

ITALY INNOVAZIONI S.R.L.

Financial statements for the period ended 31/12/2016

Company Data	
Registered office in	ROME
Tax Code	12807431007
Economic and Administrative Index (REA) No.	ROMA1401805
VAT No.	12807431007
Share Capital EUR	10,000.00 fully paid in
Legal Form	SOCIETÀ A RESPONSABILITÀ LIMITATA (Italian limited liability company)
Main sector of activity (ATECO)	749099
Company in liquidation	no
Company with Sole Shareholder	no
Company subject to the management and coordination activity of third parties	no
Name of the company or body exercising management and coordination	
Member of a group	no
Parent company name	
Parent company country	
Cooperative company registration number	

All amounts are expressed in Euro

Financial statements at 31/12/2016

BALANCE SHEET

ASSETS	31/12/2016	31/12/2015
A) CALLED UP SHARE CAPITAL NOT PAID	0	0
B) FIXED ASSETS		
I - Intangible fixed assets	181,499	106,891
II - Tangible fixed assets	23,200	27,451
III - Investments	180,075	75
Total fixed assets (B)	384,774	134,417
C) CURRENT ASSETS		

I - Stocks	7,137	18,533
II - Debtors		
Falling due within 12 months	68,488	43,066
Falling due after more than 12 months	0	10,000
Total debtors	68,488	53,066
III – Short-term investments	0	0
IV - Cash at bank and in hand	19,233	37,771
Total current assets (C)	94,858	109,370
D) PREPAYMENTS AND ACCRUED INCOME	0	0
TOTAL ASSETS	479,632	243,787

BALANCE SHEET

LIABILITIES	31/12/2016	31/12/2015
(A) CAPITAL AND RESERVES		
I - Share Capital	10,000	10,000
II - Share premium reserve	0	0
III - Revaluation reserves	0	0
IV - Legal reserve	0	0
V - Reserves required by the Articles of Association	0	0
VI - Other reserves	1	1
VII - Reserve for hedging transactions regarding expected cash flows	0	0
VIII - Retained earnings (losses)	-120,196	-36,628
IX - Profit (loss) for the period	3,100	-83,568
Loss covered in the period	0	0
X - Negative reserve for treasury shares	0	0
Total capital and reserves	-107,095	-110,195
B) PROVISIONS FOR RISKS AND COSTS	0	0
C) SEVERANCE INDEMNITY	0	1,785
D) CREDITORS		
Falling due within 12 months	-316	37,156
Falling due after 12 months	587,000	315,000
Total creditors	586,684	352,156
E) ACCRUED LIABILITIES AND DEFERRED INCOME	43	41
TOTAL LIABILITIES	479,632	243,787

PROFIT AND LOSS ACCOUNT

	31/12/2016	31/12/2015
A) PRODUCTION VALUE:		
1) Turnover	40,984	0
5) Other operating income		
Contributions on trading account	0	10,000
Other	1	13
Total other operating income	1	10,013
Total production value	40,985	10,013
B) PRODUCTION COSTS:		
6) raw materials, consumables and goods for resale	7,239	3,620

7) services	20,251	45,390
8) hire and leases	881	914
9) personnel:		
a) wages and salaries	5,179	24,741
b) social security costs	631	0
c), d), e) severance indemnity, other pension costs, other personnel costs	355	1,785
c) Severance indemnity	355	1,785
Total personnel costs	6,165	26,526
10) depreciation, amortisation and write-offs:		
a), b), c) Depreciation of tangible fixed assets and amortisation of intangible fixed assets, other write-offs of fixed assets	8,435	9,342
a) Amortisation of intangible fixed assets	4,184	7,217
b) Depreciation of tangible fixed assets	4,251	2,125
Total depreciation, amortisation and write-offs	8,435	9,342
11) Changes in stocks in raw materials, consumables and goods for resale	-7,137	0
14) Other operating charges	667	7,464
Total production costs	36,501	93,256
Difference between production value and production costs (A-B)	4,484	-83,243
C) FINANCIAL INCOME AND CHARGES:		
17) interest and other financial charges		
Other	226	325
Total interest and other financial charges	226	325
Total financial income and charges (C) (15+16-17+-17-bis)	-226	-325
D) VALUE ADJUSTMENTS ON INVESTMENTS:		
Total value adjustments on investments (18-19)	0	0
Result before taxes (A-B+-C+-D)	4,258	-83,568
20) Current, deferred and pre-paid income taxes for the period		
Current taxes	1,158	0
Total current, deferred and pre-paid income taxes for the period	1,158	0
21) PROFIT (LOSS) FOR THE PERIOD	3,100	-83,568

Notes to the financial statements at 31/12/2016 prepared in abbreviated form pursuant to Article 2435 bis of the Italian Civil Code.

