

**ITALEAF: Resoconto intermedio di gestione al 31 marzo 2017**

**Raddoppia l'EBITDA. Risultato netto in pareggio. Si riduce la PFN. Stefano Neri nominato Amministratore delegato.**

- I ricavi ammontano a Euro 0,92 milioni (Euro 30,1 milioni nel bilancio consolidato)
- L'EBITDA pari a Euro 0,24 milioni (Euro 3,4 milioni nel bilancio consolidato)
- L'EBIT è pari a Euro 90 mila (Euro 1,2 milioni nel bilancio consolidato)
- L'EBT ammonta a Euro -139 mila (Euro -4 mila nel bilancio consolidato)
- Utile netto pari a Euro 4 mila (Euro 0,27 milioni nel bilancio consolidato)
- Patrimonio netto pari a Euro 27 milioni (Euro 64,2 milioni nel bilancio consolidato)
- PFN di Euro 16,5 milioni (Euro 108,2 milioni nel bilancio consolidato)
- NAV pari a Euro 32,8 milioni circa; NAV per azione Euro 2,12
- Rimodulato il debito bancario con MPS, in coerenza con le linee guida di riduzione della PFN

Il consiglio di amministrazione di Italeaf, holding di partecipazione e primo company builder italiano, attiva nei settori cleantech e smart innovation, quotata al Nasdaq First North, ha approvato oggi il resoconto intermedio di gestione al 31 marzo 2017.

**Dati economici e finanziari di sintesi\***

	Al 31 marzo 2017	Comparato al 31 marzo 2016
	in Euro	
<b>Ricavi netti delle vendite e delle prestazioni</b>	918.092	-3,2%
<b>EBITDA</b>	243.456	102,7%
<b>EBIT</b>	90.443	395,3%
<b>EBT (Risultato ante imposte)</b>	(139.302)	-197,7%
<b>Risultato netto</b>	4.698	-97,2%
	<b>Comparato al 31/12/2016</b>	
<b>Patrimonio netto</b>	27.044.786	Inv.%
<b>Posizione finanziaria netta complessiva</b>	16.477.989	-3,1%

\*Resoconto intermedio di gestione separato redatto secondo i principi contabili ITALIAN GAAP

Il NAV di Italeaf è pari a Euro 32,8 milioni al 31 marzo 2017 (+11%; Euro 29,5 milioni al 31 dicembre 2016); Nav per azione Euro 2,12. I valori comunicati non tengono conto dello "sconto holding" che precedentemente era stato calcolato in misura del 20%.

Il Resoconto intermedio di gestione al 31 Marzo 2016 in versione completa e in lingua inglese sarà pubblicato sul sito internet della Società [www.italeaf.com](http://www.italeaf.com) e diffuso su Nasdaq Inpublic.

**Altre delibere del CDA**

Il Consiglio di Amministrazione ha proceduto alla nomina del presidente Stefano Neri ad Amministratore delegato ed ha confermato le deleghe all'amministratore esecutivo Monica Federici. Il Consiglio ha altresì verificato la sussistenza in capo a Domenico De Marinis dei requisiti di indipendenza.

Il Consiglio di Amministrazione di Italeaf – in coerenza con le linee guida di riduzione progressiva della PFN - ha, inoltre approvato un accordo per la rimodulazione del debito bancario di circa Euro 8 milioni con Monte dei Paschi di Siena S.p.A., che prevede – tra l'altro – una modifica delle forme tecniche di affidamento, con miglioramento delle condizioni economiche applicate. L'accordo prevede, infatti, un dimezzamento degli interessi passivi annui di circa Euro 0,4 milioni a parità di affidamenti. Dal punto di vista finanziario l'impegno di Italeaf sarà sostanzialmente inalterato rispetto alla situazione attuale, tenendo conto dell'avvio di un graduale rimborso in quota capitale. E' stata confermata l'attuale struttura delle garanzie che già assiste questo affidamento, che prevede pegno su azioni TerniEnergia per un controvalore di Euro 9 milioni circa.

L'accordo prevede, infine, l'impegno da parte di Italeaf a un rimborso straordinario in quota capitale pari al 50% del monte dividendi distribuito, qualora l'Assemblea degli Azionisti deliberi la distribuzione di dividendi.

*Italeaf S.p.A. è tenuta a rendere pubbliche queste informazioni ai sensi del regolamento sugli abusi di mercato UE. Tali informazioni sono state fornite per la pubblicazione, attraverso i referenti di seguito indicati, alle ore 20.00 CET del 22 Maggio 2017.*

*Il presente comunicato stampa è disponibile anche sul sito internet della Società: [www.italeaf.com](http://www.italeaf.com).*

#### **Certified Adviser**

Mangold Fondkommission AB, +46 (0)8 5030 1550, è il Certified Adviser di Italeaf SpA su Nasdaq First North.

#### **Per maggiori informazioni:**

Filippo Calisti  
CFO – Italeaf S.p.A.  
E-mail: [calisti@italeaf.com](mailto:calisti@italeaf.com)

**Italeaf S.p.A.**, costituita nel dicembre 2010, è una holding di partecipazione e un acceleratore di business per imprese e startup nei settori dell'innovazione e del cleantech. Italeaf opera come company builder, promuovendo la nascita e lo sviluppo di startup industriali nei settori cleantech, smart energy e dell'innovazione tecnologica. Italeaf ha sedi operative in Umbria a Terni e Nera Montoro nel Comune di Narni, a Milano e Lecce; ha filiali internazionali a Londra e a Hong Kong ed un centro di ricerca localizzato all'interno dell'Hong Kong Science and Technology Park. La società controlla TerniEnergia, quotata sul segmento STAR di Borsa Italiana e attiva nei settori delle energie rinnovabili, dell'efficienza energetica e del waste management, Skyrobotic, azienda di sviluppo e produzione di droni civili e commerciali nelle classi mini e micro per il mercato professionale, Numanova, attiva nella produzione di polveri metalliche per la manifattura additiva e l'industria metallurgica avanzata e Italeaf RE, società immobiliare. Italeaf detiene, inoltre, una partecipazione di minoranza in Vitruviano Lab, organismo di ricerca attivo nei settori dei materiali speciali, della chimica verde e del cleantech.



**CONSOLIDATE INTERIM  
FINANCIAL REPORT  
AS AT MARCH 31, 2017  
ITALEAF GROUP**



# 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 32.8 million at the end of March 2017.

## Dividend policy

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

## CORPORATE DETAILS

### Italeaf SPA

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

### BRANCHED AND OFFICES

Narni - Strada dello  
Stabilimento, 1  
Milan - Corso Magenta, 85  
Terni - Via Casale, 4  
London - 78/79 New Bond  
Street, United Kingdom  
Hong Kong - Unit 905-6, 9th  
Floor, Fook Yip Building - 53-57  
Kwai Fung Crescent, Kwai Chung  
- N.T. Hong Kong S.A.R.

### BOARD OF DIRECTORS

#### Chairman

Stefano Neri

#### Managing directors

Monica Federici

#### Independent directors

Domenico De Marinis

### Board of Statutory Auditors

Fausto Sciamanna (Chairman)

Andrea Bellucci

Paolo Sebastiani

### Independent Auditors

EY SPA

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# MANAGEMENT REPORT

## BUSINESS AND MISSION

Italeaf is an Italian investment company and company builder that aims to transform technological start-ups into global companies. Italeaf identifies industrial initiatives within the cleantech sector and within the sphere of innovative industrial production, where the Company can leverage its strong expertise and track record.

In supporting new start-ups, Italeaf aims to replicate the success of TerniEnergia, a company established in 2005 and listed on the Italian Stock Exchange in 2008. Since the IPO after its start-up, TerniEnergia has become a leading global company in the field of renewable energy, waste management, and energy efficiency, with a market cap of over Euro 80 million.

With the creation of subsidiaries in London and Hong Kong, Italeaf intends to give an international flavor to its business, broadening the spectrum of the activity of scouting and looking for innovative companies.

The company has invested in three new industrial initiatives: GreenLed Industry, operating in innovative industrial lighting production; Skyrobotic, active in the production of commercial and civil drones; and WiSave, a producer of smart devices for the remote control of energy consumption.

Italeaf strives to develop an ideal environment to foster creation and growth of new companies, through three lines of business:

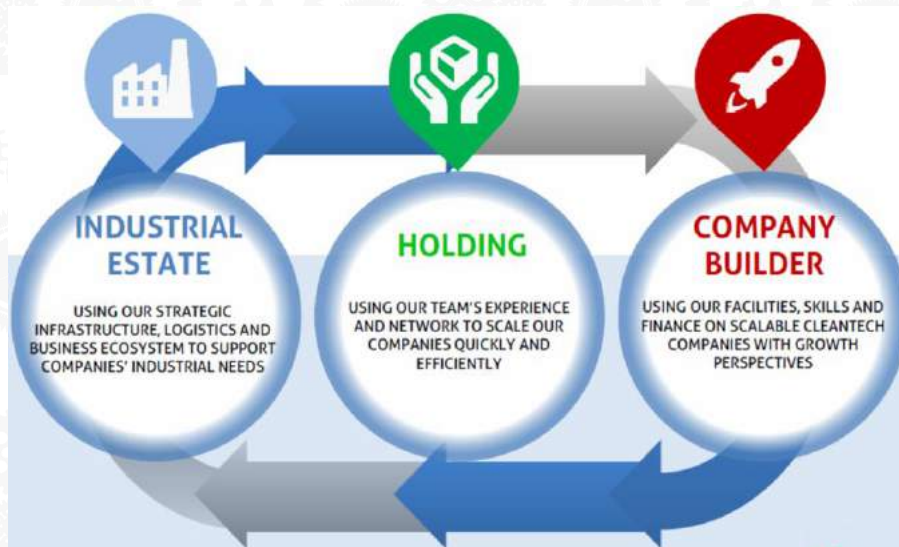
1. **Company Builder:** we co-found start-ups with direct investments, a proven business model and a strong focus on execution. Italeaf concentrates its activities on clearly defined market segments, such as the cleantech sector. We provide innovative incubation services with seed investments to create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

2. **Holding:** we manage our investment portfolio and we provide centralized service activities to our Group companies (finance, treasury, IT, legal, corporate communication and logistics for administrative, managerial and commercial support) to facilitate value creation and growth for the portfolio companies.

