



DOMINION HOSTING HOLDING

CONSOLIDATED AND SEPARATE REPORT AS AT 31 DECEMBER 2016

Financial Statement prepared in accordance with IAS/IFRS principles*
- All amounts are in Euro -

DHH - Dominion Hosting Holding S.p.A.

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

INTRODUCTION

Established on July 2015 and located in Milan, Italy, Dominion Hosting Holding S.p.A. (DHH) invests in the best hosting providers localized in the emerging digital economies of the Euro-Mediterranean area. Currently DHH has portfolio companies in Italy, Slovenia, Croatia and Serbia. DHH delivers strategic thinking, technology solutions and marketing know-how to help hosting companies in emerging European countries improve their business and maximize their market impact.

OUR MISSION

DHH's mission is to create a network of hosting companies and industrial synergies in the Euro-Mediterranean area. Our company seeks to serve as the benchmark for those emerging digital economies where Internet penetration is still in an embryonic phase, such as Italy, the Balkans (Slovenia, Croatia, Serbia, Bosnia, Albania, Macedonia, Montenegro, Greece) and central-eastern Europe (Bulgaria, Romania, Greece, Slovakia, Hungary), thereby operating a market conglomeration, in the belief that these "unusual geographies" possess great growth potential.

OUR CUSTOMERS

Our customers are end-users who, thanks to DHH hosting providers, can enjoy the power of the web, discovering its potential to increase their success. The DHH group allows all small businesses to find their ideal solutions to an online presence with a small investment.

Thanks to the market coordination operated by DHH, all end-users of the Euro-Mediterranean area can easily choose their favorite hosting provider in their own countries, contributing to the dissemination and development of the digital world exactly where they live and work.

INDUSTRY OVERVIEW

Web hosting is a service, which provides resources and technologies required for webpages and/or websites to be visible on the Internet. What started as a conventional pairing of dedicated and shared hosting solutions back in the nineties, have already expanded into VPS hosting, WordPress optimized hosting, managed hosting, and today's state-of-the-art cloud hosting service. Undoubtedly the demand for app and web hosting will keep on growing, and the worldwide web hosting service providing industry is expected to reach around \$144 billion by the end of 2020 (IBIS World, 2017). According to 451 Research, a USA based Information Technology advisory and research institution, such growth in the web hosting industry has been triggered by the increasing emphasis on minimizing the total costs of website ownership along with the demands for hedging the unseen expenditures associated with web infrastructure and technology (Duncan, R., 451 Research, 2013). As a result, the web hosting industry has already turned into a mature market with diversified plans and features, making these resources more and more available to the customers day by day.

It should be noted that the service prices in this industry have plummeted significantly over the years, and service providers are coming up with new techniques to offer more specialized services to their existing and potential customers. Furthermore, the advent of new technologies is making the conventional dedicated and

shared hosting services a commodity. The USA is still the leading web hosting country in the world with more than 40 percent market share (Web Hosting Media, 2017). And the total contribution of all the European countries (around 30 percent) in this industry is still a far cry from the grasp of the US on the entire market (Web Hosting Media, 2017). This scenario signals the possibilities for tremendous growth in the untapped European market, especially in the developing zones of this geography.

The current drivers and trends in the market include- the growing popularity of cloud and virtual web hosting spurred by unrestricted scalability and the demand for better flexibility and control. Managed web hosting is still in the spotlight because of website complexities. Additionally, the need for service differentiation is allowing End-to-End web hosting services to expand more rapidly. And finally, the demands for tighter security measures along with 'green web hosting' are also changing the dynamics of this industry to a great extent.

Due to the fast growth in the E-commerce industry, it seems that the web hosting industry will strive to grow like this, and it will not give way to a new technology in the near future. In this regard, Web Hosting Media (2017) reported that in 2010, there were 213.85 million websites worldwide, and this number significantly increased to 993.10 million in 2015. The rapid expansion of E-commerce around the world is making web hosting a must-have service for someone launching an online store, website, or blog. Therefore, the future of the web hosting industry looks very optimistic.

Key financial data

PROFIT AND LOSS STATEMENT

The reclassified Profit and Loss Statement of the Group as at 31 December 2016 is provided below

RECLASSIFIED PROFIT AND LOSS STATEMENT	31.12.2016	31.12.2015 (PRO-FORMA) ¹
ALL AMOUNTS ARE IN EURO		
Net income	3.963.758	3.722.679
Operating costs	(2.679.023)	(2.574.322)
VALUE ADDED	1.284.735	1.148.357
Personnel costs	(929.125)	(625.712)
GROSS OPERATING MARGIN	355.610	522.645
Amortization and impairment	(120.841)	(214.283)
EBIT	234.769	308.362
Other non-operating income/expense	7.224	0
Financial income and expenses	(22.310)	4.821
EARNINGS BEFORE TAXES (EBT)	219.683	313.183
Income taxes	(64.461)	(77.325)
NET RESULT	155.222	235.858

During the financial year ended 31 December 2016 **the total consolidated revenues** of the Group are equal to **3,96M EUR**.

The Group is focused on web hosting services as a core business line and its revenues are approx. 1.2M EUR in Italy (Tophost), 1.3M EUR in Slovenia (Domenca and Domovanje), 1.3M EUR in Croatia (Plus, InfoNet and HostingIT) and 100k EUR in Serbia (Plus).

¹ Since this is the first Group consolidated financial statements for comparative purposes the data of the consolidated pro-forma financial statements as at 31.12.2015 have been reported, for purposes of the preparation of the admission documents for the IPO on AIM.

In the consolidated Profit & Loss statement 2016 results related to InfoNet and HostingIT are accounted only pro-quota starting from the end of month of the date of acquisition (Sept. 23, 2016).

In 2016 net sales grew from 3.5M EUR (net sales as in the consolidated pro-forma financial statements 2015, 3.7M if including “other revenues”) to 3,96M EUR (net sales as in the consolidated financial statements 2016).

The consolidated **EBITDA** amounts to **355k EUR**.

Comparing consolidated EBITDA 2016 to pro-forma consolidated EBITDA 2015, there is a negative difference of **167k EUR**, due to the fact that in 2015 the company didn't have the direct and indirect costs related to Stock Exchange, M&A and not ordinary activities.

MAIN BALANCE SHEET DATA

The reclassified balance sheet of the Group as at 31 December 2016 is provided below

RECLASSIFIED BALANCE SHEET	31.12.2016	31.12.2015
ALL AMOUNTS ARE IN EURO		(PRO-FORMA)
Trade Receivables	110.311	180.646
Trade payables	(246.242)	(234.656)
OPERATING NET WORKING CAPITAL	(135.931)	(54.010)
Other current receivables	254.912	37.941
Prepaid expenses and accrued income	378.141	405.640
Other current liabilities	(273.739)	(362.890)
Accrued liabilities and deferred income	(1.087.297)	(797.037)
Taxes payables	(80.280)	(94.887)
NET WORKING CAPITAL ²	(944.194)	(865.243)
Goodwill	4.489.877	4.201.161
Tangible fixed assets	214.613	202.222
Intangible fixed assets	99.691	96.341

² 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”.

Non current financial assets	0	8.353
Other non current assets	2.457	0
Deferred tax assets	9.151	34.185
FIXED ASSETS	4.815.789	4.542.262
Employee benefits fund	(1.591)	0
Liabilities for deferred taxes	(2.268)	(5.350)
NET NON CURRENT LIABILITIES	(3.859)	(5.350)
NET CAPITAL INVESTED ³	3.867.736	3.671.669
NET EQUITY	7.052.420	3.415.588
Cash equivalents	(3.917.746)	(613.876)
Current financial assets	(8.259)	(3.935)
Non current financial liabilities	653.910	798.384
Current financial liabilities	87.411	75.508
NET FINANCIAL POSITION ⁴	(3.184.684)	256.081
NET EQUITY AND NET FINANCIAL DEBT	3.867.736	3.671.669

³ 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.

⁴ 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 NFP has been determined pursuant to 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".

NET FINANCIAL POSITION

The Net Financial Position of the Group as at 31 December 2016 is provided below

CONSOLIDATED NET FINANCIAL POSITION⁵	31.12.2016	31.12.2015
ALL AMOUNTS ARE IN EURO		(PRO-FORMA)
A. Cash	(71)	(775)
B. Cash equivalents	(3.917.675)	(613.101)
C. Securities held for trading		
D. LIQUIDITY (A)+(B)+(C)	(3.917.746)	(613.876)
E. Current financial Receivables	(8.259)	(3.935)
F. Short-term bank liabilities	1.111	2.308
G. Current part of non-current borrowing	86.300	73.200
H. Other current financial liabilities		
I. CURRENT FINANCIAL DEBT (F)+(G)+(H)	87.411	75.508
J. NET CURRENT FINANCIAL DEBT (I)-(E)-(D)	(3.838.594)	(542.303)
K. Non-current bank liabilities	549.331	605.284
L. Bonds issued		
M. Other non-current liabilities	104.579	193.100
N. NON-CURRENT FINANCIAL DEBT (K)+(L)+(M)	653.910	798.384
O. NET FINANCIAL DEBT (J)+(N)	(3.184.684)	256.081

⁵ 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 net financial position is determined pursuant to paragraph 127 of the recommendation set out in the document prepared by ESMA, no. 319 of 2013.

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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

BOARD OF AUDITORS

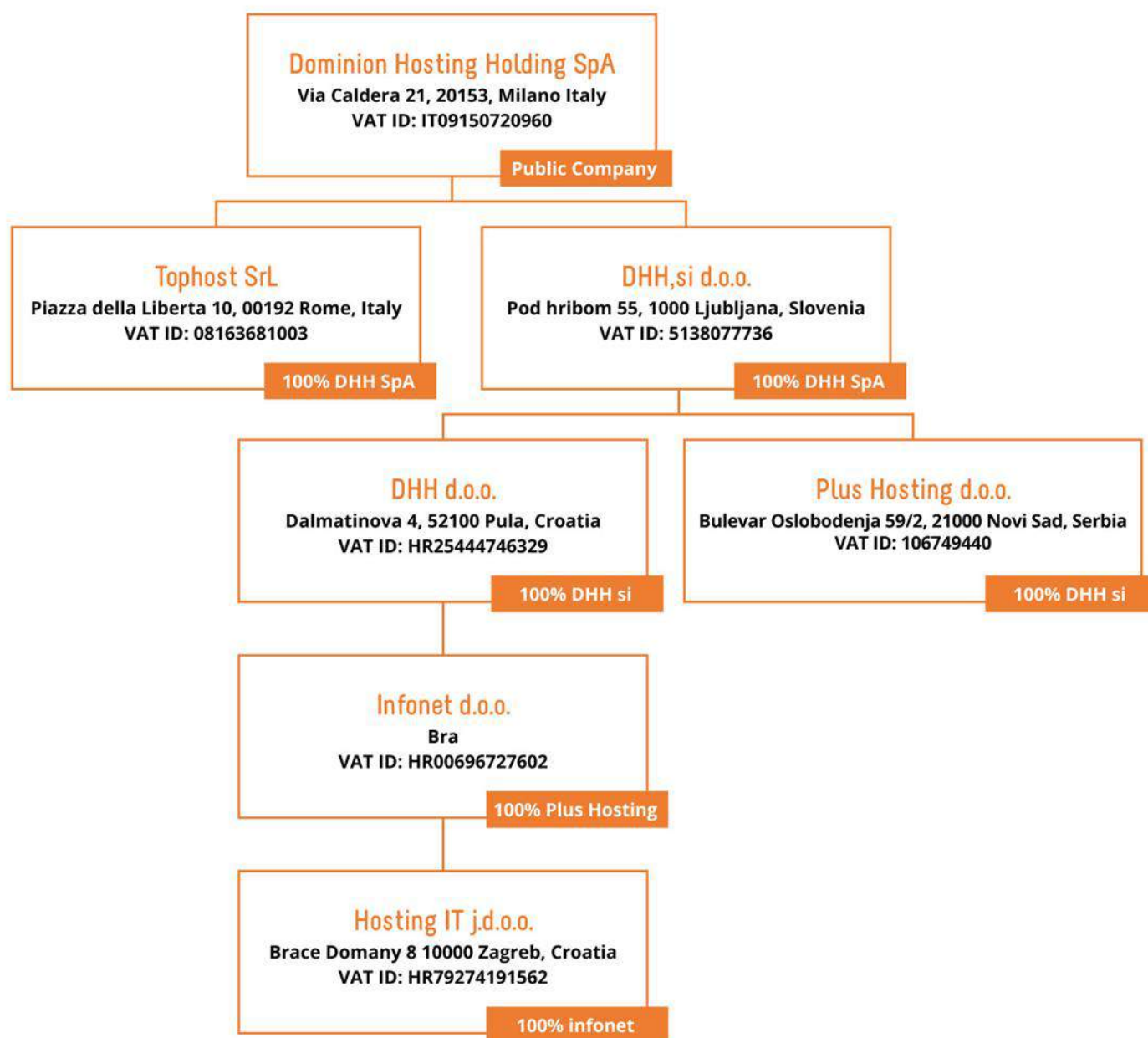
Chairman: Umberto Lombardi

Statutory Auditors: Pierluigi Pipolo, Stefano Pizzutelli

INDEPENDENT AUDITING FIRM

BDO Italia S.p.A.

STRUCTURE OF THE GROUP



DOMINION HOSTING HOLDING S.P.A.

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.

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

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

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

DHH D.O.O. (CROATIA)

100% controlled by DHH.si d.o.o. - 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.

PLUS HOSTING D.O.O. (SERBIA)

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

INFONET D.O.O. (CROATIA)

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

HOSTING IT D.O.O. (CROATIA)

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

BOARD OF DIRECTORS REPORT

SECTION A: SIGNIFICANT EVENTS

During 2016, DHH focused on preparing the group for stock listing on AIM Italia, a multilateral trading facility, organized and managed by Borsa Italiana S.p.A.

