

Company Registration No. 07731860966  
Economic and Administrative Register No. 1978319



**axélero S.p.A.**

**2016 Annual Report**

Registered Office in Milan Via Cartesio, 2 - Share Capital Euro 68,000.00 fully paid-in

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## Introduction

axélero S.p.A., admitted on December 11, 2014 to the “AIM Italia/Alternative Capital Market” multi-lateral trading system organised and managed by Borsa Italiana S.p.A., is an internet company operating on the Italian media, marketing and digital advertising market, supporting the digitalisation of enterprises and the Public Sector. Specifically, axélero provides effective and innovative digital advertising and digital marketing solutions, tailor-made for small, medium and large enterprises and national and local institutions to gain greater visibility, useful contacts and concrete business results.

This report in a single document presents the consolidated financial statements of the axélero Group (hereafter the “Group”) and the separate financial statements of the parent company axélero, prepared according to International Accounting Standards (IAS/IFRS). The Board of Directors of axélero approved the preparation of the consolidated financial statements and the separate financial statements of the parent company according to International Accounting Standards (IAS/IFRS), as opting (together with the Group) to apply the faculty under Legislative Decree 38/2005.

The amounts in the financial statements and the tables are expressed in units of Euro, while the Explanatory Notes are presented in thousands of Euro.

## Corporate Boards

### BOARD OF DIRECTORS

*(mandate concluding on approval of the 2016 Annual Accounts)*

Chairman & Chief Executive Officer	Leonardo Cucchiarini
Executive Director	Stefano Maria Cereseto
Director	Giulio Valiante
Director	Michele Casucci (independent)
Director	Matteo Pettinari

### BOARD OF STATUTORY AUDITORS

*(mandate concluding on approval of the 2016 Annual Accounts)*

Chairman	Adriano Malabaila
Statutory Auditors	Davide Testa Angelo Fiorentino

### INDEPENDENT AUDIT FIRM

BDO Italia S.p.A.

*(mandate concluding on approval of the 2016 Annual Accounts)*

### NOMAD

Banca Popolare di Vicenza S.C.p.A.

### SPECIALIST

Banca Akros S.p.A.

## Directors' Report

Dear Shareholders,

the 2016 Group results and the 2015 figures prepared for comparative purposes were drawn up as per International Accounting Standards issued by the International Accounting Standard Board (IFRS), adopted for the first time for financial year 2016.

The Board of Directors on January 30, 2017, in accordance with Article 2364, paragraph 2 of the Civil Code, in addition to Article 16 of the By-Laws of the company, opted for the 180 days from year-end extended deadline for approval by the Shareholders' Meeting of the separate financial statements at December 31, 2016, due to: (i) the transition to IAS/IFRS international accounting standards, adopted for the first time for financial year 2016, both for the statutory financial statements of the company and the consolidated financial statements; (ii) the change of the ERP system in 2016.

The Consolidated financial statements at December 31, 2016 (hereafter the "Consolidated financial statements") were prepared, with regards to that required by Legislative Decree 38/2005, in compliance with International Financial Reporting Standards issued by the International Accounting Standards Board and adopted by the European Union (IFRS).

Comments upon the Group performance are presented in the following tables as no substantial differences exist compared to the consolidating company, except for the Net Financial Position which is also stated separately.

Comments are provided upon consolidated results which do not differ significantly from the parent company. Otherwise, they are stated separately.

### Group Financial Highlights

	2016	2015
<b>Euro thousands</b>		
<b>Value of Production</b>	<b>45,976</b>	<b>19,403</b>
<b>EBITDA</b> % EBITDA/Value of Production	<b>8,326</b> 18%	<b>4,051</b> 21%
<b>EBIT</b> % EBIT/Value of Production	<b>2,761</b> 6%	<b>1,620</b> 8%
<b>Net Profit</b> % Net Profit/Value of Production	<b>1,323</b> 3%	<b>1,052</b> 5%
<b>NFP (Net Financial Position)</b> X/EBITDA	<b>18,958</b> 2.3	<b>(7,378)</b> na

The Value of Production<sup>1</sup> grew significantly to Euro 45,976 thousand in 2016, against a comparable amount of Euro 19,403 thousand in 2015, with an EBITDA of Euro 8,326 thousand, against a comparable 2015 figure of Euro 4,051 thousand and a Net Profit of Euro 1,323 thousand, against a comparable Euro 1,051 thousand. The Consolidated Net Financial Position<sup>2</sup> was positive for Euro 18,958 thousand, against a comparable negative position of Euro 7,378 thousand in 2015.

The separate financial statements of the parent company axélero S.p.a. at December 31, 2016 express also the effect from the merger by incorporation of the companies which axélero has controlled until December 2016, the month of the operation's legal effect, with tax effects from January 1, 2016. The separate net profit of axélero S.p.a. for 2016 was Euro 1,204 thousand, against a comparable Euro 421 thousand for 2015.

2016 was another year of growth for axélero with revenues significantly accelerating to more than double on the previous year. The development continued of our commercial network and investments in new products to drive forward our five-year strategy. The key focus in the coming years will continue to be innovation. Artificial intelligence is part of this strategy and our innovative solution Axél will see us at the forefront. In 2017, we will again pursue our mission to digitalise SME's, while at the same time expanding internationally through the possible opening of new operational centres in strategic markets or through acquisitions.

In 2016, the company continued to work to further its established strategy:

- scouting and development of innovative market solutions;
- strengthening of the commercial channels to increase the number of agents - but more so their quality;
- completion of the management team and improvement of human capital at all levels and across all areas of the organisation;
- major investment in processes and system/technologies (industrialisation) to permit axélero to handle its expansion and the greater complexity of the business model.

Specific projects to be assigned to the best talent available both in-house and outside of the company were identified and key programmes executed under the direct supervision of the CEO. In particular, the results delivered have been made possible by the commitment, consistency and determination which permeates the entire business and the investments rolled out in the year focused on five main pillars:

- the hiring of talented individuals to ensure the skills and connections needed to create and tap into the new opportunities presented by technological, product and business model innovation;
- the accelerated development of the commercial network in size and qualitative terms and with regards to the commercial performance support instruments. Sales network staff numbers have grown rapidly: from 34 in December 2014, to 334 at December 31, 2015, to over 400 at December 31, 2016; this channel includes a business development manager unit focused on axélero's entry

<sup>1</sup>The Value of Production reflects revenues net of the effect from the discounting of receivables due beyond 12 months under IAS 39.

<sup>2</sup>The Net Financial Position, when negative, indicates a position of liquidity and therefore not of financial debt.

into the Large Account and Public Sector segment;

- further product range innovation, in terms of reach and sophistication, with the introduction of, for example, all-inclusive packages including websites, immersive tours and Google AdWords, Youtube and Facebook advertising campaigns. The development of new products is enabling: penetration of the Small and Medium-sized Enterprises (SME) and Small Office - Home Office (SoHo) segment and a higher return on customer advertising spend, therefore strengthening relationships.

At the same time, the company has developed a range of services dedicated to the Large Account and Public Sector segment, having identified customer communication needs which have not yet been fully satisfied by the competition.

axéleroLab, the internal incubator, extended its scope with the acquisition of a majority holding in Arreeba S.r.l. (at the end of December 2016) and of 100% of Privategriffe S.r.l. (formerly Privategriffe S.p.a.) at the beginning of August, with new projects in incubation and advanced digital marketing technological expertise. In the second half of 2016, the company launched a range of major innovation projects for its range of services. These include:

- o the development and the launch, scheduled for 2017, of MySuite, an integrated solution comprising a website, visitor conversion tools (bookings, quotes, purchases, coupons), customer relationship management (CRM) software and a customer training and consultancy service;
- o the launch of Next, the Business Unit dedicated to the development of a proprietary artificial intelligence platform with potential CRM (Customer Relationship Process) and Marketing Automation applications

The following were simultaneously pursued:

- strengthening of the organisational model, the optimisation of core processes (primarily the customer experience) and the accelerated release of new IT and decision-making systems. This in particular is a strategic investment - enabling the company to significantly scale up and guarantee excellent customer relationship levels;
- production capacity expansion, both internal and external, to handle the greater number of customers managed and the increased sophistication of products and services provided.

A stated objective of axélero is to become a market-maker, stimulating market demand and anticipating the opportunities which the digital market will continue to create. We continue on the path set out on at the end of 2014 with the strengthening of Group capabilities and the winning of significant additional market share.

In the second part of 2016, the company introduced a number of new commercial policies in order to reduce working capital:

- the reduction of maximum customer payment deadlines to 24 months from 48 months;
- the introduction of a new obligatory advance for all contracts.

## Group profile

axélero is an Internet Company founded in 2008 by Leonardo Cucchiarini and Stefano Maria Cereseto. The company operates in the Italian marketing sector. Mainly focused on SME's, the focus has gradually been broadened also to large accounts and the Public Sector.

axélero is a market-maker: differing from other market players limited to operating within the media agency/web agency model (website creation and sale of third party advertising space), axélero believes in and invests significant energy in identifying and bringing to the market highly innovative digital solutions which make the difference for customers in the marketplace, through advanced technological platforms - ahead of any possible competition. This strategy is undertaken to drive the transformation of the entire sector.

Although maintaining the themed vertical portals (Professionisti.it, ABCSalute.it, ShoppingDonna.it and Originaltaly.it) which provided the framework for the pre-listing commercial offer, axélero has increasingly focused on advanced digital marketing services:

- Websites (website creation and management);
- Digital advertising;
- Design of customised solutions;
- Ristoranti.it, Axel and mysuite.

## Websites



Turnkey websites on a “Do-it-for-me” basis:

- Assessment of customer objectives and market strategies by the commercial consultant
- Brief report by the production unit specialists
- Copywriting and graphic design
- Publication of adaptive and responsive sites optimised for smartphones and tablets
- Virtual tour of the business or exclusive immersive tours with augmented reality, or full-screen video-animated sites
- Full-screen video-animated sites
- easy and fast e-commerce
- Publication of Facebook company profile.

## TiTrovo.it

All-inclusive websites, also as “Do-it-for-me”, designed to improve company visibility on the web locally:

- exclusive category and locality based domains: e.g. [www.ristorante.bologna.it](http://www.ristorante.bologna.it);
- search engine optimised, adaptive and responsive websites;

### Digital Advertising

## Google AdWords

Hyper-optimised advertising campaigns on Google to bring to the client telephone calls, e-mails or visits to the point of sale:

- creation of an advertising plan to fit client goals and budget;
- types of campaign: Search, Display and Remarketing;
- flexible and modular offer;
- page opening on Google+, MyBusiness;
- inclusion in Google Maps;



Optimised advertising campaigns on Facebook and YouTube:

- geo-localised Facebook campaigns with selected demographic profiles to reach the exact target customers on the world's top Social Network;
- video campaigns on YouTube, the world's leading information video channel.

### Customised solutions for medium-sized and large and the Public Sector

- Analysis, strategy and digital communication plan developed together with clients
- Creation and management of communication activities on social media and digital media
- Management of advertising campaigns on Google, Facebook and other channels
- Creation of highly customised websites and eCommerce, on a Do-it-for-me basis
- Production of video formats designed specifically for engagement and sharing on YouTube and on social networks, with verticalization of formats by category;
- search engine optimisation services;
- design of ad hoc tailor-made mobile apps;

In 2016, axélero launched two major innovations: Ristoranti.it and Axél, while beginning the development of a new product: mysuite.

## ristoranti.it

Ristoranti.it is a highly disruptive food delivery service, allowing restaurant owners to cut out operators such as JustEat, Foodora and Deliveroo, giving them back control over customer relations and providing loyalty tools.

Ristoranti.it comes from the acceleration, within the axéleroLab, of Arreba - the start-up acquired at the end of 2015, in which axélero in 2015 acquired a majority holding.



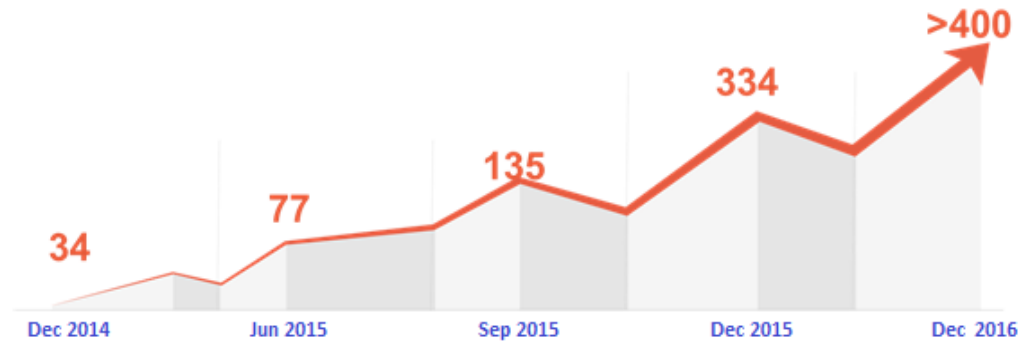
Axél is an innovative artificial intelligence platform developed by Next, the new dedicated axélero Business Unit. Differing from many artificial intelligence solutions available on the market requiring the development of entire libraries of concepts and precise instructions to interact with those requesting information, Axél utilises algorithms which permit the learning of new concepts and new cognitive/decision-making paths on the basis of the interactions. The principal applications of Axél are within the automation of CRM (Customer Relationship Management), and more generally the automation of Marketing processes. Axél entered the commercial test phase at the end of 2016.



From the final quarter of 2016, the company invested significant resources into the research and design of a new MySuite range, an integrated solution comprising a website, visitor conversion tools (bookings, quotes, purchases, coupons), customer relationship management (CRM) software and a customer training and consultancy service, through which SME's learn to use the CRM system and upsell and cross-sell to their customer base. The MySuite range, launched in April 2017, spearheads the company's products and services, thanks to its significant degree of innovation (the first solution of its type in Italy and in Europe) and the key role which axélero will play in its customers' marketing strategies. Further to software license investment, the development of MySuite has engaged a significant number of in-house personnel in the design of products, production process and customer training/consultancy, the commercial go-to-market and the impacts on the company IT systems.

The final - and fundamental - asset on which axélero has been built is the commercial structure which has enabled the company to command the marketplace. axélero's Commercial Department is tasked with launching product and service innovations through Product Marketing (design, packaging and pricing), Trade Marketing (commercial support, training and energizing the network), Planning and Control (planning of objectives and actions, promotion and tender management) and regional organisation - from Area Managers

to Regional Managers, Team Leaders and the agents, and finally the entire post-sales network. In 2016, the major investment launched in the previous year continued to extend the organisation, raising quality levels with training programmes and providing the network with effective presales and sales tools. The growth of the commercial structure over the last two years is presented in the following graph:



### **Axélero Group**

The Group comprises the parent company axélero S.p.A. (from January 1, 2016, following the merger by incorporation, including the companies Professionisti S.r.l., abcsalute S.r.l., shoppingdonna S.r.l., originalitaly S.r.l.) and the newly-acquired Privategriffe S.r.l. (formerly Privategriffe S.p.A.) and Arreeba S.r.l., as outlined below. The companies merged into axélero own vertical portals which were the initial core offer of axélero - now increasingly focused on winning and innovative digital advertising and digital marketing solutions - target specific web users by presenting information on specific products and services and reviews by experts. Users may also make contact with customers/advertisers on the portal, in addition to acquire products and services from customers, through the e-commerce platform made available by the Group companies.

The following companies entered the consolidation scope:

- the company Privategriffe S.p.a (becoming Privategriffe S.r.l. in 2017), whose share capital was entirely acquired by axélero on August 4, 2016;
- the company Arreeba S.r.l., of which axélero became a 51% shareholder from December 22, 2016.

### **Market overview**

axélero is principally focussed on SME's and SoHo's (professionals, craftspeople and operators in general with VAT numbers). In 2016, the company however began to broaden its focus also to large accounts and the Public Sector.

Axélero's core target of SME's and SoHo's is made up of approx. 4.5 million businesses<sup>3</sup>, approximately half of which with a web presence in 2016 according to an axélero estimate (based on projections from DoxaDigital for Google October 2013 and ISTAT 2012 figures). axélero's findings on the market from two years of post-listing activities indicate, in addition, a significant degree of technological under-development among SME websites: only 30% of websites analysed by axélero using the "Tagliando Digitale" tool, which measures a multitude of site performance indicators, are optimised for smartphone and table use.

With smartphones and tablets taking over from personal computers as the main means to access the internet (36.4 million smartphone users vs. 35.4 million PC users at December 2016, source: AudiWeb/Nielsen Report December 2017), it is clear that the websites of Italian micro and small to medium-size businesses will become obsolete, resulting in a gradual loss of users.

In terms of market value, in the absence of official figures the company conservatively estimates digital marketing investment by the core target at approx. Euro 2.3-2.4 billion in 2016, up on approx. Euro 2 billion in 2015. Of the Euro 2.3-2.4 billion invested, approx. Euro 1.9 billion concerns web marketing services spend (websites, search engine optimisation services, social media and management), with the remainder in digital advertising (search engine advertising, display advertising).

For the large accounts/national investors segment, a number of independent sources are available such as IAB Italia/Osservatori.net, which estimates a digital advertising spend in 2016<sup>4</sup> of Euro 2.4 billion (June 2016) - also up on the previous year. For the Public Sector segment, reliable figures for digital communication investment are not available.

The company expects the increase in Italian SoHo and SME digital investment to continue, also due to the following factors:

- in 2016, pre-crisis 2007<sup>5</sup> business growth levels returned, driven mainly by businesses led by young people, foreigners and women. Youth entrepreneurship particularly has re-emerged, with a net increase of 66,202 businesses created by the under 35 category. Business capital levels have in addition risen significantly: this new reality for first-time Italian entrepreneurs allows them to tackle the market in a more organised and confident manner, with better access to credit and investment capacity.
- Internet use continues to eat into overall media consumption in Italy, driven by time spent on social media and search and video engines. Italians spend approx. 2 and a quarter hours online every day, the majority of which on smartphones or tablets. On average, Italians spend more than 52 hours on the Internet every month<sup>6</sup>.
- Communication spend will continue to shift to the Internet and away from traditional media, in line with the media usage trends outlined in the previous point;
- Italian pro-capita digital communication spend - although in continuous growth for more than 5 years - remains well behind its European peers such as France, Germany and the UK<sup>7</sup>, as highlighted in the

<sup>3</sup> Sources: ISTAT 2012, Between 2013; Total Italian businesses 2015: 6.057 million, including agricultural businesses.

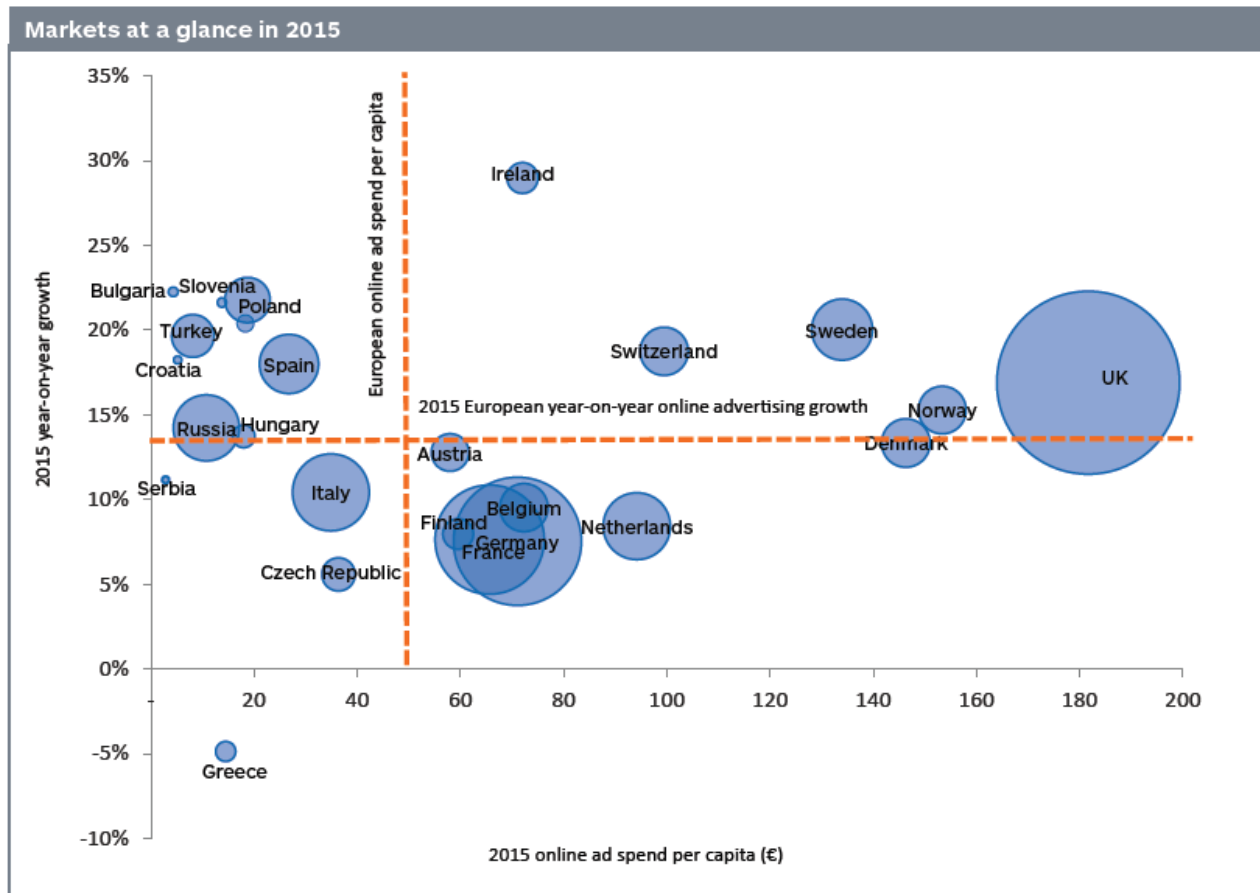
<sup>4</sup> Source: Nielsen 2017

<sup>5</sup> Source: UnionCamere February 1, 2016.

<sup>6</sup> Source: Audiweb/Nielsen December 2016

<sup>7</sup> Source: IAB/Adex, Paris July 2016

IAB/Adex report published in July 2016, illustrated by the following table:



In conclusion, axélero’s market - already broad and continuing to expand - presents significant growth margins.

### Competitive position

The Italian digital marketing sector continues to be highly fragmented and polarised around two extremes: on the one hand thousands of small and medium size web agencies, and on the other a major operator involved also in the directories and traditional advertising segment.

In 2016, the above incumbent operator focused on major corporate operations (among which the merger with another player which is principally engaged in the domestic digital advertising segment), including also the restructuring of the commercial networks and the organisational structure.

By their very nature, the web agencies mainly operate at a local level and have major scalable growth difficulties due to their lack of:

- sufficient funds to establish a geographically broad and capillary network of agents;
- access to know-how and product technologies and innovative processes;
- access to production economies of scale, restricting therefore operational reach.

Finally, the major international players (Google and Facebook) operate only on the digital advertising market, without involvement on the SME and SoHo market through direct sales networks which are too complex to manage at a local level: they utilise in fact web agencies as indirect distribution networks, offering their assistance and support and limiting direct sales to SME's to a self-service option.

The company considers innovation, on the one hand, and service level on the other to be the keys to market success. Service level not only concerns post-sales technical care, but also presales consultancy skills, the flexibility to deliver customised solutions without losing production efficiency and economies of scale and closeness to the customer in the post-sales phase, in order to support them in optimising their digital investments. The Italian market is mapped below:



In view of that outlined above, the company considers that:

- it has established a very clear space on the market and
- it operates in a fragmented and fluid market, where market share can be significantly boosted.

We furthermore consider growth opportunities on the public sector and large accounts markets - which have been pursued by axélero in 2016 - with an eye on the major market trends (e.g. Artificial Intelligence Applications).

## axélero Stock Market performance

The axélero S.p.A. share has been listed on the AIM Italia (Alternative Capital Market) since December 11, 2014.

ISIN Market Code: IT0005069809

Symbol: AXEL

Specialist: Banca Akros

The shareholder structure is as follows:

Shareholders	No. of Shares	Holding
Supernovae1 S.p.A.	8,419,356	61.90%
AIM Italia Market	4,562,750	33.58%
Leonardo Cucchiarini	308,947	2.26%
Stefano Maria Cereseto	308,947	2.26%
<b>Total</b>	<b>13,600,000</b>	<b>100.00%</b>

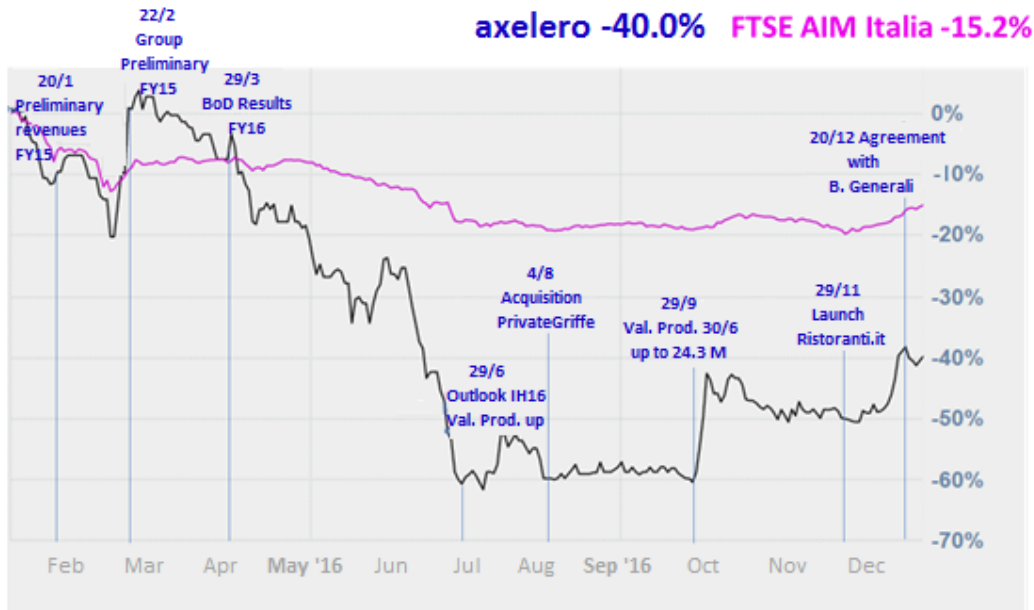
At December 31, 2016, the company held 27,750 treasury shares.

Source: axélero

Supernovae1 S.p.A. is axélero S.p.a.'s majority shareholder and is held by: Leonardo Cucchiarini, for 47.5%, Stefano Maria Cereseto for 47.5% and Beltempo S.r.l. for 5% (from June 2016).

Since admission to listing, Supernovae1 S.p.a., Stefano Maria Cereseto and Leonardo Cucchiarini have not sold any axeléro shares, while Stefano Maria Cereseto has purchased 10,000 shares, with Leonardo Cucchiarini purchasing a further 10,000.

The following graphs outline the share performance in 2016. In particular, the first graph tracks axélero's performance against the FTSE AIM Italia, indicating an underperformance by the company.

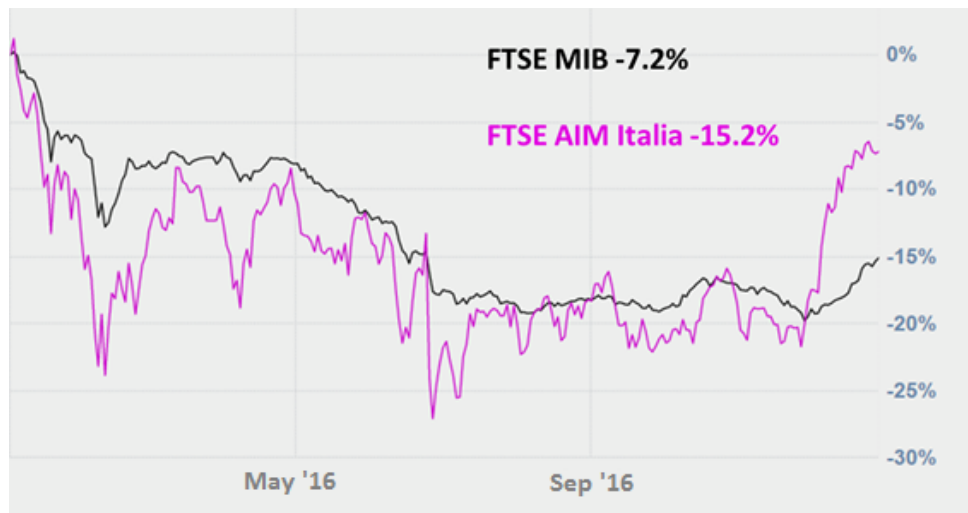


The share price declined 40% in 2016, greater than the AIM Italia market average of 15.2%, decreasing from Euro 4.87 at the beginning of the year to Euro 2.92 at December 30, while reaching a high of Euro 5.05 on February 23, immediately after the presentation of the FY15 preliminary results.

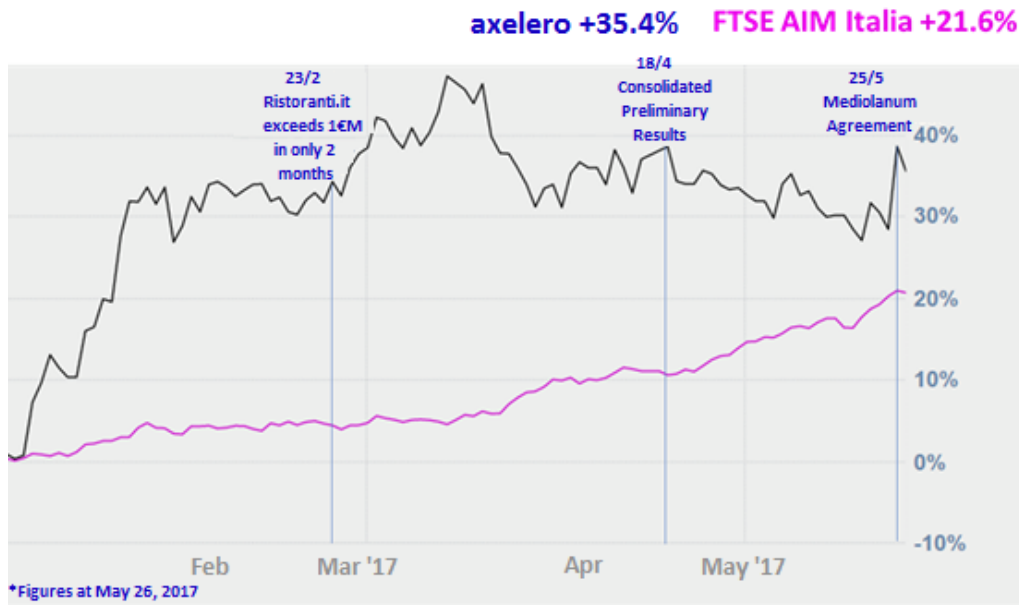
In subsequent months, the performance was particularly weak, with a low of Euro 1.86 reached on July 7, 2016 and the share price thereafter recovering after the presentation of the 2016 half-year results.

The performance in the first part of the year was impacted by low trading volumes, particularly in comparison to AIM market listed companies of similar capitalisation.

The following graph presents the performance of the FTSE MIB and FTSE AIM Italia during 2016:

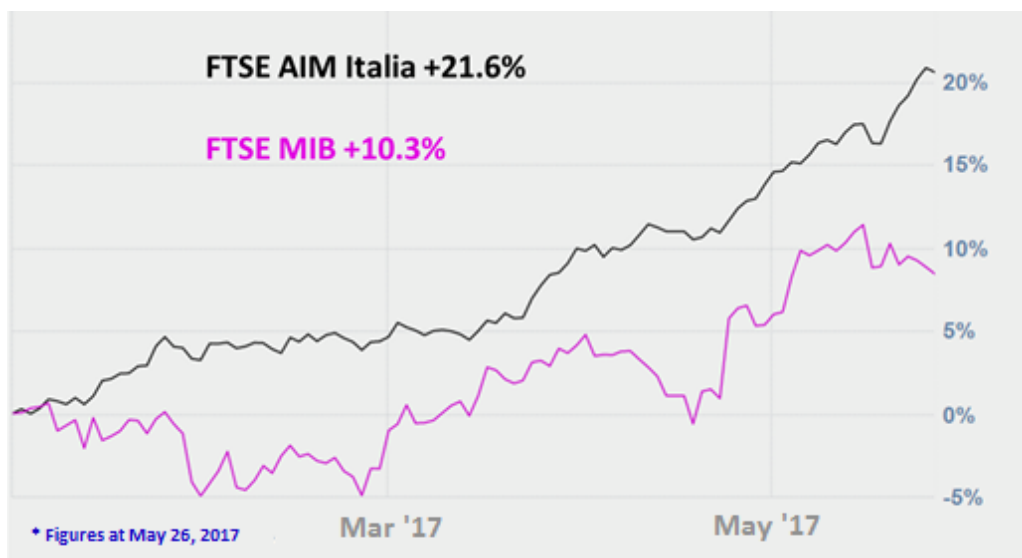


The following graph presents the performance of the share against the FTSE AIM Italia from the beginning of 2017 to May 26, 2017:



In the first five months of 2016 the share performed strongly - gaining 35.4% - with its turnaround outperforming also the market average (FTSE AIM Italia +21.6%). The share, which hit a high of Euro 4.298 on March 14, leaving behind the low at the beginning of the year of Euro 2.92, also saw daily trading volumes increase on 2016. The performance against the FTSE MIB was also good, which in the year to May 26 gained 10.3%.

The following Graph outlines the performance of the FTSE MIB and FTSE AIM Italia indices in the initial months of 2017:



## Reclassified consolidated income statement review:

*Euro thousands (management account):*

INCOME STATEMENT (Euro thousands)	2016	2015 IAS (a)	2015 Italian GAAP (b)
Value of production	45,976	19,403	20,004
Materials and services	-31,728	-11,447	-10,701
Personnel expenses	-5,194	-2,734	-3,256
Other operating charges	-729	-1,171	-1,255
<b>EBITDA</b>	<b>8,326</b>	<b>4,051</b>	<b>4,792</b>
Amortisation & depreciation	-1,053	-243	-902
Doubtful debt and other provisions	-4,512	-2,188	-2,188
<b>EBIT</b>	<b>2,761</b>	<b>1,620</b>	<b>1,702</b>
Financial income and charges	-231	-130	-54
Ajustments to financial assets	0	-99	-99
<b>Profit before taxes</b>	<b>2,529</b>	<b>1,391</b>	<b>1,549</b>
Income taxes	-1,207	-339	-315
<b>Group Net Profit</b>	<b>1,323</b>	<b>1,052</b>	<b>1,234</b>

Reference should be made to the Annex for the reconciliation between the 2015 figures according to Italian GAAP and the 2015 figures as per international accounting standards.

The Group's Consolidated Value of Production totalled Euro 45,976 thousand, up Euro 26,573 thousand on the 2015 comparable figure. The 2015 approved figures drawn up as per Italian GAAP (OIC) are provided also for comparison.

2016 EBITDA grew Euro 4,274 thousand on the comparable 2015 result, despite increased services (production and commercial) and personnel costs, thanks to the considerably bolstered organisation with the hiring of high profile middle managers and senior managers to lead axélero's development over the coming years.

The 2016 Profit Before Taxes improved Euro 1,139 thousand on the comparable 2015 result, despite increased risk provision accruals and financial charges related to the financial debt which emerged in 2016, compared to a net cash position in 2015 of Euro 7.4 million.

In further detail, the increase in the consolidated Value of Production is due to the significant rise in sales following the expansion of the commercial network and the launch of new products. In 2016, part of the product and services range was refreshed and new products developed for launch in 2017.

