



ANNUAL REPORT 2016

 **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 23.6 million at year-end 2016.

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

Marco Diamanti

Board of Statutory Auditors

Fausto Sciamanna (Chairman)

Andrea Bellucci

Paolo Sebastiani

Independent Auditors

PricewaterhouseCoopers SPA

CONTENTS

MANAGEMENT REPORT	3
BUSINESS AND MISSION	3
LETTER FROM THE CHAIRMAN	4
HOW WE CREATE VALUE	5
NET ASSET VALUE AND STATEMENTS FOR THE PARENT COMPANY	6
OUR INVESTMENTS	10
TERNIENERGIA	10
SKYROBOTIC	12
NUMANOVA	12
GROUP'S ORGANIZATION	15
KEY EVENTS FOR 2016	16
PROPOSED ALLOCATION OF EARNINGS	22
FINANCIAL STATEMENTS	23
STATEMENT OF CONSOLIDATED FINANCIAL POSITION	23
CONSOLIDATED INCOME STATEMENT	24
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	25
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	26
CONSOLIDATED STATEMENT OF CASH FLOWS	27
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT	28

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:

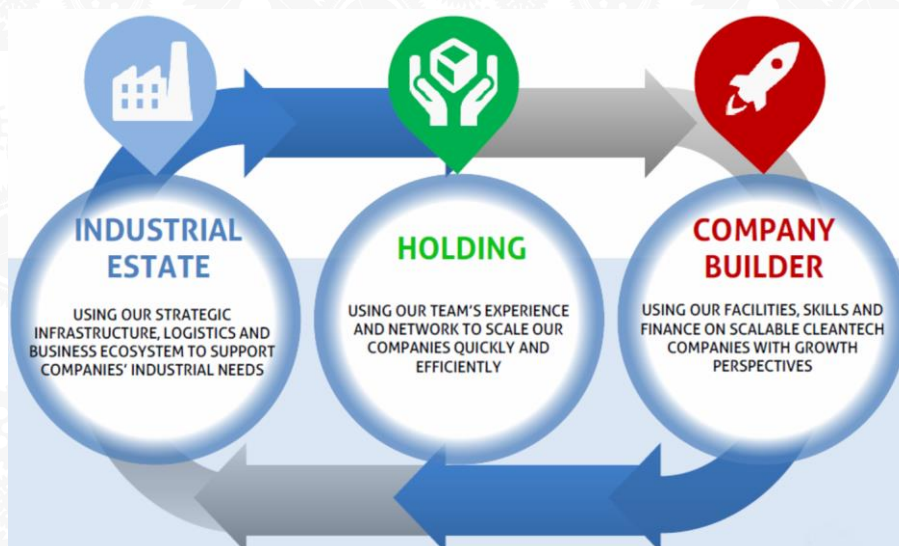
1. **Company Builder:** we co-found start-ups with direct investments, a proven business model and a strong focus on execution. Italeaf concentrates its activities on clearly defined market segments, such as the cleantech sector. We provide innovative incubation services with seed investments to create 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.



LETTER FROM THE CHAIRMAN

WE ARE WORKING TO BUILD GROWTH FOR OUR SHAREHOLDERS, OUR GROUP AND OUR SUBSIDIARIES START-UPS. CONFIRMING THE INNOVATIVE COMPANY BUILDING BUSINESS MODEL, WE ARE INTEGRATING THE DIGITAL TRANSFORMATION INTO OUR COMPANIES. THE FINANCIAL RESULTS ARE AFFECTED BY ISOLATED, NON RECURRENT DEPRECIATION OF NON-STRATEGIC MINORITY INTERESTS IN 2 BANKS. DESPITE THIS VICISSITUDE, THROUGH ITS INNOVATIVE APPROACH, ITALEAF CLOSED THE 2016 WITH INDUSTRIAL SOLID RESULTS AND A NEW OPTIMISTIC OUTLOOK.

Dear Shareholders,

2016 was a very important year for our Company. The most significant result we achieved was the completion of a further stage of transformation of TerniEnergia, which represents 38.44% of the Gross Asset Value and determines a large part of our performance. During the year, TerniEnergia completed the acquisitions of the two digital companies Softeco Sismat and Selesoft Consulting, representing the Italian excellence in ICT solutions for the energy sector and that will allow our Group to be seen as the Italian first mover in the international development of the new smart and micro-grid business.

The technological benefits of this corporate integration, will represent a great chance for the entire Italeaf Group, introducing the digital transformation also to the subsidiary companies, increasing their level of innovation and the growth opportunities. Precisely in this direction, we decided to establish Vitruviano Lab, a research center with a solid capitalization of Euro 1.8 million, and with tangible industrial assets, such as former Alcatel laboratory. In our strategic plan, this company - which already provides the involvement of other active R&D partners in promising fields such as special materials, green chemistry and circular economy - will be a catalyst for new opportunities and innovative business, as well as helping to attract facilitated financing instruments for the applied research.

During the 2016, Italeaf also achieved the target to enhance another start-up investee, with the exit of Wisave and the signing of a joint venture agreement with the Chinese multinational Wulian, confirming the goals of the strategic plan. The manufacturing newco Numanova, for the production of metal powders for the additive manufacture, has obtained the industrial and environmental permits for its activity and now it can program its own path of development and the start of the phase of production. Finally, Italeaf has been laid the basis for the achievement of important targets in business sustainability and value creation.

Despite these excellent industrial and operating results, the contingent circumstances have forced us to depreciate the non-strategic minority interests in certain banks. It is an isolated fact, non-recurrent, but this vicissitude has affected the Group's financial results.

Assuming the role of Chairman of Italeaf, I had in mind a priority: to renew our business and, at the same time, to program a new season of growth, with the aim of ensuring greater visibility and alignment between the interests of all our shareholders. Today we are confident to be in the position to make a consistent future development path, focusing on industrial innovation and facing with competitive solutions the international markets with the highest growth rate.

Let us look, then, with pride to our recent past and to what we have achieved, but now we are giving our attention mainly into building better future for all our shareholders.



Stefano Neri - Chairman of Italeaf

A handwritten signature in black ink, appearing to be 'Stefano Neri'.

HOW WE CREATE VALUE

TO CREATE NEW VALUE IS OUR MOST IMPORTANT CHALLENGE. WE OPERATE BY PIONEERING NEW BUSINESSES IN THE CLEANTECH AND SMART INNOVATION SECTORS. WE APPLY OUR EXPERIENCE AND EXPERTISE TO ASSIST OUR PORTFOLIO COMPANIES IN ACHIEVING LONG-TERM GROWTH, SUSTAINABILITY AND PROFITABILITY.

Italeaf's business is built on identifying, selecting and promoting industrial initiatives in the cleantech sector and in innovative industrial production.

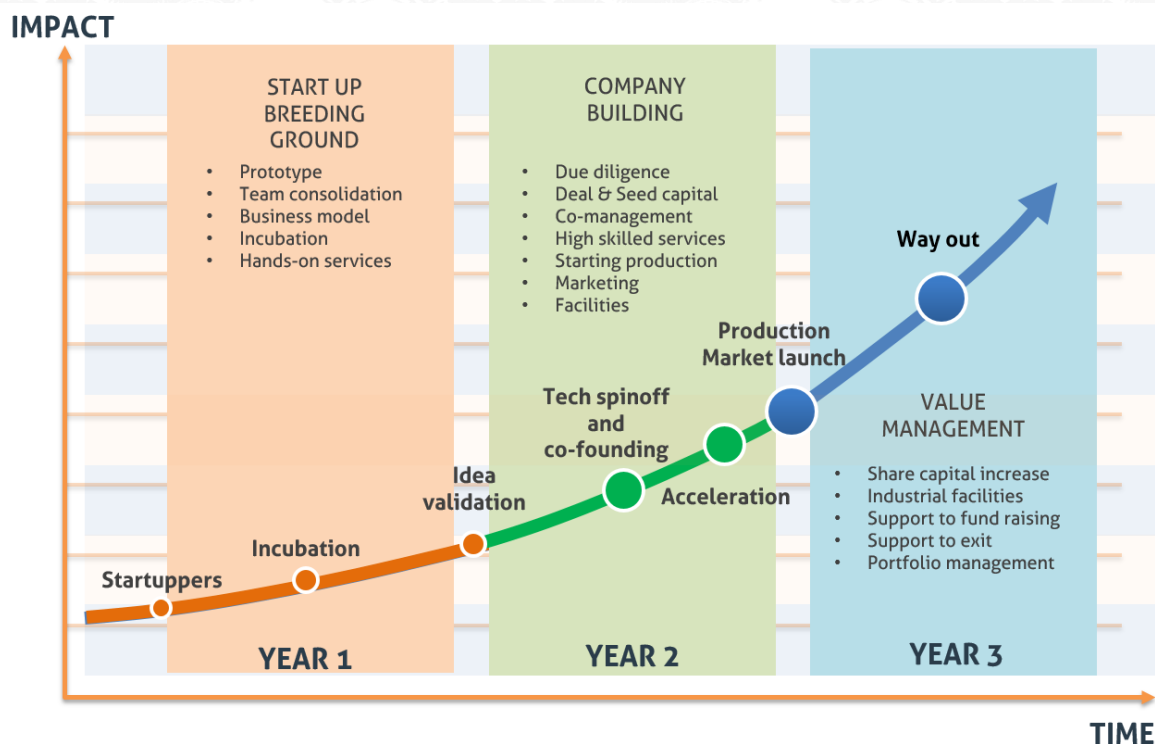
Potential initiatives are scouted and researched, and where suitable, direct investments are made in companies. At an early stage, initiatives can be preliminarily developed within an incubator, located at an industrial site in Nera Montoro, where Italeaf has set up a first-class infrastructure and facilities.

Once the time is right, Italeaf serves as a co-founder, normally together with the entrepreneurs behind the start-up initiative, whereby the initiatives become part of the Italeaf companies portfolio. At the seed stage, Italeaf combines incubation, the provision of corporate services, mentorship, network opportunities and the investment of financial resources. The operational support given to new initiatives is a way to leverage the strong expertise and track record in relevant sectors within the Italeaf Group.

Italeaf stays on as an investor as the companies grow, providing them with services as well as availability to the industrial facilities at Nera Montoro. When appropriate, a partial or full exit is made through a trade sale or an IPO. The companies that are fully operational and not yet divested are sources of dividends to Italeaf, which help to fund the initiatives and portfolio companies that are in an earlier stage.

Italeaf's current strategy includes six key aspects:

- Investing in start-ups operating in innovative sectors with high growth prospects and an international market.
- Creating an international applied-research center for new product development at Italeaf's industrial eco-park Nera Montoro.
- Internationally expanding the Group's activities through collaboration with Italeaf UK and Italeaf HK.
- Managing the value of the portfolio companies.
- Evaluating exit opportunities for portfolio companies in order to generate returns on investment for the shareholders of Italeaf, and to secure funds for investing in new projects.
- Developing the Nera Montoro eco-industrial park and providing the start-ups with real estate (project in collaboration with the Politecnico di Milano University). This includes the construction of new buildings and the reconfiguration of existing buildings, depending on the needs of the start-ups involved.



NET ASSET VALUE AND STATEMENTS FOR THE PARENT COMPANY

NET ASSET VALUE

At the end of 2016, net asset value amounted to Euro 23.6 million.

NAV ITALEAF	(EURO/000)	NOTES
Tangible Assets:		
REAL ESTATE PROPERTY (Nera Montoro & Maratta)	19,802	Book Value
Controlling stake in:		
45.06% stake in TerniEnergia	17,861	Calculated on the share price as at December 31, 2016 (Euro 0.899)
67.64% stake in Skyrobotic	3,720	Based on the price of latest funding round
85% stake in Numanova	2,805	Based on the price of latest funding round
Other equity investments*	2,277	Book value
GROSS ASSET VALUE	46,464	
Net Financial Indebtedness	(17,007)	
Total Net Financial Indebtedness	(17,007)	As at December 31, 2016
Holding Discount	20%	
NET ASSET VALUE AS DECEMBER 31, 2016	23,566	

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

The NAV of Italeaf primarily consists of the investments in TerniEnergia and in the start-up companies (Skyrobotic and Numanova).

The value of the equity investment in TerniEnergia corresponds to the share value as at December 31, 2016, considering that the company is listed on Borsa Italiana (STAR segment). At the end of December 2016, Italeaf owned 19,867,103 ordinary shares, corresponding to 45.06% of the share capital.

The balance of "real estate property" includes Euro 2.6 million representing 100% of the share capital of the subsidiary Italeaf RE Srl, which was 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 primary difference is the treatment of dividends. According to Italian accounting standards, holding companies, provided that they control the shareholders' meeting of the subsidiary, may recognise the dividend for the subsidiary in the year in which it is accrued. In other words, the dividend distribution approved by the directors of the subsidiary prior to the approval of the parent company's financial statements.