3. **Real Estate:** we use our strategic infrastructure, logistics and business eco-system to support the companies' industrial needs. In particular, we are creating (with the consultative input of the Politecnico di Milano University) an eco industrial park in our facilities in the center of Italy. We own and manage an industrial area with a total area of about 24 hectares and co-working space of 1,800 square meters.

Each of these activities is functional to the others; our approach is something completely new compared to traditional incubators and other venture capital firms. The track record gained over the years (with the listing of TerniEnergia and TerniGreen on the Italian Stock Exchange and the constant value creation for shareholders) is proof of our passion and expertise.

The Company capitalization and its majority stake in TerniEnergia, listed on the Borsa Italiana's STAR segment (which entails rigorous requirements), are factors to mitigate the risk that is normally associated with start-up businesses. Value creation through industrial innovation is what we have achieved in recent years. Now, we intend to offer our vision to the market with a strong international expansion project. The listing of Italeaf on NASDAQ OMX First North is therefore an important starting point for innovatively responding to the new challenges of global change.



# NET ASSET VALUE AND STATEMENTS FOR THE PARENT COMPANY

## NET ASSET VALUE

At the end of March 2017, net asset value amounted to Euro 32.8 million.

NAV ITALEAF	(EURO/000)	NOTES
<b>Tangible Assets:</b>		
REAL ESTATE PROPERTY (Nera Montoro & Maratta)	19,720	Book Value
<b>Controlling stake in:</b>		
42.19% stake in TerniEnergia*	20,443	Calculated on the share price as at March 31, 2017 (Euro 1.029)
68.61% 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**	2,597	Book value
<b>GROSS ASSET VALUE</b>	<b>49,285</b>	
Net Financial Indebtedness	(16,478)	
<b>Total Net Financial Indebtedness</b>	<b>(16,478)</b>	As at March 31, 2017
<b>NET ASSET VALUE AS MARCH 31, 2017</b>	<b>32,807</b>	
<b>NAV PER SHARE AS MARCH 31, 2017 (€)</b>	<b>2.12</b>	

\* 45.44% of voting rights

\*\* 50% stake in Opera Power (JV), the value the business unit of industrial water management in Italeaf RE and 17.58% stake in Vitruviano Lab

The NAV of Italeaf primarily consists of the investments in TerniEnergia and in the start-up companies (Skyrobotic and Numanova). In determining the NAV at March 31, 2017, unlike the previous communications, the "holding discount" (20%) was not taken into account. NAV at December 31, 2016 without the "discount holding" amounted to Euro 32.8 million (+ 11.37% NAV growth in the first quarter of 2017 at the same calculation).

The value of the equity investment in TerniEnergia corresponds to the share value as at March 31, 2017, considering that the company is listed on Borsa Italiana (STAR segment). At the end of March 2017, Italeaf owned 19,867,102 ordinary shares, corresponding to 42.19% of the share capital and the 45.44% of the voting rights.

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

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

## STATEMENTS FOR THE ITALEAF PARENT COMPANY

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

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

<i>in Euro</i>	As at March, 31 2017	As at December, 31 2016	Change	Change %
Intangible assets	453,263	497,344	(44,081)	(8.9)%
Tangible assets	21,817,338	21,926,270	(108,932)	(0.5)%
Financial assets and other att.	27,796,849	27,782,541	14,308	0.1%
<b>Fixed Assets</b>	<b>50,067,450</b>	<b>50,206,155</b>	<b>(138,705)</b>	<b>(0.3)%</b>
Inventories				
Trade receivables	415,233	402,114	13,119	3.3%
other activities	2,061,734	1,731,476	330,258	19.1%
Trade payables	(1,160,837)	(1,062,485)	(98,352)	9.3%
Other liabilities	(2,759,581)	(2,121,157)	(638,424)	30.1%
<b>Net working capital</b>	<b>(1,443,451)</b>	<b>(1,050,052)</b>	<b>(393,399)</b>	<b>37.5%</b>
<b>Provisions and other non-commercial</b>	<b>(5,101,224)</b>	<b>(5,108,655)</b>	<b>7,431</b>	<b>(0.1)%</b>
<b>Net Invested Capital</b>	<b>43,522,775</b>	<b>44,047,448</b>	<b>(524,673)</b>	<b>(1.2)%</b>
<b>Shareholders' Equity</b>	<b>27,044,786</b>	<b>27,040,087</b>	<b>4,699</b>	<b>0.0%</b>
Net current financial position	9,935,462	11,436,230	(1,500,768)	(13.1)%
Non-current net financial position	6,542,527	5,571,131	971,396	17.4%
<b>Total net financial position</b>	<b>16,477,989</b>	<b>17,007,361</b>	<b>(529,372)</b>	<b>(3.1)%</b>
<b>Net Invested Capital</b>	<b>43,522,775</b>	<b>44,047,448</b>	<b>(524,673)</b>	<b>(1.2)%</b>

Tangible assets represents the value of the industrial site at Nera Montoro, the incubator at Maratta, as well as a some industrial plants present at the Nera Montoro site. Financial assets include the book value of the controlling interests in TerniEnergia (Euro 17.81 million), in Skyrobotic (Euro 2.06 million), in Numanova (Euro 2.55 million) and Italeaf RE (Euro 4.56 million); the account also includes the value of a Joint Venture called Opera Power Srl which holds of a PV plant of of about 1 MWp and the value of 17.58% in Vitruviano Lab Srl.

The Net Financial Position amounted to Euro 16.47 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 decrease compared to 2016 is mainly due to due to repayments made during the quarter.

The ratio Net Financial Position/Equity is equal to 0,61x as at March 31, 2017, in line with the plan target (less than or equal to 0.8x).

The first three months of 2017	The first three months of 2016	Change	Change %
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*in Euro*

Net revenues from sales and services	918,092	948,205	(30,113)	(3.2)%
Production costs	(483,713)	(610,166)	126,453	(20.7)%
<b>Added value</b>	<b>434,379</b>	<b>338,039</b>	<b>96,340</b>	<b>28.5%</b>
Personnel costs	(190,923)	(217,957)	27,034	(12.4)%
<b>EBITDA</b>	<b>243,456</b>	<b>120,082</b>	<b>123,374</b>	<b>102.7%</b>
Amortization, depreciation, provisions and write-downs	(153,013)	(150,706)	(2,307)	1.5%
<b>EBIT</b>	<b>90,443</b>	<b>(30,625)</b>	<b>121,068</b>	<b>n.a.</b>
Financial income and charges	(229,745)	(97,325)	(132,420)	136.1%
Extraordinary item		270,504	(270,504)	(100.0)%
<b>EBT</b>	<b>(139,302)</b>	<b>142,554</b>	<b>(281,856)</b>	<b>(197.7)%</b>
Income taxes	144,000	26,530	170,530	n.a.
<b>Net profit for the period</b>	<b>4,698</b>	<b>169,084</b>	<b>(164,386)</b>	<b>(97.2)%</b>

The net result of the first three months of 2017 amounted to Euro 4,698. The reduction compared to the 2016 result is mainly due to the gain from the contribution in kind in Numanova (Euro 0.27 million) and a gain resulting from the sale of TerniEnergia shares (Euro 0.2 million), both carried out in January 2016.

Revenues refer to service contracts between Italeaf and subsidiaries for availability of offices and industrial buildings, accounting and tax services, and so forth. The revenues also includes the remuneration on the guarantees given by Italeaf to TerniEnergia (Euro 0.3 million) in favor of certain banks that have financed TerniEnergia, taking account that it is an operating activity for the company. The costs relate mainly to personnel and the operation of the industrial site at Nera Montoro.

Financial income and expenses includes: cost of financial debt (Euro 0.23 million). The 2016 value includes also a gain resulting from the sale of TerniEnergia shares (Euro 0.2 million).

## STATEMENTS FOR THE ITALEAF GROUP

<i>in Euro</i>	As at March 31, 2017	As at December 31, 2016	Change	Change %
Intangible assets	36,296,216	35,896,679	399,537	1.1%
Tangible assets	103,652,650	103,138,831	513,819	0.5%
Financial assets and other att.	39,895,996	40,275,255	(379,259)	(0.9)%
<b>Fixed Assets</b>	<b>179,844,861</b>	<b>179,310,765</b>	<b>534,096</b>	<b>0.3%</b>
Inventories	24,188,543	20,640,130	3,548,413	17.2%
Trade receivables	48,730,397	33,167,360	15,563,037	46.9%
other activities	29,085,444	27,612,774	1,472,670	5.3%
Trade payables	(62,299,643)	(47,396,630)	(14,903,013)	31.4%
Other liabilities	(21,251,013)	(14,782,768)	(6,468,245)	43.8%
<b>Net working capital</b>	<b>18,453,727</b>	<b>19,240,866</b>	<b>(787,139)</b>	<b>(4.1)%</b>
<b>Provisions and other non-commercial</b>	<b>(25,828,049)</b>	<b>(25,915,253)</b>	<b>87,204</b>	<b>(0.3)%</b>
<b>Net Invested Capital</b>	<b>172,470,540</b>	<b>172,636,378</b>	<b>(165,839)</b>	<b>(0.1)%</b>
<b>Shareholders' Equity</b>	<b>64,245,355</b>	<b>61,547,563</b>	<b>2,697,792</b>	<b>4.4%</b>
Net current financial position	22,353,941	26,065,527	(3,711,586)	(14.2)%
Non-current net financial position	85,871,244	85,023,288	847,956	1.0%
<b>Total net financial position</b>	<b>108,225,185</b>	<b>111,088,815</b>	<b>(2,863,630)</b>	<b>(2.6)%</b>
<b>Net Invested Capital</b>	<b>172,470,540</b>	<b>172,636,378</b>	<b>(165,838)</b>	<b>(0.1)%</b>

<i>in Euro</i>	As at March 31, 2017	As at March 31, 2016	Change	Change %
Net revenues from sales and services	30,094,987	31,453,733	(1,358,745)	(4.3)%
Production costs	(21,694,496)	(25,826,118)	4,131,622	(16.0)%
<b>Added value</b>	<b>8,400,491</b>	<b>5,627,614</b>	<b>2,772,877</b>	<b>49.3%</b>
Personnel costs	(5,000,194)	(1,729,700)	(3,270,494)	n.a
<b>EBITDA</b>	<b>3,400,297</b>	<b>3,897,914</b>	<b>(497,617)</b>	<b>(12.8)%</b>
Amortization, depreciation, provisions and write-downs	(2,163,044)	(1,335,016)	(828,027)	62.0%
<b>EBIT</b>	<b>1,237,253</b>	<b>2,562,898</b>	<b>(1,325,644)</b>	<b>(51.7)%</b>
Financial income and charges	(1,202,295)	(1,817,464)	615,169	(33.8)%
Portions of results attributable to the JV	(39,316)	(118,142)	78,826	n.a.
<b>EBT</b>	<b>(4,358)</b>	<b>627,291</b>	<b>(631,649)</b>	<b>n.a.</b>
Income taxes	275,492	(303,115)	578,607	(190.9)%
<b>Net profit for the period</b>	<b>271,134</b>	<b>324,176</b>	<b>(53,042)</b>	<b>(16.4)%</b>

# OUR INVESTMENTS

## TERNIENERGIA



### OVERVIEW

Italeaf has a 42.19% shareholding in TerniEnergia and 45.44% of the voting rights.