## Reclassified consolidated balance sheet review:

<b>BALANCE SHEET (Euro thousands)</b>	<b>2016</b>	<b>2015 IAS</b>
<b>Non-current assets</b>	<b>7,491</b>	<b>2,358</b>
Intangible assets	4,358	899
Property, plant & equipment	1,140	465
Other assets	1,993	994
<b>Current assets</b>	<b>53,149</b>	<b>28,789</b>
Trade receivables	47,794	17,663
Cash and cash equivalents	482	7,593
Other financial assets	39	39
Other assets	4,833	3,493
<b>Non-current liabilities</b>	<b>-7,712</b>	<b>-939</b>
Bank payables	-5,863	0
Financial payables	0	0
Provisions	-1,029	-790
Other liabilities	-821	-149
<b>Current liabilities</b>	<b>-28,696</b>	<b>-7,271</b>
Bank payables	-12,332	-254
Financial payables	-1,285	0
Trade payables	-8,038	-3,618
Other liabilities	-7,042	-3,399
<b>Net Capital Employed</b>	<b>24,231</b>	<b>22,937</b>
<b>Shareholders' Equity</b>	<b>24,231</b>	<b>22,937</b>

The increase in Intangible assets (net of accumulated amortisation) principally concerns:

- the development of new products and service issue systems, in addition to the optimisation and restructuring of company processes, utilising also in-house personnel.
- the recognition of goodwill concerning the acquisition of the investments in Privategriffe S.r.l. (formerly Privategriffe S.p.a., which was fully acquired in August 2016) and in Arreeba S.r.l. (acquisition of 51% majority holding at the end of December 2016).

Trade receivables reported a net increase of approx. Euro 30 million, relating to the significant improvement in the Value of Production. The sales model principally provides for the granting of unitary price 24 month payment extension deadlines to clients since July 2016 (previously 48 months).

The reduction in cash and cash equivalents follows the Group investments and absorption of working capital related to the increased Value of Production and the provision of commission advances to the sales network on new contracts signed. Also in this regard, the bank debt increased on the basis of the short and medium-term debt, in support of growth and the absorption of working capital.

Provisions include employee benefits (whose number rose significantly in 2016) and the risks provisions, as outlined in greater detail in the following Explanatory Notes.

Other non-current liabilities of Euro 821 thousand include for Euro 176 thousand deferred liabilities, whose 2015 comparable amount was zero, and for Euro 645 thousand the payable to the former Privategriffe shareholders, due beyond one year as per the acquisition contract signed by axélero.

In Current liabilities, payables to banks and other lenders increased (with recourse factoring operations), in addition to trade payables (net of advances to agents on commissions), following the negotiation of extended payment terms with other suppliers. Other liabilities, as outlined in greater detail in the following Explanatory Notes, include employee payables, deferred income and other payables.

Shareholders' Equity increased due to the consolidated net profit of Euro 1,323 thousand and a reduction in the IAS Reserve (for Euro 659 thousand), in addition to the effects on shareholders' equity of First Time Adoption (transfer to International Accounting Standards).

The net financial debt which at December 31, 2015 was a net liquidity position of Euro 7,378 thousand, at December 31, 2016 was Euro 18,958 thousand, with a total movement of Euro 23,336 thousand.

## Consolidated and separate net financial debt

The breakdown of the Group net financial debt at December 31, 2016 and December 31, 2015, in accordance with CONSOB Communication of July 28, 2006 and the ESMA/2011/81 recommendations is reported below:

### Consolidated net financial debt

<i>(in Euro)</i>	At December 31, 2016	At December 31, 2015
(A) Cash	(37,929)	(33,472)
(B) Other liquid assets	(444,161)	(7,559,282)
(C) Securities held-for-trading	-	-
<b>(D) Liquidity (A)+(B)+(C)</b>	<b>(482,090)</b>	<b>(7,592,754)</b>
<b>(E) Current financial receivables</b>	<b>(39,245)</b>	<b>(39,245)</b>
(F) Short-term financial payables	13,616,476	254,323
(G) Current portion of non-current loans	-	-
(H) Other current financial payables	-	-
<b>(I) Current debt (F)+(G)+(H)</b>	<b>13,616,476</b>	<b>254,323</b>
<b>(J) Net current financial debt (D)+(E)+(I)</b>	<b>13,095,142</b>	<b>(7,377,676)</b>
(K) Non-current bank payables	5,862,773	-
(L) Bonds issued	-	-
(M) Other non-current payables	-	-
<b>(N) Non-current financial debt (K)+(L)+(M)</b>	<b>5,862,773</b>	<b>-</b>
<b>(O) Net Financial Debt (J)+(N)</b>	<b>18,957,915</b>	<b>(7,377,676)</b>

### Separate net financial debt

<i>(in Euro)</i>	At December 31, 2016	At December 31, 2015
(A) Cash	(37,714)	(9,522)
(B) Other liquid assets	(388,323)	(7,251,610)
(C) Securities held-for-trading	-	-
<b>(D) Liquidity (A)+(B)+(C)</b>	<b>(426,037)</b>	<b>(7,261,132)</b>
<b>(E) Current financial receivables</b>	<b>(39,245)</b>	<b>-</b>
(F) Short-term financial payables	12,324,256	36,275
(G) Current portion of non-current loans	-	-
(H) Other current financial payables	1,284,786	-
<b>(I) Current debt (F)+(G)+(H)</b>	<b>13,609,042</b>	<b>36,275</b>
<b>(J) Net current financial debt (D)+(E)+(I)</b>	<b>13,143,760</b>	<b>(7,224,857)</b>
(K) Non-current bank payables	5,862,773	-
(L) Bonds issued	-	-
(M) Other non-current payables	-	-
<b>(N) Non-current financial debt (K)+(L)+(M)</b>	<b>5,862,773</b>	<b>-</b>
<b>(O) Net Financial Debt (J)+(N)</b>	<b>19,006,533</b>	<b>(7,224,857)</b>

The payable to the former Privategriffe shareholders totalling Euro 891 thousand was not included in the Consolidated and Separate Net Financial Debt and was recognised for Euro 246 thousand to current liabilities and for Euro 645 thousand to other non-current liabilities.

## Consolidated cash flow statement review:

	At December 31, 2016	At December 31, 2015
Net result from continuing operations	1,322,741	1,052,302
Net result from discontinued operations		
Net result	1,322,741	1,052,302
Amortisation & depreciation	1,053,257	242,853
Doubtful debt provision	4,511,577	2,188,110
Employee benefit provision	241,444	135,008
Write-down of investments	0	99,000
Risks provisions	0	429,920
Cancellation of non-cash items	0	0
Changes in deferred tax assets and liabilities	(874,473)	524,630
Share of profit/losses of associates & joint ventures	0	0
Write-down of non-current financial assets	0	0
Change in trade receivables	(34,642,532)	(14,184,855)
Change in other current assets	(86,494)	(46,469)
Change in tax receivables	(1,720,705)	(1,591,161)
Change in trade payables	4,420,498	2,291,113
Change in other payables	3,224,578	1,125,894
Change in employee benefit provision	19,168	(14,701)
Changes in risks provisions	(22,133)	0
Change in tax payables	880,252	(132,603)
<b>Cash flow from operating activities</b>	<b>(21,672,824)</b>	<b>(7,880,960)</b>
<b>Investing activities</b>		
Acquisition of tangible assets	(1,728,447)	(695,051)
Disposal of tangible assets	0	0
Acquisition of associates	0	(119,089)
Disposal of associates	20,089	0
Acquisition of non-current financial assets	0	(30,000)
Disposal of non-current financial assets	30,000	0
Acquisition of intangible assets	(2,224,627)	(383,612)
Disposal of intangible assets	0	0
Acquisition of minority interests		
Acquisition of subsidiaries	(1,233,970)	0
Acquisition of treasury shares	106,631	(54,546)
(Non-cash effects from merger by incorporation of subsidiaries)	(135,344)	0
(Other non-cash effects)	0	(13,600)
<b>Cash flow from investing activities</b>	<b>(5,165,669)</b>	<b>(1,295,898)</b>
<b>Financing activities</b>		
Financial payables	19,224,926	(586,400)
Dividends		
Share capital increase		
Share capital payments		
<b>Cash flow from financing activities</b>	<b>19,224,926</b>	<b>(586,400)</b>
<b>Change in cash and cash equivalents</b>	<b>(7,613,567)</b>	<b>(9,763,258)</b>
Cash and cash equivalents at beginning of year	7,592,754	18,529,863
<b>Cash and cash equivalents at end of the year</b>	<b>(20,813)</b>	<b>8,766,604</b>
Cash and cash equivalents at end of the year from BS	482,090	7,592,754
Cash and cash equivalents at end of the year from CF	(502,903)	1,173,851
Change in cash and cash equivalents from BS	(7,110,663)	(10,937,109)
Change in cash and cash equivalents from CF	<b>(7,613,567)</b>	<b>(9,763,258)</b>
	502,903	(1,173,851)

The Consolidated Cash Flow Statement reflects also for 2016 a significant absorption of working capital due to increased trade receivables (amounting to Euro 34,643), relating to the sales and customer unitary price payment extension policy applied, reduced to a maximum 24 months (from July 2016 - previously sales contracts permitted a maximum 48-month payment deadline).

In addition, investing activities absorbed Euro 5,163 thousand, with financial payables increasing 19,225 thousand due to the drawdown of bank loans and the use of lines for the advance of trade receivables collectable through SDD (former RID), as outlined in greater detail in the Explanatory Notes.

### Key Group performance indicators (in Euro thousands)

KPI's		2016	2015 IAS	2015 Italian GAAP
Sales	a	45,976	19,403	20,004
Operating income	b	2,761	1,620	1,702
Net profit	c	1,323	1,052	1,234
Capital employed	d	60,118	23,515	27,548
Operating payables	e	16,929	7,956	10,017
Financial payables/(receivables)	f	18,958	(7,378)	(7,378)
NE	g	24,193	22,937	24,909
<b>ROE (Return on Equity)</b>	<b>c/g</b>	<b>5.5%</b>	<b>4.6%</b>	<b>5.0%</b>
<b>ROI (Return on Investment)</b>	<b>b/d</b>	<b>4.6%</b>	<b>6.9%</b>	<b>6.2%</b>
<b>ROS (Return on sales)</b>	<b>a/c</b>	<b>2.9%</b>	<b>5.4%</b>	<b>6.2%</b>
<b>Debt/Equity ratio</b>	<b>f/g</b>	<b>0.78</b>	<b>n.a.</b>	<b>n.a.</b>
<b>Total payables/Equity ratio</b>	<b>(e+f)/g</b>	<b>1.48</b>	<b>0.03</b>	<b>0.11</b>

### Significant events in the year

As extensively described, 2016 featured significant investments and agreements:

- the hiring of talented employees to ensure the skills and connections needed to create and convert new opportunities;
- the extension and development of the commercial network, both in quantitative and qualitative terms. Sales network staff numbers are rising rapidly: from 334 at December 31, 2015 to over 400 at December 31, 2016;
- major process and IT system development investment, accompanied by company reorganisation, in support of growth, the extension of the range of solutions with more sophisticated and better performing products, the improvement of commercial results and the raising of pre and post-sales service levels;
- extensive product range innovation, in terms of reach and sophistication, with the introduction of, for example, all-inclusive packages including websites with immersive tours and augmented reality, and new Google AdWords, Youtube and Facebook advertising formats;
- launch of the Ristoranti.it product, a highly innovative catering and food delivery service enabling restaurants to create a mobile App. The technology is provided by Arreeba S.r.l., a company in which axélero acquired a 51% holding at the end of December 2016;

- agreement with International Accelerator, an international start-up accelerator based in Austin, Texas, with whom axélero is collaborating in order to source technology start-ups offering synergies with axélero's business model;
- full acquisition of Privategriffe S.r.l. (formerly Privategriffe S.p.a.) on August 4, 2016, an innovative e-commerce marketplace enabling consumers and boutiques to sell online second hand major brand fashion items and accessories, with access to support services (goods verification, logistics, payment), guaranteeing a top-quality product and user buying experience;
- axélero has also adopted from the present separate and consolidated financial statements IAS/IFRS Accounting Standards for the preparation of the financial statements, as previously outlined. The transfer to international accounting standards improves transparency and communication with international stakeholders. axélero S.p.a.'s international expansion requires a convergence of content and of the manner of presentation and measurement of the financial statements, in line with other international Groups.

## Outlook

axélero is a company experiencing significant growth and with an ability to read the market and anticipate the needs of current and potential customers: our strategic decision-making and operating and financial choices to date will ensure that we fully benefit from the opportunities available on the majorly-expanding SME market as it increasingly undergoes digitalisation.

In 2017, axélero S.p.A. therefore will essentially continue to focus on strengthening its capacity to penetrate the Italian market:

- further optimising the commercial network with highly trained and top performing agents;
  - adding a further digital solution with major competitive impact;
  - introducing process innovation technology;
  - further developing axélero operations
  - exploring commercial opportunities for Axél, the Artificial Intelligence platform launched in the past year.
- The company's strategic guidelines in addition target the launching of a new growth phase, potentially tackling international markets, with expansion into particularly interesting market segments (e.g. the Public Sector or the medium/large account segment) and improvement of the product and service range through proprietary technologies. This growth phase may involve corporate operations where the established requirements are met.

## Risks

### INTERNAL Risks

#### *Risks connected to dependence on key personnel*

The Group's success principally depends on winning skill sets and the abilities of employees and the sales network, which represent an intangible asset not to be found on the Company's balance sheet.

Dependence on key personnel has gradually been mitigated following the listing through the hiring of an outstanding top management team. The listing has given axélero major visibility, which has attracted highly skilled professionals, not only at a top line level but also to the sales network.

### *Risks relating to the sales network*

The Group's sales network proposes products and services to Clients and is an integral part of the commercial structure. This sales network is meticulously selected by leading headhunting firms, trained by internal personnel, supervised by the commercial department and significantly contributes to the commercial development of the Group. Any incapacity to increase the number of personnel, in addition to the loss of individual personnel or parts of the sales network (for example, in the case of transfer to competitor companies) may impact the operating structure and the growth prospects of the Group. In particular, where the Group may not extend and replace personnel in a timely manner with equally qualified personnel and suitable to ensure the same level of contribution and professionalism, repercussions may be felt in terms of operations and upon the Group's financial statements. In addition, as the sales network is a direct contact point between the Company and its Customers, also potential Customers, in the contact which occurs during the commercial visits of the sales network at the offices of Customers, erroneous or unfair commercial practices by the sales network may not be excluded (such as, for example purposes, the falsification of information concerning the Customers, the contracts, the products and services acquired and the prices, or the incorrect representation of the performance of the products or the services, or of the guarantees provided by the Company on the characteristics of products and services). Although the Company carries out systematic training and constantly verifies the satisfaction level of customers, also through the Customer Care Services of the Company, impacts in terms of disputes and a loss of customers may not be excluded, with possible repercussions for the financial statements and reputation of the Company.

## EXTERNAL Risks

### *Economic environment risks*

The Group currently operates exclusively in Italy and is therefore exposed to the risk that the recession in Italy may continue and/or return. The economic-financial crisis which hit the banking system and the financial markets at the end of 2008 impacted at the time the global economic-financial framework, resulting in, among other matters, a general contraction in consumption, difficulties in accessing credit, a reduction in financial market liquidity and heightened volatility. In addition, the crisis which hit the industrial sector and the market and the worsening of economic conditions, which resulted in a contraction in consumption and industrial production in Italy and in Europe, curtailed investments in the advertising sector in Italy. The advertising sector is historically linked to overall consumption, with growth in periods of economic expansion and contraction in periods of recession. Although the Group achieved positive results also during the crisis, it may not be excluded that, were the recession to continue or, once concluded, return to Italy, the operations and prospects of the Group may be impacted, in addition to the financial statements of the Group.

### *Risks related to competition*

The Company operates in a highly competitive and dynamic sector. The specific market segments in which it is engaged feature high levels of competition and a large number of operators.

The Group has limited its general sector competition risks through investing in its web products and services offer, in addition to outstanding employees possessing the key skills required by the Group.

These investments have set the group apart from the competition in terms of the range and the development and management of the commercial network.

However, the Group may encounter difficulties that prevent it from successfully competing in the sector against current or future competitors, through leveraging on its distinctive skill sets, and therefore impacting the market position, with consequent repercussions for operations and the Company's financial statements.

In addition, the Company may not exclude any unfair or aggressive competitive practices, undertaken, for example, to question the Group's reputation or its products and services (for example purposes: negative comments on forums or by competitor commercial networks, or through legal actions undertaken to hinder or slow the launch of products, or through employment offers to key commercial personnel), with possible impacts on operations and on the Group's financial statements.

### *Risks related to the obsolescence of the products and/or services offered by the Company and technological development:*

The market of services in which the company operates, i.e. Digital Marketing, features rapid and frequent technological innovation which requires the continuous updating and improvement of the products and services offered - which otherwise would become obsolete from a technological viewpoint, losing therefore their commercial potential. In particular, the success of the Group depends on the one hand on the capacity to continue to offer added value services which meet the needs of Clients and on the other the capacity of the Group to anticipate new products and/or services ahead of the competition.

Although the Group continuously monitors its sector in order to maintain its range of products and services updated to market demands, it may not be excluded that erroneous valuations, technical errors in new products or delays in their development and launch may have repercussions on the operations and prospects of the Group, impacting the financial statements of the Group. In addition, the Group may face heightened competition from emerging technologies and services introduced in the future. In order to maintain or further improve the competitive position, the Group has ensured, and continues to ensure, a quick response to technological changes and constantly develops the features of its services in order to respond to altered market demands. Despite this, any difficulties in undertaking new investments and/or adjusting in a timely manner to technological development and/or the introduction of a new technology, may impact the operations and the results of the Company, limiting therefore the market expansion strategy.

## FINANCIAL Risks

The financial risks to which the Group is exposed relate principally to interest rate fluctuations, the price of financial assets held in portfolio, the capacity of customers to meet their obligations towards the Group (credit risk) and the sourcing of funding on the market (liquidity risk).

The management of financial risks is a key part of Group operations and part of the more general risk management strategy set out by the Board of Directors.

### *Liquidity Risk*

Liquidity risks relates to the failure to source adequate funding to support investments required for business development and operations.

The funding acquired on IPO was employed in 2015 and the beginning of 2016 for investments and to cover increasing working capital demands, related to the rising Value of Production, as described in detail in preceding paragraphs. In order to meet liquidity needs, the parent company has access to loans, receivable advance lines (advances on trade receivables ahead of maturity) and with recourse and without recourse factoring lines and has reduced from July 2016 the payment terms granted to clients to a maximum 24 months. Despite this, any difficulty to source new funding and/or satisfy in a timely manner requirements related to the company sales model (the issue of commission advances on new sales orders and customer payment extensions) may impact the operations and the results of the Company, limiting therefore the market expansion strategy.

The principal factors which determine the liquidity situation of the Group are, on the one hand, the resources generated and absorbed by the operating and investment activities and on the other the maturity dates and the renewal of the payable or liquidity of the financial commitments and also market conditions.

The liquidity reserves at the reporting date are presented below:

<i>(Euro thousands)</i>	At December 31,	
	2016	2015
Cash and cash equivalents	521	7,559
Unutilised credit lines	2,297	1,628
<b>Total liquidity</b>	<b>2,818</b>	<b>9,187</b>

### *Credit risk*

The credit risks represent the exposure to potential losses deriving from the non-compliance of obligations by trading partners. The Group is engaged in a business which features a significant number of clients, distributed principally throughout Italy. Clients are granted a delay in the payment for services acquired through the signing of a contract, which principally provides for a recurring current account payment on a monthly basis through SDD (the former RID). Therefore, although the credit risk is not concentrated, the high volume of transactions generate a significant number of default positions, with the consequent need for an efficient and effective credit management system. The Group is implementing the necessary improvements to the credit recovery process, utilising also outside credit collection agencies and field collection. The risk exposure is managed through doubtful debt provisions in the financial statements, based on an analysis model by individual client. The current economic environment, with regard both to consumer stagnation and the difficulty to access credit, due to the increased unwillingness of banks to undertake risk positions, may in the future further increase customers defaults, with consequent possible impacts on operations and on the Group's financial statements.

### *Market risk*

#### - Interest rates

In terms of financial assets and liabilities, the company is principally exposed to market risk concerning interest rate movements on variable rate loans and on uses of liquidity which may impact the cost of debt and returns on liquidity.

#### - Currency risk

With regards to currency risk, the company principally operates within the Eurozone.

### *Legal disputes*

The Group is involved in civil and administrative proceedings and in legal actions related to normal operations. However, on the basis of the information currently available and considering the risk provisions allocated, no significant negative effects are expected from the outcome of these proceedings and actions.

## **Other information**

### *Human Resource Management*

Reference should be made to the Explanatory Notes which provides a breakdown of the workforce, which at December 31, 2016 numbered 157 (85 at December 31, 2015). Considering also personnel at the two subsidiaries entering the consolidation scope in 2016, personnel numbered 164.

The sales network increased from 334 at December 31, 2015 to over 400 at December 31, 2016.

### *Registered office and list of secondary offices*

The Group's registered office is in Milan, with operating offices in Milan, Rome and Monopoli (BA).

### *Privacy protection*

In accordance with Legislative Decree No. 196/2003 enacting the "Data Protection Code", the company has adopted the measures required for the protection of personal data, according to the terms and means indicated therein, with its management having been outsourced.

### *Research and development*

During the year, the Group undertook major Research and Development to extend the range of services and improve existing services and the service issue systems and to optimise processes, as outlined extensively in the paragraphs above.

### *Environmental Policy*

Production operations are not currently subject to specific sector regulations.

### *Self-Governance Code and Ethics Code*

The company adopted on April 18, 2017 a Self-Governance Code and an Ethics Code, although having initiated the preliminary analysis ahead of the procedures required for the adoption of an Organisation and Management model in line with Legislative Decree No. 231 of June 8, 2001.

### *Treasury shares*

On November 4, 2015, the Board of Directors of axélero S.p.A. approved the share buy-back programme of the Company, as approved by the Shareholders' Meeting of December 2, 2014 in accordance with Articles 2357 and 2357-ter of the Civil Code.

The total value of treasury shares acquired until June 1, 2016, the closure date of the treasury share acquisition plan, was Euro 122 thousand, for a total of 27,750 shares.

### *Significant shareholdings*

At the reporting date, no significant shareholdings were in place.

### *Shareholdings of directors, statutory auditors, general managers and key management personnel*

Shareholder	Office	No. of Shares	Percentage
Supernovae1 S.p.A.		8,419,356	61.90% *
Leonardo Cucchiarini	Chairman BoD and CEO	308,947	2.26%
Stefano Maria Cereseto	Executive Director	308,947	2.26%

\*Supernovae1 S.p.a. is held 5% by Beltempo S.r.l., a company owned by Giulio Valiante, an axélero S.p.a. director, with the remaining 95% held equally by Leonardo Cucchiarini (Chairman and Chief Executive Officer) and by Stefano Maria Cereseto, Executive Director.

## **Consolidated Financial Statements**

**CONSOLIDATED BALANCE SHEET**

ASSETS	NOTE	31/12/2016	31/12/2015
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	1 C	1,140,055	464,864
Investment property		0	0
Goodwill	2 C	1,233,971	0
Intangible assets	3 C	3,123,886	899,259
Investments in associates	4 C	0	20,089
Financial assets	4 C	0	30,000
Deferred tax assets	5 C	1,992,695	944,006
<b>TOTAL NON-CURRENT ASSETS</b>		<b>7,490,607</b>	<b>2,358,218</b>
<b>CURRENT ASSETS</b>			
Trade receivables	6 C	47,794,336	17,663,381
Cash and cash equivalents	7 C	482,090	7,592,754
Financial assets	8 C	39,245	39,245
Other assets	9 C	660,895	574,401
Tax receivables	10 C	3,465,844	1,745,139
Deferred tax assets	11 C	706,562	1,173,852
<b>TOTAL CURRENT ASSETS</b>		<b>53,148,972</b>	<b>28,788,771</b>
<b>TOTAL ASSETS</b>		<b>60,639,579</b>	<b>31,146,990</b>
<b>LIABILITIES</b>			
<b>31/12/2016</b>			
<b>31/12/2015</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		68,000	68,000
Reserves		18,733,512	18,626,881
IAS reserve		(659,047)	(659,047)
Retained earnings		4,728,073	3,848,749
Net Profit		1,322,741	1,052,302
<b>GROUP SHAREHOLDERS' EQUITY</b>	12 C	<b>24,193,278</b>	<b>22,936,885</b>
<i>Minority interest share</i>		37,634	0
<i>Net profit (loss) of minority interests</i>			0
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>24,230,912</b>	<b>22,936,885</b>
<b>NON-CURRENT LIABILITIES</b>			
Bank payables	13 C	5,862,773	0
Employee benefits	14 C	583,023	322,412
Provisions	15 C	445,853	467,986
Other liabilities	16 C	644,961	147,319
Deferred tax liabilities	17 C	175,592	1,376
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>7,712,203</b>	<b>939,093</b>
<b>CURRENT LIABILITIES</b>			
Bank payables and short-term loans	13 C	12,331,691	254,323
Current financial payables	13 C	1,284,786	0
Trade payables	18 C	8,038,044	3,617,546
Other payables and liabilities	16 C	5,604,167	2,877,232
Tax payables	16 C	1,402,164	521,911
Deferred tax liabilities	17 C	35,613	
<b>TOTAL CURRENT LIABILITIES</b>		<b>28,696,464</b>	<b>7,271,012</b>
<b>TOTAL LIABILITIES</b>		<b>36,408,667</b>	<b>8,210,105</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>60,639,579</b>	<b>31,146,990</b>

**CONSOLIDATED INCOME STATEMENT**

		2016	2015
<b>VALUE OF PRODUCTION</b>			
Revenue from sales and services	18 C	45,976,375	19,402,985
<b>TOTAL VALUE OF PRODUCTION</b>		<b>45,976,375</b>	<b>19,402,985</b>
<b>COSTS OF PRODUCTION</b>			
Raw materials, supplies, consumable stores and merchandise	19 C	(104,493)	(57,236)
Services	20 C	(31,623,158)	(11,389,830)
Rents, lease and similar		(589,287)	(350,154)
Personnel expenses	21 C	(5,193,835)	(2,733,560)
Amortisation, depreciation & write-downs			0
a) amortisation of intangible assets	22 C	(743,383)	(127,697)
b) depreciation of property, plant and equipment	22 C	(309,873)	(115,156)
c) other write-downs of non-current assets		0	0
d) write-downs of current assets	22 C	(4,511,577)	(2,188,110)
Change in inventories of raw materials, supplies and consumable stores		0	0
<b>TOTAL COSTS OF PRODUCTION</b>		<b>(43,075,606)</b>	<b>(16,961,742)</b>
Other operating income	23 C	299,235	156,127
Other operating charges	24 C	(439,099)	(977,086)
<b>OPERATING RESULT</b>		<b>2,760,906</b>	<b>1,620,284</b>
<b>FINANCIAL MANAGEMENT</b>			
Financial income	25 C	9,860	5,371
Financial charges	26 C	(241,299)	(135,747)
<b>TOTAL FINANCIAL INCOME AND CHARGES</b>		<b>(231,440)</b>	<b>(130,376)</b>
Revaluations of financial assets		0	0
Write-downs of financial assets	27 C	0	(99,000)
<b>TOTAL ADJUSTMENTS OF FINANCIAL ASSETS</b>		<b>0</b>	<b>(99,000)</b>
<b>PROFIT BEFORE TAXES</b>		<b>2,529,466</b>	<b>1,390,908</b>
Income taxes	28 C	(1,206,726)	(338,606)
<b>NET PROFIT</b>		<b>1,322,741</b>	<b>1,052,302</b>

**CONSOLIDATED COMPREHENSIVE INCOME STATEMENT**

		2016	2015
<b>NET PROFIT</b>		<b>1,322,741</b>	<b>1,052,302</b>
<b>Other comprehensive income statement items:</b>			
<i>Other comprehensive income/(charges) which may not be subsequently reclassified to profit/(loss) for the year, net of income taxes:</i>			
Actuarial profit/(loss) on employee benefits		(26,219)	(16,257)
Income taxes		6,293	4,470
<b>TOTAL</b>		<b>(19,926)</b>	<b>(11,787)</b>
<i>which may be subsequently reclassified to the profit/(loss) for the year, net of income taxes</i>			
Change in cash flow hedge fair value		(10,926)	
Income taxes		2,622	
<b>TOTAL</b>		<b>(8,304)</b>	<b>0</b>
<b>COMPREHENSIVE PROFITS AND LOSSES</b>		<b>1,294,511</b>	<b>1,040,515</b>
<b>Earnings per share</b>	29 C	<b>0.095</b>	<b>0.077</b>

**STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY**

	Share capital	Share premium reserve	Legal reserve	Other capital reserves	Treasury shares reserve	Retained earnings	Cash Flow Hedge Reserve	Financial instrument valuation reserve	FTA Reserve	Employee benefits	Total
<b>Balance at January 1, 2015</b>	68,000	18,662,236	6,200	12,991		3,862,349			(659,047)		21,952,729
Allocation of prior year result			13,600			(13,600)					-
Result for the year						1,052,302					1,052,302
<b>Other Comprehensive Income Statement items</b>											-
which may not be subsequently reclassified to profit/(loss) for the year										(11,787)	(11,787)
which may be subsequently reclassified to profit/(loss) for the year											
<b>Comprehensive profit</b>						1,052,302	-	-		(11,787)	1,040,515
Share capital increase											-
Other capital operations					(56,359)	-					(56,359)
Dividends											-
Change in consolidation scope											-
<b>Balance at December 31, 2015</b>	68,000	18,662,236	19,800	12,991	(56,359)	4,901,051	-	-	(659,047)	(11,787)	22,936,885

	Share capital	Share premium reserve	Legal reserve	Other capital reserves	Treasury shares reserve	Retained earnings	Cash Flow Hedge Reserve	AFS Reserve	FTA Reserve	Employee benefits	Total
<b>Balance at December 31, 2015</b>	68,000	18,662,236	19,800	12,991	(56,359)	4,901,051	-	-	(659,047)	(11,787)	22,936,885
Allocation of prior year result			78,502			(78,502)					-
Result for the year						1,322,741					1,322,741
<b>Other Comprehensive Income Statement items</b>											-
which may not be subsequently reclassified to profit/(loss) for the year										(19,926)	(19,926)
which may be subsequently reclassified to profit/(loss) for the year							(8,304)				
<b>Comprehensive profit</b>						1,322,741	(8,304)	-		(19,926)	1,302,815
Acquisitions of minority interests											-
Share capital increase											-
Other capital operations		65,253			(65,737)	-					(484)
Dividends											-
Change in consolidation scope						(37,634)					(37,634)
<b>Balance at December 31, 2016</b>	68,000	18,727,489	98,302	12,991	(122,096)	6,107,655	(8,304)	-	(659,047)	(31,713)	24,193,278

## **Consolidated Explanatory Notes**

***Accounting standards adopted for the preparation of the consolidated financial statements as at December 31, 2016.***

The Consolidated Financial Statements of axélero S.p.A. (hereafter the “Group” or “Axélero”) relating to the year ended December 31, 2016 were approved by the Board of Directors on May 29, 2016.

The Consolidated Financial Statements for the year ended December 31, 2016 are the first Consolidated Financial Statements prepared in accordance with IFRS international accounting standards; for comparative purposes, the Consolidated Financial Statements at December 31, 2015 were restated in accordance with IFRS International Accounting Standards as per the provisions of IFRS 1 First-Time Adoption of International Financial Reporting Standards; the transition date to IFRS was determined as January 1, 2015 (“Transition Date”).

IFRS includes all “International Financial Reporting Standards”, all “International Accounting Standards” (IAS), all interpretations of the International Reporting Interpretations Committee (IFRIC), previously called the Standards Interpretations Committee (SIC) which, at the approval date of the Consolidated Financial Statements, were endorsed by the European Union pursuant to EU Regulation No. 1606/2002 of the European Parliament and European Council of July 19, 2002.

Relating to the form of these financial statements, the Group opted for the following presentation of the financial statements:

- for the Balance Sheet, the “non-current/current” criterium was adopted;
- for the Income Statement, the costs reclassified by nature was adopted;
- for the Comprehensive Income Statement, the other gains and losses suspended under equity;
- for the changes in the consolidated shareholders’ equity, the statement illustrates separately the result for the period and all other changes which are not recorded through profit and loss but directly under equity;
- for the consolidated cash flow statement, the indirect method was adopted.

***Consolidation scope and criteria***

The Consolidated Financial Statements include the consolidated balance sheet, the consolidated income statement, the consolidated comprehensive income statement, the consolidated cash flow statement and the statement of changes in consolidated shareholders’ equity. The Group opted to prepare the comprehensive income statement which includes, in addition to the result for the period, also the changes to equity relating to income items which, in accordance with International Accounting Standards, are recognised under equity.

The Consolidated Financial Statements were prepared based on the financial statements of the parent company axélero S.p.A. and its subsidiaries, directly and indirectly held, approved by the respective shareholders’ meetings or executive bodies, appropriately adjusted in line with IFRS. Subsidiaries are fully consolidated from the date of acquisition, or rather the date in which the Group acquires control, and cease to be consolidated at the date in which the Group no longer has control. An entity may exercise control if it is exposed to or has the right to variable income streams, based on the relationship with the investee, and, at the same time, has the capacity to affect such income streams through the exercise of power over the investee.

Specifically, an entity is able to exercise control if, and only if, it has:

- Power over the investment entity (or holds valid rights which confer it the current capacity to control the significant activities of the investment entity);
- Exposure or rights to variable returns deriving from involvement with the investment entity;
- The capacity to exercise its power on the investment entity to affect its income streams.

When a company of the Group holds less than the majority of the voting rights (or similar rights) of an investee, it should consider all the facts and significant circumstances to establish whether control of the investment entity exists, including:

- Contractual agreements with other holders of voting rights;
- Rights deriving from contractual agreements;
- Voting rights or potential voting rights of the Group.

The Group reconsiders if it has control of an investee and if the facts and circumstances indicate that there have been changes in one or more of the three significant elements for the definition of control. The consolidation of a subsidiary begins when the Group obtains control and ceases when the Group loses this control. The assets, liabilities, revenues and costs of the subsidiary acquired or sold during the year are included in the comprehensive income statement from the date in which the Group obtains control until the date in which the Group no longer exercises control.

The result for the period and each of the other comprehensive income statement items are allocated to the shareholders of the parent company and minority shareholders, even if this implies that the minority shareholder investments have a negative balance. Where necessary appropriate adjustments are made to the financial statements of the subsidiaries, in line with the accounting policies of the Group. All assets and liabilities, shareholders' equity, revenues and costs, and inter-company cash flows relating to transactions between entities of the Group are completely eliminated on consolidation.

When the share in the equity held by the parent company changes, which does not result in a loss of control, this change must be recorded under equity.

If the Group loses control, it must:

- Eliminate the assets (including any goodwill) and the liabilities of the subsidiary;
- Eliminate the book value of all the minority shareholdings;
- Eliminate the cumulative translation reserve recorded in equity;
- Record the fair value of the amount received;
- Record the fair value of any holding maintained in the former subsidiary;
- Record the profit or loss in the income statement for the period;
- Reclassify the share of the parent company of any items previously recorded in the comprehensive income statement to the income statement or retained earnings, as required by specific accounting standards, as if the Group had directly sold the related assets or liabilities.

The following tables summarise all the information on the subsidiaries at December 31, 2016 relating to the company name, registered office, principal activities and direct and indirect Group holding.

<b>SUBSIDIARY COMPANIES</b>			
<b>Company</b>	<b>Activity</b>	<b>Registered office</b>	<b>Holding</b>
Arreeba S.r.l.	Digital services	Milan	51%
Privategriffe S.r.l.	IT Platform	Milan	100%

On August 4, 2016, axélero S.p.a. acquired 100% of Privategriffe S.r.l. (formerly Privategriffe S.p.a.) and on December 22, 2016 increased the investment in Arreeba S.r.l. to 51% of the share capital.

In relation to the subsidiaries included in the Consolidated Financial Statements, we recall that the merger by incorporation of the following companies was completed during the year:

- Originalitaly S.r.l. (held 100%);
- Shoppingdonna S.r.l. (held 100%);
- Professionisti S.r.l. (held 100%);
- ABCSalute S.r.l. (held 100%);

for which axélero maintained control until December 2016, the month of the operation's legal effect, with tax effects from January 1, 2016. For this reason, the accounting balances of the companies within the merger were transferred to the accounting balances for the year of the beneficiary axélero S.p.A.

### *Translation of financial statements expressed in currency other than the Euro and of accounts in foreign currency*

The Consolidated Financial Statements are presented in Euro, which is the operational currency of axélero S.p.A.

