Financial Report
as at 31 December 2017

Financial statements prepared in compliance with the IAS/IFRSs

- Values in thousands of euro -

Piteco
FINANCIAL SOFTWARE & CONSULTING

Contents

Corporate bodies

Board of Directors

(end of term of office - approval of financial statements as at 31 December 2017)

Name and Surname	Position
Marco Podini	Chairman
Paolo Virenti	Chief Executive Officer
Gianni Camisa	Director
Annamaria Di Ruscio	Director
Andrea Guido Guillermaz	Director
Riccardo Veneziani	Director
Maria Luisa Podini	Director

Board of Statutory Auditors

(end of term of office - approval of financial statements as at 31 December 2017)

Name and Surname	Position
Maurizio Scozzi	Chairman of the Board of Statutory Auditors
Marcello Del Prete	Standing Auditor
Luigi Salandin	Standing Auditor

Independent Auditors

KPMG S.p.A.

The auditing assignment was granted by the shareholders’ meeting of 21 November 2017 for the three-year period ending with the approval of the financial statements as at 31 December 2019.

Structure of the group and scope of consolidation

Situation as at 31 December 2017

The following companies in the Piteco Group are included in the scope of consolidation:

Company Name	Registered Office	Share Capital	currency	% Ownership	held by	Type of consolidation
Piteco North America, Corp.	USA	10	USD[1]	100%	Piteco S.p.A.	line-by-line
Juniper Payments, LLC	USA	3,000	USD	60%[2]	Piteco North America, Corp.	line-by-line

[1] The currency codes used herein comply with the International Standard ISO 4217: EUR Euro; USD US dollar.

[2] Piteco North America, Corp. holds 550,000 Class A shares (out of 1,000,000 shares issued, of which 450,000 Class B), equal to 55% of the voting rights that can be exercised in the shareholders' meeting and of the right to profits, and equal to 100% of the share capital of USD 3,000,000 subscribed on incorporation of the affiliate. For the purposes of these financial statements, an additional acquisition of 50,000 shares of the share capital of Juniper Payments, LLC equal to 5% thereof, for a total value of USD 1,500,000, subject to a forward purchase commitment with the minority shareholders.

Piteco
FINANCIAL SOFTWARE & CONSULTING

Directors' Report on Operations

INTRODUCTION

This Report on Operations has been prepared along with the Separate Financial Statements and the Consolidated Financial Statements of Piteco S.p.A. (hereinafter, also "Piteco" or "Parent Company").

The Consolidated Financial Statements as at 31 December 2017 are the first drawn up by Piteco S.p.A. as a result of the acquisition of the "LendingTools.com" business unit, carried out through its US affiliates Piteco North America, Corp. and Juniper Payments, LLC, which took place in April 2017. As these are the first consolidated financial statements, the values in the income statement and statement of financial position herein are compared to those of the annual report as at 31 December 2016 of the consolidating company Piteco S.p.A.

The report should be read along with the Financial Statements and the Explanatory Notes, which comprise the Consolidated Financial Statements of the Piteco Group as at 31 December 2017.

Save for where otherwise indicated, all the amounts shown in this Report are exposed thousands of Euro.

LETTER TO SHAREHOLDERS

Dear Shareholders,

The year 2017 featured an important acquisition of a business unit regarding software solutions in the digital payment and clearing house sector for the US banking market headed by LendingTools.com, Inc., a company operating in e-payment services on the US market. This transaction was carried out through the indirect subsidiary Juniper Payments, LLC, consolidated since 7 April 2017, and accelerates the promising international development of Piteco S.p.A..

The business unit acquired manages accounting clearance of interbank financial flows (bank transfers and verification of collection of cheques) for around 3,300 US banks and over USD 3 billion per day. It is one of the most extensive US interbank networks. The acquisition was carried out through the subsidiary Piteco North America, Corp. (100%-owned) which, in turn, controls 55% of the share capital of Juniper Payments, LLC (the remaining 45% belongs to the managers of the business unit acquired), a vehicle company established to complete the M&A operation in the US. The agreement entailed a total investment for Piteco of around USD 13 million of which 3 million for the subscription of the controlling stake in Juniper Payments, LLC and 10 million as an intercompany loan to be repaid in 10 years. Through its cash flow of USD 13 million, the associated company Juniper Payments then purchased all the assets of the business unit LendingTools.com, Inc., in addition to net working capital of USD 2.25 million (of which 1.85 million in cash and cash equivalents). The operation involves a commitment by the subsidiary Piteco North America, Corp. for the forward purchase of 50,000 shares, equal to 5% of the capital of Juniper Payments, LLC, from the minority shareholders, at a maximum price of USD 1.5 million, determined based on the 2017 and 2018 EBITDA of the target company. The purchase will be finalised on 7 April 2019. Piteco North America, Corp. also subscribed with the minority shareholders of Juniper Payments, LLC an agreement to govern the right of the minority partners to exit from Juniper Payments, LLC once the term of five years has passed from the stipulation of the purchase and sale agreement of 7 April 2017, by subscribing specific put options. The agreement thus grants specific put options, which can be exercised starting on 7 April 2022, for the sale by the two minority partners of Juniper Payments, LLC of the remaining shares, equal to 40% of Juniper Payments, LLC, at a strike price to be negotiated or, if agreement is not reached, to be submitted for valuation by an independent expert.

The business unit purchased by Piteco generated turnover of USD 5 million in 2016 and pre-tax profit of around USD 1.75 million. The purchase agreement is even more significant in consideration of the future integrations with Piteco products and the joint offering that will thus be created. Through the synergies developed with Juniper Payments, LLC, Piteco aims to offer its solutions to the US corporate market.

The Piteco Group is an important player in the financial software sector, with an ambitious plan for diversification and internationalisation, driven by two business lines:

- PITECO S.p.A., a software house that is an absolute leader in Italy in proprietary solutions for company treasury management and financial planning, used by over 600 national and international groups operating in all business sectors (excluding Banks and the P.A.). With 84 highly qualified employees and 3 operating locations (Milan, Rome and Padua), it has been on the market for over 30 years, and covers the entire software value chain: R&D, design, implementation, sale and assistance. The software is fully proprietary, and can be integrated with the main company IT systems (Oracle, SAP, Microsoft, etc.), can be customised to Customers' needs and is already present in over 40 countries. As a result of the high number of customers and the specific business model bases on recurring fees, we have significant visibility of expected turnover. Piteco S.p.A. is controlled by Dedagroup S.p.A. and has been listed on the AIM Italia market since July 2015.

- JUNIPER PAYMENTS, LLC, a leading software house in the US, offering proprietary software solutions in the digital payments and clearing house sectors for around 3,300 US banks, it manages the accounting clearance of interbank financial flows (bank transfers and verification of collection of cheques) for over USD 3 billion per day. It is one of the most extensive US interbank networks.

GROUP SITUATION AND PERFORMANCE OF OPERATIONS

The year 2017 closed with profit after tax of EUR 3,385 thousand. Through the tables below, we provide a summary of the economic performance and statement of financial position for company operations in 2017:

Economic analysis

Income Statement	31/12/2017	%	31/12/2016	%	% change
Revenues	16,374	96.1%	13,478	95.4%	21.5%

Other operating revenues	707	4.1%	663	4.7%	6.6%
Change in inventories	-35	-0.2%	-16	-0.1%	118.8%
Operating revenues	**17,046**	**100.0%**	**14,125**	**100.0%**	**20.7%**
Raw materials and consumables	267	1.6%	167	1.2%	59.9%
Personnel costs	7,420	43.5%	5,983	42.4%	24.0%
Costs for services and leases and rentals	2,835	16.6%	2,316	16.4%	22.4%
Other operating costs	67	0.4%	36	0.3%	86.1%
Operating costs	**10,589**	**62.1%**	**8,502**	**60.2%**	**24.5%**
Gross operating income (EBITDA)	**6,457**	37.9%	**5,623**	39.8%	14.8%
Amortisation and depreciation	1,303	7.6%	297	2.1%	338.7%
Provisions for risks and write-downs	180	1.1%	17	0.1%	
Operating income (EBIT)	**4,974**	29.2%	**5,309**	37.6%	-6.3%
Gains/losses from transactions in foreign currency	-1,106	-6.5%			
Financial income and charges	-537	-3.2%	-365	-2.6%	47.1%
Non-recurring income and charges	126	0.7%			
Profit (loss) before taxes	**3,457**	20.3%	**4,944**	35.0%	-30.1%
Income taxes	72	0.4%	441	3.1%	-83.7%
Profit (loss) for the year	**3,385**	19.9%	**4,503**	31.9%	-24.8%
Profit (loss) for the year pertaining to third parties					
Profit (loss) of the Group	**3,385**	19.9%	**4,503**	31.9%	-24.8%

During the year ended as at 31 December 2017 Group turnover came to EUR 16,374 thousand, an increase of 21% compared to 31 December 2016. Revenues amounted to EUR 17,046 thousand. EBITDA was EUR 6,457 thousand (+15% compared to 2016) and its weight on revenues came to 38%. Note that in the year in question, the revenues of Juniper related only to 8 months (from May to December). The partial revenues for April pertaining to Juniper, amounting to EUR 261 thousand, were not recorded (in line with the accounting standards, as they were turnover of the seller), but would have generated an increase in the EBITDA for the year, bringing the increase on 2016 to +19%.

During the year, exchange losses of EUR 1,106 thousand were recognised, of which EUR 1,044 thousand unrealised, deriving from the conversion at current exchange rates of the loan in USD which Piteco S.p.A. made to the subsidiary Piteco North America, Corp. That loan was for the purpose of acquiring the "LendingTools.com" business unit.

EBIT amounted to EUR 4,974 thousand and its weight on revenues came to 29%. Net Profit amounted to EUR 3,385 thousand and its weight on revenues came to 20%.

In addition to the aforementioned dynamics associated with exchange rates, the profit for the year was in part penalised by non-recurring charges equal to the costs incurred by Juniper Payments, LLC to acquire the "LendingTools.com" business unit, relating to legal and advisory fees, for a total of EUR 208 thousand.

The results of the US affiliate regard the period from the closing of the "LendingTools.com" operation to 31 December 2017. The amortisation and depreciation of the assets acquired through the "LendingTools.com" business combination had a significant impact on the Group EBIT, particularly the proprietary software whose value amounted to USD 10 million (EUR 8.3 million at the exchange rate of 31 December 2017).

Results by business segment

The results of the "Business Segments" are measured by analysing the performance of the gross operating margin, defined as the profit for the period before amortisation, depreciation, write-downs, provisions for risks and other write-downs, financial charges and income and taxes. In particular, it is deemed that the gross operating margin provides a good indication of the performance as it is not influenced by tax regulations or amortisation and depreciation policies.

The business sectors identified, which comprise all the services and products provided to customers, are:

- Company Treasury and Financial Planning
- Digital Payments and Clearing House (Banking)

Note that no comparison was made with the previous year, as the acquisition of the operations regarding the Banking segment occurred in April 2017.

Income Statement	Total	Company Treasury	Banking
Revenues	16,374	13,500	2,874
Other operating revenues	707	707	
Change in inventories	-35	-35	
Operating revenues	**17,046**	**14,172**	**2,874**
Raw materials and consumables	267	264	3
Personnel costs	7,420	6,127	1,293
Costs for services and leases and rentals	2,835	2,227	608
Other operating costs	67	64	3
Operating costs	**10,589**	**8,682**	**1,907**
Gross operating margin (EBITDA)	**6,457**	**5,490**	**967**

The line-by-line consolidation of the US affiliates starting from April 2017 had a positive impact on the Group's gross operating margin of EUR 967 thousand in absolute value.

Equity and cash flow analysis

Reclassified Statement of Financial Position	31/12/2017	31/12/2016	Change
Inventories	103	138	-35
Trade receivables	3,993	4,299	-306
Tax receivables	42	80	-38
Other current assets	234	144	90
(A) Current assets	**4,372**	**4,661**	**-289**
Trade payables	746	840	-94
Tax payables	295	241	54
Other current liabilities	2,445	2,225	220
(B) Current liabilities	**3,486**	**3,306**	**180**
(A-B) Net working capital	**886**	**1,355**	**-469**

Property, plant and equipment	1,486	1,366	120
Intangible assets	37,416	28,626	8,790
Financial assets		2	-2
Deferred tax assets	418	88	330
(C) Non-current assets	**39,320**	**30,082**	**9,238**
Post-employment benefits (employee severance indemnity)	1,179	1,192	-13
Long-term provisions	46	42	4
Other non-current liabilities	2,427		2,427
Deferred tax liabilities	141	137	4
(D) Non-current liabilities	**3,793**	**1,371**	**2,422**
(NWC+C-D) Net invested capital	**36,413**	**30,066**	**6,347**
Issued capital	18,155	18,126	29
Reserves	5,933	6,950	-1,017
Retained earnings (Losses carried forward)	2,443	2,443	
Profit (loss) for the year	3,385	4,503	-1,118
(SE) Total shareholders' equity	**29,916**	**32,022**	**-2,106**
Cash and cash equivalents	5,154	10,869	-5,715
Current financial liabilities	2,325	1,719	606
Financial assets	28	10	18
Non-current financial liabilities	9,354	7,204	2,150
(NFP) Net financial position	**6,497**	**-1,956**	**8,453**
(SE+NFP) Total sources	**36,413**	**30,066**	**6,347**

The consolidated Net Financial Position as at 31 December 2017 was a negative EUR 6,497 thousand (positive EUR 1,956 thousand as at 31 December 2016 for Piteco S.p.A. alone), with a change of EUR 8,453 thousand mainly due to the net effect of the acquisition realised through the US subsidiary Juniper Payments, LLC and the payment of dividends (EUR 2,719 thousand), partially offset by the positive cash flow generated during the period. The acquisition of the LendingTools business unit, finalised in April 2017, had a net impact on the financial position of around EUR 10,182 thousand, including the financial liabilities of EUR 1,243 thousand (duly discounted), relating to the commitment to purchase from the minority shareholders 5% of the subsidiary in April 2019.

The Net Financial Position as at 31 December 2017 broke down as follows:

- Cash and banks receivable of EUR 5,154 thousand: the Group's cash and cash equivalents are deposits in EUR and USD.
- Short-term financial payables (current financial liabilities) of EUR 2,325 thousand are mainly comprised of the portion of payables due to banks falling due within the year (EUR 1,133 thousand) and the estimated outlay for the exercise of the commitment to purchase 5% of the subsidiary Juniper Payments, LLC from the minority shareholders, which expires in April 2019.
- Financial assets of EUR 28 thousand are represented by financial receivables for security deposits and guarantees.
- Medium/long-term financial payables (non-current financial liabilities) of EUR 9,354 thousand were comprised of the medium/long-term portion of the bank loan for EUR 4,696 thousand and the convertible bond listed on the AIM Italia market for EUR 4,658 thousand.

Analysis by ratios

The main economic, equity and financial ratios useful for understanding the Group's operations are shown below, calculated on the data from the separate financial statements for 2017 and the separate financial statements for 2016.

Return On Equity	31/12/2017	31/12/2016
Profit (loss) of the Group	3,385	4,503
Total Shareholders' equity	29,916	32,022
ROE	**11.32%**	**14.06%**

Return On Investments	31/12/2017	31/12/2016
Operating income	4,766	5,309
Net invested capital	36,413	30,066
ROI	**13.09%**	**17.65%**

Return On Sales	31/12/2017	31/12/2016
Operating income	4,766	5,309
Revenues	16,374	13,478
ROS	**29.11%**	**39.39%**

Return On Capital Employed	31/12/2017	31/12/2016
Operating income	4,766	5,309
Total assets - Current liabilities	43,063	40,597
ROCE	**11.07%**	**13.08%**

STATEMENT OF RECONCILIATION BETWEEN THE DATA OF THE PARENT COMPANY AND THAT OF THE CONSOLIDATED COMPANIES

The table of reconciliation of the consolidated shareholders' equity and the consolidated profit (loss) with the related data of the Parent Company is shown below:

	Shareholders' equity	Profit (loss) for the year
Shareholders' equity and profit (loss) for the year as reported in the separate financial statements of the Parent Company	33,028	3,756
Effect from consolidation of subsidiaries' financial statements	- 3,112	- 371
Shareholders' equity and profit (loss) for the year as reported in the Group's consolidated financial statements	29,916	3,385

BUSINESS POLICY

During 2017 the Group continued to always improve the quality of the solutions offered on the market, both in terms of software components and services provided to customers, in addition to developing new product modules, specifically targeted to adjusting our products to regulatory and procedural changes in the area of company treasury management.

INVESTMENT POLICY

The investments made in 2017 are illustrated in the table below:

Description	Amounts
Investments in intangible assets and goodwill	9,937
Investments in property, plant and equipment	231
Total investments in fixed assets	**10,168**

The investments made in 2017 were mainly related to the acquisition carried out through the US subsidiary Juniper Payments, LLC.

On the whole, in recording the business combination, the price paid for the acquisition, including the forward purchase of 5% of the capital of Juniper Payments, LLC, amounted to USD 14,129 thousand (EUR 11,711 thousand at the exchange rate of 31 December 2017) of which USD 1,424 thousand (EUR 1,180 thousand) allocated to residual Goodwill following the allocation of USD 10,434 thousand (EUR 8,648 thousand) to property, plant and equipment and intangible assets, and the remainder to cash and cash equivalents (EUR 1,529 thousand) and working capital (EUR 354 thousand). See the table on page 27.

During 2017 Piteco S.p.A. invested EUR 359 thousand in the development of its proprietary software.

RESEARCH AND DEVELOPMENT

Research and development is conducted for the purpose:

- of developing new products in the company treasury and finance sector;
- of improving the quality of products already offered;
- of reducing the cost of production of products;
- of consolidating know-how in the services offered in the area of company treasury and finance.

DESCRIPTION OF THE MAIN RISKS AND UNCERTAINTIES THE GROUP IS EXPOSED TO

In conducting its business, the Group is exposed to risks and uncertainties deriving from external factors connected with the general macroeconomic scenario or specific to the business sectors it operates in, as well as risks deriving from strategic decisions and internal operating risks.

Those risks have been systematically identified and mitigated, carrying out prompt monitoring and control of the risks arising.

The Group carries out centralised risk management, while letting the heads of the functions identify, monitor and mitigate such risks, also in order to better measure the impact of each risk on business continuity, reducing their occurrence and/or containing their impacts depending on the determining factor.

In the area of business risks, the main risks identified, monitored and managed by the Group are the following:

- risk linked to competition;
- risk linked to demand/macroeconomic cycle;
- risk linked to exchange rates;
- risk linked to financial management.

Risk linked to competition

The sectors in which the Group operates are marked by harsh competition, which generally takes the form of tension on the sales prices of the products and services offered. However, Piteco operates in a highly specialised market, in which it has occupied a position of high standing in the domestic market for years, which makes it less subject to the tensions on prices caused by competition. As regards "banking - digital payments" activities, the Group continues to constantly compete with the leading US competitors, both in terms of organisation and in terms of services offered. The affiliate Juniper Payments, LLC, with the operations acquired from LendingTools, is in a good position to handle competition, boasting extensive experience in the sector.

Risk of evolution of the general economic framework

The trend in the sector the Group operates in is correlated to the general economic scenario. Therefore, any periods of negative economic trends or recession may result in a reduction in the demand for the products and services offered.

Risk linked to exchange rates

The Group's transactions in currencies other than the Euro, as well as the development strategies on the international markets, expose the Group to changes in exchange rates. The Administrative Department of Piteco S.p.A. is responsible for forecasting this risk. During 2017, no exchange rate hedging transactions were implemented.

Risk linked to financial management

The Group's policy is to carefully manage its treasury, by implementing tools for planning inflows and outflows. The Group's financial situation features medium/long-term financial indebtedness, in particular, a loan taken out in April 2017 for a total of EUR 7 million, expiring on 31 December 2022 and a convertible bond issued at the time of listing on the AIM market, maturing on 31 June 2020, with a nominal value of EUR 4,994 thousand. As at 31 December 2017 the residual nominal amount of the loan was EUR 5,888 thousand.

As at 31 December 2017 the Group has no short-term credit lines aside from its cash and cash equivalents of EUR 5,154 thousand. Note that during the second half of 2017 the Group also paid off the mortgage loan with a residual value of EUR 3,500 thousand, deemed no longer in line with current financial needs, using a portion of bank liquidity.

Group financial risk management objectives and policies

The Group pursues the objective of containing financial risk through a control system managed by the Administrative Department of Piteco S.p.A. The Group's approach in forecasting financial risk, in a broad sense, entails that there are always sufficient funds to fulfil its obligations in relation to contractual due dates, to the extent possible.

Credit risk

As regards the risk of insolvency of its customers, the Group has set up specific bad debt provisions, adjusted based on the type of customer and statistical assessments. The specific concentration of the business on customers with high credit standing, the large number of such customers and sector diversification guarantee an additional, substantial lowering of credit risk.

INFORMATION ON THE ENVIRONMENT AND PERSONNEL

The regulations in force require that the analysis of the situation and performance of operations be consistent with the size and complexity of the Group's business and also contain "to the extent necessary to understand the Group's situation and performance of operations, the indicators of financial results and, if necessary, non-financial indicators pertinent to the specific business of the Group, including information regarding the environment and personnel".
As specified in the regulations mentioned above, the Italian Civil Code required directors to assess whether additional information on the environment may contribute to understanding the Group's situation. In light of that set out above, the management body deems that it may omit that information as, currently, it is not significant and, therefore, it is not deemed that it could contribute to understanding the Group's situation and the performance of operations. Said information shall be provided each time there are concrete, tangible, significant environmental impacts that generate potential consequences for the Group's equity or income.

SIGNIFICANT EVENTS AFTER THE END OF THE YEAR

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No significant events occurred after the end of the year.

OUTLOOK FOR OPERATIONS

For the PITECO group, the initial months of the current year show a growth trend in turnover, a sign that there will be generalised growth in the results for the current year.

TRANSACTIONS WITH SUBSIDIARIES, ASSOCIATES, PARENT COMPANIES AND AFFILIATES

During 2017, Piteco S.p.A. alone conducted commercial, financial and economic transactions with companies in the Dedagroup Group, which is the parent company.

The table below provides a summary of the transactions carried out in 2017.

COMPANY NAME	RECEIVABLES	PAYABLES	REVENUES	COSTS
DEDAGROUP SPA (parent company)		348	132	167
DEDAGROUP BUSINESS SOLUTION (affiliate)	18		25	
DEDAGROUP WIZ SRL (affiliate)		11		10
MD SPA (affiliate)	34		41	
DEDAMEX (affiliate)		10		10
total	**52**	**369**	**198**	**187**

Transactions of Piteco S.p.A. with subsidiaries, associates, parent companies and affiliates mainly refer to:

- commercial transactions, relating to purchases and sales of services in the Information Technology sector with affiliates in the Dedagroup group;
- transactions implemented as part of the national tax consolidation, in which the consolidating company is the parent company Dedagroup S.p.A..

All of these transactions, with the exception of those regarding the IRES tax consolidation, for which the rules of law primarily apply, are governed by specific contracts, whose conditions are in line with market conditions, i.e. the conditions that would be applied between independent parties.

In addition, note that there is an outstanding loan to Piteco North America, Corp, which is eliminated during the consolidation.

TREASURY SHARES

During 2017, the Parent Company purchases treasury shares as per the authorisation from the shareholders' meeting, by way of resolution dated 21 November 2017. As at 31 December 2017 the Group held 12,000 treasury shares, equal to 0.0662% of the share capital, for a total value of EUR 62 thousand (equal to the amount reflected in the "Negative reserve for treasury shares on hand", posted as a decrease to consolidated shareholders' equity).

DATA ON EMPLOYMENT

Total employees as at 31 December 2017 came to 103 resources, compared to 86 as at 31 December 2016, a total increase of 17 resources attributable to the changes in scope occurring during the (19 resources), regarding the acquisition of the digital payments and clearing house business unit through the US subsidiary Juniper Payments, LLC.

Personnel	31/12/2017	31/12/2016	Average for the period
Executives	6	6	6
Middle managers	26	26	26
Office workers	52	54	53
Other (Juniper Payments, LLC)	19		10
Total	**103**	**86**	**95**

ORGANISATIONAL MODEL AND CODE OF ETHICS

On 9 April 2015 the Board of Directors of PITECO S.p.A. approved the Code of Ethics and Organisational Model, as envisaged by Italian Legislative Decree 231/2001, and on 9 April 2015 it set up the supervisory body and appointed its members Miriam Giorgioni, as Chairman, Renato Toscana as external member and Raffaella Giordano as internal member.

