



INTERIM REPORT JANUARY - SEPTEMBER 2016



Overview of Italeaf

Vision

We transform start-up technologies into successful global businesses through an innovative business model known as “Company Builder”.

Business concept

Italeaf selects and creates new entrepreneurial initiatives in innovative manufacturing sectors and in the cleantech sector. We offer an integrated approach to start-up technologies and innovative businesses that brings together advanced services, mentoring, skills, tools and production facilities, all designed to turn ideas into industrialised products. We provide the initial capital and business support to launch our start-ups, helping them grow to sizes that are consistent with their industrial standing, to generate revenues and to share profits, reducing the development risk.

Objective

The company’s investment policy is to generate returns, both in the form of capital revaluations and through shareholder profits, by investing in a portfolio of assets. Although not restricted geographically, given the training and experience of the management team, it is expected that the majority of capital invested will be in businesses that operate in Europe, with a particular focus on Italy.

Investments outside Europe will be taken into consideration when the Board of Directors deem the opportunities particularly attractive. The company will seek to invest in businesses with strategic market positioning and experiencing strong growth.

Building of Net Asset Value

The net asset value is equal to Euro 21.3 million at the end of September 2016.

Dividend policy

Our dividend policy is to distribute a significant percentage of dividends received from subsidiaries, as well as to distribute other net assets corresponding to a return in line with the equity market.

CORPORATE DETAILS

Italeaf SPA

Registered office:

Strada dello Stabilimento 1, 05035
Narni (TR)

Issued and paid-up share capital:
Euro 15,444,000

Terni Registry of Companies no.
01456730553

BRANCHES AND OFFICES

Narni - Strada dello Stabilimento,
1

Milan - Corso Magenta, 85

Terni - Via Casale, 4

London - 1 Cornhill EC3V 3ND,
United Kingdom

Hong Kong - Unit 905-6, 9th Floor,

Fook Yip Building - 53-57 Kwai

Fung Crescent, Kwai Chung - N.T.

Hong Kong S.A.R.

BOARD OF DIRECTORS

Chairman

Stefano Neri

Managing Directors

Monica Federici

Marco Diamanti

Board of Statutory Auditors

Fausto Sciamanna (Chairman)

Andrea Bellucci

Paolo Sebastiani

Independent Auditors

PricewaterhouseCoopers SPA

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REPORT ON OPERATIONS

BUSINESS AND MISSION

Italeaf is an equity investment holding company and the first Italian “Company Builder”. Its objective is to transform start-up technologies into global businesses. Italeaf identifies manufacturing initiatives in the cleantech sector and innovative technologies, where the company can leverage its extensive experience and track record.

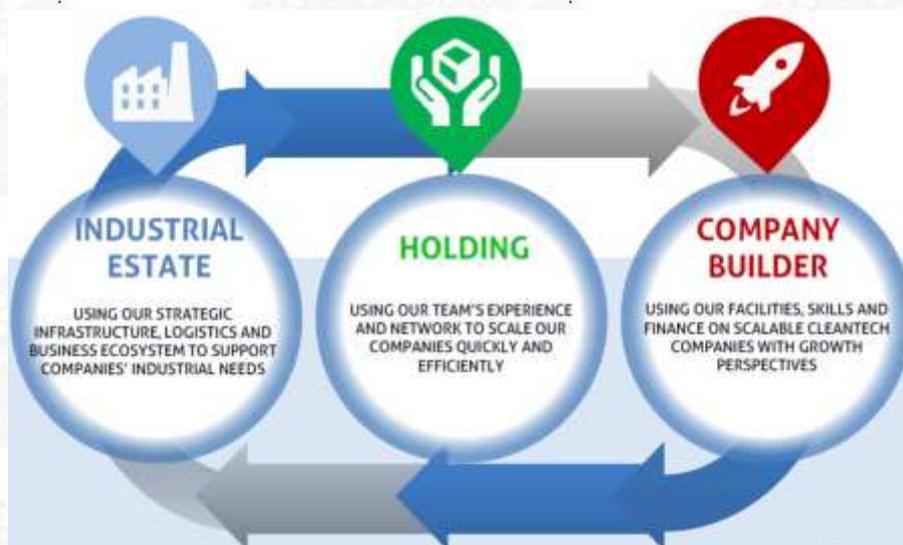
In supporting start-ups, Italeaf proposes to successfully replicate its success with the investee TerniEnergia, a company established in 2005 and listed on Borsa Italiana in 2008. Following its IPO, TerniEnergia is now a world-wide leader in the sectors of renewable energy, waste management and energy efficiency, with a market capitalisation of more than Euro 80 million. With the opening of branches in London and Hong Kong, Italeaf intends to globalise its business, broadening the scope of its activities of scouting and seeking innovative businesses. The company is involved in the development of three new manufacturing initiatives: Skyrobotic in the production of commercial and civil drones, WiSave in the production of intelligent devices to remotely control energy consumption, and Numanova in the production of metallic powders for additive manufacturing.

Italeaf promotes the creation of an ideal ecosystem for the creation and growth of new businesses, through three business lines:

- 1. Company Builder:** We co-found start-ups with direct investments through a replicable business model and a strong focus on execution. Italeaf concentrates its activities on a well-defined market segment, such as, for example, the cleantech sector. We provide innovative incubation services with seed capital investments to create fertile ground for industrial acceleration;
- 2. Holding:** We manage our investment portfolio and provide centralised services for the Group companies (finance, treasury, IT, legal, business communication and logistics for administrative, operational and commercial support) to facilitate the creation of value and growth for subsidiaries and investees;
- 3. Real Estate:** We use our facilities, strategic infrastructure, logistics and operating activities to create an eco-system that can support the businesses’ manufacturing needs. In particular, we are creating (with consultancy from Politecnico di Milano), an eco-industrial park in our facilities in central Italy. We own and manage an industrial area with total surface area of 24 hectares and co-working space of 1,800 square metres.

Each of these activities supports the others, which is a completely new concept with respect to other risk capital investors and traditional incubators. The track record achieved over the years (with the listing of TerniEnergia and TerniGreen on the Borsa Italiana and the constant creation of value for shareholders) demonstrates our passion and skills.

The company’s capitalisation and a majority stake in TerniEnergia, listed on the STAR segment with the high standards of Borsa Italiana, mitigate the risk that is normally associated with start-up companies. Value creation through industrial innovation has been our business for the last several years. Now, we want to offer our vision to the market with an ambitious globalisation project. The listing of Italeaf on the NASDAQ OMX First North is, therefore, an important starting point for using innovation to address the new challenges of global change.



NET ASSET VALUE AND THE SEPARATE FINANCIAL STATEMENTS OF THE PARENT COMPANY

NET ASSET VALUE

The net asset value is equal to Euro 21.3 million at the end of September 2016.

ITALEAF NAV	(EURO/000)	NOTES
Tangible fixed assets:		
Real estate property (Nera Montoro & Maratta)	19,938	Book value
Controlling equity investments:		
45.06% of TerniEnergia	15,496	Calculated according with share price as at September 30, 2016, Euro 0.78
67.64% in Skyrobotic	3,720	Based on the price of latest funding round
85% in Numanova	2,805	Based on the price of latest funding round
Minority equity investments:	1,935	
GROSS ASSET VALUE	43,895	
Net Financial Debt	(17,281)	
Total Net Financial Debt	(17,281)	As of September 30, 2016
Holding Discount	20%	
NET ASSET VALUE AS OF SEPTEMBER 2016	21,291	

The NAV of Italeaf primarily consists of the investments in TerniEnergia and in the start-up companies (mainly Skyrobotic, taking into consideration that the other start-up, WiSave, is still considered “early stage”).

The value of the equity investment in TerniEnergia corresponds to the share value on September 30, 2016, considering that the company is listed on Borsa Italiana (STAR segment). At the end of September 2016, Italeaf owned 19,867,103 ordinary shares, corresponding to 46.05% of the share capital.

The balance of “real estate property” includes Euro 2.6 million representing 100% of the share capital of the subsidiary Italeaf RE Srl, which was created from the partial, non-proportional spin-off of Greenled Industry SpA. The equity of the new company consists of the value of an industrial property, located in the Nera Montoro facility, previously owned by Greenled Industry SpA.

The value of Skyrobotic and Numanova was calculated based on the last share capital increase in which new shareholders participated, who subscribed newly issued shares.

SEPARATE FINANCIAL STATEMENTS OF THE PARENT COMPANY ITALEAF

The separate financial statements of the parent company Italeaf were prepared according to the rules applicable to an Italian company listed on a multi-lateral trading platform (MTF), such as NASDAQ OMX First North (First North). Hence, while the Italeaf consolidated financial statements were prepared according to international accounting standards, considering that said financial statements include the consolidated data of TerniEnergia Group, listed on the STAR segment of Borsa Italiana, and therefore, prepared according to IFRS. The Italeaf separate financial statements were prepared in accordance with Italian accounting standards.

The primary difference is the treatment of dividends. According to Italian accounting standards, holding companies, provided that they control the shareholders' meeting of the subsidiary, may recognise the dividend for the subsidiary in the year in which it is accrued. In other words, the dividend distribution approved by the directors of the subsidiary prior to the approval of the parent company's financial statements.

The table below shows the data of the separate financial statements prepared according to Italian accounting standards as at September 30, 2016:

<i>in Euro</i>	As of 30 September 2016	As of 31 December 2015	Change	% Change
Intangible fixed assets	345,227	398,887	(53,660)	(13.5%)
Tangible fixed assets	22,093,460	24,159,787	(2,066,327)	(8.6%)
Financial receivables and other assets	27,737,415	28,721,732	(984,317)	(3.4%)
Total fixed assets	50,176,102	53,280,405	(3,104,303)	(5.8%)
Trade receivables	380,797	262,154	118,643	45.3%
Other assets	1,713,162	1,696,790	16,372	1.0%
Trade payables	(825,713)	(1,244,621)	418,908	(33.7%)
Other liabilities	(2,402,057)	(1,946,082)	(455,975)	23.4%
Net working capital	(1,133,810)	(1,231,758)	97,948	(8.0%)
Provisions and other non-trade liabilities	(5,359,828)	(5,949,653)	589,825	(9.9%)
Net invested capital	43,682,464	46,098,994	(2,416,530)	(5.2%)
Shareholders' equity	26,400,894	29,954,599	(3,553,705)	(11.9%)
Net current financial debt	11,129,377	10,583,955	545,421	5.2%
Net non-current financial debt	6,152,194	5,560,439	591,755	10.6%
Total net financial debt	17,281,571	16,144,394	1,137,177	7.0%
Total shareholders' equity and net financial debt	43,682,464	46,098,994	(2,416,530)	(5.2%)

Tangible fixed assets represent the value of the Nera Montoro industrial site, the Terni incubator in Maratta, and certain manufacturing facilities located within Nera Montoro. Financial assets include the book value of the controlling equity investments in TerniEnergia (Euro 17.8 million), SkyRobotic (Euro 1.86 million) and Italeaf RE (Euro 2.6 million) and and Numanova (Euro 2.6 million). The item also includes the residual value of the minority interest in Veneto Banca, Banca Popolare di Vicenza, after the devaluation described below, and the value of joint venture Opera Power Srl (owner of a photovoltaic plant of 1 MWp).

Net financial debt is equal to Euro 17.3 million. The current net financial position includes a short-term credit line, equivalent to Euro 6.5 million, guaranteed by a pledge on TerniEnergia shares. The remaining financial debt refers mainly to medium-term mortgages.

The ratio of net financial position to shareholders' equity is 0.65x as of September 30, 2016, in line with the target envisaged in the plan (less than or equal to 0.8x).

<i>in Euro</i>	As at September 30, 2016	As at September 30, 2015	Change	% Change
Revenues from sales and services	3,153,387	3,096,227	57,160	(1.85%)
Cost of production	(1,773,762)	(1,899,742)	125,980	(6.63%)
Added value	1,379,625	1,196,485	183,140	(15.31%)
Personnel costs	(569,871)	(643,459)	73,588	(11.44%)
EBITDA	809,754	553,025	256,729	(46.42%)
Amortisation, depreciation and write-downs	(451,429)	(519,830)	68,401	(13.16%)
EBIT	358,325	33,195	325,130	n.a.
Financial income and expenses	(563,501)	(540,332)	(23,169)	4.29%
Extraordinary income and expenses	(2,916,384)	1,204,613	(4,120,997)	n.a.
EBT	(3,121,561)	697,476	(3,819,037)	n.a.
Taxes	494,495	(180,017)	674,512	n.a.
Net profit/(loss)	(2,627,066)	517,459	(3,144,525)	n.a.

Net loss as at September 30, 2016 was Euro 2,627,066.

The loss is due to a write-down of approximately 3.4 million euro. This non-recurring reduction in value concerns investments in the portfolio related to minority stakes in Banca Popolare di Vicenza and Veneto Banca, resulting in the well known crises that have hit the two credit institutions.

Revenue consists of the value of service contracts between Italeaf and subsidiaries (availability of offices and manufacturing buildings, accounting and tax services, etc.). Revenue also includes the compensation from guarantees provided by Italeaf to TerniEnergia (Euro 0.8 million), in favour of certain banks that financed the latter, taking into consideration that this is a characteristic activity for Italeaf. Costs refer primarily to the management of the Nera Montoro industrial site and personnel expenses.

Financial income and expenses includes: cost of financial debt (Euro 0.7 million) and a gain resulting from the sale of TerniEnergia shares (Euro 0.2 million).

Extraordinary charges primarily include a write-down recognised on the value of the minority equity investments in Veneto Banca and Banca Popolare di Vicenza (Euro 3.4 million) for impairment.

EBT (earnings before tax) amounted to Euro 3,121,561 as of 30 September 2016. The decrease of the net result compared to the same period last year is attributable to the devaluation above described.

