Piteco

FINANCIAL SOFTWARE & CONSULTING

Financial report
as at 31 December 2019

Consolidated 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.

Table of contents

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
Rossi Mauro (4)	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.
4. Member of the Related Parties 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.

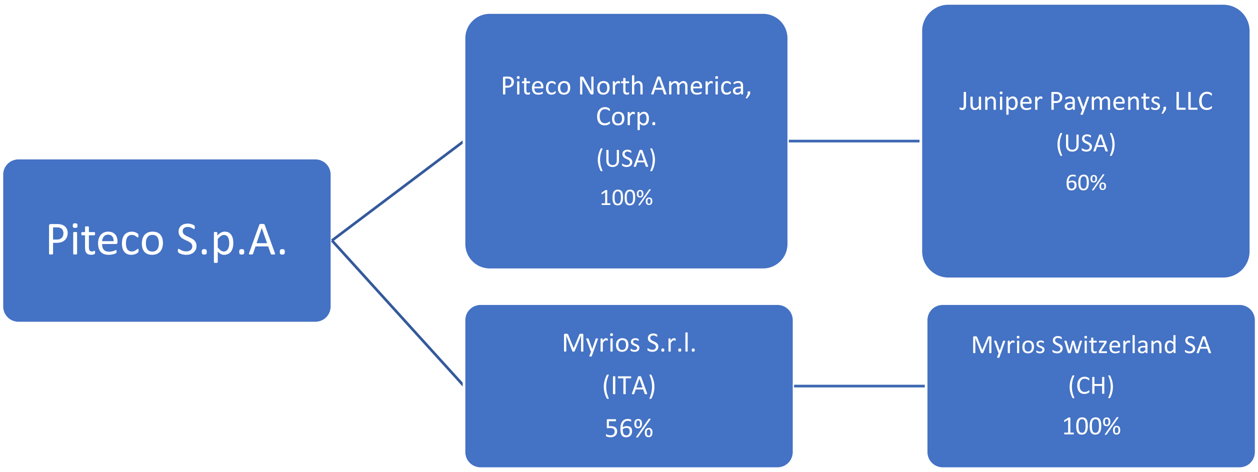
The auditing assignment was granted by the shareholders' meeting of 16 April 2018 for the nine years ending with the approval of the financial statements as at 31 December 2026.

Structure of Group and consolidation perimeter

Situation as at 31 December 2019

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 S.p.A. ("Piteco")	Italy	19,125	Euro	n/a	n/a	Consolidating entity
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	60%[2]	Piteco North America, Corp.	Line-by-line
Myrios S.r.l. ("Myrios")	Italy	50	Euro	56%[3]	Piteco S.p.A.	Line-by-line
Myrios Switzerland SA ("Myrios CH")	Switzerland	100	CHF	56%	Myrios S.r.l.	Line-by-line



The change in the scope of consolidation of the Piteco Group as at 31 December 2019 compared to that as at 31 December 2018 regarded the consolidation of Myrios Switzerland SA, a company incorporated in February 2019 by Myrios S.r.l..

[1] The currency codes used herein comply with the International Standard ISO 4217: EUR Euro; USD Dollar USA; CHF Swiss Franc.
[2] Piteco North America, Corp. holds 550,000 Class A shares and 5,000 Class B shares (out of 1,000,000 shares issued, of which 450,000 Class B), equal to 60% 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 subsidiary. For the purposes of these consolidated financial statements, the Put Option reserved for minority shareholders of 40% of the share capital was 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. For the purposes of these consolidated financial statements, the Put Option reserved for minority shareholders of 44% of the share capital was recorded.

It should be noted that, on 7 April 2019, as provided for contractually, the company Piteco North America, Corp. acquired from the minority shareholders of Juniper Payments, Llc, a further 50,000 series B shares in said entity, equal to 5% of share capital, reaching a total stake of 60%.

Directors' Report on Operations

INTRODUCTION

This Report on Operations relates to the consolidated financial statements and the separate 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 2019.

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

LETTER TO SHAREHOLDERS

Dear Shareholders,

2019 recorded a strong business performance, with regards to both the Parent Company Piteco S.p.A. and the subsidiaries Juniper Payments Llc and Myrios S.r.l.. Note should also be taken of the incorporation, in February 2019, of the company Myrios Switzerland SA with registered office in Geneva, with the objective of speeding up the penetration of the Group's proprietary software solutions in the European corporate market.

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 Corporate Treasury and Financial Planning management, used by over 650 national and international groups operating in all business sectors. With 89 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 50 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 is listed on the MTA (Electronic Equity Market).

- Juniper Payments, Llc, a leading software house in the US, offering proprietary software solutions in the digital payments and clearing house sectors for around 3,000 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.

GROUP SITUATION AND PERFORMANCE OF OPERATIONS

The year 2019 closed with profit after tax of EUR 3,017 thousand; for a better understanding of the results, it should be noted that the profit, sterilised of the effect of the fair value adjustment of the Put Options, the earn-out for the acquisition of Myrios S.r.l. and the associated tax effect, would be EUR 5,694 thousand (+12% compared to EUR 5,068 thousand in 2018); through the tables below, we provide a summary of the economic performance and statement of financial position for company operations in 2019.

Economic analysis

Income Statement	31/12/2019	%	31/12/2018	%	% Change
Revenues	22,774	94.7%	19,374	95.8%	17.5%
Other operating revenues	1,286	5.3%	940	4.6%	37.0%
Change in contract assets	-21	-0.1%	-100	-0.5%	-78.7%
Operating revenues	**24,039**	**100.0%**	**20,214**	**100.0%**	**18.9%**
Goods and consumables	146	0.6%	306	1.5%	-52.3%
Personnel expenses	9,372	39.0%	8,122	40.2%	15.4%
Costs for services	4,138	17.2%	3,442	17.0%	20.2%
Other operating costs	145	0.6%	78	0.4%	86.3%
Operating costs	**13,801**	**57.4%**	**11,948**	**59.1%**	**15.5%**
EBITDA	**10,238**	42.6%	**8,266**	40.9%	23.9%
Depreciation and amortisation	2,936	12.2%	1,862	9.2%	57.7%
Write-downs and write-backs	47	0.2%	5	0.0%	> 100%
EBIT	**7,255**	30.2%	**6,399**	31.7%	13.4%
Gains (losses) from transactions in foreign currency	158	0.7%	392	1.9%	-59.8%
Financial income and charges	-3,306	-13.8%	-340	-1.7%	> 100%
Non-recurring income and charges	-428	-1.8%	-719	-3.6%	40.5%
Profit before tax	**3,679**	15.3%	**5,732**	28.4%	-35.8%
Income taxes	662	2.8%	467	2.3%	41.7%
Profit (loss) for the year	**3,017**	12.6%	**5,265**	26.1%	-42.7%

During the year ended as at 31 December 2019 Group turnover came to EUR 22,774 thousand, an increase of around 18% compared to 31 December 2018. Operating revenues amounted to EUR 24,039 thousand (+19% compared to 2018). EBITDA was EUR 10,238 thousand (+24% compared to 2018) and its weight on revenues came to 43% (41% in 2018).

During the year, net exchange rate gains of EUR 158 thousand were recognised, of which EUR 139 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 served the acquisition of the "LendingTools.com" business unit in 2017.

EBIT amounted to EUR 7,255 thousand and its weight on revenues came to 30%. Net Profit amounted to EUR 3,017 thousand and its weight on revenues came to 13%.

The profit for the year was in part penalised by net financial charges deriving from the fair value measurement of the Put Options and the Earn-out connected with the acquisition of Myrios S.r.l. and Juniper Payments, Llc for a total amount of EUR 2,696 thousand and non-recurring charges equal to the costs incurred by Piteco S.p.A. for participation in a tender for the potential acquisition of a target and by Myrios S.r.l. for the incorporation and start-up of Myrios Switzerland SA, for a total of EUR 383 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	31/12/2019				31/12/2018			
	Total	Corporate Treasury	Banking	Risk Mng	Total	Corporate Treasury	Banking	Risk Mng
Revenues	22,774	15,055	4,512	3,207	19,374	14,090	4,451	833
Other operating revenues	1,286	863	60	363	940	738	108	94
Change in contract assets	-21	-54	-	33	-100	-17	-	-83
Operating revenues	**24,039**	**15,864**	**4,572**	**3,603**	**20,214**	**14,811**	**4,559**	**844**
Goods and consumables	146	121	2	23	306	234	13	59
Personnel expenses	9,372	6,747	1,505	1,120	8,122	6,307	1,564	251
Costs for services and leases and rentals	4,138	2,342	1,449	347	3,442	2,280	1,101	61
Other operating costs	145	60	28	57	78	66	9	3
Operating costs	**13,801**	**9,270**	**2,984**	**1,547**	**11,948**	**8,887**	**2,687**	**374**
EBITDA	**10,238**	**6,594**	**1,588**	**2,056**	**8,266**	**5,924**	**1,872**	**470**

In 2019, the EBITDA showed excellent performance for all business segments.

The Corporate Treasury segment achieved an EBITDA of 42%, the Banking segment 35% and Risk Management 57%.

Equity and cash flow analysis

Reclassified statement of financial position	31/12/2019	31/12/2018	Change
Contract assets	107	128	-21
Current trade receivables	6,368	4,680	1,688
Current tax assets	11	28	-17
Other current assets	502	501	1
(A) Current assets	**6,988**	**5,337**	**1,651**
Current trade payables	927	673	254
Contract liabilities	597	299	298
Current tax liabilities	1,166	172	994
Other current liabilities	3,618	3,216	402
(B) Current liabilities	**6,308**	**4,360**	**1,948**
(A-B) Net working capital	**680**	**977**	**-297**
Intangible assets and rights of use	4,015	2,098	1,917
Intangible assets and goodwill	56,900	58,301	-1,401
Non-current financial assets	20	23	-3
Deferred tax assets	1,153	462	691
(C) Non-current assets	**62,088**	**60,884**	**1,204**
Employee benefits	1,398	1,294	104
Long-term provisions	54	50	4
Deferred tax liabilities	2,439	2,587	-148
(D) Non-current liabilities	**3,891**	**3,931**	**-40**
(NWC+C-D) Net invested capital	**58,877**	**57,930**	**947**
Share capital	19,125	18,155	970
Reserves	7,024	5,901	1,124
Undistributable profits	2,253	1,815	438
Net profit for the year	3,017	5,265	-2,249
(SE) Total shareholders' equity	**31,419**	**31,136**	**283**
Cash and cash equivalents	3,046	5,572	-2,526
Current financial assets	99	262	-163
Non-current financial lease assets	609	-	609
Current financial liabilities	9,509	6,079	3,430
Current lease liabilities	227	-	227
Non-current financial liabilities	19,120	26,549	-7,429
Non-current lease liabilities	2,356	-	2,356
(NFP) Net financial position	**27,458**	**26,794**	**664**
(SE+NFP) Total sources	**58,877**	**57,930**	**947**

The consolidated Net Financial Position as at 31 December 2019, including the put options on the minority shares of Juniper Payments, Llc and Myrios S.r.l. and the financial payables and associated financial receivables deriving from the first-time application of IFRS 16, was a negative EUR 27,458 thousand (negative EUR 26,794 thousand as at 31 December 2018), with a change of EUR 664 thousand, which takes into account, inter alia, the payment of the second share of the price of the equity investment in Myrios Srl for EUR 2,939 thousand and dividends of which EUR 2,688 thousand of Piteco S.p.A. alone.

The Net Financial Position as at 31 December 2019 broke down as follows:

- Cash and banks receivable of EUR 3,046 thousand: the Group's cash and cash equivalents constituted deposits in EUR and USD.
- Current financial assets amounting to EUR 99 thousand, are composed of receivables due from the parent company Dedagroup S.p.A. deriving from the accounting of the active lease agreement based on IFRS 16.
- Current financial liabilities of EUR 9,509 thousand are comprised of the portion of bank borrowings falling due within the year (EUR 3,424 thousand), the estimated payable for the earn-out relating to the purchase, in 2018, of the controlling interest in Myrios S.r.l. of EUR 1,953 thousand, uses of the current account credit facility of the Parent Company for EUR 211 thousand and the convertible bond of EUR 3,921 thousand.
- Current lease financial liabilities amounting to EUR 227 thousand derive from the accounting of leases for company cars and property lease agreements based on the new IFRS 16 accounting standard.
- Non-current financial assets amounting to EUR 609 thousand, are composed of receivables due from the parent company Dedagroup S.p.A. deriving from the accounting of the active sub-lease agreement based on IFRS 16.
- Non-current financial liabilities, equal to EUR 19,120 thousand, consisted of the medium/long-term portion of the bank loan for EUR 6,261 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 11,112 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 1,747 thousand.
- Non-current lease financial liabilities amounting to EUR 2,356 thousand are composed of the medium/long-term payable deriving from the accounting of leases and the property lease agreement based on the new IFRS 16 accounting standard.

It should also be pointed out that the Net Financial Position reported in the Explanatory notes to the consolidated financial statements was determined according to the provisions contained in Consob Communication DEM/6064293 of 28 July 2006 and which deviates from the Net Financial Position calculated above given that it excludes non-current financial assets.

The consolidated Net Financial Position as at 31 December 2019, excluding the put options described above, was a negative EUR 14,599 thousand (negative EUR 15,282 thousand as at 31 December 2018), marking a positive change of EUR -683 thousand.

	31/12/2019	31/12/2018	Change
Cash and cash equivalents	3,046	5,572	-2,526
Current financial assets	99	262	-163
Current financial liabilities	9,509	6,079	3,430
Current lease liabilities	227	-	227
Non-current financial assets	609	-	609
Non-current financial liabilities	6,261	15,037	-8,776
Non-current lease liabilities	2,356	-	2,356
(NFP) Net financial position	**14,599**	**15,282**	**-683**

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 consolidated financial statements for 2019 and 2018.

Return On Equity	31/12/2019	31/12/2018
Profit (loss) pertaining to the Group	3,017	5,265
Shareholders' equity	31,419	31,136
ROE	**9.60%**	**16.91%**

Return On Investments	31/12/2019	31/12/2018
EBIT	7,255	6,399
Net invested capital	58,877	57,930
ROI	**12.32%**	**11.05%**

Return On Sales	31/12/2019	31/12/2018
EBIT	7,255	6,399
Revenues	22,774	19,375
ROS	**31.85%**	**33.03%**

Return On Capital Employed	31/12/2019	31/12/2018
EBIT	7,255	6,399
Total assets - Current liabilities	56,786	61,616
ROCE	**12.77%**	**10.39%**

Debt Equity	31/12/2019	31/12/2018
Net Financial Position	27,458	26,794
Total shareholders' equity	31,419	31,136
Debt Equity	**0.87**	**0.86**

EBITDA NFP	31/12/2019	31/12/2018
Net Financial Position	27,458	26,794
EBITDA	10,238	8,266
EBITDA NFP	**2.68**	**3.24**

Debt Equity adjusted	31/12/2019	31/12/2018
Net financial position without put options	14,599	15,282
Total shareholders' equity	31,419	31,136
Debt Equity	**0.46**	**0.49**

Adjusted EBITDA NFP	31/12/2019	31/12/2018
Net financial position without put options	14,599	15,282
EBITDA	10,238	8,266
EBITDA NFP	**1.43**	**1.85**

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	Net result
Shareholders' equity and profit (loss) for the year as shown in the Parent Company's separate financial statements	**35,808**	**4,247**
Effect of consolidation of financial statements of subsidiaries	-4,389	-1,230
Shareholders' equity and profit (loss) as shown in the Consolidated Financial Statements	**31,419**	**3,017**

BUSINESS POLICY

During 2019 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 2019 are illustrated in the table below:

Description	Amounts
Investments in intangible assets and goodwill (included increases in internal work capitalised	1,008
Investments in property, plant and equipment	251
Total investments in fixed assets	**1,259**

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:

- effects of the spread of infectious diseases
- risk linked to competition;
- risk linked to demand/macroeconomic cycle;
- risk linked to exchange rates;
- risk linked to financial management.

Effects of the spread of infection diseases

The global spread of epidemiological emergencies or pandemics which affect the population (i.e. COVID-19) may determine not only a deterioration in the macroeconomic scenario, but slowdowns in business activities, deriving from the measures issued by the national and foreign authorities, from the unavailability of personnel and difficulties encountered by customers, with negative impacts on the Group's results. The Group is fully set up to carry out its activities in Smart Working mode, therefore, the Italian companies have continued to provide services and activities with all personnel fully operational; no stoppages in production have been recorded for the moment, thanks to the orders already in the portfolio.

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, is well-positioned 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 2019, 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 2019, the residual nominal amount of the loans was EUR 9,758 thousand and EUR 3,994 thousand for the convertible bond.

The Group has cash and cash equivalents of EUR 3,046 thousand available as at 31 December 2019 and EUR 1,500 thousand in credit lines assigned by ordinary credit institutions.

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

The year 2020 started extremely positively, with the Parent Company Piteco signing various contracts with new customers. The preliminary contract was signed on 19 May for the acquisition of the Everymake business unit from the company Everymake S.r.l.. The business unit includes cloud software products for data matching, primarily financial data, offering vertical solutions for the utilities sector, financial companies, consumer credit, leasing and factoring companies and other similar sectors. The operation takes place in continuity with the transfer of all personnel and the guarantee for customers of the maintenance of the services provided. In the year ended as at 31 December 2019, the business unit Everymake registered revenues of EUR 0.5 million, mainly generated by recurring fees. A total of 23 customers were managed, mainly utilities in the Italian market.

On 11 March 2020, the World Health Organisation declared the Coronavirus (COVID-19) emergency a pandemic, in view of the rapid spread at global level, involving more than 150 countries. Many governments are implementing stricter measures to contain and delay the spread of the virus. We are currently faced with a significant increase in economic uncertainty, demonstrated, for example, by greater volatility of prices and exchange rates. The Group is monitoring developments in the situation in order to minimise its social, economic, capital, financial and workplace health and safety impacts, by defining and implementing flexible action plans targeted at taking prompt action. In particular, the Group moved very quickly to ensure that the operating processes continue to be carried out efficiently and safely through the organisation of agile work ("*Smart Working*"), with reference to the Italian companies in the Group. At present, no similar measures have been requested by the US authorities for the company Juniper Payments, Llc and by the Swiss authorities for Myrios Switzerland SA. Consistently with the ministerial provisions and the guidelines of the competent health authorities, the Group adopted, equally quickly, all the necessary measures to ensure the maximum protection of the health of the people committed to the various company activities and needed to avoid a spread of the contagion.

As regards the potential scenarios of financial tension, the company management is constantly monitoring the Group's current and future liquidity. At the date of drafting of this Report, no significant impacts have been noted on the payment or collection activities relating directly or indirectly to the spread of the Coronavirus contagion at global level.

As at said date, the available liquidity is in line with the financial planning and appears to be adequate to cover current and future operating requirements. The Group is conducting, at the date of this report, an additional sensitivity analysis of the potential economic and financial impacts of the current crisis as well as by defining a series of actions to limit said impacts. Based on the available information, the potential effects stemming from the spread of COVID-19, in line with the application of international accounting standards (IAS 10), were considered a "Non-Adjusting" event. With reference to the evaluations carried out for financial statements purposes (recoverability of the intangible assets with an indefinite useful life, recoverability of deferred tax assets, fair value of financial instruments, liabilities for defined benefits in favour of employees), the Directors consider that, given the information currently available, these factors of uncertainty are already represented in the main sensitivity analyses provided with reference to the principal financial statements items subject to estimation. With particular reference to the uncertainty related to the spread of the Coronavirus epidemic, it is not possible to rule out a situation where, if the spread of the virus should extend significantly at international level, the general economic consequences and the specific repercussions for the Group could be more serious than those envisaged at the current state of play, calling for a new downgraded estimate, both with respect to the book values of the main items subject to estimation, and in relation to the scenarios considered for the purposes of the sensitivity analysis as at 31 December 2019.

BUSINESS OUTLOOK

The tragic epidemic that has struck Italy and countries all over the world will definitely bring a slowdown in growth, however the companies' business model built primarily on recurring fees, together with the ability to continue to produce and provide services lead us to believe the slowdown may be contained. The acquisition of the business unit of the company Everymake will enable to commence sales of the Everymake solution straight away, combined with the other PITECO products, mainly in the utilities sector, a sector in which we already have a number of customers for the treasury solution.

TRANSACTIONS WITH ASSOCIATES, PARENT COMPANIES AND AFFILIATES

During 2019, 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 2019.

Company name	Receivables	Payables	Revenues	Costs
DEDAGROUP SPA (parent company)	767	899	224	262
DEDAGROUP BUSINESS SOLUTION (affiliate)	22	-	102	-
DEDAGROUP WIZ SRL (affiliate)	-	-	-	4
MD SPA (affiliate)	-	-	31	-
Total	**789**	**899**	**357**	**266**

The transactions of the Group 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 837 thousand as at 31 December 2019.

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.

PERFORMANCE OF THE PITECO SHARE AND TREASURY SHARES

In 2019, the share of the parent company Piteco S.p.A. recorded an official maximum price of EUR 6.75 on 29 November 2019 and a low of EUR 4.02 on 4 January 2019. As at 30 December 2019, the share was listed at EUR 6.35.
During 2019, the Parent Company purchased treasury shares as per the authorisation from the Shareholders' Meeting, by way of resolution dated 30 April 2019. As at 31 December 2019 the Group held 328,650 treasury shares, equal to 1.80% of the share capital, for a total value of EUR 1,624 thousand (equal to the amount reflected in the "Negative reserve for treasury shares in portfolio", posted as a decrease to consolidated shareholders' equity).

DATA ON EMPLOYMENT

Total employees as at 31 December 2019 came to 122 resources, compared to 114 as at 31 December 2018, a total increase of 8 staff attributable mainly to the assumptions made by PITECO SPA and, in part, to changes in scope occurring during the year.