Transactions in foreign currency are initially recorded at the exchange rate (referred to the operative currency) at the transaction date. Monetary assets and liabilities in foreign currency are translated to the operative currency at the exchange rate at the reporting date. All the exchange differences are recorded in the consolidated income statement. Non-monetary items, valued at historical cost in foreign currency, are translated using the exchange rates on the date the transaction was first recorded.

## Accounting policies

### Plant and equipment and leasing: finance and operating leases

Plant and equipment are measured at purchase or production cost, net of accumulated depreciation and any loss in value. The cost includes the charges directly incurred for their utilisation and also includes financial charges where they comply with the provisions of IAS 23.

The expenses incurred for the maintenance and repairs of an ordinary nature are directly charged to the income statement when they are incurred. The capitalisation of costs relative to the expansion, modernisation or improvement of the structural elements, whether owned or leased, is solely made within the limits established to be separately classified as assets or part of an asset.

Plant and equipment held through finance lease contracts, where the majority of the risks and rewards related to the ownership of an asset have been transferred to the Group, are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, including any redemption amounts to be paid. The assets are depreciated applying the same criteria and rates previously indicated for the other tangible assets, except where the duration of the lease contract is lower than the useful life and there is not a reasonable certainty of the transfer of ownership of the asset at the normal expiry date of the contract; in this case, the depreciation is over the duration of the lease contract.

The leased assets, where the lessor bears the majority of the risks and rewards related to an asset, are recorded as operating leases. Costs related to operating leases are recognised on a straight-line basis over the duration of the lease.

Depreciation is charged on a straight-line basis, which depreciates the asset over its useful life.

The depreciation rates utilised for the individual plant and equipment categories applied by the Group based on their estimated useful lives are illustrated below:

Category	Rate
General and specific plant	15%
Minor equipment	15%
Office furniture	15%
EDP	33.33%

The useful life of plant and equipment and their residual value are reviewed and updated, where necessary, on the preparation of the financial statements.

### Business combinations

Business combinations are recorded in accordance with the purchase method (IFRS 3).

The identifiable assets acquired and liabilities assumed are measured at their respective fair values at the acquisition date. The consideration transferred in a business combination includes the fair value, at the acquisition date, of the assets and liabilities transferred and of securities issued by the Group, and the fair value of any potential payments and share-based payments recognised by the purchaser. If the business combination results in the extinction of a pre-existing relationship between the Group and the purchaser, the lower amount between the extinction value, as established by the contract, and the non-market value of the item is deducted from the consideration transferred and recorded under other costs.

A potential liability of the acquisition is assumed in a business combination only if this liability represents a present obligation which derives from past events and when its fair value may be reliably determined.

For every business combination, any minority holding is measured at fair value or in proportion to the amount held in the identifiable net assets of the acquisition.

The goodwill, which derives from the acquisition, is recorded as an asset and initially measured as the excess between the consideration transferred and the net value at the acquisition date of the identifiable assets acquired and identifiable liabilities assumed.

In the case of business combinations undertaken in a series of phases, the previous holding is remeasured at fair value at the acquisition date and any gain or loss is recorded to the consolidated income statement.

Costs related to the acquisition are recorded in the consolidated income statement in the period in which these costs are incurred and services received, with the sole exception for debt and equity securities issuance costs.

### **Intangible assets with indefinite useful lives**

#### *Trademarks*

Trademarks are considered assets with indefinite useful life and therefore are not subject to amortisation but to an impairment test on the carrying value of the assets in the financial statements in accordance with IAS 36.

#### *Goodwill*

Goodwill is calculated as the excess of the amounts transferred to the business combination, of the value of minority interests' net equity and the fair value of any holding previously held in the acquired company compared to the fair value of the net assets acquired and liabilities assumed at the acquisition date. If the value of the net assets acquired and the liabilities assumed at the acquisition date exceeds the sum of amounts transferred, of any minority interest and the fair value of any holding previously held in the acquired company, this excess is immediately recorded to the income statement as income.

After initial recognition, goodwill is measured at cost less any loss in value. Goodwill is considered an asset with indefinite useful life and therefore is not subject to amortisation but to an impairment test. For the purpose of impairment testing, goodwill acquired in a business combination must be allocated, from the acquisition date, to each of the Group's cash-generating units ("CGU's") which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the entity are assigned to those units. A reduction in the value of the goodwill is recorded when the recoverable value of the goodwill is lower than the carrying value. The recoverable value is the higher between the fair value of the CGU, less costs to sell, and its value in use. Goodwill may not be restated in subsequent years. When the reduction in value deriving from the test is higher than the value of the goodwill allocated to the CGU, the residual amount is allocated to the other assets included in the CGU, in proportion to their carrying value.

The impairment test is carried out in line with the provisions of IAS 36 and is therefore carried out at least annually, or whenever there is an indication of loss in value.

If the goodwill is allocated to a CGU and the Group sells part of the assets of this unit, the goodwill associated with the assets sold is included in the carrying amount of the assets when determining the gain or loss deriving from the sale. The goodwill associated to assets sold is calculated based on the relative values of the asset sold and the part maintained by the cash generating unit.

### Intangible assets with finite useful life

An intangible asset is a non-monetary asset, identifiable and without physical substance, controllable and capable of generating future economic benefits. These assets are recorded at purchase and/or production cost, including the costs of bringing the asset to its current use, net of accumulated amortisation, and any loss in value.

The costs incurred entirely for the development of new services and platforms constitute an intangible asset generated internally and are recorded under assets only when the following conditions are complied with:

- the cost allocated to the development activity is determined reliably,
- there is the intention, the availability of financial resources and the technical capacity to render the activity available for use or sale.
- it may be demonstrated that the asset is capable of producing future economic benefits.

The capitalised development costs include only those costs that are directly attributable to the development process of new products and services.

The finite intangible assets are amortised over the useful life of the asset and verified for any indications of loss in value. The amortisation period and the amortisation method of a definite intangible asset are reviewed at least at the end of each accounting period. The changes in the expected useful life or the method in which the future economic benefits will be realised are recorded through the change in the period or of the amortisation method, depending on the case, and are considered as changes in accounting estimates. The amortisation of finite intangible assets is recorded in the consolidated income statement under the category of costs relating to intangible assets.

The estimated useful life for the Group of the various categories of intangible assets is as follows:

Category	Useful life
Software, patents, concessions and licences	3-5 years
Development platform	3-5 years

The gains and losses deriving from the elimination of an intangible asset are measured as the difference between the net sales proceeds and the book value of the intangible asset, and are recorded in the consolidated income statement in the year in which they are eliminated.

### **Impairment of non-financial assets**

At the end of each year, the Group verifies the existence of indicators of loss in value of the assets. In this case, or in the cases where an annual verification of the loss in value is required, the Group makes an estimate of the recoverable value. The recoverable value is the higher between the fair value of the asset or cash generating unit, net of selling costs, and its value in use. The recoverable value is determined by individual asset, except when this asset generates cash flows which are not sufficiently independent from those generated by other assets or groups of assets. If the carrying amount of an asset is higher than its recoverable value, this asset has incurred a loss in value and is consequently written down to the recoverable value.

In the determination of the value in use, the estimated future cash flows are discounted by the Group at a pre-tax rate that reflects the market assessment of the present value of money and the risks specific to the asset. In the determination of the fair value net of selling costs, account is taken of recent market transactions. Where it is not possible to identify these transactions, an adequate valuation model is utilised. These calculations are made utilising appropriate valuation multipliers, listed equity prices for publicly traded securities and other fair value indicators available.

The Group bases its impairment test on detailed budgets and forecasts, prepared separately for each Group cash generating unit to which the individual assets were allocated. These budgets and forecasts generally cover a period of three or five years. In the case of longer periods, a long-term growth rate is calculated which projects the future cash flows beyond the third or fifth year.

The losses in value of operating assets, including the losses in value of inventories, are recorded in the consolidated income statement in the category of costs relating to those assets. An exception are fixed assets previously revalued, where the revaluation was recorded under other items of the comprehensive income statement. In this case, the loss in value is recorded under other items of the comprehensive income statement up to the amount of the previous revaluation.

For assets other than goodwill, at each reporting date, the Group evaluates the existence of indicators of a recovery (or reduction) in the loss in value previously recorded and, where these indicators exist, estimates the recoverable value of the asset or of the CGU. The value of an asset previously written down may be restated only if there have been changes in the assumptions used to determine the recoverable value, after the last recording of a loss in value. The recovery value cannot exceed the book value which would have been calculated, net of amortisation, where no such loss in value was recorded in previous years. This recovery is recorded in the consolidated income statement unless the fixed asset is recorded at a revalued amount, in which case the recovery is treated as a revaluation gain.

### **Investments in associates**

An associated company is a Company in which the Group exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an investee, however not exercising control or joint control.

The considerations in order to determine significant influence are similar to those necessary to determine control.

Group investments in associates are measured under the equity method.

Under this method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is increased or decreased to recognise the group's share of the profit or loss after the date of acquisition. Goodwill pertaining to associates is included in the carrying amount of the investment and is not subject to amortisation or an impairment test.

The consolidated income statement reflects the Group's share of the associate's result for the period. Any change to the other comprehensive income statement items concerning this investment are presented within the Group comprehensive income statement. In addition, if an associate records a change directly to equity, the Group records its share (where applicable) in the statement of changes in equity. Unrealised gains and losses from transactions between the Group and associates are eliminated in proportion to the share of the investment in the associate.

The aggregate share of the Group of the consolidated result of the associated companies is recorded in the consolidated income statement after the operating result and represents the result net of taxes and share of other shareholders of the associate.

The financial statements of the associates are prepared at the same reporting date as the Group financial statements. Where necessary, the financial statements are adjusted in line with the accounting policies of the Group.

Subsequent to the application of the equity method, the Group assesses whether it is necessary to recognise an impairment loss in associates. The Group at each reporting date assesses whether the investments in associates have incurred a loss in value. Where a loss arises, the Group calculates the amount of the loss as the difference between the recoverable value of the associate and the carrying value in the financial statements, recognising this difference in the consolidated income statement in the account "Result of associates".

On the loss of significant influence of an associate, the Group recognises the residual investment at fair value. The difference between the carrying amount of the investment at the date significant influence no longer exists and the fair value of the residual investment and the amount received is recognised to the income statement.

## Treasury shares

Treasury shares acquired are recorded at cost and as a reduction of shareholders' equity. The purchase, sale or cancellation of treasury shares does not give rise to any profit or loss in the income statement. The difference between the purchase price and the payment received, in the case of reissue, is recorded in the share premium reserve. In the case of the exercise of options on shares in the period, such are settled with treasury shares.

## Financial assets

### *Initial recognition and measurement*

On initial recognition, financial assets are classified in one of the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, available-for-sale financial assets, or under derivatives designated as hedging instruments, where the hedge is effective.

All financial assets are initially recognised at fair value, including transaction costs directly attributable to the acquisition, except for the financial assets at fair value through profit or loss.

The acquisition or the sale of a financial asset which requires the delivery within a pre-set period, generally established by regulations or market conventions (standardised sales or regular way trade), are recognised at the contract date, in other words the date in which the Group is committed to the purchase or sale of the asset.

### *Subsequent measurement*

Subsequently, the financial assets are classified in four categories:

- Financial assets at fair value through profit or loss;
- Loans and receivables;
- Held-to-maturity investments;
- Available-for-sale financial assets (AFS).

### **Financial assets at fair value through profit or loss**

This category includes financial assets held for trading and assets designated on first recognition as financial assets measured at fair value through profit or loss. Assets held for trading are all assets acquired to be sold in the short term. The derivatives, including embedded derivatives, are classified as financial instruments held for trading, unless they are designated as effective hedging instruments, as defined in IAS 39.

The Group has not classified any financial assets at fair value through profit or loss. The financial instruments at fair value through profit or loss are recorded in the balance sheet at fair value, while the changes in fair value are recorded under financial income or financial charges in the consolidated income statement.

Embedded derivatives contained in the host contract are recognised as separate derivatives and recorded at fair value, if the economic features and risks are not strictly related to that of the host contract, and this latter is not held for trading or recorded at fair value through profit or loss. These embedded derivatives are measured at fair value through profit or loss. A redetermination occurs only in the case of a change in the terms of the contract which significantly modify the cash flows otherwise expected or a reclassification of a financial asset to a category other than fair value through profit or loss.

### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments, not listed on an active market. After initial recognition, these financial assets are measured at amortised cost, utilising the effective interest rate criterion, less any impairment. The amortised cost takes into consideration all discounts or purchase premiums and includes commissions and transaction costs which are an integral part of the effective interest rate. The effective interest rate is recognised as financial income in the consolidated income statement. Write-downs from impairments are recognised as financial expenses in the consolidated income statement. This category normally includes trade receivables and other receivables.

**Held-to-maturity investments**

Financial assets which are not derivative instruments and which are characterised by payments of fixed or determinable maturity are classified as “held-to-maturity investments” when the Group has the intention and capacity to hold them in portfolio until maturity. After initial recognition, financial investments held until maturity are measured at amortised cost, utilising the effective interest rate method, less any impairment. The amortised cost takes into consideration all discounts or purchase premiums and includes commissions and transaction costs which are an integral part of the effective interest rate. The effective interest rate is recognised as financial income in the consolidated income statement. Write-downs are recognised as financial expenses in the consolidated income statement.

The Group did not hold this type of investment at December 31, 2016.

**AFS financial assets**

AFS financial assets includes equity and debt securities. The equities classified as available for sale are those which were not classified as held for trading, or designated at fair value through profit or loss. The debt securities in this category are those held for an indefinite period and those which may be sold for liquidity needs or changed market conditions. This category also includes investments in companies other than subsidiaries and associates.

After initial recognition, the AFS financial assets are measured at fair value (if determinable in a reliable manner) and the unrealised gains and losses are recognised under other items of the comprehensive income statement in the Assets available for sale reserve, until the derecognition of the investment - when the cumulated gains and losses are recorded under other operating income or charges - or a loss in value is determined - when the cumulated loss is reversed from the reserve and reclassified in the consolidated income statement under financial expenses. The interest received in the period in which the AFS financial assets are held are recognised under financial income utilising the effective interest rate method. The Group assesses whether the capacity and the intention to sell the AFS financial assets in the short term is still appropriate. Where, in rare circumstances, the Group is not able to trade these financial assets due to inactive markets, it may choose to reclassify these financial assets if management has the capacity and the intention to maintain these assets in the foreseeable future or until their maturity.

For the financial assets reclassified outside of the available for sale category, the gains or losses previously recorded are amortised in the income statement based on the residual life of the investment, utilising the effective interest rate. The difference between the new amortised cost and the expected cash flows is amortised over the residual useful life of the asset applying the effective interest rate. If the asset is subsequently written down, the amount recorded under equity is reclassified in the consolidated income statement.

### *Derecognition*

Financial assets (or, where applicable, part of a financial asset or part of a group of similar financial assets) are derecognised firstly (e.g. eliminated from the balance sheet) when:

- the rights to receive cash flows from the asset are extinguished.
- the Group has transferred to a third party the right to receive the cash flows of the asset or has assumed the contractual obligation to pay entirely and without delay and (a) has substantially transferred all of the risks and rewards of ownership of the financial asset, or (b) has not substantially transferred all of the risks and rewards of the asset, but has transferred control.

Where the Group has transferred the rights to receive the cash flows of an asset or has signed an agreement under which to maintain the contractual rights to receive the cash flows of a financial asset, but assumes a contractual obligation to pay the cash flows to one or more beneficiaries (pass-through), they shall assess if and to what extent they have maintained the risks and rewards relating to ownership. Where they have neither transferred or maintained substantially all of the risks and rewards or have not lost control, the asset continues to be recorded in the financial statements of the Group up to the amount of its residual holding in the asset. In this case, the Group also recognises an associated liability. The assets transferred and the associated liabilities are measured in order to reflect the rights and obligations maintained by the Group.

### *Loss in value of financial assets*

The Group at each reporting date assesses whether a financial asset, or group of financial assets, has incurred a loss in value. A loss arises when after initial recognition one or more events occurs (when a "loss event" occurs) which has an impact on the estimated future cash flows of the financial asset or group of financial assets which may be reliably estimated. The indications of a loss in value may include when a debtor or a group of debtors are in financial difficulty, are incapable of meeting obligations, incapable or delayed in paying interest or in making important payments, where administration procedures or other financial restructurings are probable, or where observable data indicates a measurable decrease in the estimated future cash flows, such as changes in markets and economic conditions due to the emergence of a financial crisis.

For the financial assets recognised at amortised cost, the Group initially assess whether a loss in value exists for each significant individual financial asset, or collectively for the financial assets not individually significant. In the absence of indications of loss in value of a financial asset valued individually, whether it is significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and this group is assessed for loss in value collectively. The assets considered individually in the determination of the loss in value, and for which a loss is recorded or maintained, are not included in the collective valuation of the loss in value.

The amount of any loss in value identified is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows (excluding the expected future losses in receivables which have not yet occurred). The present value of the cash flows is discounted at the original effective interest rate of the financial asset.

The carrying amount of the asset is reduced through the recording of a write-down provision and the amount of the loss is recorded in the consolidated income statement. Interest income (recorded under financial

income in the consolidated income statement) continues to be estimated on the reduced carrying amount and is calculated applying the interest rate utilised to discount the future cash flows for the purposes of the valuation of the loss in value. The loans and the relative write-down provisions are reversed when there are no reasonable prospects of a future recovery and the guarantees have been realised and transferred to the Group. If, in a subsequent year, the amount of the estimated write-down increases or decreases based on an event after the recognition of the write-down, this write-down is increased or decreased adjusting the provision. If an asset reversed is subsequently recovered, the recovered value is credited to the consolidated income statement as a reduction of the financial expenses.

In relation to the value of an asset or a group of AFS financial assets, the Group assesses at each reporting date whether they have incurred a loss in value.

In the case of equity instruments classified as available for sale, an objective indication would include a significant or prolonged reduction in the fair value of the instrument under its cost price. The term "significant" is assessed in relation to the original cost of the instrument and the term "prolonged" in relation to the period in which the fair value is maintained under the original cost. Where there is evidence of a reduction in value, the cumulative loss - measured as the difference between the purchase cost and the current fair value, less the losses for the reduction in value of those financial assets recorded previously in the consolidated income statement - is reversed from the other items of the comprehensive income statement and recorded in the consolidated income statement.

The losses in value of equity instruments are not written back to the income statement; the increases in their fair value subsequent to the reduction in value are recorded directly in the comprehensive income statement. For debt instruments classified as available for sale, the write-down is determined in accordance with the same criteria utilised for the financial assets recorded at amortised cost. However, the amount of the write-down derives from the cumulated loss, in other words the difference between the amortised cost and the current fair value, less any loss in value on the investment previously recorded in the consolidated income statement.

Future interest income continues to be estimated based on the reduced carrying amount of the asset and is estimated using the interest rate utilised to discount the future cash flows for the purposes of the determination of the write-down. Interest income is recorded under financial income. If, in a subsequent period, the fair value of the debt instrument increases and the increase may be objectively correlated to an event after the write-down which was recorded in the consolidated income statement, this write-down is also adjusted through the consolidated income statement.

### **Cash and cash equivalents**

Cash and cash equivalents includes cash, bank current accounts and deposits on demand and other highly liquid short-term financial investments, readily convertible into cash, transferable into cash within 90 days from the original acquisition date, and without a significant risk of a change in value.

### **Financial liabilities**

#### **Recognition and initial measurement**

Financial liabilities are classified, on initial recognition, under financial liabilities at fair value through profit or loss, as loans and borrowings or as derivatives designated as hedging instruments.

All financial liabilities are initially recognised at fair value in addition, in the case of loans, borrowings and payables, directly attributable transaction costs.

The financial liabilities of the Group include trade payables and other payables, loans and borrowings, including bank overdrafts, guarantees granted and derivative financial instruments.

#### **Subsequent measurement**

The measurement of the financial liabilities depends on their classification, as described below:

#### **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss are liabilities held for trading and those initially designated as financial liabilities at fair value through profit or loss.

The liabilities held for trading are all those incurred for their resale in the short-term period. This category also includes derivative financial instruments underwritten by the Group which are not designated as hedging instruments as defined by IAS 39. The embedded derivatives are classified as financial instruments held for trading, unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the consolidated income statement. Financial liabilities are designated at fair value through profit or loss from the date of first recognition, only when in compliance with the criteria as per IAS 39.

#### **Financial liabilities**

After initial recognition, the financial liabilities are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liability is settled and through the amortisation process.

The amortised cost is calculated taking into consideration all discounts or purchase premiums and includes commissions and transaction costs which are an integral part of the effective interest rate. The interest is recognised under financial expenses in the consolidated income statement.

#### **Financial guarantee liabilities**

Financial guarantee liabilities issued by the Group are contracts which require a specific payment to reimburse the holder of a debt security against a loss incurred following non-compliance of the debtor in the payment at the scheduled contractual maturity date. Financial guarantee contracts are initially recognised as a liability at fair value, increased by the directly attributable transaction costs to the issue of the guarantee. After initial recognition, the liability is measured at the higher of the best estimate of the expenditure required

to settle the present obligation at the reporting date and the amount initially recognised, less accumulated amortisation.

### **Derecognition**

A financial liability is derecognised when the underlying obligation of the liability is extinguished, settled or cancelled. If an existing financial liability is replaced by another by the same lender but under substantially different conditions, or if the conditions of an existing financial liability are substantially changed, such a swap or change is treated as an elimination of the original liability and the opening of a new liability, with any differences in accounting values recorded in the income statement.

### **Offsetting of financial instruments**

A financial asset and liability may be offset and the net balance recorded in the balance sheet, if there exists a legal right to offset the amounts recognised and the intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### **Trade and other payables**

Trade and other payables are initially recognised at fair value, net of directly allocated accessory costs, and subsequently recorded at amortised cost, using the effective interest rate. When there is a change in the expected cash flows, the value of the liabilities is recalculated to reflect this change, based on the new present value of the expected cash flows and on the internal yield initially determined.

### **Employee benefits**

Employee provisions paid on or subsequent to the employment period principally refer to post-employment benefit provisions (TFR), in accordance with Article 2120 of the Civil Code. TFR represents a defined benefit plan, or rather a programme for benefits subsequent to the employment period which constitutes a future obligation and for which the Group is responsible for the actuarial risks and relative investments. In accordance with IAS 19R, the Group utilises the Projected Unit Credit Method to determine the present value of its obligations and related current service cost; this method requires the utilisation of objective and compatible actuarial assumptions on demographic (mortality rate, staff turnover rate) and financial (discount rate, future salary increases) variables. All the actuarial gains and losses are immediately recorded in the comprehensive income statement as per IAS 19R.

Following the pension law reform, from January 1, 2007, the Post-employment benefits matured are allocated to pension funds or to the INPS treasury fund for enterprises with more than 50 employees or, in the case of companies with less than 50 employees, may remain in the company in a similar manner as prior to the pension law reform. With the allocation of the maturing benefit to the pension funds or the INPS fund, part of the maturing benefit is classified as a defined contribution plan as the obligation of the company is exclusively represented by the payment of the contributions to the pension fund or to the INPS fund. The liability relating to the prior benefits matured continues to represent a defined benefit plan measured according to actuarial assumptions.

Through actuarial valuations, the interest cost is recorded under "Other financial income/(expenses)" which relates to the notional charge that the company would incur through requesting from the market a loan similar to the employee leaving indemnity and the current service costs are recorded under "personnel expense" which defines the amount of the rights matured in the year by employees which have not

transferred to the pension funds the amounts matured before January 1, 2007, The actuarial gains and losses which reflect the effects deriving from the changes in the actuarial assumptions utilised are recorded directly in equity without recognition in the income statement and are shown in the comprehensive income statement.

### **Provisions for risks and charges**

Provisions for risks and charges are recorded to cover known or likely losses or liabilities, the timing and extent of which are not known with certainty at the reporting date. They are recorded only where a present obligation exists (legal or implicit) for a future payment resulting from past events and it is probable that the obligation will be settled. This amount represents the best estimate of the costs required to settle the obligation. The rate used in the determination of the present value of the liability reflects the current market values and the specific risk associated to each liability.

If the financial effect of the period is significant and the payment dates of the obligations can be reliably estimated, the provisions are valued at the present value of the expected payment, utilising a rate which reflects market conditions, the change in the cost of money in the period and the specific risk related to the obligation. The increase in the value of the provision from changes in the cost of money in the period is recognised as a financial expense.

Possible risks that may result in a liability are disclosed in the notes on potential liabilities without any provision.

### **Non-current assets held-for-sale or distribution to the owners and discontinued operations**

The Group classifies non-current assets and disposal groups as held for sale or for distribution to the owners when the carrying value will be recovered principally through a sales operation or distribution, rather than through their continual use. Non-current assets and disposal groups classified as held-for-sale or for distribution to the owners are measured at the lower of the carrying amount and their fair value less selling costs or of distribution. The costs of distribution are the additional costs directly attributable to the distribution, excluding financial expenses and income taxes.

The condition for the classification as held for distribution exists only when the distribution is highly probable and the asset or disposal group is available for immediate distribution in its current conditions. The actions required to conclude the distribution should indicate that it is improbable that significant changes may take place in the distribution or that the distribution may be cancelled. Management must be committed to the distribution, whose completion must be expected within one year from the date of the classification. Similar considerations apply also for the assets and disposal groups held for sale.

Depreciation of plant and machinery and amortisation of intangible assets ceases when these are classified as held-for-sale or for distribution to the owners.

Assets and liabilities classified as held-for-sale or for distribution to the owners are presented separately under current assets and liabilities in the balance sheet.

A disposal group qualifies as a discontinued operation if it is:

- A business unit of the Group which represents a CGU or a group of CGU's.
- Classified for sale or for distribution to the owners or was already disposed in this manner.
- An important independent activity or geographic area.

The operations subject to the disposal are excluded from the result from continuing operations and are presented in the consolidated income statement in a single line as “Net profit/(loss) from discontinued operations”.

### **Share-based payments**

The Group recognises additional benefits to some directors, executives, managers, consultants and employees through Stock Option Plans. As per IFRS 2 - Share-based payments - these are considered as “equity settlement” share-based plans; therefore, the total amount of the present value of the Stock Options at the grant date is recorded in the income statement as a cost. Subsequent changes in the present value to the grant date do not have an effect on the initial value. The remuneration cost, corresponding to the present value of the options at the grant date, is recognised under personnel expenses on a straight-line basis over the vesting period with counter-entry recorded to equity.

### **Revenue recognition**

#### *Provision of services*

Revenues concerning the provision of services are recognised based on the effective state of completion of the service at the reporting date and are recorded net of discounts and premiums. Specifically, advertising revenues are recognised based on the effective provision of the service.

### **Recognition of costs**

Costs are recognised on the acquisition of the goods or service. Commission expenses of the sales network relating to a new contract are recorded in the income statement simultaneously and correlated to the recognition of the revenue from the service sold and based on the provision of the service.

### **Income taxes**

Current taxes and tax benefits for the year are measured at the amount expected to be paid or received from the tax authorities. The tax rates and regulations used to calculate such amounts are those issued or substantially in force at the reporting date of the financial statements, in the countries in which the Group operates and generates its assessable income. Current income taxes relating to items recorded directly in net equity are also recorded directly to equity and not to the consolidated income statement. Management periodically assesses the positions assumed in the income tax returns where the fiscal regulations are subject to interpretations and, where appropriate, record appropriate provisions.

Deferred taxes are calculated using the liability method on temporary differences at the reporting date between the fiscal values of the assets and liabilities and the corresponding values in the financial statements.

Deferred tax liabilities are recorded on all temporary assessable differences, with the following exceptions:

- when the deferred tax liabilities derive from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, has no effects on the result in the financial statements or on the fiscal result;
- the reversal of the temporary assessable differences, related to investments in subsidiaries and associates, can be controlled, and it is probable that such will not occur in the foreseeable future.
- Deferred tax assets are recognised on all temporary deductible differences, credits and unused fiscal losses carried forward, to the extent of the probable existence of adequate future tax profits, that can justify the use of the temporary deductible differences, credits and fiscal losses carried forward, with the following exceptions:
  - when the deferred tax assets related to the temporary deductible differences derives from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, has no effects on the result in the financial statements or on the fiscal result;
  - in the case of temporary deductible differences related to investments in subsidiaries and associates, the deferred tax assets are only recognised to the probable extent that the temporary differences will reverse in the foreseeable future and the existence of adequate future tax profits, that can justify the use of the temporary deductible differences.

The deferred tax assets, including those relating to losses carried forward, for the portion not offset by deferred tax liabilities, are only recognised to the probable extent of adequate future tax profits. The deferred taxes are calculated utilising the tax rates which are expected to be applied in the years when the temporary differences will be realised or settled, based on the tax rates in force or substantially in force at the reporting date.

The carrying value of deferred tax assets is reviewed at each reporting date and reduced to the extent it is unlikely that sufficient tax profits will be available in the future, so that some or all of the asset may be used. Unrecognised deferred tax assets are reviewed at each reporting date and are recognised to the extent of the probability that the tax profit is sufficient to permit such deferred tax assets to be recovered.

Current and deferred income taxes are recorded in the income statement, except those relating to accounts directly credited or debited to equity, in which case the fiscal effect is recognised directly to equity. Taxes are offset when the income tax is applied by the same fiscal authority and when there is a legal right of compensation.

## Earnings/(loss) per share

### *Basic*

The earnings/(loss) per share is calculated by dividing the result of the Group by the weighted average number of ordinary shares outstanding during the year, excluding any treasury shares.

### *Diluted*

The diluted earnings/(loss) per share is calculated by dividing the result of the Group by the weighted average number of ordinary shares outstanding during the year, excluding any treasury shares. In order to calculate the diluted earnings per share, the average weighted number of shares outstanding is adjusted in respect of the dilution potential of ordinary shares, while the profit or loss of the Group is adjusted to take into account the effects, net of income taxes, of the conversion.

## Discretionary valuations and significant accounting estimates

The preparation of the Consolidated Financial Statements in accordance with IFRS require the Directors to apply accounting principles and methods that, in some circumstances, are founded on valuations and estimates based on historical experience and assumptions which are from time to time considered reasonable and realistic under the relative circumstances. The application of these estimates and assumptions impact upon the amounts reported in the financial statements and on the disclosures. The final outcome of the accounts in the financial statements which use the above-mentioned estimates and assumptions may differ from those reported in the financial statements due to the uncertainty which characterises the assumptions and the conditions upon which the estimates are based.

The accounting policies utilised by the Group which require greater subjectivity by the Directors in the preparation of the estimates and for which a change in the underlying conditions or the assumptions may have a significant impact on the financial results of the Group are briefly described below.

### **Goodwill**

Goodwill is subject to an impairment test on an annual basis. The reduction in value is recorded as a write-down when the net book value of the cash generating unit to which the asset is allocated is higher than the recoverable value (defined as the higher value between the value in use and the fair value of the asset). The verification of the value requires the directors to make valuations based on the information available within the Group and from the market, as well as historical experience. In addition, when it is determined that there may be a potential reduction in value, the Group determines this through using the most appropriate technical valuation methods available. The same verifications of value and the same valuation techniques are applied on the intangible and tangible assets with a definite useful life when there are indications that the recovery of the relative net book value through its use may be difficult. The correct identification of the indicators of the existence of a potential reduction in value and the estimates for their determination depends on factors which may vary over time, impacting upon the valuations and estimates made by the directors.

### **Doubtful debt provision**

The doubtful debt provision reflects the directors estimate on losses on the client portfolio. This estimate is based on the expected losses by the Group, based on past experience for similar receivables, current and historic amounts overdue, careful monitoring of the credit quality and projections on economic and market conditions.

### **Deferred tax assets**

The accounting of the deferred tax assets is made on the basis of the expectations of future tax profits to recover the asset value. The evaluation of the expected tax profits in order to record the deferred tax asset depends upon factors which may change over time and result in significant effects on the recovery of the asset.

### **Provisions for risks and charges**

Provisions are recorded against the legal and tax risks deriving from findings against the Group. The value of the provisions recorded in the financial statements relating to these risks represents the best estimate at that date made by the directors. This estimate results in the adoption of assumptions concerning factors which may change over time and which may, therefore, have significant effects compared to the present estimates made by the directors for the preparation of the Group financial statements.

### **Changes of accounting policies, new accounting standards, changes of estimates and reclassifications**

The nature and impact of the new accounting standards and amendments are described below. Although these new standards and amendments were applied for the first time in 2016, they had no material impact on the financial statements of the Group.

#### *Amendments to IAS 19 Defined benefit plans: contributions by employees*

IAS 19 requires an entity to consider, in the recognition of defined benefit plans, the contributions of employees or of third parties. When the contributions relate to the provision of the service, they should be allocated to the service period as negative benefits. This amendment clarifies that if the amount of contributions is independent from the number of years of service, the entity may recognise these contributions as a reduction of the service cost in the period in which the service is provided, rather than allocate the contribution to the service periods. This change applies to financial years beginning February 1, 2015 or subsequently. This amendment is not significant for the Group.

#### *Amendments to IAS 27 : Equity Method in Separate Financial Statements*

The amendments will allow entities to use the equity method to measure investments in subsidiaries, joint-ventures and associates in their separate financial statements. The entities which already apply IFRS and decide to change the accounting policy to the equity method in their separate financial statement must apply the change retrospectively. The amendments are effective for the periods beginning January 1, 2016 and thereafter; advance application is permitted. The Group does not intend to avail of this option.

#### *2010-2014 annual improvement cycle*

These amendments are effective for the periods beginning January 1, 2016 and thereafter. They include:

*IFRS 5 Non-current assets held for sale and discontinued operations*

The assets (or disposal groups) are generally disposed through sale or the distribution to shareholders. The amendment clarifies that the change from one of these disposal methods to the other should not be considered as a new disposal plan, but a continuation of the original plan. There is therefore no interruption in the application of the requirements of IFRS 5. This amendment must be applied prospectively.

*IFRS 7 Financial Instruments: Disclosure*

The amendment clarifies that a servicing contract which includes a remuneration may involve continuous involvement in a financial asset. An entity must define the nature of the remuneration and the agreement based on the guidance contained in IFRS 7 in relation to continuous involvement to evaluate whether disclosure is required. The definition of which servicing contract involves continuous involvement must be made retrospectively. In any case, the disclosure required must not be presented for the years prior to the first application of this change.

The amendment clarifies that the disclosure on remuneration is not required for condensed interim financial statements, unless such provides significant additional information to that presented in the most recent annual financial statements. This amendment must be applied retrospectively.

*IAS 19 Employee Benefits*

The amendment clarifies that the active market (market depth) of high quality corporate bonds must be defined in relation to the currency in which the bond is denominated, rather than the country in which the bond is located. When an active market is not identified for the high quality corporate bonds in this currency, the relative interest rate linked to government securities must be utilised. This amendment must be applied prospectively.

*Amendments to IAS 1 Disclosure Initiative*

The amendments to IAS 1 Presentation of financial statements clarifies, rather than significantly amending, some requirements of the existing IAS 1. The amendments clarify:

- The requirement of materiality in IAS 1
- The fact that specific lines in the consolidated income statement or the comprehensive income statement or in the balance sheet may be disaggregated.
- That the entities possess flexibility in relation to the order in which the notes are presented.
- That the other items in the comprehensive income statement relating to associates and joint ventures recorded utilising the equity method must be presented on an aggregated basis on a single line, and classified under items which will not be subsequently reclassified to the income statement.

In addition, the amendments clarify the requirements applied when the sub-totals are presented in the consolidated income statement or the comprehensive income statement or in the balance sheet. These amendments are effective for the periods beginning January 1, 2016 and thereafter; advance application is permitted. No impact is expected on the Group following the application of these amendments.

### *Amendments to IFRS 10, IFRS 12 and to IAS 28 Investment Entities: Applying the Consolidation Exception*

The amendments concern the issues arising in the application of the exemption relating to investment entities as per IFRS 10. The amendments to IFRS 10 clarify that the exemption from the presentation of consolidated financial statements applies to a parent in turn controlled by an investment company, when the investment entity measures all its subsidiaries at fair value.

In addition, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity which is not in turn an investment entity and which provides support services to the investment entity is consolidated. All the other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 permit the investor to maintain, in the application of the equity method, the fair value measurement applied by the associates or joint ventures of an investment entity in the measurement of its investments in subsidiaries. These amendments must be applied retrospectively for the periods which begin on January 1, 2016 and thereafter; advance application is permitted.