PROPOSED RESOLUTION

Dear Shareholders,
We hereby ask you to approve your Company's separate financial statements as at 31 December 2017, which close with profit of EUR 3,755,801, rounded up in the financial statement tables to EUR 3,756 thousand. As regards the proposed allocation of profits show in the separate financial statements of Piteco S.p.A., the Board of Directors proposes allocating EUR 188,000 to legal reserves and EUR 3,567,801 to extraordinary reserves and distributing a dividend from extraordinary reserves of EUR 0.15 per each of the outstanding ordinary shares lacking nominal value, excluding treasury shares, at the ex-dividend date, establishing that the dividend shall be paid starting on 25 April 2018, with record date of 24 April 2018.

MILAN, 15 March 2018

For the Board of Directors

The Chairman

Marco Podini

Consolidated Financial Statements as at 31 December 2017

STATEMENT OF FINANCIAL POSITION

Assets	Notes	31/12/2017	31/12/2016	Change
Non-current assets				
Property, plant and machinery	**1**			
Land and building	1	1,274	1,320	-46
Plant and machinery	1	7	10	-3
Other assets	1	205	36	169
Total Property, plant and equipment		**1,486**	**1,366**	**120**
Goodwill	**2**	**28,871**	**27,691**	**1,180**
Other intangible assets	**3**			
Concessions, licences and trademarks	3	8,474	935	7,539
Other intangible assets	3	71		71
Total Other intangible assets		**8,545**	**935**	**7,610**
Deferred tax assets	**4**	**418**	**88**	**330**
Other non-current financial receivables	**5**			
Other non-current assets	5	28	12	16
Total Other non-current financial receivables		**28**	**12**	**16**
Total Non-current assets		**39,348**	**30,092**	**9,256**
Current assets				
Inventories	**6**			
Work in progress	6	103	138	-35
Total Inventories		**103**	**138**	**-35**
Current receivables	**7**			
Receivables from customers	7	3,941	4,148	-207
Current receivables from group	7	52	151	-99
Total Current receivables		**3,993**	**4,299**	**-306**
Other short-term receivables	**8**	**234**	**144**	**90**
Tax receivables	**9**	**42**	**80**	**-38**
Cash and cash equivalents	**10**	**5,154**	**10,869**	**-5,715**
Total Current assets		**9,526**	**15,530**	**-6,004**
Total assets		**48,874**	**45,622**	**3,252**

Shareholders' equity and Liabilities	Notes	31/12/2017	31/12/2016	Change
Shareholders' equity	**11**			
Group shareholders' equity	**11**			
Issued capital	11	18,155	18,126	29
Share premium reserve	11	5,924	5,924	
Negative reserve for treasury shares on hand	11	-62		-62
Other reserves	11	71	1,026	-955
Effect of conversion of Shareholders' Equity	11	*-314*		*-314*
Retained earnings (Losses carried forward)	11	2,443	2,443	
Profit (loss) for the year	11	3,385	4,503	-1,118
Group shareholders' equity		**29,916**	**32,022**	**-2,106**
Minority interests	**11**			
Total Shareholders' equity		**29,916**	**32,022**	**-2,106**

Non-current liabilities				
Non-current financial liabilities	**12**			
Long-term bank borrowings	12	4,696	2,622	2,074
Other non-current loans	12	4,658	4,582	76
Total Non-current financial liabilities		**9,354**	**7,204**	**2,150**
Long-term derivative financial instruments	**13**	**2,427**		**2,427**
Deferred tax liabilities	**14**	**141**	**137**	**4**
Post-employment benefits (employee severance indemnity)	**15**	**1,179**	**1,192**	**-13**
Long-term provisions	**16**	**46**	**42**	**4**
Total Non-current liabilities		**13,147**	**8,575**	**4,572**
Current liabilities				
Current payables	**17**			
Payables due to suppliers	17	377	392	-15
Current payables due to group	17	369	448	-79
Total Current payables		**746**	**840**	**-94**
Other current payables	**18**	**2,445**	**2,225**	**220**
Tax payables	**19**	**295**	**241**	**54**
Current financial liabilities	**20**			
Current bank borrowings	20	1,133	1,719	-586
Other loans and current financial payables	20	1,192		1,192
Total Current financial liabilities		**2,325**	**1,719**	**606**
Total Current liabilities		**5,811**	**5,025**	**786**
Total shareholders' equity and liabilities		**48,874**	**45,622**	**3,252**

INCOME STATEMENT

Income Statement	Notes	31/12/2017	31/12/2016	Change
Revenues	**21**	**16,374**	**13,478**	**2,896**
Other operating revenues	**22**	**707**	**663**	**44**
Changes in work in progress	23	-35	-16	-19
Change in inventories	**23**	**-35**	**-16**	**-19**
Operating revenues		**17,046**	**14,125**	**2,921**
Goods and consumables	24	267	167	100
Goods and consumables	**24**	**267**	**167**	**100**
Personnel costs	**25**	**7,420**	**5,983**	**1,437**
Costs for services	26	2,597	2,048	549
Leases and rentals	26	446	268	178
Costs for services and leases and rentals	**26**	**3,043**	**2,316**	**727**
Other operating costs	**27**	**247**	**53**	**194**
Operating costs		**10,977**	**8,519**	**2,458**
Gross operating income		**6,069**	**5,606**	**463**
Depreciation of property, plant and equipment	28	113	65	48
Amortisation of intangible assets	28	1,190	232	958
Amortisation and depreciation	**28**	**1,303**	**297**	**1,006**
Operating income		**4,766**	**5,309**	**-543**
Gains/losses from transactions in foreign currency	**29**	**-1,106**		**-1,106**
Other financial income	30	23	123	-100
Financial income	**30**	**23**	**123**	**-100**
Financial charges	**31**	**560**	**488**	**72**
Financial income and charges		**-537**	**-365**	**-172**
Profit (loss) before taxes		**3,123**	**4,944**	**-1,821**
Income taxes	**32**	**-262**	**441**	**-703**
Profit (loss) for the year		**3,385**	**4,503**	**-1,118**
Profit (loss) for the year pertaining to third parties				
Profit (loss) of the Group		**3,385**	**4,503**	**-1,118**

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OTHER COMPONENTS OF COMPREHENSIVE INCOME

Other components of comprehensive income	31/12/2017	31/12/2016	Change
Group's profit (loss) for the year	**3,385**	**4,503**	**-1,118**
Other comprehensive income (loss) that will not be subsequently reclassified under profit (loss)			
Actuarial gains/losses on employee benefits	1	-62	63
Taxes on actuarial gains/losses on employee benefits		15	-15
Other comprehensive income (loss) that will be subsequently reclassified under profit (loss)			
Net gains (losses) on conversion of foreign subsidiaries	-314		-314
Total comprehensive income (loss)	**3,072**	**4,456**	**-1,384**

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STATEMENT OF CASH FLOWS

Statement of cash flows	31/12/2017	31/12/2016
Operating activity		
Profit (loss) for the year	**3,385**	**4,503**
Adjustments for:		
Financial loss (income)	537	364
Current income taxes	68	414
Deferred tax liabilities (assets)	-330	27
Amortisation and depreciation	1,302	297
Financial income collected	23	123
Financial (charges) paid	-561	-487
Taxes paid	-187	-944
Increase in fixed assets for internal projects	-359	-324
Cash flows from operating activity before changes in working capital	**3,878**	**3,973**
(Increases)/decreases in inventories	35	16
(Increases)/decreases in trade receivables and other receivables	217	42
Increases/(decreases) in trade payables and other liabilities	206	68
Increases/(decreases) in provisions for risks and charges	4	-1
Increases/(decreases) in post-employment benefits	-13	83
Increases/(decreases) in tax liabilities (assets)	2	-15
Increases/(decreases) in tax payables (receivables)	135	6
Net cash and cash equivalents deriving from operating activity	**4,464**	**4,171**
Investment activity		
(Increases) in fixed assets:		
- Property, plant and equipment	-231	-9
- Intangible assets	-9,577	-12
- Financial assets	-20	
Decreases due to disposal of fixed assets:		
- Property, plant and equipment	1	
- Financial assets	3	
Other changes in fixed assets:		
- Property, plant and equipment	-3	
- Intangible assets	-44	
- Financial assets		3
Net cash and cash equivalents used in investment activity	**-9,871**	**-18**
Financial assets		
Increases/(decreases) in financial payables	2,784	-1,622
of which:		
- New disbursements	8,297	
- Repayments	-5,513	
Increases/(decreases) in group shareholders' equity	-3,094	-1,860
of which:		
- Dividends distributed	-2,719	-1,813
- Purchase of treasury shares	-61	
- Conversion reserve	-314	
- IAS 19 effect		-47
Net cash and cash equivalents used in financing activity	**-310**	**-3,482**
Increases/(decreases) in cash and cash equivalents	**-5,717**	**672**
Cash and cash equivalents at the beginning of the year	**10,869**	**10,197**
Cash and cash equivalents at the end of the year	**5,154**	**10,869**

CHANGES IN SHAREHOLDERS' EQUITY

Total shareholders' equity	Opening as at 31/12/2015	Change in Scope of Consolidation	Increases	Decreases	Distribution of dividends	Allocation of profit	Exchange rate effect	Other changes	Profit (loss) for the year	Closing balance as at 31/12/2016
Capital paid-in	18,126									18,126
Issued capital	**18,126**									**18,126**
Share premium reserve	**5,924**									**5,924**
Negative reserve for treasury shares on hand										
Legal reserve	40					171				211
Extraordinary reserve	344				-1,813	3,255				1,786
IAS reserve	-59									-59
Listing reserve	-963									-963
Convertible bond issue reserve	98									98
Remeasurement of defined-benefit plans (IAS 19)				-47						-47
Effect of conversion of Shareholders' Equity										
Other reserves	**-540**			**-47**	**-1,813**	**3,426**				**1,026**
Retained earnings (Losses carried forward)	**2,443**									**2,443**
Profit (loss) for the year	**3,426**					**-3,426**			**4,503**	**4,503**
Group shareholders' equity	**29,379**			**-47**	**-1,813**				**4,503**	**32,022**
Minority interests										
Total	**29,379**			**-47**	**-1,813**				**4,503**	**32,022**

Total shareholders' equity	Opening as at 31/12/2016	Change in Scope of Consolidation	Increases	Decreases	Distribution of dividends	Allocation of profit	Exchange rate effect	Other changes	Profit (loss) for the year	Closing balance as at 31/12/2017
Capital paid-in	18,126		29							18,155
Issued capital	**18,126**		**29**							**18,155**
Share premium reserve	**5,924**									**5,924**
Negative reserve for treasury shares on hand			**-62**							**-62**
Legal reserve	211					225				436
Extraordinary reserve	1,786				-2,719	4,278				3,346
IAS reserve	-59									-59
Listing reserve	-963									-963
Convertible bond issue reserve	98									98
Reserve for put option on NCI				-2,427						-2,427
Remeasurement of defined-benefit plans (IAS 19)	-47		1							-46
Effect of conversion of Shareholders' Equity		-314								-314
Other reserves	**1,026**	**-314**	**1**	**-2,427**	**-2,719**	**4,503**				**71**
Retained earnings (Losses carried forward)	**2,443**									**2,443**
Profit (loss) for the year	**4,503**					**-4,503**			**3,385**	**3,385**
Group shareholders' equity	**32,022**	**-314**	**-32**	**-2,427**	**-2,719**				**3,385**	**29,916**
Minority interests										
Total	**32,022**	**-314**	**-32**	**-2,427**	**-2,719**				**3,385**	**29,916**

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Notes to the consolidated financial statements as at 31 December 2017

I. GENERAL INFORMATION

The parent company Piteco S.p.A. is a joint-stock company incorporated in Italy, which operates primarily in the information technology sector, as a producer of specific software for business treasury and finance. These Consolidated Financial Statements as at 31 December 2017 include the financial statements of the parent company and its subsidiaries approved by the respective boards of directors and suitably reclassified to comply with the Parent Company's accounting standards.

Piteco S.p.A. is a subsidiary of Dedagroup S.p.A., with registered office in Trento (Province of Trento). Piteco S.p.A., in its role as Parent Company, drafts the consolidated financial statements of Piteco Group as at 31 December 2017. As these are the first Consolidated Financial Statements, the values in the income statement and statement of financial position herein are compared to the stand-alone data of the consolidating company Piteco S.p.A. as at 31 December 2016.

For the sake of clarity, note that the company is not required, based on governing legislation, to draft consolidated financial statements, as the conditions for exemption, envisaged in Art. 27 of Italian Legislative Decree no. 127/1991, apply. Thus, these financial statements are prepared for the sole purpose of satisfying the requirements of the AIM/MEC Issuers' Regulations.

II. PREPARATION CRITERIA AND COMPLIANCE WITH THE IAS/IFRS

General principles

The financial report as at 31 December 2017 has been prepared in compliance with the valuation and measurement criteria set out in the International Financial Reporting Standard (IFRS) issued by the International Accounting Standards Board (IASB), based on the version published in the Official Journal of the European Communities (O.J.E.C.).

The Consolidated Financial Statements are composed of the statement of financial position, the income statement and the statement of comprehensive income, the statement of cash flows, the statement of changes in shareholders' equity, and the explanatory notes.

Form and content of the document

With regard to the form and content of the financial statements, note that these have been prepared in accordance with the following methods:

- the statement of financial position presents current assets and non-current assets as well as current and non-current liabilities separately. The statement of financial position as at 31 December 2017 is compared with the balances of the Parent Company's Separate Financial Statements for the year ended as at 31 December 2016, as these are the first consolidated financial statements;
- in the in the income statement, costs are presented based on their nature. The income statement balances as at 31 December 2017 are compared with those of the Parent Company's Separate Financial Statements for the year ended as at 31 December 2016;

- other components of comprehensive income include, in addition to the profit (loss) for the year, the charges and income recognised directly in shareholders' equity generated by transactions other than those with shareholders;
- for the statement of cash flows, the indirect method was used.

The use of these tables provides a more meaningful representation of the Group's equity, income and cash flow situation.

The functional currency and presentation currency is the Euro. The statements and tables contained herein are shown in thousands of Euro. These Consolidated Financial Statements have been audited by the Independent Auditors KPMG S.p.A.. These Consolidated Financial Statements have been prepared using the standards and measurement criteria illustrated below.

III. PRINCIPLES AND SCOPE OF CONSOLIDATION

Principles of consolidation

Consolidation is carried out using the comprehensive line-by-line method, which consists of implementing all the items of assets and liabilities in full. The main consolidation criteria adopted in applying that method are illustrated below.

a) Subsidiaries are consolidated starting on the date on which control was effectively transferred to the Group, and cease to be consolidated on the date on which control is transferred outside the Group.
b) The assets and liabilities, income and charges of the companies consolidated using the line-by-line method are fully included in the consolidated financial statements. The carrying amount of equity investments is eliminated against the corresponding portion of shareholders' equity of the investee companies, attributing to individual assets and liabilities their fair values as of the date control was acquired (acquisition method defined by IFRS 3 "Business Combinations"). Any residual difference, if positive, is recognised under the asset item "Goodwill"; if negative, it is recognised in the income statement.
c) Reciprocal payables and receivables, costs and revenues between consolidated companies and the effects of all significant transactions between them are eliminated.
d) The portions of shareholders' equity and the profit (loss) for the period of minority shareholders are recognised separately in the consolidated shareholders' equity and the consolidated income statement: these interests are determined based on the percentage held by these parties in the fair value of the assets and liabilities posted at the original acquisition date or in the changes in shareholders' equity after that date.
e) Subsequently, the profits and losses are attributed to minority shareholders based on the percentage held by them, and the losses are attributed to minority interests even if this implies that the minority interests have a negative balance.
f) Changes in the equity interests of the parent company in a subsidiary that do not result in the loss of control are accounted for as capital transactions.
g) If the parent company loses control over a subsidiary, it shall:
    - eliminate the assets (including any goodwill) and liabilities of the subsidiary,
    - eliminate the carrying amounts of any minority interests in the former subsidiary,
    - eliminate the accrued exchange rate differences recognised in shareholders' equity,
    - recognise the fair value of the consideration received,

- recognise the fair value of any equity stake maintained in the former subsidiary,
- recognise any profit or loss in the income statement,
- reclassify the portion pertaining to the parent company of the components previously recognised in the statement of comprehensive income to the income statement or to retained earnings, as applicable.

Scope of consolidation

The consolidated financial statements as at 31 December 2017 include the financial statements of the parent company Piteco S.p.A. and those of the companies over which it directly or indirectly has control. Control is obtained when the Group is exposed, or has the right to variable returns deriving from its involvement with the entity invested in and, in the meantime, is also able to impact those results by exercising its power over that entity. Specifically, the Group controls an investee if, and only if, the Group has:

1) power over the entity invested in (or holds valid rights that grant it the current power to manage the relevant activities of the entity invested in);
2) exposure, or rights to variable returns from its involvement with the entity invested in;
3) the ability to exercise its power over the entity invested in to impact the amount of its returns.

Generally, the assumption is that the majority of voting rights entails control. Supporting this assumption, and when the Group holds less than the majority of voting rights (or similar rights), the Group considers all the relevant facts and circumstances to establish whether it controls the entity invested in, including:

- contractual agreements with other holders of voting rights;
- rights deriving from contractual agreements;
- voting rights and potential voting rights of the Group.

The Group reconsiders whether it has control over an investee if the facts and circumstances indicate that there have been changes in one or more of the three relevant factors for the purpose of defining control.

The complete list of equity investments included in the scope of consolidation as at 31 December 2017, indicating the consolidation method, is shown below.

Company Name	Registered Office	Share Capital	currency	% Ownership	held by	Type of consolidation
Piteco North America, Corp.	USA	10	USD	100%	Piteco S.p.A.	line-by-line
Juniper Payments, LLC	USA	3,000	USD	60%[3]	Piteco North America, Corp.	line-by-line

Conversion of financial statements expressed in foreign currency

In converting financial statements expressed in foreign currency, the items of the statement of financial position are converted at year-end exchange rates, while those of the income statement are converted at the average exchange rate for the year. The items of shareholders' equity are converted into Euro at the exchange rate in force at the date of their formation, or at the average exchange rate of the period if they are items formed repeatedly over the year.

The differences between the profit (loss) for the year resulting from the conversion at average exchange rates and that resulting from the conversion based on the year-end exchange rates, as well as the effects on other items of shareholders' equity of the differences in the historic exchange rates and the closing exchange rates, are posted under shareholders' equity in a statement of financial position item named Translation

[3] Piteco North America, Corp. holds 550,000 Class A shares (out of 1,000,000 shares issued, of which 450,000 Class B), equal to 55% of the voting rights that can be exercised in the shareholders' meeting and of the right to profits, and equal to 100% of the share capital of USD 3,000,000 subscribed on incorporation of the affiliate. For the purposes of these financial statements, an additional acquisition of 50,000 shares of the share capital of Juniper Payments, LLC equal to 5% thereof, for a total value of USD 1,500,000, subject to a forward purchase commitment with the minority shareholders.

reserve and in a specific item of other components of comprehensive income. The exchange rates applied in converting the financial statements of companies located outside the Eurozone are shown below.

Currency	Exchange rate as at 31 December 2017	Average exchange rate 2017
USD - US dollar	1.20	1.15[4]

IV. INFORMATION REGARDING IFRS 3

Juniper Payments, LLC, through which the business unit was acquired for software solutions in the digital payment and clearing house sector for the US banking market previously headed by LendingTools.com, Inc., a company operating in e-payment services on the US market, is consolidated starting with these Consolidated Financial Statements. The measurement of the business unit acquired pursuant to IFRS 3 Revised, i.e., recognising the fair value of assets, liabilities and contingent liabilities at the acquisition date, should be deemed provisional at the moment, as, pursuant to IFRS 3 Revised, the measurement becomes definitive within 12 months from the acquisition. However, no significant variations are expected.

The effects of this operation are shown in the table below:

Non-current assets	**Values in Euro**
Property, plant and equipment	218
Intangible assets	8,430
Current assets	
Receivables	353
Cash and cash equivalents	1,529
Total assets	**10,530**
Fair value of the assets acquired	**10,530**
Total cost of the acquisition	11,711
Goodwill deriving from the acquisition	1,180
Cash and cash equivalents acquired	1,529
Effective cash outlay	10,182

The total cost of acquisition includes the price initially paid, equal to EUR 10,608 thousand, the earn-out to the benefit of the purchasing company, envisaged in the contract of EUR 62 thousand, and the forward purchase commitment (7 April 2019) on 50,000 shares, equal to 5% of the capital of Juniper Payments, LLC, from the minority shareholders, at a maximum price of USD 1.5 million, determined based on the 2017 and 2018 EBITDA of the target company, and determined, through discounting, at EUR 1,164 thousand at the date of the operating agreement.

V. SEGMENT DISCLOSURE

[4] The average exchange rate for 2017 refers to the average exchange rate in the period April-December 2017.

The segment disclosure has been prepared in accordance with the provisions of IFRS 8 "Operating Segments", which requires the presentation of disclosure in line with the methods adopted by the management for taking operating decisions. Therefore, the identification of the operating segments and the disclosure presented are defined based on internal reports used by the management for the purpose of allocating resources to the various segments and analysing their performance.

IFRS 8 defines an operating segment as a component of an entity (i) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); (ii) whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and (iii) for which discrete financial information is available.

The operating segments identified, which comprise all the services and products provided to customers, are:

- Company Treasury and Financial Planning
- Digital Payments and Clearing House (Banking)

Note that no comparison was made with the previous year, as the acquisition of the operations regarding the Banking segment occurred in April 2017. The results of the "Operating Segments" are measured and periodically reviewed by the management by analysing the performance of the EBITDA, defined as earnings for the period before amortisation, depreciation, write-downs, non-recurring charges and income, financial charges and income and taxes.

In particular, it is deemed that the EBITDA margin provides a good indication of the performance as it is not influenced by tax regulations or amortisation and depreciation policies.

The Revenues and EBITDA of the single operating segments are shown below.

Income Statement	Total	Company Treasury	Banking
Revenues	16,374	13,500	2,874
Other operating revenues	707	707	
Change in inventories	-35	-35	
Operating revenues	**17,046**	**14,172**	**2,874**
Raw materials and consumables	267	264	3
Personnel costs	7,420	6,127	1,293
Costs for services and leases and rentals	3,043	2,227	816
Other operating costs	247	244	3
Operating costs	**10,977**	**8,862**	**2,115**
Gross operating income (EBITDA)	**6,069**	**5,310**	**759**

The assets and liabilities of the single operating segments are shown below.

Statement of Financial Position	Total	Company Treasury	Banking
Non-current assets	39,348	30,461	8,887
Current assets	9,526	7,195	2,331

Non-current liabilities	13,147	10,720	2,427
Current liabilities	5,811	4,545	1,266

VI. ACCOUNTING STANDARDS AND AMENDMENTS TO THE STANDARDS ADOPTED BY THE GROUP

The accounting standards and measurement criteria applied comply with those adopted in preparing the Separate Financial Statements as at 31 December 2016. In November 2017 amendments were published, applicable from 2017, specifically including the following:

- amendment to IAS 7 "Statement of Cash Flows": disclosure must be provided that enables users of financial statements to evaluate changes in liabilities arising from financing activities, whether these are changes from cash flows or changes not in cash and cash equivalents, separately indicating the changes arising from obtaining or losing control of subsidiaries, the effect of changes in foreign exchange rates and changes in fair value.
- amendment to IAS 12 "Income Taxes": this introduced a clarification regarding the method of accounting for deferred tax assets correlated to debt instruments measured at fair value, a case that is not present in Piteco.

Two new international accounting standards will be applicable from 1 January 2018, specifically:

- IFRS 15 "Revenue from Contracts with Customers". The standard represents a single, comprehensive framework for recognising revenues and establishes the provisions to apply to contracts with customers. Based on this new accounting standard, revenue recognition is based on the following 5 steps:
  1. *identifying the contract with the customer;*
  2. *identifying contractual commitments to transfer goods and/or services to a customer (performance obligations);*
  3. *determining the transaction price;*
  4. *allocating the transaction price to the performance obligations identified;*
  5. *recognising the revenue when the performance obligation has been met.*

  IFRS 15 also supplements the financial statement disclosure to be provided regarding the nature, amount, timing and uncertainty of revenues and related cash flows. During 2017 the Piteco Group started the analyses to identify the areas impacted by the new provisions and to determine their impacts. The analyses conducted did not result in the expectation of significant impacts. On first-time adoption, Piteco decided to apply the new standard retroactively, with cumulative effect as at 1 January 2018.

