

ITALY INNOVAZIONI S.P.A.

Financial statements for the period ended 31/12/2017

Company Data	
Registered office in	ROME
Tax Code	12807431007
Economic and Administrative Index (REA) No.	ROMA1401805
VAT No.	12807431007
Share Capital EUR	3,210,000.00 fully paid in
Legal Form	SOCIETÀ' PER AZIONI (Italian joint-stock 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 31/12/2017

BALANCE SHEET

ASSETS	31/12/2017	31/12/2016
A) CALLED UP SHARE CAPITAL NOT PAID	0	0
B) FIXED ASSETS		
I - Intangible fixed assets	3,439,793	181,499
II - Tangible fixed assets	18,949	23,200
III - Investments	180,075	180,075
Total fixed assets (B)	3,638,817	384,774
C) CURRENT ASSETS		
I - Stocks	16,563	7,137

II - Debtors		
Falling due within 12 months	66,304	68,488
Total debtors	66,304	68,488
III – Short-term investments	0	0
IV - Cash at bank and in hand	208	19,233
Total current assets (C)	83,075	94,858
D) PREPAYMENTS AND ACCRUED INCOME	0	0
TOTAL ASSETS	3,721,892	479,632

BALANCE SHEET

LIABILITIES	31/12/2017	31/12/2016
(A) CAPITAL AND RESERVES		
I - Share Capital	3,210,000	10,000
II - Share premium reserve	0	0
III - Revaluation reserves	0	0
IV - Legal reserve	155	0
V - Reserves required by the Articles of Association	0	0
VI - Other reserves	2	1
VII - Reserve for hedging transactions regarding expected cash flows	0	0
VIII - Retained earnings (losses)	-117,251	-120,196
IX - Profit (loss) for the period	-101,132	3,100
Loss covered in the period	0	0
X - Negative reserve for treasury shares	0	0
Total capital and reserves	2,991,774	-107,095
B) PROVISIONS FOR RISKS AND COSTS	0	0
C) SEVERANCE INDEMNITY	0	0
D) CREDITORS		
Falling due within 12 months	103,118	-316
Falling due after 12 months	627,000	587,000
Total creditors	730,118	586,684
E) ACCRUALS AND DEFERRED INCOME	0	43
TOTAL LIABILITIES	3,721,892	479,632

PROFIT AND LOSS ACCOUNT

	31/12/2017	31/12/2016
A) PRODUCTION VALUE:		
1) Turnover	0	40,984
2), 3) Changes in stocks of work in progress, semi-finished and finished products, and work in progress on order	9,426	0
2) Changes in stocks of work in progress, semi-finished and finished products	9,426	0
5) Other operating income		
Other	9	1
Total other operating income	9	1
Total production value	9,435	40,985
B) PRODUCTION COSTS:		

6) raw materials, consumables and goods for resale	9,871	7,239
7) services	51,870	20,251
8) hire and leases	787	881
9) personnel:		
a) wages and salaries	0	5,179
b) social security costs	0	631
c), d), e) severance indemnity, other pension costs, other personnel costs	0	355
c) Severance indemnity	0	355
Total personnel costs	0	6,165
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	7,460	8,435
a) Amortisation of intangible fixed assets	3,209	4,184
b) Depreciation of tangible fixed assets	4,251	4,251
Total depreciation, amortisation and write-offs	7,460	8,435
11) Changes in stocks in raw materials, consumables and goods for resale	0	-7,137
14) Other operating charges	40,467	667
Total production costs	110,455	36,501
Difference between production value and production costs (A-B)	-101,020	4,484
C) FINANCIAL INCOME AND CHARGES:		
17) interest and other financial charges		
Other	112	226
Total interest and other financial charges	112	226
Total financial income and charges (C) (15+16-17+-17-bis)	-112	-226
D) VALUE ADJUSTMENTS ON INVESTMENTS:		
Total value adjustments on investments (18-19)	0	0
Result before taxes (A-B+-C+-D)	-101,132	4,258
20) Current, deferred and pre-paid income taxes for the period		
Current taxes	0	1,158
Total current, deferred and pre-paid income taxes for the period	0	1,158
21) PROFIT (LOSS) FOR THE PERIOD	-101,132	3,100

Notes to the financial statements at 31/12/2017 prepared in abbreviated form pursuant to Article 2435 bis of the Italian Civil Code.