This preparation process has been marked by the following significant events:

APRIL 15, 2016 – (“EXTRAORDINARY OPERATION”)

On 15 April 2016, the DHH Assembly, with the entire share capital represented, gave rise to the following Extraordinary Operation:

- (i) cover the loss of Euro 330,00 by using the corresponding amount of "Share premium reserves";
- (ii) increase the share capital without consideration from Euro 10,000.00 to Euro 49,000.00 through allocation to share capital, for the corresponding amount of Euro 39.000,00 in available reserves. The capital increase so resolved was fully subscribed by the shareholders and the newly issued shares were allocated disproportionately among them;
- (iii) to increase the share capital by payment from Euro 49,000.00 to Euro 71.000,00 by contribution in kind, for the corresponding amount of Euro 22,000.00 as follows:
 - a. for a par value of Euro 7,000.00, with share premium of Euro 980,452.80 by the shareholder Seeweb S.r.l. by contribution in kind of Euro 8,000.00 par shares in Tophost;
 - b. for a par value of Euro 3,694.00, with share premium of Euro 327,206.56, from Mr. Matjaž Jazbec, by contribution in kind of the Euro 2,000.00 par shares in Klaro;
 - c. a par value of Euro 3,694.00, with share premium of Euro 327,206.56, from Mr. Martin Romih, by contribution in kind of Euro 2.000,00 par shares in Klaro;
 - d. for a par value of Euro 3,694.00, with share premium of Euro 327,206.56, from Mr. Uroš Čimžar, by contribution in kind of Euro 2.000,00 par shares in Klaro;
 - e. for a par value of Euro 3,694.00, with share premium of Euro 327,206.56, from Mr. Matija Jekovec, by contribution in kind of the Euro 2,000.00 par shares in Klaro;
 - f. for a par value of Euro 224,00, with share premium of Euro 19,888.82, from Mr. Koštial Tomaž, by contribution in kind of the Euro 121.56 par shares in Klaro;

The capital increase thus resolved was fully subscribed in kind;

- (iv) to increase the share capital without consideration from Euro 71.000,00 Euro 100,000.00 through allocation to share capital, for the corresponding amount of Euro 29,000.00 in available reserves with allocation of newly issued shares disproportionate to the shares already held interest by shareholders (including the new members as a result of the subscriptions by contribution in kind of

the increase in capital described in the previous paragraph (iii)). The capital increase thus resolved was fully subscribed by the shareholders;

- (v) to transform the company Dominion Hosting Holding S.r.l. into the joint stock company legal format and to acknowledge that the share capital of Euro 100,000.00 represented by no. 1,000,000.00 common shares without indicating par value;
- (vi) to approve new articles of association, in relation to which, see Section One, Chapter 16, Paragraph 16.2.
- (vii) to appoint a new board of directors, a board of auditors and a statutory auditor.

At the outcome of the Extraordinary Operation, DHH share capital was broken down as follows:

- Seeweb S.r.l. - 360,000 common shares (equal to 36%)
- Giandomenico Sica- 200,000 common shares (equal to 20%)
- Matjaž Jazbec - 108,350 common shares (equal to 10.835%)
- Martin Romih - 108,350 common shares (equal to 10.835%)
- Uroš Čimžar - 108,350 common shares (equal to 10.835%)
- Matija Jekovec - 108,350 common shares (equal to 10.835%)
- Koštial Tomaž - 6,600 common shares (0.66%)

Total: 1,000,000 common shares (100%)

JUNE 9, 2016 - ASSEMBLY WHICH APPROVED ADMISSION THE AIM ITALIA MARKET

On June 9, 2016 (Notary Marco Ferrari of Sesto San Giovanni deed, Rep. No. 267, Rec. No. 149), the DHH Assembly, both in ordinary session and in extraordinary session, in the presence of the entire share capital, with a series of associated and related resolutions, unanimously passed the following resolutions:

1. to take note of the presentation of reports on the pro forma consolidated statement of assets and liabilities - financial position as at 31 December 2014 and as at 31 December 2015, together with the relevant explanatory notes.
2. to approve:
 - the submission to Borsa Italiana of the application for admission to list company shares and warrants on AIM Italia and, in general, the list plan;
 - the granting to the Board of Directors, and the President *pro tempore* in office, on its behalf, with the right to sub-delegate, within legal limits, of all the powers necessary to give effect to any action, procedure, arrangement and performance needed to execute the company share and warrant listing admission plan on AIM Italia.
3. to authorize, pursuant to and by effect of art. 2357 Civil Code, the purchase and regulation of company treasury stock, according to the purposes, terms and conditions set out below:
 - the maximum number of shares purchased may not have a total par value, including any shares owned by subsidiaries, exceeding 20% (twenty percent) of the share capital *pro tempore* (in any case, in compliance with the applicable regulations on AIM Italia, with particular reference to the minimum free float requirements and equal treatment of shareholders);

- the purchase operations and regulation of treasury shares will be carried out to pursue the interests of the Company, in compliance with the principles of equal treatment of shareholders and current applicable regulations, in particular those which aim to: (i) take action through authorized brokers to support the liquidity of the shares on the market so as to facilitate the operation of the market under prevailing market practices identified by the Regulatory Authority; (ii) constitute a so-called share "warehouse" pursuant to market practices from time to time in force identified by the Regulatory Authority; (iii) to purchase treasury shares from beneficiaries of any *stock options* plans approved by the pertinent corporate bodies; (iv) permit the use of treasury shares in transactions related to the operations or projects in line with the strategies that the Company intends to pursue, in relation to which swap opportunities materialise; (v) other purposes specified by community and national law and regulations from time to time applicable;
 - treasury shares must be purchased in compliance with Articles 2357 and following of the Civil Code, the AIM Italia Issuers Regulations and any other provision of EU and national law and regulation from time to time applicable, as well as in line with market practices allowed by Consob pursuant to art. 180, paragraph 1, letter. c) Consolidation Act, at a price that will not be higher and lower than 20% (twenty percent) compared to the reference price recorded by the share in the stock exchange session preceding each individual transaction;
 - the dispositions, and sales in particular, of treasury shares purchased under the shareholders' authorization may be made: (i) through cash transactions, and in this case, the sales will have to be made in the stock exchange and/or off the market, at a price no higher and lower than 20% (twenty percent) compared to the reference price recorded by the share in the stock exchange session preceding each individual transaction; or (ii) by swap, exchange, transfer or other disposition not in money, in which case without price limits;
 - the purchase, also in several *tranches*, will have to be made within the limits of distributable profit and/or available reserves resulting from the last financial statements, even mid-year, duly approved at the time of the transaction;
 - the maximum number of treasury shares that can be purchased daily may not exceed 25% (twenty-five per cent) of the average daily number of shares traded on the market in the previous 20 days, subject to the requirements and the exceptional cases provided for in Regulation 2273/2003/CE, and where applicable, Annex 1 of the CONSOB resolution 16839/2009 ("Admission of market practices provided by art. 180, paragraph 1, letter c), Consolidation Act inherent in market liquidity support") or however, in the possible different amount set by subsequent laws and regulations from time to time applicable;
 - to grant the Board of Directors the broadest powers to give complete and integral execution to the above resolutions, including complying with any requests from the pertinent authorities;
 - establish that the purchase authorisation is valid until otherwise decided and, anyway, for a period not exceeding 18 (eighteen) months;
 - to establish that the authorisation to dispose of any treasury shares purchased has no time limits;
4. to grant the Board of Directors - contingent to the success of the company's financial instrument admission project to trading on AIM Italia - a gross total compensation for the year 2016 of Euro 57,000 (fifty-seven thousand), to be divided among members of the Board of Directors to the extent that will be identified by the same, even in relation to the particular office eventually held by each director;

5. to increase the share capital, for a total equivalent value- including the share premium - of maximum Euro 4,989,960, through the issue, in two *tranche*, as *infra* better indicated by a maximum number of 597,600.00 common shares, without indication of par value, with the exclusion of option rights pursuant to article 2441, paragraph 5, Civil Code, divisible, servicing the offer aimed to admit company share trading on AIM Italia, at the following terms and conditions:
- the increase will have to be released by cash payment without prejudice for that foreseen previously for bonus share *tranches* ;
 - the newly issued shares will have regular dividend;
 - to provide that the effectiveness of the subscriptions received under the placement as well as the relevant offers is conditional on the achievement of so many subscriptions that allow for the establishment of minimum free float of 10% required for the trading start provision by Borsa Italiana;
 - the capital increase will be divided into two different *tranches*, and precisely:
 - a first *tranche*, divisible, for a maximum par value of Euro 49,800 (forty nine thousand eight hundred), plus a premium, through the issue of maximum no. 498,000 (four hundred ninety eight thousand) common shares, without indicating par value, at an issue price of not less than Euro 10.00 with emission accounting par value set at Euro 0.10 to be reserved for the subscription of:
 - qualified investors, as defined by Articles 100 of the Consolidation Act, 34-ter of Regulation 11971 and 26 of Consob Regulation no. 16190 of 29 October 2007 as well as to other parties in the European Economic Area (EEA) other than Italy, who are "qualified/institutional investors" pursuant to Article 2 (1) (e) of Directive 2003/71/CE (with the exception of institutional investors in Australia, Canada, Japan and the United States and any other foreign country in which placement is not possible without authorization by the pertinent authorities);
 - possibly other categories of investors, benefiting from the exemption under Article 34-ter, paragraph 1, letter c) of the Regulation 11971;
 - the subscription of the capital increase may take place even after the start of trading of company financial instruments on AIM Italia, and then even several times;
 - the final date for the signing of the first *tranche* of the increase, according to art. 2439, second paragraph, Civil Code, is set at 31 December 2016, hereto providing that if, within that period, the increase is not fully subscribed, the capital will be increased by an amount equal to the subscriptions collected and as of the date of the same, provided subsequent to the date the resolution is recorded in the Register of Companies, given that provided as to reaching the necessary float;
 - a second *tranche* for a maximum par amount of Euro 9,960, without premium, by issuing a maximum of 99,600 common shares, through the attribution of Bonus Shares, will be reserved for those who subscribe company shares under the Placement within the Share Trading Start Date on AIM Italia; more precisely, for the allocation of bonus shares, the following conditions must be met:
 - the holding of New Shares subscribed under the Placement for an uninterrupted period of 36 months from the Share Trading Start Date on AIM Italia ("**Loyalty**

Term") and (ii) the exercise of the right by notice to the company within the following 30 days from the expiry of the Loyalty Term, of the will to take advantage of the incentive in question ("**Conditions**"). With regard to this second increase tranche:

- the funds necessary to pay the newly issued shares of the second tranche will be derived from a reduction in the price paid under the first tranche by the subscribers of the shares who have taken advantage of the incentive;
 - when the Conditions are met, the price paid by its subscribers under the first *tranche* will be reduced by an amount corresponding to the price of the new share issue they are entitled to it, with maturity of the related receivable for the subscriber, credit that will be immediately extinguished by compensation through the attribution of Bonus Shares. The release of the tranche subscription regarding the capital increase will be completed by compensating this receivable due the Company;
 - on completion of the subscription of the first *tranche*, the par amount of the increase will be allocated to the share capital, while the difference between the total amount paid by the subscribers and the par amount of the increase will be allocated as follows: (i) an amount equal to the total value of the Bonus Shares attributable to share subscribers, to a constrained component; (ii) the remainder, to premium reserve. When the capital increase tranche for Bonus Shares is executed, the amount referred to in paragraph (i) will be used - where necessary - to release the new share issue; any surplus (i.e. the entire component in the event of failure to subscribe the aforementioned tranche) will instead be permanently allocated to share premium reserves;
 - the deadline for the second *tranche* subscription, pursuant to art. 2439, second paragraph, Civil Code, is set at the end of the thirtieth day following the Loyalty Term, but no later than October 31, 2019, hereto providing that if, within that period, the second *tranche* is not fully placed, the capital will be increased by an amount equal to the subscriptions collected as of that date, provided after the resolution is recorded in the Register of Companies;
 - to establish that those who subscribe the first *tranche* of the capital increase after the company financial instrument trade start date on AIM Italia will not be entitled to the allocation of Bonus Shares.
 - determine the ratio of entitlement in no. 1 Bonus Share for every 5 New common shares resulting from subscribing the first *tranche* of the capital increase and held until the Loyalty Term.
6. to grant the Board of Directors, and on its behalf, within legal limits, the Chairman of the Board of Directors, with the authority to sub-delegate, within legal limits, all powers necessary to realise the resolved capital increase and issue servicing the attribution of Bonus Shares;
7. to issue a maximum of. 1,498,000 warrants called "WARRANT DOMINION HOSTING HOLDING S.p.A. 2016-2021", namely: (i) no. 1,000,000 (one million) warrants to be allocated free of charge and automatically to all holders of shares already in circulation before the date of the Placement; (ii) maximum no. 498,000 warrants to be allocated free of charge and automatically to all subscribers of the shares resulting from the capital increase intended for placement on AIM Italia;

- to establish that these allocations will take place according to the following ratio: no. 1 Warrant for every no. 1 share held;
 - to approve the regulation of warrants called "WARRANTS DOMINION HOSTING HOLDING S.p.A. 2016-2021" in its entirety, in the appendix to the Admission Document (the "**Warrant Regulation**"), according to which, in particular:
 - the Warrants will be entered into the centralized management system at Monte Titoli S.p.A., in dematerialized form;
 - warrant holders can request to subscribe shares on bank business days during each calendar month following the month in which the price of the average monthly price of the company shares is greater than the strike price (as defined in the Warrant Regulations);
 - Warrant holders are entitled to subscribe the converted shares according to the exercise ratio, as determined on the basis of the provisions in the Warrant Regulations;
 - Warrants not submitted for exercise by the deadline which falls on the fifth anniversary of the date of the Placement will lose all rights, becoming void for all purposes;
 - to grant the Board of Directors and the Chairman of the Board of Directors on its behalf, with the power to sub-delegate, within legal limits, the broadest powers in order to give effect to the resolved issuance of warrants and complete all declarations and formalities necessary to obtain admission for their trading on AIM Italia.
8. increase the share capital against payment, divisible, with limitation of the option right pursuant to art. 2441, paragraph five, Civil Code, for maximum par value Euro 63,979.50 sixty three thousand nine hundred seventy nine/50), servicing the exercise of maximum no. 1,498,000 "Warrant DOMINION HOSTING HOLDING S.p.A. 2016-2021", by issuing up to no. 639,795 Conversion Shares without indication of par value, with regular rights, to be exclusively reserved for subscription to the holders of such warrants pursuant to the exercise ratio calculated according to the formula thoroughly described in the Warrant Regulation;
- the subscription price of each share is equal to the implicit par value of the shares set at Euro 0.10 (zero point ten);
 - to establish that the increase will maintain effectiveness even if partially subscribed, and, for the part subscribed, in the terms of effectiveness established by the Warrant Regulation;
 - pursuant to art. 2439 Civil Code, the final deadline for the execution of the increase is 31 October 2021.