ITALEAF GROUP RECLASSIFIED FINANCIAL STATEMENTS

<i>in Euro</i>	As at September 30, 2016	As at December 31, 2015	Change	Change %
Intangible assets	8,091,455	6,792,515	1,298,940	19.1%
Tangible assets	104,690,547	106,507,564	(1,817,017)	(1.7)%
Financial assets and other att.	41,782,239	45,776,301	(3,994,062)	(8.7)%
Fixed Assets	154,564,241	159,076,380	(4,512,139)	(2.8)%
Inventories	14,574,859	23,479,671	(8,904,812)	(37.9)%
Trade receivables	26,440,202	52,201,318	(25,761,116)	(49.3)%
other activities	24,834,885	24,114,296	720,589	3.0%
Trade payables	(31,541,213)	(63,917,925)	32,376,712	(50.7)%
Other liabilities	(9,352,894)	(14,275,707)	4,922,813	(34.5)%
Net working capital	24,955,839	21,601,653	3,354,186	15.5%
Provisions and other non-commercial	(11,368,260)	(11,910,632)	542,372	(4.6)%
Net Invested Capital	168,151,820	168,767,401	(615,581)	(0.4)%
Shareholders' Equity	60,910,660	64,517,467	(3,606,807)	(5.6)%
Net current financial position	19,539,222	17,792,787	1,746,435	9.8%
Non-current net financial position	87,701,939	86,457,147	1,244,792	1.4%
Total net financial position	107,241,161	104,249,934	2,991,227	2.9%
Net Invested Capital	168,151,821	168,767,401	(615,580)	(0.4)%

<i>in Euro</i>	As at September 30, 2016	As at September 30, 2015	Change	Change %
Net revenues from sales and services	61,607,607	279,677,219	(218,069,613)	(78.0)%
Production costs	(46,005,533)	(255,170,491)	209,164,958	(82.0)%
Added value	15,602,074	24,506,729	(8,904,655)	(36.3)%
Personnel costs	(4,463,807)	(6,461,399)	1,997,592	(30.9)%
EBITDA	11,138,268	18,045,330	(6,907,062)	(38.3)%
Amortization, depreciation, provisions and write-downs	(8,658,919)	(4,752,993)	(3,905,926)	82.2%
EBIT	2,479,349	13,292,337	(10,812,988)	(81.3)%
Financial income and charges	(5,812,094)	(7,691,522)	1,879,428	(24.4)%
Portions of results attributable to the JV	1,271,365	382,970	888,395	n.a.
EBT	(2,061,379)	5,983,785	(8,045,165)	n.a.
Income taxes	(544,464)	(1,773,931)	1,229,467	(69.3)%
Net profit for the period	(2,605,843)	4,209,854	(6,815,698)	(161.9)%

OUR INVESTMENTS



TERNIENERGIA

OVERVIEW

As of 30 September 2016, Italeaf held an equity investment equivalent to 45.06% of TerniEnergia. TerniEnergia, founded in September 2005 and part of the Italeaf Group, is the first “Italian smart energy company” and operates in the renewable energy field, in energy efficiency and in energy and waste management. TerniEnergia acts as a system integrator, with a turnkey offer for industrial photovoltaic plants, both on behalf of third parties and on its own, including through joint ventures with primary national operators. The company seeks to strengthen sales of solar energy. TerniEnergia operates in waste management, in the recovery of material and energy and in the development and production of technologies. In particular, the company is active in the recovery of out-of-use tyres; in the treatment of biodegradable waste through the implementation of biodigesters; in the production of energy from biomass; in the management of biological depuration plants; in the decommissioning of industrial plants; in the recovery of metals that must be demolished and the improvement of industrial plants; and in the development and production of technological equipment. The Group is active in energy management, the sale of energy to high energy-consuming customers, the realisation of software and IT services for energy and is a provider of administrative, financial and credit management services. In addition, TerniEnergia operates in the development of energy efficiency plants both in EPC and FTT (financing by third parties) with the objective of increasing energy production from renewable sources, energy savings and decreasing emissions according to the European environmental policies. TerniEnergia is listed on the STAR segment of Borsa Italiana S.p.A.

MARKET CAP AND DIVIDENDS

In May 2016, TerniEnergia distributed a dividend equivalent to Euro 0.025 per share, for a total value of Euro 1.102 million. The portion attributable to Italeaf was Euro 0.496 million.

KEY DATA FIRST NINE MONTHS 2016 FOR TERNIENERGIA GROUP

<i>(in Euro)</i>	As at September, 30 2016	As at December, 31 2015	Change	Change %
Intangible assets	5,280,310	4,460,745	819,565	18.37%
Property, plant and equipment	80,851,884	82,616,544	(1,764,660)	(2.14)%
Financial fixed assets and other intangible assets	38,238,087	38,882,887	(644,800)	(1.66)%
Fixed Assets	124,370,281	125,960,176	(1,589,895)	(1.26)%
Inventories	14,425,166	23,329,978	(8,904,812)	(38.17)%
Trade receivables	26,836,097	52,361,935	(25,525,838)	(48.75)%
Other assets	24,355,913	24,104,536	251,377	1.04%
Trade payables	(31,993,576)	(63,543,245)	31,549,669	(49.65)%
Other liabilities	(8,279,535)	(13,106,938)	4,827,403	(36.83)%
Net working capital	25,344,065	23,146,266	2,197,799	9.50%
Provisions and other non-trade liabilities	(5,980,783)	(5,943,540)	(37,243)	0.63%
Net Invested Capital	143,733,563	143,162,902	570,661	0.40%
Shareholders' Equity	54,237,060	55,791,353	(1,554,293)	(2.79)%
Current net financial position	9,560,051	8,099,515	1,460,536	18.03%
Non-current net financial position	79,936,453	79,272,033	664,420	0.84%
Total net financial position	89,496,503	87,371,548	2,124,956	2.43%
Net Invested Capital	143,733,563	143,162,901	570,663	0.40%

<i>(in Euro)</i>	As at September, 30 2016	As at September, 30 2015	Change	Change %
Net revenues from sales and services	61,351,874	277,219,449	(215,867,575)	(77.87)%
Production costs	(46,558,093)	(255,148,560)	208,590,468	(81.75)%
Added value	14,793,781	22,070,888	(7,277,107)	(32.97)%
Personnel costs	(3,803,826)	(5,577,851)	1,774,025	(31.80)%
EBITDA	10,989,955	16,493,037	(5,503,082)	(33.37)%
Amortization, depreciation, provisions and write-downs	(4,807,909)	(4,199,576)	(608,333)	14.49%
EBIT	6,182,046	12,293,461	(6,111,415)	(49.71)%
Financial income and charges	(5,895,577)	(7,802,792)	1,907,215	(24.44)%
Portions of results attributable to the JV	1,271,365	382,970	888,395	n.a.
Pre-tax result	1,557,835	4,873,640	(3,315,805)	(68.04)%
Income taxes	(1,113,266)	(1,498,053)	384,787	(25.69)%
Net profit for the period	444,569	3,375,587	(2,931,018)	(86.83)%



OVERVIEW

As of 30 September 2016, Italeaf owns 67.64% of the share capital of Skyrobotic.

The company was established on 20 December 2013 as a limited liability company, between the shareholders of Siralab Robotics S.r.l. and Italeaf S.p.A. The company combines the know-how and decades of experience in the sector of Siralab Robotics S.r.l., an advanced technology company, and the track record, operating experience and financial capacity of Italeaf S.p.A., a leading group in the cleantech and innovative industrial sectors.

Skyrobotic is active in the planning, development and industrial production of systems for UAV and UAS remote piloting, becoming, in just more than one year from its creation, the reference Italian company for the remote piloting systems sector.

From an industrial perspective, the company has recognised turnover of Euro 535 thousand through the sale of 16 remote piloting systems to leading operators in the sector, continuing at the same time to develop and engineer the product.

The company achieved EN9100:2009 certification (equivalent in technical terms to AS 9100C and JISQ 9100:2009) for the facility at Nera Montoro, Italy, in the field of “planning, production, and post-sales assistance of remote aircraft piloting systems”.

This is the result of a two-year investment in the processes of preparation and auditing performed by the business, which qualifies Skyrobotic as the first independent company to produce drones under 25 kg in Italy to be certified based on the strict criteria of European regulations that form a system for ensuring quality in the aeronautics sector. It is similar to AS 9100 in America and JISQ 9100 in Asia.

The EN ISO 9100 qualification is specific to the aeronautics and space industry and fully encapsulates ISO 9001:2008 (certification obtained by Skyrobotic at the same time), but includes 30% more requirements and measurements that include documented control systems for processes used in developing, manufacturing and selling the products, and is applicable to manufacturers of aircraft and, increasingly, to their suppliers.

On 4 March 2016, the Skyrobotic shareholders’ meeting unanimously resolved to carry out a share capital increase offered in option to current shareholders for Euro 250 thousand, in order to support the growth of business activities. Once the share capital increase is subscribed, Skyrobotic will have a share capital of Euro 2,750,000. The same shareholders’ meeting appointed a new Board of Directors, composed of Stefano Neri (Chairman and CEO), Spartaco Franconi (Deputy Chairman and Delegated Director) and Roberto Cecchin.



OVERVIEW

As of the drafting date of this report, Italeaf had an equity investment of 85% in Numanova.

Numanova was established on 25 January 2016. The new start-up was created from the sharing of know-how and economic-financial resources between the co-founders of Italeaf S.p.A. and Paolo Folgarait, physicist and holder of various patents in the metallurgical sector, as well as a manager with many years of experience in Lucchini Group, Allied International Group, Franchini Acciai and in the Materials Development Centre. Numanova was set up as a limited liability company with a share capital of Euro 2.35 million. It will have a governance model with a Board of Directors composed of Stefano Neri, Chairman, Paolo Folgarait, Executive Director and General Manager, and Corrado Giancaspro, CEO.

BUSINESS SECTORS

Numanova will produce high quality metallic powders of iron and other metal alloys for additive manufacturing (3D printing), metal injection moulding (MIM), hot isostatic pressing (HIP), and other more advanced uses in sectors such as aerospace, energy, mechanical and biomedical. The company will have the most advanced production technologies for metallic powders based in the principles of vacuum induction furnaces and ceramic-free inert gas atomisers. Plasma atomisation will also be introduced. The development phases for the company, whose production units will be located in the Italeaf industrial area of Nera Montoro (TR) are as follows: in the very short term, initiation of the authorisation process with the competent authorities; purchase of the production assets and systems; their enhancement and development of certification and quality activities; production go-live with the international marketing of products.

INVESTMENTS, PRODUCTION CAPACITY AND EMPLOYMENT IMPACTS

The Numanova investment plan envisages two-year commitments for a total of Euro 12 million, with full production employment (three shifts) for a total of 50 operations professionals, including human resources used for production, staff activities, commercial and marketing, testing, quality, logistics, purchasing, administration, HR and HSE. Production capacity is expected to be approximately 500 tonnes/year of metal powders for the additive manufacturing sector and for more advanced uses in sectors such as aerospace, energy, mechanics, and biomedical.

GLOBAL VISION

The new production initiative can use the opportunities offered by the corporate role of Italeaf, a company listed on the NASDAQ, the most technological international market, and by the Group's global presence, thereby allowing Numanova to have, from the very beginning, operations offices, branches and/or research centres in Milan, London, and Hong Kong, from the Italeaf Science and Technology Park. The mechanical engineering facilities of Italeaf are one of the strengths to be leveraged, through which the Group will bring to bear its decades of expertise, which can be re-positioned in an innovative environment with high growth prospects. Finally, Numanova has already signed framework agreements for commercial and technical-scientific collaboration with leading global companies in planning and producing systems for additive manufacturing of metallic powders and with businesses in the metallurgical sector, and has signed contracts with Italian and international universities and research centres.

INNOVATION AND SUSTAINABILITY

The agreement between Italeaf and Paolo Folgarait will lead to the opening in Nera Montoro of a research and development centre through the localisation of the innovative start-up Seamthesis. The operating unit in Nera Montoro will be specifically focused on R&D activities in the areas of alloy design, metallurgy product and process, modelling of processes and products, development and implementation of innovative production technologies for metallic powders for advanced manufacturing environments (e.g., additive manufacturing, MIM, HIP, laser cladding) and surface engineering (e.g., PTA).

From the perspective of sustainability and environmental contribution, Numanova will assist in confirming a highly improved industrial model. In particular, with respect to traditional metallurgy activities, Numanova products will allow for a reduction in internal processing times for prototyping of up to 70%, a drastic reduction in waste (metal powder not used for printing can be re-used after the powders have been re-conditioned) and, most importantly, the development of metal parts that were not possible under traditional methods. Furthermore, Numanova products will have a marked contribution in reducing energy consumption.

WISAVE



OVERVIEW

Italeaf has a 78.22% stake in WiSave.

WiSave Srl operates in the promising market of the Internet of Things, the sector that generates the most growth throughout the world and represents the ideal convergence between the web, digital opportunities and the development of devices and manufactured goods in the smart energy and energy efficiency sectors.

The company will produce systems for remote control of thermal energy efficiency for buildings, through an infrastructure of transmission, collection and processing of cloud-based data, with a business that is highly scalable and can be implemented in other sectors such as, for example, electricity, water, remote surveillance and domotics.

Over the last two years, the WiSave innovators have worked on algorithms, software and hardware that can become tools for energy managers and property managers, with technology that is applicable in the majority of locations to reach the highest energy efficiency. The level of quality of the algorithm and the artificial intelligence is the most advanced in the sector. Now, with the newly designed Algo device and Algo app, WiSave proposes to put a powerful tool in the hands of every household.

