Piteco
FINANCIAL SOFTWARE & CONSULTING

Financial Report
as at 31 December 2018

Financial statements prepared in compliance with the IAS/IFRS standards

- Values in thousands of EUR –

The present document is a translation of the original document in Italian,

which remains the only valid document issued by the company.

The English translation is not an official document but only a reading facility for English-speaking users.

For any official communication of data and concepts, see the official version in Italian.

Piteco
FINANCIAL SOFTWARE & CONSULTING

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Corporate bodies

Board of Directors

(end of term of office - approval of financial statements as at 31 December 2020)

Name and Surname	Position
Marco Podini	Chairman
Paolo Virenti	Chief Executive Officer
Annamaria Di Ruscio (1), (2)	Director
Andrea Guido Guillermaz	Director
Riccardo Veneziani	Director
Maria Luisa Podini	Director
Francesco Mancini (1), (3)	Director

(1) Member of the Remuneration Committee, the Risk Control Committee and the Related Parties Committee
(2) Chairman of the Related Parties Committee;
(3) Chairman of the Risk Control Committee.

Board of Statutory Auditors

(end of term of office - approval of financial statements as at 31 December 2020)

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

Independent Auditors

KPMG S.p.A.

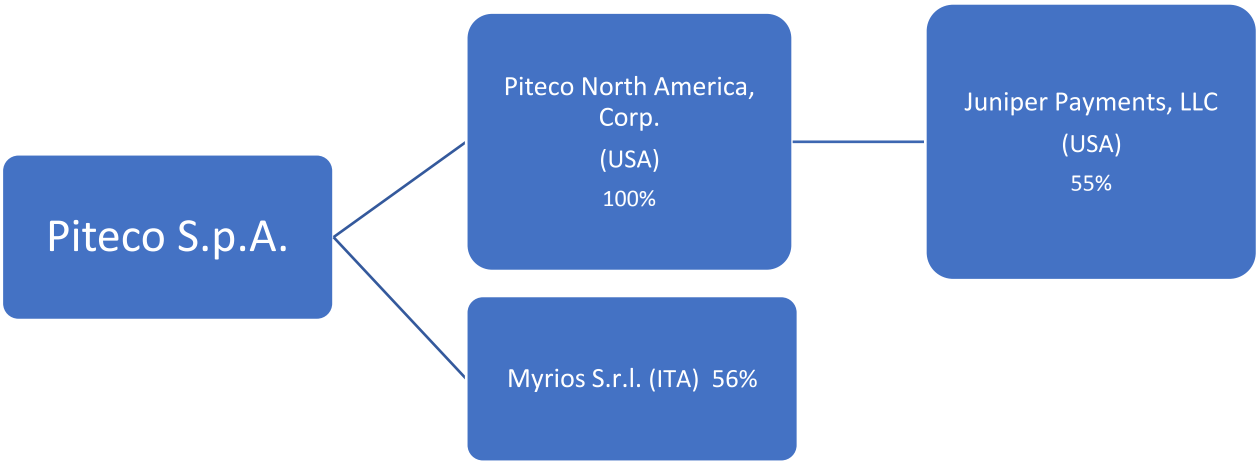
The auditing assignment was granted by the shareholders' meeting of 16 April 2018 for the nine years ending with the approval of the financial statements as at 31 December 2026.

Structure of Group and consolidation perimeter

Situation as at 31 December 2018

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. ("Piteco NA")	USA	10	USD[1]	100%	Piteco S.p.A.	Line-by-line
Juniper Payments, LLC ("Juniper")	USA	3,000	USD	55%[2]	Piteco North America, Corp.	Line-by-line
Myrios S.r.l. ("Myrios")	Italy	50	EUR	56%[3]	Piteco S.p.A.	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 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 and the Put Option reserved for minority shareholders of 40% of the share capital were recorded.

[3] Piteco S.p.A. holds a stake of EUR 28,000 in nominal value, equal to 56% of the share capital of EUR 50,000 acquired on 15 October 2018. For the purposes of these financial statements, the Put Option reserved for minority shareholders of 44% of the share capital was recorded.

The change in the scope of consolidation of the Piteco Group as at 31 December 2018 compared to that as at 31 December 2017 regarded the consolidation of Myrios S.r.l. as a result of the acquisition of 56% of the share capital on 15 October 2018.

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, "Piteco" or the "Parent Company").

The report should be read along with the Financial Statements and the Explanatory Notes, which comprise the Consolidated Financial Statements of the Piteco Group and the Separate Financial Statements of Piteco S.p.A. as at 31 December 2018.

Unless otherwise indicated, all amounts are shown in this Report in thousands of Euro.

LETTER TO SHAREHOLDERS

Dear Shareholders,

In 2018 the significant acquisition of Myrios S.r.l occurred, which takes on a highly strategic value to strengthen the Piteco Group's competitive edge. A business partnership was set up with Myrios S.r.l. in the past, which has resulted in the distribution to large Italian companies over the years of a PITECO - MYRIOS integrated solution that fully covers functional processes in the finance and risk management areas.

The acquisition was carried out directly by Piteco S.p.A., which gained control by acquiring 56% of the share capital of Myrios S.r.l. at a price to be paid in three separate tranches. At the closing on 15 October 2018 Piteco paid a total outlay of EUR 7.7 million. The second and the third tranche of the price are determined according to an earn-out arrangement respectively at the approval of the 2018 and 2019 financial statements, according to a formula that takes into account the amount of average EBITDA of Myrios for the financial years 2018 and 2019 and the EBITDA CAGR. The estimated amount of the earn out as at 31 December 2018 came to EUR 3.5 million. The agreements provide for a put option on the 44% stake in Myrios S.r.l. held by minority shareholders: these have the right to withdraw in the period between the approval of the financial statements of Myrios S.r.l. for the year ended 31 December 2020 and the approval of the financial statements for the year ended 31 December 2024. The total price to be paid to the shareholders of Myrios (in proportion to the percentage of equity held by these) on exercise of the put option shall be calculated on the basis of some financial parameters, such as EBITDA and net financial position, resulting from the most recent financial statements of Myrios S.r.l. approved by the shareholders' meeting at the time the put option is exercised. The estimated price of the option charged to the financial statements closed as at 31 December 2018 came to EUR 9.2 million, and at least 50% of the final price is expected to be paid in exchange for Piteco S.p.A. shares.

The Piteco Group is an important player in the financial software sector, with an ambitious plan for diversification and internationalisation, driven by 3 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 85 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 MTA (Electronic Equity Market) since September 2018.

- 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 for day. It is one of the most extensive US interbank networks.

- MYRIOS S.r.l., an Italian software house active in the design and implementation of high value software solutions for the finance area of banks, insurance companies, manufacturers and the public sector. The Company developed Myrios FM (Financial Modelling), a software solution targeted to both industrial and service companies as well as financial institutions, to support complex processes and calculations in the Treasury, Capital Markets and Risk Management areas.

On 16 April 2018, the shareholders' meeting of Piteco S.p.A. approved the plan for the admission and listing of shares and convertible bonds on the MTA (Electronic Equity Market) organised and managed by Borsa Italiana S.p.A.

The decision of Piteco S.p.A. to apply for its shares and convertible bonds to be traded on the regulated market MTA was mainly based on the following considerations: (i) the listing of the Issuer's shares on a regulated market characterised by many large investors in number and size ensures greater liquidity to the securities and, therefore, greater interest from the market and institutional investors; moreover, (ii) by shifting trading to the MTA, the Company is able to strengthen its relations with strategic partners, as well as to involve other institutional investors, with significant advantages in terms of competitive positioning, encouraging, in a perspective of continued growth, an improved valuation of the Group; lastly, (iii) the entry in a regulated market such as the MTA offers the Group the benefit of increased visibility on the reference markets, in Italy and abroad, with additional advantages in terms of competitive positioning.

The process of listing on the primary market was concluded with attainment of the measure of approval of listing on the MTA market from CONSOB on 21 September 2018 and the start of trading of ordinary shares and convertible bonds on the MTA market on 25 September 2018. Note that up to that date, the Group was listed on the AIM Italia market.

GROUP SITUATION AND PERFORMANCE OF OPERATIONS

The year 2018 closed with profit after tax of EUR 5,265 thousand. Through the tables below, we provide a summary of the economic performance and statement of financial position for company operations in 2018:

Economic analysis

Income Statement	31/12/2018	%	31/12/2017	%	% Change
Revenues	19,374	95.8%	16,374	96.1%	18.3%
Other operating revenues	940	4.7%	707	4.1%	33.0%
Change in assets deriving from contracts	-100	-0.5%	-35	-0.2%	185.7%
Operating revenues	**20,214**	**100.0%**	**17,046**	**100.0%**	**18.6%**
Goods and consumables	306	1.5%	267	1.6%	14.6%
Personnel costs	8,122	40.2%	7,420	43.5%	9.5%
Costs for services and leases and rentals	3,442	17.0%	2,835	16.6%	21.4%
Other operating costs	78	0.4%	67	0.4%	16.4%
Operating costs	**11,948**	**59.1%**	**10,589**	**62.1%**	**12.8%**
EBITDA	**8,266**	40.9%	**6,457**	37.9%	28.0%
Amortisation and depreciation	1,862	9.2%	1,303	7.6%	42.9%
Write-downs and write-backs	5	0.0%	180	1.1%	-97.2%
EBIT	**6,399**	31.7%	**4,974**	29.2%	28.6%
Gains (losses) from transactions in foreign currency	392	1.9%	-1,106	-6.5%	-135.4%
Financial income and charges	-340	-1.7%	-537	-3.2%	-36.7%
Non-recurring income and charges	-719	-3.6%	126	0.7%	
Profit before tax	**5,732**	28.4%	**3,457**	20.3%	65.8%
Income taxes	467	2.3%	72	0.4%	548.6%
Profit (loss) for the year	**5,265**	26.0%	**3,385**	19.9%	55.5%
Profit (loss) pertaining to the Group	**5,265**	26.0%	**3,385**	19.9%	55.5%

During the year ended as at 31 December 2018 Group turnover came to EUR 19,374 thousand, an increase of 18% compared to 31 December 2017. Revenues amounted to EUR 20,214 thousand (+19% compared to 2017). EBITDA was EUR 8,266 thousand (+28% compared to 2017) and its weight on revenues came to 41%.

During the year in question, revenues of Myrios S.r.l. were consolidated only for the period from 15 October (closing date) to 31 December, and had an impact of EUR 833 thousand, contributing with EUR 470 thousand to the EBITDA. On a like-for-like basis, the Group turnover recorded an increase of 13.2% and EBITDA an increase of 20.7%.

During the year, net exchange rate gains of EUR 392 thousand were recognised, of which EUR 376 thousand not realised, deriving from the conversion at current exchange rates of the USD loan made by Piteco S.p.A.

to the subsidiary Piteco North America Corp. That loan is functional to the acquisition of the "LendingTools.com" business unit.

EBIT amounted to EUR 6,399 thousand and its weight on revenues came to 32%. Net Profit amounted to EUR 5,265 thousand and its weight on revenues came to 26%.

The profit for the year was in part penalised by non-recurring charges equal to the costs incurred by Piteco S.p.A. for listing on the MTA and legal and advisory fees relating to the acquisition of control of Myrios S.r.l., for a total of EUR 728 thousand.

Results by operating segment

The results of the "operating segments" are measured by analysing the performance of the EBITDA, 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 EBITDA provides a good indication of the performance as it is not influenced by tax regulations or amortisation and depreciation policies.

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

- Corporate Treasury and Financial Planning ("Corporate Treasury")
- Digital Payments and Clearing House ("Banking")
- IT solutions for Risk Management ("Risk Mng")

Income Statement	31/12/2018				31/12/2017		
	Total	Corporate Treasury	Banking	Risk Mng	Total	Corporate Treasury	Banking
Revenues	19,374	14,090	4,451	833	16,374	13,500	2,874
Other operating revenues	940	738	108	94	707	707	
Change in assets deriving from contracts	-100	-17		-83	-35	-35	
Operating revenues	**20,214**	**14,811**	**4,559**	**844**	**17,046**	**14,172**	**2,874**
Goods and consumables	306	234	13	59	267	264	3
Personnel costs	8,122	6,307	1,564	251	7,420	6,127	1,293
Costs for services and leases and rentals	3,442	2,280	1,101	61	2,835	2,019	816
Other operating costs	78	66	9	3	67	64	3
Operating costs	**11,948**	**8,887**	**2,687**	**374**	**10,589**	**8,474**	**2,115**
EBITDA	**8,266**	**5,924**	**1,872**	**470**	**6,457**	**5,698**	**759**
	41%	**40%**	**41%**	**56%**	**38%**	**40%**	**26%**

In 2018, the EBITDA showed excellent performance for all business segments.

The Corporate Treasury segment achieved an EBITDA of 40%, the Banking segment 41% and Risk Management 56%. All sectors showed improvement on the previous year, which already showed extremely positive results. In 2018, the Banking segment reported its first complete annual figure, because in 2017 it contributed only for 8 months. In 2018, Risk Management contributed for the first time, only for 2.5 months.

Equity and cash flow analysis

Reclassified statement of financial position	31/12/2018	31/12/2017	Change
Assets deriving from contracts	128	103	25
Current receivables	4,680	3,993	687
Current tax assets	28	35	-7
Other short-term receivables	501	241	260
(A) Current assets	**5,337**	**4,372**	**965**
Current payables	673	456	217
Liabilities deriving from contracts	299	212	87
Current tax liabilities	172	294	-122
Other current liabilities	3,216	2,524	692
(B) Current liabilities	**4,360**	**3,486**	**874**
(A-B) Net working capital	**977**	**886**	**91**
Property, plant and machinery	2,098	1,486	612
Goodwill	41,426	28,871	12,555
Other intangible assets	16,875	8,545	8,330
Other non-current financial receivables	23	28	-5
Deferred tax assets	462	418	44
(C) Non-current assets	**60,884**	**39,348**	**21,536**
Employee benefits	1,294	1,179	115
Long-term provisions	50	46	4
Deferred tax liabilities	2,587	141	2,446
(D) Non-current liabilities	**3,931**	**1,366**	**2,565**
(NWC+C-D) Net invested capital	**57,930**	**38,868**	**19,062**
Share Capital	18,155	18,155	
Reserves	5,901	5,933	-32
Retained earnings (Losses carried forward)	1,815	2,443	-628
Profit (loss) for the year	5,265	3,385	1,880
(SE) Total shareholders' equity	**31,136**	**29,916**	**1,220**
Cash and cash equivalents	5,572	5,154	418
Other short-term financial receivables	262		262
Current financial liabilities	6,079	2,325	3,754
Non-current financial liabilities	26,549	11,781	14,768
(NFP) Net financial position	**26,794**	**8,952**	**17,842**
(SE+NFP) Total sources	**57,930**	**38,868**	**19,062**

The consolidated Net Financial Position as at 31 December 2018, including the put option on the minority shares of Juniper Payments, LLC and Myrios S.r.l., was a negative EUR 26,794 thousand (negative EUR 8,952 thousand as at 31 December 2017), with a change of EUR 17,842 thousand mainly due to the effect of the acquisition of Myrios S.r.l. and the payment of dividends (EUR 2,698 thousand), partially offset by the positive cash flow generated during the period. The acquisition of Myrios S.r.l., finalised in October 2018, had a net impact on the financial position of around EUR 18,863 thousand, including the financial liabilities of EUR 12,735 thousand (duly discounted), relating to the earn out on the purchase price of 56% of the share capital and the put option assigned to minority shareholders on the residual 44%.

The Net Financial Position as at 31 December 2018 broke down as follows:

- Cash and banks receivable of EUR 5,572 thousand: the Group's cash and cash equivalents are deposits in EUR and USD.
- Current financial assets of EUR 262 thousand were comprised of loans granted by the subsidiary Piteco NA.
- Short-term financial payables (current financial liabilities) of EUR 6,079 thousand are comprised of the portion of bank borrowings falling due within the year (EUR 1,960 thousand), short-term payables due to other lenders of EUR 13 thousand, the estimated short-term outlay for the earn out for the purchase of the equity investment in Myrios S.r.l. of EUR 2,807 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, of EUR 1,299 thousand.
- Medium/long-term financial payables (non-current financial liabilities), equal to EUR 26,549 thousand, consisted of the medium/long-term portion of the bank loan for EUR 9,685 thousand, the convertible bond listed for EUR 4,657 thousand, the estimated medium/long-term outlay for the earn out for the purchase of the equity investment in Myrios S.r.l for EUR 691 thousand, the medium/long-term payables to other lenders for EUR 4 thousand, the estimated payable for the put option granted to the minority shareholders on the residual 44% in the share capital of Myrios S.r.l. for EUR 9,236 thousand and the estimated payable for the put option granted to the minority shareholders on the residual 40% of the share capital of Juniper for EUR 2,276 thousand.

The consolidated Net Financial Position as at 31 December 2018, excluding the put options described above, was a negative EUR 15,282 thousand (negative EUR 6,525 thousand as at 31 December 2017), with a change of EUR 8,757 thousand mainly due to the effect of the acquisition of Myrios S.r.l. and the payment of dividends (EUR 2,698 thousand), partially offset by the positive cash flow generated during the period.

(NFP) Net financial position without put options	**31/12/2018**	**31/12/2017**	**Change**
Cash and cash equivalents	5,572	5,154	418
Current financial assets	262		262
Current financial liabilities	6,079	2,325	3,754
Non-current financial liabilities	15,037	9,354	5,683
Total	**15,282**	**6,525**	**8,757**

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 2018 and the separate financial statements for 2017.

Return On Equity	31/12/2018	31/12/2017
Profit (loss) pertaining to the Group	5,265	3,385
Shareholders' equity	31,136	29,916
ROE	**16.91%**	**11.32%**

Return On Investments	31/12/2018	31/12/2017
EBIT	6,399	4,974
Net invested capital	57,930	38,868
ROI	**11.05%**	**12.80%**

Return On Sales	31/12/2018	31/12/2017
EBIT	6,399	4,974
Revenues	19,374	16,374
ROS	**33.03%**	**30.38%**

Return On Capital Employed	31/12/2018	31/12/2017
EBIT	6,399	4,974
Total assets - Current liabilities	61,616	43,063
ROCE	**10.39%**	**11.55%**

Debt Equity	31/12/2018	31/12/2017
Net Financial Position	26,794	8,952
Total shareholders' equity	31,136	29,916
Debt Equity	**0.86**	**0.30**

EBITDA NFP	31/12/2018	31/12/2017
Net Financial Position	26,794	8,952
EBITDA	8,266	6,457
EBITDA NFP	**3.24**	**1.39**

Adjusted Debt Equity	31/12/2018	31/12/2017
Net financial position without put options	15,282	6,525
Total shareholders' equity	31,136	29,916
Debt Equity	**0.49**	**0.22**

Adjusted EBITDA NFP	31/12/2018	31/12/2017
Net financial position without put options	15,282	6,525
EBITDA	8,266	6,457
EBITDA NFP	**1.85**	**1.01**

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)
Shareholders' equity and profit (loss) for the year as shown in the Parent Company's separate financial statements	34,042	4,598
Effect of consolidation of financial statements of subsidiaries	-2,906	666
Shareholders' equity and profit (loss) as shown in the Consolidated Financial Statements of the Group	31,136	5,265

BUSINESS POLICY

During 2018 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, as well as integrating services provided by fintech into our solutions.

INVESTMENT POLICY

The investments made in 2018 are illustrated in the table below:

Description	**Amounts**
Investments in intangible assets and goodwill	21,748
Investments in property, plant and equipment	738
Total investments in fixed assets	**22,486**

The investments made in 2018 were mainly related to the acquisition of the controlling stake in Myrios S.r.l. On the whole, in recording the business combination, the purchase price paid, including the put option granted to the minority shareholders, amounted to EUR 20,394 thousand allocated to residual Goodwill following the allocation of EUR 3,710 thousand to software and EUR 2,935 to the customer list. For more details on the purchase price paid, refer to the specific table in the explanatory notes in this financial report.

During 2018 the operational headquarters of Juniper Payments, LLC in Wichita, Kansas, USA was also purchased, which entailed an outlay of around USD 790,000, including the furniture and furnishings.

RESEARCH AND DEVELOPMENT

Research and development is conducted for the purpose:

- of developing new products in the treasury, corporate finance and digital banking sectors;
- of improving the quality of products already offered;
- of reducing the cost of production of products;
- of consolidating know-how in the services offered.

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 subsidiary Juniper Payments, LLC, with the operations acquired from LendingTools, is in a good position to handle competition, boasting extensive experience in the sector.

Risk linked to demand/macroeconomic cycle

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 EUR, 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 and managing this risk. In 2018, 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, a loan taken out in October 2018 for an additional EUR 7 million, expiring on 31 March 2025, and a convertible bond issued at the time of listing on the AIM market, maturing on 31 July 2020, with a nominal value of around EUR 5 thousand. As at 31 December 2018, the residual nominal amount of the loans was EUR 11,754 thousand.

As at 31 December 2018, the Group has no short-term credit lines aside from its cash and cash equivalents of EUR 5,572 thousand.

Group financial risk management objectives and policies

As mentioned, 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

With regard to the risk of potential losses deriving from breach of obligations undertaken by the various counterparties it operates with, the Group has set up suitable 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 understand 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 understand 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

On 25 February 2019 Myrios Switzerland S.A. was established in Geneva, with capital 100% subscribed and paid in by Myrios S.r.l. for an amount of CHF 100,000.

The company was established for the purpose of facilitating and accelerating the access to the large European corporate market, offering our software solutions for treasury management, digital payment and financial risk management.

BUSINESS OUTLOOK

For 2019 results are expected to generally improve, both in terms of volumes and profitability for all Group companies. During the year, PITECO's services and solutions will be integrated with MYRIOS' services and solutions, in order to present, especially on Corporate market, an increasingly integrated, high performing product offer unique in the panorama of Italian software solutions for corporate treasury and finance. The year will also see a positive impact from the line-by-line consolidation of the results of MYRIOS S.r.l., acquired in October 2018.

TRANSACTIONS WITH ASSOCIATES, PARENT COMPANIES AND AFFILIATES

During 2018, 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 2018.

COMPANY NAME	RECEIVABLES	PAYABLES	REVENUES	COSTS
	79			215
Dedagroup S.p.A. (parent company)		155	213	

Dedagroup Business Solution S.r.l. (affiliate)	42		19	
Dedagroup Wiz S.r.l. (affiliate)				3
MD S.p.A. (affiliate)	26		68	
Total	**146**	**155**	**300**	**218**

Transactions of Piteco S.p.A. with 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., with regard to which the Group had a payable of EUR 136 thousand as at 31 December 2018.

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.

TREASURY SHARES

During 2018, 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 2018 the Group held 189,500 treasury shares, equal to 1.045% of the share capital, for a total value of EUR 933 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 2018 came to 114 resources, compared to 103 as at 31 December 2017, a total increase of 11 resources attributable to the changes in scope occurring during the year.

Personnel	31/12/2018	31/12/2017	Average for the period
Executives	7	6	7
Middle Managers	27	26	27
Office Workers	60	52	56
Factory Workers			
Other (Juniper Payments, LLC)	20	19	19
Total	**114**	**103**	**108**

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.

OTHER INFORMATION

Pursuant to Art. 2428 of the Italian Civil Code, it is specified that new branches have not been established.

It is also noted that the Group does not fall within the scope of application of Italian Legislative Decree no. 254 of 30 December 2016.