Personnel	31/12/2019	31/12/2018	Average for the period
Executives	10	7	9
Middle Managers	32	27	30
Office Workers	61	60	61
Other (Juniper Payments, LLC)	19	20	20
Total	**122**	**114**	**118**

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, in addition, that the Group does not fall within the scope of application of Italian Legislative Decree no. 254 of 30 December 2016.

DISCLOSURE PURSUANT TO ARTICLES 70 AND 71 OF THE ISSUERS' REGULATION

It should be noted that, pursuant to the provisions of art. 70, paragraph 8 and art. 71, paragraph 1-bis of the Issuers' Regulation issued by Consob, Piteco S.p.A. avails itself of the right to derogate from the obligations of publication of the information documents prescribed in the event of major merger, split-off, share capital increase through contribution in kind, acquisition and disposal transactions.

Consolidated Financial Statements as at 31 December 2019

STATEMENT OF FINANCIAL POSITION

(values in thousands of Euro)

Assets	Notes	31/12/2019	of which: *Related parties*	31/12/2018*	of which: *Related parties*	Change
Non-current assets						
Property, plant and machinery	1	2,176	-	2,098	-	78
Assets for rights of use	2	1,839	-	-	-	1,839
Goodwill	3	41,426	-	41,426	-	-
Other intangible assets	4	15,474	-	16,875	-	-1,401
Deferred tax assets	5	1,153	-	462	-	691
Other non-current financial assets	6	629	609	23	-	606
Total non-current assets		**62,697**		**60,884**		**1,813**
Current assets						
Contract assets	7	107	-	128	-	-21
Current trade receivables	8	6,368	81	4,680	147	1,688
Other current receivables	9	502	-	501	-	1
Current tax assets	10	11	-	28	-	-17
Other current financial assets	11	99	99	262	-	-163
Cash and cash equivalents	12	3,046	-	5,572	-	-2,526
Total current assets		**10,133**		**11,171**		**-1,038**
Total assets		**72,830**		**72,055**		**775**

* The Group adopted IFRS 16 on 1 January 2019 for the first time, by using the modified retroactive method based on which the comparative information was not re-stated and the cumulative effect of the initial application is recognised under retained earnings as at 1 January 2019. See chapter IV for more information.

SHAREHOLDERS' EQUITY AND LIABILITIES

(values in thousands of Euro)

Shareholders' equity and liabilities	Notes	31/12/2019	of which: *Related parties*	31/12/2018*	of which: *Related parties*	Change
Shareholders' equity						
Share capital	13	19,125	-	18,155	-	970
Share premium reserve	13	5,943	-	5,924	-	19
Negative reserve for treasury shares in portfolio	13	-1,624	-	-933	-	-691
Other reserves	13	2,705	-	910	-	1,795
Undistributable profits	13	2,253	-	1,815	-	438
Net profit for the year	13	3,017	-	5,265	-	-2,248
Total Shareholders' equity		**31,419**		**31,136**		**283**
Non-current liabilities						
Non-current financial liabilities	14	8,617	-	15,037	-	-6,420
Long-term derivative financial instruments	15	12,859	-	11,512	-	1,347
Deferred tax liabilities	16	2,439	-	2,587	-	-148
Employee benefits	17	1,398	-	1,294	-	104
Long-term provisions	18	54	-	50	-	4
Total non-current liabilities		**25,367**		**30,480**		**-5,113**
Current liabilities						
Current trade payables	19	927	61	673	17	254
Contract liabilities	20	597	-	299	-	298
Other current payables	21	3,618	-	3,216	-	402
Current tax liabilities	22	1,166	1,022	172	138	994
Current financial liabilities	23	9,736	-	6,079	-	3,657
Total current liabilities		**16,044**		**10,439**		**5,605**
Total Shareholders' equity and liabilities		**72,830**		**72,055**		**775**

* The Group adopted IFRS 16 on 1 January 2019 for the first time, by using the modified retroactive method based on which the comparative information was not re-stated and the cumulative effect of the initial application is recognised under retained earnings as at 1 January 2019. See chapter IV for more information.

The explanatory notes reported below are an integral part of these consolidated financial statements.

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INCOME STATEMENT
(values in thousands of Euro)

Income Statement	Notes	31/12/2019	of which: *Related parties*	31/12/2018*	of which: *Related parties*	Change
Revenues	24	22,774	347	19,374	300	3,400
Other operating revenues	25	1,286	-	940	-	346
Change in contract assets	26	-21	-	-100	-	79
Operating revenues		**24,039**		**20,214**		**3,825**
Goods and consumables	27	146	74	306	101	-160
Personnel expenses	28	9,372	1,338	8,122	1,283	1,250
Costs for services	29	4,521	304	4,170	210	351
Other operating costs	30	192	-	83	-	109
Operating costs		**14,231**		**12,681**		**1,550**
EBITDA		**9,808**		**7,533**		**2,275**
Depreciation and amortisation	31	2,936	-	1,862	-	1,074
EBIT		**6,872**		**5,671**		**1,201**
Gains (losses) from transactions in foreign currency	32	158	-	392	-	-234
Financial income	33	596	-	304	-	292
Financial charges	34	3,902	-	644	-	3,258
Financial income and charges		**-3,306**		**-340**		**-2,966**
Profit before tax		**3,724**		**5,723**		**-1,999**
Income taxes	35	707	-	458	-	249
Profit for the year		**3,017**		**5,265**		**-2,248**

OTHER COMPONENTS OF COMPREHENSIVE INCOME
(values in thousands of Euro)

Other components of comprehensive income	Notes	31/12/2019	31/12/2018*	Change
Profit for the year		**3,017**	**5,265**	**-2,248**
Components which will not subsequently be reclassified in the profit/loss for the year				
Revaluations of liabilities for defined benefits	17	-45	36	-81
Tax effect of revaluations of liabilities for defined benefits		11	-9	20
Components which will subsequently be reclassified in the profit/loss for the year				
Foreign management - Exchange rate differences from translation	13	-27	-243	216
Total comprehensive income (loss)		**2,956**	**5,049**	**-2,093**

* The Group adopted IFRS 16 on 1 January 2019 for the first time, by using the modified retroactive method based on which the comparative information was not re-stated and the cumulative effect of the initial application is recognised under retained earnings as at 1 January 2019. See chapter IV for more information.

The explanatory notes reported below are an integral part of these consolidated financial statements.

Basic earnings per share

Description	31/12/2019	31/12/2018
Net profit attributable to shareholders	3,017	5,265
Number of outstanding ordinary shares at the beginning of the year	**17,943,000**	**18,120,500**
- reduction of share capital	75,150	177,500
- increase in share capital	231,000	-
Number of outstanding ordinary shares at the end of the year	**18,098,850**	**17,943,000**
Weighted average number of outstanding shares	**17,958,198**	**17,987,292**
Basic earnings per share in EUR	0.1680	0.2927
Diluted earnings per share in EUR	0.1759	0.2927

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STATEMENT OF CASH FLOWS

(values in thousands of Euro)

Statement of cash flows	31/12/2019	31/12/2018
Cash flows from operating activities		
Profit for the year	**3,017**	**5,265**
Adjustments for:		
Financial charges (income)	3,306	338
Current income taxes	1,532	426
Deferred tax liabilities (assets)	-826	31
Depreciation and amortisation	2,936	1,862
Losses/(gains) on disposal of assets		-2
Increases in internal work capitalised	-863	-605
Cash flows from operating activities before changes in working capital	**9,102**	**7,315**
(Increases)/decreases in contract assets	21	64
(Increases)/decreases in trade receivables and other receivables	-1,742	-357
Increases/(decreases) in trade payables and other liabilities	959	212
Increases/(decreases) in provisions for risks and charges	4	4
Increases/(decreases) in post-employment benefits	70	11
Increases/(decreases) in tax liabilities (assets)	-13	-14
Increases/(decreases) in current tax payables (receivables)	-186	-11
Financial income collected	8	305
Financial charges paid	-630	-640
Taxes paid	-336	-648
Net cash and cash equivalents deriving from operating activities	**7,257**	**6,239**
Cash flows from investment activities		
(Increases) in fixed assets:		
- Property, plant and equipment	-251	-739
- Intangible assets	-145	-19
- Financial assets	-	-260
Decreases due to disposal of fixed assets:		
- Property, plant and equipment	-	3
- Financial assets	262	-
Business combination purchase price	-	-9,626
Net cash and cash equivalents used in investment activities	**-134**	**-10,642**
Financial assets		
Increases/(decreases) in financial payables	-5,922	9,260
of which:		
- New disbursements	-	11,637
- Repayments	-5,922	-2,378
Payment of lease liabilities	-148	-
Dividends distributed	-2,688	-2,698
Purchase/sale of treasury shares	-691	-871
Other changes	-263	-612
Exchange rate conversion differences	-148	-257
Net cash and cash equivalents used in financing activities	**-9,860**	**4,822**
Increases/(decreases) in cash and cash equivalents	**-2,737**	**419**
Cash and cash equivalents at the beginning of the year	**5,572**	**5,153**
Cash and cash equivalents at the end of the year (*)	**2,835**	**5,572**

(*) Bank overdrafts that are repayable on demand and which represent an integral part of the Group's liquidity management (211 euro at December 31, 2019), are included under cash and cash equivalents.

The explanatory notes reported below are an integral part of these consolidated financial statements.

CHANGES IN SHAREHOLDERS' EQUITY

(values in thousands of Euro)

Changes in Shareholders' Equity	Capital paid-in	Share premium reserve	Negative reserve for treasury shares	Other reserves	Undistributable profits	Profit for the period	Total shareholders' equity
Value as at 31 December 2017	**18,155**	**5,924**	**-62**	**71**	**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	-	-	-	-242	-	-	-242
Total statement of comprehensive income	**-**	**-**	**-**	**-215**	**-**	**5,265**	**5,050**
Allocation of 2017 profit	-	-	-	3,756	-371	-3,385	-
Purchase of treasury shares	-	-	-871	-	-	-	-871
Purchase of own bonds	-	1	-	-4	-	-	-3
Distribution of dividends pertaining to third parties	-	-	-	-2,698	-	-	-2,698
Other changes	-	-	-	-	-257	-	-257
Value as at 31 December 2018	**18,155**	**5,924**	**-933**	**910**	**1,815**	**5,265**	**31,136**
Adjustment at the date of initial application of IFRS 16*	-	-	-	-	-	-	-
Net profit for 2019	-	-	-	-	-	3,017	3,017
Actuarial gains (losses) of defined benefit plans net of taxes	-	-	-	-34	-	-	-34
Conversion differences	-	-	-	-27	-	-	-27
Total statement of comprehensive income	**-**	**-**	**-**	**-61**	**-**	**3,017**	**2,956**
Allocation of 2018 profit	-	-	-	4,598	667	-5,265	-
Conversion of bonds	970	-	-	-	-	-	970
Purchase of treasury shares	-	-	-691	-	-	-	-691
Purchase of own bonds	-	19	-	-54	-	-	-35
Distribution of dividends pertaining to third parties	-	-	-	-2,688	-	-	-2,688
Other changes	-	-	-	-	-229	-	-229
Value as at 31 December 2019	**19,125**	**5,943**	**-1,624**	**2,705**	**2,253**	**3,017**	**31,419**

* The Group adopted IFRS 16 on 1 January 2019 for the first time, by using the modified retroactive method based on which the comparative information was not re-stated and the cumulative effect of the initial application is recognised under retained earnings as at 1 January 2019. See chapter IV for more information.

The explanatory notes reported below are an integral part of these consolidated financial statements.

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Explanatory notes to the consolidated financial statements of the period ended as at 31 December 2019

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 Imbonati 18, 20159 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 2019 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 24 March 2020.

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 financial statements as at 31 December 2019, prepared in consolidated form pursuant to art. 154-ter of the TUF and subsequent amendments, have been drafted in compliance with the evaluation and measurement criteria established by the International Financial Reporting Standard (IFRS) issued by the International Accounting Standards Board (IASB), and adopted by the European Commission in compliance with the procedure referred to in art. 6 of the Regulation (EC) no. 1606/2002 IFRS (hereinafter "IFRS").

These are the first annual financial statements in which the Group has applied IFRS 16. The significant changes in accounting standards for the Group and their effects are described in Chapter IV of this report.

These consolidated financial statements include the statement of financial position, the income statement and the statement of other 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 evaluations

In drawing up the consolidated financial statements, the company management had to formulate measurements and estimates that influence the application of the accounting standards and the amounts of assets, liabilities, costs and revenues recognised in the financial statements. However, it should be noted that the results obtained will not necessarily be the same as those presented in these financial statements.

Those estimates and underlying assumptions are regularly revised. Any changes deriving from the revision of accounting estimates are recognised prospectively.

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, 2 and 4** - Measurement of amortisation and depreciation of fixed assets
- ✓ Note **2** - Duration of lease: establish whether there is reasonable certainty that the Group will exercise the extension options
- ✓ Note **3** - Measurement of recoverable values of cash flow generating units that contain goodwill: main assumptions for determining the recoverable values
- ✓ Note **5** - Recognition of deferred tax assets: availability of future taxable profits in respect of which the temporary deductible differences can be used
- ✓ Note **15** - Acquisition of a subsidiary: fair value of the consideration transferred (including the potential consideration) and fair value of the assets and liabilities acquired
- ✓ Note **17** - Measurement of obligations for defined benefit plans for employees; main actuarial assumptions
- ✓ Note **18** - Recognition and measurement of provisions: main assumptions on the likelihood and measurement of an outflow of resources.

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

Consolidation Principles

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) In the event of a loss of control, the Group eliminates the assets and liabilities of the subsidiary, any third-party interests and other components of shareholders' equity relating to the subsidiaries. Any gain or loss deriving from the loss of control is booked to profit/(loss) for the year. Any equity investment maintained in the former subsidiary is measured at fair value on the date of the loss of control.

Scope of consolidation

These consolidated financial statements as at 31 December 2019 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 to variable returns deriving from its involvement with the entity or has rights to said returns by having, at the same time, the ability to influence them by exercising its power over that entity.

The complete list of equity investments included in the scope of consolidation as at 31 December 2019, which changed as compared to the previous year due to the incorporation of Myrios Switzerland SA, with an indication of the consolidation method, is shown in the table below:

Company Name	Registered Office	Share capital	Currency	% ownership	Held by	Type of consolidation
Piteco S.p.A. ("Piteco")	Italy	19,125	Euro	n/a	n/a	Parent Company
Piteco North America, Corp ("Piteco NA")	USA	10	USD[4]	100%	Piteco S.p.A.	Line-by-line
Juniper Payments, Llc ("Juniper")	USA	3,000	USD	60%[5]	Piteco North America, Corp.	Line-by-line
Myrios S.r.l. ("Myrios")	Italy	50	Euro	56%[6]	Piteco S.p.A.	Line-by-line
Myrios Switzerland SA ("Myrios CH")	Switzerland	100	CHF	56%	Myrios S.r.l.	Line-by-line

[4] The currency codes used herein comply with the International Standard ISO 4217: EUR Euro; USD Dollar USA; CHF Swiss Franc.

[5] Piteco North America, Corp. holds 550,000 Class A shares and 5,000 Class B shares (out of 1,000,000 shares issued, of which 450,000 Class B), equal to 60% 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 subsidiary. For the purposes of these consolidated financial statements, the Put Option reserved for minority shareholders of 40% of the share capital was recorded.

[6] 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. For the purposes of these consolidated financial statements, the Put Option reserved for minority shareholders of 44% of the share capital was recorded.

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.

Currency	Exchange rate as at 31 December 2019 (*)	Average exchange rate FY 2019 (*)	Exchange rate as at 31 December 2018 (*)	Average exchange rate FY 2018 (*)
USD - US dollar	1.12	1.12	1.15	1.18
CHF - Swiss Franc	1.09	1.11	n/a	n/a

(*) Source: Bank of Italy

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

The Group adopted IFRS 16 Leases from 1 January 2019. The other new standards that entered into force from 1 January 2019 did not have significant effects on the Group's consolidated financial statements.

The Group applied IFRS 16 by using the modified retroactive method based on which the cumulative effect of the initial application is recognised under retained earnings as at 1 January 2019. Therefore, the comparative information relating to 2018 was not re-stated, i.e. presented, as previously, according to IAS 17 and the associated interpretations. More information on the changes in accounting standards is provided below.

<u>Definition of a lease</u>

Previously, the Group established at the start of the contract, whether it was, or contained a lease, according to IFRIC 4 "Determining whether an Arrangement contains a Lease". Now the Group evaluates whether the contract is a lease or contains a lease based on the new definition of a lease as per IFRS 16.

At the date of initial application of IFRS 16, the Group decided to adopt the practical expedient which makes it possible not to re-examine which transactions constitute a lease. IFRS 16 was only applied to contracts that were previously identified as leases. The contracts that were not identified as leases by applying IAS 17 or

IFRIC 4 were not remeasured in order to establish whether they were a lease. Therefore, the definition of lease contained in IFRS 16 was only applied to contracts signed or amended on 1 January 2019 or at a later date.

Accounting model for the lessee

As lessee, the Group holds some buildings, IT equipment and cars under leases. Previously, the Group classified leases as operating or finance, by assessing whether the lease transferred substantially all the risks and rewards connected with ownership of the underlying asset. According to IFRS 16, the Group recognises in the statement of financial position assets for rights of use and lease liabilities for the majority of leases.

At the start of the contract or upon an amendment to a contract that contains a lease component, the Group attributes the contract consideration to each lease component based on the relative stand-alone price.

The Group previously accounted for property leases as operating leases in compliance with IAS 17. At the date of initial application, for said leases, lease liabilities have been determined at the present value of residual payments due on the leases, discounted using the incremental borrowing rate of the Group as at 1 January 2019. Assets for rights of use are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid expenses or accrued expenses relating to said leases.

The Group used the following practical expedients:

- it applied the exemption from the recognition of assets for rights of use and lease liabilities to leases whose duration is less than 12 months and that do not contain purchase options;
- it did not recognise assets for rights of use and lease liabilities for the leasing of low-value assets (less than EUR 5 thousand);
- it excluded direct initial costs from the measurement of the asset for right of use at the date of initial application; and
- it based its position on experience acquired in determining the duration of the lease.

Accounting model for the lessor

The Group sub-leases part of the property in via Imbonati 18, leased in 2019. According to IAS 17, the main lease and sub-leases were classified as operating leases. With the move to IFRS 16, the Group measured the classification of the sub-lease by considering the asset for the right of use instead of the underlying asset, and concluded that it is a finance lease in compliance with IFRS 16.

The Group applied IFRS 15 - Revenue from contracts with customers to distribute the consideration of the contract between the lease and non-lease components.

Effects of first-time application

The effects of the application of IFRS 16 booked to the statement of financial position as at 1 January 2019 are shown below.

	01/01/2019
Assets for rights of use	360
Lease liabilities	(346)

'Maxi-canoni' (initial larger lease instalments) included in prepaid expenses	(14)

The transition to IFRS 16 introduced some elements of professional judgment which involved the definition of some accounting policies and the use of assumptions and estimates in relation to the duration of the lease and definition of the incremental borrowing rate.

The main assumptions and estimates are summarised below:

- duration of the lease: the duration was determined on the basis of the individual contract and is composed of the period "which cannot be cancelled", together with the effects of any extension or early termination clauses, whose exercise was deemed reasonably certain and taking into account the clauses of the contract itself;
- the incremental borrowing rate: in the majority of rental agreements stipulated by the Group, an implicit interest rate cannot be determined, therefore the discount rate to be applied to future payments of lease fees was determined as the risk-free rate of each country in which the contracts were stipulated (mainly Euro), with maturities commensurate to the duration of the specific rental agreement, increased by the Parent Company-specific credit spread (taken from the main financing agreements negotiated by it);
- the analyses performed by the Group determined an average duration of rental contracts of roughly 3 years and an incremental borrowing rate relating to said duration of approximately 1.5%.

A reconciliation between the operating lease commitments as at 31 December 2018 and the liabilities emerged as at 1 January 2019 by applying IFRS 16 is provided below.

	01/01/2019
Commitments deriving from operating leases as at 31 December 2018	197
Option of extension of the lease net of short-term, low-value leases and discounting effect	149
Financial liabilities deriving from first-time application of IFRS 16	**346**
Total lease liabilities recognised as at 1 January 2019	**346**

The IFRS and Interpretations approved by the IASB and endorsed for adoption in Europe in the current year, in addition to IFRS 16 "Leases" described above concern:

Amendment to IFRS 9 Financial Instruments: "Prepayment Features with Negative Compensation"

In October 2017, the IASB published the amendments to IFRS 9 Prepayment Features with Negative Compensation. The amendment proposes that the amortised cost method or fair value through other comprehensive income method can be applied to financial instruments with advance payment which could give rise to negative compensation, depending on the business model adopted.

IFRIC 23 - *Uncertainty over income tax treatments*

In June 2017, the IASB published the interpretation IFRIC 23 - *Uncertainty over income tax treatments*

The interpretation clarifies the application of the recognition and measurement requirements established in IAS 12 Income taxes when there is uncertainty over tax treatments.

Amendment to IAS 28 Investments in associates: *Long-term Interests in Associates and Joint Ventures*

The amendment clarifies that IFRS 9 applies to long-term receivables due from an associate or joint venture that, in substance, are part of the net investment in the associate or joint venture. The amendment also requires IFRS 9 to be applied to said receivables before the application of IAS 28, so that the entity does not take account of any adjustments to long-term interests deriving from the application of the aforementioned IAS.

Amendment to IAS 19 - *Plan Amendment, Curtailment or Settlement*

The amendment, published in February 2018, clarifies how current service cost and net interest is calculated when an amendment to the defined benefit plan is verified.