TerniEnergia established in September 2005, and part of Italeaf Group, is the first Italian smart energy company, committed to bring worldwide integrated and sustainable energy solutions. Organized into four business lines (Technical services, Energy management, Energy efficiency and Cleantech), with about 500 employees and a geographic presence in almost the continents, with operational and sales offices, TerniEnergia develops solutions, innovative products and services based on digital and industrial technologies for the energy sector.

TerniEnergia, also through its subsidiaries, shall pursue the objectives of increasing energy production from renewable sources, energy efficiency and emissions reduction, as laid down by European environmental policy, and participates actively in the distributed power generation revolution and energy smart grids.

TerniEnergia is the ideal partner for large utilities, distributors and grid operators, power producers, public authorities, industrial customers and investors who intends to carry out large projects for the production of renewable energy plants and modern systems with high energy efficiency, solutions for the management and maintenance of the infrastructure and the electrical systems. TerniEnergia, through a complete technological and commercial offer, develops and provides technologies, turn-key services and solutions for energy consumers in the public and private sectors. The company is listed on the STAR segment of the Italian Stock Exchange.

## KEY FIGURES FOR THE TERNIENERGIA GROUP AS AT MARCH 31, 2017

<i>(in Euro)</i>	As at March, 31 2017	As at December, 31 2016	Change	Change %
Intangible assets	33,303,173	33,275,543	27,630	0.08%
Property, plant and equipment	79,998,043	79,383,325	614,718	0.77%
Financial fixed assets and other intangible assets	37,592,088	38,064,978	(472,890)	(1.24)%
<b>Fixed Assets</b>	<b>150,893,304</b>	<b>150,723,846</b>	<b>169,458</b>	<b>0.11%</b>
Inventories	24,104,850	20,556,437	3,548,413	17.26%
Trade receivables	48,813,727	33,305,361	15,508,366	46.56%
Other assets	28,971,995	28,103,819	868,176	3.09%
Trade payables	(62,155,643)	(47,251,543)	(14,904,100)	31.54%
Other liabilities	(19,864,235)	(14,327,802)	(5,536,433)	38.64%
<b>Net working capital</b>	<b>19,870,694</b>	<b>20,386,272</b>	<b>(515,578)</b>	<b>(2.53)%</b>
<b>Provisions and other non-trade liabilities</b>	<b>(19,815,323)</b>	<b>(19,762,673)</b>	<b>(52,650)</b>	<b>0.27%</b>
<b>Net Invested Capital</b>	<b>150,948,674</b>	<b>151,347,445</b>	<b>(398,770)</b>	<b>(0.26)%</b>
<b>Shareholders' Equity</b>	<b>59,701,927</b>	<b>57,489,165</b>	<b>2,212,762</b>	<b>3.85%</b>
Current net financial position	13,522,816	14,777,748	(1,254,932)	(8.49)%
Non-current net financial position	77,723,932	79,080,531	(1,356,599)	(1.72)%
<b>Total net financial position</b>	<b>91,246,748</b>	<b>93,858,279</b>	<b>(2,611,531)</b>	<b>(2.78)%</b>
<b>Net Invested Capital</b>	<b>150,948,675</b>	<b>151,347,444</b>	<b>(398,769)</b>	<b>(0.26)%</b>

<i>(in Euro)</i>	As at March, 31 2017	As at March, 31 2016	Change	Change %
Net revenues from sales and services	29,867,662	31,303,908	(1,436,245)	(4.59)%
Production costs	(21,713,185)	(25,779,568)	4,066,383	(15.77)%
<b>Added value</b>	<b>8,154,477</b>	<b>5,524,339</b>	<b>2,630,138</b>	<b>47.61%</b>
Personnel costs	(4,753,336)	(1,488,281)	(3,265,055)	n.a.
<b>EBITDA</b>	<b>3,401,141</b>	<b>4,036,058</b>	<b>(634,918)</b>	<b>(15.73)%</b>
Amortization, depreciation, provisions and write-downs	(2,009,210)	(1,212,138)	(797,072)	65.76%
<b>EBIT</b>	<b>1,391,931</b>	<b>2,823,920</b>	<b>(1,431,989)</b>	<b>(50.71)%</b>
Financial income and charges	(1,249,998)	(1,802,693)	552,695	(30.66)%
Portions of results attributable to the JV	(39,316)	(118,142)	78,826	(66.72)%
<b>Pre-tax result</b>	<b>102,617</b>	<b>903,086</b>	<b>(800,469)</b>	<b>(88.64)%</b>
Income taxes	125,878	(331,054)	456,932	(138.02)%
<b>Net profit for the period</b>	<b>228,495</b>	<b>572,032</b>	<b>(343,537)</b>	<b>(60.06)%</b>

## SKYROBOTIC



### OVERVIEW

As at March 31 2017, Italeaf owns 68.61% of the share capital of Skyrobotic.

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

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

From an industrial perspective, the company has recognised turnover of Euro 535 thousand through the sale of 16 remote piloting systems to leading operators in the sector, continuing at the same time to develop and engineer the product. The company achieved EN9100:2009 certification (equivalent in technical terms to AS 9100C and JISQ 9100:2009) for the facility at Nera Montoro, Italy, in the field of “planning, production, and post-sales assistance of remote aircraft piloting systems”.

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

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

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

On 30 December 2016, the Skyrobotic shareholders’ meeting unanimously resolved to carry out another share capital increase offered in option to current shareholders for Euro 250 thousand, in order to support the growth of business activities. Once the share capital increase is subscribed, Skyrobotic will have a share capital of Euro 3,000,000.



## 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.

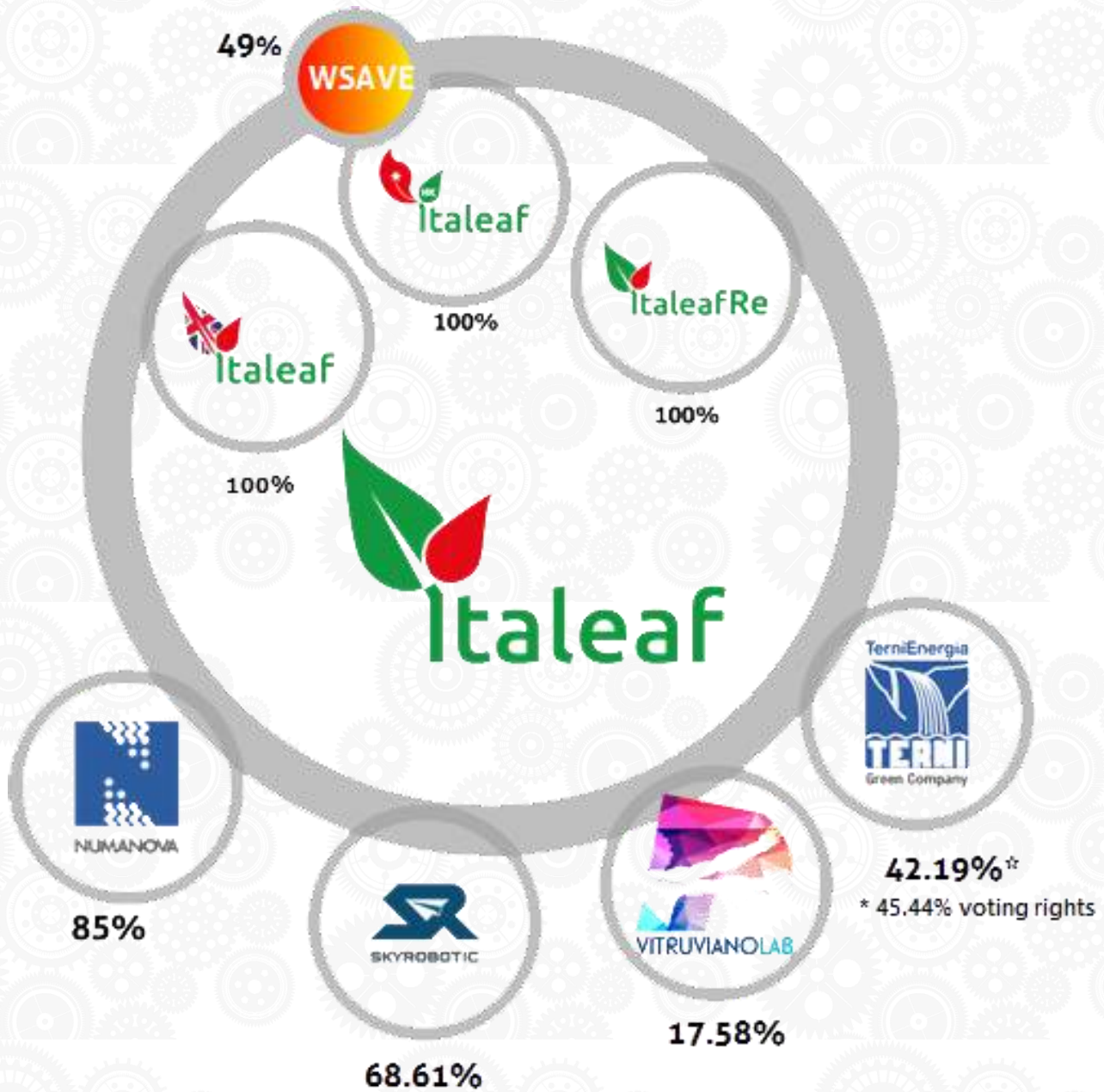
## INNOVATION AND SUSTAINABILITY

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 FIRST QUARTER 2017

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

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

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

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

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

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

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

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

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

The transaction, also as a result of the recent acquisition of the companies Softeco Sismat and Selesoft Consulting and the presentation of the industrial plan "Plug in the smart energy company", is aimed at:

