.763)</b>
OF WHICH:					
attributable to equity holders of the Parent company		(166.563)		42.008	
attributable to minority interests		-		-	
<b>EARNINGS (LOSS) PER SHARE</b>	<b>21</b>	<b>(0,24)</b>		<b>0,06</b>	
<b>DILUTED EARNINGS (LOSS) PER SHARE</b>	<b>22</b>	<b>(0,24)</b>		<b>0,06</b>	

**OVERALL PROFIT AND LOSS STATEMENT  
OF DHH****31.12.2019****31.12.2018**

(ALL AMOUNTS ARE IN EURO)

<b>NET PROFIT (LOSS) (A)</b>	<b>(166.563)</b>	<b>42.008</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 NET OVERALL PROFIT (LOSS) (A+B)</b>	<b>(166.563)</b>	<b>42.008</b>

(\*) EBITDA indicates earnings before interest, taxes, depreciation and amortization or fixed assets and write-down of receivables. Therefor 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 2019

<b>CASH FLOW STATEMENT</b> (ALL AMOUNTS ARE IN EURO)	<b>31.12.2019</b>	<b>31.12.2018</b>
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit for period	(166.563)	42.008
Income taxes	306	13.205
Interest payables/ (receivables)	(8.080)	(4.918)
(Capital losses)/gains from sales assets	-	-
<b>1. EARNING BEFORE INCOME TAX, INTEREST, DIVIDENDS AND CAPITAL GAIN/LOSSES</b>	<b>(174.347)</b>	<b>50.295</b>
Adjustments for non-cash items that are not accounted		
In net working capital change:	40.612	2.222
- Allocation to provisions	-	-
- Amortization and depreciation of assets	3.186	2.222
- Permanent loss write-downs	-	-
- Other adjustments on non-monetary items	37.225	-
<b>2. CASH FLOW BEFORE NWC CHANGES</b>	<b>(133.935)</b>	<b>52.517</b>
Changes in NWC:	368.657	(301.866)
- Decrease (increase) in inventories	-	-
- Decrease (increase) in customer receivables	340.658	(333.549)
- Increase (decrease) in supplier payables	22.531	29.033
- Decrease (increase) in prepaid expenses and accrued income	(9.533)	3.909
- Increase (decrease) in accrued expenses and deferred income	(13)	41
- Other changes to the NWC	14.014	(1.299)
<b>3. CASH FLOW AFTER NWC CHANGES</b>	<b>233.722</b>	<b>(249.349)</b>
Other changes:	8.080	(7.529)
- Interest collected/ (paid)	8.080	4.918
- (Income tax paid)	-	(12.447)
- Dividends received	-	-
- (Use of provisions)	-	-
<b>CASH FLOW FROM OPERATING ACTIVITIES [A]</b>	<b>241.812</b>	<b>(256.878)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
(Investments) in tangible assets	-	-
(Investments) in right of use assets	-	-
(Investments) in intangible assets	-	(8.426)

(Investments) in financial assets	(238.304)	(39.269)
<b>CASH FLOW FROM INVESTING ACTIVITIES [B]</b>	<b>(238.304)</b>	<b>(47.695)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES [C]</b>		
Third party resources	-	-
Increase (decrease) current payables to bank	48	(256.825)
New loans	-	-
Loan repayments	(505.114)	-
Own resources	-	-
Paid capital increase	-	-
Treasury share sale (purchase)	-	-
(Dividends paid)	-	-
<b>CASH FLOW FROM FINANCING ACTIVITIES [C]</b>	<b>(505.066)</b>	<b>(256.825)</b>
<b>INCREASE (DECREASE) IN LIQUIDITY [A]+[B]+[C]</b>	<b>(501.559)</b>	<b>(561.398)</b>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	877.624	1.439.021
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	376.064	877.624

## NET FINANCIAL POSITION AS AT 31 DECEMBER 2019

<b>NET FINANCIAL POSITION OF DHH</b> (ALL AMOUNTS ARE IN EURO)	<b>31.12.2019</b>	<b>31.12.2018</b>
A. Cash	-	-
B. Cash equivalents	(376.064)	(877.624)
C. Securities held for trading	-	-
<b>D. LIQUIDITY (A)+(B)+(C)</b>	<b>(376.064)</b>	<b>(877.624)</b>
<b>E. CURRENT FINANCIAL RECEIVABLES</b>	<b>(8.181)</b>	<b>(8.475)</b>
F. Short-term bank liabilities	-	-
G. Current part of non-current borrowing	-	-
H. Current lease debt	-	-
I. Other current financial liabilities	48	-
<b>J. CURRENT FINANCIAL DEBT (F)+(G)+(H)+(I)</b>	<b>48</b>	<b>-</b>
<b>K. NET CURRENT FINANCIAL DEBT (J)+(E)+(D)</b>	<b>(384.197)</b>	<b>(886.099)</b>
L. Non-current bank liabilities	-	-
M. Bond issued	-	-
N. Non-current lease debt	-	-
O. Other non-current liabilities	-	505.114
<b>P. NON-CURRENT FINANCIAL DEBT (L)+(M)+(N)+(O)</b>	<b>-</b>	<b>505.114</b>
<b>Q. NET FINANCIAL DEBT (K)+(P)</b>	<b>(384.197)</b>	<b>(380.985)</b>