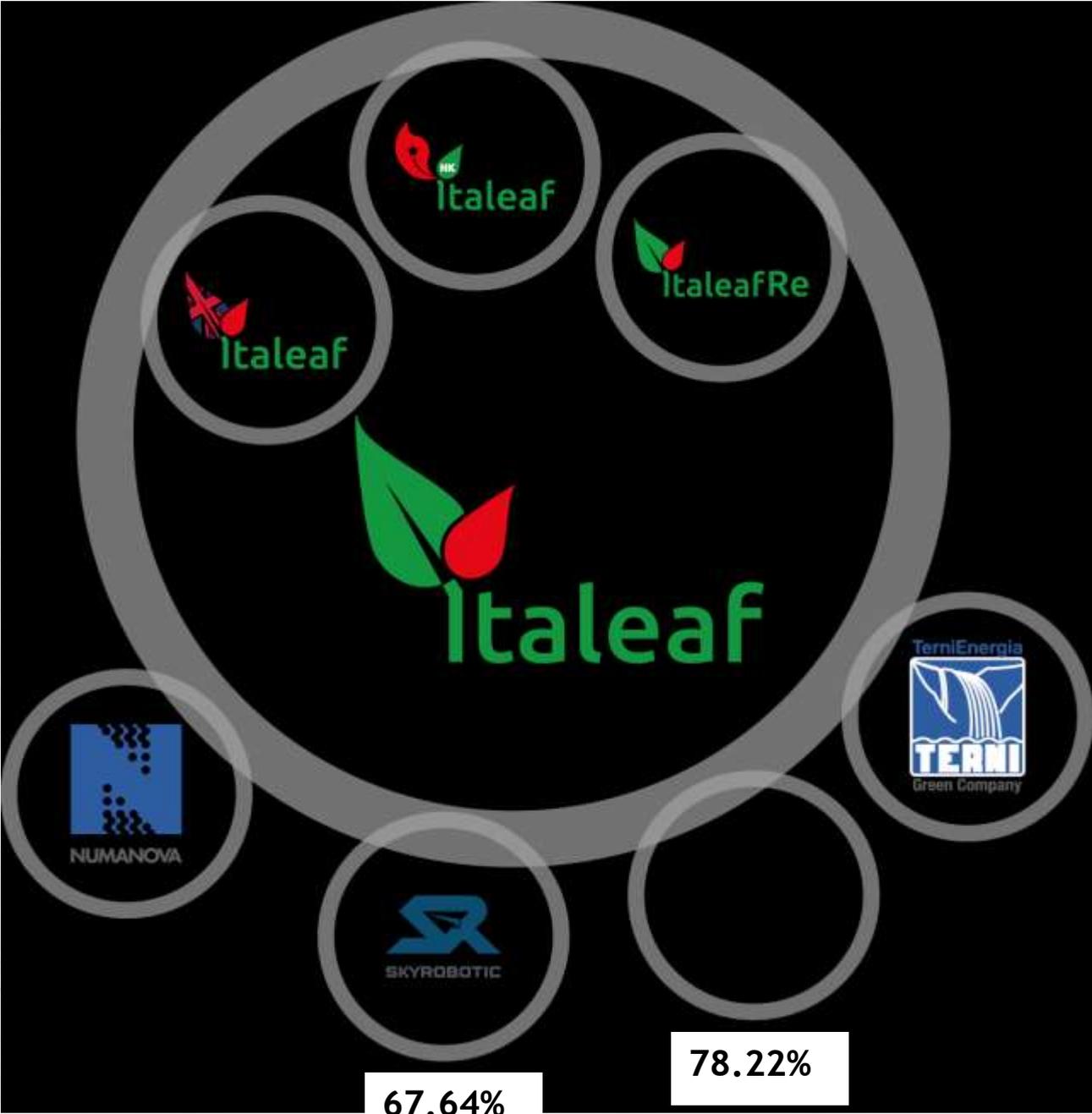
Algo is an innovative thermostat managed remotely to increase the efficiency of heating and cooling systems:

- It can save at least 20% of heating and cooling energy, which is beneficial both environmentally and financially;
- It can manage and monitor all types of environments: houses, businesses, hospitals and hotels. It can be operated wirelessly from computers, tablets or smartphones.

At the beginning of 2016, WiSave will produce the first 50 prototypes, which will be installed free of charge by a potential customer to increase the visibility of the new solution.

There are currently two implementations of the Algo system, which were launched during 2015: the first in some offices of the Hong Kong Science and Technology Park, and the second in Italeaf's management offices.

GROUP STRUCTURE



SIGNIFICANT EVENTS OF FIRST NINE MONTHS 2016

ESTABLISHED NUMANOVA SRL, NEWCO IN THE FIELD OF ADVANCED METALLURGY AND METAL POWDERS

On January 25, 2016, Italeaf announced the establishment of a new company called “Numanova Srl”. The new start-up will be originated by the sharing of know-how and economic and financial resources between the co-founder represented by Italeaf SpA and dr. Paolo Folgarait, physicist, owner of several patents in the metallurgical sector, manager with experience in the Lucchini group, the Allied International Group, in Franchini Steels and in Centro Sviluppo Materiali.

Numanova, established as a limited liability company, has a share capital of € 2.35 million and will have a governance model with a board of directors that will be formed by Stefano Neri, chairman, Paolo Folgarait, executive director and general manager, and Corrado Giancaspro, CEO, and a board of auditors.

Numanova will be active in the production of metal powders of high-quality from metal alloys, ferrous and non, for Additive Manufacturing (3D printing), Metal Injection Molding (MIM), Hot Isostatic Pressing (HIP) and the most advanced uses in areas such as aerospace, energy, mechanical, biomedical. The company will be equipped with the most advanced production technology of metal powders based on the principle of vacuum induction furnaces and atomizers inert gas ceramic-free. It will also be introduced technologies of plasma atomization. The stages of development of the company, whose production unit will be located in the Italeaf’s industrial of Nera Montoro (TR), will expect: within a very short time the start of the authorization from the competent authorities; the acquisition of production assets and facilities; their upgrading and the development of the certification and qualification; the ramp up of the production for the marketing of products.

GREEN LIGHT FROM THE SHAREHOLDERS’ MEETING OF NUMANOVA TO A CAPITAL INCREASE OF EUR 0.65 MILLION AND THE TRANSFORMATION IN JOINT STOCK COMPANY (SPA)

On February 18, 2016, the Shareholders’ Meeting of Numanova has unanimously resolved to transform the company from limited liability company to a joint stock company.

At the same time, the Shareholders’ meeting approved the proposal to proceed to the elimination of the nominal value of the ordinary shares of the Company and to adopt the one-tier system of “corporate governance”, with consequent amendment of the Bylaws. The board of directors is composed by Stefano Neri, Chairman, Corrado Giancaspro, CEO, Paolo Folgarait, executive director and general manager, and Clelia Zunino and Vittorio Pellegrini, independent directors. Andrea Bellucci is the statutory auditor of the company.

The Extraordinary Shareholders’ Meeting finally approved a capital increase, divisible to be offered to the shareholders of Euro 0.65 million to be signed by 31 July 2016, to plan the growth of the productive activities of Numanova.

Upon completion of the capital increase, Numanova will have a share capital of Euro 3,000,000 fully paid. Numanova currently has 17 shareholders; the company’s shareholder structure is as follows: Italeaf S.p.A. 85%, Paolo Folgarait 8.5%, other shareholders 6.5%.

TERNIENERGIA HAS CONNECTED TO THE GRID THE “GIANT” PV PLANT OF PALEISHEUWEL (SOUTH AFRICA)

On April 26, 2016, TerniEnergia announced that the first of the two “giant” photovoltaic worksites in South Africa, on behalf of a leading Italian utility, has been completed. The PV plant has been connected to the national transmission grid managed by Eskom.

In particular, TerniEnergia Projects PTY Ltd, a South African subsidiary of TerniEnergia SpA, has completed the construction of the PV plant in Paleisheuvel (for a total installed capacity of 82.5 MWp), in advance of the timeline envisaged by the final contracts for EPC (engineering, procurement and construction) and O&M (operation and maintenance) four-year and renewable term, and in compliance with the expected financial results.

The worksite of Paleisheuwel, which is spread over an area of 240 hectares, has employed more than 500 workers in the various functions for the installation of 611,000 photovoltaic PV panels, with a capacity between 125Wp and 140Wp. It were installed in total 101,850 structures, used 7 million kg of metallic carpentry and laid 3,000 km of electric cables. 6 subcontractor companies were involved in the installation and TerniEnergia operated in compliance with the promotion of political participation in the economic life of “black people”.

TERNIENERGIA ACQUIRED AN ORDER WORTH OF USD 19.2 MILLION IN EGYPT

On May 19, 2016, TerniEnergia, within the internationalization process of the PV EPC business, has been acquired a order worth of approximately \$ 19.2 million for the construction in Egypt of an industrial scale photovoltaic plant for a total capacity of 47 MWp, on behalf of an Italian leading utility.

The plant will be installed in locations Benban about 900 km from Cairo on an area of about 150 hectares. The order includes the EPC (engineering, procurement and construction) activities without the supply of PV modules and inverters. In the construction site will be active more than 250 workers. The project involves the use of the be 3Sun panels (Made in Italy, in Catania) mounted on steel structures.

In addition, the Company announces that it has signed an energy efficiency lighting contract with the TPF formula (third party financing) shared savings, worth about Euro 0.6 million on behalf of a leading cement italian player. The intervention, of which TerniEnergia will also manage the “turnkey” EPC, will be performed on a plant in Lombardy and will provide for the replacement of 4497 traditional lighting points with 2853 new LED lighting units of the latest generation, with an expected savings of about 1GWh / year.

TERNIENERGIA: STRENGTHENS ITS LEADERSHIP IN AFRICA IN PHOTOVOLTAIC SECTOR

On June 15, 2016, TerniEnergia, within the internationalization process of the PV EPC business, has been acquired a new contract of approximately \$ 8 million for the construction in Zambia of an industrial scale photovoltaic plant for a total capacity of 34 MWp, on behalf of an Italian leading utility.

With this new industrial agreement, TerniEnergia strengthens its leadership role in the construction of large plants for the production of energy from solar source in Africa, after about 150 MW installed in South Africa, the opening of a subsidiary in Mozambique to participate in international tenders and the order for a project in Egypt for further 47 MW. The Company also ensures continuity with multi-year preparatory activities for the development of new plants and the operation and maintenance (O&M).

Industrial size, operational capacity, the experience and the expertise to adapt to international challenges, are the competitive advantages that the Company is able to deploy in a continent like Africa with great potential for the development of renewables. In particular, TerniEnergia is positioned consistently in the African Continent to intercept the opportunities of growth in the sector, driven by the increase in energy demand in emerging countries, new international policies on containing the “global warming” and, above all, from the increased investments in the sector.

The Zambian plant will be installed in in Lusaka in the homonymous province, covering an area of about 50 hectares.. The contract includes the EPC activities without the supply of modules, inverters, trackers, photovoltaic modules and inverters. At the construction site will be active at full capacity about 150 workers for the installation of about 106,260 poly modules of 320 W power. It will be provided 2.550 kg of carpentry steel frames and the laying of 960 km of electric cables.

GREEN LIGHT FROM THE LOCAL AUTHORITIES TO THE NUMANOVA’S FACILITY FOR METAL POWDERS PRODUCTION. SUBSCRIBED THE CAPITAL INCREASE OF EURO 0.65 MILLION

On July 20, 2016, Numanova announced that, with the executive resolution by the Municipality of Narni (TR) n. 4/2016, was issued the “unique environmental license (AUA)” related to the emissions from the production plant of metal powders for the additive manufacturing and special and advanced applications, which will be installed at the industrial area of Nera Montoro (TR). In particular, obtaining environmental authorization together with those of the Fire Prevention (CPI) by the Command of Terni Fire Department, Numanova is entitled to launch its investment program for the acquisition and installation of production facilities for metal powders with high quality obtained from ferrous metal and non ferrous alloys to be used in Additive Manufacturing (3D printing), Metal Injection Molding (MIM), Hot Isostatic Pressing (HIP), PTA, laser cladding for the most advanced industrial sectors such as aerospace, energy, automotive, mechanical, biomedical, luxury industry. The company will be equipped with the most advanced production technology

of metal powders by atomization gas, vacuum induction casting ceramic-free. These technologies have a reduced environmental impact and high intrinsic safety levels.

For the development of the production plant it has been selected the eco-industrial area of Nera Montoro (TR), an ideal facility for industrial applications, with a broad portfolio of permits and authorizations, technical gas piping systems from a landline and already operational infrastructure as industrial and office building, energy, water, technical gases, logistics, warehouse.

In the Numanova factory will be installed 2 different type of plants:

- EIGA (Electrode Induction-melting Inert Gas Atomization), advanced process for the production of metal powders from titanium and aluminum alloys, refractory materials, ceramics and precious metal alloys for special applications (eg. HIP, MIM) and Additive Manufacturing;

- VIGA (Vacuum Induction-melting Inert Gas Atomization), advanced process for the production of ferrous metal powders and alloys of nickel, cobalt and zirconium for special applications (eg. HIP, MIM) and Additive Manufacturing.

Finally, the capital increase, divisible to be offered to the shareholders of Euro 0.65 million, through the issue of new n. 650,000 no par value shares, was fully subscribed to plan the growth of the productive activities of Numanova. Upon completion of the capital increase, Numanova has a share capital of Euro 3,000,000 fully subscribed. Numanova currently has 23 shareholders; the company's shareholder structure is as follows: Italeaf S.p.A. 85%, other shareholders 15%.

ALLIANCE BETWEEN TERNIENERGIA AND ROMA AND GAS & POWER TO ANSWER TO THE GROWING DEMAND FOR ENERGY EFFICIENCY IN THE CORPORATE SECTOR AND PUBLIC ADMINISTRATION

On July 21, 2016, TerniEnergia and Roma and Gas & Power (RGP), among the largest private national player in the field of energy management, vertically integrated in gas and electricity business, present on all major European hub, have signed a two-year framework agreement to collaborate on energy efficiency projects in the corporate, industrial and public administration sectors in Italy. In particular, TerniEnergia operates as ESCOs (Energy Service Company) directly and through the platform "Hub", a new strategic alliance formula between all players in the energy industry to open up the sector to the capital market. Roma Gas & Power, however, has created a specific vehicle for the energy efficiency sector, Enershare (Advisory hub), and has launched a series of initiatives of scouting in the internet of things (IoT) industry to capture the value of new technologies to deploy into energy service segment. The agreement signed provides the opportunity to propose to potential customers (public administrations, small and medium-sized enterprises and large industries) an integrated global supply of energy efficiency performance (energy products and services), the supply of technologies and the activation of innovative financial instruments.

PARTNERSHIP WITH WULIAN TO ESTABLISH THE JOINT VENTURE WSAVE CO. LTD

On September 27, 2016, Italeaf, through Italeaf HK (a company licensed by WiSave Srl), and Wulian, a Chinese company specialized in the Internet of Things (IoT) and member of ZigBee Alliance Board of Directors, signed an agreement in Nanjing, to establish a joint venture named WSAVE Co., ltd. (company name to receive final approve from the Chinese Industrial and Commercial Bureau).

The new company is being set up to promote the development of green building technologies and intends to provide energy-saving solutions based on Smart Building system and IoT technology. As each country has put an increasing emphasis on energy conservation and emission reduction amid global climate change and population boom, using new energy and new technologies to reduce energy consumption is becoming a new trend. This trend is expected to greatly affect IoT market, contributing to an increase in demand for smart energy devices and solutions.

