



## DOCUMENT D'INFORMATION / INFORMATION DOCUMENT

[January 28th 2019]

### INSCRIPTION DES ACTIONS AUX NEGOCIATIONS SUR LE MARCHE EURONEXT ACCESS+ PARIS SUITE A UNE ADMISSION TECHNIQUE / REGISTRATION OF SHARES FOR NEGOTIATIONS ON EURONEXT ACCESS+ PARIS THROUGH TECHNICAL ADMISSION

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Des exemplaires du présent document d'information sont disponibles sans frais au siège de la société Italy Innovazioni ainsi qu'auprès d'Aether Financial Services. Ce document peut également être consulté sur le site internet de Italy Innovazioni ([www.italyinnovazioni.com](http://www.italyinnovazioni.com)) ainsi que sur celui d'Euronext ([www.euronext.com](http://www.euronext.com)). / *Copies of the Information Document are available, free of charge, from Italy Innovazioni and Aether Financial Services. This document is also available on Italy Innovazioni website ([www.italyinnovazioni.com](http://www.italyinnovazioni.com)) and on Euronext's website ([www.euronext.com](http://www.euronext.com)).*

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## Note

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Dans le présent Document d'Information, l'expression « **Italy Innovazioni** » ou la « **Société** » désigne la société Italy Innovazioni.

Le présent document contient des indications sur les objectifs de la Société, ainsi que des éléments prospectifs. Ces indications sont parfois identifiées par l'utilisation du futur, du conditionnel et des termes tels que « s'attendre à », « pouvoir », « estimer », « avoir l'intention de », « envisager de », « anticiper », ainsi que d'autres termes similaires. L'attention du lecteur est attirée sur le fait que la réalisation de ces objectifs et de ces éléments prospectifs dépend des circonstances ou de faits qui pourraient ne pas se produire dans le futur. Ces objectifs et déclarations prospectives ne constituent pas des données historiques et ne doivent pas être interprétés comme des garanties que les faits et données énoncés se produiront, que les hypothèses seront vérifiées ou que les objectifs seront atteints. Par nature, ces objectifs pourraient ne pas être réalisés, et les éléments prospectifs sur lesquels ils sont fondés pourraient s'avérer erronés en tout ou partie. Par ailleurs, les appréciations que nous portons sur les marchés sur lesquels opère la Société sont fondées sur les données émanant de fournisseurs reconnus, analysées de façon rigoureuse, mais elles demeurent subjectives par essence : d'autres analyses pourraient conduire à des conclusions différentes. / This Information Document contains certain forward-looking statements. Forward-looking statements are all statements which refer to future facts, events or other circumstances and do not refer to historical facts or events. They are indicated by wording such as "believes", "estimates", "assumes", "expects", "anticipates", "foresees", "intends", "hopes", "could" or similar expressions. Forward-looking statements are based on current estimates and assumptions by the Company to the best of its knowledge. Such forward-looking statements are subjected to risks and uncertainties, and as a result the Company's actual financial condition and results of operations may differ materially from (in particular, be more negative than) those conditions expressly or implicitly assumed or described in such forward-looking statements. Neither the Company nor the Listing Sponsor assume any obligation to update such forward-looking statements or to adapt them to future events or developments unless required by law.

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## I. SUMMARY OF APPLICATION TERMS TO EURONEXT ACCESS+ PARIS

- **Registration procedure:** Admission of Italy Innovazioni shares on Euronext Access+ Paris through a technical listing
- **Trade and Companies Registration Number:** 12807431007 Roma – Italy
- **CFI Code:** ESVUFR
- **Legal Entity Identifier:** 8156001DF271DAA93774
- **ISIN Code:** IT0005336521
- **LEI number:** 8156001DF271DAA93774
- **Euronext symbol:** MLITN
- **Valuation retained when listing:** €11 million
- **Share capital:** €3,823,190
- **Nominal price per share:** €1
- **Number of shares making up the share capital:** 3,823,190
- **Number of securities listed:** 100%
- **Listing price per share:** €2.88

## II. DESCRIPTION OF THE COMPANY

### 1. Persons in charge

#### 1.1. Responsible of the Information Document

M. Giorgio RENDE

Chief Executive Officer

Email: [g.rende@italyinnovazioni.com](mailto:g.rende@italyinnovazioni.com)

#### 1.2. Responsible of the financial information

M. Giorgio RENDE

Chief Executive Officer

Email: [g.rende@italyinnovazioni.com](mailto:g.rende@italyinnovazioni.com)

#### 1.3. Statement of responsibility

*"To my best knowledge, having taken all reasonable care to ensure that such is the case, the information contained in the Information Document is in accordance with the facts and contains no omission likely to affect its import."*

Fait à Paris, le 28 janvier 2019

Italy Innovazioni

M. Giorgio Rende

Chief Executive Officer

## 2. Auditors

### 2.1. Auditors

BDO Italia S.p.A

Represented by Manuel Coppola (Engagement Partner)

Duration of the mandate: three (3) years

Expiry date of the current mandate: 31/12/2020

### 2.2. Substitute Auditors

None.

## 3. Selected Financial Information

The tables below present the main accounting and financial information about Italy Innovazioni.

### *Income Statement Aggregates*

€	30/06/2018	31/12/2017	31/12/2016
Turnover	11,889	9,435	40,985
EBITDA	(24,050)	(93,560)	12,919
Operating revenue	(24,050)	(101,020)	4,484
Financial expenses	0	(112)	(226)
Net result	(24,050)	(101,132)	3,100

### *Balance Sheet Aggregates*

€	30/06/2018	31/12/2017	31/12/2016
Fixed assets	3,657,858	3,638,817	384,774
Stock	0	16,563	7,137
Cash at bank and in hand	756	208	19,233
Share capital	3,210,000	3,210,000	10,000
Shareholders' loans	662,000	627,000	587,000
Total balance sheet	3,725,724	3,721,892	479,632

## 4. Risks factors

Italy Innovazioni has conducted a review of the risks that could have any adverse effect on its business, financial position or results. Furthermore, additional risks that have not yet been identified or that are not considered material by the Company as of the date of this Information Document could produce material adverse effects.

Italy Innovazioni is constantly improving its risk prevention systems to reduce the potential impact of claims. Operational risk assessment missions are carried out one time a year.

### 4.1. Risks related to Company activities

#### 4.1.1. Third-party dependence for R&D projects

Like all companies active in R&D, Italy Innovazioni has entered or may enter into collaboration agreements with third parties to enrich its portfolio of products. The success of these collaborations results from the choice of the partners and their performance is assessed according to the agreements concluded.

#### 4.1.2. Risk related to image and reputation

The notoriety of Italy Innovazioni is crucial, it is one of its assets. Italy Innovazioni has the advantage of having a good reputation, at least within the Italian, European and American markets.

Italy Innovazioni pays great attention to the quality of its products and the needs of its customers.

#### 4.1.3. Risk related to the construction market growth

The plug market is deeply correlated with the construction market growth for the following reasons:

- The residential market represents more than 60% of the electric and plug market worldwide,
- Some legislation require a minimum number of sockets in each room of a building.

Until 2008, market prospects were relatively bleak, given the economic downturn. However, recent developments and an economic turnaround suggest a positive outlook for the near future. Since 2014, this market, for nearly all EU countries, is growing. Research predicts that construction activity will increase again from 2019, with growth of up to 3% per annum. For example, in France, it is expected a 2,13% and 2,47% growth in 2019 and 2020 respectively and in Italy, 5,18% and 7,20% (*Source: Building Radar. European construction market forecast*).

Italy Innovazioni pays a specific attention to the evolution of the building market growth.

## 4.2. Risk related to competition

The evolution of the sockets sector has opened the door to new competitors and increased market price volatility. The increased competitive pressure could have a significant negative effect on the prices, margins and market shares of Italy Innovazioni.

## 4.3. Operational risks

### 4.3.1. Suppliers

Italy Innovazioni is continuing its process of optimizing the purchasing portfolio and controlling its external costs.

No individual supplier accounts for a significant portion of its purchases could put Italy Innovazioni at risk to produce its major products.

Regular competition between the suppliers consulted allows long-term partnerships to be developed (i) at the best cost and (ii) limiting the risks of supplier failures.

### 4.3.2. Human resources

Due to the limited number of employees composing the Company, Italy Innovazioni relies on engineers whose simultaneous departure could temporarily affect the performance of the Company. That is why the Company is considering as key to manage the expectations of its employees.

## 4.4. Financial risks

### 4.4.1. Risk related to expected future losses

Since its incorporation, Italy Innovazioni has recorded negative operating results every year. It was impacted by the lack of revenues and by internal and external research and development expenses, as well as the costs of launching products within new territories.

The increase in these expenses and a continuing absence of revenues could have a material adverse effect on Italy Innovazioni, its business, financial position, results, development and prospects.

### 4.4.2. Uncertainty about financing the Company

Italy Innovazioni will continue to have significant funding needs for the development and continuation of its activities. Consequently, Italy Innovazioni may not be able to self-finance its growth which would lead it to seek other sources of financing through different capital increases.

The level of Italy Innovazioni's financing requirements and their timing depend on factors that are largely beyond the control of Italy Innovazioni, such as (i) higher costs and slower progress than anticipated for its research and development process or (ii) the costs of preparing, filing, defending and maintaining its patents and other intellectual property rights.

The realization of one or more of these risks could have a significant adverse effect on Italy Innovazioni, its business, its financial situation, its results, its development and its prospects.

#### 4.4.3. Dilution risks

Italy Innovazioni has not issued securities giving access directly or indirectly to the share capital.

As part of its HR policy, Italy Innovazioni could issue or grant shares or new financial instruments giving access to the capital of the Company which may result in additional dilution, potentially significant, for the current and future Shareholders of Italy Innovazioni.

#### 4.4.4. Taxes

Over the past few years, no tax recovery has been made following tax audits carried out on Italy Innovazioni. Nevertheless, at the date of the Information Document, the tax authorities could still audit the Company's accounts. Italy Innovazioni could be subject to tax recovery on the aforementioned accounts.

### 4.5. Insurance and coverage risks

#### 4.5.1. Legal

Through its daily operations, Italy Innovazioni may be involved in judicial or arbitration proceedings. Nevertheless, Italy Innovazioni is not currently aware of any exceptional events or litigation that could materially affect its business, assets, financial position or results.

All versions of the products are designed and engineered according to national regulations and technical prescriptions. Nevertheless, as Italy Innovazioni's main business is to sell intellectual property, the manufacturers that will lease the IP will be responsible of dealing with further local laws and regulations.

At the date of the Information Document, the Company is not subject to any legal or arbitration proceedings.

#### 4.5.2. Brand and intellectual property

Italy Innovazioni and Hide brand names are registered.

The intellectual property rights held by Italy Innovazioni directly or through licenses, constitute part of the intangible assets of Italy Innovazioni. Special attention is paid to the protection of all intellectual and industrial property rights.

#### 4.5.3. Insurance

At the date of filing of the Information Document, Italy Innovazioni is negotiating policies which covers the risks associated with its business. Italy Innovazioni does not envisage any specific difficulty.

### 5. Information about the Company

#### 5.1. General Information

##### 5.1.1. Legal name

The Company name is “**Italy Innovazioni S.p.A**”.

##### 5.1.2. Legal form

Italy Innovazioni was a limited Company. It has been transformed as a joint-stock Company by a decision made on June 23<sup>rd</sup>, 2017 of the Shareholders' Meeting.

Italy Innovazioni, as an Italian company, is governed by its bylaws and the Italian law especially the Italian Code Civil.

##### 5.1.3. Company registration

The Company has been registered with Roma (Italy) Trade and Companies Register under number 12807431007.

The Company NACE code is 74.90.99 (other professional, scientific and technical activities).

##### 5.1.4. Incorporation date

Italy Innovazioni has been founded on 21<sup>st</sup> March 2014 and registered on 26<sup>th</sup> March 2014 by M. Giorgio Rende, M. Bruno Francesco, M. Pietro Malanca and M. Giuseppe Paldino.

On March 21<sup>st</sup>, 2018, the Company obtained the innovative startup status by Italian Chamber of Commerce.

##### 5.1.5. Duration

The duration of Italy Innovazioni is until December 31<sup>st</sup>, 2050.

#### 5.1.6. Financial year

Italy Innovazioni's financial year begins on January 1<sup>st</sup> and ends on December 31<sup>st</sup> of each year.

#### 5.1.7. Headquarter

The Company is head-quartered in Via Sistina, 121 – 00187 Roma, Italy.

The operational headquarters is located in Contrada S. Francesco 115 – 87064 Corigliano Calabro, Italy.

The other offices are located at Corso di Porta Vittoria, 13 – 20122 Milano and Via Pisacane, 25 – 21052 Busto Arsizio.

The Board of Directors has the power to set up offices, representations and secondary offices of the Company and terminate the contracts associated or to transfer the registered office within the municipality as indicated above, upon a decision of the Ordinary Shareholders' Meeting. Indeed, the Ordinary Shareholders' Meeting has the competence to resolve upon the transfer of the registered office to a municipality different from the one indicated above.

#### 5.1.8. Shareholders agreement

No Shareholders agreement has been entered.

#### 5.1.9. Websites

[www.italyinnovazioni.com](http://www.italyinnovazioni.com) and [www.hidesmarketsocket.com](http://www.hidesmarketsocket.com) are the Company's corporate and product websites respectively.

## 5.2. History of the Company

In 2007, M. Giorgio Rende filed the application for a patent for the very-first recessed socket, which was granted to M. Giorgio Rende and M. Francesco Bruno in 2011, by the Italian Patent and Trademark Office.

Before being co-founder and CEO of Italy Innovazioni, M. Giorgio Rende was, in 2011, founding member of 4Box, an Italian company specialised in the electric sockets field, in order to develop the recessed power socket that he invented. M. Giorgio Rende and M. Francesco Bruno have transferred to 4Box Hide patent in 2011.

In 2014, M. Giorgio Rende decided to found Italy Innovazioni with M. Bruno Francesco, M. Pietro Malanca and M. Giuseppe Paldino, engineer, technical designer and inventor, to propose IT / engineer consultancy services in electric appliances.

