Italeaf

CONSOLIDATE INTERIM FINANCIAL REPORT AS AT JUNE 30, 2017

ITALEAF GROUP

Nasdaq First North

Italeaf in brief

Vision
We turn technological start-ups into successful global companies, through a “company builder” business model.

Business concept
Italeaf selects or creates new initiatives in cleantech and innovative industrial sectors. We offer to technological start-ups and innovative companies an integrated approach that puts together services, mentoring, expertise, instruments, and facilities, and namely, everything aimed transforming business ideas into real business. We provide initial equity and corporate assistance to launch our start-ups, making it possible for them to become sizeable businesses generating revenues, sharing profits, while operating within acceptable risk parameters.

Objective
The Company's investment policy is to generate returns, in the form of both capital appreciation and income to shareholders, through investing in a portfolio of businesses. While not limited geographically, the Company, in view of the background and experience of its management, is focused on investing the majority of capital in businesses operating in Europe, with a particular emphasis on Italy.
Investments outside Europe are considered where the board believes the opportunities are particularly attractive. The Company is interested in investing in businesses with underlying themes of strategic market position and strong growth.

Building net asset value
The net asset value amounted to Euro 33.5 million at the end of June 2017.

Dividend policy
Our dividend policy is to distribute a large percentage of the dividends received from the subsidiaries, as well as to provide a return on other net assets in line with returns achieved in the equity market.

CORPORATE DETAILS

Italeaf SPA
Registered Office:
Strada dello Stabilimento 1,
05035 Narni (TR)
Authorised, issued and paid-up share capital: Euro 15,444,000
Terni Register of Companies: n. 01456730553

BRANCHED AND OFFICES
Narni – Strada dello Stabilimento, 1
Milan – Corso Magenta, 85
Terni – Via Casale, 4
London – 78/79 New Bond Street, 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
Indipendent directors
Domenico De Marinis

Board of Statutory Auditors
Fausto Sciamanna (Chairman)
Andrea Bellucci
Paolo Sebastiani

Independent Auditors
EY SPA

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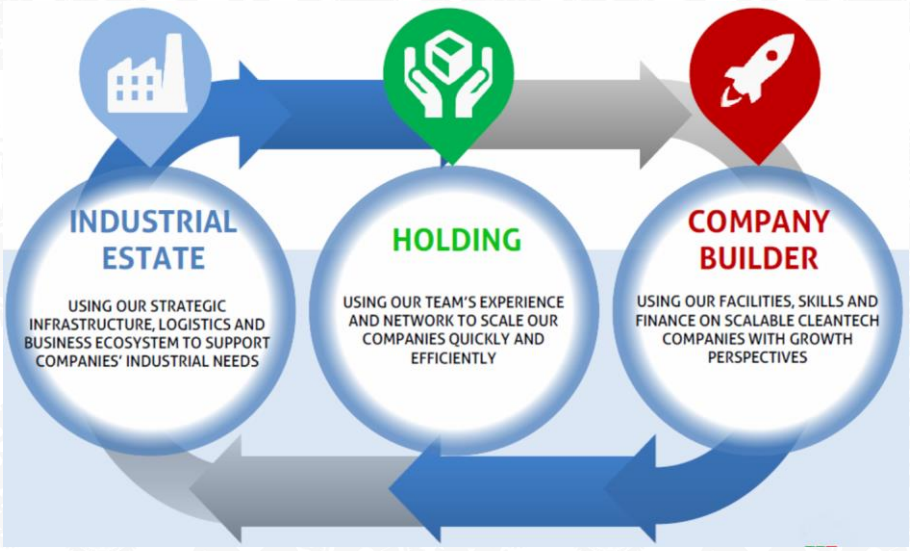
MANAGEMENT REPORT

BUSINESS AND MISSION

Italeaf is an Italian investment company and company builder that aims to transform technological start-ups into global companies. Italeaf identifies industrial initiatives within the cleantech sector and within the sphere of innovative industrial production, where the Company can leverage its strong expertise and track record.
In supporting new start-ups, Italeaf aims to replicate the success of TerniEnergia, a company established in 2005 and listed on the Italian Stock Exchange in 2008. Since the IPO after its start-up, TerniEnergia has become a leading global company in the field of renewable energy, waste management, and energy efficiency, with a market cap of over Euro 80 million.
With the creation of subsidiaries in London and Hong Kong, Italeaf intends to give an international flavor to its business, broadening the spectrum of the activity of scouting and looking for innovative companies.
The company has invested in three new industrial initiatives: GreenLed Industry, operating in innovative industrial lighting production; Skyrobotic, active in the production of commercial and civil drones; and WiSave, a producer of smart devices for the remote control of energy consumption.
Italeaf strives to develop an ideal environment to foster creation and growth of new companies, through three lines of business:

1. **Company Builder**: we co-found start-ups with direct investments, a proven business model and a strong focus on execution. Italeaf concentrates its activities on clearly defined market segments, such as the cleantech sector. We provide innovative incubation services with seed investments to create a breeding ground for a highly skilled company network.
2. **Holding**: we manage our investment portfolio and we provide centralized service activities to our Group companies (finance, treasury, IT, legal, corporate communication and logistics for administrative, managerial and commercial support) to facilitate value creation and growth for the portfolio companies.
3. **Real Estate**: we use our strategic infrastructure, logistics and business eco-system to support the companies' industrial needs. In particular, we are creating (with the consultative input of the Politecnico di Milano University) an eco industrial park in our facilities in the center of Italy. We own and manage an industrial area with a total area of about 24 hectares and co-working space of 1,800 square meters.

Each of these activities is functional to the others; our approach is something completely new compared to traditional incubators and other venture capital firms. The track record gained over the years (with the listing of TerniEnergia and TerniGreen on the Italian Stock Exchange and the constant value creation for shareholders) is proof of our passion and expertise.
The Company capitalization and its majority stake in TerniEnergia, listed on the Borsa Italiana's STAR segment (which entails rigorous requirements), are factors to mitigate the risk that is normally associated with start-up businesses.Value creation through industrial innovation is what we have achieved in recent years. Now, we intend to offer our vision to the market with a strong international expansion project. The listing of Italeaf on NASDAQ OMX First North is therefore an important starting point for innovatively responding to the new challenges of global change.



NET ASSET VALUE AND STATEMENTS FOR THE PARENT COMPANY

NET ASSET VALUE

At the end of June 2017, net asset value amounted to Euro 33.5 million.

NAV ITALEAF	*(EURO/000)*	*NOTES*
Tangible Assets:		
REAL ESTATE PROPERTY (Nera Montoro & Maratta)	19,638	Book Value
Controlling stake in:		
42.19% stake in TerniEnergia*	20,245	Calculated on the share price as at June 30, 2017 (Euro 1.019)
68.61% stake in Skyrobotic	3,720	Based on the price of latest funding round
85% stake in Numanova	3,059	Based on the price of latest funding round
Other equity investments**	2,597	Book value
GROSS ASSET VALUE	*49,258*	
Net Financial Indebtedness	(15,769)	
Total Net Financial Indebtedness	**(15,769)**	As at June 30, 2017
NET ASSET VALUE AS JUNE 30, 2017	*33,490*	
NAV PER SHARE AS JUNE 30, 2017 (€)	*1.95*	

* 45,44% of voting rights

** 50% stake in Opera Power (JV), the value the business unit of industrial water management in Italeaf RE and 10.67% stake in Vitruviano Lab

The NAV of Italeaf primarily consists of the investments in TerniEnergia and in the start-stup companies (Skyrobotic and Numanova). In determining the NAV at June 30, 2017, unlike the previous communications, the "holding discount" (20%) was not taken into account. NAV at June 30, 2017 amounted to Euro 33.5 million (+ 13.7% NAV growth in the first six months of 2017). In the same period the FTSE Italia Small Cap grows by 20%.

The value of the equity investment in TerniEnergia corresponds to the share value as at June 30, 2017, considering that the company is listed on Borsa Italiana (STAR segment). At the end of June 2017, Italeaf owned 19,867,102 ordinary shares, corresponding to 42.19% of the share capital and the 45.44% of the voting rights.

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 established from the partial, non-proportional spin-off of Greenled Industry SpA. The equity of the new company consists of the value of the industrial facilities, located in the Nera Montoro facility, previously owned by Greenled Industry SpA.

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

STATEMENTS FOR THE ITALEAF PARENT COMPANY

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 table below shows the data of the separate financial statements prepared according to Italian accounting standards as at June 31, 2017:

in €	As at June, 30 2017	As at December, 31 2016	Change	Change %
Intangible assets	466,682	497,344	(30,662)	(6.2)%
Tangible assets	21,708,405	21,926,270	(217,865)	(1.0)%
Financial assets and other att.	28,426,141	27,782,541	643,600	2.3%
Fixed Assets	**50,601,228**	**50,206,155**	**395,073**	**0.8%**
Inventories				n.a.
Trade receivables	449,843	402,114	47,729	11.9%
other activities	2,849,622	1,731,476	1,118,146	64.6%
Trade payables	(1,244,734)	(1,062,485)	(182,249)	17.2%
Other liabilities	(3,233,150)	(2,121,157)	(1,111,993)	52.4%
Net working capital	**(1,178,419)**	**(1,050,052)**	**(128,367)**	**n.a.**
Provisions and other non-commercial	**(5,091,275)**	**(5,108,655)**	**17,380**	**(0.3)%**
Net Invested Capital	**44,331,534**	**44,047,448**	**284,086**	**0.6%**
Shareholders' Equity	**28,562,656**	**27,040,087**	**1,522,569**	**n.a.**
Net current financial position	4,676,314	11,436,230	(6,759,916)	(59.1)%
Non-current net financial position	11,092,564	5,571,131	5,521,433	99.1%
Total net financial position	**15,768,878**	**17,007,361**	**(1,238,483)**	n.a.
Net Invested Capital	**44,331,534**	**44,047,448**	**284,086**	**0.6%**

Tangible assets represents the value of the industrial site at Nera Montoro, the incubator at Maratta, as well as a some industrial plants present at the Nera Montoro site. Financial assets include the book value of the controlling interests in TerniEnergia (Euro 17.81 million), in Skyrobotic (Euro 2.06 million), in Numanova (Euro 2.8 million) and Italeaf RE (Euro 4.56 million); the account also includes the value of a Joint Venture called Opera Power Srl which holds of a PV plant of of about 1 MWp and the value of 10.67% in Vitruviano Lab Srl.

The Net Financial Position amounted to Euro 15.76 million. The current financial position includes a short-term credit line, amounting to Euro 4.0 million, collateralized by the pledge of TerniEnergia shares; the rest of the debt relates mainly to mid term loans. The decrease compared to 2016 is mainly due to due to repayments made during the quarter and to is due to the liquidity arising from the capital increase.

The ratio Net Financial Position/Equity is equal to 0,55x as at June 30, 2017, in line with the plan target (less than or equal to 0.8x).

in €	The first six months of 2017	The first six months of 2016	Change	Change %
Net revenues from sales and services	1,870,789	1,928,473	(57,684)	(3.0)%
Production costs	(982,113)	(1,155,182)	173,069	(15.0)%
Added value	**888,676**	**773,291**	**115,385**	**14.9%**
Personnel costs	(416,830)	(406,937)	(9,893)	2.4%
EBITDA	**471,846**	**366,354**	**105,492**	**28.8%**
Amortization, depreciation, provisions and write-downs	(306,026)	(301,110)	(4,916)	1.6%
EBIT	**165,820**	**65,245**	**100,575**	**n.a**
Financial income and charges	(440,197)	(436,011)	(4,186)	1.0%
Extraordinary item		(2,891,750)	2,891,750	(100.0)%
Pre-tax result	**(274,377)**	**(3,262,516)**	**2,988,139**	**(91.6)%**
Income taxes	96,944	(51,522)	(148,466)	n.a.
Net profit for the period	**(177,433)**	**(3,314,038)**	**3,136,605**	**n.a.**

The net result of the first six months of 2017 amounted to Euro -0.17 million. The increased compared to the 2016 result is mainly due to the write off of the value impairment losses on shares held in Veneto Banca e Banca Popolare di Vicenza.

Revenues refer to service contracts between Italeaf and subsidiaries for availability of offices and industrial buildings, accounting and tax services, and so forth. The revenues also includes the remuneration on the guarantees given by Italeaf to TerniEnergia (Euro 0.6 million) in favor of certain banks that have financed TerniEnergia, taking account that it is an operating activity for the company. The costs relate mainly to personnel and the operation of the industrial site at Nera Montoro.

Financial income and expenses includes: cost of financial debt (Euro 0.4 million). The 2016 value includes also a gain resulting from the sale of TerniEnergia shares (Euro 0.2 million). Compared to the same period of the previous year, there was a decrease in financial expenses due to renegotiation of the cost of a loan.