Under such market conditions, Wulian, a professional manufacturer and supplier for Smart Home products and solutions, is currently strengthening its smart unit business, which mainly consists of hardware, software, communication module, sensor, controller, cloud service and big data. Its current products and solutions cover a wide range of fields, including Energy-Efficient Lighting, Security Supervision, Home Appliances Management, Environmental Detection, and more.

The new company WSAVE will promote smart energy efficiency solutions for large complex buildings. It will combine unique advantages of Wulian Smart Home system and frontier technologies and Italeaf Group smart energy solutions, to create an integrated system for smart home and green building.

CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

<i>in Euro</i>	Notes	As at September 30, 2016	As at December 31, 2015	Change	Change %
Intangible assets		8,091,455	6,792,515	1,298,940	16.1%
Tangible assets		104,690,547	106,507,564	(1,817,017)	(1.7)%
Equity Investments		3,835,629	7,630,702	(3,795,073)	(98.9)%
Deferred tax assets		15,981,924	14,489,978	1,491,946	9.3%
Non-current financial receivables		21,964,686	23,655,621	(1,690,935)	(7.7)%
Total non-current assets		154,564,241	159,076,380	(4,512,139)	(2.9)%
Inventories		14,574,859	23,479,671	(8,904,812)	(61.1)%
Trade receivables		26,440,202	52,201,318	(25,761,116)	(97.4)%
Other current assets		24,834,885	24,114,296	720,589	2.9%
Derivatives					n.a.
Financial receivables		2,977,749	4,215,913	(1,238,164)	(41.6)%
Cash and cash equivalents		12,376,805	12,515,353	(138,548)	(1.1)%
Total current assets		81,204,500	116,526,551	(35,322,051)	(43.5)%
Asset for sale					
TOTAL ASSETS		235,768,741	275,602,931	39,834,190)	(16.9)%
LIABILITIES AND SHAREHOLDERS' EQUITY					
Share capital		15,444,000	15,444,000		0.0%
Stocks		16,871,499	17,574,869	(703,370)	(4.2)%
Profit for the period		(2,883,328)	1,421,918	(4,305,246)	149.3%
Total Group equity		29,432,171	34,440,787	(5,008,616)	117.0%
Minority interests		31,201,005	29,026,176	2,174,829	93.0%
Profit for the minority interest		277,484	1,050,504	(773,020)	n.a
Total equity		60,910,660	64,517,467	(3,606,807)	105.9%
Provision for risk and charges		43,086	43,086		100.0%
Provision for employee benefits		1,437,271	1,329,505	107,766	92.5%
Deferred tax liabilities		6,636,144	7,286,282	(650,138)	109.8%
Non-current financial payables		87,701,939	86,457,147	1,244,792	98.6%
Other non-current liabilities		288,227	247,492	40,735	85.9%
Derivatives		3,251,759	3,251,759		100.0%
Total non-current liabilities		99,358,426	98,615,271	743,155	99.3%
Trade payables		31,541,213	63,917,925	(32,376,712)	n.a
Payables and other financial liabilities		34,893,776	34,524,053	369,723	98.9%
Taxes payable		3,197,171	1,336,364	1,860,807	41.8%
Other current liabilities		5,867,496	12,691,851	(6,824,355)	n.a
Total current liabilities		75,499,656	112,470,193	(36,970,537)	149.0%
TOTAL LIABILITIES		174,858,082	211,085,464	(36,227,382)	120.7%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		235,768,742	275,602,931	(39,834,189)	116.9%

CONSOLIDATED INCOME STATEMENT

	2016-07-01	2015-07-01	2016-01-01	2015-01-01	2015-01-01
<i>in Euro</i>	2016-09-30	2015-09-30	2016-09-30	2015-09-30	2015-12-31
Revenues	10,236,198	121,176,390	57,378,343	269,403,740	364,078,130
Other operating income	198,495	5,669,059	4,229,264	10,273,480	7,268,117
Change in inventories of semi-finished and finished products	200,000	19,532	206,476	(184,262)	(2,419,928)
Costs for raw materials, consumables and goods for resale	(3,097,287)	(51,010,284)	(26,273,230)	(108,084,250)	(181,650,101)
Costs for services	(1,987,700)	(67,117,743)	(16,702,496)	(144,592,040)	(148,235,026)
Personnel costs	(1,802,430)	(2,373,649)	(4,463,807)	(6,461,399)	(8,500,265)
Other operating costs	(2,236,560)	(436,794)	(3,236,283)	(2,309,939)	(3,990,146)
Amortisation, depreciation, provisions and writedowns	(1,370,162)	(1,581,694)	(8,658,919)	(4,752,993)	(10,208,678)
Operating result	140,553	4,344,816	2,479,349	13,292,337	16,342,103
Financial income	116,490	287,268	878,790	977,106	2,741,475
Financial charges	(2,252,377)	(2,918,474)	(6,690,884)	(8,668,628)	(13,024,147)
Portion of result attributable to the joint venture	651,706	333,438	1,271,365	382,970	(667,685)
Net profit before taxes	(1,343,627)	2,047,049	(2,061,379)	5,983,785	5,391,746
Taxes	1,373,146	(262,636)	(544,464)	(1,773,931)	(2,919,323)
Net profit for the period	29,519	1,784,413	(2,605,843)	4,209,854	2,472,423
- of which: attributable to the Group	189,506	555,305	(2,883,328)	1,547,407	1,421,918
- of which: attributable to non-controlling interests	(159,988)	1,229,108	277,484	878,035	1,050,504
Earnings per share - Basic and diluted	0,012	0,036	(0,187)	0,136	0,092

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(in Euro)</i>	Notes	As at September 30, 2016	As at September 30, 2015
Net result		(2.605.844)	4,209,855
Change in cash flow hedge reserve		(921.592)	947,542
Translation difference		(489.924)	(683,091)
Tax effect of charges/(income) recognised in equity		221.182	(260,574)
Total other income statement items of the period that will be recognised later in the income statement	11	(1.190.334)	3,877
Actuarial gains/(losses) from employee termination indemnities		(114.989)	-
Tax effect of charges/(income) recognised in equity		27.597	-
Total other income statement items of the period that will not be recognised later in the income statement	11	(87.392)	-
Total comprehensive income for the period		(3.883.570)	4,213,732
• of which: attributable to the Group		(3.459.071)	2,104,525
• of which: attributable to minority interests		(424.499)	2,109,206

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Description <i>(in Euro)</i>	Corporation Stock	Reserves				Total reserves	Profit of the period	Total shareholders ' equity Group	Equity	
		Extra- Charge Reserves	Legal reserves	Extraordinary	Other Reserves				attributable to non- controlling interests	Total equity
As at December 31, 2014	15,444,000	666,000	37,640	-	21,243,348	21,946,988	1,906,006	39,296,994	39,841,712	79,138,707
Appropriation of the previous year's profit (loss)			100,583		1,805,423	1,906,006	(1,906,006)	-		-
Dividends paid					(1,235,520)	(1,235,520)		(1,235,520)		(1,235,520)
Other movements					300,963	300,963		300,963	(2,151,154)	(1,850,191)
Other movements			100,583		870,866	971,449	(1,906,006)	(934,557)	(2,151,154)	(3,085,711)
Profit of the period							2,102,712	2,102,712	2,107,143	4,209,855
Other comprehensive					1,813	1,813		1,813	2,063	3,877
Total profit for the period					1,813	1,813	2,102,712	2,104,525	2,109,206	4,213,732
Value as at September 30, 2015	15,444,000	666,000	138,223	-	22,116,028	22,920,251	2,102,712	40,466,963	39,799,764	80,266,727

Description <i>(in Euro)</i>	Corporation Stock	Reserves			Total reserves	Profit of the period	Total shareholder ' equity Group	Equity attributable to non- controlling interests		Total equity
		Extra-Charge Reserves	Legal reserves	Other Reserves						
As at December 31, 2015	15,444,000	666,000	138,223	16,152,184	16,956,407	2,040,380	34,440,787	30,076,680	65,517,467	
Appropriation of the previous year's profit (loss)			120,745	1,919,634	2,040,380	(2,040,380)	-			
Dividends paid				(926,640)	(926,640)		(926,640)		(926,640)	
Other movements				(622,905)	(622,905)		(622,905)	1,826,307	1,203,402	
Other movements			120,745	370,089	490,835	(2,040,380)	(1,549,545)	1,826,307	276,762	
Profit of the period						(2,883,328)	(2,883,328)	277,484	(2,605,844)	
Other comprehensive						(575,743)	(575,743)	(701,983)	(1,277,726)	
Total profit for the period						(3,459,071)	(3,459,071)	(424,499)	(3,883,570)	
Value as at September 30, 2016	15,444,000	666,000	258,969	16,522,274	17,447,242	(3,459,071)	29,432,171	31,478,489	60,910,660	

CONSOLIDATED CASH FLOW STATEMENT

<i>(in Euro)</i>	As at 30 September,	
	2016	2015
Pre-tax profit	(2,061,379)	5,983,785
Amortisation/depreciation	4,051,135	4,612,607
Write-downs of fixed assets and receivables	4,607,784	117,361
Allocations to the employee benefits fund	54,417	280,564
Result of joint ventures accounted for at equity and reversal of margin	(1,271,365)	(382,970)
Gains/Revaluations	-	-
Change in inventories	8,904,812	(37,822,425)
Change in trade receivables	25,761,116	(11,721,984)
Change in other assets	(1,210,513)	(11,918,910)
Change in trade payables	(32,376,712)	54,299,279
Change in other liabilities	(7,609,361)	15,985,870
Payment of employee benefits	(34,043)	(93,436)
Net cash flow (used in)/generated by operating activities	(1,184,110)	19,339,742
Investments in tangible fixed assets	(2,019,561)	(2,364,153)
Disposals of tangible fixed assets	-	-
Investments in intangible fixed assets	(1,513,496)	(1,159,434)
Disposals of intangible fixed assets	-	-
Acquisitions/(Disposals)	-	-
Income from equity investments/(Equity investments)	458,654	(1,228,156)
Change in receivables and other financial assets	2,929,099	1,667,176
Disposals of AFS	-	180,783
Net cash flow (used in)/generated by investing activities	(145,304)	(2,903,784)
Change in payables and other financial assets	369,723	(967,455)
Change in non-current financial payables	1,244,792	(7,568,354)
Other changes in shareholders' equity	502,992	(1,163,314)
Share capital increase	-	-
Dividends paid	(926,640)	(1,235,520)
Net cash flow (used in)/generated by financing activities	1,190,867	(10,934,643)
Comprehensive cash flow for the period	(138,547)	5,501,315
Cash and cash equivalents at the beginning of the period	12,515,353	14,958,894
Cash and cash equivalents at the end of the period	12,376,805	20,460,210

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION

Italeaf S.p.A. (“Italeaf”, “Company” or “Parent Company”) is a joint stock company with registered office in Narni (Italy), Strada dello Stabilimento 1.

Italeaf S.p.A., established in December 2010, is an equity investment holding company and a business accelerator for start-ups in the innovation and cleantech sectors. Italeaf operates as a company builder, promoting the creation and development of industrial start-ups in the cleantech, smart energy and technological innovation sectors.

Italeaf has operations offices in Terni and Nera Montoro in the municipality of Narni (Umbria), as well as in Milan and Lecce. It has international branches in London and Hong Kong and a research centre in the Hong Kong Science and Technology Park. The company controls TerniEnergia, listed on the STAR segment of Borsa Italiana, and operating in the sectors of renewable energy, energy efficiency and waste management. Italeaf controls WiSave in the “internet of things” sector, for the development and production of intelligent thermostats and technologies for remote control of electric and heating systems of buildings managed on cloud infrastructure. In addition, it controls Skyrobotic, a company that develops and produces civil and commercial drones in the mini and micro classes for the professional market, Numanova, which produces metallic powders for additive manufacturing and the advanced metallurgical industry, and Italeaf RE, a real estate company. Italeaf has been listed on NASDAQ OMX First North of Stockholm since 4 September 2014.

FORM, CONTENT AND APPLIED ACCOUNTING PRINCIPLES

These Intermediate consolidated financial statements have been prepared on a premise of Italeaf continuing as a going concern, with the directors having verified the absence of any financial or business indicators, or indicators of other kind, that might suggest that the Group might face difficulty in meeting its obligations in the foreseeable future and, in particular, in the next 12 months.

The Intermediate consolidated financial statements of the Italeaf Group at September 30, 2016 have been prepared in accordance with the requirements of the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as published in the Official Journal of the European Union (O.J.E.U.), and in particular IAS 34 - Interim Financial Reporting, as well as the regulations issued to implement article 9 of Legislative Decree n. 38/2005. In the framework of the options set out in IAS 34, the Group has chosen to publish this report for the consolidated Financial Statements, such as a condensed information.

The Group has opted to use the income statement by nature, while assets and liabilities in the statement of financial position are divided into current and non-current items. The cash flow statement has been prepared according to the indirect method.

These consolidated financial statements were approved by the parent company’s Board of Directors on 30 November 2016.