The table below shows the data of the separate financial statements prepared according to Italian accounting standards as at December 31, 2016:

<i>in Euro</i>	As at December, 31 2016	As at December, 31 2015	Change	Change %
Intangible assets	497,344	398,887	98,457	24.7%
Tangible assets	21,926,270	24,159,787	(2,233,517)	(9.2)%
Financial assets and other att.	28,219,480	28,721,732	(502,252)	(1.7)%
Fixed Assets	50,643,094	53,280,405	(2,637,311)	(4.9)%
Inventories	3,157		3,157	n.a.
Trade receivables	418,380	262,154	156,226	59.6%
other activities	1,357,289	1,712,988	(355,698)	(20.8)%
Trade payables	(989,105)	(1,244,621)	255,516	(20.5)%
Other liabilities	(2,112,419)	(1,962,279)	(150,140)	7.7%
Net working capital	(1,322,698)	(1,231,758)	(90,939)	7.4%
Provisions and other non-commercial	(5,053,469)	(5,949,653)	896,184	(15.1)%
Net Invested Capital	44,266,927	46,098,994	(1,832,066)	(4.0)%
Shareholders' Equity	27,259,567	29,954,599	(2,695,032)	(9.0)%
Net current financial position	11,160,625	10,583,955	576,670	5.4%
Non-current net financial position	5,846,735	5,560,439	286,296	5.1%
Total net financial position	17,007,360	16,144,394	862,966	n.a.
Net Invested Capital	44,266,927	46,098,994	(1,832,066)	(4.0)%

Tangible assets represents the value of the industrial site at Nera Montoro, the incubator at Maratta, as well as some industrial plants present at the Nera Montoro site. Financial assets include the book value of the controlling interests in TerniEnergia (Euro 17.8 million), in Skyrobotic (Euro 1.86 million) and Italeaf RE (Euro 4.6 million); the account also includes the value of a Joint Venture called Opera Power Srl which holds of a PV plant of about 1 MWp.

The Net Financial Position amounted to Euro 17.01 million. The current financial position includes a short-term credit line, amounting to Euro 6.5 million, collateralized by the pledge of TerniEnergia shares; the rest of the debt relates mainly to mid term loans. The increase compared to 2015 is mainly due to the value of receivable for the TerniEnergia dividend (Euro 496 thousand) included in the 2015 Net Financial Position.

The ratio Net Financial Position/Equity is equal to 0,63x as at December 31, 2016, in line with the plan target (less than or equal to 0.8x).

<i>in Euro</i>	2016	2015	Change	Change %
Net revenues from sales and services	7,000,155	5,453,456	1,546,699	28.4%
Production costs	(2,470,770)	(2,784,743)	313,973	(11.3)%
Added value	4,529,385	2,668,713	1,860,672	69.7%
Personnel costs	(720,467)	(801,167)	80,700	(10.1)%
EBITDA	3,808,918	1,867,546	1,941,372	104.0%
Amortization, depreciation, provisions and write-downs	(593,531)	(667,671)	74,140	(11.1)%
EBIT	3,215,387	1,199,875	2,015,512	n.a
Financial income and charges	(603,148)	2,011,672	(2,614,820)	(130.0)%
Extraordinary item	(5,092,028)	(1,453,017)	(3,639,011)	n.a
EBT	(2,479,789)	1,758,530	(4,238,319)	(241.0)%
Income taxes	491,916	656,372	(164,456)	(25.1)%
Net profit for the period	(1,987,873)	2,414,902	(4,402,775)	n.a.

The net result 2016 amounted to Euro - 1,987,873. The loss is due to a write-down of approximately 5.1 million euro. This non-recurring reduction in value concerns investments in the portfolio related to minority stakes in Banca Popolare di Vicenza and Veneto Banca, resulting in the well known crises that have hit the two credit institutions.

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 1.1 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. The revenue also include, for Euro 1.9 million, the gain from the contribution in kind, represented by the business unit of industrial water management, to the subsidiary Italeaf RE, and the gain, for Euro 0.27 million, from the contribution in kind, represented by a building, to the Vitruviano Lab Srl.

Financial income and expenses includes: cost of financial debt (Euro 1.2 million) and a gain resulting from the sale of TerniEnergia shares (Euro 0.2 million), and the sale of Wisave (Euro 0.45 million).

Extraordinary charges include a write-down recognised on the value of the minority equity investments in Veneto Banca and Banca Popolare di Vicenza (Euro 5.1 million) for impairment.

The EBT amounted to Euro - 2,479,789.

The tax includes a one-off positive effect of Euro 0.5 million due to the adjustment of deferred tax liabilities.

STATEMENTS FOR THE ITALEAF GROUP

<i>in Euro</i>	As at December 31, 2016	As at December 31, 2015	Change	Change %
Intangible assets	36,100,501	6,792,515	29,307,986	n.a
Tangible assets	103,138,831	106,507,564	(3,368,733)	(3.2)%
Financial assets and other att.	43,126,214	45,776,301	(2,650,087)	(5.8)%
Fixed Assets	182,365,546	159,076,380	23,289,166	14.6%
Inventories	20,372,960	23,479,671	(3,106,711)	(13.2)%
Trade receivables	33,590,661	52,201,318	(18,610,657)	(35.7)%
other activities	29,862,709	24,114,296	5,748,413	23.8%
Trade payables	(47,665,456)	(63,917,925)	16,252,469	(25.4)%
Other liabilities	(19,783,076)	(14,275,707)	(5,507,369)	38.6%
Net working capital	16,377,798	21,601,653	(5,223,855)	(24.2)%
Provisions and other non-commercial	(25,785,870)	(11,910,632)	(13,875,238)	116.5%
Net Invested Capital	172,957,474	168,767,401	4,190,073	2.5%
Shareholders' Equity	61,818,363	64,517,467	(2,699,104)	(4.2)%
Net current financial position	25,515,367	17,792,787	7,722,580	43.4%
Non-current net financial position	85,623,744	86,457,147	(833,403)	(1.0)%
Total net financial position	111,139,111	104,249,934	6,889,177	6.6%
Net Invested Capital	172,957,474	168,767,401	4,190,073	2.5%

<i>in Euro</i>	As at December 31, 2016	As at December 31, 2015	Change	Change %
Net revenues from sales and services	85,760,182	371,346,247	(285,586,065)	(76.9)%
Production costs	(57,303,051)	(336,295,200)	278,992,150	(83.0)%
Added value	28,457,131	35,051,046	(6,593,915)	(18.8)%
Personnel costs	(11,367,612)	(8,500,265)	(2,867,347)	33.7%
EBITDA	17,089,519	26,550,781	(9,461,262)	(35.6)%
Amortization, depreciation, provisions and write-downs	(14,907,069)	(10,208,678)	(4,698,391)	46.0%
EBIT	2,182,450	16,342,103	(14,159,653)	(86.6)%
Financial income and charges	(6,880,176)	(10,282,672)	3,402,496	(33.1)%
Portions of results attributable to the JV	1,174,059	(667,685)	1,841,744	n.a.
EBT	(3,523,667)	5,391,746	(8,915,413)	n.a.
Income taxes	(962,972)	(2,919,323)	1,956,351	(67.0)%
Net profit for the period	(4,486,639)	2,472,423	(6,959,062)	(281.5)%

OUR INVESTMENTS

TERNIENERGIA



OVERVIEW

Italeaf has a 45.06% shareholding in TerniEnergia.

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.

DIVIDENDS

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

2016 KEY FIGURES FOR THE TERNIENERGIA GROUP

(in Euro)	As at December, 31 2016	As at December, 31 2015	Change	Change %
Intangible assets	33,479,365	4,460,745	29,018,620	n.a.
Property, plant and equipment	79,383,325	82,616,544	(3,233,219)	(3.91)%
Financial fixed assets and other intangible assets	40,869,128	38,882,887	1,986,241	5.11%
Fixed Assets	153,731,818	125,960,176	27,771,642	22.05%
Inventories	20,289,267	23,329,978	(3,040,711)	(13.03)%
Trade receivables	33,686,919	52,361,935	(18,675,016)	(35.67)%
Other assets	29,046,845	24,104,536	4,942,309	20.50%
Trade payables	(47,633,101)	(63,543,245)	15,910,144	(25.04)%
Other liabilities	(17,885,544)	(13,106,938)	(4,778,606)	36.46%
Net working capital	17,504,386	23,146,266	(5,641,880)	(24.37)%
Provisions and other non-trade liabilities	(19,838,476)	(5,943,540)	(13,894,936)	n.a.
Net Invested Capital	151,397,728	143,162,902	8,234,826	5.75%
Shareholders' Equity	57,489,154	55,791,353	1,697,801	3.04%
Current net financial position	15,737,589	8,099,516	7,638,073	94.30%
Non-current net financial position	78,170,986	79,272,033	(1,101,047)	(1.39)%
Total net financial position	93,908,575	87,371,549	6,537,026	7.48%
Net Invested Capital	151,397,729	143,162,902	8,234,827	5.75%

(in Euro)	As at December, 31 2016	As at December, 31 2015	Change	Change %
Net revenues from sales and services	85,567,526	368,740,277	(283,172,750)	(76.79)%
Production costs	(57,874,482)	(335,980,070)	278,105,588	(82.77)%
Added value	27,693,044	32,760,206	(5,067,162)	(15.47)%
Personnel costs	(10,483,759)	(7,519,175)	(2,964,584)	39.43%
EBITDA	17,209,285	25,241,031	(8,031,746)	(31.82)%
Amortization, depreciation, provisions and write-downs	(9,237,626)	(8,110,618)	(1,127,008)	13.90%
EBIT	7,971,659	17,130,414	(9,158,754)	(53.46)%
Financial income and charges	(6,763,445)	(10,351,957)	3,588,512	(34.67)%
Portions of results attributable to the JV	1,174,059	(665,015)	1,839,074	n.a.
Pre-tax result	2,382,273	6,113,442	(3,731,169)	(61.03)%
Income taxes	(1,231,714)	(3,555,997)	2,324,283	(65.36)%
Net profit for the period	1,150,559	2,557,445	(1,406,886)	(55.01)%

OVERVIEW

As at 31 December 2016, Italeaf owns 67.64% of the share capital of Skyrobotic.

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

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

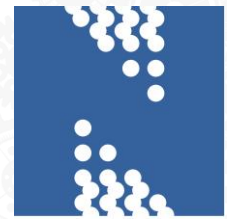
From an industrial perspective, the company has recognised turnover of Euro 535 thousand through the sale of 16 remote piloting systems to leading operators in the sector, continuing at the same time to develop and engineer the product.

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

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

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

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



OVERVIEW

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

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

BUSINESS SECTORS

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

INVESTMENTS, PRODUCTION CAPACITY AND EMPLOYMENT IMPACTS

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

GLOBAL VISION

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

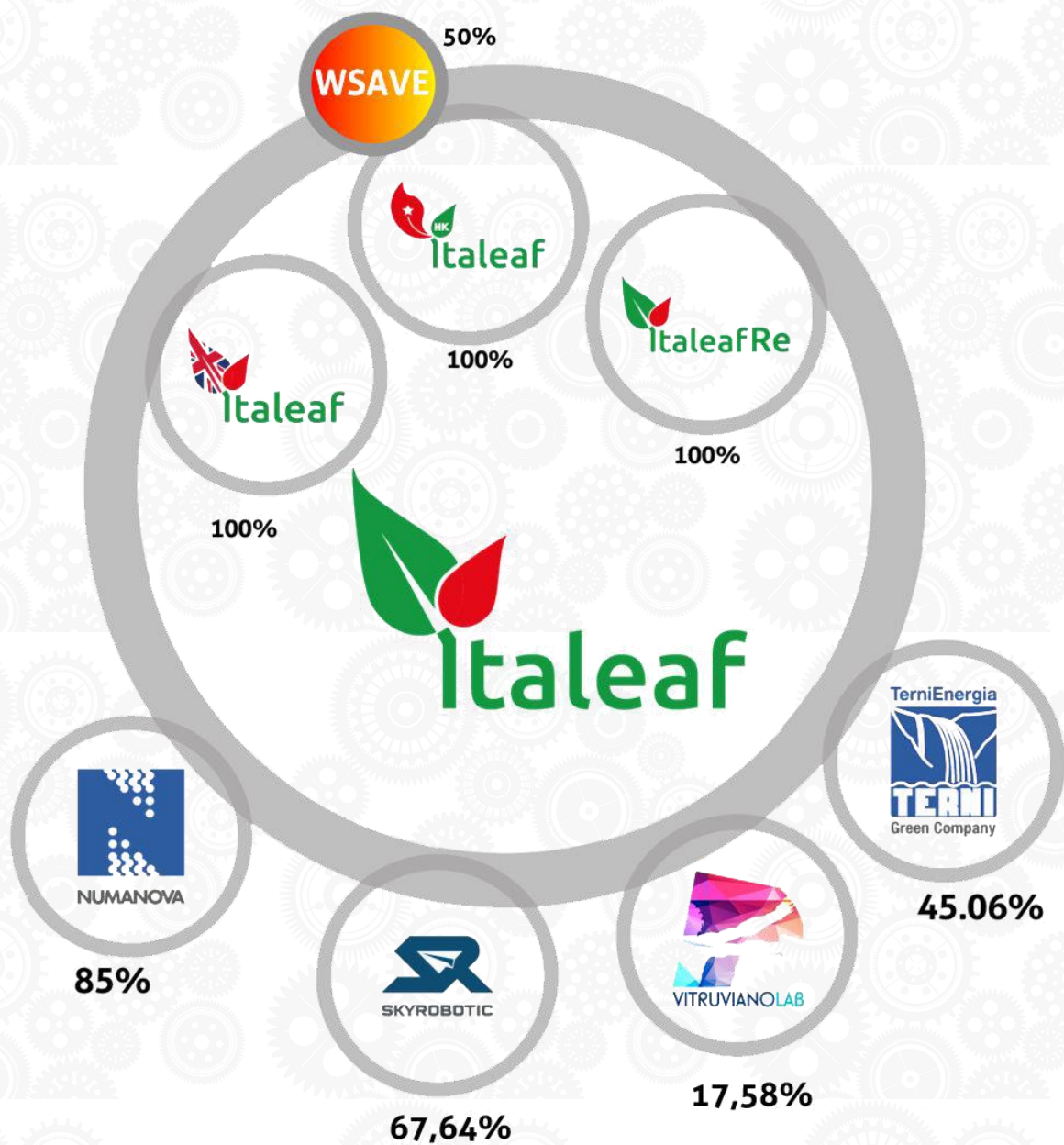
INNOVATION AND SUSTAINABILITY

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

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

development of metal parts that were not possible under traditional methods. Furthermore, Numanova products will have a marked contribution in reducing energy consumption.