INTRODUCTION

The financial statements for the period ended at 31/12/2017, 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, 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.

Alternatively:

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 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.

Also, where applicable, the principles and recommendations published by the *Organismo Italiano di Contabilità* [Italian Accounting Body] (OIC) supplemented, where lacking, by the IAS/IFRS issued by the IASB have been complied with, in order to give a true and fair representation of the financial and economic situation of the company.

No elements of the assets and liabilities fall under more than one item of the financial statements.

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.

Under Article 2364, paragraph 2 of the Italian Civil Code, and in accordance with the company's articles of association (Article 10 of the articles of association), the extended term of 180 days was used for the approval of the Financial Statements.

This extension was justified by the circumstance that, on 23 June 2017, the company's legal form changed from *società a responsabilità limitata* (Italian limited liability company) to *società per azioni* (Italian joint-stock company), with the simultaneous increase of the share capital; this led to the need to proceed with the administrative reorganisation of the company to comply with the new requirements.

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.

In particular, start-up and development costs derive from the capitalisation of charges regarding the start-up or expansion phases of the operating capacity and are amortised over 5 years.

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 or the validity of the patents (normally 20 years). In compliance with the provisions of Law Decree of 4 July 2006, converted into Law No. 248 of 4 August 2006, which amended Article 103, paragraph 1 of the TUIR (Italian Income Tax Law), it is believed that a straight-line method of 1/18 is currently a correct representation for the company.

No adjustment was made to amortise the patent that was contributed to the company as it has not produced any economic benefits yet, which will be evident in the next period.

Fixed assets in progress are not depreciated.

Fixed assets for which the value at the closing date of the period is persistently lower than the residual cost to be amortised, are recorded at such lower value; this is not continued if in subsequent periods the reasons for the adjustment no longer apply.

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 their 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.

Tangible fixed assets acquired free of charge, in compliance with OIC 16, sections 47 and 48, have been recorded based on their market value with a contra-entry to the item 'A. 5 Other operating income' in the profit and loss account.

With reference to the capitalisation of financial charges, it is specified that this has been carried out in compliance with OIC 16, sections 41 to 44, having considered that:

- this involves expenses actually incurred and objectively determinable and within the recoverable value of the respective assets;
- capitalised costs do not exceed the financial charges, net of temporary investment of borrowed funds, related to the construction of the asset and incurred in the period;
- the financial charges on borrowed funds are generally capitalised within the limits of the percentage attributable to tangible fixed assets in progress;
- capitalised costs relate exclusively to assets that require a significant period of construction.

The cost of fixed assets with limited useful life is systematically depreciated in each period on the basis of the economic and technical rates determined in relation to their residual useful life.

All assets, including assets temporarily not utilised, have been depreciated, with the exception of assets with indefinite life, which include land, non-instrumental properties and works of art.

On the basis of OIC 16, section 60, where the value of the buildings also includes the value of the land on which they are built, the value of the building has been separated.

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:

Industrial and commercial equipment: 15%

Other tangible assets :

- electronic office machinery: 20%

Public grants for plant and equipment and for operating expenses

The company has not received any grants.

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.

It is noted that "Italy Innovation" holds an equity investment in the US company named "IT Creation", with registered office in Miami, Florida, that applies accounting and legal rules that are totally different from Italian rules.

Current equity investments

Equity investments that are not fixed assets are recorded at the lesser value between the 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.

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.

Derivative financial instruments

The company does not own any derivative financial instruments.

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

No prepayments and/or accrued income are recorded in the financial statements.

Provisions for risks and costs

No provisions for risks and costs are recorded in the financial statements.

Provisions for pensions and similar obligations

The company has not had employees during the period.

Provisions for taxes, including deferred taxes

None.

Severance indemnity

None.

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.

Foreign currency

Monetary assets and liabilities in foreign currency are recorded at the spot exchange rate at the closing date of the period, with any foreign exchange gains and losses charged to the profit and loss account.