## INTERIM STATEMENT OF CHANGES IN NET EQUITY

	VALUE AS AT 01.01.2018	OTHER VARIATIONS - INCREASE	OTHER VARIATIONS - DECREASE	FINANCIAL RESULT	VALUE AS AT 31.12.2018
Share Capital	142.000	-	-	-	142.000
Share premium reserves	6.691.519	-	-	-	6.679.644
Bonus share	8.400	-	-	-	8.400
Legal reserves	-	1.738	-	-	1.738
Retained profit/(loss)	-	8.143	-	-	8.143
Net profit (loss)	9.881	(9.881)		42.008	42.008
<b>TOTAL</b>	<b>6.839.925</b>	<b>-</b>		<b>42.008</b>	<b>6.881.933</b>

	VALUE AS AT 01.01.2019	OTHER VARIATIONS - INCREASE	OTHER VARIATIONS - DECREASE	FINANCIAL RESULT	VALUE AS AT 31.12.2019
Share Capital	142.000	6.855			148.655
Share premium reserves	6.679.644	1.545			6.681.189
Bonus Share	8.400		(8.400)		0
Legal Reserves	1.738	26.662			28.400
Retained profit / (loss)	8.143	15.345			23.488
Net profit (loss)	42.008	(42.008)		(166.563)	(166.563)
<b>Total</b>	<b>6.881.933</b>	<b>6.855</b>	<b>(8.400)</b>	<b>(166.563)</b>	<b>6.715.370</b>

## Evaluation Criteria

The main criteria for drawing up the interim financial statements are the same used for the consolidated financial statements.

## Notes to the Financial Statements

### NOTE 1 INVESTMENTS

This item amounts to 5.583.999 EUR, with an increase of 232.755 EUR as compared to the value as at 31.12.2018.

During the period there have been some changes in shareholdings values:

- shareholding in DHH SWZ had an increase of 190.000 EUR because of the purchase of company share for a percentage of another 20%;
- shareholding DHH Italia had an increase of 25.000 EUR due to the improvement of its equity and a decrease of 37.225 EUR for impairment losses;
- shareholding in mCloud had an increase of 55.000 as variable part of the purchase price subject to the fulfillment of conditions stipulated.

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)	569.338
DHH ITALIA S.r.l.	0
DHH d.o.o. (previously Plus HR d.o.o.)	1.368.476
SYSTEM BEE d.o.o.	307.065
MCLOUD d.o.o.	256.286
<b>TOTAL</b>	<b>5.583.999</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 are equal to 9.393 EUR as at 31.12.2019. The following table provides a breakdown of movements regarding intangible fixed assets occurred in the 2019 financial year:

<b>INTANGIBLE ASSETS</b>	
<b>VALUE AT 01.01.2019</b>	<b>15.935</b>
Investments	-
Disinvestments and other movements	-
<b>COST AT 31.12.2019</b>	<b>15.935</b>
<b>ACCUMULATED AMORTIZATION AT 01.01.2019</b>	<b>3.355</b>
Amortization FY-2019	3.187
Disinvestments and other movements	-
<b>ACCUMULATED AMORTIZATION AT 31.12.2019</b>	<b>6.541</b>
<b>NET BOOK VALUE</b>	
At January 1, 2019	12.580
At December 31, 2019	9.393

## **NOTE 3 NON-CURRENT FINANCIAL ASSETS**

This item is equal to 540.000 EUR as at December 31<sup>st</sup>, 2019 and it is made up as follows:

<b>MEDIUM-LONG TERM LOANS</b>	<b>AMOUNT</b>
Loan in favour of DHH d.o.o. – Croatia	315.000
Loan in favour of DHH Italia - Italy	225.000
<b>TOTAL</b>	<b>540.000</b>

Compared to the previous period there is a write-off of the debt of DHH Italia for 25.000 EUR with the aim to improve its shareholders equity. About the financial loan in favour of DHH.si, the amount of 6.402 EUR - due to the interest accrued in year 2016 and 2017 - has been paid.