In the second semester, DHH has completed its listing plan on the Stock Exchange on AIM Italia.

The listing process was marked by the following significant events:

JULY 19, 2016 - BOARD OF DIRECTORS IN FAVOUR OF ADMISSION

On 19 July 2016, the DHH Board of Directors resolved as follows:

- to approve the consolidated Business Plan for the years 2016 - 2018 which is filed at the Company in order to release the statement on working capital required by the AIM Italia Issuers Regulation, sheet two, Annex III;
- to approve the cancellation of the pledge provided by Klaro in favor of the company on October 29, 2015 and regarding the entire share capital of Plus HR, conferring with express powers to delegate to

- third parties for individual deeds or categories of deed, the broadest powers, without any exception, to Chairman Giandomenico Sica, in order to give full and complete execution of the approved resolution;
- to approve the subscription offer characterized by the issue of maximum 498,000 new shares, without par value, and the achievement of a maximum of 35% of the floating capital and, in particular, to set the subscription price of the new shares at Euro 10,00 (ten/00) each, including the premium;
 - to approve the final version of the Warrant Regulation;
 - to grant the Chairman Giandomenico Sica all powers to carry out the admission to AIM, without exception, including, without limitation, that of determining the number of new shares without par value to be issued in the implementation of the Capital increase approved by the Shareholders' Meeting of June 9, 2016 up to a maximum of no. 498,000 new shares and to amend, where necessary, the Warrant Regulation, all hereto with promise of full ratification and approval;
 - to approve the purchase activation of treasury shares as resolved by the Assembly on June 9, 2016, conferring with express powers to delegate to third parties for individual deeds or categories of deeds, the Chairman Giandomenico Sica the broadest powers, none excluded, in order to give full and complete execution of the approved resolution;
 - to approve the corporate timetable for the final phase of the process of admission to company share and warrant trading on AIM Italia/MAC;
 - to approve the Admission Document, the application form and related claims for the purpose of Admission to AIM, granting the Chairman Giandomenico Sica, all powers to carry out the admission to AIM, without exception , including the powers to sign documents of any kind with Borsa Italiana, the Nomad, the Global Coordinator and/or any other entity involved in the listing, negotiating the content and making any amendments deemed necessary and/or appropriate, to file the application for admission to AIM with all its annexes, making any changes deemed necessary and/or appropriate for the success of the listing to the documents already approved by the Board, with promise hereto of full ratification and approval.

JULY 27, 2016 - FIRST DAY OF TRADING ON THE STOCK EXCHANGE

On June 29 DHH started placing its common stock and warrants in preparation for marking listing on AIM Italia/MAC, setting the stock price at 10 Euro.

The placement was successfully concluded on **July 22, 2016**.

Borsa Italiana S.p.A. issued the admission to trading on AIM Italia/MAC on **July 25, 2016**. DHH share and warrant trading began on **July 27, 2016**.

Following the placement, the total number of DHH shares is 1,420,000, with a float of 29.58% (420,000 shares). DHH share capital was broken down as follows:

- Seeweb S.r.l. - 360,000 common shares (equal to 25.352%)
- Giandomenico Sica- 200,000 common shares (equal to 14.085%)
- Matjaž Jazbec - 108,350 common shares (equal to 7.630%)
- Martin Romih - 108,350 common shares (equal to 7.630%)
- Uroš Čimžar - 108,350 common shares (equal to 7.630%)
- Matija Jekovec - 108,350 common shares (equal to 7.630%)
- Koštial Tomaž - 6,600 common shares (0.465%)
- Market - 420,000 common shares (29.577%)

Total: 1,420,000 common shares (100%)

The DHH market cap on the date of admission to trading was € 14.2M.

SEPTEMBER 28, 2016 – ACQUISITION OF INFONET

InfoNET d.o.o. is one of the main operators on the Croatian web hosting markets, with revenues for HRK 2,670,100 (about Euro 352,000.00), EBITDA for HRK 958,989 (about Euro 126,091) and net profits for HRK 729,548 (about Euro 96,000.00) equal to 27% of sales), no financial debt and cash at closing for HRK 739,833 (about Euro 98,644.00) earned during the last financial year (2015). In 2014, sales were HRK 2,328,645 (about Euro 307,000.00) while net profits were posted for HRK 610,127 (about Euro 80,000.00 equal to 26% of sales).

InfoNET d.o.o. also fully owns HostingIT j.d.o.o., a young Croatian web hosting provider with estimated sales for about Euro 25,000.00 – 30,000.00 (2016).

The take over – completed by DHH's Croatian subsidiary Plus Hosting d.o.o. - concerned 100% of InfoNET d.o.o. share capital. The purchase price was HRK 3,426,44 (about Euro 451,833.00) plus cash. 85% of the purchase price was fully paid in during closing, on September 23, 2016, while 15% will be paid over 12 months through instalments. Damir Maračić, InfoNET owner and director, remained as an employee in the company after the takeover.

OCTOBER 2016 - MERGER OF SLOVENIAN COMPANIES

In October 2016, Domovanje d.o.o. and Domenca d.o.o. merged into Klaro d.o.o. to form a single company and to simplify the operations. The company was then renamed to DHH.si d.o.o..

The merger of the companies Domovanje d.o.o. and Domenca d.o.o. was performed as per 31.12.2015. Both companies were 100 % owned by DHH.si d.o.o. at the time. The merger was booked by method of book values of assets and liabilities. Investment in both companies were booked as long term investment. The value of investment in Domenca d.o.o. was 52.000 EUR and 7.234,20 EUR in Domovanje d.o.o, equity of Domenca d.o.o. was -357 EUR and equity of Domovanje d.o.o. was -74.225 EUR. In both cases, excess of investment over capital emerged, so acquisition was recognized as an increase of retained loss.

The merger was entered in the commercial register on 6th October 2016. In the period until this date, the companies had the following results:

ALL VALUES ARE IN EUR	DOMENCA D.O.O.	DOMOVANJE D.O.O.
Revenues	408.586,00	484.750,00
Costs	389.541,00	416.889,00
Earnings (loss)	19.045,00	68.909,00

FROM “STARTUP INNOVATIVA” TO “PMI INNOVATIVA”

During 2016 DHH has been upgraded from “Startup Innovativa” to “PMI Innovativa” and has been registered in the related section of the company register in Milan.

SECTION B: PRINCIPAL RISKS

Disclosure relative to risks and uncertainties pursuant to article 2428 of the Italian Civil Code. The company is potentially exposed to the following relevant risks:

RISK CONNECTED WITH THE GENERAL ECONOMIC TREND

The economic and financial position of the Group is influenced by all factors affecting the macroeconomic context. During the last years, the widespread austerity measures which have been adopted in European countries have caused the restriction on access to the credit and a low level of liquidity in the financial markets. In this difficult macroeconomic situation, the company has successfully grown, but the crisis of the Eurozone countries and unforeseeable effects of its continuation may have negative effects on the company’s economic, equity and financial position.

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 while 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 multiannual subscription. Therefore, clients (especially companies) may not fulfil their obligations.

MARKET RISKS

The sector in which the Group companies operate is characterized by a rapid technological development and suffers the competitive pressure deriving from the development of technology.

The success of the Group depends, among other aspects, on the capacity to innovate and strengthen its technologies, in order to respond to the technological and emerging progress in the sector in which it operates and to satisfy the needs of clients, 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.

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

INTEREST RATES

As for the Group's financial liabilities, the subsidiary DHH.si d.o.o. (former Klaro) holds a mortgage contract by UniCredit. The applied interest rate includes a floating rate referred to the Euribor six month rate; the Group does not hold hedge contracts.

EXCHANGE RATE RISK

The Group operates in countries that use currencies other than Euro. In every country they operate, Group companies offer the price lists of their services in local currencies. These price lists are, however, often based on the purchase of services in various currencies and, mainly, 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. Group companies, in fact, supply and buy products and services both in Euro and in other currencies (mainly US Dollar, Croatian Kuna and Serbian Dinar). Therefore, many of the transactions carried out by Group companies may be subject to foreign exchange risks due to money market fluctuations.

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

SECTION C: IMPORTANT RELATED PARTY TRANSACTIONS

The transactions carried out with Group companies and other related parties mainly involve the provision of services, obtaining and use 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.

Following is a breakdown of relations with related parties as at December 30, 2016 taken from the year's financial statements:

#	PARTY	RECEIVABLES	PAYABLES	COSTS	REVENUES
1	SeeWeb s.r.l.		75.974,60	896.517,20	
2	Antonio Domenico Baldassarra		508,00	12.000,00	
3	Giandomenico Sica		2.135,00	45.000,00	
4	Uros Čimžar		1.677,91	34.933,99	
5	Matija Jekovec		1.467,56	31.334,57	
6	Petra Kotlušek		1.113,55	14.002,69	
7	Matija Jekovec s.p.			9.450,00	
8	Uroš Čimžar s.p.			7.500,00	
TOTAL			82.876,62	1.050.738,45	

Additional relationships with associated parties are entertained with subsidiary Tophost srl and Seeweb srl (shareholder). Relations with Seeweb srl mainly refer to trade relations for the purchase of wholesale hosting services with associated registration of domain names and, for a lesser amount of 12.000,00 for outsourced accounting and treasury services.

Please note that there is a performance bond for the amount of Euro 600.000,00 granted in favour of Unicredit S.p.A., which activated an cross-border type international surety in favor of Unicredit Banka Slovenija D.D., all in the interest of subsidiary DHH.si d.o.o. Subsidiary DHH.si d.o.o. put up a pledge on Plus Hosting d.o.o. company shares in favor of the company against this operation; this pledge has been cancelled.

Please also note that Seeweb S.r.l., in turn, granted a performance bond for Euro 600.000,00 in favour of Unicredit S.p.a. in the company's interest support the above operation.

SECTION D: LABOUR & ENVIRONMENT

The Group employed 54 people as of 31.12.2016 compared to 40 the previous year. 4 people were gained with the acquisition of Infonet d.o.o.. The rest of employments were made to cover the needs of Customer Service and System Administration. There were no on the job fatalities or work related accidents in the period covered by this report. During the period there were no claims regarding occupational diseases of employees or former employees and causes of mobbing, for which the companies of the Group were declared liable.

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

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

During the period of this report there were no environmental issues for which one or more companies were liable, nor were there 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 follow:

KEY FINANCIALS ALL AMOUNTS ARE IN EUR	Consolidated DHH 31.12.2016	CONSOLIDATED DHH 31.12.2015 (PRO-FORMA)
Total Assets	9.485.158	5.784.300
Total Equity	7.052.420	3.415.588
Net sales	3.947.870	3.542.123
Gross Margin	1.461.224	1.305.572
EBT	219.683	313.183
NET PROFIT	155.222	235.858

GROUP PERFORMANCE INDICATORS

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

31.12.2016 KEY INDICATORS ALL AMOUNTS ARE IN EUR	Consolidated DHH 31.12.2016	CONSOLIDATED DHH 31.12.2015 (PRO-FORMA)	COMMENT
Fixed Assets Ratio	51%	79%	This ratio shows the ratio of fixed assets to total assets
Total Fixed Assets to Equity Ratio	68%	133%	This ratio shows the capital structure of the Group

Total Liabilities to Liabilities and equity ratio	26%	41%	Debt percentage ratio
Total equity to total liabilities and equity	74%	59%	Debt percentage ratio
Debt to Equity ratio	11%	26%	The percentage of debt to equity
Working Capital ratio	2,63	0,79	This ratio shows how many times the current assets cover the current liabilities of the Group
Assets return ratio	2%	7%	Net profit after tax as a percentage of the equity
Gross margin	37%	35%	Gross profit as a percentage of sales
Net profit margin	4%	6%	Net profit as percentage of sales.

SECTION F: PREDICTIONS AND PLANS FOR YEAR 2017

In 2017, the Group will continue investing in all the markets where it is present to sustain the organic growth already present. The main focus of investments in Tophost is to expand the product portfolio and improve the service experience. In Slovenia, the main focus is on organizing direct sales and introducing services that will increase the ARPU (average revenue per user) in the mid-term period. In Croatia, the Group will invest to increase the brand awareness (Plus) and refresh the product portfolio of the mid-market brand Infonet. Serbian subsidiary will work on brand recognition and identification of influencers on the market.

The Group will continue to identify and leverage synergies between different companies in order to generate savings by centralizing parts of the organization and developing new centralized departments (e.g. finance).

The management team will continue with the acquisition strategy on all the markets in order to further consolidate markets in Slovenia and Croatia and search for opportunities in the SaaS space.

SECTION G: SIGNIFICANT EVENTS BETWEEN END OF YEAR 2016 AND PUBLISHING OF THIS REPORT

FEBRUARY 10, 2017 – DHH S.P.A. TO ACQUIRE BEE BEE WEB SA

In order to further develop its business, Dominion Hosting Holding S.p.A entered into a framework agreement with Mr. Sergio Ravera. By means of said agreement DHH intends to acquire from Mr. Ravera the entire share capital of Bee Bee Web SA, a Swiss company engaged in the business of web hosting. According to the same agreement, DHH will buy also the Italian reseller of Bee Bee Web, in order to make the group presence on the Italian market even stronger.

In particular, DHH will acquire the abovementioned companies for a consideration that includes a payment in cash amounting to 900.000,00 EUR (calculated on a debt free basis) and the transfer of 40.000 DHH's shares issued after a capital increase reserved to Mr. Ravera and paid for by a contribution in kind of a part of Mr. Ravera's participation into Bee Bee Web.

After the acquisition DHH will become the sole owner of Bee Bee Web and Sergio Ravera, the current sole owner and director of Bee Bee Web, will become shareholder of DHH and he will maintain his position as director of Bee Bee Web.