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Consolidated Financial Statements as at 31 December 2018

STATEMENT OF FINANCIAL POSITION

(values in thousands of Euro)

Assets	Notes	31/12/2018	Of which related parties	31/12/2017	Of which related parties	Change
Non-current assets						
Property, plant and machinery	**1**					
Land and buildings	1	1,819		1,274		545
Plant and machinery	1	5		7		-2
Other assets	1	274		205		69
Total Property, plant and machinery		**2,098**		**1,486**		**612**
Goodwill	**2**	**41,426**		**28,871**		**12,555**
Other intangible assets	**3**					
Concessions, licences and trademarks	3	12,650		8,474		4,176
Other intangible assets	3	4,068		71		3,997
Intangible assets under construction	3	157				157
Total Other intangible assets		**16,875**		**8,545**		**8,330**
Deferred tax assets	**4**	**462**		**418**		**44**
Other non-current financial receivables	**5**					
Other non-current assets	5	23		28		-5
Total Other non-current financial receivables		**23**		**28**		**-5**
Total Non-current assets		**60,884**		**39,348**		**21,536**
Current assets						
Assets deriving from contracts	**6**					
Assets deriving from contracts	6	128		103		25
Total Assets deriving from contracts		**128**		**103**		**25**
Current receivables	**7**					
Trade receivables	7	4,533		3,941		592
Receivables due from parent companies, affiliates and associates	7	147	147	52	52	95
Total Current receivables		**4,680**		**3,993**		**687**
Other short-term receivables	**8**	**501**		**241**		**260**
Current tax assets	**9**	**28**		**35**		**-7**
Other current loans	10	262				262
Total Other short-term financial receivables		**262**				**262**
Cash and cash equivalents	**11**	**5,572**		**5,154**		**418**
Total Current assets		**11,171**		**9,526**		**1,645**
Total assets		**72,055**		**48,874**		**23,181**

Shareholders' equity and liabilities	Notes	31/12/2018	Of which related parties	31/12/2017	Of which related parties	Change
Shareholders' equity	**12**					
Group shareholders' equity	**12**					
Share Capital	12	18,155		18,155		
Share premium reserve	12	5,924		5,924		
Negative reserve for treasury shares on hand	12	-933		-62		-871
Other reserves	12	910		71		839
Of which effect of conversion of Shareholders' Equity	*12*	*-557*		*-314*		*-243*
Retained earnings (Losses carried forward)	12	1,815		2,443		-628
Profit (loss) for the year	12	5,265		3,385		1,880
Group shareholders' equity		**31,136**		**29,916**		**1,220**
Total Shareholders' equity		**31,136**		**29,916**		**1,220**
Non-current liabilities						
Non-current financial liabilities	**13**					
Long-term bank borrowings	13	9,685		4,696		4,989
Other non-current loans	13	5,352		4,658		694
Total Non-current financial liabilities		**15,037**		**9,354**		**5,683**
Long-term derivative financial instruments	**14**	**11,512**		**2,427**		**9,085**
Deferred tax liabilities	**15**	**2,587**		**141**		**2,446**
Employee benefits	**16**	**1,294**		**1,179**		**115**
Long-term provisions	**17**	**50**		**46**		**4**
Total Non-current liabilities		**30,480**		**13,147**		**17,333**
Current liabilities						
Current payables	**18**					
Trade payables	18	656		377		279
Payables due to parent companies, affiliates and associates	18	17	17	79	79	-62
Total Current payables		**673**		**456**		**217**
Liabilities deriving from contracts	**19**	**299**		**212**		**87**
Other current payables	**20**	**3,216**		**2,524**		**692**
Current tax liabilities	**21**	**172**	**138**	**294**	**290**	**-122**
Current financial liabilities	**22**					
Current bank borrowings	22	1,960		1,133		827
Other current loans and financial payables	22	4,119		1,192		2,927
Total Current financial liabilities		**6,079**		**2,325**		**3,754**
Total Current liabilities		**10,439**		**5,811**		**4,628**
Total Shareholders' equity and liabilities		**72,055**		**48,874**		**23,181**

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INCOME STATEMENT

(values in thousands of Euro)

Income Statement	Notes	31/12/2018	Of which related parties	31/12/2017	Of which related parties	Change
Revenues	**23**	**19,374**	**300**	**16,374**	**197**	**3,000**
Other operating revenues	**24**	**940**		**707**		**233**
Changes in assets deriving from contracts	25	-100		-35		-65
Change in assets deriving from contracts	**25**	**-100**		**-35**		**-65**
Operating revenues		**20,214**		**17,046**		**3,168**
Goods and consumables	26	306	101	267	86	39
Goods and consumables	**26**	**306**		**267**		**39**
Personnel costs	**27**	**8,122**		**7,420**		**702**
Costs for services	28	3,770	27	2,597	45	1,173
Leases and rentals	28	400	90	446	36	-46
Costs for services and leases and rentals		**4,170**		**3,043**		**1,127**
Other operating costs	**29**	**83**		**247**		**-164**
Operating costs		**12,681**		**10,977**		**1,704**
EBITDA		**7,533**		**6,069**		**1,464**
Depreciation of property, plant and equipment	30	162		113		49
Amortisation of intangible assets	30	1,700		1,190		510
Amortisation and depreciation	**30**	**1,862**		**1,303**		**559**
EBIT		**5,671**		**4,766**		**905**
Gains (losses) from transactions in foreign currency	**31**	**392**	**0**	**-1,106**	**0**	**1,498**
Revenues from other financial investments	32	3				3
Other financial revenues	32	301		23		278
Financial revenues	**32**	**304**		**23**		**281**
Financial charges	**33**	**644**		**560**		**84**
Financial income and charges		**-340**		**-537**		**197**
Profit before tax		**5,723**		**3,123**		**2,600**
Income taxes	**34**	**458**		**-262**		**720**
Profit (loss) for the year		**5,265**		**3,385**		**1,880**
Profit (loss) pertaining to the Group		**5,265**		**3,385**		**1,880**

OTHER COMPONENTS OF COMPREHENSIVE INCOME

(values in thousands of Euro)

Other components of comprehensive income	Notes	31/12/2018	31/12/2017	Change
Profit (loss) pertaining to the Group		**5,265**	**3,385**	**1,880**
Other comprehensive income (loss) that will not be subsequently reclassified under profit (loss)				
Actuarial gains/losses on employee benefits	16	36	1	35
Taxes on actuarial gains/losses on employee benefits	16	-9		-9
Other comprehensive income (loss) that will be subsequently reclassified under profit (loss)				
Net gains (losses) on conversion of foreign subsidiaries	12	-243	-314	71
Total comprehensive income (loss)		**5,049**	**3,072**	**1,977**

Base earnings per share

Description	31/12/2018	31/12/2017
Net profit attributable to shareholders	**5,265**	**3,385**
Number of outstanding ordinary shares at the beginning of the year	18,120,500	18,125,500
- reduction of share capital	177,500	12,000
- increase in share capital		7,000
Number of outstanding ordinary shares at the end of the year	17,943,000	18,120,500
Weighted average number of outstanding shares	17,987,292	18,126,167
Base earnings per share in EUR	**0.2927**	**0.1867**
Diluted earnings per share in EUR	**0.2927**	**0.1923**

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STATEMENT OF CASH FLOWS

(values in thousands of Euro)

Statement of cash flows	31/12/2018	31/12/2017
Operating activity		
Profit (loss) for the year	**5,265**	**3,385**
Adjustments for:		
Financial loss (income)	338	537
Current income taxes	426	68
Deferred tax liabilities (assets)	31	-330
Amortisation and depreciation	1,862	1,302
Losses/(gains) on disposal of assets	-2	
Increase in fixed assets for internal projects	-607	-359
Cash flows from operating activity before changes in working capital	**7,315**	**4,603**
(Increases)/decreases in assets deriving from contracts	64	35
(Increases)/decreases in trade receivables and other receivables	-357	217
Increases/(decreases) in trade payables and other liabilities	212	206
Increases/(decreases) in provisions for risks and charges	4	4
Increases/(decreases) in employee benefits	11	-13
Increases/(decreases) in tax liabilities (assets)	-14	2
Increases/(decreases) in current tax liabilities (assets)	-11	135
Financial income collected	305	23
Financial charges paid	-640	-561
Income taxes paid	-648	-187
Net cash and cash equivalents deriving from operating activity	**6,239**	**4,464**
Investment activity		
(Increases) in fixed assets:		
- Property, plant and equipment	-739	-231
- Intangible assets	-19	-9,577
- Financial assets	-261	-20
Decreases due to disposal of fixed assets:		
- Property, plant and equipment	2	1
- Intangible assets		3
Business combination purchase price	-9,626	
Net cash and cash equivalents used in investment activity	**-10,642**	**-9,824**
Financial assets		
Increases/(decreases) in financial payables	9,260	2,784
of which:		
- New disbursements	11,637	8,297
- Repayments	-2,378	-5,513
Increases/(decreases) in minority equity interest		
Dividends distributed	-2,698	-2,719
(Purchase)/Sale of treasury shares	-871	-61
Conversion exchange rate differences	-612	-314
Other changes in Shareholders' equity	-257	
Net cash and cash equivalents used in investment activity	**4,822**	**-357**
Increases/(decreases) in cash and cash equivalents	**419**	**-5,717**
Cash and cash equivalents at the beginning of the year	**5,153**	**10,870**
Cash and cash equivalents at the end of the year	**5,572**	**5,153**

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CHANGES IN SHAREHOLDERS' EQUITY

Changes	CAPITAL PAID-IN	SHARE PREMIUM RESERVE	NEGATIVE RESERVE FOR TREASURY SHARES	LEGAL RESERV E	EXTRAORDIN ARY RESERVE	IAS RESERVE	LISTING RESERVE	CONVERTIBLE BONDS (COMPONENT OF SHAREHOLDERS' EQUITY)	RESERV E FOR PUT OPTION ON NCI	RESERVE ON EMPLOYEE BENEFITS	CONVERSION RESERVE	RETAINE D EARNIN GS (LOSSES CARRIED FORWAR D)	PROFIT (LOSS) FOR THE YEAR	GROUP SHAREHOLD ERS' EQUITY
VALUE AS AT 31 DECEMBER 2016	**18,126**	**5,924**		**211**	**1,786**	**(59)**	**(963)**	**98**	**0**	**(47)**	**0**	**2,443**	**4,503**	**32,022**
Net profit for 2017													3,385	3,385
Actuarial gains (losses) of defined benefit plans net of taxes										1				1
Conversion differences											(314)			(314)
TOTAL STATEMENT OF COMPREHENSIVE INCOME								**0**		**1**	**(314)**	**0**	**3,385**	**3,071**
Allocation of 2016 profits				225	4,278								(4,503)	0
Conversion of bonds	29													29
Purchase of treasury shares			(62)											(62)
Distribution of dividends					(2,719)									(2,719)
Other changes									(2,427)					(2,427)
VALUE AS AT 31 DECEMBER 2017	**18,155**	**5,924**	**(62)**	**436**	**3,346**	**(59)**	**(963)**	**98**	**(2,427)**	**(46)**	**(314)**	**2,443**	**3,385**	**29,915**
Net profit for 2018													5,265	5,265
Actuarial gains (losses) of defined benefit plans net of taxes										27				27
Conversion differences											(243)			(243)
TOTAL STATEMENT OF COMPREHENSIVE INCOME										**27**	**(243)**		**5,265**	**5,049**

Allocation of 2017 profits				188	3,568							(371)	(3,385)	0
Purchase of treasury shares			(871)											(871)
Purchase of own bonds		1						(4)						(3)
Distribution of dividends					(2,698)									(2,698)
Other changes												(257)		(257)
VALUE AS AT 31 DECEMBER 2018	**18,155**	**5,924**	**(933)**	**624**	**4,216**	**(59)**	**(963)**	**95**	**(2,427)**	**(19)**	**(557)**	**1,815**	**5,265**	**31,137**

Explanatory notes to the consolidated financial statements of the period ended as at 31 December 2018

I. GENERAL INFORMATION

The parent company Piteco S.p.A. (hereinafter, also the "Parent Company" or "Piteco") is a joint-stock company incorporated in Italy, with registered office in Via Mercalli 16, 20122 MILAN, which operates primarily in the information technology sector, as a producer of specific software for business treasury and finance. The ordinary shares and convertible bonds of Piteco S.p.A. have been listed on the MTA (Electronic Equity Market) of Borsa Italiana since 25 September 2018 (on the AIM market up to that date). The company is recorded in the Milan Register of Companies with Economic and Administrative Repertoire no. 1726096.

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 these consolidated financial statements for the period ended 31 December 2018 including the financial statements of the parent company and its subsidiaries (hereinafter, also the "Piteco Group" or the "Group").

The publication of these consolidated financial statements was authorised by resolution of the Company's Board of Directors of 25 March 2019.

These consolidated financial statements are expressed in Euro, the functional currency of the Parent Company. Where not otherwise indicated, all the amounts expressed in Euro are rounded up to the thousands.

II. PREPARATION CRITERIA AND COMPLIANCE WITH IAS/IFRS

General principles

These consolidated financial statements as at 31 December 2018, prepared in compliance with Art. 154-ter of the Consolidated Law on Finance, as amended, have been drawn up 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.) and in compliance with the accounting standards adopted for the consolidated financial statements as at 31 December 2017.

These are the first financial statements in which the Group has applied *IFRS 15 - Revenue from Contracts with Customers* and *IFRS 9 - Financial Instruments.* The significant changes in accounting standards for the Group and their effects are described in Chapter V of this report.

These consolidated financial statements include 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.

It is also noted that these financial statements were drawn up based on the assumption that the company is a going concern.

Use of estimates and measurements

In drawing up the consolidated financial statements in compliance with the IFRSs, the company management must formulate measurements, estimates and assumptions that influence the application of the accounting standards and the amounts of assets, liabilities, costs and revenues recognised in the financial statements. The estimates and related assumptions are based on previous experience and on other factors considered reasonable in this case, and have been adopted to estimate the carrying amounts of assets and liabilities that cannot be easily taken from other sources. Nonetheless, as these are estimates, the actual results may differ from those estimated due to the uncertainty that characterises assumptions and the conditions on which the estimates are based.

Those estimates and assumptions are regularly revised. Any changes deriving from the revision of accounting estimates are recognised in the period in which the revision is carried out and in the related future periods.

Specifically, the information on areas of greater uncertainty in formulating estimates and measurements that have a significant effect on the amounts recognised in the financial statements is provided in the following notes:

- ✓ Notes **1 and 3** - Measurement of amortisation and depreciation of fixed assets;
- ✓ Note **2** - Measurement of recoverable values of cash flow generating units that contain goodwill;
- ✓ Note **4** - Measurement of the recoverability of deferred tax assets;
- ✓ Note **14** – Fair value measurement of the assets acquired and liabilities assumed in acquisitions of a subsidiary;
- ✓ Note **16** - Measurement of obligations for defined benefit plans for employees;
- ✓ Note **17** - Measurement of allocations to provisions.

In addition, some assessments, in particular those more complex, such as the assessment of the existence of impairment for non-current assets, are usually carried out in full only during the preparation of the annual financial statements, when all necessary information is available, unless there are indications of impairment that require an immediate assessment.

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 consolidated statement of financial position is drawn up according to the layout that divides assets and liabilities into “current” and “non-current”.
  An asset/liability is classified as current when it meets one of the following criteria:

(i) it is expected to be realised/paid off or sold or used in the normal operating cycle of the Group;
(ii) it is held primarily for trading;
(iii) it is expected to be realised/paid off within 12 months from the reporting date;
(iv) it refers to cash and cash equivalents, unless it is not permitted to be traded or used to pay off a liability for at least 12 months from the reporting date;
(v) the entity does not have an unconditional right to defer the settlement of the liability for at least 12 months from the reporting date.

Lacking the above conditions, the assets/liabilities are classified as non-current.

- the consolidated income statement was drawn up based on the nature of the expenses, a form deemed more representative than the "presentation by purpose';
- the consolidated statement of comprehensive income includes the profit (loss) for the year, the charges and income recognised directly in shareholders' equity generated by transactions other than those with shareholders;
- the consolidated statement of changes in shareholders' equity includes, in addition to the income (loss) from the comprehensive statement of income, also transactions carried out directly with shareholders that acted in that role, and the details of each single component;
- the consolidated statement of cash flows was drawn up applying the indirect method, by means of which the profit (loss) for the year is adjusted for the effects of non-monetary transactions, any deferrals or allocations of previous or future collections or payments connected with operating activities and cost and revenue elements connected with cash flows deriving from investment or financing activities.

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

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 in recognising 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. 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. Moreover, as the Group has adopted the Anticipated Acquisition Method in acquiring subsidiaries, it does not recognise minority interests, as it considers the subsidiaries as 100%-owned.
e) 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.
f) 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

These consolidated financial statements as at 31 December 2018 include the financial statements of the parent company Piteco S.p.A. and the financial statements drawn up at the same date 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.

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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 2018, which changed as compared to the previous year due to the acquisition of Myrios S.r.l., is shown in the table below, indicating the consolidation method.

Company Name	Registered Office	Share Capital	currency	% Ownership	held by	Type of consolidation
Piteco North America, Corp.	USA	10	USD[4]	100%	Piteco S.p.A.	Line-by-line
Juniper Payments, LLC	USA	3,000	USD	55%[5]	Piteco North America, Corp.	Line-by-line
Myrios S.r.l.	Italy	50	EUR	56%[6]	Piteco S.p.A.	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 Conversion 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.

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

[5] 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 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 and the Put Option reserved for minority shareholders of 40% of the share capital were recorded.

[6] Piteco S.p.A. holds a stake of EUR 28,000, equal to 56% of the share capital of EUR 50,000 of Myrios S.r.l., acquired on 15 October 2018. For the purposes of these financial statements, the put option reserved for minority shareholders on the residual 44% of the share capital was recorded.

Currency	Exchange rate as at 31 December 2018 (*)	Average exchange rate FY 2018 (*)	Exchange rate as at 31 December 2017 (*)	Average exchange rate FY 2017 (*)
USD - US dollar	1.15	1.18	1.2	1.15

(*) Source: Bank of Italy

IV. INFORMATION REGARDING IFRS 3

On 15 October 2018 the acquisition of a controlling stake, equal to 56% of the capital, of Myrios S.r.l. was finalised, for a total value of around EUR 11,134 thousand, including the price adjustment (earn-out) set out in the contract and based on the results of financial years 2018-2019. A put option is set out in the contract on the interests of minority shareholders, expiring in 2025.

The operation is a business combination, recognised in compliance with IFRS 3 “Business Combinations”. To that end, at the date of acquisition of control, the single assets acquired and liabilities assumed were recognised at their fair value, as provisional accounting separate from goodwill.

At the acquisition date, based on contractual terms governing the exercise of the put option on the interests of minority shareholders (equal to 44%), the transaction was recorded as if Piteco had acquired 100% control of Myrios, without, therefore, recognising minority interests.

The present value of the payments expected in the event the options are exercised was included in the determination of the consideration for the business combination (around EUR 9,260 thousand as at 15 October 2018).

The measurement of the equity investment 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. Moreover, no significant changes are expected. The value attributed to the assets acquired and the liabilities assumed was determined by the Parent Company's Management with the support of an external expert.

The table below summarises the fair value at the acquisition date of the main components of the consideration transferred, in addition to the assets acquired and liabilities assumed at that date:

	Values EUR/1000
Property, plant and equipment	30
Intangible assets	9,037
Other non-current assets	5
Current assets	2,205
Total assets	**11,276**
Non-current liabilities	2,521

Current liabilities	916
Total liabilities	**3,437**
Fair value of the assets acquired	7,840
% pertaining to Piteco S.p.A. 100%	
Total cost of the acquisition	20,394
Goodwill deriving from the acquisition	12,554
Cash and cash equivalents acquired	1,519
Financial liabilities acquired	-12
Effective cash outlay	**18,887**

The total cost of the acquisition includes the price paid at the closing on 15 October 2018, equal to EUR 7,720 thousand, the earn-out envisaged in the contract, equal to EUR 3,413 thousand (which equals the discounted fair value at the closing date) and the put option contractually granted to the minority shareholders on the residual 44% of the capital of Myrios S.r.l., of EUR 9,260 thousand. The latter will be paid at least 50% in Piteco S.p.A. shares.

Goodwill (EUR 12,554 thousand) was determined as the difference between the fair value of the consideration, including the financial component relating to the put option on the minority interests and the fair value of the net assets acquired.

Starting from the acquisition date, the contribution of Myrios S.r.l. to the consolidated net profit amounted to around EUR 470 thousand. With regard to revenues, the contribution amounted to EUR 833 thousand.

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

With the exception of that illustrated below, these consolidated financial statements have been prepared using the same accounting standards applied by the Group to the consolidated financial statements for the year ended as at 31 December 2017.

CHANGES IN ACCOUNTING STANDARDS

The Group adopted IFRS 15 "*Revenue from Contracts with Customers*" and IFRS 9 "*Financial Instruments*" starting on 1 January 2018, which had no significant effects on the consolidated financial statements of the Group.

An in-depth description of these newly applied standards is provided below.

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. The standard replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the corresponding interpretations. 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.*

Under IFRS 15, therefore, revenue is recognised when the customer obtains the control of the good or service. The identification of the moment in which the transfer of the control takes place - at a given moment or over time - requires an assessment by the management. On first-time adoption, Piteco decided to apply the new standard retroactively, with cumulative effect as at 1 January 2018. This method consists in the recognition of the cumulative effect of the first application of the new standard on the opening shareholders' equity, without restatement of the comparison period. The Group has chosen to apply the new standard retroactively only to the supply contracts of software products and services that had not been completed at the time of the first application.

More information on the significant new accounting standards and on the nature of the changes to the previous accounting standards, with reference to the various goods and services of the Group.

Effects of first application

The effects of first application IFRS 15 were determined by a limited number of contracts for which the recognition of revenue over time was modified based on the time that the related performance obligation was fulfilled. We provide below a summary of the effects of the first application of the new standard, indicating the contra-entry of the "cumulative catch-up adjustment" recognised on the opening balances.

Items of financial statements	*Amount in thousands of Euro*
Assets deriving from initial contracts	35
Accounts from customers (deferred revenue)	(95)
Deferred tax assets	17
Profits carried forward – effect as at 1 January 2018	(43)

The table below summarises the effects of the application of IFRS 15 on the single relevant items of the statement of financial position as at 31 December 2018 and the income statement and statement of comprehensive income of the Group for the period ended as at 31 December 2018.

Impacts of IFRS 15	**FY 2018 published**	**Impacts of IFRS 15**	**FY 2018 restated**
Revenues from sales	19,374	-95	19,280
Changes in inventories	-100	-35	-135
Operating revenues	**20,214**	**-130**	**20,085**
Deferred tax assets	-25	-17	-42
Total taxes	**458**	**-17**	**441**

IFRS 9 "Financial Instruments"

IFRS 9 introduces new provisions for the recognition and measurement of financial assets, financial liabilities and certain contracts to buy or sell non-financial items. The standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 substantially retains the provisions of IAS 39 for classifying and measuring financial liabilities. Conversely, for financial assets, the new standard eliminates the categories set out in IAS 39, i.e., held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 does not have significant effects on the measurement criteria applied by the Group to financial liabilities and derivative financial instruments. The effects of IFRS 9 on the classification and measurement of financial assets are described below.

According to IFRS 9, on initial recognition, a financial asset is classified based on its measurement: 'at amortised cost', 'at fair value through other comprehensive income' or 'at fair value through profit and loss'. The classification set out in the standard is usually based on the entity's business model for managing financial assets and the characteristics of the contractual cash flows of the financial asset. Embedded derivatives in contracts where the primary element is a financial asset that falls within the scope of application of the standard must never be separated. Instead, the hybrid instrument is examined as a whole for the purposes of its classification.

The table below illustrates the original measurement categories set out in IAS 39 and those introduced by IFRS 9 for each type of financial asset of the Group as at 1 January 2018.