GROUP'S ORGANIZATION



KEY EVENTS FOR 2016

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

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

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

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

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

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

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

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

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

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

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

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

The worksite of Paleisheuvel, which is spread over an area of 240 hectares, has employed more than 500 workers in the various functions for the installation of 611,000 photovoltaic PV panels, with a capacity between 125Wp and 140Wp. It were installed in total 101,850 structures, used 7 million kg of metallic carpentry and laid 3,000 km of

electric cables. 6 subcontractor companies were involved in the installation and TerniEnergia operated in compliance with the promotion of political participation in the economic life of “black people”.

TERNIENERGIA: STRENGTHENS ITS LEADERSHIP IN AFRICA IN PHOTOVOLTAIC SECTOR

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

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

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

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

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

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

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

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

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

Finally, the capital increase, divisible to be offered to the shareholders of Euro 0.65 million, through the issue of new n. 650,000 no par value shares, was fully subscribed to plan the growth of the productive activities of Numanova. Upon completion of the capital increase, Numanova has a share capital of Euro 3,000,000 fully subscribed. Numanova

currently has 23 shareholders; the company's shareholder structure is as follows: Italeaf S.p.A. 85%, other shareholders 15%.

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

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

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

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

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

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

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

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

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

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

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

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

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

TERNIENERGIA PLUGS IN THE SMART ENERGY COMPANY

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

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

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

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

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

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

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

GREEN LIGHT FROM THE BOARD OF DIRECTORS OF TERNIENERGIA TO A SHARE CAPITAL INCREASE TO GROW IN THE DIGITAL ENERGY SECTOR

On November 28, 2016, The Board of Directors of TerniEnergia has resolved to convene an Extraordinary Shareholders' Meeting on December 30, 2016, 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 4, second part, 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. 34 - ter, paragraph 1, letter b) and art. 57, paragraph 1, letter a) of the Issuer Regulations.

The proposal foresees that the new shares, for a maximum of up to 3,000,000, corresponding to 6.80% of the share capital, may be offered to industrial investors and to Italian and foreign institutional investors, excluding the United States, Canada, Japan, Australia, from 15 January 2017 until 16 February 2017.

The capital increase will be carried out through the proper mechanisms of the so-called bookbuilding activity in agreement with the Global Coordinator, at a price at least equal to the average official price of TerniEnergia shares, as measured on the Star segment of the Italian Stock Exchange, registered in the last three months preceding the date of commencement of the Offer Period (January 15, 2017).

To the issue price, as mentioned above, the Board of Directors believes that it can be applied a potential discount of up to a maximum of 10%, in order to allow greater flexibility in concluding the transaction, limiting the risks of failure to perform the same transaction, as well as to take account of the share trend that it can be registered prior to the initiation of the Offer Period.

The transaction fits into the growth path that TerniEnergia followed uninterruptedly since it was established, 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”, and is therefore 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;
- promptly seize the best conditions offered by the market, especially in view of the current phase of high volatility of financial markets, 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.

TerniEnergia will be assisted by EnVent S.p.A. as Global Coordinator in the placement of new shares, with no assumption by the latter of its warranty obligations.

TERNIENERGIA AND ROMA GAS AND POWER ESTABLISHED THE JV “ANT ENERGY SRL” FOR THE ENERGY EFFICIENCY BUSINESS

On December 5, 2016, TerniEnergia and Roma and Gas & Power (RGP), among the largest private national player in the field of energy management, vertically integrated in gas and electricity business, present on all major European hub, have established the Joint Venture “Ant Energy Srl” to offer integrated energy services and to implement energy efficiency projects. The establishment of the Company follows the Strategic Agreement signed by TerniEnergia and Roma Gas & Power on July 21, 2016 and already announced to the market.

The Board of Directors of Ant Energy Srl is composed by Stefano Neri, Chairman, Maurizio Argirò, Vice Chairman, and Laura Bizzarri and Giulio Troncarelli as managing directors.

ITALEAF AND TERNIENERGIA: RESOLVED THE ACQUISITION OF UP TO 78.22% OF THE SHARE CAPITAL OF WISAVE SRL BY TERNIENERGIA

On December 30, 2016, Italeaf and TerniEnergia informs that is finalized the acquisition of Wisave Srl, a company operating in the Internet of Things (IoT) sector, by TerniEnergia, which respectively acquired 78,22% and 10% of the shares from Italeaf and Energy System Srl, thereby acquiring a total stake equal to 88,22%.

The transaction follows the approval by the Boards of Directors of Italeaf and TerniEnergia of the acquisition of Wisave Srl by TerniEnergia. In particular, the Board of Directors of Italeaf, financial holding Company and first Italian Company Builder, active in cleantech and smart innovation, listed on NASDAQ OMX First North, controlling shareholder of the company, resolved to propose to TerniEnergia the purchase of the shares of wisave at the market value, as evidenced by an independent expert appointed for that proposal. Consequently, received the proposal from Italeaf, the Board of Directors of TerniEnergia, smart energy company active in the fields of renewable energy, energy efficiency, waste and energy management, listed on the Star segment of the Italian Stock Exchange and part of Italeaf Group, has positively assessed the transaction, resolving the investment in buying a stake of up to 78.22% of the shares representing the share capital quota of Wisave Srl.

The purchase price agreed for the 78.22% of the shares, representing the share capital quota of Wisave acquired by TerniEnergia, is approximately equal to Euro 0.62 million, as indicated in the independent expert’s assessment.

The co-founder company Energy System Srl, based in Lecce, will remain as minority shareholder of Wisave with a share of 11.78% of the share capital after selling to TerniEnergia the 10% of its stake, for a value of Euro 85,000, and will participate in the development of the company together with TerniEnergia.

The purchase price will be paid by TerniEnergia to the two founders (Italeaf and Energy System) in cash in the course of 2017.

Wisave is a company that operates in the field of the Internet of Things. In particular, the Company has developed and patented a proprietary remote management system of thermal plants on cloud platform, called ALGO, which aims to improve energy efficiency of a virtually unlimited number of thermal environments, through the use of an advanced thermal analysis algorithm of whole buildings (BMS - Building Management System). The ALGO system, the most advanced on the market, is made from one or more wireless thermostats, wireless temperature indoor/outdoor, humidity, and irradiation sensors, software platform in the cloud for the smart management of the thermal systems, user interface accessible via web browser and app dedicated. The ALGO thermostat replaces the old thermostat and is the best solution for the heating and air conditioning systems that are not yet equipped with a room thermostat. The device communicates in WiFi mode using the internet and wirelessly with sensors and actuators, minimizing installation costs with minimally invasive procedures.

As regards the economic reasons and convenience for TerniEnergia to carry out the transaction, has a function of supply chain optimization for the business unit called “Energy Saving”, active in the implementation of energy efficiency projects, and for the integration of the new business of digital energy (after the acquisition of Softeco Sismat and Selesoft Consulting), consistent with the intended targets of the Business Plan “Plug in the smart energy company” presented to the financial community on November 4, 2016. In addition, in the same plan, the Company expressly identified in the acquisition of innovative technologies in the field of energy efficiency, one of the priorities for growth. In particular, the Wisave devices and the ALGO systems represent the perfect gateway to implement monitoring and control functions, completely wireless, as part of the hardware and software platforms and of the products developed by the Group’s digital energy division (RTU-Go / Adverto / ESOS) by supplying them with IoT technologies.

The procedure for the approval of the transaction has provided the expression of a reasoned favorable opinion of the Related Parties Committee of the Company in completing the transaction, and the convenience and substantial correctness of the relative conditions, in accordance with Consob Regulation no. 17221/2010 and procedure adopted by the Company.

The transaction of acquisition of Wisave by TerniEnergia is, in fact, a “related party transaction” not of greater relevance, because Italeaf, as recalled, holds an interest representing 45.06% of the share capital of TerniEnergia and exerts control over it pursuant to Article 2359, first paragraph, no. 2 of the Civil Code and Article 93 of the TUF. Therefore, Italeaf is a related party to the Company pursuant to article 3, first paragraph, point (a) and the definition of related parties contained in Annex 1, paragraph 1, letter (a) (i) of the Consob Regulation no. 17221/2010.

PROPOSED ALLOCATION OF EARNINGS

The Board of Directors proposes to carry forward the loss for the year 2016.

Nera Montoro, March 30, 2017

FINANCIAL STATEMENTS

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

<i>in Euro</i>	Notes	As at December 31, 2016	As at December 31, 2015
Intangible assets	1	36,100,501	6,792,515
Tangible assets	2	103,138,831	106,507,564
Equity Investments	3	4,417,898	7,630,702
Deferred tax assets	4	16,375,492	14,489,978
Non-current financial receivables	5	22,332,824	23,655,621
Total non-current assets		182,365,546	159,076,380
Inventories	6	20,372,960	23,479,671
Trade receivables	7	33,590,661	52,201,318
Other current assets	8	29,862,709	24,114,296
Financial receivables	9	3,813,152	4,215,913
Cash and cash equivalents	10	11,237,604	12,515,353
Total current assets		98,877,086	116,526,551
TOTAL ASSETS		281,242,632	275,602,931
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital		15,444,000	15,444,000
Stocks		18,343,999	17,574,869
Profit for the period		(4,799,693)	1,421,918
Total Group equity	11	28,988,306	34,440,787
Minority interests		32,517,002	29,026,176
Profit for the minority interest		313,055	1,050,504
Total equity	11	61,818,363	64,517,467
Provision for risk and charges	12	193,086	43,086
Provision for employee benefits	13	6,649,733	1,329,505
Deferred tax liabilities	14	16,065,604	7,286,282
Non-current financial payables	15	85,623,744	86,457,147
Other non-current liabilities	16	108,616	247,492
Derivatives	17	3,027,447	3,251,759
Total non-current liabilities		111,668,230	98,615,271
Trade payables	18	47,665,456	63,917,925
Payables and other financial liabilities	19	40,566,123	34,524,053
Taxes payable	20	1,442,400	1,336,364
Other current liabilities	21	18,082,060	12,691,851
Total current liabilities		107,756,039	112,470,193
TOTAL LIABILITIES		219,424,269	211,085,464
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		281,242,632	275,602,931

CONSOLIDATED INCOME STATEMENT

<i>in Euro</i>	Notes	As at December 31, 2016	As at December 31, 2015
Revenues	22	70,171,028	364,078,130
Gain on Bargain Purchase	22	7,867,882	-
Other operating income	22	7,620,144	7,268,117
Change in inventories of semi-finished and finished products	23	2,387,755	(2,419,928)
Costs for raw materials, consumables and goods for resale	24	(34,913,041)	(181,650,101)
Costs for services	25	(18,624,513)	(148,235,026)
Personnel costs	26	(11,367,612)	(8,500,265)
Other operating costs	27	(6,052,123)	(3,990,146)
Amortisation, depreciation, provisions and writedowns	28	(14,907,069)	(10,208,678)
Operating result		2,182,450	16,342,103
Financial income	29	1,982,753	2,741,475
Financial charges	29	(8,862,928)	(13,024,147)
Portion of result attributable to the joint venture	30	1,174,059	(667,685)
Net profit before taxes		(3,523,667)	5,391,746
Taxes	31	(962,972)	(2,919,323)
Net profit for the period		(4,486,639)	2,472,423
- of which: attributable to the Group		(4,799,693)	1,421,918
- of which: attributable to non-controlling interests		313,055	1,050,504
Earnings per share - Basic and diluted		(0,311)	0,092

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in Euro)		Notes	2016	2015
Net Profit for the Period			(4,486,638)	2,472,423
Change in cash flow hedge reserve			106,306	1,290,954
Translation Differences			(1,177,486)	335,031
Tax effect of expenses / (income) recognized in equity			(25,513)	(309,829)
Total other comprehensive income for the period to be subsequently transferred to the Income Statement		11	(1,096,693)	1,316,156
Actuarial Income / (loss)			-	-
Tax effect of expenses / (income) recognized in equity			-	-
Total other comprehensive income for the period not to be subsequently transferred to the Income Statement			-	-
Total comprehensive income / (loss) for the period			(5,583,331)	3,788,578
• of which: accruing to the Group			(5,293,863)	2,040,380
• of which: accruing to minority interests			(289,468)	1,748,198