On May 18<sup>th</sup>, 2015, the Company set up a US subsidiary, IT Creation LLC, for foreign development under US standards.

On February 1<sup>st</sup>, 2017, 4Box transferred to the Company Hide patent. At this date, Italy Innovazioni changed its profiles by transforming from a consulting company in IT (created for billing engineers services) to a R&D company dedicated to electric plugs and sockets by developing patents, as we know it today.

In January 2019, the Company participated to the world's most important exhibition for innovation and especially in the field of smart home and consumer electronics: CES at Las Vegas. Italy Innovazioni has been selected and invited to exhibit among one thousand other candidate companies. Italy Innovazioni is now in contact with major players from the field of smart home and consumer electronics to discuss the potential terms and conditions of license agreements for its products.

## 6. Company organization

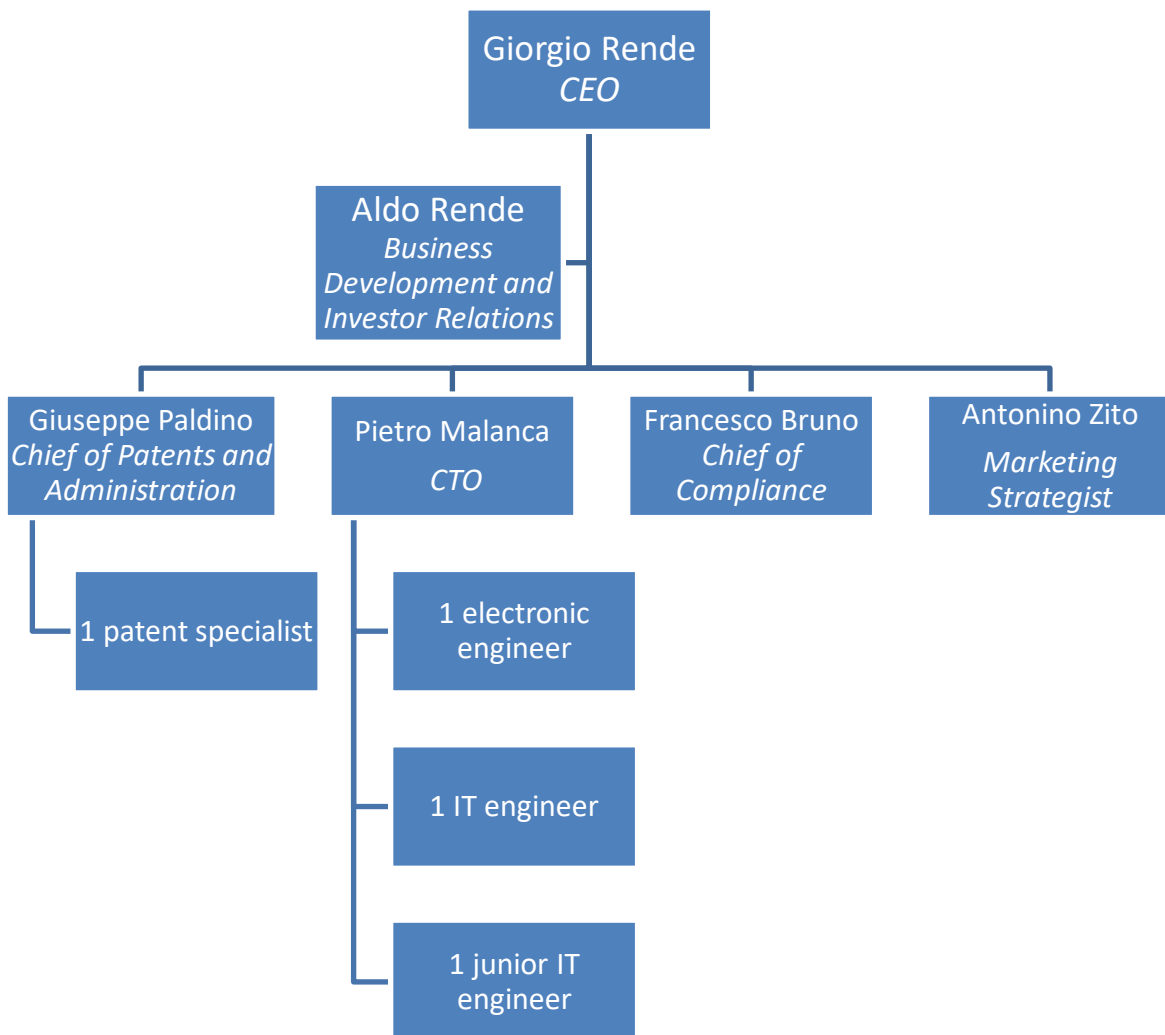
### 6.1. Organigram of the Company

Italy Innovazioni's management hold a vast experience in electrical equipment project, design and manufacturing and in developing innovative technologies.

Italy Innovazioni has been voluntarily maintained lean.

The executive level people of the Company (M. Giorgio Rende, Pietro Malanca, Giuseppe Paldino and Francesco Bruno) are corporate officers. They are engaged by a mandate with the Company. The other people mentioned in the organigram as follows are not employees of the Company (they signed services agreements with the Company) or they are in process of recruitment.

Italy Innovazioni is organized as follow:



## 6.2. Organizational chart

The founders of the Company are:

Name	Function	Resume
<b>Giorgio Rende</b>	CEO	Engineer with a wide experience in electrical equipment. He is the inventor of Hide and new power systems at low and high voltage.
<b>Pietro Malanca</b>	CTO	Architect and industrial designer, having a critical role in the patenting process of the Company's products. He creates the design and manages all the products technical aspects.
<b>Bruno Francesco</b>	Chief of Compliance	Engineer. His experience is crucial to check the compliance with European directives. He takes care of the materials selection and the analysis of product risks.
<b>Giuseppe Paldino</b>	Chief of Patents and Administration	Engineer He manages the application process for Italian, European and international patents. He handles the process of patents' terms extension.

The two other team members who were implicated almost from the beginning of the Company are:

Name	Function	Resume
<b>Antonino Zito</b>	Marketing Strategist	Marketing advisor with over 15 years of experience. Involved in Hide adventure since the day 1. He's the man who manages the two communication agencies behind Hide's success.
<b>Aldo Rende</b>	Business Development and Investor Relations	Lawyer and business advisor. He manages the relationships with business partners and prospect clients. He also takes care of the institutional affairs of the Company.

## 6.3. Legal organizational chart

Italy Innovazioni has created IT CREATION LLC, a limited liability Company, on May 18<sup>th</sup>, 2015, based in Florida (475 NE 50<sup>TH</sup> TER, MIAMI, FL 33137), with the assistance of a local partner.

Italy Innovazioni owns 85% of IT CREATION LLC, and 10% of the share capital is owned by M. Roberto Liberatore and 5% by the company Daniel Investment USA LLC. There is no employee in IT CREATION LLC at the date of the Information Document. The subsidiary of the Company purpose is to hold the US related patents and manage the related business in the US/Canada territories.

The Company has no more subsidiary and has no plan in the next future to set up another one.

## 7. Italy Innovazioni R&D

The business of electric plugs and sockets requires R&D and investment. For example, since 2007, the amount invested and dedicated to develop Hide (and its projects in progress) through M. Rende, 4Box and the Company is above €3.5m (*Source: The Company*).

R&D is for the Company a way of increasing the relevance of products by looking for innovation. Italy Innovazioni R&D effort is focused on the design and launch of new products in the Company's main markets.

The R&D department is led by M. Giorgio Rende and M. Pietro Malanca.

The Italy Innovazioni's R&D process is composed of five steps:

Steps	Details of the step
<b>Design/UI</b>	CAD/CAM <sup>1</sup> or wireframing give design to the functional brief.
<b>Mechanical/UX</b>	Components are designed and specified for production.
<b>Electronics/Coding</b>	The electronics or software are specified and assembled.
<b>Prototyping</b>	A prototype is put together with all its components.
<b>Testing</b>	The prototype is subject to testing accordingly with the KPIs <sup>2</sup> in the technical brief.

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<sup>1</sup> CAD/CAM refers to the joint and integrated use of computer-aided design (CAD) and computer-aided manufacturing (Computer-Aided Manufacturing, CAM) software systems.

<sup>2</sup> Refers to the Key Performance Indicators.

## 8. Italy Innovazioni's intellectual property

The success of Italy Innovazioni depends on its ability to protect innovations arising from its research including filing, obtaining, maintaining patent protection in the geographical areas of interest (see *the Section 13*).

Italy Innovazioni has defined a nine-steps scheme to protect its intellectual property:

Steps	Name	Details of the step
1	Opportunity	It often emerges for serendipity. The staff is particularly sensible about this step.
2	Idea	It follows immediately, if not alongside the opportunity step. The idea is evaluated technically.
3	Clearance	A search on international patents records to ensure the idea is not adopted yet.
4	Technical Specs	The idea is technically briefed about its expected functional specifications.
5	Engineering	The technical brief is then passed onto a real implementation process, that spans through a number of steps.
6	Advisory	The implemented prototype is submitted to technical and industrial advisors for evaluation.
7	Claim Statement	Upon approval of the advisors, the idea is industrially relevant and the patents' claim is written.
8	Filing	A request for a patent is filed before the competent authorities in the selected countries.
9	Issuing	Upon testing and verifications, the patent is eventually issued. The validity of patents is generally 20 years from the date of filing.

At the date of the Information Document, Italy Innovazioni holds twenty-eight design models, five industrial inventions (and three are pending) and two utility models (and one is pending) for different types of recessed socket.

Type of protection	Country of deposit	Status of deposit	Expiration date	Owner	Extension of protection
<b>Recessed Power Outlet</b>					
Design model	Europa	Released	30/05/2036	Company	NA
Design model	Europa	Released	30/05/2036	Company	NA
Design model	Europa	Released	30/05/2036	Company	NA
Design model	Europa	Released	30/05/2036	Company	NA
Design model	Europa	Released	30/05/2036	Company	NA
Design model	Europa	Released	30/05/2036	Company	NA
Design model	Europa	Released	30/05/2036	Company	NA
Design model	Europa	Released	30/05/2036	Company	NA
Design model	Europa	Released	30/05/2036	Company	NA
Design model	Europa	Released	30/05/2036	Company	NA
Design model	Europa	Released	30/05/2036	Company	NA
Design model	Europa	Released	30/05/2036	Company	NA
Design model	Europa	Released	30/05/2036	Company	NA
Design model	Europa	Released	22/05/2037	Company	NA
Design model	Europa	Released	23/05/2037	Company	NA
Design model	Europa	Released	24/05/2037	Company	NA
Design model	Europa	Released	25/05/2037	Company	NA
Design model	Europa	Released	26/05/2037	Company	NA

<b>Design model</b>	Europa	Released	27/05/2037	Company	NA
<b>Design model</b>	Europa	Released	28/05/2037	Company	NA
<b>Design model</b>	Europa	Released	29/05/2037	Company	NA
<b>Design model</b>	Europa	Released	30/05/2037	Company	NA
<b>Design model</b>	Europa	Released	31/05/2037	Company	NA
<b>Design model</b>	Europa	Released	01/06/2037	Company	NA
<b>Design model</b>	Europa	Released	02/06/2037	Company	NA
<b>Design model</b>	Europa	Released	03/06/2037	Company	NA
<b>Design model</b>	Europa	Released	04/06/2037	Company	NA
<b>Design model</b>	Europa	Released	05/06/2037	Company	NA
<b>Design model</b>	Europa	Released	06/06/2037	Company	NA
<b>System for augmented display of personal data</b>					
<b>Industrial invention</b>	Italy	Released	12/06/2035	Company	NA
<b>Industrial invention (series of models of electric socket)</b>					
<b>Industrial invention</b>	Italy	Released	17/01/2043	Company	NA
<b>Recessed electrical box</b>					
<b>Industrial invention</b>	Italy	Pending	19/02/2038	Company	Europe, USA, Canada, Chine & Japan
<b>Built-in Electric Box</b>					
<b>Industrial invention</b>	Italy	Pending	15/05/2038	Company	Europe, USA, Canada, Chine & Japan
<b>Industrial invention</b>	Italy	Pending	15/05/2038 <sup>7</sup>	Company	Europe, USA, Canada, Chine & Japan
<b>USA recessed electric socket</b>					
<b>Industrial invention</b>	USA	Released	07/08/2035	IT Creation LLC	NA
<b>Wall-mounted electrical box to contain retractable electric socket in a inclined position</b>					
<b>Industrial Invention</b>	Italy	Released	24/11/2031	Company	NA
<b>Built-in box with integrated recessed socket</b>					
<b>Industrial invention</b>	Italy	Released	15/02/2032	Company	NA
<b>Utility model</b>	Italy	Released	10/08/2021	Company	NA
<b>Electric socket</b>					
<b>Utility model</b>	Italy	Released	14/09/2027	Company	NA
<b>Rotating Recessed Electric Socket</b>					
<b>Utility model</b>	Italy	Released	28/09/2021	Company	NA

All the design models, ownership of Italy Innovazioni, are released and protected in Europe at the earliest May 2036 to the latest June 2037. Industrial Inventions are owned by Italy Innovazioni or IT Creation LLC. There are issued in Italy or USA. Italy Innovazioni decided to extend the protection to other parts of the world like Canada, Japan and China in consideration of the socket's standards used in these countries and its commercial strategy (see Section 13).

## 9. Bodies of the Company

### 9.1. Representation of the Company

The Chairman of the Board of Directors represents the Company.

The Chairman of the Board of Directors has the right to take actions before judicial and administrative bodies on any level of jurisdiction even concerning revision and cassation judgments. For this purpose, the Chairman of the Board of Directors nominate attorneys and litigators in lawsuits.

At the date of this Information Document, the Chairman of the Board of Directors is M. Giorgio Rende.

### 9.2. Board of Directors

The Company is administered by a Board of Directors. Directors may be Shareholders or not.

The Board of Directors is composed of a minimum of three to a maximum of five members or by a sole Directors.

As of the date of this Information Document, the Board of Directors is composed:

Name	Mandate	Start <sup>3</sup> date of the mandate
<b>Giorgio Rende</b>	President	10/07/2017
<b>Bruno Francesco</b>	Director	10/07/2017
<b>Pietro Malanca</b>	Director	10/07/2017
<b>Giuseppe Paldino</b>	Director	10/07/2017

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<sup>3</sup> Their term last for the period for three financial years. It is established at the time of appointment and expire on the date of the Shareholders' Meeting called for the approval of the financial statements relating to the last year of their office. In absence of renewal or resignation.