In thousands of Euro	**Original classification compliant with IAS 39**	**New classification compliant with IAS 9**	**Original carrying amount compliant with IAS 39**	**Carrying amount compliant with IAS 9**
Financial assets				
Trade receivables and other receivables	Loans and receivables	Amortised cost	5,443	5,443
Cash and cash equivalents	Loans and receivables	Amortised cost	5,572	5,572
Total financial assets			**9,513**	**9,513**
Financial liabilities				
Bank borrowings	Other financial liabilities	Other financial liabilities	11,645	11,645
Convertible bond	Other financial liabilities	Other financial liabilities	4,657	4,657
Trade payables and other payables	Other financial liabilities	Other financial liabilities	3,889	3,889

Total financial liabilities	**20,191**	**20,191**

IFRS 9 replaces the incurred loss model set out in IAS 39 with an expected credit loss (ECL) forecast model. The new impairment loss model applies to financial assets measured at amortised cost and assets deriving from contracts. Pursuant to IFRS 9, credit losses are recognised earlier than based on IAS 39, as, according to the new model, it is no longer necessary that the impairment trigger that gives rise to the credit loss occur in order to recognise that loss in the financial statements. It is required that the future expected loss of the financial instrument be immediately recognised (right from the date of initial recognition), using past and present data, as well as forward-looking information.

Financial assets measured at amortised cost include trade receivables, financial receivables and cash and cash equivalents.

IFRS 9 substantially retains the provisions of IAS 39 for classification and measurement of financial liabilities: as a result, financial liabilities must be measured at FVTPL (typically in the case of derivatives, financial liabilities held for trading and financial liabilities for put options on minority interests and for potential considerations arising as part of a business combination) or at amortised cost (separating out any embedded derivatives, which must be measured at FVTPL).

The standard was applied from 1 January 2018. The adoption of this standard did not have a significant impact on the amounts and information provided in the Consolidated Financial Statements of the Group.

NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, WHICH ARE APPLICABLE FROM FY 2018

The accounting standards and interpretations endorsed by the European Union during 2018, whose early application is permitted, are listed and summarised below. Nonetheless, the Group has decided against early adoption in preparing these Consolidated Financial Statements.

The Group provides an update below on the information provided in the last annual financial statements relating to standards published but not yet adopted which could have a significant effect on the consolidated financial statements of the Group.

IFRS 16 "Leases"

IFRS 16 replaces the current provisions on leases, including IAS 17 "*Leases*", IFRIC 4 "*Determining Whether an Arrangement Contains a Lease*", SIC-15 "*Operating Leases — Incentives*" and SIC-27 "*Evaluating the Substance of Transactions in the Legal Form of a Lease*".

IFRS 16 applies starting from financial years beginning on or after 1 January 2019. Early adoption is permitted.

IFRS 16 introduces a single model for recognising leases in lessees' financial statements, according to which the lessee recognises an asset representing the right to use the underlying asset and a liability that reflects the payment obligations for the lease rentals. Exemptions from applying IFRS 16 are provided for short-term leases and leases of assets with low value. The recognition methods for the lessor remain similar to those set out in the standard currently in force, i.e., the lessor continues to classify leases as operating or financial leases.

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 EBITDA.

The Group has completed a preliminary analysis of the potential effects on the consolidated financial statements, but has not yet completed a more detailed analysis. The actual impacts of the application of IFRS 16 on the financial statement for the period of first-time application will depend on the future economic conditions, including the lending rate at 1 January 2019, the composition of the Group's lease portfolio at that date, a more recent assessment by the Group of whether to exercise any options to renew leases and the extent to which the Group may decide to implement practical shortcuts and exemptions.

Currently, the most significant effect identified consists of the recognition by the Group of new assets and liabilities for operating leases on structures where the administrative offices are located and for the medium/long-term rental of automobiles of the parent company Piteco S.p.A. Moreover, considering that as at 31 December 2018, the minimum future payments for irrevocable operating leases relating to buildings amounted to € 123 thousand and those relating to rented cars to € 300 thousand, (on a non-discounted basis) no significant effects are expected.

Moreover, the nature of the costs relating to those leases will change when IFRS 16 replaces recognition on a straight-line basis of costs for operating leases with the amortisation of assets for the right of use and the financial charges on lease liabilities.

No significant impacts are expected on the financial leases of the Group.

OTHER STANDARDS

Even though the following documents are applicable from FY 2018, they had no impacts on the financial statements for the year ended as at 31 December 2018 in terms of disclosure or changes to accounting standards in relation to the previous year, as they mainly refer to issues not applicable to the Group:

- ✓ Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)
- ✓ Improvements to the IFRSs (2014-2016 Cycle) – Amendments to IFRS 1 and IAS 28
- ✓ Classification and Measurement of Share-Based Payment Transactions (Amendments to IFRS 2)
- ✓ Change in use of investment property (Amendments to IAS 40)

- ✓ IFRIC 22 Interpretation – Foreign Currency Transactions and Advance Consideration

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED BY THE COMPANY, AS TO BE APPLIED IN FUTURE.

The following new accounting standards, amendments and interpretations will be required to be applied following 31 December 2018 (entry into force in parenthesis).

Documents already endorsed by the European Union, not subject to early adoption by the Company

- ✓ Prepayment Features with Negative Compensation (Amendments to IFRS 9) - (1 January 2019)
- ✓ IFRIC 23 Interpretation – Uncertainty over Income Tax Treatments - (1 January 2019)
- ✓ Long-Term Interests in Associates and Joint Ventures (Amendments to IAS 28) - (1 January 2019)
- ✓ Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) - (1 January 2019)
- ✓ Improvements to the IFRSs - 2015-2017 Cycle (Amendments to IFRS 3/IFRS 11; IAS 12 and IAS 23) – (1 January 2019)

Documents not yet endorsed by the European Union

- ✓ Amendments to references to the Conceptual Framework in IFRS Standards - (1 January 2020)
- ✓ Definition of business (Amendments to IFRS 3) - (1 January 2020)
- ✓ Definition of material (Amendments to IAS 1 and IAS 8) - (1 January 2020)
- ✓ IFRS 17 – Insurance Contracts - (1 January 2021)

Based on the types of cases to which said new documents apply and the preliminary analyses by the Group, it is deemed that the retroactive application of those documents, where requested, will not have significant impacts on the financial statement data.

VI. MAIN MEASUREMENT CRITERIA

The accounting standards described below were applied in a homogeneous manner for all periods included in these consolidated financial statements.

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 relative assets, periodically revised if necessary. The useful life estimated 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 are 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 above 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. Subsequent costs are capitalised only when they increase the expected future economic benefits attributable to the asset to which they refer. All other subsequent costs are posted to profit/(loss) for the year in which they are incurred.

Amortisation starts at the moment the intangible assets are ready for use. The directors revise the expected useful life of the assets, at least at each reporting period.

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, 10 and 2
Other intangible assets	14 and 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. Operating 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. The recoverable amount of goodwill, instead, is estimated annually and each time indicators of potential impairment arise.

For the purposes of identifying any impairment losses, assets are grouped into the smallest identifiable group of cash flow generating assets, significantly separate from 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 group of the CGU that is expected to benefit from the synergies of the aggregation.

The recoverable value of an asset or a CGU is the higher of its value in use and its fair value less costs to sell. 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.

Assets deriving from contracts

Assets deriving from contracts are comprised of services that were not yet completed at the end of the year, relating to contracts pertaining to indivisible services to be completed within the following twelve months and represent the gross amount expected to be collected from customers for the work performed up to the reporting date. They are measured based on the agreed considerations, based on the progress of the forecast number of hours necessary to complete the order.

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.

The value of the receivables is shown net of bad debt provisions. For more details on the estimated impairment of receivables, refer to that set out in the paragraph “IFRS 9 – Financial Instruments”.

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 their realisable value.

Financial instruments

Financial assets

Based on the characteristics of the instruments and the business model adopted to manage them, financial assets, which represent debt instruments, are classified in the following three categories: (i) financial assets at amortised cost; (ii) financial assets at fair value through other comprehensive income (hereinafter, also OCI); and (iii) financial assets at fair value through profit and loss.

Financial assets are initially recognised at fair value. For trade receivables lacking a significant financial component, the value of initial recognition is represented by the transaction price. Following initial recognition, financial assets that generate contractual cash flows exclusively representing payments of principal and interest are measured at amortised cost if they are held for the purpose of collecting the contractual cash flows (hold to collect business model). According to the amortised cost method, the value of initial recognition is subsequently adjusted to take account of repayments of principal, any write-downs and the amortisation of the difference between the repayment value and the value of initial recognition. Amortisation is carried out based on the effective intern interest rate, which represents the rate that, at the time of initial recognition, makes the present value of expected cash flows equal to the value of initial recognition.

Receivables and other financial assets measured at amortised cost are presented in the statement of financial position net of the related bad debt provisions.

Financial assets representing debt instruments whose business model provides for the possibility to collect the contractual cash flows as well as the possibility to realise gains on sale (hold to collect and sell business model) are measured at fair value through OCI (hereinafter, also FVTOCI). In that case, the changes in the fair value of the instrument are recognised in shareholders' equity, among other components of comprehensive income. The cumulative amount of changes in fair value, charged to the shareholders' equity reserve that includes other components of comprehensive income, is subject to reversal to the income statement when the instrument is eliminated from the accounts. The interest income calculated using the effective interest rate, exchange rate differences and write-downs are recognised in the income statement.

A financial asset representing a debt instrument that is not measured at amortised cost or at FVTOCI is measured at fair value through profit and loss (hereinafter, FVTPL). This category includes financial assets held for trading purposes. When financial assets are purchased or sold based on a contract that provides for the settlement of the transaction and delivery of the asset within a specific number of days, established by the market control bodies or market practices (e.g. purchase of securities on regulated markets), the transaction is recognised at the settlement date. Financial assets sold are eliminated from statement of financial position assets when the contractual rights connected with obtaining the cash flows associated with the financial instrument expire or are transferred to third parties.

The valuation of recoverability of financial assets representing debt instruments not measured at fair value through profit and loss is assessed based on the "Expected Credit Loss model". In particular, expected losses are generally determined based on the product of: (i) the exposure to the counterparty net of related mitigating factors ("Exposure At Default"); (ii) the probability that the counterparty defaults on its payment obligation ("Probability of Default"); and (iii) the estimate of the percentage of credit that it will not be possible to recover in the event of default ("Loss Given Default") defined on the basis of past experience and the possible recovery actions that can be carried out (e.g. out-of-court actions, legal disputes, etc.). Exposures under dispute are those for which debt collection activities have been activated or are about to be activated, through legal /judicial proceedings. Write-downs of trade receivables and other receivables are recognised in the income statement, net of any write-backs.

Financial assets are eliminated from the statement of financial position when the right to receive the cash flows terminates and all the risks and benefits connected with holding the asset (derecognition) are substantially transferred, or the item is considered definitively unrecoverable after all the necessary recovery procedures have been completed.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or at FVTPL. A financial liability is classified at FVTPL when it is held for trading, represents a derivative or is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and any changes, including interest expense, are recognised under profit /(loss) for the year. Other financial liabilities are subsequently measured at amortised cost, using the effective interest rate criterion. Interest expense and exchange rate gains/(losses) are recognised under profit/(loss) for the year, as well as any gains or losses deriving from elimination from the accounts.

Financial liabilities are eliminated when they have been paid, or when the obligation specified in the contract has been fulfilled or cancelled or has expired.

Financial assets and liabilities are offset in the statement of financial position when there is a legal right to offsetting which can currently be exercised, and there is the intention of settling the account on a net basis (or to sell the assets while paying off the liabilities).

Derivative financial instruments and hedge accounting

As mentioned above, as the Group's derivative financial instruments are not designated as hedging instruments, they are initially measured at fair value. Following recognition, derivatives are measured at fair value (according to the criteria set out in the point below) and their changes are recorded in profit/(loss) for the year.

Fair value measurement

Fair value is the consideration that may be received for the sale of an asset or that may be paid for the transfer of a liability in a regular transaction between market participants at the measurement date (i.e. exit price).

The fair value of an asset or liability is determined by using the measurements that market operators would use in determining the price of an asset or liability. Fair value measurement also assumes that the asset or liability is traded on the main market or, lacking such market, in the most advantageous market to which the company has access.

The fair value of a non-financial asset is measured considering the capacity of market participants to generate economic benefits when putting the asset to its highest and best use or selling it to another market participant capable of using it in a manner that maximises its value. The highest and best use of the asset is determined from a market participant's point of view, even in the case that the company intends to use the asset in a different way. It is assumed that the current use of a non-financial asset by the company is the highest and best use thereof, unless the market or other factors suggest that a different use by market participants is capable of maximising its value.

The fair value measurement of a liability, whether financial or non-financial, or of an equity instrument, takes account of the price quoted for the transfer of an identical or similar liability or equity instrument. If that quoted price is unavailable, the measurement of the corresponding assets held by a market participant at the measurement date is considered.

The fair value of financial instruments is determined considering the credit risk of the counterparty of a financial asset ("Credit Valuation Adjustment" - CVA) and the risk of default by the entity on a financial liability ("Debit Valuation Adjustment" - DVA). In determining the fair value, a hierarchy of criteria is defined based on the origin, type and quality of the information used in the calculation. The purpose of this classification is to establish a hierarchy of reliability of the fair value, giving precedence to the use of parameters observable on the market which reflect the assumptions that market participants would use in measuring the asset/liability.

Buyback and reissue of ordinary shares (treasury shares)

In the event of buyback of shares recognised in shareholders' equity, the price paid, including costs directly attributable to the transaction, is recognised as a decrease in shareholders' equity. The shares bought back are classified as treasury shares and recognised in the reserve for treasury shares. The financial effects of any subsequent sales are recognised as an increase in shareholders' equity. Any positive or negative difference deriving from the transaction is recognised in the share premium reserve.

Composite financial instruments

Composite financial instruments issued by the Group include convertible bonds in Euro which can be converted at the holder's discretion into a fixed number of shares. The debt component of a composite financial instrument is initially recognised at the fair value of a similar liability without a conversion option. The shareholders' equity component is initially recognised at the amount equal to the difference between the fair value of the composite financial instrument as a whole and the fair value of the debt component. Connected transaction costs are posted to the debt and equity components of the instrument in proportion to the value of each component.

Following initial recognition, the debt component is measured at amortised cost, using the effective interest rate criterion. The shareholders' equity component of those instruments is not redetermined following initial recognition.

Interest on financial liabilities are recognised under profit/(loss) for the year. At the time of conversion, the financial liability is reclassified in shareholders' equity without recording any profit or loss.

Employee benefits

Short-term employee benefits are not discounted, and are recognised as a cost at the time that the service is provided that gives rise to those benefits. The benefits guaranteed to employees provided on severance of employment refer to employee severance indemnity ("TFR") accrued by employees of the Company.

With regard to employee severance indemnity, as a result of the amendments made by Italian Law no. 296 of 27 December 2006, and subsequent Decrees and Regulations ("Pension Reform") issued in the initial months of 2007:

- ✓ the employee severance indemnity accrued as at 31 December 2006 is considered a defined-benefit plan (without plan assets). The benefits guaranteed to employees in the form of employee severance indemnity that are disbursed on termination of employment are recognised in the period in which the right accrues.
- ✓ Employee severance indemnity that accrues after 1 January 2007 is considered a defined-contribution plan. Therefore, the contribution accruing in the period are fully recognised as a cost in the profit(loss) for the year and the portion not yet paid into provisions is shown as a payable under "Other payables".

In order to measure defined-benefit plans according to that set out in IAS 19, the amount of payables for employee severance indemnity accrued prior to 1 January 2007 is projected to the future to estimate the portion to be paid at the time of termination of employment, and subsequently discounted, using the projected unit credit method, to take account of the time passing before actual payment;

The discounting rate used consists of the iBoxx Eurozone Corporates AA 10+ index at the reporting date, with average financial duration comparable to that of the group being measured. The calculation was performed by an independent actuary.

The actuarial gains/(losses) are recognised under other components of comprehensive income, net of taxes.

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 provisions 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".

The occurrence of the event that triggers a commitment of resources to fulfil the obligation may be probable, possible or remote. If there is liability that only possibly may arise, only additional information is provided.

If, instead, the probability of committing own resources to fulfil the obligation is remote, no additional information is required.

The Explanatory Notes provide a brief description of potential liabilities and, where possible, an estimate of their financial effects and indication of the uncertainties regarding the amount and the time of occurrence of each outlay.

Revenue recognition

In addition to that set out in paragraph "V Accounting Standards and Amendments to the Standards Adopted by the Group" regarding the business conducted by the Piteco Group, revenues are recognised in the amount of the fair value of the price that the company considers it has a right to in exchange for the goods and/or services promised to the customer, excluding the amounts collected on behalf of third parties. In particular, identifying the individual performance obligations of the contract and consequently allocating the price among these, as well as the subsequent "separate" recording of each of these, was already implemented by the Group in previous years. The case of contracts containing sales of licences associated with installation, maintenance and other sundry services has always been treated separately by the Group and the adoption of IFRS 15 has not changed the recording criteria applied. The analysis conducted also took the following cases into consideration:

- warranties provided to customers: the commercial practices applied by the Piteco Group require Group Companies only and exclusively to replace or correct, at their expense, the parts of software that are defective. Therefore, the warranty does not provide the customer with an additional service other than ensuring that the products comply with the agreed specifications. Moreover, customers do not have the option of purchasing a warranty separately and, therefore, the warranty does not constitute a separate service that needs to be recorded separately.
- recording of overtime revenues: with regard to recording overtime revenues deriving from software installation or other customisation services, meaning that, based on the progress of the forecast number of hours necessary to complete the order, insignificant misalignments arose compared to the previous years which are covered in paragraph V. Neither did the recording of maintenance and other long-term services result in impacts deriving from the introduction of IFRS 15.
- discounts granted to customers: no changes were seen in the recording of discounts deriving from the introduction of the new standard.

The Piteco Group adopted IFRS 15 retroactively, i.e. without changing the comparative data for 2017, which are expressed based on the application of IAS 18.

Costs

Costs and other operating charges are recognised in the income statement at the time when they are incurred, based on the accrual 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 taxes represent the estimate of the amount of income taxes due, calculated on the taxable income for the year, determined by applying the tax rates in force or substantially in force at the reporting date and any adjustments to the amount relating to the previous years.

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 it is likely that the existence of adequate future taxable profits will exist against which they can be used. Deferred taxes are not recognised for:

- the temporary differences relating to the initial recognition of assets or liabilities in a transaction other than a business combination which does not influence either the accounting profit (or loss) or the taxable income (or tax loss);
- the temporary differences relating to investments in subsidiaries, associates and joint ventures to the extent that the Group is capable of controlling the timing of the elimination of the temporary differences and it is probable that, in the foreseeable future, the temporary difference will not be eliminated; and
- the taxable temporary differences relating to the 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, warrants, etc.). More specifically, the “convertible bond” instrument is considered to have been fully converted into ordinary shares and the net profit attributable to shareholders of the company is adjusted, eliminating the interest expense on the convertible bond.

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

If these transactions involve companies or company businesses that are already part of the Group, they are considered as lacking economic substance, as they are implemented only for organisational purposes. Therefore, lacking specific indications from the IFRSs, and in line with the assumptions of IAS 8, which requires that, lacking a specific standard, a company must use its own judgment in applying an accounting standard that provides relevant, reliable and prudent disclosure and that reflects the economic substance of the transaction, these shall be recorded on a continuity of values basis.

Otherwise, where the business combination does not involve companies or company businesses under joint control, the identifiable assets and liabilities acquired in the business combination, including goodwill, are recognised and measured in accordance with IFRS 3 – Business Combinations.

VII. INFORMATION ON FINANCIAL RISK

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.

Credit risk management - 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 itself only of counterparties with high credit standing. The continuous preventive procedures to check the solvency and reliability of customers, as well as the monitoring of payments, guarantee adequate risk reduction.

In that regard, note that as at 31 December 2018 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. The Group allocates bad debt provisions for impairment which reflects the estimate of losses on trade receivables and other receivables, whose main components are individual write-downs of significant exposures and collective write-downs of homogeneous groups of assets in relation to losses that have not been individually identified.

The receivables recognised in the financial statements did not include significant past due amounts. 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 EUR, 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 - Liquidity risk represents the risk that, due to the inability to obtain new funds (funding liquidity risk) or to liquidate assets on the market (asset liquidity risk), the company is unable to cover its payment commitments, resulting in an impact on the income statement result if the company is forced to incur additional costs to cover its commitments or, as an extreme consequence, a situation of insolvency that puts the company's business at risk.

The Group's objective is to implement, as part of the financial plan, a financial structure which, in line with the objectives of the business and growth through external lines, ensures an adequate level of liquidity for the Group, minimising the opportunity cost, and to maintain a balance in terms of duration and composition of debt.

The Group has had access to a wide range of funding sources through the credit system and capital markets (loans from leading national banks and bond loans). The objective of the Piteco Group is to maintain a balanced debt structure, in terms of composition between bonds and bank loans, in line with the profile of the business Piteco operates in and in line with its plans for medium/long-term growth by acquiring players that provide products and services complementary to its own.

Group cash and cash equivalents exclusively refer to bank deposits whose counterparties are banks with high credit ratings.

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

Long-term loans	31/12/2018	31/12/2017	Change
Unsecured long-term bank borrowings	9,685	4,696	4,989
Non-current bonds	4,657	4,658	-1
Other non-current financial payables	695		695

Current portion of long-term loans	31/12/2018	31/12/2017	Change
Unsecured current bank borrowings	1,960	1,133	827
Other current financial payables	4,119	1,192	2,927

The following table provides the breakdown by maturity of gross financial indebtedness 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.

maturities	31/12/2018	31/12/2017	Change
Within 6 months	4,106		4,106
From 6 to 12 months	1,973	2,325	-352
From 1 to 5 years	13,530	9,353	4,177
Over 5 years	1,507		1,507

Fair Value Hierarchy

Various accounting standards and several disclosure obligations require that the Group measure the fair value of financial and non-financial assets and liabilities. In measuring the fair value of an asset or a liability, the Group uses observable market data as much as possible. The fair values are divided into the various levels of the hierarchy based on the inputs used in the measurement techniques:

- Level 1: prices listed (*unadjusted*) on active markets for identical assets or liabilities;
- Level 2: inputs other than the listed prices included in "Level 1" which can be directly (*prices*) or indirectly (*price derivatives*) observed for the asset or liability;
- Level 3: inputs relating to the asset or liability that are not based on observable market data.

If the inputs used to measure the fair value of an asset or liability can be classified in the various levels of the fair value hierarchy, the entire measurement is included in the same level of the hierarchy of the lowest level input that is significant for the entire measurement.

The table below shows the assets and liabilities measured at fair value as at 31 December 2018, by level of the fair value measurement hierarchy.

Description	Level 1	Level 2	Level 3
Other financial liabilities (PUT option)			15,618
Total liabilities	**0**	**0**	**15,618**

For additional information, we refer to following notes 13 and 22 of this report.