No impact is expected on the Group following the application of these amendments.

### *IAS 34 Interim financial statements*

The amendments clarify that the disclosure required in interim financial statements should be presented or incorporated through cross-reference between the interim financial statements and the part of the interim financial report in which it is included (for example the Directors' Report or the comment upon risk's report).

The disclosure presented in the interim financial report must be available for the reader under the same terms and timeframe as the interim financial statements. This amendment must be applied retrospectively.

No impact is expected on the Group following the application of these amendments.

### **Standards issued but not yet in force**

The standards and interpretations which at the date of the preparation of the Group consolidated financial statements were issued but not yet in force are reported below. The Company will adopt the following standards when they enter into force.

### *IFRS 9 Financial instruments*

In July 2014, the IASB published the final version of IFRS 9 Financial Instruments which replaces IAS 39 Financial Instruments: Recognition and measurement and all the previous versions of IFRS 9. IFRS 9 combines all three aspects relating to the accounting of financial instruments: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for periods beginning January 1, 2018 and thereafter; advance application is permitted.

With the exception of the hedge accounting, retrospective application is required of the standard, but it is not obligatory to disclose comparative information. In relation to the hedge accounting, the standard is generally applied in prospective manner, with some limited exceptions.

The Group will adopt the new standard from the date it enters into force. The Group does not expect significant impacts on its financial statement and net equity.

### *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and introduces a new model in five steps which will be applied to revenues from contracts with customers. IFRS 15 provides for the recognition of revenues for an amount which reflects the payment which the entity considers to have the right to in exchange for the transfer of goods or services to the customer.

The new standard will replace all the current requirements of IFRS in terms of revenue recognition. The standard is effective for the periods beginning January 1, 2018 and thereafter, with full retrospective application. Earlier application is permitted.

The Group expects to apply the new standard from the date of obligatory application, utilising the full retrospective application method. Based on the assessments made on the 2016 activities, a significant impact is not expected from the application of this standard. However, in consideration of the fact that the Group is increasing its services to its clients, it cannot be excluded that this could generate more significant impacts in future years.

### *IAS 7 Disclosure Initiative – Amendments to IAS 7*

The amendments to IAS 7 Cash Flow Statement are part of the Disclosure Initiative of the IASB and requires an entity to provide additional information which permits the readers of the financial statements to assess the changes in the liabilities related to financing activities, including whether these changes relate to cash flows or non-monetary changes. On the initial application of this amendment, the entity is not required to present comparative information relating to previous periods. These amendments are effective for the periods beginning January 1, 2017 and thereafter; advance application is permitted. The application of these amendments will require the Group to provide additional disclosure.

### *Amendments to IAS 12 - Income taxes*

The IASB clarified how deferred tax assets should be recorded relating to unrealised losses on debt instruments measured at fair value. The amendments will be effective from January 1, 2017.

## Standards not yet endorsed by the European Union

At the reporting date, the European Union had not yet completed its endorsement process for the following standards and amendments:

### *IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2*

The IASB issued amendments to IFRS 2 Share-based payments which concern three principal areas: the effects of a vesting condition on the measurement of a cash-settled share-based payment; the classification of an equity-settled share-based payment settled net of withholding tax obligations; the accounting where a change in the terms and conditions of an equity-settled share-based payment changes its classification from cash-settled to equity-settled.

On its adoption, the entities must apply the amendments without restating the previous years, but the retrospective application is permitted if chosen for all three of the amendments and other criteria are satisfied. These amendments are effective for the periods beginning January 1, 2018 and thereafter; advance application is permitted. The Group is assessing the impact of the application of these amendments on the consolidated financial statements.

### *IFRS 14- Regulatory Deferral Accounts*

On January 30, 2014, the IASB published IFRS 14 - Regulatory Deferral Accounts, the interim standard relating to the project concerning regulated activities. In order to improve comparability with entities which already apply IFRS and which do not include account items deriving from rate regulations, the standard requires that the effect of these particular accounts must be presented separately from other accounts. IFRS 14 permits, only for those adopting IFRS for the first time, the continued recognition of these assets and liabilities according to the previous accounting standards adopted. The standard is effective from January 1, 2016. This standard did not have any impact for the Group.

### *IFRS 16-Leasing*

On January 13, 2016, the IASB published the new IFRS 16 Leasing standard. This replaces IAS 17 and provides accounting representation methods which more appropriately reflect the nature of leasing in the financial statements. The new IFRS 16 is applicable from January 1, 2019, although advance application is permitted for companies applying also IFRS 15-Revenue from contracts with Customers. The Group is still assessing the impact from the adoption of the new standard on the balance sheet and financial position. Based on the provisional analysis currently being finalised the most important impacts related to the contracts refer to: buildings; motor vehicles; EDP.

The Group estimates that the adoption of the new standard will not result in significant impacts on the financial position and earnings.

### 2014-2016 annual improvement cycle

The “2014-2016 annual improvement cycle”, not yet endorsed, containing amendments, essentially of a technical and editorial nature, of international accounting standards. The principal clarifications relate to IFRS 1, IAS 28 and IFRS 12. It is not expected that these improvements will impact on the financial position of the Group.

## Notes to the main balance sheet and income statement accounts

### Non-current assets

#### *Property, plant and equipment (Note 1 C)*

“Property, plant and equipment” amounts to Euro 1,140 thousand at December 31, 2016 (Euro 465 thousand at December 31, 2015), as illustrated below:

Euro	At December 31, 2016			At December 31, 2015		
	Historic cost	Acc. deprec.	Net value	Historic cost	Acc. deprec.	Net value
Plant and Machinery	8,400	-1,147	7,253	3,450	-259	3,191
Equipment						
Other assets	1,502,732	-369,930	1,132,802	594,515	-132,842	461,673
Assets in progress and advances						
<b>Total plant and equipment</b>	<b>1,511,132</b>	<b>-371,077</b>	<b>1,140,055</b>	<b>597,965</b>	<b>-133,101</b>	<b>464,864</b>

We report that at December 31, 2016 and 2015 there were no fixed assets of the Group subject to guarantees in favour of third parties and there were no indications of losses in value of plant and machinery during the year.

The movements in property, plant and equipment in 2016 were as follows:

	At December 31, 2015	Increases	Change to consol. scope	Deprec.	At December 31, 2016
Plant and Machinery	3,191	4,950	0	-371	7,770
Equipment					
Other assets	461,673	963,130	14,412	-306,930	1,132,285
Assets in progress and advances					
<b>Total plant and equipment</b>	<b>464,864</b>	<b>968,080</b>	<b>14,412</b>	<b>-307,301</b>	<b>1,140,055</b>

Capex in the year relates to “other assets” and concern for Euro 615 thousand structural fixed assets (PC’s, mobile telephones, servers) for the technology provided to new hires and the sales network and for Euro 348 thousand reclassifications from leasehold improvements.

## ***Intangible assets***

Intangible assets at December 31, 2016 amount to Euro 4,358 thousand and comprise for Euro 1,234 thousand indefinite useful life assets (goodwill) and for Euro 3,124 thousand definite useful life assets.

The details of these assets are illustrated below.

### ***Intangible assets with indefinite useful life – Goodwill (Note 2 C)***

The intangible assets with indefinite useful life at December 31, 2016 comprise the goodwill relating to the investments of Privategriffe S.r.l. (formerly Privategriffe S.p.a.) and Arreeba S.r.l..

The following table shows the movements in Intangible assets with indefinite useful life:

<i>Euro</i>	<b>At January 1, 2016</b>	<b>Increases</b>	<b>Decreases</b>	<b>Write- downs</b>	<b>At December 31, 2016</b>
Goodwill	0	1,233,971			1,233,971
<b>Total intangible assets with indefinite useful life</b>	<b>0</b>	<b>1,233,971</b>			<b>1,233,971</b>

The goodwill refers to the excess between the acquisition value and the fair value of the assets and liabilities acquired of the company Privategriffe S.r.l. (formerly Privategriffe S.p.a.) for 100% and of the company Arreeba S.r.l. for 51%.

The value of the goodwill relating to Privategriffe S.r.l. amounts to Euro 1,052 thousand, while the value of the goodwill relating to Arreeba S.r.l. amounts to Euro 182 thousand.

The acquisitions were made respectively on August 4, 2016 and December 22, 2016.

The recognition of the goodwill was made based on the valuations of management in consideration of the development projects and implemented by the companies acquired.

The recoverable value attributed to the businesses acquired was determined as the purchase cost which represents a good approximation of the fair value in consideration of the recent acquisitions.

### ***Intangible assets with finite useful life (Note 3 C)***

The intangible assets with finite useful live amount to Euro 3,124 thousand at December 31, 2016 (Euro 899 thousand at December 31, 2015). The movements in the year are due to increases of Euro 3,225 thousand, net of decreases of Euro 509 thousand and amortisation for the year of Euro 743 thousand.

The historic cost, accumulated amortisation and the net book value of Intangible assets at December 31, 2016 and December 31, 2015 are detailed in the following table:

<i>Euro</i>	At December 31, 2016			At December 31, 2015		
	Historic cost	Acc. amort.	Net value	Historic cost	Acc. amort.	Net value
Software, patents, concessions and licences	645,083	-364,832	<b>280,251</b>	637,928	-247,423	<b>390,505</b>
Development platform	2,297,834	-625,974	<b>1,671,860</b>			<b>0</b>
Other intangible assets			<b>0</b>			<b>0</b>
Assets in progress	1,171,775		<b>1,171,775</b>	508,753		<b>508,753</b>
<b>Total intangible assets</b>	<b>4,114,692</b>	<b>-990,806</b>	<b>3,123,886</b>	<b>1,146,681</b>	<b>-247,423</b>	<b>899,258</b>

The movements in intangible assets during the year are shown in the table below:

<i>Euro</i>	At January 1, 2016	Increases	Change to consolidation scope	Decreases	Amortisation	At December 31, 2016
Software, patents, concessions & licences	390,505	3,204	3,951		-117,409	<b>280,251</b>
Development platform	0	2,059,634	238,200		-625,974	<b>1,671,860</b>
Other intangible assets						<b>0</b>
Assets in progress	508,753	1,171,775		-508,753		<b>1,171,775</b>
<b>Total intangible assets</b>	<b>899,258</b>	<b>3,234,613</b>	<b>242,151</b>	<b>-508,753</b>	<b>-743,383</b>	<b>3,123,886</b>

The principal investments by the Group refer to:

- Euro 2,060 thousand, which refer for Euro 568 thousand to the capitalisation, with the favourable opinion of the Board of Statutory Auditors, of the costs incurred for the development of the new management systems and for Euro 509 thousand to the reclassification from assets in progress and advances, of the costs recorded at December 31, 2015 and relating to the capitalisation of personnel costs involved in the research and development of new products and technological platforms developed internally; for this latter, together with the costs incurred in the first half of 2016 (Euro 983 thousand), amortisation commenced during the year 2016.
- Euro 1,172 thousand refers to the capitalisation, with the favourable opinion of the Board of Statutory Auditors, of the personnel costs involved in the study and design of the new range of products including mysuite, axel, new services platform development, workflow production and customer care and retention project.

The personnel costs capitalised were valued based on the effective hourly cost of each employee, in relation to the hours worked on the projects.

The directors assessed that there were no matters, facts and/or circumstances which could indicate permanent loss in value.

The balance at December 31, 2016 includes changes in the consolidation scope totalling Euro 238 thousand, attributable almost entirely to the platform ristoranti.it developed by the subsidiary Arreeba Srl.

### ***Investments in associates (Note 4 C)***

The breakdown of the Investments in associates at December 31, 2016 is as follows:

<i>Euro</i>	<b>At December 31, 2016</b>	<b>At December 31, 2015</b>
Arreeba S.r.l.	0	20,089
<b>Total Investments in associates</b>	<b>0</b>	<b>20,089</b>

The reduction is due to the reclassification of the investment held in Arreeba S.r.l. which is now a subsidiary of the company.

### ***Deferred tax assets (Note 5 C)***

Non-current deferred tax assets amount to Euro 1,993 thousand compared to Euro 942 thousand at the end of the previous year, as shown below:

	Balance 2016	Reversal P&L	Rate adjustment	Provisioned in year	From change in consolidation scope	Balance 2016
Non-current through profit or loss (deferred tax)	118,228	-	15,047	1,082,778	-	1,185,959
Non-current not through profit or loss (from IAS transition)	823,318	-	64,253	-	47,671	806,736
	<b>941,546</b>	<b>-</b>	<b>79,300</b>	<b>1,082,778</b>	<b>47,671</b>	<b>1,992,695</b>

The value of the non-current deferred tax assets recorded through the income statement, amounting to Euro 1,186 thousand in 2016, is attributable to:

- for Euro 1,083 thousand the deferred tax asset recorded on the doubtful debt provisions of the company axélero S.p.A.
- for Euro 103 thousand the deferred tax asset recorded on the risks provision recorded in the year 2015.

The value of the non-current deferred tax assets not recorded through the income statement, amounting to Euro 807 thousand, is attributable to the deferred tax assets deriving from the application of international accounting standards (IAS/IFRS).

## **Current assets**

### ***Trade receivables (Note 6 C)***

Trade and other receivables amount to Euro 47,794 thousand compared to Euro 17,663 thousand at the end of the previous year, as shown below:

<i>Euro</i>	<b>At December 31, 2016</b>	<b>At December 31, 2015</b>
Trade receivables and invoices to be issued	55,678,109	22,255,719
Doubtful debt provision	(7,883,773)	(4,592,338)
<b>Total trade receivables</b>	<b>47,794,336</b>	<b>17,663,381</b>

Receivables are recorded net of the doubtful debt provision which represents the reasonable estimate of the loss in value identified against specific risks of non-collectability, identified on the receivables recorded in the

accounts. For further information and comments in relation to the quality of the receivables, reference should be made to the paragraph “Financial risk management policy”. There were no receivables due beyond five years.

The increase in trade receivables is mainly due to the significant increase in the Value of Production (more than doubling on 2015) and the introduction of a maximum 24-month settlement period in July 2016 (within 48 months for contracts agreed up to July 2016).

The doubtful debt provision concerns specific credit positions with specific risks in order to reflect their realisable value. The doubtful debt provision takes into account both specific evaluations of the credit risk relating to the individual debtor positions and the recovery actions implemented by the Group for “difficult” positions. The movement in the doubtful debt provision during the year is shown below:

<i>Euro</i>	At December 31, 2016	At December 31, 2015
Opening provision	(4,592,338)	(2,404,228)
Increases	(4,511,560)	(2,188,110)
Utilisation/Releases	1,220,124	
Change in consolidation scope		
<b>Doubtful debt provision</b>	<b>(7,883,774)</b>	<b>(4,592,338)</b>

The table below shows the breakdown on an annual basis of the due dates of the trade receivables, on the basis of the contractual instalment plans.

	2017	2018	2019	2020	2021
% receivables due	36.27%	30.87%	23.27%	9.28%	0.31%

### ***Cash and cash equivalents (Note 7 C)***

The breakdown of Cash and cash equivalents is as follows:

<i>Euro</i>	At December 31, 2016	At December 31, 2015
Bank and postal deposits	444,161	7,559,282
Cash	37,929	33,472
<b>Total cash and cash equivalents</b>	<b>482,090</b>	<b>7,592,754</b>

The balance of Cash and cash equivalents, entirely denominated in Euro, represents the liquidity available at the reporting date.

Cash and cash equivalents at December 31, 2016 are not subject to any restrictions.

### ***Financial assets (Note 8 C)***

Financial assets at December 31, 2016 amount to Euro 39 thousand and concern an insurance policy with Assicurazioni Generali S.p.A., in place from the previous year.

### ***Other current assets (Note 9 C)***

The breakdown of Other current assets is as follows:

<i>Euro</i>	<b>At December 31, 2016</b>	<b>At December 31, 2015</b>
Tax receivables	315,028	306,613
Advances to suppliers	195,327	61,242
Prepayments and accrued income	150,541	206,546
<b>Total other current assets</b>	<b>660,896</b>	<b>574,401</b>

Other receivables principally concern guarantee deposits provided to the factoring company against without recourse receivables, made in the past by Abcsalute S.r.l. and Originalitaly S.r.l. for Euro 155 thousand. These receivables may be offset with the account other payables to the factoring company for Euro 147 thousand recorded under: other non-current liabilities, in consideration of the fact that the relationship has discontinued.

Advances to suppliers relate to payments made, in particular to hotels, airlines and restaurants, for which tax documentation has not yet been received, with consequent recognition of the cost and allocation of the invoices to be received from suppliers.

Prepayments and accrued income relate to income and charges accounted for on an accruals basis, irrespective of the date of payment or receipt.

### ***Tax receivables (Note 10 C)***

Tax receivables amount to Euro 3,466 thousand, compared to Euro 1,745 thousand at December 31, 2015.

The account mainly relates to the VAT receivable generated in 2016 for Euro 2,516 thousand and the residual VAT receivable for the year 2015 of Euro 509 thousand.

### ***Deferred tax assets (Note 11 C)***

Current deferred tax assets amount to Euro 706 thousand, compared to Euro 1,174 thousand at the end of the previous year, as illustrated below:

	Balance 2016	Reversal P&L	Rate adjustment	Provisioned in year	From change in consolidation scope	Balance 2016
Current through profit or loss (deferred tax)	1,173,852	-	364,250	-	103,040	-
	<b>1,173,852</b>	<b>-</b>	<b>364,250</b>	<b>-</b>	<b>103,040</b>	<b>-</b>
						<b>706,562</b>
						<b>706,562</b>

The value of the non-current deferred tax assets not recorded through the income statement, amounting to Euro 707 thousand, is attributable to the deferred tax assets calculated on the doubtful debt provision, net of the utilisations, made in previous years.

## Liabilities

### Shareholders' equity (Note 12 C)

#### Changes in shareholders' equity for the year ended December 31, 2016

The main changes during the year are shown in the table below.

	Share capital	Share premium reserve	Legal reserve	Other capital reserves	Treasury shares reserve	Retained earnings	Cash Flow Hedge Reserve	Financial instrument valuation reserve	AFS Reserve	FTA Reserve	Employee benefits	Total	Minority interest equity before net profit	Total
<b>Balance at January 1, 2015</b>	68,000	18,662,236	6,200	12,991		3,862,349				(659,047)		21,952,729	-	21,952,729
Allocation of prior year result			13,600			(13,600)						-	-	-
Result for the year						1,052,302						1,052,302		1,052,302
<b>Other Comprehensive Income Statement items</b>														
which may not be subsequently reclassified to profit/(loss) for the year											(11,787)	(11,787)		(11,787)
which may be subsequently reclassified to profit/(loss) for the year														-
<b>Comprehensive profit</b>						1,052,302	-	-			(11,787)	1,040,515	-	1,040,515
Share capital increase												-		-
Other capital operations					(56,359)	-						(56,359)		(56,359)
Dividends												-		-
Change in consolidation scope												-		-
<b>Balance at December 31, 2015</b>	68,000	18,662,236	19,800	12,991	(56,359)	4,901,051	-	-	(659,047)	(11,787)		22,936,885	-	22,936,885

	Share capital	Share premium reserve	Legal reserve	Other capital reserves	Treasury shares reserve	Retained earnings	Cash Flow Hedge Reserve	AFS Reserve	FTA Reserve	Employee benefits	Total	Minority interest equity before net profit	Total
<b>Balance at December 31, 2015</b>	68,000	18,662,236	19,800	12,991	(56,359)	4,901,051	-	-	(659,047)	(11,787)	22,936,885	-	22,936,885
Allocation of prior year result			78,502			(78,502)					-	-	-
Result for the year						1,322,741					1,322,741		1,322,741
<b>Other Comprehensive Income Statement items</b>													
which may not be subsequently reclassified to profit/(loss) for the year											(19,926)	(19,926)	(19,926)
which may be subsequently reclassified to profit/(loss) for the year							(8,304)						-
<b>Comprehensive profit</b>						1,322,741	(8,304)	-		(19,926)	1,302,815	-	1,302,815
Acquisitions of minority interests											-	-	-
Share capital increase											-	-	-
Other capital operations		65,253			(65,737)	-					(484)		(484)
Dividends											-		-
Change in consolidation scope						(37,634)					(37,634)	37,634	-
<b>Balance at December 31, 2016</b>	68,000	18,727,489	98,302	12,991	(122,096)	6,107,655	(8,304)	-	(659,047)	(31,713)	24,193,278	37,634	24,230,912

The share capital is composed of 13,600,000 shares.

The cash flow hedge reserve, amounting to Euro 8 thousand, relates to the negative fair value of the derivative instrument hedging loans.

The breakdown of distributable and non-distributable amounts is illustrated below:

Nature/description	Amount	Poss. of utilisation	Quota available*
Share capital	68,000	B	68,000
Legal reserve	98,302	A,B	98,302
Share premium reserve	18,727,489	A,B,C	18,727,489
Other reserves	12,991	A,B	12,991
Retained earnings	6,107,655	A,B,C	6,107,655
FTA Reserve	-659,047		-659,047
IAS reserve	-40,017		-40,017
Treasury shares reserve	-122,096		-122,096
<b>Total Group NE</b>	<b>24,193,278</b>		<b>24,193,278</b>
Non-distributable amount	1,000,453		1,000,453
Residual distributable amount	23,192,825		23,192,825

(\*) A: for share capital increase; B: for coverage of losses; C: for distribution to shareholders

### Reconciliation of Net Equity and Net Result for the year

The table below summarises the reconciliation between the result and the shareholders' equity of Axélero S.p.A. as per the separate financial statements and the respective amounts of the Group as per the consolidated financial statements:

(in Euro)	2016 Result	SE 2016
<b>Axélero S.p.A.</b>	<b>1,204,123</b>	<b>24,046,073</b>
IFRS result of the subsidiaries and difference between carrying amount and shareholders' equity	-292,283	184,839
Reversal of write downs and losses on investments	174,232	
Consolidation differences allocated to intangible assets, net of tax effect		
Other	236,669	0
<b>Axélero Group</b>	<b>1,322,741</b>	<b>24,230,912</b>

### Current and non-current bank and other borrowings (Note 13 C)

The breakdown of non-current bank and other borrowings at December 31, 2016 and 2015 is as follows:

(in Euro)	At December 31, 2016	At December 31, 2015
Bank payables	(5,862,773)	-
Other lenders	0	-
<b>Total non-current bank payables and other lenders</b>	<b>(5,862,773)</b>	<b>-</b>

The current bank payables include both bank overdrafts and current portion of the loans.

<i>(in Euro)</i>	At December 31,	
	2016	At December 31, 2015
Bank payables	(12,331,691)	(254,323)
Other lenders	(1,284,786)	0
<b>Total current bank payables and other lenders</b>	<b>(13,616,476)</b>	<b>(254,323)</b>

Other borrowings refer to the payables to MBfacta Spa (formerly Creditech Spa), relating to the value of the future instalments on the contracts ceded with recourse.

The table below shows the composition of the Group bank loans at December 31, 2016:

<i>(in Euro)</i>	At December 31, 2016									
	Issuing credit institution	Type of loan	Interest rate	Original amount	Year of drawdown	Maturity date	Book value	Within 1 year	Between 1 and 5 years	Beyond five years
INTESA SAN PAOLO	Unsecured	Euribor 3M + spread 1.5	2,000,000	2016	2021	2,000,000	367,146	1,632,854	-	-
BANCA SELLA	Unsecured	Euribor 3M + spread 1.40	2,000,000	2016	2020	2,000,000	563,250	1,436,750	-	-
UNICREDIT	Unsecured	Euribor 3M + spread 1.85	2,000,000	2016	2021	1,776,079	389,528	1,386,551	-	-
UBI POP. DI BERGAMO	Unsecured	Euribor 3M + spread 1.35	1,000,000	2016	2017	801,362	801,362	-	-	-
CARIGE	Unsecured	Euribor 6M + spread 1.6	500,000	2016	2019	500,000	98,413	401,587	-	-
CREDITE AGRICOLE	Unsecured	Euribor 3M + spread 1.3	1,000,000	2016	2020	1,000,000	246,343	753,657	-	-
CREDEM	Unsecured	Fixed 1.1	500,000	2016	2018	500,000	248,627	251,373	-	-
<b>Total loans from banks</b>			<b>9,000,000</b>			<b>8,577,441</b>	<b>2,714,668</b>	<b>5,862,773</b>	<b>-</b>	<b>-</b>

The Group has not provided guarantees on movable or immovable fixed assets in relation to the loans above.

The Group has never undertaken loans in currencies other than the Euro.

### Provisions for risks and charges (Note 15 C)

The breakdown and the changes in the provision for risks and charges at December 31, 2016 and 2015 is shown in the table below:

<i>(in Euro)</i>	At January 1, 2016	Provisions	Utilisation/Releases	Other changes	At December 31, 2016
Provision for disputes	429,920	38,066	-33,062	10,929	445,853
<b>Total provisions for risks and charges</b>	<b>429,920</b>	<b>38,066</b>	<b>-33,062</b>	<b>10,929</b>	<b>445,853</b>

The provision for the year of Euro 38 thousand relates to the former company Shoppingdonna Srl merged by incorporation into axélero Spa on January 1, 2016. This provision was already prudently accrued for future potential liabilities and was partially utilised during 2016.

The provision was accrued prudently in 2015 for future potential liabilities concerning charges related to the commercial network.

### Employee provisions (Note 14 C)

The account includes the Post-employment benefit provision relating to employees of the companies of the Group, pursuant to Article 2120 of the Civil Code, discounted in accordance with the provisions of IAS 19R, as described in paragraph 1 of the present document in relation to the Accounting Policies adopted in the preparation of the consolidated financial statements at December 31, 2016 and 2015.

The table below shows the changes in the post-employment benefits for the year ended December 31, 2016 and 2015:

<i>(in Euro)</i>	At January 1, 2015	Service cost	Interest cost	Advances and settlements	Transfers	Actuarial Gains/Loss	Deconsolid.	At December 31, 2015	
Post-employment benefits	205,687	120,175	2,952	-26,972		0	20,570	0	322,412
<b>Total employee provisions</b>	<b>205,687</b>	<b>120,175</b>	<b>2,952</b>	<b>-26,972</b>		<b>0</b>	<b>20,570</b>	<b>0</b>	<b>322,412</b>

The Post-employment benefit provision as per Italian regulation (Article 2120 of the Italian Civil Code) is considered, from an accounting viewpoint, as a "Defined benefit plan".

Under Italian law when an employment service contract terminates an employee receives a post-employment benefit payment. Pursuant to the regulation introduced by Legislative Decree No. 252/2005 and Law No. 296/2006 (2007 Finance Law), for enterprises with at least 50 employees the post-employment benefit is transferred, on the choice of the employees either to the INPS treasury fund or to a supplementary pension plan, and is considered a "Defined contribution plan".

However, the revaluations of the Post-employment provision existing at the reference date and the amount matured and not assigned to the supplementary pension plans, for enterprises with less than 50 employees, remain in the account Post-employment benefit provision. In accordance with IAS 19R, this provision is considered a "Defined benefit plan".

The following table shows the principal assumptions utilised to determine as per IAS 19R the present value of the Post-employment benefit provision:

	31/12/2014	31/12/2015	31/12/2016
Annual technical discounting rate	1.50%	2.00%	1.30%
Annual inflation rate	1.50%	1.50%	1.50%
Annual increase in salaries	2.50%	2.50%	2.50%

### Trade payables (Note 18 C)

The breakdown of Trade payables at December 31, 2016 and 2015 is shown below:

<i>(in Euro)</i>	At December 31, 2016	At December 31, 2015
Suppliers	8,038,044	3,617,546
<b>Total trade payables</b>	<b>8,038,044</b>	<b>3,617,546</b>

Trade payables are recorded at nominal value and concern the acquisition of goods and services from Group suppliers. Payables to suppliers are recorded under trade payables whether they refer to suppliers of finished products and raw materials or the provision of services. There are no significant amounts in currencies other than the Euro. Payables to the sales network for commissions matured are recorded net of advance commissions paid.

The increase in the periods under consideration is mainly related to the increase in the volume of sales.

All trade payables are due within one year and therefore discounting was not applied to the payables.

### Current and non-current other liabilities (Note 16 C)

The breakdown of Other current liabilities at December 31, 2016 and 2015 is shown below:

<i>(in Euro)</i>	<b>At December 31, 2016</b>	<b>At December 31, 2015</b>
Employees/directors	794,221	443,447
Social security institutions	360,113	199,290
Customer advances	210,751	47,717
Tax payables	1,402,164	521,911
Accrued liabilities and deferred income	2,738,797	1,378,647
Other payables	1,500,285	808,130
<b>Total other current liabilities</b>	<b>7,006,331</b>	<b>3,399,143</b>

Payables to employees/directors includes the liabilities for remuneration and vacation days not taken in the year and paid in January 2017.

The customer advances are related to the sales process.

Tax payables mainly relate to IRES and IRAP income taxes for the year of Euro 925 thousand, and employee and consultant withholding taxes of Euro 391 thousand.

Accrued liabilities and deferred income mainly refer to deferred income (Euro 2,734 thousand) of the parent company axélero S.p.a and are attributable for Euro 2,127 thousand to future revenues of axélero S.p.a and of the companies merged by incorporation and for Euro 608 thousand concern the residual share of the contribution received from the lessor of the Milan offices against works carried out by axélero S.p.A. in 2015 and 2016 for the restoration of the offices located at via Melchiorre Gioia, 8. This amount will be released over the duration of the rental contract.

The composition of other payables mainly relate to: for Euro 614 thousand the provision of variable employee costs and relative contributions for the year 2016 paid in April 2017, for Euro 255 thousand the provision of the FIRR contribution for agents currently operating and those already terminated and for Euro 246 thousand the payable due within one year for the purchase of the investment in the subsidiary Privategriffe Spa.

Non-current other liabilities, amounting to Euro 645 thousand, represents the amount due beyond one year of the payable to third parties for the purchase of the investment in the subsidiary Privategriffe Srl (formerly Privategriffe Spa).

### Non-current and current deferred tax liabilities (Note 17 C)

Deferred tax liabilities are comprised as follows:

<i>(In Euro)</i>	<b>At December 31, 2016</b>	<b>At December 31, 2015</b>
Non-current deferred tax liabilities	175,592	1,376
<i>Current deferred tax liabilities</i>	35,613	-
<b>Total deferred tax liabilities</b>	<b>211,205</b>	<b>1,376</b>

The balance of non-current deferred tax liabilities, amounting to Euro 176 thousand, relate to set up and expansion costs of Euro 149 thousand. The balance of current deferred tax liabilities, amounting to Euro 36

thousand, for Euro 31 thousand relate to long-term costs of the companies merged which will be reversed in 2017, taking into account the amortisation which will continue to be recorded for tax purposes.

### Revenue (Note 18 C)

The breakdown of revenues for the years 2016 and 2015 are illustrated below:

<i>(in Euro)</i>	<b>FY 2016</b>	<b>FY 2015</b>
Revenues from sales and services	45,976,375	19,402,985
Other revenues	-	-
<b>Total Revenues</b>	<b>45,976,375</b>	<b>19,402,985</b>

Revenues are recorded net of contracts cancelled during the year.

In relation to the regional breakdown of revenues, revenues are mainly realised in Italy and therefore the table illustrating the regional breakdown of revenues is omitted.

### Other revenues (Note 23 C)

The breakdown of other revenues for the years 2016 and 2015 are illustrated below:

<i>(in Euro)</i>	<b>FY 2016</b>	<b>FY 2015</b>
Other income	299,235	156,127
<b>Total other income</b>	<b>299,235</b>	<b>156,127</b>

The account mainly concerns: reimbursement of collection expenses recharged to clients, incentives in 2016 recognised by Google and the contribution received from the lessee of the Milan offices against works carried out by axélero S.p.A. in 2015 and 2016.

### Raw material costs and goods (Note 19 C)

The breakdown of Raw material costs and goods, including changes in inventories, for the years 2016 and 2015 is illustrated below:

<i>(in Euro)</i>	<b>FY 2016</b>	<b>FY 2015</b>
Raw materials and goods	104,493	57,236
<b>Total costs for raw materials and goods</b>	<b>104,493</b>	<b>57,236</b>

### Service costs (Note 20 C)

The breakdown of Service costs for the years 2016 and 2015 are illustrated below:

<i>(in Euro)</i>	<b>FY 2016</b>	<b>FY 2015</b>
Commissions	17,196,701	5,104,769
Costs for issue of services	6,462,910	1,128,987
Other selling costs	3,568,761	1,087,274
Directors fees	763,177	660,208
Consulting and professional services	1,690,152	932,904
Advertising	187,949	561,940
Statutory Auditor fees	19,991	17,623
Independent audit firm	28,100	26,450
Travel and transfer	965,832	632,237
Other expenses	739,585	491,263
2015 FTA effect		746,175
<b>Total service costs</b>	<b>31,623,158</b>	<b>11,389,830</b>

### Personnel expenses (Note 21 C)

The breakdown of Personnel expenses for the years 2016 and 2015 are illustrated below:

<i>(in Euro)</i>	<b>FY 2016</b>	<b>FY 2015</b>
Salaries and wages	4,544,232	1,978,950
Social security charges	1,322,794	630,805
Post-employment benefits	241,444	135,008
Capitalised costs	(2,183,310)	(508,753)
Other costs	1,268,675	511,607
<b>Total personnel expenses</b>	<b>5,193,835</b>	<b>2,747,617</b>

Personnel expenses are shown net of internal costs capitalised under intangible assets for development projects relating to Group business activities.

### Workforce

The average and year-end number of employees by category for the years ended December 31, 2016 and 2015 are illustrated in the table below; the increase between 2015 and 2016 is due to:

	<b>FY 2016</b>	<b>FY 2015</b>
	<b>At year end</b>	<b>At year end</b>
Executives	12	11
Managers	13	7
White-collar	127	56
Interns	12	11
<b>Total</b>	<b>164</b>	<b>85</b>

The significant increase in the workforce during 2016 is in line with the growth, investment and development plans of the Group.

### Other charges (Note 24 C)

The breakdown of the account for the years 2016 and 2015 are illustrated below:

<i>(in Euro)</i>	FY 2016	FY 2015
Other charges	439,099	927,819
<b>Total other charges</b>	<b>439,099</b>	<b>927,819</b>

Other charges refer for Euro 238 to losses on receivables recorded in 2016; the residual relates to other operating charges.

### Amortisation, depreciation and write-downs (Note 22 C)

The breakdown of Amortisation, depreciation and write-downs for 2016 and 2015 is illustrated below:

<i>(in Euro)</i>	FY 2016				Total
	Intangible assets	Plant and machinery	Non-current asset write-downs	Current asset write-downs	
Amortisation, depreciation & write-downs	743,383	309,873	-	4,511,577	5,564,833
<b>Total amortisation, depreciation and write-downs</b>	<b>743,383</b>	<b>309,873</b>	<b>-</b>	<b>4,511,577</b>	<b>5,564,833</b>

Depreciation and amortisation in the three-year period relates to tangible and intangible assets held based on the estimated useful life by the Company and impacted by the commencement of amortisation in 2016 on the product development expenses capitalised in 2015 and in the first half of 2016.

### Financial expenses (Note 26 C)

The breakdown of Financial expenses for the years 2016 and 2015 are illustrated below:

<i>(in Euro)</i>	FY 2016	FY 2015
Interest charges	103,278	20,655
Employee benefits financial component	19,208	-
Exchange losses/(gains)	240	525
Income from discounting	9,072	
Other	109,501	114,566
<b>Total financial charges</b>	<b>241,299</b>	<b>135,747</b>

Bank expenses includes charges on bank overdrafts and on loans.

### Financial income (Note 25 C)

The breakdown of Financial income for the years 2016 and 2015 are illustrated below:

<i>(in Euro)</i>	<b>FY 2016</b>	<b>FY 2015</b>
Interest on bank deposits	408	1,137
Income from discounting	9,072	-
Other	379	4,234
<b>Total financial income</b>	<b>9,860</b>	<b>5,371</b>

### Non-current financial assets impairments (Note 27 C)

The breakdown of the Non-current financial assets impairments for 2016 and 2015 is shown below:

<i>(in Euro)</i>	<b>FY 2016</b>	<b>FY 2015</b>
Non-current asset write-downs	0	99,000
<b>Impairments</b>	<b>0</b>	<b>99,000</b>

The zero balance in 2016, due to the write-down in the year of Euro 99 thousand, concerns the investment held by the former company ShoppingDonna S.r.l. in Supernovae2 S.r.l., equal to 4.99% of the share capital.