STATEMENTS FOR THE ITALEAF GROUP

in Euro	As at June 30, 2017	As at December 31, 2016	Change	Change %
Intangible assets	36,461,962	35,896,679	565,283	1.6%
Tangible assets	94,821,237	103,138,831	(8,317,594)	(8.1)%
Financial assets and other att.	44,894,736	40,275,255	4,619,481	11.5%
Fixed Assets	**176,177,935**	**179,310,765**	**(3,132,830)**	**(1.7)%**
Inventories	19,013,933	20,640,130	(1,626,197)	(7.9)%
Trade receivables	39,354,575	33,167,360	6,187,215	18.7%
other activities	30,326,103	27,612,774	2,713,329	9.8%
Trade payables	(53,157,341)	(47,396,630)	(5,760,711)	12.2%
Other liabilities	(22,923,639)	(14,782,768)	(8,140,871)	55.1%
Net working capital	**12,613,632**	**19,240,866**	**(6,627,235)**	**(34.4)%**
Provisions and other non-commercial	**(24,400,523)**	**(25,915,253)**	**1,514,730**	**(5.8)%**
Net Invested Capital	**164,391,043**	**172,636,378**	**(8,245,335)**	**(4.8)%**
Shareholders' Equity	**60,366,357**	**61,547,563**	**(1,181,206)**	**(1.9)%**
Net current financial position	12,370,639	26,065,527	(13,694,888)	(52.5)%
Non-current net financial position	91,654,047	85,023,288	6,630,759	7.8%
Total net financial position	**104,024,686**	**111,088,815**	**(7,064,129)**	**(6.4)%**
Net Invested Capital	**164,391,043**	**172,636,378**	**(8,245,335)**	**(4.8)%**

in Euro	As at June 30, 2017	As at June 30, 2016	Change	Change %
Net revenues from sales and services	40,794,831	51,172,914	(10,378,083)	(20.3)%
Production costs	(23,558,681)	(38,883,985)	15,325,305	(39.4)%
Added value	**17,236,151**	**12,288,929**	**4,947,221**	**40.3%**
Personnel costs	(10,296,011)	(2,661,377)	(7,634,634)	n.a
EBITDA	**6,940,139**	**9,627,552**	**(2,687,413)**	**(27.9)%**
Amortization, depreciation, provisions and write-downs	(13,416,459)	(7,288,757)	(6,127,702)	84.1%
EBIT	**(6,476,319)**	**2,338,796**	**(8,815,115)**	**(376.9)%**
Financial income and charges	(3,626,718)	(3,676,207)	49,489	(1.3)%
Portions of results attributable to the JV	207,993	619,659	(411,666)	n.a.
EBT	**(9,895,044)**	**(717,752)**	**(9,177,292)**	**n.a.**
Income taxes	3,309,952	(1,917,610)	5,227,562	(272.6)%
Net profit for the period	**(6,585,092)**	**(2,635,362)**	**(3,949,730)**	**149.9%**

OUR INVESTMENTS

TERNIENERGIA

OVERVIEW

Italeaf has a 42.19% shareholding in TerniEnergia and 45.44% of the voting rights.
TerniEnergia established in September 2005, and part of Italeaf Group, is the first Italian smart energy company, committed to bring worldwide integrated and sustainable energy solutions. Organized into four business lines (Technical services, Energy management, Energy efficiency and Cleantech), with about 500 employees and a geographic presence in almost the continents, with operational and sales offices, TerniEnergia develops solutions, innovative products and services based on digital and industrial technologies for the energy sector.
TerniEnergia, also through its subsidiaries, shall pursue the objectives of increasing energy production from renewable sources, energy efficiency and emissions reduction, as laid down by European environmental policy, and participates actively in the distributed power generation revolution and energy smart grids.
TerniEnergia is the ideal partner for large utilities, distributors and grid operators, power producers, public authorities, industrial customers and investors who intends to carry out large projects for the production of renewable energy plants and modern systems with high energy efficiency, solutions for the management and maintenance of the infrastructure and the electrical systems. TerniEnergia, through a complete technological and commercial offer, develops and provides technologies, turn-key services and solutions for energy consumers in the public and private sectors. The company is listed on the STAR segment of the Italian Stock Exchange.

KEY FIGURES FOR THE TERNIENERGIA GROUP AS AT JUNE 30, 2017

(in Euro)	As at June, 30 2017	As at December, 31 2016	Change	Change %
Intangible assets	33,119,110	33,275,543	(156,433)	(0.47)%
Property, plant and equipment	71,592,256	79,383,325	(7,791,069)	(9.81)%
Financial fixed assets and other intangible assets	42,632,022	38,064,978	4,567,044	12.00%
Fixed Assets	**147,343,388**	**150,723,846**	**(3,380,458)**	**(2.24)%**
Inventories	18,828,540	20,556,437	(1,727,897)	(8.41)%
Trade receivables	39,247,694	33,305,361	5,942,333	17.84%
Other assets	29,334,072	28,103,819	1,230,254	4.38%
Trade payables	(53,416,167)	(47,251,543)	(6,164,624)	13.05%
Other liabilities	(19,007,014)	(14,327,802)	(4,679,212)	32.66%
Net working capital	**14,987,125**	**20,386,272**	**(5,399,146)**	**(26.48)%**
Provisions and other non-trade liabilities	**(20,786,735)**	**(19,762,673)**	**(1,024,062)**	**5.18%**
Net Invested Capital	**141,543,779**	**151,347,445**	**(9,803,666)**	**(6.48)%**
Shareholders' Equity	**54,087,657**	**57,489,165**	**(3,401,508)**	**(5.92)%**
Current net financial position	10,877,662	14,777,748	(3,900,086)	(26.39)%
Non-current net financial position	76,578,460	79,080,531	(2,502,070)	(3.16)%
Total net financial position	**87,456,122**	**93,858,279**	**(6,402,157)**	**(6.82)%**
Net Invested Capital	**141,543,779**	**151,347,444**	**(9,803,665)**	**(6.48)%**

(in Euro)	As at June, 30 2017	As at June, 30 2016	Change	Change %
Net revenues from sales and services	40,217,315	50,535,713	(10,318,399)	(20.42)%
Production costs	(23,623,376)	(38,857,759)	15,234,383	(39.21)%
Added value	**16,593,939**	**11,677,954**	**4,915,984**	**42.10%**
Personnel costs	(9,766,909)	(2,174,503)	(7,592,406)	n.a.
EBITDA	**6,827,030**	**9,503,452**	**(2,676,422)**	**(28.16)%**
Amortization, depreciation, provisions and write-downs	(13,032,468)	(3,554,529)	(9,477,939)	n.a.
EBIT	**(6,205,438)**	**5,948,923**	**(12,154,361)**	**n.a.**
Financial income and charges	(3,758,732)	(3,603,971)	(154,761)	4.29%
Portions of results attributable to the JV	207,993	619,659	(411,666)	(66.43)%
Pre-tax result	**(9,756,177)**	**2,964,611**	**(12,720,788)**	**n.a.**
Income taxes	3,217,786	(1,856,929)	5,074,715	n.a.
Net profit for the period	**(6,538,391)**	**1,107,682**	**(7,646,073)**	**n.a.**

SKYROBOTIC

OVERVIEW

As at June 30 2017, Italeaf owns 68.61% 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), Spartaco Franconi (Deputy Chairman and CEO) and Roberto Cecchin (Director).

On 30 December 2016, the Skyrobotic shareholders' meeting unanimously resolved to carry out another 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 3,000,000.

NUMANOVA

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.

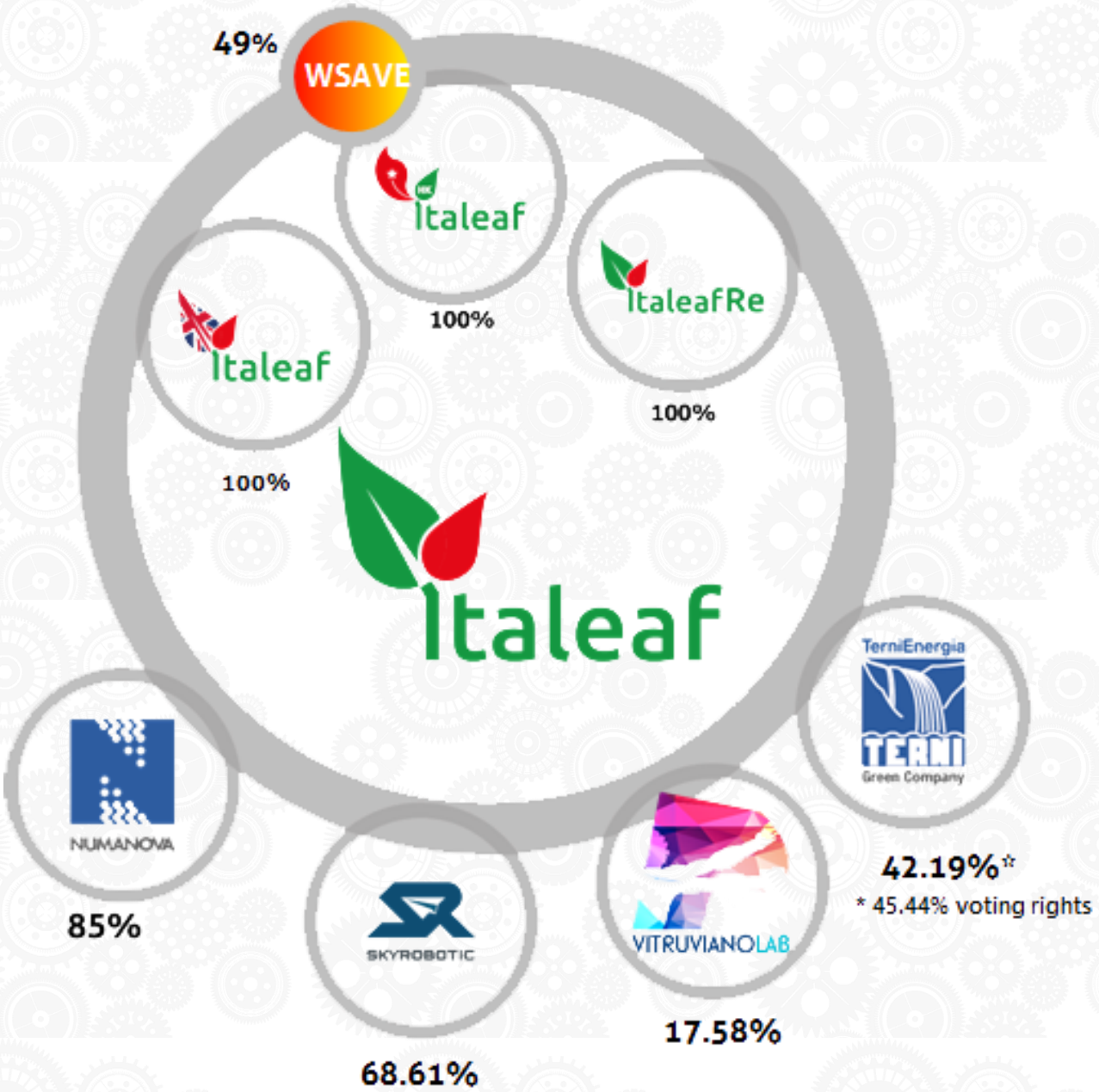
INNOVATION AND SUSTAINABILITY

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 allows 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.

GROUP'S ORGANIZATION



KEY EVENTS FOR FIRST SIX MONTHS OF 2017

FULLY SUBSCRIBED THE SHARE CAPITAL INCREASE OF TERNIENERGIA APPROVED ON DECEMBER 30, 2016

On January 16, 2017, The Board of Directors of TerniEnergia has resolved the opening and the simultaneous closing of the Offer Period, with the full placement of the TerniEnergia ordinary shares arising from the capital increase, in one or more tranches, by paid subscription, in divisible form, with the exclusion of option rights pursuant to art. 2441, paragraph 4, second part, of the Italian Civil Code, approved by the shareholders' meeting on December 30, 2016 (the "Capital Increase").

The newly issued shares was offered for subscription as part of a private placement, without publication of the prospectus for the public offering and listing of the new shares by virtue of the exemptions provided by art. 34 – ter, paragraph 1, letter b) and art. 57, paragraph 1, letter a) of the Issuer Regulations.

The placement of a a maximum of up to 3,000,000 shares, corresponding to 6.80% of the current share capital, took place through a bookbuilding procedure and has been restricted to qualified investors in Italy and institutional investors abroad, excluding the United States of America, Australia, Japan and Canada (the "Institutional Offering"). The Institutional Offering did not result in a solicitation to investment.

The share capital increase was fully subscribed for a value of Euro 2.19 million.

The Board of Directors also determined the placement price of the new shares, equal to Euro 0.73 per share (the "Placing Price").

The Placing Price was determined in accordance with the criteria defined by the Shareholders' Meeting and disclosed to the market on December 30, 2016. The Placing Price was also determined through the mechanisms of the so-called bookbuilding activities, taking particularly into account the quantity and quality of the demand expressed by 3 investors who has joined the Institutional Offering, as well as the current trend of domestic and international markets.