### 9.3. Board of Statutory Auditors

At the date of this Information Document, the Board of Statutory Auditors is composed of three standing members and two substitute auditors.

Name	Mandate	Start <sup>4</sup> date of the mandate
<b>Stafano Maneschi</b>	President	30/09/2017
<b>Pasquale Oddo</b>	Standing member	30/09/2017
<b>Alessandra Greco</b>	Standing member	30/09/2017
<b>Massimo Salerno</b>	Substitute auditor	30/09/2017
<b>Serafino Mascara</b>	Substitute auditor	30/09/2017

### 9.4. Auditors

The company responsible for auditing the accounts is BDO Italia S.p.A. They have been appointed for the financial year 2018 for a three-year mandate until December 31<sup>st</sup>, 2020. They also audited and certified the financial statements for 2017.

## 10. Main shareholders

The shareholding structure is composed by 3,823,190 ordinary shares.

The share capital is composed by individual investors only.

Name	% of share capital and voting rights <sup>5</sup>
<b>Giorgio Rende</b>	25,19%
<b>Pietro Malanca</b>	25,19%
<b>Giuseppe Paldino</b>	25,19%
<b>Bruno Francesco</b>	8,40%
<b>Free float<sup>6</sup></b>	16,03%

<sup>4</sup> Their term last for the period for three financial years. It is established at the time of appointment and expire on the date of the Shareholders' Meeting called for the approval of the financial statements relating to the last year of their office.  
In absence of renewal or resignation.

<sup>5</sup> Each share carries one vote.

<sup>6</sup> The free float is composed by 83 individuals.

### III. BUSINESS OVERVIEW

#### 11. Italy Innovazioni's business

The Company brings the vision to make the household's electric outlets a delivery point of smart functions and features that can improve the way people live, relate and interact with our homes and offices. These are the reasons which has led M. Giorgio Rende, the founder of the Company, to create Hide, the world's very-first recessed power socket.

Picture: Hide's product.



Company principles	
<b>Live Innovative</b>	Italy Innovazioni doesn't just re-interpret things and needs to get something new out of it. It tries to learn from experience.
<b>Stay technical</b>	Italy Innovazioni doesn't just idealise an idea. The key is to keep it down to earth, challenge and question it until the last "why" drops.
<b>Design first</b>	Design is not just a status symbol and it's got little to do with style. Instead, it's all about usefulness and ease.
<b>Think for others</b>	Ideas which seem good to us may not be for a world that we only know little part of. Sharing ideas is the way to perfection.

Company promises	
<b>Commitment</b>	The founders are not just offering their ideas to the best buyer. They are willing to follow and improve their products through the entire cycle of development and improvement.
<b>Experience and know-how</b>	The management team has a remarkable experience in the field of electrical equipment.
<b>Opportunity</b>	Electrical sockets haven't changed excessively in the last hundred years. Huge market to exploit. No similar product to Italy Innovazioni's products.

## 12. Products

*“Design is not just a status symbol, and it’s got little to do with style. Instead, it’s all about usefulness and ease”.*

### 12.1. Hide

The Company offers innovative power outlets. Hide is the world's very first recessed power outlet that hides the plug inside the wall. Hide could be known in USA under the name “Wizzy”.

It has been developed to correspond to each geographical market: Hide is available for American, English, Europe and Italy standards.



Hide resolves any design, functionality and security issue of “old-style” power outlet. It revolutionizes the concept of electric power outlet. The plug disappears behind the sliding door, the wall is always free.

Hide is fully compatible with standard electrical boxes, so it works on current standards both for mounting and wiring operations. The product simply exploits the inner space of the wall much better than any other AC outlet ever produced before.

Hide’s main advantages	
Functionality	Hide frees space. Hide is easy to install. It let you locate your furniture in front of the socket without the inconvenient obstruction of the plug. Hide is compact and stick out of the wall just 9 mm with the plug inserted.
Safety	No visible plug means greater safety for children. The power outlet is covered by the sliding cover as a result the plug and the outlet are safe from shocks and impacts.
Design	Recessed sockets give great value to the user in terms of design. It is minimal, and the new power socket is suitable for every stylistic needs. Hide is evolved. It transforms a service point into an original creative complement that creates space and design.
Creativity	Hide is customisable: it can be painted or decorated. Hide is multi-material. The cover can be made of ABS <sup>7</sup> , glass, wood, metal or precious material.

<sup>7</sup> Acrylonitrile Butadiene Styrene (thermoplastic and amorphous polymer).

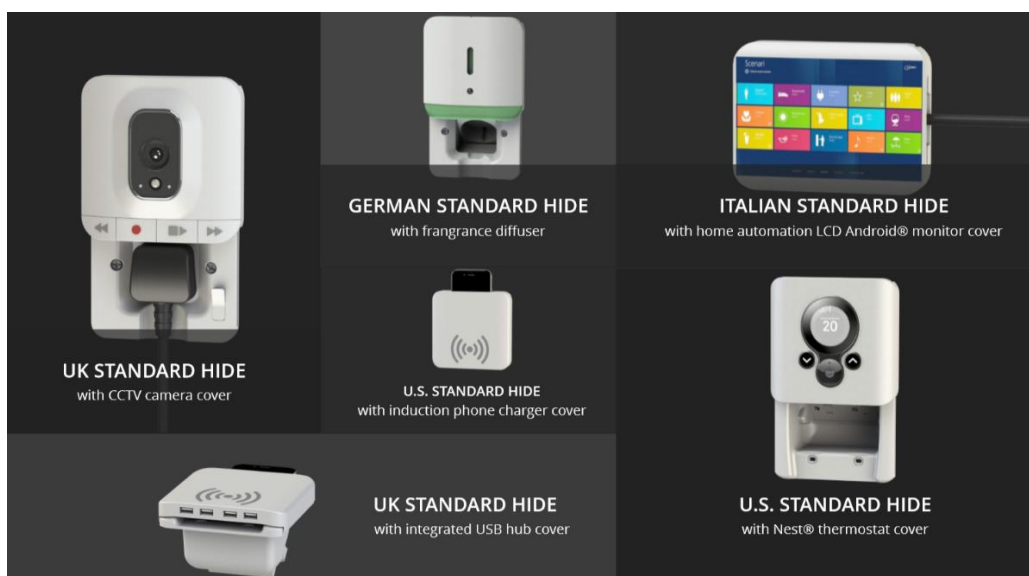
## 12.2. Future developments for Hide

Italy Innovazioni has been working for months to develop additional products in the field of smart home. Amongst the current project, the R&D team is developing electrical household systems directly connected with the cover of the recessed socket. Indeed, The Company R&D team has developed an innovative system on the Hide cover that allows the socket to be controlled by the domotic system of the house or to control any specific device.

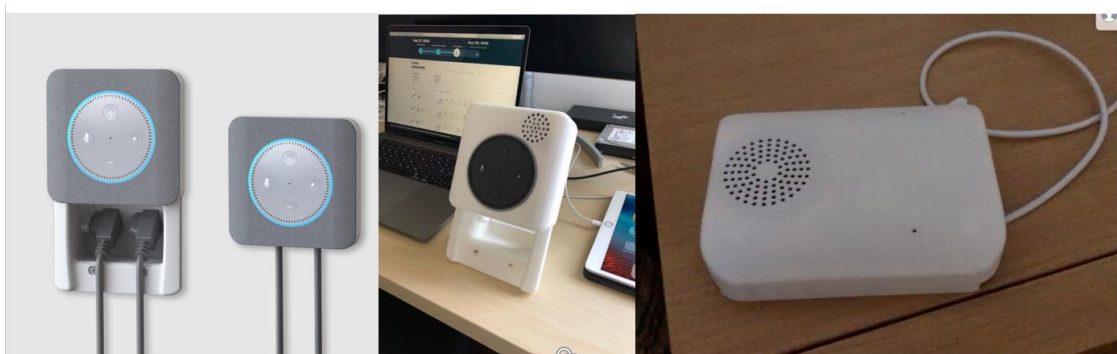
The principle of this innovation is based on the following points:

- a tension transformer has been attached to Hide's chassis,
- the transformer powers low-tension CC contacts mounted on the lid rails,
- the cover contains the electronics and deliver the functions.

With this transformer hidden in the wall, it is possible, for example, to charge a smartphone in the cover through a wireless system, to install a camera or a fragrance diffuser or to insert a speaker in the cover.



The most disruptive application of Hide consists in including a voice assistant in the cover. The Company has developed prototypes of cover featuring the two major voice assistants Amazon and Google.



### 12.3. Growth relay with an innovative portfolio of prototypes

Italy Innovazioni is working on new innovative portfolio of products, especially:

- (i) 2 two/three pins + 2 USB features prototype and
- (ii) Flush box with sliding mechanism features prototype

#### 2 two/three pins + 2 USB features

The product contains, in one solution, the standard electrical sockets in Italian standard for plugs of 10 and 16 Ampere and a USB power supply/transformer with one or more outputs, useful for charging electronic devices to lower voltage.

The invention is powered by the normal 230V 10/16 Ampere voltage present in Italy and does not need any special precautions, neither during installation nor during use, since the USB power supply is able to transform the current to 230V 16 Ampere in current at 5V 2,4 Ampere.

The advantages of the product are the following:

- The possibility of identifying in a single object the power interface of a myriad of products both domestic and electronic and
- Ease of installation as the whole device is powered by a single cable.



#### Flush box with sliding mechanism features

Italy Innovazioni has patented the first recessed socket holder box with a sliding mechanism, able to vary the dimensions of the housing and to accommodate a variable number of electric female sockets, offering the possibility of installing the supports from 2, 3 or from 4 modules of all the main civil series.

Starting from the traditional 2-module box, the product developed by Italy Innovazioni is shaped in such a way as to extend, up to the size of a 3 or 4-module box increasing the wheelbase of the screws from 60.0 mm to 83.5 mm or 108.5 mm, and thus accommodate 2, 3 or 4 modules for the civil series.

The boxes not only allow the installer to fit a single box for each type of system, but they allow to have warehouses both on the installer side and on the light side, since they replace 3 with a product.



Moreover, Hide is expected to be linked with the domotic and automatic house system, that becomes more popular every day.

## 13. Italy Innovazioni business model

### 13.1. Principles

Italy Innovazioni is an engineering and design company dedicated to the electrical outlets. Its strategy is to keep control of the most value-added phases of the product cycles such as creation/innovation, prototyping, design and marketing and to outsource the production allowing thus a fast growth strategy with low capex.

Therefore, its product-licensing business model relies on developing intellectual property in the electrical outlet sector, through patents and designs filed and validated in Italy, Europe or in other countries like the United States of America or China.

The Company has three different ways to have its products sold on the market

- i) through wholesalers: the products are then produced by an Italian manufacturer under Italy Innovazioni's license;
- ii) through its own websites as *hidesmartsocket.com*, outside Italy where a distribution exclusivity has been granted to 4Box (See Section 13.2);
- iii) and as well as white label, where large electrical material producers will produce recessed sockets with their own specifications under license from the Company.

as a result, the turnover of Italy Innovazioni will be generated, mainly, by licensing its IP.

As of today, except the contract signed with 4Box as described in Section 13.2, the Company has signed no contract yet even if discussions are very active with large manufacturers or wholesalers.

On January 15<sup>th</sup>, 2019, Italy Innovazioni has already taken 117 pre-orders for its Hide sockets in the USA via its subsidiary, IT CREATION LLC. The shipments will start as soon as the Company has gotten the FCC-certification mark.

At the date of the Information Document, Italy Innovazioni is in progress to complete the US FCC-certification allowing it to sell its products in US. It should be granted in the first 2019 semester.

Details of the Business Model	
<b>Idea and Prototype</b>	<i>Gathering information on new market needs, Beginning of design the product, Developing a prototype for the product, Checking the feasibility of the product, Patenting.</i>
<b>Licensing</b>	<i>Negotiating the terms and conditions of the licences fees, milestones and royalties.</i>

## 13.2. The specific situation in Italy

In Italy, a specific situation occurs.

Italy Innovazioni has concluded a contract with 4Box to supply it with Hide finished product in 2017. 4Box has the right to distribute Hide to customers through its B2B sales channels in Italy. Royalties must be paid by 4Box to Italy Innovazioni for this right (as defined below). Nevertheless, the Company does not expect substantial turnover from this agreement before 2019. The Company has also concluded a contract with an Italian manufacturer to produce Hide sockets for 4Box.

Except on the sales made by Italy Innovazioni on its own websites, 4Box has the exclusive right to distribute, under the liability of Italy Innovazioni, the products in Italy until January 30<sup>th</sup> 2022 (with a renewal right for the same period of time). So, clients and resellers, for the Italian territory, could NOT either ask the Company to develop a product or access to IP license to develop their own product.

Details of the Business Model in Italy	
<b>Idea and Prototype</b>	<i>Gathering information on new market needs, Beginning of design the product, Developing a prototype for the product, Checking the feasibility of the product, Patenting.</i>
<b>Engineering</b>	<i>Engineering of the final product, (screening setting and planning the supply of raw materials).</i>
<b>Scale Production</b>	<i>Production on industrial scale, Outsourcing to B2B electrical materials manufacturers (paid by the Company).</i>
<b>Distribution</b>	<i>Distribution through 4Box and e-commerce via 4Box website and Company websites. Marketing takes place through specific and direct media coverage and by partnering and liaising with interior/exterior designers and architects.</i>

## 14. The market

### 14.1. The trends of the global market

Electric plugs and sockets are used for establishing protected electric connections in machines and equipment, which work on different frequencies and voltages. They are designed as a system to meet standards for safety and reliability.

#### 14.1.1. History of the electric plugs and sockets market

Over the last one hundred years, electric sockets have rarely changed. The only innovation has been in design and materials but nothing regarding technology and functionality.