Annual Cycle of Improvements to IFRS: Cycle 2015-2017

In December 2017, the IASB published the document "Improvements to IFRS: Cycle 2015-2017"; the main changes concern:

- IFRS 3 - Business Combination and IFRS 11 - Joint Arrangements - The amendments to IFRS 3 clarify that when an entity obtains control of a joint operation, it must remeasure the fair value of the interest it held previously in this joint operation. The amendments to IFRS 11 clarify that when an entity obtains joint control of a joint operation, the entity does not remeasure the fair value of the interest it held previously in this joint operation.
- IAS 12 - *Income tax consequences of payments on financial instruments classified as equity* - The proposed amendments clarify how the entity must recognise any tax consequences from the distribution of dividends.
- IAS 23 - *Borrowing costs eligible for capitalisation* - The amendments clarify that, in the event in which loans stipulated specifically for the acquisition and/or construction of an asset also remain in place after said asset is ready for use or sale, these loans cease to be considered specific and, therefore, are included in the entity's general loans for the purposes of determining the rate of capitalisation of the loans.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPROVED BY THE EU AND APPLICABLE FOR YEARS STARTING ON 1 JANUARY 2019

IFRS 17 *Insurance Contracts*

In May 2017, the IASB published IFRS 17 *Insurance Contracts* which replaces IFRS 4, issued in 2004. The standard aims to improve investors' understanding of exposure to risk, profitability and the financial position of insurers, requiring all insurance contracts to be accounted for in a consistent manner, in order to overcome the comparison problems created by IFRS 4.

The standard enters into force on 1 January 2021, but early application is permitted.

The amendment to IFRS 10 and IAS 28 "*Sales or Contribution of Assets between an Investor and its Associate or Joint Venture*"

The document was published in September 2014 in order to resolve the current conflict between IAS 28 and IFRS 10 relating to the measurement of the gain or loss resulting from the sale or contribution of a non-monetary asset to a joint venture or associate in exchange for a share in the latter's capital. The IASB has currently suspended the application of this amendment.

Amendment to the references in the IFRS to the "*Conceptual Framework for Financial Reporting*"

In October 2018, the IASB published the revised version of the "*Conceptual Framework for Financial Reporting*". The main amendments with respect to the 2010 version concern:

- A new chapter on measurement;
- Better definitions and guidance, in particular with reference to the definition of liability;
- Clarifications of important concepts, such as stewardship, prudence and measurement uncertainty.

The amendment updates some references in the IFRS to the previous "*Conceptual Framework in IFRS Standards*", the accompanying documents and the "*IFRS Practice Statements*". The amendments apply from financial years beginning on 1 January 2020. Early application is permitted.

Amendment to IFRS 3 - *Definition of business*

The amendment, published in October 2018, aims to help determine whether a transaction is an acquisition of a business or a group of assets that does not satisfy the definition of business of IFRS 3. The amendments will apply to acquisitions after 1 January 2020. However, early application is permitted.

Amendment to IAS 1 and to IAS 8 - *Definition of material*

The amendment, published in October 2018, aims to clarify the definition of "material", in order to help companies assess whether information should be included in the financial statements. The amendments will apply from 1 January 2020. However, early application is permitted.

The adoption of the standards and interpretations detailed above is not expected to have a material impact on the measurement of the Group's assets, liabilities, costs and revenues.

V. 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
Plants 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 when the asset is available for use and ceases at the end of the useful life or it is classified as held for sale (or included in a disposal group classified as held for sale). Both the useful life and the amortisation criterion are periodically reviewed and, where there have been significant changes with respect to the assumptions adopted previously, the amortisation for the year and subsequent years is adjusted.

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

Leasing

The Group applied IFRS 16 by using the modified retroactive method. Therefore, the comparative information has not been re-stated and continues to be presented in accordance with IAS 17 and IFRIC 4.

Criterion applicable from 1 January 2019

At the start of the contract, the Group evaluates whether the contract is, or contains, a lease. The contract is, or contains, a lease if, in exchange for a consideration, it transfers the right to control the use of an identified asset for a period of time. In order to evaluate whether a contract confers the right to control the use of an identified asset, the Group uses the definition of a lease provided by IFRS 16.

This criterion applies to contracts that enter into force on or after 1 January 2019.

Accounting model for the lessee

At the start of the contract or upon an amendment to a contract that contains a lease component, the Group attributes the contract consideration to each lease component based on the relative stand-alone price.

At the effective date of the lease, the Group recognises the asset for right of use and the lease liability. The asset for right of use is initially measured at cost, including the amount of the initial measurement of the lease liability, adjusted by the payments due for the lease carried out on the date of or before the date of effectiveness, increased by the direct initial costs incurred and an estimate of the costs that the lessee must incur for the dismantling and removal of the underlying asset or for the restoration of the underlying asset or site in which it is located, net of lease incentives received.

The asset for right of use is subsequently amortised on a straight-line basis from the effective date until the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group at the end of the lease term or, considering the cost of the asset for right of use, the Group is expected to exercise the purchase option. In said case, the asset for the right of use will be amortised over the useful life of the underlying asset, determined on the same basis as property and machinery. In addition, the asset for the right of use is regularly decreased by any impairment and adjusted in order to reflect any changes deriving from subsequent measurements of the lease liability.

The Group measures the lease liability at the present value of the payments due for the lease not paid at the effective date, discounting them using the implicit interest rate of the lease. Where it is not possible to easily determine this rate, the Group uses the incremental borrowing rate. Generally, the Group uses the incremental borrowing rate as the discount rate.

The payments due for the lease included in the measurement of the lease liability include:

- the fixed payments (including essentially fixed payments);
- the variable payments due for the lease that depend on an index or a rate, initially measured using an index or a rate at the effective date;
- the amounts that are expected to be paid in the form of a guarantee on the residual value;
- the exercise price of a purchase option that the Group is reasonably certain to exercise, the payments due for the lease in an optional renewal period if the Group is reasonably certain to exercise the renewal option, and the penalties for early lease termination, unless the Group is reasonably certain not to terminate the lease early.

The lease liability is measured at amortised cost using the effective interest method and is remeasured in the event of the modification of future lease payments due deriving from a change in an index or rate, in the event of a change in the amount that the Group expects to have to pay in the form of a guarantee on the residual value when the Group changes its measurement with reference to the exercise or not of a purchase, extension or termination option in the event of a revision of the essentially fixed payments due for the lease.

When the lease liability is remeasured, the lessee proceeds with a corresponding modification of the asset for the right of use. If the book value of the asset for the right of use is reduced to zero, the lessee recognises the change in profit/(loss) for the year.

Short-term leases and leases for low-value assets
The Group decided not to recognise assets for the right of use and lease liabilities relating to low-value assets and short-term leases. The Group recognises the associated payments due for the lease as a cost using the straight-line method over the duration of the lease.

Accounting model for the lessor
At the start of the contract or upon an amendment to a contract that contains a lease component, the Group attributes the contract consideration to each lease component based on the relative stand-alone price.

At the start of the lease, the Group, as lessor, classifies each of its leases as a finance lease or an operating lease.

To this end, the Group generally assesses whether the lease transfers substantially all the risks and rewards connected with ownership of the underlying asset. In that case, the lease is classified as a finance lease, otherwise as an operating lease. As part of said measurement, the Group considers, among the various indicators, whether the duration of the lease covers the majority of the economic life of the underlying asset.

As regards sub-leasing, the Group, as intermediate lessor, classifies its share in the main lease separately from the sub-lease. To this end, it classifies the sub-lease with reference to the asset for the right of use deriving from the main lease, rather than by making reference to the underlying asset. If the main lease is a short-term lease that the Group has accounted for by applying the aforementioned exemption, the sub-lease is classified as an operating lease.

For contracts containing a lease component and one or more lease and non-lease components, the Group distributes the consideration of the contract by applying IFRS 15.

The Group applies the provisions governing derecognition and provisions for impairment of IFRS 9 to the net investment in the lease. The Group periodically reviews the estimates of the residual values not guaranteed used in calculating the gross investment in the lease.

Generally speaking, the accounting standards applicable to the Group as lessor in the comparative year do not deviate from those set forth in IFRS 16, except for the classification of the sub-lease signed in the year which was classified as a finance lease.

Impairment

At each reporting date, the Group reviews the carrying amount of its property, plant and equipment and intangible assets (including goodwill) 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 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.

Contract assets and liabilities

Contract assets 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. The contractual revenues and the related costs are recognised on the basis of the percentage completion method. The percentage completion method is determined with reference to the ratio between the costs incurred for the activities carried out at the reporting date and the total estimated costs until completion.

The sum of the costs incurred and the profit recognised on each project is compared with the invoices issued at the reporting date. If the costs incurred and the profits recognised (less the losses recorded) are higher than the invoice totals, the difference is classified in the item "Contract assets", under current assets. If the totals of the invoices issued are higher than the costs incurred plus the profits recognised (less losses recorded), the difference is classified under current liabilities, in the item "Contract liabilities". Any losses are booked in full to the income statement when it is likely that the total estimate costs will exceed the total forecast revenues.

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.

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

The financial assets of the Group are classified on the basis of the business model adopted to manage them and the characteristics of the associated cash flows.

<u>Financial assets designated at amortised cost</u>
Financial assets for which the following requirements are verified are classified into said category: the asset is held as part of a business model whose objective is ownership of the asset targeted at collecting the contractual cash flows and the contractual terms of the asset envisage cash flows represented solely by payments of principal and interest on the amount of principal to be repaid.

These relate primarily to receivables due from customers, loans and other receivables. Trade receivables that do not contain a significant financial component are recognised at the price defined for the associated transaction (determined according to the provisions of IFRS 15 Revenues from contracts with customers). The other receivables and loans are initially recognised in the financial statements at their fair value, increased by any accessory costs directly attributable to the transaction that generated them. At the time of subsequent measurement, the financial assets at amortised cost, with the exception of receivables that do not contain a significant financial component, are measured using the effective interest rate. The effects of this measurement are recognised under financial income components.

With reference to the impairment model, the Group measures receivables by using 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.

Write-downs effected pursuant to IFRS 9 are booked to the consolidated income statement net of any positive effects tied to releases or write-backs and are posted under operating costs.

Financial assets at fair value with contra-entry in the comprehensive income statement (FVOCI)
Financial assets for which the following requirements are verified are classified into said category: the asset is held within the framework of a business model whose objective is achieved through both the collection of the contractual cash flows and through the sale of said asset and the contractual terms of the asset envisage cash flows represented solely by payments of principal and interest on the amount of principal to be repaid.

These assets are initially recognised in the financial statements at their fair value, increased by any accessory costs directly attributable to the transactions that generated them. At the time of subsequent measurement, the valuation carried out at the time of recognition is re-updated and any fair value changes are recognised in the comprehensive income statement.

With reference to the impairment model, the aspects described in the point detailed above are set out below.

Financial assets at fair value with contra-entry in the consolidated income statement (FVPL)
Financial assets not classified in any of the previous categories (i.e. other category) are classified in said category. Assets belonging to this category are booked at fair value at the time of their initial recognition.

The accessory costs incurred at the time of recognition of the asset are charged immediately to the consolidated income statement. At the time of subsequent measurement, financial assets at FVPL are measured at fair value. Gains and losses arising from the fair value changes are recognised in the consolidated income statement in the period in which they are recorded.

Purchases and sales of financial assets are recognised at the settlement date.

Financial assets are removed from the financial statements when the associated contractual rights expire, or when the Group transfers all risks and rewards of ownership of the financial asset.

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 price that would be received at the measurement date for the sale of an asset, or which would be paid for the transfer of a liability, in an ordinary transaction between market operators in the main (or more advantageous) market which the Group can access at that moment. The fair value of a liability reflects the effect of a default risk.

Where available, the Group measures the fair value of an instrument by using the listed price of that instrument in an active market. A market is active when the transactions relating to an asset or a liability are verified with a frequency and with volumes sufficient enough to provide useful information for determining the price on a continuing basis.

In the absence of a price listed in an active market, the Group uses measurement techniques by maximising the use of observable input and minimising the use of input which cannot be observed. The measurement technique selected in advance includes all factors that the market operators would consider in estimating the price of the transaction.

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.

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 relation to the business conducted by 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. The case of contracts containing sales of licences associated with installation, maintenance and other sundry services has always been treated separately by the Group.

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 2019-2021, 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.

VI. 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.

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 2019 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 specific 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 consolidated shareholders' equity, 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, optimising 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 the Group 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:

Non-current financial liabilities	31/12/2019	31/12/2018	Change
Long-term bank borrowings	6,261	9,685	-3,424
Non-current lease liabilities	2,356	-	2,356
Non-current bond	-	4,657	-4,657
Other non-current financial liabilities	-	695	-695

Current portion of financial liabilities	31/12/2019	31/12/2018	Change
Current account overdrafts	211	-	211
Current bank borrowings	3,424	1,960	1,464

Current lease liabilities	227	-	227
Current bond loan	3,921	-	3,921
Other current financial liabilities	1,953	4,119	-2,166
Long-term derivative financial instruments	12,859	11,512	1,347

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.

	31/12/2019	31/12/2018	Change
Within 6 months	3,327	4,106	-779
From 6 to 12 months	6,409	1,973	4,436
From 1 to 5 years	18,750	22,766	-4,016
Over 5 years	2,726	3,783	-1,057

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 2019, by level of the fair value measurement hierarchy.

Description	Value as at 31/12/2019	Level 1	Level 2	Level 3
Financial assets				
Other non-current financial assets	629	-	-	-
Current trade receivables	6,368	-	-	-
Other current receivables	502	-	-	-
Other current financial assets	99	-	-	-
Cash and cash equivalents	3,046	-	-	-
Financial assets	**10,644**	**-**	**-**	**-**
Financial liabilities				
Non-current financial liabilities	8,617	-	-	-
Long-term derivative financial instruments	12,859			12,859
Current trade payables	927	-	-	-
Other current payables	3,618	-	-	-

Current financial liabilities	9,736	-	-	1,953
Total liabilities	**35,757**	**-**	**-**	**14,812**

VII. 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 information relating to each segment subject to disclosure is presented below. The EBITDA of the sector is used to evaluate its trend. In fact, the company management believes that this information is more pertinent for the purposes of the evaluation of the segment results with respect to other competing companies.

Income Statement	31/12/2019				31/12/2018			
	Total	Corporate Treasury	Banking	Risk Mng	Total	Corporate Treasury	Banking	Risk Mng
Revenues	22,774	15,055	4,512	3,207	19,374	14,090	4,451	833
Other operating revenues	1,286	863	60	363	940	738	108	94
Change in contract assets	-21	-54	-	33	-100	-17	-	-83
Operating revenues	**24,039**	**15,864**	**4,572**	**3,603**	**20,214**	**14,811**	**4,559**	**844**
Goods and consumables	146	121	2	23	306	234	13	59
Personnel expenses	9,372	6,747	1,505	1,120	8,122	6,307	1,564	251
Costs for services and leases and rentals	4,521	2,635	1,449	437	4,170	3,008	1,101	61
Other operating costs	192	107	28	57	83	71	9	3
Operating costs	**14,231**	**9,610**	**2,984**	**1,637**	**12,681**	**9,620**	**2,687**	**374**
EBITDA	**9,807**	**6,253**	**1,588**	**1,966**	**7,533**	**5,191**	**1,872**	**470**

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

31/12/2019	31/12/2018

Statement of financial position	Total	Corporate Treasury	Banking	Risk Mng	Total	Corporate Treasury	Banking	Risk Mng
Non-current assets	62,697	41,324	7,951	13,422	60,884	38,905	8,843	13,136
Current assets	10,133	5,171	2,324	2,638	11,171	6,700	2,716	1,755
Non-current liabilities	25,367	23,363	1,747	257	30,480	28,052	2,276	152
Current liabilities	16,044	14,908	109	1,027	10,439	8,352	1,419	668

VIII. 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 2019 are shown below:

Property, plant and machinery	31/12/2018	Increases	Decreases	Exchange rate effect	31/12/2019
Land	320	-	-	3	323
Buildings	2,005	-	-	9	2,014
Accum. depreciation - buildings	-506	-58	-	-	-564
Land and buildings	**1,819**	**-58**	**-**	**12**	**1,773**
Plants and machinery	152	141	-	-1	292
Accum. depreciation - plant and machinery	-147	-8	-	-	-155
Plants and machinery	**5**	**133**	**-**	**-1**	**137**
Ind. and commercial equipment	6	-	-	-	6
Accum. depreciation - ind. and commercial equipment	-6	-	-	-	-6
Vehicles	50	-	-	-	50
Accum. depreciation - vehicles	-30	-9	-	-	-39
Furniture and furnishings	281	3	-	2	286
Accum. depreciation - furniture and furnishings	-193	-19	-	-	-212
Electronic machines	178	35	-	-	213
Accum. depreciation - electronic machines	-129	-20	-	-1	-150
Other property, plant and equipment	251	72	-	5	328
Accum. depreciation - other property, plant and equipment	-134	-70	-	-6	-210
Other assets	**274**	**-9**	**-**	**1**	**266**
Total	**2,098**	**66**	**-**	**11**	**2,176**

In addition, the changes that occurred in the year ended as at 31 December 2018 are reported below:

Property, plant and machinery	31/12/2017	Change in Scope of Consolidation	Increases	Decreases	Other changes	31/12/2018
Land	201	-	119	-	-	320
Buildings	1,527	-	478	-	-	2,005
Accum. depreciation - buildings	-454	-	-52	-	-	-506
Land and buildings	**1,274**	**-**	**545**	**-**	**-**	**1,819**
Plants and machinery	152	-	-	-	-	152
Accum. depreciation - plant and machinery	-145	-	-2	-	-	-147
Plants 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	-	-4	-134
Other assets	**205**	**29**	**33**	**-**	**7**	**274**
Total	**1,486**	**29**	**576**	**-**	**7**	**2,098**

Land and buildings

These amounted to EUR 1,773 thousand (EUR 1,819 thousand as at 31 December 2018) and refer to the property in Via Mercalli 16, Milan, the registered office and operational headquarters of the Parent Company until December 2019 and the property in Wichita, Kansas, operational headquarters of the US subsidiary Juniper Payments, Llc. From 9 December 2019, Piteco's registered office and operational headquarters were moved to the new leased building in via Imbonati 18 in Milan. The administrative management is currently deciding on the use of the building in via Mercalli. However, any change of use will not have a significant impact on the valuation of the property, given that its fair value is in line with the book value at the reporting date.

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

Plants and machinery

These amounted to EUR 137 thousand (EUR 5 thousand as at 31 December 2018) and mainly refers to accessory plants at the Parent Company headquarters. The increase of EUR 141 thousand relates to the plants of the new registered office of the Parent Company in via Imbonati 18, Milan, operational from 9 December 2019.

Other assets

These amounted to EUR 266 thousand (EUR 274 thousand as at 31 December 2018) and referred mainly to furniture and furnishings and electronic office machines and other assets. The increase of EUR 109 thousand comprises EUR 37 thousand in purchases of the Parent Company for hardware upgrades, EUR 66 thousand in purchases made by the subsidiary Juniper and EUR 6 thousand in purchases made by the subsidiary Myrios.

2 Assets for rights-of-use

From 1 January 2019, the Group applied IFRS 16. Assets for rights of use are presented below:

Assets for rights of use	31/12/2018	Change Introd. of new stand.	Increases	Decreases	31/12/2019
Buildings	-	77	2,210	(708)	1,579

Accum. depreciation - buildings	-	-	(87)	-	(87)
Other assets	-	283	185	-	468
Accum. depreciation - other assets	-	-	(121)	-	(121)
Total	**-**	**360**	**2,187**	**(708)**	**1,839**

The increase recorded in the item 'buildings' is attributable to the signing by the Parent Company, in 2019, of the lease agreement on the property in via Imbonati 18 in Milan. The decrease is due to the signing of a financial sub-lease agreement to let part of the property in via Imbonati 18 to the parent company Dedagroup S.p.A..

Please refer to chapter IV of these Explanatory notes for more details on the contracts included in said item.

3 Goodwill

The changes in Goodwill as at 31 December 2019 are shown below:

Goodwill	31/12/2018	Increases	Decreases	Exchange rate effect	31/12/2019
Goodwill	41,426	-	-	-	41,426
Total	**41,426**	**-**	**-**	**-**	**41,426**

In addition, the changes that occurred in the year ended as at 31 December 2018 are reported below:

Goodwill	31/12/2017	Increases	Decreases	31/12/2018
Goodwill	28,871	12,555	-	41,426
Total	**28,871**	**12,555**	**-**	**41,426**

Goodwill, amounting to EUR 41,426 thousand as at 31 December 2019 (EUR 41,426 thousand as at 31 December 2018) comprises:

- EUR 27,219 thousand for the deficit arising as a result of the reverse merger following the leveraged buyout by Piteco, 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 by Piteco;
- 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.

As required by the reference accounting standard (IAS 36), goodwill was subjected to impairment testing. For impairment test purposes, the goodwill was allocated to the following CGUs (which represent the Group's operating segments):

Piteco CGU (Treasury operating segment)

As at 31 December 2019 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 2020-2022 were added to the terminal value, which expresses the operating flows that the CGU will be capable of generating starting from the fourth year for an unlimited time, determined based on the perpetuity method. The value in use was calculated based on a discount rate (WACC) of 9.69% (10.88% in 2018) and a growth rate (g) of 1.50% (1.40% in 2018), 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 57,346 thousand (EUR 49,057 thousand as at 31 December 2018), against a carrying amount of the assets allocated to the CGU Piteco of EUR 31,091 thousand (EUR 31,333 thousand as at 31 December 2018).

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 compared to 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 16.72% (16.54% as at 31 December 2018).

As an additional sensitivity analysis, it is noted that using a constant WACC (of 9.69%) and a perpetual growth rate g (of 1.50%), only a reduction in the EBITDA Margin greater than 16.50% would involve issues of impairment (13.25% as at 31 December 2018).

CGU Juniper (Banking operating segment)

As at 31 December 2019 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 2020-2022 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 12.04% (10.78% in 2018) and a growth rate (g) of 2.30% (2.10% in 2018), 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 17,496 thousand (EUR 17,766 thousand as at 31 December 2018), against a carrying amount of the assets allocated to the CGU Juniper of EUR 6,577 thousand (EUR 7,631 thousand as at 31 December 2018).