The transaction will be settled by the delivery of shares and payment of the consideration by January 27, 2017. Following the full subscription of the newly issued shares, the post-increase share capital will be Euro 59,197,230, divided into no. 47,089,550 ordinary shares. The relative change in the share capital will be announced through a press release.

Following the private placement, the participation of the Chairman and CEO of the Company, Stefano Neri, which indirectly holds a controlling interest of the Company pursuant to art. 93 of Legislative Decree no. 58/1998, was reduced from 45.33% to 42.45% of the share capital.

The transaction, also as a result of the recent acquisition of the companies Softeco Sismat and Selesoft Consulting and the presentation of the industrial plan "Plug in the smart energy company", is aimed at:
•put the companies in the best capital and financial conditions for increasing and consolidating its position in the Smart and Micro Grids emerging market, combining its track record in the installation of plants for the production of renewable energy with digital business;
•integrate into its strategic business, the activities required to implement the digital transformation strategy, with particular reference to the development of solutions for the management of electrical grids (both transmission both distribution) and of "smart" and "connected" systems, adhering to the model of the Internet of Things (IoT);
•increasing the visibility of the share on the capital market, allowing the entry of qualified and supportive investors or industrial partners, also in order to improve and consolidate the company's strategy of innovation and internationalization to meet the new demands of the energy global market.

The private placement was coordinated and directed by EnVent Capital Markets Ltd, acting as Global Coordinator and Bookrunner; Issuer's financial advisor was SRI Capital Advisers Ltd, a company specialized in Financial Advisory, Fundraising and Deal arrangements that involved a group of institutional investors of its own network. SRI Capital Advisers, part of the International SRI Group headed by the chairman Mr. Giulio Gallazzi, will be the TerniEnergia partner for the development and implementation of the Business Plan "Plug in the smart energy company".

THE BOARD OF DIRECTORS OF ITALEAF RESOLVED A CAPITAL INCREASE TO GROW IN THE STARTUP BUSINESS

On April 11, 2017, The Board of Directors of Italeaf has resolved today to convene an Extraordinary Shareholders' Meeting on May 2, 2017, to propose to the shareholders a capital increase, in one or more tranches, by paid subscription, in divisible form, with the exclusion of option rights pursuant to art. 2441, paragraph 5 of the Italian Civil Code. The newly issued shares will be offered for subscription in a private placement, without publication of the prospectus for the public offering and listing of the new shares by virtue of the exemptions provided by art. 100 letters a), b) and c) of the TUF Italian regulation and art. 34-ter, paragraph 1 letters a), b) and c) of Consob Issuers Regulation no. 11971/99, as amended (the "Private Placement").

The proposal foresees that the new shares, for a maximum of up to 2,499,000 (for a counter value of up to Euro 2,499,000) may be offered to Italian and foreign institutional and industrial investors until June 15, 2017. The capital increase will be carried out through the proper mechanisms of the private placement, with a price of minimum Euro 1.00 per share. This minimum price was determined taking into account the provisions of Art. 2441, paragraph 6, of the Italian Civil Code. In particular, it was taken into account the market value of the Italeaf shares, traded on the Nasdaq First North market in Stockholm, MTF organized and operated by Nasdaq, responding to the need to achieve in the short term the main target of the placement of the new shares offered for subscription to institutional investors and/or industrial partners.

The transaction fits into the growth path that Italeaf followed uninterruptedly since it was established, partly as a result of the strategic development plan "Bridging the gap with a company builder", and is therefore aimed to:

- put the Company in the best equity and financial conditions ideal to enhance and consolidate its position in the growing market of innovative startups, combining its track record in the acceleration of new industries with the integration of new digital technologies;
- use new financial resources to strengthen the equity of the newcos and startups investee and to establish new industrial companies, in order to increase the turnover of new startups and speed up the exit of those in the portfolio;
- increasing the visibility of the share on NASDAQ First North market, at Stockholm Stock Exchange, allowing the entry of qualified and supportive investors or industrial partners, also in order to improve and consolidate the company's strategy of innovation and internationalization;
- promptly seize the best conditions offered by the market, eliminating, therefore, through a private placement exclusively reserved to qualified investors or industrial partners, the long time typically associated to the exercise of the option rights reserved to shareholders.

The financial resources raised through the capital increase will be placed at the service of industrial development of the Company and will not be, therefore, used to reduce or to change the debt structure.

ITALEAF: ORDINARY AND EXTRAORDINARY ANNUAL SHAREHOLDERS' MEETING 2017

On May 2, 2017, the Ordinary and Extraordinary Annual Shareholders' Meeting of Italeaf SpA was held on May 2, 2017 at the company's registered office at Narni (TR).

Ordinary session – Resolutions

The meeting resolved in favor of all proposed matters in accordance with the proposals described in the notice to the meeting. The most important resolutions are described below.

The Meeting has approved the Annual report 2016 and has adopted the consolidated financial statements as at 31 December 2016.

The Annual General Meeting resolved to confirm as member of the Board of Directors, pursuant to art. 2386 of the Italian civilian code, Mr. Domenico De Marinis who will remain in office until the expiration of the Board of Directors, ie until the Shareholders' Meeting convened to approve the financial statements ending 31 December 2017.

Extraordinary session – Resolutions

The meeting has approved the capital increase, against payment, with of exclusion of options right pursuant to art. 2441 par. 5 of the Italian Civil Code. The newly issued shares will be offered for subscription in a private placement, without publication of the prospectus for the public offering and listing of the new shares, by virtue of the exemptions provided by art. 100 letters a), b) and c) of the TUF and art. 34-ter paragraph 1 letters a), b) and c) of Consob Regulation no.11971/99, as subsequently amended (the "Private Placement").

The newly issued shares, for a maximum of up to 2,499,000 (worth up to a maximum of Euro 2,499,000) will be offered to industrial investors and to italian and foreign institutional investors until June 15, 2017.

The capital increase will be conducted through the mechanisms of the private placement, at a price for each newly issued share set at a minimum of Euro 1.00.

The company has appointed SRI Capital Advisers Ltd, based in London, a company specialized in advising and arranging financial transactions as Financial Advisor.

THE BOARD OF DIRECTORS APPROVES THE 2017 UPDATE OF THE STRATEGIC DEVELOPMENT PLAN. FOCUS ON HOLDING ACTIVITY TO CREATE VALUE

On May 22, 2017, the board of directors of Italeaf has approved the update of the Strategic Development Plan 2015-2017 "Increase the value creation focusing on holding activity".

"INCREASE THE VALUE CREATION FOCUSING ON HOLDING ACTIVITY": KEY STRATEGIC LINES

Italeaf aims to consolidate its position as the first Italian independent company builder active in the cleantech and smart innovation sectors, enhancing focus on investment in innovative companies and value-added from equity management.

The updating of the plan "Increase the value creation focusing on holding activity", therefore, bases its assumptions on a strong core businesss positioning in the direction of operational holding activity. The value creation model through the "Company Building" business is redefined, reducing the risk through the growth of the size of the investee companies. This target will be pursued scaling the stage of venture capital business, ranging from startup to early growth companies. This action will make it possible to resize the weight of the "global service" activity previously provided by Italeaf to the investee companies and subsidiaries, due to focus on the holding mission, resulting in a reorganization of the operating structure through a strong recovery in efficiency and a significant increase in the value of production. This will lead to a contraction in operating costs, which will result in a parallel decrease in service revenues.

Similarly, the target is to increase the return on real estate assets, to be allocated in terms of contribution to equity investment (the "Company Building" model) in industrial initiatives with high growth prospects.

The update of the development plan highlights, on the strategic side, a more pronounced tendency to diversify investment and industrial sectors of interest, with particular reference to cleantech, digital energy, internet of things, additive manufacturing and 3D printing, drones, green chemistry. It will be also intensified the value-generation for Italeaf's shareholders and return investments through diversified exits (eg M&A, IPO or new majority shareholders or investors), accelerating the turnover process.

Within this target, Italeaf intends to increase its investment capacity and the size of the same through the "Club Deal formula", giving life to investment or co-founding transactions concerted between Italeaf and some Shareholders and Investors, with a focus on companies or technologies with high growth potential.

In order to foster a relationship with the capital market and the main italian banks, Italeaf intends to transfer its strategic headquarters to Milan (close to market), differentiating the role of the headquarter in Umbria, which will have industrial, productive and operational goals, enhancing its technological vocation.

Confirmed the quantitative targets for the expected IRR for each investment equal to or higher than to 30% and NFP reduction with a NFP/Shareholders' equity ratio lower than or equal to 0.8x.

To promote a greater visibility for the value creation process, a target for the NAV per share ratio is identified, corresponding to a percentage growth rate equal to or higher than the Ftse Italia Small Cap Index.

The plan provides for a revision of the dividend policy compared to the one announced in the previous strategic development plan, released in 2015. In the future, Italeaf intends to distribute a significant percentage of the value created by the abovementioned exit transactions, compatible with the target to reduce NFP.

From the strategic point of view, Italeaf expects to optimize the financial structure of operational needs, leveraging the value created by the subsidiaries and the startups to make new investments in business with high growth rate, to reward shareholders, to ease relations with the world of credit, to accelerate the development of industrial and commercial activities related to the new technology developed by the newcos or by the investee companies.

SUBSCRIBED AND PAID THE CAPITAL INCREASE APPROVED ON MAY 2, 2017 FOR EURO 1.7 MILLION

On June 15, 2017, the Board of Directors of Italeaf has resolved today the placement of the Italeaf ordinary shares arising from the capital increase, in one or more tranches, by paid subscription, in divisible form, with the exclusion of option rights pursuant to art. 2441, paragraph 5 of the Italian Civil Code, approved by the shareholders' meeting on May 2, 2017 (the "Capital Increase").

The newly issued shares were offered for subscription in a private placement, without publication of the prospectus for the public offering and listing of the new shares by virtue of the exemptions provided by art. 100 letters a), b) and c) of the Legislative Decree no. 58/1998 (TUF) and art. 34-ter, paragraph 1 letters a), b) and c) of Consob Issuers Regulation no.11971/99, as amended (the "Private Placement").

The placement, corresponding to 9.92% of the new share capital, took place through a bookbuilding procedure and has been restricted to qualified investors in Italy and institutional investors abroad (the "Institutional Offering"). The Institutional Offering did not result in a solicitation to investment.

The share capital increase was subscribed and paid by 4 investors for n. 1,700,000 newly issued shares and a counter value of Euro 1.7 million.

The Board of Directors also determined the placement price of the new shares, equal to Euro 1 per share (the "Placing Price"). The Placing Price was determined in accordance with the criteria defined by the Shareholders' Meeting and disclosed to the market on May 2, 2017. Following the subscription of the newly issued shares, the post-increase share capital will be Euro 17,144,000, divided into no. 17,144,000 ordinary shares.

Following the private placement, the direct and indirect shareholding of the Chairman and CEO of the Company, Stefano Neri, was reduced from 53.71% to 48.39% of the share capital.

The transaction is aimed at put the Company in the best capital and financial conditions for increasing and consolidating its position in the holding business, combining its track record in accelerating new industries with the integration of the new digital technologies. The transaction will also increase the visibility of the Italeaf on the NASDAQ First North, enabling the entry into the stock market of qualified investors or industrial entities, also in order to improve and consolidate the corporate strategy of innovation and internationalization.

The financial resources raised by the capital increase will be placed at the service of the industrial development of the Company and will therefore not be aimed at the reduction or the change in the structure of the net financial position.

Italeaf was assisted in the capital increase transaction by SRI Capital Advisers Ltd, headquartered in London, a company specialized in advising and arranging financial transactions, as financial advisor.

SUBSCRIBED AND PAID THE FIRST TRANCHE OF THE SHARE CAPITAL INCREASE OF NUMANOVA SPA

On June 30, 2017, Italeaf announces that, with reference to the transcation of capital increase to be offered to the shareholders according to the articles 2438, 2439 e 2441 of the Civil Code, resolved by the General Shareholders' Meeting of Numanova SpA 23 June 2017, the first tranche of n. 250,000 ordinary shares was issued at a price of 1 Euro, and was fully subscribed by Italeaf.

The new share capital of Numanova, following the subscription, amounts to Euro 3,250,000.

Numanova is a company active in the production of high quality metal powders from ferrous and not ferrous metal alloys for the additive manufacturing industry and the more advanced applications in areas such as aerospace, energy, mechanical, biomedical.

Numanova currently has 23 shareholders; the company's shareholder structure is as follows: Italeaf S.p.A. 85.58%, Paolo Folgarait 6.19%, other shareholders 8.23%.