#### 14.1.2. The trends of the global electric plugs and sockets market

The global electric plugs and sockets worldwide market was valued at \$9.9b in 2017, and is estimated to reach \$15.5b by 2024, growing at a CAGR<sup>8</sup> of 6.7% from 2018 to 2024 (*Source : Article published on Research and Markets.com, "Global Electric Plugs and Sockets Market by Type, Power rate, and End User - Global Opportunity Analysis and Industry Forecast, 2018-2024" on June 27<sup>th</sup> 2018*). This represents an incremental increase of €5.6b in seven years.

The global electric plugs and sockets market is expected to witness significant growth in the future, owing to increase in the industrialization across various developed and developing nations.

Nevertheless, in 2017, US standard of the products is key because (i) 830 million people around the world use US standard plugs, sockets and boxes and (ii) 130 million of new electric sockets are produced every year.

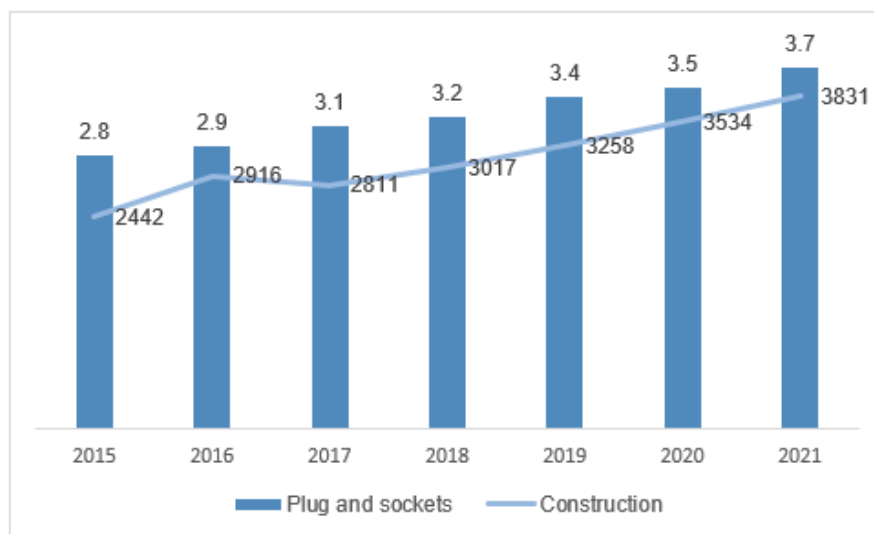
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<sup>8</sup> Compound Annual Growth Rate.

### 14.1.3. The trends for the residential sockets market

Of the three major end-users, the residential segment held the largest market share in 2017, contributing to over 62% of the market. The market share occupied by this segment is expected to increase by over 1% by 2022.

Some national regulations handle the plug and socket security issues (ex. Italy CEI 64-8). A minimum number of sockets must be present in each room of a building on the square meter basis. This implies that the plug market is correlated with the construction market growth (*cf. chart below and the Section 4*).



Sources: Italy Innovazioni and Madison Corporate Finance.  
Figures are in €b.

The increase in demand for decorative/architectural lighting sockets and fixtures is one of the major trends being witnessed in the global lighting socket market. In 2015, the global electric plugs and sockets worldwide market was valued at \$2.8b and the construction worldwide was valued at \$2442b. A substantial increase in the demand for decorative or architectural lighting sockets and fixtures has been witnessed over the past decade, particularly in developed countries such as India, Malaysia, Saudi Arabia, and China which will represent 50% of the worldwide growth. The rapid economic growth and increase in the share of the middle-class population across these developing countries have been increasing the demand for functional lighting inside homes and commercial buildings (Source: Report Technavio, on June 29<sup>th</sup>, 2018).

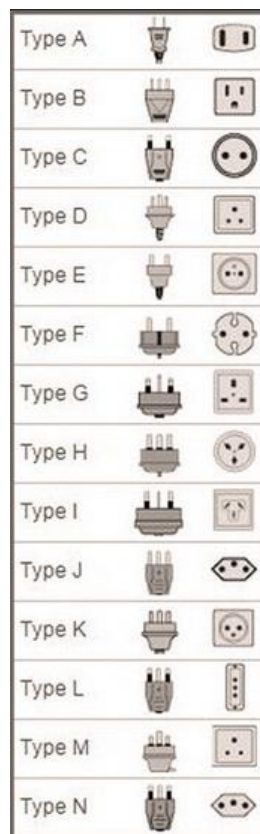
**Conclusion:** The global electric plugs and sockets market is segmented into type, power rate, end user, and region. Based on type, the market is divided into two-pins, three-pins, four-pins, and five-pins. Based on power rate, it is categorized as high power, medium power, and low power. By end user, it is classified into residential, commercial, and industrial. Based on region, the market is analyzed across North America, Europe, Asia-Pacific, and Latin America and Middle East (LAMEA).

## 14.2. The market players

### 14.2.1. A fragmented market

The market is highly fragmented with quite few players which occupy the market share. The market, and especially the residential market, depends of local specificities.

For example, the picture below presents the different types of sockets around the world:



### 14.2.2. The market leaders

Having said that, few worldwide players, listed below, have raised in this market but none of them is a pure player in the socket field.

Sockets/Plugs Manufactures	Market cap Local currency (09/01/2019)	Description of the Business	Turnover Local currency (2017 report)
<b>Legrand SA</b>	€13.66b	Manufacturer of electrical and digital building infrastructures	€5.52b
<b>Philips</b>	€28.54b	Engages in healthcare, lighting and consumer well-being markets	€17.78b
<b>Schneider Electric</b>	€34.83b	Engages in the electrical distribution and manufacture industrial engineering equipment	€24.74b
<b>ABB Ltd.</b>	€41.89b	Engages in the development and provision of power and automation technologies	€33.63b
<b>Emerson Electric Co.</b>	\$38.45b	Engages in the provision of measurement and analytical instrumentation; industrial valves & equipment; process control systems, tools & appliance solutions for customers in a range of industrial, commercial and consumer markets	\$17.41b
<b>Amphenol Corporation</b>	\$24.25b	Engages in the design, manufacture, and marketing of interconnect products	\$7.01b
<b>Eaton Corp</b>	\$29.93b	Is a diversified power management company, which provides energy-efficient solutions for electrical, hydraulic and mechanical power	\$20.40b

### 14.2.3. The Italian market leaders

The Italian market is almost fully covered by its incumbent players which hold a vast yet traditional array of products.

Italian incumbent players in 2017			
Company	Revenues (€m)	EBITDA (€m)	Margin
<b>BTICINO</b>	758.53	207.40	27%
<b>GEWISS</b>	281.92	44.70	16%
<b>VIMAR</b>	204.10	58.20	28%
<b>SIMON URMET</b>	33.76	0	0%
<b>FEB</b>	3.97	0.40	10%

#### 14.2.4. Positioning of the Company

The Company is focused on R&D and product design development. In such extent, the Company' competitors are the R&D departments of each manufacturer of electric plugs and sockets.

The Company intends to become a subcontractor of the main players abovementioned.

Thus, the Company does not face competition directly versus wholesaler or manufacturer.

## IV. FINANCIAL INFORMATION

The financial statements of Italy Innovazioni have been prepared in accordance with the provisions of Italian regulation, specifying the accounting principles.

Profits are allocated to the period in which they are realized. Losses are recognized in the year in which they are foreseeable.

### 15. Financial principles

#### 15.1. Principles for valuation of assets and liabilities

Principles for valuation of assets and liabilities	
<b>Intangible fixed assets</b>	Stated at fair value. The useful life and depreciation method are reviewed at the end of each financial year.
<b>Asset depreciation</b>	R&D: 20% per year. Patents: 20% per year.
<b>Tangible fixed assets</b>	Stated at cost, less accumulated depreciation and, if applicable, impairment losses. Depreciation is based on the estimated useful life and is calculated based on a fixed percentage of the purchase price, considering any residual value. Assets are depreciated from the time of commissioning. Land is not depreciated.
<b>Financial assets</b>	Participating interests where significant influence can be exerted on the business and financial policy are valued at net asset value. Participations in which this influence is lacking, are recorded at cost, considering a provision for impairment.
<b>Stock</b>	Inventories raw materials and finished goods are valued at purchase price or lower net realizable value. This lower net realizable value is determined by individual assessment of stocks.
<b>Receivables</b>	Are recognized initially at fair value and subsequently measured at amortized cost. The fair value and amortized cost are equal to the nominal value. Necessary provisions for doubtful debts are deducted. These provisions are determined based on an individual assessment of the receivables.
<b>Liquid assets</b>	Valued at their nominal value. If resources are not freely available, it is taken into account in the valuation.
<b>Provisions</b>	Is made for obligations of which it is probable that they will have to be settled and that can be reasonably estimated. The size of the provision is determined by the best estimate of the amounts necessary to settle the liabilities and losses at the balance sheet date. Provisions are measured at nominal value.

Principles for accounting principles	
<b>General</b>	The result is stated as the difference between the fair value of the services provided and services performed one hand and the costs and other burdens of the year, valued at historical cost.
<b>Result</b>	The result is stated as the difference between the net sales and the costs and other charges of the year in compliance with the accounting principles mentioned above. Profits are recognized in the year in which the goods are delivered c.q. the services are performed. Losses which have their origin are considered in the financial year as soon as they are foreseeable.
<b>Net sales</b>	Net sales include the proceeds of the goods supplied and services provided during the year net of discounts and taxes levied on the turnover.
<b>Cost of Sale</b>	The cost of sales includes the cost of goods sold and delivered, consisting of the direct use of materials, direct labour and machinery costs and other direct and indirect costs attributable to the production.
<b>Tax</b>	Corporate income tax is calculated at the applicable rate on the outcome of the financial year, considering permanent differences between the profit calculated for financial reporting and tax purposes, and in which deferred tax assets (if applicable) are only valued to the extent that their realization is likely.

## 15.3.

## Italy Innovazioni's annual balance sheet

€	30/06/2018	31/12/2017	31/12/2016
<b>Assets</b>			
<b>Fixed Assets</b>			
- <i>Intangible Fixed Assets</i>	3,458,834	3,439,793	181,499
- <i>Tangible Fixed Assets</i>	18,949	18,949	23,200
- <i>Financial Fixed Assets</i>	180,075	180,075	180,075
<b>Total</b>	<b>3,657,858</b>	<b>3,638,817</b>	<b>384,774</b>
<b>Current Assets</b>			
- <i>Inventories</i>	0	16,563	7,137
- <i>Credit Due within the next financial year</i>	67,110	66,304	68,488
- <i>Current financial assets</i>	0	0	0
- <i>Cash</i>	756	208	19,233
<b>Total</b>	<b>67,866</b>	<b>83,075</b>	<b>94,858</b>
<b>Receivables</b>			
- <i>Accrual &amp; Prepayments</i>	0	0	0
- <i>Due from shareholders</i>	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Assets</b>	<b>3,725,724</b>	<b>3,721,892</b>	<b>479,632</b>
<b>Liabilities and Shareholder's Equity</b>			
<b>Net Assets</b>			
- <i>Capital</i>	3,210,000	3,210,000	10,000
- <i>Legal reserve</i>	155	155	0
- <i>Other reserves</i>	2	2	1
- <i>Profit (loss) carried forward</i>	(218,383)	(117,251)	(120,196)
- <i>Profit (loss) for the year</i>	(24,050)	(101,132)	3,100
<b>Total Equity</b>	<b>2,967,724</b>	<b>2,991,774</b>	<b>(107,095)</b>
<b>Provision</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Liabilities</b>			
- <i>Long-term debt (shareholders' loans)</i>	661,244	626,692	567,767
- <i>Accounts payables</i>	96,756	103,326	18,960
<b>Total</b>	<b>758,000</b>	<b>730,118</b>	<b>586,727</b>
<b>Total Liabilities</b>	<b>3,752,724</b>	<b>3,721,892</b>	<b>479,632</b>

## 15.4.

## Italy Innovazioni's P&amp;L

€	30/06/2018	31/12/2017	31/12/2016
<b>Revenue</b>			
- Revenues from sales and services	0	0	40,984
- Changes in inventory of products	11,889	9,426	0
- Other income	0	9	1
<b>Total revenue</b>	<b>11,889</b>	<b>9,435</b>	<b>40,985</b>
<b>Cost</b>			
- Material costs	20,185	9,871	7,239
- Service costs	14,772	51,870	20,251
- Lease costs	415	787	881
- Personal costs	0	0	6,165
<b>Amortisation and depreciation</b>			
Fixed tangible assets	0	4,251	4,251
Fixed intangible assets	0	3,209	4,184
<b>Changes in inventory of materials</b>	<b>0</b>	<b>0</b>	<b>(7,137)</b>
<b>Other administrative costs</b>	<b>567</b>	<b>40,467</b>	<b>667</b>
<b>Total Costs</b>	<b>35,939</b>	<b>110,455</b>	<b>36,501</b>
<b>Operational Result</b>	<b>(24,050)</b>	<b>(101,020)</b>	<b>4,484</b>
Financial income and expenses	0	112	226
<b>Operational result before taxes</b>	<b>(24,050)</b>	<b>(101,132)</b>	<b>4,258</b>
Corporation Tax	0	0	1,158
<b>Result after tax</b>	<b>(24,050)</b>	<b>(101,132)</b>	<b>3,100</b>

€	31/12/2017	31/12/2016
<b>Cash Flow from Operating Activities</b>		
Net Income	(101,132)	3,100
Add Expenses Not Requiring Cash:		
- Depreciation	7,460	8,435
- Financial Expense	112	226
Other Adjustments:		
- Changes in Accounts Receivables	2,184	(15,422)
- Changes in Accounts Payable	103,434	(34,661)
- Changes in Inventory	(9,426)	11,396
- Changes in Accruals and Deferred income	(43)	2
- Changes in Severance Indemnity	0	(1,785)
<b>Net Cash from Operating Activities</b>	<b>2,589</b>	<b>(28,709)</b>
<b>Cash Flows from Investing Activities</b>		
- Investments	0	(180,000)
- Sale of Fixed Assets	0	0
- Purchase of Fixed Assets	(3,261,503)	(78,792)
<b>Net Cash Used for Investing Activities</b>	<b>(3,261,503)</b>	<b>(258,792)</b>
<b>Cash Flows from Financing Activities</b>		
- Proceeds from Increase in Long-Term Debt	40,000	269,189
- Proceeds from Increase in Capital	3,200,001	0
- Interest Paid	(112)	(226)
<b>Net Cash from Financing Activities</b>	<b>3,239,889</b>	<b>268,963</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(19,025)</b>	<b>(18,538)</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>19,233</b>	<b>37,771</b>
<b>CASH, END OF YEAR</b>	<b>208</b>	<b>19,233</b>

## 16. Analysis<sup>9</sup> of the Company financial statements

**Introduction:** The figures below are not representative of the future financial and profitability profile of the Company. The Company is today at a very early stage level which is translated within the financial statements.