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Description (in Euro)	Share Capital	Reserves				Total reserves	Profit of the period	Total Group equity	Minority Interests	Total equity
		Paid in Capital	Legal reserves	Extraordinary	Other Reserves					
As at December 31, 2014	15,444,000	666,000	37,640	10,615,919	11,269,316	21,946,988	1,906,006	39,296,994	39,841,712	79,138,707
Allocation of the previous year's profit (loss)			100,583		1,805,423	1,906,006	(1,906,006)			
Payment of Dividend					(1,235,520)	(1,235,520)		(1,235,520)		(1,235,520)
Deconsolidation of Free Energia					(5,661,067)	(5,661,067)		(5,661,067)	(11,513,230)	(17,174,297)
Other entries	444,000	666,000	100,583		(5,091,164)	(4,990,581)	(1,906,006)	(6,896,587)	(11,513,230)	(18,409,817)
Profit of the period							1,421,918	1,421,918	1,050,504	2,472,422
Other comprehensive							618,462	618,462	697,694	1,316,156
Total profit for the period							2,040,380	2,040,380	1,748,198	3,788,578
As at December 31, 2015	15,444,000	666,000	138,223	10,615,919	5,536,265	16,956,407	2,040,380	34,440,787	30,076,680	64,517,467

Description (in Euro)	Share Capital	Reserves				Total reserves	Profit of the period	Total Group equity	Minority Interests	Total equity
		Paid in Capital	Legal reserves	Extraordinary	Other Reserves					
As at December 31, 2015	15,444,000	666,000	138,223	10,615,919	5,536,265	16,956,407	2,040,380	34,440,787	30,076,680	64,517,467
Allocation of the previous year's profit (loss)			120,745		1,919,634	2,040,380	(2,040,380)			
Payment of Dividend					(926,640)	(926,640)		(926,640)		(926,640)
Other Entries					768,022	768,022		768,022	3,042,845	3,810,867
Other entries			120,745		1,761,016	1,881,762	(2,040,380)	(158,618)	3,042,845	2,884,227
Profit of the period							(4,799,693)	(4,799,693)	313,055	(4,486,638)
Other comprehensive					(494,170)	(494,170)	0	(494,170)	(602,523)	(1,096,693)
Total profit for the period					(494,170)	(494,170)	(4,799,693)	(5,293,863)	(289,468)	(5,583,331)
As at December 31, 2016	15,444,000	666,000	258,969	10,615,919	6,803,112	18,343,999	(4,799,693)	28,988,306	32,830,057	61,818,363

CONSOLIDATED STATEMENT OF CASH FLOWS

(in Euro)	As at December 31,	
	2016	2015
Profit before taxes	(3,523,667)	5,391,746
Amortisation	6,176,121	5,682,450
Write-downs of fixed assets and credits	8,730,949	2,428,168
Provision	(7,867,884)	201,897
Result of joint ventures accounted for at equity and reversal of margin	226,406	667,685
Gains / Revaluations	(1,174,059)	313,507
Change in inventories	-	(11,626,852)
Change in trade receivables	10,061,778	(40,749,849)
Change in other assets	24,713,762	(2,897,454)
Change in trade payables	(1,286,629)	52,905,342
Change in other liabilities	(26,417,752)	6,279,306
Payment of employee benefits	(7,295,065)	(120,245)
Net cash flow (used in)/generated by operating activities	2,207,732	18,475,702
Investments in property, plant and equipment	(2,888,790)	(4,089,039)
Disposals of property, plant and equipment	-	-
Investments in intangible assets	(471,854)	(257,700)
Disposals of intangible assets	-	-
Acquisition/disposal	1,022,908	(8,452,833)
Divestiture of (investment in) equity investments	(601,845)	2,798,120
Change in receivables and other financial assets	1,420,066	(1,473,595)
Net cash flow (used in)/generated by investing activities	(1,519,515)	(11,475,048)
Change in payables and other financial liabilities	1,098,080	2,974,384
Increase in non-current financial payables	(1,057,715)	(3,009,675)
Other Movements of Equity	(1,079,691)	(6,543,084)
Capital Increase	-	-
Payment of dividends	(926,640)	(2,865,821)
Net cash flow (used in)/generated by financing activities	(1,965,967)	(9,444,195)
Comprehensive cash flow for the period	(1,277,750)	(2,443,541)
Cash and cash equivalents at the beginning of the period	12,515,353	14,958,894
Cash and cash equivalents at the end of the period	11,237,604	12,515,353
Interest (paid)/earned	(8,402,548)	(10,389,089)
		(105,289)

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 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 consolidated financial statements of the Italeaf Group at December 31, 2016 have been prepared in accordance with the requirements of the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as published in the Official Journal of the European Union (O.J.E.U.).

Please note that the international accounting principles applied are consistent with those used for the Consolidated Financial Statements at December 31, 2015.

These 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 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 consolidated financial statements were approved by the Company's board of directors on March 30, 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 45.06% of the share capital of TerniEnergia, 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 December 31, 2016 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 December 31, 2016:

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	45.06%	

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%
IGreen Patrol S.r.l.	Narni - Via dello Stabilimento, 1	100%
Alchimia Energy 3 S.r.l.	Narni - Via dello Stabilimento, 1	100%
TerniEnergia Romania Srl	Str. Popa Petre 5 - Bucharest	100%
TerniEnergia Solar South Africa Ltd.	Woodstok, De Boulevard Searle Street	80%
TerniEnergia Project Ltd.	Woodstok, De Boulevard Searle Street	80%
GreenAsm S.r.l.	Narni - Via dello Stabilimento, 1	50%
SolarEnergy S.r.l.	Narni - Via dello Stabilimento, 1	100%

Companies added to the scope of consolidation in 2016

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.º 32, cidade de Maputo	100%

Companies exit from to the scope of consolidation in 2016

Capital Energy S.r.l.	Nardò- Via Don Milani, n.4	100%
MeetSolar S.r.l.	Nardò- Via Don Milani, n.4	100%
Festina S.r.l.	Terni - Via Garibaldi n.43	100%
Energia Basilicata S.r.l.	Nardò- Via Don Milani, n.4	100%
Energia Lucana S.r.l.	Nardò- Via Don Milani, n.4	100%
Energia Nuova S.r.l.	Nardò- Via Don Milani, n.4	100%
Verde Energia S.r.l.	Nardò- Via Don Milani, n.4	100%
TerniEnergia Gas&Power SpA*	Milan - Corso Vittorio Emanuele II, 13	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			
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.

TREATMENT OF FOREIGN CURRENCY TRANSACTIONS

TRANSACTIONS IN FOREIGN CURRENCY

Transactions in foreign currencies are translated into the functional currency of each entity in the Group at the exchange rate in effect on the transaction date. Monetary items in foreign currencies at the reporting date are converted into the functional currency using the exchange rate at that date. Gains or losses on foreign exchange of a monetary item are represented by the difference between amortized cost in the functional currency at the beginning of the year, adjusted to reflect the effective interest and payments for the year, and the amortized cost in foreign currency translated recorded at the exchange rate at the date of the Budget. Exchange differences arising on translation are recognized in the income statement.

FINANCIAL STATEMENTS OF FOREIGN OPERATIONS

The assets and liabilities of foreign operations are translated into euros using the exchange rate prevailing at the date of the financial statements. For practical reasons, the income and expenses of foreign operations are converted into euros at the average exchange rate for the year, as long as no significant differences exist with respect to conversion at the exchange rates prevailing as of the date of the individual transactions.

The exchange differences arising on translation are recognized directly in equity in the "Translation reserve". In the event of the partial or total disposal of a foreign operation, the amount of the differences accumulated in the translation reserve is recognized in the income statement.

Foreign-exchange gains and losses arising from translations of receivables or payables with foreign operations, whose collection or payment is neither planned nor likely in the foreseeable future, are considered part of the net investment in a foreign operation and are recognized directly in equity in the reserve.

VALUATION CRITERIA

The principal accounting policies adopted are described below:

INTANGIBLE ASSETS

Intangible assets consist of non-monetary assets without physical substance, clearly identifiable and capable of generating future economic benefits. These assets are recorded at the cost of purchase, production or contribution, including any additional charges and expenses directly attributable to preparing the asset for its intended use, net of accumulated amortization and any impairment losses. Amortization begins when the asset is available for use and is charged on a straight-line basis over the estimated useful life of the asset.

CONCESSIONS AND OTHER INTANGIBLE ASSETS

For licenses, patents and other intangible assets the amortization is calculated with the linear method in order to allocate the cost incurred for the acquisition of the right in the shorter of the expected use and the duration of its contracts starting from the moment in which the right may be exercised and is generally included in a period between 3 and 5 years.

This item also classified the costs of administrative rights already obtained or still in progress for the construction of photovoltaic systems, acquired through its subsidiaries. These activities are not subject to amortization, as long as they are not used for the construction of photovoltaic plant.

Goodwill recognized as an intangible asset is connected to the operations of a business combination and represents the difference between the cost incurred for the acquisition of a company or a business unit and the sum of the values assigned on the basis of the current values the time of acquisition, to the individual assets and liabilities comprising the share of the company or business unit. Having an indefinite useful life, goodwill is not subject to amortization but are tested for impairment at least annually, unless the market indicators and management identified by the Group that goodwill should be tested for impairment in the preparation of interim financial statements. For the purposes of the impairment test, goodwill is allocated to individual cash -generating units (CGU), ie the smallest financially independent business units through which the Group operates in different market segments. Goodwill related to the acquisition of consolidated companies is recognized under intangible assets. Goodwill related to associated companies or subsidiaries is included in the value of investments.

GOODWILL

Goodwill and other intangible assets with indefinite useful lives are not amortized, but the recoverability of their carrying amounts is tested annually (impairment test) for each Cash Generating Unit (CGU) or group of CGUs to which

assets with indefinite lives can reasonably be allocated. The impairment test is described below under “Impairment of Assets”. Concerning the goodwill, writedowns cannot be reversed in subsequent periods.

TANGIBLE ASSET

Tangible fixed assets are valued at cost of acquisition or production or contribution, including any additional charges and expenses directly attributable to preparing the asset for its intended use, less accumulated depreciation and any impairment losses. The cost includes expenditure directly incurred to prepare the assets for their use.

The expenses incurred for the maintenance and repair costs and/or cyclic are charged directly to the income statement in the period in which they are incurred. The capitalization of costs related to the expansion, modernization or improvement of facilities owned or leased by the Group is carried out to the extent that they meet the requirements for being classified separately as an asset or part of an asset, applying the component approach, according to which each component with an independent assessment of the useful life and its value must be treated individually.

Depreciation is charged on a straight-line basis at rates designed to write off assets to the end of its useful life.

The estimated life of the Company for the various categories of tangible fixed assets is as follows:

Description	Period
Plant and machinery	12 years
Industrial equipment and Trade	7 years
Photovoltaic Plants	20 years
Other goods	4 - 10 years

LEASED ASSETS

FINANCIAL LEASES

At the date of initial recognition, the lessee books the asset as part of fixed assets and a financial liability for the value equal to the lower of (i) the fair value of the asset and (ii) the present value of minimum lease payments at the date of inception of the lease, using the interest rate implicit in the lease or the marginal rate of interest of the loan. Subsequently, the income statement is charged for the depreciation of the assets and the finance charges in relation to the financial liability.

OPERATING LEASES

Rental income or expenses relating to operating leases are recognized in the income statement on a straight-line basis in relation to the duration of the contract.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

At each balance sheet date, intangible assets with defined useful life are analyzed in order to identify whether there are any indicators, originating from external sources within the Group, of reduction in the value of the same. In cases when it is identified the presence of such indicators, the Company estimates the recoverable amount of these assets, recording any impairment with respect to its book value in the income statement. The recoverable amount of an asset is the greater of its fair value (fair value) less costs to sell and its value in use, the present value of estimated future cash flows of the asset. In determining the value in use, the estimated future cash flows are discounted using a discount rate that reflects the current market evaluation of the cost of the money considered at the time of the investment and to specific risk of the activity.

For an asset that does not generate largely independent cash flows, the value in use is determined based on the cash-generating unit to which the asset belongs. An impairment loss is recognized in the income statement whenever the carrying amount of the asset or of the cash-generating unit to which it is allocated, is higher than the value recoverable.

If the conditions for a prior impairment cease to be present, the accounting value of the asset, other than goodwill, is restored to the income statement, within the limit of the book value that the asset would have had if it had not been written down and depreciated.

TRADE RECEIVABLES AND OTHER CURRENT ACTIVITIES

The trade receivables and other current activities are evaluated at their first registration at fair value. In subsequent periods, these activities are evaluated at the amortized cost using the effective interest rate method. If there is objective evidence of element indicating a reduction of the value, the activity is reduced in order to result equal to the discounted value of the cash flows that can be obtained in the future. The impairment losses are recognized in the income statement. If in subsequent periods the reasons for the write-down cease to be present, the value of the activities is reinstated.

INVENTORIES

The inventories are valued at the lower of acquisition cost or production cost and net realizable value is the amount that an enterprise expects to obtain from their sale in the ordinary course of business, net of selling costs. The cost of inventories of raw, ancillary and consumable materials and finished products and goods is determined using the weighted average cost method.

The cost of finished goods and semi-finished goods includes the cost of design, raw materials, direct labor and other production costs (based on normal operating capacity). The financial costs are not included in the valuation of the inventories.