SCOPE OF CONSOLIDATION

The consolidated financial statements as of 30 September 2016 include the financial statements of the parent company Italeaf S.p.A. and the financial statements of all the companies it directly or indirectly controls. Below are listed the companies included in the scope of consolidation and the related percentages of ownership held by the Group, either directly or indirectly, as at 30 September 2016:

LIST OF COMPANIES CONSOLIDATED ON A LINE-BY-LINE BASIS:

Company Name	Registered office	% owned by the Group	
		Direct	Indirect
Skyrobotic S.p.A.	Narni - Via dello Stabilimento, 1	67.64%	
Numanova S.p.A.	Narni - Via dello Stabilimento, 1	100%	
WiSave S.r.l.	Narni - Via dello Stabilimento, 1	78.22%	
Italeaf UK Ltd.	1 Cornhill EC3V 3ND, London	100%	
Italeaf HK Ltd.	Unit 905-6, 9th Floor, Fook Yip Building - 53-57 Kwai Fung Crescent, Kwai Chung - N.T. Hong Kong S.A.R. - Hong Kong	100%	
TerniEnergia S.p.A.	Narni - Via dello Stabilimento, 1	45.06%	
TerniEnergia subsidiaries			
Greenled Industry S.p.A.	Narni - Via dello Stabilimento, 1		100%
Capital Energy S.r.l.	Nardò - Via Don Milani, 4		100%
Newcoenergy S.r.l.	Nardò - Via Don Milani, 4		100%
Capital Solar S.r.l.	Nardò - Via Don Milani, 4		100%
MeetSolar S.r.l.	Nardò - Via Don Milani, 4		100%
Festina S.r.l.	Terni - Via Garibaldi 43		100%
Energia Basilicata S.r.l.	Nardò - Via Don Milani, 4		100%
Energia Lucana S.r.l.	Nardò - Via Don Milani, 4		100%
Energia Nuova S.r.l.	Nardò - Via Don Milani, 4		100%
Verde Energia S.r.l.	Nardò - Via Don Milani, 4		100%
Rinnova S.r.l.	Nardò - Via Don Milani, 4		100%
Soc. Agric. Fotosolara Cheremule S.r.l.	Narni - Via dello Stabilimento, 1		100%
Soc. Agricola Fotosolara Ittireddu S.r.l.	Narni - Via dello Stabilimento, 1		100%
T.e.c.i. Costruzioni & Ingegneria S.r.l.	Gioia del Colle - Via Giosuè Carducci, 122		100%
Meet Green Italia S.r.l.	Nardò - Via Don Milani, 4		100%
LyteEnergy S.r.l.	Narni - Via dello Stabilimento, 1		70%
Soc. Agricola Padria S.r.l.	Narni - Via dello Stabilimento, 1		100%
TerniEnergia Hellas M.EPE.	Athens - 52, Akadimiasstreet		100%
TerniEnergia Polska Zoo	Warsaw - Sw. Krolewska 16, 00-103		100%
Tevasa L.t.d.	Cape Town, 1 Waterhouse Place, Century City, 7441		100%
IGreen Patrol S.r.l.	Narni - Via dello Stabilimento, 1		100%
Alchimia Energy 3 S.r.l.	Narni - Via dello Stabilimento, 1		100%
TerniEnergia Romania Srl	Str. Popa Petre 5 - Bucharest		100%
TerniEnergia Solar South Africa Ltd.	Woodstok, De Boulevard Searle Street		80%
TerniEnergia Project Ltd.	Woodstok, De Boulevard Searle Street		80%
GreenAsm S.r.l.	Narni - Via dello Stabilimento, 1		50%
SolarEnergy S.r.l.	Narni - Via dello Stabilimento, 1		100%
TerniEnergia Gas&Power SpA	Milan - Corso Vittorio Emanuele II, 13		100%
Companies added to the scope of consolidation in 2016			
Val di Taro Tyre Srl	Narni - Via dello Stabilimento, 1		100%

LIST OF COMPANIES CONSOLIDATED WITH THE EQUITY METHOD:

Company Name	Registered office	% owned by the Group	
		Direct	Direct
List of TerniEnergia JVs			
Energia Alternativa S.r.l.	Narni - Via dello Stabilimento, 1		50%
Solter S.r.l.	Narni - Via dello Stabilimento, 1		50%
Girasole S.r.l.	Narni - Via dello Stabilimento, 1		50%
Guglionesi S.r.l.	Narni - Via dello Stabilimento, 1		50%
Opera Power Srl	Narni - Via dello Stabilimento, 1		50%
Investimenti Infrastrutture S.r.l.	Nardò - Via Don Milani, 4		50%
Rebis power Srl	Narni - Via dello Stabilimento, 1		50%
Soc. Agric. Fotosolara Bonannaro S.r.l.	Narni - Via dello Stabilimento, 1		50%
Soc. Agricola Fotosolara Oristano S.r.l.	Narni - Via dello Stabilimento, 1		50%
Infocaciucci S.r.l.	Narni - Via dello Stabilimento, 1		50%

COMMENTS ON THE MAIN STATEMENT OF FINANCIAL POSITION ITEMS:

NON-CURRENT ASSETS

1. INTANGIBLE FIXED ASSETS

The table below reports the analysis of changes relating to intangible assets as at September 30, 2016, as at December 31, 2015:

<i>(in Euro)</i>	September 30, 2016	December 31, 2015	Change	Change %
Software	883,680	434,356	449,324	103.4%
Goodwill	2,484,655	2,480,776	3,879	0.2%
Patents	579,079	370,403	208,676	56.3%
Building lease	317,324	317,324		0.0%
Others	3,826,717	3,189,657	637,060	20.0%
Total	8,091,455	6,792,515	1,298,940	19.1%

The decrease in the item “Software” refers mainly to the removal from the scope of consolidation of the company Enersoft S.r.l. (subsidiary of Free Energia), which developed proprietary software for the Group used to manage and control the “Energy Management” business line.

The item “Other” is mainly related to multi-year charges for Greenled Industry S.p.A. for LED light bulb developments, as well as costs incurred by Skyrobotic for development activities related to drones.

The building rights relate to certain acquired rights and for the construction of photovoltaic systems. Goodwill amounted to Euro 2,335 thousand and relates to the acquisition of control in Lucos Alternative Energies S.p.A., a company active in the field of energy efficiency, which was then merged into TerniEnergia in 2015. In addition, Euro 146 thousand relates to the acquisition of TerniEnergia Gas & Power, a company active in the natural gas and LNG sector. This goodwill is justified by the synergies expected at the time of acquisition from integrating the activities of these companies within TerniEnergia. Given that it is an activity with indefinite time period, it is not subject to amortisation but subject to at least an annual impairment test.

As at 30 September 2016, there are no indicators such as to assume the possible impairment of goodwill.

2. TANGIBLE FIXED ASSETS

The tables below show, respectively, the analysis of variations in the original cost, accumulated depreciation and write-downs, and net values related to intangible assets as at September 30, 2016 and December 31, 2015.

<i>(in Euro)</i>	September 30, 2016	December 31, 2015	Change	Change %
Land and buildings	22,180,000	23,164,443	(984,443)	(4.2)%
Plant and machinery	55,855,504	63,301,201	(7,445,697)	(11.8)%
Industrial equipment	279,999	319,593	(39,593)	(12.4)%
Other assets	100,398	183,265	(82,867)	(45.2)%
Construction in progress	26,274,646	19,539,062	6,735,584	34.5%
Total	104,690,547	106,507,564	(1,817,016)	(1.7)%

The item "Land and buildings" mainly includes the value of the Nera Montoro industrial site (with a surface area of more than 24 hectares) and the value of the building in Maratta in which the "incubator" is located, both owned by Italeaf SpA.

Investments in land and buildings also include the value of the properties owned by TerniEnergia Group. In particular, these properties are represented by two industrial buildings in the Nera Montoro plant used for the Group's industrial operations, as well as the value of land allocated for the construction of a composting plant in Lecce.

As of 30 September 2016, "Plant and equipment" includes the value of photovoltaic systems with a total capacity of 12.5 MW as well as the value of two PFU treatment plants (used tyres), the biodigestion plant and the treatment plant of groundwater, the latter all present within the Nera Montoro plant.

The latter factor explains the decrease in work in progress in 2016. The remainder of that item, amounting to Euro 26,274 thousand, includes investments in progress and not yet completed in the period ended on 30 September 2016. These investments relate to:

- the anaerobic digester and composting plant in Calimera (province of Lecce);
- the plant with cogeneration of energy through the pyrogasification of virgin wood to produce electricity and heat, near the town of Borgosesia (province of Vercelli). Note that the delay in the date the plant became operational was due to a series of environmental regulations and technological adaptations that were still underway at the date these financial statements were drafted. After these interventions are completed, the plant will be definitively placed in service. The cost of the investment will be entirely recovered through its use.

Finally, among the assets under construction are capitalised costs of Euro 1,128 thousand incurred in prior years for the development of the 18 MWp wind farm located in the town of Stroncone. These costs will be recovered through the realisation of the authorised plant, which may be carried out by the company alone or in partnership with other industrial entities.

3. EQUITY INVESTMENTS

The table below provides a breakdown of equity investments as at September 30, 2016, and December 31, 2015 and the related change:

<i>(in Euro)</i>	September 30, 2016	December 31, 2015	Change	Change %
Investments in JV	2,044,877	1,238,007	806,869	65.2%
Investments in Equity	1,790,752	6,392,694	(4,601,942)	(72.0)%
Total	3,835,629	7,630,702	(3,795,073)	(49.7)%

The item "Other investments" reflects the effects of the recognition of a write-down of Veneto Banca and Banca Popolare di Vicenza securities, equivalent to Euro 4.6 million.

The joint ventures are active in the identification, development, financing, design, construction and commissioning of photovoltaic plants in Italy, and the sale of electricity produced by them.

The value of investments in joint ventures at 30 September 2016 and their relative valuation with the equity method for each company is presented below:

<i>Investment</i>	30 September 2016	<i>Equity investments</i>	<i>Deferred margin</i>
Energia Alternativa S.r.l.	356,598	356,598	
Solter	183,093	296,675	(113,583)
Girasole S.r.l.	46,776	72,318	(25,541)
Guglionesi S.r.l.	255,823	255,823	
Bonnanaro S.r.l.	(41,559)	9,649	(51,208)
Oristano S.r.l.	(41,116)	9,822	(50,938)
Investimenti Infrastrutture S.r.l.	14,584	14,584	
Infocaciucci S.r.l.	131,284	131,284	
Rebis Power S.r.l.	574,118	574,118	
Opera Power Srl	324,006	324,006	
Total	1,803,607	2,044,877	(241,270)

In order to present more complete information, the following table sets forth the aggregate net financial debt of the primary joint ventures at 30 September 2016.

	Energia Alternativa	Solter	Girasole	Guglionesi	Rebis Power	Investimenti Infrastrutture	Soc. Agric. Fotosolara Bonnanaro	Soc. Agric. Fotosolara Oristano	Infocaciucci	Opera Power	Total
Cash											
Bank account	1,013,866		9,264	91,486	12,260	25,423	57,540	28,999	36,721	1,818	1,277,377
Liquidity (A)	1,014,033		9,264	91,486	12,260	25,423	57,540	28,999	36,721	1,818	1,277,544
Current financial debts											
- loans	(1,011,094)		(340,000)								(1,351,094)
- sale and leaseback	(1,462,402)	(645,492)	(572,474)	(112,829)	(158,759)	(66,197)	(77,875)	(103,681)	198,866	(66,699)	(3,067,542)
- shareholder loan			(500,000)	(85,000)							(585,000)
- shareholder loan(TerniEnergia)	(618,622)	(314,084)	(438,939)	(85,000)					(4,019)		(1,460,664)
Non-Current financial debts											
- loans	(11,954,341)		(1,180,000)								(13,134,341)
- project financing											
- sale and leaseback	(20,366,540)	(8,488,399)	(4,100,798)	(2,005,739)	(2,079,011)	(1,048,187)	(1,690,973)	(2,251,342)	(2,419,375)	(1,748,353)	(46,198,717)
- shareholder loan			(409,891)	(288,738)							(698,629)
- shareholder loan(TerniEnergia)	(7,549,686)	(1,445,482)	(508,671)	(284,068)		(907,079)	(842,387)	(1,032,024)			(12,569,396)
Financial indebtedness (B)	(42,962,686)	(10,893,458)	(8,050,772)	(2,861,374)	(2,237,769)	(2,021,462)	(2,611,234)	(3,387,047)	(2,224,528)	(1,815,052)	(79,065,382)
Net Financial indebtedness (A+B)	(41,948,653)	(10,893,458)	(8,041,508)	(2,769,888)	(2,225,509)	(1,996,039)	(2,553,694)	(3,358,049)	(2,187,807)	(1,813,234)	(77,787,838)

4. DEFERRED TAX ASSETS

The table below provides a breakdown of prepaid taxes as at September 30, 2016, and December 31, 2015 and the relevant change:

<i>(in Euro)</i>	September 30, 2016	December 31, 2015	Change	Change %
Deferred tax assets	15,981,924	14,489,978	1,491,946	10.3%
Total	15,981,924	14,489,978	1,491,946	10.3%

Prepaid taxes are mainly attributable to tax losses realised by the Group, of which approximately one-half are related to TerniEnergia S.p.A.

The balance of prepaid taxes on tax losses includes those resulting from the application of the “Tremonti Ambientale” (environmental law), for a total of Euro 6,400 thousand.

These losses are internally assessed to be recoverable in light of the Group’s forecasts and industrial plan. As regards the effects from the application of the “Tremonti Ambientale”, note that Article 6, paragraphs 13-19 of Law no. 388/00 (subsequently repealed by means of Legislative Decree no. 83/2012), refers to the tax incentive known as “Tremonti Ambientale” for small and medium-sized companies. It envisages that the portion of income allocated to environmental investments, including photovoltaic plants designed to decrease consumption of conventional electrical energy by companies, is not relevant for purposes of calculating income taxes.

As a result, and although the norm was very detailed and provided for an incentive that was also applicable to investments in photovoltaic plants, Energia Alternativa S.r.l. and T.E.R.NI Solarenergy S.r.l. - similar to many other companies operating in the photovoltaic sector - did not utilise the incentive as it was not specified if the incentive was in addition to the so-called “energy discount”.

In light of the above, and despite the fact that Energia Alternativa S.r.l. and T.E.R.NI Solarenergy S.r.l. had, during the 2009 and 2010 tax periods (i.e. during the period of effectiveness of the energy discount law), realised “environmental investments” that were potentially subject to facilitation, they never utilised the environmental tax deductions due to the regulatory uncertainty as to whether it was in addition to the governmental energy account contribution.

In 2012, the following ended this uncertainty:

- i) Art. 19 of the so-called “V energy account” provided for combination within certain limits;
- ii) the Ministry of Economic Development confirmed this interpretation.

The companies conducted in-depth analyses - including with the support of knowledgeable consultants - regarding the possibility of using the incentive and decided to take advantage of it, recognising the relative effects in the financial statements.

The tax losses on which prepaid assets were recognised are internally assessed to be recoverable in light of the Group’s forecasts and industrial plan.