### Income taxes (Note 28 C)

The breakdown of Income taxes for the years 2016 and 2015 are illustrated below:

<i>(in Euro)</i>	<b>FY 2016</b>	<b>FY 2015</b>
Current taxes	1,570,347	153,629
Deferred tax income	(363,621)	
<b>Total income taxes</b>	<b>1,206,726</b>	

The reconciliation between the nominal tax rate as per Italian legislation and the effective rate arising from the consolidated Financial Statements is as follows:

	At December 31		At December 31	
	2016		2015	
	Assessable	Tax	Assessable	Tax
<i>(in Euro)</i>				
<b>IRES</b>				
Profit before taxes	2,445,763	672,585	267,002	73,425
<i>Increases:</i>				
Doubtful debt provision	4,511,577	1,240,684	635,275	174,701
Provision for risks and charges	-	-	429,920	118,228
Directors fees	37,520	10,318	-	-
Other increases	308,172	84,747	500,415	137,614
<i>Decreases:</i>				
Use of doubtful debt provision	(1,220,141)	(335,539)	-	-
Amortisation & depreciation	(676,356)	(185,998)	-	-
Tax losses	-	-	(256,983)	(70,670)
ACE	(1,150,332)	(316,341)	(1,575,629)	(433,298)
	<b>4,256,204</b>	<b>1,170,456</b>	-	-
<b>IRAP</b>				
Diff. between revenues and costs for IRAP purposes	13,806,629	665,480	5,129,336	247,234
Deductions (amnesty)	(5,510,135)	(265,589)	(1,939,315)	(93,605)
	<b>8,296,494</b>	<b>399,891</b>	<b>3,190,021</b>	<b>153,629</b>
<b>Total income taxes in the year</b>	<b>12,552,697</b>	<b>1,570,347</b>	<b>3,190,021</b>	<b>153,629</b>

### Earnings per share (Note 29 C)

The basic earnings per share is calculated by dividing the net profit attributable to the ordinary shareholders of the parent company by the average weighted number of ordinary shares outstanding during the year. Information is shown below for the calculation of the basic and diluted earnings per share:

<i>(in Euro)</i>	FY 2016	FY 2015
Continuing operations	1,294,511	1,040,515
Discontinued operations	0	0
<b>Net profit attributed to the ordinary shareholders of the parent for basic/diluted earnings</b>	<b>1,294,511</b>	<b>1,040,515</b>

The number of shares for the calculation of the earnings per share is as follows:

<i>(in Euro)</i>	FY 2016	FY 2015
<b>Average number of shares to calculate basic earnings per share</b>	<b>13,600,000</b>	<b>13,600,000</b>
<b>Average number of outstanding shares to calculate diluted earnings per share</b>	<b>13,600,000</b>	<b>13,600,000</b>

The weighted average number of treasury shares utilised for the purposes of the earnings per share takes into consideration the weighted average effect of the changes of the transactions on treasury shares during the year.

There were no other transactions on the ordinary shares or potential ordinary shares between the balance sheet date and the date of the preparation of the financial statements; based on recent transactions and independent expert opinions requested, the warrants issued in favour of some employees were considered out of the money.

## Other information

### Directors, Statutory Auditors and Independent Auditor remuneration

The table below shows the breakdown of the remuneration of directors, the Board of Statutory Auditors and the Group Independent Auditor for the years 2016 and 2015.

<i>(in Euro)</i>	FY 2016	FY 2015
Directors	763,177	660,208
Board of Statutory Auditors	19,991	17,623
Independent Audit Firm	28,100	26,450
<b>Directors, Statutory Auditors and Independent Auditor remuneration</b>	<b>811,268</b>	<b>704,281</b>

### Contingent liabilities

Other than the matters reported in the paragraph "Provision for risks" there are no legal or tax proceedings relating to the Group.

### Management and coordination activity

The subsidiaries of axélero S.p.A. Privategriffe S.r.l. (formerly Privategriffe S.p.a.) and Arreeba S.r.l. are subject to the management and coordination of axélero.

### Transactions with related parties

The company 71 S.r.l., a group company of axélero S.p.A. as held by Leonardo Cucchiarini (Chairman of the Board of Directors and Chief Executive Officer) and Stefano Maria Cereseto (Executive Director) through Compagnia Fiduciaria Lombarda S.p.A., undertook transactions with the parent company axélero S.p.A. on the basis of commercial contracts signed. We report that axélero S.p.A., due to the merger by incorporation of the company Shoppingdonna S.r.l., has a shareholding of 4.99% in Supernovae2 S.r.l.

At 31.12.2016				
Related party	Revenues	Costs	Receivables	Payables
<b>71 S.r.l.</b>	-	212,271	19,621	235,924
<b>Omnia Sas</b>	-	80,906	-	6,501
<b>Beltempo S.r.l.</b>	-	200,000	-	-
<b>Total</b>	-	<b>493,177</b>	<b>19,621</b>	<b>242,425</b>

The charges in the year were as follows: (Euro 212,271) concern: (i) equipment and furnishing rental contract, (ii) outbound telemarketing contract (renewed in 2016 and approved by the Related Parties Committee, according to the company procedures, in February 2016).

axélero S.p.A. signed in February 2016, following approval by the Related Parties Committee and according to the company procedure, a contract with Beltempo S.r.l., held 100% by Giulio Valiante, director of axélero S.p.A.. The contract concerns the development and enhancement of some axélero products. The transactions with related parties are at normal market conditions.

### *Derivative financial instruments*

In accordance with Article 2427-*bis* of the Civil Code, axélero S.p.A. and its subsidiaries do not have in place derivative financial instruments to hedge interest rate fluctuations on bank loans; for further information, reference should be made to the Explanatory Notes.

### *Monetary Revaluations*

In accordance with Article 10 of Law No. 72 of March 19, 1983, as also incorporated into subsequent monetary revaluation laws, no monetary revaluations of existing assets were made.

### *Assets allocated to a specific business*

At the reporting date, no assets allocated to a specific business in accordance with Article 2427 of the Civil Code, paragraph 1, No. 20 were in place.

### *Loans allocated to a specific business*

At the reporting date, no loans allocated to a specific business in accordance with Article 2427 of the Civil Code, paragraph 1, No. 21 were in place.

### *Guarantees and other commitments*

axélero S.p.a. at December 31, 2016 obtained 2 bank sureties in favour of the lessees, in guarantee of the correct and prompt fulfilment of all obligations undertaken through the signing of the office lease contracts totalling Euro 180 thousand.

In addition, we report a contractual commitment, relating to the acquisition of the investment Privategriffe S.r.l. (formerly Privategriffe S.p.A.), of a variable portion of the purchase price based on the results for the next three years, which may not be estimated with sufficient certainty at the date of the present report.

### *Transactions relating to atypical or unusual operations*

In accordance with Consob Communication of July 28, 2006, the Company did not undertake in the period 2011-2013 any transactions deriving from atypical or unusual operations, as set out in the communication.

# Consolidated Appendix

## Effects of the adoption of IAS/IFRS on the Consolidated Balance Sheet at January 1, 2015

The present attachment discloses the information required by IFRS 1 and, in particular, the description of the impacts from the transition to IFRS on the balance sheet and income statement of the Group.

For this purpose, the following were prepared:

- the reconciliation between the balance sheets of the company at January 1, 2015 (Transition Date) and December 31, 2015 (date of the last financial statements prepared in accordance with Italian GAAP), drawn up in accordance with Italian GAAP and with IFRS;
- the reconciliation between the comprehensive income statement for the year ended December 31, 2015 prepared in accordance with Italian GAAP and with IFRS;
- the reconciliation between the shareholders' equity at January 1, 2015 and December 31, 2015 prepared in accordance with Italian GAAP and with IFRS;
- the reconciliation between the comprehensive income for the year ended December 31, 2015 prepared in accordance with Italian GAAP and with IFRS;
- the explanatory notes relating to the adjustments and reclassifications included in the above-mentioned reconciliation statements, which describe the significant effects of the transition, with regard to the classification of the various accounts in the financial statements and in relation to their measurement and, therefore, to the consequent effects on the balance sheet, financial position and income statement.

The balance sheet and financial position at the Transition Date to the IFRS were prepared in accordance with the following criteria:

- all of the assets and liabilities required to be recognised by IFRS were recorded;
- the assets and liabilities which may not be recognized by IFRS standards were not recorded;
- the IFRS standards were applied for the measurement of all assets and liabilities.

### ***Optional exemptions to the full retrospective application of IFRS***

The companies which adopt IFRS for the first-time may opt for some exemptions permitted for the first-time retrospective application of these accounting standards.

The only option applicable is the exemption relating to the retrospective application of IFRS 3. With reference to this exemption, the business combinations before the Transition Date (January 1, 2015) were not redetermined.

### ***Compulsory exemptions to the full retrospective application of IFRS***

IFRS 1 establishes some compulsory exemptions to the retrospective application of international accounting standards in the transition process to IFRS. Below we highlight the only compulsory exemption applied by the Group within the present transition:

- valuation estimates: IFRS 1 establishes that the estimates utilized in the restatement at the Transition Date shall be consistent with estimates made for the same date under previous GAAP (after adjustments to reflect any difference in accounting policies).

The other compulsory exemptions contained in IFRS 1 were not applied as related to circumstances not applicable to the Group.

***Accounting treatment chosen in relation to the accounting options permitted by IFRS***

IFRS permits some accounting options. The choices made by the Group are illustrated below:

- Valuation of property, plant and equipment and intangible assets: subsequent to the initial recognition at cost, IAS 16 - Property, plant and equipment, paragraph 29 and IAS 38 - Intangible assets paragraph 72 provide that property, plant and equipment and intangible assets, which have an active market value, may be measured at cost net of accumulated amortization and depreciation and impairments, or periodically by determining the market value and adjusting the carrying amount to this value ("Revaluation Model"). The Group chose to maintain the cost as the measurement criterion of property, plant and equipment and intangible assets.

**Balance Sheet at January 1, 2015**

Below we report the reconciliation between the balance sheet at January 1, 2015 of the Group prepared in accordance with Italian GAAP and reclassified based on the criteria chosen by the Group for the IFRS financial statements and the balance sheet prepared in accordance with IFRS.

	Balance sheet prepared as per Italian GAAP 01.01.2015	IFRS Adjustments / Reclassifications	Balance sheet prepared as per IFRS 01.01.2015
<b>ASSETS</b>			
Property, plant and equipment	12,666		12,666
Goodwill	580,957	(580,957)	-
Intangible assets	2,516,877	(2,001,230)	515,647
Investments in associates	-		-
Other assets	-		-
Deferred tax assets	621,556	846,392	1,467,948
<b>TOTAL NON-CURRENT ASSETS</b>	<b>3,732,056</b>	<b>(1,735,795)</b>	<b>1,996,261</b>
Trade receivables	5,666,636		5,666,636
Cash and cash equivalents	18,529,863		18,529,863
Financial assets	39,245		39,245
Other Assets	527,932		527,932
Tax Receivables	153,977		153,977
<b>TOTAL CURRENT ASSETS</b>	<b>24,917,653</b>	<b>-</b>	<b>24,917,653</b>
<b>TOTAL ASSETS</b>	<b>28,649,709</b>	<b>(1,735,795)</b>	<b>26,913,914</b>
<b>LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	68,000		68,000
Reserves	19,801,190	(1,119,763)	18,681,427
IAS reserve	-	(659,047)	(659,047)
Retained earnings	3,862,349		3,862,349
Net Profit	-	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>23,731,539</b>	<b>(1,778,810)</b>	<b>21,952,729</b>
Non-current financial payables	-	147,319	147,319
Employee benefits	159,089	43,015	202,104
Provisions	38,066		38,066
Other liabilities	-		-
Deferred tax liabilities	688		688
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>197,843</b>	<b>190,334</b>	<b>388,177</b>
Current financial payables	859,421		859,421
Trade payables	1,326,432		1,326,432
Tax Payables	654,515		654,515
Other payables and liabilities	1,879,959	(147,319)	1,732,640
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,720,327</b>	<b>(147,319)</b>	<b>4,573,008</b>
<b>TOTAL LIABILITIES</b>	<b>4,918,170</b>	<b>43,015</b>	<b>4,961,185</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>28,649,709</b>	<b>(1,735,795)</b>	<b>26,913,914</b>

**Balance Sheet at December 31, 2015**

Below we report the reconciliation between the balance sheet at December 31, 2015 of the Group prepared in accordance with Italian GAAP and reclassified based on the criteria chosen by the Group for the IFRS financial statements and the balance sheet prepared in accordance with IFRS.

	Balance sheet prepared as Italian GAAP 31.12.2015	IFRS Adjustments / Reclassifications	Balance sheet prepared as per IFRS 31.12.2015
<b>ASSETS</b>			
Property, plant and equipment	378,893	85,971	464,864
Goodwill	508,381	(508,381)	-
Intangible assets	3,219,867	(2,320,608)	899,259
Investments in associates	20,089		20,089
Other assets	30,000		30,000
Deferred tax assets	1,290,430	827,428	2,117,858
<b>TOTAL NON-CURRENT ASSETS</b>	<b>5,447,660</b>	<b>(1,915,590)</b>	<b>3,532,070</b>
Trade receivables	17,663,381		17,663,381
Cash and cash equivalents	7,592,754		7,592,754
Financial assets	95,604	(56,359)	39,245
Other Assets	2,691,585	(2,117,184)	574,401
Tax Receivables	1,745,139		1,745,139
<b>TOTAL CURRENT ASSETS</b>	<b>29,788,463</b>	<b>(2,173,543)</b>	<b>27,614,920</b>
<b>TOTAL ASSETS</b>	<b>35,236,123</b>	<b>(4,089,133)</b>	<b>31,146,990</b>
<b>LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	68,000		68,000
Reserves	19,814,790	(1,187,909)	18,626,881
IAS reserve	-	(659,047)	(659,047)
Retained earnings	3,848,749	-	3,848,749
Net Profit	1,233,577	(181,275)	1,052,302
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>24,965,116</b>	<b>(2,028,231)</b>	<b>22,936,885</b>
Non-current financial payables	-		-
Employee benefits	266,129	56,283	322,412
Provisions	467,986		467,986
Other liabilities	-	147,319	147,319
Deferred tax liabilities	1,376		1,376
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>735,491</b>	<b>203,602</b>	<b>939,093</b>
Current financial payables	254,323		254,323
Trade payables	5,734,732	(2,117,186)	3,617,546
Tax Payables	521,911		521,911
Other payables and liabilities	3,024,550	(147,318)	2,877,232
<b>TOTAL CURRENT LIABILITIES</b>	<b>9,535,516</b>	<b>(2,264,504)</b>	<b>7,271,012</b>
<b>TOTAL LIABILITIES</b>	<b>10,271,007</b>	<b>(2,060,902)</b>	<b>8,210,105</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>35,236,123</b>	<b>(4,089,133)</b>	<b>31,146,990</b>

Comprehensive Income Statement for the year ended December 31, 2015

Below we report the reconciliation between the comprehensive income statement for 2015 of the Group prepared in accordance with Italian GAAP and reclassified based on the criteria chosen by the Group for the IFRS financial statements and the comprehensive income statement prepared in accordance with IFRS.

	Income statement prepared as per Italian GAAP 31.12.2015	IFRS Adjustments / Reclassifications	Income statement prepared as per per IFRS 31.12.2015
<b>INCOME STATEMENT</b>			
<b>VALUE OF PRODUCTION</b>	20,004,294	(601,308)	19,402,986
Raw materials, supplies, consumable stores & merchandise	(57,236)		(57,236)
Services	(10,643,654)	(746,176)	(11,389,830)
Rents, lease and similar	(350,154)		(350,154)
Personnel expenses	(3,256,370)	522,810	(2,733,560)
Amortisation, depreciation & write-downs	(3,090,008)	659,045	(2,430,963)
<b>TOTAL COSTS OF PRODUCTION</b>	<b>(17,397,422)</b>	<b>435,679</b>	<b>(16,961,743)</b>
Other operating income	63,572	92,555	156,127
Other operating charges	(968,714)	(8,372)	(977,086)
<b>TOTAL OTHER OPERATING INCOME AND CHARGES</b>	<b>(905,142)</b>	<b>84,183</b>	<b>(820,959)</b>
<b>OPERATING RESULT</b>	<b>1,701,730</b>	<b>(81,446)</b>	<b>1,620,284</b>
Financial income	5,371		5,371
Financial charges	(59,352)	(76,395)	(135,747)
<b>TOTAL FINANCIAL INCOME AND CHARGES</b>	<b>(53,981)</b>	<b>(76,395)</b>	<b>(130,376)</b>
Write-downs of financial assets	(99,000)		(99,000)
<b>TOTAL ADJUSTMENT OF FINANCIAL ASSETS</b>	<b>(99,000)</b>	<b>-</b>	<b>(99,000)</b>
<b>PROFIT BEFORE TAXES</b>	<b>1,548,749</b>	<b>(157,841)</b>	<b>1,390,908</b>
Income taxes	(315,172)	(23,434)	(338,606)
<b>NET PROFIT</b>	<b>1,233,577</b>	<b>(181,275)</b>	<b>1,052,302</b>
Other comprehensive income statement items not subsequently to be reclassified to the net result for the year			
Balance		(16,257)	(16,257)
Tax effect		4,470	4,470
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>1,233,577</b>	<b>(193,062)</b>	<b>1,040,515</b>

Shareholders' equity at January 1, 2015 and December 31, 2015 and comprehensive net income for the year end December 31, 2015

The table below shows the reconciliation between the shareholders' equity of the Group at January 1, 2015 and December 31, 2015 and the comprehensive net income for the year end December 31, 2015 prepared in accordance with Italian GAAP with the corresponding figures prepared in accordance with IFRS.

In Euro

		At January 1, 2015	At December 31, 2015		
		Shareholders' Equity	Net Profit	Other comprehensive income items	Shareholders' Equity
Note	Italian GAAP - Consolidated Financial Statements	23,731,539	1,233,577	-	24,965,116
1	Elimination of intangible assets	(927,691)	(464,920)		(1,061,714)
2	AIM listing charges	(1,654,497)	330,899		(1,654,497)
3	Employee benefits	(43,015)	2,989	(16,257)	(56,283)
4	Redetermination of assets with finite useful life		(26,809)		(26,808)
5	Income taxes	846,393	(23,434)	4,470	827,429
6	Treasury Shares				(56,358)
	<b>IFRS - Consolidated Financial Statements</b>	<b>21,952,729</b>	<b>1,052,302</b>	<b>(11,787)</b>	<b>22,936,885</b>

Explanatory notes to the reconciliation between the balance sheet at January 1, 2015 and December 31, 2015 and the comprehensive net income for the year end December 31, 2015

The explanation of the adjustments to the balance sheet at January 1, 2015 and December 31, 2015 on the adoption of IFRS are illustrated below.

For each of the adjustments outlined below the relative tax effect was recorded, where applicable.

1) Elimination of intangible assets not capitalised

The intangible assets which do not satisfy the provisions as per IAS 38 are recorded in the income statement when the relative purchase cost is incurred. In the transition process to IFRS therefore some costs capitalised in previous years and in 2016 were eliminated. The related amortisation was also eliminated from the income statement.

2) AIM listing representation charges

As per IAS 32, the AIM listing charges, net of the relative tax charges were recorded as a reduction in the change in net equity following the listing.

3) Employee benefits

As per Italian GAAP, the post-employment benefits are recognized on an accrual basis over the employee service period, in conformity with applicable legislation and labour contracts.

Post-employment benefits (for example pensions, life insurance and medical assistance, etc) are divided as per IFRS (IAS 19R) between "defined contribution" plans and "defined benefit" plans.

Post-employment benefits matured to December 31, 2006 are similar to a defined benefit plan, to be measured in accordance with statistical and demographic assumptions, as well as actuarial methodologies. Following the amendment introduced by the Italian legislature, from January 1, 2007 the post-employment benefits matured from January 1, 2007 are similar to a defined contribution plan.

On the transition to IFRS the value of this provision was therefore remeasured, as well as the cost relating to each year. In particular, the actuarial gains and losses were recorded under other items of the comprehensive income statement, the service cost was recorded under "personnel expense" and the interest cost was recorded under "financial expense".

4) Redetermination of assets with indefinite useful life

Concerns those assets which, although capitalised as leasehold improvements under Italian GAAP, should however be treated in accordance with the provisions of IAS 16 - Property, plant and equipment and therefore classified under fixed assets and the depreciation rates recalculated based on their nature and useful life.

5) Tax effects on IFRS adjustment

This reflects the tax effects deriving from the adjustments made in application of IFRS. The deferred tax assets and liabilities, in accordance with IAS 12, are shown as the net amount and therefore offset when the entity has the legal right to compensate.

6) Treasury Shares

Application of IAS 32 par. 33, which considers the transactions on treasury shares as changes in equity.

If an entity reacquires its own equity instruments, those instruments ('treasury shares') shall be deducted from equity. No gain or loss shall be recognised in profit or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments. Such treasury shares may be acquired and held by the entity or by other members of the consolidated company. Consideration paid or received shall be recognised directly in equity.

The present financial statements comprising the Balance Sheet, Income Statement, Explanatory Notes and Cash Flow Statement represent in a true and fair manner the balance sheet, financial situation and results for the period of the Group.

Chairman of the Board of Directors

Leonardo Cucchiarini

## Notes to the Separate Financial Statements

**BALANCE SHEET**

<b>ASSETS</b>	<b>NOTE</b>	<b>31/12/2016</b>	<b>31/12/2015</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	1 S	1,125,643	462,061
Intangible assets	2 S	2,872,008	863,333
Investments in associates	3 S	0	20,089
Investments in subsidiaries	4 S	1,047,759	365,000
Financial assets	3 S	0	30,000
Deferred tax assets	5 S	1,957,781	733,978
<b>Total non-current assets</b>		<b>7,003,190</b>	<b>2,474,462</b>
<b>CURRENT ASSETS</b>			
Trade receivables	6 S	47,775,786	12,512,679
Current receivables from subsidiaries	7 S	246,502	1,852,579
Cash and cash equivalents	8 S	426,037	7,261,132
Financial assets	9 S	39,245	0
Other assets	10 S	653,017	343,565
Tax receivables	11 S	3,072,785	1,221,250
Deferred tax assets	12 S	706,562	217,731
<b>TOTAL CURRENT ASSETS</b>		<b>52,919,934</b>	<b>23,408,936</b>
<b>TOTAL ASSETS</b>		<b>59,923,124</b>	<b>25,883,397</b>
<b>LIABILITIES</b>		<b>31/12/2016</b>	<b>31/12/2015</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		68,000	68,000
Reserves		18,733,512	18,626,881
IAS reserve		(659,047)	(35,542)
Retained earnings		4,699,485	647,255
Net Profit		1,204,123	420,399
<b>SHAREHOLDERS' EQUITY</b>	13 S	<b>24,046,073</b>	<b>19,726,993</b>
<b>NON-CURRENT LIABILITIES</b>			
Bank payables	14 S	5,862,773	0
Employee benefits	15 S	561,845	288,238
Provisions	16 S	445,853	429,920
Other liabilities	17 S	644,961	0
Deferred tax liabilities	18 S	175,592	1,376
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>7,691,024</b>	<b>719,534</b>
<b>CURRENT LIABILITIES</b>			
Bank payables and short-term loans	14 S	12,324,256	36,275
Current financial payables	14 S	1,284,786	0
Trade payables	19 S	7,627,150	3,343,519
Other payables and liabilities	17 S	5,518,900	1,652,603
Tax payables	17 S	1,395,322	404,474
Deferred tax liabilities	18 S	35,613	
<b>TOTAL CURRENT LIABILITIES</b>		<b>28,186,027</b>	<b>5,436,871</b>
<b>TOTAL LIABILITIES</b>		<b>35,877,051</b>	<b>6,156,405</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>59,923,124</b>	<b>25,883,397</b>

**INCOME STATEMENT**

		2016	2015
<b>VALUE OF PRODUCTION</b>			
Revenue from sales and services	19 S	45,938,545	15,234,159
<b>Increase in internal work capitalised</b>		<b>0</b>	<b>0</b>
<b>TOTAL VALUE OF PRODUCTION</b>		<b>45,938,545</b>	<b>15,234,159</b>
<b>COSTS OF PRODUCTION</b>			
Raw materials, supplies, consumable stores and merchandise	20 S	(104,484)	(57,236)
Services	21 S	(31,582,923)	(10,625,167)
Rents, lease and similar		(589,287)	(350,203)
Personnel expenses	22 S	(5,101,261)	(2,462,842)
Amortisation, depreciation & write-downs			
a) amortisation of intangible assets	23 S	(742,849)	(117,472)
b) depreciation of property, plant and equipment	23 S	(306,931)	(115,156)
d) write-downs of current assets	23 S	(4,511,577)	(640,476)
<b>Change in inventories of raw materials, supplies and consumable stores</b>		<b>0</b>	<b>0</b>
<b>TOTAL COSTS OF PRODUCTION</b>		<b>(42,939,310)</b>	<b>(14,368,553)</b>
Other operating income	24 S	296,049	47,737
<b>Other operating costs</b>	<b>25 S</b>	<b>(434,843)</b>	<b>(634,717)</b>
<b>OPERATING RESULT</b>		<b>2,860,440</b>	<b>278,627</b>
<b>FINANCIAL INCOME/CHARGES</b>			
Financial income	26 S	9,711	3,735
<b>Financial charges</b>	<b>27 S</b>	<b>(237,399)</b>	<b>(15,491)</b>
<b>TOTAL FINANCIAL INCOME AND CHARGES</b>		<b>(227,688)</b>	<b>(11,756)</b>
<b>Write-downs of financial assets</b>	<b>28 S</b>	<b>(186,989)</b>	<b>0</b>
<b>TOTAL ADJUSTMENT OF FINANCIAL ASSETS</b>		<b>(186,989)</b>	<b>0</b>
<b>PROFIT BEFORE TAXES</b>	<b>29 S</b>	<b>2,445,763</b>	<b>266,872</b>
<b>Income taxes</b>		<b>(1,241,640)</b>	<b>153,527</b>
<b>NET PROFIT</b>		<b>1,204,123</b>	<b>420,399</b>

**COMPREHENSIVE INCOME STATEMENT**

		2016	2015
<b>NET PROFIT</b>		<b>1,204,123</b>	<b>420,399</b>
<b>Other comprehensive income statement items:</b>			
<i>Other comprehensive income/(charges) which may not be subsequently reclassified to profit/(loss) for the year, net of income taxes:</i>			
Actuarial profit/(loss) on employee benefits		(26,219)	(16,257)
Income taxes		6,293	4,470
<b>TOTAL</b>		<b>(19,926)</b>	<b>(11,787)</b>
<i>which may be subsequently reclassified to the profit/(loss) for the year, net of income taxes</i>			
Change in cash flow hedge fair value		(10,926)	
Income taxes		2,622	
<b>TOTAL</b>		<b>(8,304)</b>	<b>0</b>
<b>COMPREHENSIVE PROFITS AND LOSSES</b>		<b>1,175,893</b>	<b>408,612</b>
<b>Earnings per share</b>	<b>30 S</b>	<b>0.086</b>	<b>0.030</b>

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	Share capital	Share premium reserve	Legal reserve	Other capital reserves	Treasury shares reserve	Retained earnings	Cash Flow Hedge Reserve	Financial instrument valuation reserve	FTA Reserve	Employee benefits	Total
<b>Balance at January 1, 2015</b>	<b>68,000</b>	<b>18,662,236</b>	<b>6,200</b>	<b>12,991</b>		<b>660,855</b>			<b>(35,542)</b>		<b>19,374,740</b>
Allocation of prior year result			13,600			(13,600)					-
Result for the year						420,399					420,399
<b>Other Comprehensive Income Statement items</b>											-
which may not be subsequently reclassified to profit/(loss) for the year										(11,787)	(11,787)
which may be subsequently reclassified to profit/(loss) for the year											-
<b>Comprehensive profit</b>						<b>420,399</b>	-	-		<b>(11,787)</b>	<b>408,612</b>
Share capital increase											-
Other capital operations					(56,359)						(56,359)
Dividends											-
Change in consolidation scope											-
<b>Balance at December 31, 2015</b>	<b>68,000</b>	<b>18,662,236</b>	<b>19,800</b>	<b>12,991</b>	<b>(56,359)</b>	<b>1,067,654</b>	-	-	<b>(35,542)</b>	<b>(11,787)</b>	<b>19,726,993</b>

	Share capital	Share premium reserve	Legal reserve	Other capital reserves	Treasury shares reserve	Retained earnings	Cash Flow Hedge Reserve	AFS Reserve	FTA Reserve	Employee benefits	Total
<b>Balance at December 1, 2016</b>	<b>68,000</b>	<b>18,662,236</b>	<b>19,800</b>	<b>12,991</b>	<b>(56,359)</b>	<b>1,067,654</b>	-	-	<b>(35,542)</b>	<b>(11,787)</b>	<b>19,726,993</b>
Allocation of prior year result			78,502			(78,502)					-
Result for the year						1,204,123					1,204,123
<b>Other Comprehensive Income Statement items</b>											-
which may not be subsequently reclassified to profit/(loss) for the year										(19,926)	(19,926)
which may be subsequently reclassified to profit/(loss) for the year							(8,304)				-
<b>Comprehensive profit</b>						<b>1,204,123</b>	<b>(8,304)</b>	-		<b>(19,926)</b>	<b>1,184,197</b>
Acquisitions of minority interests											-
Share capital increase											-
Other capital operations					(65,737)						(65,737)
Dividends											-
Effects of merger by incorporation						3,832,429			(623,505)		3,208,924
<b>Balance at December 31, 2016</b>	<b>68,000</b>	<b>18,662,236</b>	<b>98,302</b>	<b>12,991</b>	<b>(122,096)</b>	<b>6,025,704</b>	<b>(8,304)</b>	-	<b>(659,047)</b>	<b>(31,713)</b>	<b>24,046,073</b>

**CASH FLOW STATEMENT (INDIRECT METHOD)**

	At December 31, 2016	At December 31, 2015
Net result from continuing operations	1,204,123	420,399
Net result from discontinued operations		
Net result	1,204,123	420,399
Amortisation & depreciation	1,049,779	232,629
Doubtful debt provision	4,511,577	640,476
Employee benefit provision	239,084	120,622
Write-down of investments	186,989	0
Risks provisions	0	429,920
Cancellation of non-cash items	0	0
Changes in deferred tax assets and liabilities	(1,049,587)	(93,896)
Share of profit/losses of associates & joint ventures	0	0
Write-down of non-current financial assets	0	0
Change in trade receivables	(38,168,607)	(13,735,308)
Change in other current assets	(309,452)	(228,584)
Change in tax receivables	(1,851,535)	(1,071,899)
Change in trade payables	4,283,631	2,104,619
Change in other payables	4,511,259	1,186,430
Change in employee benefit provision	34,523	(12,056)
Changes in risks provisions	15,933	0
Change in tax payables	990,848	355,410
<b>Cash flow from operating activities</b>	<b>(24,351,435)</b>	<b>(9,651,238)</b>
<b>Investing activities</b>		
Acquisition of tangible assets	(1,713,361)	(684,191)
Disposal of tangible assets	0	0
Acquisition of associates	(166,900)	(20,089)
Disposal of associates	0	0
Acquisition of non-current financial assets	0	(30,000)
Disposal of non-current financial assets	30,000	0
Acquisition of intangible assets	(2,008,674)	(392,021)
Disposal of intangible assets	0	0
Acquisition of minority interests		
Acquisition of subsidiaries	(682,758)	0
Acquisition of treasury shares	106,631	(54,546)
(Non-cash effects from merger by incorporation of subsidiaries)	3,008,326	0
(Other non-cash effects)	0	(13,600)
<b>Cash flow from investing activities</b>	<b>(1,426,736)</b>	<b>(1,194,447)</b>
<b>Financing activities</b>		
Financial payables	19,396,295	24,954
Dividends		
Share capital increase		
Share capital payments		
<b>Cash flow from financing activities</b>	<b>19,396,295</b>	<b>24,954</b>
<b>Change in cash and cash equivalents</b>	<b>(6,381,877)</b>	<b>(10,820,731)</b>
Cash and cash equivalents at beginning of year	7,261,132	18,299,593
<b>Cash and cash equivalents at end of the year</b>	<b>879,255</b>	<b>7,478,862</b>
Cash and cash equivalents at end of the year from BS	426,037	7,261,132
Cash and cash equivalents at end of the year from CF	453,218	217,731
Change in cash and cash equivalents from BS	(6,835,095)	(11,038,462)
Change in cash and cash equivalents from CF	<b>(6,381,877)</b>	<b>(10,820,731)</b>
	(453,218)	(217,731)

## Separate Explanatory Notes

***Accounting standards adopted for the preparation of the separate financial statements as at December 31, 2016***

The Separate Financial Statements of axélero S.p.A. (hereafter the “company” or “Axélero”) relating to the year ended December 31, 2016 were approved by the Board of Directors on May 29, 2017.

The Separate Financial Statements for the year ended December 31, 2016 (hereafter the “Separate Financial Statements”) were prepared, with regards to that established by Legislative Decree 38/2005, in compliance with International Financial Reporting Standards, issued by the International Accounting Standards Board and adopted by the European Union (IFRS).

The Separate Financial Statements for the year ended December 31, 2016 are the first Separate Financial Statements prepared in accordance with IFRS international accounting standards; for comparative purposes, the Separate Financial Statements at December 31, 2015 were restated in accordance with IFRS International Accounting Standards as per the provisions of IFRS 1 First-Time Adoption of International Financial Reporting Standards; the transition date to IFRS was determined as January 1, 2015 (“Transition Date”).

IFRS includes all “International Financial Reporting Standards”, all “International Accounting Standards” (IAS), all interpretations of the International Reporting Interpretations Committee (IFRIC), previously called the Standards Interpretations Committee (SIC) which, at the approval date of the Separate Financial Statements, were endorsed by the European Union pursuant to EU Regulation No. 1606/2002 of the European Parliament and European Council of July 19, 2002.

**Translation of financial statements expressed in currency other than the Euro and of accounts in foreign currency**

The Separate Financial Statements are presented in Euro, which is the operational currency of axélero S.p.A.

Transactions in foreign currency are initially recorded at the exchange rate (referred to the operative currency) at the transaction date. Monetary assets and liabilities in foreign currency are translated to the operative currency at the exchange rate at the reporting date. All the exchange differences are recorded in the separate income statement. Non-monetary items, valued at historical cost in foreign currency, are translated using the exchange rates on the date the transaction was first recorded.

## Accounting Standards

No exceptions to the application of IFRS have been applied to the preparation of these Separate Financial Statements, taking account also of IFRS 1. The assets and liabilities in the company financial statements are classified according to the current/non-current criterion, while for the Income Statement the option with costs classified by nature was adopted, with the Other Comprehensive income statement items indicating whether the income statement items of the results suspended to shareholders' equity are applicable and for the cash flow statement the option outlining the cash flows prepared according to the indirect method was adopted.

## Accounting policies

### Plant and equipment and leasing: finance and operating leases

Plant and equipment are measured at purchase or production cost, net of accumulated depreciation and any loss in value. The cost includes the charges directly incurred for their utilisation and also includes financial charges where they comply with the provisions of IAS 23.

The expenses incurred for the maintenance and repairs of an ordinary nature are directly charged to the income statement when they are incurred. The capitalisation of costs relative to the expansion, modernisation or improvement of the structural elements, whether owned or leased, is solely made within the limits established to be separately classified as assets or part of an asset.

Plant and equipment held through finance lease contracts, where the majority of the risks and rewards related to the ownership of an asset have been transferred to the company, are recognised as assets of the company at their fair value or, if lower, at the present value of the minimum lease payments, including any redemption amounts to be paid. The assets are depreciated applying the same criteria and rates previously indicated for the other tangible assets, except where the duration of the lease contract is lower than the useful life and there is not a reasonable certainty of the transfer of ownership of the asset at the normal expiry date of the contract; in this case, the depreciation is over the duration of the lease contract.