### 16.1. Analysis of the balance sheet

#### 16.1.1. Assets

##### 16.1.1.1. Fixed Assets

€	30/06/2018	31/12/2017	31/12/2016
<b>Intangible Fixed Assets</b>	3,458,834	3,439,793	181,499
<b>Tangible Fixed Assets</b>	18,949	18,949	23,200
<b>Financial Fixed Assets</b>	180,075	180,075	180,075
<b>Total</b>	<b>3,657,858</b>	<b>3,638,817</b>	<b>384,774</b>

Intangible Fixed Assets correspond to patents value and capitalized costs for the models of the different projects of the Company. In 2017, we observe a significant increase in Intangible Fixed Assets value due to the reassessment of the main patent of the Company. This patent has been evaluated in 2017 at €3.2m by an independent expert, M. Pasquale Oddo. This valuation has been determined with a DCF model based on Company forecasts.

The Tangible Fixed Assets amount is stable at circa €20k in 2016 and 2017. This amount corresponds to the production costs of different models of sockets and to the general equipment of the Company.

The Investments amount is €180k and stable through the years. This amount corresponds to an intragroup loan granted to the US subsidiary. This amount has been classified in fixed assets since the Company considers this investment as long term.

At 2017-year end, the amount of the Fixed Assets is €3.6m.

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<sup>9</sup> In all the Information Document, *k* refers to hundred thousand; *m* refers to millions and *b* refers to billions.

### 16.1.1.2. Current Assets

€	30/06/2018	31/12/2017	31/12/2016
<b>Stocks</b>	0	16,563	7,137
<b>Debtors</b>			
<i>Failing due within 12 months</i>	67,110	66,304	68,488
<b>Total debtors</b>	67,110	66,304	68,488
<b>Cash</b>	756	208	19,233
<b>Total</b>	<b>67,866</b>	<b>83,075</b>	<b>94,858</b>

Due to the business model of the Company, the stocks are very limited (€7k in 2016; €16k in 2017 and valued at 0 at the end of first half 2018) and correspond to finished goods, or work in progress and small equipments (as IT resources as computers).

The debtors' amount is stable through the years at €68k in 2016, €66k in 2017 and €67k in 2018. It corresponds to around €60k of VAT credit and €6k to €8k advances paid to suppliers.

At 2017-year end, the amount of the Current Assets is very limited at app. €0.1m.

The available cash position as of the 31<sup>st</sup> of December 2018 is €536,664 due to the increase of the capital at 2017-year end (see Section 17.3.1.).

### 16.1.1.3. Total Assets

€	30/06/2018	31/12/2017	31/12/2016
<b>Total Assets</b>	3,725,724	3,721,892	479,632

For the reasons explained above, the Total Assets amount has increased from €0.48m in 2016 to €3.7m in 2017.

## 16.1.2. Liabilities

### 16.1.2.1. Capital and reserves

€	30/06/2018	31/12/2017	31/12/2016
<b>Share capital</b>	3,210,000	3,210,000	10,000
<b>Legal reserve</b>	155	155	0
<b>Other reserves</b>	2	2	1
<b>Retained earnings (losses)</b>	(218,383)	(117,251)	(120,196)
<b>Profit (loss) for the period</b>	(24,050)	(101,132)	3,100
<b>Total capital and reserves</b>	<b>2,967,724</b>	<b>2,991,774</b>	<b>(107,095)</b>

The amount of the share capital has increased by €3.2m between 2016 and 2017 due to the reassessment of the main patent of the Company (cf. comments above). The amount of €10k of 2016 corresponds to the initial investment in shareholders' equity.

The lines « *Retained earnings* » and « *Profit (loss) for the period* » correspond to the sum of the profits (loss) of the prior periods. Since its incorporation, the Company has cumulated a total of €242k of losses. Since the beginning of the first half of 2018, the losses have decreased due to the turnover and costs control.

At 2017-year end, the amount of the Capital and Reserves is €2.99m and after the first half of 2018, the amount of the Capital and Reserves is €2.97m.

### 16.1.2.2. Creditors

€	30/06/2018	31/12/2017	31/12/2016
<b>Falling due within 12 months</b>	96,756	103,326	18,960
<b>Shareholders' loans</b>	661,244	626,692	567,767
<b>Total Creditors</b>	<b>758,000</b>	<b>730,118</b>	<b>586,727</b>

The Creditors correspond to:

- The suppliers to be paid
- The convertible notes: these convertible notes are an Italian instrument allowing individuals to invest in Italian companies

In 2016, the amount due to suppliers was not significant. In 2017, the amount due to suppliers was around €100k. This amount was mainly composed by:

- Board of directors cost (app. €30k)
- Employees contracts cost (app. €40k)
- The remaining amount correspond to other suppliers, VAT, etc. (working capital).

The convertible Notes has increased by €40k between 2016 and 2017 due to new subscription. At 2017-year end, the amount of convertible Notes was €627k and increased to €662k as of the June 30<sup>th</sup> 2018. These Notes were converted in May 2018.

### 16.1.2.3. Total Liabilities

€	30/06/2018	31/12/2017	31/12/2016
<b>Total Liabilities</b>	3,725,724	3,721,892	479,589

For the reasons above-mentioned, the total Liabilities amount has increased from €0.48m in 2016 to €3.7m in 2017.

## 16.2. Profit and loss account

### 16.2.1. Production value

€	30/06/2018	31/12/2017	31/12/2016
<b>Turnover</b>	11,889	0	40,984
<b>Changes in inventory of products</b>	0	9,426	0
<b>Other income</b>	0	9	1
<b>Total production value</b>	<b>11,889</b>	<b>9,435</b>	<b>40,985</b>

The 2016 turnover corresponds to revenue for engineering consultancy on IT projects and software. In 2017, the Company has generated no turnover since no licensing agreement has been signed with major players yet. In the first half 2018, the Company has generated turnover from sales of electric socket through 4Box.

Until the Company concludes a licensing agreement and this agreement comes into production, the level of sales would be very limited.

### 16.2.2. Production costs

€	30/06/2018	31/12/2017	31/12/2016
<b>Material costs</b>	20,185	9,871	7,239
<b>Service costs</b>	14,772	51,870	20,251
<b>Lease costs</b>	415	787	881
<b>Personnel costs</b>	0	0	6,165
<b>Amortization and depreciation</b>			
<i>Fixed tangible assets</i>	0	4,251	4,251
<i>Fixed intangible assets</i>	0	3,209	4,184
<b>Changes in inventory of materials</b>	0	0	(7,137)
<b>Other operating charges</b>	567	40,467	667
<b>Total Production Costs</b>	<b>35,939</b>	<b>110,455</b>	<b>36,501</b>

The Production Costs increased significantly between 2016 and 2017.

The “*Material Costs*” section increased in 2018 due to an increase of the furniture needs within the Company.

The “*Services Costs*” section includes mainly the fees related to a services agreement for sales force (€39,9k) and for the Board of Statutory Auditors (€10k).

The “*Other operating charges*” section refers in 2017 for €39.8k to costs occurred in previous years but not booked so far. It refers to Board of Directors and overheard costs.

Indeed, instead of hiring employees, the Company has decided to have only externalized consultants composing the team. The consultant’s costs are included in « *Other Operating Charges* ». They represent an amount of €40k in 2017.

The depreciation and amortisation amounts correspond to the level of depreciation and amortisation accordingly to accounting rules.

Regarding the employee costs:

- in 2017, there was no employee in the Company;
- in 2016, there was only 1 employee who left the Company in February 2016.

### 16.2.3. Operational results and profit (loss)

€	30/06/2018	31/12/2017	31/12/2016
<b>Operational Result</b>	<b>(24,050)</b>	<b>(101,020)</b>	<b>4,484</b>
<i>Financial income and expenses</i>	0	112	226
<b>Operational result before taxes</b>	<b>(24,050)</b>	<b>(101,132)</b>	<b>4,258</b>
<i>Corporation Tax</i>	0	0	1,158
<b>Profit (loss) for the period</b>	<b>(24,050)</b>	<b>(101,132)</b>	<b>3,100</b>

Due to the lack of sales, the 2017 operational result and net income are negative. In 2016, the net income was slightly positive. But, in any case, considering the early stage of the Company, both net incomes are not relevant.

### 16.3. Cash flow statement

€	31/12/2017	31/12/2016
<b>Net Cash from Operating Activities</b>	<b>2,589</b>	<b>(28,709)</b>
<b>Net Cash Used for Investing Activities</b>	<b>(3,261,503)</b>	<b>(258,792)</b>
<b>Net Cash from Financing Activities</b>	<b>3,239,889</b>	<b>268,963</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(19,025)</b>	<b>(18,538)</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>19,233</b>	<b>37,771</b>
<b>CASH, END OF YEAR</b>	<b>208</b>	<b>19,233</b>

The cash flow statement 2016 and 2017 show a stable annual cash burn of €18k and €19k respectively.

Due to the simplicity of the balance sheet and the P&L, the aggregates in the cash flow statement represent the changes in the balance sheet.

There is only point to raise: the reassessment of the valuation patents has been recognized (and neutralized) in both financing and investing cash flows.

## 17. Additional financial information

### 17.1. Forecast and estimation

The Company does not intend to make any forecast or estimation.

### 17.2. Dividends

Since its incorporation, the Company did not pay any dividend.

### 17.3. Share capital

The Italy Innovazioni's authorized capital amounts to €3.823.190, divided into 3.823.190 shares with a par value of €1 each.

The shares are represented by nominal securities, freely transferable, having identical values and giving to their holders' equal rights.

#### 17.3.1. Recent changes in the capital structure

Since its incorporation, Italy Innovazioni has issued securities giving access directly or indirectly to the share capital.

On May 24th, 2018, Italy Innovazioni shareholders' assembly approved a first capital increase with the conversion of the outstanding convertible notes for an amount equal to €662.000. The notes were converted into 265.627 newly issued shares at a price of €2.49.

On the same date, Italy Innovazioni shareholders' assembly launched a second capital increase to raise funding from private investors for a total amount of around €1m with an expiry date on December 31st, 2018. This transaction corresponds to the issuance of 347.563 shares at a price per share of €2.88. This capital increase was operated for twelve months and has gathered 83 new individual investors.

Italy Innovazioni has raised financial resources to conduct the planned business for the next twelve months.

#### 17.3.2. Capital increase

Capital may be increased by payment (by new contributions in cash or in kind) or free of charge (by transfer to capital of reserves or other available funds) pursuant to the resolution of the Extraordinary Shareholders' Meeting.

The Shareholders' Meeting, with a specific resolution adopted in extraordinary session, may grant the administrative body the right to increase the capital in one or more times up to a determined amount and for a maximum period from the date of the resolution. This faculty may also include the adoption of the resolutions referred to in the fourth and fifth paragraphs of Article 2441 of Italian Civil Code.

In this case, as it is compatible, the sixth paragraph of the Article 2441 of Italian Civil Code will be applied, and the Shareholders' Meeting will determine the criteria to be followed by the Directors. The resolution to increase the capital assumed by the administrative body in execution of said proxy must result from a report prepared by a notary.

### 17.3.3. Capital reduction

Capital may be reduced in the cases and with the procedures established by law and by resolution of the Extraordinary Shareholders' Meeting.

The reduction of the capital can take place either by the release of the Shareholders from the obligation of payments still owed, through the reimbursement of the capital to the Shareholders, within the limits allowed by Articles 2357 and 2412 of the Italian Civil Code.

The notice convening the Shareholders' Meeting must indicate the reasons and modalities of the reduction. The reduction must however be made in such ways that the treasury shares possibly held after the reduction do not exceed one tenth of the share capital.

## 17.4. Capital allocation

The participation of each shareholder is represented by shares.

Each Shareholder is assigned a number of shares proportional to the portion of the capital subscribed and for a value not higher than their contribution.

The shares give the holders the same rights unless a special resolution of the extraordinary Shareholders' Meeting created a new category of shares.

### 17.4.1. Transfer of shares and exercise of shareholder rights

The shares are freely transferable by deed between living persons in compliance with the provisions of the law.

The shares are also freely transferable by succession *mortis causa*. In case of continuation by two heirs or more of the deceased partner, the Shareholders' Meeting shall appoint a joint representative.

A Shareholder, who did not take part in the approval of the following resolutions, is entitled to withdraw its share (totally or partially) from the Company:

The modification of the Company's object, when the modification allows a significant change in the Company's activity:

- The transformation of the Company
- The transfer of the headquarters abroad;
- The revocation of the state of liquidation;
- The elimination of one more cause of withdrawal provided in the next paragraph;
- The change of criteria for determining the value of the share in the case of a withdrawal;
- Amendments to the bylaws concerning voting or participation rights.

The intention of the shareholder to exercise the right of withdrawal must be communicated to the administrative body by any means suitable to ensure proof of receipt, which must be received within fifteen (15) days from the registration in the business register of the resolution that legitimizes the right of withdrawal. If the fact that legitimizes the withdrawal is different from a resolution to be registered in the Business Register, it is exercised within thirty (30) days from the date on which the shareholder became aware of it. The shares for which the right of withdrawal is exercised cannot be sold. The withdrawal cannot be exercised and, if already exercised, it is not effective if the Company, by the term of sixty days from the date on which it was adopted, revokes the resolution and / or the decision that legitimizes it.

