# FIMER S.P.A.

**Tax Code 00813050150 – VAT Number 00695140962**
**VIA STOPPANI 2 - 20059 VIMERCATE MB**
**Economic & Administrative Index no. 306191**
**Companies Register of MONZA no. 00813050150**
**Share Capital of €10,000,000.00 of which €4,104,000.00 paid up**

## MANAGEMENT REPORT
## TO FINANCIAL STATEMENTS CLOSING AT 31.12.2016

Dear Shareholders,

The financial statements closing at 31.12.2016, which we submit for your approval, close with a profit of Euro 1,129,536, net of taxes for the financial year of Euro 862,128. This result was reached by allocating an amount of Euro 477,259 as depreciations, write-downs and risk provisions, obtaining a pre-tax profit of Euro 1,991,664.

**Operating conditions and business development**

The company performs its main activity in the industry of manufacturing inverters for Welding, Air Conditioning and large scale Photovoltaic Plants.

**General Performance**

Below is a general overview of the company's performance by individual Business Unit:

**a) Photovoltaic Division**

During the 2016 financial year, the company consolidated its presence on the foreign markets, particularly those of Central and South America where it confirmed itself to be a market leader due to its installed capacity and/or on going installation.

The range of Solar products was completed with the entry into production and first deliveries for the Brazilian project of the modular 4.4 MW Power Stations with the new 1,500 Volt technology.

Fimer is the only company in the world to offer this type of Power Station and, along with SMA-Germany (world leader in the production of Inverter Power Stations, being at the same time Fimer's competitor and client for some products), it is one of the world's few companies to be certified in accordance with the CEI – IEC standards for 1,500 volts. Together with the modularity of its inverters, known as MPS architecture, the 1,500 Volt technology allows for a 12% higher energy production than that of 1,000 Volts used by other manufacturers which was, until now, the market standard.

In a market in exponential growth, Fimer is therefore already excellently positioned with a time advantage of more than one year over all its other competitors. In evidence of this claim, during 2016, the company has been awarded with new supply contracts for a total of 1 GW amounting to USD 60 million in Peru, Zambia and Mexico, to be performed in 2017.

**b) Welding Division**
In 2016 Fimer continued to develop new products to complete its catalogue of high-range products aimed at the professional market in coherence with the repositioning strategy launched in 2015. The initial responses from the market have been positive; in October, a workshop was also created at the new plant's academy, allowing for sales to be maintained, despite the stagnating world market.

**c) Air Conditioning Division**
This division, deemed minor compared to the other two, also witnessed some growth in 2016 thanks to the signature of a major contract with an historic client in France, which, in turn, entered into a five-year contract for the supply of our Windy products with a large French group based in Nantes which will guarantee significant sales for Fimer also for the coming 4 years.

**- Development of demand and performance of markets in which the company operates.**
In 2016, the trend of growth of renewable energies has been confirmed with particular reference to large-sized photovoltaic plants.

The photovoltaic capacity installed at global level in fact exceeded 300 GW in 2016 with a forecast for annual growth of 17% in the coming 5 years. Against a roughly 80% reduction in costs of panels compared to 2008 and simultaneous greater efficiency, photovoltaic is now the cheapest energy source (the latest estimates value it at 2.8 €cent/KWh), net of nuclear, but, compared to the latter and to other thermoelectric and/or hydroelectric plants, the construction times are shorter (about 2.5 years), it has no environmental impact and it involves much lower direct investments and reduced maintenance costs. All this translates into a lower cost of energy produced by photovoltaic plants compared to thermoelectric, hydroelectric and soon even nuclear plants. It is therefore not surprising that developing countries which require energy in fast timescales have significant investment plans for the coming 15 years.

The Latin-American countries, such as Chile, Mexico, Brazil, Peru and soon Argentina, are among the main drivers of this change, thanks also to the favourable irradiation conditions that they enjoy; during 2016, even Middle Eastern countries, such as Saudi Arabia, the Arab Emirates and Oman, and North African countries (Egypt, Algeria, Morocco, Tunisia) launched programmes for a total of 500 billion US dollars with the aim of having 45% of their energy produced from renewable sources by 2030.

India alone, where Fimer already has a partnership with a major local player, has planned the installation of about 100GW in the next 5 years.

For the countries of Sub-Saharan Africa (Senegal, Nigeria, Congo, Gabon, Cameroon) and Central-South Africa (South Africa, Zambia, Ethiopia, Angola, Mozambique) photovoltaic plants also represent the solution to the lack of an energy distribution network, given that they can be created in stand-alone mode.

Thanks to the technologies developed, our company is absolutely able to sustain the vast development of demand originating from the significant and tumultuous evolution of the markets in the photovoltaic industry which will continue at least for the next five-year period with a consequent increase in sales and margins.

In 2016, the company consolidated its relationship with one of the main players operating in renewable energies at global level, which, after the good results achieved in China and Brazil, awarded us with the supply of inverters for Mexico - currently the biggest investment made by them in solar energy - Peru and Zambia, all to be implemented in 2017. We proudly note that in 2015 Fimer was officially included in an exclusive vendors list qualified as “strategic”, a qualification maintained in 2016 after having passed with flying colours the product and process audits conducted by the client's inspectors.

We therefore believe that in 2017 we will further grow in terms of sales to approximately Euro 60 million based upon the current schedule of jobs in the portfolio and with improved margins compared to the already good results achieved in 2016. The increase in sales is unlikely to correspond to a directly proportional increase in variable production costs, such as field activities, thanks to a renewed organisation combined with better commercial agreements, and structure costs, mainly increased this year as consequence of the organisational changes that have occurred.

The company's target is to achieve Euro 100 million of sales by 2020, expanding its current client base. It is an ambitious goal which the company believes it can achieve in a market - photovoltaic - growing globally by 17% per annum (source: Bloomberg). Future sales will be generated by medium to large sized projects - 150/300MW for approximately Euro 10/20 million each – with different clients rather than individual *Jumbo projects*, a condition that will allow for better planning of resources and will reduce the risks of  variations due to slippage and/or delays of single projects.

As noted above, the production structure is able to absorb the increase in sales expected in the next 4 years. During 2016, the investment in the new automated machinery plant was completed; in future, we expect only incremental investments relating to new machinery and logistical adaptations. In addition, the organisational changes were finalised with the insertion of qualified staff and managers in strategic positions within the Engineering and Technical Office, Quality, Finance and Sales Departments and above all in field Project Management. These investments meant an increase in direct and indirect costs, which was, however, necessary to develop and strengthen the structure and to address the complexity of the Photovoltaic market, partly offset by better management of direct costs.

In addition to the mentioned sales there will be those deriving from maintenance activity, so-called *Operations & Maintenance* (O&M), which will be performed by the local branches, as has already occurred in Chile since 2016.Ttaking account only of the plants currently in place and in construction (Chile, Brazil, Peru and Mexico), these additional sales can be valued at approximately 5 million US dollars per annum, an amount to increase with future projects.

A separate mention ought to be made of the “long-term contract for the supply of electronic components signed with the largest global manufacturer of inverters for the Photovoltaic industry. After a lengthy selection made by the client among 43 suppliers from across the world, Fimer was ranked at the first place for technology, organisation, logistics, production capacity and economic competitiveness.

Along with this contract with this German company comes the one for the supply of modular electronic components and technology transfer that Fimer has signed with one of the largest Indian industrial groups also present with its branches in another 11 South-East Asian countries.

**- Sales Development:**
Our sales structure was strengthened in September 2016 with the appointment of a new Sales Director for the Solar sector and he is already working to acquire additional orders for 2018-2019. We established significant relationships with some major French, Spanish and

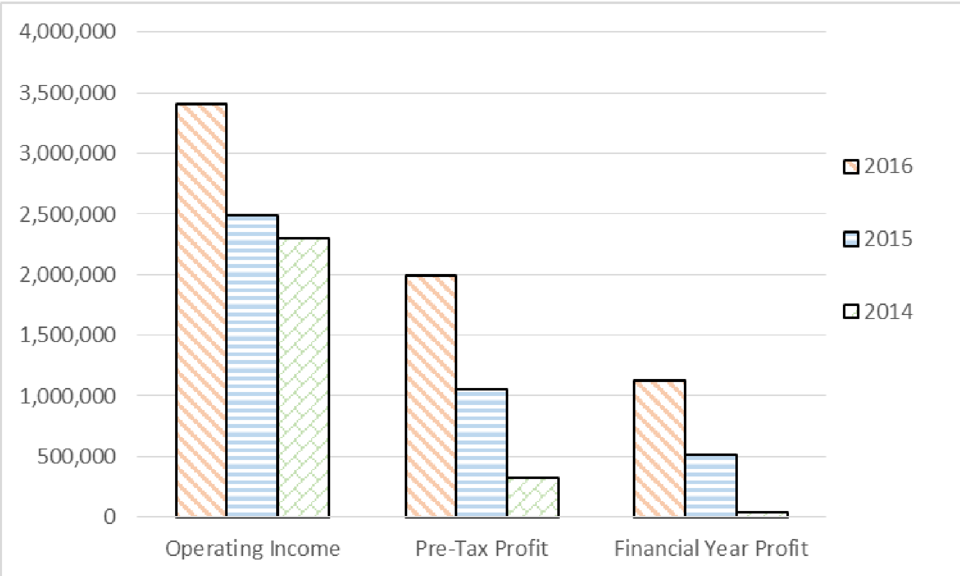
Indian players and we believe that we will secure new contracts for 2018 in the 3rd quarter of 2017, as well as that already acquired in Chile (Euro 20 million).

In 2016 a branch was opened in Brazil to provide adequate support to staff employed in the installation of three Brazilian plants and then to deal with the O&M contracts, while during 2017 the Mexico branch will be opened with the same aim.
These markets, as they are developing, are also of interest to the welding division, meaning we expect them, in future, to be our distribution base for these products.