INTRODUCTION

The financial statements for the period ended at 31/12/2016, of which these Notes are an integral part pursuant to Article 2423, first paragraph, of the Italian Civil Code, are based on the accounting records regularly made by the company, and are prepared in compliance with Articles 2423, 2423 ter, 2424, 2424 bis, 2425, 2425 bis of the Italian Civil Code, according to the drafting principles established by Article 2423 bis, and the valuation criteria referred to in Article 2426 of the Italian Civil Code.

These financial statements were prepared in abbreviated form in compliance with the provisions referred to in Article 2435-bis of the Italian Civil Code, given that the preconditions envisaged by paragraph 1 of that Article are met. Consequently, these Notes do not include the indications under Article 2426, paragraph 1,

number 10, *[delete if does not apply]*, and provide the information required by Article 2427, paragraph 1, limited to the items specified in paragraph 5 of Article 2435 bis of the Italian Civil Code.

In addition, these Notes report the information required by Article 2428, numbers 3) and 4) of the Italian Civil Code and, therefore, the management report has not been prepared pursuant to Article 2435 bis, paragraph 6, of the Italian Civil Code.

The valuation criteria referred to in Article 2426 of the Italian Civil Code are consistent with those used in the preparation of the financial statements of the previous period, except for the items for which Legislative Decree No. 139/2015 has introduced new valuation criteria *[delete if not applicable]*, and there were no exceptional events that would have required any derogations pursuant to Articles 2423-bis, second paragraph, and 2423, fifth paragraph, of the Italian Civil Code.

For the purposes of comparability of the balances of the financial statements, pursuant to Article 2423 ter, fifth paragraph of the Italian Civil Code, all balances from the previous period were reclassified.

PREPARATION CRITERIA

In compliance with the provisions of Article 2423 bis of the Italian Civil Code, in the drafting of the financial statements it was determined:

- to evaluate each item under the principle of prudence and on a going concern basis;
- to only include the profits actually made during the period;
- to determine the income and costs on an accrual basis, regardless of when the cash is actually received;
- to include all the risks and losses pertaining to the period, even if these became known after the conclusion of the period;
- to separately consider, for the purposes of their related valuation, the different elements included in the items of the financial statements;
- to maintain unchanged the valuation principles adopted with respect to the previous period.

VALUATION CRITERIA

The criteria applied in the valuation of the items of the financial statements, as listed below, are in compliance with the provisions of Article 2426 of the Italian Civil Code.

Intangible fixed assets

Intangible fixed assets are recorded, within the limit of their recoverable value, at the cost of acquisition or internal production, inclusive of all ancillary charges directly attributable to their acquisition, and are systematically amortised on a straight-line basis in relation to their residual useful life.

Development costs arise from the application of the results of basic research or other knowledge held or acquired, before the start of commercial production or utilisation, and are amortised based on their useful

life.

Patents and other intellectual property rights are amortised based on their presumed useful life, which in any case does not exceed the duration of the related licence agreements.

Fixed assets in progress are not depreciated.

Tangible fixed assets

Tangible fixed assets are recognised at the date on which the transfer of the risks and benefits related to the acquired assets takes place and are recorded, within the limit of their recoverable value, at the cost of acquisition or production, net of any accumulated depreciation, including all costs and ancillary charges directly attributable to the acquisition, of any indirect costs related to internal manufacture, as well as of the charges relating to the financing of the internal manufacture incurred up to the moment at which the asset can be used.

The costs incurred on existing assets for the expansion, modernisation and improvement of their structural elements, as well as those incurred to increase their suitability to the purposes for which they were acquired, and any extraordinary maintenance, in compliance with OIC 16, sections 49 to 53, have been capitalised only in case of a significant and measurable increase in productive capacity or useful life.