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 3,638,817 (EUR 384,774 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	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
Changes during the period				
Amortisation/Depreciation for the period	3,209	4,251		7,460

Other changes	3,261,503	0	0	3,261,503
Total changes	3,258,294	-4,251	0	3,254,043
Value at the end of the period				
Cost	3,454,163	29,576	180,075	3,663,814
Amortisation/Depreciation (Accumulated Amortisation/Depreciation)	14,370	10,627		24,997
Financial statements value	3,439,793	18,949	180,075	3,638,817

Finance lease transactions

Reported below is the information concerning finance lease transactions, pursuant to Article 2427, paragraph 1, number 22 of the Italian Civil Code: No transactions.

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: The company has no non-current debtors.

CURRENT ASSETS

Debtors - Distinguished by maturity

The breakdown of debtors 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	Of which the term is more than 5 years
Tax receivables recorded in current assets	28,741	29,309	58,050	58,050	0	0
Other receivables recorded in current assets	39,747	-31,493	8,254	8,254	0	0
Total accounts receivable recorded in current assets	68,488	-2,184	66,304	66,304	0	0

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 2,991,774 (EUR -107,095 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
Legal reserve	0	0	0	0
Other reserves				
Various other reserves	1	0	0	0
Total other reserves	1	0	0	0
Profit (loss) carried forward	-120,196	0	2,945	0
Profit (loss) in the period	3,100	0	-3,100	0
Total capital and reserves	-107,095	0	-155	0

	Decreases	Reclassifications	Result for the period	Value at the end of the period
Capital	0	3,200,000		3,210,000
Legal reserve	0	155		155
Other reserves				
Various other reserves	0	1		2
Total other reserves	0	1		2
Profit (loss) carried forward	0	0		-117,251
Profit (loss) for the period	0	0	-101,132	-101,132
Total capital and reserves	0	3,200,156	-101,132	2,991,774

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
Other reserves				
Various other reserves	0	0	0	0
Total other reserves	0	0	0	0
Profit (loss) carried forward	0	0	-120,196	0
Profit (loss) for the period	0	0	0	0

Total capital and reserves	0	0	-120,196	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		-120,196
Profit (loss) for the period	0	0	3,100	3,100
Total capital and reserves	0	10,001	3,100	-107,095

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	3,210,000			0	0	0
Legal reserve	155			0	0	0
Other reserves						
Various other reserves	2			0	0	0
Total other reserves	2			0	0	0
Total	3,210,157			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	-4,143	98,180	94,037	94,037	0	0
Tax creditors	3,827	5,189	9,016	9,016	0	0
Social security creditors	0	65	65	65	0	0
Other creditors	587,000	40,000	627,000	0	627,000	0
Total creditors	586,684	143,434	730,118	103,118	627,000	0

Creditors with a maturity of over five years and creditors secured by collateral security on company assets

Creditors with a maturity of more than five years and creditors secured by collateral security on corporate assets, pursuant to Article 2427, paragraph 1, number 6 of the Italian Civil Code, are the following: "None".

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

Remuneration of company bodies

The information relating to the directors and auditors, pursuant to Article 2427, paragraph 1, number 16 of the Italian Civil Code is as follows: the Board of Statutory Auditors was appointed at the company became a *società per azioni*. Remuneration was recorded in the financial statements in the amount of EUR 10,920.00.

**Information on companies or entities that exercise management and coordination activities
- Article 2497 bis of the Italian Civil Code**

The company is not subject to management or coordination by any companies or entities.

Information required by law regarding Start-ups and innovative SMEs

[Start-up]

The company has been registered in the special section as an innovative start-up on 21.03.2018.

Therefore, the indications provided for by Law shall be provided within 30 September in the Rome Companies Register.

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:

Loss for the period EUR 101,132.46. Considering the company's potential, the expectations are that these losses and the previous losses will be covered in the 2018 period. Therefore, it is proposed to postpone the coverage of losses until the next period.

The Chairman of the Board of Directors

RENDE GIORGIO

True copy certification

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