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 compared to 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 29.61% (23.10% as at 31 December 2018).

As an additional sensitivity analysis, it is noted that using a constant WACC (of 12.04%) and a perpetual growth rate g (of 2.30%), only a reduction in the EBITDA Margin greater than 24.02% would involve issues of impairment (19.76% as at 31 December 2018).

CGU Myrios (Risk Management operating segment)

As at 31 December 2019 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 2020-2022 were added to the terminal value, which expresses the operating flows that the CGU will be capable of generating starting from the fourth year for an unlimited time, determined based on the perpetuity method. The value in use was calculated based on a discount rate (WACC) of 9.69% (10.88% in 2018) and a growth rate (g) of 1.5%, equal to expected inflation in the markets where the company operates (3.4% in 2018). The recoverable value determined based on the assumptions and valuation techniques described above, came to EUR 23,920 thousand (EUR 20,621 thousand as at 31 December 2018), against a carrying amount of the assets allocated to the CGU Myrios of EUR 19,698 thousand (EUR 19,304 thousand as at 31 December 2018).

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 compared to 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 11.45% (11.36% as at 31 December 2018).

As an additional sensitivity analysis, it is noted that using a constant WACC (of 9.69%) and a perpetual growth rate g (of 1.5%), only a reduction in the EBITDA Margin greater than 10.37% would result in issues of impairment (3.42% as at 31 December 2018).

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 2019 to be recoverable.

4 Other intangible assets

The changes in other intangible assets are shown below:

Other intangible assets	31/12/2018	Increases	Reclassifications	Exchange rate effect	31/12/2019
Concessions, licences and trademarks	18	-	-	-	18
Accum. amortisation - Concessions, licences and trademarks	-9	-2	-	-	-11

Software	24,105	837	8	169	25,119
Accum. amortisation - software	-11,464	-2,234	-	-38	-13,736
Concessions, licences and trademarks	**12,650**	**-1,399**	**8**	**131**	**11,390**
Other intangible assets	4,159	-	-	5	4,164
Accum. amortisation - other intangible assets	-91	-309	-	-	-400
Other intangible assets	**4,068**	**-309**	**-**	**5**	**3,762**
Intangible assets under construction	**157**	**171**	**-8**	**5**	**322**
Total	**16,875**	**-1,537**	**-**	**136**	**15,474**

In addition, the changes that occurred in the year ended as at 31 December 2018 are reported below:

Other intangible assets	31/12/2017	Change in Scope of Consolidation	Increases	Exchange rate effect	31/12/2018
Concessions, licences and trademarks	15	-	3	-	18
Accum. amortisation - Concessions, licences and trademarks	-7	-	-2	-	-9
Software	17,569	5,625	465	446	24,105
Accum. amortisation - software	-9,103	-660	-1,620	-81	-11,464
Concessions, licences and trademarks	**8,474**	**4,965**	**-1,154**	**365**	**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**	**-1,075**	**368**	**16,875**

Concessions, licences and trademarks

The net balance amounted to EUR 11,390 thousand (EUR 12,650 thousand as at 31 December 2018) and is comprised of EUR 7 thousand for the PITECO™ trademark and the costs incurred to register the Match.it™ trademark, and EUR 11,383 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 402 thousand for the internal development of new modules of Piteco and Match.it software, EUR 321 thousand for the internal development of new modules of Myrios software and EUR 122 thousand for the acquisition of the rights to use third party software by the subsidiary Juniper.

Other intangible assets

Other intangible assets, equal to EUR 3,762 thousand (EUR 4,068 thousand as at 31 December 2018), comprise EUR 3,720 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 41 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; the customer list of the company Myrios is expected to be amortised over 14 years.

Fixed assets under construction

Fixed assets under construction, equal to EUR 322 thousand (157 thousand as at 31 December 2018), mainly represent capitalised costs incurred in the development of software by the Parent Company for EUR 153 thousand and the subsidiary Juniper for EUR 170 thousand.

5 Deferred tax assets

Deferred tax assets of EUR 1,153 thousand (EUR 462 thousand as at 31 December 2018) 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.

6 Other non-current financial receivables

The item in question breaks down as follows:

Other non-current financial assets	31/12/2019	31/12/2018	Change	From 1 to 5 years	Over 5 years
Non-current financial assets due from parent companies	609	-	609	389	220
Non-current financial assets due from parent companies, affiliates and associates	**609**	**-**	**609**	**389**	**220**
Receivables for tax assets and due from employees	-	4	-4	-	-
Security deposits	20	19	1	20	-
Other non-current assets	**20**	**23**	**-3**	**20**	**-**
Total	**629**	**23**	**606**	**409**	**220**

The non-current financial receivable due from the parent company of EUR 609 thousand relates to the accounting of the multi-year sub-lease agreement for the equipped premises at the registered office in via Imbonati 18, Milan, deriving from application of new accounting standard IFRS 16.

7 Contract assets

The item in question breaks down as follows:

Contract assets	31/12/2018	Increases	Decreases	31/12/2019
Contract assets	128	107	-128	107
Total	**128**	**107**	**-128**	**107**

The assets deriving from contract of the Parent Company and the subsidiary Myrios 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 trade receivables

The item in question breaks down as follows:

Current trade receivables	31/12/2019	31/12/2018	Change
Current receivables from customers	6,434	4,712	1,722
Bad debt provision - receivables due from customers	-147	-179	32
Trade receivables	**6,287**	**4,533**	**1,754**
Current receivables due from parent companies	59	79	-20
Current receivables due from affiliates	22	68	-46
Receivables due from parent companies, affiliates and associates	**81**	**147**	**-66**
Total	**6,368**	**4,680**	**1,688**

Receivables from customers, amounting to EUR 6,287 thousand (EUR 4,533 thousand as at 31 December 2018), are shown net of the corresponding bad debt provisions which, as at 31 December 2019, amounted to EUR 147 thousand. Current receivables from parent companies, affiliates and associates are composed of receivables from the parent company Dedagroup S.p.A. and receivables from affiliates 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 - receivables due from customers	179	-79	47	147

9 Other short-term receivables

The item in question breaks down as follows:

Other current receivables	31/12/2019	31/12/2018	Change
Current prepaid expenses	204	283	-79
Tax receivables	54	95	-41
Current VAT credits	81	10	71
Receivables from employees	23	21	2
Other current receivables	137	92	45
Adjustment of receivables in currency	3	-	3
Total	**502**	**501**	**1**

The other current trade receivables are comprised of advances to suppliers.

Tax receivables are represented by tax credits for research and development of the subsidiary Myrios S.r.l. for EUR 54 thousand.

10 Current tax assets

The item in question breaks down as follows:

Current tax assets	31/12/2019	31/12/2018	Change
IRAP Receivables	1	-	1
Other current tax assets	10	28	-18
Total	**11**	**28**	**-17**

Current tax assets of EUR 11 thousand (EUR 28 thousand as at 31 December 2018) are composed of current tax receivables of the subsidiary Piteco NA amounting to EUR 10 thousand and of IRAP receivables of the subsidiary Myrios for EUR 1 thousand.

11 Other current financial assets

The item in question breaks down as follows:

Other current financial assets	31/12/2019	31/12/2018	Change
Current financial receivables due from parent companies	99	-	99
Current financial assets due from parent companies, affiliates and associates	**99**	**-**	**99**
Current financial receivables due from others	-	262	-262
Other current financial assets	**-**	**262**	**-262**
Total	**99**	**262**	**-163**

The financial receivable due from the parent company of EUR 99 thousand relates to the accounting of the multi-year sub-lease agreement of the equipped premises at the registered office in via Imbonati 18, Milan, deriving from application of new accounting standard IFRS 16.

12 Cash and cash equivalents

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

Cash and cash equivalents	31/12/2019	31/12/2018	Change
Bank deposits	3,046	5,571	-2,525
Cash	-	1	-1
Total	**3,046**	**5,572**	**-2,526**

13 Shareholders’ equity

As at 31 December 2019 the share capital was fully subscribed and paid in, composed of 18,363,500 shares with no nominal value.

Significant equity investments, exceeding 5% of share capital, held directly or indirectly, according to the information in the communications received pursuant to art. 120 of the TUF are as follows:

Declarant	Direct shareholder	% of ordinary share capital	% of voting capital
Lillo S.p.A.	Dedagroup S.p.A.	55.666%	55.666%
Ennismore Fund Management	Ennismore Fund Management	7.765%	7.765%
Podini Marco	Podini Marco	5.681%	5.681%

Podini Maria Luisa	Podini Maria Luisa	5.681%	5.681%

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 999 thousand from the conversion of 238 bonds into 238,000 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	31/12/2019	31/12/2018	Change
Capital paid-in	19,125	18,155	970
Share Capital	**19,125**	**18,155**	**970**
Share premium reserve	**5,943**	**5,924**	**19**
Negative reserve for treasury shares in portfolio	**-1,624**	**-933**	**-691**
Legal reserve	854	624	230
Extraordinary reserve	5,521	4,216	1,305
IAS reserve	-59	-59	-
Other reserves	375	-	375
Listing reserve	-963	-963	-
Convertible bond issue reserve	41	95	-54
Reserve for put option on NCI	-2,427	-2,427	-
Remeasurement of defined-benefit plans (IAS 19)	-53	-19	-34
Effect of conversion of Shareholders' Equity	-584	-557	-27
Other reserves	**2,705**	**910**	**1,795**
Undistributable profits	**2,253**	**1,815**	**438**
Net profit for the year	**3,017**	**5,265**	**-2,248**
Total	**31,419**	**31,136**	**283**

On approving the financial statements for the year ended as at 31 December 2018, the shareholders' meeting of the Parent Company approved the distribution of dividends of EUR 2,688 thousand (dividend of EUR 0.15 for each of the ordinary shares outstanding with no nominal value, excluding treasury shares, at the ex-dividend date).

During 2019, the Parent Company purchased treasury shares as per the authorisation from the Shareholders' Meeting, by way of resolution dated 30 April 2019. As at 31 December 2019 the Group held 328,650 treasury shares, equal to 1.80% of the share capital, for a total value of EUR 1,624 thousand (equal to the amount reflected in the "Negative reserve for treasury shares in portfolio", posted as a decrease to consolidated 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	31/12/2019	31/12/2018	Change	From 1 to 5 years	Over 5 years
Long-term unsecured bank borrowings	6,261	9,685	-3,424	5,957	304
Long-term bank borrowings	**6,261**	**9,685**	**-3,424**	**5,957**	**304**
Non-current lease liabilities	2,356	-	2,356	1,682	674
Non-current lease liabilities	**2,356**	**-**	**2,356**	**1,682**	**674**
Non-current bond	-	4,657	-4,657	-	-
Other non-current financial payables	-	695	-695	-	-
Other non-current financial liabilities	**-**	**5,352**	**-5,352**	**-**	**-**
Total	**8,617**	**15,037**	**-6,420**	**7,639**	**978**

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 2019. 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 2019. 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 lease liabilities

Lease liabilities refer to the accounting of lease agreements and leases based on new IFRS 16.

15 Long-term derivative financial instruments

The changes recorded during 2019 are shown below:

Long-term derivative financial instruments	31/12/2019	31/12/2018	Change	From 1 to 5 years	Over 5 years
NCI Put options	12,859	11,512	1,347	11,112	1,747
Total	**12,859**	**11,512**	**1,347**	**11,112**	**1,747**

The amount of EUR 12,859 thousand (EUR 11,512 thousand as at 31 December 2018) 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. The estimated price of the option charged to the financial statements as at 31 December 2019 was USD 2.0 million (EUR 1.7 million).
- 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 2019 came to EUR 11.1 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 financial liability of EUR 12,859 thousand was recognised.

For the Juniper option, the recalculation of the fair value as at 31 December 2019, 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 643 thousand (EUR 538 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 an increase of EUR 1,875 thousand.

16 Deferred tax liabilities

The changes recorded during 2019 are shown below:

Deferred tax liabilities	31/12/2019	31/12/2018	Change	From 1 to 5 years
Non-current deferred tax liabilities	2,439	2,587	-148	2,439
Total	**2,439**	**2,587**	**-148**	**2,439**

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

17 Employee benefits

The changes in employee benefits are shown below:

Employee benefits	31/12/2018	Actuarial gains/losses	Financial charges	Paid	31/12/2019
Employee severance indemnity	1,294	45	74	(15)	1,398
Total	**1,294**	**45**	**74**	**(15)**	**1,398**

In addition, the changes that occurred in the year ended as at 31 December 2018 in employee benefits are reported below:

Employee benefits	31/12/2017	Change in Scope of Consolidation	Actuarial gains/losses	Financial charges	Paid	31/12/2018
Employee severance indemnity	1,179	131	-36	23	-3	1,294
Total	**1,179**	**131**	**-36**	**23**	**-3**	**1,294**

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

Financial assumptions	31/12/2019	31/12/2018
Technical discount rate	0.77%	1.57%
Inflation rate	1.00%	1.50%
Overall annual rate of salary increase	1.50%	1.50%
Employee severance indemnity growth rate	2.25%	2.63%

Demographic assumptions	31/12/2019	31/12/2018
Probability of death	State General Accounting Office data - table RG48	
Probability of disability	INPS Model for 2010 projections	
Probability of resignations	3.00%	3.00%
Probability of retirement	Reaching of the first of the retirement requirements valid for the General Mandatory Insurance	
Probability of advance	3.00%	3.00%

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The liability relating to employee severance indemnity was measured with the support of an external independent actuarial expert.

The verification of reasonably possible changes in the actuarial assumptions at the reporting date would not have had a significant impact on the defined benefits obligation.

18 Long-term provisions

The changes recorded during 2019 are shown below:

Long-term provisions	Opening balance	Increases	Decreases	Closing balance
Agents' leaving indemnities	50	4	-	54
Total	**50**	**4**	**-**	**54**

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.

19 Current trade payables

The change in current payables is shown below:

Current trade payables	31/12/2019	31/12/2018	Change
Current payables due to suppliers	826	625	201
Invoices to be received	40	31	9
Trade payables	**866**	**656**	**210**
Current payables due to parent companies	61	17	44
Payables due to parent companies, affiliates and associates	**61**	**17**	**44**
Total	**927**	**673**	**254**

Payables due to suppliers, including the allocations for invoices to be received, amounted to EUR 866 thousand as at 31 December 2019 (EUR 656 thousand as at 31 December 2018) and are all short term.

Current payables due to parent companies represent trade payables for EUR 61 thousand (EUR 17 thousand as at 31 December 2018).

20 Contract liabilities

The changes recorded during 2019 are shown below:

Contract liabilities	31/12/2019	31/12/2018	Change
Advances from customers	597	299	298
Total	**597**	**299**	**298**

Contract liabilities of EUR 597 thousand (EUR 299 thousand as at 31 December 2018) are composed of advances from customers for work not yet completed.

21 Other current payables

Other current liabilities are shown in the table below:

Other current payables	31/12/2019	31/12/2018	Change
Current payables for wages and salaries	1,780	1,471	309
Payables for social security charges	695	622	73
Accrued expenses	117	108	9
Deferred income	604	530	74
Payables for withholdings	319	312	7
Other social security payables	60	60	-
Other current payables	40	98	-58
Other tax payables	3	15	-12
Total	**3,618**	**3,216**	**402**

Deferred income amounted to EUR 604 thousand (EUR 530 thousand as at 31 December 2018) and relates, almost entirely, to revenues for software maintenance fees collected in advance of the years when the services shall be provided.

22 Current tax liabilities

Current tax liabilities amounted to EUR 1,166 thousand as at 31 December 2019 (EUR 172 thousand as at 31 December 2018) and break down as follows:

Current tax liabilities	31/12/2019	31/12/2018	Change
Payables due to parent company for tax consolidation	1,022	138	884
Payables for IRAP taxes	138	29	109
Other current tax liabilities	6	5	1
Total	**1,166**	**172**	**994**

Other current tax liabilities are comprised of payables for current taxes of the US subsidiary Piteco North America for EUR 6 thousand.

23 Current financial liabilities

The changes in current financial liabilities are shown in the table below:

Current financial liabilities	31/12/2019	31/12/2018	Change
Current account overdrafts	211	-	211
Current unsecured bank borrowings	3,424	1,960	1,464
Current bank borrowings	**3,635**	**1,960**	**1,675**
Current lease liabilities	227	-	227

Current lease liabilities	**227**	**-**	**227**
Convertible bonds	3,921	-	3,921
Other current financial liabilities	1,953	4,119	-2,166
Other current financial liabilities	**5,874**	**4,119**	**1,755**
Total	**9,736**	**6,079**	**3,657**

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 14 of these explanatory notes.

Current liabilities for IFRS 16

The amount relates to the short-term portion of the liabilities relating to lease agreements accounted for on the basis of IFRS 16.

Convertible 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. The bond is set to mature on 31 July 2020.

Other current financial liabilities

The amount of EUR 1,953 thousand refers to the balance of the price (earn-out) set out in the contract for the acquisition of the investment in Myrios S.r.l..

24 Revenues

Revenues from sales and services amounted to EUR 22,774 thousand (EUR 19,374 thousand as at 31 December 2018), marking an increase of EUR 3,400 thousand (+17.5%) compared to the corresponding figure of 2018.

Revenues from sales and services of the Parent Company Piteco S.p.A. were equal to EUR 15,055 thousand (EUR 14,090 thousand as at 31 December 2018).

The increase recorded is due to the fact that, in 2018, the revenues of the subsidiary Myrios referred only to 2.5 months, as the acquisition of the investment was finalised on 15 October 2018.

Revenues by service type

The breakdown of revenues by service type is shown below:

Revenues	31/12/2019		31/12/2018		Change
Maintenance fees	6,447		5,953		494
Application management fees	1,494		1,323		171
Usage fees	1,986		797		1,189
Total Fees	**9,927**	**43.59%**	**8,073**	**41.67%**	**1,854**
Software sales	2,358		1,810		548
Total Software	**2,358**	**10.35%**	**1,810**	**9.34%**	**548**
Professional activities and services	5,140		4,116		1,024
Other revenues from sales	20		22		(2)
Personalisations	811		886		(75)
Commissions and Royalties	6		16		(10)
Total activities and services	**5,977**	**26.24%**	**5,040**	**26.01%**	**937**
Digital payments and clearing house revenues	4,512		4,451		61
Total digital payments and clearing house revenues	**4,512**	**19.81%**	**4,451**	**22.97%**	**61**
Total	**22,774**		**19,374**		**3,400**

As regards the breakdown of revenues by geographic area, note that Piteco Spa and Myrios Srl invoiced predominantly Italian entities, Juniper Payments Llc exclusively US entities and Myrios Switzerland SA Swiss entities.

The following table presents the main services offered by the Group and the nature and associated terms for the fulfilment of performance obligations.

Goods and services	Nature and terms for fulfilment of obligations
Fees	The Group records revenues over the duration of the contract, generally 12 months.
Software	The Group records the revenue at the time the software is provided to the customer, which generally occurs straight after the contract is signed.
Professional activities and services	Revenues are recognised over the course of time according to the cost-to-cost method. The relevant costs are booked to profit/(loss) for the year when they are incurred. Advances are recognised under contract liabilities.

25 Other operating revenues

“Other operating revenues”, whose balance as at 31 December 2019 amounted to EUR 1,286 thousand (EUR 940 thousand as at 31 December 2018) include increases in internal work capitalised of EUR 863 thousand, expense reimbursements from customers of EUR 349 thousand and reimbursements from employees for professional and personal use of company cars of EUR 34 thousand. The increases in internal work capitalised relate to development expenses on proprietary software.

Other operating revenues	31/12/2019	31/12/2018	Change
Recovery of costs for services	383	304	79
Capitalisation of intangible fixed assets	863	610	253
Other operating revenues	40	26	-14
Total	**1,286**	**940**	**346**

26 Change in contract assets

The changes recorded during 2019 are shown below:

Change in contract assets	31/12/2019	31/12/2018	Change
Change in contract assets	-21	-100	79
Total	**-21**	**-100**	**79**

The item relates to the change in WIP “Work in Progress”, relating to contracts pertaining to indivisible services with a duration of less than twelve months as at 31 December.

27 Goods and consumables

Costs for the purchase of goods and consumables amounted to EUR 146 thousand (EUR 306 thousand as at 31 December 2018).

Goods and consumables	31/12/2019	31/12/2018	Change
Purchase of goods	135	289	-154
Other purchases	11	17	-6
Total	**146**	**306**	**-160**

28 Personnel costs

Personnel costs for employees are shown in the table below:

Personnel expenses	31/12/2019	31/12/2018	31/12/2018
Wages and salaries	7,258	6,279	979
Social security charges	1,735	1,489	246
Allocations to pension funds and other	360	334	26
Other personnel costs	19	20	-1
Total	**9,372**	**8,122**	**1,250**

Employees of the Group as at 31 December 2019, net of directors and external contractors, totalled 122 resources (114 resources as at 31 December 2018). The increase recorded in the year, amounting to EUR 1,250 thousand, is mainly due to the fact that, in 2018, the personnel costs of the subsidiary Myrios referred only to 2.5 months, as the acquisition of the investment was finalised on 15 October 2018.

29 Costs for services

Other costs are shown in the table below:

Costs for services	31/12/2019	31/12/2018	Change
External maintenance	399	330	69
Consulting, administrative and legal services	1,791	1,686	105
Utilities	138	130	8
Promotion and advertising	165	156	9
Commissions	114	109	5

Sundry consulting	840	737	103
Insurance	108	90	18
Travel and transfer expenses	458	339	119
Fees and compensation to directors	60	44	16
Services for personnel	140	143	-3
Other services	41	6	35
Leases payable	116	142	-26
Rentals and other	60	169	-109
Royalties	91	89	2
Total	**4,521**	**4,170**	**351**

The increase of EUR 351 thousand recorded is due to the net effect of the fact that, in 2018, the costs of the subsidiary Myrios referred only to 2.5 months, as the acquisition of the investment was finalised on 15 October 2018, partly offset by the reduction in the rental costs following the application of IFRS 16. The application of IFRS 16 based on the modified retrospective method which does not require the re-statement of the comparative data, actually influenced the comparability of the data, with rental costs falling by EUR 133 thousand compared to the previous year. These lower costs were then offset by the amortisation of the assets for rights of use for EUR 208 thousand and interest expense on lease payables for EUR 8 thousand.