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

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

# FINANCIAL STATEMENTS

## STATEMENT OF CONSOLIDATED FINANCIAL POSITION

<i>in Euro</i>	Notes	As at March 31, 2017	As at December 31, 2016
Intangible assets	1	36,296,216	35,896,679
Tangible assets	2	103,652,650	103,138,831
Equity Investments	3	3,518,599	4,371,089
Deferred tax assets	4	15,795,254	15,771,342
Non-current financial receivables	5	20,582,142	20,132,824
<b>Total non-current assets</b>		<b>179,844,861</b>	<b>179,310,765</b>
Inventories	6	24,188,543	20,640,130
Trade receivables	7	48,730,397	33,167,360
Other current assets	8	29,071,727	27,612,774
Derivatives		13,717	
Financial receivables	9	5,909,604	6,013,152
Cash and cash equivalents	10	9,882,898	11,190,383
<b>Total current assets</b>		<b>117,796,885</b>	<b>98,623,799</b>
<b>TOTAL ASSETS</b>		<b>297,641,747</b>	<b>277,934,564</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Share capital		15,444,000	15,444,000
Stocks		12,854,134	18,124,521
Profit for the period		110,763	(4,851,015)
<b>Total Group equity</b>	11	<b>28,408,897</b>	<b>28,717,506</b>
Minority interests		35,676,087	32,517,002
Profit for the minority interest		160,371	313,055
<b>Total equity</b>	11	<b>64,245,355</b>	<b>61,547,563</b>
Provision for risk and charges	12	193,086	193,086
Provision for employee benefits	13	6,706,956	6,649,733
Deferred tax liabilities	14	15,900,560	16,044,987
Non-current financial payables	15	85,871,244	85,023,288
Other non-current liabilities	16	247,492	108,616
Derivatives	17	3,027,447	3,027,447
<b>Total non-current liabilities</b>		<b>111,946,785</b>	<b>111,047,157</b>
Trade payables	18	62,299,643	47,396,630
Payables and other financial liabilities	19	38,146,443	43,269,062
Taxes payable	20	743,026	890,586
Other current liabilities	21	20,260,495	13,783,566
<b>Total current liabilities</b>		<b>121,449,607</b>	<b>105,339,844</b>
<b>TOTAL LIABILITIES</b>		<b>233,396,392</b>	<b>216,387,001</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>297,641,747</b>	<b>277,934,564</b>

## CONSOLIDATED INCOME STATEMENT

<i>in Euro</i>	Notes	As at March 31, 2017	As at March 31, 2016
Revenues	22	28,858,080	29,575,177
Other operating income	22	1,236,907	1,878,556
Change in inventories of semi-finished and finished products	23	3,041,302	40,223
Costs for raw materials, consumables and goods for resale	24	(20,908,051)	(17,046,211)
Costs for services	25	(3,496,880)	(8,575,581)
Personnel costs	26	(5,000,194)	(1,729,700)
Other operating costs	27	(330,867)	(244,550)
Amortisation, depreciation, provisions and writedowns	28	(2,163,044)	(1,335,016)
<b>Operating result</b>		<b>1,237,253</b>	<b>2,562,898</b>
Financial income	29	972,669	426,753
Financial charges	29	(2,174,964)	(2,244,217)
Portion of result attributable to the joint venture	30	(39,316)	(118,142)
<b>Net profit before taxes</b>		<b>(4,358)</b>	<b>627,291</b>
Taxes	31	275,492	(303,115)
<b>Net profit for the period</b>		<b>271,134</b>	<b>324,176</b>
- of which: attributable to the Group		110,763	(4,851,015)
- of which: attributable to non-controlling interests		160,371	313,055
<b>Earnings per share - Basic and diluted</b>		<b>0,007</b>	<b>(0,31)</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(in Euro)</i>	Notes	As at March	
		2017	2016
<b>Net Profit for the Period</b>		<b>271,134</b>	<b>324,176</b>
Change in cash flow hedge reserve			
Translation Differences		(201,502)	(8,977)
Tax effect of expenses / (income) recognized in equity			
<b>Total other comprehensive income for the period to be subsequently transferred to the Income Statement</b>	<b>11</b>	<b>(201,502)</b>	<b>(8,977)</b>
Actuarial Income / (loss)			
Tax effect of expenses / (income) recognized in equity			
<b>Total other comprehensive income for the period not to be subsequently transferred to the Income Statement</b>			
<b>Total comprehensive income / (loss) for the period</b>		<b>69,632</b>	<b>315,199</b>
• of which: accruing to the Group		<b>19,966</b>	<b>117,111</b>
• of which: accruing to minority interests		<b>49,666</b>	<b>198,088</b>

## 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, 2015	15,444,000	666,000	138,223	-	16,152,184	16,956,407	2,040,380	34,440,787	30,076,680	64,517,467
Other entries					1,505,399	1,505,399		1,505,399	(269,251)	1,236,148
<i>Other entries</i>					1,505,399	1,505,399	0	1,505,399	(269,251)	1,236,148
Profit of the period							121,156	121,156	203,020	324,176
Other comprehensive					(4,045)		(4,045)	(4,045)	(4,932)	(8,977)
<b>Total profit for the period</b>					<b>(4,045)</b>	<b>0</b>	<b>117,111</b>	<b>117,111</b>	<b>198,088</b>	<b>315,199</b>
As at March 31, 2016	15,444,000	666,000	138,223	-	17,653,538	18,461,806	2,157,490	36,063,297	30,005,518	66,068,814

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, 2016	15,444,000	666,000	258,969	10,615,919	6,583,634	18,124,521	(4,851,015)	28,717,506	32,830,058	61,547,563
Allocation of the previous year's profit (loss)					(4,851,015)	(4,851,015)	4,851,015	-		-
Other Entries					(328,575)	(328,575)		(328,575)	2,956,734	2,628,159
<i>Other entries</i>					(5,179,590)	(5,179,590)	4,851,015	(328,575)	2,956,734	2,628,159
Profit of the period							110,763	110,763	160,371	271,134
Other comprehensive					(90,797)	(90,797)	0	(90,797)	(110,705)	(201,502)
<b>Total profit for the period</b>					<b>(90,797)</b>	<b>(90,797)</b>	<b>110,763</b>	<b>19,966</b>	<b>49,666</b>	<b>69,632</b>
As at March 31, 2017	15,444,000	666,000	258,969	10,615,919	1,313,247	12,854,134	110,763	28,408,897	35,836,457	64,245,354

## CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(in Euro)</i>	As at March 31,	
	2017	2016
<b>Profit before taxes</b>	<b>(4,358)</b>	<b>627,291</b>
Amortisation	2,154,071	1,335,016
Write-downs of fixed assets and credits	8,973	-
Provision	57,223	80,043
Result of joint ventures accounted for at equity and reversal of margin	39,316	118,142
Gains / Revaluations	-	-
Change in inventories	(3,548,413)	7,582,873
Change in trade receivables	(15,572,010)	5,709,979
Change in other assets	(1,458,953)	5,388,666
Change in trade payables	14,903,013	2,481,882
Change in other liabilities	6,575,398	(7,808,971)
Payment of employee benefits	-	-
<b>Net cash flow (used in)/generated by operating activities</b>	<b>3,154,262</b>	<b>15,514,922</b>
Investments in property, plant and equipment	(1,860,399)	(770,215)
Disposals of property, plant and equipment	-	-
Investments in intangible assets	(1,207,028)	(312,361)
Disposals of intangible assets	-	-
Acquisition/disposal	-	-
Divestiture of (investment in) equity investments	813,173	(72,006)
Change in receivables and other financial assets	(345,771)	1,568,532
<b>Net cash flow (used in)/generated by investing activities</b>	<b>(2,600,023)</b>	<b>413,949</b>
Change in payables and other financial liabilities	(5,122,619)	1,853,383
Increase in non-current financial payables	834,238	(3,641,061)
Other Movements of Equity	2,426,658	-
Capital Increase	-	-
Payment of dividends	-	-
<b>Net cash flow (used in)/generated by financing activities</b>	<b>(1,861,723)</b>	<b>(1,787,678)</b>
<b>Comprehensive cash flow for the period</b>	<b>(1,307,484)</b>	<b>14,141,193</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>11,190,383</b>	<b>12,515,353</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>9,882,898</b>	<b>26,656,546</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

## GENERAL INFORMATION

Italeaf S.p.A (“Italeaf”, “Company” o “Group Leader”) is a limited company domiciliated in Narni (Italia), Strada dello Stabilimento, 1.

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

From September 4 2014, Italeaf is listed on NASDAQ OMX First North in Stockholm.

## FORM, CONTENT AND ACCOUNTING POLICIES ADOPTED

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

The Intermediate consolidated financial statements of the Italeaf Group at March 31, 2017 have been prepared in accordance with the requirements of the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as published in the Official Journal of the European Union (O.J.E.U.), and in particular IAS 34 - Interim Financial Reporting, as well as the regulations issued to implement article 9 of Legislative Decree n. 38/2005. In the framework of the options set out in IAS 34, the Group has chosen to publish this report for the consolidated Financial Statements, such as a condensed information.

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

These Intermediate consolidated financial statements are expressed in euros which is the functional currency based on the primary economic environment in which the Group companies operate. Unless otherwise indicated, all data presented in the notes to the financial statements are in euros.

The Group has elected to present the income statement according to the nature of the accounts, while the assets and liabilities in the balance sheet are classified as current or non-current. The cash flow statement has been prepared using the indirect method.

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

The actual results may differ, even materially, from the estimates as a result of possible changes in the factors considered in determining the estimates.

These Intermediate consolidated financial statements were approved by the Company’s board of directors on May 22, 2017.