VIII. SEGMENT DISCLOSURE

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:

- Corporate Treasury and Financial Planning (Corporate Treasury)
- Digital Payments and Clearing House (Banking)
- IT solutions for Risk Management (Risk Mng)

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

Income Statement	31/12/2018				31/12/2017		
	Total	Corporate Treasury	Banking	Risk Mng	Total	Corporate Treasury	Banking
Revenues	19,374	14,090	4,451	833	16,374	13,500	2,874
Other operating revenues	940	738	108	94	707	707	
Change in assets deriving from contracts	-100	-17		-83	-35	-35	
Operating revenues	**20,214**	**14,811**	**4,559**	**844**	**17,046**	**14,172**	**2,874**
Goods and consumables	306	234	13	59	267	264	3
Personnel costs	8,122	6,307	1,564	251	7,420	6,127	1,293
Costs for services and leases and rentals	4,170	3,008	1,101	61	3,043	2,227	816
Other operating costs	83	71	9	3	247	244	3
Operating costs	**12,681**	**9,620**	**2,687**	**374**	**10,977**	**8,862**	**2,115**
EBITDA	**7,533**	**5,191**	**1,872**	**470**	**6,069**	**5,310**	**759**

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

Statement of financial position	31/12/2018				31/12/2017		
	Total	Corporate Treasury	Banking	Risk Mng	Total	Corporate Treasury	Banking
Non-current assets	60,884	38,905	8,843	13,136	39,348	30,461	8,887
Current assets	11,171	6,700	2,716	1,755	9,526	7,195	2,331
Discontinued operations							
Non-current liabilities	30,480	28,052	2,276	152	13,147	10,720	2,427
Current liabilities	10,439	8,352	1,419	668	5,811	4,545	1,266
Liabilities associated with discontinued operations							

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

1 Property, plant and machinery

The changes in the items of Property, plant and machinery as at 31 December 2018 are shown below:

Property, plant and machinery	Opening balance	Change in Scope of Consolidation	Increases	Decreases	Exchange rate effect	Other changes	Closing balance
Land	201		119				320
Buildings	1,527		478				2,005
Accum. depreciation - buildings	-454		-52				-506
Land and buildings	**1,274**		**545**				**1,819**
Plant and machinery	152						152
Accum. depreciation - plant and machinery	-145		-2				-147
Plant and machinery	**7**		**-2**				**5**
Ind. and commercial equipment	6						6
Accum. depreciation - ind. and commercial equipment	-6						-6
Vehicles	11	50		-11			50
Accum. depreciation - vehicles	-11	-28	-2	11			-30
Furniture and furnishings	174	9	98				281
Accum. depreciation - furniture and furnishings	-165	-8	-19		-1		-193
Electronic machines	122	34	23	-1			178
Accum. depreciation - electronic machines	-88	-28	-15	1		1	-129
Other property, plant and equipment	219	1	20		11		251
Accum. depreciation - other property, plant and equipment	-57	-1	-72		-5	1	-134
Other assets	**205**	**30**	**33**		**5**	**2**	**274**

Total	**1,486**	**30**	**576**		**5**	**2**	**2,098**

Land and buildings

These amounted to EUR 1,819 thousand (EUR 1,274 thousand as at 31 December 2017) and refer to the property in Via Mercalli 16, Milan, the registered office and operational headquarters of the Parent Company and the property in Wichita, Kansas, operational headquarters of the US subsidiary Juniper Payments, LLC. The increase of EUR 597 thousand during the year refers to the purchase by the subsidiary Juniper, LLC of its operational headquarters.

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

Plant and machinery

This amounted to EUR 5 thousand (EUR 7 thousand as at 31 December 2017) and mainly refers to accessory plant at the Parent Company headquarters.

Other assets

These amounted to EUR 274 thousand (EUR 205 thousand as at 31 December 2017) and referred mainly to furniture and furnishings and electronic office machines and other assets. The increase of EUR 235 thousand comprises EUR 21 thousand from purchases in 2018 by Piteco for hardware upgrades, EUR 120 thousand from purchases made by the subsidiary Juniper and EUR 94 thousand from changes in the scope of consolidation.

2 Goodwill

The changes in Goodwill as at 31 December 2018 are shown below:

Goodwill	Opening balance	Change in Scope of Consolidation	Increases	Exchange rate effect	Closing balance
Goodwill	28,871	12,554		1	41,426
Total	**28,871**	**12,554**		**1**	**41,426**

Goodwill, amounting to EUR 41,426 thousand as at 31 December 2018 (EUR 28,871 thousand as at 31 December 2017) 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 attributed to the value posted to goodwill following the acquisition of the "Centro Data" business unit in 2015;
- EUR 1,180 thousand attributed to the value posted to goodwill following the acquisition of the "LendingTools" business unit by Juniper in April 2017;
- EUR 12,554 thousand attributed to the value posted to goodwill following the acquisition of Myrios

S.r.l. in October 2018.

The increase during the year is fully attributable to the acquisition of Myrios S.r.l. For more information on the operation and the "Purchase price allocation", see that illustrated in detail in the specific section of this report.

As required by the reference accounting standard (IAS 36), goodwill was subjected to impairment testing. In particular, the CGUs are as follows:

CGU Piteco (Treasury)

As at 31 December 2018 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 2019-2021 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 10.88% and a growth rate (g) of 1.40%, equal to expected inflation in the markets where the company operates. The recoverable value determined based on the assumptions and valuation techniques described above, came to EUR 49,057 thousand, against a carrying amount of the assets allocated to the CGU Piteco of EUR 31,333 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 16.54%.

As an additional sensitivity analysis, it is noted that using a constant WACC (of 10.88%) and a perpetual growth rate g (of 1.40%), only a reduction in the EBITDA Margin greater than 13.25% would result in issues of impairment.

CGU Juniper (Banking)

As at 31 December 2018 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 2019-2021 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 10.78% and a growth rate (g) of 2.10%, equal to expected inflation in the market where the company operates. The recoverable value determined based on the assumptions and valuation techniques described above, came to EUR 17,766 thousand, against a carrying amount of the assets allocated to the CGU Juniper of EUR 7,631 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 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 23.10%.

As an additional sensitivity analysis, it is noted that using a constant WACC (of 10.78%) and a perpetual growth rate g (of 2.10%), only a reduction in the EBITDA Margin greater than 19.76% would result in issues of impairment.

CGU Myrios (Software for Risk Management)

As at 31 December 2018 the Parent Company subjected the carrying amount of the CGU Myrios 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 2019-2021 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 10.88% and a growth rate (g) of 3.40%, justified by the fact that the subsidiary is similar to a start-up because the product and services offered are still in the initial phase of their life cycle and can benefit, over the next few years, also beyond the time horizon of the explicit forecast, from higher growth than the other products offered by the Group. The recoverable value determined based on the assumptions and valuation techniques described above, came to EUR 20,621 thousand, against a carrying amount of the assets allocated to the CGU Myrios of EUR 19,304 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% 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 Myrios, 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 11.36%.

As an additional sensitivity analysis, it is noted that using a constant WACC (of 10.88%) and a perpetual growth rate g (of 3.40%), only a reduction in the EBITDA Margin greater than 3.42% would result in issues of impairment.

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 2018 to be recoverable.

3 Other intangible assets

The changes in other intangible assets are shown below:

Other intangible assets	Opening balance	Change in Scope of Consolidation	Increases	Decreases	Exchange rate effect	Closing balance
Concessions, licences and trademarks	15		3			18
Accum. amortisation - concessions, licences and trademarks	-7		-2			-9
Software	17,569	5,625	466		446	24,105
Accum. amortisation - software	-9,103	-660	-1,632	17	-86	-11,464
Concessions, licences and trademarks	**8,474**	**4,965**	**-1,165**	**17**	**360**	**12,650**
Other intangible assets	83	4,072			4	4,159
Accum. amortisation - other intangible assets	-12		-78		-1	-91
Other intangible assets	**71**	**4,072**	**-78**		**3**	**4,068**
Intangible assets under construction			**157**			**157**
Total	**8,545**	**9,037**	**-1,086**	**17**	**363**	**16,875**

Concessions, licences and trademarks

The net balance amounted to EUR 12,650 thousand (EUR 8,474 thousand as at 31 December 2017) and is comprised of EUR 9 thousand for the PITECO™ trademark and the costs incurred to register the Match.it™ trademark, and EUR 12,641 thousand for software rights. The item software includes the right relating to the proprietary software Piteco and the proprietary software Match.it, the technology platform of Juniper Payments and the proprietary software Myrios, in addition to rights to use third party software. In particular, the increases in software comprise EUR 5,625 thousand for the value assigned to the software deriving from the acquisition of the investment in Myrios S.r.l., EUR 362 thousand for the internal development of new modules of Piteco and Match.it software, EUR 88 thousand for the internal development of new modules of Myrios software and EUR 1 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 extend to the US the registrations of the Piteco and Piteco Evolution trademarks.

Other intangible assets

Other intangible assets, equal to EUR 4,068 thousand (EUR 71 thousand as at 31 December 2017), comprise EUR 4,011 thousand (net of accumulated amortisation) for the amount assigned on purchase price allocation to the customer list of the acquired company Myrios S.r.l. and EUR 57 thousand to the five-year non-competition agreement entered into as part of the closing for the acquisition of the LendingTools.com business unit by Juniper. The non-competition agreement is amortised over the term of the agreement.

Fixed assets under construction

Fixed assets under construction, equal to EUR 157 thousand (zero as at 31 December 2017), mainly represent capitalised costs incurred in the development of software by the subsidiary Juniper. The project is expected to be completed by the end of 2019.

4 Deferred tax assets

Deferred tax assets of EUR 462 thousand (EUR 418 thousand as at 31 December 2017) 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 hereinafter in these explanatory notes for further details.

5 Other non-current financial receivables

The item in question breaks down as follows:

Other non-current financial receivables	31/12/2018	31/12/2017	Change	From 1 to 5 years
Receivables for tax assets and due from employees	4		4	4
Security deposits	19	28	-9	19
Other non-current assets	**23**	**28**	**-5**	**23**
Total	**23**	**28**	**-5**	**23**

6 Assets deriving from contracts

The item in question breaks down as follows:

Assets deriving from contracts	Opening balance	Increases	Decreases	Closing balance
Assets deriving from contracts	103	26		128
Assets deriving from contracts	**103**	**26**		**128**
Total	**103**	**26**		**128**

The assets deriving from contracts of the Parent Company refer to services that were not yet completed at the end of the year, relating to contracts pertaining to indivisible services to be completed within twelve months. They are measured based on the agreed considerations, based on the progress of the forecast number of hours necessary to complete the order.

7 Current receivables

The item in question breaks down as follows:

Current receivables	31/12/2018	31/12/2017	Change
Current receivables from customers	4,712	4,124	588
Bad debt prov. - current receivables from customers	-179	-183	4
Trade receivables	**4,533**	**3,941**	**592**
Current receivables from parent companies	79		79
Current receivables from related parties	68	52	16
Receivables due from parent companies, affiliates and associates	**147**	**52**	**95**

Total	**4,680**	**3,993**	**687**

Receivables from customers, amounting to EUR 4,533 thousand (EUR 3,941 thousand as at 31 December 2017), are shown net of the corresponding bad debt provisions which, as at 31 December 2018, amounted to EUR 179 thousand. Current receivables from parent companies and related parties are composed of receivables from the parent company Dedagroup S.p.A. and receivables from associates that are part of the Dedagroup group.

During the year the following changes occurred in the bad debt provision:

Description	Opening balance	Uses	Allocations	Closing balance
Bad debt provision - current assets	183	9	5	179

8 Other short-term receivables

The item in question breaks down as follows:

Other short-term receivables	31/12/2018	31/12/2017	Change
Tax receivables	105	7	98
Current receivables from social security institutions		1	-1
Prepayments - current assets	283	121	162
Other current trade receivables	90	94	-4
Receivables from employees	21	14	7
Accounts to suppliers	2	4	-2
Total	**501**	**241**	**260**

Other current trade receivables are comprised of advances to suppliers.

Tax receivables are represented by the VAT credit of the parent company Piteco S.p.A for EUR 10 thousand and tax credits for research and development of the subsidiary Myrios S.r.l. for EUR 94 thousand.

9 Current tax assets

The item in question breaks down as follows:

Current tax assets	31/12/2018	31/12/2017	Change
IRAP Receivables		35	-35
Other current tax assets	28		28
Total	**28**	**35**	**-7**

Current tax assets of EUR 28 thousand (EUR 35 thousand as at 31 December 2017) are composed of current tax receivables of the subsidiary Juniper Payments, LLC.

10 Other short-term financial receivables

The item in question breaks down as follows:

Other short-term financial receivables	31/12/2018	31/12/2017	Change
Current loans to others	262		262
Other current loans	**262**		**262**
Total	**262**		**262**

This regards the loan maturing by the next year, issued by the subsidiary Piteco NA.

11 Cash and cash equivalents

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

Cash and cash equivalents	31/12/2018	31/12/2017	Change
Bank deposits	5,571	5,153	418
Cash	1	1	
Total	**5,572**	**5,154**	**418**

12 Shareholders' equity

As at 31 December 2018 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 shareholders' 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.

Shareholders' equity	31/12/2018	31/12/2017	Change
Capital paid-in	18,155	18,155	
Share Capital	**18,155**	**18,155**	
Share premium reserve	**5,924**	**5,924**	
Negative reserve for treasury shares on hand	**-933**	**-62**	**-871**

Legal reserve	624	436	188
Extraordinary reserve	4,216	3,346	870
IAS reserve	-59	-59	
Listing reserve	-963	-963	
Convertible bond issue reserve	95	98	-3
Reserve for put option on NCI	-2,427	-2,427	
Remeasurement of defined-benefit plans (IAS 19)	-19	-46	27
Effect of conversion of Shareholders' Equity	-557	-314	-243
Other reserves	**910**	**71**	**839**
Retained earnings (Losses carried forward)	**1,815**	**2,443**	**-628**
Profit (loss) for the year	**5,265**	**3,385**	**1,880**
Group shareholders' equity	**31,136**	**29,916**	**1,220**

On approving the financial statements for the year ended as at 31 December 2017, the shareholders' meeting of the Parent Company approved the distribution of dividends of EUR 2,698 thousand.

During 2018, 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 2018 the Parent Company held 189,500 treasury shares, equal to 1.045% of the share capital, for a total value of EUR 933,460 (equal to the amount reflected in the "Negative reserve for treasury shares on hand", posted as a decrease to consolidated shareholders' equity).

13 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	31/12/2018	31/12/2017	Change	From 1 to 5 years	Over 5 years
Unsecured long-term bank borrowings	9,685	4,696	4,989	8,178	1,507
Long-term bank borrowings	**9,685**	**4,696**	**4,989**	**8,178**	**1,507**
Non-current bonds	4,657	4,658	-1	4,657	
Other non-current financial payables	695		695	695	
Other non-current loans	**5,352**	**4,658**	**694**	**5,352**	
Total	**15,037**	**9,354**	**5,683**	**13,530**	**1,507**

Long-term bank borrowings

Amounts due to banks refer to two unsecured loans with an original amount totalling EUR 14 million and, in particular:

- loan of EUR 7 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 subsidiaries in acquiring the LendingTools.com business unit. The outstanding loan includes the following covenants that must be respected in relation to the Consolidated Financial Statements: NFP/SE < 1 and NFP/EBITDA < 3. These limits had been complied with as at 31 December 2018. It is also noted that the value of the covenants, as set out in the loan agreements, are calculated by the Group using data extracted from the Consolidated Financial

Statements drawn up in accordance with the Italian Civil Code and the OIC Italian accounting standards, irrespective of the fact that the Group draws up its Consolidated Financial Statements in accordance with the IAS/IFRSs.

- loan of EUR 7 million, entered into on 7 October 2018, maturing on 31 March 2025, with an interest rate of Euribor 3 months + 1.50% spread, for the purpose of acquiring control of Myrios S.r.l. The outstanding loan includes the following covenants that must be respected in relation to the Consolidated Financial Statements: NFP/SE < 1 and NFP/EBITDA < 3. These limits had been complied with as at 31 December 2018. It is also noted that the value of the covenants, as set out in the loan agreements, are calculated by the Group using data extracted from the Consolidated Financial Statements drawn up in accordance with the Italian Civil Code and the OIC Italian accounting standards, irrespective of the fact that the Group draws up its Consolidated Financial Statements in accordance with the IAS/IFRSs.

Non-current bonds

As part of the listing process on the AIM Italia market, a convertible bond was issued, named "Piteco Convertibile 4.50% 2015-2020". The Parent Company issued 1,189 convertible bonds 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. During the year, the Parent Company purchased own bonds for a nominal value of EUR 113 thousand.

Other non-current financial payables

Other non-current financial payables, equal to EUR 695 thousand (zero as at 31 December 2017) are composed of EUR 691 thousand for the payable deriving from the last tranche of the price (earn-out) to be paid as part of the acquisition of the investment in Myrios S.r.l.

14 Long-term derivative financial instruments

Long-term derivative financial instruments	31/12/2018	31/12/2017	Change	From 1 to 5 years	Over 5 years
Put options	11,512	2,427	9,085	9,236	2,276
Total	**11,512**	**2,427**	**9,085**	**9,236**	**2,276**

The amount of EUR 11,512 thousand (EUR 2,427 thousand as at 31 December 2017) refers to the put options included in the contract for acquisition of the business unit Lending Tools.com during 2017 and to purchase the controlling stake in Myrios S.r.l., specifically:

- in April 2017, as part of the acquisition of the business unit LendingTools.com, the subsidiary 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 possibly 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;

- in October 2018, as part of an operation that resulted in Piteco S.p.A. acquiring control of Myrios S.r.l., Piteco, along with the minority shareholders, subscribed a put option on the residual 44% stake in Myrios S.r.l., which set out the right of the minority shareholders to withdraw in the period between the approval of the financial statements of Myrios S.r.l. for the year ended 31 December 2020 and the approval of the financial statements for the year ended 31 December 2024. The total price to be paid to the shareholders of Myrios S.r.l. (in proportion to the percentage of equity held by these) on exercise of the put option shall be calculated on the basis of some financial parameters, such as EBITDA and net financial position, resulting from the most recent financial statements of Myrios S.r.l. approved at the date the put option is exercised. That price shall be paid at least 50% in shares of Piteco S.p.A. The estimated price of the option charged to the financial statements closed as at 31 December 2018 came to EUR 9.2 million.

Pursuant to the provisions of 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 11,512 thousand was recognised.

For the Juniper option, the recalculation of the fair value as at 31 December 2018, determined mainly by considering the estimate of the equity value of Juniper Payments, LLC at the measurement date, the expected dividends and a discount factor calculated based on the risk-free rate and the credit spread of Piteco, in compliance with the provisions of IFRS 9, resulted in a decrease of USD 322 thousand (EUR 281 thousand at the exchange rate at that date). For the Myrios option, the recalculation of the fair value, determined mainly by considering the estimate of the equity value of Myrios at the date of exercise of the option and a discount factor calculated based on the risk-free rate and the credit spread of Piteco, in compliance with the provisions of IFRS 9, resulted in a decrease of EUR 24 thousand.

15 Deferred tax liabilities

Deferred tax liabilities	31/12/2018	31/12/2017	Change	From 1 to 5 years
Other non-current deferred tax liabilities	2,587	141	2,446	2,587
Total	**2,587**	**141**	**2,446**	**2,587**

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

16 Employee benefits

The changes in employee benefits are shown below:

Employee benefits	Opening balance	Change in Scope of Consolidation	Actuarial measurements	Decreases	Other changes	Closing balance
Employee severance indemnity	1,179	131	-36	-3	23	1,294
Total	**1,179**	**131**	**-36**	**-3**	**23**	**1,294**

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

Financial assumptions		
	31/12/2018	**31/12/2017**
Technical discount rate	1.57%	1.30%
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 2018 are shown below.

Long-term provisions	Opening balance	Increases	Decreases	Closing balance
Other non-current provisions	46	4		50
Total	**46**	**4**		**50**

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.

18 Current payables

The change in current payables is shown below:

Current payables	31/12/2018	31/12/2017	Change
Current payables due to suppliers	625	232	393
Invoices to be received	31	145	-114

Trade payables	**656**	**377**	**279**
Current payables to parent companies	17	58	-41
Current payables to related parties		21	-21
Payables due to parent companies, affiliates and associates	**17**	**79**	**-62**
Total	**673**	**456**	**217**

Payables due to suppliers, including the allocations for invoices to be received, amounted to EUR 656 thousand as at 31 December 2018 (EUR 377 thousand as at 31 December 2017) and are all short term.

Current payables due to parent companies represent trade payables for EUR 17 thousand.

19 Liabilities deriving from contracts

Liabilities deriving from contracts	31/12/2018	31/12/2017	Change
Accounts from customers - current	299	87	212
Total	**299**	**87**	**212**

Liabilities deriving from contracts of EUR 299 thousand (EUR 87 thousand as at 31 December 2017) are composed of accounts from customers for work not yet completed.

20 Other current payables

Other current liabilities are shown in the table below:

Other current payables	31/12/2018	31/12/2017	Change
Current payables for wages and salaries	1,471	1,308	163
Payables for social security charges	622	543	79
Tax payables	327	291	36
Current accrued trade expenses	108	108	
Other current payables	97	20	77
Current deferred trade income	530	316	214
INAIL (Italian National Institute for Insurance against Accidents at Work)	1		1
Other social security payables	60	63	-3
Total	**3,216**	**2,649**	**567**

Deferred income amounted to EUR 530 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 91 thousand in interest expense on the convertible bonds and EUR 17 thousand in accrued indemnities due to employees.

Tax payables of EUR 327 thousand are comprised of payables to the Revenue Agency for withholdings made for EUR 312 thousand, payables to the Revenue Agency for VAT for EUR 1 thousand and other tax payables deriving from the US subsidiary Juniper Payments, LLC for EUR 14 thousand.

21 Current tax liabilities

Current tax liabilities amounted to EUR 172 thousand as at 31 December 2018 (EUR 294 thousand as at 31 December 2017) and break down as follows:

Current tax liabilities	31/12/2018	31/12/2017	Change
Payables for IRAP taxes	29		29
Other current tax liabilities	143	294	-151
Total	**172**	**294**	**-122**

Other current tax liabilities are comprised of payables due to the subsidiary Dedagroup deriving from the tax consolidation for EUR 138 thousand and other current tax liabilities of the US subsidiary Piteco North America for EUR 5 thousand.

22 Current financial liabilities

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

Current financial liabilities	31/12/2018	31/12/2017	Change
Unsecured current bank borrowings	1,960	1,133	827
Current bank borrowings	**1,960**	**1,133**	**827**
Other current financial payables	4,119	1,192	2,927
Other current loans and financial payables	**4,119**	**1,192**	**2,927**
Total	**6,079**	**2,325**	**3,754**

Current bank borrowings

These regard the short-term portion (within 12 months) of amounts due to banks for unsecured loans with original total amount of EUR 14.0 million. For details on the characteristics of the loans, refer to point 13 of these explanatory notes.

Other current loans and financial payables

The amount refers to EUR 1,298 thousand for 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. EUR 2,807 thousand of the amount refers to the second tranche of the price (earn out) set out in the contract for the acquisition of the investment in Myrios S.r.l and EUR 13 thousand refers to payables due to other lenders of Myrios S.r.l.

23 Revenues

Revenues from sales and services amounted to EUR 19,374 thousand (EUR 16,374 thousand as at 31 December 2017) recording an increase of EUR 3,000 thousand (+18.3%) compared to the corresponding figure of 2017. Revenues from sales and services of the Parent Company Piteco S.p.A. were equal to EUR 14,090 thousand (EUR 13,500 thousand as at 31 December 2017).

Revenues by service type

The breakdown of revenues by service type is shown below.

Revenues	31/12/2018		31/12/2017		Change
Maintenance fees	5,953		5,745		208
Application management fees	1,323		1,188		135
Usage fees	797		497		300
Total Fees	**8,073**	**41.67%**	**7,430**	**45.38%**	**643**
Software sales	1,810		1,542		268
Total Software	**1,810**	**9.34%**	**1,542**	**9.42%**	**268**
Professional activities and services	4,116		3,655		461
Other revenues from sales	22				22
Personalisations	886		858		28
Commissions and Royalties	16		15		1
Total activities and services	**5,040**	**26.01%**	**4,528**	**27.65%**	**512**
Digital payments and clearing house revenues	4,451		2,874		1,577
Total digital payments and clearing house revenues	**4,451**	**22.97%**	**2,874**	**17.55%**	**1,577**
Total	**19,374**		**16,374**		**3,000**

The revenues contributed by the subsidiary Myrios S.r.l. amounted to EUR 833 thousand and refer only to 2.5 months, as the acquisition of the investment was finalised on 15 October 2018.

24 Other operating revenues

"Other operating revenues", whose balance as at 31 December 2018 amounted to EUR 940 thousand (EUR 707 thousand as at 31 December 2017) included contingent assets of EUR 18 thousand, increases in internal work capitalised of EUR 610 thousand, expense reimbursements from customers of EUR 279 thousand and reimbursements from employees for professional and personal use of company cars of EUR 25 thousand. The increases in internal work capitalised relate to development expenses on proprietary software.

Other operating revenues	31/12/2018	31/12/2017	Change
Recovery of costs for services	304	270	34
Other operating revenues	618	361	257

Contingent assets	18	76	-58
Total	**940**	**707**	**233**

25 Changes in assets deriving from contracts

Changes in assets deriving from contracts	31/12/2018	31/12/2017	Change
Changes in assets deriving from contracts	-100	-35	-65
Total	**-100**	**-35**	**-65**

The item “Changes in assets deriving from contracts” relates to the change in WIP “Work in Progress”, relating to contracts pertaining to indivisible services with a duration of less than twelve months.