- IFRS 9 "Financial Instruments". The document collects the results of the phases of classification and measurement, derecognition, impairment and hedge accounting of the ISAB project to replace IAS 39. The new standard (i) amends the model of classification and measurement of financial assets; (ii) introduces the concept of expected credit losses among the variables to be considered in the measurement and write-down of financial assets; (iii) amends the provisions on hedge accounting. The provisions of IFRS 9 shall be effective starting from financial years beginning on or after 1 January 2018. The areas impacted by the new standard essentially regard: (i) the adoption of the expected credit loss model for the impairment of receivables that entail the recognition of a write-down of said receivables based on a predictive approach, based on the counterparty's probability of default and the capacity of recovery in the event that the default occurs (loss given default); and (ii) for minority investments, the reclassification of the equity investments available for sale and for trading to equity investments at fair value through profit and loss.

During 2017 the activities were completed for defining and implementing the methodology for the impairment of receivables, which essentially entails:

i. the use of official and/or internal ratings, previously used for the purpose of granting credit lines to customers, to determine the probabilities of default of the counterparties;
ii. for retail customers, not assigned specific ratings, the implementation of a simplified approach based on clusters that divided customers into homogeneous risk categories;
iii. the identification of the capacity for recovery in the event of the counterparty's default based on previous experience and the various methods of recovery that can be implemented.

Based on analyses performed, the effects of the adoption of the new accounting standard on the measurement of receivables will not be significant.

On 9 November 2017 the new IFRS 16 "Leases" was endorsed, which will replace IAS 17 and is applicable from 1 January 2019. IFRS 16 will amend the method of accounting for operating leases for lessees that lease/rent a specific asset. Based on this new standard, the Group must assess whether each new contract falls within the definition of a lease. A lease is defined as a contract in which, in exchange for consideration, the lessee has the right to control the use of a specific asset for a set period of time exceeding twelve months. Subsequently, the Group must once again assess the contract only in the event of changes to the terms and conditions of the original contract. At the date of first-time application, an asset will be initially recognised which represents the right of use pursuant to IFRS 16 (equal to the present value of the mandatory minimum future rentals) as well as a financial payable of the same amount, as the Group will use the modified retroactive application. The right of use recognised will be systematically amortised over the residual duration of the contract. The financial payable recognised will decrease over time as a portion of the lease rental will be used to service the loan (reducing the principal, with the posting of the related financial charge). Thus, the lease rental will no longer be posted in the gross operating margin. Currently, the appropriate analyses are still underway to verify the effects on the financial statements. However, significant changes are not expected.

The list of new documents issued by IASB but not yet endorsed by the European Union, and thus, not yet applicable, are provided below:

- Regulatory Deferral Accounts – IFRS 14: entry into force has been suspended pending the new accounting standard on rate-regulated activities;
- Insurance Contracts - IFRS 17: the IASB document becomes effective from 1 January 2021;
- Foreign Currency Transactions and Advance Consideration – IFRIC 22: the IASB document becomes effective from 1 January 2018;
- Uncertainty over Income Tax Treatments – IFRIC 23: the IASB document becomes effective from 1 January 2019;
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28: entry into force postponed until completion of the IASB project on the equity method;
- Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2; the IASB document becomes effective from 1 January 2018;
- Annual Improvements to IFRS Standards (2014-2016 Cycle): the IASB document becomes effective from 1 January 2018;
- Transfers of Investment Property – Amendments to IAS 40: the IASB document becomes effective from 1 January 2018;

- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28: the IASB document becomes effective from 1 January 2019;
- Prepayment Features with Negative Compensation – Amendments to IFRS 9: the IASB document becomes effective from 1 January 2019;
- Annual Improvements to IFRS Standards (2015-2017 Cycle): the IASB document becomes effective from 1 January 2019.

At present, the Group believes that these documents will not have a significant impact on financial statement data when they are adopted.

VII. MAIN MEASUREMENT CRITERIA

Property, plant and machinery

Property, plant and equipment is recognised at purchase cost or production cost, including ancillary charges and net of the accumulated depreciation.

Ordinary maintenance costs are charged in full to the income statement. Costs for improvements, upgrading and transformation for the purpose of enhancement are posted to assets in the statement of financial position.

The carrying amount of property, plant and equipment is tested for the purpose of detecting any impairment, either annually or when events or changes in the situation indicate that the carrying amount may not be recovered (for details, see the section “Impairment”).

Depreciation begins when the assets are ready for use. Property, plant and equipment is systematically amortised each year based on economic-technical rates deemed representative of the residual possibility of use of the assets. Assets composed of components, of significant amounts, that have different useful lives are considered separately in determining depreciation.

Depreciation is calculated on a straight-line basis, in accordance with the estimated useful life of the assets, periodically revised if necessary. The estimate useful life in years is as follows:

Description	Useful life in years
Buildings	33
Plant and machinery	6 and 5
Other assets	
Furniture and furnishings	8
Other property, plant and equipment	6 and 5
Electronic office machines	5
Automobiles and motorcycles	4

Gains and losses deriving from sales or disposals of assets are determined as the difference between the sales revenue and the net carrying amount of the asset, and are posted to the income statement under other revenues and other operating expenses, respectively.

Goodwill

The goodwill deriving from the acquisition of companies represents the surplus of the purchase cost with respect to the fair value of the assets and liabilities that can be identified in the acquired company at the acquisition date. Goodwill is recognised as an asset and is not amortised, but is revised at least once a year and, in any case, whenever there indications of a potential reduction in value, to verify the recoverability of the recognised value (impairment testing), as indicated in the section below “Impairment”. Any impairment is posted to the income statement and cannot be subsequently restored. If goodwill is negative at acquisition, it is immediately recognised to the income statement.

Intangible assets

Intangible assets are recognised in the accounts only if they are identifiable, if they are subject to control by the Group, if they are likely to generate future economic benefits and if their cost may be reliably determined. Intangible assets are recognised at cost, determined according to the criteria indicated previously for property, plant and equipment. When it is estimated that they have a finite useful life, they are systematically amortised over the period of estimated useful life. Amortisation starts at the moment the intangible assets are ready for use. At least at every year-end closing, directors review the expected useful life of assets.

The useful lives generally attributed to the various categories are as follows:

Description	Useful life in years
Industrial patents and intellectual property rights	5
Concessions, licences, trademarks and similar rights	7 and 2
Other intangible assets	5

Leases

Lease contracts for property, plant and machinery that substantially transfer all the risks and benefits deriving from ownership to the Group are considered finance leases. The leased assets are capitalised from the start date of the lease at the lower of the fair value and the present value of the rentals. The corresponding obligations to the lessor, net of financial charges, are included among financial payables. Each instalment is broken down into the financial charges and reduction of the debt, in order to obtain a constant interest rate on the residual liability. Property, plant and machinery purchased through finance lease contracts are amortised based on the lower of the useful life of the assets and the duration of the contract. Lease contracts in which the lessor substantially retains all the risks and benefits relating to ownership are considered operating leases. Lease rentals are posted to the income statement on a straight-line basis over the duration of the contract.

Impairment

At each reporting date, the Group reviews the carrying amount of its property, plant and equipment and intangible assets (including goodwill) and equity investments to determine whether there are indications of impairment of these assets. When there are indications of impairment, the recoverable amount of those assets is estimated to determine the amount of the write-down. Instead, the recoverable value of goodwill is estimated annually and any time there are indications of a potential reduction in value.

In order to identify possible impairment losses, assets are combined in the smallest identifiable group of assets that generate cash flows that are largely independent of cash flows generated by other assets or groups of assets (CGUs or cash-generating units). Goodwill acquired through a business combination is allocated to the CGU group that is expected to benefit from the relevant synergies.

The recoverable value of an asset or a CGU is the higher of its value in use and its fair value less disposal costs. To determine the value in use, the estimated expected cash flows are discounted using a pre-tax discount rate that reflects the current market valuation of the time value of money and the specific risks of the asset or CGU.

If the recoverable amount of an asset (or of a cash generating unit) is estimated as being lower than its carrying amount, the carrying amount is decreased to the lower recoverable value. The loss in value is recognised to the income statement.

When there is no longer any reason to maintain a write-down, the carrying amount of the asset (or the cash generating unit), except for goodwill, is increased to the new value deriving from the estimate of its recoverable value, but not more than the net carrying amount that the asset would have had if the write-down for impairment had not been carried out, net of the amortisation and depreciation that would have been calculated prior to the previous write-down. The write-back is posted to the income statement.

Deferred tax assets

Deferred tax assets are recognised at nominal value. They are posted in the financial statements when it is judged likely they will be recovered , based on forecasts and the capacity to realise taxable profit against which the temporary deductible difference may be used.

Financial assets

The Group classifies financial assets in the following categories: at fair value through profit and loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. The management determines the classification of financial assets at the time of initial recognition and periodically reviews that classification. Purchases and sales of financial assets are recognised at the settlement date.

Financial assets at fair value through profit and loss are those held for trading or designated as such at the time of initial recognition. Assets held for trading are classified under current assets. Other assets at fair value through profit and loss, such as a derivative that is not held for trading or that represents a designated hedging instrument, are classified as current or non-current based on the settlement date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed in an active market. They are classified among current assets if their maturity is less than twelve months from the reporting date, and as non-current if the maturity is greater.

Financial assets available for sale are non-derivative assets that are designated as such and are not classified in any of the other categories. They are considered non-current assets unless the management intends to sell the investment within twelve months from the reporting date.

Financial assets at fair value through profit and loss and financial assets available for sale are initially recognised and subsequently measured at fair value. Loans and receivables are measured at amortised cost, using the effective interest rate criterion. Gains and losses deriving from a change in the fair value of financial assets at fair value through profit and loss are recognised in the income statement in the period of accrual. Changes in the fair value of securities classified as available for sale are directly recognised under other components of comprehensive income, with the exception of losses due to impairment, interest calculated using the effective interest rate criterion, and exchange rate gains and losses. Total adjustments to fair value are transferred to the income statement when the financial asset available for sale is eliminated. At each reporting date, the Group determines whether there is objective evidence that a financial asset carried at amortised cost or available for sale has undergone impairment. If such evidence exists, a detailed calculation is carried out to determine the amount of any impairment to be recognised to the income statement. In the event of investments in equity instruments classified as available for sale, a significant or prolonged decrease in the fair value of the security below its cost is considered an indicator of impairment.

Inventories

The inventories of contract work in progress consist of services that were not yet completed at the end of the year for contracts pertaining to indivisible services that will be completed during the following twelve months, and represent the gross amount that is expected to be collected from customers for work performed through the year-end closing date. They are measured based on costs incurred plus the margin realised through the year-end closing date, net of any expected losses and interim invoices.

Contract work in progress is included in the item “Inventories – Work in progress” in the statement of financial position, if it refers to work in progress in which total cost incurred plus profit realised is greater than the interim invoices and relative possible losses recognised. If the interim invoices and losses recognised are greater than the costs incurred and profit realised, the difference is recognised in the item “Other current payables – current advances from customers”.

Other current and non-current assets, trade receivables and other receivables

Trade receivables, other current and non-current assets and other receivables are financial instruments, mainly relating to receivables from customers, which are not derivatives and are not listed on an active market, from which fixed or determinable payments are expected. Trade receivables and other receivables are classified in the statement of financial position under current assets, with the exception of those with contractual maturity exceeding twelve months from the reporting date, which are classified under non-current assets.

Those assets are measured on initial recognition at fair value and subsequently at amortised cost, using the effective interest rate, less impairment. Exception is made for those receivables whose short duration make discounting immaterial.

Impairment of receivables is recorded in the income statement when there is objective evidence that the Group will not be able to recover the receivable due from the counterparty based on the contractual terms.

The value of the receivables is shown net of bad debt provisions.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cheques and bank current accounts and demand deposits, which can be readily converted into cash and are subject to an insignificant risk of changes in value. They are recognised at nominal value, which corresponds to the realisable value.

Treasury shares

Treasury shares held by the Parent Company are posted at cost, including ancillary charges from the purchase and sale, and are presented as a reduction in shareholders' equity. The financial effects of any subsequent sales are recognised as an increase in shareholders' equity. Any positive or negative difference deriving from the transactions is charged to the share premium reserve

Financial liabilities

On initial recognition, these are posted in the financial statements at fair value (normally represented by the original cost), including the ancillary transaction costs. Subsequently, except for derivative financial instruments, financial liabilities are posted at amortised cost, using the effective interest rate method.

Financial liabilities that are included in the scope of application of IAS 39 are classified as financial liabilities at fair value through profit and loss, as mortgages and loans, or as hedging derivatives, depending on the case. The Group determines the classification of its financial liabilities on initial recognition. All financial liabilities are initially recognised at fair value and, for mortgages and loans, the directly attributable transaction costs are added.

The Group's financial liabilities include current account overdrafts, mortgages and loans, guarantees given and derivative financial instruments. The measurement of financial liabilities depends on their classification, as described below.

Financial liabilities at fair value through profit and loss - Financial liabilities at fair value through profit and loss include liabilities held for trading and financial liabilities initially recognised at fair value through profit and loss. Liability held for trading are all those liabilities acquired for sale in the short term. This category includes derivative financial instruments subscribed by Group companies which are not designated as hedging instruments in a hedging relationship as defined by IAS 39. Separated embedded derivatives are classified as financial instruments held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. Financial liabilities are designated at fair value through profit and loss at the date of initial recognition only if the criteria of IAS 39 have been met. The Group has designated only the put option on the acquisition of 45% of the share capital of Juniper Payments, LLC as a financial liability measured at fair value through profit and loss.

Mortgages and loans - Following initial recognition, loans are measured at amortised cost, using the effective interest rate method. Gains and losses are recorded in the income statement when the liability is settled, as well as via the amortisation process. The amortised cost is calculated by recognising all discounts or bonuses on the purchase and the fees or costs that are an integral part of the effective interest rate. Amortisation at the effective interest rate is included among financial charges in the income statement.

Convertible bonds are recorded as composite financial instruments, formed of two components, which are treated separately only if relevant: a liability and an option for conversion. The liability corresponds to the present value of future cash flows, based on the current interest rate at the date of issue, for an equivalent non-convertible bond. The value of the option is defined as the difference between the net amount received and the amount of the liability, and is posted in shareholders' equity. The value of the option for conversion does not change in the subsequent periods.

Employee benefits

The liabilities relating to defined-benefit programs (such as employee severance indemnity accrued prior to 1 January 2007) are determined net of any plan assets based on actuarial assumptions and on an accruals basis, in line with the work services required to obtain the benefits. The measurement of the liability is performed with the support of independent actuaries. The value of actuarial gains and losses is posted among other components of comprehensive income. As a result of the Budget Law no. 296 of 27 December 2006, for companies with more than 50 employees, the portions of employee severance indemnity accruing from 1 January 2007 are classified as defined-contribution plans.

Provisions for risks and charges

Provisions for risks and charges are recognised when the Group has a present obligation as a result of a past event and it is likely that it will be required to fulfil the obligation. Provisions were allocated based on the best estimate of the costs required to fulfil the obligation at the reporting date, and are discounted where the effect is significant. In this case the provision are calculated by discounting the expected future cash flows at a pre-tax discount rate reflecting the market's current valuation of the cost of money over time. The increase in the provisions connected with the passing of time is posted to the income statement under "Financial income and charges".

Revenue recognition

Revenues are recognised to the extent it is probable that economic benefits will be obtained and the related amount may be reliably determined. The following specific revenue recognition criteria must be complied with before posting to the income statement:

Sale of goods

Revenues are recognised, pursuant to the provisions of IAS 18, when all the significant risks and benefits connected with ownership of the asset have been transferred.

Provision of services

Revenues are recognised at the time of effective provision, with regard to the completion of the service provided and in relation to the total services still to be provided.

Interest

Interest is recognised on an accruals basis.

Costs

Costs and other operating charges are recognised in the income statement at the time when they are incurred, based on the accruals principle and the correlation of revenues, when they do not produce future economic benefits and do not meet the requirements to be recorded as assets in the statement of financial position. Financial charges are recognised based on the accruals principle, as a result of the passing of time, using the effective interest rate.

Income taxes

The parent company Piteco S.p.A. and its parent company Dedagroup S.p.A. have exercised the option for "national tax consolidation" for the three-year period 2016-2018, pursuant to article 117 et. seq. of Italian Presidential Decree 917/86 (Italian Consolidated Income Tax Act), which permits determining IRES (Corporate Income Tax) on a taxable base equal to the algebraic sum of the taxable incomes of the individual companies. The economic relationships, reciprocal responsibilities and obligations between the Consolidating Company and the subsidiaries are defined in the "Tax consolidation regulations for Group companies".

Current income tax is calculated based on the best estimate of taxable income, in relation to the tax regulations in force.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are calculated based on the liability method applied to the temporary differences at the reporting date between the amounts of assets and liabilities in the financial statements and the corresponding amounts recognised for tax purposes.

Deferred tax assets are recognised for all deductible temporary differences and any tax losses carried forward, to the extent that the existence of adequate future taxable profits will exist against which they can be used. Deferred taxes are not recognised for:

- temporary differences arising from the initial recognition of assets or liabilities in a transaction other than a business combination that does not influence the accounting profit (or loss) or the taxable income (or tax loss);
- temporary differences for investments in subsidiaries, associated companies, and joint ventures, to the extent in which the Group is able to control the cancelation timing of the temporary differences and the likelihood that, in the foreseeable future, the temporary difference will not be canceled; and
- temporary taxable differences relative to initial recognition of goodwill.

The value of deferred tax assets to be posted in the financial statements is re-examined at each reporting date and decreased to the extent that their recovery is no longer likely. Unrecognised deferred tax assets are re-examined annually at the reporting date and are recognised to the extent it becomes likely that the income for tax purposes is sufficient to permit that said deferred tax assets may be recovered.

Deferred tax assets and liabilities are measured based on tax rates that are expected to be applied in the year in which those assets are realised or those liabilities are extinguished, considering the rates in force and those already released at the reporting date.

Earnings per share

Base earnings per share is represented by the net profit for the year attributable to holders of ordinary shares, taking account of the weighted average of outstanding ordinary shares during the year. Diluted earnings per share is obtained by adjusting the weighted average of outstanding shares to take account of all potential ordinary shares with a dilutive effect (e.g. issue of option rights and warrants).

Criteria for conversion of items in foreign currency

Transactions in foreign currencies are initially converted into the functional currency using the exchange rate at the transaction date. At the reporting date, monetary assets and liabilities denominated in foreign currency are converted to the functional currency at the exchange rate in force at that date. The resulting exchange rate differences are recognised to the income statement. Non-monetary assets and liabilities denominated in foreign currency, measured at cost, are converted at the exchange rate in force at the transaction date, while those measured at fair value are converted at the exchange rate on the date on which that value is determined.

Use of estimates

The preparation of the separate financial statements and the notes, in compliance with the international accounting standards, requires the Company to make estimates that have an impact on the values of assets, liabilities, income and costs, such as amortisation, depreciation and provisions, as well as on the disclosure relating to contingent assets and liabilities set out in the explanatory notes. These estimates are based on the going concern assumption and are drawn up based on information available at the date they are made and, therefore, could differ from that which may arise in the future. This is particularly clear in the current context of financial and economic crisis, which could produce situations different from that currently estimated, with consequent adjustments, that are currently unforeseeable, to the carrying amounts of the items concerned. Assumptions and estimates are particularly sensitive in terms of the valuation of fixed assets, linked to forecasts of results and future cash flows. Assumptions and estimates are periodically revised and the effects of their changes are immediately reflected in the financial statements.

Business combinations

These transactions, if involving companies or business units that are already part of the Group, are considered as lacking in real economic substance, since they are carried out solely for organisational purposes. Therefore, in the absence of specific instructions from IFRS standards and adhering to IAS 8 assumptions that require that, in the absence of a specific standard, the company must use its own judgment in applying an accounting standard that provides a meaningful, reliable, and prudent disclosure, and that reflects the transaction's economic substance, these types of transactions are recognised such as to protect the continuity of the values.
Conversely, if the business combination does not involve companies or business units under common control, the recognition and measurement of identifiable assets and liabilities as part of the business combination, including goodwill, are handled in accordance with IFRS 3 – Business Combinations.

VIII. INFORMATION ON FINANCIAL RISKS

This chapter provides a brief description of the Piteco group's policies and principles for management and control of the risks deriving from financial instruments (exchange rate risk, interest rate risk, credit risk and liquidity risk). In accordance with IFRS 7, in line with that set out in the Report on Operations, the sections below set out information on the nature of the risks deriving from financial instruments, based on accounting and management analyses.

The Group is exposed to financial risks connected with its operations. Mainly:

- credit risk, with specific reference to normal trade relationships with customers;

- market risk, relating to the volatility of exchange rates and interest rates;

- liquidity risk, which may arise with the inability to locate the financial resources necessary to guarantee the Group's operations.

Management of credit risk - Credit risk constitutes the Group's exposure to potential losses deriving from the non-fulfilment of obligations taken on by both trade and financial counterparties. In order to control that risk, the Group has consolidated procedures and actions to assess customers' credit standing and has optimised the specific recovery strategies for various customer segments. In selecting counterparties for managing temporarily surplus financial resources and in entering into financial hedging contracts (derivatives), the Group avails only of counterparties with high credit standing. In that regard, note that as at 31 December 2017 there was no significant risk exposure connected with the possible deterioration of the overall financial situation nor significant levels of concentration on single, non-institutional counterparties. As regards trade receivables, also considering the high standing of the Group's counterparties, the amount of bad debt provisions for trade receivables is determined prudently based on the various underlying credit statuses, i.e. taking account of the time that the amounts have been past due.

Receivables recognised in financial statements are not excessively past due, in fact, the majority of receivables as at 31 December 2017 are still in the "due" bracket. This applies to both the Parent Company and the subsidiaries.

Exchange rate risk management - Exchange rate risk derives from the Piteco Group's business partially conducted in currencies other than the Euro. Revenues and costs denominated in foreign currency may be influenced by the fluctuations the exchange rate, reflecting on commercial margins (economic risk), and trade and financial payables and receivables denominated in foreign currency may be impacted by the conversion rates used, reflecting on the income statement results (transaction risk). Lastly, the fluctuations in exchange rates also reflect on the consolidated results and the shareholders' equity attributable to the shareholders of the parent company, as the financial statements of several investees are drawn up in currencies other than the Euro, and subsequently converted into Euro (translation risk).

The majority of the Group's trade receivables are from the Euro area (with regard to the Parent Company). Thus, from a commercial perspective, there is no significant exchange rate risk. The only values substantially influenced by fluctuations in exchange rates are cash and cash equivalents of the subsidiaries.

Interest rate risk management - As the Group is exposed to fluctuations in interest rates (primarily the Euribor) in relation to the amount of financial charges on indebtedness, it regularly assesses its exposure to interest rate risk and primarily manages it by negotiating loans.

Liquidity risk management - The Group operates with a low debt ratio (net financial indebtedness/shareholders' equity as at 31 December 2017 of 22%, net financial indebtedness/gross operating income at 1.07). In order to minimise liquidity risk, the Administrative and Financial Department also:

- maintains correct composition of net financial indebtedness, financing investments with own funds and, if necessary, medium/long-term debt;

- systematically checks that short-term cash flows receivable (collections from customers and other inflows) are capable of covering the cash flows payable (short-term financial indebtedness, payments to suppliers and other outflows);

- constantly verifies the forecast financial needs in order to promptly implement any corrective actions.

The analysis of maturities for the main financial liabilities is reported in the table below:

Long-term debt	**31.12.2017**	**31.12.2016**
Convertible bond	4,658	4,582
Unsecured loans	4,696	2,622
Current portion of long-term debt		
Unsecured loans	1,133	1,719
Other current financial payables	1,192	

The following table provides the breakdown by maturity of gross financial debt at the reporting date. Note that these values are not exactly representative of liquidity risk exposure, as they do not show expected nominal cash flows, rather, they are measured at amortised cost or fair value.

	31.12.2017	**31.12.2016**
Within 6 months	554	864
Between 6 and 12 months	1,771	855
Between 1 and 5 years	9,354	7,204
More than 5 years		

Fair Value Hierarchy according to IFRS 13

The classification of financial instruments at fair value envisaged by IFRS 13, determined based on the quality of the sources of input used in measurement, entails the following hierarchy:

- Level 1: determination of the fair value based on prices listed (unadjusted) on active markets for identical assets or liabilities;
- Level 2: determination of the fair value based on inputs other than the listed prices included in “Level 1” but which can be directly or indirectly observed (e.g. forwards or swaps referring to futures markets);
- Level 3: determination of the fair value based on measurement models whose inputs are not based on observable market data (unobservable input).

The table below shows the assets and liabilities measured at fair value as at 31 December 2017, by level of the fair value measurement hierarchy.