#### NOTE 4 DEFERRED-TAX ASSETS

Deferred-tax assets are equal to 5.516 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 188.499 EUR as at 31.12.2019, with a decrease of 340.658 EUR compared to 31.12.2018. At the end of the year the item included also a receivable related to the settlement agreement with DHH Switzerland sa and its shareholder. The table below includes the breakdown by geographic region of trade receivables:

GEOGRAPHY RECEIVABLES	31.12.2019	31.12.2018
Italy	69.980	88.825
EU countries	80.438	224.497
Non-EU countries	38.081	215.835
<b>TOTAL GROSS TRADE RECEIVABLES</b>	<b>188.499</b>	<b>529.157</b>

#### NOTE 6 CURRENT FINANCIAL ASSETS

Current financial assets amount to 8.181 EUR as at 31.12.2019. 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 131.908 EUR as at December 31<sup>st</sup>, 2019, with a decrease of 19.069 EUR as compared to 2018, and are made up as follows:

CATEGORY	31.12.2019	31.12.2018
VAT	119.403	150.974
Deductions on active interests	5	3
Other income tax	12.500	-
<b>TOTAL</b>	<b>131.908</b>	<b>150.977</b>

#### NOTE 8 CASH AND CASH EQUIVALENTS

This item is equal to 376.064 EUR, with a decrease of 501.559 EUR as compared to 2018, and it is made up exclusively of cash equivalents available as at 31.12.2019 on bank deposits in the name of the company. The decrease occurred during the period is essentially due to the repayment of DHH.si debt and the payment of the variable part of the purchase price of Mcloud d.o.o.

## NOTE 9 PREPAID AND ACCRUED EXPENSES

Prepaid and accrued expenses are equal to 23.786 EUR as at 31.12.2019 with an increase of 9.533 EUR as compared to 2018.

## NOTE 10 NET EQUITY

The Net equity as at December 31<sup>st</sup>, 2019 is made up as follows:

### SHARE CAPITAL

The share capital is fully paid and – as at December 31<sup>st</sup>, 2019 – is made up of 1.488.550 ordinary shares without nominal value, with an accounting par value of Euro 0,10 each.

On 6<sup>th</sup> September 2019 n. 68.550 bonus shares have been allocated to entitled shareholders, as approved by the company General Shareholders Meeting held on June 9<sup>th</sup>, 2016.

As defined during the IPO process, the shareholders that in the IPO have underwritten shares of the Company and have maintained them until July 27, 2019, and have applied for the allocation of the bonus share in the period between July 28, 2019 and August 27, 2019, have been granted, free of charge 1 Company's ordinary share (ISIN IT0005203622) for every 5 shares ordinary with bonus share allocated in the context of the IPO (ISIN IT0005203663).

The allocation of the new 68.550 ordinary shares, which have the same features of the outstanding ordinary shares, determines the increase of the Company's share capital to Euro 148.855,00 represented by 1.488.550 ordinary shares with no nominal value.

### RESERVES

Reserves is equal to 6.709.589 EUR. In particular, the amount is divided in:

- Share Premium Reserves 6.681.189 EUR
- Legal Reserves 28.400 EUR

In particular, the changes can be summarized as follows:

	VALUE AS AT 01.01.2019	OTHER VARIATIONS - INCREASE	OTHER VARIATIONS - DECREASE	FINANCIAL RESULT	VALUE AS AT 31.12.2019
Share Capital	142.000	6.855			148.855
Share premium reserves	6.679.644	1.545			6.681.189
Bonus share	8.400		(8.400)		0
Legal Reserves	1.738	26.662			28.400
Retained earnings (accumulated losses)	8.143	15.345			23.488
Net profit (loss)	42.008	(42.008)		(166.563)	(166.563)
<b>TOTAL</b>	<b>6.881.933</b>	<b>8.400</b>	<b>(8.400)</b>	<b>(166.563)</b>	<b>6.715.370</b>

#### **NOTE 11 OTHER NOT-CURRENT LIABILITIES**

The item was equal to 505.114 EUR and it was 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 111.401 EUR as at 31.12.2019, with an increase of 22.531 EUR as compared to 31.12.2018. The table below includes the breakdown by geographic region of trade payables:

<b>TRADE PAYABLES</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
Italy	67.666	70.885
EU countries	27.311	3.170
Non-EU countries	16.424	14.814
<b>TOTAL PAYABLES</b>	<b>111.401</b>	<b>88.870</b>

The increase is mostly due to the invoices from DHH.si related to professional services.