The transaction is expected to be closed by 30 April 2017.

Today DHH is a leader, among SMEs companies, in the business of web hosting services in the European emerging digital markets, with a special focus on the Alps-Adriatic Region.

With the acquisition of Bee Bee Web, DHH enhances its leading position vis-à-vis its competitors in the web hosting market in this area, as per the last official publicly available data. This transaction also provides additional growth opportunities for DHH, particularly with clients based in Switzerland, which is a new market for the group, and the chance to increase its market penetration and to further strengthen its market share.

Bee Bee Web SA is a company fully owned by Mr. Sergio Ravera, with a turnover of CHF 1.1M (approx. 1M EUR), and a net profit of CHF 16k (approx. 15k EUR), achieved during the last financial year where public data are available (2015).

According to the due diligence activities, the total consolidated unaudited turnover 2015 of Bee Bee Web SA and its Italian reseller, net of their own intercompany transactions, was 1.8M EUR.

To date, DHH is engaged in the execution of their development project and is looking for new target companies to be acquired according to the agreed strategy with the market and reported in the admission document.

MARCH 20, 2017 - DHH S.P.A. PURCHASES BRANCH OF BUSINESS OF STUDIO4WEB

Dominion Hosting Holding S.p.A. has purchased from Studio4Web a branch of business dedicated to web hosting. The acquisition was carried out by DHH d.o.o., a Croatian subsidiary. The purchase price is equal to

HRK 2.100.000,00 (approx. 280.000,00 EUR) which was increased for the amount of net financial position. In particular, 85% of the purchase price has been fully paid on 20th March 2017, as the closing date, while the remaining 15% will be paid immediately to an escrow account at the notary.

Miron Jajtić, currently sole owner and director of Studio4Web, will become an employee of DHH d.o.o. and will also remain involved in the business of the latter for a period of at least 12 months after the acquisition. Furthermore, the other current employees of Studio4Web will also maintain their position in the company for a period of at least 1 year after the closing. After this acquisition DHH will significantly strengthen its leading position vis-à-vis its competitors in the web hosting Croatian market, further increasing its role in this area.

Studio4Web was a company fully owned by Mr. Miron Jajtić, with a sales of HRK 1.339.729,47 (approx. 178.630,60 EUR) and an EBT of HRK 138.051,44 (approx. 20.767,76 EUR), achieved during the last financial year (2016). In 2015, the sales were HRK 1.182.481,17 (approx. 157.664,16 EUR), while the EBT was HRK 138.267,44 (approx. 18.435,66 EUR). At the end of 2016 the company had 7.635 customers vs 6.697 customers at the end of 2015.

SECTION I: 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:

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

BOARD OF DIRECTORS

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

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

Giandomenico Sica – Chairman of the Board of Directors

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

He is also a former partner of Digital Magics (www.digitalmagics.com), 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 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 such as 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 centres.

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 was formerly a member of the ccTLD Steering Committee (CIR) of .IT registry at IIT-CNR in Pisa.

Antonio is also committed to business creation and enhancement, and harbours 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.

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 by Italian law. It has been appointed by the Shareholder's meeting held on 15th April 2016 and is made of three Standing Auditors and two Alternate Auditors.

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

The current Auditors are listed below:

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

PROCEDURES

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

1. Internal Procedure for **the management and handling of confidential information** and for the external communication of documents and information: this procedure regulates the management and handling of confidential information about the Company, with a special reference to the inside information (as defined pursuant to article 7 of the M.A.R.), bearing in mind the current laws and regulations concerning the prevention and the repression of any form of market abuse.
2. **Internal Dealing Procedure:** this procedure, dealing 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), aims at regulating all disclosure requirements and conditions to which the Relevant Persons, the Close Associates of Relevant persons and the Company itself are subject, with the goal to ensure a timely, correct and proportional disclosure to the public.
3. **Nomad Communication Obligations Procedure:** this procedure regulates the process through which the Company provides the Nomad with any information which may be necessary, opportune or reasonably requested by the latter to fulfil its duties according to said regulations.
4. **Transactions with Related Parties Procedure:** this procedure, relating to the governance of transactions with related parties, is aimed at identifying the rules which govern the approval and execution of transactions with Related Parties (as defined in such procedure) put in place by Dominion Hosting Holding S.p.A. directly or through Subsidiary (as defined in such procedure), in order to ensure the transparency and the substantial and procedural correctness of such transactions following the trading of the Company's shares on AIM Italia – Mercato Alternativo del Capitale ("AIM Italia"), a multi-lateral trading facility organized and managed by Borsa Italiana.
5. **Procedure for setting up and keeping a register of persons with access to inside information:** this procedure regulates the institution and keeping of the register of persons with access to inside information (as defined in article 7 of M.A.R.).



DOMINION HOSTING HOLDING

GROUP CONSOLIDATED REPORT

AS PER 31. 12. 2016

Financial Statement prepared in accordance with IAS/IFRS principles*
- All amounts are in Euro -

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2016

ASSETS (ALL AMOUNTS ARE IN EURO)	NOTE	31.12.2016	OF WHICH RELATED PARTIES	31.12.2015 (PRO-FORMA)
Goodwill	1	4.489.877		4.201.161
Tangible fixed assets	2	214.613		202.222
Intangible assets	3	99.691		96.341
Non current financial assets	4	0		8.353
Other non current assets	5	2.457		0
Deferred tax assets	6	9.151		34.185
NON CURRENT ASSETS		4.815.789		4.542.262
Trade receivables	7	110.311		180.646
Current financial assets	8	8.259		3.935
Other current assets	9	104.410		29.466
Tax receivables	10	150.502		8.475
Cash and cash equivalents	11	3.917.746		613.876
Prepaid expenses and accrued income	12	378.141		405.640
CURRENT ASSETS		4.669.369		1.242.038
TOTAL ASSETS		9.485.158		5.784.300

LIABILITIES (ALL AMOUNTS ARE IN EURO)	NOTE	31.12.2016	OF WHICH RELATED PARTIES	31.12.2015 (PRO-FORMA)
Share Capital		142.000		32.000
Reserves		6.719.637		3.147.733
Retained Profit (Loss)		35.561		0

Year's profit (loss)		155.222		235.855
NET EQUITY	13	7.052.420		3.415.588
Non current financial payables	14	549.332		605.284
Severance reserves	15	1.591		0
Other non current liabilities	16	104.578		193.100
Liabilities for deferred taxes	17	2.268		5.350
NON CURRENT LIABILITIES		657.769		803.734
Trade payables	18	246.242	75.975	234.656
Other current liabilities	19	273.739	6.902	362.890
Current financial liabilities	20	87.411		75.508
Tax payables	21	80.280		94.887
Accrued liabilities and deferred income	22	1.087.297		797.037
CURRENT LIABILITIES		1.774.969		1.564.978
TOTAL LIABILITIES		2.432.738		2.368.712
TOTAL LIABILITIES AND NET EQUITY		9.485.158		5.784.300

CONSOLIDATED PROFIT AND LOSS STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2016

CONSOLIDATED INCOME STATEMENT (ALL AMOUNTS ARE IN EURO)	NOTE	31.12.2016	OF WHICH RELATED PARTIES	31.12.2015 (PRO-FORMA)
Net Income	23	3.947.870		3.542.123
Other Revenues	24	15.888		180.556
OPERATING REVENUES		3.963.758		3.722.679
Material costs	25	(11.803)		(475.384)
Service costs and use of third party assets	26	(2.490.731)	(1.036.736)	(1.941.723)
Personnel costs	27	(929.125)	(14.003)	(625.712)
Other expenses	28	(176.489)		(157.215)
TOTAL OPERATING COSTS		(3.608.148)		(3.200.034)
OPERATING INCOME - EBITDA⁶		355.610		522.645
Amortization and impairment	29	(120.841)		(214.283)
EBIT⁷		234.769		308.362
Financial income (expenses)	30	(22.310)		4.821
Other non-operating income/expense	31	7.224		0

⁶ 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 amortization 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.

⁷ 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.

EARNINGS BEFORE TAXES		219.683	313.183
Total current and deferred income taxes	32	(64.461)	(77.325)
NET INCOME (LOSS) FOR THE YEAR		155.222	235.858
OF WHICH:			
relating to the shareholders of the Parent Company		155.222	235.858
relating to the third party shareholders			
EARNINGS PER SHARE (IN EURO)	33	0,33	0,51
DILUTED EARNINGS PER SHARE (IN EURO)	33	0,14	0,22

OVERALL CONSOLIDATED INCOME STATEMENT

OVERALL CONSOLIDATED INCOME STATEMENT (ALL AMOUNTS ARE IN EURO)	31.12.2016	31.12.2015 (PRO-FORMA)
PROFIT (LOSS) FOR PERIOD (A)	155.222	235.858
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	471	
TOTAL OTHER INCOME (LOSS), NET OF FISCAL EFFECT (B)	471	
TOTAL COMPREHENSIVE PROFIT (LOSS) FOR PERIOD (A+B)	155.693	235.858

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2016

	1.01.2015	FOUNDING OF THE DHH	CAPITAL INCREASE - EXTRAORDINARY OPERATION (15/04/2016)	NET RESULT 2015	OTHER MOVEMENTS	31.12.2015 (PRO-FORMA)
Share capital		10.000	90.000			100.000
Share premium reserve		840.000	2.241.168			3.081.168
Retained earnings (Accumulated losses)					(1.435)	(1.435)
Net result				235.855		235.855
TOTAL NET EQUITY		850.000	2.331.168	235.855	(1.435)	3.415.588

	31.12.2015 (PRO-FORMA)	PRO-FORMA DIFFERENCIES	SHARE CAPITAL INCREASE IPO	EARNINGS/LOSSES REPORTED IN OCI	NET RESULT 2016	31.12.2016
Share capital	100.000		42.000			142.000
Share premium reserve	3.081.168		3.629.598			6.710.766
Bonus Share Reserve			8.400			8.400
OCI Reserve				471		471
Retained earnings (Accumulated losses)	(1.435)	36.996				35.561
Net result	235.855	(235.855)			155.222	155.222
TOTAL NET EQUITY	3.415.588	(198.859)	3.679.998	471	155.222	7.052.420

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2016

CASH FLOW STATEMENT 31.12.2016 ALL AMOUNTS ARE IN EURO	CONSOLIDATED DHH 31.12.2016	CONSOLIDATED DHH 31.12.2015 (PRO-FORMA)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit for period	155.222	235.855
Income taxes	64.461	77.325
Interest payables/(receivables)	22.310	(4.821)
(Capital losses)/gains from sales of assets	0	78.480
1. EARNINGS BEFORE INCOME TAX, INTEREST, DIVIDENDS AND CAPITAL GAIN/LOSSES	241.993	386.839
Adjustments for non-cash items that are		
not accounted for in net working capital change:	117.477	132.869
- Allocation to reserves	1.591	-
- Amortization and depreciation of assets	120.841	133.498
- Permanent loss write-down	-	-
- Other adjustments on non-monetary items	-4.955	(629)
2. CASH FLOW BEFORE NWC CHANGES	359.470	519.708
Changes in NWC:	85.109	262.751
- Decrease (increase) in inventories	0	0
- Decrease (increase) in customer receivables	99.064	(32.208)
- Increase (decrease) in supplier payables	30.738	(67.391)

- Decrease (increase) in prepaid expenses and accrued income	38.811	0
- Increase (decrease) in accrued expenses and deferred income	67.620	0
- Other changes to the NWC	(151.124)	362.350
3. CASH FLOW AFTER NWC CHANGES	444.579	782.459
Other changes:	(96.139)	(66.746)
- Interests collected/(paid)	(22.310)	(7.319)
- (income taxes paid)	(64.461)	(59.427)
- Dividends received		
- (Use of reserves)	(9.368)	0
CASH FLOW FROM OPERATING ACTIVITIES [A]	348.440	715.713

B. CASH FLOW FROM INVESTING ACTIVITIES		
(Investments) in tangible assets	(95.769)	(101.206)
Proceed from the sale of tangible assets	-	-
(Investments) in intangible assets	(32.242)	(103.185)
Proceed from the sale of intangible assets		
(Investments) in financial assets	(2.973.777)	(2.424.227)
Proceed from sale of financial assets	5.896	103.665
(Investments) in non-capitalized financial assets	(4.324)	(159.673)
Proceed from sale of non-capitalized financial assets	318.358	6.992
CASH FLOW FROM INVESTING ACTIVITIES [B]	(2.781.458)	(2.677.634)

C. CASH FLOW FROM FINANCING ACTIVITIES [C]		
Third parties resources	-	-

Increase (decrease) current payables to banks	11.504	(42.086)
New loans	0	1.092.115
Loan repayments	(459.545)	(53.877)
Own resources	-	-
Paid capital increase	6.010.727	1.359.000
Treasury share sale (purchase)	-	-
(Dividends paid)	(8.627)	(32.791)
CASH FLOW FROM FINANCING ACTIVITIES [C]	5.554.059	2.322.361
INCREASE (DECREASE) IN LIQUIDITY [A]+[B]+[C]	3.121.041	360.440
Liquid funds at the beginning of the period	796.705 ⁸	253.437
Liquid funds at the end of the period	3.917.746	613.876

NOTES TO FINANCIAL STATEMENTS

COST SHARING

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

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

⁸ The difference between the liquidity at the end of the period set out in the Consolidated pro-forma Cash Flow Statement as at 31.12.2015 and the liquidity at the beginning of the period set out in the Consolidated Cash Flow Statement as at 31.12.2016 is represented by the liquidity of the indirect subsidiaries Infonet d.o.o. and Hosting IT j d.o.o. at 30.09.2016, which purchased on September 2016 and included in the consolidation with regard to the flows generated from October to December 2016, but not also included in the consolidated pro-forma as at 31.12.2015

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 starting from the financial year closed on 31 December 2016 and therefore these Financial Statements are the first consolidated financial statements drawn up by applying the IFRS principles. 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 31 December 2016 are those in force at such date.

FINANCIAL STATEMENTS FORMATS

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.

PRESENTATION BASIS

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 comparability of information.