TRANSFERRED THE 50% OF PURIFY SRL TO A.T.P. SRL

On June 30, 2017, TerniEnergia has signed an agreement with Appalti Tecnologie Progettazione Ambienti & Costruzioni Srl (A.T.P.), based in Rome, for the transfer of 50% of the shares held by TerniEnergia in Purify Srl, owner of groundwater and liquid waste treatment plants.

The transaction has foreseen a consideration for the transfer of Euro 3,425 million, which will be settled in two tranches: by July 2017 for Euro 1.48 million and by June 30, 2019 for Euro 1.94 million.

The signed agreement provides for the pledge in favor of TerniEnergia on the shares of Purify Srl acquired by A.T.P., to guarantee the payment of the agreed price.

The transfer of the SPV Purify's shares was subject to a decision on the failure to subscribe to certain ancillary agreements (with ATP and Saceccav, as a contractor for the construction of a liquid waste treatment plant) by last July 15, 2017. The non-fulfillment of this condition has produced the effect of definitively confirm the assignment.

The establishment of Purify Srl and the transfer of 50% of the same SPV to a technology partner as A.T.P. Srl, a company with a consistent track record in the design and construction of water treatment plants, will allow to conclude within the first months of 2018 the construction of the liquid waste treatment plant in Nera Montoro (TR) for a total capacity Of 58,000 cubic meters per year, and to start production phase.

FINANCIAL STATEMENTS

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

in Euro	Notes	2017-06-30	2016-06-30	2016-12-31
Intangible assets	1	36,461,962	8,030,157	35,896,679
Tangible assets	2	94,821,237	105,191,684	103,138,831
Equity Investments	3	9,559,545	3,183,923	4,371,089
Deferred tax assets	4	17,685,750	15,463,891	15,771,342
Non-current financial receivables	5	17,649,441	22,707,711	20,132,824
Total non-current assets		**176,177,935**	**154,577,366**	**179,310,765**
Inventories	6	19,013,933	14,043,248	20,640,130
Trade receivables	7	39,354,575	31,408,416	33,167,360
Other current assets	8	30,312,386	20,672,374	27,612,774
Derivatives		13,717		
Financial receivables	9	8,473,422	3,354,095	6,013,152
Cash and cash equivalents	10	10,058,135	22,804,956	11,190,383
Total current assets		**107,226,169**	**92,283,089**	**98,623,799**
TOTAL ASSETS		**283,404,104**	**246,860,455**	**277,934,564**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Share capital		17,144,000	15,444,000	15,444,000
Stocks		14,131,362	19,050,055	18,124,521
Profit for the period		(6,758,175)	(3,072,834)	(4,851,015)
Total Group equity	11	**24,517,187**	**31,421,221**	**28,717,506**
Minority interests		35,676,087	28,768,566	32,517,002
Profit for the minority interest		173,083	437,472	313,055
Total equity	11	**60,366,357**	**60,627,259**	**61,547,563**
Provision for risk and charges	12	193,086	43,086	193,086
Provision for employee benefits	13	6,351,718	1,594,130	6,649,733
Deferred tax liabilities	14	15,167,188	7,142,798	16,044,987
Non-current financial payables	15	91,654,047	86,356,103	85,023,288
Other non-current liabilities	16	2,644,126	268,227	108,616
Derivatives	17	2,688,531	3,547,885	3,027,447
Total non-current liabilities		**118,698,697**	**98,952,229**	**111,047,157**
Trade payables	18	53,157,341	44,042,593	47,396,630
Payables and other financial liabilities	19	30,902,196	36,049,304	43,269,062
Taxes payable	20	315,039	3,402,528	890,586
Other current liabilities	21	19,964,474	3,786,542	13,783,566
Total current liabilities		**104,339,050**	**87,280,967**	**105,339,844**
TOTAL LIABILITIES		**223,037,747**	**186,233,196**	**216,387,001**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**283,404,104**	**246,860,455**	**277,934,564**

CONSOLIDATED INCOME STATEMENT

in Euro	Notes	2017-04-01 2017-06-30	2016-04-01 2016-06-30	2017-01-01 2017-06-30	2016-01-01 2016-06-30	2016-01-01 2016-12-31
Revenues	22	6,906,650	17,566,969	35,764,731	47,142,145	70,637,146
Other operating income	22	3,793,194	2,152,213	5,030,100	4,030,769	13,620,257
Change in inventories of semi-finished and finished products	23	(160,860)	(33,747)	2,880,443	6,476	2,432,283
Costs for raw materials, consumables and goods for resale	24	3,748,672	(6,129,731)	(17,159,379)	(23,175,942)	(34,913,041)
Costs for services	25	(5,154,400)	(6,139,215)	(8,651,281)	(14,714,796)	(17,606,770)
Personnel costs	26	(5,295,817)	(931,677)	(10,296,011)	(2,661,377)	(11,013,217)
Other operating costs	27	(297,597)	(755,173)	(628,464)	(999,723)	(6,052,123)
Amortisation, depreciation, provisions and writedowns	28	(11,253,415)	(5,953,740)	(13,416,459)	(7,288,757)	(14,953,878)
Operating result		**(7,713,573)**	**(224,102)**	**(6,476,319)**	**2,338,796**	**2,150,657**
Financial income	29	(505,706)	335,548	466,963	762,300	1,982,753
Financial charges	29	(1,918,717)	(2,194,290)	(4,093,680)	(4,438,507)	(8,995,429)
Portion of result attributable to the joint venture	30	247,310	737,802	207,993	619,659	1,174,059
Net profit before taxes		**(9,890,686)**	**(1,345,043)**	**(9,895,044)**	**(717,752)**	**(3,687,961)**
Taxes	31	3,034,460	(1,614,495)	3,309,952	(1,917,610)	(849,999)
Net profit for the period		**(6,856,226)**	**(2,959,538)**	**(6,585,092)**	**(2,635,362)**	**(4,537,960)**
- of which: attributable to the Group		(6,868,938)	(3,193,990)	(6,758,175)	(3,072,834)	(4,851,015)
- of which: attributable to non-controlling interests		12,713	234,452	173,083	437,472	313,055
Earnings per share - Basic and diluted		**(0,445)**	**(0,207)**	**(0,438)**	**(0,199)**	**(0,314)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in Euro)	Notes	As at June 2017	2016
Net Profit for the Period		**(6,585,092)**	**(2,635,362)**
Change in cash flow hedge reserve		539,021	(921,592)
Translation Differences		(242,409)	(489,924)
Tax effect of expenses / (income) recognized in equity		(129,365)	221,182
Total other comprehensive income for the period to be subsequently transferred to the Income Statement	**11**	**167,247**	***(1,190,334)***
Actuarial Income / (loss)			(114,989)
Tax effect of expenses / (income) recognized in equity			27,597
Total other comprehensive income for the period not to be subsequently transferred to the Income Statement			***(87,392)***
Total comprehensive income / (loss) for the period		**(6,417,845)**	***(3.913.088)***
• of which: accruing to the Group		***(6,682,814)***	***(3.648.577)***
• of which: accruing to minority interests		***264,969***	***(264.510)***

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Description (in Euro)	Corporation Stock	Reserves			Total reserves	Profit of the period	Total shareholder s' 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				1,555,651	**1,555,651**		**1,555,651**	(606,132)	**949,519**
Other movements			***120,745***	***2,548,646***	***2,669,391***	***(2,040,380)***	***629,011***	***(606,132)***	***22,879***
Profit of the period						(3,072,834)	**(3,072,834)**	437,472	**(2,635,362)**
Other comprehensive						(575,743)	**(575,743)**	(701,983)	**(1,277,726)**
Total profit for the period						***(3,648,577)***	***(3,648,577)***	***(264,510)***	***(3,913,088)***
Value as at June 30, 2016	**15,444,000**	**666,000**	**258,969**	**18,700,830**	**19,625,798**	**(3,648,577)**	**31,421,221**	**29,206,038**	**60,627,259**

Description (in Euro)	Corporation Stock	Reserves			Total reserves	Profit of the period	Total shareholder s' equity Group	Equity attributable to non-controlling interests	Total equity
		Extra-Charge Reserves	Legal reserves	Other Reserves					
As at December 31, 2016	**15,444,000**	**666,000**	**258,969**	**17,199,553**	**18,124,521**	**(4,851,015)**	**28,717,506**	**32,830,058**	**61,547,563**
Appropriation of the previous year's profit (loss)				(4,851,015)	**(4,851,015)**	4,851,015	**-**		-
Capital Increase	1,700,000			(57,500)	1,642,500		1,642,500		1,642,500
Other movements				839,995	839,995		839,995	2,754,144	3,594,139
Other movements	**1,700,000**		**-**	**(4,068,520)**	**(2,368,520)**	**4,851,015**	**2,482,495**	**2,754,144**	**5,236,639**
Profit of the period						(6,758,175)	(6,758,175)	173,083	(6,585,092)
Other comprehensive				75,361	75,361	-	75,361	91,885	167,247
Total profit for the period				**75,361**	**75,361**	**(6,758,175)**	**(6,682,814)**	**264,969**	**(6,417,845)**
Value as at June 30, 2017	**17,144,000**	**666,000**	**258,969**	**13,206,394**	**15,831,362**	**(6,758,175)**	**24,517,187**	**35,849,170**	**60,366,357**

CONSOLIDATED STATEMENT OF CASH FLOWS

(in Euro)	As at June 30, 2017	2016
Profit before taxes	**(9,895,044)**	**(717,752)**
Amortisation	4,501,824	2,680,973
Write-downs of fixed assets and credits	8,914,635	4,607,784
Provision		211,276
Result of joint ventures accounted for at equity and reversal of margin	(207,993)	(619,659)
Gains / Revaluations	(2,701,576)	-
Change in inventories	(3,422,662)	9,436,423
Change in trade receivables	1,136,953	20,792,902
Change in other assets	725,384	2,951,999
Change in trade payables	(578,303)	(19,875,332)
Change in other liabilities	7,089,081	(10,257,701)
Payment of employee benefits	(240,768)	(34,043)
Net cash flow (used in)/generated by operating activities	**5,321,531**	**9,176,869**
Investments in property, plant and equipment	(572,665)	(1,223,153)
Disposals of property, plant and equipment	-	-
Investments in intangible assets	(3,665,350)	(1,379,582)
Disposals of intangible assets	-	-
Acquisition/disposal	-	-
Divestiture of (investment in) equity investments	(1,554,022)	458,654
Change in receivables and other financial assets	23,113	1,809,728
Net cash flow (used in)/generated by investing activities	**(5,768,925)**	**(334,352)**
Change in payables and other financial liabilities	(12,366,866)	1,525,251
Increase in non-current financial payables	6,278,127	(101,044)
Other Movements of Equity	3,761,386	949,520
Capital Increase	1,642,500	-
Payment of dividends	-	(926,640)
Net cash flow (used in)/generated by financing activities	**(684,853)**	**1,447,087**
Comprehensive cash flow for the period	(1,132,247)	10,289,604
Cash and cash equivalents at the beginning of the period	11,190,383	12,515,353
Cash and cash equivalents at the end of the period	10,058,135	22,804,956

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

GENERAL INFORMATION

Italeaf S.p.A ("Italeaf", "Company" o "Group Leader") is a limited company domiciliated in Narni (Italia), Strada dello Stabilimento, 1.
Italeaf SpA, established in December 2010, is a holding company and a business accelerator for companies and startups in the areas of innovation and cleantech. Italeaf operates as a company builder, promoting the creation and development of industrial startups in the fields of cleantech, smart energy and technological innovation. Italeaf has headquarters and plants in Italy at Nera Montoro (Narni), Terni, Milano and Lecce; has international offices in London and Hong Kong and a research and development centre in the Hong Kong Science and Technology Park. The company controls TerniEnergia, listed on the STAR segment of the Italian Stock Exchange and active in the fields of renewable energy, energy efficiency and waste management, WiSave in the "internet of things" field, for the development and production of thermostats and smart technologies for the remote control of electrical and heating items of buildings managed through a cloud infrastructure, and Skyrobotic, in the business development and manufacture of civil and commercial drones in mini and micro classes for the professional market, Numanova, operating in the field of innovative metallurgy and additive manufacturing and Italeaf RE, a real estate company.
From September 4 2014, Italeaf is listed on NASDAQ OMX First North in Stockholm.

FORM, CONTENT AND ACCOUNTING POLICIES ADOPTED

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 June 30, 2017 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.

Please note that the international accounting principles applied are consistent with those used for the Consolidated Financial Statements at December 31, 2016.

These Intermediate consolidated financial statements are expressed in euros which is the functional currency based on the primary economic environment in which the Group companies operate. Unless otherwise indicated, all data presented in the notes to the financial statements are in euros.
The Group has elected to present the income statement according to the nature of the accounts, while the assets and liabilities in the balance sheet are classified as current or non-current. The cash flow statement has been prepared using the indirect method.