The leased assets, where the lessor bears the majority of the risks and rewards related to an asset, are recorded as operating leases. Costs related to operating leases are recognised on a straight-line basis over the duration of the lease.

Depreciation is charged on a straight-line basis, which depreciates the asset over its useful life.

The depreciation rates utilised for the individual plant and equipment categories applied by the company based on their estimated useful lives are illustrated below:

Category	Rate
General and specific plant	15%
Equipment	15%
Office furniture	15%
EDP	33.3%

The useful life of plant and equipment and their residual value are reviewed and updated, where necessary, on the preparation of the financial statements.

## **Business combinations**

Business combinations are recorded in accordance with the purchase method (IFRS 3).

The identifiable assets acquired and liabilities assumed are measured at their respective fair values at the acquisition date. The consideration transferred in a business combination includes the fair value, at the acquisition date, of the assets and liabilities transferred and of securities issued by the company, and the fair value of any potential payments and share-based payments recognised by the purchaser. If the business combination results in the extinction of a pre-existing relationship between the company and the purchaser, the lower amount between the extinction value, as established by the contract, and the non-market value of the item is deducted from the consideration transferred and recorded under other costs.

A potential liability of the acquisition is assumed in a business combination only if this liability represents a present obligation which derives from past events and when its fair value may be reliably determined.

For every business combination, any minority holding is measured at fair value or in proportion to the amount held in the identifiable net assets of the acquisition.

The goodwill, which derives from the acquisition, is recorded as an asset and initially measured as the excess between the consideration transferred and the net value at the acquisition date of the identifiable assets acquired and identifiable liabilities assumed.

In the case of business combinations undertaken in a series of phases, the previous holding is remeasured at fair value at the acquisition date and any gain or loss is recorded to the separate income statement.

Costs related to the acquisition are recorded in the separate income statement in the period in which these costs are incurred and services received, with the sole exception for debt and equity securities issuance costs.

## **Intangible assets with indefinite useful lives**

### ***Trademarks***

Trademarks are considered assets with indefinite useful life and therefore are not subject to amortisation but to an impairment test on the carrying value of the assets in the financial statements in accordance with IAS 36.

### ***Goodwill***

Goodwill is calculated as the excess of the amounts transferred to the business combination, of the value of minority interests' net equity and the fair value of any holding previously held in the acquired company compared to the fair value of the net assets acquired and liabilities assumed at the acquisition date. If the value of the net assets acquired and the liabilities assumed at the acquisition date exceeds the sum of amounts transferred, of any minority interest and the fair value of any holding previously held in the acquired company, this excess is immediately recorded to the income statement as income.

After initial recognition, goodwill is measured at cost less any loss in value. Goodwill is considered an asset with indefinite useful life and therefore is not subject to amortisation but to an impairment test. For the purpose of impairment testing, goodwill acquired in a business combination must be allocated, from the acquisition date, to each of the company's cash-generating units ("CGU's") which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the entity are assigned to those units. A reduction in the value of the goodwill is recorded when the recoverable value of the goodwill is lower than the carrying value. The recoverable value is the higher between the fair value of the CGU, less costs to sell, and its value in use. Goodwill may not be restated in subsequent years. When the reduction in value deriving from the test is higher than the value of the goodwill allocated to the CGU, the residual amount is allocated to the other assets included in the CGU, in proportion to their carrying value.

The impairment test is carried out in line with the provisions of IAS 36 and is therefore carried out at least annually, or whenever there is an indication of loss in value.

If the goodwill is allocated to a CGU and the company sells part of the assets of this unit, the goodwill associated with the assets sold is included in the carrying amount of the assets when determining the gain or loss deriving from the sale. The goodwill associated to assets sold is calculated based on the relative values of the asset sold and the part maintained by the cash generating unit.

### **Intangible assets with finite useful life**

An intangible asset is a non-monetary asset, identifiable and without physical substance, controllable and capable of generating future economic benefits. These assets are recorded at purchase and/or production cost, including the costs of bringing the asset to its current use, net of accumulated amortisation, and any loss in value.

The costs incurred entirely for the development of new services and platforms constitute an intangible asset generated internally and are recorded under assets only when the following conditions are complied with:

- the cost allocated to the development activity is determined reliably,
- there is the intention, the availability of financial resources and the technical capacity to render the activity available for use or sale.
- it may be demonstrated that the asset is capable of producing future economic benefits.

The capitalised development costs include only those costs that are directly attributable to the development process of new products and services.

The finite intangible assets are amortised over the useful life of the asset and verified for any indications of loss in value. The amortisation period and the amortisation method of a definite intangible asset are reviewed at least at the end of each accounting period. The changes in the expected useful life or the method in which the future economic benefits will be realised are recorded through the change in the period or of the amortisation method, depending on the case, and are considered as changes in accounting estimates. The amortisation of finite intangible assets is recorded in the separate income statement under the category of costs relating to intangible assets.

The estimated useful life for the company of the various categories of intangible assets is as follows:

Category	Useful life
Software, patents, concessions and licences	3-5 years
Development platform	3-5 years

The gains and losses deriving from the elimination of an intangible asset are measured as the difference between the net sales proceeds and the book value of the intangible asset, and are recorded in the separate income statement in the year in which they are eliminated.

### ***Impairment of non-financial assets***

At the end of each year, the company verifies the existence of indicators of loss in value of the assets. In this case, or in the cases where an annual verification of the loss in value is required, the company makes an estimate of the recoverable value. The recoverable value is the higher between the fair value of the asset or cash generating unit, net of selling costs, and its value in use. The recoverable value is determined by individual asset, except when this asset generates cash flows which are not sufficiently independent from those generated by other assets or groups of assets. If the carrying amount of an asset is higher than its recoverable value, this asset has incurred a loss in value and is consequently written down to the recoverable value.

In the determination of the value in use, the estimated future cash flows are discounted by the company at a pre-tax rate that reflects the market assessment of the present value of money and the risks specific to the asset. In the determination of the fair value net of selling costs, account is taken of recent market transactions. Where it is not possible to identify these transactions, an adequate valuation model is utilised. These calculations are made utilising appropriate valuation multipliers, listed equity prices for publicly traded securities and other fair value indicators available.

The company bases its impairment test on detailed budgets and forecasts, prepared separately for each company cash generating unit to which the individual assets were allocated. These budgets and forecasts generally cover a period of three or five years. In the case of longer periods, a long-term growth rate is calculated which projects the future cash flows beyond the third or fifth year.

The losses in value of operating assets, including the losses in value of inventories, are recorded in the company income statement in the category of costs relating to those assets. An exception are fixed assets previously revalued, where the revaluation was recorded under other items of the comprehensive income statement. In this case, the loss in value is recorded under other items of the comprehensive income statement up to the amount of the previous revaluation.

For assets other than goodwill, at each reporting date, the company evaluates the existence of indicators of a recovery (or reduction) in the loss in value previously recorded and, where these indicators exist, estimates the recoverable value of the asset or of the CGU. The value of an asset previously written down may be restated only if there have been changes in the assumptions used to determine the recoverable value, after the last recording of a loss in value. The recovery value cannot exceed the book value which would have been calculated, net of amortisation, where no such loss in value was recorded in previous years. This recovery is recorded in the company income statement unless the fixed asset is recorded at a revalued amount, in which case the recovery is treated as a revaluation gain.

## Investments in associates

An associated company is a Company in which a significant influence is exercised. Significant influence is the power to participate in the financial and operating policy decisions of an investee, however not exercising control or joint control.

The considerations in order to determine significant influence are similar to those necessary to determine control.

Investments of the company in associates are valued at equity.

Under this method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is increased or decreased to recognise the group's share of the profit or loss after the date of acquisition. Goodwill pertaining to associates is included in the carrying amount of the investment and is not subject to amortisation or an impairment test.

The income statement reflects the share of the result of the associate relating to the company. Any change to the other comprehensive income statement items concerning this investment are presented within the company comprehensive income statement. In addition, if an associate records a change directly to equity, the company records its share (where applicable) in the statement of changes in equity. Unrealised gains and losses from transactions between the company and associates are eliminated in proportion to the share of the investment in the associate.

The aggregate share of the company of the result of the associated companies is recorded in the separate income statement after the operating result and represents the result net of taxes and share of other shareholders of the associate.

The financial statements of the associates are prepared at the same reporting date as the company financial statements. Where necessary, the financial statements are adjusted in line with the accounting policies of the company.

Subsequent to the application of the equity method, the company assesses whether it is necessary to recognise an impairment loss in associates. The company at each reporting date assesses whether the investments in associates have incurred a loss in value. Where a loss arises, the company calculates the amount of the loss as the difference between the recoverable value of the associate and the carrying value in the financial statements, recognising this difference in the separate income statement in the account "Result of associates".

On the loss of significant influence of an associate, the company recognises the residual investment at fair value. The difference between the carrying amount of the investment at the date significant influence no longer exists and the fair value of the residual investment and the amount received is recognised to the income statement.

## Treasury shares

Treasury shares acquired are recorded at cost and as a reduction of shareholders' equity. The purchase, sale or cancellation of treasury shares does not give rise to any profit or loss in the income statement. The difference between the purchase price and the payment received, in the case of reissue, is recorded in the share premium reserve. In the case of the exercise of options on shares in the period, such are settled with treasury shares.

## Financial assets

### *Initial recognition and measurement*

On initial recognition, financial assets are classified in one of the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, available-for-sale financial assets, or under derivatives designated as hedging instruments, where the hedge is effective.

All financial assets are initially recognised at fair value, including transaction costs directly attributable to the acquisition, except for the financial assets at fair value through profit or loss.

The acquisition or the sale of a financial asset which requires the delivery within a pre-set period, generally established by regulations or market conventions (standardised sales or regular way trade), are recognised at the contract date, in other words the date in which the company is committed to the purchase or sale of the asset.

### *Subsequent measurement*

Subsequently, the financial assets are classified in four categories:

- Financial assets at fair value through profit or loss;
- Loans and receivables;
- Held-to-maturity investments;
- Available-for-sale financial assets (AFS).

### *Financial assets at fair value through profit or loss*

This category includes financial assets held for trading and assets designated on first recognition as financial assets measured at fair value through profit or loss. Assets held for trading are all assets acquired to be sold in the short term. The derivatives, including embedded derivatives, are classified as financial instruments held for trading, unless they are designated as effective hedging instruments, as defined in IAS 39.

The company has not classified any financial assets at fair value through profit or loss. The financial instruments at fair value through profit or loss are recorded in the balance sheet at fair value, while the changes in fair value are recorded under financial income or financial charges in the separate income statement.

Embedded derivatives contained in the host contract are recognised as separate derivatives and recorded at fair value, if the economic features and risks are not strictly related to that of the host contract, and this latter is not held for trading or recorded at fair value through profit or loss. These embedded derivatives are measured at fair value through profit or loss. A redetermination occurs only in the case of a change in the terms of the contract which significantly modify the cash flows otherwise expected or a reclassification of a financial asset to a category other than fair value through profit or loss.

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments, not listed on an active market. After initial recognition, these financial assets are measured at amortised cost, utilising the effective interest rate criterion, less any impairment. The amortised cost takes into consideration all discounts or purchase premiums and includes commissions and transaction costs which are an integral part of the effective interest rate. The effective interest rate is recognised as financial income in the separate income statement. Write-downs from impairments are recognised as other operating costs in the separate income statement. This category normally includes trade receivables and other receivables.

***Held-to-maturity investments***

Financial assets which are not derivative instruments and which are characterised by payments of fixed or determinable maturity are classified as “held-to-maturity investments” when the Company has the intention and the capacity to hold them in portfolio until maturity. After initial recognition, financial investments held until maturity are measured at amortised cost, utilising the effective interest rate method, less any impairment. The amortised cost takes into consideration all discounts or purchase premiums and includes commissions and transaction costs which are an integral part of the effective interest rate. The effective interest rate is recognised as financial income in the separate income statement. Write-downs are recognised as financial expenses in the separate income statement.

The company did not hold this type of investment at December 31, 2016.

***AFS financial assets***

AFS financial assets includes equity and debt securities. The equities classified as available for sale are those which were not classified as held for trading, or designated at fair value through profit or loss. The debt securities in this category are those held for an indefinite period and those which may be sold for liquidity needs or changed market conditions. This category also includes investments in companies other than subsidiaries and associates.

After initial recognition, the AFS financial assets are measured at fair value (if determinable in a reliable manner) and the unrealised gains and losses are recognised under other items of the comprehensive income statement in the Assets available for sale reserve, until the derecognition of the investment - when the cumulated gains and losses are recorded under other operating income or charges - or a loss in value is determined- when the cumulated loss is reversed from the reserve and reclassified in the separate income statement under financial expenses. The interest received in the period in which the AFS financial assets are held are recognised under financial income utilising the effective interest rate method. The company assesses whether the capacity and the intention to sell the AFS financial assets in the short term is still appropriate. Where, in rare circumstances, the company is not able to trade these financial assets due to inactive markets, it may choose to reclassify these financial assets if management has the capacity and the intention to maintain these assets in the foreseeable future or until their maturity.

For the financial assets reclassified outside of the available for sale category, the gains or losses previously recorded are amortised in the income statement based on the residual life of the investment, utilising the effective interest rate. The difference between the new amortised cost and the expected cash flows is amortised over the residual useful life of the asset applying the effective interest rate. If the asset is

subsequently written down, the amount recorded under equity is reclassified in the separate income statement.

### ***Derecognition***

Financial assets (or, where applicable, part of a financial asset or part of a group of similar financial assets) are derecognised firstly (e.g. eliminated from the balance sheet) when:

- the rights to receive cash flows from the asset are extinguished.
- The company has transferred to a third party the right to receive the cash flows of the asset or has assumed the contractual obligation to pay entirely and without delay and (a) has substantially transferred all of the risks and rewards of ownership of the financial asset, or (b) has not substantially transferred all of the risks and rewards of the asset, but has transferred control.

Where the company has transferred the rights to receive the cash flows of an asset or has signed an agreement under which to maintain the contractual rights to receive the cash flows of a financial asset, but assumes a contractual obligation to pay the cash flows to one or more beneficiaries (pass-through), they shall assess if and to what extent they have maintained the risks and rewards relating to ownership. Where they have neither transferred or maintained substantially all of the risks and rewards or have not lost control, the asset continues to be recorded in the financial statements of the company up to the amount of its residual holding in the asset. In this case, the company also recognises an associated liability. The assets transferred and the associated liabilities are measured in order to reflect the rights and obligations maintained by the company.

### ***Loss in value of financial assets***

The company at each reporting date assesses whether a financial asset, or group of financial assets, has incurred a loss in value. A loss arises when after initial recognition one or more events occurs (when a "loss event" occurs) which has an impact on the estimated future cash flows of the financial asset or group of financial assets which may be reliably estimated. The indications of a loss in value may include when a debtor or a group of debtors are in financial difficulty, are incapable of meeting obligations, incapable or delayed in paying interest or in making important payments, where administration procedures or other financial restructurings are probable, or where observable data indicates a measurable decrease in the estimated future cash flows, such as changes in markets and economic conditions due to the emergence of a financial crisis.

For the financial assets recognised at amortised cost, the company initially assess whether a loss in value exists for each significant individual financial asset, or collectively for the financial assets not individually significant. In the absence of indications of loss in value of a financial asset valued individually, whether it is significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and this group is assessed for loss in value collectively. The assets considered individually in the determination of the loss in value, and for which a loss is recorded or maintained, are not included in the collective valuation of the loss in value.

The amount of any loss in value identified is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows (excluding the expected future losses in receivables which have not yet occurred). The present value of the cash flows is discounted at the original effective interest rate of the financial asset.

The carrying amount of the asset is reduced through the recording of a write-down provision and the amount of the loss is recorded in the separate income statement. Interest income (recorded under financial income in the separate income statement) continues to be estimated on the reduced carrying amount and is calculated applying the interest rate utilised to discount the future cash flows for the purposes of the valuation of the loss in value. The loans and the relative write-down provisions are reversed when there are no reasonable prospects of a future recovery and the guarantees have been realised and transferred to the company. If, in a subsequent year, the amount of the estimated write-down increases or decreases based on an event after the recognition of the write-down, this write-down is increased or decreased adjusting the provision. If an asset reversed is subsequently recovered, the recovered value is credited to the company income statement as a reduction of the financial expenses.

In relation to the value of an asset or a group of AFS financial assets, the company assesses at each reporting date whether they have incurred a loss in value.

In the case of equity instruments classified as available for sale, an objective indication would include a significant or prolonged reduction in the fair value of the instrument under its cost price. The term “significant” is assessed in relation to the original cost of the instrument and the term “prolonged” in relation to the period in which the fair value is maintained under the original cost. Where there is evidence of a reduction in value, the cumulative loss - measured as the difference between the purchase cost and the current fair value, less the losses for the reduction in value of those financial assets recorded previously in the separate income statement - is reversed from the other items of the comprehensive income statement and recorded in the separate income statement.

The losses in value of equity instruments are not written back to the income statement; the increases in their fair value subsequent to the reduction in value are recorded directly in the comprehensive income statement. For debt instruments classified as available for sale, the write-down is determined in accordance with the same criteria utilised for the financial assets recorded at amortised cost. However, the amount of the write-down derives from the cumulated loss, in other words the difference between the amortised cost and the current fair value, less any loss in value on the investment previously recorded in the separate income statement.

Future interest income continues to be estimated based on the reduced carrying amount of the asset and is estimated using the interest rate utilised to discount the future cash flows for the purposes of the determination of the write-down. Interest income is recorded under financial income. If, in a subsequent period, the fair value of the debt instrument increases and the increase may be objectively correlated to an event after the write-down which was recorded in the separate income statement, this write-down is also adjusted through the separate income statement.

## **Cash and cash equivalents**

Cash and cash equivalents includes cash, bank current accounts and deposits on demand and other highly liquid short-term financial investments, readily convertible into cash, transferable into cash within 90 days from the original acquisition date, and without a significant risk of a change in value.

## **Financial liabilities**

### ***Recognition and initial measurement***

Financial liabilities are classified, on initial recognition, under financial liabilities at fair value through profit or loss, as loans and borrowings or as derivatives designated as hedging instruments.

All financial liabilities are initially recognised at fair value in addition, in the case of loans, borrowings and payables, directly attributable transaction costs.

The financial liabilities of the company include trade payables and other payables, loans and borrowings, including bank overdrafts, guarantees granted and derivative financial instruments.

### ***Subsequent measurement***

The measurement of the financial liabilities depends on their classification, as described below:

#### ***Financial liabilities at fair value through profit or loss***

Financial liabilities at fair value through profit or loss are liabilities held for trading and those initially designated as financial liabilities at fair value through profit or loss.

The liabilities held for trading are all those incurred for their resale in the short-term period. This category also includes derivative financial instruments underwritten by the company which are not designated as hedging instruments as defined by IAS 39. The embedded derivatives are classified as financial instruments held for trading, unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the separate income statement. Financial liabilities are designated at fair value through profit or loss from the date of first recognition, only when in compliance with the criteria as per IAS 39.

**Financial liabilities**

After initial recognition, the financial liabilities are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liability is settled and through the amortisation process.

The amortised cost is calculated taking into consideration all discounts or purchase premiums and includes commissions and transaction costs which are an integral part of the effective interest rate. The interest is recognised under financial expenses in the consolidated income statement.

**Financial guarantee liabilities**

Financial guarantee liabilities issued by the company are contracts which require a specific payment to reimburse the holder of a debt security against a loss incurred following non-compliance of the debtor in the payment at the scheduled contractual maturity date. Financial guarantee contracts are initially recognised as a liability at fair value, increased by the directly attributable transaction costs to the issue of the guarantee. After initial recognition, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised, less accumulated amortisation.

**Derecognition**

A financial liability is derecognised when the underlying obligation of the liability is extinguished, settled or cancelled. If an existing financial liability is replaced by another by the same lender but under substantially different conditions, or if the conditions of an existing financial liability are substantially changed, such a swap or change is treated as an elimination of the original liability and the opening of a new liability, with any differences in accounting values recorded in the separate income statement.

**Offsetting of financial instruments**

A financial asset and liability may be offset and the net balance recorded in the balance sheet, if there exists a legal right to offset the amounts recognised and the intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**Trade and other payables**

Trade and other payables are initially recognised at fair value, net of directly allocated accessory costs, and subsequently recorded at amortised cost, using the effective interest rate. When there is a change in the expected cash flows, the value of the liabilities is recalculated to reflect this change, based on the new present value of the expected cash flows and on the internal yield initially determined.

**Employee benefits**

Employee provisions paid on or subsequent to the employment period principally refer to post-employment benefit provisions (TFR), in accordance with Article 2120 of the Civil Code. TFR represents a defined benefit plan, or rather a programme for benefits subsequent to the employment period which constitutes a future obligation and for which the company is responsible for the actuarial risks and relative investments. In accordance with IAS 19R, the company utilises the Projected Unit Credit Method to determine the present value of its obligations and related current service cost; this method requires the utilisation of objective and compatible actuarial assumptions on demographic (mortality rate, staff turnover rate) and financial (discount

rate, future salary increases) variables. All the actuarial gains and losses are immediately recorded in the comprehensive income statement as per IAS 19R.

Following the pension law reform, from January 1, 2007, the Post-employment benefits matured are allocated to pension funds or to the INPS treasury fund for enterprises with more than 50 employees or, in the case of companies with less than 50 employees, may remain in the company in a similar manner as prior to the pension law reform. With the allocation of the maturing benefit to the pension funds or the INPS fund, part of the maturing benefit is classified as a defined contribution plan as the obligation of the company is exclusively represented by the payment of the contributions to the pension fund or to the INPS fund. The liability relating to the prior benefits matured continue to represent a defined benefit plan measured based on actuarial assumptions.

Through actuarial valuations, the interest cost is recorded under "Other financial income/(expenses)" which relates to the notional charge that the company would incur through requesting from the market a loan similar to the employee leaving indemnity and the current service costs are recorded under "personnel expense" which defines the amount of the rights matured in the year by employees which have not transferred to the pension funds the amounts matured before January 1, 2007, The actuarial gains and losses which reflect the effects deriving from the changes in the actuarial assumptions utilised are recorded directly in equity without recognition in the income statement and are shown in the comprehensive income statement.

### **Provisions for risks and charges**

Provisions for risks and charges are recorded to cover known or likely losses or liabilities, the timing and extent of which are not known with certainty at the reporting date. They are recorded only where a present obligation exists (legal or implicit) for a future payment resulting from past events and it is probable that the obligation will be settled. This amount represents the best estimate of the costs required to settle the obligation. The rate used in the determination of the present value of the liability reflects the current market values and the specific risk associated to each liability.

If the financial effect of the period is significant and the payment dates of the obligations can be reliably estimated, the provisions are valued at the present value of the expected payment, utilising a rate which reflects market conditions, the change in the cost of money in the period and the specific risk related to the obligation. The increase in the value of the provision from changes in the cost of money in the period is recognised as a financial expense.

Possible risks that may result in a liability are disclosed in the notes on potential liabilities without any provision.

### **Non-current assets held-for-sale or distribution to the owners and discontinued operations**

The company classifies non-current assets and disposal groups as held for sale or for distribution to the owners when the carrying value will be recovered principally through a sales operation or distribution, rather than through their continual use. Non-current assets and disposal groups classified as held-for-sale or for distribution to the owners are measured at the lower of the carrying amount and their fair value less selling costs or of distribution. The costs of distribution are the additional costs directly attributable to the distribution, excluding financial expenses and income taxes.

The condition for the classification as held for distribution exists only when the distribution is highly probable and the asset or disposal group is available for immediate distribution in its current conditions. The actions required to conclude the distribution should indicate that it is improbable that significant changes may take place in the distribution or that the distribution may be cancelled. Management must be committed to the distribution, whose completion must be expected within one year from the date of the classification. Similar considerations apply also for the assets and disposal groups held for sale.

Depreciation of plant and machinery and amortisation of intangible assets ceases when these are classified as held-for-sale or for distribution to the owners.

Assets and liabilities classified as held-for-sale or for distribution to the owners are presented separately under current assets and liabilities in the balance sheet.

A disposal group qualifies as a discontinued operation if it is:

- A business unit of the company which represents a CGU or a group of CGU's.
- Classified for sale or for distribution to the owners or was already disposed in this manner.
- An important independent activity or geographic area.

The operations subject to the disposal are excluded from the result from continuing operations and are presented in the separate income statement in a single line as "Net profit/(loss) from discontinued operations".

## **Revenue recognition**

### Provision of services

Revenues concerning the provision of services are recognised based on the effective state of completion of the service at the reporting date and are recorded net of discounts and premiums. Specifically, advertising revenues are recognised based on the effective provision of the service.

### **Recognition of costs**

Costs are recognised on the acquisition of the goods or service. Commission expenses of the sales network relating to a new contract are recorded in the income statement simultaneously and correlated to the recognition of the revenue from the service sold and based on the provision of the service.

### **Income taxes**

Current taxes and tax benefits for the year are measured at the amount expected to be paid or received from the tax authorities. The tax rates and regulations used to calculate such amounts are those issued or substantially in force at the reporting date of the financial statements, in the countries in which the company operates and generates its assessable income. Current income taxes relating to items recorded directly in net equity are also recorded directly to equity and not to the separate income statement. Management periodically assesses the positions assumed in the income tax returns where the fiscal regulations are subject to interpretations and, where appropriate, record appropriate provisions.

Deferred taxes are calculated using the liability method on temporary differences at the reporting date between the fiscal values of the assets and liabilities and the corresponding values in the financial statements.

Deferred tax liabilities are recorded on all temporary assessable differences, with the following exceptions:

- when the deferred tax liabilities derive from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, has no effects on the result in the financial statements or on the fiscal result;
- the reversal of the temporary assessable differences, related to investments in subsidiaries and associates, can be controlled, and it is probable that such will not occur in the foreseeable future.
- Deferred tax assets are recognised on all temporary deductible differences, credits and unused fiscal losses carried forward, to the extent of the probable existence of adequate future tax profits, that can justify the use of the temporary deductible differences, credits and fiscal losses carried forward, with the following exceptions:
  - when the deferred tax assets related to the temporary deductible differences derives from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, has no effects on the result in the financial statements or on the fiscal result;
  - in the case of temporary deductible differences related to investments in subsidiaries and associates, the deferred tax assets are only recognised to the probable extent that the temporary differences will reverse in the foreseeable future and the existence of adequate future tax profits, that can justify the use of the temporary deductible differences.

The deferred tax assets, including those relating to losses carried forward, for the portion not offset by deferred tax liabilities, are only recognised to the probable extent of adequate future tax profits. The deferred taxes are calculated utilising the tax rates which are expected to be applied in the years when the temporary differences will be realised or settled, based on the tax rates in force or substantially in force at the reporting date.

The carrying value of deferred tax assets is reviewed at each reporting date and reduced to the extent it is unlikely that sufficient tax profits will be available in the future, so that some or all of the asset may be used. Unrecognised deferred tax assets are reviewed at each reporting date and are recognised to the extent of the probability that the tax profit is sufficient to permit such deferred tax assets to be recovered.

Current and deferred income taxes are recorded in the income statement, except those relating to accounts directly credited or debited to equity, in which case the fiscal effect is recognised directly to equity. Taxes are

offset when the income tax is applied by the same fiscal authority and when there is a legal right of compensation.

## **Earnings/(loss) per share**

### ***Basic***

The earnings/(loss) per share is calculated by dividing the result of the company by the weighted average number of ordinary shares outstanding during the year, excluding any treasury shares.

### ***Diluted***

The diluted earnings/(loss) per share is calculated by dividing the result of the Group by the weighted average number of ordinary shares outstanding during the year, excluding any treasury shares. In order to calculate the diluted earnings per share, the average weighted number of shares outstanding is adjusted in respect of the dilution potential of ordinary shares, while the profit or loss of the company is adjusted to take into account the effects, net of income taxes, of the conversion.

### **Discretionary valuations and significant accounting estimates**

The preparation of the Separate Financial Statements in accordance with IFRS require the Directors to apply accounting principles and methods that, in some circumstances, are founded on valuations and estimates based on historical experience and assumptions which are from time to time considered reasonable and realistic under the relative circumstances. The application of these estimates and assumptions impact upon the amounts reported in the financial statements and on the disclosures. The final outcome of the accounts in the financial statements which use the above-mentioned estimates and assumptions may differ from those reported in the financial statements due to the uncertainty which characterises the assumptions and the conditions upon which the estimates are based.

The accounting policies utilised by the company which require greater subjectivity by the Directors in the preparation of the estimates and for which a change in the underlying conditions or the assumptions may have a significant impact on the financial results of the company are briefly described below.

### ***Goodwill***

Goodwill is subject to an impairment test on an annual basis. The reduction in value is recorded as a write-down when the net book value of the cash generating unit to which the asset is allocated is higher than the recoverable value (defined as the higher value between the value in use and the fair value of the asset). The verification of the value requires the directors to make valuations based on the information available within the company and from the market, as well as historical experience. In addition, when it is determined that there may be a potential reduction in value, the company determines this through using the most appropriate technical valuation methods available. The same verifications of value and the same valuation techniques are applied on the intangible and tangible assets with a definite useful life when there are indications that the recovery of the relative net book value through its use may be difficult. The correct identification of the indicators of the existence of a potential reduction in value and the estimates for their determination depends on factors which may vary over time, impacting upon the valuations and estimates made by the directors.

***Doubtful debt provision***

The doubtful debt provision reflects the directors estimate on losses on the client portfolio. This estimate is based on the expected losses by the company, based on past experience for similar receivables, current and historic amounts overdue, careful monitoring of the credit quality and projections on economic and market conditions.

***Deferred tax assets***

The accounting of the deferred tax assets is made on the basis of the expectations of future tax profits to recover the asset value. The evaluation of the expected tax profits in order to record the deferred tax asset depends upon factors which may change over time and result in significant effects on the recovery of the asset.

***Provisions for risks and charges***

Provisions are recorded against the legal and tax risks deriving from findings against the Group. The value of the provisions recorded in the financial statements relating to these risks represents the best estimate at that date made by the directors. This estimate results in the adoption of assumptions concerning factors which may change over time and which may, therefore, have significant effects compared to the present estimates made by the directors for the preparation of the company financial statements.

**Changes of accounting policies, new accounting standards, changes of estimates and reclassifications**

The nature and impact of the new accounting standards and amendments are described below. Although these new standards and amendments were applied for the first time in 2016, they had no material impact on the financial statements of the company.

***Amendments to IAS 19 Defined benefit plans: contributions by employees***

IAS 19 requires an entity to consider, in the recognition of defined benefit plans, the contributions of employees or of third parties. When the contributions relate to the provision of the service, they should be allocated to the service period as negative benefits. This amendment clarifies that if the amount of contributions is independent from the number of years of service, the entity may recognise these contributions as a reduction of the service cost in the period in which the service is provided, rather than allocate the contribution to the service periods. This change applies to financial years beginning February 1, 2015 or subsequently. This amendment is not significant for the company.

***Amendments to IAS 27: Equity Method in Separate Financial Statements***

The amendments will allow entities to use the equity method to measure investments in subsidiaries, joint-ventures and associates in their separate financial statements. The entities which already apply IFRS and decide to change the accounting policy to the equity method in their separate financial statement must apply the change retrospectively. The amendments are effective for the periods beginning January 1, 2016 and thereafter; advance application is permitted. The standard is presently not applicable for the company.

### ***2010-2014 annual improvement cycle***

These amendments are effective for the periods beginning January 1, 2016 and thereafter. They include:

#### ***IFRS 5 Non-current assets held for sale and discontinued operations***

The assets (or disposal groups) are generally disposed through sale or the distribution to shareholders. The amendment clarifies that the change from one of these disposal methods to the other should not be considered as a new disposal plan, but a continuation of the original plan. There is therefore no interruption in the application of the requirements of IFRS 5. This amendment must be applied prospectively.

#### ***IFRS 7 Financial Instruments: Disclosure***

The amendment clarifies that a servicing contract which includes a remuneration may involve continuous involvement in a financial asset. An entity must define the nature of the remuneration and the agreement based on the guidance contained in IFRS 7 in relation to continuous involvement to evaluate whether disclosure is required. The definition of which servicing contract involves continuous involvement must be made retrospectively. In any case, the disclosure required must not be presented for the years prior to the first application of this change.

The amendment clarifies that the disclosure on remuneration is not required for condensed interim financial statements, unless such provides significant additional information to that presented in the most recent annual financial statements. This amendment must be applied retrospectively.

#### ***IAS 19 Employee Benefits***

The amendment clarifies that the active market (market depth) of high quality corporate bonds must be defined in relation to the currency in which the bond is denominated, rather than the country in which the bond is located. When an active market is not identified for the high quality corporate bonds in this currency, the relative interest rate linked to government securities must be utilised. This amendment must be applied prospectively.

#### ***Amendments to IAS 1 Disclosure Initiative***

The amendments to IAS 1 Presentation of financial statements clarifies, rather than significantly amending, some requirements of the existing IAS 1. The amendments clarify:

- The requirement of materiality in IAS 1.
- The fact that specific lines in the consolidated income statement or the comprehensive income statement or in the balance sheet may be disaggregated.
- That the entities possess flexibility in relation to the order in which the notes are presented.
- That the other items in the comprehensive income statement relating to associates and joint ventures recorded utilising the equity method must be presented on an aggregated basis on a single line, and classified under items which will not be subsequently reclassified to the income statement.

In addition, the amendments clarify the requirements applied when the sub-totals are presented in the consolidated income statement or the comprehensive income statement or in the balance sheet. These

amendments are effective for the periods beginning January 1, 2016 and thereafter; advance application is permitted. No impact is expected on the company following the application of these amendments.

### ***Amendments to IFRS 10, IFRS 12 and to IAS 28 Investment Entities: Applying the Consolidation Exception***

The amendments concern the issues arising in the application of the exemption relating to investment entities as per IFRS 10. The amendments to IFRS 10 clarify that the exemption from the presentation of consolidated financial statements applies to a parent in turn controlled by an investment company, when the investment entity measures all its subsidiaries at fair value.

In addition, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity which is not in turn an investment entity and which provides support services to the investment entity is consolidated. All the other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 permit the investor to maintain, in the application of the equity method, the fair value measurement applied by the associates or joint ventures of an investment entity in the measurement of its investments in subsidiaries. These amendments must be applied retrospectively for the periods which begin on January 1, 2016 and thereafter; advance application is permitted.

No impact is expected on the company following the application of these amendments.

### ***IAS 34 Interim financial statements***

The amendments clarify that the disclosure required in interim financial statements should be presented or incorporated through cross-reference between the interim financial statements and the part of the interim financial report in which it is included (for example the Directors' Report or the comment upon risk's report).

The disclosure presented in the interim financial report must be available for the reader under the same terms and timeframe as the interim financial statements. This amendment must be applied retrospectively.

No impact is expected on the company following the application of these amendments.

## **Standards issued but not yet in force**

The standards and interpretations which at the date of the preparation of the financial statements were issued but not yet in force are reported below. The Company will adopt the following standards when they enter into force.

### ***IFRS 9 Financial instruments***

In July 2014, the IASB published the final version of IFRS 9 Financial Instruments which replaces IAS 39 Financial Instruments: Recognition and measurement and all the previous versions of IFRS 9. IFRS 9 combines all three aspects relating to the accounting of financial instruments: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for periods beginning January 1, 2018 and thereafter; advance application is permitted.

With the exception of the hedge accounting, retrospective application is required of the standard, but it is not obligatory to disclose comparative information. In relation to the hedge accounting, the standard is generally applied in prospective manner, with some limited exceptions.

The company will adopt the new standard from the date it enters into force. Significant impacts on its financial statements and net equity are not expected.

### ***IFRS 15 Revenue from Contracts with Customers***

IFRS 15 was issued in May 2014 and introduces a new model in five steps which will be applied to revenues from contracts with customers. IFRS 15 provides for the recognition of revenues for an amount which reflects the payment which the entity considers to have the right to in exchange for the transfer of goods or services to the customer.

The new standard will replace all the current requirements of IFRS in terms of revenue recognition. The standard is effective for the periods beginning January 1, 2018 and thereafter, with full retrospective application. Earlier application is permitted.