The Shareholders who withdraw its share from Italy Innovazioni are entitled to obtain liquidation for the shares for which the withdrawal is exercised. The value of the shares is determined by the Board of Directors, having heard the opinion of the Board of Statutory Supervisors and the entity responsible for auditing. The Board of Directors refers to the value resulting from the balance sheet of the Company referred to an earlier period of no more than three months from the date of the resolution that legitimizes the withdrawal, which considers Italy Innovazioni's equity and income prospects, as well as any eventuality market value of the shares. In the event of a dispute, the liquidation value is determined within three months from the exercise of the right of withdrawal through the sworn report of an expert appointed by the Court in whose jurisdiction the Company has its registered office, at the request of the most diligent party. The reimbursement of the shares for which the right of withdrawal has been exercised must be executed within six (6) months from the communication made to Italy Innovazioni.

The procedure for the withdrawing shareholder will be as follows:

- The Board of Directors offer as an option the shares of the withdrawing shareholder to the other Shareholders in proportion to the number of shares held;
- If there are convertible bonds, the option right is also for the holders of these, in competition with the Shareholders, on the basis of the exchange ratio;
- The option offer is filed with the Companies Register within fifteen days from the definitive determination of the liquidation value;
- For the exercise of the option right is granted the term of thirty days from the deposit of the offer;
- Those who exercise of the right of option, provided that they make a simultaneous request, have the right of first refusal to purchase the shares that have remain unopened;
- If the Shareholders do not purchase all or part of the shares of the withdrawing Shareholders, the management may contact third parties;
- In the event of non-placement, the shares of the withdrawing shareholder are reimbursed by using available reserves;
- If no profits or reserves are available, the Shareholdings' Meeting must be called to resolve the reduction of the Share Capital or the dissolution of the Company.

#### 17.4.2. Share register

By decision of May 24<sup>th</sup>, 2018, Italy Innovazioni has decided to dematerialize its shares. Monte Titoli shall keep a register in which (i) the names and addresses of all the holders of registered shares shall be entered, (ii) the amount paid up on each share, (iii) the date on which they acquired the registered shares and (iv) the date of acknowledgement by or service upon Italy Innovazioni.

Upon request, Italy Innovazioni shall furnish a shareholder with an extract from the register free of charge with respect to his right to a registered share.

## IV – OPERATION NOTE

### 18. Objectives of the operation

This operation is carried out as part of a listing procedure on Euronext Access+ Paris, by way of a technical listing.

For Italy Innovazioni, the main listing objectives are:

- To increase the visibility of the Company for its clients, its manufacturers and for investors in the context where the Company would require new financing;
- To enlarge significantly its sources of financing;
- To provide the current Shareholders and the future investors with a natural option of liquidity.

### 19. Resolution allowing admission on Euronext Access+

Italy Innovazioni has organized an Extraordinary Shareholder Meeting on December 7<sup>th</sup>, 2018 held at Via Sistina, 121 – 00187 Roma, Italy. Within, the proposed agenda, the first item was “*Listing of the Company on Euronext Access+ Paris*”. The Extraordinary Shareholder Meeting minutes state the following: “*the Shareholders Meeting unanimously resolved to proceed with the listing on the French Euronext Electronic Stock Market*”.

### 20. Valuation of the Company

The purpose of the following part is to provide investors with a valuation based on different methods.

The work has been prepared by Aether Financial Services with information provided by Italy Innovazioni.

#### 20.1. Valuation methodology

To determine the valuation of Italy Innovazioni, the following methods have been retained.

##### 20.1.1. Recent transaction on the shares

This approach is relevant since Italy Innovazioni has realised two significant funds raising within the last twelve months with private investors.

##### 20.1.2. Discounted cashflow

For early-stage-businesses as Italy Innovazioni, the valuation approach usually retained is the discounted cashflow approach (DCF) since this allows to consider the future profitability and growth.

### 20.1.3. Additional source

In addition, Aether Financial Services has been provided by Italy Innovazioni with a recent valuation report prepared by Madison Corporate Finance.

### 20.1.4. Approaches considered as not relevant

The two most common assessment methods based on comparison with listed trading peers (EV/turnover, EV/EBITDA, EV/EBIT or PER multiple) or comparable transactions were not applicable to evaluate Italy Innovazioni as the company has no relevant financial aggregate.

## 20.2. Results

### 20.2.1. Recent transaction on the shares

On May 24th 2018, Italy Innovazioni shareholders' assembly approved a first capital increase with the conversion of the outstanding convertible notes for an amount equal to €662,000. The notes were converted into 265,627 newly issued shares at a price of €2.49.

On the same date, Italy Innovazioni shareholders' assembly launched a second capital increase to raise funding from private investors for a total amount of around €1m with an expiry date on December 31st 2018. This transaction corresponds to the issuance of 347,563 shares at a price per share of €2.88.

### 20.2.2. Discounted cashflow

Aether Financial Services has performed a DCF based on the business plan provided by the Company and its financial advisor, Madison Corporate Finance.

#### Results of the DCF (central case)

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**Sum of the discounted net cashflows (8 years): €21.3m**

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**Terminal value: €5.1m**

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***Conclusion: A Company Value of €26.4m and  
an Equity Value, per share, of €7.04 is obtained***

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### 20.2.2.1. Main assumptions of the DCF

The business plan used to determine the DCF value has been prepared by the Company. Then the following additional assumptions were retained:

<b>Turnover: €69m in 2023</b>
<b>EBIT margin: 55%</b>
<b>Terminal value: €5m</b>
<b>Low level of investment: around €1m per year</b>
<b>Working capital requirement: 96 days</b>
<b>Net debt: - €516k</b>
<b>WACC: 45%</b>
○ Due to the early stage of the Company (venture), the WACC value should reflect the high risk of the Company
○ Risk free rate: 2.02%
○ Beta: 2.61 (peers' beta: 0.952 – Volatility to peers' ratio: 2.745)
○ Market risk premium: 6.89%
○ Specific risk premium: 9.55%

Sources: Aether Financial Services, Factset

### 20.2.2.2. Sensitivity table

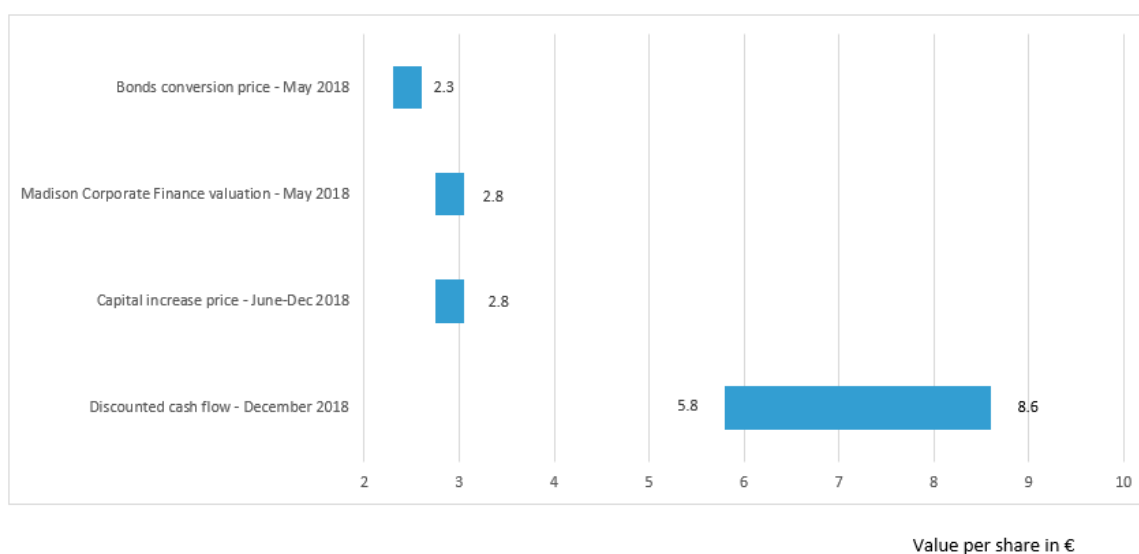
A sensitivity table has been run to evaluate the impact of a 5% change (absolute value) in the WACC. The impact on the share value is summarized below.

<b>WACC</b>	<b>40%</b>	<b>45%</b>	<b>50%</b>
<b>Company value</b>	33,041	26,900	23,319
<b>€ per share</b>	8.64	7.04	5.84

### 20.2.3. Additional source

In an initial report drafted to determine the last capital increase subscription price and updated in November 2018 (with no change in the share valuation), Madison Corporate Finance has estimated in 2018 the value of the Company at €10m (pre-money), i.e. a value per share of €2.88.

#### 20.2.4. Results – football field (in € per share)



### 20.3. Conclusion on valuation of the Company

Based on the above table, and considering:

- The latest capital increase (end of 2018) with 83 individuals has been realised recently at a price of €2.88 per share, ie. a total value of €11m considering a total number of shares of 3,823,190;
- Since that date (end of 2018), no specific news has had impact on the value of the Company;
- The highly above price per share i.e. €7.04 (central value) derived from the DCF method (assuming Italy Innovazioni is able to reach its business plan); then

➡ **It is justified to consider the value of the Company stable at €2.88 per share.**

## 21. Lock-up

To avoid an unexpected flowback from the individual investors, the four main shareholders agree to sign a 12-month lock-up agreement. The terms of the lock-up agreement are the followings: M. Giorgio Rende, M. Giuseppe Paldino and M. Pietro Malanca signed a lock-up agreement for twenty-five per cent (25%) each of the share capital of Italy Innovazioni and M. Bruno Francesco for seven per cent (7%) of the share capital of Italy Innovazioni.

## 22. Listing sponsor contact

Aether Financial Services  
36 rue de Monceau  
75008 Paris

# APPENDICES

## APPENDIX A – FINANCIAL STATEMENTS

Financial statements for the 2017 fiscal year

ITALY INNOVAZIONI S.P.A.

### 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**

<b>ASSETS</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
<b>A) CALLED UP SHARE CAPITAL NOT PAID</b>	<b>0</b>	<b>0</b>
<b>B) FIXED ASSETS</b>		
I - Intangible fixed assets	3,439,793	161,499
II - Tangible fixed assets	16,949	23,200
III - Investments	160,075	160,075
<b>Total fixed assets (B)</b>	<b>3,636,817</b>	<b>384,774</b>
<b>C) CURRENT ASSETS</b>		
I - Stocks	16,563	7,137
II - Debtors		
Falling due within 12 months	66,304	66,466
Total debtors	66,304	66,466
III - Short-term investments	0	0
IV - Cash at bank and in hand	206	19,233
<b>Total current assets (C)</b>	<b>83,076</b>	<b>94,858</b>
<b>D) PREPAYMENTS AND ACCRUED INCOME</b>	<b>0</b>	<b>0</b>
<b>TOTAL ASSETS</b>	<b>3,721,892</b>	<b>479,632</b>

**BALANCE SHEET**

<b>LIABILITIES</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
<b>(A) CAPITAL AND RESERVES</b>		
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
<b>Total capital and reserves</b>	<b>2,991,774</b>	<b>-107,095</b>
<b>B) PROVISIONS FOR RISKS AND COSTS</b>	<b>0</b>	<b>0</b>
<b>C) SEVERANCE INDEMNITY</b>	<b>0</b>	<b>0</b>
<b>D) CREDITORS</b>		
Falling due within 12 months	103,118	-316
Falling due after 12 months	627,000	587,000
<b>Total creditors</b>	<b>730,118</b>	<b>586,684</b>
<b>E) ACCRUALS AND DEFERRED INCOME</b>	<b>0</b>	<b>43</b>
<b>TOTAL LIABILITIES</b>	<b>3,721,892</b>	<b>479,632</b>

## PROFIT AND LOSS ACCOUNT

	31/12/2017	31/12/2016
<b>A) PRODUCTION VALUE:</b>		
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
<b>Total production value</b>	<b>9,436</b>	<b>40,985</b>
<b>B) PRODUCTION COSTS:</b>		
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	967
<b>Total production costs</b>	<b>110,486</b>	<b>36,801</b>
<b>Difference between production value and production costs (A-B)</b>	<b>-101,020</b>	<b>4,484</b>
<b>C) FINANCIAL INCOME AND CHARGES:</b>		
17) interest and other financial charges		
Other	112	226
Total interest and other financial charges	112	226
<b>Total financial income and charges (C) (16+16-17+-17-bis)</b>	<b>-112</b>	<b>-226</b>
<b>D) VALUE ADJUSTMENTS ON INVESTMENTS:</b>		
<b>Total value adjustments on investments (18-19)</b>	<b>0</b>	<b>0</b>
<b>Result before taxes (A-B+-C+-D)</b>	<b>-101,132</b>	<b>4,288</b>
20) Current, deferred and pre-paid income taxes for the period		
Current taxes		1,158
Total current, deferred and pre-paid income taxes for the period		1,158
<b>21) PROFIT (LOSS) FOR THE PERIOD</b>	<b>-101,132</b>	<b>3,100</b>

Financial statements at 31/12/2017



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**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 obligations 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
<b>Value at the beginning of the period</b>				
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
<b>Changes during the period</b>				
Amortisation/Depreciation for the period	3,209	4,251		7,460
Other changes	3,261,503	0	0	3,261,503
Total changes	3,266,264	-4,251	0	3,254,043
<b>Value at the end of the period</b>				
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:

Financial statements at 31/12/2017



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	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
Total capital and reserves	0	3,200,156	-101,132

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
Total	3,210,157					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	98,160	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
<b>Total creditors</b>	<b>586,684</b>	<b>143,434</b>	<b>730,118</b>	<b>103,118</b>	<b>627,000</b>	<b>0</b>

### 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



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.	ROMA1401605
VAT No.	12807431007
Share Capital EUR	10,000.00 fully paid in
Legal Form	SOCIETA' A RESPONSABILITA' 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



*Handwritten signature*

## 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	43,086
Falling due after more than 12 months	0	10,000
Total debtors	68,488	53,086
III - Short-term investments	0	0
IV - Cash at bank and in hand	19,233	37,771
Total current assets (C)	94,868	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)	-120,195	-36,528
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
<b>A) PRODUCTION VALUE:</b>		
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
<b>Total production value</b>	<b>40,985</b>	<b>10,013</b>
<b>B) PRODUCTION COSTS:</b>		
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
<b>Total production costs</b>	<b>36,501</b>	<b>93,256</b>
<b>Difference between production value and production costs (A-B)</b>	<b>4,484</b>	<b>-83,243</b>
<b>C) FINANCIAL INCOME AND CHARGES:</b>		
17) Interest and other financial charges		
Other	226	325
Total interest and other financial charges	226	325
<b>Total financial income and charges (C) (15+16-17+-17-bis)</b>	<b>-226</b>	<b>-325</b>
<b>D) VALUE ADJUSTMENTS ON INVESTMENTS:</b>		
<b>Total value adjustments on investments (18-19)</b>	<b>0</b>	<b>0</b>
<b>Result before taxes (A-B+C+D)</b>	<b>4,258</b>	<b>-83,568</b>
20) Current, deferred and pre-paid income taxes for the period		
Current taxes		0
Total current, deferred and pre-paid income taxes for the period		0
<b>21) PROFIT (LOSS) FOR THE PERIOD</b>		<b>-83,568</b>



**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.

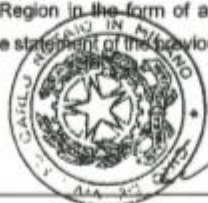
The depreciation schedules, in accordance with OIC 16, section 70, are revised in case of any change of the residual useful life.