The preparation of these Intermediate consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the related disclosures. The estimates and related assumptions are based on historical experience and other factors considered reasonable in the context of the applicable financial reporting framework, and have been used when the carrying amount of assets and liabilities cannot be readily determined from other sources. The actual results could differ from those expressed or implied by the estimates and assumptions used. The estimates and underlying assumptions are reviewed periodically and the effects of any changes affecting the current period are reflected in the income statement. In the event that the revision affects both current and future periods, the change is recognized in the period in which the revision is made and in future years.
The actual results may differ, even materially, from the estimates as a result of possible changes in the factors considered in determining the estimates.

These Intermediate consolidated financial statements were approved by the Company's board of directors on September 29, 2017.

RECENTLY ISSUED ACCOUNTING STANDARDS

At the date of preparation of this report, the European Commission has endorsed certain standards and interpretations that are not compulsory which will be applied by the Group in the following financial periods.

Two new accounting principles applicable on or before January 1, 2018 were published in 2016:

▫ IFRS 15 "Revenues from contracts with customers": the purpose of IFRS 15 is to improve revenues recognition methods by introducing a new accounting model that calls for: (i) identifying a contract with a customer; ii) identifying the obligations entailed by the contract; (iii) determining the transaction price; (iv) allocating the transaction price to the individual contractual obligations; (v) recognizing the revenues when each individual contractual obligation is satisfied. The adoption of this principle could modify the revenue amount; its potential impact is currently being determined.

▫ IFRS 9 "Financial instruments", for which first-time adoption modalities are still being defined. The new IFRS 9 standard calls for a single model to classify and measure financial instruments. Within the model, financial assets are classified into three categories (amortized cost, fair value in "Reserve for other components of comprehensive income" and fair value in the income statement) depending on the entity's business model (because of this dependency link, reclassifications between categories are forbidden, except when the business model itself is changed). A new model to determine the writedowns on receivables and liabilities so-called expected losses has been introduced and the default risk associated with the counterparty is evaluated ex-ante. With regard to equity investments, the exemption from the requirement to apply fair value to measure investments that are not publicly traded has been eliminated. Hedge accounting rules have also been changed.

SIGNIFICANT ASSUMPTIONS IN DETERMINING CONTROL IN ACCORDANCE WITH IFRS 10

IFRS 10 provides a new definition of control: an entity controls an investee when it is exposed, or has rights, to the investee's returns from the entity's involvement and has the ability to affect those returns through its power over the investee. With regard to this principle it is worth noting that the Italeaf Group fully consolidates the TerniEnergia Group, even though it does not hold the majority interest; more specifically, Italeaf holds 42.19% of the share capital of TerniEnergia (45.44% of the voting rights), but it has concurrently the power to direct the investee company's relevant decisions, it is exposed to the investee's future performance and it can use its power to influence the investee's performance.

SCOPE OF CONSOLIDATION

The consolidated financial statements of Italeaf Group at June 30, 2017 include the financial statements of the parent company, Italeaf S.p.A., and the financial statements of all the companies, which the parent directly or indirectly controls.
The following table lists the entities included in the consolidation, and the respective percentage held directly or indirectly by the Group at June 30, 2017:

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

Company	Location	% of Held by the Group	
		Direct	Indirect
Skyrobotic S.p.A.	Narni - Via dello Stabilimento, 1	66%	
Numanova S.p.A.	Narni - Via dello Stabilimento, 1	85%	
Italeaf UK L.t.d.	1, Cornhill EC3V 3ND – London	100%	
Italeaf HK L.t.d.	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	45.44%	
List of Ternienergia subsidiaries			
Greenled Industry S.p.A.	Narni - Via dello Stabilimento, 1		100%
Newcoenergy S.r.l.	Nardò - Via Don Milani, 4		100%
Capital Solar 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%
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%
Val di Taro Tyre Srl	Narni - Via dello Stabilimento, 1		100%
Selesoft Consulting S.r.l.	Genova – Via De Marini 1		100%
Softeco Sismat S.r.l.	Genova – Via De Marini 1		100%
Wisave S.r.l.	Narni - Strada dello Stabilimento, 1		88.22%
TerniEnergia Moçambique Limitada	Rua Orlando Francisco Magumbwe, n.° 32, cidade de Maputo		100%
Companies exit from to the scope of consolidation in 2017			
IGreen Patrol S.r.l	Narni - Via dello Stabilimento, 1		100%

(*) TerniEnergia Gas&Power SpA was merged in TerniEnergia

LIST OF COMPANIES CONSOLIDATED USING THE EQUITY METHOD:

Company Name	Registered office	% owned by the Group	
		Direct	Direct
List of TerniEnergia JVs			
Purify S.r.l.	Narni - Via dello Stabilimento, 1		50%
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%
Ant Energy Srl	Roma – Via Clitunno, 51		50%
Vitruviano Lab Srl	Narni - Via dello Stabilimento, 1		99%

For companies with financial years that do not coincide with the calendar year, the financial statements used were annual financial statements that match the Group's financial year, approved by the respective Boards of Directors. The subsidiaries are consolidated line by line; the assets and liabilities, revenues and expenses of the consolidated companies are recognized in the consolidated financial statements at their full value. The carrying amount of equity investments is eliminated by offsetting it against the underlying interest in the respective shareholders' equity, and the individual assets and liabilities and contingent liabilities are measured at their fair value at the date when control of the investee company was established. Any residual value, if positive, is recognized as a non-current asset and posted to "Goodwill". If control is acquired in multiple steps, the entire interest held must be remeasured at fair value; transactions executed with minority shareholders subsequent to the acquisition of control, if control is maintained, are recognized in equity; the acquisition costs incurred are immediately recognized in profit or loss, as is any changes in contingent consideration.
The shareholders' equity and profit or loss amounts attributable to minority shareholders are shown separately in the balance sheet, income statement and comprehensive income statement, respectively.
Payables and receivables, expenses and revenues that arise from transactions between companies included in the scope of consolidation are eliminated. Gains resulting from transactions between the abovementioned companies and reflected in items still included in the shareholders' equity attributable to Parent Company shareholders are eliminated.
Investee companies cease to be consolidated from the date when control is transferred to a third party; the sale of an equity interest that causes loss of control results in the recognition in the income statement of (i) any gain or loss determined as the difference between the proceeds from the sale and the corresponding pro rata interest in the shareholders' equity of the investee sold to a third party; (ii) any result attributable to the divested company carried among the other components of comprehensive income that can be reclassified into profit or loss; and (iii) the result from the adjustment to fair value, measured on the date of the loss of control, of any minority interest retained by Italeaf.
Companies managed through contractual agreements, pursuant to which two or more parties who share control through unanimous consent have the power to direct relevant decisions and govern exposure to future variable returns, that qualify as joint operations are recognized by the proportional method directly in the separate financial statements of the entities that are parties to the agreements. In addition to recognizing the attributable share of assets and liabilities, expenses and revenues, the corresponding obligations must also be evaluated. Other interests in joint ventures and affiliated companies over which a significant influence can be exercised, but which do not qualify as joint operations, are valued by the equity method, pursuant to which the carrying amount of the equity investments must be adjusted to take into account the investor company's pro rata interest in the profit or loss for the year of the investee company and any dividends it may have distributed.

COMMENTS ON THE MAIN BALANCE SHEET ASSET ITEMS

NON CURRENT ASSETS

1. INTANGIBLE ASSETS

The table below reports the analysis of changes relating to intangible assets as at June 30 2017, as at December 31 2016:

(in Euro)	June 30, 2017	December 31, 2016	Change	Change %
Software	14,479,446	15,309,389	(829,943)	(5.4)%
Goodwill	3,049,461	3,297,989	(248,528)	(7.5)%
Patents	491,534	328,274	163,260	49.7%
Building lease	317,324	317,324		0.0%
Customer Relationship	8,272,729	8,008,386	264,343	3.3%
Others	9,851,468	8,635,317	1,216,151	14.1%
Total	**36,461,962**	**35,896,679**	**565,283**	**1.6%**

The category "Software" and "Customer Relationship" refers mainly to the effects of the PPA, respectively, Euro 15,533 thousand and Euro 8,144 thousand, which affected companies Softeco Sismat and Selesoft Consulting during the last quarter of 2016.

Intangible assets also include the goodwill in the amount of Euro 2,335,000, booked to the TerniEnergia financial statements, and mainly referring to the acquisition of control of Lucos Alternatives Energies S.p.A., a company active in the field of energy efficiency merged in TerniEnergia during 2015. The goodwill was booked on the basis of the synergies expected from the integration of TerniEnergia's and Lucos' activities. Since the asset has an indefinite useful life, it is not subject to amortization, but it is tested at least annually for impairment. At June 30, 2017, there were no indicators to suggest impairment of goodwill.

2. TANGIBLE FIXED ASSETS

The table below reports the analysis of changes of "Net values" relating to tangible assets as at June 30, 2017, as at December 31, 2016:

(in Euro)	June 30, 2017	December 31, 2016	Change	Change %
Land and buildings	22,599,885	22,423,123	176,762	0.8%
Plant and machinery	60,365,278	63,854,386	(3,489,108)	(5.5)%
Industrial equipment	114,048	81,165	32,883	40.5%
Other assets	113,627	139,286	(25,659)	(18.4)%
Construction in progress	11,628,399	16,640,872	(5,012,473)	(30.1)%
Total	**94,821,237**	**103,138,832**	**(8,317,595)**	**(8.1)%**

Land and buildings mainly refer to the value of the industrial site in Nera Montoro (with an area of 24 hectares) and incubator in Maratta, both owned by Italeaf S.p.A..

Investments in land and buildings also include the value of properties owned by the TerniEnergia Group, which consist of two industrial buildings at the Nera Montoro plant, as well as the value of land for the construction of a composting plant in the Province of Lecce.
Plant and machinery as at June 30, 2017 includes the value of photovoltaic plants with a total capacity of 13.2 MW, as well as the value of the end-of-life tyres plants, a biodigester plant and water treatment plants, all of which are located at the Nera Montoro industrial site.

Assets under construction in the amount of Euro 17,531 thousand, refer almost entirely to the subsidiary, TerniEnergia. Such investments cover:
- The installation of an aerobic biodigester and composting plant at Calimera (Lecce);
- A combined cycle electric power plant using pyro gasification of virgin wood chips, in Borgosesia (Vercelli); the plant was connected to the electricity grid in December 2012, and got a feed-in tariff of Euro 0.28 /kWh; It should be noted that the delay in the final commissioning of the plant is due to a series of environmental requirements and technological adjustments still in progress at the date of preparation of this financial statement. In order to verify the recoverability of the investment, this asset was subjected to impairment testing, resulting in a loss of 2,250 thousand euros, fully recognized at 30 June 2017. The residual value of the investment, equal to Euro 5.5 million, will be fully recovered through its use, which will probably start from the last quarter of next year. In order to verify the possible recovery of efficiency, a consultative study was given to investigate possible improvements in the plant's production process.

3. *EQUITY INVESTMENTS*

The following table shows the balances of investments in joint ventures and investments carried with the equity method as at June 30, 2017 and December 31, 2016, along with the related changes:

(in Euro)	June 30, 2017	December 31, 2016	Change	Change %
Investments in JV	9,462,197	4,205,642	5,256,554	125.0%
Investments in Equity	97,387	165,447	(68,099)	(41.2)%
Total	**9,559,545**	**4,371,089**	**5,188,456**	**118.7%**

The increase in the value of equity investments in Joint Venture is primarily attributable to the company Purify Srl, a holder of industrial waste water purification plants and groundwater reclamation, previously controlled 100% by TerniEnergia, and 50% of which was sold on June 30, 2017 to the company ATP Srl.
The other joint ventures refer to investments in non-controlled companies, and mostly to equity investments in joint ventures held by TerniEnergia and active in the solar energy production.

4. DEFERRED TAX ASSETS

The following table provides details of the account balance as at June 30, 2017 and December 31, 2016, respectively, and the related changes:

(in Euro)	June 30, 2017	December 31, 2016	Change	Change %
Deferred tax assets	17,685,750	15,771,342	1,914,408	12.1%
Total	**15,795,254**	**15,771,342**	**1,914,408**	**12.1%**

The deferred tax assets relates primarily to the Company TerniEnergia and TERNI Solarenergy. The change in the reporting period is mainly due to deferred taxes accrued on tax losses for the period. These losses have been evaluated fully recoverable in view of the prospects and the Group's business plan.

5. NON CURRENT FINANCIAL RECEIVABLES

The following table provides details of the account balance as at June 30, 2017 and December 31, 2016, respectively, and the related changes:

(in Euro)	June 30, 2017	December 31, 2016	Change	Change %
Solter S.r.l.	1,045,909	1,045,909		0.0%
Infocaciucci S.r.l.	574,304	574,304		0.0%
Soltarenti S.r.l.	493,775	493,775		0.0%
Energia Alternativa S.r.l.	7,403,521	7,403,521		0.0%
Soc. Agricola Fotosolara Bonnanaro S.r.l.	642,852	642,852		0.0%
Girasole S.r.l.		418,695	(418,695)	(100.0)%
Soc. Agricola Fotosolara Oristano S.r.l.	615,045	615,045		0.0%
Guglionesi S.r.l.	174,216	174,216		0.0%
Financial asset	5,930,187	7,994,875	(2,064,688)	(25.8)%
Security deposits	769,632	769,632		0.0%
Total	**17,649,441**	**20,132,824**	**(2,483,384)**	**(12.3)%**

The balance of non-current financial receivables mainly consists of amounts due from the TerniEnergia's joint ventures.