5. NON CURRENT FINANCIAL RECEIVABLES

The following table provides a breakdown of non-current financial receivables as at September 30, 2016, and December 31, 2015 and the related change:

<i>(in Euro)</i>	September 30, 2016	December 31, 2015	Change	Change %
Solter S.r.l.	1,445,909	1,445,909		0.0%
Infocaciucci S.r.l.	874,304	874,304		0.0%
Soltarenti S.r.l.	1,297,513	1,477,513	(180,000)	(12.2)%
Energia Alternativa S.r.l.	7,903,521	7,903,521		0.0%
Soc. Agricola Fotosolara Bonnanaro S.r.l.	842,852	842,852		0.0%
Girasole S.r.l.	708,695	708,695		0.0%
Soc. Agricola Fotosolara Oristano S.r.l.	1,015,045	1,015,045		0.0%
Guglionesi S.r.l.	374,216	402,799	(28,583)	(7.1)%
Financial asset	6,691,590	8,173,942	(1,482,352)	(18.1)%
Security deposits	811,041	811,041		0.0%
				n.a.
Total	21,964,686	23,655,621	(1,690,936)	(7.1)%

This item includes Euro 6,691 thousand in financial receivables recorded as a result of the application of IFRIC 12 and IFRIC 4 to contracts for energy efficiency and interest-bearing loans granted to the joint ventures that are renewed automatically from year to year unless resolved.

These receivables represent the fair value of the expected cash flows from energy efficiency activities carried out on a number of municipalities and industrial plants. These contracts are intended to improve the energy efficiency of public lighting systems. The services performed consist of the planning, design and maintenance of interventions aimed at efficiency.

The increase recorded in the item "Financial assets energy efficiency" compared to the previous year is due in particular to new energy efficiency contracts signed during the year.

The item "Security deposits" primarily includes the sums deposited by the special purpose companies which own the photovoltaic plants as guarantees for the leasing contracts stipulated for the financing of the plants themselves.

CURRENT ASSETS

6. INVENTORIES

The following table provides a breakdown of the item in question as at September 30, 2016, and December 31, 2015 and the related change:

<i>(in Euro)</i>	September 30, 2016	December 31, 2015	Change	Change %
Raw materials	5,792,701	16,508,454	(10,715,753)	(64.9)%
Finished Products	475,674	469,198	6,476	1.4%
Products in process	8,306,484	6,502,020	1,804,465	27.8%
Total	14,574,859	23,479,671	(8,904,813)	(37.9)%

The item "Raw materials" primarily refers to the TerniEnergia Group, and in particular to photovoltaic panels that have not yet been installed for the construction projects in South Africa and, to a lesser extent, miscellaneous material (carpentry and electrical materials) used for the construction of photovoltaic plants.

As of 30 September 2016, work in progress mainly includes the costs incurred for the design, development and construction of several power plants currently still in progress in South Africa.

The finished products as of 30 September 2016 mainly relate to the raw and secondary materials arising from the recovery of used tyres, as well as to the "TR gridless" equipment (apparatus for providing low voltage power using a stand-alone photovoltaic energy and batteries) and "TR WOC" equipment (sensor to detect weld defects in real time). For these products, the company is implementing a strategy for marketing abroad.

7. TRADE RECEIVABLES

The following table provides a breakdown of the item in question as at September 30, 2016, and December 31, 2015 and the related change:

<i>(in Euro)</i>	September 30, 2016	December 31, 2015	Change	Change %
Resceivables from customers	26,415,500	52,451,807	(26,036,307)	(49.6)%
Resceivables from joint venture	722,551	449,496	273,056	60.7%
Resceivables from affiliated companies	29,122	26,987	2,135	7.9%
Provision for doubtful	(726,972)	(726,972)		0.0%
Total	26,440,202	52,201,318	(25,761,117)	(49.3)%

As of 30 September 2016, trade receivables, mainly from customers, amount to Euro 26,440 thousand.

The receivables from customers include an amount of approximately Euro 2.9 million, which is the balance of an original consideration of Euro 40 million from the sale, in 2011, of two photovoltaic plants totalling approximately 12 megawatts of power, which are currently fully deployed. The other party did not honour its obligations for this receivable, although in December 2012 an agreement had been reached for the payment of the amount due. Despite repeated attempts to settle the issue out of court, in August 2013 TerniEnergia was forced to initiate legal action to recover this receivable. In particular, TerniEnergia, with the assistance of its legal advisors, believes the other party's reasons for refusing to pay are specious in light of the serious and concrete factual and legal elements. Therefore, as of the reporting date, TerniEnergia is reasonably certain that it will not have a liability with said company, also considering that there are no indicators that would suggest the counterparty is at risk of not having the economic-financial resources to honour its obligations with TerniEnergia. For more details, please refer to the section of these notes dedicated to litigation.

The amount of trade receivables is adjusted by an allowance for bad debt of Euro 727 thousand to cover the risk of default of certain receivables arising in previous years.

As of 30 September 2016, the nominal value of trade receivables approximates their fair value.

8. OTHER CURRENT ASSETS

The following table provides a breakdown of current financial receivables as at September 30, 2016, and December 31, 2015 and the related change:

<i>(in Euro)</i>	September 30, 2016	December 31, 2015	Change	Change %
VAT Credit	5,434,105	3,379,640	2,054,465	60.8%
Advances to suppliers	601,152	620,601	(19,448)	(3.1)%
Prepayments	1,094,626	1,197,711	(103,084)	(8.6)%
Other credits	17,705,001	18,916,345	(1,211,343)	(6.4)%
Total	24,834,885	24,114,296	720,589	3.0%

The item "Other receivables" primarily includes the receivable, equal to Euro 8,994 thousand, accrued for the sale of 50% of the shares of the companies Solter and Energia Alternativa and 45% of Soltarenti.

As of 30 September 2016, the item also includes deferred charges of Euro 1,197 thousand, a receivable for Euro 1,376 thousand resulting from the application of the so-called "Tremonti Ambientale" rule to certain companies of the Group which own photovoltaic plants, and the remainder mainly consisting of security deposits, advances to suppliers and receivables from GSE.

9. FINANCIAL RECEIVABLES

The following table provides a breakdown of financial receivables as at September 30, 2016, and December 31, 2015 and the related change:

<i>(in Euro)</i>	September 30, 2016	December 31, 2015	Change	Change %
Financial receivables from joint venture	1,838,021	1,959,249	(121,228)	(6.2)%
Financial receivables from MPS	1,000,000	1,000,000		0.0%
Financial receivables from others	139,728	1,256,664	(1,116,936)	(88.9)%
Total	2,977,749	4,215,913	(1,238,164)	(29.4)%

The balance relating to financial receivables from Monte dei Paschi di Siena S.p.A. refers an escrow account to guarantee the relationship between TerniEnergia and said bank.

10. CASH AND CASH EQUIVALENTS

The following table provides a breakdown of cash and cash equivalents as at September 30, 2016, and December 31, 2015 and the related change:

<i>(in Euro)</i>	September 30, 2016	December 31, 2015	Change	Change %
Bank accounts	12,325,082	12,488,162	(163,080)	(1.3)%
Cash	51,723	27,191	24,532	90.2%
Total	12,376,805	12,515,353	(138,548)	(1.1)%

For an analysis of the change outlined above, refer to the Cash Flow Statement.

COMMENTS ON THE MAIN LIABILITY AND EQUITY ITEMS

11. SHAREHOLDERS' EQUITY

As of 30 September 2016, the subscribed and paid share capital of the company amounted to Euro 15,444,000 divided into 15,444,000 ordinary shares.

On 29 April 2016, the Italeaf shareholders' meeting resolved to distribute a dividend of Euro 0.06 per share before tax, for a total value of Euro 0.926 million. The payment was carried out on June 30, 2016.

As of 30 September 2016, the item "Other reserves" includes the negative change in the reserve for cash flow hedges totalling Euro 700 thousand. This reserve reflects the lower negative fair value, net of related tax effects, of derivative instruments to hedge the risk of changes in cash flows related to fluctuations in interest rates on some medium/long-term loans. These derivative contracts meet IFRS requirements for hedge accounting and, therefore, changes in the fair value of these derivatives are recognised - solely for the "effective" portion - in a specific equity reserve ("cash flow hedge reserve"). The change in this reserve is indicated in the statement of comprehensive income. The total value of the cash flow hedge reserve as of 30 September 2016 is negative for Euro 5,224 thousand (Euro 4,524 thousand as of 31 December 2015).

The equity of minority interests is accounted for mainly by the share capital and reserves belonging to the minority shareholders of all of TerniEnergia Group, Numanova SpA and Skyrobotic SpA.

As of 30 September 2016, the company did not have any own shares.

12. PROVISION FOR RISKS AND CHARGES

The following table provides a breakdown of the provision for risks and charges as at September 30, 2016, and December 31, 2015 and the related change:

<i>(in Euro)</i>	September 30, 2016	December 31, 2015	Change	% Change
Provision for risks and charges	43,086	43,086	-	-
Total provision for risks and charges	43,086	43,086	-	-

This provision refers to an assessment received from the municipality of Narni for property tax and has not changed from the previous year.

13. PROVISIONS FOR EMPLOYEE BENEFITS

The following table provides a breakdown of employee benefits as at September 30, 2016, and December 31, 2015 and the related change:

<i>(in Euro)</i>	September 30, 2016	December 31, 2015	Change	Change %
Provision for employee benefits	1,437,271	1,329,505	107,767	8.1%
Total	1,437,271	1,329,505	107,767	8.1%

The primary actuarial assumptions used in the valuation of pension plans with defined benefits and of the component of severance pay that has retained the nature of a defined benefit plan are as follows:

14. PROVISIONS FOR DEFERRED TAXES

The following table provides a breakdown of deferred taxes as at September 30, 2016, and December 31, 2015 and the related change:

<i>(in Euro)</i>	September 30, 2016	December 31, 2015	Change	Change %
Deferred tax provision	6,636,144	7,286,282	(650,138)	(8.9)%
Total	6,636,144	7,286,282	(650,138)	(8.9)%

The balance of deferred taxes refers primarily to the parent company Italeaf SpA and represents the deferred taxes originating from the recognition of higher values for Italeaf SpA properties (Nera Montoro industrial site), at the time the company was established. The residual balance is mainly related to deferred taxes recognised at the time of transition of the financial statements of certain subsidiaries from Italian GAAP to IFRS.

15. NON CURRENT FINANCIAL PAYABLES

The following table provides a breakdown of non-current financial payables as at September 30, 2016, and December 31, 2015 and the related change:

<i>(in Euro)</i>	September 30, 2016	December 31, 2015	Change	Change %
Debts. due to financial leasing	23,185,589	21,723,638	1,461,950	6.7%
Other financial liabilities	1,681,952	1,650,704	31,248	1.9%
Non-current borrowings	38,301,288	38,662,951	(361,663)	(0.9)%
Debt. Issue	24,533,110	24,419,853	113,257	0.5%
Total	87,701,939	86,457,147	1,244,793	1.4%

Financial payables for leasing, amounting to Euro 23,185 thousand, relate to loans contracted to finance plants owned by TerniEnergia Group. In particular, they refer to "non-recourse" debt for photovoltaic plants. The leasing payable also refers to the Organic Fraction Municipal Solid Waste treatment plant in the Nera Montoro facility, as well as the PFU (used tyres) treatment plant in Nera Montoro. These loans do not include covenants and restrictions to the distribution of generated profits.

Non-current financial payables include the non-current portion of loans for the photovoltaic plants of TerniEnergia Group. The remainder of the balance relates to corporate financing granted to TerniEnergia, made up mainly by the non-current portion of an unsecured loan issued at the end of 2013 for an original amount of Euro 10 million and a period of 60 months, repayable in 20 quarterly instalments, in addition to an unsecured loan of Euro 5 million with a duration of 60 months, repayable in one instalment at maturity, both provided by Veneto Banca.

The "Bonds" item refers to the TerniEnergia bond issue in February 2014. The bond issue, named "TerniEnergia 2019", is equal to Euro 25 million with a five-year duration and gross fixed rate equal to 6.875% with annual coupon, traded in the ExtraMOT PRO market, the professional segment of the ExtraMOT bond market managed by Borsa Italiana. The payable is reported net of issue costs.

As of 30 September 2016, non-current financial payables that refer to the parent company Italeaf were euro 5.5 million, mainly medium-term loans. In particular, this item mainly included a loan from Banca Popolare di Vicenza.

16. OTHER NON CURRENT LIABILITIES

The following table provides a breakdown of the item in question as at September 30, 2016, and December 31, 2015 and the related change:

<i>(in Euro)</i>	September 30, 2016	December 31, 2015	Change	Change %
Other non-current liabilities	70,000	50,000	20,000	40.0%
Deferred Margins	218,227	197,492	20,735	10.5%
Total	288,227	247,492	40,735	16.5%

The item "other non-current liabilities" includes the long-term portion of deferred margin booked in the financial statements after the cancellation of the equity investments in joint ventures in order to incorporate the additional decrease generated by the booking of equity.

17. DERIVATIVES

The following table provides a breakdown of the item in question as at September 30, 2016, and December 31, 2015 and the related change:

<i>(in Euro)</i>	September 30, 2016	December 31, 2015	Change	Change %
Hedging Derivatives	3,251,759	3,251,759		(0.0)%
Total	3,251,759	3,251,759		(0.0)%

As of 30 June 2016, the Group has no listed derivative instruments. The fair value of unlisted derivatives is measured using financial valuation techniques. In particular, it is calculated by discounting future cash flows according to the parameters of the market.

The item "Hedging derivatives", amounting to Euro 3,251 thousand, mainly refers to several IRS (Interest Rate Swap) derivative contracts to cover any fluctuations in interest rates on long-term debt for the financing of company-owned plants. These derivative contracts primarily relate to financing of the company TERNI SolarEnergy S.r.l. (subsidiary of TerniEnergia).

18. TRADE PAYABLES

The following table provides a breakdown of the item in question as at September 30, 2016, and December 31, 2015 and the related change:

<i>(in Euro)</i>	September 30, 2016	December 31, 2015	Change	Change %
Due to suppliers	30,942,209	62,885,313	(31,943,104)	(103.2)%
Due to affiliated companies	157,535	618,632	(461,097)	n.a.
Due to Joint venture	441,469	413,980	27,489	6.2%
Total	31,541,213	63,917,925	(32,376,712)	(102.6)%

Trade payables amounted to Euro 31,900 thousand as of 30 September 2016 and refer to the supply of materials as well as the acquisition of goods and services. Trade payables include Euro 2.8 thousand of invoices receivable as of 30 September 2016 and which primarily refer to TerniEnergia Group.