The inventory also includes some of the products being processed, the value of all PV installations in progress or already completed, in relation to which at the reference date of the financial statements all the conditions accounting for the detection of corresponding revenue from the sale have not matured yet.

NON-CURRENT ACTIVITIES DESTINED TO SALE, GROUPS UNDER DISPOSAL AND OPERATIVE ACTIVITIES TERMINATED - IFRS 5

The non-current activities destined to the sale, the groups under dismissal and the operative activities terminated whose accounting values will be recovered principally through a sale transaction rather than through continuing use, are valued at the lower of their carrying amount and fair value less costs to sell. In particular, for a disposal group it is considered a whole of activities and liabilities directly related to the sale within a single transaction. The discontinued operations are, however, composed by a significant portion of the Group, such as, for example, a separate major line of business or geographical area of operations or a subsidiary acquired exclusively with a view to resale.

In accordance with IFRS, the data relating to non-current activities destined to the sale, disposal groups and operative activities terminated are presented in two specific items of the balance sheet: activities destined to the sale and liabilities directly associated with activities destined to the sale.

With exclusive reference to terminated operative activities, their net economic results during the sale process, capital gains/losses on the disposal itself and adapting their net book value to fair value are presented in the item "Depreciation, amortization and impairment losses " of which in the notes to the financial statements is given separate indication from the other components included therein.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid (convertible into cash within ninety days). The bank overdrafts are classified under "Current financial liabilities".

FINANCIAL RECEIVABLES

This category includes the activities not represented by derivative instruments and not listed in an active market, from which fixed or determinable payments are expected. Such activities are classified as current activities, except for the quotas with expiration of more than 12 months, which are included within the non-current activities.

EQUITY

SHARE CAPITAL

The share capital is composed by the capital subscribed and paid up by the Parent Company. The costs strictly attributable to the issuance of shares are classified as a reduction of the share capital when they are costs directly attributable to capital operations, net of deferred taxes.

OWN SHARES

They are recognized as a decrease in equity of the Group. Profits or losses for the purchase, sale, issuance or cancellation of own shares are not recognized in the income statements.

OTHER RESERVES

These include earnings from previous years for the portion not distributed or allocated to reserves (in the case of profits) or to be carried forward (in case of losses). The item includes, in addition, also includes transfers from other equity reserves when it releases the restrictions to which they were subjected, as well as the effects of the recognition of changes in accounting policies and errors.

DEBTS AND OTHER FINANCIAL LIABILITIES

The debts and the other financial liabilities are measured at the first registration at fair value. The initial value is then adjusted in order to take into account the repayments and amortization of the difference between the reimbursement value and the initial value. The amortization is calculated on the basis of the effective interest rate represented by the rate that aligns, at the time of initial recognition, the present value of the cash flows associated with the liability and the initial carrying value (so-called amortized cost method).

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are recognized when: (i) the Group has a current obligation, legal or implicit, arising from a past event, (ii) it is probable that the obligation will be onerous (iii) the amount of the obligation can be estimated reliably. The funds are recorded at the value of management's best estimate of the amount that the company would rationally pay to settle the obligation or to transfer it to third parties. Where the effect of time is significant and the payment dates of the obligations can be reliably estimated, the provision is discounted. The funds are periodically updated to reflect changes in cost estimates, the timing and the discount rate.

PROVISION FOR EMPLOYEE BENEFITS (ITALIAN TFR)

In defined benefit plans, which include also the severance benefits payable to employees pursuant to article 2120 of the Civil Code, the amount of benefit to be paid to the employee can be quantified only after the termination of the employment relationship, and it is linked to one or more factors such as age, years of service and remuneration, and therefore its cost is charged to the income statement on the basis of actuarial calculations. The liability recognized in the balance sheet for defined benefit plans is the present value of the obligation at the balance sheet date. The obligations for defined benefit plans are determined annually by an independent actuary using the projected unit credit method. The present value of the defined benefit plan is determined by discounting future cash flows discounted at an interest rate equal to that of bonds (treasury/government bonds) issued in Euro and which takes into account the duration of the pension plan.

Gains and losses arising from these adjustments and changes in actuarial assumptions are charged from the year 2014, with retroactive effect to equity. From 1 January 2007, the 2007 Finance Act and related decrees introduced significant changes to the TFR, including the right of employees to decide the destination of their future benefits. In particular, the new TFR flows may be directed to pension funds or kept on the farm. In the case of allocation to pension external, the company is subject only to the payment of a defined contribution to the fund chosen, and from that date the new shares have matured nature of defined contribution plan is not subject to actuarial valuation.

REVENUE RECOGNITION

Revenues and other income are recognized at fair value of the sales, net of discounts, allowances and rebates and taxes directly related to the provision of services.

The item reports the revenues from the sale of photovoltaic systems, which are recognized when the Company has transferred the significant risks and rewards of ownership of assets, and the company has ceased to exercise control over the transferred activities.

Revenues from services are recognized when it can be reliably estimated with reference to the stage of completion at the balance sheet date.

Revenues related to energy efficiency in public and/or private respectively fall within the scope of IFRIC 12 and IFRIC 4. These types of contracts are made up of two elements:

- The first part of a contract (the task efficiency) originates, in turn, two types of revenue :
 - The first is equal to the fair value of the canon of energy efficiency (calculated as the present value of expected cash flows using market parameters faced by municipalities to achieve medium to long term).
 - The second, caused by the apparent misalignment between the time of the incurrence of costs for carrying out the activity and the recovery in fifteen years (or for the period of contract duration) of its revenue each year generates a financial asset. Such a financial asset and the related economic components operational and financial fifteen years are determined adherence to what is described in the document " Application no. 3 CIU - IFRIC 12 Service Concession

Arrangements " in the paragraph relating to the financial asset model and in accordance with the combined provisions of IAS 17 and IFRIC 4 for contracts with private parties.

- The second element (the maintenance) is reflected in the accounts (in accordance with IAS 18), for expertise gained.

RECOGNITION OF COSTS

Expenses are recognized when they are related goods and services purchased or consumed in the period in which they are incurred or when there is no future utility of the same.

FINANCIAL CHARGES

Financial costs that are directly attributable to the acquisition, construction or production of an asset that qualify for capitalization are capitalized as part of the cost of the asset. Capitalisation ceases when the asset is ready for its intended use or sale. Interest expense is recognized based on the effective interest method. Other financial costs are charged to the income statement on an accruals basis.

FINANCIAL INCOME

Interest incomes are recognized in the income statement on an accrual basis and are recorded at the amount of the effective.

DIVIDENDS

Dividends are recognized when the shareholders' right to receive payment is normally the approval of the distribution of dividends. The distribution of dividends to the shareholders of Italeaf is recorded as a liability in the period in which the distribution is approved by the shareholders.

TAXES

The current taxes are calculated based on the taxable income for the year, using tax rates in force at the balance sheet date.

Deferred and anticipated taxes are calculated in respect of all temporary differences arising between the tax base of an asset or liability and its carrying value. The anticipated taxes, including those related to tax loss carry forwards, to the extent not offset by deferred taxes are recognized to the extent that it is probable that future taxable profit will be available against which they can be recovered. Deferred and anticipated taxes are measured using the tax rates that are expected to apply in the periods in which the temporary differences will be realized or settled.

The tax currently payable, deferred and anticipated are recognized in the income statement, except for those relating to items charged or credited directly to equity, in which case the tax effect is recognized directly in equity. The current, deferred and anticipated taxes are offset when there is a legally enforceable right to compensation and it is possible to settle on a net basis.

CONVERSION OF ITEMS IN FOREIGN CURRENCY

Items expressed in a currency other than the functional currency (cash, assets and liabilities to be received or paid in fixed or determinable amounts of money, etc..) and non-monetary (advances to suppliers of goods and/or services, goodwill, intangible assets, etc..) are initially recorded at the rates prevailing on the date on which the transaction takes place. Subsequently, monetary items are converted into the functional currency using the exchange rates at the reporting date, and differences arising on conversion are recognized in the income statement. Non-monetary items are carried at the exchange rate on the transaction, except in the case of persistently unfavorable exchange rate of reference, in which case the exchange differences are recognized in the income statement.

PROFIT FOR SHARE

BASIC

Basic profit for share is calculated by dividing the net income of the Company by the weighted average number of ordinary shares outstanding during the year, excluding own shares.

DILUTED

For the purpose of calculating the diluted profit for share, the weighted average number of shares outstanding is adjusted assuming the exercise by all owners of rights having potential dilutive effect, while the net profit of the Company is adjusted to take into account any effects, net of taxes, of exercising those rights. The diluted profit for share is not calculated in case of losses, as any dilutive effect would determine an improvement in the profit for share.

USE OF ESTIMATES

The preparation of financial statements in conformity with IFRS requires the execution of estimates and assumptions that affect the reported amounts of assets and liabilities and the related disclosures, as well as on the assets and liabilities at the date of the financial statements. The estimates and associated assumptions are based on historical experience and other factors considered reasonable in the circumstances and are adopted when the accounting value of assets and liabilities is not easily inferable from other sources. The actual results could differ from such estimates. Estimates and assumptions are reviewed periodically and the effects of any changes are reflected in the income statement if they involve only that year. 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.

It is believed that certain accounting standards are particularly important for understanding the financial statements and for this purpose, below, shows the main items affected by the use of estimates and the main assumptions used by management in the evaluation process of these items, in accordance with the above-mentioned international accounting standards. The critical element of such estimates is, in fact, the use of assumptions and/or professional judgments about matters that are inherently uncertain.

The changes in the conditions underlying the assumptions and judgments could have a significant impact on future results.

FUTURE RECOVERY OF DEFERRED TAX ASSETS

The financial statements include anticipated taxes for an amount whose recovery in future years is considered by the management as highly probable. The recoverability of such anticipated taxes is subject to the achievement of future sufficiently large profits.

The assessment of recoverability takes into account the estimate of future taxable income and is based on prudent tax planning; however, when it is ascertained that the Group is not able to recover in future years, all or part of such anticipated taxes, the consequent adjustment would be charged to the income statement in the year in which this circumstance arises.

PROVISION FOR BAD DEBTS

The fund depreciation of credits reflects the management's estimate of losses inherent to the portfolio of credits towards the final customers and towards the sales network. The estimate of the fund depreciation of credits is based on losses expected by the Group, calculated on past experience with similar receivables, current and historical past, losses and collections, and the monitoring of credit quality and projections about economic conditions and market. The extension and possible deterioration of the economic and financial crisis could cause a further deterioration in the financial condition of the debtors of the Group with respect to that already taken into account in calculating the funds registered in the financial statements.

PROVISION FOR EMPLOYEE BENEFITS (INDEMNITY)

The calculations of the costs and liabilities associated with defined benefit plans which include also the severance benefits payable to employees pursuant to article 2120 of the Civil Code are based on estimates made by consulting actuaries, using a combination of factors statistical and actuarial, including statistical data on past years and forecasts of future costs. They are also considered as components of estimated mortality rates and withdrawal assumptions concerning future developments in discount rates, rates of wage growth, as well as the trends in the costs of health care. These estimates can differ significantly from actual results, the effect of the evolution of economic conditions and market, increases/reductions in withdrawal rates and the duration of life of the participants,

as well as changes in the actual costs of healthcare. Such differences can have a significant impact on the quantification of pension costs and other related expenses.

RECOVERABLE AMOUNT OF NON-CURRENT ACTIVITIES

The non-current activities include the real estate properties, plant and equipment, intangible assets (in particular, the value of permits), investments and other financial activities. The management periodically reviews the accounting value of non-current activities held and used and of the activities to be disposed of when events and circumstances require such review. This activity is performed using estimates of future cash flows expected from the use or sale of the property and a suitable discount rate to calculate the present value. When the accounting value of non-current activities have suffered an impairment loss, the Group recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds its recoverable amount through use or sale, as determined with reference to the most recent business plans.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are used with the intention of hedging in order to reduce the interest rate risk and changes in market prices. In accordance with IAS 39, derivative financial instruments can be recorded in accordance with the procedures established for hedge accounting only when, at the beginning of the hedge there is formal designation and documentation of the hedging relationship, it is assumed that the hedge is highly effective, its effectiveness can be reliably measured and the hedge is highly effective throughout the financial reporting periods for which it is designated.

All derivative financial instruments are measured at fair value in accordance with IAS 39. When financial instruments have the characteristics to be accounted for under hedge accounting, the following accounting treatment applies :

Fair value hedge - Where a derivative financial instrument is designated as a hedge of the exposure to changes in the fair value of an asset or a liability attributable to a particular risk and could affect profit or loss, the gain or loss arising from remeasurement of the fair value of the hedging instrument are recognized in the income statement. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognized in the income statement.

Cash flow hedge - Where a derivative financial instrument is designated as a hedge of the exposure to variability in future cash flows of an asset or liability recognized in the balance sheet or highly probable forecast transaction and could affect profit or loss, the effective portion of the gain or loss on the derivative financial instrument is recognized directly in equity. The gain or loss is removed from equity and recognized in the income statement in the period in which it is detected the relative economic effect of the hedged transaction. The gain or loss associated with a hedge (or part of a hedge) has become ineffective is recognized in the income statement immediately. If a hedging instrument or hedge relationship is terminated but the hedged transaction has not yet been realized, the gains and losses accrued up to the time recorded in equity are recognized in the income statement in connection with the recognition of the economic effects of the hedged transaction. If the hedged transaction is no longer expected to occur, the cumulative gains or losses not yet realized in equity is recognized immediately in the income statement.