Description	Level 1	Level 2	Level 3
Other financial liabilities (PUT option)			2,427

Total liabilities	**0**	**0**	**2,427**

Other financial instruments held by the Group refer to the borrowings valued at amortised cost and financial debt for the commitment to acquire 50,000 shares of Juniper Payments, LLC, equivalent to 5% of share capital, at the price of USD 1,500,000. The acquisition will be completed on 7 April 2019.

IX. NOTES TO THE STATEMENT OF FINANCIAL POSITION, STATEMENT OF CASH FLOWS AND INCOME STATEMENT

1 Property, plant and machinery

Changes in the items of Property, plant and machinery as at 31 December 2017 are shown below:

Property, plant and machinery	Opening balance	Increases	Decreases	Exchange rate effect	Other changes	Closing balance
Land	201					201
Buildings	1,527					1,527
Accum. depreciation - Buildings	-408	-46				-454
Land and buildings	**1,320**	**-46**				**1,274**
Plant and machinery	152					152
Accum. depreciation - Property, plant and machinery	-142	-2			-1	-145
Plant and machinery	**10**	**-2**			**-1**	**7**
Industrial and commercial equipment	7		-1			6
Accum. depreciation - Industrial and commercial equipment	-7		1			-6
Motor vehicles	11					11
Accum. depreciation - Motor vehicles	-11					-11
Furniture and furnishings	165	9				174
Accum. depreciation - Furniture and furnishings	-163	-2				-165
Electronic machines	109	14			-1	122
Accum. depreciation - Electronic machines	-75	-13				-88
Other property, plant and equipment	10	209				219
Accum. depreciation Other property, plant and equipment	-10	-49		2		-57
Other assets	**36**	**168**		**2**	**-1**	**205**
Total	**1,366**	**120**		**2**	**-2**	**1,486**

Land and buildings

These amounted to EUR 1,274 thousand (EUR 1,320 thousand as at 31 December 2016) and refer to the property in Via Mercalli 16, Milan, the registered office and operational headquarters of the Parent Company.

The value of the land on which the buildings stand has been separated out and recorded separately.

Plant and machinery

This amounted to EUR 7 thousand (EUR 10 thousand as at 31 December 2016) and mainly refers to accessory plant at the Parent Company headquarters.

Other assets

These amounted to EUR 205 thousand (EUR 36 thousand as at 31 December 2016) and referred mainly to furniture and furnishings and electronic office machines and other assets. The increase of EUR 231 thousand comprises EUR 14 thousand from purchases in 2017 by Piteco S.p.A. for hardware upgrades and EUR 218 thousand from the purchase of the LendingTools.com business unit.

2 Goodwill

Changes in Goodwill as at 31 December 2017 are shown below:

Goodwill	Opening balance	Increases	Decreases	Exchange rate effect	Other changes	Closing balance
Goodwill	27,691	1,180				28,871
Total	**27,691**	**1,180**				**28,871**

Goodwill, amounting to EUR 28,871 thousand as at 31 December 2017 (EUR 27,691 thousand as at 31 December 2016) comprises:

- EUR 27,219 thousand for the deficit arising as a result of the reverse merger following the leveraged buyout, with legal effect from 11 July 2013;
- EUR 472 thousand for the value attributed to goodwill following the acquisition of the "Centro Data" business unit in 2015;
- EUR 1,180 thousand attributed to goodwill following the acquisition of the "LendingTools" business unit in April 2017.

CGU Piteco

As at 31 December 2017 the Parent Company subjected the carrying amount of the CGU Piteco to impairment testing, determining its recoverable value, considered equal to the value in use, by discounting the expected future cash flows estimated in the forecast plan drawn up by the management. The cash flows for the period 2018-2020 were added to the terminal value, which expresses the operating flows that the CGU will be capable of generating starting from the fourth year for an unlimited time, determined based on the perpetuity method. The value in use was calculated based on a discount rate (WACC) of 9.89% and a growth rate (g) of 1.50%, equal to expected inflation. The recoverable value determined based on the assumptions and valuation techniques described above, came to EUR 54,308 thousand, against a carrying amount of the assets allocated to the CGU Piteco of EUR 29,921 thousand.

<u>Sensitivity analysis</u>

In order to test the fair value measurement model in the event of changes in the variables, the change in the key parameter - WACC - was estimated, increasing it by 10% and 20% on the WACC used in the impairment test. The sensitivity analysis pursuant to paragraph 134 of IAS 36 of the results of the impairment test on the CGU Piteco, for which no impairment was detected, shows that the fair value measurement of the CGU remains higher than the carrying amount of the CGU even simulating an increase in the discount rate up to a WACC of 16.90%.

As an additional sensitivity analysis, note that maintaining the WACC constant (at 9.89%) and the perpetual growth rate "g" (at 1.50%), only a reduction in EBITDA of more than 14.8% would result in impairment scenarios.

CGU Juniper (Banking)

As at 31 December 2017 the Parent Company subjected the carrying amount of the CGU Juniper to impairment testing, determining its recoverable value, considered equal to the value in use, by discounting the expected future cash flows estimated in the forecast plan drawn up by the management. The cash flows for the period 2018-2020 were added to the terminal value, which expresses the operating flows that the CGU will be capable of generating starting from the fourth year for an unlimited time, determined based on the perpetuity method. The value in use was calculated based on a discount rate (WACC) of 10.00% and a growth rate (g) of 1.70%, equal to expected inflation in the US. The recoverable value determined based on the assumptions and valuation techniques described above, came to EUR 18,336 thousand, against a carrying amount of the assets allocated to the CGU Juniper of EUR 7,817 thousand.

<u>Sensitivity analysis</u>

In order to test the fair value measurement model in the event of changes in the variables used, the change in the key parameter - WACC - was estimated, increasing it by 10% and 20% on the WACC used in the impairment test. The sensitivity analysis pursuant to paragraph 134 of IAS 36 of the results of the impairment test on the CGU Juniper, for which no impairment was detected, shows that the fair value measurement of the CGU remains higher than the carrying amount of the CGU even simulating an increase in the discount rate up to a WACC of 21.69%.

Based on the analyses conducted, the Parent Company's Directors deemed the recognition value of the goodwill posted in the Consolidated Financial Statements as at 31 December 2017 to be recoverable.

As an additional sensitivity analysis, note that maintaining the WACC constant (at 10%) and the perpetual growth rate "g" (at 1.70%), only a reduction in EBITDA of more than 18.3% would result in impairment scenarios.

3 Other intangible assets

The changes in other intangible assets are shown below:

Other intangible assets	Opening balance	Increases	Decreases	Exchange rate effect	Closing balance
Concessions, licences and trademarks	14	1			15
Accum. amortisation - Concessions, licences and trademarks	-5	-2			-7
Software	8,897	8,672			17,569
Accum. amortisation - Software	-7,971	-1,175		43	-9,103
Concessions, licences and trademarks	**935**	**7,496**		**43**	**8,474**
Other intangible assets		83			83
Accum. amortisation of other intangible assets		-13		1	-12
Other intangible assets		**70**		**1**	**71**
Total	**935**	**7,566**		**44**	**8,545**

Concessions, licences and trademarks

The net balance amounted to EUR 8,474 thousand (EUR 935 thousand as at 31 December 2016) and is comprised of EUR 8 thousand for the PITECO™ trademark and the costs incurred to register the Match.it™ trademark, and EUR 8,466 thousand for software rights. The item software includes the right relating to the proprietary software Piteco and the proprietary software Match.it and the various versions of the technology platform of Juniper Payments, in addition to rights to use third party software. In particular, the increases in software comprise EUR 8,306 thousand for the acquisition by the group of the Juniper Payments software platform in addition to other third-party software, EUR 359 thousand for the internal development of new modules of Piteco and Match.it software, and EUR 7 thousand to purchase licences for third-party software. The increases in the item trademarks of EUR 1 thousand are comprised of costs incurred to extent to the US the registrations of the Piteco and Piteco Evolution trademarks.

Other intangible assets

Other intangible assets of EUR 70 thousand (EUR zero as at 31 December 2016) are represented by the amount attributed to the 5-year non-competition agreement entered into as part of the closing for the acquisition of the LendingTools.com business unit. The non-competition agreement is amortised based on its duration.

4 Deferred tax assets

Deferred tax assets of EUR 418 thousand (EUR 88 thousand as at 31 December 2016) are comprised of the temporary differences which the Group expects to recover in future years, based on the expected taxable income. Refer to the specific tables below in these explanatory notes for further details.

5 Other financial assets

The item in question breaks down as follows:

Other non-current financial receivables	31/12/2017	31/12/2016	Change	Within 12 months	Beyond 12 months
Tax receivables and receivables from employees		2	-2		
Security deposits	28	10	18	18	10
Other non-current financial receivables	**28**	**12**	**16**	**18**	**10**
Total	**28**	**12**	**16**	**18**	**10**

6 Inventories

The item in question breaks down as follows:

Inventories	Opening balance	Increases	Decreases	Exchange rate effect	Closing balance
Work in progress	138		-35		103
Work in progress	**138**		**-35**		**103**
Total	**138**		**-35**		**103**

The Parent Company's inventories refer to services that were not yet completed at the end of the year, relating to contracts pertaining to indivisible services that will be completed during the following twelve months, are measured based on the expenses incurred during the year.

7 Trade receivables

The item in question breaks down as follows:

Trade receivables	31/12/2017	31/12/2016	Change
Current receivables from customers	4,124	4,165	-41
Bad debt provisions - current receivables from customers	-183	-17	-166
Receivables from customers	**3,941**	**4,148**	**-207**
Current receivables from parent companies		27	27
Current receivables from associates	52	124	-72
Current receivables from group	**52**	**151**	**-99**
Total	**3,993**	**4,299**	**-306**

Receivables from customers, amounting to EUR 3,941 thousand (EUR 4,148 thousand as at 31 December 2016), are shown at their fair value, net of the corresponding bad debt provisions which, as at 31 December 2017, amounted to EUR 183 thousand. Current receivables from affiliates are composed of receivables from associates that are part of the Dedagroup group.

8 Other short-term receivables

The item in question breaks down as follows:

Other short-term receivables	31/12/2017	31/12/2016	Change
Current receivables from social security institutions	1		1
Current prepaid expenses	121	125	-4
Other current trade receivables	94		
Receivables from employees	14	16	-2
Advances to suppliers	4	3	1
Total	**234**	**144**	

Other current trade receivables are comprised of advances to suppliers.

9 Tax Receivables

The item in question breaks down as follows:

Tax Receivables	31/12/2017	31/12/2016	Change
IRAP (Regional Business Tax) receivables	35	78	-43
Other tax receivables	7	2	5
Total	**42**	**80**	**-38**

Tax receivables, entirely attributable to Piteco S.p.A., of EUR 42 thousand (EUR 80 thousand as at 31 December 2016) are composed of VAT receivables of EUR 7 thousand and tax receivables for IRAP advances of EUR 35 thousand. Receivables for IRAP advances paid in total in the year, equal to EUR 123 thousand, are posted net of the related IRAP payable for the tax period 2017, amounting to EUR 88 thousand.

10 Cash and cash equivalents

The balance of the item in question represents cash and cash equivalents, as illustrated below.

Cash and cash equivalents	31/12/2017	31/12/2016	Change
Bank deposits	5,153	10,869	-5,716
Cash	1		1
Total	**5,154**	**10,869**	**-5,715**

11 Shareholders' equity

As at 31 December 2017 the share capital was fully subscribed and paid in, composed of 18,132,500 shares lacking nominal value.

Note that the origin of the share capital breaks down as follows: EUR 1,520 thousand from profit reserves, EUR 14,030 thousand from share exchange rate differences booked to share capital, EUR 2,576 thousand from shareholder payments following the share capital increase for the purpose of listing on the AIM market and EUR 29 thousand from the conversion of 7 bonds into 7,000 new shares.

For the detailed breakdown of the single items, see the statement of changes in shareholders' equity, while the statement showing a summary of the changes at the balance sheet date is shown below.

Total shareholders' equity	31/12/2017	31/12/2016	Change
Capital paid-in	18,155	18,126	29
Issued capital	**18,155**	**18,126**	**29**
Share premium reserve	**5,924**	**5,924**	
Negative reserve for treasury shares on hand	**-62**		**-62**
Legal reserve	436	211	225
Extraordinary reserve	3,346	1,786	1,560
IAS reserve	-59	-59	
Listing reserve	-963	-963	
Convertible bond issue reserve	98	98	
Reserve for put option on NCI	-2,427		-2,427
Remeasurement of defined-benefit plans (IAS 19)	-46	-47	1
Effect of conversion of Shareholders' Equity	-314		-314
Other reserves	**71**	**1,026**	**-955**
Retained earnings (Losses carried forward)	**2,443**	**2,443**	
Profit (loss) for the year	**3,385**	**4,503**	**-1,118**
Group shareholders' equity	**29,916**	**32,022**	**-2,106**
Minority interests			

On approving the financial statements for the year ended as at 31 December 2016, the shareholders' meeting of the Parent Company approved the distribution of dividends of EUR 2,719 thousand.

Note that during the year, following the conversion of 7 convertible bonds of Piteco S.p.A., 7,000 new shares were issued for a total value of EUR 29 thousand. The new share capital of Piteco S.p.A. at the date of this report amounts to EUR 18,155 thousand.

During 2017, the Parent Company purchased treasury shares as per the authorisation from the shareholders' meeting, by way of resolution dated 21 November 2017. As at 31 December 2017 the Parent Company held 12,000 treasury shares, equal to 0.0662% of the share capital, for a total value of EUR 62,042 (equal to the amount reflected in the "Negative reserve for treasury shares on hand", posted as a decrease to consolidated shareholders' equity).

12 Medium/long-term loans

The balance of amounts due to banks and other long-term financial liabilities is set out in the table below:

Non-current financial liabilities	31/12/2017	31/12/2016	Change	Within 12 months	Beyond 12 months
Long-term, unsecured bank borrowings	4,696	2,622	2,074		4,696
Long-term bank borrowings	**4,696**	**2,622**	**2,074**		**4,696**
Non-current bonds	4,658	4,582	76		4,658
Other non-current loans	**4,658**	**4,582**	**76**		**4,658**
Total	**9,354**	**7,204**	**2,150**		**9,354**

Long-term bank borrowings

Amounts due to banks refer to the unsecured loan with an original total amount of EUR 7.0 million, entered into on 3 April 2017, maturing on 31 December 2022, with an interest rate of Euribor 6 months + 1.90% spread and for the purpose of financing the US subsidiaries in acquiring the LendingTools.com business unit. The outstanding loan includes the following covenants that must be respected: NFP/SE < 1 and NFP/EBITDA < 3. These limits had been complied with as at 31 December 2017.

Non-current bonds

As part of the listing process, a convertible bond was issued, named "Piteco Convertibile 4.50% 2015-2020". The Parent Company issued 1,189 convertible bonds, traded on the AIM Italia market, at a price equal to their nominal unit value of EUR 4,200 per convertible bond. The convertible bonds have a duration of 5 years from the issue date, and bear interest at a nominal annual fixed rate of 4.50% from the entitlement date (inclusive) up to the maturity date (exclusive). That loan is measured at amortised cost, equal to an effective interest rate of 7.1%. The conversion option represents an embedded derivative financial instrument, which was posted in the corresponding item of the statement of financial position.

13 Long-term derivative financial instruments

Long-term derivative financial instruments	31/12/2017	31/12/2016	Change	Within 12 months	Over 5 years
Reserve for put option on NCI	2,427		2,427		2,427
Total	**2,427**		**2,427**		**2,427**

In April 2017, as part of the acquisition of the LendingTools.com business unit, the subsidiary Piteco North America, Corp. subscribed with the minority shareholders of Juniper Payments, LLC (which currently hold 45% of the company's share capital, reduced to 40% effective from April 2019 due to the commitment to purchase 5% which has been extensively discussed in this report) an agreement to govern the right of the minority partners to exit from Juniper Payments, LLC once the term of five years has passed from the stipulation of the purchase and sale agreement of 7 April 2017, by subscribing specific put options. The agreement thus grants specific put options for the sale (by the two minority partners of Juniper Payments, LLC), which can be exercised starting on 7 April 2022, on the remaining stakes in share capital, equal to 40% of Juniper Payments, LLC, at a strike price to be negotiated or, if agreement is not reached, to be submitted for valuation by an independent expert.

Pursuant to that set out in IAS 32, the assignment of a put option according to the terms described above requires the initial recognition of a liability equal to the estimated reimbursement value expected at the time of the possible exercise of the option. To that end, in these consolidated financial statements a non-current liability of EUR 2,427 thousand was recognised, determined by considering primarily: the estimated equity value of Juniper Payments, LLC at the measurement date that was discounted based on the USD standard swap curve, expected dividends, and a discount factor calculated starting from the credit spread of Juniper Payments, LLC. Note that in the subsequent periods, up to the date of the possible exercise of the option, the Group shall be required to measure the estimated outlay each time, and to determine the adjustment of the liability posted, opting to apply the criterion of fair value measurement of the liability in compliance with IAS 39.

14 Deferred tax liabilities

Deferred tax liabilities	31/12/2017	31/12/2016	Change	Within 12 months	Beyond 12 months
Other non-current deferred tax liabilities	141	137	4		141
Total	**141**	**137**	**4**		**141**

For further details on the composition of “Other non-current deferred tax liabilities”, refer to the specific table in this report.

15 Employee benefits

The changes in employee benefits solely relative to the Parent Company are shown below:

Post-employment benefits (employee severance indemnity)	Opening balance	Actuarial valuations	Increases	Decreases	Closing balance
Employee severance indemnity	1,192	14		-27	1,179
Total	**1,192**	**14**		**-27**	**1,179**

The employee severance indemnity was measured based on the following financial assumptions:

Financial assumptions		
	31.12.2017	**31.12.2016**
Theoretical discount rate	1.30%	1.31%
Inflation rate	1.50%	1.50%

Employee severance indemnity growth rate	2.63%	2.63%

16 Provisions for risks and charges

The changes recorded during 2017 are shown below.

Long-term provisions	Opening balance	Increases	Decreases	Exchange rate effect	Closing balance
Other non-current provisions	42	4			46
Total	**42**	**4**			**46**

Provisions for risks and charges are solely composed of the Parent Company's provisions for agents' severance indemnities, to cover the amounts to be paid to agents in the event of termination of the agency relationship by the Parent Company. This provision was not discounted as the results were not significant.

17 Trade payables

The change in trade payables is shown below:

Trade payables	31/12/2017	31/12/2016	Change
Current payables due to suppliers	232	176	53
Invoices to be received	145	213	-68
Payables due to suppliers	**377**	**392**	**-15**
Current payables due to parent companies	348	388	-40
Current payables due to associates	21	60	-39
Current payables due to group	**369**	**448**	**-79**
Total	**746**	**840**	**-94**

Payables due to suppliers, including the allocations for invoices to be received, amounted to EUR 377 thousand as at 31 December 2017 (EUR 392 thousand as at 31 December 2016) and are all short term.

Current payables due to parent companies are represented by trade payables of EUR 58 thousand and payables deriving from the national tax consolidation of EUR 290 thousand. Current payables due to associates refer to trade payables due to affiliates in the Dedagroup Group.

18 Other current liabilities

Other current liabilities are shown in the table below:

Other current payables	31/12/2017	31/12/2016	Change
Payables for current wages and salaries	1,308	1,296	12
Payables for social security charges	543	517	26
Current deferred commercial income	316	103	213
Other current payables	20	9	11
Current accrued commercial expenses	108	112	4
Current advances from customers	87	124	-37

INAIL (Italian National Ins. Against Accidents in the Workplace)		2	-2
Other social security payables	63	62	1
Total	**2,445**	**2,225**	**220**

Deferred income amounted to EUR 316 thousand and almost completely relates to revenues for software maintenance fees collected in advance of the years when the services shall be provided.

Accrued expenses amounted to EUR 108 thousand and comprised EUR 94 thousand in interest expense on the convertible bonds and EUR 14 thousand in accrued indemnity due to employees.

19 Tax payables

Tax payables amounted to EUR 295 thousand as at 31 December 2017 (EUR 241 thousand as at 31 December 2016) and break down as follows:

Tax payables	31/12/2017	31/12/2016	Change
Payables for withholding tax	274	241	33
Other tax payables	21		21
Total	**295**	**241**	**54**

20 Current financial liabilities

The changes in short-term loans are shown in the table below:

Current financial liabilities	31/12/2017	31/12/2016	Change
Current unsecured bank borrowings	1,133	1,719	-586
Current bank borrowings	**1,133**	**1,719**	**-586**
Other current financial payables	1,192		1,192
Other loans and current financial payables	**1,192**		**1,192**
Total	**2,325**	**1,719**	**606**

Current bank borrowings

These regard the short-term portion (within 12 months) of amounts due to banks for the unsecured loan with an original total amount of EUR 7.0 million, stipulated by the Parent Company on 3 April 2017, maturing on 31 December 2022, with an interest rate of Euribor 6 months + 1.90% and for the purpose of financing the US subsidiaries in acquiring the LendingTools.com business unit. The loan includes covenants that must be respected, in relation to which greater detail is provided in the section “Medium/long-term loans”.

Other current loans

The amount refers to the financial payable relating to the commitment to purchase 50,000 shares of the capital of Juniper Payments, LLC, equal to 5% of the capital, at a price of USD 1,500,000. The purchase will be finalised on 7 April 2019.

21 Revenues

Revenues from sales and services amounted to EUR 16,374 thousand (EUR 13,478 thousand as at 31 December 2016) recording an increase of EUR 2,896 thousand (+21.5%) compared to the corresponding figure of 2016. Revenues from sales and services of the Parent Company Piteco S.p.A. amounted to EUR 13,500 thousand (EUR 13,478 thousand as at 31 December 2016).

Revenues by service type

The breakdown of revenues by service type is shown below.

Revenues	31/12/2017	% of total revenue	31/12/2016	% of total revenue	Change
Maintenance fees	5,745		5,590		155
Application management fees	1,188		1,157		31
Usage fees	497		313		184
Total Fees	**7,430**	**45.38%**	**7,060**	**52.38%**	**370**
Software sales	1,542		1,423		119
Total Software	**1,542**	**9.42%**	**1,423**	**10.56%**	**119**
Professional activities and services	3,655		4,168		-513
Customisation	858		807		51
Commissions and Royalties	15		20		-5
Total activities and services	**4,528**	**27.65%**	**4,995**	**37.06%**	**-467**
Digital Payments and Clearing House revenues	2,874				2,874
Total Digital Payments and Clearing House revenues	**2,874**	**17.55%**			**2,874**
Total	**16,374**		**13,478**		**2,896**

The performance of revenues in 2017, on a like-for-like basis, was substantially in line with the previous year. The analysis by family of product/service shows a decrease in “Professional activities and services” and growth in revenues from “Fees” and “Software Licences”, in line with the acquisitions of new customers.

Revenues contributed by the subsidiary Juniper Payments, LLC refer to only 8 months, as the acquisition of the LendingTools business unit was finalised in April 2017.

22 Other operating revenues

“Other operating revenues”, whose balance as at 31 December 2017 amounted to EUR 707 thousand (EUR 663 thousand as at 31 December 2016) included contingent assets of EUR 76 thousand, increases in internal work capitalised of EUR 359 thousand, expense reimbursements from customers of EUR 247 thousand and reimbursements from employees for professional and personal use of company cars of EUR 23 thousand. The increases in internal work capitalised relate to development expenses on proprietary software.

Other operating revenues	31/12/2017	31/12/2016	Change
Recoveries of costs for services	270	307	-37
Other operating revenues	361	326	35
Contingent assets	76	30	46
Total	**707**	**663**	**44**

24 Goods and consumables

Costs for the purchase of goods and consumables amounted to EUR 267 thousand (EUR 167 thousand as at 31 December 2016).

Goods and consumables	31/12/2017	31/12/2016	Change
Purchase of goods	253	163	90
Other purchases	14	4	10
Goods and consumables	**267**	**167**	**100**
Total	**267**	**167**	**100**

25 Personnel costs

Personnel costs for employees are shown in the table below:

Personnel costs	31/12/2017	31/12/2016	Change
Wages and salaries	5,740	4,388	1,352
Social security charges	1,340	1,271	69
Allocations to pension funds and others	319	307	12
Other personnel costs	20	17	3
Professional development courses	1		1
Total	**7,420**	**5,983**	**1,437**

Employees of the Group as at 31 December 2017, net of directors and external contractors, totalled 103 resources (86 resources as at 31 December 2016). The total increase of 17 resources is attributable to the changes in scope occurring during the (19 resources), regarding the acquisition of the digital payments and clearing house business unit through the US subsidiary Juniper Payments, LLC.