The company expects to apply the new standard from the date of obligatory application, utilising the full retrospective application method. Based on the assessments made on the 2016 activities, a significant impact is not expected from the application of this standard. However, in consideration of the fact that the company is increasing its services to its clients, it cannot be excluded that this could generate more significant impacts in future years.

### ***IAS 7 Disclosure Initiative – Amendments to IAS 7***

The amendments to IAS 7 Cash Flow Statement are part of the Disclosure Initiative of the IASB and requires an entity to provide additional information which permits the readers of the financial statements to assess the changes in the liabilities related to financing activities, including whether these changes relate to cash flows or non-monetary changes. On the initial application of this amendment, the entity is not required to present comparative information relating to previous periods. These amendments are effective for the periods beginning January 1, 2017 and thereafter; advance application is permitted. The application of these amendments will require the company to provide additional disclosure.

### ***Amendments to IAS 12 - Income taxes***

The IASB clarified how deferred tax assets should be recorded relating to unrealised losses on debt instruments measured at fair value. The amendments will be effective from January 1, 2017.

### **Standards not yet endorsed by the European Union**

At the reporting date, the European Union had not yet completed its endorsement process for the following standards and amendments:

### ***IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2***

The IASB issued amendments to IFRS 2 Share-based payments which concern three principal areas: the effects of a vesting condition on the measurement of a cash-settled share-based payment; the classification of an equity-settled share-based payment settled net of withholding tax obligations; the accounting where a

change in the terms and conditions of an equity-settled share-based payment changes its classification from cash-settled to equity-settled.

On its adoption, the entities must apply the amendments without restating the previous years, but the retrospective application is permitted if chosen for all three of the amendments and other criteria are satisfied. These amendments are effective for the periods beginning January 1, 2018 and thereafter; advance application is permitted. The company is assessing the impact of these amendments.

### ***IFRS 14- Regulatory Deferral Accounts***

On January 30, 2014, the IASB published IFRS 14 - Regulatory Deferral Accounts, the interim standard relating to the project concerning regulated activities. In order to improve comparability with entities which already apply IFRS and which do not include account items deriving from rate regulations, the standard requires that the effect of these particular accounts must be presented separately from other accounts. IFRS 14 permits, only for those adopting IFRS for the first time, the continued recognition of these assets and liabilities according to the previous accounting standards adopted. The standard is effective from January 1, 2016. This standard did not have any impact for the company.

### ***IFRS 16-Leasing***

On January 13, 2016, the IASB published the new IFRS 16 Leasing standard. This replaces IAS 17 and provides accounting representation methods which more appropriately reflect the nature of leasing in the financial statements. The new IFRS 16 is applicable from January 1, 2019, although advance application is permitted for companies applying also IFRS 15-Revenue from contracts with Customers. The Group is still assessing the impact from the adoption of the new standard on the balance sheet and financial position. Based on the provisional analysis currently being finalised the most important impacts related to the contracts refer to: buildings; motor vehicles; EDP.

The company estimates that the adoption of the new standard will not result in significant impacts on the financial position and earnings.

### ***2014-2016 annual improvement cycle***

The "2014-2016 annual improvement cycle", not yet endorsed, containing amendments, essentially of a technical and editorial nature, of international accounting standards. The principal clarifications relate to IFRS 1, IAS 28 and IFRS 12. It is not expected that these improvements will impact on the financial position of the company.

### **Subsequent events**

No events which may impact these financial statements occurred subsequent to year-end.

On February 1, 2017, the company appointed with effect from March 3, 2017 the new Chief Financial Officer, in order to strengthen the management team in pursuit of domestic and international growth, in addition to the possible transfer to the main Stock Exchange segment.

In the same month (February 23, 2017), axélero announced the volumes generated by the ristoranti.it application in its initial two months since its launch, with these significant results generating expectations of its success into the future.

On April 18, 2017, the company adopted a Self-Governance Code and an Ethics Code, although having initiated the preliminary analysis ahead of the procedures required for the adoption of an Organisation and Management model in line with Legislative Decree No. 231 of June 8, 2001.

## Notes to the main balance sheet and income statement accounts

### Non-current assets

#### *Property, plant and equipment (Note 1 S)*

“Property, plant and equipment” amounts to Euro 1,126 thousand at December 31, 2016 (Euro 462 thousand at December 31, 2015), as illustrated below:

Euro	At December 31, 2016			At December 31, 2015		
	Historic cost	Acc. deprec.	Net value	Historic cost	Acc. deprec.	Net value
Plant and Machinery	8,400	-1,147	7,253	3,450	-259	3,191
Equipment						
Other assets	1,458,805	-340,415	1,118,390	579,780	-120,910	458,870
Assets in progress and advances						
<b>Total plant and equipment</b>	<b>1,467,205</b>	<b>-341,562</b>	<b>1,125,643</b>	<b>583,230</b>	<b>-121,169</b>	<b>462,061</b>

We report that at December 31, 2016 and 2015 there were no fixed assets of the Group subject to guarantees in favour of third parties and there were no indications of losses in value of plant and machinery during the year.

The movements in property, plant and equipment in 2016 were as follows:

	At December 31, 2015	Increases	Incr. Corporate Operation & Change to consolidation scope	Depreciation	At December 31, 2016
Plant and Machinery	3,191	4,950	0	-371	7,770
Equipment					
Other assets	458,870	962,759	2,803	-306,559	1,117,873
Assets in progress and advances					
<b>Total plant and equipment</b>	<b>462,061</b>	<b>967,709</b>	<b>2,803</b>	<b>-306,930</b>	<b>1,125,643</b>

Capex in the year relates to “other assets” and concern for Euro 615 thousand structural fixed assets (PC’s, mobile telephones, servers) for the technology provided to new hires and the sales network and for Euro 348 thousand reclassifications from leasehold improvements.

### *Intangible assets*

Intangible assets amount to Euro 2,872 thousand and exclusively concern intangible assets with finite useful life, as detailed below.

#### *Intangible assets with finite useful life (Note 2 S)*

The intangible assets with finite useful live amount to Euro 2,872 thousand at December 31, 2016 (Euro 863 thousand at December 31, 2015). The movements in the year are due to increases of Euro 3,233 thousand,

net of decreases (due to reclassification) of Euro 509 thousand and amortisation for the year of Euro 743 thousand.

The historic cost, accumulated amortisation and the net book value of Intangible assets at December 31, 2016 and December 31, 2015 are detailed in the following table:

Euro	At December 31, 2016			At December 31, 2015		
	Historic cost	Acc. amort.	Net value	Historic cost	Acc. amort.	Net value
Software, patents, concessions and licences	644,578	-378,677	265,901	589,278	-234,698	354,580
Development platform	2,032,419	-598,087	1,434,332	0	0	0
Other intangible assets	0	0	0	0	0	0
Assets in progress	1,171,775	0	1,171,775	508,753	0	508,753
<b>Total intangible assets</b>	<b>3,848,772</b>	<b>-976,764</b>	<b>2,872,008</b>	<b>1,098,031</b>	<b>-234,698</b>	<b>863,333</b>

The movements in intangible assets during the year are shown in the table below:

Euro	At January 1, 2016	Increases	Corporate Operation & Change to consol. scope	Decreases	Amortisation	At December 31, 2016
Software, patents, concessions and licences	354,580	1,352	27,516	0	-117,547	265,901
Development platform	0	2,059,634	0	0	-625,302	1,434,332
Other intangible assets	0	0	0	0	0	0
Assets in progress	508,753	1,171,775	0	-508,753	0	1,171,775
<b>Total intangible assets</b>	<b>863,333</b>	<b>3,232,761</b>	<b>27,516</b>	<b>-508,753</b>	<b>-742,849</b>	<b>2,872,008</b>

The principal investments by the company refer to:

- Euro 2,060 thousand, which refer for Euro 568 thousand to the capitalisation, with the favourable opinion of the Board of Statutory Auditors, of the costs incurred for the development of the new management systems and for Euro 509 thousand to the reclassification from assets in progress and advances, of the costs recorded at December 31, 2015 and relating to the capitalisation of personnel costs involved in the research and development of new products and technological platforms developed internally; for this latter, together with the costs incurred in the first half of 2016 (Euro 983 thousand), amortisation commenced during the year 2016.
- Euro 1,172 thousand for assets in progress refers to the capitalisation, with the favourable opinion of the Board of Statutory Auditors, of the personnel costs involved in the study and design of the new range of products including mysuite, axel, new services platform development, workflow production and customer care and retention project.

The increase from the corporate operations of Euro 28 thousand concerns the intangible assets recognised due to the merger by incorporation from January 1, 2016.

The personnel costs capitalised were valued based on the effective hourly cost of each employee, in relation to the hours worked on the projects.

The directors assessed that there were no matters, facts and/or circumstances which could indicate permanent loss in value.

### ***Investments in associates (Note 3 S)***

The breakdown of the Investments in associates at December 31, 2016 is as follows:

<i>Euro</i>	At December 31, 2016	FY 2015
Arreeba S.r.l.	0	20,089
<b>Total Investments in associates</b>	<b>0</b>	<b>20,089</b>

The reduction is due to the reclassification of the investment held in Arreeba S.r.l. which is now a subsidiary of the company since December 22, 2016.

### ***Investments in subsidiaries (Note 4 S)***

Investments in subsidiaries was measured at cost, in compliance with IAS 39, paragraph 46c, as concerning investments in capital instruments without a listed market price on an active market and whose fair value may not be reliably measured.

The following table shows the movements in Investments in subsidiaries during the year ended December 31, 2016:

<i>Euro</i>	At January 1, 2016	Increases for purchases	Net Decreases	At December 31, 2016
Investments in subsidiaries	365,000	1,047,759	365,000	1,047,759
<b>Total investments in subsidiaries</b>	<b>365,000</b>	<b>1,047,759</b>	<b>365,000</b>	<b>1,047,759</b>

Investments in 2016, totalling Euro 1,048 thousand, concern for Euro 891 thousand the acquisition value of the investment in Privategriffe Srl (formerly Privategriffe Spa) and for Euro 157 thousand the value of the investment in the company Arreeba Srl. The net decreases concern the effect from the merger by incorporation into axélero S.p.a., with accounting and tax effects from January 1, 2016, of the subsidiaries at January 1, 2016.

Company	State	Share capital in Euro	Last year profit (loss) in Euro	Shareholders' equity in Euro	Holding in Euro	% Holding	Book value
Arreeba S.r.l.	Italy	15,000	-39,020	196,467	100,198	51	156,559
Privategriffe S.r.l.	Italy	244,224	263,782	-131,843	-131,843	100	891,200
<b>Total</b>							<b>1,047,759</b>

Investments were maintained at an amount greater than the corresponding shareholders' equity, as the purchase cost was considered to approximate the fair value, in consideration of the recent acquisitions.

### ***Deferred tax assets (Note 5 S)***

Non-current deferred tax assets amount to Euro 1,958 thousand compared to Euro 734 thousand at the end of the previous year, as shown below:

	Balance 2016	Balances from Merger (net)	Provisions in year	Reversal	Rate adjustment	Balance 2016
Non-current the income profit or loss (deferred tax)	118,228	393,545	689,233	- -	15,380	1,185,626
Non-current not through profit or loss (from IAS transition)	615,750	-	181,425	- 25,020	-	772,155
	<b>733,978</b>	<b>393,545</b>	<b>870,658</b>	<b>- 25,020</b>	<b>-</b>	<b>1,957,781</b>

The value of the non-current deferred tax assets recorded through the income statement, amounting to Euro 1,186 thousand in 2016, is attributable to:

- for Euro 1,083 thousand the deferred tax asset recorded on the doubtful debt provisions of the company axélero S.p.A.
- for Euro 103 thousand the deferred tax asset recorded on the risks provision recorded in the year 2015.

The value of the non-current deferred tax assets not recorded through the income statement, amounting to Euro 772 thousand, is attributable to the deferred tax assets deriving from the application of international accounting standards (IAS/IFRS).

## Current assets

### *Commercial receivables (Note 6 S)*

Trade and other receivables amount to Euro 47,776 thousand compared to Euro 12,513 thousand at the end of the previous year, as shown below:

<i>Euro</i>	At December 31, 2016	At December 31, 2015
Trade receivables and invoices to be issued	55,659,559	17,105,017
Doubtful debt provision	(7,883,773)	(4,592,338)
<b>Total trade receivables</b>	<b>47,775,786</b>	<b>12,512,679</b>

Receivables are recorded net of the doubtful debt provision which represents the reasonable estimate of the loss in value identified against specific risks of non-collectability, identified on the receivables recorded in the accounts. For further information and comments in relation to the quality of the receivables, reference should be made to the paragraph "Financial risk management policy". There were no receivables due beyond five years.

The increase in trade receivables is mainly due to the significant increase in the Value of Production (more than doubling on 2015) and the introduction of a maximum 24-month settlement period in July 2016 (within 48 months for contracts agreed up to July 2016). Trade receivables are recognised at amortised cost, taking account of the discounting of future cash flows at a rate reflecting the average debt of the company.

The doubtful debt provision concerns specific credit positions with specific risks in order to reflect their realisable value. The doubtful debt provision takes into account both specific evaluations of the credit risk relating to the individual debtor positions and the recovery actions implemented by the company for "difficult" positions. The movement in the doubtful debt provision during the year is shown below:

<i>Euro</i>	At December 31, 2016	At December 31, 2015
Opening provision	(4,592,338)	(2,404,228)
Increases	(4,511,560)	(2,188,110)
Utilisation/Releases	1,220,124	-
Change in consolidation scope	-	-
<b>Doubtful debt provision</b>	<b>(7,883,773)</b>	<b>(4,592,338)</b>

The table below shows the breakdown on an annual basis of the due dates of the trade receivables, on the basis of the contractual instalment plans.

	2017	2018	2019	2020	2021
% receivables due	36.27%	30.87%	23.27%	9.28%	0.31%

### ***Cash and cash equivalents (Note 8 S)***

The breakdown of Cash and cash equivalents is as follows:

<i>Euro</i>	At December 31, 2016	At December 31, 2015
Bank and postal deposits	388,323	7,251,610
Cash	37,714	9,522
<b>Total cash and cash equivalents</b>	<b>426,037</b>	<b>7,261,132</b>

The balance of Cash and cash equivalents, entirely denominated in Euro, represents the liquidity available at the reporting date.

Cash and cash equivalents at December 31, 2016 are not subject to any restrictions. The balance at December 31, 2016 includes the effect from the merger by incorporation of the companies ABCsalute Srl, Shoppingdonna Srl, Originalitaly Srl and Professionisti Srl.

### ***Financial assets (Note 9 S)***

Financial assets at December 31, 2016 amount to Euro 39 thousand and concern an insurance policy with Assicurazioni Generali S.p.A., in place from the previous year.

### ***Current receivables from subsidiaries (Note 7 S)***

The balance of current receivables from subsidiaries of Euro 247 thousand at December 31, 2016 concerns the receivables from the company Privategriffe Srl (formerly Privategriffe Spa) for Euro 212 thousand and Euro 35 thousand from Arreeba Srl.

At December 31, 2015, the balance of Euro 1,853 thousand relates to the receivables from the companies merged by incorporation from January 1, 2016.

### ***Other current assets (Note 10 S)***

The breakdown of Other current assets is as follows:

<i>Euro</i>	At December 31, 2016	At December 31, 2015
Tax receivables	314,178	147,737
Advances to suppliers	189,378	50,057
Prepayments and accrued income	149,461	145,770
<b>Total other current assets</b>	<b>653,017</b>	<b>343,564</b>

Other receivables principally concern guarantee deposits provided to the factoring company against without recourse receivables, made in the past by Abcsalute S.r.l. and Originalitaly S.r.l. for Euro 155 thousand. These receivables may be offset with the account other payables to the factoring company for Euro 147 thousand recorded under: other non-current liabilities, in consideration of the fact that the relationship has discontinued.

Advances to suppliers relate to payments made, in particular to hotels, airlines and restaurants, for which tax documentation has not yet been received, with consequent recognition of the cost and allocation of the invoices to be received from suppliers.

These relate to income and charges accounted for on an accruals basis, irrespective of the date of payment or receipt.

### ***Tax receivables (Note 11 C)***

Tax receivables amount to Euro 3,073 thousand, compared to Euro 1,221 thousand at December 31, 2015. The account mainly relates to the VAT receivable generated in 2016 for Euro 2,516 thousand and the residual VAT receivable for the year 2015 of Euro 509 thousand.

### ***Deferred tax assets (Note 12 S)***

Current deferred tax assets amount to Euro 707 thousand, compared to Euro 217 thousand at the end of the previous year, as illustrated below:

	Balance 2016	Balances from Merger (net)	Provisions in year	Reversal	Rate adjustment	Balance 2016
Current through profit or loss (deferred tax)	217,731	956,121	- -	364,250 -	103,040	706,562
	<b>217,731</b>	<b>956,121</b>	- -	<b>364,250 -</b>	<b>103,040</b>	<b>706,562</b>

The value of the current deferred tax assets recorded through the income statement, amounting to Euro 707 thousand, is attributable to the deferred tax assets calculated on the doubtful debt provision, net of the utilisations, made in previous years.

## Liabilities

### Shareholders' equity (Note 13 S)

#### Changes in shareholders' equity for the year ended December 31, 2016

The movements in shareholders' equity are reported in the table below.

	Share capital	Share premium reserve	Legal reserve	Other capital reserves	Treasury shares reserve	Retained earnings	Cash Flow Hedge Reserve	Financial instrument valuation reserve	FTA Reserve	Employee benefits	Total
<b>Balance at January 1, 2015</b>	68,000	18,662,236	6,200	12,991		660,855			(35,542)		19,374,740
Allocation of prior year result			13,600			(13,600)					-
Result for the year						420,399					420,399
<b>Other Comprehensive Income Statement items</b>											-
which may not be subsequently reclassified to profit/(loss) for the year										(11,787)	(11,787)
which may be subsequently reclassified to profit/(loss) for the year											-
<b>Comprehensive profit</b>						420,399	-	-		(11,787)	408,612
Share capital increase											-
Other capital operations					(56,359)						(56,359)
Dividends											-
Change in consolidation scope											-
<b>Balance at December 31, 2015</b>	68,000	18,662,236	19,800	12,991	(56,359)	1,067,654	-	-	(35,542)	(11,787)	19,726,993

	Share capital	Share premium reserve	Legal reserve	Other capital reserves	Treasury shares reserve	Retained earnings (accumulated losses)	Cash Flow Hedge Reserve	AFS Reserve	FTA Reserve	Employee benefits	Total
<b>Balance at December 1, 2016</b>	68,000	18,662,236	19,800	12,991	(56,359)	1,067,654	-	-	(35,542)	(11,787)	19,726,993
Allocation of prior year result			78,502			(78,502)					-
Result for the year						1,204,123					1,204,123
<b>Other Comprehensive Income Statement items</b>											-
which may not be subsequently reclassified to profit/(loss) for the year										(19,926)	(19,926)
which may be subsequently reclassified to profit/(loss) for the year							(8,304)				-
<b>Comprehensive profit</b>						1,204,123	(8,304)	-		(19,926)	1,184,197
Acquisitions of minority interests											-
Share capital increase											-
Other capital operations					(65,737)						(65,737)
Dividends											-
Effects of merger by incorporation						3,832,429			(623,505)		3,208,924
<b>Balance at December 31, 2016</b>	68,000	18,662,236	98,302	12,991	(122,096)	6,025,704	(8,304)	-	(659,047)	(31,713)	24,046,073

The share capital is composed of 13,600,000 shares.

The cash flow hedge reserve, amounting to Euro 8 thousand, relates to the negative fair value of the derivative instrument hedging loans.

The breakdown of distributable and non-distributable amounts is illustrated below:

Nature/description	Amount	Poss. of utilisation	Quota available*
Share capital	68,000	B	68,000
Legal reserve	98,302	A,B	98,302
Share premium reserve	18,662,236	A,B,C	18,662,236
Other reserves	12,991	A,B	12,991
Retained earnings	6,025,704	A,B,C	6,025,704
FTA Reserve	-659,047		-659,047
IAS reserve	-40,017		-40,017
Treasury shares reserve	-122,096		-122,096
<b>Total</b>	<b>24,046,073</b>		<b>24,046,073</b>
Non-distributable amount	1,000,453		1,000,453
Residual distributable amount	23,045,620		23,045,620

(\*) A: for share capital increase; B: for coverage of losses; C: for distribution to shareholders

### Current and non-current bank and other borrowings (Note 14 S)

The breakdown of non-current bank and other borrowings at December 31, 2016 and 2015 is as follows:

(in Euro)	At December 31, 2016	At December 31, 2015
Bank payables	(5,862,773)	-
Other lenders	0	-
<b>Total non-current bank payables and other lenders</b>	<b>(5,862,773)</b>	<b>-</b>

The current bank payables include both bank overdrafts and current portion of the loans.

(in Euro)	At December 31, 2016	At December 31, 2015
Bank payables	(12,324,256)	(36,275)
Other lenders	(1,284,786)	-
<b>Total current bank payables and other lenders</b>	<b>(13,609,042)</b>	<b>(36,275)</b>

Other borrowings refer to the payables to MBfacta Spa (formerly Creditech Spa), relating to the value of the future instalments on the contracts ceded with recourse.

The table below shows the composition of the company bank loans at December 31, 2016:

Issuing credit institution	Type of loan	Interest rate	Original amount	Year of drawdown	Maturity date	At December 31, 2016			
						Book value	Within 1 year	Between 1 and 5 years	Beyond five years
INTESA SAN PAOLO	Unsecured	Euribor 3M + spread 1.5	2,000,000	2016	2021	2,000,000	367,146	1,632,854	-
BANCA SELLA	Unsecured	Euribor 3M + spread 1.40	2,000,000	2016	2020	2,000,000	563,250	1,436,750	-
UNICREDIT	Unsecured	Euribor 3M + spread 1.85	2,000,000	2016	2021	1,776,079	389,528	1,386,551	-
UBI POP. DI BERGAMO	Unsecured	Euribor 3M + spread 1.35	1,000,000	2016	2017	801,362	801,362	-	-
CARIGE	Unsecured	Euribor 6M + spread 1.6	500,000	2016	2019	500,000	98,413	401,587	-
CREDITE AGRICOLE	Unsecured	Euribor 3M + spread 1.3	1,000,000	2016	2020	1,000,000	246,343	753,657	-
CREDEM	Unsecured	Fixed 1.1	500,000	2016	2018	500,000	248,627	251,373	-
<b>Total loans from banks</b>			<b>9,000,000</b>			<b>8,577,441</b>	<b>2,714,668</b>	<b>5,862,773</b>	<b>-</b>

The company has not provided guarantees on movable or immovable fixed assets in relation to the loans above.

The company has never undertaken loans in currencies other than the Euro.

### Provisions for risks and charges (Note 16 S)

The breakdown and the changes in the provision for risks and charges at December 31, 2016 and 2015 is shown in the table below:

<i>(in Euro)</i>	At January 1, 2016	Provisions	Utilisation/Releases	Other changes	At December 31, 2016
Provision for disputes	429,920	38,066	-33,062	10,929	445,853
<b>Total provisions for risks and charges</b>	<b>429,920</b>	<b>38,066</b>	<b>-33,062</b>	<b>10,929</b>	<b>445,853</b>

The provision for the year of Euro 38 thousand relates to the former company Shoppingdonna Srl merged by incorporation into axélero Spa on January 1, 2016. This provision was already prudently accrued for future potential liabilities and was partially utilised during 2016.

The provisions of Euro 430 thousand accrued prudently in 2015 for future potential liabilities concerning charges related to the commercial network were not increased in 2016.

### Employee provisions (Note 15 S)

The account includes the Post-employment benefit provision relating to employees of the companies of the Group, pursuant to Article 2120 of the Civil Code, discounted in accordance with the provisions of IAS 19R, as described in paragraph 1 of the present document in relation to the Accounting Policies adopted in the preparation of the consolidated financial statements at December 31, 2016 and 2015.

The table below shows the changes in the post-employment benefits for the year ended December 31, 2016 and 2015:

<i>(in Euro)</i>	At January 1, 2016	Service cost	Interest cost	Advances and settlements	Transfers	Actuarial Gains/Losses	Deconsolidation	At December 31, 2016
Post-employment benefits	288,238	225,601.76	5,771.55	-35,877.23	51,893.13	26,218.37	0	561,845
<b>Total employee provisions</b>	<b>288,238</b>	<b>225,602</b>	<b>5,772</b>	<b>-35,877</b>	<b>51,893</b>	<b>26,218</b>	<b>0</b>	<b>561,845</b>

The Post-employment benefit provision as per Italian regulation (Article 2120 of the Italian Civil Code) is considered, from an accounting viewpoint, as a "Defined benefit plan".

Under Italian law when an employment service contract terminates an employee receives a post-employment benefit payment. Pursuant to the regulation introduced by Legislative Decree No. 252/2005 and Law No. 296/2006 (2007 Finance Law), for enterprises with at least 50 employees the post-employment benefit is transferred, on the choice of the employees either to the INPS treasury fund or to a supplementary pension plan, and is considered a "Defined contribution plan".

However, the revaluations of the Post-employment provision existing at the reference date and the amount matured and not assigned to the supplementary pension plans, for enterprises with less than 50 employees,

remain in the account Post-employment benefit provision. In accordance with IAS 19R, this provision is considered a “Defined benefit plan”.

The following table shows the principal assumptions utilised to determine as per IAS 19R the present value of the Post-employment benefit provision:

	31/12/2014	31/12/2015	31/12/2016
Annual technical discounting rate	1.50%	2.00%	1.30%
Annual inflation rate	1.50%	1.50%	1.50%
Annual increase in salaries	2.50%	2.50%	2.50%

### Trade payables (Note 19 S)

The breakdown of Trade payables at December 31, 2016 and 2015 is shown below:

<i>(in Euro)</i>	At December 31, 2016	At December 31, 2015
Trade payables	7,627,150	3,343,519
<b>Total trade payables</b>	<b>7,627,150</b>	<b>3,343,519</b>

Trade payables are recorded at nominal value and concern the acquisition of goods and services from suppliers. Payables to suppliers are recorded under trade payables whether they refer to suppliers of finished products and raw materials or the provision of services. There are no significant amounts in currencies other than the Euro. Payables to the sales network for commissions matured are recorded net of advance commissions paid.

The increase in the periods under consideration is mainly related to the increase in the volume of sales. All trade payables are due within one year and therefore discounting was not applied to the payables.

### Current and non-current other liabilities (Note 17 S)

The breakdown of Other current liabilities at December 31, 2016 and 2015 is shown below:

<i>(in Euro)</i>	At December 31, 2016	At December 31, 2015
Employees/directors	760,714	403,715
Social security institutions	346,699	183,955
Customer advances	210,751	9,615
Tax payables	1,395,321	404,474
Accrued liabilities and deferred income	2,738,797	251,205
Other payables	1,461,939	804,112
<b>Total other current liabilities</b>	<b>6,914,222</b>	<b>2,057,076</b>

Payables to employees and directors includes the liabilities for remuneration and emoluments and vacation days not taken in the year. The customer advances are related to the sales process.

Tax payables mainly relate to IRES and IRAP income taxes for the year of Euro 925 thousand, and employee and consultant withholding taxes of Euro 391 thousand.

Accrued liabilities and deferred income amount to Euro 2,738 thousand and relate for Euro 2,127 thousand to revenues concerning future years and Euro 415 thousand the residual amount of the contribution from the lessor of the Milan offices against works carried out by axélero S.p.A. in 2015 and 2016 for the restoration of the offices located at via Melchiorre Gioia, 8. This amount will be released over the duration of the rental contracts.

The composition of other payables mainly relate to: for Euro 614 thousand the provision of variable employee salaries and relative contributions for the year 2016 paid in April 2017, for Euro 255 thousand the provision of the FIRR contribution for agents currently operating and those already terminated and for Euro 246 thousand the payable to third parties due within one year for the purchase of the investment in the subsidiary Privategriffe Spa.

Non-current other liabilities, amounting to Euro 645 thousand, represents the amount due beyond one year of the payable to third parties for the purchase of the subsidiary Privategriffe Srl (formerly Privategriffe Spa).

### Deferred tax liabilities (Nota 18 S)

Deferred tax liabilities are comprised as follows:

<i>(In Euro)</i>	At December 31, 2016	At December 31, 2015
Non-current deferred tax liabilities	175,592	1,376
Current deferred tax liabilities	35,613	-
<b>Total deferred tax liabilities</b>	<b>211,205</b>	<b>1,376</b>

The balance of non-current deferred tax liabilities, amounting to Euro 176 thousand, relate to set up and expansion costs of Euro 149 thousand. The balance of current deferred tax liabilities, amounting to Euro 36 thousand, for Euro 31 thousand relate to long-term costs of the companies merged which will be reversed in 2017, taking into account the amortisation which will continue to be recorded for tax purposes.

### Revenues (Note 19 S)

The breakdown of revenues for the years 2016 and 2015 are illustrated below:

<i>(in Euro)</i>	FY 2016	FY 2015
Revenues from sales and services	45,938,545	15,234,159
Other revenues	-	-
<b>Total Revenues</b>	<b>45,938,545</b>	<b>15,234,159</b>

Revenues are recorded net of contracts signed and cancelled during the year.

In relation to the regional breakdown of revenues, revenues are mainly realised in Italy and therefore the table illustrating the regional breakdown of revenues is omitted.

### Other income (Note 24 S)

The breakdown of other revenues for the years 2016 and 2015 are illustrated below:

<i>(in Euro)</i>	FY 2016	FY 2015
Other income	296,049	47,737
<b>Total other income</b>	<b>296,049</b>	<b>47,737</b>

The account mainly concerns: reimbursement of collection expenses recharged to clients, incentives in 2016 recognised by Google and the contribution received (based on the contractual duration) from the lessee of the Milan offices against works carried out by axélero S.p.A. in 2015 and 2016.

### Raw material costs and goods (Note 20 S)

The breakdown of Raw material costs and goods, including changes in inventories, for the years 2016 and 2015 is illustrated below:

<i>(in Euro)</i>	FY 2016	FY 2015
Raw materials and goods	104,493	57,236
<b>Total costs for raw materials and goods</b>	<b>104,493</b>	<b>57,236</b>

## Service costs (Note 21 S)

The breakdown of Service costs for the years 2016 and 2015 are illustrated below:

<i>(in Euro)</i>	<b>FY 2016</b>	<b>FY 2015</b>
Commissions	17,196,701	5,104,769
Costs for issue of services	6,442,910	1,128,987
Other selling costs	3,568,761	1,087,274
Directors fees	763,177	660,208
Consulting and professional services	1,675,152	932,904
Advertising	187,949	561,940
Statutory Auditor fees	16,790	17,623
Independent audit firm	28,100	26,450
Travel and transfer	965,832	632,237
Other expenses	737,551	491,263
<b>Total service costs</b>	<b>31,582,923</b>	<b>10,643,655</b>

## Personnel expenses (Note 22 C)

The breakdown of Personnel expenses for the years 2016 and 2015 are illustrated below:

<i>(in Euro)</i>	<b>FY 2016</b>	<b>FY 2015</b>
Salaries and wages	4,446,720	1,777,381
Social security charges	1,316,488	585,878
Post-employment benefits	239,084	106,565
Capitalised costs	(2,167,791)	(508,753)
Other costs	1,266,760	501,771
<b>Total personnel expenses</b>	<b>5,101,261</b>	<b>2,462,842</b>

Personnel expenses are shown net of internal costs capitalised (account: capitalised costs) under intangible assets for development projects relating to company business activities.

## Workforce

The year-end number of employees by category for the years ended December 31, 2016 and 2015 are illustrated in the table below; the increase between 2015 and 2016 is due to:

	<b>At December 31, 2016</b>	<b>At December 31, 2015</b>
	<b>At year end</b>	<b>At year end</b>
Executives	12	11
Managers	12	7
White-collar	121	48
Interns	12	4
<b>Total</b>	<b>157</b>	<b>70</b>

The significant increase in the headcount in 2016 is in line with the growth, investment and development plans of the company and relates also to the merger by incorporation into axélero S.p.a. of the subsidiaries at January 1, 2016.

### Other charges (Note 25 S)

The breakdown of the account for the years 2016 and 2015 are illustrated below:

<i>(in Euro)</i>	<b>FY 2016</b>	<b>FY 2015</b>
Other charges	434,843	634,717
<b>Total other charges</b>	<b>434,843</b>	<b>634,717</b>

Other charges refer for Euro 238 thousand to losses on receivables recorded in 2016; the residual relates to other operating charges.

### Amortisation, depreciation and write-downs (Note 23 S)

The breakdown of Amortisation, depreciation and write-downs for 2016 and 2015 is illustrated below:

<i>(in Euro)</i>	<b>At December 31, 2016</b>				
	<b>Intangible assets</b>	<b>Plant and machinery</b>	<b>Non-current asset write-downs</b>	<b>Current asset write-downs</b>	<b>Total</b>
Amortisation, depreciation & write-downs	742,849	306,931	0	4,511,576	5,561,356
<b>Total amortisation, depreciation and write-downs</b>	<b>742,849</b>	<b>306,931</b>	<b>0</b>	<b>4,511,576</b>	<b>5,561,356</b>

Depreciation and amortisation relates to tangible and intangible assets held based on the estimated useful life by the Company and impacted by the commencement of amortisation in 2016 on the product development expenses capitalised in 2015 and in the first half of 2016. The account Write-down of current assets concerns the accrual to the doubtful debt provision in the year.

### Financial expenses (Note 27 S)

The breakdown of Financial expenses for the years 2016 and 2015 are illustrated below:

<i>(in Euro)</i>	<b>FY 2016</b>	<b>FY 2015</b>
Interest charges	99,378	2,695
Employee benefits financial component	19,208	-
Exchange losses/(gains)	240	602
Other	118,573	12,194
<b>Total financial expenses</b>	<b>237,399</b>	<b>15,491</b>

Bank expenses includes charges on bank overdrafts and on loans.

### Financial income (Note 26 S)

The breakdown of Financial income for the years 2016 and 2015 are illustrated below:

<i>(in Euro)</i>	<b>FY 2016</b>	<b>FY 2015</b>
Interest on bank deposits	408	1,137
Income from discounting	9,072	-
Other	379	4,234
<b>Total financial income</b>	<b>9,860</b>	<b>5,371</b>

### Non-current financial assets impairments (Note 28 S)

The breakdown of the Non-current financial assets impairments for 2016 and 2015 is shown below:

<i>(in Euro)</i>	FY 2016	FY 2015
Non-current asset write-downs	186,989	0
<b>Impairments</b>	<b>186,989</b>	<b>0</b>

The balance at December 31, 2016 concerns the write-down of the investment in Arreeba Srl.

### Income taxes (Note 29 S)

The breakdown of Income taxes for the years 2016 and 2015 are illustrated below:

<i>(in Euro)</i>	FY 2016	FY 2015
Current taxes	1,570,347	153,629
Deferred taxes	(328,707)	(307,156)
<b>Total income taxes</b>	<b>1,241,640</b>	<b>(153,527)</b>

The reconciliation between the nominal tax rate as per Italian legislation and the effective rate arising from the Separate Financial Statements is as follows:

(in Euro)

	At December 31		At December 31	
	2016		2015	
	Assessable	Tax	Assessable	Tax
<b>IRES</b>				
Profit before taxes	2,445,763	672,585	267,002	73,425
<i>Increases:</i>				
Doubtful debt provision	4,511,577	1,240,684	635,275	174,701
Provision for risks and charges	-	-	429,920	118,228
Directors fees	37,520	10,318	-	-
Other increases	308,172	84,747	500,415	137,614
<i>Decreases:</i>				
Use of doubtful debt provision	(1,220,141)	(335,539)	-	-
Amortisation & depreciation	(676,356)	(185,998)	-	-
Tax losses	-	-	(256,983)	(70,670)
ACE	(1,150,332)	(316,341)	(1,575,629)	(433,298)
	<b>4,256,204</b>	<b>1,170,456</b>	-	-
<b>IRAP</b>				
Difference between revenues and costs for IRAP purposes	13,806,629	665,480	5,129,336	247,234
Deductions (amnesty)	(5,510,135)	(265,589)	(1,939,315)	(93,605)
	<b>8,296,494</b>	<b>399,891</b>	<b>3,190,021</b>	<b>153,629</b>
<b>Total income taxes in the year</b>	<b>12,552,697</b>	<b>1,570,347</b>	<b>3,190,021</b>	<b>153,629</b>

### Earnings per share (Note 30 S)

The basic earnings per share is calculated by dividing the net profit attributable to the ordinary shareholders by the average weighted number of ordinary shares outstanding during the year.