Costs for rentals and other items relate to lease agreements excluded from the application of IFRS 16 (low-value assets, short-term contracts, contracts with variable payment).

30 Other operating costs

Other costs are shown in the table below:

Other operating costs	31/12/2019	31/12/2018	Change
Other taxes (not on income)	39	25	14
Fines and penalties	3	5	-2
Contributions and donations	3	3	-
Magazine and subscription fees	6	5	1
Contingent liabilities	90	35	55
Allocations to agents severance indemnities	4	5	-1
Allocations to bad debt provision	47	5	42
Total	**192**	**83**	**109**

The increase recorded in the year, amounting to EUR 109 thousand, is mainly due to the fact that, in 2018, the other operating costs of the subsidiary Myrios referred only to 2.5 months, as the acquisition of the investment was finalised on 15 October 2018.

31 Amortisation and depreciation

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

Amortisation and depreciation	31/12/2019	31/12/2018	Change
Depreciation of buildings used in operations	58	52	6
Depreciation - plant and machinery	8	2	6
Depreciation - other assets	117	108	9

Depreciation of property, plant and equipment	**183**	**162**	**21**
Depreciation of buildings - rights of use	87	-	87
Depreciation of other assets - rights of use	121	-	121
Depreciation of assets for rights of use	**208**	**-**	**208**
Amortisation of concessions, licences and trademarks	2	2	-
Amortisation of software	2,234	1,620	614
Amortisation of other intangible assets	309	78	231
Amortisation of intangible assets	**2,545**	**1,700**	**845**
Total	**2,936**	**1,862**	**1,074**

32 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	31/12/2019	31/12/2018	Change
Exchange rate gains	159	402	-243
Exchange rate losses	-1	-10	9
Total	**158**	**392**	**-234**

During the year, the Group recorded net exchange gains of EUR 158 thousand, of which EUR 139 thousand unrealised.

33 Financial income

The table below provides details of financial income:

Financial income	31/12/2019	31/12/2018	Change
Income on Put options	575	296	279
Interest on bank and postal current accounts	13	5	8
8Interest income from other non-current investments	8	3	5
Total	**596**	**304**	**292**

Income from Put options refer to the recalculation of the fair value, as at 31 December 2019, of the Option granted to the minority shareholders of Juniper Payments, Llc (please refer to paragraph 15 for a detailed description).

34 Financial charges

The table below provides details of financial charges:

Financial charges	31/12/2019	31/12/2018	Change
Interest on Put options and Earn-out	3,269	85	3,184
Interest on other payables	403	405	-2
Interest on non-current payables due to banks	222	154	68
Interest on lease payables	8	-	8
Total	**3,902**	**644**	**3,258**

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The item Interest on Put Options includes interest expense deriving from the fair value measurement of the Put Option granted to the minority shareholders of Myrios S.r.l., as well as the Earn-out to be paid to said entities in May 2020.

35 Income taxes

Income taxes estimated for 2019 are analysed in the table below:

Income taxes	31/12/2019	31/12/2018	Change
IRAP income taxes	266	94	172
IRES income taxes	1,137	240	897
Taxes from previous years	-13	-33	20
Deferred tax assets	-677	-25	-652
Deferred tax liabilities	-148	56	-204
Income taxes of foreign subsidiaries	142	126	16
Total	**707**	**458**	**249**

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

Effects of deferred tax assets and liabilities - IRES	31/12/2019		31/12/2018	
	Temporary Difference	Taxes (rate of 24%)	Temporary Difference	Taxes (rate of 24%)
Amortisation of trademarks	33	8	55	13
Agents' leaving indemnities	7	2	7	2
Long-term costs	-	-	10	2
Actuarial measurement of employee severance indemnity	223	54	179	43
Other costs with deferred deductibility	2,173	522	164	39
Exchange rate differences from measurement	857	206	933	224
Consolidation adjustments	-	-	3	1
Amortisation of software - Piteco North America	1,185	284	567	136
Deferred tax assets	**4,478**	**1,076**	**1918**	**460**
Higher value of property	395	95	410	98
Amortisation of "Centro data" (data centre) goodwill	131	31	105	25
Consolidation adjustments	7,798	1,871	8,431	2,023
Other deferred tax liabilities	484	116	380	91
Deferred tax liabilities	**8,808**	**2,113**	**9,326**	**2,237**
Total	**-4,330**	**-1,037**	**-7,408**	**-1,777**

Effects of deferred tax assets and liabilities - IRAP	31/12/2019		31/12/2018	
	Temporary Difference	Taxes (rate of 3.9%)	Temporary Difference	Taxes (rate of 3.9%)
Amortisation of trademarks	33	1	55	2
Agents' leaving indemnities	4	-	4	-
Long-term costs	-	-	10	-
Other costs with deferred deductibility	1,976	77	-	-
Consolidation adjustments	-	-	2	-
Deferred tax assets	**2,013**	**78**	**71**	**2**
Higher value of property	395	15	410	16
Amortisation of "Centro data" (data centre) goodwill	131	5	105	4
Consolidation adjustments	7,798	304	8,431	329
Other deferred tax liabilities	-	-	3	-

Deferred tax liabilities	**8,324**	**324**	**8,949**	**349**
Total	**-6,311**	**-246**	**-8,878**	**-347**

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.

IX. COMMITMENTS AND GUARANTEES

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

Memorandum accounts	31/12/2019	31/12/2018
Sureties, personal guarantees and collateral to third parties	318	53
Guarantees given	**318**	**53**
Third party assets at the company		197
Assets of others		**197**
Total	**318**	**250**

As at 31 December 2019 the Parent Company granted guarantees of EUR 318 thousand in the form of sureties for participation in tenders.

X. TRANSACTIONS WITH GROUP COMPANIES AND OTHER RELATED PARTIES

In addition to the information provided in the Report on Operations on transactions with parent companies, associates and affiliates, note that during 2019 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 1,338 thousand.

XI. 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.

The consolidated Net Financial Position as at 31 December 2019, including the put options on the minority shares of Juniper Payments, Llc and Myrios S.r.l. was a negative EUR 28,067 thousand (negative EUR 26,794 thousand as at 31 December 2018), marking a change of EUR 1,273 thousand, taking into account the payment of dividends, of which EUR 2,688 thousand of Piteco S.p.A. alone.

	31/12/2019	31/12/2018	Change
A. Cash	-	1	-1
B. Other cash and cash equivalents	3,046	5,571	-2,525
C. Securities held for trading	-	-	-
D. Liquidity (A+B+C)	**3,046**	**5,572**	**-2,526**
E. Current financial receivables	**99**	**262**	**-163**
F. Current bank borrowings	211	-	211

G. Current portion of non-current indebtedness	7,345	1,960	5,385
H. Other current financial payables	2,180	4,119	-1,939
I. Current financial indebtedness (F+G+H)	**9,736**	**6,079**	**3,657**
J. Net current financial indebtedness (I-E-D)	**6,591**	**245**	**6,346**
K. Long-term bank borrowings	6,261	9,685	-3,424
L. Bonds issued	-	4,657	-4,657
M. Other non-current payables	15,215	12,207	3,008
N. Non-current financial indebtedness (K+L+M)	**21,476**	**26,549**	**-5,073**
O. Net financial indebtedness (J+N)	**28,067**	**26,794**	**1,273**

Net financial indebtedness, as determined in point O is consistent with the provisions of Consob Communication DEM/6064293 of 28 July 2006, which excludes non-current financial assets.

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

Description	**31/12/2018**	**Monetary flow**	**Non-monetary flow**		**31/12/2019**
			Fair value change	Other changes	
Current financial liabilities	6,079	-2,654	1,394	4,706	9,525
Non-current financial liabilities and derivatives	26,549	-3,424	1,232	-2,881	21,476
Current financial assets	262	-262	-	99	99
Non-current financial assets	-	-	-	609	609
Net liabilities from financing activities	**32,366**	**-5,816**	**2,626**	**1,117**	**30,293**
Cash and cash equivalents (net of bank overdrafts)	5,572	-2,737	-	-	2,835
Net financial indebtedness	**26,794**	**-3,079**	**2,626**	**1,117**	**27,458**

XII. TREASURY SHARES

During 2019, the Parent Company purchases treasury shares as per the authorisation from the Shareholders' Meeting, by way of resolution dated 30 April 2019. As at 31 December 2019 the Group held 328,650 treasury shares, equal to 1.80% of the share capital, for a total value of EUR 1,624 thousand (equal to the amount reflected in the "Negative reserve for treasury shares in portfolio", posted as a decrease to consolidated shareholders' equity).

XIII. SUBSEQUENT EVENTS

The preliminary contract was signed on 19 March for the acquisition of the Everymake business unit from the company Everymake S.r.l.. The business unit includes cloud software products for data matching.

On 11 March 2020, the World Health Organisation declared the Coronavirus (COVID-19) emergency a pandemic, in view of the rapid spread at global level, involving more than 150 countries. Many governments are implementing stricter measures to contain and delay the spread of the virus. We are currently faced with a significant increase in economic uncertainty, demonstrated, for example, by greater volatility of prices and exchange rates. The Group is monitoring developments in the situation in order to minimise its social, economic, capital, financial and workplace health and safety impacts, by defining and implementing flexible action plans targeted at taking prompt action. In particular, the Group moved very quickly to ensure that the operating processes continue to be carried out efficiently and safely through the organisation of agile work ("*Smart Working*"), with reference to the Italian companies in the Group. At present, no similar measures have been requested by the US authorities for the company Juniper Payments, Llc and by the Swiss authorities for Myrios Switzerland SA. Consistently with the ministerial provisions and the guidelines of the competent health authorities, the Group adopted, equally quickly, all the necessary measures to ensure the maximum protection of the health of the people committed to the various company activities and needed to avoid a spread of the contagion.

As regards the potential scenarios of financial tension, the company management is constantly monitoring the Group's current and future liquidity. As of today, no significant impacts have been noted on the payment or collection activities relating directly or indirectly to the spread of the Coronavirus contagion at global level.

As at said date, the available liquidity is in line with the financial planning and appears to be adequate to cover current and future operating requirements. The Group is conducting an additional sensitivity analysis of the potential economic and financial impacts of the current crisis as well as by defining a series of actions to limit said impacts. Based on the available information, the potential effects stemming from the spread of COVID-19, in line with the application of international accounting standards (IAS 10), were considered a "Non-Adjusting" event. With reference to the evaluations carried out for financial statements purposes (recoverability of the intangible assets with an indefinite useful life, recoverability of deferred tax assets, fair value of financial instruments, liabilities for defined benefits in favour of employees), the Directors consider that, given the information currently available, these factors of uncertainty are already represented in the main sensitivity analyses provided with reference to the principal financial statements items subject to estimation. With particular reference to the uncertainty related to the spread of the Coronavirus epidemic, it is not possible to rule out a situation where, if the spread of the virus should extend significantly at international level, the general economic consequences and the specific repercussions for the Group could be more serious than those envisaged at the current state of play, calling for a new downgraded estimate, both with respect to the book values of the main items subject to estimation, and in relation to the scenarios considered for the purposes of the sensitivity analysis as at 31 December 2019.

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

Note that in 2019 the Group did not implement atypical and/or unusual transactions, as defined by CONSOB Communication no. DEM/6064293 of 28 July 2006.

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

The table shows the fees pertaining to 2019 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	01.01.2019-31.12.2019	Approval of the 2020 financial statements	9
Paolo Virenti	Chief Executive Officer	01.01.2019-31.12.2019	Approval of the 2020 financial statements	9
Gianni Camisa	Director	01.01.2019-20.02.2019	Resigned on 20.2.2019	1
Annamaria Di Ruscio	Director	01.01.2019-31.12.2019	Approval of the 2020 financial statements	7
Andrea Guido Guillermaz	Director	01.01.2019-31.12.2019	Approval of the 2020 financial statements	5
Riccardo Veneziani	Director	01.01.2019-31.12.2019	Approval of the 2020 financial statements	9
Maria Luisa Podini	Director	01.01.2019-31.12.2019	Approval of the 2020 financial statements	5
Francesco Mancini	Director	01.01.2019-31.12.2019	Approval of the 2020 financial statements	7
Rossi Mauro	Director	28.03.2019-31.12.2019	Approval of the 2020 financial statements	7
Total				**59**

Fees to the Board of Statutory Auditors

Name and Surname	Position	Period	End of term of Office	Fees (thousands of EUR)
Luigi Salandin	Chairman of the Board of Statutory Auditors	01.01.2019-31.12.2019	Approval of the 2020 financial statements	22
Marcello Del Prete	Standing Auditor	01.01.2019-31.12.2019	Approval of the 2020 financial statements	15
Fabio Luigi Mascherpa	Standing Auditor	01.01.2019-31.12.2019	Approval of the 2020 financial statements	15
Claudio Stefanelli	Alternate Auditor	01.01.2019-31.12.2019	Approval of the 2020 financial statements	-
Gianandrea Borghi	Alternate Auditor	01.01.2019-31.12.2019	Approval of the 2020 financial statements	-
Total				**52**

XVI. FEES FOR INDEPENDENT AUDITORS

The table below shows the fees pertaining to 2019 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 S.p.A.	58

XVII. 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 2019 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, 24 March 2020

The Chairman of the BoD

Marco Podini

Piteco
FINANCIAL SOFTWARE & CONSULTING

Certification of the Consolidated Financial Statements pursuant to art. 81-ter of Consob Regulation no. 11971 of 14 May 1999 and subsequent amendments and additions

The undersigned Paolo Virenti, as Chief Executive Officer, and Riccardo Veneziani, as the Manager responsible for drafting the corporate accounting documents of Piteco S.p.A., hereby certify, taking into account the provisions of art. 154-bis, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998:

- the adequacy in relation to the characteristics of the company and
- the effective application of the administrative and accounting procedures for drawing up the Consolidated Financial Statements, in the period included between 1 January 2019 and 31 December 2019.

In this regard, no significant aspects came to light.

It is also hereby certified that the consolidated financial statements of the Piteco Group:

a) are drafted in compliance with the applicable international accounting standards recognised in the European Community pursuant to regulation (EC) no. 1606/2002 of the European Parliament and Council, of 19 July 2002;

b) correspond to the results of the books and the accounting records;

c) are suitable to provide a true and fair view of the issuer’s equity, economic and financial position and the group of consolidated companies.

The Report on Operations includes a reliable analysis of the references to the important events that occurred in the year and their impact on the Consolidated Financial Statements, together with a description of the main risks and uncertainties to which the issuer and the group of consolidated companies are exposed. The Report on Operations also includes a reliable analysis of the information on significant transactions with related parties.

Milan, 24 March 2020

The Chief Executive Officer	Manager responsible for drafting the corporate accounting documents
______________________	______________________

Financial report
as at 31 December 2019

Separate financial statements prepared in compliance with the IAS/IFRSs

Table of Contents

Piteco
FINANCIAL SOFTWARE & CONSULTING

Financial Statements as at 31 December 2019

STATEMENT OF FINANCIAL POSITION

(values in Euro)

Assets	Notes	31/12/2019	of which: *Related parties*	31/12/2018*	of which: *Related parties*	Change
Non-current assets						
Property, plant and machinery	1	1,362,882	-	1,274,097	-	88,785
Assets for rights of use	2	1,765,872	-	-	-	1,765,872
Goodwill	3	27,690,778	-	27,690,778	-	-
Other intangible assets	4	1,335,411	-	1,183,618	-	151,793
Equity investments accounted for using the cost method	5	13,951,609	-	13,951,609	-	-
Deferred tax assets	6	864,619	-	320,469	-	544,150
Other non-current financial assets	7	6,448,327	6,429,308	6,567,001	6,544,586	-118,674
Total non-current assets		**53,419,498**		**50,987,572**		**2,431,926**
Current assets						
Contract assets	8	67,496	-	121,617	-	-54,121
Current trade receivables	9	4,606,994	-	4,009,766	-	597,228
Other current receivables	10	249,702	105,506	193,548	146,393	56,154
Other current financial assets	11	2,401,250	2,401,250	1,318,157	1,318,157	1,083,093
Cash and cash equivalents	12	215,491	-	2,385,884	-	-2,170,393
Total current assets		**7,540,933**		**8,028,972**		**-488,039**
Total assets		**60,960,431**		**59,016,544**		**1,943,887**

* Piteco S.p.A. adopted IFRS 16 on 1 January 2019 for the first time, by using the modified retroactive method based on which the comparative information was not re-stated and the cumulative effect of the initial application is recognised under retained earnings as at 1 January 2019. See chapter III for more information.

SHAREHOLDERS' EQUITY AND LIABILITIES
(values in Euro)

Shareholders' equity and liabilities	Notes	31/12/2019	of which: *Related parties*	31/12/2018*	of which: *Related parties*	Change
Shareholders' equity						
Share capital	13	19,125,100	-	18,154,900	-	970,200
Share premium reserve	13	5,943,197	-	5,924,232	-	18,965
Negative reserve for treasury shares in portfolio	13	-1,624,355	-	-933,460	-	-690,895
Other reserves	13	5,716,985	-	3,898,311	-	1,818,674
Undistributable profits	13	2,399,751	-	2,399,751	-	-
Net profit for the year	13	4,247,186	-	4,598,497	-	-351,311
Total Shareholders' equity		**35,807,864**	**-**	**34,042,231**	**-**	**1,765,633**
Non-current liabilities						
Non-current financial liabilities	14	8,582,726	-	15,032,816	691,002	-6,450,090
Deferred tax liabilities	15	262,886	-	233,906	-	28,980
Employee benefits	16	1,210,648	-	1,151,073	-	59,575
Long-term provisions	17	53,549	-	49,853	-	3,696
Total non-current liabilities		**10,109,809**		**16,467,648**		**-6,357,839**
Current liabilities						
Current trade payables	18	912,920	199,003	658,013	172,514	254,907
Contract liabilities	19	510,865	-	287,108	-	223,757
Other current payables	20	2,948,820	-	2,655,583	-	293,237
Current tax liabilities	21	972,452	837,136	138,046	137,563	834,406
Current financial liabilities	22	9,697,701	-	4,767,915	-	4,929,786
Total current liabilities		**15,042,758**		**8,506,665**		**6,536,093**
Total Shareholders' equity and liabilities		**60,960,431**		**59,016,544**		**1,943,887**

* Piteco S.p.A. adopted IFRS 16 on 1 January 2019 for the first time, by using the modified retroactive method based on which the comparative information was not re-stated and the cumulative effect of the initial application is recognised under retained earnings as at 1 January 2019. See chapter III for more information.

The explanatory notes reported below are an integral part of these separate financial statements.

INCOME STATEMENT
(values in Euro)

Income Statement	Notes	31/12/2019	of which: *Related parties*	31/12/2018*	of which: *Related parties*	Change
Revenues	23	15,074,471	377,126	14,089,826	300,374	984,645
Other operating revenues	24	862,973	-	733,816		129,157
Change in contract assets	25	-54,121	-	-16,090		-38,031
Operating revenues		**15,883,323**		**14,807,552**		**1,075,771**
Goods and consumables	26	232,070	184,716	312,172	179,337	-80,102
Personnel expenses	27	6,746,348	1,338,491	6,306,554	1.283.00	439,794
Costs for services	28	2,792,185	447,844	3,045,563	246,682	-253,378
Other operating costs	29	106,549	-	70,189	-	36,360
Operating costs		**9,877,152**		**9,734,478**		**142,674**
EBITDA		**6,006,171**		**5,073,074**		**933,097**
Depreciation and amortisation	30	586,597	-	355,088	-	231,509
EBIT		**5,419,574**		**4,717,986**		**701,588**
Gains (losses) from transactions in foreign currency	31	157,269	-	391,681	-352	-234,412
Financial income	32	1,289,091	217,282	465,936	191,044	823,155
Financial charges	33	2,010,053	-	600,553	-	1,409,500
Financial income and charges		**-720,962**		**-134,617**		**-586,345**
Profit before tax		**4,855,881**		**4,975,050**		**-119,169**
Income taxes	34	608,695	-	376,553	-	232,142
Profit for the year		**4,247,186**		**4,598,497**		**-351,311**

OTHER COMPONENTS OF COMPREHENSIVE INCOME
(values in Euro)

Other components of comprehensive income	Notes	31/12/2019	31/12/2018*	Change
Profit for the year		**4,247,186**	**4,598,497**	**-351,311**
Components that will never be reclassified to profit/(loss) for the year				
Revaluations of liabilities for defined benefits	16	-50,129	40,720	-90,849
Tax effect of revaluations of liabilities for defined benefits		12,031	-9,773	21,804
Total comprehensive income (loss)		**4,209,088**	**4,629,444**	**-420,356**

* Piteco S.p.A. adopted IFRS 16 on 1 January 2019 for the first time, by using the modified retroactive method based on which the comparative information was not re-stated and the cumulative effect of the initial application is recognised under retained earnings as at 1 January 2019. See chapter III for more information.

The explanatory notes reported below are an integral part of these separate financial statements.