If hedge accounting cannot be applied, the gains or losses arising from the fair value of derivative financial instruments are recognized immediately in the income statement. The financial assets and liabilities measured at fair value are classified into three hierarchical levels described below, according to the relevance of the information (input) used in determining the fair value.

In particular :

Level 1: this level are classified as current assets/liabilities for which the fair value is determined based on quoted prices (unadjusted) in active markets for identical assets or liabilities ;

Level 2: this level are classified as current assets/liabilities for which the fair value is determined based on inputs other than quoted prices included within Level 1 that, for these assets/liabilities are directly or indirectly observable in the market;

Level 3: This level is classified in current assets/liabilities for which the fair value is determined on the basis of non-observable market data.

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 December 31 2016, as at December 31 2015:

Intangible assets (in Euro)	Original Cost						Values as at 12.31.2016
	Values as at 12.31.2015	Increase	Decrease for Disposals	Writedowns/ Reclassification	Increases Investment in subsidiaries	Increase for PPA	
Software	1,110,403	114,720	(400,000)		255,466	15,533,295	16,613,884
Others	2,490,676	818,743	(377,355)		2,366,579		5,298,644
Building lease	317,324						317,324
Authorizations	10,957		(119,381)	290,532			182,108
Goodwill	2,578,207	600,711			119,072		3,297,989
Patents	616,450				984		617,434
Research and development	1,948,129	792,946	(1,549,940)		7,209,788		8,400,923
Construction in progress		278,589	(30,493)		2,849,897		3,097,993
Customer Relationship						8,144,122	8,144,122
Total	9,072,146	2,605,709	(2,477,168)	290,532	12,801,785	23,677,417	45,970,422

Intangible assets (in Euro)	Amortization and Writedowns					Values as at 12.31.2016
	Values as at 12.31.2015	Amortization	Writedowns/ Reclassification	Increases Investment in subsidiaries	Increase for PPA	
Software	676,014	403,421		225,060		1,304,495
Patents	246,047	43,000		113		289,160
Others	1,260,139	171,973		1,555,380		2,987,491
Research and development		101,178	(1,040,315)	5,954,291		5,015,155
Goodwill	97,431	4,731		35,722		137,884
Customer Relationship		135,735				135,735
Total	2,279,631	860,039	(1,040,315)	7,770,566		9,869,921

Intangible assets	Net Values					
	As At December, 31 2015			As At December, 31 2016		
	Original Cost	Cumulative Amortization	Net Values	Original Cost	Cumulative Amortization	Net Values
Software	1,110,403	(676,014)	434,389	16,613,884	(1,304,495)	15,309,389
Others	2,490,676	(1,260,139)	1,230,538	5,298,644	(2,987,491)	2,311,152
Building lease	317,324		317,324	317,324		317,324
Authorisations	10,957		10,957	182,108		182,108
Goodwill	2,578,207		2,578,207	3,297,989		3,297,989
Patents	616,450	(246,047)	370,403	617,434	(289,160)	328,274
Research and development	1,948,129		1,948,129	8,400,923	(5,015,155)	3,385,769
Construction in progress				3,097,993	(137,884)	2,960,108
Customer Relationship		(97,431)	(97,431)	8,144,122	(135,735)	8,008,386
Total	9,072,146	(2,279,631)	6,792,515	45,970,422	(9,869,921)	36,100,501

The increase in 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.

“Other” is increased for Euro 2,366 thousand as a result of the entry in the scope consolidation of Softeco and Selesoft.

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 December 31, 2016, there were no indicators to suggest impairment of goodwill.

GOODWILL IMPAIRMENT TEST - LUCOS ALTERNATIVES ENERGIES S.P.A.

The balance of goodwill was tested with respect to the individual cash-generating unit to which the goodwill refers. In particular, it was determined that the cash-generating unit:

- represents the lowest level within the enterprise to which the goodwill refers and is the basis for the purposes of internal monitoring and management control;
- is expected to realize the benefits of the synergies from the combination;
- could be represented at the reporting level by a set of clear, reliable and measurable flows.

In particular, the goodwill referenced above is as follows:

CGU - ENERGY EFFICIENCY	Euro/000 2015
Lucos Alternative Energies S.p.A.	2,335
Total Goodwill	2,335

The estimate of the recoverable amount of the CGU has been determined based on prudent criteria, in accordance with the provisions of IAS 36 and consistent with IFRS measurement practices. Specifically, the recoverable amount of the CGU was determined by discounting operating cash flows (DCF Model) extrapolated from the three-year financial plans drawn up and approved by the board of directors for the 2017-2019 period. The cash flow forecast was determined using the operating cash flow for the period, which was prepared on the basis of past results and future projections. The discount rate was determined on the basis of market's expectations about the value of money and the risks specific to the asset (Weighted Average Cost of Capital, WACC). The test showed that the recoverable amount of the CGU is higher than the net invested capital (including goodwill). Given the wide differential between the recoverable amount and net invested capital as shown by the impairment test, the detail of the related sensitivity

analysis is not included in this report. It is nonetheless noted that the recoverable amount exceeds book value by 100% and the discount rate which would make the recoverable amount equal to book value is 8.5%.

Therefore, as a result of the impairment test, no adjustment of the value of goodwill is required.

BUSINESS COMBINATION - SOFTECO SISMAT AND SELESOFT CONSULTING

On October 31, 2016, TerniEnergia finalized the acquisition of 100% of the share capital of the company Softeco Sismat srl and Selesoft Consulting srl, a leading company in national and excellence in information and communication technology sector.

The standard IFRS 3, which regulates the "Business Combination" requires first that at the date of the business combination the cost of the acquisition is identified and then is allocated to the assets, liabilities and contingent liabilities of the acquiree at the acquisition date identifiable and evaluated according to the respective "fair value."

The price for the acquisition of (i) Softeco was 3.415 million euro, of which EUR 1.74 million paid with TerniEnergia own shares and € 1.675 million to be paid in cash, to (ii) Selesoft was 1.115 million euro, of which EUR 640 thousand paid with TerniEnergia own shares and € 475,000 to be paid in cash.

Following the acquisition, the Directors of TerniEnergia have proceeded, in accordance with IAS/IFRS, the purchase price allocation (PPA) which provides for the allocation of the cost, by detecting the assets acquired, the liabilities assumed and contingent liabilities at their fair values at the acquisition date.

This phase of the allocative process, which takes place also with the aid of information received by an independent expert, was based on an estimate job mapping of assets and liabilities for which it was considered likely to encounter significant differences between the fair value and the respective book value, considering all available information.

The assets and liabilities recorded in the financial statements of companies Softeco Sismat and Selesoft Consulting to 31 October 2016 for which it was identified a difference between the book value and the fair value relate to intangible assets.

In particular, the following assets have been identified for which future economic benefits and it is possible to reliably estimate their fair value.

- a) **Customer Relationship:** it was decided to determine the attributable value according to differential profitability method, taking into account a partial capitalization of the obtainable economic benefits from a consulting engineering structure with contractual ongoing relationships with customers, from which streams of historical orders and are expected flows prospective and considered that operating margins would not be generated in the short-medium term without withstand high reconstruction of the structure and consequent losses costs. The resulting values were therefore seen as proxies of the expected net differential contribution, not be generated by the purchaser if not with costs and losses equal to or greater;
- b) **Software:** the attributable value was calculated according to the method of cash flows resulting from the exploitation of the intangible asset. After a survey of software products in the portfolio, we performed an analysis of the investments made, the year of marketing, of the full year total revenues with particular focus on those last three years, the payback to 2016 and the remaining useful life . It was therefore given the projection of the revenue forecasts for the next years by discounting the operating cash flows after tax.

For both Intangibles identified flows were discounted according to a weighted average cost of capital equal to approximately 12%. The useful life of intangibles and its amortization period is estimated at 12 years.

The table below shows the fair value of assets acquired:

Euro/000	SOFTECO	SELESOFT
CUSTOMER RELATIONSHIP	6,300	555
SOFTWARE	10,500	3,850
TOTAL	16,800	4,405
NET BOOK VALUE SOFTWARE AND CUSTOMER RELATIONSHIP	(1,067)	(447)
TOTAL	15,732	3,957

The allocation process of the previously described acquisition cost has resulted in identify a negative difference between the acquisition cost and the fair value of the assets acquired, net of related tax effects. This difference expresses Good Deal obtained, called the gain on bargain purchase, of which the following is the breakdown:

	EQUITY AS AT 31.10.2016 (A)	VALUE OF CUSTOMER RELATIONSHIP + SOFTWARE (B)	PRICE PAID (C)	VALUE OF AMORTIZATION TAX BENEFIT (D)	ASSETS (E) : (D+B) VALUE OF CUSTOMER RELATIONSHIP + SOFTWARE	DEFERRED TAX (F)	NET VALUE OF INTANGIBLE ASSETS (G): (E-F)	NET ASSET AS AT 31.10.2016 AT FAIR VALUE (H): (G-A)	GAIN ON BARGAIN PURCHASE (H-C)
Euro/000									
SOFTECO	(4,591)	15,732	3,415	3,159	18,892	(5,271)	13,621	9,030	5,615
SELESOFT	(82)	3,957	1,115	828	4,786	(1,335)	3,451	3,368	2,253
	(4,673)	19,690	4,530	3,988	23,677	(6,606)	17,071	12,398	7,868

The gain on bargain purchase, identified as part of the allocative process described, amounts to EUR 7.868 million and was recognized, in accordance with applicable accounting standards, in the income statement in a specific item separately identified and named "gain on purchase Burgain ".

2. TANGIBLE FIXED ASSETS

The table below reports the analysis of changes of "Net values" relating to tangible assets as at December 31, 2016, as at December 31 2015:

Property, plant and equipment (in Euro)	Original Cost						Values as at 12.31.2016
	Values as at 12.31.2015	Increase	Decrease for Disposals	Reclassification	Increases Investment in subsidiaries	Other	
Land and buildings	25,774,774	433,334	(47,993)	(650,000)		19,535	25,529,651
Plant and machinery	88,028,206	855,210	(104,284)	(290,532)	1,214,442	48,922	89,751,964
Industrial equipment	949,180	55,300			1,057,418	(4,500)	2,057,398
Other assets	1,385,010	21,308	(390)		28,849	204	1,434,981
Construction in progress	15,357,960	1,760,912	(1,128,000)	650,000			16,640,872
Total	131,495,130	3,126,065	(1,280,666)	(290,532)	2,300,709	64,160	135,414,865

Property, plant and equipment (in Euro)	Depreciation and Other Changes					Values as at 12.31.2016
	Values as at 12.31.2015	Depreciation	Increases Investment in subsidiaries	Other Increase	Other Reclassification	
Land and buildings	2,573,572	466,455	(5,039)		71,540	3,106,528
Plant and machinery	20,367,411	4,567,761	(62,377)	1,024,783		25,897,578
Industrial equipment	866,388	84,778	(4,712)	1,034,279	(4,500)	1,976,233
Other assets	1,180,196	94,508		28,381	(7,389)	1,295,695
Total	24,987,566	5,213,503	(72,127)	2,087,443	59,650	32,276,035

Property, plant and equipment (in Euro)	Net Values					
	As At December, 31 2015			As At December, 31 2016		
	Original Cost	Accumulated Depreciation	Net Values	Original Cost	Accumulated Depreciation	Net Values
Land and buildings	25,774,774	(2,573,572)	23,201,203	25,529,651	(3,106,528)	22,423,123
Plant and machinery	88,028,206	(20,367,411)	67,660,795	89,751,964	(25,897,578)	63,854,386
Industrial equipment	949,180	(866,388)	82,792	2,057,398	(1,976,233)	81,165
Other assets	1,385,010	(1,180,196)	204,815	1,434,981	(1,295,695)	139,286
Construction in progress	15,357,960		15,357,960	16,640,872		16,640,872
Total	131,495,130	(24,987,566)	106,507,564	135,414,865	(32,276,035)	103,138,831

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 December 31, 2016 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 16,640 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;

Given the uncertainties that emerged during the 2016 about the recoverability of the investment, were devalued in the current period the capitalisation of Euro 1,128 thousand at December 31, 2015 recorded under assets, incurred in previous years for the development of the wind farm from 18 MWp in Stroncone.

3.EQUITY INVESTMENTS

The following table shows the balances of investments in joint ventures and investments carried with the equity method as at December 31, 2016 and December 31, 2015, along with the related changes:

(in Euro)	December 31, 2016	December 31, 2015	Change	Change %
Investments in JV	3,885,643	1,238,007	2,647,636	n.a.
Investments in Equity	532,255	6,392,694	(5,860,439)	(91.7)%
Total	4,417,898	7,630,702	(3,212,804)	(42.1)%

The 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.

The increase in the value of investments in joint ventures is due to the recognition of their results relative to December 31, 2016 besides the acquisition of the stake in Vitruvian Lab, while the reduction in the item Other investments is linked to the devaluation of the unlisted Italian banks shares (Veneto Banca e Banca Popolare di Vicenza), reflected in income statement in the year 2016, for a total of Euro 6.3 million.