19. PAYABLES AND OTHER FINANCIAL LIABILITIES

The following table provides a breakdown of the item in question as at September 30, 2016, and December 31, 2015 and the related change:

<i>(in Euro)</i>	September 30, 2016	December 31, 2015	Change	Change %
Current bank debt (current account overdraft)	22,026,031	22,145,526	(119,495)	(0.5)%
Loans	9,392,668	7,998,644	1,394,025	17.4%
leasing	2,358,768	1,882,573	476,195	25.3%
Other financial liabilities	1,116,308	2,497,310	(1,381,002)	(55.3)%
Total	34,893,776	34,524,053	369,722	1.1%

The item "Payables and other financial liabilities" mainly refers to payables to banks for overdrafts and advances on account contracts and invoices, as well as the short-term portion of debt for financing and leasing.

It should also be noted that current financial payables comprise part of the payments incurred for investments already made or still under construction and for which on 30 September 2016 the company had not yet entered into a specific contract financing in the medium/long term. In particular, they refer to the second treatment plant for used tyres currently under construction, a pyrogasification plant and a composting plant under construction in Apulia.

As of 30 September 2016, non-current financial payables that refer to the parent company Italeaf were euro 11.5 million. This balance is mainly comprised of the opening of a credit facility from Monte dei Paschi di Siena for Euro 6,500,000, on which a pledge of 5,700,000 shares of TerniEnergia S.p.A. was established.

Italeaf S.p.A. issued bank guarantees in favour of the subsidiary TerniEnergia for a total amount of Euro 56 million at the reporting date.

20. TAX PAYABLES

The following table provides a breakdown of the item in question as at September 30, 2016, and December 31, 2015 and the related change:

<i>(in Euro)</i>	September 30, 2016	December 31, 2015	Change	Change %
Direct Taxex	3,197,171	1,336,364	1,860,807	139.2%
Total	3,197,171	1,336,364	1,860,807	139.2%

Direct taxes refer to payables for taxes accrued as of 30 June 2016, primarily from the subsidiary TerniEnergia Project (TerniEnergia Group company operating in South Africa).

21. OTHER CURRENT LIABILITIES

The following table provides a breakdown of the item in question as of 30 June 2016, 31 December 2015 and the related change:

<i>(in Euro)</i>	September 30, 2016	December 31, 2015	Change	Change %
Due to personnel	1,065,263	1,028,393	36,870	3.6%
Payables to social security institutions and welfare	502,157	554,887	(52,730)	(9.5)%
Other current liabilities	4,300,076	11,108,571	(6,808,495)	(61.3)%
Total	5,867,496	12,691,851	(6,824,356)	(53.8)%

This item includes payables to employees and social security and welfare institutions.

COMMITMENTS AND GUARANTEES ISSUED AND POTENTIAL LIABILITIES

GUARANTEES ISSUED

In some cases, the customers of TerniEnergia have funded the purchase of the photovoltaic system through lease agreements with leasing companies. For some of these customers, TerniEnergia has signed with the leasing company an agreement providing for the replacement of the customer in the lease agreement in the event of, and subject to, the breach of the respective customers. The customers have committed, in this case, to transfer to TerniEnergia the leasing agreement and any debt outstanding at the date of transfer, if generated by a power plant under contract.

The directors of TerniEnergia believe that the probability of occurrence of transfer is extremely remote, since, in practice and with the exception of the initial maxi-rents, the leasing contracts are made in order to allow the financial coverage of the instalments from the income flows generated by the plant. Considering also the existence of an initial maxi-rent paid by the customer to the leasing company, the values in effect at the time of the replacement - based on current development plans for the cash flows of photovoltaic systems affected - would see a surplus of income generated by energy production compared to outflows for rents due.

As of 30 September 2016, residual payables due from customers to leasing companies for which the above mentioned agreements were made amount to Euro 55.3 million, of which Euro 38.2 million for companies managed or owned by related parties. In reference to the related parties, Euro 18.7 million are from joint ventures, Euro 1.8 million from the parent company Italeaf SpA, and Euro 17.6 million for other related parties. The remainder of the liability, equivalent to Euro 17.1 million, refers to other third-party customers.

For the same reasons outlined above, the directors also believe that a potential replacement in the lease agreements by TerniEnergia would not adversely affect the economic situation of said company.

POTENTIAL LIABILITIES

LITIGATION, INVESTIGATIONS AND JUDICIAL PROCEEDINGS IN PROGRESS

As of 30 September 2016, there were no legal proceedings or litigation pending against the parent company or other Group companies, except as outlined below.

LITIGATION WITH MILIS ENERGY SPA

The dispute concerns the divestment made by Milis Energy against TerniEnergia on a photovoltaic system on greenhouses constructed in Sardinia in the Municipality of Milis. Milis Energy has alleged that TerniEnergia S.p.A. has breached the contract for the construction of this plant and for that reason it has suspended payment of Euro 7 million, claiming that bolts (allegedly impaired) must be replaced, with the amount of work estimated at Euro 50 thousand.

By virtue of this, Milis Energy then proceeded to exclude Terni Energia from the work site, with an expulsion deed dated 17 July 2013.

TerniEnergia filed an appeal before the Court of Oristano, which issued an order dated 4 February 2014 declaring this expulsion illegal and ordering Milis Energy to immediately reinstate TerniEnergia with full possession of the works covered by the contract. Milis Energy appealed this ruling, which was admitted by the multi-member Court of Oristano.

TerniEnergia sought and obtained an injunction against a receivable owed to Milis Energy S.p.A. in the amount of Euro 5,940,000.00, as compensation due from Milis for the contract referred to in the preceding paragraph.

The Court of Milan upheld the appeal and issued the injunction that has been duly served.

The party has appealed and the first hearing took place on 27 May 2014; on that date, the judge attempted an unsuccessful mediation. By means of an order dated 17 September 2014, the Court of Milan issued a ruling on the request for provisional execution put forth by TerniEnergia, accepting the request for an amount totalling Euro 5,089,991.93, excluding interest and granting the provisional execution of the opposing decree. The aforementioned sum was paid by the counterparty at the beginning of October 2014. The judge recognised the provisional execution for an amount less than that due to the customer, as a prudential measure given that, in the estimate by Milis, the defects and faults resulted in alleged damage of Euro 850 thousand. The judge ordered an expert opinion to be developed, which is currently underway.

In addition, the company has two other receivables with this customer, not included in the injunction decree, for a premium, equal to Euro 1,050 thousand Euro, and for the supply and instalment of panels for Euro 1,038 thousand. As regards the former, Milis, despite payment requests, has no intention of paying the amount, stating that there is a dispute with GSE as to the proven completion of the work as of 31 December 2010 and the consequent recognition of the related energy account. This dispute was resolved with the ruling of the Council of State no. 2823/2014 and subsequent ruling no. 4122/2015 (following the appeal for revocation by GSE). In fact, these decisions established that the works were completed by 31 December 2010, and as a result of these rulings, Milis is collecting from GSE the contribution relative to the plants completed by 31 December 2010.

In relation to the receivable for panel installation, Milis has objected that the price of the panels should have been included in the amount of the original contract. This objection is considered groundless as these panels weren't part of the original agreement, as they were commissioned by Milis at a later date.

TerniEnergia has not as yet undertaken legal action to recover these amounts as the ruling of the Council of State was only recently finalised, but has since made a request for payment. Should Milis not respond to the request, the company will take legal action.

The company does not believe that there are significant risks for the recovery of the entire receivable, given the financial capacity of Milis and considering the opinion of the company's legal advisors responsible for the case, who confirmed that there are no plausible reasons for Milis to not pay the amount due and the high probability of success of any legal action.

LITIGATION WITH MADA SRL

The litigation is due to the default on payment of a photovoltaic plant with a capacity of 997 kWp on the part of the company Mada Srl.

Accordingly, TerniEnergia, only after repeated requests for payment:

- has taken steps to remove the solar panels and other removable materials from the site (in compliance with what was decided in the previous private correspondence between the parties);

- filed a subpoena to appear before the Court of Terni, in order to confirm the serious default of the customer with respect to contractual obligations and therefore to obtain the termination of said contract pursuant to Art. 1453 of the Italian Civil Code, resulting in the sentencing of the customer to pay all damages suffered and the amount of Euro 1,046,890.00 (the amount identified as the loss of earnings, calculated as 30% of the contract price, whose total amount was Euro 3,489,640.00) or a greater or smaller amount that will be determined in the course of the proceedings. The case was registered under general registry 2005/11. In the course of the proceedings referred to in the previous point, TerniEnergia was notified of a deed of appointment of an arbitrator and request for arbitration, on 7 December 2011. Opposition to arbitration was implemented by serving a deed dated 27 December 2011 and, in any case, by identifying its arbitrator in the unlikely event that the ordinary judge was not deemed to retain jurisdiction. On the date of preparation of these financial statements, the arbitration ruling was issued dismissing the claim for compensation of Mada. With regard to the proceedings before the Court of Terni, the judge remitted the case to 14 April 2014 in order to await the ruling, and to avoid a conflict between definitive sentences. The counterparty contested the ruling before the Court of Appeals of Perugia. It is not believed, however, that this appeal will be accepted given the justifications for the ruling and the reasons for appeal themselves. Upon conclusion of the hearing of 11 June 2015, in which the counterparty demanded that the preliminary investigation be repeated, the Court decided to postpone the conclusion of the hearing to 20 October 2016.

As a result, notwithstanding the uncertainty that characterises each dispute and - on the basis of the assessments already developed by our lawyers - TerniEnergia believes that there are reasonable grounds for considering success highly probable in the civil action above. Based on the above summary of the facts, expressed in the civil case that the parent company has promoted and given a possible reconciliation with the customer resulting in the conclusion of the supply, it is not considered appropriate to apply any residual impairment of costs (approximately Euro 0.4 million), included in work in progress as of 30 September 2016.

LITIGATION WITH REGNI

TerniEnergia is involved in two disputes with the heirs of Regni, which arose as a result of the failure by the latter to grant a right of easement necessary for the passage of the cable duct of a photovoltaic system owned by the Group. The first dispute is pending before the Council of State, on appeal, and concerns the trial and appeal of the order for demolition and restoration of part of the cable duct realised in the absence of the security authorisation of easement of the land on which it was placed, issued by the Municipality of Perugia. The second dispute was initiated by TerniEnergia against the Regni heirs before the Court of Perugia in order to obtain the concession of the power line easement, pursuant to the commitments made by the Regnis themselves, when they awarded TerniEnergia the photovoltaic plant project and the surface rights relating to the land on which it was to be constructed.

In reference to the former, a suspension was granted of the decision of the TAR authorising the demolition and restoration and the hearing on the merits is expected. In reference to the latter, a referral for negotiations was arranged. In fact, with reference to pending lawsuits, the heirs of Regni have made proposals for settlement. The negotiations are still on-going. In the meantime, the judge accepted the request for technical appraisal in order to ascertain whether the original draft, by Mr Regni, Engineer, was lacking or incorrect. At the moment, the expert survey ordered by the judge and relative to the status of the sites and project is underway.

TerniEnergia, with the assistance of its legal counsel, has reasonable grounds to believe that a probable liability is not likely to be borne by the parent company, nor, at present, are there elements such as to forecast a loss in value of the investment in the subsidiary which owns the photovoltaic plant in question.

TERNIENERGIA TAX ISSUES

Notice of assessment referring to "black list costs"

On 20 July 2013, TerniEnergia was served a tax assessment notice by the auditors of the Tax Audit Department of the Regional Division of Umbria, which asserted the existence of commercial dealings undertaken in 2010 between TerniEnergia and companies located in countries with privileged taxation systems for the purchase of photovoltaic panels. In order for these costs to be deducted, Art. 110, par. 10 of the TUIR requires that one of the following be proven (and the burden of proof falls on the taxpayer): (i) that the foreign companies mainly carry out an actual commercial activity (ii) or that the transactions that were carried out correspond to an actual financial interest and were correctly executed.

Subsequently, on 28 March 2014, the Italian Inland Revenue Service served TerniEnergia a notification requesting that it provide documentation in proof of either of the requirements of Art. 110. The company provided the requested documentation. On 13 February 2015, the Inland Revenue Service/Audit Department of the Regional Division of Umbria compiled cross-examination minutes, formalising the audits and the documentation submitted by the company, which it deemed inadequate in terms of fulfilling the requirements. Subsequently, on 10 April 2015, the company produced additional documentation which it had in the meantime acquired to apply toward proving the deductibility of the costs in question.

On 3 June 2015, the Inland Revenue Service ruled the copious documentation provided by the company as inadequate and served a notice of assessment with which it assessed a higher tax for IRES (Corporate Income Tax) of Euro 1,886 thousand, for the alleged undue deduction of the costs relative to the suppliers located in the so-called "black list" countries, as well as a financial penalty of Euro 1,886 thousand plus legal interest.

TerniEnergia immediately considered the elements asserted by the Inland Revenue Service in its notice of assessment to be completely unfounded, and given the valid arguments and copious documentation in its possession, will challenge the assessment in court. As such, on 1st September 2015, the parent company submitted an appeal with the Provincial Tax Commission of Perugia, and added a request for suspension that was received by said commission on 14 October 2015. The hearing was held on 17 November 2015. On 26 January 2016, the Provincial Tax Commission of Perugia issued its ruling, which upheld the appeal by TerniEnergia. In May 2016, the Tax Authority presented an appeal to the Tax Court of the Umbria Region.

On the basis of the above, TerniEnergia believes that the current risk linked to the aforementioned event should be considered remote and therefore should not require a provision in the financial statements.

COMMENTS ON THE MAIN INCOME STATEMENT ITEMS

24. REVENUES

The following table presents the details of this item for the nine months ended at 30 September 2016 and 2015:

<i>(in Euro)</i>	As at September 30, 2016	As at September 30, 2015	Change	Change %
Revenues Clean Technologies	8,006,752	6,154,628	1,852,123	30.1%
Revenues Technical services	46,160,199	68,750,169	(22,589,971)	(32.9)%
Revenues Energy Saving	1,766,588	1,289,495	477,093	37.0%
Revenues Energy Management	5,181,538	201,025,156	(195,843,619)	(97.4)%
Other Revenues	350,412	2,087,830	(1,737,418)	(83.2)%
Revenues Drones	142,119	369,940	(227,821)	(61.6)%
Total	61,607,607	279,677,219	(218,069,612)	(78.0)%

As at 30 September 2016, the Group recognised consolidated revenues from sales and services of Euro 61,607 thousand, a significant decrease compared to the previous year (Euro 279,677 thousand), mainly due to the decrease in revenues from the Energy Management operations relating to Free Energia SpA.