The group Financial Statements for DHH (the “Group”) as at 31 December 2016 has been drawn up on the basis of the financial statements of the holding company and of the companies in which D.H.H. S.p.A. (the “Consolidating Company”) holds -directly or indirectly- the majority of votes exercisable in the Ordinary Shareholders’ Meeting, with reference to the same date, as detailed below:

CONTROLLED COMPANIES IN THE CONSOLIDATED AREA	OFFICE	SHARE CAPITAL (IN EUR) ⁹	SHARE
Tophost Srl	Italia	10.000	100%
DHH.si d.o.o.	Slovenia	13.813	100%
Plus Hosting d.o.o.	Croatia	2.618	100%
Infonet d.o.o.	Croatia	66.947	100%
Hosting IT j.d.o.o.	Croatia	10	100%
Plus Hosting d.o.o., Novi Sad	Serbia	431	100%

The preparation of the financial statements in accordance with the applicable accounting principles requires 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 and loss account** has been drawn up according to the format with cost allocation by nature, highlighting the intermediate results as to operational results and results before taxes. The operational result is determined as the difference between the net income and operational costs (including non-monetary costs relevant to amortizations and devaluation of current and noncurrent assets, net of any restoration of value). In order to allow a better measurement of normal operation

⁹ at the exchange rate of first consolidation

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 and loss account** 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 balance sheet** has been drawn up according to the format evidencing the split of assets and liabilities between current and noncurrent. 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 utilised 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.

Since this is the first Group consolidated financial statements for comparative purposes the data of the consolidated pro-forma financial statements as at 31.12.2015 have been reported, for purposes of the preparation of the admission documents for the IPO on AIM.

CONSOLIDATION PRINCIPLES

PARTICIPATIONS IN CONTROLLED COMPANIES

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

According to such method the assets and liabilities, the costs and revenues 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 account.

EVALUATION CRITERIA

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

INTANGIBLE ASSETS

Intangible assets are assets without a physical substance and is only accounted for if it is identifiable, controllable and it can be predicted to generate future economic benefits and its 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.

Immaterial life with residual undefined life are not amortized but are subject annually or more often, if necessary, to check 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.

IMMATERIAL ASSETS FOR INDEFINITE PERIOD - 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 accounted for in the profit and loss account 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 DEFINED 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 purposes of capitalization what matters 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 registered within the assets of the Balance Sheet and financial balance sheet and amortized, at constant rates, since start of commercial production of the product. Useful lives are determined with reference to a prudent estimate of the relevant economic benefits and are 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 accounted for in the profit and loss account when accrued and may not be capitalized in subsequent years.

ASSETS WITH DEFINED LIFE – OTHER IMMATERIAL ACTIVITIES

Other immaterial activities are recorded in the balance sheet 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

Tools and in general other tangible assets are registered at their purchase or production or contribution cost, including any additional burdens which may be directly connected thereto to the extent 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 bourne financial cost which theoretically would have been avoided absent the investment.

No revaluation has been made, including pursuant to specific laws. Said activities are specifically amortized on the basis of certain economical-technical parameters determined with reference to the theoretical usability of the goods. In case a tangible asset include more that a significant element with an useful different 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, to the extent there are significant changes in the expected consumption of the future economic benefits generated by an asset the ratio is modified to reflect the change as contemplated under IAS 8. Profits 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 registered in the loss and profit account. 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 its 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 record thereof 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 actualising 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;

- Investments owned until expiry date
- Financial assets at fair value recorded in the profit and loss account and valued utilising the fair value method.

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 recorded in the profit and loss account 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 deducted from the net worth and accounted for in the profit and loss account.

CURRENT ASSETS

The drafting of the balance sheet and financial statement and loss and profit account 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 account.

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, the expiry date of which 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 par value which is normally approximates the amortised cost. Payables expressed in a currency other than Euro have been evaluated at the end of period currency registered by the European Central Bank.

FINANCIAL LIABILITIES

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

EMPLOYEES BENEFITS

Severance Indemnity Reserve (TFR), which is mandatory for Italian companies pursuant to art. 2120 of the Civil Code, is considered as deferred remuneration and is based on the years of service and the salary earned by the employee during the 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 matured 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 and loss account. 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 representing the effects deriving 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 sale and services is recorded when the transfer of all the risks and benefits arising from the passage of title takes place or upon execution of a service. Revenues are recorded net of discounts, allowances, settlement discounts and rebates.

EXPENSES

Expenses are recorded when it is incurred, in accordance with the principle of matching expense and revenue 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 and loss account. Value losses are recorded in the profit and loss account of the financial year in which such value losses occurred.

FINANCIAL INCOME AND EXPENSES

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

TAXES

Current and deferred taxes are recorded in the profit and loss account 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 statement and related notes required estimates and assumptions affecting the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date. 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 recorded in the income statement.

CHANGES IN THE ACCOUNTING PRINCIPLES

The main changes in the relevant accounting principles are described below

A. ACCOUNTING PRINCIPLES, AMENDMENTS AND INTERPRETATIONS APPLICABLE FROM 1 JANUARY 2016

Amendment IAS 16-IAS 38-Clarifications with reference to acceptable amortization methods

By regulation no. 2015/2231 issued by the European Commission on 2 December 2015 changes to IAS 16 and IAS 38 have been approved, with the aim to clarify that a “revenue-based method” is not deemed appropriate since it only reflects the cash flow generated by such asset and not the methods for consumption of the economic benefits incorporated in the asset. Such amendment does not have any impact on the financial position and consolidated profitability.

Amendment IFRS 11-Accounting of interests in ‘Joint operations’.

By regulation no. 2015/2173 issued by the European Commission on 24 November 2015 a change to IFRS 11 was approved i.e. “accounting of purchase of interests in jointly controlled activities”, which contemplates that an entity adopts the principles set out in IFRS 3 so as to ascertain the accounting effects arising from the purchase of an interest in a joint operation constituting a business. With specific reference to the context of an acquisition of a joint operation the investor will have to weigh assets and liabilities acquired and relevant fair value, sum up expenses related to the acquisition, define the deferred fiscal impact deriving from the reallocation of the paid price on the acquired values and finally identify the goodwill, if any, as residual element arising from the exercise of the above mentioned purchase price allocation.

The change to IFRS 11 applies both for the purchase of the initial interest and for subsequent acquisitions. However a participation previously held is not newly measured on fair value when the acquisition of a further quota leaves the common control unchanged (i.e. further acquisition does not result in the obtainment of the control on the participated company). Such change has not had an impact on the financial position and consolidated profitability.

Amendment IAS 16-IAS 41-Changes to the principle applicable to activities represented by plants (applicable from 1 January 2016).

The amendment, published on June 2014, aims at modifying the methodology for measurement of the assets represented by fruit plants e.g. grapevines, gum trees and oil palms. The amendment also contemplates the application of the same existing accounting method to intangible assets allowing the accounting of cost as an alternative to fair value methodology model pursuant to IAS 41, originally applicable to all biological assets. In fact plants are assimilated to other assets or productive plants. Such amendment did not have impacts on the financial position and consolidated profitability.

Amendment IAS 1-Clarifications on the information

By regulation no. 2015/2406 issued by the European Commission on 18 December 2015 there have been approved changes to IAS 1 recorded in the document “informative initiative” and containing substantially clarifications as to the methods for presentation of the financial statements information, calling the attention on the use of materiality and aggregations concepts. Such amendment has not had impact on the financial position and consolidated profitability.

Amendment IFRS 10-12-IAS 28-Investment companies: exception to the application of the consolidation obligation

The amendment, published in December 2014, contemplates that investment companies which may fall within the definition therein are exempted by the presentation of the consolidated financial statements and must value participated companies with the valuation method at fair value set forth in principle IFRS 9. The new principle is not applicable to the Group.

Amendment IAS 19- Plans with defined benefits: contributions to employees

By regulation no. 2015/29 issued by the European Commission on 17 December 2014 a change to IAS 19 “Plans to defined benefits” has been approved. The change is effective since the financial years starting on or following 1 February 2015. In certain countries pension plans require for employees or third parties to contribute to the pension plan and such contributions reduce the cost borne by the employer. The change introduces a simplification whereby the contributions by employees (or third parties) -if not variable depending on the number of service years- may be deemed to reduce the labour cost in the period in which the relevant service is provided as opposed to the whole “working period”. The accounting treatment of voluntary contributions has not changed

in comparison with the current version of IAS 29 (they are deemed to reduce the labour cost at the time of payment). Such amendment has not had impact on the financial position and consolidated profitability.

Annual Cycle of Improvements to IFRS 2010-2012.

By regulation no. 2015/28 issued by the European Commission on 17 December 2014 the document “Annual Cycle of improvements to IFRS 2010-2012” containing changes, mainly of technical and drafting nature, has been approved. Such changes are effective from the financial years starting on or subsequently to 1 February 2015. Changes contained in the Cycle of improvements to IFRS 2010-2012 are as follows:

- IFRS 2 “payments based on shares”: the definition of “accrual conditions” has been clarified and definitions of service conditions and result conditions have been introduced;
- IFRS 3 “company mergers”: the principle has been modified to clarify that the obligation to pay a potential fee falls within the definition of financial instrument and must be classified as financial liability or net worth item and basis of the indications set out in IAS 32. Besides, it has been clarified that the obligations to pay a contingent fee, different from those falling in the definition of net worth instrument, are evaluated at fair value at any financial statements date, with variations of the profit and loss account;
- IFRS 8 “operational fields”: the introduced change requires that information about evaluations done in the merge of operational segments describing the aggregated segments and economic indicators which have been evaluated to ascertain that the aggregated segments show similar economic features is provided;
- IAS 16 “Real estate, plants and machinery” and IAS 38 “intangible assets”: both principles have been modified to clarify the accounting treatment of the historical cost and amortization provision of an asset when the revaluated cost model is applied.
- IAS 24 “Financial statements information on transactions with related parties”: the introduced change sets out the information to be provided when there is a third-party entity providing the services relevant to handling of managers with strategic duties of the company drawing up the financial statements.

Annual Cycle of Improvements to IFRS 2012-2014.

By regulation no. 2015/2343 issued by the European Commission on 15 December 2015 the document called “Annual Cycle of Improvements to IFRS 2012-2014” containing changes, mainly of technical nature and drafting nature, to the international accounting principles. The main changes are as follows:

- IFRS 5 “non current activities owned for the sale of the terminated operational activities”: the change clarifies when a non-current assets (or group being dismissed) is reclassified from “owned for the sale” to “owned for distribution and vice-versa”; such reclassification is not a change to a selling or distribution plan. In addition, it has been clarified that the IFRS5 principles on variations to a selling plan apply to assets (or group being dismissed) ceasing to be owned for distribution but not reclassified as “owned for sale”;
- IFRS 7, ‘Service contracts’: if an entity transfers to a third party a financial asset and the conditions set out under IAS 39 are met for the accounting deletion of the asset the change to IFRS 7 provided indications as to what is meant by “residual involvement” and adds a specific guide to help the management determine if the terms of the agreement for the supply of services affecting the transferred asset determine a residual involvement;

- IFRS 7, 'Interim financial statements' clarifies that the information requested by the precedent change to IFRS 7 'Disclosure – Offsetting financial assets and financial liabilities' must not be provided in the interim financial statements save as expressly required by IAS 34;
- IAS 19 'Benefits for employees': the principle requires that the discount rate to actualize the obligations for benefits subsequent to the employment relationship must be determined with reference to the market revenues of obligations of primary companies and in countries where there is no "deep market" for such titles the market revenues of public companies' stock must be utilized. The change introduced with the cycle of improvements 2012-2014 provides that in evaluating if there is a "deep market" of obligations of primary companies it is necessary to evaluate the market at currency level and not at the level of the single country.
- IAS 34 'Intermediate financial statements': sets out the info which must be recorded in the intermediate financial statements. The change clarifies the meaning of information reported elsewhere in the intermediate financial statements" explaining reference to other documents which must be made available to users together with the intermediate financial statements (e.g. management report)

B. ACCOUNTING PRINCIPLES, AMENDMENTS AND INTERPRETATIONS APPROVED BUT STILL NOT APPLICABLE/APPLIED IN ADVANCE BY THE GROUP

IFRS 9-Financial instruments (applicable from 1 January 2018)

The new document represents the first part of a multiphase process the aim of which is to fully substitute IAS 39. IFRS 9 introduces new criteria for classification and measurement of the financial assets and liabilities and derecognition of financial activities. In particular, the criteria for detection and evaluation of financial assets and relevant classification in the new financial report. The new provisions establish a new classification and evaluation method of financial activities based exclusively on the following categories: assets evaluated at amortized cost and assets evaluated at fair value. The new provisions, also, contemplate that participations different than those in the controlled, jointly controlled or affiliated companies are evaluated at fair value with recording of the effects on the profit and loss account. In case such participations are not held for purposes of trading changes in fair value can be recorded in the aggregate profit and loss account, keeping in the profit and loss account exclusively the effects linked with dividend distribution. No recording in the aggregate profit and loss account is contemplated when the participation is disposed of. On 28 October 2010 IASB supplemented IFRS 9 provisions including the detection and evaluation criteria for financial liabilities. In particular, the new provisions require that in case of evaluation at fair value of a financial liability with recording thereof in the profit and loss account variations to fair value linked to changes of the creditworthiness of the issuer (so called own credit risk) are recorded in the overall profit and loss account;

Recording of such component in the profit and loss account is contemplated to assure the symmetrical representation with other financial statements' items linked with liabilities avoiding accounting mismatches.

In addition, in November 2013 an amendment was published introducing three important changes. The main one concerns hedge accounting and introduces a new model incorporating a number of changes aimed at finalizing and aligning accounting recording with risk management by the company. The other two changes affect the period of first application of the principle offering the possibility to immediately adopt it and the possibility to directly record in the aggregate profit and loss account the effects arising from variations of the credit risk of the issuer (so called own credit risk). The Group estimates that the adoption of the new principle shall not give rise to significant impacts on its financial position and profitability.

IFRS 15-Revenues arising from agreements with clients (applicable from 1 January 2018)

The aim of the new principle is improving the quality and uniformity of the recording of revenues and the comparability of financial statements drawn up according to IFRS and US accounting principles. According to the new principle the model for acknowledging revenues may no longer be based on “earning” but on “asset liability” which focuses the attention on the time of transfer of control of the transferred asset. The Group estimates that the adoption of the new principle does not give rise to material impacts on its financial and profitability position.