## **RECENTLY ISSUED ACCOUNTING STANDARDS**

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

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

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

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

## **SIGNIFICANT ASSUMPTIONS IN DETERMINING CONTROL IN ACCORDANCE WITH IFRS 10**

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



## SCOPE OF CONSOLIDATION

The consolidated financial statements of Italeaf Group at March 31, 2017 include the financial statements of the parent company, Italeaf S.p.A., and the financial statements of all the companies, which the parent directly or indirectly controls.

The following table lists the entities included in the consolidation, and the respective percentage held directly or indirectly by the Group at March 31, 2017:

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

Company	Location	% of Held by the Group	
		Direct	Indirect
Skyrobotic S.p.A.	Narni - Via dello Stabilimento, 1	66%	
Numanova S.p.A.	Narni - Via dello Stabilimento, 1	85%	
Italeaf UK L.t.d.	1, Cornhill EC3V 3ND - London	100%	
Italeaf HK L.t.d.	Unit 905-6, 9th Floor, Fook Yip Building - 53-57 Kwai Fung Crescent, Kwai Chung - N.T. Hong Kong S.A.R.- Hong Kong	100%	
TerniEnergia S.p.A.	Narni - Via dello Stabilimento, 1	45.06%	
<b>List of Ternienergia subsidiaries</b>			
Greenled Industry S.p.A.	Narni - Via dello Stabilimento, 1		100%
Newcoenergy S.r.l.	Nardò - Via Don Milani, 4		100%
Capital Solar S.r.l.	Nardò - Via Don Milani, 4		100%
Rinnova S.r.l.	Nardò - Via Don Milani, 4		100%
Soc. Agric. Fotosolara Cheremule S.r.l.	Narni - Via dello Stabilimento, 1		100%
Soc. Agricola Fotosolara Ittireddu S.r.l.	Narni - Via dello Stabilimento, 1		100%
T.e.c.i. Costruzioni & Ingegneria S.r.l.	Gioia del Colle - Via Giosuè Carducci, 122		100%
Meet Green Italia S.r.l.	Nardò - Via Don Milani, 4		100%
LyteEnergy S.r.l.	Narni - Via dello Stabilimento, 1		70%
Soc. Agricola Padria S.r.l.	Narni - Via dello Stabilimento, 1		100%
TerniEnergia Hellas M.EPE.	Athens - 52, Akadimiasstreet		100%
TerniEnergia Polska Zoo	Warsaw - Sw. Krolewska 16, 00-103		100%
Tevasa L.t.d.	Cape Town, 1 Waterhouse Place, Century City, 7441		100%
Alchimia Energy 3 S.r.l.	Narni - Via dello Stabilimento, 1		100%
TerniEnergia Romania Srl	Str. Popa Petre 5 - Bucharest		100%
TerniEnergia Solar South Africa Ltd.	Woodstok, De Boulevard Searle Street		80%
TerniEnergia Project Ltd.	Woodstok, De Boulevard Searle Street		80%
GreenAsm S.r.l.	Narni - Via dello Stabilimento, 1		50%
SolarEnergy S.r.l.	Narni - Via dello Stabilimento, 1		100%
Val di Taro Tyre Srl	Narni - Via dello Stabilimento, 1		100%
Selesoft Consulting S.r.l.	Genova - Via De Marini 1		100%
Softeco Sismat S.r.l.	Genova - Via De Marini 1		100%
Wisave S.r.l.	Narni - Strada dello Stabilimento, 1		88.22%
TerniEnergia Moçambique Limitada	Rua Orlando Francisco Magumbwe, n.º 32, cidade de Maputo		100%
<b>Companies exit from to the scope of consolidation in 2016</b>			
IGreen Patrol S.r.l.	Narni - Via dello Stabilimento, 1		100%

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

### LIST OF COMPANIES CONSOLIDATED USING THE EQUITY METHOD:

Company Name	Registered office	% owned by the Group	
		Direct	Direct
<b>List of TerniEnergia JVs</b>			
Energia Alternativa S.r.l.	Narni - Via dello Stabilimento, 1		50%
Solter S.r.l.	Narni - Via dello Stabilimento, 1		50%
Girasole S.r.l.	Narni - Via dello Stabilimento, 1		50%
Guglionesi S.r.l.	Narni - Via dello Stabilimento, 1		50%
Opera Power Srl	Narni - Via dello Stabilimento, 1		50%
Investimenti Infrastrutture S.r.l.	Nardò - Via Don Milani, 4		50%
Rebis power Srl	Narni - Via dello Stabilimento, 1		50%
Soc. Agric. Fotosolara Bonannaro S.r.l.	Narni - Via dello Stabilimento, 1		50%
Soc. Agricola Fotosolara Oristano S.r.l.	Narni - Via dello Stabilimento, 1		50%
Infocaciucci S.r.l.	Narni - Via dello Stabilimento, 1		50%
Ant Energy Srl	Roma - Via Clitunno, 51		50%
Vitruviano Lab Srl	Narni - Via dello Stabilimento, 1		99%

For companies with financial years that do not coincide with the calendar year, the financial statements used were annual financial statements that match the Group's financial year, approved by the respective Boards of Directors. The subsidiaries are consolidated line by line; the assets and liabilities, revenues and expenses of the consolidated companies are recognized in the consolidated financial statements at their full value. The carrying amount of equity investments is eliminated by offsetting it against the underlying interest in the respective shareholders' equity, and the individual assets and liabilities and contingent liabilities are measured at their fair value at the date when control of the investee company was established. Any residual value, if positive, is recognized as a non-current asset and posted to "Goodwill". If control is acquired in multiple steps, the entire interest held must be remeasured at fair value; transactions executed with minority shareholders subsequent to the acquisition of control, if control is maintained, are recognized in equity; the acquisition costs incurred are immediately recognized in profit or loss, as is any changes in contingent consideration.

The shareholders' equity and profit or loss amounts attributable to minority shareholders are shown separately in the balance sheet, income statement and comprehensive income statement, respectively.

Payables and receivables, expenses and revenues that arise from transactions between companies included in the scope of consolidation are eliminated. Gains resulting from transactions between the abovementioned companies and reflected in items still included in the shareholders' equity attributable to Parent Company shareholders are eliminated. Investee companies cease to be consolidated from the date when control is transferred to a third party; the sale of an equity interest that causes loss of control results in the recognition in the income statement of (i) any gain or loss determined as the difference between the proceeds from the sale and the corresponding pro rata interest in the shareholders' equity of the investee sold to a third party; (ii) any result attributable to the divested company carried among the other components of comprehensive income that can be reclassified into profit or loss; and (iii) the result from the adjustment to fair value, measured on the date of the loss of control, of any minority interest retained by Italeaf.

Companies managed through contractual agreements, pursuant to which two or more parties who share control through unanimous consent have the power to direct relevant decisions and govern exposure to future variable returns, that qualify as joint operations are recognized by the proportional method directly in the separate financial statements of the entities that are parties to the agreements. In addition to recognizing the attributable share of assets and liabilities, expenses and revenues, the corresponding obligations must also be evaluated. Other interests in joint ventures and affiliated companies over which a significant influence can be exercised, but which do not qualify as joint operations, are valued by the equity method, pursuant to which the carrying amount of the equity investments must be adjusted to take into account the investor company's pro rata interest in the profit or loss for the year of the investee company and any dividends it may have distributed.

## COMMENTS ON THE MAIN BALANCE SHEET ASSET ITEMS

## NON CURRENT ASSETS

### 1. INTANGIBLE ASSETS

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

<i>(in Euro)</i>	March 31, 2017	December 31, 2016	Change	Change %
Software	15,422,881	15,309,389	113,492	0.7%
Goodwill	3,182,180	3,297,989	(115,809)	(3.5)%
Patents	558,442	328,274	230,168	70.1%
Building lease	317,324	317,324		0.0%
Customer Relationship	7,854,783	8,008,386	(153,603)	(1.9)%
Others	8,960,605	8,635,317	325,288	3.8%
<b>Total</b>	<b>36,296,215</b>	<b>35,896,679</b>	<b>399,536</b>	<b>1.1%</b>

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

Intangible assets also include the goodwill in the amount of Euro 2,335,000, booked to the TerniEnergia financial statements, and mainly referring to the acquisition of control of Lucos Alternatives Energies S.p.A., a company active in the field of energy efficiency merged in TerniEnergia during 2015. The goodwill was booked on the basis of the synergies expected from the integration of TerniEnergia's and Lucos' activities. Since the asset has an indefinite useful life, it is not subject to amortization, but it is tested at least annually for impairment. At March 31, 2017, there were no indicators to suggest impairment of goodwill.

### 2. TANGIBLE FIXED ASSETS

The table below reports the analysis of changes of “Net values” relating to tangible assets as at March 31, 2017, as at December 31, 2016:

<i>(in Euro)</i>	March 31, 2017	December 31, 2016	Change	Change %
Land and buildings	23,014,736	22,423,123	591,613	2.6%
Plant and machinery	62,920,370	63,854,386	(934,016)	(1.5)%
Industrial equipment	73,547	81,165	(7,618)	(9.4)%
Other assets	112,748	139,286	(26,538)	(19.1)%
Construction in progress	17,531,249	16,640,872	890,377	5.4%
<b>Total</b>	<b>103,652,650</b>	<b>103,138,832</b>	<b>513,818</b>	<b>0.5%</b>

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 March 31, 2017 includes the value of photovoltaic plants with a total capacity of 13.2 MW, as well as the value of the end-of-life tyres plants, a biodigester plant and water treatment plants, all of which are located at the Nera Montoro industrial site.

Assets under construction in the amount of Euro 17,531 thousand, refer almost entirely to the subsidiary, TerniEnergia. Such investments cover:

- The installation of an aerobic biodigester and composting plant at Calimera (Lecce);
- A combined cycle electric power plant using pyro gasification of virgin wood chips, in Borgosesia (Vercelli); the plant was connected to the electricity grid in December 2012, and got a feed-in tariff of Euro 0.28 /kWh;

### 3. EQUITY INVESTMENTS

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

<i>(in Euro)</i>	March 31, 2017	December 31, 2016	Change	Change %
Investments in JV	3,383,654	4,205,642	(821,988)	(19.5)%
Investments in Equity	134,984	165,447	(30,502)	(18.4)%
<b>Total</b>	<b>3,518,599</b>	<b>4,371,089</b>	<b>(852,490)</b>	<b>(19.5)%</b>

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.