STATEMENT OF CASH FLOWS
(values in Euro)

Statement of cash flows	31/12/2019	31/12/2018
Cash flows from operating activities		
Profit for the year	**4,247,186**	**4,598,497**
Adjustments for:		
Financial charges/(income)	720,962	134,617
Current income taxes	1,111,834	229,321
Deferred tax liabilities /(assets)	-503,139	147,232
Depreciation and amortisation	586,597	355,088
Losses/(gains) on disposal of assets		-1,500
Increases in internal work capitalised	-482,255	-362,403
Cash flows from operating activities before changes in working capital	**5,681,185**	**5,100,852**
(Increases)/decreases in inventories	54,121	-18,853
(Increases)/decreases in trade receivables and other receivables	-702,780	-102,946
Increases/(decreases) in trade payables and other liabilities	771,901	481,046
Increases/(decreases) in provisions for risks and charges	3,696	3,528
Increases/(decreases) in post-employment benefits	21,477	2,657
Increases/(decreases) in tax liabilities (assets)	-12,031	-7,946
Increases/(decreases) in tax payables (receivables)	-58,900	-17,896
Financial income collected	1,289,091	465,936
Financial charges paid	-618,781	-603,240
Taxes paid	-218,528	-328,637
Net cash and cash equivalents deriving from operating activities	**6,210,451**	**4,974,501**
Cash flows from investment activities		
(Increases) in fixed assets:		
- Property, plant and equipment	-159,031	-20,511
- Intangible assets	-24,080	-53,496
- Financial assets	-256,875	-11,254,345
Decreases due to disposal of fixed assets:		
- Property, plant and equipment	-	1,500
Net cash and cash equivalents used in investment activities	**-439,986**	**-11,326,851**
Cash flows from financing activities		
Increases/(decreases) in financial payables	-4,671,393	9,311,167
of which:		
- New disbursements	-	10,339,594
- Repayments	-4,671,393	-1,028,427
Payment of lease liabilities	-102,343	
Dividends distributed	-2,687,604	-2,697,600
Repurchase of treasury shares	-690,895	-871,418
Other changes	-	-42,935
Net cash and cash equivalents used in financing activities	**-8,152,235**	**5,699,214**
Increases/(decreases) in cash and cash equivalents	**-2,381,770**	**-653,136**
Cash and cash equivalents at the beginning of the year	**2,385,884**	**3,039,020**
Cash and cash equivalents at the end of the year*	**4,114**	**2,385,884**

*Bank overdrafts that are repayable on demand and which represent an integral part of the Company's liquidity management, are included under cash and cash equivalents (211,377 euro at December 31, 2019).

The explanatory notes reported below are an integral part of these separate financial statements.

CHANGES IN SHAREHOLDERS' EQUITY

(values in Euro)

	Capital paid-in	Share premium reserve	Negative reserve for treasury shares	Other reserves	Undistributable profits	Net profit for the year	Total shareholders' equity
Value as at 31 December 2017	**18,154,900**	**5,923,650**	**-62,042**	**2,812,663**	**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 profit	-	-	-	3,755,801	-	-3,755,801	-
Purchase of treasury shares	-	-	-871,418	-	-	-	-871,418
Purchase of own bonds	-	582	-	-3,500	-	-	-2,918
Distribution of dividends pertaining to third parties	-	-	-	-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**	**3,898,311**	**2,399,751**	**4,598,497**	**34,042,231**
Adjustment at the date of initial application of IFRS 16*	-	-	-	-	-	-	-
Net profit for 2019	-	-	-	-	-	4,247,186	4,247,186
Actuarial gains (losses) of defined benefit plans net of taxes	-	-	-	-38,098	-	-	-38,098
Total statement of comprehensive income	**-**	**-**	**-**	**-38,098**	**-**	**4,247,186**	**4,209,088**
Allocation of 2018 profit	-	-	-	4,598,497	-	-4,598,497	-
Conversion of bonds	970,200	-	-	-	-	-	970,200
Purchase of treasury shares	-	-	-690,895	-	-	-	-690,895
Purchase of own bonds	-	18,965	-	-54,121	-	-	-35,156
Distribution of dividends pertaining to third parties	-	-	-	-2,687,604	-	-	-2,687,604
Value as at 31 December 2019	**19,125,100**	**5,943,197**	**-1,624,355**	**5,716,985**	**2,399,751**	**4,247,186**	**35,807,864**

* Piteco S.p.A. adopted IFRS 16 on 1 January 2019 for the first time, by using the modified retroactive method based on which the comparative information was not re-stated and the cumulative effect of the initial application is recognised under retained earnings as at 1 January 2019. See chapter III for more information.

The explanatory notes reported below are an integral part of these separate financial statements.

Notes to the separate financial statements as at 31 December 2019

I. 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 Imbonati 18, 20159 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 24 March 2020.

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 Corporate Treasury and Financial Planning management, used by over 650 national and international groups operating in all business sectors (excluding Banks and the P.A.). With 89 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 50 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.

II. PREPARATION CRITERIA AND COMPLIANCE WITH IAS/IFRS

General principles

These financial statements as at 31 December 2019, have been prepared under International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB), and adopted by the European Commission in compliance with the procedure referred to in art. 6 of the Regulation (EC) no. 1606/2002 IFRS (hereinafter “IFRS”).

These are the first annual financial statements in which Piteco has applied IFRS 16 Leases. 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 other 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 evaluations

In drawing up the separate financial statements, the company management must formulate measurements and estimates that influence the application of the accounting standards and the amounts of assets, liabilities, costs and revenues recognised in the financial statements. However, it should be noted that, given they are estimates, the results obtained will not necessarily be the same as those presented in these financial statements.

Those estimates and underlying assumptions are regularly revised. Any changes deriving from the revision of accounting estimates are recognised prospectively.

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**, **2** and **4** - Measurement of amortisation and depreciation of fixed assets
- ✓ Note **2** - Duration of lease: establish whether there is reasonable certainty that the Company will exercise the extension options.
- ✓ Note **3** - Measurement of recoverable values of cash flow generating units that contain goodwill: main assumptions for determining the recoverable values
- ✓ Notes **5** and **7** - Measurement of the recoverability of financial assets
- ✓ Note **6** - Recognition of deferred tax assets: availability of future taxable profits in respect of which the temporary deductible differences can be used
- ✓ Notes **5** and **22** – 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: main actuarial assumptions
- ✓ Note **17** - Recognition and measurement of provisions: main assumptions on the likelihood and measurement of an outflow of resources.

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.

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

CHANGES IN ACCOUNTING STANDARDS

Piteco adopted IFRS 16 Leases from 1 January 2019. The other new standards that entered into force from 1 January 2019 did not have significant effects on the Company's separate financial statements.

The Company applied IFRS 16 by using the modified retroactive method based on which the cumulative effect of the initial application is recognised under retained earnings as at 1 January 2019. Therefore, the comparative information relating to 2018 was not re-stated, i.e. presented, as previously, according to IAS 17 and the associated interpretations. More information on the changes in accounting standards is provided below.

Definition of a lease
Previously, the Company established at the start of the contract, whether it was, or contained a lease, according to IFRIC 4 "Determining whether an Arrangement contains a Lease". Now the company evaluates whether the contract is a lease or contains a lease based on the new definition of a lease as per IFRS 16.

At the date of initial application of IFRS 16, Piteco decided to adopt the practical expedient which makes it possible not to re-examine which transactions constitute a lease. IFRS 16 was only applied to contracts that were previously identified as leases. The contracts that were not identified as leases by applying IAS 17 or IFRIC 4 were not remeasured in order to establish whether they were a lease. Therefore, the definition of lease contained in IFRS 16 was only applied to contracts signed or amended on 1 January 2019 or at a later date.

Accounting model for the lessee
As lessee, Piteco holds a property and company cars under leases. Previously, it classified leases as operating or finance, by assessing whether the lease transferred substantially all the risks and rewards connected with ownership of the underlying asset. According to IFRS 16, the Company recognises in the statement of financial position assets for rights of use and lease liabilities for the majority of leases.

At the start of the contract or upon an amendment to a contract that contains a lease component, the company attributes the contract consideration to each lease component based on the relative stand-alone price.

Piteco previously accounted for property leases as operating leases in compliance with IAS 17. At the date of initial application, for said leases, lease liabilities have been determined at the present value of residual payments due on the leases, discounted using the incremental borrowing rate of the Company as at 1 January 2019. Assets for rights of use are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid expenses or accrued expenses relating to said leases.

The Company used the following practical expedients:

- it applied the exemption from the recognition of assets for rights of use and lease liabilities to leases whose duration is less than 12 months and that do not contain purchase options;

- it did not recognise assets for rights of use and lease liabilities of low-value assets (less than EUR 5 thousand);
- it excluded direct initial costs from the measurement of the asset for right of use at the date of initial application; and
- it based its position on experience acquired in determining the duration of the lease.

Accounting model for the lessor

The company sub-leases part of the property in via Imbonati 18, leased in 2019. According to IAS 17, the main lease and sub-leases were classified as operating leases. With the move to IFRS 16, the Company measured the classification of the sub-lease by considering the asset for the right of use instead of the underlying asset, and concluded that it is a finance lease in compliance with IFRS 16.

The Company applied IFRS 15 - Revenue from contracts with customers to distribute the consideration of the contract between the lease and non-lease components.

Effects of first-time application

The effects of the application of IFRS 16 booked to the statement of financial position, subdivided by asset category are shown below:

	01/01/2019
Assets for rights of use	262
Lease liabilities	(248)
‘Maxi-canoni’ (initial larger lease instalment) included in prepaid expenses	(14)

The transition to IFRS 16 introduced some elements of professional judgment which involved the definition of some accounting policies and the use of assumptions and estimates in relation to the duration of the lease and definition of the incremental borrowing rate.

The main assumptions and estimates are summarised below:

- duration of the lease: the duration was determined on the basis of the individual contract and is composed of the period “which cannot be cancelled”, together with the effects of any extension or early termination clauses, whose exercise was deemed reasonably certain and taking into account the clauses of the contract itself;
- the incremental borrowing rate: in the majority of rental agreements stipulated by the company, an implicit interest rate cannot be determined, therefore the discount rate to be applied to future payments of lease fees was determined as the risk-free rate of each country in which the contracts were stipulated (mainly Euro), with maturities commensurate to the duration of the specific rental agreement, increased by the Company-specific credit spread (taken from the main financing agreements negotiated by it);
- the analyses performed by the Company determined an average duration of rental contracts of roughly 3 years and an incremental borrowing rate relating to said duration of approximately 1.5%.

A reconciliation between the operating lease commitments as at 31 December 2018 and the liabilities emerged as at 1 January 2019 by applying IFRS 16 is provided below.

Piteco
FINANCIAL SOFTWARE & CONSULTING

	01/01/2019
Commitments deriving from operating leases as at 31 December 2018	197
Option of extension of the lease net of short-term, low-value leases and discounting effect	51
Financial liabilities deriving from first-time application of IFRS 16	**248**
Total lease liabilities recognised as at 1 January 2019	**248**

The IFRS and Interpretations approved by the IASB and endorsed for adoption in Europe in the current year, in addition to IFRS 16 “Leases” described above concern:

- Amendment to IFRS 9 Financial Instruments: "Prepayment Features with Negative Compensation"

In October 2017, the IASB published the amendments to IFRS 9 Prepayment Features with Negative Compensation. The amendment proposes that the amortised cost method or fair value through other comprehensive income method can be applied to financial instruments with advance payment which could give rise to negative compensation, depending on the business model adopted.

- IFRIC 23 - *Uncertainty over income tax treatments*

In June 2017, the IASB published the interpretation IFRIC 23 - *Uncertainty over income tax treatments.*

The interpretation clarifies the application of the recognition and measurement requirements established in IAS 12 *Income taxes* when there is uncertainty over tax treatments.

- Amendment to IAS 28 Investments in associates: *Long-term Interests in Associates and Joint Ventures*

The amendment clarifies that IFRS 9 applies to long-term receivables due from an associate or joint venture that, in substance, are part of the net investment in the associate or joint venture. The amendment also requires IFRS 9 to be applied to said receivables before the application of IAS 28, so that the entity does not take account of any adjustments to long-term interests deriving from the application of the aforementioned IAS.

- Amendment to IAS 19 - *Plan Amendment, Curtailment or Settlement*

The amendment, published in February 2018, clarifies how current service cost and net interest is calculated when an amendment to the defined benefit plan is verified.

- Annual Cycle of Improvements to IFRS: Cycle 2015-2017

In December 2017, the IASB published the document “Improvements to IFRS: Cycle 2015-2017"; the main changes concern:

- IFRS 3 - *Business Combination* and IFRS 11 - *Joint Arrangements* - The amendments to IFRS 3 clarify that when an entity obtains control of a joint operation, it must remeasure the fair value of the interest it held previously in this joint operation. The amendments to IFRS 11 clarify that when an entity obtains joint control of a joint operation, the entity does not remeasure the fair value of the interest it held previously in this joint operation.

- IAS 12 - *Income tax consequences of payments on financial instruments classified as equity* - The proposed amendments clarify how the entity must recognise any tax consequences from the distribution of dividends.
- IAS 23 - *Borrowing costs eligible for capitalisation* - The amendments clarify that, in the event in which loans stipulated specifically for the acquisition and/or construction of an asset also remain in place after said asset is ready for use or sale, these loans cease to be considered specific and, therefore, are included in the entity's general loans for the purposes of determining the rate of capitalisation of the loans.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPROVED BY THE EU AND APPLICABLE FOR YEARS STARTING ON 1 JANUARY 2019

IFRS 17 *Insurance Contracts*

In May 2017, the IASB published IFRS 17 *Insurance Contracts* which replaces IFRS 4, issued in 2004. The standard aims to improve investors' understanding of exposure to risk, profitability and the financial position of insurers, requiring all insurance contracts to be accounted for in a consistent manner, in order to overcome the comparison problems created by IFRS 4.

The standard enters into force on 1 January 2021, but early application is permitted.

The amendment to IFRS 10 and IAS 28 "*Sales or Contribution of Assets between an Investor and its Associate or Joint Venture*"

The document was published in September 2014 in order to resolve the current conflict between IAS 28 and IFRS 10 relating to the measurement of the gain or loss resulting from the sale or contribution of a non-monetary asset to a joint venture or associate in exchange for a share in the latter's capital. The IASB has currently suspended the application of this amendment.

Amendment to the references in the IFRS to the "*Conceptual Framework for Financial Reporting*"

In October 2018, the IASB published the revised version of the "*Conceptual Framework for Financial Reporting*". The main amendments with respect to the 2010 version concern:

- A new chapter on measurement;
- Better definitions and guidance, in particular with reference to the definition of liability;
- Clarifications of important concepts, such as stewardship, prudence and measurement uncertainty.

The amendment updates some references in the IFRS to the previous "*Conceptual Framework in IFRS Standards*", the accompanying documents and the "*IFRS Practice Statements*". The amendments apply from financial years beginning on 1 January 2020. Early application is permitted.

Amendment to IFRS 3 - *Definition of business*

The amendment, published in October 2018, aims to help determine whether a transaction is an acquisition of a business or a group of assets that does not satisfy the definition of business of IFRS 3. The amendments will apply to acquisitions after 1 January 2020. However, early application is permitted.

Amendment to IAS 1 and to IAS 8 - *Definition of material*

The amendment, published in October 2018, aims to clarify the definition of "material", in order to help companies assess whether information should be included in the financial statements. The amendments will apply from 1 January 2020. However, early application is permitted.

The adoption of the standards and interpretations detailed above is not expected to have a material impact on the measurement of the Company's assets, liabilities, costs and revenues.

IV. 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
Plants 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 when the asset is available for use and ceases at the end of the useful life or it is classified as held for sale (or included in a disposal group classified as held for sale). Both the useful life and the amortisation criterion are periodically reviewed and, where there have been significant changes with respect to the assumptions adopted previously, the amortisation for the year and subsequent years is adjusted.

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	5

Leasing

The company applied IFRS 16 by using the modified retroactive method. Therefore, the comparative information has not been re-stated and continues to be presented in accordance with IAS 17 and IFRIC 4.

Criterion applicable from 1 January 2019

At the start of the contract, the Company evaluates whether the contract is, or contains, a lease. The contract is, or contains, a lease if, in exchange for a consideration, it transfers the right to control the use of an identified asset for a period of time. In order to evaluate whether a contract confers the right to control the use of an identified asset, the Company uses the definition of a lease provided by IFRS 16.

This criterion applies to contracts that enter into force on or after 1 January 2019.

Accounting model for the lessee

At the start of the contract or upon an amendment to a contract that contains a lease component, the company attributes the contract consideration to each lease component based on the relative stand-alone price.

At the effective date of the lease, the Company recognises the asset for right of use and the lease liability. The asset for right of use is initially measured at cost, including the amount of the initial measurement of the lease liability, adjusted by the payments due for the lease carried out on the date of or before the date of effectiveness, increased by the direct initial costs incurred and an estimate of the costs that the lessee must incur for the dismantling and removal of the underlying asset or for the restoration of the underlying asset or site in which it is located, net of lease incentives received.

The asset for right of use is subsequently amortised on a straight-line basis from the effective date until the end of the lease term, unless the lease transfers ownership of the underlying asset to the company at the end of the lease term or, considering the cost of the asset for right of use, the company is expected to exercise the purchase option. In said case, the asset for the right of use will be amortised over the useful life of the underlying asset, determined on the same basis as property and machinery. In addition, the asset for the right of use is regularly decreased by any impairment and adjusted in order to reflect any changes deriving from subsequent measurements of the lease liability.

The Company measures the lease liability at the present value of the payments due for the lease not paid at the effective date, discounting them using the implicit interest rate of the lease. Where it is not possible to easily determine this rate, the Company uses the incremental borrowing rate. Generally, Piteco uses the incremental borrowing rate as the discount rate.

The payments due for the lease included in the measurement of the lease liability include:

- the fixed payments (including essentially fixed payments);
- the variable payments due for the lease that depend on an index or a rate, initially measured using an index or a rate at the effective date;
- the amounts that are expected to be paid in the form of a guarantee on the residual value;
- the exercise price of a purchase option that the company is reasonably certain to exercise, the payments due for the lease in an optional renewal period if the company is reasonably certain to exercise the renewal option, and the penalties for early lease termination, unless the company is reasonably certain not to terminate the lease early.

The lease liability is measured at amortised cost using the effective interest method and is remeasured in the event of the modification of future lease payments due deriving from a change in an index or rate, in the event of a change in the amount that the Company expects to have to pay in the form of a guarantee on the residual value when the company changes its measurement with reference to the exercise or not of a purchase, extension or termination option or in the event of a revision of the essentially fixed payments due for the lease.

When the lease liability is remeasured, the lessee proceeds with a corresponding modification of the asset for the right of use. If the book value of the asset for the right of use is reduced to zero, the lessee recognises the change in profit/(loss) for the year.

Short-term leases and leases for low-value assets

The Company decided not to recognise assets for the right of use and lease liabilities relating to low-value assets and short-term leases. The Company recognises the associated payments due for the lease as a cost using the straight-line method over the duration of the lease.

Accounting model for the lessor

At the start of the contract or upon an amendment to a contract that contains a lease component, the company attributes the contract consideration to each lease component based on the relative stand-alone price.

At the start of the lease, the Company, as lessor, classifies each of its leases as a finance lease or an operating lease.

To this end, the company generally assesses whether the lease transfers substantially all the risks and rewards connected with ownership of the underlying asset. In that case, the lease is classified as a finance lease, otherwise as an operating lease. As part of said measurement, Piteco considers, among the various indicators, whether the duration of the lease covers the majority of the economic life of the underlying asset.

As regards sub-leasing, the company, as intermediate lessor, classifies its share in the main lease separately from the sub-lease. To this end, it classifies the sub-lease with reference to the asset for the right of use deriving from the main lease, rather than by making reference to the underlying asset.

For contracts containing a lease component and one or more lease and non-lease components, the company distributes the consideration of the contract by applying IFRS 15.

Piteco applies the provisions governing derecognition and provisions for impairment of IFRS 9 to the net investment in the lease. The company periodically reviews the estimates of the residual values not guaranteed used in calculating the gross investment in the lease.

Generally speaking, the accounting standards applicable to Piteco as lessor in the comparative year do not deviate from those set forth in IFRS 16, except for the classification of the sub-lease signed in the year which was classified as a finance lease.

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 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.

Contract assets and liabilities

Contract assets 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. The contractual revenues and the related costs are recognised on the basis of the percentage completion method. The percentage completion method is determined with reference to the ratio between the costs incurred for the activities carried out at the reporting date and the total estimated costs until completion.

The sum of the costs incurred and the profit recognised on each project is compared with the invoices issued at the reporting date. If the costs incurred and the profits recognised (less the losses recorded) are higher than the invoice totals, the difference is classified in the item “Contract assets”, under current assets. If the totals of the invoices issued are higher than the costs incurred plus the profits recognised (less losses recorded), the difference is classified under current liabilities, in the item “Contract liabilities”. Any losses are booked in full to the income statement when it is likely that the total estimate costs will exceed the total forecast revenues.

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.

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

Financial assets are classified on the basis of the business model adopted to manage them and the characteristics of the associated cash flows.

Financial assets designated at amortised cost

Financial assets for which the following requirements are verified are classified into said category: the asset is held as part of a business model whose objective is ownership of the asset targeted at collecting the contractual cash flows and the contractual terms of the asset envisage cash flows represented solely by payments of principal and interest on the amount of principal to be repaid.

These relate primarily to receivables due from customers, loans and other receivables. Trade receivables that do not contain a significant financial component are recognised at the price defined for the associated transaction (determined according to the provisions of IFRS 15 Revenues from contracts with customers). The other receivables and loans are initially recognised in the financial statements at their fair value, increased by any accessory costs directly attributable to the transaction that generated them. At the time of subsequent measurement, the financial assets at amortised cost, with the exception of receivables that do not contain a significant financial component, are measured using the effective interest rate. The effects of this measurement are recognised under financial income components.

With reference to the impairment model, the company measures receivables by using 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.

Write-downs effected pursuant to IFRS 9 are booked to the income statement net of any positive effects tied to releases or write-backs and are posted under operating costs.

Financial assets at fair value with contra-entry in the comprehensive income statement (FVOCI)

Financial assets for which the following requirements are verified are classified into said category: the asset is held within the framework of a business model whose objective is achieved through both the collection of the contractual cash flows and through the sale of said asset and the contractual terms of the asset envisage cash flows represented solely by payments of principal and interest on the amount of principal to be repaid.