**- <u>Research and Development (R&D)</u>:**
As stated previously, Fimer has built its competitive advantage on continuous innovation. 2016 was no different, as the company invested a total of Euro 4.6 million, also recruiting qualified staff to complete the team in the Technical Office and Engineering Department, which now consists of 48 employees.
- expansion of the range of products/services to articulate the offer with differentiated sales policies for each individual client segment;
- significant expansion of both products and Hardware and Software of the new Photovoltaic Division, focusing on the new 1,500 volt technology as already stated, which is enjoying and will continue to enjoy in the coming years very strong development linked to the creation of clean energy from renewable sources, particularly at international level;

**- Management performance**
In 2016 the company's trend of growth was confirmed in terms of sales and margins, as shown by the following table and the graphical representation below:

| Year | Sales | Operating Income | Pre-Tax Profit | Financial Year Profit |
|---|---|---|---|---|
| 2016 | 51,539,698 | 3,408,434 | 1,991,663 | 1,129,535 |
| 2015 | 41,335,023 | 2,491,479 | 1,055,553 | 514,146 |
| 2014 | 22,085,204 | 2,297,277 | 325,394 | 41,531 |




The revenues amounted to Euro 51.54 million, i.e. 24.7% more than the 2015 revenues (Euro 41.35 million). The increase is largely attributable to the completion of the Chilean project and the production of conversion units for the Brazilian project - with the remainder relating to on field installation and testing planned in 2017 - and the start-up of the initial activities for the Peru and Mexico projects which, overall, amount to around Euro 50 million and represent the basis for the further growth expected in 2017, whose turnover can be estimated at Euro 63 million.

The increase in revenues also corresponded to an improvement in margins, both in absolute terms and as a percentage of the production value. The financial year profit in fact amounted to Euro 1.13 million (2.25% on revenues), more than double the previous year, while the EBITDA amounted to Euro 4.34 million (8.66% on revenues) against Euro 3.11 million in 2015 (7.15%). The result is even more significant when considering that the operating costs include the rental of the property (Euro 3.50 million) and leases for machinery (Euro 1.34 million), amounts that, if excluded, would lead to an adjusted EBITDA of Euro 9.18 million, or 17.75% on revenues.

The net profit was also affected by the company's decision to allocate, on a precautionary basis, Euro 0,45 million as risks provision and Euro 0,16 million as a receivables write-down provision, as well as the capital loss of Euro 0,30 million deriving from the sale of the investment in a Serbian company, posts not recurring by their nature.

In 2016 the investment in the new plant was also completed - in future, we expect only incremental capex relating to new machinery and logistical adaptations - as well as the organisational changes with the insertion of qualified staff and managers in strategic positions such as the CFO, Engineering, Quality, Sales and Technical Office and above all in field Project Management. These additions and investments represented an increase in direct and indirect costs, which was, however, necessary to develop and strengthen the structure and to address the complexity of the relevant markets, partly offset by better management of direct costs.

In particular, we strengthened our R&D and Engineering departments, as well as our Project Management for field activities, critical for being able to satisfy the high product, process and quality standards, required by the international customers and partners with which Fimer liaises. The investments made allow us to boast a portfolio of 2.7 GW in construction and 1.8 GW of installed capacity of which we also manage, directly or by way of local companies, the *Operation&Maintenance* activities.

**Comment and analysis of result ratios**

The paragraphs below analyse the economic, capital and financial performance using specific result ratios. The ratios of financial results are drawn directly from the financial statements data, subject to its reclassification. The reclassification methods deemed most useful for the analysis of the overall company situation are, for the balance sheet, financial reclassification and, for the income statement, value added reclassification.

## - MAIN ECONOMIC DATA

The company's reclassified income statement compared with that of the previous year is as follows (in thousands of Euro):

## - MAIN CAPITAL DATA

The company's reclassified balance sheet, obtained by re-processing the financial statements data with the financial criterion and reinterpreted summarily, can be expressed as follows in thousands of Euro:

| **INCOME STATEMENT** | **31/12/2016** | **31/12/2015** | **Difference** |
|---|---|---|---|
| **RECLASSIFIED - VALUE ADDED** | | | |
| NET SALES REVENUES | 51,540.00 | 41,335.00 | 10,205.00 |
| VARIATION OF FINISHED PRODUCTS | - 1,430.00 | 2,131.00 | - 3,561.00 |
| **VALUE OF PRODUCTION** | **50,110.00** | **43,466.00** | **6,644.00** |
| MATERIAL CONSUMPTION | 25,250.00 | 26,446.00 | - 1,196.00 |
| INVENTORIES VARIATION | - 155.00 | - 449.00 | 294.00 |
| COSTS FOR INDUSTRIAL OP. SERVICES | 9,107.00 | 6,100.00 | 3,007.00 |
| COSTS FOR COMM. / THIRD PARTY SERVICES | 3,530.00 | 2,100.00 | 1,430.00 |
| COSTS FOR ADMIN OP. SERVICES | 2,410.00 | 1,606.00 | 804.00 |
| **TOTOAL OPERATING COSTS** | **40,142.00** | **35,803.00** | **4,339.00** |
| **VALUE ADDED** | **9,968.00** | **7,663.00** | **2,305.00** |
| COST OF LABOUR | 5,630.00 | 4,554.00 | 1,076.00 |
| **EBITDA** | **4,340.00** | **3,109.00** | **1,231.00** |
| DEPRECIATIONS, AMORTIZATION AND PROV. | 927.00 | 618.00 | 309.00 |
| **EBIT** | **3,411.00** | **2,491.00** | **920.00** |
| OTHER COSTS AND INCOME | - 19.00 | - 28.00 | 9.00 |
| FINANCIAL INCOME | 419.00 | 178.00 | 241.00 |
| **Operating Income from Accessory Operations** | **3,812.00** | **2,641.00** | **1,170.00** |
| FINANCIAL COSTS | 1,382.00 | 858.00 | 524.00 |
| **Operating Income** | **2,429.00** | **1,783.00** | **646.00** |
| EXTRAORDINARY COSTS | 439.00 | 747.00 | - 308.00 |
| EXTRAORDINARY INCOME | 2.00 | 19.00 | - 17.00 |
| EXTRAORDINARY OPERATIONS BALANCE | - 437.00 | 728.00 | 291.00 |
| **Pre-Tax Profit** | **1,992.00** | **1,055.00** | **937.00** |
| Income Taxes | 862.00 | 541.00 | 321.00 |
| **Net Profit** | **1,130.00** | **514.00** | **616.00** |

| FINANCIAL BALANCE SHEET | 31/12/2016 | 31/12/2015 | Difference |
|---|---|---|---|
| CASH AND EQUIVALENT | 3,116.00 | 705.00 | 2,411.00 |
| DEFERRED LIQUIDITY | 24,547.00 | 3,145.00 | 1,402.00 |
| INVENTORIES | 2,832.00 | 4,105.00 | 1,274.00 |
| **CURRENT ASSETS (C)** | **30,495.00** | **17,956.00** | **12,539.00** |
| TANGIBLE FIXED ASSETS | 876.00 | 1,913.00 | 1,037.00 |
| INTANGIBLE FIXED ASSETS | 88.00 | 123.00 | 35.00 |
| FINANCIAL FIXED ASSETS | 23,149.00 | 20,713.00 | 2,436.00 |
| **FIXED ASSETS (AF)** | **24,113.00** | **22,749.00** | **1,364.00** |
| **ACTIVITIES (K)** | **54,608.00** | **40,705.00** | **13,903.00** |
| CURRENT LIABILITIES (P) | 42,311.00 | 26,933.00 | 15,378.00 |
| CONSOLIDATE LIABILITIES (PC) | 4,823.00 | 7,428.00 | 2,605.00 |
| NET CAPITAL (N) | 7,474.00 | 6,344.00 | 1,130.00 |
| LIABILITIES AND EQUITY (J) | 54,608.00 | 40,705.00 | 13,903.00 |

## - MAIN RATIOS

In accordance with Art. 2428, Paragraph 1-bis of the Italian Civil Code, below is an analysis of some profit ratios chosen from those deemed most indicative of the company situation.
All results are determined on the basis of data deriving from the reclassification of the Income Statement and Balance Sheet and, for each ratio, the formula used is indicated. The profit amounts are understood to be in thousands of Euro.

### A) –Economic ratios

| Net profitability ratios | Year 2016 | Year 2015 | Year 2014 |
|---|---|---|---|
| ROE-Return on equity | 15.11% | 8.11 % | 0.78 % |
| ROI-Return on investment | 6.25 % | 6.11 % | 8.04 % |
| ROS - Return on sales | 6.62 % | 6.03 % | 10.40 % |
| EBIT (earnings before interest and tax) | 3,411 | 2,491 | 2,297 |
| EBITDA – (Gross Operating Margin) | 4,340 | 3,109 | 2,747 |
| Adjusted EBITDA | 9,181 | 6,002 | 5,932 |
| EBITDA / Financial Year Product | 8.66 % | 7.15 % | 12.44 % |
| Adjusted EBITDA / Financial Year Product | 18.32 % | 15.19 % | 26.86 % |

ROE (Return On Equity)
This is the ratio between the company's net profit and shareholder equity and it expresses the profitability and the remuneration of own capital; it therefore allows for an assessment of the return on investment. The ratio value is increased by virtue of the doubling of the net profit year on year.

ROI (Return On Investment)
This is the ratio between operating income and total assets and it expresses the characteristic profitability of the invested capital, gross of financial operations, extraordinary posts and tax pressure. The ratio continues to improve over the years and highlights a very positive result for the investments made.

ROS (Return On Sale)

This is the ratio between the Ebit and revenues from sales and it expresses the company's capacity to produce profit from sales. Revenues from sales are mainly made up of foreign sales and services while domestic sales represent a minor addition. The great investments in R&D have partially penalised this ratio over recent years, but the benefits in terms of future development largely offset this lower value, the increase on the previous year is confirmation of this.

EBIT (Earnings Before Interest and Tax)
This indicates the operating result net of depreciations and write-downs, before interest, extraordinary elements and taxes. It represents the operating income from operations, an amount further increased compared to the 2014 – 2015 financial years.