Information is shown below for the calculation of the basic and diluted earnings per share:

(in Euro)	FY 2016	FY 2015
Continuing operations	1,175,893	408,612
Discontinued operations	0	0
<b>Net profit attributed to the ordinary shareholders of the parent for basic/diluted earnings</b>	<b>1,175,893</b>	<b>408,612</b>

The number of shares for the calculation of the earnings per share is as follows:

(in Euro)	FY 2016	FY 2015
<b>Average number of shares to calculate basic earnings per share</b>	<b>13,600,000</b>	<b>13,600,000</b>
<b>Average number of outstanding shares to calculate diluted earnings per share</b>	<b>13,600,000</b>	<b>13,600,000</b>

There were no other transactions on the ordinary shares or potential ordinary shares between the balance sheet date and the date of the preparation of the financial statements; based on recent transactions and independent expert opinions requested, the warrants issued in favour of some employees were considered out of the money.

## **Other information**

### *Directors, Statutory Auditors and Independent Auditor remuneration*

The table below shows the breakdown of the remuneration of directors, the Board of Statutory Auditors and the Company Independent Auditor for the years 2016 and 2015.

<i>(in Euro)</i>	<b>FY 2016</b>	<b>FY 2015</b>
Directors	763,177	660,208
Board of Statutory Auditors	16,790	17,623
Independent Audit Firm	28,100	26,450
<b>Directors, Statutory Auditors and Independent Auditor remuneration</b>	<b>808,067</b>	<b>704,281</b>

The increase in directors' fees concerns the increase in fees for executive directors, approved in 2016.

### *Contingent liabilities*

Other than the matters reported in the paragraph "Provision for risks" there are no legal or tax proceedings relating to the company.

### *Transactions relating to atypical or unusual operations*

In accordance with Consob Communication of July 28, 2006, the Company did not undertake any transactions deriving from atypical or unusual operations, as set out in the communication.

### *Transactions with subsidiary, holding and associated companies*

For improved disclosure, the underlying tables, drawn up on the basis of accounting data, outline the transactions undertaken between Group companies. Due to the merger by incorporation of the companies which axélero has controlled until December 2016, the month of the operation's legal effect, with tax effects from January 1, 2016, the contracts governing transactions between axélero S.p.a. and the merged companies (Abcsalute S.r.l., Shoppingdonna S.r.l., Professionisti S.r.l. e Originalitaly S.r.l.) are no longer present. In addition, on August 4, 2016, having received the favourable opinion of the Related Parties Committee, axélero S.p.a. fully acquired Privategriffe S.r.l. (formerly Privategriffe S.p.a.), a company held 28.11% by Supernovae2 S.r.l., in turn equally held by Leonardo Cucchiarini and Stefano Maria Cereseto. We report that axélero S.p.A., due to the merger by incorporation of the company Shoppingdonna S.r.l., has a shareholding of 4.99% in Supernovae2 S.r.l.

Axélero S.p.a. undertakes commercial (administrative, technical and commercial) and funding transactions with the subsidiaries Privategriffe S.r.l. (formerly Privategriffe S.p.a.) and Arreeba S.r.l., in addition to commercial transactions with a number of related parties, as outlined in the following tables.

The following tables report therefore the main inter-company transactions between axélero S.p.A. and the Group companies in 2016.

At 31.12.2016						
Subsidiary	Revenue from services	Other revenue and income	Financial income	Financial charges	Raw, ancillary & consumables	Service costs
Privategriffe S.r.l.	20,000	-	-	-	-	-
Arreeba S.r.l.	14,600	-	-	-	-	-
<b>Total</b>	<b>34,600</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The revenues concern services relating to the provision of office space and administrative services by axélero S.p.a.. The transactions with subsidiaries are at normal market conditions.

At 31.12.2016						
Subsidiary	Trade receivables	Trade payables	Other receivables	Other payables	Financial receivables	Financial payables
Privategriffe S.r.l.	20,000	-	-	-	191,200	-
Arreeba S.r.l.	14,600	-	-	-	-	-
<b>Total</b>	<b>34,600</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>191,200</b>	<b>-</b>

### *Transactions with related parties*

The company 71 S.r.l., a group company of axélero S.p.A. as held by Leonardo Cucchiarini (Chairman of the Board of Directors and Chief Executive Officer) and Stefano Maria Cereseto (Executive Director) through Compagnia Fiduciaria Lombarda S.p.A., undertook transactions with axélero S.p.A. on the basis of commercial contracts signed. The transactions with related parties are at normal market conditions.

At 31.12.2016				
Related party	Revenues	Costs	Receivables	Payables
<b>71 S.r.l.</b>	-	212,271	19,621	235,924
<b>Omnia Sas</b>	-	80,906	-	6,501
<b>Beltempo S.r.l.</b>	-	200,000	-	-
<b>Total</b>	<b>-</b>	<b>493,177</b>	<b>19,621</b>	<b>242,425</b>

The charges in the year were as follows: (Euro 212,271) concern: (i) equipment and furnishing rental contract (in place since 2014), (ii) outbound telemarketing contract (renewed in 2016 and approved by the Related Parties Committee, according to the company procedures, in February 2016).

axélero S.p.A. in addition signed in February 2016, following approval by the Related Parties Committee and according to the company procedure, a contract with Beltempo S.r.l., held 100% by Giulio Valiante, director of axélero S.p.A.. The contract concerns the development and enhancement of some axélero products.

### *Derivative financial instruments*

In accordance with Article 2427-*bis* of the Civil Code, axélero S.p.A. and its subsidiaries do not have in place derivative financial instruments to hedge interest rate fluctuations on bank loans; for further information, reference should be made to the Explanatory Notes.

### *Monetary Revaluations*

In accordance with Article 10 of Law No. 72 of March 19, 1983, as also incorporated into subsequent monetary revaluation laws, no monetary revaluations of existing assets were made.

### *Assets allocated to a specific business*

At the reporting date, no assets allocated to a specific business in accordance with Article 2427 of the Civil Code, paragraph 1, No. 20 were in place.

### *Loans allocated to a specific business*

At the reporting date, no loans allocated to a specific business in accordance with Article 2427 of the Civil Code, paragraph 1, No. 21 were in place.

### *Guarantees and other commitments*

axélero S.p.a. at December 31, 2016 obtained 2 bank sureties in favour of the lessees, in guarantee of the correct and prompt fulfilment of all obligations undertaken through the signing of the office lease contracts totalling Euro 180 thousand.

In addition, we report a contractual commitment, relating to the acquisition of the investment Privategriffe S.r.l. (formerly Privategriffe S.p.A.), of a variable portion of the purchase price based on the results for the next three years, which may not be estimated with sufficient certainty at the date of the present report.

### *Proposal for the allocation of the net profit for the year*

It is proposed to the Shareholders' Meeting to carry forward the net profit of Euro 1,204,123, as the 20% limit of the Legal Reserve has been reached, in accordance with Article 2430 of the Civil Code.

We thank you for the trust afforded to us and invite you to approve the financial statements as presented.

The present financial statements comprising the Balance Sheet, Income Statement, Explanatory Notes and Cash Flow Statement represent in a true and fair manner the balance sheet, financial situation and results for the year of the company.

Chairman of the Board of Directors

Leonardo Cucchiarini

## **Separate Appendix**

## Effects of the adoption of IAS/IFRS on the Separate Balance Sheet at January 1, 2015

The present attachment discloses the information required by IFRS 1 and, in particular, the description of the impacts from the transition to IFRS on the balance sheet and income statement of the company.

For this purpose, the following were prepared:

- the reconciliation between the balance sheets of the company at January 1, 2015 (Transition Date) and December 31, 2015 (date of the last financial statements prepared in accordance with Italian GAAP), drawn up in accordance with Italian GAAP and with IFRS;
- the reconciliation between the comprehensive income statement for the year ended December 31, 2015 prepared in accordance with Italian GAAP and with IFRS;
- the reconciliation between the shareholders' equity at January 1, 2015 and December 31, 2015 prepared in accordance with Italian GAAP and with IFRS;
- the reconciliation between the comprehensive income for the year ended December 31, 2015 prepared in accordance with Italian GAAP and with IFRS;
- the explanatory notes relating to the adjustments and reclassifications included in the above-mentioned reconciliation statements, which describe the significant effects of the transition, with regard to the classification of the various accounts in the financial statements and in relation to their measurement and, therefore, to the consequent effects on the balance sheet, financial position and income statement.

The balance sheet and financial position at the Transition Date to the IFRS were prepared in accordance with the following criteria:

- all of the assets and liabilities required to be recognised by IFRS were recorded;
- the assets and liabilities which may not be recognized by IFRS standards were not recorded;
- the IFRS standards were applied for the measurement of all assets and liabilities.

### ***Optional exemptions to the full retrospective application of IFRS***

The companies which adopt IFRS for the first-time may opt for some exemptions permitted for the first-time retrospective application of these accounting standards.

The only option applicable is the exemption relating to the retrospective application of IFRS 3. With reference to this exemption, the business combinations before the Transition Date (January 1, 2015) were not redetermined.

### ***Compulsory exemptions to the full retrospective application of IFRS***

IFRS 1 establishes some compulsory exemptions to the retrospective application of international accounting standards in the transition process to IFRS. Below we highlight the only compulsory exemption applied by the company within the present transition:

- valuation estimates: IFRS 1 establishes that the estimates utilized in the restatement at the Transition Date shall be consistent with estimates made for the same date under previous GAAP (after adjustments to reflect any difference in accounting policies).

The other compulsory exemptions contained in IFRS 1 were not applied as related to circumstances not applicable to the company.

***Accounting treatment chosen in relation to the accounting options permitted by IFRS***

IFRS permits some accounting options. The choices made by the company are illustrated below:

- Valuation of property, plant and equipment and intangible assets: subsequent to the initial recognition at cost, IAS 16 - Property, plant and equipment, paragraph 29 and IAS 38 - Intangible assets paragraph 72 provide that property, plant and equipment and intangible assets, which have an active market value, may be measured at cost net of accumulated amortization and depreciation and impairments, or periodically by determining the market value and adjusting the carrying amount to this value ("Revaluation Model"). The company chose to maintain the cost as measurement criterion of property, plant and equipment and intangible assets.

**Balance Sheet at January 1, 2015**

The reconciliation is presented below between the balance sheet at January 1, 2015 of the company prepared in accordance with Italian GAAP and restated based on the criteria chosen by the company for the IFRS financial statements and the balance sheet prepared in accordance with IFRS.

	Balance sheet prepared as per Italian GAAP 01.01.2015	IFRS Adjustments / Reclassifications	Balance sheet prepared as per IFRS 01.01.2015
<b>ASSETS</b>			
Property, plant and equipment	10,499		10,499
Intangible assets	2,132,246	(1,660,933)	471,313
Investments in associates	-		-
Investments in subsidiaries	365,000		365,000
Other assets	-		-
Deferred tax assets	90,751	548,643	639,394
<b>TOTAL NON-CURRENT ASSETS</b>	<b>2,598,496</b>	<b>(1,112,290)</b>	<b>1,486,206</b>
Trade receivables	975,425		975,425
Current receivables from subsidiaries	295,000		295,000
Cash and cash equivalents	18,299,593		18,299,593
Financial assets	-		-
Other Assets	114,981		114,981
Tax Receivables	149,352		149,352
<b>TOTAL CURRENT ASSETS</b>	<b>19,834,351</b>	<b>-</b>	<b>19,834,351</b>
<b>TOTAL ASSETS</b>	<b>22,432,847</b>	<b>(1,112,290)</b>	<b>21,320,557</b>
<b>LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	68,000		68,000
Reserves	19,801,190	(1,119,763)	18,681,427
IAS reserve	-	(35,542)	(35,542)
Retained earnings	660,855		660,855
Net Profit	-	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>20,530,045</b>	<b>(1,155,305)</b>	<b>19,374,740</b>
Employee benefits	136,657	43,015	179,672
Provisions	-		-
Deferred tax liabilities	688		688
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>137,345</b>	<b>43,015</b>	<b>180,360</b>
Current financial payables	11,321		11,321
Trade payables	1,238,900		1,238,900
Tax Payables	466,172		466,172
Other payables and liabilities	49,064		49,064
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,765,457</b>	<b>-</b>	<b>1,765,457</b>
<b>TOTAL LIABILITIES</b>	<b>1,902,802</b>	<b>43,015</b>	<b>1,945,817</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>22,432,847</b>	<b>(1,112,290)</b>	<b>21,320,557</b>

**Balance Sheet at December 31, 2015**

The reconciliation is presented below between the balance sheet at December 31, 2015 of the company prepared in accordance with Italian GAAP and restated based on the criteria chosen by the company for the IFRS financial statements and the balance sheet prepared in accordance with IFRS.

	Balance sheet prepared as per Italian GAAP 31.12.2015	IFRS Adjustments / Reclassifications	Balance sheet prepared as per IFRS 31.12.2015
<b>ASSETS</b>			
Property, plant and equipment	376,090	85,971	462,061
Intangible assets	2,984,367	(2,121,034)	863,333
Investments in associates	20,089		20,089
Investments in subsidiaries	365,000		365,000
Other assets	30,000		30,000
Deferred tax assets	334,606	617,103	951,709
<b>TOTAL NON-CURRENT ASSETS</b>	<b>4,110,152</b>	<b>(1,417,960)</b>	<b>2,692,192</b>
Trade receivables	12,721,329	(208,650)	12,512,679
Current receivables from subsidiaries	1,852,579		1,852,579
Cash and cash equivalents	7,261,132		7,261,132
Financial assets	56,359	(56,359)	-
Other Assets	2,460,751	(2,117,185)	343,566
Tax Receivables	1,221,250		1,221,250
<b>TOTAL CURRENT ASSETS</b>	<b>25,573,400</b>	<b>(2,382,194)</b>	<b>23,191,206</b>
<b>TOTAL ASSETS</b>	<b>29,683,552</b>	<b>(3,800,154)</b>	<b>25,883,398</b>
<b>LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	68,000		68,000
Reserves	19,814,790	(1,187,909)	18,626,881
IAS reserve	-	(35,542)	(35,542)
Retained earnings	647,255	-	647,255
Net Profit	727,549	(307,150)	420,399
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>21,257,594</b>	<b>(1,530,601)</b>	<b>19,726,993</b>
Employee benefits	231,955	56,283	288,238
Provisions	429,920		429,920
Deferred tax liabilities	1,376		1,376
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>663,251</b>	<b>56,283</b>	<b>719,534</b>
Current financial payables	36,275		36,275
Trade payables	5,460,705	(2,117,186)	3,343,519
Tax Payables	404,474		404,474
Other payables and liabilities	1,861,253	(208,650)	1,652,603
<b>TOTAL CURRENT LIABILITIES</b>	<b>7,762,707</b>	<b>(2,325,836)</b>	<b>5,436,871</b>
<b>TOTAL LIABILITIES</b>	<b>8,425,958</b>	<b>(2,269,553)</b>	<b>6,156,405</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>29,683,552</b>	<b>(3,800,154)</b>	<b>25,883,398</b>

Comprehensive Income Statement for the year ended December 31, 2015

Below we report the reconciliation between the comprehensive income statement for 2015 of the company prepared in accordance with Italian GAAP and reclassified based on the criteria chosen by the company for the IFRS financial statements and the comprehensive income statement prepared in accordance with IFRS.

	Income statement prepared as per Italian GAAP 31.12.2015	IFRS Adjustments / Reclassifications	Income statement prepared as per IFRS 31.12.2015
<b>INCOME STATEMENT</b>			
<b>VALUE OF PRODUCTION</b>	15,790,649	(556,490)	15,234,159
Raw materials, supplies, consumable store	(57,236)		(57,236)
Services	(9,817,204)	(807,963)	(10,625,167)
Rents, lease and similar	(350,203)		(350,203)
Personnel expenses	(2,985,652)	522,810	(2,462,842)
Amortisation, depreciation & write-downs	(1,318,849)	445,746	(873,103)
<b>TOTAL COSTS OF PRODUCTION</b>	<b>(14,529,144)</b>	<b>160,593</b>	<b>(14,368,551)</b>
Other operating income		47,737	47,737
Other operating charges	(626,345)	(8,372)	(634,717)
<b>TOTAL OTHER OPERATING INCOME AND CHARGES</b>	<b>(626,345)</b>	<b>39,365</b>	<b>(586,980)</b>
<b>OPERATING RESULT</b>	<b>635,160</b>	<b>(356,532)</b>	<b>278,628</b>
Financial income	3,735		3,735
Financial charges	(754)	(14,737)	(15,491)
<b>TOTAL FINANCIAL INCOME AND CHARGES</b>	<b>2,981</b>	<b>(14,737)</b>	<b>(11,756)</b>
Revaluations of financial assets	-		-
Write-downs of financial assets	-		-
<b>TOTAL ADJUSTMENT OF FINANCIAL ASSETS</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>PROFIT BEFORE TAXES</b>	<b>638,141</b>	<b>(371,269)</b>	<b>266,872</b>
Income taxes	89,408	64,119	153,527
<b>NET PROFIT</b>	<b>727,549</b>	<b>(307,150)</b>	<b>420,399</b>
Other comprehensive income statement items not subsequently to be reclassified			
Balance		(16,257)	(16,257)
Tax effect		4,470	4,470
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>727,549</b>	<b>(318,937)</b>	<b>408,612</b>

Shareholders' equity at January 1, 2015 and December 31, 2015 and comprehensive net income for the year end December 31, 2015

The table below shows the reconciliation between the shareholders' equity of the company at January 1, 2015 and December 31, 2015 and the comprehensive net income for the year end December 31, 2015 prepared in accordance with Italian GAAP with the corresponding figures prepared in accordance with IFRS.

In Euro

		At January 1, 2015	At December 31, 2015		
		Shareholders' Equity	Net Profit	Other comprehensive income items	Shareholders' Equity
Note	Italian GAAP - Consolidated Financial Statements	20,530,045	727,550	-	21,257,595
1	Elimination of intangible assets	(6,437)	(678,220)		(353,761)
2	AIM listing charges	(1,654,497)	330,899		(1,654,497)
3	Employee benefits	(43,015)	2,988	(16,257)	(56,283)
4	Redetermination of assets with finite useful life		(26,807)		(26,807)
5	Income taxes	548,644	63,989	4,470	617,104
6	Treasury Shares				(56,358)
<b>IFRS - Consolidated Financial Statements</b>		<b>19,374,740</b>	<b>420,399</b>	<b>(11,787)</b>	<b>19,726,993</b>

Explanatory notes to the reconciliation between the balance sheet at January 1, 2015 and December 31, 2015 and the comprehensive net income for the year end December 31, 2015

The explanation of the adjustments to the balance sheet at January 1, 2015 and December 31, 2015 on the adoption of IFRS are illustrated below.

For each of the adjustments outlined below the relative tax effect was recorded, where applicable.

1) Elimination of intangible assets not capitalised

The intangible assets which do not satisfy the provisions as per IAS 38 are recorded in the income statement when the relative purchase cost is incurred. In the transition process to IFRS therefore some costs capitalised in previous years and in 2016 were eliminated. The related amortisation was also eliminated from the income statement.

2) AIM listing representation charges

As per IAS 32, the AIM listing charges, net of the relative tax charges were recorded as a reduction in the change in net equity following the listing.

3) Employee benefits

As per Italian GAAP, the post-employment benefits are recognized on an accrual basis over the employee service period, in conformity with applicable legislation and labour contracts.

Post-employment benefits (for example pensions, life insurance and medical assistance, etc) are divided as per IFRS (IAS 19R) between "defined contribution" plans and "defined benefit" plans.

Post-employment benefits matured to December 31, 2006 are similar to a defined benefit plan, to be measured in accordance with statistical and demographic assumptions, as well as actuarial methodologies.

Following the amendment introduced by the Italian legislature, from January 1, 2007 the post-employment benefits matured from January 1, 2007 are similar to a defined contribution plan.

On the transition to IFRS the value of this provision was therefore remeasured, as well as the cost relating to each year. In particular, the actuarial gains and losses were recorded under other items of the comprehensive income statement, the service cost was recorded under "personnel expense" and the interest cost was recorded under "financial expense".

4) Redetermination of assets with indefinite useful life

Concerns those assets which, although capitalised as leasehold improvements under Italian GAAP, should however be treated in accordance with the provisions of IAS 16 - Property, plant and equipment and therefore classified under fixed assets and the depreciation rates recalculated based on their nature and useful life.

5) Tax effects on IFRS adjustment

This reflects the tax effects deriving from the adjustments made in application of IFRS. The deferred tax assets and liabilities, in accordance with IAS 12, are shown as the net amount and therefore offset when the entity has the legal right to compensate.

6) Treasury Shares

Application of IAS 32 par. 33, which considers the transactions on treasury shares as changes in equity.

If an entity reacquires its own equity instruments, those instruments ('treasury shares') shall be deducted from equity. No gain or loss shall be recognised in profit or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments. Such treasury shares may be acquired and held by the entity or by other members of the consolidated company. Consideration paid or received shall be recognised directly in equity.

**INDEPENDENT AUDITORS' REPORT AND BOARD OF  
STATUTORY AUDITORS' REPORT**



axélero S.p.A.

Independent auditors' report in accordance with art. 14 of legislative  
decree n0.39 of January 27th, 2010

Consolidated financial statements as of December 31, 2016

## INDEPENDENT AUDITORS' REPORT

To the shareholders of  
axélero S.p.A.

### Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of axélero S.p.A. and its subsidiaries (hereinafter the "axélero Group"), which comprise the statement of financial position as of December 31, 2016, the statement of comprehensive income, the statement of cash flow and the statement of changes in shareholders equity for the year then ended and other explanatory notes.

### *Directors' responsibility for the consolidated financial statements*

The directors of axélero S.p.A. are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union. The present financial statements has been prepared for the first time according to the International Financial Reporting Standards.

### *Auditors' responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree No. 39/2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view, in order to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the financial position of axélero Group as of December 31, 2016, and of the result of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### *Other matters*

The consolidated financial statements of the year present for comparative purposes the corresponding amounts of the prior year that were prepared in accordance with the International Financial Reporting Standards that derive from the consolidated financial statements of the year ended December 31, 2015 prepared in accordance with the Italian regulations and accounting principles governing financial statements. We expressed a clean

opinion on these consolidated financial statements dated April 13, 2016. The explanatory note "Impacts deriving from the adoption of the International Financial Reporting Standards on the consolidated statement of financial position as of January 1, 2015" included in Appendix 1 describes the effects deriving from the transition to International Financial Reporting Standards as adopted by European Union and includes all disclosures related to the reconciliations required by International Financial Reporting Standard IFRS 1. The restatement of comparative amounts and related disclosures included in the specific explanatory note have been examined by us solely in order to express the opinion on the financial statements for the period closed December 31, 2016 .

#### **Report on compliance with other laws and regulation**

##### *Opinion on the consistency of the consolidated financial statements with the report on operations*

We have performed the procedures required by auditing standard (SA Italia) NO. 720B in order to express an opinion, as required by law, on the consistency of the report on operations which are the responsibility of the directors of axélero S.p.A., with the consolidated financial statements of axélero Group. In our opinion, the report on operations is consistent with the consolidated financial statements of axélero as of December 31st 2016.

Milan, June 13, 2017

BDO Italia S.p.A.

*Signed by*  
Giovanni Rovelli  
Partner

*This report has been translated into English from the Italian original solely for the convenience of international readers.*



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Iscritta al Registro dei revisori Legali al n. 167911 con D.M. del 15/03/2013 G.U. n. 26 del 02/04/2013

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axélero S.p.A.

Independent Auditors' report in accordance  
with article 14 of legislative decree  
No. 39 of January 27, 2010

Financial Statements as of December 31, 2016

## INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE No.39 OF JANUARY 27, 2010

To the shareholders of  
axélero S.p.A.

### Report on the financial statements

We have audited the accompanying financial statements of axélero S.p.A., which comprise the statement of financial position as of December 31, 2016, the statement of comprehensive income, the statement of cash flow and the statement of changes in shareholders equity for the year then ended and other explanatory notes.

### *Directors' responsibility for the financial statements*

The Directors of axélero S.p.A. are responsible for the preparation of financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the European Union. The present financial statements has been prepared for the first time according to the International Financial Reporting Standards.

### *Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree No. 39/2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view, in order to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of axélero S.p.A. as of December 31, 2016, and of the result of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### *Other matters*

The financial statements of the year present for comparative purposes the corresponding amounts of the prior year that were prepared in accordance with the International Financial Reporting Standards that derive from the financial statements of the year ended December 31, 2015 prepared in accordance with the Italian regulations and accounting principles governing financial statements. We expressed a clean opinion on these financial statements dated April 13, 2016. The explanatory note "Impacts deriving from the adoption of the International Financial Reporting Standards on the stand alone statement of financial position

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as of January 1, 2015" included in Appendix 1 describes the effects deriving from the transition to International Financial Reporting Standards as adopted by European Union and includes all disclosures related to the reconciliations required by International Financial Reporting Standard IFRS 1. The restatement of comparative amounts and related disclosures included in the specific explanatory note have been examined by us solely in order to express the opinion on the financial statements for the period closed December 31, 2016.

#### Report on other legal and regulatory requirements

##### *Opinion on the consistency of the financial statements with the report on operations*

We have performed the procedures required by auditing standard (SA Italia) No. 720B in order to express, as required by law, an opinion on the consistency of the report on operations, which is the responsibility of the Directors of axélero S.p.A., with the financial statements of axélero S.p.A. as of December 31, 2016. In our opinion, the report on operations is consistent with the financial statements of axélero S.p.A. as of December 31, 2016.

Milan, June 13, 2017

BDO Italia S.p.A.

*Signed by*  
Giovanni Rovelli  
(Partner)

*This report has been translated into English from the Italian original solely for the convenience of international readers.*

**axélero S.p.A.**

**Registered Office in Milan, Via Cartesio No. 2**

**Share Capital Euro 68,000 fully paid-in**

**Milan (MI) Companies Registration Office No.: 07731860966**

**Milan Economic and Administrative Register No.: 1978319**

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**Board of Statutory Auditors' Report to the Shareholders' Meeting on the Statutory Financial Statements at 31/12/2016 in accordance with Article 2429, paragraph 2 of the Civil Code.**

Dear Shareholders,

the statutory financial statements at December 31, 2016, submitted for your review by the Directors for the undertaking of the relative motions, comprise the Balance Sheet, the Income Statement, the Comprehensive Income Statement, the Statement of Changes in Shareholders' Equity, the Cash Flow Statement and the Explanatory Notes, sent to us together with the Directors' Report to the Consolidated Financial Statements in accordance with Article 40 of Legislative Decree No. 127 of 09/04/1991 which, as established by paragraph 2-*bis*, may be presented in a single document containing also the Directors' Report as per Article 2428.

The report is based on the applicable statutory provisions and the Board of Statutory Auditor conduct rules issued by the CNDCEC.

The financial statements were audited by BDO ITALIA spa, appointed by the Shareholders' Meeting of 02/12/2014 until the approval of the 2016 Annual Accounts and therefore the Shareholders' Meeting is required to appoint the new Independent Audit Firm on the reasoned proposal of the Board of Statutory Auditors.

The Board of Statutory Auditors in office at the date of this Report was appointed by the Extraordinary Shareholders' Meeting of 18/11/2014. We remind you that our mandate will conclude with the Shareholders' Meeting called to approve the 2016 Annual Accounts and the meeting will therefore be required also to appoint the Board of Statutory Auditors.

### **General introduction**

The Board of Statutory Auditors notes that the Board of Directors, with motion of January 30, 2017, has adopted from 2016 IAS/IFRS international accounting standards. The company therefore, in order to facilitate comparability of the 2016 Annual Accounts with those of the previous year, reclassified the financial statements at December 31, 2015 according to the above international accounting standards, as outlined below.

This report therefore summarises the activities with regard to the disclosure required by Article 2429, paragraph 2 of the Civil Code and more specifically concerning:

- the activities carried out in fulfilment of the regulatory requirements;
- the observations and proposals concerning the financial statements; the Board of Directors has not applied any statutory exceptions;
- any receipt of petitions from shareholders as per Article 2408 of the Civil Code.
- the net result for the year.

### **Participation at meetings of the corporate boards**

The Board of Statutory Auditors declares that:

- during financial year 2016, the meetings as per Article 2404 of the Civil Code were regularly held, at which duly signed unanimously approved minutes were drawn up;
- it attended the Shareholders' Meeting
- it attended the Board of Directors' meetings

**Oversight of compliance with statutory law, the By-Laws and regulations and with the principles of correct administration**

By attending the Shareholders' Meeting and Board of Directors' meetings, the Board of Statutory Auditors supervised compliance with the By-Laws, statutory law and regulations which govern the functioning of the corporate boards, in addition to the compliance with the principles of correct administration.

The disclosure requirements concerning confidential and inside information and the requests of the Supervisory Authority were fulfilled.

*Information on operations carried out by the company and the subsidiaries*

The Board of Statutory Auditors acquired from the Directors adequate information on company operations in its various sectors, also through subsidiaries and on the most significant operations impacting the financial statements. On the basis of the information acquired in the course of its supervisory activities, the Board of Statutory Auditors may declare that the actions taken were in compliance with statutory law and the By-Laws and were not manifestly imprudent or hazardous, in potential conflict of interest or against the motions taken by the Corporate Boards, or such as to compromise the integrity of company assets.

The Board of Statutory Auditors acquired information regarding and supervised, within our remit, compliance with the principles of correct administration, also through the information received directly from the heads of the various company departments and from the independent audit firm.

On the basis of the information acquired during its supervisory activities, it emerged that the transactions of significant economic and equity impact carried out by the company were adequately illustrated at the meetings of the Board of Directors for the undertaking of the relative motions and were exhaustively outlined in the Directors' Report for financial year 2016, which provides also a complete update on the development of the regulatory framework, concerning the following:

- the share buy-back programme
- the merger by incorporation of the subsidiaries: Abcsalute s.r.l.; Shoppingdonna s.r.l., Professionisti s.r.l. e Originalitaly s.r.l.;
- acquisition of investments in the companies:
  - Privategriffe s.r.l., full acquisition;
  - Arreba s.r.l., acquisition of an additional holding to reach a total holding of 51%.

#### *Supervisory Activities on inter-company and Related party transactions*

With regards to inter-company transactions, the Directors highlighted in the Notes to the Financial Statements and in the Directors' Report the existence of commercial and financial transactions between Group companies, stating that such concerned ordinary operations and were undertaken at market conditions.

The transactions with Related parties - following the issue of an opinion by the "Committee" - related to transactions carried out for restructuring and streamlining purposes, as outlined in the Directors' Report.

*Supervision of the adequacy of the organisational structure*

The Board of Statutory Auditors highlights that in 2016, in consideration of the significant increase in revenues and consequently trade receivables, it was necessary to extend the organisation in order to promote cohesion among the various production processes, and the Board of Directors in the initial months of 2017 hired Mr. Mauro Venturato as an executive, with appointment as Chief Executive Officer, in order to improve company processes.

*Requirements under Legislative Decree 231/2001*

With regards to organisational and procedural activities undertaken in accordance with Legislative Decree 231/2001 and the administrative responsibility of Entities for offenses established by the regulation, the Board of Statutory Auditors noted that the relative body was established with Board motion of 18/04/2017 and assessed the professional qualities of the members of the Supervisory Board, established by the model in accordance with Legislative Decree 231/2001.

**Omissions or citable events**

Following the supervisory and control activities carried out in the year, the Board of Statutory Auditors may declare that:

- in the course of the activities carried out and based on the information obtained, no significant citable events or circumstances that would require notification or mention in the present report arose;
- no notices were received by the Board of Statutory Auditors in accordance

with Article 2408 of the Civil Code, nor petitions from third parties;

- no third party, inter-company and/or related party transactions were identified which may qualify as atypical or unusual in terms of content, type, size and timing.

### **Supervision of the auditing of accounts**

During the year, regular contact was undertaken with the Independent Audit Firm, both through formal meetings involving also the administrative managers of the company and through informal meetings between the members of the Board of Statutory Auditors and representatives of the Independent Audit Firm, for the reciprocal exchange of significant data and information.

### **Supervision of the Statutory Financial Statements**

We indicate the following with regards to the statutory financial statements:

- the Board of Statutory Auditors verified, through direct controls and information received from the Independent Audit Firm, compliance with statutory law relating to the formation and presentation of the Financial Statements and the Directors' Report and with regards to the format of financial statements adopted, declaring the correct use of the accounting standards, as described in the Explanatory Notes and the Directors' Report;
- in the Notes to the Statutory Financial Statements, the information required by the international accounting standards issued by the International Accounting Standards Board and adopted by the European Union (IFRS) was reported. The statutory financial statements, as indicated in the Explanatory Notes, were prepared on the basis of the historic cost principle and the assets

and liabilities in the financial statements of the company were classified according to the current/non-current criterion. The information required by international accounting standards concerning the reduction in value of assets was reported in the notes to the statutory financial statements. The correspondence of the impairment test to IAS 36 was formally approved by the Board of Directors at the meeting of 29.05.2017.

The results from the impairment tests are adequately outlined in the Explanatory Notes.

“Intangible assets” including “assets in progress” were specifically verified by the Board of Statutory Auditors, permitting their recognition. In particular, personnel costs incurred entirely for the development of new services and platforms include only expenses incurred which may be attributed directly to the development process of new products and services, as specified in the Explanatory Notes and in the Directors’ Report.

It is also highlighted that it will not be possible to distribute dividends from retained earnings beyond the net amount of these items capitalised in the assets section;

The Board of Statutory Auditors indicates also that the company, on the basis of the decision by the Board of Directors, taking account of the economic prospects of the company, recognised to non-current assets “deferred tax assets” for Euro 1,957,781.00 and to current assets “deferred tax assets” for Euro 706,562.00.

The financial statements reflect the facts and information which the Board of

Statutory Auditors ascertained during the year in the course of their duties and from the controls and inspections undertaken.

The Directors' Report fulfills the statutory requirements and is consistent with the data and results presented in the financial statements; it provides extensive disclosure on the main operations and transactions, upon which the Board of Statutory Auditors have been informed, in addition to the principal risks of the company and the subsidiaries and inter-company and related party transactions.

#### **Observations on the statutory financial statements and their approval**

The statutory financial statements at December 31, 2016 were approved by the Board of Directors and comprise the Balance Sheet, the Income Statement, the Comprehensive Income Statement, the Statement of Changes in Shareholders' Equity, the Cash Flow Statement, the Explanatory Notes and the Directors' Report.

In addition:

- these documents were sent to the Board of Statutory Auditors in sufficient time for their filing at the registered office of the company, accompanied by this report, and independently of the deadline established by Article 2429, paragraph 1 of the Civil Code;
- the Independent Audit Firm issued its report on 13/06/2017 in accordance with Article 14 of Legislative Decree 39/2010, stating that the Statutory Financial Statements at December 31, 2016 comply with International Accounting Standards adopted by the European Union and provide a true and fair view on the balance sheet and financial position, the net result and the cash flows of axélero s.p.a. for the year.data.

The Auditors' Report expresses opinions on the consistency of the Financial Statements with the Directors' Report.

**Net result**

The net result declared by the Board of Directors for the year ended December 31, 2016, as also evident from reading the financial statements, was a profit of Euro 1,204,123.

With regards to this report, the Board of Statutory Auditors does not cite observations with regards to the approval of the Statutory Financial Statements at December 31, 2016 and the proposal of the Board of Directors upon the allocation of the net profit.

**Conclusions**

On the basis of that outlined above and to the extent of that known by the Board of Statutory Auditors and from the periodic controls carried out, it was unanimously decided that no reasons exist against your approval of the statutory financial statements for the year ending December 31, 2016, as prepared and proposed by the Board of Directors.

The Board of Statutory Auditors in addition notes that the Shareholders' Meeting is required to reappoint the Board of Directors with the conclusion of its three-year mandate.

This Report was approved unanimously by the Board of Statutory Auditors.

Turin/Milan, June 13, 2017

The Board of Statutory Auditors

(Mr. Adriano Malabaila)

(Mr. Angelo Fiorentino)

(Mr. Davide Testa)