The financial assets in the amount of Euro 5,930,187 refer to loans receivable (application of IFRIC 12 and IFRIC 4) in relation to contracts for energy efficiency and interest-bearing loans granted to the joint ventures that are renewed automatically from year to year unless cancelled.

The security deposits refer to amounts deposited by the company owning photovoltaic systems, which are used to guarantee the lease contracts for the financing of the systems.

At June 30, 2017, a portion of the financial receivables due from a joint venture was classified among current assets, in consideration of the due date for payment, the liquidity in the joint venture and financial covenants.
The financial assets referring to energy efficiency represent the fair value of the expected cash flows from energy efficiency activities carried out under contract with respect to a number of municipalities and industrial plants. The contracts provide for improving energy efficiency of public lighting systems, and the activities consist of planning, designing and maintaining equipment and services aimed at efficiency.

CURRENT ASSETS

6. *INVENTORIES*

The following table provides details of the account balance as at June 30, 2017 and December 31, 2016, respectively, and the related changes:

(in Euro)	June 30, 2017	December 31, 2016	Change	Change %
Raw materials	3,652,498	3,082,564	569,934	18.5%
Finished Products	1,237,047	1,020,669	216,378	21.2%
Products in process	14,124,389	16,536,896	(2,412,508)	(14.6)%
Total	**19,013,933**	**20,640,130**	**(1,626,198)**	**(7.9)%**

The value of inventories at June 30, 2017 is almost entirely attributable to the subsidiary TerniEnergia.

The decrease compared with the previous year in the amount of Raw materials is mainly due to the inventory of the subsidiary TerniEnergia Project and relating to the work in progress in South Africa.

On June 30, 2017 products in process mainly include the costs incurred for the design, development and construction of several power plants currently still in progress.

The finished products on June 30, 2017 are mainly relate to the raw material derived secondly from the recovery of used tyres. Work in progress decreased by 2,489 thousand euros mainly due to some write-downs for a total of Euro 5 million, of which approximately 4 million refers to some development and design costs incurred for projects in South Africa for which they have fallen assumptions of recoverability, also due to the suspension of EPC activities determined under the management of the previous CEO. The remaining portion of the write-down, equal to approximately Euro 1 million, refers to some energy efficiency projects whose value has been prudently devalued.

The item raw material is referred mainly to various materials (structural and electrical) used for the construction of photovoltaic systems. The products in process are increased due to the activities of the two subsidiaries Softeco Sismat and Selesoft Consulting and for the design costs, in particular related to the Technical Service, relating to initiatives abroad and in particular to the preliminary design of the activities in Tunisia, and Energy Saving.

7. TRADE RECEIVABLES

The following table provides details of the account balance as at June 30, 2017 and December 31, 2016, respectively, and the related change:

(in Euro)	June 30, 2017	December 31, 2016	Change	Change %
Resceivables from customers	39,602,878	33,537,990	6,064,888	18.1%
Resceivables from joint venture	1,146,568	1,016,555	130,013	12.8%
Resceivables from affiliated companies	32,044	39,730	(7,686)	(19.3)%
Provision for doubtful	(1,426,915)	(1,426,915)		0.0%
Total	**39,354,575**	**33,167,360**	**6,187,215**	**18.7%**

Trade receivables amounted to Euro 48,730 thousand as at June 30, 2017, with most of the balance due from customers.

Among the receivables included there is a credit recorded in the accounts of the subsidiary TerniEnergia, amounted approximately to 2.9 million euros, which is the remaining part of the consideration, originally amounted to 40 million euro, finalized throught the sale in 2011 of two photovoltaic plants of total capacity of about 12 megawatts, currently in full operation. Although in December 2012 an agreement for the payment of the requested amount has been reached, the other party did not honor its obligations. Despite repeated attempts to close the issue as extra-judicial, the company was forced to start in August 2013 a legal action in order to recover the amount claimed. In particular TerniEnergia, with the assistance of its lawyers, considers as specious reasons to refuse the payment by the counterparty, under the light of the factual and legal elements, serious and concrete one, and therefore, until the date of the balance sheet, it is reasonable reason for believing not configurable a probable liability to be borne by the company.

The amount of trade receivables is adjusted by a provision for doubtful debts of Euro 1,426 thousand to cover the risk of default of certain receivables arising in previous years.

8. OTHER CURRENT ASSETS

The following table provides details of the account balance as at June 30, 2017 and December 31, 2016, respectively, and the related change:

(in Euro)	June 30, 2017	December 31, 2016	Change	Change %
VAT Credit	2,321,900	2,234,997	86,903	3.9%
Advances to suppliers	681,185	675,987	5,198	0.8%
Prepayments	2,283,225	2,443,103	(159,878)	(6.5)%

Other credits	25,026,075	22,258,686	2,767,389	12.4%
Total	**30,312,386**	**27,612,774**	**2,699,612**	**9.8%**

Other credits mainly refer to the amount accrued for the sale of 50% shares of Solter and EnergiaAlternativa (Euro 7.47 million), and 45% of the company, Soltarenti S.r.l. (Euro 2.253 million); these receivables are to be settled in 2017. The item includes a credit of approximately Euro 3.3 million accrued following the application of the so-called "Tremonti Environmental" of certain Group companies (mainly Terni Solar Energy). It also adds the contribution from Softeco Sismat of Euro 3,365,000 related to the research fund represented from collection of contributions waiting for redistribution to the Partners, in respect of which is therefore present in the passive corresponding debt.

9. FINANCIAL RECEIVABLES

The following table provides details of the account balance as at June 30, 2017 and December 31, 2016, respectively, and the related change:

(in Euro)	June 30, 2017	December 31, 2016	Change	Change %
Financial receivables from joint venture	4,273,050	3,768,381	504,669	13.4%
Financial receivables from MPS	1,000,000	1,000,000		0.0%
Financial receivables from others	3,200,372	1,244,771	1,955,600	n.a.
Total	**8,473,422**	**6,013,152**	**2,460,270**	**40.9%**

Other financial receivables mainly refer to the value of receivables from Joint Venture held by the subsidiary, TerniEnergia, which are to be converted into cash in the short term. The increase in the item "Financial receivables from others" is mainly due to the reclassification from non-current assets of certain financial assets related to energy efficiency contracts whose collection is expected over the next 12 months.

10. CASH AND CASH EQUIVALENTS

The following table provides details of the account balance as at June 30, 2017 and December 31, 2016, respectively, and the related change:

(in Euro)	June 30, 2017	December 31, 2016	Change	Change %
Banl accounts	9,987,337	11,129,999	(1,142,662)	(10.3)%
Cash	70,798	60,384	10,415	17.2%
Total	**10,058,135**	**11,190,383**	**(1,132,248)**	**(10.1)%**

Reference should be made to the Statement of Cash Flows for details of the change in the balance year on year.

COMMENTS ON THE PRINCIPAL LIABILITIES

11. EQUITY

As at June 30, 2017, the subscribed and paid share capital amounted to Euro 17,144,000 divided into 17,144,000 ordinary shares.

For information on the capital increase carried out in the first half of 2017, please refer to the section "Main events of the first six months of 2017".

As at June 30, 2017, other reserves incorporate the decrease of the cash-flow hedge, which had a negative balance Euro 4,033,000. The reserve mainly reflects the negative fair value, offset by related tax effects, of derivatives booked by joint ventures and subsidiaries to hedge exposure to variability in cash flows, related to the fluctuation of interest rates on certain medium-/long-term loans. The derivative contracts meet the criteria set out by IFRS to classify for hedge accounting, and therefore the changes in the fair value of the derivatives are booked to a specific equity reserve (cash-flow hedge reserve) with regard to the effective portions of the derivatives.

The equity of minority interests refers mainly to the capital and reserves accruing to the minority shareholders of the Group, the TerniEnergia Group, Skyrobotic SpA and Numanova SpA.

As at June 30, 2017, the Company did not own any treasury shares.

12. PROVISION FOR RISKS AND CHARGES

The following table provides details of the account balance as at June 30, 2017 and December 31, 2016, respectively, and the related change:

(in Euro)	**December 31, 2016**	**December 31, 2015**	**Change**	**Change %**
Provision for risks and charges	193,086	193,086		0.0%
Total Provision for Risk and charges	**193,086**	**193,086**		**0.0%**

The provision related to tax assessment received by the Municipality of Narni regarding the tax on real estate property.

13. EMPLOYEE BENEFITS

The following table provides details of the account balance as at June 30, 2017 and December 31, 2016, respectively, and the related change:

(in Euro)	**June 30, 2017**	**December 31, 2016**	**Change**	**Change %**
Provision for employee benefits	6,351,718	6,649,733	(298,013)	(4.5)%
Total	**6,351,718**	**6,649,733**	**(298,013)**	**(4.5)%**

14. DEFERRED TAXATION

The following table provides details of the account balance as at June 30, 2017 and December 31, 2016, respectively, and the related change:

(in Euro)	June 30, 2017	December 31, 2016	Change	Change %
Deferred tax provision	15,167,188	16,044,987	(877,799)	(5.5)%
Total	**15,167,188**	**16,044,987**	**(877,799)**	**(5.5)%**

The balance of deferred tax liabilities referable to the TerniEnergia Group mainly relates to the recognition of deferred tax liabilities when certain subsidiaries initially adopted International Financial Reporting Standards (IFRS).

The residual of the balance mainly refers to parent company Italeaf S.p.A., and it reflects the recognition of deferred tax liabilities on revaluation of real estate (Nera Montoro plant) at the time of the Company's incorporation.

Lastly, an amount of about Euro 6.6 million is relating to the recognition of deferred taxes as part of the PPA on the acquired companies Softeco Sismat and Selesoft Consulting.

15. FINANCIAL NON CURRENT LIABILITIES

The following table provides details of the account balance as at June 30, 2017 and December 31, 2016, respectively, and the related change:

(in Euro)	June 30, 2017	December 31, 2016	Change	Change %
Debts. due to financial leasing	21,763,948	22,656,314	(892,366)	(3.9)%
Other financial liabilities	1,951,529	1,749,947	201,583	11.5%
Non-current borrowings	43,287,553	36,039,952	7,247,601	20.1%
Debt. Issue	24,651,017	24,577,075	73,942	0.3%
Total	**91,654,047**	**85,023,288**	**6,630,760**	**7.8%**

Payables for financial leases, amounting to Euro 21,763 thousand, mainly relate to debts incurred to finance the plant properties of TerniEnergia Group. In particular, it comes to debt "non-recourse" relative to photovoltaic plants. The debt for lease also refers to the organic treatment plant (Organic Fraction Municipal Solid Waste) in Nera Montoro, as well as the End of Life Tyres plant in Nera Montoro. These loans do not include covenants and restrictions to the distribution of profits generated.
The item "Non-current borrowings" mainly includes the noncurrent portion of loans related to TerniEnergia Group's photovoltaic plants. The residual of the balance relates to corporate loans granted to TerniEnergia, made up mainly by the non-current portion of an unsecured loan of Euro 10 million for a period of 60 months, repayable in 20 quarterly installments and an unsecured loan of Euro 5 million duration of 60 months, repayable in one installment at maturity, both provided by Veneto Banca at the end of 2013.
The "Bond", refers to the bond issue by the TerniEnergia in February 2014. The bond issue, called "TernEnergia 2019," amounts to Euro 25 million, five-year fixed rate equal to the gross 6.875% annual coupon, and is negotiated at ExtraMOT PRO, the professional segment of the bond market, managed by the Italian Stock Exchange. The debt is shown net of issuance costs.
The non-current financial debts relates to the parent company Italeaf , as at June 30, 2017, is around 11.1 million, and is composed by medium-term loans.

The financial covenants are all respected on 30 June 2017.

16. OTHER NON-CURRENT LIABILITIES

The following table provides details of the account balance as at June 30, 2017 and December 31, 2016, respectively, and the related change:

(in Euro)	June 30, 2017	December 31, 2016	Change	Change %
Other non-current liabilities	1,039,208	50,000	989,208	n.a.
Deferred Margins	1,604,918	58,616	1,546,302	n.a.
Total	**2,644,126**	**108,616**	**2,535,510**	**n.a.**

Other non-current liabilities reflect the long-term portion of deferred margins that were booked upon the elimination of investments in joint ventures in order to recognize the additional reduction generated from the equity method.