26 Goods and consumables

Costs for the purchase of goods and consumables amounted to EUR 306 thousand (EUR 267 thousand as at 31 December 2017).

Goods and consumables	31/12/2018	31/12/2017	Change
Purchase of finished products	289	253	36
Other purchases	17	14	3
Total	**306**	**267**	**39**

27 Personnel costs

Personnel costs for employees are shown in the table below:

Personnel costs	31/12/2018	31/12/2017	31/12/2017
Wages and salaries	6,279	5,740	539
Social security charges	1,489	1,340	149
Allocations to pension funds and other	334	319	15
Other personnel costs	19	20	-1
Professional development courses	1	1	
Total	**8,122**	**7,420**	**702**

Employees of the Group as at 31 December 2018, net of directors and external contractors, totalled 114 resources (103 resources as at 31 December 2017). The total increase of 11 resources is attributable to the changes in scope occurring during the year.

28 Costs for services and leases and rentals

Other costs are shown in the table below:

Costs for services and leases and rentals	31/12/2018	31/12/2017	Change
External maintenance	330	170	160
Transport and customs duties	4	1	3
Electricity	14	15	-1
Other utilities	6		6
Promotion & advertising fees	125	94	31
Commissions	109	136	-27
Sundry consulting	126	60	66
Administrative consulting	172	123	49
Other consulting	329	254	75
Insurance	90	73	17
Banking services and fees	13	31	-18
First supply services	42	15	27
Expense reimbursements to employees	315	272	43
Expense reimbursements to third parties	24	27	-3
Entertainment expenses	31	21	10
Fixed telephony expenses	41	33	8
Mobile telephony expenses	33	33	
Postage	2	3	-1
Legal fees	141	234	-93
Cleaning expenses	19	17	2
Fuel	62	59	3
Other services	486	373	113
Fees and compensation to statutory auditors and auditors	133	76	57
Fees and compensation to directors	44	39	5
Services for personnel	143	136	7
Expenses for vehicle management	151	121	30
Costs for remaining on the Stock Exchange and move to the MTA market	785	181	604
Costs for services	**3,770**	**2,597**	**1,173**
Rent payable	142	164	-22
Rentals and other	169	210	-41
Royalties	89	72	17
Leases and rentals	**400**	**446**	**-46**
Total	**4,170**	**3,043**	**1,127**

As a percentage of revenues, the incidence of costs for services increased slightly on the previous year, and amounted to around 21.52% (18.58% as at 31 December 2017). The increase was mainly due to the costs incurred as part of the Myrios S.r.l. business combination (EUR 121 thousand) and the costs incurred for the move to the MTA (Electronic Equity Market) (EUR 606 thousand).

29 Other operating costs

Other costs are shown in the table below:

Other operating costs	31/12/2018	31/12/2017	Change
Other taxes (not on income)	25	11	14
Fines and penalties	5	2	3
Contributions and donations	3	2	1
Magazine and subscription fees	5	4	1
Contingent liabilities	35	43	-8
Allocations to agents severance indemnities	5	5	
Allocations to bad debt provisions	5	180	-175
Total	**83**	**247**	**-164**

30 Amortisation and depreciation

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

Amortisation and depreciation	31/12/2018	31/12/2017	Change
Depreciation of buildings used in operations	46	46	
Depreciation of generic plant	2	2	
Depreciation of furniture and furnishings	2	1	1
Depreciation of electronic machines	16	13	3
Depreciation of other property, plant and equipment	96	51	45
Depreciation of property, plant and equipment	**162**	**113**	**49**
Amortisation of concessions, licences and trademarks	6	7	-1
Amortisation of software	1,633	1,183	450
Amortisation of other intangible assets	61		61
Amortisation of intangible assets	**1,700**	**1,190**	**510**
Total	**1,862**	**1,303**	**559**

31 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	31/12/2018	31/12/2017	Change
Exchange rate gains	402		402
Exchange rate losses	-10	-1,106	1,096
Total	**392**	**-1,106**	**1,498**

During the year, the Group recorded net exchange gains of EUR 392 thousand, of which EUR 376 thousand unrealised.

32 Financial revenues

The table below provides details of financial income:

Financial revenues	31/12/2018	31/12/2017	Change
Other interest income on non-current loans	3		3
Revenues from other financial investments	**3**		**3**
Bank and postal account interest	5	23	-18
Income on options and similar	296		296
Other financial revenues	**301**	**23**	**278**
Total	**304**	**23**	**281**

33 Financial charges

The table below provides details of financial charges:

Financial charges	31/12/2018	31/12/2017	Change
Interest on non-current bank borrowings	154	186	-32
Interest on other non-current payables	385	358	27
Interest on other current payables	89	1	88
Financial charges on employee severance indemnity	16	15	1
Total	**644**	**560**	**84**

34 Income taxes

Income taxes estimated for 2018 are analysed in the table below:

Income taxes	31/12/2018	31/12/2017	Change
IRAP income taxes	94	88	6
IRES income taxes	240	310	-70
Taxes from previous years	-33	-334	301
Deferred tax assets	-25	-333	308
Deferred tax liabilities	56	3	53
Income taxes of foreign subsidiaries	126	4	122
Total	**458**	**-262**	**720**

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

Effects of deferred tax assets and liabilities - IRES	31/12/2018		31/12/2017	
	Temporary Difference	Taxes (rate of 24%)	Temporary Difference	Taxes (rate of 24%)
Amortisation of trademarks	55	13	76	18
Agents' leaving indemnities	7	2	7	2
Long-term costs	10	2	20	5
Actuarial measurement of employee severance indemnity	179	43	201	48
Other costs with deferred deductibility	164	39	162	39
Exchange rate differences from measurement	933	224	1,044	251
Consolidation adjustments	2			
Amortisation of software - Piteco North America	543	136	218	52

Deferred tax assets	**1,893**	**459**	**1,728**	**415**
Higher value of property	410	98	425	102
Amortisation of "Centro data" goodwill	105	25	79	19
Consolidation adjustments	8,431	2,023		
Other deferred tax liabilities	380	91		
Deferred tax liabilities	**9,326**	**2,237**	**504**	**121**
Total	**7,433**	**1,778**	**1,224**	**-294**

Effects of deferred tax assets and liabilities - IRAP	31/12/2018		31/12/2017	
	Temporary Difference	Taxes (rate of 3.9%)	Temporary Difference	Taxes (rate of 3.9%)
Amortisation of trademarks	55	2	76	3
Agents' leaving indemnities	4		4	
Long-term costs	10		20	1
Other costs with deferred deductibility			2	
Consolidation adjustments	2			
Deferred tax assets	**71**	**2**	**102**	**4**
Higher value of property	410	16	425	17
Amortisation of "Centro data" goodwill	105	4	79	3
Consolidation adjustments	8,431	329		
Other deferred tax liabilities	3			
Deferred tax liabilities	**8,949**	**349**	**504**	**20**
Total	**8,878**	**347**	**402**	**16**

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	31/12/2018	31/12/2017
Sureties, personal guarantees and collateral to third parties	53	54
Guarantees given	**53**	**54**
Third party assets at the company	197	87
Assets of others	**197**	**87**
Total	**250**	**141**

As at 31 December 2018 the Parent Company granted guarantees of EUR 53 thousand in the form of sureties for participation in tenders. Other commitments include EUR 197 thousand in commitments deriving from operating leases of vehicles.

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 2018 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 total fees and salaries, including social security costs, were equal to EUR 1,283 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	31/12/2018	31/12/2017	Change
Assets deriving from contracts	128	103	25
Current receivables	4,680	3,993	687
Current tax assets	28	35	-7
Other short-term receivables	501	241	260
(A) Current assets	**5,337**	**4,372**	**965**
Current payables	673	456	217
Liabilities deriving from contracts	299	212	87
Current tax liabilities	172	294	-122
Other current liabilities	3,216	2,524	692
(B) Current liabilities	**4,360**	**3,486**	**874**
(A-B) Net working capital	**977**	**886**	**91**
Property, plant and machinery	2,098	1,486	612
Goodwill	41,426	28,871	12,555
Other intangible assets	16,875	8,545	8,330
Other non-current financial receivables	23	28	-5
Deferred tax assets	462	418	44
(C) Non-current assets	**60,884**	**39,348**	**21,536**
Employee benefits	1,294	1,179	115
Long-term provisions	50	46	4
Deferred tax liabilities	2,587	141	2,446
(D) Non-current liabilities	**3,931**	**1,366**	**2,565**
(NWC+C-D) Net invested capital	**57,930**	**38,868**	**19,062**
Share Capital	18,155	18,155	
Reserves	5,901	5,933	-32
Retained earnings (Losses carried forward)	1,815	2,443	-628
Profit (loss) for the year	5,265	3,385	1,880
(SE) Total shareholders' equity	**31,136**	**29,916**	**1,220**
Cash and cash equivalents	5,572	5,154	418
Other short-term financial receivables	262		262
Current financial liabilities	6,079	2,325	3,754
Non-current financial liabilities	26,549	11,781	14,768
(NFP) Net financial position	**26,794**	**8,952**	**17,842**
(SE+NFP) Total sources	**57,930**	**38,868**	**19,062**

The consolidated Net Financial Position as at 31 December 2018 was a negative EUR 26,794 thousand (negative EUR 8,952 thousand as at 31 December 2017), with a change of EUR 17,842 thousand mainly due to the net effect of the acquisition of Myrios S.r.l. and the payment of dividends (EUR 2,698 thousand), partially offset by the positive cash flow generated during the period. The acquisition of Myrios S.r.l., finalised in October 2018, had a net impact on the financial position of around EUR 20,455 thousand, including the financial liabilities of EUR 12,735 thousand (duly discounted), relating to the earn out on the purchase price of 56% of the share capital and the put option on the residual 44%.

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

Description	31/12/2017	Monetary flow	Non-monetary flow		31/12/2018
			Fair value measurement	Other changes	
Short-term liabilities	2,325	827		2,927	6,079
Medium/long-term liabilities	11,781	5,704	-196	9,260	26,549
Current financial assets		262			262
Financial assets					
Net liabilities from financing activities	**14,106**	**6,269**	**-196**	**12,187**	**32,366**
Cash and cash equivalents	5,154	418			5,572
Net financial indebtedness	**8,952**	**5,851**	**-196**	**12,187**	**26,794**

XIII. TREASURY SHARES

During 2018, 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 2018 the Group held 189,500 treasury shares, equal to 1.045% of the share capital, for a total value of EUR 933 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

On 25 February 2019 Myrios Switzerland S.A. was established in Geneva, with capital 100% subscribed and paid in by Myrios srl for an amount of CHF 100,000.

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

Note that in 2018 the Group did not implement atypical and/or unusual transactions, as defined by CONSOB Communication no. DEM/6064293 of 28 July 2006.

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

The table shows the fees pertaining to 2018 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 to the Directors

Name and Surname	Position	Period	End of term of Office	Fees (thousands of EUR)
Marco Podini	Chairman of the BoD	01/01/2018-31/12/2018	Approval of the 2020 financial statements	5
Paolo Virenti	Chief Executive Officer	01/01/2018-31/12/2018	Approval of the 2020 financial statements	5
Gianni Camisa	Director	01/01/2018-31/12/2018	Resignation	5
Annamaria Di Ruscio	Director	01/01/2018-31/12/2018	Approval of the 2020 financial statements	7
Andrea Guido Guillermaz	Director	01/01/2018-31/12/2018	Approval of the 2020 financial statements	5
Riccardo Veneziani	Director	01/01/2018-31/12/2018	Approval of the 2020 financial statements	5
Maria Luisa Podini	Director	01/01/2018-31/12/2018	Approval of the 2020 financial statements	5
Francesco Mancini	Director	16/04/2018-31/12/2018	Approval of the 2020 financial statements	6
Total				**43**

Fees to the Board of Statutory Auditors

Name and Surname	Position	Period	End of term of Office	Fees (thousands of EUR)
Maurizio Scozzi	Chairman of the Board of Statutory Auditors	01/01/2018-06/09/2018	Resignation	13
Luigi Salandin	Chairman of the Board of Statutory Auditors	01/01/2018-31/12/2018	Approval of the 2020 financial statements	16
Marcello Del Prete	Standing Auditor	01/01/2018-31/12/2018	Approval of the 2020 financial statements	16
Fabio Luigi Mascherpa	Standing Auditor	06/09/2018-31/12/2018	Approval of the 2020 financial statements	5
Anna Postal	Alternate Auditor	01/01/2017-31/12/2017	Approval of the 2020 financial statements	
Gianandrea Borghi	Alternate Auditor	01/01/2018-31/12/2018	Approval of the 2020 financial statements	
Total				**50**

XVII. FEES FOR INDEPENDENT AUDITORS

The table below shows the fees pertaining to 2018 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 EUR)
Auditing of the accounts	KPMG	58
Certification services and voluntary audit in the context of the listing project	KPMG	215

XVIII. DISCLOSURE ON TRANSPARENCY OBLIGATIONS IN SYSTEM OF PUBLIC GRANTS (ITALIAN LAW NO. 124/2017 ART. 1, PARAGRAPHS 125-129)

As required by the regulations on transparency in public grants introduced by article 1, paragraphs 125-129 of Italian Law no. 124/2017 and subsequently supplemented by the Legislative Decree on “Security” (no. 113/2018) and the Legislative Decree on “Simplification” (no. 135/2018), it is noted that in 2018 the Group received subsidies, grants and economic benefits from public administrations and equivalent entities, from companies controlled by the public administration and from government-owned companies, as reported in the National Register of State Aid.

Milan, 25 March 2019

The Chairman of the BoD

Marco Podini

Financial Report
as at 31 December 2018

Separate financial statements prepared in compliance with the IAS/IFRSs

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Financial Statements as at 31 December 2018

STATEMENT OF FINANCIAL POSITION

(values in Euro)

Assets	Notes	31/12/2018	Of which related parties	31/12/2017	Of which related parties	Change
Non-current assets						
Property, plant and machinery	**1**					
Land and buildings	1	1,228,684		1,274,498		-45,814
Plant and machinery	1	4,276		6,740		-2,464
Other assets	1	41,137		35,177		5,960
Total Property, plant and machinery		**1,274,097**		**1,316,415**		**-42,318**
Goodwill	**2**	**27,690,778**		**27,690,778**		
Other intangible assets	**3**					
Concessions, licences and trademarks	3	1,134,406		1,059,979		74,427
Intangible assets under construction	3	49,212				49,212
Total Other intangible assets		**1,183,618**		**1,059,979**		**123,639**
Equity investments in subsidiaries	4	13,951,609	13,951,609	2,817,960	2,817,960	11,133,649
Total Investments		**13,951,609**		**2,817,960**		**11,133,649**
Deferred tax assets	**5**	**320,469**		**366,373**		**-45,904**
Other non-current financial receivables	**6**					
Non-current loans to group companies	6	6,544,586	6,544,586	6,982,945	6,982,945	-438,359
Other non-current assets	6	22,415		28,557		-6,142
Total Other non-current financial receivables		**6,567,001**		**7,011,502**		**-444,501**
Total Non-current assets		**50,987,572**		**40,263,007**		**10,724,565**
Current assets						
Assets deriving from contracts	**7**					
Assets deriving from contracts	7	121,617		102,764		18,853
Total Assets deriving from contracts		**121,617**		**102,764**		**18,853**
Current receivables	**8**					
Trade receivables	8	3,863,373		3,822,023		41,350
Receivables due from parent companies, subsidiaries, affiliates and associates	8	146,393	146,393	52,130	52,130	94,263
Total Current receivables		**4,009,766**		**3,874,153**		**135,613**
Other short-term receivables	**9**	**193,548**	**11,483**	**226,215**	**82,884**	**-32,667**
Current tax assets	**10**			**34,607**		**-34,607**
Current loans to group companies	11	1,318,157	1,318,157	752,960	752,960	565,197
Total Other short-term financial receivables		**1,318,157**		**752,960**		**565,197**
Cash and cash equivalents	**12**	**2,385,884**		**3,039,020**		**-653,136**
Total Current assets		**8,028,972**		**8,029,719**		**-747**
Total assets		**59,016,544**		**48,292,726**		**10,723,818**

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Shareholders' equity and liabilities	Notes	31/12/2018	Of which related parties	31/12/2017	Of which related parties	Change
Shareholders' equity	**13**					
Share Capital	13	18,154,900		18,154,900		
Share premium reserve	13	5,924,232		5,923,650		582
Negative reserve for treasury shares on hand	13	-933,460		-62,042		-871,418
Other reserves	13	3,898,311		2,812,663		1,085,648
Retained earnings (Losses carried forward)	13	2,399,751		2,442,686		-42,935
Profit (loss) for the year	13	4,598,497		3,755,801		842,696
Total Shareholders' equity		**34,042,231**		**33,027,658**		**1,014,573**
Non-current liabilities						
Non-current financial liabilities	**14**					
Long-term bank borrowings	14	9,685,200		4,695,534		4,989,666
Other non-current loans	14	5,347,616		4,657,633		689,983
Total Non-current financial liabilities		**15,032,816**		**9,353,167**		**5,679,649**
Deferred tax liabilities	**15**	**233,906**		**140,524**		**93,382**
Employee benefits	**16**	**1,151,073**		**1,179,363**		**-28,290**
Long-term provisions	**17**	**49,853**		**46,325**		**3,528**
Total Non-current liabilities		**16,467,648**		**10,719,379**		**5,748,269**
Current liabilities						
Current payables	**18**					
Trade payables	18	485,499		335,176		150,323
Payables due to parent companies, subsidiaries, affiliates and associates	18	172,514	172,514	78,672	78,672	93,842
Total Current payables		**658,013**		**413,848**		**244,165**
Liabilities deriving from contracts	**19**	**287,108**		**86,675**		**200,433**
Other current payables	**20**	**2,655,583**		**2,621,822**		**33,761**
Current tax liabilities	**21**	**138,046**	**137,563**	**289,865**	**286,865**	**-151,819**
Current financial liabilities	**22**					
Current bank borrowings	22	1,960,490		1,133,479		827,011
Other current loans and financial payables	22	2,807,425				2,807,425
Total Current financial liabilities		**4,767,915**		**1,133,479**		**3,634,436**
Total Current liabilities		**8,506,665**		**4,545,689**		**3,960,976**
Total Shareholders' equity and liabilities		**59,016,544**		**48,292,726**		**10,723,818**

INCOME STATEMENT

(values in Euro)

Income Statement	Notes	31/12/2018	Of which related parties	31/12/2017	Of which related parties	Change
Revenues	**23**	**14,089,826**	**300,374**	**13,500,432**	**350,343**	**589,394**
Other operating revenues	**24**	**733,816**		**705,185**		**28,631**
Changes in assets deriving from contracts	25	-16,090		-35,016		18,926
Change in assets deriving from contracts	**25**	**-16,090**		**-35,016**		**18,926**
Operating revenues		**14,807,552**		**14,170,601**		**636,951**
Goods and consumables	26	312,172	179,337	264,300	86,001	47,872
Goods and consumables	**26**	**312,172**		**264,300**		**47,872**
Personnel costs	**27**	**6,306,554**		**6,126,821**		**179,733**
Costs for services	28	2,786,627	64,141	1,919,269	44,899	867,358
Leases and rentals	28	258,936	89,541	306,342	36,000	-47,406
Costs for services and leases and rentals		**3,045,563**		**2,225,611**		**819,952**
Other operating costs	**29**	**70,189**		**244,000**		**-173,811**
Operating costs		**9,734,478**		**8,860,732**		**873,746**
EBITDA		**5,073,074**		**5,309,869**		**-236,795**
Depreciation of property, plant and equipment	30	62,828		61,948		880
Amortisation of intangible assets	30	292,260		241,341		50,919
Amortisation and depreciation	**30**	**355,088**		**303,289**		**51,799**
EBIT		**4,717,986**		**5,006,580**		**-288,594**
Gains (losses) from transactions in foreign currency	**31**	**391,681**	**-352**	**-1,103,086**		**1,494,767**
Revenues from investments	32	271,970				271,970
Revenues from other financial investments	32	2,605				2,605
Other financial revenues	32	191,361	191,044	171,529	153,449	19,832
Financial revenues	**32**	**465,936**		**171,529**		**294,407**
Financial charges	**33**	**600,553**		**530,764**		**69,789**
Financial income and charges		**-134,617**		**-359,235**		**224,618**
Profit before tax		**4,975,050**		**3,544,259**		**1,430,791**
Income taxes	**34**	**376,553**		**-211,542**		**588,095**
Profit (loss) for the year		**4,598,497**		**3,755,801**		**842,696**

OTHER COMPONENTS OF COMPREHENSIVE INCOME

(values in Euro)

Other components of comprehensive income	Notes	**31/12/2018**	Of which related parties	**31/12/2017**	Of which related parties	**Change**
Profit (loss) for the year		**4,598,497**		**3,755,801**		**842,696**
Other comprehensive income (loss) that will not be subsequently reclassified under profit (loss)						
Actuarial gains/losses on employee benefits	13	40,720		1,346		39,374
Taxes on actuarial gains/losses on employee benefits	13	-9,773		-323		-9,450
Other comprehensive income (loss) that will be subsequently reclassified under profit (loss)						
Total comprehensive income (loss)		**4,629,444**		**3,756,824**		**872,620**

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STATEMENT OF CASH FLOWS

(values in Euro)

Statement of cash flows	31/12/2018	31/12/2017
Operating activity		
Profit (loss) for the year	**4,598,497**	**3,755,801**
Adjustments for:		
Net financial loss (income)	134,617	359,235
Current income taxes	229,321	63,937
Deferred tax liabilities (assets)	147,232	-275,479
Amortisation and depreciation	355,088	303,289
Losses/(gains) on disposal of assets	-1,500	
Increase in fixed assets for internal projects	-362,403	-358,771
Cash flows from operating activity before changes in working capital	**5,100,852**	**3,848,012**
(Increases)/decreases in assets deriving from contracts	-18,853	35,016
(Increases)/decreases in trade receivables and other receivables	-102,946	350,374
Increases/(decreases) in trade payables and other liabilities	481,046	152,350
Increases/(decreases) in provisions for risks and charges	3,528	3,855
Increases/(decreases) in employee benefits	2,657	-12,895
Increases/(decreases) in tax liabilities (assets)	-7,946	1,347
Increases/(decreases) in current tax liabilities (assets)	-17,896	114,404
Financial income collected	465,936	171,529
Financial (charges) paid	-603,240	-531,319
Income taxes paid	-328,637	-183,230
Net cash and cash equivalents deriving from operating activity	**4,974,501**	**3,949,443**
Investment activity		
(Increases) in fixed assets:		
- Property, plant and equipment	-20,510	-13,507
- Intangible assets	-53,496	-7,606
- Financial assets	-11,254,345	-10,571,065
Decreases due to disposal of fixed assets:		
- Property, plant and equipment	1,500	1,148
Other changes in fixed assets:		
- Property, plant and equipment		-700
Net cash and cash equivalents used in investment activity	**-11,326,851**	**-10,591,730**
Financial assets		
Increases/(decreases) in financial payables	9,311,167	1,592,575
of which:		
- New disbursements	10,339,594	7,104,869
- Repayments	-1,028,427	-5,512,294
Dividends distributed	-2,697,600	-2,718,825
(Purchase)/Sale of treasury shares	-871,418	-62,042
Other changes in shareholders' equity	-42,935	
Net cash and cash equivalents used in investment activity	**5,699,214**	**-1,188,292**
Increases/(decreases) in cash and cash equivalents	**-653,136**	**-7,830,579**
Cash and cash equivalents at the beginning of the year	**3,039,020**	**10,869,599**
Cash and cash equivalents at the end of the year	**2,385,884**	**3,039,020**

CHANGES IN SHAREHOLDERS' EQUITY

Changes	CAPITAL PAID-IN	SHARE PREMIUM RESERVE	NEGATIVE RESERVE FOR TREASURY SHARES	LEGAL RESERVE	EXTRAORDINARY RESERVE	IAS RESERVE	LISTING RESERVE	CONVERTIBLE BONDS (COMPONENT OF SHAREHOLDERS' EQUITY)	RESERVE ON EMPLOYEE BENEFITS	RETAINED EARNINGS (LOSSES CARRIED FORWARD)	PROFIT (LOSS) FOR THE YEAR	SHAREHOLDERS' EQUITY TOTAL
VALUE AS AT 31 DECEMBER 2016	**18,125,500**	**5,923,650**		**211,294**	**1,786,418**	**(59,281)**	**(962,617)**	**98,322**	**(46,849)**	**2,442,686**	**4,503,177**	**32,022,300**
Net profit for 2017											3,755,801	3,755,801
Actuarial gains (losses) of defined benefit plans net of taxes									1,024			1,024
TOTAL STATEMENT OF COMPREHENSIVE INCOME									**1,024**		**3,755,801**	**3,756,825**
Allocation of 2016 profits				225,159	4,278,018						(4,503,177)	
Conversion of bonds	29,400											29,400
Purchase of treasury shares			(62,042)									(62,042)
Distribution of dividends					(2,718,825)							(2,718,825)
Other changes												
VALUE AS AT 31 DECEMBER 2017	**18,154,900**	**5,923,650**	**(62,042)**	**436,453**	**3,345,611**	**(59,281)**	**(962,617)**	**98,322**	**(45,825)**	**2,442,686**	**3,755,801**	**33,027,658**
Net profit for 2018											4,598,497	4,598,497
Actuarial gains (losses) of defined benefit plans net of taxes									30,947			30,947
TOTAL STATEMENT OF COMPREHENSIVE INCOME									**30,947**		**4,598,497**	**4,629,444**
Allocation of 2017 profits				188,000	3,567,801						(3,755,801)	
Purchase of treasury shares			(871,418)									(871,418)
Purchase of own bonds		582						(3,500)				(2,918)
Distribution of dividends					(2,697,600)							(2,697,600)

Other changes										(42,935)		(42,935)
VALUE AS AT 31 DECEMBER 2018	**18,154,900**	**5,924,232**	**(933,460)**	**624,453**	**4,215,812**	**(59,281)**	**(962,617)**	**94,822**	**(14,878)**	**2,399,751**	**4,598,497**	**34,042,231**

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Notes to the separate financial statements as at 31 December 2018

XIX. GENERAL INFORMATION

Piteco S.p.A. (hereinafter, also "Piteco" or the "Company") is a joint-stock company incorporated in Italy, with registered office in Via Mercalli 16, 20122 MILAN, which operates primarily in the information technology sector, as a producer of specific software for business treasury and finance. The ordinary shares and convertible bonds of Piteco S.p.A. have been listed on the MTA (Electronic Equity Market) of Borsa Italiana since 25 September 2018 (on the AIM Italia market up to that date). The company is recorded in the Milan Register of Companies with Economic and Administrative Repertoire no. 1726096.