EBITDA (Earnings Before Interest Tax Depreciation and Amortisation)
This indicates the operating result net of interest, taxes, write-downs, depreciations and amortisations and it represents the Gross Operating Margin. For a better understanding of the company's economic performance, it was deemed appropriate to calculate the adjusted EBITDA excluding the costs of renting the industrial facility and the leases. The ratio known as Adjusted EBITDA provides a better representation of the operating result of the company's characteristic activity. The improvement in both ratios is the result of an increase in sales that has allowed for more efficient coverage of fixed structure costs as well as better use of resources, thanks to economies of scale for purchases of materials and components deriving from higher volumes.

## B)- Net Financial Position

The Net Financial Position (NFP) calculated as the sum of cash and cash equivalents, financial receivables and other current financial assets, net of bank payables and medium to long-term debt, is represented in the table below in thousands of Euro:

| **Net Financial Position** | **Year 2016** | **Year 2015** |
|---|---|---|
| + Total cash and cash equivalents | 3,116 | 704 |
| - Total payables to banks | -22,272 | -14,572 |
| - Total payables to lenders | -522 | -419 |
| - Total payables to shareholders for loans | -203 | -203 |
| **= Net Financial Position (NFP)** | **19,881** | **14,489** |
| NFP / EBITDA | 4.58 % | 4.66 % |
| NFP / ADJ EBITDA | 2.17 % | 2.19 % |

The Net Financial Position is negative and has increased to Euro 19.87 million based upon the higher working capital deriving from characteristic operations and the completion of the investment by Fintechno RE. Being at the start of life of the investment, considering that the latter was financed only partly by financial institutions and based upon the growth of expected margins, the company deems the value to be sustainable over time.
In support of this, we note that the NFP/EBITDA ratio is lower than the previous year, both in absolute and percentage, demonstrating the company's capacity to repay its net debt and in shorter timescales. Considering that the EBITDA expresses the profit flow of characteristic operations, gross, as well as of financial costs and taxes, also of non-monetary costs - write-downs and depreciations - the ratio in fact provides a representation of the repayment capacity and timescales of the net financial liabilities should the flows generated by operating profitability be used solely for their repayment.

## C) - Capital Ratios

The most significant capital ratios are those indicated below:

Long-Term Solvency Ratio or Coverage of Fixed Assets

The amount is calculated as the ratio between Net Capital and total fixed assets. The result highlights that part of the fixed assets is financed by short-term sources. The current situation is caused by the value of the financial fixed assets, represented by financial receivables linked to the funding of the investment by the related company Fintechno Tlc Real Estate s.r.l. of the new industrial facility.

| Year 2016 | Year 2015 | Year 2014 |
|---|---|---|
| 0.31 | 0.28 | 0.32 |

(Equity + Long-Term Liabilities) - Fixed Assets Ratio

As already indicated for the Long-Term Solvency Ratio, not all the long-term sources allow for the financing of fixed assets; although the result is less than the unit, the investment in the new facility allowed the company to be awarded with important jobs and provide solidity and business continuity.

| Year 2016 | Year 2015 | Year 2014 |
|---|---|---|
| 0.51 | 0.60 | 0.80 |

Equity / Invested Capital

It is the ratio between shareholder equity and total assets and assesses the incidence of capital contributed by the shareholders on the balance sheet assets.

| Year 2016 | Year 2015 | Year 2014 |
|---|---|---|
| 0.14 | 0.16 | 0.20 |

Debt Ratio (Leverage)

It is the ratio between capital collected from third parties, in any way it is procured, and total assets and it assesses the level of leverage of the company. The ratio is calculated as the sum of the Current Liabilities (P) and Consolidated Liabilities (PC) compared to total Liabilities and Equity (J).

| Year 2016 | Year 2015 | Year 2014 |
|---|---|---|
| 0.86 | 0.84 | 0.80 |

Although the Shareholder Equity increased by the net profits - more than double the previous year - both ratios show a slight deterioration, which does not however prejudice the company's financial autonomy. As noted, the debt is a consequence of the investment made, which is still in the initial phase and without which the company would not have been able to grasp the development of the photovoltaic market which will produce its results mainly in future financial years.

## D) - Liquidity ratios

| Liquidity ratios | Year 2016 | Year 2015 | Year 2014 |
|---|---|---|---|
| General liquidity availability ratio | 0.72 | 0.67 | 0.58 |
| Secondary liquidity | 0.65 | 0.51 | 0.50 |
| Primary liquidity | 0.07 | 0.03 | 0.01 |

The ratios mentioned above measure the company's degree of liquidity at year-end and continue to highlight the company's ability to cover, in general, its financial commitments with adequate available liquidity.

Secondary Liquidity Margin or Treasury Margin

This measures in absolute value the company's ability to pay-off its debts within twelve months using the liquidity immediately available as well as the deferred liquidity or all the working capital with the exclusion of inventories. It gives an understanding of whether or not the liquidity is sufficient to cover the current liabilities. The amount is determined by the following difference: (Cash and Equivalents + Deferred liquidity) - Current liabilities.

| Year 2016 | Year 2015 | Year 2014 |
|---|---|---|
| - 14,648 | - 13,083 | - 8,720 |

For information on the general short-term financial balance, reference is made to the cash flow statement forming part of the explanatory notes.

As regards the financial structure, the company, during the year, completed major jobs that involved the need to strengthen the instruments in support of the expansion of sales and the growth expected in future. This was done through the combined use of medium and long-term loans and self-liquidating instruments in the form of advances on contracts and disposal of credits through factoring. These instruments were supplemented by self-financing by means of the margins and profits generated by the projects which contributes to keeping balanced the company's working capital structures.

**E) - Non-financial result ratios**

The non-financial result ratios are developed from values obtained from the financial statements tables, jointly or severally between them. We analyse below a non-financial result ratio for productivity.

**- Productivity ratios**

Costs of Labour on Revenues

This measures the incidence of the cost of labour on sales revenues, and it assesses the part of revenues that is absorbed by staffing costs. The ratio has improved compared to 2015 financial year, despite the investment in new qualified personnel made by the company, moving from 109 to 126 employees, which involved an increase in absolute terms of the cost of labour.

| Year 2016 | Year 2015 | Year 2014 |
|---|---|---|
| 10.92% | 11.02% | 17.79% |

**Information on the environmental impact.**

Environmental issues do not represent a risk for the financial and profit of the company. Fimer performs its activity in compliance with rules on environmental protection and complying with legal regulations for the disposal of waste and discarded materials.

The brand new industrial facility has been designed and built with "Zero environmental impact" construction criteria; it has no CO2 emissions, since the heating and air conditioning systems use heat pump and geothermal probe technology to maximise the thermodynamic use of environmental energies and they are powered by a photovoltaic plant installed on the roof of the building; this has also led to a significant reduction in the company's energy costs.

**Information on relationships with staff.**

In addition to what is reported in the Explanatory Notes, in section 15, the workforce used for the activity, at the end of 2016, amounts to no. 126 units.
Personnel management has always been aimed at strengthening the commercial and production structures, at streamlining and rejuvenating the workforce and at increasing the incidence of the variable component of remuneration in relation to the results achieved (particularly for the commercial department). Workplace health and safety is protected in full respect of legal rules. During 2016 the commitment to train staff continued and training programmes were implemented with a view to improving their professional skills, pursuing a motivating policy aimed at identifying within each area the resources with high potential.

**Investments**

As stated above, during the financial year, major investments were made that enabled the company to become one of the main “High Technology” companies both for the welding and Photovoltaic markets.
These investments in terms of equipment, instruments, products, laboratory staff and Research & Development, sales and International Certifications, during 2016 reached the considerable sum of over Euro 4.60 million, which is added to the investments made in machinery and automatic warehouses during the previous two years.
Those higher costs reflect on the company's overall debt but allowed for the award of major contracts in the early months of 2016 whose effects in terms of turnover and margins have already been seen in 2016, with a 24% increase in turnover, and will also be expected in 2017 (expected increase in turnover of over 27% on 2016 as specified below) and in later years.

- **Technological Investments**

The company conducted extensive functionality and reliability tests aimed at identifying any project refinements and maximising performances.
During 2016 the company, , using the advanced “Multi-Stack” technology - previously developed and further perfected during the year - and the 1,500 volt technology,, introduced onto the market an innovative range of centralised inverters and Power Stations up to 4.4 MW for converting solar energy into electrical energy to be inputted into the public grid, in full compliance with the health, safety and environment regulations and in accordance with the principles of preservation of natural resources.
This new technology, which allows for a higher energy production of about 12% compared to the conventional technology, was a success for the whole of 2015 and 2016; that success will certainly continue to be enjoyed during 2017. This gives us hope for the future with positive forecasts that will allow the company to achieve during 2017 and later years ambitious goals both in terms of sales and margins.

- **Real Estate investments -**

In 2016 the company moved into its new headquarter in Vimercate (near to Milan, Italy), while the industrial building, with a surface area of approximately 32,000 sqm, has already been fully operational since 2013.This has allowed for the grouping of the three production divisions previously spread in different locations into a single site, obtaining large savings in terms of logistics and efficiency of all the production activity. During 2016, further investments were made to complete the automated equipment and machinery that already existed.

**Research and development activity**

In accordance with Art. 2428, Paragraph 2, no. 1) of the Italian Civil Code, the following information is provided:
The company R&D activity for technological innovation concerns the projects listed below:

a) **Project 1 –** R&D in favour of innovative technical solutions for the development of new systems and solutions for welding and plasma cutting, aimed at improving the performance of products already in the catalogue (Software development);
b) **Project 2 –** R&D for the development of new and more powerful Inverter Power Stations up to 6.0 MW;

For the development of these projects, the company incurred, during the past financial year and in the current year, costs relating to R&D activity of significant amount.
The company is confident that the positive outcome of those innovations may generate excellent results in terms of sales with favourable repercussions on the company economy, as already occurred in 2016 and is occurring in the first quarter of 2017.
Given Art. 2426 point 5 of the Italian Civil Code, national accounting standard no. 24 of the CNDC and CNR reviewed by the OIC and in compliance with Art. 108 of Italian Presidential Decree no. 917/86 (Consolidated Law on Income Tax) as amended, all the expenses for research and development have been recorded as costs in the income statement. Although there is full regulatory discretion as to whether to identify those costs as outlay in the financial year or to apply an amortisation plan (in any case of duration not exceeding five years), it was considered inappropriate to capitalise those costs in the balance sheet assets. Although this is a case of pre-competitive applied research and development aimed at achieving a better and new product or production process, it was considered that the broad statutory rule of prudence must prevail, also in view of the fact that the recovery of the cost in question by way of future revenues, an essential requirement for the capitalisation of R&D, is an assessment of subjective and random nature.