C. ACCOUNTING PRINCIPLES, AMENDMENTS AND INTERPRETATIONS NOT YET APPROVED

IFRS 16-Leasing (applicable from 1 January 2019 with possibility of anticipated application)

On 13 January 2016 IASB published the new accounting principle IFRS 16 Leasing. The new principle substitutes IAS 17 and provides methods for accounting recording more apt to reflect the leasing’s nature in the financial statements. The new IFRS 16 is applicable from 1 January 2019 but anticipated application is allowed for companies applying even the IFRS 15 Revenues from agreement with clients. The group is still finalizing the measurement of the impact of the new principle on its new worth and financial structure. On the basis of provisional analysis about to be finalized the major impacts will affect outstanding agreements with reference to: real estate, cars, electronic devices. The group estimates that from the adoption of the new principle there will not be significant impacts on its financial position and profitability.

Amendment IAS 12-revenue taxes (applicable from 1 January 2017 with a possibility for anticipated application)

On 19 January 2016 IASB published certain changes to IAS 12. The amendment aims at clarifying how to account for the deferred fiscal assets relevant to debt instruments measured at fair value. The Group estimates that from the adoption of the new principle there will not be major impacts on its financial position and profitability.

Amendment IAS 7-financial report (applicable from 1 January 2017)

On 29 January 2016 IASB issued changes to IAS 7 “Financial report”: the change requires that financial statements provide information as to changes of financial liabilities with the aim to improve the information provided to investors so as to help them understand the variations such debts have suffered. Such amendment, which only affects the presentation, shall have no impact on the financial position and profitability of the Group.

IFRS 14- Regulatory Deferral Accounts (applicable from 1 January 2016)

The new principle allows only those adopting IFRS for the first time to continue recording the revenues relevant to rate regulation according to the precedent accounting principles.

In order to improve the comparability with entities already applying IFRS and which do not record such amounts the principle requires that the effect of rate regulation must be recorded separately from other items.

European commission decided not to start the approval process for such provisional standard and to await the final standard. The new principle is not applicable to the consolidated financial report.

Amendment IAS 10-IAS 28- sale or contribution of assets between and investor and its related company or joint venture (applicable from 1 January 2016)

The amendment, published in September 2014, aims at solving the conflict outstanding between the provisions of IFRS 10 and IAS 28 in case an investor sells or transfers a business to a related company or joint venture. The main change set forth by the amendment is represented by the fact that the capital gain or loss arising from the loss of control must be fully recorded at the moment of the sale or business contribution.

The recording of a partial capital gain or loss is only contemplated in case of sale or contribution involving certain activities only. IASB suspended the publication and approval of such amendment till a date to be established.

Amendment IAS 2 Classification and measurement of payments based on shares (issued on 29 June 2016)

It includes clarifications as to the accounting treatment of stock options subject to accrual conditions linked to performance. The group estimates that the adoption of the new principle will not give rise to material impacts on its financial position and profitability.

Amendment IAS 4: Application of IFRS 9 financial instruments to IFRS 4 insurance contracts (issued on 12 September 2016)

The amendment introduces different ways of accounting treatment for insurance contracts falling within the scope of IFRS 4. The amendment is not applicable to the consolidated financial report.

Clarifications to IFRS 15 – Revenues deriving from contracts with clients (issued on 12 April 2016)

IASB provided practical indications as to certain matters dealt with by IFRS 15 (identification of performance obligations, main considerations versus agent and licensing). The analysis of the potential impact of such amendment will be considered simultaneously with the application of IFRS 15 above described.

Annual Cycle of improvements to IFRS 2014-2016.

The document Annual Cycle of improvements to IFRS 2014-2016, not yet approved, contains changes, mainly of technical and drafting nature, of the international accounting principles. The main clarifications concern IFRS 1, IAS 28 and IFRS 12. It is not believed such changes may have an impact on the financial situation of the Group.

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

IFRIC 22 aims at clarifying the accounting of transactions contemplating the payment of advances in foreign currency, in particular when an enterprise records a non-current asset or liability for advances before recording the relevant asset, of the revenue or cost. IFRC 22 is applicable from 1 January 2018 and the anticipated application is allowed.

Amendment IAS 40 - Transfers of Investment Property (issued on 8 December 2016)

Amongst the main changes introduced by the amendment, it is specified that the change of destination from tangible to real estate asset can only take place in exchange for a change of destination.

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 balance sheet and financial position and on the economic result. Atypical or unusual transactions means transactions whose significance/relevance, nature of the counterparts, subject matter of the transaction, transfer pricing method and timing of the event (near 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 40.722 EUR for auditing activities and 6.132 EUR for other activities. The amount include work carried out on the IPO.

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 Serbia and National Bank of Croatia):

CURRENCY	EXCHANGE RATE AS AT 31.12.2016	ANNUAL AVERAGE EXCHANGE 2016
Croatian Kuna (HRK)	7,5597	7,5363
Serbian Dinar (RSD)	123,4723	123,1912

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.	ITALIA	10.000	100%
DHH.si d.o.o.	SLOVENIA	13.813	100%

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

NAME	REGISTERED OFFICE	SHARE CAPITAL (IN EUR) ¹⁰	% SHARE
D.H.H. d.o.o.	Croatia	2.618	100%
Infonet d.o.o.	Croatia	66.947	100%
Hosting IT j d.o.o.	Croatia	10	100%
Plus Hosting d.o.o. Novi Sad	Serbia	431	100%

CHANGE IN THE SCOPE OF CONSOLIDATION

With regard to the changes in the scope of consolidation, compared to the consolidated pro-forma as at 31.12.2015 and to consolidated interim report as at 30/06/2016, it should be noted the inclusion in the consolidation of the companies InfoNet d.o.o. and Hosting IT j.o.o., the acquisition of which occurred in September 2016 by the subsidiary Klaro d.o.o. and its subsidiaries Domovanje d.o.o. and Domenca d.o.o, with subsequent change of name to DHH d.o.o and merger of all three companies..

INTRA-GROUP TRANSACTIONS

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

GROUP SEGMENT INFORMATION

In 2014 the number of EU individuals using Internet at least once per week increased by 14% on previous year, reaching the 75% EU target set for 2014. Slovenia, Croatia and Italy haven't reached the EU target yet. Around 70% of enterprises with at least 10 employees had a website in 2014 (+8% vs 2010). Looking at the percentage of companies having a website or homepage, Italy and Croatia are below the European average, while Slovenia is among the leading countries. While the number of companies with a website has increased over the period 2010-2014, growth is slower considering services offered in conjunction with the website, for example the access to catalogues and brochures with prices. This is one of the reason, the issuer expects growth in all business lines.

DOMAINS

Domain is a mnemonic address of a website on the Internet. Top level domains (TLDs) are regulated by ICANN and given into management to companies called registries. Registries are wholesalers and sell through companies called registrars. Subsidiaries of DHH purchase domains directly from registries (mostly so called

¹⁰ at the exchange rate of first consolidation

country TLDs or ccTLDs: .eu, .si, .hr, rs ...) or through registrars (.com, .net, .org, .it ...). Domains are sold to end customers as registrations (first purchase of domain) or renewals (repeat purchase of domain). Domains can also be transferred to different registrars. As DHH we offer registration of over 500 different top level domains.

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

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

SHARED HOSTING

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

DEDICATED HOSTING

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

COMPLEMENTARY SERVICES

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

OTHER

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

NOTES

CONSOLIDATED BALANCE SHEET

NOTE 1: GOODWILL

The item "goodwill" is equal to Euro 4.489.877, with an increase of Euro 288.716 compared to the same value recorded in the consolidated pro-forma as at 31.12.2015.

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

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

NOTE 2: TANGIBLE ASSETS

Tangible assets is equal to 214.613 EUR.

The details of movement in tangible assets during the financial year 2016 are provided below (values in EUR):

COMPUTERS
AND
ELECTRONIC
EQUIPMENT

VEHICLES

OTHER
ASSETS

VALUE AT 1.1.2016			523.726,00	31.880,00	74.690,00
Investments			219.858,00		34.681,00
Impairments and other movements			(198.769,00)	(31.880,00)	(39.522,00)
COST AT 31.12.2016			544.815,00		69.849,00
ACCUMULATED DEPRECIATION AT 1.1.2016			380.727,00	6.710,00	40.637,00
Depreciation 2016			122.838,00		26.826,00
Impairments and other movements			(141.403,00)	(6.710,00)	(29.574,00)
ACCUMULATED DEPRECIATION AT 31.12.2016			362.162,00		37.889,00
NET BOOK VALUE					
At 1.1.2016			142.999,00	25.170,00	34.053,00
At 31.12.2016			182.653,00		31.960,00

NOTE 3: INTANGIBLE ASSETS

Intangible assets is equal to 99.691 EUR as at 31 December 2016.

The details of movement in intangible assets during the financial year 2016 are provided below:

			SOFTWARE LICENSES	INTERNALLY DEVELOPED SOFTWARE	OTHER ASSETS
VALUE AT 1.1.2016			25.629,00	106.597,00	7.197,00
Investments			11.709,00		13.788,00
Impairments and other movements			(4.327,00)		
COST AT 31.12.2016			33.011,00	106.597,00	20.985,00
ACCUMULATED DEPRECIATION AT 1.1.2016			14.352,00	25.200,00	3.530,00
Depreciation 2016			7.873,00	13.749,00	525,00
Impairments and other movements			(4.327,00)		
ACCUMULATED DEPRECIATION AT 31.12.2016			17.898,00	38.949,00	4.055,00
NET BOOK VALUE					
At 1.1.2016			11.277,00	81.397,00	3.667,00
At 31.12.2016			15.113,00	67.648,00	16.930,00

NOTE 4: NON-CURRENT FINANCIAL ASSETS

Such item, equal to 8.353 EUR as at 31 December 2015 was referred to security deposit paid. The balance on 31.12.2016 is equal to zero.

NOTE 5: OTHER NON-CURRENT ASSETS

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

NOTE 6: DEFERRED TAX ASSETS

Deferred tax assets are equal to 9.151 EUR and records only advanced taxes calculated by the parent company DHH S.p.A. 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.

In particular, deferred tax assets derives from the difference between 2015 and 2016 Development costs, fully expensed in IAS and recoverable in 5 year for tax purposes and according with the financial statement prepared in accordance with the OIC principles.

NOTE 7: TRADE RECEIVABLES

Trade receivables are equal to 110.311 EUR as at 31.12.2016 with a decrease of 70.335 EUR compared to the same item recorded on 31.12.2015.

The distribution of receivables by geographical area is as follow:

	31.12.2016
Italy	29.388
EU countries	98.340
Other countries	8.602
TOTAL GROSS TRADE RECEIVABLES	133.330
Fund for bad debt	(26.019)
TOTAL NET TRADE RECEIVABLES	110.311

NOTE 8: CURRENT FINANCIAL ASSETS

Current financial assets are equal to 8.259 EUR as at 31 December 2016, with an increase of 4.324 EUR compared to 2015. This item records only short-term financial assets of the subsidiary DHH.SI d.o.o.

NOTE 9: OTHER CURRENT ASSETS

Other current assets are equal to 104.410 EUR, with an increase of 74.944 EUR compared to 2015. This increase is mainly related to the abovementioned acquisition of Infonet by Croatian DHH d.o.o..

NOTE 10: TAX RECEIVABLES

Tax receivables are equal to 150.502 EUR as at 31 December 2016 with an increase of 142.027 EUR compared to 2015 and are composed as follows:

RECEIVABLE	AMOUNT
VAT	117.625
Other tax receivables	32.877
Total	150.502

The increase is in most part referred to VAT receivable accrued by the parent company DHH S.p.A. during the 2016 financial year as a consequence of costs arising from the process for admission to AIM. Furthermore such 2016 consolidated item also records other tax receivables referring to the indirect subsidiary Infonet d.o.o., which the 2015 pro-forma didn't record.

NOTE 11: CASH AND CASH EQUIVALENTS

The total amount of this item is equal to 3.917.746 EUR, with an increase of 3.303.870 EUR compared to 2015. Cash equivalents and equivalents instruments are represented by:

1. bank and postal accounts of 3.917.675 EUR as at 31 December 2016;
2. cash equal to 71 EUR as at 31 December 2016.

The balance, expressed in Euro, represents cash equivalents and existence of ready cash and value on closure of the financial periods.

The significant increase recorded during the financial period is substantially linked to a liquidity contribution in the parent company DHH S.p.A. as a consequence of the admission to trading on the AIM market.

NOTE 12: PREPAID EXPENSES AND ACCRUED INCOME

Prepaid expenses and accrued income are equal to 378.141 EUR as at 31 December 2016, with a decrease of 27.499 EUR compared to 2015 consolidated pro-forma. Such item is mainly linked to costs for wholesale services incurred in the financial year, but attributable to subsequent financial year.

NOTE 13: NET EQUITY

SHARE CAPITAL

On 31 December 2016 fully paid-up share capital is divided in 1.420.000 ordinary shares without nominal value and with an accounting nominal value of Euro 0,10 each. In particular, the changes occurred can be summarized as follows:

SHARE CAPITAL	
VALUE AT 31.12.2015	10.000,00
RESOLUTION OF 15.04.2016	
Free capital increase by using share premium reserve	39.000,00
Paid capital increase	22.000,00
Free capital increase by using share premium reserve	29.000,00
RESOLUTION TO INCREASE CAPITAL OF 09.06.2016	
IPO subscription	42.000,00
VALUE AT 31.12.2016	142.000,00

SHARE PREMIUM RESERVE

Such reserve is equal to 6.710.766 EUR. In particular, the changes occurred can be summarized as follows:

SHARE CAPITAL	
VALUE AT 31.12.2015	840.000,00
RESOLUTION OF 15/04/2016	
Free increase by using share premium reserve	(39.000,00)
Paid increase	2.309.168,00
Free increase by using share premium reserve	(29.000,00)
RESOLUTION TO INCREASE CAPITAL OF 09/06/2016	
IPO subscription deducted expenses	3.629.598,00
VALUE AT 31.12.2016	6.710.766,00

Share capital increase operations have been thoroughly described in another section of this document.