17. DERIVATIVES

The following table provides details of the account balance as at June 30, 2017 and December 31, 2016, respectively, and the related change:

(in Euro)	June 30, 2017	December 31, 2016	Change	Change %
Hedging Derivatives	2,688,531	3,027,447	(338,915)	(11.2)%
Total	**2,688,531**	**3,027,447**	**(338,915)**	**(11.2)%**

On June 30, 2017 the Group does not hold any derivative instruments listed. The fair value of not listed derivatives is measured by reference to financial valuation techniques: in particular, is calculated by discounting future cash flows according to the parameters of the market.
The item "Hedging derivatives", amounting to Euro 2,688 thousand, mainly refers to several derivative agreements IRS (Interest Rate Swap) to cover any fluctuations in interest rates on long-term contract for the financing of equipment property. These derivative contracts primarily relate to funding of the company Energia Alternativa Srl and TERNI SolarEnergy SRL, Solter S.r.l (TerniEnergia's subsidiaries).

18. TRADE PAYABLES

The following table provides details of the account balance as at June 30, 2017 and December 31, 2016, respectively, and the related change:

(in Euro)	June 30, 2017	December 31, 2016	Change	Change %
Due to suppliers	52,509,855	46,726,497	5,783,357	11.0%
Due to affiliated companies	234,432	229,432	5,000	2.1%
Due to Joint venture	413,055	440,701	(27,646)	(6.7)%
Total	**53,157,341**	**47,396,630**	**5,760,712**	**10.8%**

Trade payables amounted to Euro 53,157 thousand as at June 30, 2017 are referred to the supply of materials as well as the acquisition of goods and services. The increase is mainly due to debtors towards suppliers for gas trading activities.

19. DEBT AND OTHER FINANCIAL LIABILITIES

The following table provides details of the account balance as at June 30, 2017 and December 31, 2016, respectively, and the related change:

(in Euro)	June 30, 2017	December 31, 2016	Change	Change %
Current bank debt (current account overdraft)	13,018,816	25,715,175	(12,696,359)	(49.4)%
Loans	9,498,644	10,395,373	(896,730)	(8.6)%
leasing	2,470,785	2,525,268	(54,483)	(2.2)%
Other financial liabilities	3,511,422	3,089,796	421,626	13.6%
Total	**30,902,196**	**43,269,062**	**(12,366,866)**	**(28.6)%**

Current financial liabilities mainly refer to payables to banks for overdrafts and advances against contracts and invoices, as well as the current maturities of leases and long-term debt which mainly refer to the subsidiary TerniEnergia. Current financial payables also include outlays for some of the investments already made, or still under construction, and outlays for other investments that were not covered by specific medium-/long-term financing contracts as at June 30, 2017. The latter investments include the second treatment plant (end-of-life tyres plant) under construction; a pyro gasification plant connected to the grid in December 2012; and a composting plant under construction in Apulia (Italy). The current financial liabilities of the parent company, Italeaf, amounted to approximately Euro 4.1 million as at June 30, 2017.

Italeaf S.p.A. has provided corporate guarantees in favor of the subsidiary TerniEnergia for a total amount of approximately Euro 63 million at the date of these financial statements.

20. TAX LIABILITIES

The following table provides details of the account balance as at June 30, 2017 and December 31, 2016, respectively, and the related change:

(in Euro)	June 30, 2017	December 31, 2016	Change	Change %
Direct Taxex	315,039	890,586	(575,547)	(64.6)%
Total	**315,039**	**890,586**	**(575,547)**	**(64.6)%**

The account balance mainly reflects direct taxes accrued on the results of the companies operating in South Africa (TerniEnergia's subsidiaries).

21. OTHER CURRENT LIABILITIES

The following table provides details of the account balance as at June 30, 2017 and December 31, 2016, respectively, and the related change:

(in Euro)	June 30, 2017	December 31, 2016	Change	Change %
Due to personnel	2,196,164	1,405,931	790,233	56.2%
Payables to social security institutions and welfare	5,635,727	4,493,656	1,142,071	25.4%
Other current liabilities	12,132,583	7,883,979	4,248,604	53.9%
Total	**19,964,474**	**13,783,566**	**6,180,907**	**44.8%**

The account includes payables to employees and social-welfare institutions.

COMMITMENTS AND GUARANTEES GIVEN

GUARANTEES

In some cases, customers of the TerniEnergia have funded the purchase of the photovoltaic system through lease agreements with leasing companies. For some of these customers, the Parent company has signed with the leasing company for a takeover agreement to the customer in the lease in the event of, and subordinate to, the failure by its customers. Customers are also involved in this case, to transfer to TerniEnergia the lease agreement and any debt outstanding at the date of transfer, if generated by power plant under contract.
TerniEnergia administrators believe that the probability of occurrence of transfer is extremely remote, since, in practice and with the exception of the initial maxi tranche of leasing contract. Whereas the existence of a maxi initial paid by the customer to the leasing company, the values in effect at time of a takeover, based on current development plans for the cash flows of photovoltaic systems affected, would see a future excess flows generated by energy production compared to outflows for royalties due.
On June 30,2017, the residual customers' payables to leasing companies for which the above mentioned agreements were taken over total Euro 53.7 million, of which Euro 36.0 million for companies managed or owned by related parties, Euro 18,0 million for joint ventures, Euro 1.8 for the parent company Italeaf, and Euro 17.0 million for other related parties ; the rest of the balance, equal to Euro 16.7 million relates to other third-party customers.

CONTINGENT LIABILITIES

DISPUTES, INVESTIGATIONS AND JUDICIAL PROCEEDINGS IN PROGRESS

On June 30, 2017 there were no legal or fiscal proceedings or disputes pending against Italeaf or other companies of the Group, except as outlined below.

DISPUTE 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.

DISPUTE WITH MADA S.R.L.

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 June 30, 2017.

DISPUTE 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.

TAX DISPUTES AGAINST TERNIENERGIA - NOTICE OF ASSESSMENT "COSTS BLACKLIST"

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 Tax Authority 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 Tax Authority 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 March, 13, 2017 the Tax Court of the Umbria Region issued a ruling (n. 159/2017) filed on May 15, 2017, rejecting the appeal of Tax Authority and condemning him the payment of the costs.

DISPUTES WITH CONSOB

On April 13, 2016, Consob (the Italian Financial Services Authority) notified to TerniEnergia the Resolution no. 19482 of December 23, 2015 which provides an administrative fines of € 240,000 in respect of the Company's Statutory Auditors (Collegio Sindacale) members, for the alleged omission of control in relation to related party transactions. In detail, the operations were contested carried out by the Company with an ex-board member with power of attorney. The action brought by the Statutory Auditors members was notified to Consob and filed with the Perugia Court of Appeal on May 11, 2016. On March 7, 2017 has been filed the Perugia Court of Appeal ruling that partially canceled sanctions provided by Consob, reducing the amount of Euro 127,500. TerniEnergia, jointly and severally liable with the members of Statutory Auditor to pay such penalties, albeit with recourse obligation, with the support of its counsel believes the risk of losing is only “possible”. 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.

On January 20, 2017, Consob notified TerniEnergia resolutions no. 19809 and 19810 of 13/12/2016, addressed respectively to the statutory auditors and the Company, which provide for the issuance of an total penalty of Euro 150 thousand. In detail: a penalty of EUR 30 000 was issued directly to the Company; a penalty of Euro 120,000 was issued against instead of the Statutory Auditor members. Consob noted that the company did not disclose the information provided to the market on the transaction put in place with a related party during the previous year. It refers to the operation of disinvestment of the Group Free Energia. TerniEnergia, jointly and severally liable with the members of Statutory Auditor to pay such penalties, albeit with recourse obligation, with the support of its counsel believes the risk of losing is only “possible”. 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.

DISPUTES PHOTOVOLTAIC GREENHOUSES

On March 3, 2017 an inspection procedure was initiated against the Fotosolara Cheremule S.r.l. (100% subsidiary of TerniEnergia), Società Agricola Fotosolara Oristano S.r.l. and Società Agricola Fotosolara Bonannaro S.r.l. (companies in Joint Venture), holders of photovoltaic greenhouses in Sardinia for a total power of 4.5 MWp, with consequent procedural contradiction by the Region of Sardinia. The same is not yet hesitated in a final measure. An analogous verification procedure was initiated by the GSE on the same plants. Also in the state is not concluded with an express

order. The regional procedure is intended to ascertain the existence of the actual photovoltaic greenhouse requirements, if it is to conclude with the assessment of the fulfillment of the aforementioned requirements, the Region will confirm the authorization granted. If the assessment should be negative, the same title may be revoked or declassified. The consequent determination by the GSE in its own verification process will be related (albeit not totally) to the outcome of the aforementioned regional process. It is obviously understood that if the result were to be negative, both the regional provision and the GSE could be reasonably challenged before the Administrative Court. Given the preliminary phase of the audits, based on TerniEnergia's legal opinions, it is considered that the risk associated with these verifications is to be considered only "possible".

COMMENTS ON THE MAIN INCOME STATEMENT ACCOUNTS

22. REVENUES

The following table provides details of the account for the three months ended June 30, 2017 and June 30, 2016, respectively:

(in Euro)	As at June 30, 2017	As at June 30, 2016	Change	Change %
Revenues Clean Technologies	7,267,231	4,572,924	2,694,307	58.9%
RevenuesTechnical services	16,418,668	42,478,876	(26,060,208)	(61.3)%
RevenuesEnergy Saving	1,651,989	884,954	767,035	86.7%
Revenues Energy Management	14,984,354	2,653,876	12,330,478	n.a.
Revenues Drones	188,777	499,280	(310,503)	(62.2)%
Other Revenues	283,812	83,005	200,807	n.a.
Total	**40,794,831**	**51,172,914**	**(10,378,083)**	**(20.3)%**

For the first three months ended at June 30, 2017, the Group realized consolidated revenues from sales and services in the amount of Euro 40,794 thousand.

Revenue from "Technical Service" amounted to Euro 16.418 million, mainly relating from operating Photovoltaic Plants from production and sale of energy produced by the Group (so-called "Power Generation"), and from operation & maintenance services by the based on multi-year contracts and revenues from consulting services.

The business line "Clean Technologies" recorded at June 30, 2017 total revenues of Euro 7.267 million, mainly represented by revenues from the biodigestor plant of Nera Montoro (these revenues are made up not only of the consideration received for the withdrawal of rejection - FORSU - Organic Fraction of Municipal Solid waste - but also from the production and sale of the energy produced through recovery of the biogas resulting from the anaerobic biodigestion process), by the activity of PFU treatment (Life Tires) and the management of the plant purification groundwater of the plant in Nera Montoro. The increase in revenues is due to the gain on the sale of 50% of Purify Srl, a company that owns the Nera Montoro water treatment plant.

"'Energy Management" revenues are equal to Euro 19.972 million.

23. CHANGES IN INVENTORIES OF SEMI-FINISHED PRODUCTS

The following table provides details of the account for the three months ended June 30, 2017 and June 30, 2016, respectively:

(in Euro)	As at June 30, 2017	As at June 30, 2016	Change	Change %
Finished Poducts	161,858	6,476	155,381	n.a.
Products in process	2,718,585		2,718,585	n.a.
Total	**2,880,443**	**6,476**	**2,873,966**	**n.a.**

24. *COSTS OF RAW MATERIALS, SUPPLIES AND GOODS*

The following table provides details of the account for the three months ended June 30, 2017 and June 30, 2016, respectively:

(in Euro)	As at June 30, 2017	As at June 30, 2016	Change	Change %
Purchase of materials	12,241,551	11,827,600	413,950	3.5%
Fuels and lubricants	91,576	109,661	(18,085)	(16.5)%
Change in inventories of raw materials,consumables	(51,825)	10,851,251	(10,903,076)	(100.5)%
Purchase of Energie	4,878,078	387,430	4,490,647	n.a.
Total	**17,159,379**	**23,175,942**	**(6,016,563)**	**(26.0)%**

25. *COSTS FOR SERVICES*

The following table provides details of the account for the three months ended June 30, 2017 and June 30, 2016, respectively:

(in Euro)	As at June 30, 2017	As at June 30, 2016	Change	Change %
Outwork	667,604	3,971,147	(3,303,543)	n.a.
Consultancy and external collaborators	1,479,431	1,667,610	(188,179)	(12.7)%
Rental and hire	314,092	602,683	(288,591)	(91.9)%
Services	30,000	8,183	21,817	72.7%
Renting property	394,885	221,089	173,796	44.0%
Transport	164,344	157,012	7,332	4.5%
Maintenance and repairs and assistance	1,202,078	757,896	444,182	37.0%
Supervision and Insurance	382,635	787,297	(404,662)	(51.4)%
Other costs for services	4,016,212	6,541,879	(2,525,667)	(38.6)%
Total	**8,651,281**	**14,714,796**	**(6,063,515)**	**(41.2)%**

This item includes primarily costs for external work, consulting and collaboration, supervision and transportation insurance and other benefits.