**Relationships with subsidiaries, associates, parent companies and sister companies.**
In compliance with Art. 2497 – bis Paragraph 5 of the Italian Civil Code, it is noted that the company's activity is not subject to management and coordination by other companies or entities. As described in the explanatory notes, in 2016 the company sold its 34% investment in the company Fintechno Tlc Real Estate Srl as part of a general Group reorganisation and its 15% share of One Giga Solar Park Incubator (Serbia).
For the latter, the company opted for the sale against the political impasse after 3 years from the signature of the contract with the Serbian Government regarding the One Giga Solar Park project, for which the subsidiary had been incorporated.

**Information on main risks and uncertainties**
In accordance with Art. 2428, Paragraph 2, no. 6-bis) of the Italian Civil Code, no information is provided on the use of financial instruments, as it is not significant for the purposes of assessing the capital and financial situation. The company does not present risks of financial nature and it is not exposed to the price risk, the liquidity risk or the risk of variation of cash flows. As regards the credit risk, it is noted that the company operates with loyal clients and it does not, therefore, require particular guarantees on the related receivables. For clients that request payment extensions, it is, however, practice to proceed to verify the respective credit rating class. The value of the receivables is constantly monitored during the financial year so that the amount always expresses the presumable realisation value. For the other financial assets in the form of cash equivalents, such as deposits and securities, the maximum exposure risk amounts to their book value.

**Registered office and operating headquarters**
The company has its registered office in Vimercate and performs its activity at the operating headquarters in Usmate.

**Management outlook**
With regard to the management performance, the evolution of revenues, as stated above, has been characterised by the great development of the Solar division which has allowed the

turnover to rise to over Euro 51 million, despite the clear deteriorations in the dynamics of the national economic evolution throughout 2016.
The turnover recorded by the company in the 2016 financial year shows an increase of about 24% compared to the same period of 2015.
The current order portfolio allows us to estimate a turnover of about Euro 60 million in late 2017, with an increase in turnover exceeding 27% compared to 2016 with a trend that will continue at least for the next 3-4 years.

**Privacy - Data Security Programme (DPS)**
In accordance with Italian Legislative Decree 196/2003, the Company complied with the regulations about personal data processing and management. The data security programme has been prepared and updated.

**Call terms of Shareholders' Meeting**
In accordance with Art. 2364, Paragraph 2 of the Italian Civil Code, it is noted that the call of the ordinary Shareholders' Meeting for the approval of the 2016 financial statements will be done by the deadline allowed by the Articles of Association; as regards the net profits achieved, theBoard of Directors suggests to the Shareholders' Meeting to allocate 5% of the same, i.e. Euro 56,477, to the legal reserve and the residual amount, i.e. Euro 1,073,059, to the extraordinary reserve.
Thank you for the trust placed in us. We invite you to approve the financial statements submitted here for your attention.

Dated, 12/05/2017

The Chairman of the Board of Directors
Ambrogio Fabrizio Carzaniga

# FIMER SPA

## Financial Statements at 31-12-2016

| Company Details | |
|---|---|
| **Based in** | VIA ANTONIO STOPPANI 2 - 20871 VIMERCATE (MB) |
| **Tax Code** | 00813050150 |
| **Economic & Administrative Index no.** | MB 000000306191 |
| **VAT no.** | 00695140962 |
| **Share Capital in Euro** | 4,104,000 fully paid-up |
| **Legal status** | Joint stock company |
| **Main business sector (ATECO)** | 284909 |
| **Company in liquidation** | no |
| **Company with sole shareholder** | no |
| **Company subject to management and coordination by others** | no |
| **Membership of a group** | no |

The sums shown are expressed in Euros

# Balance Sheet

| | 31-12-2016 | 31-12-2015 |
|---|---|---|
| Balance Sheet | | |
| Assets | | |
| B) Fixed assets | | |
| I - Intangible fixed assets | | |
| 3) industrial patent rights and rights to use intellectual property | 56,457 | 19,247 |
| 7) others | 31,279 | 103,973 |
| Total intangible fixed assets | 87,736 | 123,220 |
| II - Tangible fixed assets | | |
| 2) plant and machinery | 50,549 | 1,134,028 |
| 3) industrial and commercial equipment | 431,118 | 473,014 |
| 4) other assets | 394,798 | 305,680 |
| Total tangible fixed assets | 876,456 | 1,912,722 |
| III - Financial fixed assets | | |
| 1) investments in | | |
| b) associated companies | 0 | 34,000 |
| d-bis) other companies | 0 | 1,252,713 |
| Total investments | 0 | 1,286,713 |
| 2) receivables | | |
| b) from associated companies | | |
| due within next financial year | 0 | 38,660 |
| due beyond next financial year | 0 | 19,387,633 |
| Total receivables from associated companies | 0 | 19,426,293 |
| d-bis) from others | | |
| due beyond next financial year | 23,130,633 | 0 |
| Total receivables from others | 23,130,633 | 0 |
| Total receivables | 23,130,633 | 19,426,293 |
| Total financial fixed assets | 23,130,633 | 20,713,006 |
| Total fixed assets (B) | 24,094,834 | 22,748,948 |
| C) Current assets | | |
| I - Inventories | | |
| 1) raw materials, auxiliaries and consumables | 1,081,394 | 617,401 |
| 2) products in processing and semi-finished products | 495,369 | 426,745 |
| 4) finished products and goods | 1,255,127 | 3,062,339 |
| Total inventories | 2,831,890 | 4,106,485 |
| II - Receivables | | |
| 1) from customers | | |
| due within next financial year | 22,047,279 | 9,373,395 |
| Total receivables from customers | 22,047,279 | 9,676,395 |
| 5-bis) tax receivables | | |
| due within next financial year | 646,939 | 962,149 |
| Total tax receivables | 646,939 | 962,149 |
| 5-ter) prepaid taxes | 92,314 | 25,611 |
| 5-quater) from others | | |
| due within next financial year | 1,633,948 | 625,926 |
| Total receivables from others | 1,633,948 | 625,926 |
| Total receivables | 24,420,480 | 11,290,081 |
| IV - Cash and equivalent | | |
| 1) bank and postal deposits | 3,109,774 | 698,073 |
| 3) cash and cash equivalents | 6,002 | 6,754 |
| Total cash and equivalent | 3,115,776 | 704,827 |
| Total current assets (C) | 30,368,146 | 16,101,393 |
| D) prepayments and accrued income | 144,971 | 1,854,726 |
| Total assets | 54,607,951 | 40,705,067 |

Liabilities

A) Shareholder equity

| | | |
|---|---|---|
| I - Capital | 4,104,000 | 4,104,000 |
| IV - Legal reserve | 80,466 | 54,759 |
| VI - Other reserves, indicated separately | | |
| Extraordinary reserve | 1,884,870 | 1,396,431 |
| Payments on account of future capital increase | 275,000 | 275,000 |
| Various other reserves | (2) | 1 |
| Total other reserves | 2,159,868 | 1,671,432 |
| IX - Financial year profit (loss) | 1,129,536 | 514,146 |
| Total shareholder equity | 7,473,870 | 6,344,337 |
| B) Provisions for risks and charges | | |
| 1) for pensions and similar obligations | 104,500 | 24,500 |
| 4) others | 850,000 | 400,000 |
| Total provisions for risks and charges | 954,500 | 424,500 |
| C) Staff severance pay | 1,184,275 | 1,087,398 |
| D) Payables | | |
| 3) payables to shareholders for loans | | |
| due within next financial year | 203,244 | 203,244 |
| Total payables to shareholders for loans | 203,244 | 203,244 |
| 4) payables to banks | | |
| due within next financial year | 20,879,038 | 10,921,831 |
| due beyond next financial year | 1,393,220 | 3,650,000 |
| Total payables to banks | 22,272,258 | 14,571,831 |
| 5) payables to other lenders | | |
| due within next financial year | 507,883 | 393,571 |
| due beyond next financial year | 13,669 | 25,203 |
| Total payables to other lenders | 521,552 | 418,774 |
| 6) advances | | |
| due within next financial year | 663,036 | 45,801 |
| Total advances | 663,036 | 45,801 |
| 7) payables to suppliers | | |
| due within next financial year | 17,231,034 | 13,186,420 |
| Total payables to suppliers | 17,231,034 | 13,186,420 |
| 12) tax payables | | |
| due within next financial year | 2,267,294 | 1,989,238 |
| due beyond next financial year | 342,537 | 136,778 |
| Total tax payables | 2,609,831 | 2,126,016 |
| 13) payables to pension and social security institutions | | |
| due within next financial year | 260,383 | 84,619 |
| due beyond next financial year | 0 | 122,040 |
| Total payables to pension and social security institutions | 260,383 | 206,659 |
| 14) other payables | | |
| due within next financial year | 389,120 | 311,534 |
| due beyond next financial year | 731,237 | 1,654,737 |
| Total other payables | 1,120,357 | 1,966,271 |
| Total payables | 44,881,695 | 32,725,016 |
| E) accruals and deferred income | 113,611 | 123,816 |
| Total liabilities | 54,607,951 | 40,705,067 |