In order to provide more complete disclosure, the following table shows the aggregate net financial debt of each joint venture as at December 31, 2016:

	Energia Alternativa	Solter	Girasole	Guglionesi	Rebis Power	Investimenti Infrastrutture	Soc. Agric. Fotosolara Bonnano	Soc. Agric. Fotosolara Oristano	Infocaciucci	Opera Power	Total
Cash											
Bank account	888,504	38,117	101,956	106,841	11,569	8,943	60,456	33,641	48,596	8,917	1,307,540
Liquidity (A)	888,671	38,117	101,956	106,841	11,569	9,683	60,456	33,641	48,596	8,917	1,308,447
Current financial debts											
- loans	(1,021,864)		(340,000)								(1,361,864)
- sale and leaseback	(1,475,219)	(674,542)	(572,474)	(114,683)	(161,085)	(69,909)	(79,329)	(105,618)	(161,936)	(112,168)	(3,526,962)
- shareholder loan			(500,000)	(21,712)							(521,712)
- shareholder loan(TerniEnergia)	(595,042)	(321,494)	(563,636)	(21,712)	(5,724)	(126,189)	(135,719)	(198,555)	(192,439)		(2,160,511)
Non-Current financial debts											
- loans	(11,628,747)		(1,010,000)								(12,638,747)
- project financing											
- sale and leaseback	(19,992,894)	(8,940,797)	(4,028,949)	(1,976,364)	(2,037,140)	(1,027,586)	(1,670,587)	(2,224,200)	(2,058,574)	(1,678,737)	(45,635,828)
- shareholder loan			(437,520)	(346,210)							(783,730)
- shareholder loan(TerniEnergia)	(7,403,521)	(1,445,909)	(518,695)	(374,216)		(874,304)	(842,852)	(1,015,045)			(12,474,543)
Financial indebtedness (B)	(42,117,287)	(11,382,742)	(7,971,275)	(2,854,897)	(2,203,949)	(2,097,987)	(2,728,487)	(3,543,419)	(2,412,948)	(1,790,905)	(79,103,896)
Net Financial indebtedness (A+B)	(41,228,616)	(11,344,625)	(7,869,318)	(2,748,056)	(2,192,380)	(2,088,304)	(2,668,031)	(3,509,778)	(2,364,352)	(1,781,988)	(77,795,449)

4. DEFERRED TAX ASSETS

The following table provides details of the account balance as at December 31, 2016 and December 31, 2015, respectively, and the related changes:

<i>(in Euro)</i>	December 31, 2016	December 31, 2015	Change	Change %
Deferred tax assets	16,375,492	14,489,978	1,885,514	13.0%
Total	16,375,492	14,489,978	1,885,514	13.0%

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 December 31, 2016 and December 31, 2015, respectively, and the related changes:

<i>(in Euro)</i>	December 31, 2016	December 31, 2015	Change	Change %
Solter S.r.l.	1,445,909	1,445,909		0.0%
Infocaciucci S.r.l.	874,304	874,304		0.0%
Soltarenti S.r.l.	1,093,775	1,477,513	(383,738)	(26.0)%
Energia Alternativa S.r.l.	7,403,521	7,903,521	(500,000)	(6.3)%
Soc. Agricola Fotosolara Bonnanaro S.r.l.	842,852	842,852		0.0%
Girasole S.r.l.	518,695	708,695	(190,000)	(26.8)%
Soc. Agricola Fotosolara Oristano S.r.l.	1,015,045	1,015,045		0.0%
Guglionesi S.r.l.	374,216	402,799	(28,583)	(7.1)%
Financial asset	7,994,875	8,173,942	(179,067)	(2.2)%
Security deposits	769,632	811,041	(41,409)	(5.1)%
				n.a.
Total	22,332,824	23,655,621	(1,322,798)	(5.6)%

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 7,994,875 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 December 31, 2016, 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 December 31, 2016 and December 31, 2015, respectively, and the related changes:

(in Euro)	December 31, 2016	December 31, 2015	Change	Change %
Raw materials	3,082,564	16,508,454	(13,425,890)	(81.3)%
Finished Products	1,020,669	469,198	551,471	117.5%
Products in process	16,269,726	6,502,020	9,767,707	n.a.
Total	20,372,960	23,479,671	(3,106,713)	(13.2)%

The value of inventories at December 31, 2016 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 December 31, 2016 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 December 31, 2016 are mainly relate to the raw material derived secondly from the recovery of used tyres, as well as to the equipment "TR griddles" (apparatus for providing power to low voltage using a stand-alone photovoltaic energy and batteries) and "TR WOC" (sensor for the detection of weld defects real-time). For these products, the company is implementing a strategy aimed to expand the market abroad.

The item raw material is referred mainly to various materials (structural and electrical) used for the construction of photovoltaic systems.

7. TRADE RECEIVABLES

The following table provides details of the account balance as at December 31, 2016 and December 31, 2015, respectively, and the related change:

(in Euro)	December 31, 2016	December 31, 2015	Change	Change %
Resceivables from customers	33,961,291	52,451,807	(18,490,517)	(35.3)%
Resceivables from joint venture	1,016,555	449,496	567,059	126.2%
Resceivables from affiliated companies	39,730	26,987	12,743	47.2%
Provision for doubtful	(1,426,915)	(726,972)	(699,943)	96.3%
Total	33,590,661	52,201,318	(18,610,657)	(35.7)%

Trade receivables amounted to Euro 33,590 thousand as at December 31, 2016, with most of the balance due from customers. The change in trade receivables compared to 31 December 2015 is mainly due to the combined effect of the receipts related to contracts of photovoltaic EPC in South Africa Tom Burke and Paleisheuwel and to the first consolidation of Softeco Sismat and Selesoft Consulting

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 through 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 December 31, 2016 and December 31, 2015, respectively, and the related change:

(in Euro)	December 31, 2016	December 31, 2015	Change	Change %
VAT Credit	3,108,910	3,379,640	(270,730)	(8.0)%
Advances to suppliers	675,987	620,601	55,387	8.9%
Prepayments	3,677,832	1,197,711	2,480,122	n.a.
Other credits	22,399,979	18,916,345	3,483,634	18.4%
Total	29,862,709	24,114,296	5,748,413	23.8%

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.

The decrease in net tax credit is mainly due to factors related to billing and VAT payments by the subsidiary TerniEnergia Project.

9. FINANCIAL RECEIVABLES

The following table provides details of the account balance as at December 31, 2016 and December 31, 2015, respectively, and the related change:

(in Euro)	December 31, 2016	December 31, 2015	Change	Change %
Financial receivables from joint venture	2,168,381	1,959,249	209,132	10.7%
Financial receivables from MPS	1,000,000	1,000,000		0.0%
Financial receivables from others	644,771	1,256,664	(611,893)	(48.7)%
Total	3,813,152	4,215,913	(402,761)	(9.6)%

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.

10. CASH AND CASH EQUIVALENTS

The following table provides details of the account balance as at December 31, 2016 and December 31, 2015, respectively, and the related change:

	December 31, 2016	December 31, 2015	Change	Change %
(in Euro)				
Bank accounts	11,177,220	12,488,162	(1,310,942)	(10.5)%
Cash	60,384	27,191	33,193	122.1%
Total	11,237,604	12,515,353	(1,277,749)	(10.2)%

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 December 31, 2016, the subscribed and paid share capital amounted to Euro 15,444,000 divided into 15,444,000 ordinary shares.

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

As at December 31, 2016, other reserves incorporate the decrease of the cash-flow hedge, which had a negative balance Euro 5,224,000 at the end of 2016. 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 December 31, 2016, 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 December 31, 2016 and December 31, 2015, respectively, and the related change:

(in Euro)	December 31, 2016	December 31, 2015	Change	Change %
Provision for risks and charges	193,086	43,086	150,000	n.a.
Total Provision for Risk and charges	193,086	43,086	150,000	n.a.

The provision related to tax assessment received by the Municipality of Narni regarding the tax on real estate property. The change is due to the entry of Selesoft in the scope of consolidation.

13. EMPLOYEE BENEFITS

The following table provides details of the account balance as at December 31, 2016 and December 31, 2015, respectively, and the related change:

(in Euro)	December 31, 2016	December 31, 2015	Change	Change %
Provision for employee benefits	6,649,733	1,329,505	5,320,228	n.a.
Total	6,649,733	1,329,505	5,320,228	n.a.

The change is due to the entry in the scope of consolidation of the companies Softeco and Selesoft.

14. DEFERRED TAXATION

The following table provides details of the account balance as at December 31, 2016 and December 31, 2015, respectively, and the related change:

<i>(in Euro)</i>	December 31, 2016	December 31, 2015	Change	Change %
Deferred tax provision	16,065,604	7,286,282	8,779,322	120.5%
Total	16,065,604	7,286,282	8,779,322	120.5%

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.

The increase was mainly due to Euro 6.606 million, the recognition of deferred taxes as part of the PPA on the acquired companies Softeco Sismat and Selesoft Consulting, as described in the section "Business Combination" which refer.

15. FINANCIAL NON CURRENT LIABILITIES

The following table provides details of the account balance as at December 31, 2016 and December 31, 2015, respectively, and the related change:

<i>(in Euro)</i>	December 31, 2016	December 31, 2015	Change	Change %
Debts. due to financial leasing	22,656,314	21,723,638	932,676	4.3%
Other financial liabilities	2,053,692	1,650,704	402,988	24.4%
Non-current borrowings	36,336,662	38,662,951	(2,326,289)	(6.0)%
Debt. Issue	24,577,075	24,419,853	157,222	0.6%
Total	85,623,744	86,457,147	(833,402)	(1.0)%

Payables for financial leases, amounting to Euro 22,656 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 December 2016, is around 5.8 million, and is composed by medium-term loans.

16. OTHER NON-CURRENT LIABILITIES

The following table provides details of the account balance as at December 31, 2016 and December 31, 2015, respectively, and the related change:

<i>(in Euro)</i>	December 31, 2016	December 31, 2015	Change	Change %
Other non-current liabilities	50,000	50,000	-	-
Deferred Margins	58,616	197,492	(138,876)	(70.3)%
Total	108,616	247,492	(138,876)	(56.1)%

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 December 31, 2016 and December 31, 2015, respectively, and the related change:

<i>(in Euro)</i>	December 31, 2016	December 31, 2015	Change	Change %
Hedging Derivatives	3,027,447	3,251,759	(224,313)	(6.9)%
Total	3,027,447	3,251,759	(224,313)	(6.9)%

On December 31, 2016 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 3,027 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 December 31, 2016 and December 31, 2015, respectively, and the related change:

<i>(in Euro)</i>	December 31, 2016	December 31, 2015	Change	Change %
Due to suppliers	47,034,677	62,885,313	(15,850,636)	(33.7)%
Due to affiliated companies	190,078	618,632	(428,553)	n.a.
Due to Joint venture	440,701	413,980	26,720	6.1%
Total	47,665,456	63,917,925	(16,252,469)	(34.1)%

Trade payables amounted to Euro 47,665 thousand as at December 31, 2016 are referred to the supply of materials as well as the acquisition of goods and services. The decrease, which mainly shows in accounts payable, was due by payments of debts relating to the supply in South Africa, mainly inverter and FV panels.

19. DEBT AND OTHER FINANCIAL LIABILITIES

The following table provides details of the account balance as at December 31, 2016 and December 31, 2015, respectively, and the related change:

(in Euro)	December 31, 2016	December 31, 2015	Change	Change %
Current bank debt (current account overdraft)	26,324,334	22,145,526	4,178,808	18.9%
Loans	9,536,725	7,998,644	1,538,081	19.2%
leasing	2,525,268	1,882,573	642,694	34.1%
Other financial liabilities	2,179,796	2,497,310	(317,514)	(12.7)%
Total	40,566,123	34,524,053	6,042,070	17.5%

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 December 31, 2016. 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 11.2 million as at December 31, 2016.

Italeaf S.p.A. has provided corporate guarantees in favor of the subsidiary TerniEnergia for a total amount of approximately Euro 59 million at the date of these financial statements.

20. TAX LIABILITIES

The following table provides details of the account balance as at December 31, 2016 and December 31, 2015, respectively, and the related change:

(in Euro)	December 31, 2016	December 31, 2015	Change	Change %
Direct Taxes	1,442,400	1,336,364	106,036	7.9%
Total	1,442,400	1,336,364	106,036	7.9%

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 December 31, 2016 and December 31, 2015, respectively, and the related change:

(in Euro)	December 31, 2016	December 31, 2015	Change	Change %
Due to personnel	1,368,364	1,028,393	339,971	33.1%
Payables to social security institutions and welfare	4,493,656	554,887	3,938,769	n.a.
Other current liabilities	12,220,041	11,108,571	1,111,471	10.0%
Total	18,082,061	12,691,851	5,390,209	42.5%

The account includes payables to employees and social-welfare institutions. The increase in current liabilities of EUR 5.075 million is due to the recent acquisition of Softeco and Selesoft.

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 December 31, 2016, 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 December 31, 2016 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 31 December 2016.

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 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 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.