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

BONUS SHARE RESERVE

Such reserve is equal to 8.400 EUR and it is related to capital increase of 42.000 EUR of share capital of IPO. If investors will keep shares for three years they will receive 1 bonus shares every 5 shares.

NOTE 14 NON-CURRENT FINANCIAL LIABILITIES

Non-current liabilities to banks and other lenders are equal to 549.332 EUR, of which 284.000 EUR longer than five years. Comparing to 2015, there is a decrease of 55.952 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 December 2016 the amount of this item is equal to 1.591 EUR and is solely linked to employee recruited by Italian subsidiary Tophost S.r.l..

Due to not relevance of the amount entity has no adopt IAS19R principle.

NOTE 16 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities are equal to 104.578 EUR, with a decrease of 88.522 EUR and are mainly linked to the long-term debt of Slovenian subsidiary DHH.si d.o.o. which has been incurred for purchasing its Croatian subsidiary DHH d.o.o..

NOTE 17 LIABILITIES FOR DEFERRED TAXES

This item is equal to 2.268 EUR and records the tax effect arising from the elimination of shareholding for the purpose of the consolidation by integral method.

NOTE 18 TRADE PAYABLES

On 31.12.2016 trade payables are equal to 246.242 EUR, with an increase of 11.586 EUR compared to the same item recorded on 31.12.2015. The distribution of payables by geographical area is as follow:

	31.12.2016
Italy	135.145,00
EU Countries	109.679,00

Other countries	1.418,00
TOTAL PAYABLES	246.242,00

NOTE 19 OTHER CURRENT LIABILITIES

Other current liabilities are equal to 273.739 EUR on 31.12.2016, with a decrease of 89.151 EUR compared to 2015.

This item records the debt of 148.000 EUR – for the amount collectable by the financial year – for the purchase of Infonet d.o.o. carried out by DHH d.o.o., plus liabilities for payroll and social security contributions outstanding during 2017 and other current small liabilities.

NOTE 20 CURRENT FINANCIAL LIABILITIES

Current liabilities to bank and other lenders are equal to 87.411 EUR on 31.12.2016, with an increase of 11.903 EUR compared to 2015.

NOTE 21 TAX PAYABLES

Tax payables are equal to 80.280 EUR on 31.12.2016, with a decrease of 14.607 EUR compared to 2015 and its composition is as follows

	31.12.2016
VAT	42.524,00
Income tax	23.987,00
Withheld	13.769,00
TOTAL TAX PAYABLES	80.280,00

NOTE 22 ACCRUED LIABILITIES AND DEFERRED INCOME

Accrued liabilities and deferred income are equal to 1.087.297 EUR at 31 December 2016, mainly linked to advanced revenues for hosting service but partially attributable to the period after 31 December 2016.

NOTE 23 REVENUES

On 31 December 2016 net revenues from sales and services of the Group are equal to 3.947.870 EUR, with an increase of 405.747 EUR compared to 2015.

NOTE 24 OPERATING COSTS

Operating costs are equal to 15.888 EUR on 31 December 2016, with a decrease of 164.668 EUR compared to 2015. In 2015 financial year most of the amount was essentially determined by the capitalization of the software accomplished in-house plus a bonus for the supplied performances reached by the subsidiary DHH.SI (previously Klaro).

NOTE 25 MATERIAL COSTS

Costs for materials and consumables are equal to 11.803 EUR on 31 December 2016 and relate to an hardware other than server.

NOTE 26 SERVICE COSTS AND USE OF THIRD PARTY ASSETS

Service costs are equal to 2.490.731 EUR on 31 December 2016, with an increase of 549.008 EUR compared to 2015 consolidated pro-forma and are composed as follows:

	31.12.2016
Datacenter Service	179.109,00
Wholesale Costs	1.727.103,00
Commercial and marketing expenses	34.601,00
Professional services	541.791,00
Other costs for services	8.127,00
TOTAL	2.490.731,00

NOTE 27 PERSONNEL COSTS

Personnel cost is equal to 929.125 EUR on 31 December 2016, with an increase of 303.413 EUR compared to 2015 consolidated pro-forma and is divided among the Group as follows:

	31.12.2016	31.12.2015 (PRO-FORMA)
DHH S.p.A.	-	-
Tophost Srl	55.903,00	-
DHH.SI doo	416.865,00	369.905,00
DHH doo	423.254,00	239.865,00
Plus Hosting d.o.o.	18.171,00	15.942,00

Infonet d.o.o.	13.755,00	-
Hosting IT j.d.o.o.	1.177,00	-
TOTAL	929.125,00	625.712,00

The increase of Group's overall cost is, on one hand, related to the inclusion of 14 new employees in the Group and on another hand to the increase of Croatian medium-level salary with related increase of the social security charge.

On 31 December 2016 the staff of DHH Group is the following

	MANAGERS	EMPLOYEES
DHH S.p.A.	-	-
Tophost Srl	-	2
DHH.SI doo	2	21
DHH doo	2	23
Plus Hosting d.o.o.	2	4
Infonet doo	1	4
Hosting IT j.d.o.o.	1	0
TOTAL	8	54

NOTE 28 OTHER EXPENSES

Other expenses are equal to 176.489 EUR on 31 December 2016, with an increase of 19.274 EUR compared to 2015 and such expenses are structural costs.

NOTE 29 AMORTIZATIONS AND IMPAIRMENTS

Amortizations and depreciations are equal to 120.841 EUR on 31 December 2016, with a decrease of 93.422 EUR compared to 2015. The value of amortizations and depreciations is provided below:

	31.12.2016
Depreciations	89.266,00
Amortizations	18.974,00

Impairment	12.601,00
TOTAL	120.841,00

NOTE 30 FINANCIAL INCOME (EXPENSES)

On 31 December 2016 net financial expenses are equal to 22.310 EUR, with an increase of 27.131 EUR compared to 2015.

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

FINANCIAL INCOME	31.12.2016
Bank and postal interests income	109,00
Interests on loans	317,00
Other interests	19.038,00
TOTAL	19.464,00
FINANCIAL EXPENSES	31.12.2016
Bank and postal interests expenses	27.133,00
Other financial expenses	14.641,00
TOTAL	41.774,00

NOTE 31 OTHER NON-OPERATING INCOME/EXPENSE

This item, which is equal to 7.224 EUR, records the revenue resulting from the elimination of shareholdings in "Plus Hosting, Serbia" and "Hosting IT".

NOTE 32 TOTAL CURRENT AND DEFERRED INCOME TAXES

As at 31 December 2016 total current and deferred income taxes of the Group are equal to 64.461 EUR.

NOTE 33 EARNINGS PER SHARE

BASIS

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

DILUTED

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

CATEGORY	AMOUNT
Consolidated net income attributable to the parent company's shareholders	155.222
Number of ordinary share on 31.12.2016	1.420.000
Number of warrant on 31.12.2016	1.420.000
Average weighted number of outstanding shares	463.397
BASE EARNINGS PER SHARE - EPS (EARNING PER SHARE)	0,33
Average weighted number of outstanding warrants	610.795
Average weighted number of outstanding shares plus warrants	1.074.192
DILUTED EPS	0,14



DOMINION HOSTING HOLDING

DOMINION HOSTING HOLDING S.P.A. PARENT COMPANY REPORT AS PER 31. 12. 2016

Financial Statement prepared in accordance with IAS/IFRS principles*
- All amounts are in Euro -

FINANCIAL STATEMENTS

Financial Statement of the Parent Company Dominion Hosting Holding S.p.A. as at 31 December 2016

BALANCE SHEET AS AT 31 DECEMBER 2016

ASSETS	NOTE	31.12.2016	OF WHICH RELATED PARTIES	31.12.2015
ALL AMOUNTS ARE IN EURO				
Investments	1	3.085.834		754.666
Intangible assets	2	1.237		0
Non-current financial assets	3	600.000		0
Deferred tax assets	4	9.152		0
NON-CURRENT ASSETS		3.696.223		754.666
Trade receivables	5	143.703		7.000
Other current financial assets	6	2.490		0
Tax receivables	7	114.440		5.704
Cash and cash equivalents	8	3.149.732		65.732
Prepaid expenses and accrued income	9	17.016		4.957
CURRENT ASSETS		3.427.381		83.393
TOTAL ASSETS		7.123.604		838.059

LIABILITIES	NOTE	31.12.2016	OF WHICH RELATED PARTIES	31.12.2015
ALL AMOUNTS ARE IN EURO				
Share Capital	10	142.000		10.000
Reserves	11	6.699.919		840.000
Year's result		(11.875)		(19.247)
NET EQUITY	12	6.830.044		830.753

Non-current financial liabilities	13	250.000		0
Severance reserves		0		0
NON-CURRENT LIABILITIES		250.000		0
Trade payables	14	21.412	879	6.306
Other current liabilities	15	14.967	2.643	0
Current financial liabilities	16	3.218		0
Tax payables	17	3.963		1.000
Accrued liabilities and deferred income		0		0
CURRENT LIABILITIES		43.560		7.306
TOTAL LIABILITIES		293.560		7.306
TOTAL LIABILITIES AND NET EQUITY		7.123.604		838.059

PROFIT AND LOSS STATEMENT FOR 2016 FINANCIAL YEAR

PROFIT AND LOSS STATEMENT (ALL AMOUNTS ARE IN EURO)		31.12.2016	OF WHICH RELATED PARTIES	31.12.2015
Net income	18	139.296		7.000
Other revenue	19	102		0
TOTAL REVENUE		139.398		7.000
Service costs and use of third party assets	20	(156.124)	(58.320)	(751)
Personnel costs				
Other operating costs	21	(3.079)		(1.850)
TOTAL OPERATING COSTS		(159.203)		(2.601)

OPERATING RESULT - EBITDA¹¹		(19.805)	4.399
Amortizations and impairment	22	(309)	(23.646)
EBIT¹²		(20.114)	(19.247)
Financial income (expenses)	23	(913)	
Earnings before taxes		(21.027)	(19.247)
Total current and deferred income taxes	24	9.152	
Of which:			
attributable to equity holders of the parent		(11.875)	(19.247)
Attributable to minority interests			
EARNINGS PER SHARE	25	(0,003)	(0,004)
DILUTED EARNINGS PER SHARE	25	(0,003)	(0,002)

¹¹ EBITDA indicates earnings before interest, taxes, depreciation and amortization or fixed assets and write-down of receivables. Therefore EBITDA represents the operating margin before choices in amortization 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.

¹² 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.

OVERALL PROFIT AND LOSS STATEMENT OF DHH**31.12.2016****31.12.2015**

(ALL AMOUNTS ARE IN EURO)

YEAR'S PROFIT (LOSS) (A)	(11.875)	(19.247)
Components which should be classified in the Profit and loss statement		
Components which should not be classified in the Profit and loss statement		
TOTAL OTHER PROFIT (LOSS) NET TO FISCAL EFFECT (B)	-	-
TOTAL YEAR'S OVERALL PROFIT (LOSS) (A+B)	(11.875)	(19.247)

CASH FLOW STATEMENT AS AT 31 DECEMBER 2016

CASH FLOW STATEMENT	31.12.2016	31.12.2015
ALL AMOUNTS ARE IN EURO		
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit for period	(11.875)	(19.247)
Income taxes	(9.152)	-
Interest payables/ (receivables)	913	-
(Capital losses)/gains from sales assets	-	-
1. EARNING BEFORE INCOME TAX, INTEREST, DIVIDENDS		
and capital gain/losses	(20.114)	(19.247)
Adjustments for non-cash items that are not accounted for		
In net working capital change:	309	23.646
- Allocation to reserve	-	-
- Amortization and depreciation of assets	309	23.646
- Permanent loss write-downs	-	-

- Other adjustments on non-monetary items	-	-
2. CASH FLOW BEFORE NWC CHANGES	(19.805)	4.399
Changes in NWC:	(224.461)	(10.355)
- Decrease (increase) in inventories	-	-
- Decrease (increase) in customer receivables	(136.702)	(7.000)
- Increase (decrease) in supplier payables	15.482	6.306
- Decrease (increase) in prepaid expenses and accrued income	(12.059)	(4.957)
- Increase (decrease) in accrued expenses and deferred income	-	-
- Other changes to the NWC	(91.182)	(4.704)
3. CASH FLOW AFTER NWC CHANGES	(244.266)	(5.956)
Other changes:	(913)	-
- Interest collected/ (paid)	(913)	-
- (Income tax paid)	9.152	-
- Dividends received	-	-
- (Use of reserves)	(9.152)	-
CASH FLOW FROM OPERATING ACTIVITIES [A]	(245.179)	(5.956)
B. CASH FLOW FROM INVESTING ACTIVITIES		
(Investments) in tangible assets	-	-
Proceed from the sale of tangible assets	-	-
(Investments) in intangible assets	(1.547)	(23.646)
Proceed from the sale of intangible assets	-	-
(Investments) in financial assets	(2.931.168)	(754.666)
Proceed from sale of financial assets	-	-
(Investments) in non-capitalized financial assets	(2.490)	-

Proceed from sale of non-capitalized financial assets	-	-
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CASH FLOW FROM INVESTING ACTIVITIES [B]	(2.935.205)	(778.312)
C. CASH FLOW FROM FINANCING ACTIVITIES [C]		
Third party resources		
Increase (decrease) current payables to bank	3.218	-
New loans	250.000	-
Loan repayments	-	-
Own resources		
Paid capital increase	6.011.166	850.000
Treasury share sale (purchase)	-	-
(Dividends paid)	-	-
CASH FLOW FROM FINANCING ACTIVITIES [C]	6.264.384	850.000
Increase (decrease) in liquidity [A]+[B]+[C]	3.084.000	65.732
Liquid funds at the beginning of the period	65.732	-
Liquid funds at the end of the period	3.149.732	65.732

NET FINANCIAL POSITION AS AT 31.12.2016

NET FINANCIAL POSITION OF DHH	31.12.2016	31.12.2015
ALL AMOUNTS ARE IN EURO		
A. Cash	-	-
B. Cash equivalents	(3.149.732)	(65.732)
C. Securities held for trading	-	-
D. LIQUIDITY (A)+(B)+(C)	(3.149.732)	(65.732)
E. Current financial receivables	(2.490)	-

F. Short-term bank liabilities	-	-
G. Current part of non-current borrowing	3.218	-
H. Other current financial liabilities	-	-
I. CURRENT FINANCIAL DEBT (F)+(G)+(H)	3.218	(65.732)
J. NET CURRENT FINANCIAL DEBT (I)-(E)-(D)	(3.149.004)	(65.732)
K. Non-current bank liabilities	-	-
L. Bond issued	-	-
M. Other non-current liabilities	250.000	-
N. NON-CURRENT FINANCIAL DEBT (K)+(L)+(M)	250.000	-
O. NET FINANCIAL DEBT (J)+(N)	(2.899.004)	(65.732)

STATEMENT OF CHANGES IN NET EQUITY

	VALUE 01.01.2015	OTHER VARIATIONS - INCREASE	OTHER VARIATIONS - DECREASE	FINANCIAL RESULT	VALUE ON 31.12.2015
Share Capital	-	10.000	-	-	10.000
Share premium reserves		840.000		-	840.000
Year's profit (loss)		-		(19.247)	(19.247)
TOTAL		850.000		(19.247)	(830.753)

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

NOTES TO THE FINANCIAL STATEMENTS

EVALUATION CRITERIA

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

INTANGIBLE ASSETS

Intangible assets are assets without a physical substance and is only accounted for if it is identifiable, controllable and it can be predicted to generate future economic benefits and its 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.