### 4. DEFERRED TAX ASSETS

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

<i>(in Euro)</i>	March 31, 2017	December 31, 2016	Change	Change %
Deferred tax assets	15,795,254	15,771,342	23,912	0.2%
<b>Total</b>	<b>15,795,254</b>	<b>15,771,342</b>	<b>23,912</b>	<b>0.2%</b>

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 March 31, 2017 and December 31, 2016, respectively, and the related changes:

<i>(in Euro)</i>	March 31, 2017	December 31, 2016	Change	Change %
Solter S.r.l.	1,045,909	1,045,909		0.0%
Infocaciucci S.r.l.	574,304	574,304		0.0%
Soltarenti S.r.l.	493,775	493,775		0.0%
Energia Alternativa S.r.l.	7,403,521	7,403,521		0.0%
Soc. Agricola Fotosolara Bonnanaro S.r.l.	642,852	642,852		0.0%
Girasole S.r.l.	418,695	418,695		0.0%
Soc. Agricola Fotosolara Oristano S.r.l.	615,045	615,045		0.0%
Guglionesi S.r.l.	174,216	174,216		0.0%
Financial asset	8,340,110	7,994,875	345,235	4.3%
Security deposits	769,632	769,632		0.0%
Other receivables Financial	104,083		104,083	n.a.
				n.a.
<b>Total</b>	<b>20,582,142</b>	<b>20,132,824</b>	<b>449,317</b>	<b>2.2%</b>

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 8,340,110 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 March 31, 2017, a portion of the financial receivables due from a joint venture was classified among current assets, in consideration of the due date for payment, the liquidity in the joint venture and financial covenants.

The financial assets referring to energy efficiency represent the fair value of the expected cash flows from energy efficiency activities carried out under contract with respect to a number of municipalities and industrial plants. The contracts provide for improving energy efficiency of public lighting systems, and the activities consist of planning, designing and maintaining equipment and services aimed at efficiency.

## CURRENT ASSETS

### 6. INVENTORIES

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

<i>(in Euro)</i>	March 31, 2017	December 31, 2016	Change	Change %
Raw materials	3,496,765	3,082,564	414,201	13.4%
Finished Products	1,126,347	1,020,669	105,678	10.4%
Products in process	19,565,430	16,536,896	3,028,534	18.3%
<b>Total</b>	<b>24,188,543</b>	<b>20,640,130</b>	<b>3,548,412</b>	<b>17.2%</b>

The value of inventories at March 31, 2017 is almost entirely attributable to the subsidiary TerniEnergia.

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

On March 31, 2017 products in process mainly include the costs incurred for the design, development and construction of several power plants currently still in progress.

The finished products on March 31, 2017 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. The products in process are increased due to the activities of the two subsidiaries Softeco Sismat and Selesoft Consulting and for the design costs, in particular related to the Technical Service, relating to initiatives abroad and in particular to the preliminary design of the activities in Tunisia, and Energy Saving.

## 7. TRADE RECEIVABLES

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

<i>(in Euro)</i>	March 31, 2017	December 31, 2016	Change	Change %
Resceivables from customers	49,170,262	33,537,990	15,632,272	46.6%
Resceivables from joint venture	955,006	1,016,555	(61,549)	(6.1)%
Resceivables from affiliated companies	32,044	39,730	(7,686)	(19.3)%
Provision for doubtful	(1,426,915)	(1,426,915)		0.0%
<b>Total</b>	<b>48,730,397</b>	<b>33,167,360</b>	<b>15,563,037</b>	<b>46.9%</b>

Trade receivables amounted to Euro 48,730 thousand as at March 31, 2017, with most of the balance due from customers.

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

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

## 8. OTHER CURRENT ASSETS

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

<i>(in Euro)</i>	March 31, 2017	December 31, 2016	Change	Change %
VAT Credit	3,367,426	2,234,997	1,132,429	50.7%
Advances to suppliers	675,998	675,987	11	0.0%
Prepayments	4,255,821	2,443,103	1,812,718	74.2%
Other credits	20,772,481	22,258,686	(1,486,205)	(6.7)%
<b>Total</b>	<b>29,071,727</b>	<b>27,612,774</b>	<b>1,458,953</b>	<b>5.3%</b>

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

## 9. FINANCIAL RECEIVABLES

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

<i>(in Euro)</i>	March 31, 2017	December 31, 2016	Change	Change %
Financial receivables from joint venture	3,530,009	3,768,381	(238,372)	(6.3)%
Financial receivables from MPS	1,000,000	1,000,000		0.0%
Financial receivables from others	1,379,595	1,244,771	134,824	10.8%
<b>Total</b>	<b>5,909,604</b>	<b>6,013,152</b>	<b>(103,548)</b>	<b>(1.7)%</b>

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 March 31, 2017 and December 31, 2016, respectively, and the related change:

<i>(in Euro)</i>	March 31, 2017	December 31, 2016	Change	Change %
Banl accounts	9,797,297	11,129,999	(1,332,702)	(12.0)%
Cash	85,601	60,384	25,217	41.8%
<b>Total</b>	<b>9,882,898</b>	<b>11,190,383</b>	<b>(1,307,485)</b>	<b>(11.7)%</b>

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 March 31, 2017, the subscribed and paid share capital amounted to Euro 15,444,000 divided into 15,444,000 ordinary shares.

As at March 31, 2017, other reserves incorporate the decrease of the cash-flow hedge, which had a negative balance Euro 4,442,000. The reserve mainly reflects the negative fair value, offset by related tax effects, of derivatives booked by joint ventures and subsidiaries to hedge exposure to variability in cash flows, related to the fluctuation of interest rates on certain medium-/long-term loans. The derivative contracts meet the criteria set out by IFRS to classify for hedge accounting, and therefore the changes in the fair value of the derivatives are booked to a specific equity reserve (cash-flow hedge reserve) with regard to the effective portions of the derivatives.

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

As at March 31, 2017, the Company did not own any treasury shares.

### 12. PROVISION FOR RISKS AND CHARGES

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

<i>(in Euro)</i>	December 31, 2016	December 31, 2015	Change	Change %
Provision for risks and charges	193,086	193,086		0.0%
<b>Total Provision for Risk and charges</b>	<b>193,086</b>	<b>193,086</b>		<b>0.0%</b>

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

### 13. EMPLOYEE BENEFITS

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

<i>(in Euro)</i>	March 31, 2017	December 31, 2016	Change	Change %
Provision for employee benefits	6,706,956	6,649,733	57,225	0.9%
<b>Total</b>	<b>6,706,956</b>	<b>6,649,733</b>	<b>57,225</b>	<b>0.9%</b>



## 14. DEFERRED TAXATION

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

<i>(in Euro)</i>	March 31, 2017	December 31, 2016	Change	Change %
Deferred tax provision	15,900,560	16,044,987	(144,427)	(0.9)%
<b>Total</b>	<b>15,900,560</b>	<b>16,044,987</b>	<b>(144,427)</b>	<b>(0.9)%</b>

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

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

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

## 15. FINANCIAL NON CURRENT LIABILITIES

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

<i>(in Euro)</i>	March 31, 2017	December 31, 2016	Change	Change %
Debts. due to financial leasing	22,409,013	22,656,314	(247,301)	(1.1)%
Other financial liabilities	2,075,333	1,749,947	325,386	18.6%
Non-current borrowings	36,782,609	36,039,952	742,657	2.1%
Debt. Issue	24,604,289	24,577,075	27,214	0.1%
<b>Total</b>	<b>85,871,244</b>	<b>85,023,288</b>	<b>847,957</b>	<b>1.0%</b>

Payables for financial leases, amounting to Euro 85,871 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 March 2017, is around 6.5 million, and is composed by medium-term loans.

## 16. OTHER NON-CURRENT LIABILITIES

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

<i>(in Euro)</i>	March 31, 2017	December 31, 2016	Change	Change %
Other non-current liabilities	50,000	50,000		0.0%
Deferred Margins	197,492	58,616	138,876	n.a.
<b>Total</b>	<b>247,492</b>	<b>108,616</b>	<b>138,876</b>	<b>127.9%</b>

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 March 31, 2017 and December 31, 2016, respectively, and the related change:

<i>(in Euro)</i>	March 31, 2017	December 31, 2016	Change	Change %
Hedging Derivatives	3,027,447	3,027,447		0.0%
<b>Total</b>	<b>3,027,447</b>	<b>3,027,447</b>		<b>0.0%</b>

On March 31, 2017 the Group does not hold any derivative instruments listed. The fair value of not listed derivatives is measured by reference to financial valuation techniques: in particular, is calculated by discounting future cash flows according to the parameters of the market.

The item "Hedging derivatives", amounting to Euro 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 March 31, 2017 and December 31, 2016, respectively, and the related change:

<i>(in Euro)</i>	March 31, 2017	December 31, 2016	Change	Change %
Due to suppliers	61,683,953	46,726,497	14,957,455	24.2%
Due to affiliated companies	201,098	229,432	(28,333)	(14.1)%
Due to Joint venture	414,592	440,701	(26,109)	(6.3)%
<b>Total</b>	<b>62,299,643</b>	<b>47,396,630</b>	<b>14,903,013</b>	<b>23.9%</b>

Trade payables amounted to Euro 62,299 thousand as at March 31, 2017 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 March 31, 2017 and December 31, 2016, respectively, and the related change:

<i>(in Euro)</i>	March 31, 2017	December 31, 2016	Change	Change %
Current bank debt (current account overdraft)	20,927,269	25,715,175	(4,787,906)	(18.6)%
Loans	9,921,173	10,395,373	(474,201)	(4.6)%
leasing	2,556,001	2,525,268	30,734	1.2%
Other financial liabilities	1,940,640	3,089,796	(1,149,156)	(37.2)%
<b>Total</b>	<b>38,146,443</b>	<b>43,269,062</b>	<b>(5,122,618)</b>	<b>(11.8)%</b>

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 March 31, 2017. The latter investments include the second treatment plant (end-of-life tyres plant) under construction; a pyro gasification plant connected to the grid in December 2012; and a composting plant under construction in Apulia (Italy). The current financial liabilities of the parent company, Italeaf, amounted to approximately Euro 9.9 million as at March 31, 2017.