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.



*Handwritten signature/initials.*

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		
Other reserves				
Various other reserves	1	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	Summary of utilisations made in the
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				three previous periods - to cover losses	three previous periods - for other reasons
Capital	10,000			0	0
Other reserves					
Various other reserves	1			0	0
Total other reserves	1			0	0
Total	10,001			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	317,611	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

## APPENDIX B – BYLAWS OF THE COMPANY

“

### **NAME, OBJECT, HEADQUARTERS, DURATION**

Art. 1 – A joint-stock company is established under the name of:

**“ITALY INNOVAZIONI S.P.A.”**

Art. 2 - The company's object comprises the following activities:

- The conception, acquisition, management and exploitation of patents, technological projects, trademarks, know-how, of Italian or foreign origin, belonging either to the company itself or to third entities, and their possible production and marketing; holding patents and intellectual property protected by copyrights of its own design or regularly purchased from third parties, destined for resale or renting against payment of compensations or royalties;
- activities of control, experiments, test-runs, measurement, monitoring in different production sectors of interest, both in the field or in laboratory; certification activities for materials and products, facilities and machines subject to authorisation by the relevant Ministry;
- the elaboration and execution of research work and experimentation with the development of advanced materials and/or innovative systems and the dissemination of their results to interested production centres through, among others, training activities;
- activities of research, studies, calculations, consultancy, project manager, project financing, technical, economic and financial feasibility studies, strategic consultancy, related to patents and industrial property rights and technical assistance for the works, civil and industrial equipment and settlements for interested production sectors, including in the field of business quality, security and hygiene at work and in the work environment; all, except for protected activities;
- analysis, customizing and application of technological solutions aiming at the rational utilisation of sources of energy, energy efficiency and energy saving;
- the elaboration, including in collaboration and in cooperation with other public or private entities, of studies, research work, technological innovation activities and other different programs and interventions, assuming also their respective management, intending to make known, to promote and encourage the correct use of techniques and technologies in the interested productive sectors;
- getting engaged in business representation of national or international manufacturers active in affiliated sectors or others similar, such as in the field of sensors and measuring and testing facilities, test machinery, monitoring systems, mobile laboratories, machines, software.

*It can deal with all the industrial and business activities in the field of movable and immovable goods deemed necessary or useful for being included in the company's object and it can decide, every time when such activities would not assume the prevailing character of the rest of the activities, that these should not be implemented for the public and that they should be functionally related to the scope of activities of the company;*

- the purchase and sale of participation and interests in companies and bodies having objects similar, related or, anyway, connected to its own;
- issuing general, real and personal surety bonds and guarantees for third parties' debts, even for non-associates and even in respect of different stakeholders from credit institutions.

Art. 3 - The headquarters of the company are located in Rome.

The administrative body has the right to set up offices, establishments and representations and to close them down. The administrative body is also given the right to set up and close down the secondary offices of the company.

The location of the headquarters of the company could be changed, at the territory of the same municipality, upon a decision of the Ordinary Shareholders' Meeting.

Art. 4 - The duration of the company is fixed until the 1<sup>st</sup> December 2050.

## **CAPITAL**

Art. 5 - The capital amounts to euros three million two hundred and ten thousand (3 210 000.00) and is represented by three million two hundred and ten thousand (3 210 000.00) shares of one euro and zero cents (1.00) each.

The shares could be subjected to the regime of dematerialisation and issued in the centralized management system of the financial instruments as per articles 80 and following of the Legislative Decree 58/1998 ("TUF" - "Consolidated Financial Act").

In addition to the ordinary shares, shares originating from different entitlements may also be issued.

The Extraordinary General Shareholders' Meeting, through a relevant resolution, may authorise the issue of shares with different rights than those already issued pursuant to art. 2348 (point 2) and following of the Civil Code. The overall value of such shares cannot exceed the half of the social capital.

Art. 6 - The shares are represented by nominal securities, freely transferable, having identical values and giving to their holders equal rights.

Art. 7 - The payment of the shares is required by the administrative body within the periods and under the conditions deemed to be suitable.

It is the obligation of the shareholders having delayed the payments to pay the interest rate fixed in the provisions of art. 2344 of the Civil Code.

Art. 8 - The shareholders could provide financing for the company in conformity with the applicable provisions of the law and the rules, including, in particular, the legislative regulation concerning the collection of the public savings.

Unless otherwise specified elsewhere, the financing mentioned above must be understood as being non-interest bearing.

Art. 9 - In compliance with the applicable provisions of the law, the Shareholders' Meeting may decide on the reduction of the company capital even through allocation to individual shareholders or groups of shareholders of some specific activities of the company or of shares or portions of other establishments with which this company is in co-partnership.

## **SHAREHOLDERS' MEETINGS**

Art. 10 - The decisions of the Shareholder's Meeting taken in conformity with the law and with the present Company Bylaws are obligatory for all the shareholders. The Shareholders' Meeting is ordinary or extraordinary in accordance with law. It could be convened even outside the municipality where the headquarters are, but it must take place in Italy.

The Ordinary Shareholders' Meeting must be convened at least once a year within a period of one hundred and twenty days after the closure of the financial year. However, the Ordinary Shareholders' Meeting may be convened by the administrative body within one hundred and eighty days of the closure of the financial year in the case when the company must prepare the consolidated financial statement, or, when this is required by some particular demands related to the structure and the object of the company, at the administrative body's discretion. In such cases the Directors should explain in the report foreseen by art. 2428 of the Civil Code the reasons for this decision.

*The Shareholders' Meeting could be held with venues in near or remote locations, by audioconference or videoconference, provided that the collegial method, the principles of good faith and the equal treatment of the shareholders are complied with; therefore, it is necessary that:*

- a) The President of the Shareholders' Meeting should be able to control the identity and the entitlement of the attendees, doing that even from his own President's office, distributing to them by fax or by e-mail, the documents prepared for the meeting, if ready; he should regulate the proceedings, confirm and announce the results of the votes;*
- b) That the subject taking the minutes should have an adequate perception of the events of the meeting being recorded;*
- c) That the attendees should be able, all at the same time, to take part in the discussions and in the voting of the topics included in the Agenda;*
- d) That the notice convening the Shareholders' Meeting should indicate, (unless it concerns a totalitarian shareholders' meeting), the sites equipped with an audio/video connection, to be provided by the company, where the attendees can meet and the venue of the meeting will be considered to be the one where the President and the person taking the minutes of the meeting are present;*

Art. 11 – *Every share gives the right to one vote.*

Art. 12 – *The convening of the Shareholders' Meetings is made through a notice containing the Agenda of the Meeting sent to the shareholders and the auditors by registered mail with acknowledgment of receipt made at least eight days before the meeting.*

*Another date could be fixed in the same notice for a second convocation should the first meeting remain unattended.*

*Nevertheless, the Shareholders' Meetings, even if they have not been convened as described herein above, will be considered valid if the entire share capital is present and when the majority of the Directors or the Sole Director and the majority of the Statutory Auditors are present.*

Art. 13 – *In order to be admitted to attend the Shareholders' Meeting and show their entitlement to participate and vote at the Meeting, the shareholders must produce their shares.*

Art. 14 – *Every shareholder having the right to attend the Meeting, could be represented by another person through a written power of attorney delivered to any person, even if he/she is not a shareholder, subject to the limitations and prohibitions provided for in art. 2372 of the Civil Code. It is the responsibility of the President of the Meeting to confirm the right to attend the Shareholders' Meeting even when the attendee is a proxy.*

Art. 15 – *The Meeting is chaired by the Sole Director or by the President of the Board of Directors or by a third person nominated by this Board; failing this, the Meeting elects its own President, through a majority vote of the participants.*

Art. 16 - *The resolutions of the Shareholders' Meeting are valid if taken with the participation and majority established by art. 2368 of the Civil Code and, in case of a second convocation, according to art. 2369 of the Civil Code.*

*The appointment to corporate offices is made with a relative majority.*

*However, exception is made of those cases for which there is an irrevocable requirement in the law for different specific majorities*

Art. 17 - *The Shareholders' Meeting may appoint a secretary by a majority vote of the attendees, even if he/she is not a shareholder and, if this is considered necessary, two tellers will be appointed from amongst the shareholders or the auditors. The decisions of the Meeting are recorded in the minutes of the meeting signed by the President, the Secretary and possibly, by the tellers.*

*When required by law and, moreover, when the Directors deem it appropriate, the minutes of the meeting are drafted by a notary.*

## **MANAGEMENT**

*Art. 18 - The company is managed by a Board of Directors consisting of a minimum of three and a maximum of five members or by a Sole Director. The Ordinary Shareholders' Meeting takes the decisions concerning the composition of the administrative body and conducts the election of the Directors. The latter remain in office for three financial years, their duties expire, cease to be exerted and they are replaced in accordance with law.*

*Art. 19 - Every time when the company is managed by a Board of Directors, if half of the Directors are absent because of a resignation or for another reason, the entire Board will be considered dismissed and the remaining Directors, still in charge, must urgently convene a meeting to nominate all the Directors.*

*Art. 20 - If the Shareholders' Meeting has not yet done so, the Board of Directors elects a President from amongst its members; it may also elect a Vice-President to replace the President in case of his absence or when he is prevented to exert his duty, as well as a Secretary, who could even be an extraneous person.*

*Art. 21 - The Board of Directors shall meet either in the headquarters of the company, or elsewhere, every time when the President should deem it necessary or when a written request is made for that by at least two of its members.*

*Art. 22 - The Board of Directors is convened by the President by a notice that should be received by each Director or Statutory Auditor at least eight days before the meeting and, in urgent cases, at least three days earlier.*

*The abovementioned notice could be sent by postal mail or by a telegram or it may also be transmitted by fax or by e-mail.*

*Art. 23 - In order that the decisions of the Board of Directors should be considered valid, the presence of a majority of its members in office is necessary. The voting cannot be made by a representative. The resolutions of the Board of Directors are taken by an absolute majority of the votes of those present.*

*However, the decision which, according to letter a) of the first item of art. 2447 bis of the Civil Code, allocates a property to a specific deal, must be adopted by the Board of Directors by an absolute majority of its members' vote and, in case the company is managed by a Sole Director, the decision should be taken by the Ordinary Shareholders' Meeting.*

*The Meetings of the Board of Directors could be held by a teleconference as well as by a videoconference, on condition that each participant could be identified by any of the other participants and that everyone accepts to follow the discussion and react in real time. The venue of the meeting is considered to be the place where the President and the Secretary are present.*

*Art. 24 - The fees due to the Directors are established upon their appointment or by the Shareholders' Meeting.*

*The remuneration of the Directors' counsellors in charge of specific duties in conformity with the present Company Bylaws are fixed by the Board of Directors after having received the opinion of the Statutory Board of the Auditors.*

*However, the compensations granted should never be higher than the maximum limits established by the Shareholders' Meeting which may also determine a total amount for the remuneration of all the Directors, including those in charge of special tasks.*

*The Directors have the right to be reimbursed the expenses incurred by them for the implementation of their tasks.*

*Art. 25 - The Board of Directors or the Sole Director are vested with full powers for the ordinary and extraordinary management of the company, without any exception, and have the right to carry out all the acts considered appropriate for the realisation and achievement of the corporate objectives, with the only exception of the powers reserved to the competence of the Shareholders' Meetings by law and by virtue of the present Company Bylaws.*

*Without prejudice to what is set out in articles 2420 ter and 2443 of the Civil Code, the decisions are the responsibility of the Board of Directors and they should anyway be assumed in conformity with art. 2436 of the Civil Code, concerning:*

- *merging in the cases foreseen by art. 2505 and 2505 bis of the Civil Code, as well as for scissions as per art. 2506 of the Civil Code;*
- *setting up or closing-down of secondary offices; transfer of the headquarters within the national territory;*
- *indicating the Directors having legal representation; reducing the capital in case of withdrawal;*
- *adjustment of the Company Bylaws to comply with the regulatory provisions.*

***Art. 26** – The Board of Directors may nominate from amongst its members one or more Chief Executive Officers or an Executive Committee, or confer special tasks to individual Directors, determining their assignment but also their remuneration in conformity with art. 24 herein above and within the limits provided for by art. 2381 of the Civil Code.*

*The Board of Directors or the Sole Director may appoint Directors, as well as proxies “ad negotia” for certain acts or categories of acts.*

### **REPRESENTATION OF THE COMPANY**

***Art. 27** – It is the President of the Board of Directors or the Sole Director who is entitled to represent the company.*

*The President of the Board of Directors or the Sole Director is also responsible for the legal representation of the company having the right to take actions before judicial and administrative bodies on any level of jurisdiction even concerning revision and cassation judgments and to nominate for this purpose attorneys and litigators in lawsuits.*

*Moreover, the Directors have the right to represent the company if they are authorised to do so by the Board of Directors.*

### **BOARD OF STATUTORY AUDITORS AND LEGAL AUDIT OF THE COMPANY'S ACCOUNTS**

***Art. 28** – The Board of Statutory Auditors consists of three standing members and two substitute auditors appointed by the Shareholders' Meeting which nominates also its President.*

*The requirements, functions, responsibilities and the remuneration of the Board of Statutory Auditors are governed by the rules of law.*

*The meetings of the Board of Statutory Auditors could be held through a tele/video conference in compliance with the principles laid out in the preceding articles.*

***Art. 29** – The legal audit of the company's accounts is carried out by the Board of Statutory Auditors either in the way stipulated irrevocably in the law or as decided by the Shareholders' Ordinary Meeting and, in any event, according to the rules and also in conformity with other regulations in force at that time, by an auditor or a statutory auditing company listed in a specific register.*

*The requirements, functions, empowerment, dismissal and the termination of his/its duty, the responsibilities and the activities of the auditor or the auditing company are governed by the rules of law.*

### **FINANCIAL STATEMENT AND PROFIT**

***Art. 30** - The company's financial years end on 31<sup>st</sup> December every year. At the end of every financial year the Administrative Body proceeds with the drawing up of the Financial Statement of this year (comprising a balance sheet, a profit and loss account and an explanatory note).*

*Art. 31 - The net profit, after retaining not less than five per cent for the legal reserve until it reaches one-fifth of the share capital, shall be divided in proportion to the shareholding, unless the Shareholders' Meeting should decide to provide for special allocations in favour of extraordinary reserves or for another purpose, or, if it decides to postpone the use of the whole amount or a part thereof to the following financial years.*

*Art. 32 - The payment of the dividends is effected at the Cashier's desks designated by the Administrative Body.*

*Art. 33 - The dividends uncollected by the fifth year of the date on which they become payable, will revert to the company.*

### **DISSOLUTION**

*Art. 34 - Should the company be dissolved at any time and for any reason, the Extraordinary Shareholders' Meeting will appoint one or more official liquidators and define the powers thereof in conformity with art. 2365 of the Civil Code and will adopt any of the other resolutions provided in art. 2487 of the Civil Code.*

### **REFERRAL**

*Art. 35 - Any matter not expressly provided for herein, should be referred to the relevant valid provisions of the law in this field.*

“

## **APPENDIX C- BODIES OF THE COMPANY**

### **1 Board of Directors**

#### **1.1. Composition**

The composition is detailed in Section 9.