The publication of these separate financial statements was authorised by resolution of the Company's Board of Directors of 25 March 2019.

Main business of the Company

Piteco is an important player in the financial software sector, with an ambitious plan for diversification and internationalisation, driven by 3 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 85 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. It was listed on the AIM Italia market from July 2015 to September 2018, the date of its shift to the main market.

- JUNIPER PAYMENTS, LLC (hereinafter, also "Juniper"), 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 for day. It is one of the most extensive US interbank networks.

- MYRIOS S.r.l. (hereinafter, also "Myrios"), an Italian software house active in the design and implementation of high value software solutions for the finance area of banks, insurance companies, manufacturers and the public sector. The Company developed Myrios FM (Financial Modelling), a software solution targeted to both industrial and service companies as well as banks, to support complex processes and calculations in the Finance and Risk Management areas.

Significant events

On 16 April 2018, the shareholders' meeting of Piteco S.p.A. approved the plan for the admission and listing of shares and convertible bonds on the MTA (Electronic Equity Market) organised and managed by Borsa Italiana S.p.A.

The decision of Piteco S.p.A. to apply for its shares and convertible bonds to be traded on the regulated market MTA was mainly based on the following considerations: (i) the listing of the Issuer's shares on a regulated market characterised by many large investors in number and size should ensure greater liquidity to the securities and, therefore, greater interest from the market and institutional investors; moreover, (ii) by shifting trading to the MTA, the Company should be able to strengthen its relations with strategic partners, as well as to involve other institutional investors, with significant advantages in terms of competitive positioning, encouraging, in a perspective of continued growth, an improved valuation of the Group; lastly, (iii) the entry in a regulated market such as the MTA should offer the benefit of increased visibility on the reference markets, in Italy and abroad, with additional advantages in terms of competitive positioning.

The process of listing was concluded with attainment of the measure of approval of listing on the MTA market from CONSOB on 21 September 2018 and the start of trading of ordinary shares and convertible bonds on the MTA market on 25 September 2018.

On 15 October 2018 Piteco S.p.A. acquired control of Myrios S.r.l. The acquisition was carried out directly by Piteco S.p.A., which gained control of the company by acquiring 56% of the share capital of Myrios S.r.l. at a price to be paid in three separate tranches. At the closing, Piteco paid a total outlay of EUR 7.7 million. In the second and the third phases, the price is determined according to an earn-out arrangement respectively at the approval of the 2018 and 2019 financial statements, according to a formula that takes into account the verification of growth in the EBITDA of Myrios S.r.l. for the financial years 2018 and 2019 and the EBITDA CAGR. The estimated amount of the earn out as at 31 December 2018 came to EUR 3.5 million. The agreements provide for a put option on the 44% stake in Myrios S.r.l. held by minority shareholders of Myrios S.r.l.: these have the right to withdraw in the period between the approval of the financial statements of Myrios S.r.l. for the year ended 31 December 2020 and the approval of the financial statements for the year ended 31 December 2024. The total price to be paid to the minority shareholders of Myrios (in proportion to the percentage of equity held by these) on exercise of the put option shall be calculated on the basis of some financial parameters, such as EBITDA and net financial position, resulting from the most recent financial statements of Myrios S.r.l. approved by the shareholders' meeting at the date the put option is exercised. The estimated price of the option charged to the consolidated financial statements closed as at 31 December 2018 came to EUR 9.2 million. At least 50% of this price will be paid in exchange for Piteco S.p.A. shares. For the purpose of providing a complete analysis of the operation, it is noted that in drawing up the Separate Financial Statements, the directors considered the put option on the residual 44% of the share capital of the acquired company as a financial instrument recognised at fair value at the date of initial recognition, with subsequent changes to be posted to the income statement. At the date of initial recognition, the directors decided that the fair value of the option was not significant, as the put option was contracted based on conditions that provide for a variable forward price based on the multiples of forecast results to be treated as equivalent to the fair value at the time the option is exercised.

XX. PREPARATION CRITERIA AND COMPLIANCE WITH IAS/IFRS

General principles

These financial statements as at 31 December 2018 have been drawn up 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.) and in compliance with the accounting standards adopted for the Separate financial statements as at 31 December 2017.

These are the first financial statements in which the Company has applied *IFRS 15 - Revenue from Contracts with Customers* and *IFRS 9 - Financial Instruments.* The significant changes in accounting standards for the Company and their effects are described in Chapter III of this report.

These Separate financial statements include 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 notes to the financial statements.

Use of estimates and measurements

In drawing up the separate financial statements in compliance with the IFRSs, the company management must formulate measurements, estimates and assumptions that influence the application of the accounting standards and the amounts of assets, liabilities, costs and revenues recognised in the financial statements. The estimates and related assumptions are based on previous experience and on other factors considered reasonable in this case, and have been adopted to estimate the carrying amounts of assets and liabilities that cannot be easily taken from other sources. Nonetheless, as these are estimates, the actual results may differ from those estimated due to the uncertainty that characterises assumptions and the conditions on which the estimates are based.

Those estimates and assumptions are regularly revised. Any changes deriving from the revision of accounting estimates are recognised in the period in which the revision is carried out and in the related future periods.

Specifically, the information on areas of greater uncertainty in formulating estimates and measurements that have a significant effect on the amounts recognised in the financial statements is provided in the following notes:

- ✓ Notes **1 and 3** - Measurement of amortisation and depreciation of fixed assets;
- ✓ Note **2** - Measurement of recoverable values of cash flow generating units that contain goodwill;
- ✓ Note **5** - Measurement of the recoverability of deferred tax assets;
- ✓ Note **4** - Measurement of the recoverability of financial assets;
- ✓ Note **14** – Fair value measurement of the assets acquired and liabilities assumed in acquisitions of a subsidiary;
- ✓ Note **16** - Measurement of obligations for defined benefit plans for employees;
- ✓ Note **17** - Measurement of allocations to provisions.

In addition, some assessments, in particular those more complex, such as the assessment of the existence of impairment for non-current assets, are usually carried out in full only during the preparation of the annual financial statements, when all necessary information is available, unless there are indications of impairment that require an immediate assessment.

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 is drawn up according to the layout that divides assets and liabilities into "current" and "non-current".
  An asset/liability is classified as current when it meets one of the following criteria:
  (vi) it is expected to be realised/paid off or sold or used in the normal operating cycle of the Company;
  (vii) it is held primarily for trading;
  (viii) it is expected to be realised/paid off within 12 months from the reporting date;
  (ix) it refers to cash and cash equivalents, unless it is not permitted to be traded or used to pay off a liability for at least 12 months from the reporting date;
  (x) the entity does not have an unconditional right to defer the settlement of the liability for at least 12 months from the reporting date.

  Lacking the above conditions, the assets/liabilities are classified as non-current.
- The income statement was drawn up based on the nature of the expenses, a form deemed more representative than the "presentation by purpose';
- The statement of comprehensive income includes the profit (loss) for the year, the charges and income recognised directly in shareholders' equity generated by transactions other than those with shareholders;
- The statement of changes in shareholders' equity includes, in addition to the income (loss) from the comprehensive statement of income, also transactions carried out directly with shareholders that acted in that role, and the details of each single component;
- The statement of cash flows was drawn up applying the indirect method, by means of which the profit (loss) for the year is adjusted for the effects of non-monetary transactions, any deferrals or allocations of previous or future collections or payments connected with operating activities and cost and revenue elements connected with cash flows deriving from investment or financing activities.

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

These financial statements have been audited by the Independent Auditors KPMG S.p.A.

These financial statements have been prepared using the standards and measurement criteria illustrated below.

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

With the exception of that illustrated below, these separate financial statements have been prepared using the same accounting standards applied by the Company to the financial statements for the year ended as at 31 December 2017.

CHANGES IN ACCOUNTING STANDARDS

The Company adopted IFRS 15 "*Revenue from Contracts with Customers*" and IFRS 9 "*Financial Instruments*" starting on 1 January 2018, which had no significant effects on the financial statements of the Company.

An in-depth description of these newly applied standards is provided below.

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. The standard replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the corresponding interpretations. 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.*

Under IFRS 15, therefore, revenue is recognised when the customer obtains the control of the good or service. The identification of the moment in which the transfer of the control takes place - at a given moment or over time - requires an assessment by the management. On first-time adoption, Piteco decided to apply the new standard retroactively, with cumulative effect as at 1 January 2018. This method consists in the recognition of the cumulative effect of the first application of the new standard on the opening shareholders' equity, without restatement of the comparison period. The Company has chosen to apply the new standard retroactively only to the supply contracts of software products and services that had not been completed at the time of the first application.

Effects of first application

The effects of first application IFRS 15 were determined by a limited number of contracts for which the recognition of revenue over time was modified based on the time that the related performance obligation was fulfilled. We provide below a summary of the effects of the first application of the new standard, indicating the contra-entry of the "cumulative catch-up adjustment" recognised on the opening balances.

Items of financial statements	*Amount in thousands of Euro*
Assets deriving from initial contracts	35
Accounts from customers (deferred revenue)	(95)
Deferred tax assets	17
Profits carried forward – effect as at 1 January 2018	(43)

The table below summarises the effects of the application of IFRS 15 on the single items of the statement of financial position as at 31 December 2018 and the income statement and statement of comprehensive income for the period ended as at 31 December 2018.

Impacts of IFRS 15	**FY 2018 published**	**Impacts of IFRS 15**	**FY 2018 restated**
Revenues from sales	14,091	-95	13,997
Changes in inventories	-16	-35	-51
Operating revenues	**14,803**	**-130**	**14,674**
Deferred tax assets	54	-17	37
Total taxes	**375**	**-17**	**358**

IFRS 9 "Financial Instruments"

IFRS 9 introduces new provisions for the recognition and measurement of financial assets, financial liabilities and certain contracts to buy or sell non-financial items. The standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 substantially retains the provisions of IAS 39 for classifying and measuring financial liabilities. Conversely, for financial assets, the new standard eliminates the categories set out in IAS 39, i.e., held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 does not have significant effects on the measurement criteria applied by the Company to financial liabilities and derivative financial instruments. The effects of IFRS 9 on the classification and measurement of financial assets are described below.

According to IFRS 9, on initial recognition, a financial asset is classified based on its measurement: 'at amortised cost', 'at fair value through other comprehensive income' or 'at fair value through profit and loss'. The classification set out in the standard is usually based on the entity's business model for managing financial assets and the characteristics of the contractual cash flows of the financial asset. Embedded derivatives in contracts where the primary element is a financial asset that falls within the scope of application of the standard must never be separated. Instead, the hybrid instrument is examined as a whole for the purposes of its classification.

The table below illustrates the original measurement categories set out in IAS 39 and those introduced by IFRS 9 for each type of financial asset of the Company as at 1 January 2018.

In thousands of Euro	Original classification compliant with IAS 39	New classification compliant with IAS 9	Original carrying amount compliant with IAS 39	Carrying amount compliant with IAS 9
Financial assets				
Trade receivables and other receivables	Loans and receivables	Amortised cost	5,522	5,522
Cash and cash equivalents	Loans and receivables	Amortised cost	2,386	2,386
Total financial assets			**7,908**	**7,908**
Financial liabilities				
Bank borrowings	Other financial liabilities	Other financial liabilities	11,645	11,645
Convertible bond	Other financial liabilities	Other financial liabilities	4,657	4,657
Trade payables and other payables	Other financial liabilities	Other financial liabilities	3,314	3,314
Total financial liabilities			**19,616**	**19,616**

IFRS 9 replaces the incurred loss model set out in IAS 39 with an expected credit loss (ECL) forecast model. The new impairment loss model applies to financial assets measured at amortised cost and assets deriving from contracts. Pursuant to IFRS 9, credit losses are recognised earlier than based on IAS 39, as, according to the new model, it is no longer necessary that the impairment trigger that gives rise to the credit loss occur in order to recognise that loss in the financial statements. It is required that the future expected loss of the financial instrument be immediately recognised (right from the date of initial recognition), using past and present data, as well as forward-looking information.

Financial assets measured at amortised cost include trade receivables, financial receivables and cash and cash equivalents.

IFRS 9 substantially retains the provisions of IAS 39 for classification and measurement of financial liabilities: as a result, financial liabilities must be measured at FVTPL (typically in the case of derivatives, financial liabilities held for trading and financial liabilities for put options on minority interests and for potential considerations arising as part of a business combination) or at amortised cost (separating out any embedded derivatives, which must be measured at FVTPL). The standard was applied from 1 January 2018. The adoption of this standard did not have a significant impact on the amounts and information provided in the separate financial statements of Piteco.

NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, WHICH ARE APPLICABLE FROM FY 2018

The accounting standards and interpretations endorsed by the European Union during 2018, which have not yet entered into force, are listed and summarised below. Early adoption is permitted for some of these. Nonetheless, Piteco has decided against early adoption in preparing these separate financial statements.

Piteco provides an update below on the information provided in the last annual financial statements relating to standards published but not yet adopted which could have a significant effect on the financial statements.

IFRS 16 "Leases"

IFRS 16 replaces the current provisions on leases, including IAS 17 "*Leases*", IFRIC 4 "*Determining Whether an Arrangement Contains a Lease*", SIC-15 "*Operating Leases — Incentives*" and SIC-27 "*Evaluating the Substance of Transactions in the Legal Form of a Lease*".

IFRS 16 applies starting from financial years beginning on or after 1 January 2019. Early adoption is permitted.

IFRS 16 introduces a single model for recognising leases in lessees' financial statements, according to which the lessee recognises an asset representing the right to use the underlying asset and a liability that reflects the payment obligations for the lease rentals. Exemptions from applying IFRS 16 are provided for short-term leases and leases of assets with low value. The recognition methods for the lessor remain similar to those set out in the standard currently in force, i.e., the lessor continues to classify leases as operating or financial leases.

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 EBITDA.

The Company has completed a preliminary analysis of the potential effects on the financial statements, but has not yet completed a more detailed analysis. The actual impacts of the application of IFRS 16 on the financial statement for the period of first-time application will depend on the future economic conditions, including the lending rate at 1 January 2019, the composition of the Company's lease portfolio at that date, a more recent assessment by the Company of whether to exercise any options to renew leases and the extent to which the Piteco may decide to implement practical shortcuts and exemptions.

Currently, the need has been identified for the Company to recognize new assets and liabilities for the operating leases of facilities hosting administrative offices and for long-term rental of cars. Moreover, considering that as at 31 December 2018, the minimum future payments for irrevocable operating leases relating to buildings amounted to € 123 thousand and those relating to rented cars to € 300 thousand (on a non-discounted basis), no significant effects are expected.

Moreover, the nature of the costs relating to those leases will change when IFRS 16 replaces recognition on a straight-line basis of costs for operating leases with the amortisation of assets for the right of use and the financial charges on lease liabilities.

OTHER STANDARDS

Even though the following documents are applicable from FY 2018, they had no impacts on the financial statements for the year ended as at 31 December 2018 in terms of disclosure or changes to accounting standards in relation to the previous year, as they mainly refer to issues not applicable to the Group:

- ✓ Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)
- ✓ Improvements to the IFRSs (2014-2016 Cycle) – Amendments to IFRS 1 and IAS 28
- ✓ Classification and Measurement of Share-Based Payment Transactions (Amendments to IFRS 2)
- ✓ Change in use of investment property (Amendments to IAS 40)
- ✓ IFRIC 22 Interpretation – Foreign Currency Transactions and Advance Consideration

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED BY THE COMPANY, AS TO BE APPLIED IN FUTURE.

The following new accounting standards, amendments and interpretations will be required to be applied following 31 December 2018 (entry into force in parenthesis).

Documents already endorsed by the European Union, not subject to early adoption by the Company

- ✓ Prepayment Features with Negative Compensation (Amendments to IFRS 9) - (1 January 2019)
- ✓ IFRIC 23 Interpretation – Uncertainty over Income Tax Treatments - (1 January 2019)
- ✓ Long-Term Interests in Associates and Joint Ventures (Amendments to IAS 28) - (1 January 2019)
- ✓ Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) - (1 January 2019)
- ✓ Improvements to the IFRSs - 2015-2017 Cycle (Amendments to IFRS 3/IFRS 11; IAS 12 and IAS 23) – (1 January 2019)

Documents not yet endorsed by the European Union

- ✓ Amendments to references to the Conceptual Framework in IFRS Standards - (1 January 2020)
- ✓ Definition of business (Amendments to IFRS 3) - (1 January 2020)
- ✓ Definition of material (Amendments to IAS 1 and IAS 8) - (1 January 2020)

- ✓ IFRS 17 – Insurance Contracts - (1 January 2021)

Based on the types of cases to which said new documents apply and the preliminary analyses by the Company, it is deemed that the retroactive application of those documents, where requested, will not have significant impacts on the financial statement data.

XXII. MAIN MEASUREMENT CRITERIA

The accounting standards described below were applied in a homogeneous manner for all periods included in these financial statements.

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 relative assets, periodically revised if necessary. The useful life estimated 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 are 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 above 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. Subsequent costs are capitalised only when they increase the expected future economic benefits attributable to the asset to which they refer. All other subsequent costs are posted to profit/(loss) for the year in which they are incurred.

Amortisation starts at the moment the intangible assets are ready for use. The directors revise the expected useful life of the assets, at least at each reporting period.

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 Piteco 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. Operating 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 deriving from any impairment exceeding the carrying amount of the investee is recognised in specific provisions in the amount in which the equity investment is committed for the purpose of fulfilling legal or implicit obligations to the investee or 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. The recoverable amount of goodwill, instead, is estimated annually and each time indicators of potential impairment arise.

For the purposes of identifying any impairment losses, assets are grouped into the smallest identifiable group of cash flow generating assets, significantly separate from 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 group of the CGU that is expected to benefit from the synergies of the aggregation.

The recoverable value of an asset or a CGU is the higher of its value in use and its fair value less costs to sell. 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.

Assets deriving from contracts

Assets deriving from contracts are comprised of services that were not yet completed at the end of the year, relating to contracts pertaining to indivisible services to be completed within the following twelve months and represent the gross amount expected to be collected from customers for the work performed up to the reporting date. They are measured based on the agreed considerations, based on the progress of the forecast number of hours necessary to complete the order.

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.

The value of the receivables is shown net of bad debt provisions. For more details on the estimated impairment of receivables, refer to that set out in the paragraph "IFRS 9 – Financial Instruments".

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 their realisable value.

Financial instruments

<u>Financial assets</u>

Based on the characteristics of the instruments and the business model adopted to manage them, financial assets, which represent debt instruments, are classified in the following three categories: (i) financial assets at amortised cost; (ii) financial assets at fair value through other comprehensive income (hereinafter, also OCI); and (iii) financial assets at fair value through profit and loss.

Financial assets are initially recognised at fair value. For trade receivables lacking a significant financial component, the value of initial recognition is represented by the transaction price. Following initial recognition, financial assets that generate contractual cash flows exclusively representing payments of principal and interest are measured at amortised cost if they are held for the purpose of collecting the contractual cash flows (hold to collect business model). According to the amortised cost method, the value of initial recognition is subsequently adjusted to take account of repayments of principal, any write-downs and the amortisation of the difference between the repayment value and the value of initial recognition. Amortisation is carried out based on the effective intern interest rate, which represents the rate that, at the time of initial recognition, makes the present value of expected cash flows equal to the value of initial recognition.

Receivables and other financial assets measured at amortised cost are presented in the statement of financial position net of the related bad debt provisions.

Financial assets representing debt instruments whose business model provides for the possibility to collect the contractual cash flows as well as the possibility to realise gains on sale (hold to collect and sell business model) are measured at fair value through OCI (hereinafter, also FVTOCI). In that case, the changes in the fair value of the instrument are recognised in shareholders' equity, among other components of comprehensive income. The cumulative amount of changes in fair value, charged to the shareholders' equity reserve that includes other components of comprehensive income, is subject to reversal to the income statement when the instrument is eliminated from the accounts. The interest income calculated using the effective interest rate, exchange rate differences and write-downs are recognised in the income statement.

A financial asset representing a debt instrument that is not measured at amortised cost or at FVTOCI is measured at fair value through profit and loss (hereinafter, FVTPL). This category includes financial assets held for trading purposes. When financial assets are purchased or sold based on a contract that provides for the settlement of the transaction and delivery of the asset within a specific number of days, established by the market control bodies or market practices (e.g. purchase of securities on regulated markets), the transaction is recognised at the settlement date. Financial assets sold are eliminated from statement of financial position assets when the contractual rights connected with obtaining the cash flows associated with the financial instrument expire or are transferred to third parties.

The valuation of recoverability of financial assets representing debt instruments not measured at fair value through profit and loss is assessed based on the "Expected Credit Loss model". In particular, expected losses are generally determined based on the product of: (i) the exposure to the counterparty net of related mitigating factors ("Exposure At Default"); (ii) the probability that the counterparty defaults on its payment obligation ("Probability of Default"); and (iii) the estimate of the percentage of credit that it will not be possible to recover in the event of default ("Loss Given Default") defined on the basis of past experience and the possible recovery actions that can be carried out (e.g. out-of-court actions, legal disputes, etc.). Exposures under dispute are those for which debt collection activities have been activated or are about to be activated, through legal /judicial proceedings. Write-downs of trade receivables and other receivables are recognised in the income statement, net of any write-backs.