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

## 20. TAX LIABILITIES

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

<i>(in Euro)</i>	March 31, 2017	December 31, 2016	Change	Change %
Direct Taxex	743,026	890,586	(147,560)	(16.6)%
<b>Total</b>	<b>743,026</b>	<b>890,586</b>	<b>(147,560)</b>	<b>(16.6)%</b>

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 March 31, 2017 and December 31, 2016, respectively, and the related change:

<i>(in Euro)</i>	March 31, 2017	December 31, 2016	Change	Change %
Due to personnel	1,929,143	1,405,931	523,212	37.2%
Payables to social security institutions and welfare	4,869,539	4,493,656	375,883	8.4%
Other current liabilities	13,461,813	7,883,979	5,577,834	70.7%
<b>Total</b>	<b>20,260,495</b>	<b>13,783,566</b>	<b>6,476,928</b>	<b>47.0%</b>

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

## COMMITMENTS AND GUARANTEES GIVEN

### GUARANTEES

In some cases, customers of the TerniEnergia have funded the purchase of the photovoltaic system through lease agreements with leasing companies. For some of these customers, the Parent company has signed with the leasing company for a takeover agreement to the customer in the lease in the event of, and subordinate to, the failure by its customers. Customers are also involved in this case, to transfer to TerniEnergia the lease agreement and any debt outstanding at the date of transfer, if generated by power plant under contract.

TerniEnergia administrators believe that the probability of occurrence of transfer is extremely remote, since, in practice and with the exception of the initial maxi tranche of leasing contract. Whereas the existence of a maxi initial paid by the customer to the leasing company, the values in effect at time of a takeover, based on current development plans for the cash flows of photovoltaic systems affected, would see a future excess flows generated by energy production compared to outflows for royalties due.

On March 31, 2017, the residual customers' payables to leasing companies for which the above mentioned agreements were taken over total Euro 53.7 million, of which Euro 36.0 million for companies managed or owned by related parties, Euro 18,0 million for joint ventures, Euro 1.8 for the parent company Italeaf, and Euro 17.0 million for other related parties ; the rest of the balance, equal to Euro 16.7 million relates to other third-party customers.

## CONTINGENT LIABILITIES

### DISPUTES, INVESTIGATIONS AND JUDICIAL PROCEEDINGS IN PROGRESS

On March 31, 2017 there were no legal or fiscal proceedings or disputes pending against Italeaf or other companies of the Group, except as outlined below.

#### DISPUTE WITH MILIS ENERGY SPA

The dispute concerns the divestment made by Milis Energy against TerniEnergia on a photovoltaic system on greenhouses constructed in Sardinia in the Municipality of Milis. Milis Energy has alleged that TerniEnergia S.p.A. has breached the contract for the construction of this plant and for that reason it has suspended payment of Euro 7 million, claiming that bolts (allegedly impaired) must be replaced, with the amount of work estimated at Euro 50 thousand. By virtue of this, Milis Energy then proceeded to exclude Terni Energia from the work site, with an expulsion deed dated 17 July 2013.

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

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

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

The party has appealed and the first hearing took place on 27 May 2014; on that date, the judge attempted an unsuccessful mediation. By means of an order dated 17 September 2014, the Court of Milan issued a ruling on the request for provisional execution put forth by TerniEnergia, accepting the request for an amount totalling Euro 5,089,991.93, excluding interest and granting the provisional execution of the opposing decree. The aforementioned sum was paid by the counterparty at the beginning of October 2014. The judge recognised the provisional execution for an amount less

than that due to the customer, as a prudential measure given that, in the estimate by Milis, the defects and faults resulted in alleged damage of Euro 850 thousand. The judge ordered an expert opinion to be developed, which is currently underway.

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

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

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

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

### **DISPUTE WITH MADA S.R.L.**

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

Accordingly, TerniEnergia, only after repeated requests for payment:

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

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

As a result, notwithstanding the uncertainty that characterises each dispute and - on the basis of the assessments already developed by our lawyers - TerniEnergia believes that there are reasonable grounds for considering success highly probable in the civil action above. Based on the above summary of the facts, expressed in the civil case that the parent company has promoted and given a possible reconciliation with the customer resulting in the conclusion of the supply, it is not considered appropriate to apply any residual impairment of costs (approximately Euro 0.4 million), included in work in progress as of 31 March 2017.

### **DISPUTE WITH REGNI**

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

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

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

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

On 20 July 2013, TerniEnergia was served a tax assessment notice by the auditors of the Tax Audit Department of the Regional Division of Umbria, which asserted the existence of commercial dealings undertaken in 2010 between TerniEnergia and companies located in countries with privileged taxation systems for the purchase of photovoltaic panels. In order for these costs to be deducted, Art. 110, par. 10 of the TUIR requires that one of the following be proven (and the burden of proof falls on the taxpayer): (i) that the foreign companies mainly carry out an actual commercial activity (ii) or that the transactions that were carried out correspond to an actual financial interest and were correctly executed. Subsequently, on 28 March 2014, the Tax Authority served TerniEnergia a notification requesting that it provide documentation in proof of either of the requirements of Art. 110. The company provided the requested documentation. On 13 February 2015, the Inland Revenue Service/Audit Department of the Regional Division of Umbria compiled cross-examination minutes, formalising the audits and the documentation submitted by the company, which it deemed inadequate in terms of fulfilling the requirements. Subsequently, on 10 April 2015, the company produced additional documentation which it had in the meantime acquired to apply toward proving the deductibility of the costs in question. On 3 June 2015, the Inland Revenue Service ruled the copious documentation provided by the company as inadequate and served a notice of assessment with which it assessed a higher tax for IRES (Corporate Income Tax) of Euro 1,886 thousand, for the alleged undue deduction of the costs relative to the suppliers located in the so-called "black list" countries, as well as a financial penalty of Euro 1,886 thousand plus legal interest. TerniEnergia immediately considered the elements asserted by the Tax Authority in its notice of assessment to be completely unfounded, and given the valid arguments and copious documentation in its possession, will challenge the assessment in court. As such, on 1st September 2015, the parent company submitted an appeal with the Provincial Tax Commission of Perugia, and added a request for suspension that was received by said commission on 14 October 2015. The hearing was held on 17 November 2015. On 26 January 2016, the Provincial Tax Commission of Perugia issued its ruling, which upheld the appeal by TerniEnergia. In May 2016, the Tax Authority presented an appeal to the Tax Court of the Umbria Region. On March, 13, 2017 the Tax Court of the Umbria Region issued a ruling (n. 159/2017) filed on May 15, 2017, rejecting the appeal of Tax Authority and condemning him the payment of the costs.

### **DISPUTES WITH CONSOB**

On April 13, 2016, Consob (the Italian Financial Services Authority) notified to TerniEnergia the Resolution no. 19482 of December 23, 2015 which provides an administrative fines of € 240,000 in respect of the Company's Statutory Auditors (Collegio Sindacale) members, for the alleged omission of control in relation to related party transactions. In detail, the operations were contested carried out by the Company with an ex-board member with power of attorney. The action brought by the Statutory Auditors members was notified to Consob and filed with the Perugia Court of Appeal on May 11, 2016. On March 7, 2017 has been filed the Perugia Court of Appeal ruling that partially canceled sanctions provided by Consob, reducing the amount of Euro 127,500. TerniEnergia, jointly and severally liable with the members of Statutory Auditor to pay such penalties, albeit with recourse obligation, with the support of its counsel believes the risk of losing is only "possible". On the basis of the above, TerniEnergia believes that the current risk linked to the aforementioned event should be considered remote and therefore should not require a provision in the financial statements.

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

## **COMMENTS ON THE MAIN INCOME STATEMENT ACCOUNTS**

## 22. REVENUES

The following table provides details of the account for the three months ended March 31, 2017 and March 31, 2016, respectively:

<i>(in Euro)</i>	As at March 31, 2017	As at March 31, 2016	Change	Change %
Revenues Clean Technologies	2,340,500	1,768,491	572,009	32.3%
Revenues Technical services	7,072,443	28,044,720	(20,972,277)	(74.8)%
Revenues Energy Saving	583,594	200,472	383,122	n.a.
Revenues Energy Management	19,972,717	1,375,745	18,596,972	n.a.
Revenues Drones	115,100	64,305	50,795	79.0%
Other Revenues	10,633		10,633	n.a.
<b>Total</b>	<b>30,094,987</b>	<b>31,453,733</b>	<b>(1,358,746)</b>	<b>(4.3)%</b>

For the first three months ended at March 31, 2017, the Group realized consolidated revenues from sales and services in the amount of Euro 30,094 thousand.

Revenue from "Technical Service" amounted to Euro 7.072 million, mainly relating from operating Photovoltaic Plants from production and sale of energy produced by the Group (so-called "Power Generation"), and from operation & maintenance services by the based on multi-year contracts and revenues from consulting services.

The business line "Clean Technologies" recorded at March 31, 2017 total revenues of Euro 2.340 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.