26 Costs for services and leases and rentals

Other costs are shown in the table below:

Costs for services and leases and rentals	31/12/2017	31/12/2016	Change
External maintenance	170	300	-130
Transport and customs duties	1	1	
Electricity	15	17	-2
Promotion & advertising fees	94	62	32
Bonuses and commissions	136	148	-12
Sundry consulting	60	83	-23
Administrative consulting	123	95	28
Other consulting	254	250	4
Insurance	73	35	38
Bank services and fees	31	13	18
Initial supply of services	15		15
Expense reimbursements to employees	272	265	7
Expense reimbursements to third parties	27	24	3
Entertainment expenses	21	5	16
Fixed telephony costs	33	27	6
Mobile telephony costs	33	30	3
Postal expenses	3	2	1

Legal fees	234		234
Cleaning expenses	17	18	-1
Fuel	59	68	-9
Other services	373	28	345
Fees and compensation to statutory auditors and independent auditors	76	50	26
Fees and compensation to directors	39	39	
Services for personnel	136	126	10
Vehicle management expenses	121	126	-5
Stock exchange costs	181	236	-55
Costs for services	**2,597**	**2,048**	**549**
Rent payable	164	89	75
Rentals and other	210	179	31
Royalties	72		72
Leases and rentals	**446**	**268**	**178**
Total	**3,043**	**2,316**	**727**

As a percentage of revenues, the incidence of costs for services increased slightly on the previous year and amounted to around 17.85% (16.4% as at 31 December 2016). The increase is primarily due to costs incurred by Juniper Payments, LLC for the acquisition of the LendingTools business unit.

External consulting decreased by EUR 130 thousand on 2016 due to the internalisation of several software development processes, which were previously outsourced to external consultants.

Other costs for general, administrative and legal services were in line with those of the previous year, with the sole exception of non-recurring charges of EUR 208 thousand, incurred by the subsidiary Juniper Payments, LLC for legal fees linked to the acquisition of the LendingTools business unit.

The increase in other services of EUR 345 thousand is mainly due to the consolidation of Juniper Payments, LLC and the expenses for operating services incurred by the same as part of its ordinary operations.

27 Other Operating Costs

Other costs are shown in the table below:

Other operating costs	31/12/2017	31/12/2016	Change
Losses on receivables		2	-2
Capital losses on property, plant and equipment		2	-2
Other taxes (other than income tax)	11	11	
Fines and penalties	2	1	1
Contributions and disbursements	2	2	
Magazine and subscription fees	4	1	3
Contingent liabilities	43	10	33
Allocations to prov. for agents' severance indemnities	5	7	-2
Allocations to bad debt provisions	180	17	163
Total	**247**	**53**	**194**

28 Amortisation and depreciation

The amortisation of intangible assets and depreciation of property, plant and equipment is summarised in the table below:

Amortisation and depreciation	31/12/2017	31/12/2016	Change
Depreciation of buildings used in operations	46	46	
Depreciation of generic plant	2	3	-1
Depreciation of automobiles		1	-1
Depreciation of furniture and furnishings	1	1	
Depreciation of electronic machines	13	14	-1
Depreciation of other property, plant and equipment	51		51
Depreciation of property, plant and equipment	**113**	**65**	**48**
Amortisation of concessions, licences and trademarks	7	2	5
Amortisation of software	1,183	230	953
Amortisation of intangible assets	**1,190**	**232**	**958**
Total	**1,303**	**297**	**1,006**

29 Gains (losses) from transactions in foreign currency

The table below provides details of gains (losses) from transactions in foreign currency:

Gains/losses from transactions in foreign currency	31/12/2017	31/12/2016	31/12/2016	Change
Exchange losses	-1,106			-1,106
Total	**-1,106**			**-1,106**

During the year, the Group recorded net exchange losses of EUR 1,106 thousand, of which EUR 1,044 thousand unrealised.

30 Financial income

The table below provides details of financial income:

Financial income	31/12/2017	31/12/2016	Change
Interest on bank and postal current accounts	23	123	-100
Other financial income	**23**	**123**	**-100**
Total	**23**	**123**	**-100**

31 Financial charges

The table below provides details of financial charges:

Financial charges	31/12/2017	31/12/2016	Change
Non-current interest due to banks	186	111	75
Non-current interest on other payables	358	353	5
Current interest on other payables	1	1	
Financial charges on employee severance indemnity	15	23	-8
Total	**560**	**488**	**72**

32 Income taxes

Income taxes estimated for 2017 are analysed in the table below:

Income taxes	31/12/2017	31/12/2016	Change
IRAP (Regional Business tax) income taxes	88	123	-35
IRES (Corporate income tax) income taxes	310	397	-87
Previous years' taxes	-334	-106	-228
Deferred tax assets	-333	25	-358
Deferred tax liabilities	3	2	1
Income taxes on foreign subsidiaries	4		4
Total	**-262**	**441**	**-703**

Changes in deferred tax assets (liabilities) are shown below:

Effects of deferred tax assets and liabilities - IRES	31/12/2017		31/12/2016	
	Temporary Difference	Taxes (rate of 24%)	Temporary Difference	Taxes (rate of 24%)
Amortisation of trademarks	76	18	98	24
Prov. for supplementary customer allowances	7	2	7	2
Long-term costs	20	5	30	7
Actuarial valuation of employee severance indemnity	201	48	202	48
Other costs with deferred deductibility	162	39	7	2
Exchange rate differences from valuation	1,044	251		
Tax effect of Piteco North America loss	218	52		
Deferred tax assets	**1,728**	**415**	**344**	**83**
Higher value of property	425	102	440	106
Amortisation and depreciation of Centro Data goodwill	79	19	52	13
Deferred tax liabilities	**504**	**121**	**492**	**119**

Effects of deferred tax assets and liabilities - IRAP	31/12/2017		31/12/2016	
	Temporary Difference	Taxes (rate of 3.9%)	Temporary Difference	Taxes (rate of 3.9%)
Amortisation of trademarks	76	3	98	4
Prov. for supplementary customer allowances	4		4	
Long-term costs	20	1	30	1
Other costs with deferred deductibility	2		7	
Deferred tax assets	**102**	**4**	**139**	**5**
Higher value of property	425	17	440	17
Amortisation and depreciation of Centro Data goodwill	79	3	52	2
Deferred tax liabilities	**504**	**20**	**492**	**19**
Total	**402**	**16**	**353**	**14**

The balance of deferred tax assets and liabilities takes account of both deferred taxes due to temporary tax changes and deferred tax assets and liabilities calculated based on the IAS/IFRS conversion adjustments.

X. COMMITMENTS AND GUARANTEES

Information on the composition and nature of commitments and guarantees is provided below.

Memorandum accounts	31/12/2017	31/12/2016
Sureties and personal guarantees and collateral to third parties	54	151
Guarantees given	**54**	**151**
Third party assets at the company	87	126
Assets of others	**87**	**126**
Total	**141**	**277**

As at 31 December 2017 the Parent Company granted guarantees of EUR 54 thousand in the form of sureties for participation in tenders. Other commitments include EUR 87 thousand in commitments deriving from operating leases of automobiles.

XI. TRANSACTIONS WITH GROUP COMPANIES AND OTHER RELATED PARTIES

In addition to the information provided in the Report on Operations on transactions with parent companies and affiliates, note that during 2017 transactions with related parties referred to directors, auditors and managers with strategic responsibilities were carried out, only pertaining to the legal relationships regulating the position of the counterparty within the Group.

Managers with strategic responsibilities include the 6 first-level managers. Their compensation, including social security costs, amounts to EUR 979 thousand.

XII. NET FINANCIAL POSITION

The reclassification of the statement of financial position and the breakdown of the net financial position of the Group are shown below.

Reclassified Statement of Financial Position	31/12/2017	31/12/2016	Change
Inventories	103	138	-35
Trade receivables	3,993	4,299	-306
Tax receivables	42	80	-38
Other current assets	234	144	90
(A) Current assets	**4,372**	**4,661**	**-289**
Trade payables	746	840	-94
Tax payables	295	241	54
Other current liabilities	2,445	2,225	220
(B) Current liabilities	**3,486**	**3,306**	**180**
(A-B) Net working capital	**886**	**1,355**	**-469**
Property, plant and equipment	1,486	1,366	120
Intangible assets	37,416	28,626	8,790

Financial assets		2	-2
Deferred tax assets	418	88	330
(C) Non-current assets	**39,320**	**30,082**	**9,238**
Post-employment benefits (employee severance indemnity)	1,179	1,192	-13
Long-term provisions	46	42	4
Other non-current liabilities	2,427		2,427
Deferred tax liabilities	141	137	4
(D) Non-current liabilities	**3,793**	**1,371**	**2,422**
(NWC+C-D) Net invested capital	**36,413**	**30,066**	**6,347**
Issued capital	18,155	18,126	29
Reserves	5,933	6,950	-1,017
Retained earnings (Losses carried forward)	2,443	2,443	
Profit (loss) for the year	3,385	4,503	-1,118
(SE) Total shareholders' equity	**29,916**	**32,022**	**-2,106**
Cash and cash equivalents	5,154	10,869	-5,715
Current financial liabilities	2,325	1,719	606
Financial assets	28	10	18
Non-current financial liabilities	9,354	7,204	2,150
(NFP) Net financial position	**6,497**	**-1,956**	**8,453**
(SE+NFP) Total sources	**36,413**	**30,066**	**6,347**

The Group's net financial position at the end of the year ended as at 31 December 2017 was a negative EUR 6,497 thousand (positive EUR 1,956 thousand as at 31 December 2016, limited to the Parent Company). The trend in the NFP is strictly linked to the acquisition of the foreign operations of LendingTools by the US affiliate Juniper Payments, LLC in April 2017. Note that in April, the Parent Company entered into a medium-term loan agreement with a leading bank, for a nominal value of EUR 7,000 thousand, maturing on 31 December 2022, for the purpose of disbursing an interest-bearing loan to the US affiliate of US 10,000 thousand, with a duration of 10 years, repayable in quarterly instalments. The Parent Company also paid off the mortgage loan with a residual value of EUR 3.5 million, deemed no longer in line with current financial needs, using a portion of available liquidity.

Pursuant to IAS 7 "Statement of cash flows", the changes in liabilities from financing activities are shown below:

Description	**31/12/2016**	**Monetary flow**	**Non-monetary flow**			**31/12/2017**
			Exchange rate differences	Fair value measurement	Other changes	
Short-term loans	1,719	-586			1,192	2,325
Medium/long-term loans	7,204	2,179			-29	9,354
Current financial assets						
Financial assets	10	18				28
Net liabilities from financing activities	**8,913**	**1,575**				**11,651**
Cash and cash equivalents	10,869	-5,715				5,154
Net financial indebtedness	**-1,956**	**7,290**				**6,497**

XIII. TREASURY SHARES

During 2017, Piteco S.p.A. purchased treasury shares as per the authorisation from the shareholders' meeting, by way of resolution dated 21 November 2017. As at 31 December 2017 the Parent Company held

12,000 treasury shares, equal to 0.0662% of the share capital, for a total value of EUR 62 thousand (equal to the amount reflected in the “Negative reserve for treasury shares on hand”, posted as a decrease to consolidated shareholders’ equity).

XIV. SUBSEQUENT EVENTS

There were no significant events occurring subsequent to the end of the year.

XV. SIGNIFICANT, NON-RECURRING, ATYPICAL AND/OR UNUSUAL TRANSACTIONS

As extensively commented on above, in April 2017, Juniper Payments, LLC, indirect subsidiary of Piteco S.p.a., concluded the acquisition of the business unit headed by the US company LendingTools, operating in the digital payments and clearing house sector, for around USD 3,300 thousand. Piteco S.p.A. has drawn up consolidated financial statements of the group for the first time this year.

XVI. FEES TO THE BOARD OF DIRECTORS AND BOARD OF STATUTORY AUDITORS

The table shows the fees pertaining to 2017 due to the Directors and the Board of Statutory Auditors. These fees represent the costs incurred and posted to the separate financial statements, net of expense reimbursements and VAT.

Fees due to the Directors

Name and Surname	Position	Period	End of term of Office	Fees (thousands of Euro)
Marco Podini	Chairman of the BoD	01.01.2017-31.12.2017	Approval of the 2017 financial statements	5.0
Paolo Virenti	Chief Executive Officer	01.01.2017-31.12.2017	Approval of the 2017 financial statements	5.0
Gianni Camisa	Director	01.01.2017-31.12.2017	Approval of the 2017 financial statements	5.0
Annamaria Di Ruscio	Director	01.01.2017-31.12.2017	Approval of the 2017 financial statements	5.0
Andrea Guido Guillermaz	Director	01.01.2017-31.12.2017	Approval of the 2017 financial statements	5.0
Riccardo Veneziani	Director	01.01.2017-31.12.2017	Approval of the 2017 financial statements	5.0
Maria Luisa Podini	Director	01.01.2017-31.12.2017	Approval of the 2017 financial statements	5.0
Total				**35.0**

Fees due to the Board of Statutory Auditors

Name and Surname	Position	Period	End of term of Office	Fees (thousands of Euro)
Maurizio Scozzi	Chairman of the Board of Statutory Auditors	01.01.2017-31.12.2017	Approval of the 2017 financial statements	13.0
Marcello Del Prete	Standing Auditor	01.01.2017-31.12.2017	Approval of the 2017 financial statements	10.0
Luigi Salandin	Standing Auditor	01.01.2017-31.12.2017	Approval of the 2017 financial statements	10.0

Claudio Stefanelli	Alternate Auditor	01.01.2017-31.12.2017	Approval of the 2017 financial statements
Gianandrea Borghi	Alternate Auditor	01.01.2017-31.12.2017	Approval of the 2017 financial statements
Total			**33.0**

XVII. FEES FOR INDEPENDENT AUDITORS

The table below shows the fees pertaining to 2017 for auditing services and other services provided by the independent auditors and the companies in their network. These fees represent the costs incurred and posted to the separate financial statements, net of expense reimbursements and VAT.

Type of services	Party providing the service	Fees (thousands of Euro)
Auditing of the accounts	Baker Tilly Revisa	5.5
Auditing of the accounts	KPMG	36.0

XVIII. EARNINGS PER SHARE

Base

The base earnings per share is calculated by dividing the net profit for the period attributable to the ordinary shareholders of the parent company by the average weighted number of outstanding ordinary shares at the end of the year, equal to 18,126,167. The income and information on the shares used to calculate the base earnings per share are shown below.

Description	31/12/2017	31/12/2016
Net profit attributable to shareholders	**3,385**	**4,503**
Number of outstanding ordinary shares at the beginning of the year	18,125,500	18,125,500
- reduction of share capital	21,000	
- increase in share capital	7,000	
Number of outstanding ordinary shares at the end of the year	18,111,500	18,125,500
Weighted average of outstanding shares	18,126,167	18,125,500
Base earnings per share in Euro	**0.1867**	**0.2484**
Diluted earnings per share in Euro	**0.1923**	**0.2499**

Diluted

Diluted earnings per share are calculated by assuming the conversion of all potential shares with dilutive effects, modifying, as a result, the weighted average of outstanding shares. More specifically, it is considered that the "convertible bond" has been completed converted into ordinary shares and the net profit attributable to shareholders of the company is adjusted, eliminating the interest expense on the convertible bond.

Milan, 15 March 2018

Chairman of the BoD

Marco Podini

Separate financial statements as at 31 December 2017

Financial statements prepared in compliance with the IAS/IFRSs

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Financial Statements as at 31 December 2017

STATEMENT OF FINANCIAL POSITION

Assets	Notes	31/12/2017	31/12/2016	Change
Non-current assets				
Property, plant and machinery	**1**			
Land and building	1	1,274,498	1,320,312	-45,814
Plant and machinery	1	6,740	9,203	-2,463
Other assets	1	35,177	35,789	-612
Total Property, plant and equipment		**1,316,415**	**1,365,304**	**-48,889**
Goodwill	**2**	**27,690,778**	**27,690,778**	
Other intangible assets	**3**			
Concessions, licences and trademarks	3	1,059,979	934,943	125,036
Total Other intangible assets		**1,059,979**	**934,943**	**125,036**
Investments	**4**			
Equity investments in subsidiaries	4	2,817,960		2,817,960
Total investments		**2,817,960**		**2,817,960**
Deferred tax assets	**5**	**366,373**	**88,085**	**278,288**
Other non-current financial receivables	**6**			
Non-current loans to the group	6	6,982,945		6,982,945
Other non-current assets	6	28,557	11,357	17,200
Total Other non-current financial receivables		**7,011,502**	**11,357**	**7,000,145**
Total Non-current assets		**40,263,007**	**30,090,467**	**10,172,540**
Inventories	**7**			
Work in progress	7	102,764	137,780	-35,016
Total Inventories		**102,764**	**137,780**	**-35,016**
Trade receivables	**8**			
Receivables from customers	8	3,822,023	4,148,095	-326,072
Current receivables from group	8	52,130	150,863	-98,733
Total Current receivables		**3,874,153**	**4,298,958**	**-424,805**
Other short-term receivables	**9**	**219,102**	**144,671**	**74,431**
Tax receivables	**10**	**41,720**	**80,076**	**-38,356**
Other short-term financial receivables	**11**			
Current loans to the group	11	752,960		752,960
Total Other short-term financial receivables		**752,960**		**752,960**
Cash and cash equivalents	**12**	**3,039,020**	**10,869,599**	**-7,830,579**
Total Current assets		**8,029,719**	**15,531,084**	**-7,501,365**
Total assets		**48,292,726**	**45,621,551**	**2,671,175**

Shareholders' equity and Liabilities	Notes	31/12/2017	31/12/2016	Change
Shareholders' equity	**13**			
Issued capital	13	18,154,900	18,125,500	29,400
Share premium reserve	13	5,923,650	5,923,650	
Negative reserve for treasury shares on hand	13	-62,042		-62,042
Other reserves	13	2,812,663	1,027,287	1,785,376
Retained earnings (Losses carried forward)	13	2,442,686	2,442,686	
Profit (loss) for the year	13	3,755,801	4,503,177	-747,376
Shareholders' equity		**33,027,658**	**32,022,300**	**1,005,358**
Total Shareholders' equity		**33,027,658**	**32,022,300**	**1,005,358**
Non-current liabilities				
Non-current financial liabilities	**14**			

Long-term bank borrowings	14	4,695,534	2,622,042	2,073,492
Other non-current loans	14	4,657,633	4,582,164	75,469
Total Non-current financial liabilities		**9,353,167**	**7,204,206**	**2,148,961**
Deferred tax liabilities	**15**	**140,524**	**137,392**	**3,132**
Post-employment benefits (employee severance indemnity)	**16**	**1,179,363**	**1,192,258**	**-12,895**
Long-term provisions	**17**	**46,325**	**42,470**	**3,855**
Total Non-current liabilities		**10,719,379**	**8,576,326**	**2,143,053**
Current liabilities				
Current payables	**18**			
Payables due to suppliers	18	335,176	392,421	-57,245
Current trade payables due to group	18	368,537	448,460	-79,923
Total Current payables		**703,713**	**840,881**	**-137,168**
Other current payables	**19**	**2,434,654**	**2,221,354**	**213,300**
Tax payables	**20**	**273,843**	**241,425**	**32,418**
Current financial liabilities	**21**			
Current bank borrowings	21	1,133,479	1,719,265	-585,786
Total Current financial liabilities		**1,133,479**	**1,719,265**	**-585,786**
Total Current liabilities		**4,545,689**	**5,022,925**	**-477,236**
Total shareholders' equity and liabilities		**48,292,726**	**45,621,551**	**2,671,175**

FINANCIAL SOFTWARE & CONSULTING

INCOME STATEMENT

Income Statement	Notes	31/12/2017	31/12/2016	Change
Revenues	**22**	**13,500,432**	**13,477,357**	**23,075**
Other operating revenues	**23**	**705,185**	**660,923**	**44,262**
Changes in work in progress	24	-35,016	-15,858	-19,158
Change in inventories	**24**	**-35,016**	**-15,858**	**-19,158**
Operating revenues		**14,170,601**	**14,122,422**	**48,179**
Goods and consumables	25	264,300	167,181	97,119
Goods and consumables	**25**	**264,300**	**167,181**	**97,119**
Personnel costs	**26**	**6,126,821**	**5,982,356**	**144,465**
Costs for services	27	1,919,269	2,046,731	-127,462
Leases and rentals	27	306,342	268,351	37,991
Costs for services and leases and rentals		**2,225,611**	**2,315,082**	**-89,471**
Other operating costs	**28**	**244,000**	**51,518**	**192,482**
Operating costs		**8,860,732**	**8,516,137**	**344,595**
Gross operating income		**5,309,869**	**5,606,285**	**-296,416**
Depreciation of property, plant and equipment	29	61,948	64,667	-2,719
Amortisation of intangible assets	29	241,341	232,328	9,013
Amortisation and depreciation	**29**	**303,289**	**296,995**	**6,294**
Operating income		**5,006,580**	**5,309,290**	**-302,710**
Gains/losses from transactions in foreign currency	**30**	**-1,103,086**		**-1,103,086**
Other financial income	31	171,529	122,918	48,611
Financial income	**31**	**171,529**	**122,918**	**48,611**
Financial charges	**32**	**530,764**	**487,434**	**43,330**
Financial income and charges		**-359,235**	**-364,516**	**5,281**
Profit (loss) before taxes		**3,544,259**	**4,944,774**	**-1,400,515**
Income taxes	**33**	**-211,542**	**441,597**	**-653,139**
Profit (loss) for the year		**3,755,801**	**4,503,177**	**-747,376**

OTHER COMPONENTS OF COMPREHENSIVE INCOME

Other components of comprehensive income	31/12/2017	31/12/2016	Change
Profit (loss) for the year	**3,755,801**	**4,503,177**	**-747,376**
Other comprehensive income (loss) that will not be subsequently reclassified under profit (loss)			
Actuarial gains/losses on employee benefits	1,346	-62,124	63,470
Taxes on actuarial gains/losses on employee benefits	-323	14,910	-15,233
Other comprehensive income (loss) that will be subsequently reclassified under profit (loss)			
Total comprehensive income (loss)	**3,756,824**	**4,455,963**	**-699,139**

STATEMENT OF CASH FLOWS

Statement of cash flows	31/12/2017	31/12/2016
Operating activity		
Profit (loss) for the year	**3,755,801**	**4,503,177**
Adjustments for:		
Financial loss (income)	359,235	364,516
Current income taxes	63,937	415,363
Deferred tax liabilities (assets)	-275,479	26,234
Amortisation and depreciation	303,289	296,995
Financial income collected	171,526	122,918
Financial (charges) paid	-532	-487,434
Taxes paid	-183,230	-944,658
Increase in fixed assets for internal projects	-358,771	-323,675
Cash flows from operating activity before changes in working capital	**3,304,992**	**3,973,436**
(Increases)/decreases in inventories	35,016	15,858
(Increases)/decreases in trade receivables and other receivables	350,374	42,034
Increases/(decreases) in trade payables and other liabilities	152,350	-67,609
Increases/(decreases) in provisions for risks and charges	3,855	-862
Increases/(decreases) in post-employment benefits	-12,895	82,629
Increases/(decreases) in tax liabilities (assets)	323	-14,909
Increases/(decreases) in tax payables (receivables)	114,404	-5,724
Net cash and cash equivalents deriving from operating activity	**3,948,419**	**4,171,519**
Investment activity		
(Increases) in fixed assets:		
- Property, plant and equipment	-13,507	-9,165
- Intangible assets	-7,606	-12,781
- Financial assets	-10,571,065	
Decreases due to disposal of fixed assets:		
- Property, plant and equipment	1,148	
Other changes in fixed assets:		
- Property, plant and equipment	-700	
- Financial assets		3,141
Net cash and cash equivalents used in investment activity	**-10,591,730**	**-18,805**
Financial assets		
Increases/(decreases) in financial payables	1,592,575	-1,621,455
of which:		
- New disbursements	7,104,869	
- Repayments	-5,512,294	-1,621,455
Increases/(decreases) in group shareholders' equity	-2,779,843	-1,859,764
of which:		
- Dividends distributed	-2,718,825	-1,812,550
- IAS 19 reserve	-1,024	-47,218
- Negative reserve for treasury shares	-62,042	
Net cash and cash equivalents used in financing activity	**-1,187,268**	**-3,481,219**
Increases/(decreases) in cash and cash equivalents	**-7,830,579**	**671,495**
Cash and cash equivalents at the beginning of the year	**10,869,599**	**10,198,104**
Cash and cash equivalents at the end of the year	**3,039,020**	**10,869,599**

CHANGES IN SHAREHOLDERS' EQUITY

Total shareholders' equity	Opening as at 31/12/2015	Increases	Decreases	Distribution of dividends	Allocation of profit	Profit (loss) for the year	Closing balance as at 31/12/2016
Capital paid-in	18,125,500						18,125,500
Issued capital	**18,125,500**						**18,125,500**
Share premium reserve	**5,923,650**						**5,923,650**
Negative reserve for treasury shares on hand							
Legal reserve	40,000				171,294		211,294
Extraordinary reserve	344,378			-1,812,550	3,254,590		1,786,418
IAS reserve	-58,916						-58,916
Listing reserve	-962,617						-962,617
Convertible bond issue reserve	98,322						98,322
Remeasurement of defined-benefit plans (IAS 19)			-47,214				-47,214
Other reserves	**-538,833**		**-47,214**	**-1,812,550**	**3,425,884**		**1,027,287**
Retained earnings (Losses carried forward)	**2,442,686**						**2,442,686**
Profit (loss) for the year	**3,425,884**				**-3,425,884**	**4,503,177**	**4,503,177**
Total	**29,378,887**		**-47,214**	**-1,812,550**		**4,503,177**	**32,022,300**

Total shareholders' equity	Opening as at 31/12/2016	Increases	Decreases	Distribution of dividends	Allocation of profit	Profit (loss) for the year	Closing balance as at 31/12/2017
Capital paid-in	18,125,500	29,400					18,154,900
Issued capital	**18,125,500**	**29,400**					**18,154,900**
Share premium reserve	**5,923,650**						**5,923,650**
Negative reserve for treasury shares on hand		**-62,042**					**-62,042**
Legal reserve	211,294				225,159		436,453
Extraordinary reserve	1,786,418			-2,718,825	4,278,018		3,345,611
IAS reserve	-59,281						-59,281
Listing reserve	-962,617						-962,617
Convertible bond issue reserve	98,322						98,322
Remeasurement of defined-benefit plans (IAS 19)	-46,849	1,024					-45,825
Other reserves	**1,027,287**	**1,024**		**-2,718,825**	**4,503,177**		**2,812,663**
Retained earnings (Losses carried forward)	**2,442,686**						**2,442,686**
Profit (loss) for the year	**4,503,177**				**-4,503,177**	**3,755,801**	**3,755,801**
Total	**32,022,300**	**-31,618**		**-2,718,825**			**33,027,658**

Notes to the separate financial statements as at 31 December 2017

I. GENERAL INFORMATION

Piteco S.p.A. (hereinafter, also "Piteco") is a joint-stock company incorporated in Italy, which operates primarily in the information technology sector, as a producer of specific software for business treasury and finance.