Financial assets are eliminated from the statement of financial position when the right to receive the cash flows terminates and all the risks and benefits connected with holding the asset (derecognition) are substantially transferred, or the item is considered definitively unrecoverable after all the necessary recovery procedures have been completed.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or at FVTPL. A financial liability is classified at FVTPL when it is held for trading, represents a derivative or is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and any changes, including interest expense, are recognised under profit /(loss) for the year. Other financial liabilities are subsequently measured at amortised cost, using the effective interest rate criterion. Interest expense and exchange rate gains/(losses) are recognised under profit/(loss) for the year, as well as any gains or losses deriving from elimination from the accounts.

Financial liabilities are eliminated when they have been paid, or when the obligation specified in the contract has been fulfilled or cancelled or has expired.

Financial assets and liabilities are offset in the statement of financial position when there is a legal right to offsetting which can currently be exercised, and there is the intention of settling the account on a net basis (or to sell the assets while paying off the liabilities).

Derivative financial instruments and hedge accounting

As mentioned above, as the derivative financial instruments are not designated as hedging instruments, they are initially measured at fair value. Following recognition, derivatives are measured at fair value (according to the criteria set out in the point below) and their changes are recorded in profit/(loss) for the year.

Fair value measurement

Fair value is the consideration that may be received for the sale of an asset or that may be paid for the transfer of a liability in a regular transaction between market participants at the measurement date (i.e. exit price).

The fair value of an asset or liability is determined by using the measurements that market operators would use in determining the price of an asset or liability. Fair value measurement also assumes that the asset or liability is traded on the main market or, lacking such market, in the most advantageous market to which the company has access.

The fair value of a non-financial asset is measured considering the capacity of market participants to generate economic benefits when putting the asset to its highest and best use or selling it to another market participant capable of using it in a manner that maximises its value. The highest and best use of the asset is determined from a market participant's point of view, even in the case that the company intends to use the asset in a different way. It is assumed that the current use of a non-financial asset by the company is the highest and best use thereof, unless the market or other factors suggest that a different use by market participants is capable of maximising its value.

The fair value measurement of a liability, whether financial or non-financial, or of an equity instrument, takes account of the price quoted for the transfer of an identical or similar liability or equity instrument. If that quoted price is unavailable, the measurement of the corresponding assets held by a market participant at the measurement date is considered.

The fair value of financial instruments is determined considering the credit risk of the counterparty of a financial asset ("Credit Valuation Adjustment" - CVA) and the risk of default by the entity on a financial liability ("Debit Valuation Adjustment" - DVA). In determining the fair value, a hierarchy of criteria is defined based on the origin, type and quality of the information used in the calculation. The purpose of this classification is to establish a hierarchy of reliability of the fair value, giving precedence to the use of parameters observable on the market which reflect the assumptions that market participants would use in measuring the asset/liability.

Buyback and reissue of ordinary shares (treasury shares)

In the event of buyback of shares recognised in shareholders' equity, the price paid, including costs directly attributable to the transaction, is recognised as a decrease in shareholders' equity. The shares bought back are classified as treasury shares and recognised in the reserve for treasury shares. The financial effects of any subsequent sales are recognised as an increase in shareholders' equity. Any positive or negative difference deriving from the transaction is recognised in the share premium reserve.

Composite financial instruments

Composite financial instruments issued by the Company include convertible bonds in Euro which can be converted at the holder's discretion into a fixed number of shares. The debt component of a composite financial instrument is initially recognised at the fair value of a similar liability without a conversion option. The shareholders' equity component is initially recognised at the amount equal to the difference between the fair value of the composite financial instrument as a whole and the fair value of the debt component. Connected transaction costs are posted to the debt and equity components of the instrument in proportion to the value of each component.

Following initial recognition, the debt component is measured at amortised cost, using the effective interest rate criterion. The shareholders' equity component of those instruments is not redetermined following initial recognition.

Interest on financial liabilities are recognised under profit/(loss) for the year. At the time of conversion, the financial liability is reclassified in shareholders' equity without recording any profit or loss.

Employee benefits

Short-term employee benefits are not discounted, and are recognised as a cost at the time that the service is provided that gives rise to those benefits. The benefits guaranteed to employees provided on severance of employment refer to employee severance indemnity ("TFR") accrued by employees of the Company.

With regard to employee severance indemnity, as a result of the amendments made by Italian Law no. 296 of 27 December 2006, and subsequent Decrees and Regulations ("Pension Reform") issued in the initial months of 2007:

- ✓ the employee severance indemnity accrued as at 31 December 2006 is considered a defined-benefit plan (without plan assets). The benefits guaranteed to employees in the form of employee severance indemnity that are disbursed on termination of employment are recognised in the period in which the right accrues.
- ✓ Employee severance indemnity that accrues after 1 January 2007 is considered a defined-contribution plan. Therefore, the contribution accruing in the period are fully recognised as a cost in the profit(loss) for the year and the portion not yet paid into provisions is shown as a payable under "Other payables".

In order to measure defined-benefit plans according to that set out in IAS 19, the amount of payables for employee severance indemnity accrued prior to 1 January 2007 is projected to the future to estimate the portion to be paid at the time of termination of employment, and subsequently discounted, using the projected unit credit method, to take account of the time passing before actual payment;

The discounting rate used consists of the iBoxx Eurozone Corporate AA 10+ index at the reporting date, with average financial duration comparable to that of the group being measured. The calculation was performed by an independent actuary.

The actuarial gains/(losses) are recognised under other components of comprehensive income, net of taxes.

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 provisions 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".

The occurrence of the event that triggers a commitment of resources to fulfil the obligation may be probable, possible or remote. If there is liability that only possibly may arise, only additional information is provided.

If, instead, the probability of committing own resources to fulfil the obligation is remote, no additional information is required.

The Explanatory Notes provide a brief description of potential liabilities and, where possible, an estimate of their financial effects and indication of the uncertainties regarding the amount and the time of occurrence of each outlay.

Revenue recognition

In addition to that set out in paragraph "III Accounting Standards and Amendments to the Standards Adopted by the Company" regarding the business conducted by Piteco, revenues are recognised in the amount of the fair value of the price that the company considers it has a right to in exchange for the goods and/or services promised to the customer, excluding the amounts collected on behalf of third parties. In particular, identifying the individual performance obligations of the contract and consequently allocating the price among these, as well as the subsequent "separate" recording of each of these, was already implemented by the Company in previous years. The case of contracts containing sales of licences associated with installation, maintenance and other sundry services has always been treated separately by the Company and the adoption of IFRS 15 has not changed the recording criteria applied. The analysis conducted also took the following cases into consideration:

- warranties provided to customers: the commercial practices applied by Piteco only and exclusively require it to replace or correct, at its expense, the parts of software that are defective. Therefore, the warranty does not provide the customer with an additional service other than ensuring that the products comply with the agreed specifications. Moreover, customers do not have the option of purchasing a warranty separately and, therefore, the warranty does not constitute a separate service that needs to be recorded separately.

- recording of overtime revenues: with regard to recording overtime revenues deriving from software installation or other customisation services, meaning that, based on the progress of the forecast number of hours necessary to complete the order, insignificant misalignments arose compared to the previous years which are covered in paragraph V. Neither did the recording of maintenance and other long-term services result in impacts deriving from the introduction of IFRS 15.
- discounts granted to customers: no changes were seen in the recording of discounts deriving from the introduction of the new standard.

The Company adopted IFRS 15 retroactively, i.e. without changing the comparative data for 2017, which are expressed based on the application of IAS 18.

Costs

Costs and other operating charges are recognised in the income statement at the time when they are incurred, based on the accrual 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. 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 taxes represent the estimate of the amount of income taxes due, calculated on the taxable income for the year, determined by applying the tax rates in force or substantially in force at the reporting date and any adjustments to the amount relating to the previous years.

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 it is likely that the existence of adequate future taxable profits will exist against which they can be used. Deferred taxes are not recognised for:

- the temporary differences relating to the initial recognition of assets or liabilities in a transaction other than a business combination which does not influence either the accounting profit (or loss) or the taxable income (or tax loss); and
- the taxable temporary differences relating to the 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

If these transactions involve companies or company businesses that are already part of the Group, they are considered as lacking economic substance, as they are implemented only for organisational purposes. Therefore, lacking specific indications from the IFRSs, and in line with the assumptions of IAS 8, which requires that, lacking a specific standard, a company must use its own judgment in applying an accounting standard that provides relevant, reliable and prudent disclosure and that reflects the economic substance of the transaction, these shall be recorded on a continuity of values basis.

Otherwise, where the business combination does not involve companies or company businesses under joint control, the identifiable assets and liabilities acquired in the business combination, including goodwill, are recognised and measured in accordance with IFRS 3 – Business Combinations.

XXIII. INFORMATION ON FINANCIAL RISK

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 Company's operations.

Credit risk management - 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, Piteco 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 itself only of counterparties with high credit standing. The continuous preventive procedures to check the solvency and reliability of customers, as well as the monitoring of payments, guarantee adequate risk reduction.

In that regard, note that as at 31 December 2018 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. The Company allocates bad debt provisions for impairment which reflects the estimate of losses on trade receivables and other receivables, whose main components are individual write-downs of significant exposures and collective write-downs of homogeneous groups of assets in relation to losses that have not been individually identified.

The receivables recognised in the financial statements did not include significant past due amounts.

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). As the majority of the Company's trade receivables are from the Euro area, from a commercial perspective, there is no significant exchange rate risk.

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 - Liquidity risk represents the risk that, due to the inability to obtain new funds (funding liquidity risk) or to liquidate assets on the market (asset liquidity risk), the company is unable to cover its payment commitments, resulting in an impact on the income statement result if the company is forced to incur additional costs to cover its commitments or, as an extreme consequence, a situation of insolvency that puts the company's business at risk.

The Company's objective is to implement, as part of the financial plan, a financial structure which, in line with the objectives of the business and growth through external lines, ensures an adequate level of liquidity for the Company, minimising the opportunity cost, and to maintain a balance in terms of duration and composition of debt.

The Company has had access to a wide range of funding sources through the credit system and capital markets (loans from leading national banks and bond loans). Piteco's objective is to maintain a balanced debt structure, in terms of composition between bonds and bank loans, in line with the profile of the business Piteco operates in and in line with its plans for medium/long-term growth by acquiring players that provide products and services complementary to its own.

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 loans	31/12/2018	31/12/2017	Change
Unsecured long-term bank borrowings	9,685	4,696	4,989
Non-current bonds	4,657	4,658	-1
Other non-current financial payables	691		691

Current portion of long-term loans	31/12/2018	31/12/2017	Change
Unsecured current bank borrowings	1,960	1,133	827
Other current financial payables	2,807		2,807

The following table provides the breakdown by maturity of gross financial indebtedness 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.

	31/12/2018	31/12/2017	Change
Within 6 months	3,644	554	3090
From 6 to 12 months	1,124	579	545
From 1 to 5 years	13,525	9,353	4172
Over 5 years	1,507		1507

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

1 Property, plant and machinery

The changes in the items of Property, plant and machinery as at 31 December 2018 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	-454	-46		1	-499
Land and buildings	**1,274**	**-46**		**1**	**1,229**
Plant and machinery	152				152
Accum. depreciation - plant and machinery	-145	-2			-147
Plant and machinery	**7**	**-2**			**5**
Ind. and commercial equipment	6				6
Accum. depreciation - ind. and commercial equipment	-6				-6
Vehicles	11		-11		
Accum. depreciation - vehicles	-11		11		
Furniture and furnishings	165				165
Accum. depreciation - furniture and furnishings	-164				-164
Electronic machines	122	19	-1		140
Accum. depreciation - electronic machines	-88	-14	1		-101
Other property, plant and equipment	10	1			11
Accum. depreciation - other property, plant and equipment	-10			-1	-11
Other assets	**35**	**6**		**-1**	**40**
Total	**1,316**	**-42**			**1,274**

Land and buildings

These amounted to EUR 1,229 thousand (EUR 1,274 thousand as at 31 December 2017) 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 5 thousand (EUR 7 thousand as at 31 December 2017) and mainly refers to accessory plant at the headquarters.

Other assets

These amounted to EUR 40 thousand (EUR 35 thousand as at 31 December 2017) and referred mainly to furniture and furnishings and electronic office machines and other assets. The EUR 20 thousand increase was due to purchases for hardware upgrades.

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2 Goodwill

The changes in Goodwill as at 31 December 2018 are shown below:

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

Goodwill, amounting to EUR 27,691 thousand as at 31 December 2018 (EUR 26,691 thousand as at 31 December 2017) 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).

CGU Piteco

As at 31 December 2018 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 2019-2021 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 10.88% and a growth rate (g) of 1.40%, equal to expected inflation. The recoverable value determined based on the assumptions and valuation techniques described above, came to EUR 49,057 thousand, against a carrying amount of the assets allocated to the CGU Piteco of EUR 31,333 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 16.54%.

As an additional sensitivity analysis, it is noted that using a constant WACC (of 10.88%) and a perpetual growth rate g (of 1.40%), only a reduction in the EBITDA Margin greater than 13.25% would result in issues of impairment.

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 2018 to be recoverable.

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	15	3			18
Accum. amortisation - concessions, licences and trademarks	-7	-2			-9
Software	9,263	364		-1	9,626
Accum. amortisation - software	-8,211	-290			-8,501
Concessions, licences and trademarks	**1,060**	**75**		**-1**	**1,134**
Intangible assets under construction		**49**			**49**
Total	**1,060**	**124**		**-1**	**1,183**

Concessions, licences and trademarks

The net balance amounted to EUR 1,134 thousand (EUR 1,060 thousand as at 31 December 2017) and is comprised of EUR 9 thousand for the PITECO™ trademark and the costs incurred to register the Match.it™ trademark, and EUR 1,125 thousand for software rights. The item software includes the rights relating to the proprietary software Piteco and the proprietary software Match.it, in addition to rights to use third party software. Specifically, the increases in software comprise EUR 362 thousand for the internal development of new modules of Piteco and Match.it software and EUR 1 thousand for the acquisition of the rights to use third party software. The increases in the item trademarks of EUR 3 thousand are comprised of costs incurred to extend the registrations of the Piteco and Piteco Evolution trademarks.

Fixed assets under construction

Fixed assets under construction, equal to EUR 49 thousand (zero as at 31 December 2017), refer to capitalised costs incurred in the development of software by the company, not completed by the end of the year. The project is expected to be completed by the end of 2019.

4 Investments

The changes in investment are illustrated in the following table.

Investments	Opening balance	Increases	Decreases	Closing balance
Equity investments in subsidiaries	2,818	11,134		13,952
Equity investments in subsidiaries	**2,818**	**11,134**		**13,952**
Total	**2,818**	**11,134**		**13,952**

The increase in Equity investments in subsidiaries relates to the acquisition of 56% of the share capital of Myrios S.r.l., finalised on 15 October 2018. The acquisition was carried out at a price to be paid in three separate tranches. The total cost of the acquisition includes the price paid at the closing on 15 October 2018 of EUR 7.7 million and the earn-out set out in the contract, estimated at EUR 3.4 million, based on the results of financial years 2018-2019, to be paid on approval of the 2018 and 2019 financial statements.

The agreements provide for a put option on the residual 44% stake in Myrios S.r.l. held by minority shareholders of Myrios S.r.l.: these have the right to withdraw in the period between the approval of the financial statements of Myrios S.r.l. for the year ended 31 December 2020 and the approval of the financial statements for the year ended 31 December 2024. The total price to be paid to the shareholders of Myrios S.r.l. (in proportion to the percentage of equity held by these) on exercise of the put option shall be calculated on the basis of some financial parameters, such as EBITDA and net financial position, resulting from the most recent financial statements of Myrios S.r.l. approved at the date the put option is exercised. At least 50% of that price will be paid in exchange for Piteco S.p.A. shares. For the purpose of providing a complete analysis of the operation, it is noted that in drawing up the Separate Financial Statements, the directors considered the put option on the residual 44% of the share capital of the acquired company as a financial instrument recognised at fair value at the date of initial recognition, with subsequent changes to be posted to the income statement. At the date of initial recognition, the directors decided that the fair value of the option was not significant, as the put option was contracted based on conditions that provide for a variable forward price based on the multiples of forecast results to be treated as equivalent to the fair value at the time the option is exercised. As at 31 December 2018 there were no changes in fair value through profit and loss.

The Shareholders' Equity 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 2018 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	Group shareholders' equity	% Directly held	% Indirectly held	Book value
Piteco North America	United States	8	139	2,594	100%		2,818
Juniper Payments, LLC [7]	United States	2,487	369	2,212		55%	
Myrios S.r.l.	Italy	50	470	1,663	56%		11,134

As at 31 December 2018 an analysis was conducted of the sustainability of the value of the equity investments, which did not result in any impairment of the equity investments.

Piteco North America (and, indirectly, Juniper)

[7] Company controlled by Piteco North America, Corp.

As at 31 December 2018, the Company subjected the recognition values to a test of recoverability. 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 expected future cash flows estimated in the forecast plan drawn up by the management. The cash flows for the period 2019-2021 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 10.78% and a growth rate (g) of 2.10%, equal to expected inflation in the market where the subsidiary operates. The recoverable value determined based on the assumptions and valuation techniques described above, came to EUR 6,989 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 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 equity investment in Piteco North America, 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 17.05%.

As an additional sensitivity analysis, it is noted that using a constant WACC (of 10.78%) and a perpetual growth rate g (of 2.10%), only a reduction in the EBITDA Margin greater than 14.08% would result in issues of impairment.

Myrios S.r.l.

As at 31 December 2018, the Company subjected the recognition values to a test of recoverability. 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 Myrios S.r.l. The latter was determined by discounting the expected future cash flows estimated in the forecast plan drawn up by the management. The cash flows for the period 2019-2021 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 10.88% and a growth rate (g) of 3.40%, justified by the fact that the company is similar to a start-up because the product and services offered are still in the initial phase of their life cycle and can benefit, over the next few years, also beyond the time horizon of the explicit forecast, from higher growth than the other products offered by the Group. The recoverable value determined based on the assumptions and valuation techniques described above, came to EUR 12,094 thousand, against a carrying amount of the equity investment of EUR 11,134 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% 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 Myrios, 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 11.53%.

As an additional sensitivity analysis, it is noted that using a constant WACC (of 10.88%) and a perpetual growth rate g (of 2.10%), only a reduction in the EBITDA Margin greater than 4.46% would result in issues of impairment.

Based on the analyses conducted, the Company’s Directors deemed the recognition value of the equity investments in subsidiaries posted in the Separate financial statements as at 31 December 2018 to be recoverable.

5 Deferred tax assets

Deferred tax assets of EUR 320 thousand (EUR 366 thousand as at 31 December 2017) 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 hereinafter 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	31/12/2018	31/12/2017	Change	From 1 to 5 years	Over 5 years
Non-current loans to subsidiaries	6,545	6,983	-438	3,464	3,080
Non-current loans to the group	**6,545**	**6,983**	**-438**	**3,464**	**3,080**
Receivables for tax assets and due from employees	4		4	4	
Security deposits	19	28	-9	19	
Other non-current assets	**23**	**28**	**-5**	**23**	
Total	**6,568**	**7,011**	**-443**	**3,487**	**3,080**

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.com business unit through Juniper Payments, LLC. The loan has a duration of 10 years and the interest rate applied is 2.5% annually.

7 Assets deriving from contracts

The item in question breaks down as follows:

Assets deriving from contracts	Opening balance	Increases	Decreases	Closing balance

Assets deriving from contracts	103	9	122
Assets deriving from contracts	**103**	**9**	**122**
Total	**103**	**9**	**122**

The assets deriving from contracts of Piteco refer to services that were not yet completed at the end of the year, relating to contracts pertaining to indivisible services to be completed within twelve months. They are measured based on the agreed considerations, based on the progress of the forecast number of hours necessary to complete the order.

8 Current receivables

The item in question breaks down as follows:

Current receivables	31/12/2018	31/12/2017	Change
Current receivables from customers	4,043	4,005	38
Bad debt prov. - current receivables from customers	-179	-183	4
Trade receivables	**3,864**	**3,822**	**42**
Current receivables from parent companies	79		79
Current receivables from related parties	68	52	16
Receivables due from parent companies, subsidiaries, affiliates and associates	**147**	**52**	**95**
Total	**4,011**	**3,874**	**137**

Receivables from customers, amounting to EUR 3,864 thousand (EUR 3,822 thousand as at 31 December 2017), are shown net of the corresponding bad debt provisions which, as at 31 December 2018, amounted to EUR 179 thousand. Current receivables from parent companies and related parties are composed of receivables from the parent company Dedagroup S.p.A. and receivables from associates that are part of the Dedagroup group.

During the year the following changes occurred in the bad debt provision:

Description	Opening balance	Uses	Allocations	Closing balance
Bad debt provision - current assets	183	9	5	179

9 Other short-term receivables

The item in question breaks down as follows:

Other short-term receivables	31/12/2018	31/12/2017	Change
Tax receivables	10	7	3
Current receivables from social security institutions		1	-1
Prepayments - current assets	152	86	66

Other current trade receivables	7	115	-108
Receivables from employees	21	14	7
Accounts to suppliers	2	4	-2
Total	**192**	**227**	**-35**

Other current trade receivables are comprised of advances to suppliers. Tax receivables are represented by VAT credits of EUR 10 thousand.

10 Current tax assets

The item in question breaks down as follows:

Current tax assets	31/12/2018	31/12/2017	Change
IRAP Receivables		35	-35
Total	**0**	**35**	**-35**

11 Other short-term financial receivables

The item in question breaks down as follows:

A150) Other short-term financial receivables	31/12/2018	31/12/2017	Change
Current loans to subsidiaries	1,318	753	565
Current loans to group companies	**1,318**	**753**	**565**
Total	**1,318**	**753**	**565**

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. During the year, an additional short-term credit line was granted to the subsidiary Piteco North America, Corp. for a total of USD 568 thousand.

12 Cash and cash equivalents

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

Cash and cash equivalents	31/12/2018	31/12/2017	Change
Bank deposits	2,385	3,038	-653
Cash	1	1	
Total	**2,386**	**3,039**	**-653**

13 Shareholders' equity

As at 31 December 2018 the share capital was fully subscribed and paid in, composed of 18,132,500 shares lacking nominal value.

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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.

Shareholders' equity	31/12/2018	31/12/2017	Change
Capital paid-in	18,155	18,155	
Share Capital	**18,155**	**18,155**	
Share premium reserve	**5,924**	**5,924**	
Negative reserve for treasury shares on hand	**-933**	**-62**	**-871**
Legal reserve	624	436	188
Extraordinary reserve	4,216	3,346	870
IAS reserve	-59	-59	
Listing reserve	-963	-963	
Convertible bond issue reserve	95	98	-3
Remeasurement of defined-benefit plans (IAS 19)	-15	-46	31
Other reserves	**3,898**	**2,812**	**1,086**
Retained earnings (Losses carried forward)	**2,400**	**2,443**	**-43**
Profit (loss) for the year	**4,598**	**3,756**	**842**
Total	**34,042**	**33,028**	**1,014**

Details are provided below of the reserves comprising Shareholders' equity, specifying their possibility of use, distribution limits and use made in the previous years.

Description	Amount as at 31/12/2018	Possibility of use	Available portion	Summary of use in the previous three years	
				for loss coverage	for other reasons
Share Capital	18,155				
Legal reserve	624	B			
Share premium reserve	5,924	A, B, C	5,924		
Extraordinary reserve	4,216	A, B, C	4,216		4,532
Retained earnings (Losses carried forward)	2,400	A, B, C	2,400		
FTA reserve	(59)				
Reserve for listing costs	(963)				
Reserve for convertible bonds	95				
Reserve for actuarial differences on employee severance indemnity	(15)				

Total	**30,377**	**12,540**
Negative reserve for treasury shares	(933)	(933)
Available portion		**11,607**
Non-distributable portion		**5,924**
Residual distributable portion		**5,683**

Key: A: for share capital increase, B: for loss coverage, C: for distribution to shareholders.