These assets are initially recognised in the financial statements at their fair value, increased by any accessory costs directly attributable to the transactions that generated them. At the time of subsequent measurement, the valuation carried out at the time of recognition is re-updated and any fair value changes are recognised in the comprehensive income statement.

With reference to the impairment model, the aspects described in the point detailed above are set out below.

Financial assets at fair value with contra-entry in the income statement (FVPL)

Financial assets not classified in any of the previous categories (i.e. other category) are classified in said category. Assets belonging to this category are booked at fair value at the time of their initial recognition.

The accessory costs incurred at the time of recognition of the asset are charged immediately to the income statement. At the time of subsequent measurement, financial assets at FVPL are measured at fair value. Gains and losses arising from the fair value changes are recognised in the income statement in the period in which they are recorded.

Purchases and sales of financial assets are recognised at the settlement date.

Financial assets are removed from the financial statements when the associated contractual rights expire, or when the company transfers all risks and rewards of ownership of the financial asset.

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 price that would be received at the measurement date for the sale of an asset, or which would be paid for the transfer of a liability, in an ordinary transaction between market operators in the main (or more advantageous) market which the company can access at that moment. The fair value of a liability reflects the effect of a default risk.

Where available, the company measures the fair value of an instrument by using the listed price of that instrument in an active market. A market is active when the transactions relating to an asset or a liability are verified with a frequency and with volumes sufficient enough to provide useful information for determining the price on a continuing basis.

In the absence of a price listed in an active market, the company uses measurement techniques by maximising the use of observable input and minimising the use of input which cannot be observed. The measurement technique selected in advance includes all factors that the market operators would consider in estimating the price of the transaction.

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 relation to the business conducted by Piteco S.p.A., 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. The case of contracts containing sales of licences associated with installation, maintenance and other sundry services has always been treated separately by the Company.

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 2019-2021, 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.

V. 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.

<u>Credit risk management</u> - 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 2019 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.

<u>Exchange rate risk management</u> - 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.

<u>Interest rate risk management</u> - 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.

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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 maintains 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:

Non-current financial liabilities	31/12/2019	31/12/2018	Change
Long-term bank borrowings	6,261	9,685	-3,424
Non-current lease liabilities	2,322	-	2,322
Non-current bond	-	4,657	-4,657
Other non-current financial liabilities	-	691	-691

Current portion of financial liabilities	31/12/2019	31/12/2018	Change
Current account overdrafts	211	-	211
Current bank borrowings	3,424	1,960	1,465
Current lease liabilities	188	-	188
Current bond loan	3,921	-	3,921
Other current financial liabilities	1,953	2,807	-854

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.

	31/12/2019	31/12/2018	Change
Within 6 months	3,321	3,644	-323
From 6 to 12 months	6,377	1,124	5,253
From 1 to 5 years	7,604	13,526	-5,922
Over 5 years	979	1,507	-528

Fair Value Hierarchy

Various accounting standards and several disclosure obligations require that the company measures the fair value of financial and non-financial assets and liabilities. In measuring the fair value of an asset or a liability, the company 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 2019, by level of the fair value measurement hierarchy. The fair value information of financial assets and liabilities not measured at fair value is excluded, when the book value represents a reasonable approximation of the fair value.

Furthermore, in 2019, it was not necessary to indicate the fair value of the lease liabilities.

Description	Value as at 31/12/2019	Level 1	Level 2	Level 3
Financial assets				
Other non-current financial assets	6,448	-	-	-
Current trade receivables	4,607	-	-	-
Other current receivables	250	-	-	-
Other current financial assets	2,401	-	-	-
Cash and cash equivalents	215	-	-	-
Financial assets	**13,921**	**-**	**-**	**-**
Financial liabilities				
Non-current financial liabilities	8,583	-	-	-
Current trade payables	913	-	-	-
Other current payables	2,949	-	-	-
Current financial liabilities	9,698	-	-	1,953
Total liabilities	**22,143**	**-**	**-**	**1,953**

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VI. 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 2019 are shown below:

Property, plant and machinery	31/12/2018	Increases	Decreases	31/12/2019
Land	201	-	-	201
Buildings	1,527	-	-	1,527
Accum. depreciation - buildings	-499	-46	-	-545
Land and buildings	**1,229**	**-46**	**-**	**1,183**
Plants and machinery	152	123	-	275
Accum. depreciation - plant and machinery	-147	-7	-	-154
Plants and machinery	**5**	**116**	**-**	**121**
Ind. and commercial equipment	6	-	-	6
Accum. depreciation - ind. and commercial equipment	-6	-	-	-6
Furniture and furnishings	165	-	-	165
Accum. depreciation - furniture and furnishings	-164	-	-	-164
Electronic machines	140	33	-	173
Accum. depreciation - electronic machines	-101	-17	-	-118
Other property, plant and equipment	11	4	-	15
Accum. depreciation - other property, plant and equipment	-11	-1	-	-12
Other assets	**40**	**19**	**-**	**59**
Total	**1,274**	**89**	**-**	**1,363**

In addition, the changes that occurred in the year ended as at 31 December 2018 are reported below:

Property, plant and machinery	31/12/2017	Increases	Decreases	Other changes	31/12/2018
Land	201	-	-	-	201
Buildings	1,527	-	-	-	1,527
Accum. depreciation - buildings	-454	-46	-	1	-499
Land and buildings	**1,274**	**-46**	**-**	**1**	**1,229**
Plants and machinery	152	-	-	-	152
Accum. depreciation - plant and machinery	-145	-2	-	-	-147
Plants 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 1,183 thousand (EUR 1,229 thousand as at 31 December 2018) and refer to the property unit in Via Mercalli 16, Milan. From December 2019, Piteco's registered office and operational headquarters were moved to the new leased building in via Imbonati 18 in Milan. The directors are currently deciding on the use of the building in via Mercalli. However, any change of use will not have a significant impact on the valuation of the property, given that its fair value is in line with the book value at the reporting date.

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

Plants and machinery

This amounted to EUR 121 thousand (EUR 5 thousand as at 31 December 2018) and mainly refers to accessory plant at the headquarters. The increase of EUR 123 thousand relates entirely to the plants of the new registered office in via Imbonati 18.

Other assets

These amounted to EUR 59 thousand (EUR 40 thousand as at 31 December 2018) and referred mainly to furniture and furnishings and electronic office machines and other assets. The EUR 37 thousand increase was due to purchases for hardware upgrades.

2 Assets for rights of use

From 1 January 2019, Piteco S.p.A. applied IFRS 16; please refer to chapter III of these notes for the table with the changes occurred in the period.

Assets for rights of use	31/12/2018	Change from introd. of new stand.	Increases	Decreases	31/12/2019
Buildings	-	-	2,189	-708	1,481
Accum. depreciation - buildings	-	-	-52	-	-52
Other assets	-	262	184	-	446
Accum. depreciation - other assets	-	-	-109	-	-109
Total	**-**	**262**	**2,212**	**-708**	**1,766**

The increase recorded in the item 'buildings' is attributable to the signing, in 2019, of the lease agreement on the property in via Imbonati 18 in Milan. The decrease is due to the signing of a financial sub-lease agreement to let part of the above-mentioned property to the parent company Dedagroup S.p.A..

3 Goodwill

The changes in Goodwill as at 31 December 2019 are shown below:

Goodwill	31/12/2018	Increases	Decreases	31/12/2019
Goodwill	27,691	-	-	27,691
Total	**27,691**	-	-	**27,691**

In addition, the changes that occurred in the year ended as at 31 December 2018 are reported below:

Goodwill	31/12/2017	Increases	Decreases	31/12/2018
Goodwill	27,691	-	-	27,691
Total	**27,691**	-	-	**27,691**

Goodwill, amounting to EUR 27,691 thousand as at 31 December 2019 (EUR 27,691 thousand as at 31 December 2018) 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 2019 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 2020-2022 were added to the terminal value, which expresses the operating flows that the CGU will be capable of generating starting from the fourth year for an unlimited time, determined based on the perpetuity method. The value in use was calculated based on a discount rate (WACC) of 9.69% (10.88% as at 31 December 2018) and a growth rate (g) of 1.50% (1.40% as at 31 December 2018), equal to expected inflation. The recoverable value determined based on the assumptions and valuation techniques described above, came to EUR 57,346 thousand (EUR 49,057 thousand as at 31 December 2018), against a carrying amount of the assets allocated to the CGU Piteco of EUR 31,091 thousand (EUR 31,333 thousand as at 31 December 2018).

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 compared to 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 16.72% (16.54% as at 31 December 2018).

As an additional sensitivity analysis, it is noted that using a constant WACC (of 9.69%) and a perpetual growth rate g (of 1.50%), only a reduction in the EBITDA Margin greater than 16.50% (13.25% as at 31 December 2018) 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 2019 to be recoverable.

4 Other intangible assets

The changes in other intangible assets as at 31 December 2019 are shown below:

Other intangible assets	31/12/2018	Increases	Reclassifications	31/12/2019
Concessions, licences and trademarks	18	-	-	18
Accum. amortisation - Concessions, licences and trademarks	-9	-2	-	-11
Software	9,626	395	8	10,029
Accum. amortisation - software	-8,501	-353	-	-8,854
Concessions, licences and trademarks	**1,134**	**40**	**8**	**1,182**
Intangible assets under construction	**49**	**112**	**-8**	**153**
Total	**1,183**	**152**	**-**	**1,335**

In addition, the changes that occurred in the year ended as at 31 December 2018 are reported below:

Other intangible assets	31/12/2017	Increases	Other changes	31/12/2018
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 1,182 thousand (EUR 1,134 thousand as at 31 December 2018) and is comprised of EUR 7 thousand for the PITECO™ trademark and the costs incurred to register the Match.it™ trademark, and EUR 1,176 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 379 thousand for the internal development of new modules of Piteco and Match.it software and EUR 24 thousand for the acquisition of the rights to use third party software.

Fixed assets under construction

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Fixed assets under construction, equal to EUR 153 thousand (EUR 49 thousand as at 31 December 2018), 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 2020.

5Equity investments accounted for using the cost method

The changes that occurred during the year are represented in the following table:

Equity investments accounted for using the cost method	31/12/2018	Increases	Decreases	31/12/2019
Equity investments in subsidiaries	13,952	-	-	13,952
Total	**13,952**	-	-	**13,952**

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 2019 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	Shareholders' equity	% Directly held	% Indirectly held	Book value
Piteco North America, Corp.	America	9	(71)	2,573	100%		2,818
Juniper Payments, Llc [7]	America	2,670	(28)	1,746		60%	
Myrios S.r.l.	Italy	50	1,813	2,401	56%		11,134
Myrios Switzerland SA[8]	Switzerland	92	(133)	(41)		56%	

(*) Amounts in thousands of Euros

As at 31 December 2019 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)

As at 31 December 2019, 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 2020-2022 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.

[7] Company controlled by Piteco North America, Corp.
[8] Subsidiary of Myrios S.r.l.

The value in use was calculated based on a discount rate (WACC) of 12.04% (10.78% as at 31 December 2018) and a growth rate (g) of 2.30% (2.10% as at 31 December 2018), equal to expected inflation in the market in which the subsidiary operates. The recoverable value determined based on the assumptions and valuation techniques described above, came to EUR 6,676 thousand (EUR 6,989 thousand as at 31 December 2018), against a carrying amount of the equity investment of EUR 2,818 thousand (EUR 2,818 thousand as at 31 December 2018).

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 compared to 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 18.05% (17.05% as at 31 December 2018).

As an additional sensitivity analysis, it is noted that using a constant WACC (of 12.04%) and a perpetual growth rate g (of 2.30%), only a reduction in the EBITDA Margin greater than 14.15% (14.08% as at 31 December 2018) would result in issues of impairment.

Myrios S.r.l.

As at 31 December 2019, 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 2020-2022 were added to the terminal value, which expresses the operating flows that the CGU will be capable of generating starting from the fourth year for an unlimited time, determined based on the perpetuity method. The value in use was calculated based on a discount rate (WACC) of 9.69% (10.88% as at 31 December 2018) and a growth rate (g) of 1.50% (3.40% as at 31 December 2018), equal to expected inflation in the markets in which the company operates. The recoverable value determined based on the assumptions and valuation techniques described above, came to EUR 13,744 thousand (EUR 12,094 thousand as at 31 December 2018), against a carrying amount of the equity investment of EUR 11,134 thousand (EUR 11,134 thousand as at 31 December 2018).

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 compared to 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 11.68% (11.53% as at 31 December 2018).

As an additional sensitivity analysis, it is noted that using a constant WACC (of 9.69%) and a perpetual growth rate g (of 1.50%), only a reduction in the EBITDA Margin greater than 11.44% (4.46% as at 31 December 2018) 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 2019 to be recoverable.

6 Deferred tax assets

Deferred tax assets of EUR 865 thousand (EUR 320 thousand as at 31 December 2018) 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.

7 Other non-current financial assets

The item in question breaks down as follows:

Other non-current financial assets	31/12/2019	31/12/2018	Change	From 1 to 5 years	Over 5 years
Non-current loans to subsidiaries	5,820	6,545	-725	3,620	2,200
Non-current financial receivables due from parent companies	609	-	609	389	220
Non-current loans to parent companies, subsidiaries, associates and affiliates	**6,429**	**6,545**	**-116**	**4,009**	**2,420**
Receivables for tax assets and due from employees	-	3	-3	-	-
Security deposits	19	19	-	19	-
Other non-current assets	**19**	**22**	**-3**	**19**	**-**
Total	**6,448**	**6,567**	**-119**	**4,028**	**2,420**

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.

Non-current financial receivables due from parent companies
The non-current financial receivable due from the parent company Dedagroup S.p.A. of EUR 609 thousand relates to the accounting of the concession agreement for the long-term use of the equipped premises at the registered office in via Imbonati 18, Milan, deriving from application of new accounting standard IFRS 16.

8 Contract assets

The item in question breaks down as follows:

Contract assets	31/12/2018	Increases	Decreases	31/12/2019
Contract assets	122	67	-122	67
Total	**122**	**67**	**-122**	**67**

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.

9 Current trade receivables

The item in question breaks down as follows:

Current trade receivables	31/12/2019	31/12/2018	Change
Current receivables from customers	4,649	4,042	607
Bad debt provision	-147	-179	32
Trade receivables	**4,502**	**3,863**	**639**
Current receivables due from subsidiaries	24	-	24
Current receivables due from parent companies	59	79	-20
Current receivables due from related parties	22	68	-46
Receivables due from parent companies, subsidiaries, affiliates and associates	**105**	**147**	**-42**
Total	**4,607**	**4,010**	**597**

Current receivables from customers, amounting to EUR 4,502 thousand (EUR 3,863 thousand as at 31 December 2018), are shown net of the corresponding bad debt provision which, as at 31 December 2019, amounted to EUR 147 thousand. Current receivables from subsidiaries, parent companies and related parties are composed of trade receivables from the subsidiary Myrios S.r.l. and trade receivables from the parent company Dedagroup S.p.A. and affiliated companies 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	179	-79	47	147

10 Other current receivables

The item in question breaks down as follows:

Other current receivables	31/12/2019	31/12/2018	Change
Current accrued income	45	-	45
Current prepaid expenses	109	154	-45
Other current receivables	60	9	51
Current VAT credits	24	10	14

Receivables from employees	12	21	-9
Total	**250**	**194**	**56**

The other current receivables are comprised mainly of advances to suppliers.

11 Other current financial assets

The item in question breaks down as follows:

Other current financial assets	31/12/2019	31/12/2018	Change
Current loans to subsidiaries	2,302	1,318	984
Current financial receivables due from parent companies	99	-	99
Total	**2,401**	**1,318**	**1,083**

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, plus the additional short-term credit line to the subsidiary Piteco North America, Corp. for a total of USD 1,396 thousand.

The financial receivable due from the parent company of EUR 99 thousand relates to the accounting of the concession agreement for the long-term use of the equipped premises at the registered office in via Imbonati 18, Milan, deriving from application of new accounting standard IFRS 16.

12 Cash and cash equivalents

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

Cash and cash equivalents	31/12/2019	31/12/2018	Change
Bank deposits	215	2,385	-2,170
Cash	-	1	-1
Total	**215**	**2,386**	**-2,171**

13 Shareholders’ equity

As at 31 December 2019 the share capital was fully subscribed and paid in, composed of 18,363,500 shares with no nominal value.

Note that the origin of the share capital breaks down as follows: EUR 1,520 thousand from profit reserves, EUR 14,030 thousand from share exchange rate differences booked to share capital, EUR 2,576 thousand from shareholder payments following the share capital increase for the purpose of listing on the AIM market and EUR 999 thousand from the conversion of 238 bonds into 238,000 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	31/12/2019	31/12/2018	Change
Capital paid-in	19,125	18,155	970
Share capital	**19,125**	**18,155**	**970**
Share premium reserve	**5,943**	**5,924**	**19**
Negative reserve for treasury shares in portfolio	**-1,624**	**-933**	**-691**
Legal reserve	854	624	230
Extraordinary reserve	5,521	4,216	1,305
IAS reserve	-59	-59	-
Other reserves	376	-	376
Listing reserve	-963	-963	-
Convertible bond issue reserve	41	95	-54
Remeasurement of defined-benefit plans (IAS 19)	-53	-15	-38
Other reserves	**5,717**	**3,898**	**1,819**
Retained earnings (Losses carried forward)	**2,400**	**2,400**	**-**
Net profit (loss) for the year	**4,247**	**4,598**	**-351**
Total	**35,808**	**34,042**	**1,766**

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 31/12/2019	Possibility of use	Portion available	Summary of use in the previous three years	
				To cover losses	for other reasons
Share capital	19,125				
Legal reserve	854	B			
Share premium reserve	5,943	A, B, C	5,943		
Extraordinary reserve	5,521	A, B, C	5,521		7,230
Retained earnings (Losses carried forward)	2,400	A, B, C	2,400		
Unavailable reserve	376				
IAS reserve	(59)				
Listing reserve	(963)				
Convertible bond issue reserve	41				
Remeasurement of defined-benefit plans (IAS 19)	(53)				
Total	**33,184**		**13,864**		
Negative reserve for treasury shares in portfolio	(1,624)		(1,624)		
Portion available			**12,240**		

Undistributable portion	**5,943**
Residual distributable portion	**6,297**

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 2018, the shareholders' meeting of the Company approved the distribution of dividends of EUR 2,688 thousand.

During 2019, Piteco S.p.A. purchased treasury shares as per the authorisation from the Shareholders' Meeting, by way of resolution dated 30 April 2019. As at 31 December 2019 the Company held 328,650 treasury shares, equal to 1.80% of the share capital, for a total value of EUR 1,624 thousand (equal to the amount reflected in the "Negative reserve for treasury shares in portfolio", 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	31/12/2019	31/12/2018	Change	From 1 to 5 years	Over 5 years
Long-term bank borrowings	6,261	9,685	-3,424	5,957	304
Long-term bank borrowings	**6,261**	**9,685**	**-3,424**	**5,957**	**304**
Lease liabilities	2,322	-	2,322	1,648	674
Lease liabilities	**2,322**	**-**	**2,322**	**1,648**	**674**
Non-current bond	-	4,657	-4,657	-	-
Other non-current financial payables	-	691	-691	-	-
Other non-current financial liabilities	**-**	**5,348**	**-5,348**	**-**	**-**
Total	**8,583**	**15,033**	**-6,450**	**7,605**	**978**

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 2019. 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. These limits had been complied with as at 31 December 2019. 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 lease liabilities

Lease liabilities refer to the accounting of lease agreements based on new IFRS 16.

15 Deferred tax liabilities

Deferred tax liabilities	31/12/2019	31/12/2018	Change	From 1 to 5 years
Other non-current deferred tax liabilities	263	234	29	263
Total	**263**	**234**	**29**	**263**

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 as at 31 December 2019 are shown below:

Employee benefits	31/12/2018	Actuarial gains/losses	Financial charges	Paid	31/12/2019
Employee severance indemnity	1,151	50	18	-8	1,211
Total	**1,151**	**50**	**18**	**-8**	**1,211**

In addition, the changes that occurred in the year ended as at 31 December 2018 in employee benefits are reported below:

Employee benefits	31/12/2017	Actuarial gains/losses	Financial charges	Paid	31/12/2018
Employee severance indemnity	1,179	-41	16	-3	1,151
Total	**1,179**	**-41**	**16**	**-3**	**1,151**

The employee severance indemnity as at 31 December 2019 was measured based on the following assumptions:

Financial assumptions	31/12/2019	31/12/2018
Technical discount rate	0.77%	1.57%
Inflation rate	1.00%	1.50%
Overall annual rate of salary increase	1.50%	1.50%
Employee severance indemnity growth rate	2.25%	2.63%

Demographic assumptions	31/12/2019	31/12/2018
Probability of death	State General Accounting Office data - table RG48	

Probability of disability	INPS Model for 2010 projections	
Probability of resignations	3.00%	3.00%
Probability of retirement	Reaching of the first of the retirement requirements valid for the General Mandatory Insurance	
Probability of advance	3.00%	3.00%

The liability relating to employee severance indemnity was measured with the support of an external independent actuarial expert.

The verification of reasonably possible changes in the actuarial assumptions at the reporting date would not have had a significant impact on the defined benefits obligation.

17 Long-term provisions

The changes recorded during 2019 are shown below:

Long-term provisions	31/12/2018	Increases	Decreases	31/12/2019
Agents' leaving indemnities	50	4	-	54
Total	**50**	**4**	**-**	**54**

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 trade payables

The change in trade payables is shown below:

Current trade payables	31/12/2019	31/12/2018	Change
Trade payables	714	485	229
Trade payables	**714**	**485**	**229**
Current payables due to subsidiaries	138	-	138
Current payables due to parent companies	61	17	44
Current payables due to affiliates and associates	-	156	-156
Payables due to parent companies, subsidiaries, affiliates and associates	**199**	**173**	**26**
Total	**913**	**658**	**255**

Payables due to suppliers, including the allocations for invoices to be received, amounted to EUR 714 thousand as at 31 December 2019 (EUR 485 thousand as at 31 December 2018) 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 S.p.A.