Piteco S.p.A. is a subsidiary of Dedagroup S.p.A., with registered office in Trento (Province of Trento). Piteco S.p.A., in its role as Parent Company, also drafted the consolidated financial statements of the Piteco Group as at 31 December 2017.

Main business of the Parent Company

The Piteco Group is an important player in the financial software sector, with an ambitious plan for diversification and internationalisation.

Operating through the two Business Units of the Group, PITECO S.p.A. is a software house that is an absolute leader in Italy in proprietary solutions for company treasury management and financial planning, used by over 600 national and international groups operating in all business sectors (excluding Banks and the P.A.). With 84 highly qualified professionals and 3 operating locations (Milan, Rome and Padua), it has been on the market for over 30 years, and covers the entire software value chain: R&D, design, implementation, sales and assistance. The software is fully proprietary, and can be integrated with the main company IT systems (Oracle, SAP, Microsoft, etc.), can be customised to Customers' needs and is present in over 40 countries. As a result of the high number of customers and the specific business model bases on recurring fees, we have significant visibility of expected turnover.

Significant events

In April 2017 Piteco acquired the business unit regarding software solutions in the digital payment and clearing house sector for the US banking market headed by LendingTools.com, Inc., a company operating in e-payment services on the US market. The business unit acquired concerns the management of accounting clearance of interbank financial flows (bank transfers and verification of collection of cheques) for around 3,300 US banks and over USD 3 billion per day. It is one of the most extensive US interbank networks. This operation is part of Piteco's internationalisation strategy, which already holds important Italian companies that are present on the American market in its portfolio, including Datalogic, Astaldi, Mapei, Lavazza and several companies in the Leonardo Group.

The acquisition was carried out through the subsidiary Piteco North America, Corp. (100%-owned) which, in turn, controls 55% of the share capital of Juniper Payments, LLC (the remaining 45% belongs to the managers of the business unit acquired), a vehicle company established to complete the M&A operation in the US. The agreement entailed a total investment for Piteco of around USD 13 million[5] of which 3 million for the subscription of the controlling stake in Juniper Payments, LLC and 10 million as an intercompany loan to be repaid in 10 years. Through its cash flow of USD 13 million, the associated company Juniper Payments then purchased all the assets of the business unit LendingTools.com, Inc., in addition to net working capital of USD 2.25 million (of which 1.85 million in cash and cash equivalents). The operation involves a commitment by the subsidiary Piteco North America, Corp. for the forward purchase of 50,000 shares, equal to 5% of the

[5] The currency codes used herein comply with the International Standard ISO 4217: EUR Euro; USD US dollar.

capital of Juniper Payments, LLC at a maximum price of USD 1.5 million, determined based on the 2017 and 2018 EBITDA of Juniper Payments, LLC. The purchase will be finalised on 7 April 2019. Piteco North America, Corp. also subscribed with the minority shareholders of Juniper Payments, LLC an agreement to govern the right of the minority partners to exit from Juniper Payments, LLC once the term of five years has passed from the stipulation of the purchase and sale agreement of 7 April 2017, by subscribing specific put options. The agreement thus grants specific put options for the sale by the two minority partners of Juniper Payments, LLC, which can be exercised starting on 7 April 2022, on the remaining shares, equal to 40% of Juniper Payments, LLC, at a strike price to be negotiated or, if agreement is not reached, to be submitted for valuation by an independent expert.

The business unit purchased by Piteco generated turnover of USD 5 million in 2016 and pre-tax profit of around USD 1.75 million. The purchase agreement is even more significant in consideration of the future integrations with Piteco products and the joint offering that will thus be created. Through the synergies developed with Juniper Payments, LLC, Piteco aims to offer its solutions to the US corporate market.

II. PREPARATION CRITERIA AND COMPLIANCE WITH THE IAS/IFRS

General principles

The financial report as at 31 December 2017 has been prepared in compliance with the valuation and measurement criteria set out in the International Financial Reporting Standard (IFRS) issued by the International Accounting Standards Board (IASB), based on the version published in the Official Journal of the European Communities (O.J.E.C.).

The Separate Financial Statements are composed of the statement of financial position, the income statement and the statement of comprehensive income, the statement of cash flows, the statement of changes in shareholders' equity, and the explanatory notes.

Form and content of the document

With regard to the form and content of the financial statements, note that these have been prepared in accordance with the following methods:

- the statement of financial position presents current assets and non-current assets as well as current and non-current liabilities separately. The statement of financial position as at 31 December 2017 is compared with the balances of the financial statements for the year ended as at 31 December 2016;
- in the in the income statement, costs are presented based on their nature. The income statement balances as at 31 December 2017 are compared with those for the year ended as at 31 December 2016;
- other components of comprehensive income include, in addition to the profit (loss) for the year, the charges and income recognised directly in shareholders' equity generated by transactions other than those with shareholders;
- for the statement of cash flows, the indirect method was used.

The functional currency and presentation currency is the Euro. The statements are shown in Euro, while the tables contained in these notes are shown in thousands of Euro. These Separate Financial Statements have been audited by the Independent Auditors KPMG S.p.A.. These Separate Financial Statements have been prepared using the standards and measurement criteria illustrated below.

III. ACCOUNTING STANDARDS AND AMENDMENTS TO THE STANDARDS ADOPTED BY THE COMPANY

The accounting standards and measurement criteria applied comply with those adopted in preparing the Separate Financial Statements as at 31 December 2016. In November 2017 amendments were published, applicable from 2017, specifically including the following:

- amendment to IAS 7 "Statement of Cash Flows": disclosure must be provided that enables users of financial statements to evaluate changes in liabilities arising from financing activities, whether these are changes from cash flows or changes not in cash and cash equivalents, separately indicating the changes arising from obtaining or losing control of subsidiaries, the effect of changes in foreign exchange rates and changes in fair value.
- amendment to IAS 12 "Income Taxes": this introduced a clarification regarding the method of accounting for deferred tax assets correlated to debt instruments measured at fair value, a case that is not present in Piteco.

Two new international accounting standards will be applicable from 1 January 2018, specifically:

- IFRS 15 "Revenue from Contracts with Customers". The standard represents a single, comprehensive framework for recognising revenues and establishes the provisions to apply to contracts with customers. Based on this new accounting standard, revenue recognition is based on the following 5 steps:

  6. *identifying the contract with the customer;*
  7. *identifying contractual commitments to transfer goods and/or services to a customer (performance obligations);*
  8. *determining the transaction price;*
  9. *allocating the transaction price to the performance obligations identified;*
  10. *recognising the revenue when the performance obligation has been met.*

  IFRS 15 also supplements the financial statement disclosure to be provided regarding the nature, amount, timing and uncertainty of revenues and related cash flows. During 2017 the Piteco Group started the analyses to identify the areas impacted by the new provisions and to determine their impacts. The analyses conducted did not result in the expectation of significant impacts. On first-time adoption, Piteco decided to apply the new standard retroactively, with cumulative effect as at 1 January 2018.

- IFRS 9 "Financial Instruments". The document collects the results of the phases of classification and measurement, derecognition, impairment and hedge accounting of the ISAB project to replace IAS 39. The new standard (i) amends the model of classification and measurement of financial assets; (ii) introduces the concept of expected credit losses among the variables to be considered in the measurement and write-down of financial assets; (iii) amends the provisions on hedge accounting. The provisions of IFRS 9 shall be effective starting from financial years beginning on or after 1 January 2018. The areas impacted by the new standard essentially regard: (i) the adoption of the expected credit loss model for the impairment of receivables that entail the recognition of a write-down of said receivables based on a predictive approach, based on the counterparty's probability of default and the capacity of recovery in the event that the default occurs (loss given default); and (ii) for minority investments, the reclassification of the equity investments available for sale and for trading to equity investments at fair value through profit and loss.

  During 2017 the activities were completed for defining and implementing the methodology for the impairment of receivables, which essentially entails:

iv. the use of official and/or internal ratings, previously used for the purpose of granting credit lines to customers, to determine the probabilities of default of the counterparties;
v. for retail customers, not assigned specific ratings, the implementation of a simplified approach based on clusters that divided customers into homogeneous risk categories;
vi. the identification of the capacity for recovery in the event of the counterparty's default based on previous experience and the various methods of recovery that can be implemented.

Based on analyses performed, the effects of the adoption of the new accounting standard on the measurement of receivables will not be significant.

On 9 November 2017 the new IFRS 16 "Leases" was endorsed, which will replace IAS 17 and is applicable from 1 January 2019. IFRS 16 will amend the method of accounting for operating leases for lessees that lease/rent a specific asset. Based on this new standard, the company must assess whether each new contract falls within the definition of a lease. A lease is defined as a contract in which, in exchange for consideration, the lessee has the right to control the use of a specific asset for a set period of time exceeding twelve months. Subsequently, the company must once again assess the contract only in the event of changes to the terms and conditions of the original contract. At the date of first-time application, an asset will be initially recognised which represents the right of use pursuant to IFRS 16 (equal to the present value of the mandatory minimum future rentals) as well as a financial payable of the same amount, as the company will use the modified retroactive application. The right of use recognised will be systematically amortised over the residual duration of the contract. The financial payable recognised will decrease over time as a portion of the lease rental will be used to service the loan (reducing the principal, with the posting of the related financial charge). Thus, the lease rental will no longer be posted in the gross operating margin. Currently, the appropriate analyses are still underway to verify the effects on the financial statements. However, significant changes are not expected.

The list of new documents issued by IASB but not yet endorsed by the European Union, and thus, not yet applicable, are provided below:

- Regulatory Deferral Accounts – IFRS 14: entry into force has been suspended pending the new accounting standard on rate-regulated activities;
- Insurance Contracts – IFRS 17: the IASB document becomes effective from 1 January 2021;
- Foreign Currency Transactions and Advance Consideration – IFRIC 22: the IASB document becomes effective from 1 January 2018;
- Uncertainty over Income Tax Treatments - IFRIC 23: the IASB document becomes effective from 1 January 2019;
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28: entry into force postponed until completion of the IASB project on the equity method;
- Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2; the IASB document becomes effective from 1 January 2018;
- Annual Improvements to IFRS Standards (2014-2016 Cycle): the IASB document becomes effective from 1 January 2018;
- Transfers of Investment Property – Amendments to IAS 40: the IASB document becomes effective from 1 January 2018;
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28: the IASB document becomes effective from 1 January 2019;
- Prepayment Features with Negative Compensation – Amendments to IFRS 9: the IASB document

becomes effective from 1 January 2019;
- Annual Improvements to IFRS Standards (2015-2017 Cycle): the IASB document becomes effective from 1 January 2019.

At present, the Company believes that these documents will not have a significant impact on financial statement data when they are adopted.

IV. MAIN MEASUREMENT CRITERIA

Property, plant and machinery

Property, plant and equipment is recognised at purchase cost or production cost, including ancillary charges and net of the accumulated depreciation.

Ordinary maintenance costs are charged in full to the income statement. Costs for improvements, upgrading and transformation for the purpose of enhancement are posted to assets in the statement of financial position.

The carrying amount of property, plant and equipment is tested for the purpose of detecting any impairment, either annually or when events or changes in the situation indicate that the carrying amount may not be recovered (for details, see the section "*Impairment*").

Depreciation begins when the assets are ready for use. Property, plant and equipment is systematically amortised each year based on economic-technical rates deemed representative of the residual possibility of use of the assets. Assets composed of components, of significant amounts, that have different useful lives are considered separately in determining depreciation.

Depreciation is calculated on a straight-line basis, in accordance with the estimated useful life of the assets, periodically revised if necessary, applying the following percentage rates:

Description	Useful life in years
Buildings	33
Plant and machinery	6 and 5
Other assets	
Furniture and furnishings	8
Electronic office machines	5
Automobiles and motorcycles	4

Gains and losses deriving from sales or disposals of assets are determined as the difference between the sales revenue and the net carrying amount of the asset, and are posted to the income statement under other revenues and other operating expenses, respectively.

Goodwill

The goodwill deriving from the acquisition of companies represents the surplus of the purchase cost with respect to the fair value of the assets and liabilities that can be identified in the acquired company at the acquisition date. Goodwill is recognised as an asset and is not amortised, but is revised at least once a year and, in any case, whenever there indications of a potential reduction in value, to verify the recoverability of the recognised value (impairment testing), as indicated in the section below "*Impairment*". Any impairment is posted to the income statement and cannot be subsequently restored. If goodwill is negative at acquisition, it is immediately recognised to the income statement.

Intangible assets

Intangible assets are recognised in the accounts only if they are identifiable, if they are subject to control by the Company, if they are likely to generate future economic benefits and if their cost may be reliably determined. Intangible assets are recognised at cost, determined according to the criteria indicated previously for property, plant and equipment. When it is estimated that they have a finite useful life, they are systematically amortised over the period of estimated useful life. Amortisation starts at the moment the intangible assets are ready for use.

At least at every year-end closing, directors review the expected useful life of assets.

The useful lives generally attributed to the various categories are as follows:

Description	Useful life in years
Industrial patents and intellectual property rights	5
Concessions, licences, trademarks and similar rights	7 and 2

Leases

Lease contracts for property, plant and machinery that substantially transfer all the risks and benefits deriving from ownership to the company are considered finance leases. The leased assets are capitalised from the start date of the lease at the lower of the fair value and the present value of the rentals. The corresponding obligations to the lessor, net of financial charges, are included among financial payables. Each instalment is broken down into the financial charges and reduction of the debt, in order to obtain a constant interest rate on the residual liability. Property, plant and machinery purchased through finance lease contracts are amortised based on the lower of the useful life of the assets and the duration of the contract. Lease contracts in which the lessor substantially retains all the risks and benefits relating to ownership are considered operating leases. Lease rentals are posted to the income statement on a straight-line basis over the duration of the contract.

Equity investments in subsidiaries

Subsidiaries are companies over which Piteco autonomously has the power to decide the strategic choices of the company in order to obtain the related benefits. Generally, control is assumed to exist when more than half of the voting rights that can be exercised in the ordinary shareholders meeting are directly or indirectly held, also considering "potential votes", i.e., votes deriving from convertible instruments.

Equity investments in subsidiaries are measured at purchase or subscription cost, possibly permanently decreased as a result of the distribution of share capital or capital reserves or, in the presence of impairment determined as a result of impairment testing. The cost may be restored in the subsequent years if the reasons that gave rise to the write-downs no longer apply. The risk from any losses exceeding the carrying amount of the subsidiary is recognised in a specific provision to the extent in which the equity investor is committed to fulfil legal or implicit obligations in relation to the investee company or, in any case, to cover its losses.

Impairment

At each reporting date, the Company reviews the carrying amount of its property, plant and equipment and intangible assets (including goodwill) and equity investments to determine whether there are indications of impairment of these assets. When there are indications of impairment, the recoverable amount of those assets is estimated to determine the amount of the write-down. Instead, the recoverable value of goodwill is estimated annually and any time there are indications of a potential reduction in value.

In order to identify possible impairment losses, assets are combined in the smallest identifiable group of assets that generate cash flows that are largely independent of cash flows generated by other assets or groups of assets (CGUs or cash-generating units). Goodwill acquired through a business combination is allocated to the CGU group that is expected to benefit from the relevant synergies.

The recoverable value of an asset or a CGU is the higher of its value in use and its fair value less disposal costs. To determine the value in use, the estimated expected cash flows are discounted at a pre-tax discount rate that reflects the current market valuation of the time value of money and the specific risks of the asset or CGU.

If the recoverable amount of an asset (or of a cash generating unit) is estimated as being lower than its carrying amount, the carrying amount is decreased to the lower recoverable value. The loss in value is recognised to the income statement.

When there is no longer any reason to maintain a write-down, the carrying amount of the asset (or the cash generating unit), except for goodwill, is increased to the new value deriving from the estimate of its recoverable value, but not more than the net carrying amount that the asset would have had if the write-down for impairment had not been carried out, net of the amortisation and depreciation that would have been calculated prior to the previous write-down. The write-back is posted to the income statement.

Deferred tax assets

Deferred tax assets are recognised at nominal value. They are posted in the financial statements when it is judged likely they will be recovered, based on forecasts and the capacity to realise taxable profit against which the temporary deductible difference may be used.

Financial assets

The Company classifies financial assets in the following categories: at fair value through profit and loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. The management determines the classification of financial assets at the time of initial recognition and periodically reviews that classification. Purchases and sales of financial assets are recognised at the settlement date.

Financial assets at fair value through profit and loss are those held for trading or designated as such at the time of initial recognition. Assets held for trading are classified under current assets. Other assets at fair value through profit and loss, such as a derivative that is not held for trading or represents a designated hedging instrument, are classified as current or non-current based on the settlement date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed in an active market. They are classified among current assets if their maturity is less than twelve months from the reporting date, and as non-current if the maturity is greater.

Financial assets available for sale are non-derivative assets that are designated as such and are not classified in any of the other categories. They are considered non-current assets unless the management intends to sell the investment within twelve months from the reporting date.

Financial assets at fair value through profit and loss and financial assets available for sale are initially recognised and subsequently measured at fair value. Loans and receivables are measured at amortised cost, using the effective interest rate criterion. Gains and losses deriving from a change in the fair value of financial assets at fair value through profit and loss are recognised in the income statement in the period of accrual. Changes in the fair value of securities classified as available for sale are directly recognised under other components of comprehensive income, with the exception of losses due to impairment, interest calculated using the effective interest rate criterion and exchange rate gains and losses. Total adjustments to fair value are transferred to the income statement when the financial asset available for sale is eliminated. At each reporting date, the Company determines whether there is objective evidence that a financial asset carried at amortised cost or available for sale has undergone impairment. If such evidence exists, a detailed calculation is carried out to determine the amount of any impairment to be recognised to the income statement. In the event of investments in equity instruments classified as available for sale, a significant or prolonged decrease in the fair value of the security below its cost is considered an indicator of impairment.

Inventories

The inventories of contract work in progress consist of services that were not yet completed at the end of the year for contracts pertaining to indivisible services that will be completed during the following twelve months, and represent the gross amount that is expected to be collected from customers for work performed through the year-end closing date. They are measured based on costs incurred plus the margin realised through the year-end closing date, net of any expected losses and interim invoices.

Contract work in progress is included in the item “Inventories – Work in progress” in the statement of financial position, if it refers to work in progress in which total cost incurred plus profit realised is greater than the interim invoices and relative possible losses recognised. If the interim invoices and losses recognised are greater than the costs incurred and profit realised, the difference is recognised in the item “Other current payables – current advances from customers”.

Other current and non-current assets, trade receivables and other receivables

Trade receivables, other current and non-current assets and other receivables are financial instruments, mainly relating to receivables from customers, which are not derivatives and are not listed on an active market, from which fixed or determinable payments are expected. Trade receivables and other receivables are classified in the statement of financial position under current assets, with the exception of those with contractual maturity exceeding twelve months from the reporting date, which are classified under non-current assets.

Those assets are measured on initial recognition at fair value and subsequently at amortised cost, using the effective interest rate, less impairment. Exception is made for those receivables whose short duration make discounting immaterial.

Impairment of receivables is recorded in the income statement when there is objective evidence that the Company will not be able to recover the receivable due from the counterparty based on the contractual terms.

The value of the receivables is shown net of bad debt provisions.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cheques and bank current accounts and demand deposits, which can be readily converted into cash and are subject to an insignificant risk of changes in value. They are recognised at nominal value.

Treasury shares

Treasury shares held by the Company are posted at cost, including ancillary charges from the purchase and sale, and are presented as a reduction in shareholders' equity. The financial effects of any subsequent sales are recognised as an increase in shareholders' equity. Any positive or negative difference deriving from the transactions is charged to the share premium reserve.

Financial liabilities

On initial recognition, these are posted in the financial statements at fair value (normally represented by the original cost), including the ancillary transaction costs. Subsequently, except for derivative financial instruments, financial liabilities are posted at amortised cost, using the effective interest rate method.

Financial liabilities that are included in the scope of application of IAS 39 are classified as financial liabilities at fair value through profit and loss, as mortgages and loans, or as hedging derivatives, depending on the case. The Company determines the classification of its financial liabilities on initial recognition. All financial liabilities are initially recognised at fair value and, for mortgages and loans, the directly attributable transaction costs are added.

The Company's financial liabilities include current account overdrafts, mortgages and loans, guarantees given and derivative financial instruments. The measurement of financial liabilities depends on their classification, as described below.

Financial liabilities at fair value through profit and loss - Financial liabilities at fair value through profit and loss include liabilities held for trading and financial liabilities initially recognised at fair value through profit and loss. Liability held for trading are all those liabilities acquired for sale in the short term. This category includes derivative financial instruments subscribed by the Company which are not designated as hedging instruments in a hedging relationship as defined by IAS 39. Separated embedded derivatives are classified as financial instruments held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. Financial liabilities are designated at fair value through profit and loss at the date of initial recognition only if the criteria of IAS 39 have been met. The Company did not designate any financial liabilities, at the date of initial recognition, as measured at fair value through profit and loss.

Mortgages and loans - Following initial recognition, loans are measured at amortised cost, using the effective interest rate method. Gains and losses are recorded in the income statement when the liability is settled, as well as via the amortisation process. The amortised cost is calculated by recognising all discounts or bonuses on the purchase and the fees or costs that are an integral part of the effective interest rate. Amortisation at the effective interest rate is included among financial charges in the income statement.

Convertible bonds are recorded as composite financial instruments, formed of two components, which are treated separately only if relevant: a liability and an option for conversion. The liability corresponds to the present value of future cash flows, based on the current interest rate at the date of issue, for an equivalent non-convertible bond. The value of the option is defined as the difference between the net amount received and the amount of the liability, and is posted in shareholders' equity. The value of the option for conversion does not change in the subsequent periods.

Employee benefits

The liabilities relating to defined-benefit programs (such as employee severance indemnity accrued prior to 1 January 2007) are determined net of any plan assets based on actuarial assumptions and on an accruals basis, in line with the work services required to obtain the benefits. The measurement of the liability is performed with the support of independent actuaries. The value of actuarial gains and losses is posted among other components of comprehensive income. As a result of the Budget Law no. 296 of 27 December 2006, for companies with more than 50 employees, the portions of employee severance indemnity accruing from 1 January 2007 are classified as defined-contribution plans.