The revenues from the Technical Services amounting to Euro 46,160 thousand, primarily from the revenues for the construction of the photovoltaic plants in South Africa and the management of the fully owned photovoltaic plants (Power Generation Photovoltaic).

The Cleantech business line had revenues of Euro 8,006 thousand, mainly due to the full year of operations of the PFU in Nera Montoro as well as the strengthening of biodigester activities.

Revenue from the sale of drones are entirely related to the subsidiary Skyrobotic SpA.

25. CHANGE IN INVENTORIES OF SEMI-FINISHED AND FINISHED PRODUCTS

The following table presents the details of this item for the nine months ended at 30 September 2016 and 2015:

<i>(in Euro)</i>	As at September 30, 2016	As at September 30, 2015	Change	Change %
Finished Products	6,476	(184,262)	190,739	(103.5)%
Products in process	200,000		200,000	n.a.
Total	206,476	(184,262)	390,739	n.a.

26. COST OF RAW MATERIALS, CONSUMABLES AND GOODS

The following table presents the details of this item for the nine months ended at 30 September 2016 and 2015:

<i>(in Euro)</i>	As at September 30, 2016	As at September 30, 2015	Change	Change %
Purchase of materials	14,919,358	64,764,868	(49,845,509)	(77.0)%
Materials consumption		203,076	(203,076)	(100.0)%
Fuels and lubricants	155,258	188,674	(33,416)	(17.7)%
Change in inventories of raw materials, consumables	11,198,613	(43,748,596)	54,947,209	(125.6)%
Purchase of Energie		86,676,228	(86,676,228)	(100.0)%
Total	26,273,230	108,084,250	(81,811,020)	(75.7)%

27. COSTS FOR SERVICES

The following table presents the details of this item for the nine months ended at 30 September 2016 and 2015:

<i>(in Euro)</i>	As at September 30, 2016	As at September 30, 2015	Change	Change %
Outwork	2,775,334	1,022,794	1,752,540	63.1%
Consultancy and external collaborators	2,629,228	4,590,591	(1,961,363)	(74.6)%
Rental and hire	838,102	427,086	411,016	49.0%
Services	6,517	6,078	438	6.7%
Renting property	292,425	238,510	53,914	18.4%
Transport	243,500	179,069	64,430	26.5%
Services Energy/Gas		98,953,070	(98,953,070)	n.a.
Maintenance and repairs and assistance	1,365,318	852,633	512,685	37.6%
Supervision and Insurance	962,170	591,395	370,775	62.7%
Other costs for services	7,589,902	37,730,814	(30,140,912)	(79.9)%
Total	16,702,496	144,592,040	(127,889,544)	(88.4)%

28. PERSONNEL COSTS

The following table presents the details of this item for the nine months ended at 30 September 2016 and 2015:

<i>(in Euro)</i>	As at September 30, 2016	As at September 30, 2015	Change	Change %
Wages and salaries	3,085,062	4,099,180	(1,014,118)	(24.7)%
Social Security Contribution	883,602	1,575,667	(692,065)	(43.9)%
Remuneration of Directions	104,250	515,583	(411,333)	(79.8)%
Provision for employee benefits	156,460	3,768	152,692	n.a.
Temporary Staff	234,432	267,200	(32,768)	(12.3)%
Total	4,463,807	6,461,399	(1,997,592)	(30.9)%

29. OTHER OPERATING COSTS

The following table presents the details of this item for the nine months ended at 30 September 2016 and 2015:

<i>(in Euro)</i>	As at September 30, 2016	As at September 30, 2015	Change	Change %
Taxes not on incomes	277,274	658,297	(381,023)	(57.9)%
Other costs	2,959,009	1,651,642	1,307,367	79.2%
Total	3,236,283	2,309,939	926,345	40.1%

30. AMORTISATION, DEPRECIATION, ALLOCATIONS AND WRITE-DOWNS

The following table presents the details of this item for the nine months ended at 30 September 2016 and 2015:

<i>(in Euro)</i>	As at September 30, 2016	As at September 30, 2015	Change	Change %
Amortization of intangible assets	214,556	515,404	(300,848)	(58.4)%
Amortization of tangible assets	3,836,578	4,097,203	(260,624)	(6.4)%
Writedown non current activities	4,607,784	140,386	4,467,398	n.a.
Total	8,658,919	4,752,993	3,905,926	82.2%

The item "Write-downs of non-current assets", equivalent to Euro 4,607 thousand includes the write-downs of Veneto Banca and Banca Popolare di Vicenza securities. These write-downs were carried out to align the book value of these assets with their recoverable value.

31. FINANCIAL INCOME AND EXPENSES

The following table presents the details of this item for the nine months ended at 30 September 2016 and 2015:

<i>(in Euro)</i>	As at September 30, 2016	As at September 30, 2015	Change	Change %
Interest expense on debt	(4,879,158)	(6,191,454)	1,312,297	(21.2)%
banking Commission	(405,068)	(1,072,093)	667,025	(62.2)%
Interests on bonds	(1,406,658)	(1,405,080)	(1,578)	0.1%
Total finance costs	(6,690,884)	(8,668,628)	1,977,744	(22.8)%
Interest earned on bank accounts	146,990	116,567	30,424	26.1%
Interest income / joint venture	344,553	100,862	243,691	n.a.
Other financial income	387,247	759,677	(372,430)	(49.0)%
Total financial incomes	878,790	977,106	(98,315)	(10.1)%
Total	(5,812,094)	(7,691,522)	1,879,428	(24.4)%

32. PROFIT SHARE FROM JOINT VENTURES

The following table presents the details of this item for the nine months ended at 30 September 2016 and 2015:

<i>(in Euro)</i>	As at September 30, 2016	As at September 30, 2015	Change	Change %
Energia Alternativa S.r.l.	510,904	180,947	329,956	n.a.
Solter S.r.l.	368,618	(9,053)	377,671	n.a.
Saim Energy 2 S.r.l.		51,824	(51,824)	(100.0)%
Girasole S.r.l.	157,389	135,598	21,791	16.1%
Guglionesi S.r.l.	272,685	23,655	249,030	n.a.
Bonnanara S.r.l.	11,746		11,746	n.a.
Oristano S.r.l.	(5,845)		(5,845)	n.a.
Investimenti infrastrutture S.r.l.	(20,694)		(20,694)	n.a.
Infocaciucci S.r.l.	(27,471)		(27,471)	n.a.
Rebispower	4,033		4,033	n.a.
Total	1,271,365	382,970	888,395	n.a.

The item "Profit share from Joint Ventures" includes the results for the period - according to IFRS - from equity investments in joint ventures, to the extent attributable to the Group.

33. TAXES

The following table presents the details of this item for the nine months ended at 30 September 2016 and 2015:

<i>(in Euro)</i>	As at September 30, 2016	As at September 30, 2015	Change	Change %
Current Taxes	2,437,919	2,007,159	430,760	21.5%
Deferred tax asset	(1,318,918)	(187,140)	(1,131,778)	n.a.
Deferred tax provision	(574,537)	(46,089)	(528,448)	n.a.
Total	544,464	1,773,931	(1,229,466)	(69.3)%

<i>(in Euro)</i>	As at September 30, 2016	As at September 30, 2015	Change	Change %
Current Taxes				
- IRES	2,231,162	1,675,522	555,641	33.2%
- IRAP	206,757	331,638	(124,881)	(37.7)%
Total	2,437,919	2,007,159	430,760	21.5%

RELATIONS WITH RELATED PARTIES

The table below contains details of financial transactions with related parties:

(in Euro)	As At September 30 2016				As At September 30 2016		
	Description	Receivables	Guarantees	Guarantees given	Takeover Commitments	Charges	Income
Joint venture							
Girasole S.r.l.	1,040,824				1,173,864		
Guglionesi S.r.l.	369,482						6,683
Energia Alternativa S.r.l.	8,432,682				15,315,447		188,963
Solter S.r.l.	1,788,227						
Soc. Agric. Fotosolara Bonnanaro S.r.l.	983,451						14,535
Soc. Agric. FotosolaraOristano S.r.l.	1,207,900						16,978
Investimenti Infrastrutture S.r.l.	975,295						
Infocaciucci S.r.l.	192,439				2,285,335		
Rebis Power S.r.l.	5,724						
Affiliated companies							
T.E.R.N.I. Research S.p.A.					2,302,429		
Other Related Parties							
Sol Tarenti	1,297,513				7,785,805		
Camene S.r.l.					2,693,894		
Royal Club Snc					2,568,594		
Lizzanello S.r.l.	1,770						
Saim Energy 2 S.r.l.					2,238,646		
Totale	16,295,307				36,364,014		227,160

The table below contains details of commercial transactions with related parties:

(in Euro)	As At September 30 2016				As At September 30 2016					
	Description	Receivables	Payables	Other credits	Other Payables	Costs			Revenues	
						Goods	Service Cost	Personnel	Goods	Service Cost
Joint venture										
Girasole S.r.l.	97,437	55,019								69,660
Guglionesi S.r.l.	24,400									15,000
Energia Alternativa S.r.l.	208,322									780,355
Solter S.r.l.	235,280	97,985								92,026
Soc. Agric. Fotosolara Bonnanaro S.r.l.	45,986				6,872					21,000
Soc. Agric. FotosolaraOristano S.r.l.	34,599			146						21,000
Investimenti Infrastrutture S.r.l.	25,382	261,589		6,303						18,150
Infocaciucci S.r.l.	34,081				20,005					12,600
Opera Power S.r.l.	10,616									
Associates										
T.E.R.N.I. Research S.p.A.	29,122	157,535	2,134,938		31,443					1,750
Other Related Parties										
Sol Tarenti S.r.l.	69,898									60,400
Lizzanello S.r.l.	58,677									13,553
Saim Energy 2	80,192									3,285
Senior management		51,808						571,976		
Totale	953,991	623,934	2,141,387		58,320			571,976		1,108,778

SUBSEQUENT EVENTS

SIGNED THE INVESTMENT CONTRACTS FOR THE ACQUISITION OF SOFTECO AND SELESOFT. COMPLETED THE TRANSFORMATION PROCESS IN SMART ENERGY COMPANY

On October 31, 2016, TerniEnergia has signed two investment contracts for the acquisition of 100% of the share capital of Softeco Sismat Srl and Selesoft Consulting Srl, one with Ingefi S.p.A. (a holding company involved in investments in companies active in the design, development, trade and maintenance of software) and its members and the other with B.Soft Group srl (a holding company active in ICT and Engineering).

In particular, Softeco Sismat and Selesoft Consulting, with headquarters and offices in Genoa, Milan, Rome and Catania and over 300 employees, with technical professional profiles of high level and high skills, are leading national players in the development and industrial production of solutions and smart technologies for the transmission and distribution of energy (smart grid), the flexible and timely management of power generation and energy consumption, energy efficiency, management of renewable energies and energy islands and in the services, software and IT solutions sectors.

The transaction architecture, as already defined in two Memorandum of Understanding signed on 29 July and duly disclosed to the market on the same date, provides for the acquisition of the entire stake in the Target Companies, following the completion of various transfers of shareholdings between B.Soft, Ingefi and AVM Asset Management Value S.p.A. (the majority shareholder of B.Soft Group) as well as the occurrence of the additional requirements within the mentioned Memorandum of Understanding.

TerniEnergia proven the occurrence of the conditions precedent, has acquired the Target Companies according to the terms, procedures and conditions briefly summarized below:

- 1) 66% of the share capital of the Target Companies acquired from Ingefi S.p.A., at a price equal to (i) n. two million TerniEnergia treasury shares (with a fixed and unchanging value of Euro 1.2 each) to be listed on the STAR segment of the Italian Stock Exchange by 28 February 2018; and (ii) Euro 1 million to be paid in cash by November 30, 2017, no award of interest;
- 2) the remaining 34% of the share capital of the Target Companies acquired from B.Soft Group, at a price equal to (i) n. one million treasury shares to be listed on the STAR segment of the Italian Stock Exchange by 28 February 2017; and (ii) Euro 1.3 million to be paid in cash by March 31, 2018, no award of interest.

TERNIENERGIA PLUGS IN THE SMART ENERGY COMPANY

On November 4, 2016, the Board of Directors of TerniEnergia approved the Update of the 2016-18 business plan with strategic vision to 2019. TerniEnergia intends to operate in the short term a modest capital raising, in the order of up to Euro 2.5 million, to support the growth of new business activities related to the integration of acquired companies. The capital increase will also represent the tool to the entry of new investor-supportive shareholders, strengthening the management and exploitation of potential opportunities in the market environment.

TerniEnergia expects to 2017 and 2018 a substantial increase in revenues and profitability and, simultaneously, a reduction of NFP and an increase in margins.

The plan estimates a value of production growth (CAGR 2016-18) of 67%, for about Euro 762 million in three years, with interim targets of Euro 282 million in 2017 and Euro 395 million in 2018, an increase of revenues by the activity of lines Technical services business and energy management.

EBITDA is estimated to Euro 19 million in 2017 and Euro 31 million in 2018. In 2018 it is expected the main contribution of the business line technical services (approximately two thirds of the total) to EBITDA training and a balanced intake of other line of business (LOB) cleantech, energy management and energy efficiency. Margins will keep growing over the plan period, to 7% in 2017 and 8% in 2018, demonstrating the robustness and repeatability of the new business model and risk lowering, thanks to the diversification of activities and the integration of digital energy in the value chain.

EBIT is expected to grow from Euro 12 million in 2017 to Euro 24 million in 2018.

With the new structure, the NFP will be reduced in the period of the plan to Euro 90 million in 2017 and Euro 82 million in 2018. The ratios will be improved significantly: in particular, the NFP/Net equity ratio (gearing ratio) will decline 1,37x to 1,09x in 2017 up to 2018.

With regard to the remuneration policy for shareholders, the Company intends to not distribute dividends in 2017 to support the development of the acquired companies and the launch of the new business of smart and mini grids, while for 2018 the proposal to the Board of Directors is to distribute a maximum of 50% of the consolidated Net Profit.