The Directors are re-eligible. Their duties expire, cease to be exerted and they are replaced in accordance with law.

The Board of Directors may nominate from amongst its members one or more Chief Executive Office. M. Giorgio Rende has been appointed as the Chairman of the Board of Directors. When the Shareholders' Meeting is not responsible for appointing the Chairman, the Board appoints the Chairman among its members. They can also appoint one vice Chairman and a Secretary, on a permanent basis or not and external to the Board itself or not.

If half of the members of the Board of Directors are absent for resignation or any other reason, the entire Board of Directors will expire with effect from the acceptance of the new Directors appointed by the Shareholders' Meeting as per the following paragraph. The Shareholders' Meeting for the appointment of a new administrative body must be urgently convened by the remaining Directors or even by only one of them.

The Directors have the right to be reimbursed of the expenses incurred by them for the implementation of their tasks.

The Director who renounces to his/her mandate must give a written notice to the Board of Directors and the Chairman of the Board of Statutory Supervisors. The termination has an immediate effect if the majority of the Board of Directors remain in the office. If this is not the case, the termination enters into force when the Board of Directors' majority is re-established.

If one or more Directors are missing during the year, the others shall replace them with a Board approved by the Board of Statutory Supervisors, provided that the majority is always made up of Directors appointed by the Shareholders' Meeting. The Directors appointed in this way remain in office until the next Shareholders' Meeting. If the majority of the Directors appointed by the Assembly fail, those who remain in office must convene the Assembly to replace the missing persons.

Directors appointed pursuant to the preceding paragraph shall discharge together with those in office at the time of their appointment. If the single director or all the Directors are terminated, the Shareholders' Meeting for the appointment of the Director or the entire Board must be called urgently by the Board of Supervisors, which may in the meantime perform ordinary administration.

For the replacement of Directors during the financial year, the provisions of *Article 2386 of the Italian Civil Code* are valid. However, the Directors appointed to replace those who have failed will remain in office for a period not exceeding three years, without expiring together with those in office at the time of their appointment.

## 1.2. Meeting

The Board of Directors meets in a different place from the registered office, provided that it is in Italy, whenever the Chairman deems it necessary or when a written request is made by two (2) of its members. Meetings of the Board of Directors may also be carried out by videoconference or teleconference if each participant can be identified by all the others and if each one is able to intervene in real time during the discussion of the topics examined, as well as to receive, transmit and view documents. In this case, the Meeting is considered held in the place where the Chairman and the secretary are present.

The Meeting notice shall be made by the Chairman with a notice sent to each member of the Board at least eight (8) days before the Meeting and, in urgent cases, at least three (3) days earlier. The aforementioned notice may be sent by postal letter, by telegram, by fax or e-mail.

Meetings of the Board of Directors are chaired by the Chairman or, failing that, by the Director designated by the attendees. The resolutions of the Board must be recorded in the minutes signed by the Chairman and the secretary. The Shareholders may challenge the resolutions of the Board of Directors detrimental to their rights under the same conditions that may be challenged by the Shareholders' resolutions, as compatible.

The Board of Directors is valid constituted with the presence of the majority of its members and validly decides with the favourable vote of the absolute majority of those present. However, in accordance with the law, the deliberation which allocates assets to a specific business must be adopted by the absolute majority of those present (or by the Ordinary Shareholders' Meeting if the Company is administrated by a single administrator).

## 1.3. Powers

The Board of Directors, or its Sole Director, has all the powers for the ordinary and extraordinary management of the Company, without any exception, and have the right to carry out all the acts considered appropriate for the relation and achievement of the corporate objectives with the only exception of the powers reserved to the competence of the Shareholders' Meeting by law and by virtue of the bylaws of the Company. It could in particular include (i) to adopt the resolutions concerning the merger, the establishment or elimination of secondary offices or (iii) the amendments to the bylaws to reflect regulatory provisions.

The Board of Directors shall provide the Shareholders' Meeting and the management with all the information they require and represent the Company.

At the end of every financial year, the Board of Directors proceeds with the drawing up of the financial statement of the year. It includes the balance sheet, a profit and loss account and an explanatory note.

## 1.4. Liability

Without prejudice to what is set out in Articles 2420 ter and 2443 of the Italian Civil code, the decisions are the responsibility of the Board of Directors and they should anyway be assumed in conformity with Article 2436 of Italian Civil Code.

With reference to art. 11 paragraph 6 of the Legislative Decree December 18, 1997 n.472, the Company assumes responsibility, also in respect of the public administrations or bodies that incur the taxes, for the sanctions resulting from violations that the Company's representatives commit in carrying out their duties and within the limits of their powers. The assumption is valid in cases where the representative has committed the violation for negligence and is in any case excluded when the person who committed the violation acted deliberately against the Company.

## **2 Shareholders Meeting**

### **2.1. Meeting**

The Ordinary Shareholders' Meeting shall be held each financial year within 120 days from the end of financial year. This deadline may be extended up to a maximum of 180 days, if the Company is required to prepare the consolidated financial statements and when it is required to meet specific requirements relating to the structure and the object, at the Board of Directors' discretion. In such cases, the Board of Directors must explain the reasons of this decision.

Other General Meetings shall be held whenever requested by the Board of Directors or by one or more Shareholders, individually or jointly representing at least ten per cent (10%) of the issued capital, submit a written request to that effect, specifying the questions to be considered.

The Shareholder Meeting is presided by the Chairman of the Board of Directors or by a third person nominated by the Board of Directors. Should the previous circumstances not occur, the Shareholders' Meeting elects its own President with a majority vote of the participants.

The Shareholders Meeting may appoint a Secretary by a majority vote of the attendees, even if he/she is not a shareholder and, if this is considered necessary, two tellers will be appointed from amongst the Shareholders or the Auditors.

The Shareholders' Meeting must be convened by the management at the registered office or even outside the Municipality. In addition, the Meeting of the Board of Directors may be held by teleconference, as well as by videoconferencing, provided that the collegial method and the principles of good faith and equal treatment between Shareholders are complied with. It implies in particular that (i) the President of the Shareholders' Meeting should be able to control the identity and the entitlement of the attendees, doing that even from his own President's office, distributing to them by fax or by e-mail, the documents prepared for the Meeting, if ready; he should regulate the proceedings, confirm and announce the results of the votes; (ii) the subject taking the minutes should have an adequate perception of the events of the Meeting being recorded; (iii) the attendees should be able, all at the same time, to take part in the discussions and in the voting of the topics included in the agenda and (iv) the notice convening the Shareholders' Meeting should indicate (unless it concerns a totalitarian Shareholders' Meeting), the sites equipped with an audio/video connection, to be provided by the Company, where the attendees can meet and the venue of the Meeting will be considered to be the one where the President and the person taking the minutes of the Meeting are present.

Notice of a Shareholders' Meeting must be given to each holder of Meeting rights. This notice shall be given no later than the 8<sup>th</sup> days before the day on which the Meeting will be held. The convocation notice must indicate the day, time and place of the Meeting, as well as the list of subjects to be treated. The business to be considered at the Meeting shall be specified in the notice of Meeting. Another date could be fixed in the same notice for a second convocation should the first Meeting remain unattended.

## 2.2. Powers

The Ordinary Shareholders' Meeting shall:

- decide to transfer the Company headquarters within the territory of the same municipality;
- determine the number of Directors;
- appoint/suspend/remove the members of the Board of Directors;
- determine the remuneration of each Director and the total amount for the remuneration of all the Directors (including if Directors' with specific duties are appointed);
- appoint/suspend/remove the members of the Board of Statutory Auditors and its President;
- decide the remuneration of Directors and members of the Board of Statutory Auditors;
- regulate the Shareholder's Meeting;
- approve the financial statements and the annual report;
- decide de the issue of non-convertible bond;
- determine the use of the profit resulting from the financial statements, especially determine the distribution of dividends;
- take all decisions empowered by the law or the bylaws.

The Extraordinary Shareholders' Meeting shall:

- decide the change of the location of the headquarters outside of the territory of the same municipality but it must take place in Italy;
- authorise the issue of shares with different rights than those already issued pursuant to Article 2348 of the Italian Civil code, considering that the overall value of such shares cannot exceed the half of the share capital;
- amend the bylaws of the Company;
- dissolve the Company and appoint, replace and determine the powers of liquidators;
- resolve the issue of convertible bonds and financial instruments assigned to employees of the Company or of Subsidiary;
- take all decisions empowered by the law and the bylaws.

## 2.3. Voting rights

The Shareholders' Meeting may be attended by shareholders who, on the date of the Meeting, are holders of shares with voting rights, or holders of financial instruments with voting rights.

The Shareholders' Meeting, even if they have not been convened as described herein above, will be considered valid if the entire share capital is present and when the majority of the Directors or the Sole Director and the majority of the Statutory Auditors are present.

Each shareholder must produce their shares in order to be admitted attending the Shareholders' Meeting and show their entitlement to participate and vote at the Meeting.

Every Shareholder could be represented by another person through a written power of attorney delivered to any person, even if such shareholder is not a shareholder, subject to the limitations and prohibitions provided in Article 2372 of Italian Civil Code. It is also admissible to vote by correspondence according to the provisions describe in the bylaws. The notice convening the Shareholders' Meeting must contain:

- The warning that the vote can also be exercised by correspondence;
- The methods and subjects to request the voting form;
- The address to which to transmit the ballot and the terms within which it must reach the addressee;
- The decision or resolutions proposed in full.

The voting form is prepared by the Company in order to guarantee the confidentiality of the vote up to the beginning of the scrutiny operations and contains the indication of the Company, of the details of the Shareholders' Meeting resolutions, of the details of the holder of the voting right with the specification of the shares or financial instruments held, of the proposed resolutions, appropriate spaces for the expression of the vote on each of the proposals, the date and the subscription.

The Shareholders' Meeting is regularly constituted with the participation of many Shareholders representing at least 51% (fifty-one percent) of the share capital, excluding the shares without the right to vote in the Shareholders' Meeting and validly decides with the favourable vote of the majority of those present.

Each share carries one vote.

The resolutions of the Shareholders' Meeting are valid if taken with the participation and majority established by Article 2368 of the Italian Civil Code and, in case of a second convocation, according to Article 2369 of the Italian Civil Code.

The appointment to corporate offices is made with a relative majority. However, exception is made of those cases for which there is an irrevocable requirement in the law for different specific majorities.

#### 2.4. Minutes

The decisions of the Meeting are recorded in the minutes of the Meeting signed, at least, by the President and the Secretary. When required by law and, moreover, when the Directors deem it appropriate, the minutes of the Meeting are drafted by a notary.

The Company shall keep records, which shall comprise the approved minutes of each Shareholders' Meeting. Those records shall be kept at the headquarters of the Company and/or may be inspected there by the Shareholders and other holders of Meeting rights.

### 3 The Board of Statutory Auditors

The Board of Statutory Auditors:

- Oversees the legal audit of the Company's accounts in the way stipulated irrevocably in the law or as decided by the Ordinary Shareholders' Meeting and, in any event, according to the rules and in conformity with other regulations in force at that time;
- Verifies during the financial year, at least quarterly, the regular accounting of the accounts and the correct recording of the accounting entries of the management events;
- Checks the financial statements for the year;
- Certifies the financial statements for the year and
- Expresses its view on the financial statements within a specific report.

The Board of Statutory Auditors must be convened by the management at the registered office or even outside the Municipality. In addition, the Meeting of the Board of Statutory Auditors may be held by teleconference, as well as by videoconferencing, provided that the collegial method and the principles of good faith and equal treatment between Auditors are complied with.

The requirements, functions, responsibilities, the remuneration, dismissal, and the termination of the Board of Statutory Auditors are governed by the rules of law.

#### **4        The Auditors**

The company responsible for auditing the accounts:

- Verifies during the financial year, at least quarterly, the regular accounting of the accounts and the correct recording of the accounting entries of the management events,
- Checks the financial statements for the year,
- Certifies the financial statements for the year,
- Expresses its view on the financial statements within a specific report.

The Shareholders Meeting must also determine the fee for the entire duration of the appointment.

For the entire duration of the appointment, the company responsible for auditing the accounts must meet the requirements set forth in Article 2409 of Italian Civil Code.