# Income Statement

| | 31-12-2016 | 31-12-2015 |
|---|---|---|
| Income statement | | |
| A) Production value | | |
| 1) revenues from sales and services | 51,539,698 | 41,335,023 |
| 2) variations of inventories of products in processing, semi-finished and finished products | (1,430,470) | 2,131,093 |
| 5) other revenues and income | | |
| others | 4,798 | 18,915 |
| Total other revenues and income | 4,798 | 18,915 |
| Total production value | 50,114,026 | 43,485,031 |
| B) Production costs | | |
| 6) for raw materials, auxiliaries, consumables and goods | 25,356,910 | 26,564,449 |
| 7) for services | 10,313,258 | 6,322,064 |
| 8) for enjoyment of third party assets | 4,886,181 | 3,532,907 |
| 9) for staff | | |
| a) salaries and wages | 4,105,264 | 3,394,871 |
| b) social security costs | 1,219,352 | 881,163 |
| c) staff severance pay | 275,140 | 218,064 |
| e) other costs | 30,087 | 59,888 |
| Total staffing costs | 5,629,843 | 4,553,986 |
| 10) depreciation and write-downs | | |
| a) depreciation of intangible fixed assets | 90,855 | 82,815 |
| b) depreciation of tangible fixed assets | 271,077 | 485,311 |
| d) write-downs of receivables included in current assets and cash and equivalent | 115,327 | 49,541 |
| Total depreciation and write-downs | 477,259 | 617,667 |
| 11) variations of inventories of raw materials, auxiliaries, consumables and goods | (155,877) | (448,672) |
| 12) provisioning for risks | 450,000 | 0 |
| 14) other operating costs | 459,473 | 774,302 |
| Total production costs | 47,147,047 | 41,916,703 |
| Difference between production value and costs (A - B) | 2,696,979 | 1,568,328 |
| C) Financial income and costs | | |
| 16) other financial income | | |
| d) income other than above | | |
| others | 4,119 | 642 |
| Total income other than above | 4,119 | 642 |
| Total other financial income | 4,119 | 642 |
| 17) interest and other financial costs | | |
| to subsidiary companies | 0 | 4,137 |
| Others | 846,566 | 662,933 |
| Total interest and other financial costs | 846,566 | 667,070 |
| 17-bis) profits and losses on exchange | 137,132 | 153,653 |
| Total financial income and costs (15 + 16 - 17 + - 17-bis) | (705,315) | (512,775) |
| Pre-tax profit (A - B + - C + - D) | 1,991,664 | 1,055,553 |
| 20) Financial year income taxes, current, deferred and prepaid | | |
| current taxes | 928,831 | 541,407 |
| deferred and prepaid taxes | (66,703) | 0 |
| Total financial year income taxes, current, deferred and prepaid | 862,128 | 541,407 |
| 21) Financial year profit (loss) | 1,129,536 | 514,146 |

# Cash Flow Statement, indirect method

| | 31-12-2016 | 31-12-2015 |
|---|---|---|
| Cash flow statement, indirect method | | |
| A) Cash flow deriving from operating activity (indirect method) | | |
| Financial year profit (loss) | 1,129,536 | 514,146 |
| Income taxes | 862,128 | 541,407 |
| Interest payable/(receivable) | 842,447 | 666,428 |
| 1) Financial year profit (loss) before income taxes, interest dividends and capital gains/losses from sale | 2,834,110 | 1,721,981 |
| Adjustment for non-monetary elements that do not have a contra entry in the net working capital | | |
| Allocations to provisions | 725,140 | 542,584 |
| Depreciation of fixed assets | 361,932 | 568,126 |
| Total adjustment for non-monetary elements that do not have a contra entry in the net working capital | 1,087,072 | 1,110,710 |
| 2) Cash flow before variations of net working capital | 3,921,182 | 2,832,691 |
| Variations of net working capital | | |
| Decrease/(Increase) of inventories | 1274,596 | (2,579,766) |
| Decrease/(Increase) of receivables from customers | (12,370,884) | (3,613,068) |
| Increase/(Decrease) of payables to suppliers | 4,044,614 | 4,412,614 |
| Decrease/(Increase) of prepayments and accrued income | 1,709,755 | (343,215) |
| Increase/(Decrease) of accruals and deferred income | (10,205) | 106,982 |
| Other decreases/(Other increases) of net working capital | (1,129,535) | (1,317,337) |
| Total variations of net working capital | (6,481,659) | (3,333,790) |
| 3) Cash flow after variations of net working capital | (2,560,477) | (501,099) |
| Other adjustments | | |
| Interest collected/(paid) | 842,447 | 666,428 |
| (Paid income taxes) | (862,128) | (541,407) |
| Total other adjustments | (19,681) | 125,021 |
| Cash flow of operating activity (A) | (2,580,158) | (376,078) |
| B) cash flow deriving from investment activity | | |
| Tangible fixed assets | | |
| (Investments) | (307,021) | (1,915,484) |
| Divestments | 1,072,201 | - |
| Intangible fixed assets | | |
| (Investments) | (55,371) | (34,325) |
| Financial fixed assets | | |
| (Investments) | (2,417,627) | (2,878,951) |
| Cash flow of investment activity (B) | (1,707,818) | (4,828,760) |
| C) Cash flow deriving from financing activity | | |
| Third party equity | | |
| Increase/(Decrease) of short-term payables to banks | 9,957,207 | 3,712,893 |
| Opening of loans | - | 2,114,146 |
| Cash flow of financing activity (C) | 9,957,207 | 5,827,039 |
| Increase (decrease) of cash and equivalent (A ± B ± C) | 5,669,231 | 622,201 |
| Cash and equivalent at start of year | | |
| Bank and postal deposits | 698,073 | 194,192 |
| Cash and cash equivalents | 6,754 | 2,509 |
| Total cash and equivalent at start of year | 704,827 | 196,701 |
| Cash and equivalent at year-end | | |
| Bank and postal deposits | 3,109,774 | 698,073 |
| Cash and cash equivalents | 6,002 | 6,754 |
| Total cash and equivalent at year-end | 3,115,776 | 704,827 |

# Explanatory notes to Financial Statements closing at 31-12-2016

## Explanatory notes, initial part

### INTRODUCTION

Dear Shareholders,
The draft Financial Statements closing at 31/12/2016, which are submitted for your examination, together with these explanatory notes, which form an integral part of the same, show a profit of Euro 1,129,535.
The financial statements were prepared on the basis of the accounting standards and criteria indicated in Articles 2423 et seq of the Italian Civil Code, in line with those prepared by the National Accounting Standards, updated by the Italian Accounting Body (OIC), and with the agreement of the Board of Auditors, in respect of existing regulations.
The sums shown in the financial statements are recorded in Euros. In particular, in accordance with Art. 2423, final paragraph of the Italian Civil Code:
- the balance sheet and income statement were prepared in Euro units. The transfer from the account balances, expressed in Euro cents, to the financial statements balances, expressed in Euro units, was done by rounding upwards or downwards in compliance with the EC Regulation;
- the figures illustrated in the explanatory notes are expressed in Euro units, ensuring that the document is easier to comprehend.

### PREPARATION STANDARDS

The following were respected: the general clause on the formation of financial statements (Art. 2423 of the Italian Civil Code), its preparation standards (Art. 2423-bis of the Italian Civil Code) and the valuation criteria established for the individual items (Art. 2426 of the Italian Civil Code).
In particular:
- the items were valued in accordance with prudence and viewing the company as a going concern;
- the items were identified and presented taking account of the existence of the operation or contract;
- the income and costs were considered in accordance with the accruals principle, irrespective of the collection or payment date;
- the risks and losses accrued in the financial year were considered even if they were only known after year-end;
- the profits were included only if they were realised at the year-end date in accordance with the accruals principle;
- for each item of the balance sheet and income statement, the amount of the corresponding item for the previous financial year is shown, in respect of the provisions of Art. 2423-ter of the Italian Civil Code;
- as a result of the recent regulatory changes on financial statements, it was necessary to move some of the previous financial year's items; please refer to the table below for details of the reclassifications;
- the heterogeneous elements included in the individual items were valued separately.
It is also noted that:

- the criteria used in forming and valuing the financial statements take account of the innovations introduced into the national legal system by Italian Legislative Decree no. 139/2015, which implemented EU Directive 2013/34. By virtue of Italian Legislative Decree no. 139/2015 the national OIC accounting standards were modified;
- in accordance with the provisions of Art. 2423-ter of the Italian Civil Code, in preparing the financial statements, the tables provided by Art. 2424 of the Italian Civil Code for the Balance Sheet and by Art. 2425 of the Italian Civil Code for the Income Statement were respected. Those tables provide sufficient information to give a true and correct representation of the Company's capital and financial situation, as well as its economic result.
- the valuation criteria adopted and used in preparing the financial statements, which are illustrated below in the individual financial statements items, are coherent with those of the previous financial year and respond to the requirements of Art. 2426 of the Italian Civil Code, taking account of the accounting standards updated by the Italian Accounting Body (OIC).
- no exceptional circumstances occurred that require a derogation of legal provisions;
- the company took the opportunity to group the items preceded by Arabic numerals;
- for the purposes of greater clarity, the items preceded by letters, Arabic and Roman numerals that have zero content in the previous and current financial year were omitted;
- there are no asset and liability elements that fall under multiple items of the balance sheet table.

These explanatory notes constitute an integral part of the financial statements in accordance with Article 2423, Paragraph 1 of the Italian Civil Code.
The company does not control other enterprises, not even by way of fiduciary or interposing entities and it does not belong to any group, neither in the capacity of subsidiary nor of associate.
The explanatory notes present information on the balance sheet and income statement items in the order in which those items are indicated in the respective financial statements tables.