COMMENTS ON THE MAIN INCOME STATEMENT ACCOUNTS

22. REVENUES

The following table provides details of the account for the twelve months ended December 31, 2016 and December 31, 2015, respectively:

(in Euro)	As at December 31, 2016	As at December 31, 2015	Change	Change %
Revenues Clean Technologies	10,769,193	8,678,058	2,091,135	24.1%
Revenues Technical services	55,901,991	108,022,008	(52,120,017)	(48.2)%
Revenues Energy Saving	2,888,763	2,805,472	83,291	3.0%
Revenues Energy Management	7,836,570	249,736,471	(241,899,901)	(96.9)%
Revenues Gain on Bargain Purchase	7,867,882		7,867,882	n.a.
Other Revenues	311,332	535,635	(224,303)	(41.9)%
Revenues Drones	83,322	1,568,602	(1,485,280)	(94.7)%
Total	85,659,054	371,346,246	(285,687,193)	(76.9)%

For the year ended December 31, 2016, the Group realized consolidated revenues from sales and services in the amount of Euro 85,659 thousand, a significant decrease compared to the previous year (Euro 285,687 thousand), mainly due to the decrease in revenues from the Energy Management operations relating to Free Energia SpA.

Revenue from "Technical Service" amounted to Euro 55.902 million, of which € 35,039,000 related to the activity of EPC made at the two South Africans yards "Paleisheuvel" and "Tom Burke". The residual item includes revenues from EPC activities carried on smaller systems, revenues from operating Photovoltaic Plants from production and sale of energy produced by the Group (so-called "Power Generation"), revenues for operation & maintenance services by the based on multi-year contracts and revenues from consulting services, for about 70 percent of the total, relating to the companies Softeco and Selesoft. The decrease is mainly due to the progress of construction sites in South Africa figure achieved for more than two-thirds of the contract value in the previous year.

The business line "Clean Technologies" recorded at December 31, 2016 total revenues of Euro 10.769 million, mainly represented by revenues from the biodigester 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 change compared to previous year is attributable to the combined effect, on the one hand, the contribution of Euro 2,311,000 received from Syndial for the expansion of water treatment for Nera Montoro groundwater and the presence of the revenues PFU involved in the setting of Borgo Val di Taro (the second plant), which came into operation in late 2015, and on the other, the exit from the consolidation perimeter of Feed Company SpA (a subsidiary of Free Energia), which on 31 December 2015 had contributed to Group revenues with the new trading of vegetable oil.

Revenues of "Energy Saving" amounted to Euro 2.889 million and are mainly relates to two new energy efficiency projects lighting for a primary group cement and a town in the province of Siena and the consolidation as of October 31, 2016 Softeco and Selesoft, whose revenues are recorded in part (about 30 percent) in this line of business.

"Energy Management" revenues are equal to Euro 8.641 million, a significant decrease compared to 31 December 2015 (Euro 201.025 million) to the effect illustrated above relating to the exit of Free Energia from the scope of consolidation.

The revenues also includes the so-called "Gain on Bargain Purchase", amounting to Euro 7.868 million, resulting from the PPA (Purchase Price Allocation) on the two new acquisitions companies Softeco and Selesoft, described in the section "Business Combination" in the explanatory notes.

23. CHANGES IN INVENTORIES OF SEMI-FINISHED PRODUCTS

The following table provides details of the account for the twelve months ended December 31, 2016 and December 31, 2015, respectively:

<i>(in Euro)</i>	As at December 31, 2016	As at December 31, 2015	Change	Change %
Finished Products	561,470	(152,716)	714,186	n.a.
Semifinished Products	(628)	26,348	(26,976)	
Products in process	1,826,912	(2,293,561)	4,120,473	n.a.
Total	2,387,755	(2,419,928)	4,807,683	n.a.

24. COSTS OF RAW MATERIALS, SUPPLIES AND GOODS

The following table provides details of the account for the twelve months ended December 31, 2016 and December 31, 2015, respectively:

<i>(in Euro)</i>	As at December 31, 2016	As at December 31, 2015	Change	Change %
Purchase of materials	20,491,095	93,378,686	(72,887,591)	(78.1)%
Materials consumption				n.a.
Fuels and lubricants	218,571	262,452	(43,881)	(16.7)%
Change in inventories of raw materials, consumables	14,203,375	(17,454,784)	31,658,159	n.a.
Purchase of Energie		105,463,747	(105,463,747)	(100.0)%
Total	34,913,041	181,650,101	(146,737,060)	(80.8)%

The decrease in the costs for raw materials, consumables and goods is attributable to the combined effect, on the one hand, exit from the scope of consolidation of Free Energia, an aspect which has resulted in lower energy purchases and, secondly, by variation of inventories of raw materials in particular for use on sites "Tom Burke" and "Paleisheuwel".

25. COSTS FOR SERVICES

The following table provides details of the account for the twelve months ended December 31, 2016 and December 31, 2015, respectively:

<i>(in Euro)</i>	As at December 31, 2016	As at December 31, 2015	Change	Change %
Outwork	912,913	2,723,567	(1,810,653)	n.a.
Consultancy and external collaborators	3,409,987	5,724,154	(2,314,168)	(67.9)%
Rental and hire	1,102,029	828,937	273,092	24.8%
Renting property	243,663	379,052	(135,389)	(55.6)%
Transport	345,650	107,174,612	(106,828,962)	n.a.
Services Energy/Gas		15,275,525	(15,275,525)	n.a.
Maintenance and repairs and assistance	3,214,859	1,197,912	2,016,946	62.7%
Supervision and Insurance	1,187,720	883,998	303,722	34.4%
Other costs for services	8,207,692	14,047,267	(5,839,575)	(41.6)%
Total	18,624,513	148,235,025	(129,610,512)	(87.4)%

This item includes primarily costs for external work, consulting and collaboration, supervision and transportation insurance and other benefits. The Change is due to the demerger operation. The change compared to the previous year is mainly due to the absence of costs for services related to the activity of Energy Management of the Free Energia.

26. PERSONNEL COSTS

The following table provides details of the account for the twelve months ended December 31, 2016 and December 31, 2015, respectively:

<i>(in Euro)</i>	As at December 31, 2016	As at December 31, 2015	Change	Change %
Wages and salaries	7,840,371	5,352,763	2,487,609	46.5%
Social Security Contribution	2,072,529	1,871,650	200,879	10.7%
Remuneration of Directions	540,500	688,778	(148,278)	(21.5)%
Provision for employee benefits	478,117	214,699	263,418	122.7%
Temporary Staff	436,094	372,375	63,719	17.1%
Total	11,367,612	8,500,265	2,867,347	33.7%

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

27. OTHER OPERATING COSTS

The following table provides details of the account for the twelve months ended December 31, 2016 and December 31, 2015, respectively:

<i>(in Euro)</i>	As at December 31, 2016	As at December 31, 2015	Change	Change %
Taxes not on incomes	433,675	915,728	(482,053)	(52.6)%
Other costs	5,618,448	3,074,418	2,544,031	82.7%
Total	6,052,123	3,990,146	2,061,977	51.7%

28. AMORTIZATION, DEPRECIATION, PROVISIONS AND WRITEDOWNS

The following table provides details of the account for the twelve months ended December 31, 2016 and December 31, 2015, respectively:

<i>(in Euro)</i>	As at December 31, 2016	As at December 31, 2015	Change	Change %
Amortization of intangible assets	863,839	917,039	(53,201)	(5.8)%
Amortization of tangible assets	5,312,282	5,389,328	(77,046)	(1.4)%
Writedown non current activities	8,730,949	3,902,311	4,828,638	123.7%
Total	14,907,069	10,208,678	4,698,391	46.0%

Depreciation mainly refers to plants owned by the TerniEnergia Group.

The writedown of non-current assets mainly refers (for Euro 6.5 million) to a devaluation of minority stakes (Veneto Banca, Banca Popolare di Vicenza), recorded to reflect the impairment loss of these securities. The residual amount is

realting to a devaluation of the investment for the realization wind farm, for Euro 1.1 million, and a write-down of receivables of Euro 1.1 million.

29. FINANCIAL INCOME AND CHARGES

The following table provides details of the account for the twelve months ended December 31, 2016 and December 31, 2015, respectively:

<i>(in Euro)</i>	As at December 31, 2016	As at December 31, 2015	Change	Change %
Interest expense on debt	(6,523,863)	(9,765,992)	3,242,129	(33.2)%
banking Commission	(453,996)	(1,379,172)	925,175	(67.1)%
Interests on bonds	(1,885,069)	(1,878,983)	(6,086)	0.3%
Total finance costs	(8,862,928)	(13,024,147)	4,161,218	(32.0)%
Interest earned on bank accounts	1,059,080	348,055	711,025	n.a.
Interest income / joint venture	344,553	344,553		0.0%
Other financial income	579,120	2,048,866	(1,469,747)	(71.7)%
Total financial incomes	1,982,753	2,741,475	(758,722)	(27.7)%
Total	(6,880,176)	(10,282,672)	3,402,496	(33.1)%

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. The change in financial expenses is mainly due to the exit of Free Energia from the Group.

30. JOINT VENTURE INCOME

The following table provides details of the account for the twelve months ended December 31, 2016 and December 31, 2015, respectively:

<i>(in Euro)</i>	As at December 31, 2016	As at December 31, 2015	Change	Change %
Energia Alternativa S.r.l.	(9,449)	(218,202)	208,754	(95.7)%
Solter S.r.l.	365,146	(64,105)	429,251	n.a.
Saim Energy 2 S.r.l.		9,482	(9,482)	(100.0)%
Girasole S.r.l.	180,775	143,160	37,615	26.3%
Guglionesi S.r.l.	263,607	4,147	259,460	n.a.
Bonnanara S.r.l.	6,918	(126,146)	133,064	(105.5)%
Oristano S.r.l.	298,253	(108,437)	406,690	n.a.
Investimenti infrastrutture S.r.l.	(15,940)	(69,369)	53,429	(77.0)%
Infocaciucci S.r.l.	101,773	(222,612)	324,385	(145.7)%
Vitruviano Lab S.r.l.	(37,849)		(37,849)	n.a.
Rebispower	20,826	(12,933)	33,759	n.a.
Opera Power S.r.l.		(2,671)	2,671	(100.0)%
Total	1,174,059	(667,685)	1,841,744	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 twelve months ended December 31, 2016 and December 31, 2015, respectively:

<i>(in Euro)</i>	As at December 31, 2016	As at December 31, 2015	Change	Change %
Current Taxes	899,505	2,788,505	(1,889,000)	(67.7)%
Deferred tax asset	335,257	1,223,763	(888,506)	(72.6)%
Deferred tax provision	(271,791)	(1,092,945)	821,154	(75.1)%
Total	962,972	2,919,323	(1,956,352)	(67.0)%

<i>(in Euro)</i>	As at December 31, 2016	As at December 31, 2015	Change	Change %
Current Taxes				
- IRES	826,968	1,046,006	(219,039)	(20.9)%
- IRAP	72,537	1,742,499	(1,669,961)	(95.8)%
Total	899,505	2,788,505	(1,889,000)	(67.7)%

TRANSACTION WITH RELATED PARTIES

The following table summarizes financial transactions with related parties:

(in Euro)	As At December 31 2016			As At December 31 2016		
Description	Receivables	Guarantees	Guarantees given	Takeover Commitments	Charges	Income
Joint venture						
Girasole S.r.l.	1,082,332			1,183,864		29,672
Guglionesi S.r.l.	395,928					22,600
Energia Alternativa S.r.l.	7,999,893			14,805,913		251,420
Solter S.r.l.	1,767,404					48,677
Soc. Agric. Fotosolara Bonnanaro S.r.l.	978,571					9,655
Soc. Agric. Fotosolara Oristano S.r.l.	1,213,600					22,679
Investimenti Infrastrutture S.r.l.	1,000,493					25,198
Infocaciucci S.r.l.	192,439			2,180,170		
Rebis Power S.r.l.	5,724					
Affiliated companies						
T.E.R.N.I. Research S.p.A.				2,200,060		
Other Related Parties						
Sol Tarenti	1,093,775			7,620,874		
Camene S.r.l.				2,526,849		
Royal Club Snc				2,495,145		
Lizzanello S.r.l.	1,770					
Saim Energy 2 S.r.l.				2,176,983		
Totale	15,731,929			35,189,859		409,901

The following table summarizes commercial transactions with related parties:

(in Euro)	As At December 31 2016				As At December 31 2016				
	Receivables	Payables	Other credits	Other Payables	Costs		Revenues		
Description					Goods	Service Cost	Personnel	Goods	Service Cost
Joint venture									
Girasole S.r.l.	125,765	55,019							92,880
Guglionesi S.r.l.	30,500								20,000
Energia Alternativa S.r.l.	518,768								1,059,655
Solter S.r.l.	217,171	97,985							121,026
Soc. Agric. Fotosolara Bonnanaro S.r.l.	51,186			6,872					28,000
Soc. Agric. Fotosolara Oristano S.r.l.	34,160		146						28,000
Investimenti Infrastrutture S.r.l.	17,019	260,820	6,303						24,200
Infocaciucci S.r.l.	16,202			20,005					20,280
Opera Power S.r.l.	5,784								
Associates									
T.E.R.N.I. Research S.p.A.	39,730	148,335	2,131,026	31,443					1,750
Other Related Parties									
Byom S.r.l.		56,156				78,044			
Sol Tarenti S.r.l.									80,650
Lizzanello S.r.l.	63,400								17,553
Royal Club S.r.l.									
Saim Energy 2	81,107								4,035
Senior management		69,077					762,634		
Totale	1,200,791	687,391	2,137,475	58,320		78,044	762,634		1,498,028

SUBSEQUENT EVENTS

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 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".