On approving the financial statements for the year ended as at 31 December 2017, the shareholders' meeting of the Company approved the distribution of dividends of EUR 2,698 thousand.

During 2018, 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 2018 the Company held 189,540 treasury shares, equal to 1.045% of the share capital, for a total value of EUR 933,460 (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	31/12/2018	31/12/2017	Change	From 1 to 5 years	Over 5 years
Unsecured long-term bank borrowings	9,685	4,696	4,989	8,178	1,507
Long-term bank borrowings	**9,685**	**4,696**	**4,989**	**8,178**	**1,507**
Non-current bonds	4,657	4,658	-1	4,657	
Other non-current financial payables	691		691	691	
Other non-current loans	**5,348**	**4,658**	**690**	**5,348**	
Total	**15,033**	**9,354**	**5,679**	**13,526**	**1,507**

Long-term bank borrowings

Amounts due to banks refer to two unsecured loans with an original amount totalling EUR 14.0 million and, in particular:

- loan of EUR 7 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 subsidiaries in acquiring the LendingTools.com business unit. The outstanding loan includes the following covenants that must be respected in relation to the Consolidated Financial Statements: NFP/SE < 1 and NFP/EBITDA < 3. These limits had been complied with as at 31 December 2018. It is also noted that the value of the covenants, as set out in the loan agreements, are calculated using data extracted from the Consolidated Financial Statements drawn up in accordance with the Italian Civil Code and the OIC Italian accounting standards, irrespective of the fact that a set of Consolidated Financial Statements is drawn up in accordance with the IAS/IFRSs.

- loan of EUR 7 million, entered into on 7 October 2018, maturing on 31 March 2025, with an interest rate of Euribor 3 months + 1.50% spread, for the purpose of acquiring control of Myrios S.r.l. The outstanding loan includes the following covenants that must be respected in relation to the Consolidated Financial Statements: NFP/SE < 1 and NFP/EBITDA < 3. It is also noted that the value of the covenants, as set out in the loan agreements, are calculated using data extracted from the Consolidated Financial Statements drawn up in accordance with the Italian Civil Code and the OIC Italian accounting standards, irrespective of the fact that a set of Consolidated Financial Statements is drawn up in accordance with the IAS/IFRSs.

Non-current bonds

As part of the listing process on the AIM Italia market in 2015, a convertible bond was issued, named "Piteco Convertibile 4.50% 2015-2020". The Company issued 1,189 convertible bonds 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. During the year, the Company purchased own bonds for a nominal value of EUR 113 thousand.

Other non-current financial payables

Other non-current financial payables, equal to EUR 691 thousand (zero as at 31 December 2017) are composed of the payable deriving from the last tranche of the price (earn-out) to be paid as part of the acquisition of the investment in Myrios S.r.l.

15 Deferred tax liabilities

Deferred tax liabilities	31/12/2018	31/12/2017	Change	From 1 to 5 years
Other non-current deferred tax liabilities	234	141	93	234
Total	**234**	**141**	**93**	**234**

For further details on the composition of "Deferred tax liabilities", refer to the specific table in this report.

16 Employee benefits

The changes in employee benefits are shown below:

Employee benefits	Opening balance	Actuarial measurements	Increases	Decreases	Other changes	Closing balance
Employee severance indemnity	1,179	-41		-3	16	1,151
Total	**1,179**	**-41**		**-3**	**16**	**1,151**

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

Financial assumptions		
	31/12/2018	**31/12/2017**
Technical discount rate	1.57%	1.30%
Inflation rate	1.50%	1.50%
Employee severance indemnity growth rate	2.63%	2.63%

17 Long-term provisions

The changes recorded during 2018 are shown below.

Long-term provisions	Opening balance	Increases	Decreases	Closing balance
Other non-current provisions	46	4		50
Total	**46**	**4**		**50**

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 Piteco. This provision was not discounted as the results were not significant.

18 Current payables

The change in trade payables is shown below:

Current payables	31/12/2018	31/12/2017	Change
Current payables due to suppliers	485	335	150
Trade payables	**485**	**335**	**150**
Current payables to parent companies	17	58	-41
Payables to associates	0	21	-21
Current payables to subsidiaries	155	0	155
Payables due to parent companies, subsidiaries, affiliates and associates	**172**	**79**	**92**
Total	**658**	**414**	**244**

Payables due to suppliers, including the allocations for invoices to be received, amounted to EUR 485 thousand as at 31 December 2018 (EUR 335 thousand as at 31 December 2017) and are all short term.

Payables to subsidiaries refer to trade payables to the subsidiary Myrios S.r.l.

Current payables due to parent companies represent trade payables to the parent company Dedagroup for EUR 17 thousand.

19 Liabilities deriving from contracts

Liabilities deriving from contracts	31/12/2018	31/12/2017	Change
Accounts from customers - current	287	87	200

Total	**287**	**87**	**200**

Liabilities deriving from contracts of EUR 287 thousand (EUR 87 thousand as at 31 December 2017) are composed of accounts from customers for work not yet completed.

20 Other current payables

Other current payables are shown in the table below:

Other current payables	31/12/2018	31/12/2017	Change
Current payables for wages and salaries	1,382	1,308	74
Payables for social security charges	592	543	49
Tax payables	284	274	10
Current accrued trade expenses	107	108	-1
Other current payables	2	9	-7
Current deferred trade income	230	316	-86
Other social security payables	60	63	-3
Total	**2,656**	**2,622**	**236**

Deferred income amounted to EUR 230 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 107 thousand and comprised EUR 91 thousand in interest expense on the convertible bonds and EUR 16 thousand in accrued indemnities due to employees.

Tax payables of EUR 284 thousand are exclusively comprised of payables to the Revenue Agency for withholdings made.

21 Current tax liabilities

Current tax liabilities amounted to EUR 138 thousand as at 31 December 2018 (EUR 290 thousand as at 31 December 2017) and break down as follows:

Current tax liabilities	31/12/2018	31/12/2017	Change
Other current tax liabilities	138	290	-152
Total	**138**	**290**	**-152**

Other current tax liabilities are comprised of payables due to the parent company Dedagroup deriving from the tax consolidation.

22 Current financial liabilities

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

Current financial liabilities	31/12/2018	31/12/2017	Change
Unsecured current bank borrowings	1,960	1,133	827
Current bank borrowings	**1,960**	**1,133**	**827**
Other current financial payables	2,807		2,807
Other current loans and financial payables	**2,807**		**2,807**
Total	**4,767**	**1,133**	**3,634**

Current bank borrowings

These regard the short-term portion (within 12 months) of amounts due to banks for unsecured loans with original total amount of EUR 14 million. For details on the characteristics of the loans, refer to point 14 of these explanatory notes to the financial statements.

Other current loans and financial payables

The amount refers to the second tranche of the price (earn out) set out in the contract for the acquisition of the investment in Myrios S.r.l.

23 Revenues

Revenues from sales and services amounted to EUR 14,091 thousand (EUR 13,500 thousand as at 31 December 2017) recording an increase of EUR 591 thousand (+4.3%) compared to the corresponding figure of 2017.

Revenues by service type

The breakdown of revenues by service type is shown below.

Revenues	31/12/2018		31/12/2017		Change
Maintenance fees	5,889		5,745		144
Application management fees	1,323		1,188		135
Usage fees	642		497		145
Total Fees	**7,854**	**55.74%**	**7,430**	**55.04%**	**424**
Software sales	1,432		1,542		-110
Total Software	**1,432**	**10.16%**	**1,542**	**11.42%**	**-110**
Professional activities and services	3,881		3,655		226
Other revenues from sales	22				22
Personalisations	886		858		28
Commissions and Royalties	16		15		1
Total activities and services	**4,805**	**34.10%**	**4,528**	**33.54%**	**277**
Total	**14,090**		**13,500**		**590**

24 Other operating revenues

“Other operating revenues”, whose balance as at 31 December 2018 amounted to EUR 734 thousand (EUR 704 thousand as at 31 December 2017) included contingent assets of EUR 18 thousand, increases in internal work capitalised of EUR 412 thousand, expense reimbursements from customers of EUR 279 thousand and reimbursements from employees for professional and personal use of company cars of EUR 25 thousand. The increases in internal work capitalised relate to development expenses on proprietary software.

Other operating revenues	31/12/2018	31/12/2017	Change
Recovery of costs for services	304	270	34
Other operating revenues	412	358	54
Contingent assets	18	76	-58
Total	**734**	**704**	**30**

25 Changes in assets deriving from contracts

Changes in assets deriving from contracts	31/12/2018	31/12/2017	Change
Changes in assets deriving from contracts	-16	-35	19
Total	**-16**	**-35**	**19**

The item “Changes in assets deriving from contracts” relates to the change in WIP “Work in Progress”, relating to contracts pertaining to indivisible services with a duration of less than twelve months.

26 Goods and consumables

Costs for the purchase of goods and consumables amounted to EUR 312 thousand (EUR 264 thousand as at 31 December 2017).

Goods and consumables	31/12/2018	31/12/2017	Change
Purchase of finished products	309	253	56
Other purchases	3	11	-8
Goods and consumables	**312**	**264**	**48**
Total	**312**	**264**	**48**

27 Personnel costs

Personnel costs for employees are shown in the table below:

Personnel costs	31/12/2018	31/12/2017	Change
Wages and salaries	4,594	4,486	108
Social security charges	1,368	1,302	66
Allocations to pension funds and other	333	319	14
Other personnel costs	11	20	-9
Total	**6,306**	**6,127**	**179**

Employees as at 31 December 2018, net of directors and external contractors, totalled 85 resources (84 resources as at 31 December 2017).

27 Costs for services and leases and rentals

Costs for services and leases and rentals are shown in the table below:

Costs for services and leases and rentals	31/12/2018	31/12/2017	Change
External maintenance	322	166	156
Consulting, administrative and legal services	1,430	688	742
Utilities	66	71	-5
Promotion and advertising fees	99	76	23
Commissions	108	135	-27
Sundry consulting	273	298	-25
Insurance	34	37	-3
Travel expenses and allowances	277	272	5
Fees and compensation to directors	39	39	
Services for personnel	138	136	2
Other			
Costs for services	**2,786**	**1,918**	**868**
Rent payable	95	97	-2
Rentals and other	164	210	-46
Royalties			
Leases and rentals	**259**	**307**	**-48**
Total	**3,045**	**2,225**	**820**

Costs for services recorded an increase of EUR 868 thousand on the previous year. The increase was mainly due to the costs incurred as part of the acquisition of Myrios S.r.l. of EUR 121 thousand and the costs incurred for the move to the MTA (Electronic Equity Market) of EUR 606 thousand.

28 Other operating costs

Other operating costs are shown in the table below:

Other operating costs	31/12/2018	31/12/2017	Change
Other taxes (not on income)	18	11	7
Fines and penalties	1	2	-1
Contributions and donations	2	2	
Magazine and subscription fees	2	1	1
Contingent liabilities	37	43	-6
Allocations to agents severance indemnities	5	5	
Allocations to bad debt provisions	5	180	-175
Total	**70**	**244**	**-174**

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	31/12/2018	31/12/2017	Change
Depreciation of buildings used in operations	46	46	
Depreciation of generic plant	2	2	
Depreciation of furniture and furnishings		1	-1
Depreciation of electronic machines	14	13	1
Depreciation of other property, plant and equipment			
Depreciation of property, plant and equipment	**62**	**62**	
Amortisation of concessions, licences and trademarks	6	7	-1
Amortisation of software	286	234	52
Amortisation of intangible assets	**292**	**241**	**51**
Total	**354**	**303**	**51**

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	31/12/2018	31/12/2017	Change
Exchange rate gains	402		402
Exchange rate losses	-10	-1,103	1,093
Total	**392**	**-1,103**	**1,495**

During the year, the Company recorded net exchange gains of EUR 392 thousand, of which EUR 376 thousand unrealised.

31 Financial revenues

The table below provides details of financial income:

Financial revenues	31/12/2018	31/12/2017	Change
Dividends from equity investments in subsidiaries	272		272
Revenues from investments	**272**		**272**
Other interest income on non-current loans	3		3
Revenues from other financial investments	**3**		**3**
Other financial revenues from subsidiaries	191	153	38
Bank and postal account interest		18	-18
Other financial revenues	**191**	**171**	**20**
Total	**466**	**171**	**295**

Dividends from subsidiaries refer to the distribution of dividends by the subsidiary Myrios S.r.l. Other revenues 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	31/12/2018	31/12/2017	Change
Interest on non-current bank borrowings	154	186	-32
Interest on other non-current payables	344	329	15
Interest on other current payables	88		88
Financial charges on employee severance indemnity	15	15	
Total	**601**	**530**	**71**

33 Income taxes

Income taxes estimated for 2018 are analysed in the table below:

Income taxes	31/12/2018	31/12/2017	Change
IRAP income taxes	81	88	-7
IRES income taxes	156	310	-154
Taxes from previous years	-9	-334	325
Deferred tax assets	54	-279	333
Deferred tax liabilities	93	3	90
Total	**375**	**-212**	**587**

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

Effects of deferred tax assets and liabilities - IRES	31/12/2018		31/12/2017	
	Temporary Difference	Taxes (rate of 24%)	Temporary Difference	Taxes (rate of 24%)
Amortisation of trademarks	55	13	76	18
Agents' leaving indemnities	7	2	7	2
Long-term costs	10	2	20	5
Actuarial measurement of employee severance indemnity	160	38	201	48
Other costs with deferred deductibility	160	38	162	39
Exchange rate differences from measurement	933	224	1,044	251
Deferred tax assets	**1,325**	**317**	**1,510**	**363**
Higher value of property	410	98	425	102
Amortisation of "Centro data" goodwill	105	25	79	19
Other deferred tax liabilities	376	90		
Deferred tax liabilities	**891**	**213**	**504**	**121**
Total	**-434**	**-104**	**-1,006**	**-242**

Effects of deferred tax assets and liabilities - IRAP	31/12/2018		31/12/2017	
	Temporary Difference	Taxes (rate of 3.9%)	Temporary Difference	Taxes (rate of 3.9%)
Amortisation of trademarks	55	2	76	3
Agents' leaving indemnities	4		4	
Long-term costs	10		20	1
Other costs with deferred deductibility			2	
Deferred tax assets	**69**	**2**	**102**	**4**

Higher value of property	410	16	425	17
Amortisation of "Centro data" goodwill	105	4	79	3
Deferred tax liabilities	**515**	**20**	**504**	**20**
Total	**446**	**18**	**402**	**16**

The analysis of the reconciliation between the theoretical tax charge, determined by applying the IRES and IRAP tax rates in force in Italy, and the actual tax charge for the year, is shown below:

	2018		***2017***	
Profit (loss) before tax	**4,975**		**3,544**	
Theoretical tax charge %	**24%**	**1,194**	**24%**	**851**
Tax effect of permanent differences		-1,039		-541
Tax effect of temporary differences		148		-277
Taxes from previous years		-9		-334
Total	**5.91%**	**294**	**-8.49%**	**-301**
IRAP (current and deferred assets and liabilities)		80		89
Total taxes		**375**		**-212**

In order to better understand the reconciliation in question, the impact of IRAP was kept separate to avoid any distortions, as that tax is proportionate to a different taxable base than the profit (loss) before tax.

XXV. COMMITMENTS AND GUARANTEES

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

Memorandum accounts	31/12/2018	31/12/2017
Sureties, personal guarantees and collateral to third parties	53	54
Guarantees given	**53**	**54**
Third party assets at the company	197	87
Assets of others	**197**	**87**
Total	**250**	**141**

As at 31 December 2018 the Company granted guarantees of EUR 53 thousand in the form of sureties for participation in tenders. Other commitments include EUR 197 thousand in commitments deriving from operating leases of vehicles.

XXVI. 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 2018, 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 2018 transactions with related parties regarded the following counterparties:

- directors, statutory auditors and managers with strategic responsibilities with which only transactions pertaining to the legal relationships regulating the position of the counterparty within the Company were carried out;
- subsidiaries, associates, parent companies and affiliates.

COMPANY NAME	RECEIVABLES	PAYABLES	REVENUES	COSTS
Dedagroup S.p.A. (parent company)	79	155	213	215
Dedagroup Business Solution S.r.l. (affiliate)	42		19	
Dedagroup Wiz S.r.l. (affiliate)				3
MD S.p.A. (affiliate)	26		68	0
Myrios S.r.l. (subsidiary)		155	272	116
Piteco North America (subsidiary)	7,863		191	
Total	**8,009**	**310**	**763**	**334**

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, with Dedagroup and with the subsidiary Myrios S.r.l.;
- financial transactions, represented by loans disbursed to the US subsidiaries and by dividends received from Myrios S.r.l.;
- transactions implemented as part of the national tax consolidation, in which the consolidating company is the parent company Dedagroup S.p.A.

Managers with strategic responsibilities include the 6 first-level managers. Their total fees and salaries, including social security costs, came to EUR 1,283 thousand.

XXVII. NET FINANCIAL POSITION

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

Reclassified statement of financial position	31/12/2018	31/12/2017	Change
Assets deriving from contracts	122	103	19
Current receivables	4,011	3,874	137
Current tax assets		35	-35

Other short-term receivables	192	227	-35
(A) Current assets	**4,325**	**4,239**	**86**
Current payables	658	414	244
Liabilities deriving from contracts	287	87	200
Current tax liabilities	138	290	-152
Other current liabilities	2,656	2,622	236
(B) Current liabilities	**3,740**	**3,412**	**328**
(A-B) Net working capital	**585**	**827**	**-242**
Property, plant and machinery	1,274	1,316	-42
Goodwill	28,874	28,751	123
Other intangible assets	13,952	2,818	11,134
Other non-current financial receivables	23	28	-5
Deferred tax assets	320	366	-46
(C) Non-current assets	**44,443**	**33,279**	**11,164**
Employee benefits	1,151	1,179	-28
Long-term provisions	50	46	4
Deferred tax liabilities	234	141	93
(D) Non-current liabilities	**1,435**	**1,366**	**69**
(NWC+C-D) Net invested capital	**43,593**	**32,740**	**10,853**
Share Capital	18,155	18,155	
Reserves	8,889	8,674	215
Retained earnings (Losses carried forward)	2,400	2,443	-43
Profit (loss) for the year	4,598	3,756	842
(SE) Total shareholders' equity	**34,042**	**33,028**	**1,014**
Cash and cash equivalents	2,386	3,039	-653
Current financial assets	1,318	753	565
Current financial liabilities	4,767	1,133	3,634
Other non-current financial receivables	6,545	6,983	-438
Non-current financial liabilities	15,033	9,354	5,679
(NFP) Net financial position	**9,551**	**-288**	**9,839**
(SE+NFP) Total sources	**43,593**	**32,740**	**10,853**

The Net Financial Position as at 31 December 2018 was a negative EUR 9,551 thousand (positive EUR 288 thousand as at 31 December 2017), with a change of EUR 9,839 thousand mainly due to the net effect of the acquisition of Myrios S.r.l. and the payment of dividends (EUR 2,698 thousand), partially offset by the positive cash flow generated during the period. The acquisition of Myrios S.r.l., finalised in October 2018, had a net impact on the financial position of around EUR 11,219 thousand, including the financial liabilities of EUR 3,498 thousand (duly discounted), relating to the earn out on the purchase price of 56% of the share capital.

It should be noted that the Net Financial Position also includes non-current financial assets, relating to the long-term portion of the active loan granted to the subsidiary Piteco North America, Corp.

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

Description	**31/12/2017**	**Monetary flow**	**Non-monetary flow**		**31/12/2018**
			Fair value measurement	Other changes	
Short-term loans	1,133	827		2,807	4,767
Medium/long-term loans	9,354	5,679			15,033

Current financial assets	753	565			1,318
Financial assets	6,983	-438			6,545
Net liabilities from financing activities	**2,751**	**6,379**	**0**	**2,807**	**11,937**
Cash and cash equivalents	3,039	-653			2,386
Net financial indebtedness	**-288**	**7,032**	**0**	**2,807**	**9,551**

XXVIII. TREASURY SHARES

During 2018, Piteco purchased treasury shares as per the authorisation from the Shareholders' Meeting, by way of resolution dated 21 November 2017. As at 31 December 2018 the Company held 189,500 treasury shares, equal to 1.045% of the share capital, for a total value of EUR 933 thousand (equal to the amount reflected in the "Negative reserve for treasury shares on hand", posted as a decrease to consolidated shareholders' equity).

XXIX. SUBSEQUENT EVENTS

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

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

Note that in 2018 the Group did not implement atypical and/or unusual transactions, as defined by CONSOB Communication no. DEM/6064293 of 28 July 2006.

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

The table shows the fees pertaining to 2018 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 EUR)
Marco Podini	Chairman of the BoD	01/01/2018-31/12/2018	Approval of the 2020 financial statements	5
Paolo Virenti	Chief Executive Officer	01/01/2018-31/12/2018	Approval of the 2020 financial statements	5
Gianni Camisa	Director	01/01/2018-31/12/2018	Resignation	5

Annamaria Di Ruscio	Director	01/01/2018-31/12/2018	Approval of the 2020 financial statements	7
Andrea Guido Guillermaz	Director	01/01/2018-31/12/2018	Approval of the 2020 financial statements	5
Riccardo Veneziani	Director	01/01/2018-31/12/2018	Approval of the 2020 financial statements	5
Maria Luisa Podini	Director	01/01/2018-31/12/2018	Approval of the 2020 financial statements	5
Francesco Mancini	Director	16/04/2018-31/12/2018	Approval of the 2020 financial statements	6
Total				**43**

Fees due to the Board of Statutory Auditors

Name and Surname	**Position**	**Period**	**End of term of Office**	**Fees (thousands of EUR)**
Maurizio Scozzi	Chairman of the Board of Statutory Auditors	01/01/2018-06/09/2018	Resignation	13
Luigi Salandin	Chairman of the Board of Statutory Auditors	01/01/2018-31/12/2018	Approval of the 2020 financial statements	16
Marcello Del Prete	Standing Auditor	01/01/2018-31/12/2018	Approval of the 2020 financial statements	16
Fabio Luigi Mascherpa	Standing Auditor	06/09/2018-31/12/2018	Approval of the 2020 financial statements	5
Anna Postal	Alternate Auditor	01/01/2018-31/12/2018	Approval of the 2020 financial statements	
Gianandrea Borghi	Alternate Auditor	01/01/2018-31/12/2018	Approval of the 2020 financial statements	
Total				**50**

XXXII. FEES FOR INDEPENDENT AUDITORS

The table below shows the fees pertaining to 2018 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 EUR)**
Auditing of the accounts	KPMG	58
Certification services and voluntary audit in the context of the listing project	KPMG	215

XXXIII. DISCLOSURE ON TRANSPARENCY OBLIGATIONS IN SYSTEM OF PUBLIC GRANTS (ITALIAN LAW NO. 124/2017 ART. 1, PARAGRAPHS 125-129)

As required by the regulations on transparency in public grants introduced by article 1, paragraphs 125-129 of Italian Law no. 124/2017 and subsequently supplemented by the Legislative Decree on "Security" (no.

113/2018) and the Legislative Decree on "Simplification" (no. 135/2018), it is noted that in 2018 the Company received subsidies, grants and economic benefits from public administrations and equivalent entities, from companies controlled by the public administration and from government-owned companies, as reported in the National Register of State Aid.

XXXIV. PROPOSED RESOLUTION

Dear Shareholders,

We hereby ask you to approve your Company's separate financial statements as at 31 December, which close with profit of EUR 4,598,497. As regards the proposed allocation of profits shown in the Separate financial statements of Piteco S.p.A., the Board of Directors proposes allocating EUR 230,000 to legal reserves, EUR 375,346 to unavailable reserves pursuant to Article 2426 point 8-bis of the Italian Civil Code, EUR 3,993,151 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 22 May 2019, with record date of 21 May 2019.

Milan, 25 March 2019

The Chairman of the BoD

Marco Podini