## ACTIVITY PERFORMED

During the financial year, the activity was duly performed; no events occurred that significantly altered the management performance and due to which it was necessary to make recourse to the derogations set out in Art. 2423, Paragraph 4 of the Italian Civil Code.
In addition, there are no significant facts that require a mention for a better understanding of the differences between the items of these financial statements and those of the previous financial statements.
Accounting Standard OIC 29 regulates the accounting treatment and information to be provided in the explanatory notes of events concerning changes of the accounting standards, the correction of errors and events occurring after year-end. Italian Legislative Decree no. 139/2015 modified the tables of the Balance Sheet and Income Statement, altering Articles 2424 et seq of the Italian Civil Code. The changes made to the income statement include the elimination of the extraordinary section as part of the other short-term and revenue elements. Below is the reconciliation statement concerning the reclassifications compared to the structure adopted in 2015:

| **Income Statement Reclassification** | | | |
|---|---|---|---|
| **Account Description** | **From Item** | **To Item** | **Sum** |
| Previous financial year taxes | E21) Extraordinary costs | B14) Other operating costs | 300,000 |
| Contingent liabilities | E21) Extraordinary costs | B14) Other operating costs | 380,000 |

**Significant events occurred during the financial year**

During the 2016 financial year, the following significant events occurred:

- On 29 January 2016 Fimer SpA signed with subsidiary companies of the group Enel Green Power three contracts for a total of 34 million US dollars for the supply and on field installation of conversionunits for three projects in Brazil to be implemented in 2016 and 2017;
- On 24 March 2016 the company signed a Memorandum of Understanding with Enel Green Power Mexico for the supply and on field installation in 2017 - 2018 of conversion units for a total of 43 million US dollars relating to two projects in Mexico, later formalised in two contracts on 5 December 2016;
- In May the company began production of the first conversion units for the Brazilian projects which was completed in November 2016, while the on field installation began in autumn;
- In July the company granted a mandate to Marsh SpA for the management of its insurance programme;
- In August, the company completed, in accordance with planned timescales, the installation of conversion units for both Chilean projects for a total value of 24 million US dollars;
- On 7 November 2016 Enel Green Power Perù S.A. awarded to Fimer SpA the single supply of conversion units for a total of 9.5 million US dollars with delivery scheduled in 2017.

Production began in December 2016.

## VALUATION CRITERIA APPLIED

The valuation criteria adopted and illustrated below are coherent with those of previous financial years and meet the requirements of Art. 2426 of the Italian Civil Code.

### B) I - INTANGIBLE FIXED ASSETS

Intangible fixed assets are recorded at purchase cost and are depreciated on a straight-line basis based upon their residual possibility of use and taking account of the requirements contained in point 5) of Art. 2426 of the Italian Civil Code.

During the financial year improvements were made on third party properties and recorded among the intangible fixed assets.

### B) II - TANGIBLE FIXED ASSETS

Tangible fixed assets are recorded at purchase cost, including accessory costs and costs directly attributable to the asset. The cost of the assets does not include any share of interest payable. Maintenance costs of ordinary nature are charged in full to the income statement. Maintenance costs having incremental nature are attributed to the assets to which they refer and are depreciated in relation to their residual possibility of use. Tangible fixed assets are depreciated on a straight-line basis according to rates commensurate with their residual possibility of use, also taking account of the physical wear of the asset, which coincide with the ordinary rates provided by tax legislation (table attached to Italian Ministerial Decree 31.12.1988, updated with amendment by Italian Ministerial Decree 17.11.1992), and for the first year of entry into operation of the assets, they are reduced by 50 per cent in representation of the actual participation in the production process which can usually be considered to occur in the middle of the financial year.

The depreciation rates used for the individual categories of assets are:

| | |
|---|---|
| Plant, machinery | from 10% to 20% |
| Industrial and commercial equipment | from 10% to 33% |
| Other assets: | |
| Vehicles and internal means of transport | from 15% to 30% |
| Furniture and office machinery and data processing systems | from 12% to 30% |

**Assets taken on finance lease**

Fixed assets acquired as a result of finance lease contracts which involve the transfer to the user of the majority of the risks and benefits relating to those assets (known as finance lease) are shown in the financial statements in compliance with the accounting stance taken by current legislative interpretation in that regard, which entails leases being recorded with the equity method (recording of lease rents as financial year costs in the income statement), and they are only recorded in the assets after the right of redemption has been exercised. The effect of any application of the financial method, as provided by international accounting standards (IAS 17), is indicated in a specific table that shows the data required by no. 22 of Art. 2427 of the Italian Civil Code integrated with the information recommended by OIC document 1 dated 25 October 2004.

**B) III - FINANCIAL FIXED ASSETS**
**INVESTMENTS VALUED AT COST**

At the end of the financial year, the Company does not hold investments, as those already held were sold during the 2016 financial year.

**I)- Receivables from other companies**

This represents the receivable from Fintechno Tlc Real Estate Srl, now an associated company due to the fact that in 2016 the shares of investment were sold to the parent company Fintecno Tlc International S.A.
In the 2015 financial statements, that post was recorded in the item "receivables from associated companies".
The receivable from Fintechno Tlc srl was recorded in the medium to long-term receivables taking account of the commitment assumed by Fintechno Tlc Srl to proceed with the respective repayment upon the extinction of its obligations towards the credit institutions, also taking account of the fees of the existing lease contract.
The receivable from the associate Fintechno Re Srl was valued at nominal value as in the previous financial year. Article 2426 paragraph 1 number 8 of the Italian Civil Code, along with the relevant accounting standards (OIC 15 and OIC 19), recently modified, in fact allow, in the initial application phase, for the criterion of discounting of the receivable (fair value) to be adopted prospectively and therefore only for receivables arising after 31.12.2016.

**C) CURRENT ASSETS**
**C) I - Inventories**

Raw materials, auxiliaries and consumables; Products in processing and semi-finished products; Finished products and goods (Art. 2427, no. 1 and 4; Art. 2426, no. 9, 10 and 12)
Inventories of raw materials, auxiliaries, consumables and goods are recorded at purchase cost, while inventories of finished products, products in processing and semi-finished products are recorded at production cost, using the weighted average cost as it is lower than the market value constituted, for raw materials, by the replacement cost and, for the remaining products, by the presumed realisation cost, inferred from market performance.

**C) II - Receivables (Art. 2427, no. 1, 4 and 6; Art. 2426, no. 8)**

Receivables are recorded at presumed realisation value which corresponds to the difference between the nominal value of the receivables and the adjustments made to the receivables risks provision, recorded in the financial statements as a direct reduction of the asset items to which they refer.

**C) IV - Cash and equivalent**

Cash and equivalent are recorded for their actual amount. Cash orders, presented subject to collection, are accredited to the current accounts opened at the different credit institutions making reference to the bank accounting date.

**Prepayments and accrued income, accruals and deferred income (Art. 2427, no. 1, 4 and 7)**

Prepayments and accruals are recorded in respect of the economic accrual criterion, making reference to the criterion of physical time and determined with the consent of the Board of Auditors.

**Staff severance pay**

The payable for staff severance pay was calculated in compliance with existing provisions that regulate the employment relationship for employees and corresponds to the company's actual commitment to its individual employees at the closing date of the financial statements.

**Other risks provisions and costs**

During 2015 a notice of assessment was served upon the company by the Revenues Agency relating to a general audit for the year 2010 for IRES, IRAP and VAT purposes, which took place during the financial year 2013. The Directors note that the tax dispute was recently discussed at the competent Regional Tax Commission and the respective ruling is awaited. Having ascertained with the lawyers representing the company the partial groundlessness of the findings, a further allocation of €450,000 has in any case been made to the risks provisions, which therefore amounts to a total of €850,000.

**Payables**

Payables are recorded at nominal value.
Due to the principle of relevance, the payables have not been discounted where the interest rate inferred from the contractual terms is not significantly different from the market interest rate.
Payables for which the amortised cost criterion was not applied are recorded at nominal value.
The breakdown of the sums due within and beyond the financial year is done with reference to the contractual or legal due date, also taking account of facts and events that may determine a change to the original due date.
Payables originating from acquisitions of assets are recorded upon the transfer of the risks, costs and benefits; those relating to services are recorded when the performance is completed; financial payables and those of another nature are recorded when the obligation towards the counterparty is triggered.
Tax payables encompass the liabilities for certain and determined taxes, as well as withholdings made as withholding agent and not yet paid at the financial statements date, and, if offsetting is permitted, they are recorded net of accounts, withholdings on account and tax receivables.

**Costs and Revenues**

Costs and revenues are recorded based upon the accruals principle irrespective of the collection and payment date, net of returns, discounts, allowances and bonuses.

**Taxes**

Taxes are allocated based upon the forecast of the burden accrued in the financial year. The cost for income taxes, accrued in the financial year, is determined based upon existing regulations as shown by the table set out below in these notes.

# Explanatory notes, assets

## Fixed assets

### Intangible fixed assets

#### Movements of intangible fixed assets

| | Industrial patent rights and rights to use intellectual property | Other intangible fixed assets | Total intangible fixed assets |
|---|---|---|---|
| **Start of year value** | | | |
| **Cost** | 174,704 | 369,656 | 544,360 |
| **Depreciations (Depreciation provision)** | 155,457 | 264,683 | 420,140 |
| **Financial statements value** | 19,247 | 103,973 | 123,220 |
| **Financial year variations** | | | |
| **Increases for acquisitions** | 55,371 | - | 55,371 |
| **Financial year depreciation** | 18,161 | 72,694 | 90,855 |
| **Total variations** | 37,210 | (72,694) | (35,484) |
| **Year-end value** | | | |
| **Cost** | 230,074 | 369,656 | 599,730 |
| **Depreciations (Depreciation provision)** | 173,618 | 337,377 | 510,995 |
| **Financial statements value** | 56,457 | 31,279 | 87,736 |