Provisions for risks and charges

Provisions for risks and charges are recognised when the Company has a present obligation as a result of a past event and it is likely that it will be required to fulfil the obligation. Provisions were allocated based on the best estimate of the costs required to fulfil the obligation at the reporting date, and are discounted where the effect is significant. In this case the provision are calculated by discounting the expected future cash flows at a pre-tax discount rate reflecting the market's current valuation of the cost of money over time. The increase in the provisions connected with the passing of time is posted to the income statement under "Financial income and charges".

Revenue recognition

Revenues are recognised to the extent it is probable that economic benefits will be obtained and the related amount may be reliably determined. The following specific revenue recognition criteria must be complied with before posting to the income statement:

Sale of goods

Revenues are recognised, pursuant to the provisions of IAS 18, when all the significant risks and benefits connected with ownership of the asset have been transferred.

Provision of services

Revenues are recognised at the time of effective provision, with regard to the completion of the service provided and in relation to the total services still to be provided.

Interest

Interest is recognised on an accruals basis.

Costs

Costs and other operating charges are recognised in the income statement at the time when they are incurred, based on the accruals principle and the correlation of revenues, when they do not produce future economic benefits and do not meet the requirements to be recorded as assets in the statement of financial position. Financial charges are recognised based on the accruals principle, as a result of the passing of time, using the effective interest rate.

Income taxes

Piteco S.p.A. (consolidated) and its parent company Dedagroup S.p.A. have exercised the option for “national tax consolidation” for the three-year period 2016-2018, pursuant to article 117 *et. seq.* of Italian Presidential Decree 917/86 (Italian Consolidated Income Tax Act), which permits determining IRES (Corporate Income Tax) on a taxable base equal to the algebraic sum of the taxable incomes of the individual companies. The economic relationships, reciprocal responsibilities and obligations between the Consolidating Company and the subsidiaries are defined in the “Tax consolidation regulations for Group companies”.

Current income tax is calculated based on the best estimate of taxable income, in relation to the tax regulations in force.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are calculated based on the liability method applied to the temporary differences at the reporting date between the amounts of assets and liabilities in the financial statements and the corresponding amounts recognised for tax purposes.

Deferred tax assets are recognised for all deductible temporary differences and any tax losses carried forward, to the extent that the existence of adequate future taxable profits will exist against which they can be used. Deferred taxes are not recognised for:

- temporary differences arising from the initial recognition of assets or liabilities in a transaction other than a business combination that does not influence the accounting profit (or loss) or the taxable income (or tax loss);
- temporary differences for investments in subsidiaries, associated companies, and joint ventures, to the extent in which the Group is able to control the cancelation timing of the temporary differences and the likelihood that, in the foreseeable future, the temporary difference will not be cancelled; and
- temporary taxable differences relative to initial recognition of goodwill.

The value of deferred tax assets to be posted in the financial statements is re-examined at each reporting date and decreased to the extent that their recovery is no longer likely. Unrecognised deferred tax assets are re-examined annually at the reporting date and are recognised to the extent it becomes likely that the income for tax purposes is sufficient to permit that said deferred tax assets may be recovered.

Deferred tax assets and liabilities are measured based on tax rates that are expected to be applied in the year in which those assets are realised or those liabilities are extinguished, considering the rates in force and those already released at the reporting date.

Criteria for conversion of items in foreign currency

Transactions in foreign currencies are initially converted into the functional currency using the exchange rate at the transaction date. At the reporting date, monetary assets and liabilities denominated in foreign currency are converted to the functional currency at the exchange rate in force at that date. The resulting exchange rate differences are recognised to the income statement. Non-monetary assets and liabilities denominated in foreign currency, measured at cost, are converted at the exchange rate in force at the transaction date, while those measured at fair value are converted at the exchange rate on the date on which that value is determined.

Use of estimates

The preparation of the separate financial statements and the notes, in compliance with the international accounting standards, requires the Company to make estimates that have an impact on the values of assets, liabilities, income and costs, such as amortisation, depreciation and provisions, as well as on the disclosure relating to contingent assets and liabilities set out in the explanatory notes. These estimates are based on the going concern assumption and are drawn up based on information available at the date they are made and, therefore, could differ from that which may arise in the future. This is particularly clear in the current context of financial and economic crisis, which could produce situations different from that currently estimated, with consequent adjustments, that are currently unforeseeable, to the carrying amounts of the items concerned. Assumptions and estimates are particularly sensitive in terms of the valuation of fixed assets, linked to forecasts of results and future cash flows. Assumptions and estimates are periodically revised and the effects of their changes are immediately reflected in the financial statements.

Business combinations

These transactions, if involving companies or business units that are already part of the Group, are considered as lacking in real economic substance, since they are carried out solely for organisational purposes. Therefore, in the absence of specific instructions from IFRS standards and adhering to IAS 8 assumptions that require that, in the absence of a specific standard, the company must use its own judgment in applying an accounting standard that provides a meaningful, reliable, and prudent disclosure, and that reflects the transaction's economic substance, these types of transactions are recognised such as to protect the continuity of the values.
Conversely, if the business combination does not involve companies or business units under common control, the recognition and measurement of identifiable assets and liabilities as part of the business combination, including goodwill, are handled in accordance with IFRS 3 – Business Combinations.

V. INFORMATION ON FINANCIAL RISKS

This chapter provides a brief description of the Company's policies and principles for management and control of the risks deriving from financial instruments (exchange rate risk, interest rate risk, credit risk and liquidity risk). In accordance with IFRS 7, in line with that set out in the Report on Operations, the sections below set out information on the nature of the risks deriving from financial instruments, based on accounting and management analyses.

The Company is exposed to financial risks connected with its operations. Mainly:

- credit risk, with specific reference to normal trade relationships with customers;

- market risk, relating to the volatility of exchange rates and interest rates;

- liquidity risk, which may arise with the inability to locate the financial resources necessary to guarantee the operations of the company and Group.

Management of credit risk - Credit risk constitutes the Company's exposure to potential losses deriving from the non-fulfilment of obligations taken on by both trade and financial counterparties. In order to control that risk, the Company has consolidated procedures and actions to assess customers' credit standing and has optimised the specific recovery strategies for various customer segments. In selecting counterparties for managing temporarily surplus financial resources and in entering into financial hedging contracts (derivatives), the Company avails only of counterparties with high credit standing. In that regard, note that as at 31 December 2017 there was no significant risk exposure connected with the possible deterioration of the overall financial situation nor significant levels of concentration on single, non-institutional counterparties. As regards trade receivables, also considering the high standing of the Company's counterparties, the amount of bad debt provisions for trade receivables is determined prudently based on the various underlying credit statuses, i.e. taking account of the time that the amounts have been past due.

Receivables recognised in financial statements are not excessively past due, in fact, the majority of receivables as at 31 December 2017 are still in the "due" bracket. The portion of receivables with the highest aging is covered by an adequate bad debt provision.

Exchange rate risk management - Exchange rate risk derives from the Company's business partially conducted in currencies other than the Euro. Revenues and costs denominated in foreign currency may be influenced by the fluctuations the exchange rate, reflecting on commercial margins (economic risk), and trade and financial payables and receivables denominated in foreign currency may be impacted by the conversion rates used, reflecting on the income statement results (transaction risk).

The majority of the Company's turnover is generated in the Euro area (and, in particular, Italy). Thus, from a commercial perspective, there is no significant exchange rate risk. The only relevant position that could be influenced by fluctuations in exchange rates is the loan in foreign currency granted to the subsidiary Piteco North America, Corp.

Interest rate risk management - As the Company is exposed to fluctuations in interest rates (primarily the Euribor) in relation to the amount of financial charges on indebtedness, it regularly assesses its exposure to interest rate risk and primarily manages it by negotiating loans.

Liquidity risk management - The Company operates without short-term net financial indebtedness. In order to minimise liquidity risk, the Administrative and Financial Department also:

- maintains correct composition of net financial indebtedness, financing investments with own funds and, if necessary, medium/long-term debt;

- systematically checks that short-term cash flows receivable (collections from customers and other inflows) are capable of covering the cash flows payable (short-term financial indebtedness, payments to suppliers and other outflows);

- constantly verifies the forecast financial needs in order to promptly implement any corrective actions.

The analysis of maturities for the main financial liabilities is reported in the table below:

Long-term debt	**31.12.2017**	**31.12.2016**
Convertible bond	4,658	4,582

Unsecured loans	4,696	2,622

Current portion of long-term debt		
Unsecured loans	1,133	1,719

The following table provides the breakdown by maturity of gross financial debt at the reporting date. Note that these values are not exactly representative of liquidity risk exposure, as they do not show expected nominal cash flows, rather, they are measured at amortised cost or fair value.

	31.12.2017	**31.12.2016**
Within 6 months	554	864
Between 6 and 12 months	579	855
Between 1 and 5 years	9,354	7,204
More than 5 years		

VI. NOTES TO THE STATEMENT OF FINANCIAL POSITION, STATEMENT OF CASH FLOWS AND INCOME STATEMENT

1 Property, plant and machinery

Changes in the items of Property, plant and machinery as at 31 December 2017 are shown below:

Property, plant and machinery	Opening balance	Increases	Decreases	Other changes	Closing balance
Land	201				201
Buildings	1,527				1,527
Accum. depreciation - Buildings	-408	-46			-454
Land and buildings	**1,320**	**-46**			**1,274**
Plant and machinery	152				152
Accum. depreciation - Plant and machinery	-142	-2		-1	-145
Plant and machinery	**10**	**-2**		**-1**	**7**
Industrial and commercial equipment	7		-1		6
Accum. depreciation - Industrial and commercial equipment	-7		1		-6
Motor vehicles	11				11
Accum. depreciation - Motor vehicles	-11				-11
Furniture and furnishings	165				165
Accum. depreciation - Furniture and furnishings	-163	-1			-164
Electronic machines	109	14		-1	122
Accum. depreciation - Electronic machines	-75	-13			-88
Other property, plant and equipment	10				10
Accum. depreciation Other property, plant and equipment	-10				-10
Other assets	**36**	**0**		**-1**	**35**
Total	**1,366**	**-48**		**-2**	**1,316**

Land and buildings

These amounted to EUR 1,274 thousand (EUR 1,320 thousand as at 31 December 2016) and refer to the property in Via Mercalli 16, Milan, the registered office and operational headquarters of the Company. The value of the land on which the buildings stand has been separated out and recorded separately.

Plant and machinery

This amounted to EUR 7 thousand (EUR 10 thousand as at 31 December 2016) and mainly refers to accessory plant at the Company headquarters.

Other assets

These amounted to EUR 35 thousand (EUR 36 thousand as at 31 December 2016) and referred mainly to furniture and furnishings and electronic office machines. The increase of EUR 14 thousand was due to purchases for hardware upgrades.

2 Goodwill

Changes in Goodwill as at 31 December 2017 are shown below:

Goodwill	Opening balance	Increases	Decreases	Other changes	Closing balance
Goodwill	27,691				27,691
Total	**27,691**				**27,691**

Goodwill, amounting to EUR 27,691 thousand as at 31 December 2017 (EUR 27,691 thousand as at 31 December 2016) comprises EUR 27,219 thousand for the deficit arising as a result of the reverse merger following the leveraged buyout, with legal effect from 11 July 2013, and EUR 472 thousand for the value attributed to the goodwill following the acquisition of the “Centro Data” business unit in 2015.

The goodwill acquired in the two business combinations mentioned above is allocated to a single cash generating unit, given the complementary nature of the products and services provided (CGU Piteco).

As at 31 December 2017 the Company subjected the carrying amount of the CGU Piteco to impairment testing, determining its recoverable value, considered equal to the value in use, by discounting the expected future cash flows estimated in the forecast plan drawn up by the management. The cash flows for the period 2018-2020 were added to the terminal value, which expresses the operating flows that the CGU will be capable of generating starting from the fourth year for an unlimited time, determined based on the perpetuity method. The value in use was calculated based on a discount rate (WACC) of 9.89% and a growth rate (g) of 1.50%, equal to expected inflation. The recoverable value determined based on the assumptions and valuation techniques described above, came to EUR 54,308 thousand, against a carrying amount of the assets allocated to the CGU Piteco of EUR 29,921 thousand.

Sensitivity analysis

In order to test the fair value measurement model in the event of changes in the variables used, the change in the key parameter - WACC - was estimated, increasing it by 10% and 20% on the WACC used in the impairment test.

The sensitivity analysis pursuant to paragraph 134 of IAS 36 of the results of the impairment test on the CGU Piteco, for which no impairment was detected, shows that the fair value measurement of the CGU remains higher than the carrying amount of the CGU even simulating an increase in the discount rate up to a WACC of 16.90%.

Based on the analyses conducted, the Company's Directors deemed the recognition value of the goodwill posted in the separate financial statements as at 31 December 2017 to be recoverable.

As an additional sensitivity analysis, note that maintaining the WACC constant (at 9.89%) and the perpetual growth rate "g" (at 1.50%), only a reduction in EBITDA of more than 14.8% would result in impairment scenarios.

3 Other intangible assets

The changes in other intangible assets are shown below:

Other intangible assets	Opening balance	Increases	Decreases	Other changes	Closing balance
Concessions, licences and trademarks	14	1			15
Accum. amortisation - Concessions, licences and trademarks	-5	-2			-7
Software	8,897	366			9,263
Accum. amortisation - Software	-7,971	-239		-1	-8,211
Concessions, licences and trademarks	**935**	**126**		**-1**	**1,060**
Total	**935**	**126**		**-1**	**1,060**

Concessions, licences and trademarks

The net balance amounted to EUR 1,060 thousand (EUR 935 thousand as at 31 December 2016) and is comprised of EUR 8 thousand for the PITECO™ trademark and the costs incurred to register the Match.it™ trademark, and EUR 8,466 thousand for software rights. The item software includes the right relating to the proprietary software Piteco and the proprietary software Match.it. The increases in software comprise EUR 359 thousand for the internal development of new modules of Piteco and Match.it software and EUR 7 thousand for the acquisition of the rights to use third party software. The increases in the item trademarks of EUR 1 thousand are comprised of costs incurred to extent to the US the registrations of the Piteco and Piteco Evolution trademarks.

4 Equity investments in subsidiaries

The changes in equity investments in subsidiaries are illustrated in the following table.

Investments	Opening balance	Increases	Decreases	Other changes	Closing balance
Equity investments in subsidiary companies		2,818			2,818
Equity investments in subsidiaries		**2,818**			**2,818**
Total		**2,818**			**2,818**

The increase in Equity investments in subsidiaries relates to the subscription of 100% of the share capital of Piteco North America, Corp., incorporated as part of the operation to purchase the business unit

LendingTools. Piteco North America, Corp in turn, controls 55% of Juniper Payments, LLC (the remaining 45% belongs to the managers of the business unit acquired).

The Shareholders' Equity and Profit (Loss) figures of the subsidiaries, broken down in the table below, are taken from the draft separate financial statements or consolidation packages as at 31 December 2017 approved by the respective Boards of Directors and adjusted, where necessary, to align them with the accounting standards adopted by the Company:

Name	Country	Share Capital	Profit (loss) for the year pertaining to the Group	Shareholders' equity	% Directly held	% Indirectly held	Book value
Piteco North America	United States	8	-169	2,325	100%		2,818
Juniper Payments, LLC [6]	United States	2,487	-384	2,120		55%	

As at 31 December 2017 an analysis was conducted of the sustainability of the value of the equity investment, which did not result in any impairment of the equity investment.

In particular, the equity investment in Piteco North America, Corp as at 31 December 2017 was subject to a test of the recoverability of the recognition values. The recoverable value of the equity investment was assumed as equal to its value in use (equity value), estimated as equal to the NAV (net asset value) of Piteco North America, Corp. redetermined based on the equity value of the subsidiary Juniper Payments, LLC. The latter was determined by discounting the cash flows expected over the time horizon of the explicit forecast of the period 2018-2020. The plans on which the recoverable values were estimated were prepared and approved by the management of Juniper Payments, LLC. The cash flows for the period 2018-2020 were added to the terminal value, which expresses the operating flows that the subsidiary will be capable of generating starting from the fourth year for an unlimited time, determined based on the perpetuity method. The value in use was calculated based on a discount rate (WACC) of 10.00% and a growth rate (g) of 1.70%, equal to expected inflation. The recoverable value determined based on the assumptions and valuation techniques described above, came to EUR 6,992 thousand, against a carrying amount of the equity investment of EUR 2,818 thousand.

Sensitivity analysis

In order to test the fair value measurement model in the event of changes in the variables, the change in the key parameter - WACC - was estimated, increasing it by 10% and 20% on the WACC used in the impairment test.

The sensitivity analysis pursuant to paragraph 134 of IAS 36 of the results of the impairment test on the equity investment in Piteco North America, Corp., for which no impairment was detected, shows that the fair value measurement of the subsidiary remains higher than its carrying amount even simulating an increase in the discount rate up to a WACC of 16.08%.

[6] Company controlled by Piteco North America Corp.

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As an additional sensitivity analysis, note that maintaining the WACC constant (at 10%) and the perpetual growth rate "g" (at 1.70%), only a reduction in EBITDA of more than 12% would result in impairment scenarios.

5 Deferred tax assets

Deferred tax assets of EUR 366 thousand (EUR 88 thousand as at 31 December 2016) are comprised of the temporary differences which the Company expects to recover in future years, based on the expected taxable income. Refer to the specific tables below in these explanatory notes for further details.

6 Other non-current financial receivables

The item in question breaks down as follows:

Other non-current financial receivables	31/12/2017	31/12/2016	Change	Within 12 months	Beyond 12 months	Over 5 years
Non-current loans to subsidiaries	6,983		6,983		3,207	3,776
Non-current loans to the group	**6,983**		**6,983**		**3,207**	**3,776**
Tax receivables and receivables from employees		2	-2			
Security deposits	28	10	18	18	10	
Other non-current assets	**28**	**12**	**16**	**18**	**10**	
Total	**7,011**	**12**	**6,999**	**18**	**3,217**	**3,776**

Non-current loans to subsidiaries

These regard the long-term portion of the interest-bearing loan granted to the subsidiary Piteco North America, Corp with a nominal value of USD 10 million, for the purpose of the acquisition of the LendingTools business unit through Juniper Payments, LLC[7]. The loan has a duration of 10 years and the interest rate applied is 2.5% annually.

7 Inventories

The item in question breaks down as follows:

Inventories	Opening balance	Increases	Decreases	Other changes	Closing balance
Work in progress	138		-35		103
Work in progress	**138**		**-35**		**103**
Total	**138**		**-35**		**103**

Inventories refer to services that were not yet completed at the end of the year, relating to contracts pertaining to indivisible services that will be completed during the following twelve months, are measured based on the expenses incurred during the year.

8 Trade receivables

[7] Juniper Payments LLC is 55%-owned by Piteco North America Corp.

The item in question breaks down as follows:

Trade receivables	31/12/2017	31/12/2016	Change
Current receivables from customers	4,005	4,165	-160
Bad debt provisions - current receivables from customers	-183	-17	-166
Receivables from customers	**3,822**	**4,148**	**-326**
Current receivables from parent companies		27	-27
Current receivables from associates	52	124	-72
Current receivables from group	**52**	**151**	**-99**
Total	**3,874**	**4,299**	**-425**

Receivables from customers, amounting to EUR 3,822 thousand (EUR 4,148 thousand as at 31 December 2016), are shown at their fair value, net of the corresponding bad debt provisions which, as at 31 December 2017, amounted to EUR 183 thousand. Current receivables from affiliates are composed of receivables from associates that are part of the Dedagroup group.

9 Other short-term receivables

The item in question breaks down as follows:

Other short-term receivables	31/12/2017	31/12/2016	Change
Current receivables from social security institutions	1		1
Current prepaid expenses	86	125	-39
Other current trade receivables	115		
Receivables from employees	14	16	-2
Advances to suppliers	4	3	1
Total	**220**	**144**	

Other current trade receivables are comprised of EUR 32 thousand in advances to suppliers and EUR 83 thousand for a cash advance of USD 100,000 disbursed to the subsidiary Piteco North America, Corp to temporarily cover current expenses.

10 Tax Receivables

The item in question breaks down as follows:

Tax Receivables	31/12/2017	31/12/2016	Change
IRAP (Regional Business Tax) receivables	35	78	-43
Other tax receivables	7	2	5
Total	**42**	**80**	**-38**

Tax receivables of EUR 42 thousand (EUR 80 thousand as at 31 December 2016) are composed of VAT receivables of EUR 7 thousand and tax receivables for IRAP advances of EUR 35 thousand. Receivables for

IRAP advances paid in total in the year, equal to EUR 123 thousand, are posted net of the related IRAP payable for the tax period 2017, amounting to EUR 88 thousand.

11 Other short-term financial receivables

The item in question breaks down as follows:

Other short-term financial receivables	31/12/2017	31/12/2016	Change
Current loans to subsidiaries	753		753
Current loans to the group	**753**		**753**
Total	**753**		**753**

Current loans to subsidiaries regard the short-term portion (within 12 months) of the interest-bearing loan granted to the subsidiary Piteco North America, Corp with a nominal value of USD 10 million.

12 Cash and cash equivalents

The balance of the item in question represents cash and cash equivalents, as illustrated below.

Cash and cash equivalents	31/12/2017	31/12/2016	Change
Bank deposits	3,038	10,869	-7,831
Cash	1		1
Total	**3,039**	**10,869**	**-7,830**

13 Shareholders’ equity

As at 31 December 2017 the share capital was fully subscribed and paid in, composed of 18,132,500 shares lacking nominal value.

Note that the origin of the share capital breaks down as follows: EUR 1,520 thousand from profit reserves, EUR 14,030 thousand from share exchange rate differences booked to share capital, EUR 2,576 thousand from shareholder payments following the share capital increase for the purpose of listing on the AIM market and EUR 29 thousand from the conversion of 7 bonds into 7,000 newly issued shares.

For the detailed breakdown of the single items, see the statement of changes in shareholders’ equity, while the statement showing a summary of the changes at the balance sheet date is shown below.

Total shareholders’ equity	31/12/2017	31/12/2016	Change
Capital paid-in	18,155	18,126	29
Issued capital	**18,155**	**18,126**	**29**
Share premium reserve	**5,924**	**5,924**	
Negative reserve for treasury shares on hand	**-62**		**-62**
Legal reserve	436	211	225
Extraordinary reserve	3,346	1,786	1,560
IAS reserve	-59	-59	

Listing reserve	-963	-963	
Convertible bond issue reserve	98	98	
Remeasurement of defined-benefit plans (IAS 19)	-46	-47	1
Other reserves	**2,812**	**1,026**	**1,786**
Retained earnings (Losses carried forward)	**2,443**	**2,443**	
Profit (loss) for the year	**3,756**	**4,503**	**-747**
Total	**33,028**	**32,022**	**1,006**

On approving the financial statements for the year ended as at 31 December 2016, the shareholders' meeting of the Parent Company approved the distribution of dividends of EUR 2,719 thousand.

Note that during the year, following the conversion of 7 convertible bonds of Piteco S.p.A., 7,000 new shares were issued for a total value of EUR 29 thousand. The new share capital of Piteco S.p.A. at the date of this report amounts to EUR 18,154,900.

During 2017, the Company purchases treasury shares as per the authorisation from the shareholders' meeting, by way of resolution dated 21 November 2017. As at 31 December 2017 the Company held 12,000 treasury shares, equal to 0.0662% of the share capital, for a total value of EUR 62,042 (equal to the amount reflected in the "Negative reserve for treasury shares on hand", posted as a decrease to shareholders' equity).

14 Non-current financial liabilities

The balance of amounts due to banks and other long-term financial liabilities is set out in the table below:

Non-current financial liabilities	31/12/2017	31/12/2016	Change	Within 12 months	Beyond 12 months
Long-term, unsecured bank borrowings	4,696	2,622	2,074		4,696
Long-term bank borrowings	**4,696**	**2,622**	**2,074**		**4,696**
Non-current bonds	4,658	4,582	76		4,658
Other non-current loans	**4,658**	**4,582**	**76**		**4,658**
Total	**9,354**	**7,204**	**2,150**		**9,354**

Long-term bank borrowings

Amounts due to banks refer to the unsecured loan with an original total amount of EUR 7.0 million, entered into on 3 April 2017, maturing on 31 December 2022, with an interest rate of Euribor 6 months + 1.90% spread, for the purpose of financing the US subsidiary in acquiring the LendingTools business unit. The outstanding loan includes the following covenants that must be respected: NFP/SE < 1 and NFP/EBITDA < 3. These limits had been complied with as at 31 December 2017.