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FINANCIAL SOFTWARE & CONSULTING

19 Contract liabilities

Contract liabilities	31/12/2019	31/12/2018	Change
Advances from customers - current	511	287	224
Total	**511**	**287**	**224**

Contract liabilities of EUR 511 thousand (EUR 287 thousand as at 31 December 2018) are composed of advances from customers for work not yet completed.

20 Other current payables

Other current payables are shown in the table below:

Other current payables	31/12/2019	31/12/2018	Change
Current payables for wages and salaries	1,556	1,382	174
Payables for social security charges	658	592	66
Accrued expenses	117	107	10
Other current payables	15	1	14
Deferred income	255	230	25
Payables for withholdings	289	284	5
Other social security payables	59	60	-1
Total	**2,949**	**2,656**	**293**

Deferred income amounted to EUR 255 thousand and almost completely relates to revenues for software maintenance fees collected in advance of the years when the services shall be provided.

21 Current tax liabilities

Current tax liabilities amounted to EUR 972 thousand as at 31 December 2019 (EUR 138 thousand as at 31 December 2018) and break down as follows:

Current tax liabilities	31/12/2019	31/12/2018	Change
Payables due to parent company for tax consolidation	837	138	699
Payables for IRAP taxes	135	-	135
Total	**972**	**138**	**834**

22 Current financial liabilities

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

Current financial liabilities	31/12/2019	31/12/2018	Change
Current account overdrafts	211	-	211
Current unsecured bank borrowings	3,425	1,961	1,464
Current bank borrowings	**3,636**	**1,961**	**1,675**

Current lease liabilities	188	-	188
Current lease liabilities	**188**	**-**	**188**
Current bond loan	3,921	-	3,921
Other current financial payables	1,953	2,807	-854
Other current financial liabilities	**5,874**	**2,807**	**3,067**
Total	**9,698**	**4,768**	**4,930**

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.

Current lease liabilities

The amount relates to the short-term portion of the liabilities relating to lease agreements accounted for on the basis of IFRS 16.

Current bond loan

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. The bond is set to mature on 31 July 2020.

Other current financial payables

The amount of EUR 1,953 thousand refers to the balance 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 15,074 thousand (EUR 14,090 thousand as at 31 December 2018), marking an increase of EUR 984 thousand (+7.0%) compared to the corresponding figure of 2018.

Revenues by service type

The breakdown of revenues by service type is shown below:

Revenues	31/12/2019		31/12/2018		Change
Maintenance fees	6,171		5,889		282
Application management fees	1,407		1,323		84
Usage fees	905		642		263
Total Fees	**8,483**	**56.28%**	**7,854**	**55.74%**	**629**
Software sales	1,402		1,432		-30
Total Software	**1,402**	**9.30%**	**1,432**	**10.16%**	**-30**
Professional activities and services	4,332		3,881		451

Other revenues from sales	40		21		19
Personalisations	811		886		-75
Commissions and Royalties	6		16		-10
Total activities and services	**5,189**	**34.42%**	**4,804**	**34.10%**	**385**
Total	**15,074**		**14,090**		**984**

As regards the breakdown of revenues by geographic area, note that Piteco Spa invoiced predominantly Italian entities.

The following table presents the main services offered by the company and the nature and associated terms for the fulfilment of performance obligations.

Goods and services	Nature and terms for fulfilment of obligations
Fees	The Company records revenues over the duration of the contract, generally 12 months.
Software	The Company records the revenue at the time the software is provided to the customer, which generally occurs straight after the contract is signed.
Professional activities and services	Revenues are recognised over the course of time according to the cost-to-cost method. The relevant costs are booked to profit/(loss) for the year when they are incurred. Advances are recognised under contract liabilities.

24 Other operating revenues

"Other operating revenues", whose balance as at 31 December 2019 amounted to EUR 863 thousand (EUR 734 thousand as at 31 December 2018) included contingent assets of EUR 30 thousand, increases in internal work capitalised of EUR 482 thousand, expense reimbursements from customers of EUR 325 thousand and reimbursements from employees for professional and personal use of company cars of EUR 26 thousand. The increases in internal work capitalised relate to development expenses on proprietary software.

Other operating revenues	31/12/2019	31/12/2018	Change
Recovery of costs for services	351	304	47
Capitalisation of intangible fixed assets	482	412	70
Contingent assets	30	18	12
Total	**863**	**734**	**129**

25 Change in contract assets

Change in contract assets	31/12/2019	31/12/2018	Change
Changes in contract assets	-54	-16	-38
Total	**-54**	**-16**	**-38**

The item relates to the change in WIP "Work in Progress", relating to contracts pertaining to indivisible services with a duration of less than twelve months as at 31 December.

26 Goods and consumables

Costs for the purchase of goods and consumables amounted to EUR 232 thousand (EUR 312 thousand as at 31 December 2018).

Goods and consumables	31/12/2019	31/12/2018	Change
Purchase of goods	228	309	-81
Other purchases	4	3	1
Total	**232**	**312**	**-80**

27 Personnel costs

Personnel costs for employees are shown in the table below:

Personnel expenses	31/12/2019	31/12/2018	Change
Wages and salaries	4,896	4,594	302
Social security charges	1,482	1,368	114
Allocations to pension funds and other	353	333	20
Other personnel costs	15	11	4
Total	**6,746**	**6,306**	**440**

Employees as at 31 December 2019, net of directors and external contractors, totalled 89 resources (85 resources as at 31 December 2018).

28 Costs for services

Costs for services are shown in the table below:

Costs for services	31/12/2019	31/12/2018	Change
External maintenance	347	322	25
Consulting, administrative and legal services	1,075	1,430	-355
Utilities	80	66	14
Promotion and advertising fees	116	99	17
Bonuses and commissions	113	108	5
Sundry consulting	303	273	30
Insurance	47	34	13
Travel and transfer expenses	386	277	109
Fees and compensation to directors	40	39	1
Services for personnel	126	138	-12
Leases payable	102	95	7
Rentals and other	57	164	-107
Total	**2,792**	**3,045**	**-253**

The reduction of EUR 253 thousand is attributable mainly to the application of IFRS 16. The application of IFRS 16 based on the modified retrospective method which does not require the re-statement of the comparative data, actually influenced the comparability of the data, with rental costs falling by EUR 100 thousand compared to the previous year. These lower costs were then offset by the amortisation of the rights of use for EUR 161 thousand and interest expense on lease payables for EUR 6 thousand.

Costs for rentals and other items relate to lease agreements excluded from the application of IFRS 16 (low-value assets, short-term contracts, contracts with variable payment).

29 Other operating costs

Other operating costs are shown in the table below:

Other operating costs	31/12/2019	31/12/2018	Change
Other taxes (not on income)	14	18	-4
Fines and penalties	2	1	1
Contributions and donations	3	4	-1
Contingent liabilities	36	37	-1
Allocations to agents severance indemnities	4	5	-1
Allocations to bad debt provision	47	5	42
Total	**106**	**70**	**36**

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	31/12/2019	31/12/2018	Change
Depreciation of buildings used in operations	46	46	-
Depreciation - plant and machinery	7	3	4
Depreciation of electronic machines	17	14	3
Depreciation of other property, plant and equipment	1	-	1
Depreciation of property, plant and equipment	**71**	**63**	**8**
Depreciation of buildings - rights of use	52	-	52
Depreciation of other assets - rights of use	109	-	109
Depreciation of assets for rights of use	**161**	**-**	**161**
Amortisation of concessions, licences and trademarks	2	2	-
Amortisation of software	353	290	63
Amortisation of intangible assets	**355**	**292**	**63**
Total	**587**	**355**	**232**

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	31/12/2019	31/12/2018	Change
Exchange rate gains	159	402	-243
Exchange rate losses	-2	-10	8
Total	**157**	**392**	**-235**

During the year, the Company recorded net exchange gains of EUR 157 thousand, of which EUR 139 thousand unrealised.

32 Financial income

The table below provides details of financial income:

Financial income	31/12/2019	31/12/2018	Change
Dividends from equity investments in subsidiaries	1,060	272	788
Other financial revenues from subsidiaries	217	191	26
Other interest income	12	3	9
Total	**1,289**	**466**	**823**

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..

33 Financial charges

The table below provides details of financial charges:

Financial charges	31/12/2019	31/12/2018	Change
Interest on non-current payables due to banks	222	154	68
Interest on other non-current payables	1,731	344	1,387
Interest on other current payables	39	88	-49
Financial charges on employee severance indemnity	18	15	3
Total	**2,010**	**601**	**1,409**

Interest expense on other non-current payables include an amount of EUR 1,394 thousand deriving from the fair value measurement of the Earn-out to be paid to the minority shareholders of Myrios S.r.l. in May 2020.

34 Income taxes

Income taxes estimated for 2019 are analysed in the table below:

Income taxes	31/12/2019	31/12/2018	Change
IRAP income taxes	216	81	135
IRES income taxes	851	156	695
Taxes from previous years	45	-7	52
Deferred tax assets	-532	54	-586
Deferred tax liabilities	29	93	-64
Total	**609**	**377**	**232**

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

Effects of deferred tax assets and liabilities - IRES	31/12/2019		31/12/2018	
	Temporary Difference	Taxes (rate of 24%)	Temporary Difference	Taxes (rate of 24%)
Amortisation of trademarks	33	8	55	13
Agents' leaving indemnities	7	2	7	2
Long-term costs	-	-	10	2
Actuarial measurement of employee severance indemnity	210	50	160	38
Other costs with deferred deductibility	2,169	520	160	38
Exchange rate differences from measurement	857	206	933	224
Deferred tax assets	**3,276**	**786**	**1,325**	**317**

Higher value of property	395	95	410	98
Amortisation of “Centro data” (data centre) goodwill	131	31	105	25
Other deferred tax liabilities	484	116	376	90
Deferred tax liabilities	**1,010**	**242**	**891**	**213**
Total	**2,266**	**544**	**434**	**104**

Effects of deferred tax assets and liabilities - IRAP	31/12/2019		31/12/2018	
	Temporary Difference	Taxes (rate of 3.9%)	Temporary Difference	Taxes (rate of 3.9%)
Amortisation of trademarks	33	1	55	2
Agents’ leaving indemnities	4	-	4	-
Long-term costs	-	-	10	-
Other costs with deferred deductibility	1,976	77	-	-
Deferred tax assets	**2,013**	**78**	**69**	**2**
Higher value of property	395	15	410	16
Amortisation of “Centro data” (data centre) goodwill	131	5	105	4
Deferred tax liabilities	**526**	**20**	**515**	**20**
Total	**1,487**	**58**	**446**	**18**

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:

	2019		**2018**	
Profit before tax	**4,856**		**4,975**	
Theoretical tax charge %	**24%**	**1,165**	**24%**	**1,194**
Tax effect of permanent differences		-319		-1,039
Tax effect of temporary differences		-423		148
Taxes from previous years		45		-9
Total	**9.64%**	**468**	**5.91%**	**294**
IRAP (current and deferred assets and liabilities)		141		82
Total taxes		**609**		**376**

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.

VII. COMMITMENTS AND GUARANTEES

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

Memorandum accounts	31/12/2019	31/12/2018

Sureties, personal guarantees and collateral to third parties	318	53
Guarantees given	**318**	**53**
Third party assets at the company	-	197
Assets of others	**-**	**197**
Total	**318**	**250**

As at 31 December 2019 the Company granted guarantees of EUR 318 thousand in the form of sureties for participation in tenders.

VIII. TRANSACTIONS WITH GROUP COMPANIES AND OTHER RELATED PARTIES

In compliance with the Company's specific policies, the economic, equity and financial transactions in place with related parties as at 31 December 2019, 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 2019 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 SPA (parent company)	767	899	225	262
DEDAGROUP BUSINESS SOLUTION (affiliate)	22	-	102	-
DEDAGROUP WIZ SRL (affiliate)	-	-	-	4
MD (affiliate)	-	-	31	-
MYRIOS SRL (subsidiary)	24	137	1,080	278
PITECO NORTH AMERICA (subsidiary)	8,123	-	217	-
Total	**8,936**	**1,036**	**1,655**	**544**

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, were equal to EUR 1,338 thousand.

IX. NET FINANCIAL POSITION

The reclassification and the breakdown of the Net Financial Position of the Company is shown below.

	31/12/2019	31/12/2018	Change
A. Cash	-	1	-1
B. Other cash and cash equivalents	215	2,385	-2,170
C. Securities held for trading	-	-	-
D. Liquidity (A+B+C)	**215**	**2,386**	**-2,171**
E. Current financial receivables	**2,401**	**1,318**	**1,083**
F. Current bank borrowings	211	-	211
G. Current portion of non-current indebtedness	7,346	1,961	5,385
H. Other current financial payables	2,141	2,807	-666
I. Current financial indebtedness (F+G+H)	**9,698**	**4,768**	**4,930**
J. Net current financial indebtedness (I-E-D)	**7,082**	**1,064**	**6,018**
K. Long-term bank borrowings	6,261	9,685	-3,424
L. Bonds issued	-	4,657	-4,657
M. Other non-current payables	2,322	691	1,631
N. Non-current financial indebtedness (K+L+M)	**8,583**	**15,033**	**-6,450**
O. Net financial indebtedness (J+N)	**15,665**	**16,097**	**-432**

Net financial indebtedness, as determined in point O is consistent with the provisions of Consob Communication DEM/6064293 of 28 July 2006, which excludes non-current financial assets.

The Net Financial Position as at 31 December 2019 was a negative EUR 15,665 thousand (negative EUR 16,097 thousand as at 31 December 2018), with a change of EUR -432 thousand, also taking account of the payment of dividends (EUR 2,688 thousand).

Also including non-current financial assets with the net financial position calculated above, this would amount to EUR 9,236 thousand (EUR 9,551 thousand at 31 December 2018).

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

Description	**31/12/2018**	**Monetary flow**	**Non-monetary flow**		**31/12/2019**
			Fair value change	Other changes	
Current financial liabilities	4,767	-784	1,394	4,110	9,487
Non-current financial liabilities and derivatives	15,033	-4,115	-	-2,335	8,583
Current financial assets	1,318	985	-	98	2,401
Non-current financial assets	6,545	-725	-	609	6,429
Net liabilities from financing activities	**11,937**	**-5,159**	**1,394**	**1,068**	**9,238**
Cash and cash equivalents (net of bank overdrafts)	2,386	-2,382	-	-	4
Net financial indebtedness	**9,551**	**-2,777**	**1,394**	**1,068**	**9,236**

X. TREASURY SHARES

During 2019, Piteco S.p.A. purchased treasury shares as per the authorisation from the Shareholders' Meeting, by way of resolution dated 30 April 2019. As at 31 December 2019 the Company held 328,650 treasury shares, equal to 1.80% of the share capital, for a total value of EUR 1,624 thousand (equal to the amount reflected in the "Negative reserve for treasury shares in portfolio", posted as a decrease to shareholders' equity).

XI. SUBSEQUENT EVENTS

The preliminary contract was signed on 19 March for the acquisition of the Everymake business unit from the company Everymake S.r.l.. The business unit includes cloud software products for data matching.

On 11 March 2020, the World Health Organisation declared the Coronavirus (COVID-19) emergency a pandemic, in view of the rapid spread at global level, involving more than 150 countries. Many governments are implementing stricter measures to contain and delay the spread of the virus. We are currently faced with a significant increase in economic uncertainty, demonstrated, for example, by greater volatility of prices and exchange rates. Piteco is monitoring developments in the situation in order to minimise its social, economic, capital, financial and workplace health and safety impacts, by defining and implementing flexible action plans targeted at taking prompt action. In particular, the company moved very quickly to ensure that the operating processes could continue to be carried out efficiently and safely through the organisation of agile work ("*Smart Working*"). Consistently with the ministerial provisions and the guidelines of the competent health authorities, Piteco adopted, equally quickly, all the necessary measures to ensure the maximum protection of the health of the people committed to the various company activities and needed to avoid a spread of the contagion.

As regards the potential scenarios of financial tension, the company management is constantly monitoring the company's current and future liquidity. As of today, no significant impacts have been noted on the payment or collection activities relating directly or indirectly to the spread of the Coronavirus contagion at global level. As at said date, the available liquidity is in line with the financial planning and appears to be adequate to cover current and future operating requirements. Piteco is conducting an additional sensitivity analysis of the potential economic and financial impacts of the current crisis as well as by defining a series of actions to limit said impacts. Based on the available information, the potential effects stemming from the spread of COVID-19, in line with the application of international accounting standards (IAS 10), were considered a "Non-Adjusting" event. With reference to the evaluations carried out for financial statements purposes (recoverability of the intangible assets with an indefinite useful life, recoverability of deferred tax assets, fair value of financial instruments, liabilities for defined benefits in favour of employees), the Directors consider that, given the information currently available, these factors of uncertainty are already represented in the main sensitivity analyses provided with reference to the principal financial statements items subject to estimation. With particular reference to the uncertainty related to the spread of the Coronavirus epidemic, it is not possible to rule out a situation where, if the spread of the virus should extend significantly at international level, the general economic consequences and the specific repercussions for Piteco could be more serious than those envisaged at the current state of play, calling for a new downgraded estimate, both with respect to the book values of the main items subject to estimation, and in relation to the scenarios considered for the purposes of the sensitivity analysis as at 31 December 2019.

Piteco
FINANCIAL SOFTWARE & CONSULTING

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

Note that in 2019 the Company did not implement atypical and/or unusual transactions, as defined by CONSOB Communication no. DEM/6064293 of 28 July 2006.

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

The table shows the fees pertaining to 2019 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	01.01.2019-31.12.2019	Approval of the 2020 financial statements	5
Paolo Virenti	Chief Executive Officer	01.01.2019-31.12.2019	Approval of the 2020 financial statements	5
Gianni Camisa	Director	01.01.2019-20.02.2019	Resigned on 20.2.2019	1
Annamaria Di Ruscio	Director	01.01.2019-31.12.2019	Approval of the 2020 financial statements	7
Andrea Guido Guillermaz	Director	01.01.2019-31.12.2019	Approval of the 2020 financial statements	5
Riccardo Veneziani	Director	01.01.2019-31.12.2019	Approval of the 2020 financial statements	5
Maria Luisa Podini	Director	01.01.2019-31.12.2019	Approval of the 2020 financial statements	5
Francesco Mancini	Director	01.01.2019-31.12.2019	Approval of the 2020 financial statements	7
Rossi Mauro	Director	28.03.2019-31.12.2019	Approval of the 2020 financial statements	7
Total				**47**

Fees due to the Board of Statutory Auditors

Name and Surname	Position	Period	End of term of Office	Fees (thousands of EUR)
Luigi Salandin	Chairman of the Board of Statutory Auditors	01.01.2019-31.12.2019	Approval of the 2020 financial statements	22
Marcello Del Prete	Standing Auditor	01.01.2019-31.12.2019	Approval of the 2020 financial statements	15
Fabio Luigi Mascherpa	Standing Auditor	01.01.2019-31.12.2019	Approval of the 2020 financial statements	15
Claudio Stefanelli	Alternate Auditor	01.01.2019-31.12.2019	Approval of the 2020 financial statements	-

Gianandrea Borghi	Alternate Auditor	01.01.2019-31.12.2019	Approval of the 2020 financial statements	-
Total				**52**

XIV. FEES FOR INDEPENDENT AUDITORS

The table below shows the fees pertaining to 2019 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 S.p.A.	58

XV. 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 Italian Legislative Decree on "Security" (no. 113/2018) and the Italian Legislative Decree on "Simplification" (no. 135/2018), it is noted that in 2019 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.

XVI. PROPOSED RESOLUTION

Dear Shareholders,

We invite you to approve the separate financial statements as at 31 December of your Company, which posted a profit of EUR 4,247,187. As regards the proposed allocation of profits show in the separate financial statements of Piteco S.p.A., the Board of Directors proposes allocating EUR 212,400 to legal reserves and EUR 4,034,787 to extraordinary reserves and distributing a dividend from extraordinary reserves of EUR 0.15 per each of the outstanding ordinary shares with no nominal value, excluding treasury shares, at the ex-dividend date, establishing that the dividend shall be paid starting on 27 May 2020, with record date of 26 May 2020. It is proposed, however, that the undistributable reserve be reduced pursuant to art. 2426, paragraph 8 of the Italian Code from EUR 375,346 to EUR 139,240 and thus EUR 236,106 be allocated to the extraordinary reserve.

Milan, 24 March 2020

The Chairman of the BoD

Marco Podini

Certification of the Separate Financial Statements pursuant to Article 81-ter of Consob Regulation No. 11971 of 14 May 1999 as amended and supplemented

The undersigned Paolo Virenti, as Chief Executive Officer, and Riccardo Veneziani, as the Manager responsible for drafting the corporate accounting documents of Piteco S.p.A., hereby certify, taking into account the provisions of art. 154-bis, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998:

- the adequacy in relation to the characteristics of the company and
- the effective application of the administrative and accounting procedures for drawing up the separate financial statements of Piteco S.p.A., in the period included between 1 January 2019 and 31 December 2019.

In this regard, no significant aspects came to light.

Furthermore, it is certified that the separate financial statements of Piteco S.p.A.:

d) are drafted in compliance with the applicable international accounting standards recognised in the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and Council, of 19 July 2002;

e) correspond to the results of the books and the accounting records;

f) are suitable to provide a true and fair representation of the capital, economic and financial situation of the issuer.

The Report on Operations includes a reliable analysis of the references to the important events that occurred in the year and their impact on the separate financial statements, together with a description of the main risks and uncertainties to which the issuer is exposed. The Report on Operations also includes a reliable analysis of the information on significant transactions with related parties.

Milan, 24 March 2020

The Chief Executive Officer	Manager responsible for drafting the corporate accounting documents
______________________	______________________