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

## 23. CHANGES IN INVENTORIES OF SEMI-FINISHED PRODUCTS

The following table provides details of the account for the three months ended March 31, 2017 and March 31, 2016, respectively:

<i>(in Euro)</i>	As at March 31, 2017	As at March 31, 2016	Change	Change %
Finished Products	95,705	40,223	55,482	137.9%
Products in process	2,945,597		2,945,597	n.a.
<b>Total</b>	<b>3,041,302</b>	<b>40,223</b>	<b>3,001,079</b>	<b>n.a.</b>

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

The following table provides details of the account for the three months ended March 31, 2017 and March 31, 2016, respectively:

<i>(in Euro)</i>	As at March 31, 2017	As at March 31, 2016	Change	Change %
Purchase of materials	16,328,484	9,483,577	6,844,908	72.2%
Fuels and lubricants	31,078	31,098	(20)	(0.1)%
Change in inventories of raw materials, consumables	(329,589)	7,333,051	(7,662,640)	(104.5)%
Purchase of Energie	4,878,078	198,485	4,679,593	n.a.
<b>Total</b>	<b>20,908,051</b>	<b>17,046,211</b>	<b>3,861,840</b>	<b>22.7%</b>

## 25. COSTS FOR SERVICES

The following table provides details of the account for the three months ended March 31, 2017 and March 31, 2016, respectively:

<i>(in Euro)</i>	As at March 31, 2017	As at March 31, 2016	Change	Change %
Outwork	157,998	5,982,118	(5,824,120)	n.a.
Consultancy and external collaborators	580,357	516,832	63,525	10.9%
Rental and hire	146,298	252,594	(106,296)	(72.7)%
Services	67,900	5,000	62,900	92.6%
Renting property	(58,788)	125,345	(184,133)	n.a.
Transport	53,521	54,186	(666)	(1.2)%
Services Energy/Gas				n.a.
Maintenance and repairs and assistance	893,360	182,329	711,032	79.6%
Supervision and Insurance	205,303	485,119	(279,816)	(57.7)%
Other costs for services	1,450,931	972,058	478,874	49.3%
<b>Total</b>	<b>3,496,880</b>	<b>8,575,581</b>	<b>(5,078,700)</b>	<b>(59.2)%</b>

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

## 26. PERSONNEL COSTS

The following table provides details of the account for the three months ended March 31, 2017 and March 31, 2016, respectively:

<i>(in Euro)</i>	As at March 31, 2017	As at March 31, 2016	Change	Change %
Wages and salaries	3,431,203	1,189,643	2,241,560	n.a.
Social Security Contribution	1,122,757	339,282	783,475	n.a.
Remuneration of Directions	38,000	141,500	(103,500)	(73.1)%
Provision for employee benefits	277,991	20,907	257,085	n.a.
Temporary Staff	130,242	38,368	91,874	n.a.
<b>Total</b>	<b>5,000,194</b>	<b>1,729,700</b>	<b>3,270,494</b>	<b>n.a.</b>



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

## 27. OTHER OPERATING COSTS

The following table provides details of the account for the three months ended March 31, 2017 and March 31, 2016, respectively:

<i>(in Euro)</i>	As at March 31, 2017	As at March 31, 2016	Change	Change %
Taxes not on incomes	79,108	103,649	(24,541)	(23.7)%
Other costs	251,759	140,901	110,858	78.7%
<b>Total</b>	<b>330,867</b>	<b>244,550</b>	<b>86,317</b>	<b>35.3%</b>

## 28. AMORTIZATION, DEPRECIATION, PROVISIONS AND WRITEDOWNS

The following table provides details of the account for the three months ended March 31, 2017 and March 31, 2016, respectively:

<i>(in Euro)</i>	As at March 31, 2017	As at March 31, 2016	Change	Change %
Amortization of intangible assets	807,491	64,585	742,906	n.a.
Amortization of tangible assets	1,346,580	1,270,431	76,148	6.0%
Writedown non current activities	8,973		8,973	n.a.
<b>Total</b>	<b>2,163,044</b>	<b>1,335,016</b>	<b>828,027</b>	<b>62.0%</b>

Depreciation mainly refers to plants owned by the TerniEnergia Group.

## 29. FINANCIAL INCOME AND CHARGES

The following table provides details of the account for the three months ended March 31, 2017 and March 31, 2016, respectively:

<i>(in Euro)</i>	As at March 31, 2017	As at March 31, 2016	Change	Change %
Interest expense on debt	(1,510,769)	(1,556,451)	45,681	(2.9)%
banking Commission	(222,276)	(232,730)	10,454	(4.5)%
Interests on bonds	(441,918)	(455,036)	13,118	(2.9)%
<b>Total finance costs</b>	<b>(2,174,964)</b>	<b>(2,244,217)</b>	<b>69,253</b>	<b>(3.1)%</b>
Interest earned on bank accounts	706,632	5,280	701,352	n.a.
Interest income / joint venture	344,553	344,553		0.0%
Other financial income	(78,517)	76,919	(155,436)	n.a.
<b>Total financial incomes</b>	<b>972,669</b>	<b>426,753</b>	<b>545,916</b>	<b>127.9%</b>
<b>Total</b>	<b>(1,202,295)</b>	<b>(1,817,464)</b>	<b>615,169</b>	<b>(33.8)%</b>

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

### 30. JOINT VENTURE INCOME

The following table provides details of the account for the three months ended March 31, 2017 and March 31, 2016, respectively:

<i>(in Euro)</i>	As at March 31, 2017	As at March 31, 2016	Change	Change %
Energia Alternativa S.r.l.	(114,293)	(64,743)	(49,550)	76.5%
Solter S.r.l.	39,760	20,024	19,736	98.6%
Girasole S.r.l.	33,179	(27,800)	60,979	n.a.
Guglionesi S.r.l.	(4,564)	(7,154)	2,590	(36.2)%
Bonnanara S.r.l.	(8,784)	(13,429)	4,645	(34.6)%
Oristano S.r.l.	(10,243)	(13,623)	3,380	(24.8)%
Investimenti infrastrutture S.r.l.	(1,491)	3,264	(4,755)	(145.7)%
Infocaciucci S.r.l.	22,288	(5,935)	28,223	n.a.
Rebispower	4,832	(8,747)	13,578	n.a.
<b>Total</b>	<b>(39,316)</b>	<b>(118,142)</b>	<b>78,826</b>	<b>n.a.</b>

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

### 31. TAXES

The following table provides details of the account for the three months ended March 31, 2017 and March 31, 2016, respectively:

<i>(in Euro)</i>	As at March 31, 2017	As at March 31, 2016	Change	Change %
Current Taxes	148,713	545,896	(397,183)	n.a.
Deferred tax asset	(190,261)	(216,251)	25,989	(12.0)%
Deferred tax provision	(233,943)	(26,530)	(207,413)	n.a.
<b>Total</b>	<b>(275,492)</b>	<b>303,115</b>	<b>(578,607)</b>	<b>n.a.</b>

<i>(in Euro)</i>	As at March 31, 2017	As at March 31, 2016	Change	Change %
Current Taxes				
- IRES	131,993	454,195	(322,202)	(70.9)%
- IRAP	16,719	91,701	(74,981)	(81.8)%
<b>Total</b>	<b>148,713</b>	<b>545,896</b>	<b>(397,183)</b>	<b>(72.8)%</b>

## TRANSACTION WITH RELATED PARTIES

The following table summarizes financial transactions with related parties:

(in Euro)	As At March 31 2017				As At March 31 2017		
	Description	Receivables	Guarantees	Guarantees given	Takeover Commitments	Charges	Income
<b>Joint venture</b>							
Girasole S.r.l.	1,039,542				1,159,297		7,210
Guglionesi S.r.l.	357,024						2,520
Energia Alternativa S.r.l.	7,930,973				14,685,235		57,430
Solter S.r.l.	1,661,283						11,828
Soc. Agric. Fotosolara Bonnanaro S.r.l.	985,092						6,471
Soc. Agric. FotosolaraOristano S.r.l.	1,219,319						5,669
Investimenti Infrastrutture S.r.l.	1,006,616						6,123
Infocaciucci S.r.l.	192,439				2,163,381		
Rebis Power S.r.l.	5,724						
<b>Affiliated companies</b>							
T.E.R.N.I. Research S.p.A.					2,185,060		
<b>Other Related Parties</b>							
Sol Tarenti	493,775				7,490,540		50,000
Camene S.r.l.					2,512,282		
Royal Club Snc					2,480,145		
Lizzanello S.r.l.	1,770						
Saim Energy 2 S.r.l.					2,161,016		
<b>Totale</b>	<b>14,893,557</b>				<b>34,836,957</b>		<b>147,252</b>

The following table summarizes commercial transactions with related parties:

<i>(in Euro)</i>	As At March 31 2017				As At March 31 2017				
	Receivables	Payables	Other credits	Other Payables	Costs			Revenues	
					Goods	Service Cost	Personnel	Goods	Service Cost
Description									
<b>Joint venture</b>									
Girasole S.r.l.	77,267	55,019							92,880
Guglionesi S.r.l.	36,600								20,000
Energia Alternativa S.r.l.	505,204								1,059,655
Solter S.r.l.	181,147	97,985							121,026
Soc. Agric. Fotosolara Bonnanaro S.r.l.	59,726								28,000
Soc. Agric. FotosolaraOristano S.r.l.	42,700		146						28,000
Investimenti Infrastrutture S.r.l.	33,477	261,589	6,303						24,200
Infocaciucci S.r.l.	18,886								20,280
<b>Associates</b>									
T.E.R.N.I. Research S.p.A.	32,044	196,098	2,089,284	31,443					1,750
<b>Other Related Parties</b>									
Byom S.r.l.		56,156							
Sol Tarenti S.r.l.									26,799
Lizzanello S.r.l.	47,235								4,000
Saim Energy 2	77,447								750
Senior management		17,269					190,659		
<b>Totale</b>	<b>1,111,731</b>	<b>684,115</b>	<b>2,095,733</b>	<b>31,443</b>			<b>190,659</b>		<b>1,427,339</b>

## **SUBSEQUENT EVENTS**

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

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

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

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

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

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

### **ITALEAF: ORDINARY AND EXTRAORDINARY ANNUAL SHAREHOLDERS' MEETING 2017**

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

#### **Ordinary session - Resolutions**

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

- The Meeting has approved the Annual report 2016 and has adopted the consolidated financial statements as at 31 December 2016.
- The Annual General Meeting resolved to confirm as member of the Board of Directors, pursuant to art. 2386 of the Italian civilian code, Mr. Domenico De Marinis who will remain in office until the expiration of the Board of Directors, ie until the Shareholders' Meeting convened to approve the financial statements ending 31 December 2017.

#### **Extraordinary session - Resolutions**

The meeting has approved the capital increase, against payment, with of exclusion of options right pursuant to art. 2441 par. 5 of the Italian Civil Code. The newly issued shares will be offered for subscription in a private placement, without publication of the prospectus for the public offering and listing of the new shares, by virtue of the exemptions

provided by art. 100 letters a), b) and c) of the TUF and art. 34-ter paragraph 1 letters a), b) and c) of Consob Regulation no. 11971/99, as subsequently amended (the “Private Placement”). The newly issued shares, for a maximum of up to 2,499,000 (worth up to a maximum of Euro 2,499,000) will be offered to industrial investors and to Italian and foreign institutional investors until June 15, 2017.

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

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