Non-current bonds

As part of the listing process, a convertible bond was issued, named "Piteco Convertibile 4.50% 2015-2020". The Company issued 1,189 convertible bonds, traded on the AIM Italia market, at a price equal to their nominal unit value of EUR 4,200 per convertible bond. The convertible bonds have a duration of 5 years from the issue date, and bear interest at a nominal annual fixed rate of 4.50% from the entitlement date (inclusive) up to the maturity date (exclusive). That loan is measured at amortised cost, equal to an effective interest rate of 7.1%. The conversion option represents an embedded derivative financial instrument, which was posted in the corresponding item of the statement of financial position.

15 Deferred tax liabilities

Deferred tax liabilities	31/12/2017	31/12/2016	Change	Within 12 months	Beyond 12 months
Other non-current deferred tax liabilities	141	137	4		141
Total	**141**	**137**	**4**		**141**

For further details on the composition of "Other non-current deferred tax liabilities", refer to note 33.

16 Employee benefits

The changes in employee benefits are shown below:

Post-employment benefits (employee severance indemnity)	Opening balance	Actuarial valuations	Increases	Decreases	Closing balance
Employee severance indemnity	1,192	14		-27	1,179
Total	**1,192**	**14**		**-27**	**1,179**

The employee severance indemnity was measured based on the following financial assumptions:

Financial assumptions		
	31.12.2017	**31.12.2016**
Theoretical discount rate	1.30%	1.31%
Inflation rate	1.50%	1.50%
Employee severance indemnity growth rate	2.63%	2.63%

17 Provisions for risks and charges

The changes recorded during 2017 are shown below.

Long-term provisions	Opening balance	Increases	Decreases	Other changes	Closing balance
Other non-current provisions	42	4			46
Total	**42**	**4**			**46**

Provisions for risks and charges are solely composed of the provisions for agents' severance indemnities, to cover the amounts to be paid to agents in the event of termination of the agency relationship by the Company. This provision was not discounted as the results were not significant.

18 Current payables

Current payables	31/12/2017	31/12/2016	Change
Current payables due to suppliers	335	392	-57
Payables due to suppliers	**335**	**392**	**-57**
Current payables due to parent companies	348	388	-40
Current payables due to associates	21	60	-39
Current payables due to group	**369**	**448**	**-79**
Total	**704**	**840**	**-136**

Payables due to suppliers, including the allocations for invoices to be received, amounted to EUR 335 thousand as at 31 December 2017 (EUR 392 thousand as at 31 December 2016) and are all short term.

Current payables due to parent companies are represented by trade payables of EUR 58 thousand and payables deriving from the national tax consolidation of EUR 290 thousand. Current payables due to associates refer to trade payables due to affiliates in the Dedagroup Group.

19 Other current payables

Other current liabilities are shown in the table below:

Other current payables	31/12/2017	31/12/2016	Change
Payables for current wages and salaries	1,308	1,296	12
Payables for social security charges	543	517	26
Current deferred commercial income	316	103	213
Other current payables	9	9	
Current accrued commercial expenses	108	112	-4
Current advances from customers	87	124	-37
INAIL (Italian National Ins. Against Accidents in the Workplace)		2	-2
Other social security payables	63	62	1
Total	**2,434**	**2,225**	**209**

Deferred income amounted to EUR 316 thousand and almost completely relates to revenues for software maintenance fees collected in advance of the years when the services shall be provided.

Accrued expenses amounted to EUR 108 thousand and comprised EUR 94 thousand in interest expense on the convertible bonds and EUR 14 thousand in accrued indemnity due to employees.

20 Tax payables

Tax payables amounted to EUR 274 thousand as at 31 December 2017 (EUR 241 thousand as at 31 December 2016) and break down as follows:

Tax payables	31/12/2017	31/12/2016	Change
Payables for withholding tax	274	241	33
Total	**274**	**241**	**33**

21 Current financial liabilities

Current financial liabilities	31/12/2017	31/12/2016	Change
Current unsecured bank borrowings	1,133	1,719	-586
Current bank borrowings	**1,133**	**1,719**	**-586**
Total	**1,133**	**1,719**	**-586**

Current bank borrowings

These regard the short-term portion (within 12 months) of amounts due to banks for the unsecured loan with an original total amount of EUR 7.0 million, entered into on 3 April 2017, maturing on 31 December 2022, with an interest rate of Euribor 6 months + 1.90%, for the purpose of financing the US subsidiaries in acquiring the LendingTools business unit.

22 Revenues

Revenues from sales and services amounted to EUR 13,500 thousand (EUR 13,478 thousand as at 31 December 2016) recording an increase of EUR 22 thousand (+0.2%) compared to the corresponding figure of 2016.

The reclassified income statement and the breakdown of revenues by service type are shown below.

Reclassified income statement

Income Statement	31/12/2017	%	31/12/2016	%	% change
Revenues	13,500	95.3%	13,478	95.4%	0.2%
Other operating revenues	704	5.0%	663	4.7%	6.2%
Change in inventories	-35	-0.2%	-16	-0.1%	118.8%
Operating revenues	**14,169**	**100.0%**	**14,125**	**100.0%**	**0.3%**
Raw materials and consumables	264	1.9%	167	1.2%	58.1%
Personnel costs	6,127	43.2%	5,983	42.4%	2.4%
Costs for services and leases and rentals	2,225	15.7%	2,316	16.4%	-3.9%
Other operating costs	64	0.5%	36	0.3%	77.8%
Operating costs	**8,680**	**61.3%**	**8,502**	**60.2%**	**2.1%**
Gross operating income (EBITDA)	**5,489**	38.7%	**5,623**	39.8%	-2.4%
Amortisation and depreciation	303	2.1%	297	2.1%	2.0%
Provisions for risks and write-downs	180	1.3%	17	0.1%	
Operating income (EBIT)	**5,006**	35.3%	**5,309**	37.6%	-5.7%
Gains/losses from transactions in foreign currency	-1,103	-7.8%			
Financial income and charges	-359	-2.5%	-365	-2.6%	-1.6%
Non-recurring income and charges	334	2.4%			
Profit (loss) before taxes	**3,878**	27.4%	**4,944**	35.0%	-21.6%
Income taxes	122	0.9%	441	3.1%	-72.3%
Profit (loss) for the year	**3,756**	26.5%	**4,503**	31.9%	-16.6%

Revenues by service type

The breakdown of revenues by service type is shown below.

Revenues	31/12/2017		31/12/2016		Change
Maintenance fees	5,745		5,590		155
Application management fees	1,188		1,157		31
Usage fees	497		313		184
Total Fees	**7,430**	**55.04%**	**7,060**	**52.38%**	**370**
Software sales	1,542		1,423		119
Total Software	**1,542**	**11.42%**	**1,423**	**10.56%**	**119**
Professional activities and services	3,655		4,168		-513
Customisation	858		807		51
Commissions and Royalties	15		20		-5
Total activities and services	**4,528**	**33.54%**	**4,995**	**37.06%**	**-467**
Total	**13,500**		**13,478**		**22**

The performance of revenues in 2017 was substantially in line with the previous year. The analysis by family of product/service shows a decrease in "Professional activities and services" and growth in revenues from "Fees" and "Software Licences", in line with the acquisitions of new customers.

23 Other operating revenues

"Other operating revenues", whose balance as at 31 December 2017 amounted to EUR 704 thousand (EUR 663 thousand as at 31 December 2016) included contingent assets of EUR 76 thousand, increases in internal work capitalised of EUR 358 thousand, expense reimbursements from customers of EUR 247 thousand and reimbursements from employees for professional and personal use of company cars of EUR 23 thousand. The increases in internal work capitalised relate to development expenses on proprietary software.

Other operating revenues	31/12/2017	31/12/2016	Change
Recoveries of costs for services	270	307	-37
Other operating revenues - increases in fixed assets for internal projects	358	326	32
Contingent assets	76	30	46
Total	**704**	**663**	**41**

25 Goods and consumables

Costs for the purchase of goods and consumables amounted to EUR 264 thousand (EUR 167 thousand as at 31 December 2016).

Goods and consumables	31/12/2017	31/12/2016	Change
Purchase of goods	253	163	90
Other purchases	11	4	7
Goods and consumables	**264**	**167**	**97**
Total	**264**	**167**	**97**

26 Personnel costs

Personnel costs for employees are shown in the table below:

Personnel costs	31/12/2017	31/12/2016	Change
Wages and salaries	4,486	4,388	98
Social security charges	1,302	1,271	31
Allocations to pension funds and others	319	307	12
Other personnel costs	20	17	3
Total	**6,127**	**5,983**	**144**

Employees of the Company as at 31 December 2017, net of directors and external contractors, totalled 84 resources (86 resources as at 31 December 2016). The table below shows the breakdown of employees by level:

Personnel	31/12/2017	31/12/2016	Average for the period
Executives	6	6	6
Middle managers	26	26	26
Office workers	52	54	53
Total	**84**	**86**	**85**

27 Costs for services and leases and rentals

Other costs are shown in the table below:

Costs for services and leases and rentals	31/12/2017	31/12/2016	Change
External maintenance	166	300	-134
Transport and customs duties	1	1	
Electricity	15	17	-2
Promotion & advertising fees	69	62	7
Bonuses and commissions	135	148	-13
Sundry consulting	60	83	-23
Administrative consulting	117	95	22
Other consulting	254	250	4
Insurance	37	35	2
Bank services and fees	31	13	18
Expense reimbursements to employees	245	265	-20
Expense reimbursements to third parties	27	24	3
Entertainment expenses	7	5	2
Fixed telephony costs	23	27	-4
Mobile telephony costs	33	30	3
Postal expenses	2	2	
Cleaning expenses	17	18	-1
Fuel	59	68	-9
Other services	67	28	39
Fees and compensation to statutory auditors and independent auditors	76	50	26
Fees and compensation to directors	39	39	
Services for personnel	136	126	10
Vehicle management expenses	121	126	-5
Stock exchange costs	181	236	-55

Costs for services	1,918	2,048	-130
Rent payable	97	89	8
Rentals and other	210	179	31
Leases and rentals	**307**	**268**	**39**
Total	**2,225**	**2,316**	**-91**

As a percentage of revenues, the incidence of costs for services decreased slightly on the previous year, and amounted to around 15.7% (16.4% as at 31 December 2016).

External consulting decreased by EUR 134 thousand on 2016 due to the internalisation of several software development processes, which were previously outsourced to external consultants. Other costs for general, administrative and legal services were in line with those of the previous year. Commercial costs for promotion & advertising, commissions and expense reimbursements to employees decreased by around EUR 23 thousand compared to 31 December 2016, mainly due to lower commissions and lower expense reimbursements to employees.

28 Other Operating Costs

Other costs are shown in the table below:

Other operating costs	31/12/2017	31/12/2016	Change
Losses on receivables		2	-2
Capital losses on property, plant and equipment		2	-2
Other taxes (other than income tax)	11	11	
Fines and penalties	2	1	1
Contributions and disbursements	2	2	
Magazine and subscription fees	1	1	
Contingent liabilities	43	10	33
Allocations to prov. for agents' severance indemnities	5	7	-2
Allocations to bad debt provisions	180	17	163
Total	**244**	**53**	**191**

29 Amortisation and depreciation

The amortisation of intangible assets and depreciation of property, plant and equipment is summarised in the table below:

Amortisation and depreciation	31/12/2017	31/12/2016	Change
Depreciation of buildings used in operations	46	46	
Depreciation of generic plant	2	3	-1
Depreciation of automobiles		1	-1
Depreciation of furniture and furnishings	1	1	
Depreciation of electronic machines	13	14	-1
Depreciation of property, plant and equipment	**62**	**65**	**-3**
Amortisation of concessions, licences and trademarks	7	2	5
Amortisation of software	234	230	4
Amortisation of intangible assets	**241**	**232**	**9**
Total	**303**	**297**	**6**

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30 Gains (losses) from transactions in foreign currency

The table below provides details of gains (losses) from transactions in foreign currency:

Gains/losses from transactions in foreign currency	31/12/2017	31/12/2016	31/12/2016	Change
Exchange losses	-1,103			-1,103
Total	**-1,103**			**-1,103**

During the year, the Company recorded net exchange losses of EUR 1,103 thousand, of which EUR 1,044 thousand unrealised. The exchange losses related to the loan in USD disbursed to the subsidiary Piteco North America, Corp.

31 Financial income

The table below provides details of financial income:

Financial income	31/12/2017	31/12/2016	Change
Other financial income from subsidiaries	153		153
Interest on bank and postal current accounts	18	123	-105
Other financial income	**171**	**123**	**48**
Total	**171**	**123**	**48**

Financial income from subsidiaries related to the interest accrued on the loan in USD disbursed to the subsidiary Piteco North America, Corp.

32 Financial charges

The table below provides details of financial charges:

Financial charges	31/12/2017	31/12/2016	Change
Non-current interest due to banks	186	111	75
Non-current interest on other payables	329	353	-24
Current interest on other payables		1	-1
Financial charges on employee severance indemnity	15	23	-8
Total	**530**	**488**	**42**

33 Income taxes

Income taxes estimated for 2017 are analysed in the table below:

Income taxes	31/12/2017	31/12/2016	Change
IRAP (Regional Business tax) income taxes	88	123	-35
IRES (Corporate income tax) income taxes	310	397	-87
Previous years’ taxes	-334	-106	-228
Deferred tax assets	-279	25	-304

Deferred tax liabilities	3	2	1
Total	**-212**	**441**	**-653**

Changes in deferred tax assets (liabilities) are shown below:

Effects of deferred tax assets and liabilities - IRES	31/12/2017		31/12/2016	
	Temporary Difference	Taxes (rate of 24%)	Temporary Difference	Taxes (rate of 24%)
Amortisation of trademarks	76	18	98	24
Prov. for supplementary customer allowances	7	2	7	2
Long-term costs	20	5	30	7
Actuarial valuation of employee severance indemnity	201	48	202	48
Other costs with deferred deducibility	162	39	7	2
Exchange rate differences from valuation	1,044	251		
Deferred tax assets	**1,510**	**363**	**344**	**83**
Higher value of property	425	102	440	106
Amortisation and depreciation of Centro Data goodwill	79	19	52	13
Deferred tax liabilities	**504**	**121**	**492**	**119**

Effects of deferred tax assets and liabilities - IRAP	31/12/2017		31/12/2016	
	Temporary Difference	Taxes (rate of 3.9%)	Temporary Difference	Taxes (rate of 3.9%)
Amortisation of trademarks	76	3	98	4
Prov. for supplementary customer allowances	4		4	
Long-term costs	20	1	30	1
Other costs with deferred deducibility	2		7	
Deferred tax assets	**102**	**4**	**139**	**5**
Higher value of property	425	17	440	17
Amortisation and depreciation of Centro Data goodwill	79	3	52	2
Deferred tax liabilities	**504**	**20**	**492**	**19**
Total	**402**	**16**	**353**	**14**

The balance of deferred tax assets and liabilities takes account of both deferred taxes due to temporary tax changes and deferred tax assets and liabilities calculated based on the IAS/IFRS conversion adjustments.

VII. COMMITMENTS AND GUARANTEES

Information on the composition and nature of commitments and guarantees is provided below.

Memorandum accounts	31/12/2017	31/12/2016
Sureties and personal guarantees and collateral to third parties	54	151
Guarantees given	**54**	**151**
Third party assets at the company	87	126
Assets of others	**87**	**126**
Total	**141**	**277**

As at 31 December 2017 the company granted guarantees of EUR 54 thousand in the form of sureties for participation in tenders. Other commitments include EUR 87 thousand in commitments deriving from operating leases of automobiles.

VIII. TRANSACTIONS WITH GROUP COMPANIES AND OTHER RELATED PARTIES

In compliance with the Company's specific policies, the economic, equity and financial transactions in place with related parties as at 31 December 2017, in accordance with the disclosure required by IAS 24, are shown below. These are transactions implemented as part of the normal course of operations, settled at contractual conditions established by the parties in line with ordinary market practices.

During 2017, transactions with related parties involved the following counterparties:

- Directors, auditors, and executives with strategic responsibilities, with whom only transactions related to the legal relationships regulating the position of the counterparty within the Company;
- Subsidiaries, associated companies, parent companies, and affiliates.

The table below illustrates transactions with related parties:

COMPANY NAME	RECEIVABLES	PAYABLES	REVENUES	COSTS
DEDAGROUP SPA (parent company)	-	348	132	167
DEDAGROUP BUSINESS SOLUTION (affiliate)	18	-	25	-
DEDAGROUP WIZ SRL (affiliate)	-	11	-	10
MD SPA (affiliate)	34	-	41	-
DEDAMEX (affiliate)	-	10	-	10
PITECO NORTH AMERICA (subsidiary)	7,819		153	
total	**7,871**	**369**	**350**	**187**

Transactions of Piteco S.p.A. with subsidiaries, associates, parent companies and affiliates mainly refer to:

- commercial transactions, relating to purchases and sales of services in the Information Technology sector with affiliates in the Dedagroup Group;
- financial transactions, represented by loans disbursed to the US subsidiaries;
- transactions implemented as part of the national tax consolidation, in which the consolidating company is the parent company Dedagroup S.p.A..

All of these transactions, with the exception of those regarding the IRES tax consolidation, for which the rules of law primarily apply, are governed by specific contracts, whose conditions are in line with market conditions, i.e. the conditions that would be applied between independent parties.

Managers with strategic responsibilities include 6 first-level managers. Their compensation, which is not included in the table above, is as follows:

	2017
Salaries and other short-term benefits	879
Post-employment benefits	
Other long-term benefits	
Termination benefits	100
Share-based payments	

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IX. NET FINANCIAL POSITION

The reclassification of the statement of financial position and the breakdown of the net financial position of the Group are shown below.

Reclassified Statement of Financial Position	31/12/2017	31/12/2016	Change
Inventories	103	138	-35
Trade receivables	3,874	4,299	-425
Tax receivables	42	80	-38
Other current assets	220	144	76
(A) Current assets	**4,239**	**4,661**	**-422**
Trade payables	704	840	-136
Tax payables	274	241	33
Other current liabilities	2,434	2,225	209
(B) Current liabilities	**3,412**	**3,306**	**106**
(A-B) Net working capital	**827**	**1,355**	**-528**
Property, plant and equipment	1,316	1,366	-50
Intangible assets	28,751	28,626	125
Equity investments	2,818		2,818
Financial assets		2	-2
Deferred tax assets	366	88	278
(C) Non-current assets	**33,251**	**30,082**	**3,169**
Post-employment benefits (employee severance indemnity)	1,179	1,192	-13
Long-term provisions	46	42	4
Deferred tax liabilities	141	137	4
(D) Non-current liabilities	**1,366**	**1,371**	**-5**
(NWC+C-D) Net invested capital	**32,712**	**30,066**	**2,646**
Issued capital	18,155	18,126	29
Reserves	8,674	6,950	1,724
Retained earnings (Losses carried forward)	2,443	2,443	
Profit (loss) for the year	3,756	4,503	-747
(SE) Total shareholders' equity	**33,028**	**32,022**	**1,006**
Cash and cash equivalents	3,039	10,869	-7,830
Current financial assets	753		753
Current financial liabilities	1,133	1,719	-586
Financial assets	7,011	10	7,001
Non-current financial liabilities	9,354	7,204	2,150
(NFP) Net financial position	**-316**	**-1,956**	**1,640**
(SE+NFP) Total sources	**32,712**	**30,066**	**2,646**

The net financial position at the end of the year ended as at 31 December 2017 was a positive EUR 316 thousand (positive EUR 1,956 thousand as at 31 December 2016). The trend in the NFP is strictly linked to the acquisition of the foreign operations of LendingTools by the US affiliate Juniper Payments, LLC in April 2017. Note that in April, Piteco S.p.A. entered into a medium-term loan agreement with a leading bank, for a nominal value of EUR 7,000 thousand, maturing on 31 December 2022, for the purpose of disbursing an interest-bearing loan to the US affiliate of US 10,000 thousand, with a duration of 10 years, repayable in quarterly instalments. The Company also paid off the mortgage loan with a residual value of EUR 3.5 million, deemed no longer in line with current financial needs, using a portion of available liquidity.

Pursuant to IAS 7 "Statement of cash flows", the changes in liabilities from financing activities are shown below:

Description	31/12/2016	Monetary flow	Non-monetary flow			31/12/2017
			Exchange rate differences	Fair value measurement	Other changes	
Short-term loans	1,719	-586				1,133
Medium/long-term loans	7,204	2,179			-29	9,354
Current financial assets	0	853	-100			753
Financial assets	10	7,932	-931			7,011
Net liabilities from financing activities	**8,913**	**-7,192**	**1,031**	**0**	**-29**	**2,723**
Cash and cash equivalents	10,869	-7,830				3,039
Net financial indebtedness	**-1,956**	**638**	**1,031**	**0**	**-29**	**-316**

X. TREASURY SHARES

During 2017, the Company purchases treasury shares as per the authorisation from the shareholders' meeting, by way of resolution dated 21 November 2017. As at 31 December 2017 the Company held 12,000 treasury shares, equal to 0.0662% of the share capital, for a total value of EUR 62 thousand (equal to the amount reflected in the "Negative reserve for treasury shares on hand", posted as a decrease to shareholders' equity).

XI. SUBSEQUENT EVENTS

There were no significant events occurring subsequent to the end of the year.

XII. SIGNIFICANT, NON-RECURRING, ATYPICAL AND/OR UNUSUAL TRANSACTIONS

As extensively commented on above, in April 2017, Piteco S.p.A. concluded the acquisition of the business unit headed by the US company LendingTools.com Inc., operating in the digital payments and clearing house sector, for around USD 3,500 thousand. Piteco S.p.A. has drawn up consolidated financial statements of the group for the first time this year.

XIII. FEES TO THE BOARD OF DIRECTORS AND BOARD OF STATUTORY AUDITORS

The table shows the fees pertaining to 2017 due to the Directors and the Board of Statutory Auditors. These fees represent the costs incurred and posted to the separate financial statements, net of expense reimbursements and VAT.

Fees due to the Directors

Name and Surname	Position	Period	End of term of Office	Fees (thousands of Euro)
Marco Podini	Chairman of the BoD	01.01.2017-31.12.2017	Approval of the 2017 financial statements	5.0
Paolo Virenti	Chief Executive Officer	01.01.2017-31.12.2017	Approval of the 2017 financial statements	5.0
Gianni Camisa	Director	01.01.2017-31.12.2017	Approval of the 2017 financial statements	5.0
Annamaria Di Ruscio	Director	01.01.2017-31.12.2017	Approval of the 2017 financial statements	5.0

Andrea Guido Guillermaz	Director	01.01.2017-31.12.2017	Approval of the 2017 financial statements	5.0
Riccardo Veneziani	Director	01.01.2017-31.12.2017	Approval of the 2017 financial statements	5.0
Maria Luisa Podini	Director	01.01.2017-31.12.2017	Approval of the 2017 financial statements	5.0
Total				**35.0**

Fees due to the Board of Statutory Auditors

Name and Surname	Position	Period	End of term of Office	Fees (thousands of Euro)
Maurizio Scozzi	Chairman of the Board of Statutory Auditors	01.01.2017-31.12.2017	Approval of the 2017 financial statements	13.0
Marcello Del Prete	Standing Auditor	01.01.2017-31.12.2017	Approval of the 2017 financial statements	10.0
Luigi Salandin	Standing Auditor	01.01.2017-31.12.2017	Approval of the 2017 financial statements	10.0
Claudio Stefanelli	Alternate Auditor	01.01.2017-31.12.2017	Approval of the 2017 financial statements	
Gianandrea Borghi	Alternate Auditor	01.01.2017-31.12.2017	Approval of the 2017 financial statements	
Total				**33.0**

XIV. FEES FOR INDEPENDENT AUDITORS

The table below shows the fees pertaining to 2017 for auditing services and other services provided by the independent auditors and the companies in their network. These fees represent the costs incurred and posted to the separate financial statements, net of expense reimbursements and VAT.

Type of services	Party providing the service	Fees (thousands of Euro)
Auditing of the accounts	Baker Tilly Revisa	5.5
Auditing of the accounts	KPMG	36.0

PROPOSAL FOR RESOLUTION

Dear Shareholders,
We kindly request that you approve your company's Separate Financial Statements as at 31 December 2017, which closed with a profit of EUR 3,755,801. With regard to the proposal to allocate the result reported in the Separate Financial Statements of Piteco S.p.A., the Board of Directors proposes to allocate EUR 188,000 to the legal reserve, EUR 3,567,801 to the extraordinary reserve, and to distribute a dividend, drawn from the extraordinary reserve, of EUR 0.15 per ordinary share with no par value outstanding at the coupon date, excluding treasury shares, and to establish that the dividend will be paid from 25 April 2018, with record date of 24 April 2018.

Milan, 15 March 2018

Chairman of the BoD

Marco Podini