### Tangible fixed assets

#### Movements of tangible fixed assets

| | Plant and machinery | Industrial and commercial equipment | Other tangible fixed assets | Total tangible fixed assets |
|---|---|---|---|---|
| **Start of year value** | | | | |
| **Cost** | 3,106,273 | 905,791 | 877,716 | 4,889,780 |
| **Depreciation (Depreciation provision)** | 1,972,245 | 432,777 | 572,036 | 2,977,058 |
| **Financial statements value** | 1,134,028 | 473,014 | 305,680 | 1,912,722 |
| **Financial year variations** | | | | |
| **Increases for acquisitions** | 155,056 | 17,689 | 134,276 | 307,021 |
| **Decreases for alienations and disposals (of financial statements value)** | 1,072,201 | - | - | 1,072,201 |
| **Financial year depreciation** | 166,334 | 59,585 | 45,158 | 271,077 |
| **Total variations** | (1,083,479) | (41,896) | 89,118 | (1,036,257) |
| **Year-end value** | | | | |
| **Cost** | 199,916 | 923,481 | 1,011,994 | 3,935,391 |
| **Depreciation (Depreciation provision)** | 1,949,366 | 492,364 | 617,195 | 3,058,925 |
| **Financial statements value** | 50,549 | 431,118 | 394,798 | 876,465 |

## Finance lease operations

With reference to lease contracts, most significant and recent, that involve the assumption by the company of the main part of the risks and benefits relating to those assets, the values are shown below that would be illustrated in the financial statements in the case of recording with the "financial method" in place of the "equity" method which was actually used.

| | Description | LEASE CONTRACTS | |
|---|---|---|---|
| | | Year in progress | Previous year |
| 1) | Residual payable to lessor | 1,900,167 | 1,772,205 |
| 2) | Financial costs | 101,398 | 94,859 |
| 3) | Total gross value of leased assets at closing date | 5,070,539 | 3,297,515 |
| 4) | Depreciations made in financial year | 912,697 | 494,627 |
| 5) | Value of depreciation provision at year-end | 2,396,578 | 1,483,881 |
| 6) | Adjustments / recoveries of value | 0 | 0 |
| | **Total net value of leased assets** | 2,673,962 | 1,813,634 |
| 7) | Higher net value of redeemed assets compared to book value | 52,344 | 32,500 |

## Financial fixed assets

### Movements of investments, other securities and fixed asset derivative financial instruments

| | Investments in associated companies | Investments in other companies | Total Investments |
|---|---|---|---|
| **Value at start of year** | | | |
| **Cost** | 34,000 | 1,252,713 | 1,286,713 |
| **Financial statements value** | 34,000 | 1,252,713 | 1,286,713 |
| **Financial year variations** | | | |
| **Decreases for alienations (of financial statements value)** | 34,000 | 1,252,713 | 1,286,713 |
| **Total variations** | (34,000) | (1,252,713) | (1,286,713) |
| **Year-end value** | | | |
| **Financial statements value** | 0 | 0 | 0 |

### Variations and due date of fixed receivables

| | Value at start of year | Financial year variations | Year-end value | Share due within financial year | Share due beyond financial year |
|---|---|---|---|---|---|
| **Fixed receivables from associated companies** | 19,426,293 | - | 0 | 0 | 0 |
| **Fixed receivables from others** | 0 | 23,130,633 | 23,130,633 | - | 23,130,633 |
| **Total fixed receivables** | 19,426,293 | 23,130,633 | 23,130,633 | - | 23,130,633 |

The different classification of the fixed receivables is a consequence of the sale of the investment in Fintechno Tlc RE srl as specified above.

# Current assets

## Inventories

| | Value at start of year | Financial year variation | Year-end value |
|---|---|---|---|
| Raw materials, auxiliaries and consumables | 617,401 | 463,993 | 1,081,394 |
| Products in processing and semi-finished products | 426,745 | 68,624 | 495,369 |
| Finished products and goods | 3,062,339 | (1,807,212) | 1,255,127 |
| Total inventories | 4,106,485 | (1,274,595) | 2,831,890 |

## Receivables recorded in current assets

Variations and due date of receivables recorded in current assets

| | Value at start of year | Financial year variation | Year-end value | Share due within financial year | Of which residual duration exceeding 5 years |
|---|---|---|---|---|---|
| Receivables from customers recorded in current assets | 9,676,395 | 12,370,884 | 22,047,279 | 22,047,279 | - |
| Tax receivables recorded in current assets | 962,149 | (315,210) | 646,939 | 646,939 | - |
| Assets for prepaid taxes recorded in current assets | 25,611 | 66,703 | 92,314 | | |
| Receivables from others recorded in current assets | 625,926 | 1,008,022 | 1,633,948 | 1,633,948 | 18,667 |
| Total receivables recorded in current assets | 11,290,081 | 13,130,399 | 24,420,480 | 24,328,166 | 18,667 |

The balance of receivables from customers is determined by €17,090,099 for receivables from customers and by €5,302,988 for invoices to be issued, net of the write-down provision of €345,808.
The tax receivables relate to tax advances for €289,550, withholdings incurred for €30,053, VAT for €12,162 and €315,174 for other tax receivables.
The other receivables item relates for €1,615,281 to receivables within the next financial year for advances to suppliers and to employees and for €18,667 to security deposits on contracts, due beyond the financial year.

Breakdown of receivables recorded in current assets by geographical area

| Geographical area | ITALY | ABROAD | Total |
|---|---|---|---|
| Receivables from customers recorded in current assets | 6,280,297 | 15,766,982 | 22,047,279 |
| Tax receivables recorded in current assets | 646,939 | - | 646,939 |
| Assets for prepaid taxes recorded in current assets | 92,314 | - | 92,314 |
| Receivables from others recorded in current assets | 1,633,948 | - | 1,633,948 |
| Total receivables recorded in current assets | 8,653,498 | 15,766,982 | 24,420,480 |

## Cash and equivalent

| | Value at start of year | Financial year variation | Year-end value |
|---|---|---|---|
| Bank and postal deposits | 698,073 | 2,411,701 | 3,109,774 |
| Cash and cash equivalents | 6,754 | (752) | 6,002 |
| Total cash and equivalent | 704,827 | 2,410,949 | 3,115,776 |

## Prepayments and accrued income

The item "Accrued income" includes, inter alia, the maintenance fee for the carpentry systems and the GSE contributions, while the item "Prepaid Expenses" is determined mainly by lease rents, calculated on a time accrual basis.

# Explanatory notes, liabilities and shareholder equity

## Shareholder equity

### Variations in items of shareholder equity

| | Value at start of year | Allocation of previous year result | Other variations | | Financial year result | Year-end value |
|---|---|---|---|---|---|---|
| | | Other allocations | Increases | Decreases | | |
| **Capital** | 4,104,000 | - | - | - | | 4,104,000 |
| **Legal reserve** | 54,759 | - | 25,707 | - | | 80,466 |
| **Other reserves** | | | | | | |
| **Extraordinary reserve** | 1,396,431 | - | 488,439 | - | | 1,884,870 |
| **Payments on account of future capital increase** | 275,000 | - | - | - | | 275,000 |
| **Various other reserves** | 1 | - | - | 3 | | (2) |
| **Total other reserves** | 1,671,432 | - | 488,439 | 3 | | 2,159,868 |
| **Financial year profit (loss)** | 514,146 | (514,146) | - | - | 1,129,536 | 1,129,536 |
| **Total shareholder equity** | 6,344,337 | (514,146) | 514,146 | 3 | 1,129,536 | 7,473,870 |

### Availability and use of shareholder equity

| | Amount | Possibility of use | Available share |
|---|---|---|---|
| **Capital** | 4,104,000 | B | 4,104,000 |
| **Legal reserve** | 80,466 | A - B | 80,466 |
| **Other reserves** | | | |
| **Extraordinary reserve** | 1,884,870 | A - B - C | 1,884,870 |
| **Payments on account of future capital increase** | 275,000 | A - B | 275,000 |
| **Various other reserves** | (2) | A - B - C | (2) |
| **Total other reserves** | 2,159,868 | | 2,159,868 |
| **Total** | 6,344,334 | | 6,344,334 |
| **Non-distributable share** | | | 4,459,464 |
| **Residual distributable share** | | | 1,884,870 |

Key: A: for capital increase, B: to cover losses, C: for distribution to shareholders, D: for other statutory restrictions, E: other

## Provisions for risks and charges

| | Provision for pensions and similar obligations | Other provisions | Total provisions for risks and charges |
|---|---|---|---|
| **Value at start of year** | 24,500 | 400,000 | 424,500 |
| **Financial year variations** | | | |
| **Financial year provisioning** | 80,000 | 450,000 | 530,000 |
| **Total variations** | 80,000 | 450,000 | 530,000 |
| **Year-end value** | 104,500 | 850,000 | 954,500 |

The amount of the provision for pensions relates to the allocation of the directors' severance indemnity.
The amount of the provisioning to the risks provision relates to the tax dispute already mentioned above.

## Staff severance pay

| | Staff severance pay |
|---|---|
| Start of year value | 1,087,398 |
| Financial year variations | |
| Provisioning in financial year | 242,048 |
| Use in financial year | 145,171 |
| Total variations | 96,877 |
| Year-end value | 1,184,275 |

The staff severance pay provision is increased due to the allocation of the share due in the financial year and is decreased by the payment of the indemnity to employees and the portion of substitute tax.

## Payables

### Variations and due dates of payables

| | Value at start of year | Financial year variation | Year-end value | Share due within financial year | Share due beyond financial year | Of which residual duration over 5 years |
|---|---|---|---|---|---|---|
| Payables to shareholders for loans | 203,244 | - | 203,244 | - | 203,244 | 203,244 |
| Payables to banks | 14,571,831 | 7,700,427 | 22,272,258 | 20,879,038 | 1,393,220 | - |
| Payables to other lenders | 418,774 | 102,778 | 521,552 | 507,883 | 13,669 | - |
| Advances | 45,801 | 617,235 | 663,036 | 663,036 | - | - |
| Payables to suppliers | 13,186,420 | 4,044,614 | 17,231,034 | 17,231,034 | - | - |
| Tax payables | 2,126,016 | 483,815 | 2,609,831 | 2,267,294 | 342,537 | 7,360 |
| Payables to pension and social security bodies | 206,659 | 53,724 | 260,383 | 260,383 | 0 | - |
| Other payables | 1,966,271 | (845,914) | 1,120,357 | 389,120 | 731,237 | - |
| Total payables | 32,725,016 | 12,156,679 | 44,881,695 | 42,197,788 | 2,683,907 | 210,604 |

The payables item is determined as follows:
€203,244 relates to payables to shareholders for the non-interest bearing loan as described in the section of these explanatory notes;
€521,552 relates to Factoring operations;
€17,231,034 is determined by €14,974,855 for Suppliers, €2,310,503 for invoices to be received net of €54,324 for credit notes to be received;
The tax payables are partly paid in instalments with deferment plans already confirmed with settlement until 2022 and for the residual part almost entirely regularised. The instalments due beyond the next financial year are allocated among the payables due beyond the financial year;

The other payables, for €389,120, relate to payables to employees, directors and auditors. The amount due beyond the financial year of €731,237 relates to payables to suppliers in insolvency proceedings.