For these assets, depreciation has been applied on an individual basis on the new book value, taking into account the residual useful life.

For tangible fixed assets consisting of a set of coordinated assets, in compliance with what is provided by OIC 16, sections 45 and 46, the values of the individual assets are determined for the purposes of identifying the different duration of their useful lives.

Depreciation starts from the moment the assets are available and ready for use.

The company applied rates that reflect the result of the technical depreciation schedules, as confirmed by the business units and reduced by 50% for acquisitions in the period, given that for the latter the conditions established by OIC 16, section 61, apply.

The depreciation schedules, in accordance with OIC 16, section 70, are revised in case of any change of the residual useful life.

Obsolete assets and assets that will no longer be used or be useable for production, on the basis of OIC 16, section 80, were not depreciated and were valued at the lower value between the net book value and the recoverable value.

The rates applied are specified below:

Public grants for plant and equipment and for operating expenses

The company received the amount of EUR 10,000.00 by the Calabria Region in the form of a grant for facilitated hiring of employees; this grant was already included in the income statement of the previous period, as it was received in 2015.

Equity investments

Equity investments are recorded as fixed assets or current assets on the basis of their purpose.

Non-current equity investments

Non-current equity investments in listed and unlisted companies were valued by attributing to each equity investment the cost specifically incurred.

Equity investments in subsidiaries, affiliates and joint ventures are valued according to the corresponding share of the shareholders' equity resulting from the investee companies' last approved financial statements, net of any dividends and adjustments required by the accounting principles applicable to consolidated financial statements, as well as those necessary for compliance with Articles 2423 and 2423 bis of the Italian Civil Code.

Current equity investments

Equity investments that are not fixed assets are recorded at the lesser value between purchase cost and the estimated realisable value inferred from market trends.

Debt securities

Debt securities are recognised at the time of delivery of the security and are classified as fixed assets or current assets on the basis of their purpose.

Non-current debt securities

Non-current debt securities, listed and unlisted, were valued on an individual basis and were attributed each the cost specifically incurred.

Pursuant to Article 2426, paragraph 1, number 3 of the Italian Civil Code, in case of impairment losses, as defined and determined on the basis of OIC 20, sections 55 to 57, rates were adjusted. *[delete if not applicable or specify the reasons pursuant to Article 2427 of the Italian Civil Code, paragraph 1, number 1]*

Current debt securities

Securities that are not fixed assets are recorded at the lesser value between their purchase cost and the estimated realisable value inferred from market trends.

Stocks

Stocks are recognised at the date on which the transfer of the risks and benefits related to the acquired assets takes place and are recorded at the lesser value between their purchase cost, including all costs and ancillary charges directly attributable to the acquisition and any indirect costs related to internal production, and the presumed realisable value inferable from the market trend.

More precisely:

Fungible goods were evaluated by applying the "Actual Cost" method.

Products in progress are recorded according to the costs incurred during the period.

Works to order in progress were valued on the basis of the completed contract method and were therefore

recorded at cost.

Derivative financial instruments

No amounts were recorded for this item in the financial statements.

Debtors

Debtors are classified as fixed assets or current assets on the basis of their purpose / source in relation to the ordinary assets and are recorded at their estimated realisable value.

The breakdown of the amounts due within and beyond the period is carried out with reference to the contractual or legal expiration, also taking into account the facts and events that can determine a change of the original termination date, the realistic ability of the debtor to fulfil its obligation within the contractual terms and the time horizon in which one can reasonably collect the amounts due.

Pursuant to OIC 15, section 84, the amortised cost method has not been adopted for the valuation of debtors.

Debtors are represented in the financial statements net of the inclusion of a bad debt provision to cover accounts receivable that are considered uncollectible, as well as the generic risk relating to the remaining debts, based on estimates made on the basis of past experience, the length of time the debt has been outstanding, the general economic situation, the sector and country risk, as well as any events after the close of the period that affect the values at the balance sheet date.

Tax receivables and pre-paid taxes

The item 'Tax receivables' includes fixed and determined amounts deriving from receivables for which a right of realisation arose through reimbursement or offset.

Cash at bank and in hand

Cash at bank and in hand is recorded at its nominal value.