26. *PERSONNEL COSTS*

The following table provides details of the account for the three months ended June 30, 2017 and June 30, 2016, respectively:

(in Euro)	As at June 30, 2017	As at June 30, 2016	Change	Change %
Wages and salaries	7,287,602	1,894,218	5,393,383	n.a.
Social Security Contribution	2,072,988	434,760	1,638,228	n.a.
Remuneration of Directions	82,250	113,850	(31,600)	(27.8)%
Provision for employee benefits	537,367	94,627	442,740	n.a.
Temporary Staff	315,804	123,922	191,883	n.a.
Total	**10,296,011**	**2,661,377**	**7,634,634**	**n.a.**

The change in personnel expenses is mainly attributable to the increase of employees due to the acquisition of Softeco Sismat and Selesoft Consulting.

27. *OTHER OPERATING COSTS*

The following table provides details of the account for the three months ended June 30, 2017 and June 30, 2016, respectively:

(in Euro)	As at June 30, 2017	As at June 30, 2016	Change	Change %
Taxes not on incomes	94,136	224,698	(130,562)	(58.1)%
Other costs	534,328	775,026	(240,698)	(31.1)%
Total	**628,464**	**999,723**	**(371,260)**	**(37.1)%**

28. *AMORTIZATION, DEPRECIATION, PROVISIONS AND WRITEDOWNS*

The following table provides details of the account for the three months ended June 30, 2017 and June 30, 2016, respectively:

(in Euro)	As at June 30, 2017	As at June 30, 2016	Change	Change %
Amortization of intangible assets	1,852,032	141,940	1,710,092	n.a.
Amortization of tangible assets	2,649,792	2,539,033	110,760	4.4%
Provision for doubtful	1,165,501		1,165,501	n.a.
Writedown non current activities	7,749,133	4,607,784	3,141,349	68.2%
Total	**13,416,459**	**7,288,757**	**6,127,702**	**84.1%**

Depreciation mainly refers to plants owned by the TerniEnergia Group. The line "write-downs non current activities " shows an increase from Euro 4,607 thousand to Euro 7,749 thousand at 30 June 2017, due in particular write-downs made during the period of Euro 5 million mainly relate to some developments in South Africa for which the assumptions of recoverability have failed, also due to the suspension of EPC's activities under management of previous CEO. The remaining portion of the write-downs, amounting to approximately Euro 2.3 million, refers to the loss of value of an asset for which an impairment test was performed.

29. *FINANCIAL INCOME AND CHARGES*

The following table provides details of the account for the three months ended June 30, 2017 and June 30, 2016, respectively:

(in Euro)	As at June 30, 2017	As at June 30, 2016	Change	Change %
Interest expense on debt	(2,929,321)	(3,241,084)	311,763	(9.6)%
banking Commission	(247,204)	(269,177)	21,973	(8.2)%
Interests on bonds	(917,156)	(928,247)	11,091	(1.2)%
Total finance costs	**(4,093,680)**	**(4,438,507)**	**344,827**	**(7.8)%**
Interest earned on bank accounts	293,381	182,796	110,584	60.5%
Interest income / joint venture	344,553	344,553		0.0%
Other financial income	(170,971)	234,951	(405,922)	n.a.
Total financial incomes	**466,963**	**762,300**	**(295,337)**	**(38.7)%**
Total	**(3,626,718)**	**(3,676,207)**	**49,489**	**(1.3)%**

Financial charges primarily relate to the financing of industrial plants owned by the TerniEnergia Group, as well as the bond issue, which also refers to TerniEnergia.

30. *JOINT VENTURE INCOME*

The following table provides details of the account for the three months ended June 30, 2017 and June 30, 2016, respectively:

(in Euro)	As at June 30, 2017	As at June 30, 2016	Change	Change %
Energia Alternativa S.r.l.	92,739	178,263	(85,524)	(48.0)%
Solter S.r.l.	10,327	71,942	(61,615)	(85.6)%
Girasole S.r.l..	117,646	85,072	32,574	38.3%
Guglionesi S.r.l.	15,330	264,545	(249,216)	(94.2)%
Bonnanara S.r.l.	14,346	2,097	12,249	n.a.
Oristano S.r.l.	8,359	(15,677)	24,035	n.a.
Investimenti infrastrutture S.r.l.	9,552	(29,523)	39,075	(132.4)%
Infocaciucci S.r.l.	37,137	69,365	(32,228)	(46.5)%
Vitruviano Lab S.r.l.	(103,098)		(103,098)	n.a.
Rebispower	5,657	(6,425)	12,081	n.a.
Total	**207,993**	**619,659**	**(411,666)**	**n.a.**

Joint venture income includes the results for the period in accordance with the IFRS for investments in joint ventures, for the portion attributable to the Group.

31. *TAXES*

The following table provides details of the account for the three months ended June 30, 2017 and June 30, 2016, respectively:

(in Euro)	**As at June 30, 2017**	**As at June 30, 2016**	**Change**	**Change %**
Current Taxes	593,048	2,685,571	(2,092,523)	n.a.
Deferred tax asset	(3,544,219)	(702,338)	(2,841,881)	n.a.
Deferred tax provision	(358,781)	(65,623)	(293,158)	n.a.
Total	**(3,309,952)**	**1,917,610**	**(5,227,562)**	**n.a.**

(in Euro)	**As at June 30, 2017**	**As at June 30, 2016**	**Change**	**Change %**
Current Taxes				
- IRES	147,595	2,504,135	(2,356,541)	(94.1)%
- IRAP	445,453	181,435	264,018	145.5%
Total	**593,048**	**2,685,571**	**(2,092,523)**	**(77.9)%**

TRANSACTION WITH RELATED PARTIES

The following table summarizes financial transactions with related parties:

(in Euro)	As At June 30 2017				As At June 30 2017	
Description	**Receivables**	**Guarantees**	**Guarantees given**	**Takeover Commitments**	**Charges**	**Income**
Joint venture						
Girasole S.r.l.	887,883			1,134,730		12,967
Guglionesi S.r.l.	352,557					5,041
Energia Alternativa S.r.l.	8,041,961			14,564,557		110,429
Solter S.r.l.	1,696,205					23,446
Soc. Agric. Fotosolara Bonnanaro S.r.l.	987,580					6,472
Soc. Agric. FotosolaraOristano S.r.l.	1,218,942					2,804
Investimenti Infrastrutture S.r.l.	1,015,404					12,424
Infocaciucci S.r.l.	194,914			2,146,592		
Rebis Power S.r.l.	536					
Purify S.r.l.	332,916					
Affiliated companies						
T.E.R.N.I. Research S.p.A.				2,170,060		
Other Related Parties						
Sol Tarenti	493,775			7,360,206		
Camene S.r.l.				2,497,715		
Royal Club Snc				2,465,145		
Lizzanello S.r.l.	1,770					
Saim Energy 2 S.r.l.				2,145,049		
Totale	**15,224,443**			**34,484,055**		**173,582**

The following table summarizes commercial transactions with related parties:

(in Euro)	As At June 30 2017				As At June 30 2017				
	Receivables	Payables	Other credits	Other Payables	Costs			Revenues	
Description					Goods	Service Cost	Personnel	Goods	Service Cost
Joint venture									
Girasole S.r.l.	59,313	55,019							30,000
Guglionesi S.r.l.	22,113								10,000
Energia Alternativa S.r.l.	314,552								145,000
Solter S.r.l.	266,621	97,985							52,706
Soc. Agric. Fotosolara Bonnanaro S.r.l.	8,540								14,000
Soc. Agric. FotosolaraOristano S.r.l.	12,080		146						14,000
Investimenti Infrastrutture S.r.l.	42,324	260,051	6,303						18,940
Infocaciucci S.r.l.	22,546								9,480
Vitruviano S.r.l.	398,480								
Associates									
T.E.R.N.I. Research S.p.A.	32,044	234,432	2,089,284	31,443					
Other Related Parties									
Sol Tarenti S.r.l.									40,749
Lizzanello S.r.l.	47,235								3,500
Saim Energy 2	77,447								
Senior management		17,269					190,659		
Totale	**1,303,293**	**664,755**	**2,095,733**	**31,443**			**190,659**		**338,375**

SUBSEQUENT EVENTS

TERNIENERGIA - NO CONFIDENCE OF THE BOARD OF DIRECTORS AGAINST THE CEO AND RESIGNATION OF MR. PIERO MANZONI

On September 15, 2017, the Board of Directors of TerniEnergia, the main subsidiary of Italeaf, approved by a majority the no confidence against the Chief Executive Officer Piero Manzoni, taking note of the resignation of Mr. Piero Manzoni, and contesting in full the reasons put forward by the CEO for his resignation. The Board of Directors does not believe that the conditions are met for the payment of any indemnity in favour of the same. TerniEnergia clarifies that the interruption of the fiduciary relationship with the CEO was due to an irremediable difference of view between Mr. Manzoni and the Board of Directors regarding TerniEnergia's strategic vision, its prospective positioning as well as the Group's administrative and organizational management.

The Board also reconfirmed the powers already delegated to the directors Mr. Fabrizio Venturi and Ms Laura Bizzarri, as well as to the Chairman of the Board of Directors Mr. Stefano Neri, in order to ensure the stability and continuity of the Company's governance.

TERNIENERGIA - STRATEGIC GUIDELINES FOR 2018-2020

On September 28, 2017, the Board of Directors of TerniEnergia, the main subsidiary of Italeaf, has approved the guidelines of the new strategic three year plan for the 2018-2020 period.

The main objective of the plan is to reposition the Group towards providing services and solutions with greater added value and high technology content. Such activities allow for resource efficiency by developing and implementing solutions in the fields of power generation, energy saving, energy trading and sustainable mobility. Further to this the Group will continue to innovate and develop activities in renewable energy asset management as well as in energy efficiency and resource recovery in the environmental and cleantech sectors. There is therefore a clear prevalence of activities related to services and solutions with a high technological content over the activities that have characterised the Group in the past.

The strategic guidelines were drawn up before the natural expiry of the previous business plan, as a result of the acceleration of the transformation process of the core-business. This led to significant non-recurring writedowns, mainly related to international projects in the photovoltaic EPC sector, which affected the results of the half-year financial statements.

Expected growth is supported by an exponential increase in service activities (Consulting, Solutions, Management, On-site engineering and operations, Smart trading), including the relaunch of energy trading, which will account for over 90% of total revenues in 2020 (the consolidated revenues target for 2020 is circa 226 million euros) as well as for 75% of Ebitda in the next three years (Ebitda target in 2020 is circa 35 million euros, with Ebitda margin above 16%).

Foreseen Ebitda growth will be achieved thanks to the quality of the client portfolio and the consequent increase in turnover.

In terms of Ebit, the objective is to reach circa 26 million euros by 2020.

Forecasts were made considering medium and long term macroeconomic scenarios, the evolution of the energy sector and the expected digitalisation of electricity services and sustainable mobility. Activities will therefore principally be focused on emerging sectors which have high growth potential due to digital transformation and high demand for dedicated technologies. In view of this the following objectives have been set:

- grid balancing and demand response (consumer and supply-side aggregator) market entry;
- development of smart microgrids;
- relaunch of energy trading activities;
- development of the smart mobility sector;
- significant increase in service and consultancy activities with high technology content.

Objectives will be reached also by reducing the impact of both general costs and capital intensive investments on turnover. Cost efficiencies will continue to be pursued through activities which aim to improve internal processes in relation to working capital, procurement, human resources and plant management.

The first step towards the semplification of Group structure, operational efficiency and reduced complexity is a reduction of the number of SBUs (Strategic Business Units) from four to two: (1) Assets (which includes power generation activities and the management of environmental sector plants for resource recovery and recycling) and (2) Smart Solutions and Services (organised according the the following LOBs: Consulting, Solutions, Management, On-site engineering and operations, Smart trading).

The Board of Directors has delegated to the Vice President, Mr. Giulio Gallazzi the power to take care of the financial matters and formulate proposals for extraordinary transactions relating to them. The powers of the Executive Director, Laura Bizzarri, have also been extended with the conferral of ordinary administration powers with a limit of Euro 2 million per transaction.

These measures, together with further actions such as the withdrawal – as per the decision of the Board of Directors – of the collective layoffs announced in August, the definition of a personnel management plan supported by the "Cassa Integrazione straordinaria" redundancy fund and the completion of the utility scale photovoltaic plants in Tunisia and Zambia, will give greater flexibility to the Group and a more rationalised allocation of costs, therefore adding value to the project backlog. Expansion of the Group's presence in Milan is also planned in order to improve access to the growing worldwide market for smart technologies.

Central to the new plan will be maintaining a solid financial structure in order to improve the net financial position and reduce financial expenses. TerniEnergia has begun a deleveraging process in order to strengthen its balance sheet. This process, which has the objective of guaranteeing the financial resources necessary to support development over the next three years, may involve current shareholders as well as potential investors and/or industrial partners.