Immaterial life with residual undefined life are not amortized but are subject annually or more often, if necessary, to check 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 DEFINED 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 purposes of capitalization what matters 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 registered within the assets of the Balance Sheet and financial balance sheet and amortized, at constant rates, since start of commercial production of the product. Useful lives are determined with reference to a prudent estimate of the relevant economic benefits and are 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 accounted for in the profit and loss account when accrued and may not be capitalized in subsequent years.

ASSETS WITH DEFINED LIFE – OTHER IMMATERIAL ACTIVITIES

Other immaterial activities are recorded in the balance sheet 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.

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 record thereof 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 actualizing 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:

1. Loans and receivables;
2. Investments owned until expiry date
3. Financial assets at fair value recorded in the profit and loss account and valued utilising the fair value method.

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 recorded in the profit and loss account 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 deducted from the net worth and accounted for in the profit and loss account.

CURRENT ASSETS

The drafting of the balance sheet and financial statement and loss and profit account 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 account.

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, the expiry date of which 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 par value which is normally approximates the amortised 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.

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 sale and services is recorded when the transfer of all the risks and benefits arising from the passage of title takes place or upon execution of a service. Revenues are recorded net of discounts, allowances, settlement discounts and rebates.

EXPENSES

Expenses are recorded when it is incurred, in accordance with the principle of matching expense and revenue 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 and loss account. Value losses are recorded in the profit and loss account of the financial year in which such value losses occurred.

FINANCIAL INCOME AND EXPENSES

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

TAXES

Current and deferred taxes are recorded in the profit and loss account 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 “deferred tax assets” is determined on the basis of the tax rate which – according to the tax regulations in force on the accounting entry reference date – will apply at the time when the tax asset will be realized or the tax liabilities will be due. The recognition of deferred tax assets is made when their recovery is probable. Receivables for advanced taxes and deferred tax liabilities are offset whenever such compensation is allowed by law.

ESTIMATES AND VALUATIONS

The preparation of the consolidated financial statement and related notes required estimates and assumptions affecting the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date. 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 recorded in the income statement.

NOTES

As a preliminary remark, the increases of balance sheet items, as compared to 31.12.2015, are essentially attributable to investments aimed at the admission for the listing on the AIM Italia/MAC market, as to which reference has already been made. In particular:

NOTE 1 INVESTMENTS.

This item amounts to 3.085.834 EUR, with an increase of 2.331.168 EUR as compared to the value as of 31.12.2015, and is made up as follows:

SHAREHOLDINGS IN SUBSIDIARIES	VALUES IN EUR
TOPHOST S.r.l.	1.232.929,45
DHH. SI d.o.o. (previously KLARO d.o.o.)	1.852.904,19
TOTAL	3.085.833,64

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 goodwill.

NOTE 2 INTANGIBLE FIXED ASSETS

Intangible fixed assets have a budgetary position equal to 1.237 as of 31.12.2016.

The following table provides a breakdown of movements regarding intangible fixed assets occurred in the 2016 financial year:

SOFTWARE LICENSES	
VALUE AT 01/01/2016	-
Investments	1.546,00
Disinvestments and other movements	-
COST AT 31.12.2016	1.546,00
ACCUMULATED AMORTIZATION AT 01/01/2016	-
Amortization 2016	309,00
Disinvestments and other movements	-
ACCUMULATED AMORTIZATION AT 31.12.2016	309,00

NET BOOK VALUE

At January 1, 2016	-
At December 31, 2016	1.237,00

NOTE 3 NON-CURRENT FINANCIAL ASSETS

This item is equal to Euro 600.000 as of December 31, 2016 and is made up as follows:

MEDIUM-LONG TERM LOANS	AMOUNT
Loan in favour of the subsidiary DHH.SI d.o.o.	335.000,00
Loan in favour of DHH d.o.o. – Croazia (controlled by DHH.si)	265.000,00
TOTAL	600.000,00

NOTE 4. DEFERRED-TAX ASSETS

Deferred-tax assets are equal to 9.152 EUR and refer 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.

In particular, the same are equal to the difference between 2015 Development costs and 2016 Development costs, which have been fully charged for IAS purposes and are recoverable in 5 years for tax purposes according to the statutory financial statements drafted pursuant to OIC principles.

NOTE 5 TRADE RECEIVABLES

Trade receivables are equal to 143.703 EUR as of 31.12.2016, with an increase of 136.703 EUR compared to 31.12.2015. The table below includes the breakdown by geographic region of trade receivables:

GEOGRAPHY	AMOUNT
Italy	50.374
EU countries	93.329
TOTAL GROSS TRADE RECEIVABLES	143.703

NOTE 6 CURRENT FINANCIAL ASSETS

Current financial assets amount to 2.490 EUR as of 31.12.2016, with an equal increased compared to 2015. They are made up solely of the interests accrued during the financial year and payable in the subsequent financial year, over the loans granted in favour of DHH.SI d.o.o. and DHH d.o.o. Croatia.

NOTE 7 TAX RECEIVABLES

Tax receivables are equal to 114.440 EUR as of December 31, 2016, with an increase of 108.736 EUR as compared to 2015, and are made up as follows:

CATEGORY	AMOUNT
Value Added Tax	114.438
Deductions on active interests	2
TOTAL	114.440

The increase is mainly attributable to the VAT receivable accrued during the 2016 financial year, as a consequence for the costs borne during the AIM listing process.

NOTE 8 CASH AND CASH EQUIVALENTS

This item is equal to 3.149.732 EUR, with an increase of Euro 3.084.000 as compared to 2015, and is made up exclusively of cash equivalents available as of 31.12.2016 on bank deposits in the name of the company.

The substantial increase occurred during the financial year is essentially attributable to the liquidity inflow which followed the admission to negotiations on the AIM market.

NOTE 9 PREPAID AND ACCRUED EXPENSES

Prepaid and accrued expenses are equal to 17.016 EUR as of December 31, 2016, with an increase of 12.059 EUR as compared to 2015.

NOTE 10-11-12 NET EQUITY

The Net equity as of December 31, 2016 is made up as follows:

SHARE CAPITAL

The share capital is fully paid and – as of December 31, 2016 – is made up of 1.420.000 ordinary shares without nominal value, with an accounting par value of Euro 0,10 each.

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

SHARE CAPITAL	
VALUE AT 31.12.2015	10.000,00
RESOLUTION OF 15/04/2016	
Free capital increase by using share premium reserve	39.000,00
Paid capital increase	22.000,00
Free capital increase by using share premium reserve	29.000,00
RESOLUTION OF CAPITAL INCREASE OF 09/06/2016	
IPO subscription	42.000,00
VALUE AT 31.12.2016	142.000,00

SHARE PREMIUM RESERVE

Such reserve is equal to Euro 6.710.766. In particular, the changes occurred can be summarized as follows:

SHARE CAPITAL	
VALUE AT 31.12.2015	840.000,00
RESOLUTION OF 15/04/2016	
Free increase by using share premium reserve	(39.000,00)
Paid increase	2.309.168,00
Free increase by using share premium reserve	(29.000,00)

RESOLUTION TO INCREASE CAPITAL OF 09/06/2016

IPO subscription deducted expenses	3.629.598,00
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VALUE AT 31.12.2016	6.710.766,00
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NOTE 13 NON-CURRENT FINANCIAL PAYABLES

They are equal to Euro 250.000 and refer exclusively to the 24-month loan granted by the subsidiary Tophost Srl (interest rate of 6 months Euribor).

NOTE 14 TRADE PAYABLES

Trade payables are equal to 21.412 EUR as of 31.12.2016, with an increase of 15.106 EUR as compared to 31.12.2015. The table below includes the breakdown by geographic region of trade payables:

	31.12.2016
Italy	21.412
EU countries	0
Non-EU countries	0
TOTAL PAYABLES	21.412

NOTE 15 OTHER CURRENT LIABILITIES

Other current liabilities are equal to 14.967 EUR on 31.12.2016, with the same increase registered at 2015.

This item records the Payables towards directors and auditors for the remunerations accrued by them and not cleared during the financial year.

NOTE 16 CURRENT FINANCIAL LIABILITIES

Current financial payables are equal to 3.218 EUR, and records only payable towards the subsidiary Tophost S.r.l. for loan interests, as said above.

NOTE 17 TAX PAYABLES

Tax payables are equal to 3.963 EUR on 31.12.2016, with an increase of 2.963 EUR compared to 2015. Such item only records payable towards the tax authorities for withholding taxes made.

NOTE 18 NET INCOME

Net income deriving from sell and performance is equal to 139.296 EUR on 31 December 2016, with an increase of 132.296 EUR compared to 2015.

NOTE 19 OTHER REVENUES

Other revenues are equal to 102 EUR on 31 December 2016.

NOTE 20 SERVICE COSTS AND USE OF THIRD PARTY ASSETS

Service costs are equal to 156.124 EUR on 31 December 2016, with an increase of 155.373 EUR compared to 2015 and are made up as follows:

	31.12.2016
Wholesale costs	4.576,00
Commercial and marketing expenses	10.900,00
Professional services	140.648,00
TOTAL	156.124,00

NOTE 21 OTHER OPERATING COSTS

Other operating costs are equal to 3.079 EUR on 31 December 2016, with an increase of Eur 1.229 compared to 2015 and are related to tax stamps, government licenses (1.714 EUR), annual tax for endorsement of the company's books (310 EUR), insurances (644 EUR) and other management costs (411 EUR).

NOTE 22 AMORTIZATIONS AND IMPAIRMENT

Amortizations and impairment are equal to 309 EUR on 31 December 2016, with a decrease of 23.337 EUR compared to 2015, and only records the amortization rate for the period relating to software.

NOTE 23 FINANCIAL INCOMES (EXPENSES)

On 31 december 2016 net financial expenses are equal to 913 EUR.

The financial incomes (expenses) are specified below:

FINANCIAL INCOMES		31.12.2016
Bank and postal interests income		8,00
Loan's interests income		2.490,00
TOTAL		2.498,00
FINANCIAL EXPENSES		31.12.2016
Loan's interests expense		3.218,00
Other financial expenses		193,00
TOTAL		3.411,00

NOTE 24 INCOME TAXES

Income taxes are equal to 9.152 EUR and only records advanced taxes calculated in connection with the temporary differences arising between the values of the assets and liabilities recorded for the purpose of drawing up the financial statement according to international accounting principles and corresponding tax value reported in the tax returns.

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

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

NOTE 25 EARNINGS PER SHARE

The number of share for calculation are the same described in note 33 of Consolidated Financial Statement.

RECONCILIATION BETWEEN NET EQUITY AND THE RESULTS FOR THE PERIOD:

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

	SHARE CAPITAL	RESERVES	YEAR'S RESULTS	TOTAL OF NET EQUITY
NET EQUITY OIC	142.000,00	7.238.838,00	(521.813,00)	6.859.025,00
Removal of intangible assets 2015		(18.917,00)		(18.917,00)
Removal of intangible assets 2016			(19.216,00)	(19.216,00)
Listing costs at 2016 recorded in Net Equity according to IAS		(520.002,00)	520.002,00	
Advanced taxes IAS			9.152,00	9.152,00
NET EQUITY IAS	142.000,00	6.699.919,00	(11.875,00)	6.830.044,00

COMPENSATION OF THE STATUTORY AUDITOR AND AUDITOR FIRM

The compensation paid for the auditor firm is equal to 12.142,25 EUR for auditing activities.

RELATED PARTIES' TRANSACTIONS

During 2016, DHH S.p.A. carried out related parties' transactions mainly for providing services. Such transactions has been performed at normal market conditions.

The details of the related parties' transactions referred to 2016 financial year and extrapolated from the financial statement are described below:

COUNTERPART	RECEIVABLES	PAYABLES	COSTS	REVENUES
Sica Giandomenico		2.135,00	45.000,00	
Baldassarra Antonio Domenico		508,00	12.000,00	
Seeweb srl		879,01	1.320,17	

Totali

3.522,01

58.320,17

Costs and payables relating to counterparts Sica and Baldassarra relate the emoluments due to the Board of Directors of the Company which are equal to 57.000,00 plus charges provided by law.

Costs for the performances carried out by Seeweb S.r.l. mainly relate to registration, maintaining and managing activity of the web site dominion.it as well as to the provision of services of accounting records for an amount equal to Euro 1.200,00.

During the financial year the company has obtained – having requirements – the passage from Start Up status to PMI Innovativa status and connected registration in the relevant section of the Registrar Office of Company of 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 Euro 40.000,00 relating to the performances carried out by ADVANCE SIM S.p.A. for the precompetitive development of the company required by the IPO.

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

Milan, 27 March 2017

The Chairman of the Board of Directors

Giandomenico Sica