Prepayments and accrued income

Prepayments and/or accrued income have been recorded on an accrual basis and include the revenues / costs pertaining to the period and payable in subsequent periods, and the revenues / costs incurred by the end of the period but pertaining to future periods.

Therefore, only the parts of costs and revenues that are common to two or more periods are recorded, whose percentage varies over time.

Provisions for risks and costs

No amounts are recorded in the financial statements for this item.

Provisions for pensions and similar obligations

These amounts are not recorded in the financial statements given that, from February 2016, the company has no more employees.

Provisions for taxes, including deferred taxes

There are no amounts recorded in the financial statements.

Creditors

The breakdown of the amounts due within and beyond the period is carried out with reference to the contractual or legal expiration, also taking into account the facts and events that can determine a change of the original termination date.

Creditors are recorded as liabilities on the basis of their nominal value, as deemed representative of their settlement value.

Creditors arising from purchases of goods are recorded at the moment their risks, burdens and benefits are transferred; creditors related to services are recognised at the time of performance; financial creditors and other types of creditors are recognised at the time at which the obligation towards the other party arises.

Tax creditors include liabilities for certain and determined taxes, as well as any withholdings made and not yet paid at the date of the financial statements, and, where set-off is permitted, are recorded net of advances, withholding taxes and tax credits.

Creditors falling due after more than 12 months, equal EUR 587,000.00, are fully composed of payables towards investment associates.

Foreign currency

There are no amounts in foreign currency.

Costs and revenues

These are recorded according to the principles of prudence and on an accrual basis.

Economic and financial transactions with group companies and with related parties are made at arm's length.

INFORMATION ON THE BALANCE SHEET ASSETS

FIXED ASSETS

Fixed assets amounted to EUR 384,774 (EUR 134,417 in the previous period).

The composition and changes of the individual items are as follows:

	Intangible fixed assets	Tangible fixed assets	Investments	Total fixed assets
Value at the beginning of the period				
Cost	114,108	29,576	75	143,759
Amortisation/Depreciation (Accumulated Amortisation/Depreciation)	7,217	2,125		9,342
Financial statements value	106,891	27,451	75	134,417

Changes during the period				
Amortisation/Depreciation for the period	4,184	4,251		8,435
Other changes	78,792	0	180,000	258,792
Total changes	74,608	-4,251	180,000	250,357
Value at the end of the period				
Cost	192,900	29,576	180,075	402,551
Amortisation/Depreciation (Accumulated Amortisation/Depreciation)	11,401	6,376		17,777
Financial statements value	181,499	23,200	180,075	384,774

Investments

Non-current debtors - Breakdown by maturity

The breakdown of debtors by maturity, pursuant to Article 2427, paragraph 1, number 6 of the Italian Civil Code, is as follows:

- EUR 75.00 for equity investment in the company IT Creation, a company organised and existing under US law, of which Italy Innovations holds 85% of the share capital;
- EUR 180,000.00 non-current debtors for equity investments.

CURRENT ASSETS

Accounts receivable - Distinguished by maturity

Below are reported the data relating to the breakdown of accounts receivable by maturity, pursuant to Article 2427, paragraph 1, number 6 of the Italian Civil Code:

	Value at the beginning of the period	Change in the period	Value at the end of the period	Amount falling due within the period	Amount falling due beyond the period	Of which the term is more than 5 years
Tax receivables recorded in current assets	29,402	-661	28,741	28,741	0	0
Other receivables recorded in current assets	23,664	16,083	39,747	39,747	0	0
Total accounts receivable recorded in current assets	53,066	15,422	68,488	68,488	0	0

Capitalised financial charges

The following are the financial charges recorded in the period to the values of the assets of the Balance Sheet, pursuant to Article 2427, paragraph 1, number 8 of the Italian Civil Code: none.

INFORMATION ON THE BALANCE SHEET LIABILITIES AND CAPITAL AND RESERVES

CAPITAL AND RESERVES

The capital and reserves existing at the close of the period amounted to EUR -107,095 (EUR -110,195 in the previous period).