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

Other current liabilities are equal to 32.499 EUR as at 31.12.2019, with an increase of 4.157 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 TAX PAYABLES**

Tax payables are equal to 7.936 EUR as at 31.12.2019. Such item records payable towards the tax authorities for withholding taxes made and corporate income tax.

#### **NOTE 15 REVENUES**

Revenues deriving from sell and performance are equal to 455.144 EUR as at 31.12.2019, with an increase of 12.959 EUR compared to the previous year. The increase is functional to the recharge of costs for services rendered by the parent company to subsidiaries.

#### **NOTE 16 SERVICE COSTS AND USE OF THIRD PARTY ASSETS**

Service costs are equal to 585.067 EUR as at 31<sup>st</sup> December 2019, with an increase of 175.101 EUR compared to 2018 and they are made up as follows:

<b>SERVICE COSTS</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
Wholesale costs	28.399	26.728
Commercial and marketing expenses	2.345	9.229
Professional services	414.264	374.009
Cost Sharing Agreement	140.059	-
<b>TOTAL</b>	<b>585.067</b>	<b>409.966</b>

## NOTE 17 OTHER OPERATING COSTS

Other operating costs are equal to 4.012 EUR as at 31<sup>st</sup> December 2019, with a decrease of 97.598 EUR compared to 2018.

## NOTE 18 AMORTIZATIONS AND IMPAIRMENT

Amortizations and impairment are equal to 40.412 EUR as at 31<sup>st</sup> December 2019, with a decrease of 127.914 EUR compared to 2018, and records the amortization rate for the period relating to software and DHH SpA trademark (3.187 EUR) and the impairment test effects on DHH Italy investment (37.225 EUR).

## NOTE 19 FINANCIAL INCOMES (EXPENSES)

On 31<sup>st</sup> December 2019 net financial incomes are equal to 8.189 EUR. Financial income is accrued on the loan agreement between direct companies.

The financial incomes (expenses) are specified below:

FINANCIAL INCOMES	31.12.2019	31.12.2018
Bank and postal interest income	8	8
Positive foreign currency valuation	-	7
Loans' interest income	8.181	8.475
<b>TOTAL</b>	<b>8.189</b>	<b>8.489</b>
FINANCIAL EXPENSES	31.12.2019	31.12.2018
Loans interest expenses	-	3.384
Negative foreign currency valuation	30	187
Other financial expenses	69	
<b>TOTAL</b>	<b>99</b>	<b>3.571</b>

## NOTE 20 INCOME TAXES

Income taxes are equal to 306 EUR and 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 21 EARNINGS PER SHARE

The number of shares for calculation are the same described in the note 32 of Consolidated Interim 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>148.855</b>	<b>6.745.772</b>	<b>(176.887)</b>	<b>6.717.740</b>
Removal of intangible assets		(16.702)	12.895	(3.807)
Advanced taxes IAS		4.008	(2.572)	1.437
<b>NET EQUITY IAS</b>	<b>148.655</b>	<b>6.733.078</b>	<b>(166.563)</b>	<b>6.715.370</b>

## COMPENSATION OF THE STATUTORY AUDITOR AND AUDITOR FIRM

The compensation paid for the auditor firm is equal to 18.000 EUR for auditing activities and 650 EUR for other activities. The compensation for statutory auditor is equal to 16.328 EUR.

## RELATED PARTIES' TRANSACTIONS

	RELATED PARTIES	RECEIVABLES	PAYABLES	COSTS	REVENUES
1	Seeweb s.r.l.		15.964	26.046	
2	Antonio Domenico Baldassarra		1.714	3.500	
3	Giandomenico Sica		1.726	93.500	
4	Uros Čimžar		2.381	3.500	
5	Matija Jekovec		2.381	22.204	
	<b>TOTAL</b>		<b>24.166</b>	<b>148.750</b>	

Costs and payables relating Board of Directors (Mr. Sica, Mr. Baldassarra, Mr. Čimžar and Mr. Jekovec) are of Euro 500,00 per director for each Board meeting in which each director will take part in 2019.

Costs and payables relating to counterparts Mr. Sica, relate to the contract signed with Grafoventures by Giandomenico Sica are related for professional strategic services; and for professional services provided by Trimi d.o.o. owned by Mr. Jekovec.

During 2019 DHH S.p.A. has been confirmed "PMI Innovativa" in the related section of the company register 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 22.907,00 EUR relating to the performances carried out by VALUE TRACK S.r.l. and Equinot S.a.s. for the market research and competitive positioning of the company;

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

Milan, 26<sup>th</sup> March 2020

The Chairman of the Board of Directors

Giandomenico Sica