## Breakdown of payables by geographical area

| Geographical area | ITALY | ABROAD | Total |
|---|---|---|---|
| Payables to shareholders for loans | - | 203,244 | 203,244 |
| Payables to banks | 22,272,258 | - | 22,272,258 |
| Payables to other lenders | 521,558 | - | 521,552 |
| Advances | 45,800 | 617,236 | 663,036 |
| Payables to suppliers | 13,252,139 | 3,978,895 | 17,231,034 |
| Tax payables | 2,609,831 | - | 2,609,831 |
| Payables to social security and pension institutions | 260,383 | - | 260,383 |
| Other payables | 1,120,357 | - | 1,120,357 |
| Payables | 40,082,320 | 4,799,375 | 44,881,695 |

## Loans made by shareholders of company

| Due | Share due |
|---|---|
| 31/12/2016 | 203,244 |
| Total | 203,244 |

The balance refers to non-interest bearing shareholder payments.

# Accruals and deferred income

The amount refers to the "Accrued Liabilities" mainly for bank fees calculated on a time accruals basis.

# Explanatory notes, income statement

## Production value

### Breakdown of revenues from sales and services by geographical area

| Geographical area | Current financial year value |
|---|---|
| ITALY SALES | 7,934,403 |
| EEC FOREIGN SALES | 4,011,545 |
| NON-EEC FOREIGN SALES | 39,088,337 |
| OTHER REVENUES AND REIMBURSEMENTS | 505,413 |
| Total | 51,539,698 |

## Production costs

As a brief comment on the economic performance of the financial year, we note the following:

**Costs for raw materials, auxiliaries, consumables and goods**

They are closely related to what is illustrated in the part of the Management Report and to the performance of point A (Production Value) of the Income Statement.

**Costs for services**

The costs for services amount to Euro 10,313,258 and they have significantly increased compared to the previous year by virtue of the increase in production volumes and the reorganisation implemented by the company to equip itself with the tools necessary for its growth.

The increase is mainly referable to the processing under contract, both domestic and on field, to shipping costs and maintenance based upon the increase in production and installation activity in loco, which have also led to increased costs for staff travel and transfers.

Advertising, promotion and commercial costs in general have increased due to the company's decision to participate in trade shows and specialist conventions in new markets to create the foundations to support its growth.

At administrative level, the increases relate to legal costs and administrative/technical consultancy costs linked to projects, as well as to the corporate reorganisation in progress.

**Costs for lease of third party assets**

Those costs are made up of lease rents for equipment and rental of vehicles and also consist of rents payable for Euro 3,500,000, relating to the leased industrial facility.

**Staffing costs**

The item includes the entire expenditure for staff, therein including merit enhancements, promotions, cost-of-living increases, cost of holidays not enjoyed and legal and collective contract provisioning.

**Depreciation of intangible and tangible fixed assets**

The increase of depreciations relating to intangible fixed assets is due to the higher investments in software.

**Other write-downs of fixed assets**

The post does not exist. As highlighted in the comment on the respective balance sheet items, no write-downs have been made for fixed assets recorded in the financial statements.

**Write-downs of receivables included in current assets and cash and equivalent**
As already indicated in the section relating to the valuation criteria, an amount equal to 0.5% (fiscal) of the receivables from customers has been provisioned.

**Variations of inventories**
The positive variation of raw materials, auxiliaries, consumables and goods compared to the initial values is due to the procurement necessary for the Mexican and Peruvian projects.
The negative variation occurring for finished products and goods is attributable to the fact that in the 2016 financial year, the company was able to invoice the majority of its production. The performance of inventories by the very nature of the business in which the company operates is not linear over time or linked to seasonal dynamics, but is influenced by the planning of jobs by end customers.

# Income taxes, current, deferred and prepaid

| Current taxes | |
|---|---|
| IRES | 779,431 |
| IRAP | 149,400 |
| Deferred taxes | 0 |
| Prepaid taxes | -66,703 |
| **Total financial year income taxes** | 862,128 |

The table below shows the reconciliation between the theoretical burden recorded by the financial statements and the theoretical IRES tax burden:

| Description | Value | Taxes |
|---|---|---|
| Pre-tax profit | 1,991,663 | |
| Theoretical tax burden (%) | 27.50% | 547,707 |
| **Variations upwards:** | | |
| Non-deductible costs | 967,150 | |
| **Total** | **967,150** | |
| **Variations downwards:** | | |
| Other variations | 48,506 | |
| ACE variation | 76,012 | |
| **Total variations** | **124,518** | |
| **IRES Tax Base** | **2,834,295** | |
| **Current IRES in financial year** | **27.50%** | **779,431** |

Determination of IRAP tax base:

| Description | Value | Taxes |
|---|---|---|
| Difference between production value and cost | 2,696,977 | |
| Costs not relevant for IRAP purposes | 6,763,628 | |
| Revenues not relevant for IRAP purposes | 0 | |
| **Total** | **9,460,605** | |
| Theoretical tax burden (%) | 3.90% | 368,964 |
| Deductions for IRAP purposes | 5,629,843 | |

| | | |
|---|---|---|
| **IRAP Tax Base** | **3,830,762** | |
| **Current IRAP in financial year** | **3.90%** | **149,400** |

# Explanatory notes, other information

## Information on employment

| | Average number |
|---|---|
| **Executives** | 2 |
| **Managers** | 15 |
| **Clerks** | 43 |
| **Labourers** | 66 |
| **Total Employees** | 126 |

## Fees, advances and receivables granted to directors and auditors and commitments assumed on their behalf

| | Directors | Statutory Auditors |
|---|---|---|
| **Fees** | 385,160 | 25,240 |

The fee paid to the Statutory Auditors for the auditing activity amounts to €10,000.
No advances and receivables were granted to the Directors and Statutory Auditors, and no commitments were assumed on their behalf by virtue of guarantees provided for any reason.

## Potential commitments, guarantees and liabilities not recorded by balance sheet

Together with the other guarantees, the company has provided a co-guarantee, currently for exposure reduced to Euro 15,500,000, in favour of Mediocredito Italiano in guarantee of the obligations assumed by the associate Fintecnho TLC Real Estate s.r.l. in relation to the loan granted for the construction, by the latter, of the industrial property in Usmate Velate in which the company performs its activity.
In June, the insurance group Zurich issued three sureties expiring in September 2017 for a total of 3.4 million US dollars in favour of the Brazilian subsidiaries of the Enel Green Power group as part of the Brazilian supply.
In October Banca Nazionale del Lavoro SpA issued a surety expiring on 30 April 2018 for approximately 1 million US dollars in favour of Enel Green Power Perù S.A. as part of the Peruvian supply.

## Information on transactions with related parties

In accordance with and by virtue of what is regulated by Art. 2427 Paragraph 1 no. 22 bis of the Italian Civil Code, it is specified that the company has in progress with Fintechno Tlc Real Estate Srl a lease contract relating to the property in which Fimer performs its activity. The agreed rent is compliant with market values and during the financial year the company financed some installation activities in Chile.
The company does not have any tax consolidation or tax transparency contract in place.

## Information on agreements not recorded by balance sheet

In accordance with no. 22-ter of Art. 2427 of the Italian Civil Code, it is noted that there are no agreements not recorded by the balance sheet.

## Information on significant events occurring after year-end

No significant events have occurred after the financial statements date.
The company notes that the production and delivery of the conversion units for the Mexican and Peruvian projects is proceeding in accordance with the timescales scheduled by the client, while in April 2017 testing was completed on the first of the three Brazilian fields.

## Information relating to derivative financial instruments pursuant to Art. 2427-bis of the Italian Civil Code

The company is exposed to the exchange rate risk and for this reason it uses financial instruments aimed at hedging that risk, recording, in compliance with the accounting standards, any differences.

# Explanatory notes, final part

**CONCLUSIONS**

It is reiterated that the valuation criteria illustrated here are compliant with statutory regulations. These explanatory notes, along with the entire financial statements of which they form an integral part, represent truthfully and correctly the Company's capital and financial situation and its economic result for the financial year. The illustration of the values required by Art. 2427 of the Italian Civil Code has been developed in conformity with the principle of clarity.

As regards the allocation of the financial year profit, the Board of Directors suggests that the Shareholders' Meeting allocates 5% of the same - for €56,477 - to the legal reserve and the remaining amount of €1,073,059 to the extraordinary reserve.

Based upon the indications that have been provided, we invite you to approve the financial statements closing at 31.12.2016 and the proposal for allocating the profit indicated above. We are willing to provide at the Shareholders' Meeting any clarifications and information that may become necessary.

Vimercate, 12/05/2017

The Chairman of the Board of Directors

(Ambrogio Carzaniga)

# Declaration of conformity of financial statements

The undersigned Ambrogio Carzaniga, in the capacity of director, aware of the criminal liability incurred when making a false declaration, certifies, in accordance with Art. 47 of Italian Presidential Decree 445/2000, the correspondence of this document with that retained in the company records.
The electronic document in XBRL format containing the balance sheet, income statement and these explanatory notes conforms to the corresponding original documents filed at the company.

Signed
Ambrogio Carzaniga

Stamp duty paid online by way of the Chamber of Commerce of Monza and Brianza.
Authorisation no. 63863 dated 19/07/2007 - Revenues Agency of Lombardy.