The following tables show the movements during the period of the individual items that make up the item Capital and reserves and the detail of the 'Other reserves' item:

	Value at the beginning of the period	Assignment of dividends	Other purposes	Increases
Capital	10,000	0	0	0
Other reserves				
Various other reserves	1	0	0	0
Total other reserves	1	0	0	0
Profit (loss) carried forward	-36,628	0	-83,568	0
Profit (loss) in the period	-83,568	0	83,568	0
Total capital and reserves	-110,195	0	0	0

	Decreases	Reclassifications	Result for the period	Value at the end of the period
Capital	0	0		10,000
Other reserves				
Various other reserves	0	0		1
Total other reserves	0	0		1
Profits (losses) carried forward	0	0		-120,196
Profit (loss) for the period	0	0	3,100	3,100
Total capital and reserves	0	0	3,100	-107,095

For the purposes of a better understanding of the changes in capital and reserves, changes in the capital and reserves items for the previous period are shown below:

	Value at the beginning of the period	Assignment of dividends	Other purposes	Increases
--	--------------------------------------	-------------------------	----------------	-----------

Capital	0	0	0	0
Various other reserves	0	0	0	0
Total other reserves	0	0	0	0
Profit (loss) carried forward	0	0	-36,628	0
Profit (loss) for the period	0	0	0	0
Total capital and reserves	0	0	-36,628	0

	Decreases	Reclassifications	Result for the period	Value at the end of the period
Capital	0	10,000		10,000
Other reserves				
Various other reserves	0	1		1
Total other reserves	0	1		1
Profit (loss) carried forward	0	0		-36,628
Profit (loss) for the period	0	0	-83,568	-83,568
Total capital and reserves	0	10,001	-83,568	-110,195

Availability and use of the items of capital and reserves

The information required by Article 2427, paragraph 1, number 7-bis of the Italian Civil Code regarding the specification of the items of capital and reserves with reference to their origin, usability and distribution, as well as their utilisation in previous periods, are inferable from the tables below:

	Amount	Source/nature	Utilisation possibility	Share available	Summary of utilisations made in the three previous periods - to cover losses	Summary of utilisations made in the three previous periods - for other reasons
Capital	10,000			0	0	0
Other reserves						
Various other reserves	1			0	0	0
Total other reserves	1			0	0	0
Total	10,001			0	0	0
Legend: A: for capital increase B: to cover losses C: for distribution to shareholders D: for other statutory obligations E: other						

CREDITORS

Creditors - Breakdown by maturity

The breakdown of creditors by maturity, pursuant to Article 2427, paragraph 1, number 6 of the Italian Civil Code, is as follows:

	Value at the beginning of the period	Change in the period	Value at the end of the period	Amount falling due within the period	Amount falling due beyond the period	For a period exceeding 5 years
Trade creditors	32,206	-36,349	-4,143	-4,143	0	0
Tax creditors	1,610	2,217	3,827	3,827	0	0
Social security creditors	529	-529	0	0	0	0
Other creditors	317,811	269,189	587,000	0	587,000	0
Total creditors	352,156	234,528	586,684	-316	587,000	0

INFORMATION ON THE PROFIT AND LOSS ACCOUNT

REVENUES ARISING FROM TRANSACTIONS OF EXCEPTIONAL SIZE OR NATURE

Pursuant to the provisions of Article 2427, paragraph 1, number 13 of the Italian Civil Code, the following table shows revenues deriving from transactions of exceptional size or nature: None.

COSTS ARISING FROM TRANSACTIONS OF EXCEPTIONAL SIZE OR NATURE

Pursuant to the provisions of Article 2427, paragraph 1, number 13 of the Italian Civil Code, the following table shows costs deriving from transactions of exceptional size or nature: None.

OTHER INFORMATION

Significant events after the end of the period

The following information regards the nature and the financial and economic effect of events occurring after the close of the period, pursuant to Article 2427, paragraph 1, number 22-quater of the Italian Civil Code:

The company has decided to carry out as soon as possible a capital increase and the transformation of the company into a *società per azioni* (Italian joint-stock company).

Allocation of the result for the period

Pursuant to Article 2427, paragraph 1, number 22-septies of the Italian Civil Code, the proposed allocation of the result of the period is as follows:

The profit for the period, equal to EUR 3,100.00, will be allocated to the legal reserve for a 5% (155.00) and the remaining part (2,945.00) to partially cover previous losses.

The governing body

RENDE GIORGIO

True copy certification

This is a true copy of the documents kept at the company