

LARIOTEX

FINANCIAL STATEMENTS TO 31-12-2016

Lariotex srl

Strada Provinciale per Bulgorello, 5
22070 Vertemate con Minoprio (Co), Italia
Tel.: +39 031 90 14 61
Fax: +39 031 88 75 76
Mail: lariotex@lariotex.com
PEC: lariotex@legalmail.it

Iscr. Reg. Imprese, C.F. e P.I: 03476340132
Capitale Sociale: 1.000.000,00 i.v.
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www.lariotex.com

LARIOTEX SRL

Financial statements to 31-12-2016

Name and id code	
Company site	STRADA PROVINCIALE PER BULGORELLO 5 VERTEMATE CON MINOPRIO CO
Fiscal code	03476340132
Registration number	CO 316934
VAT number	03476340132
Share capital Euro	1.000.000 f.p.
Legal form	SOCIETA' A RESPONSABILITA' LIMITATA
Activity Code (ATECO)	467610
Company being wound up	no
Company with a single shareholder	no
Company subject to the management and coordination of others	no
Belonging to a group	no

All amounts are expressed in units of Euro

Balance sheet (mandatory scheme)

	31-12-2016	31-12-2015
Balance sheet (mandatory scheme)		
Assets		
A) receivables due from shareholders		
To be called	-	250.000
Total receivables due from shareholders (A)	-	250.000
B) Fixed assets		
I - Intangible fixed assets		
1) start-up and expansion costs	827	1.324
3) industrial patents and intellectual property rights	9.809	3.923
4) concessions, licenses, trademarks and similar rights	2.184	-
7) other	64.110	-
Total intangible fixed assets	76.930	5.247
II - Tangible fixed assets		
2) plant and machinery	143.514	42.949
3) industrial and commercial equipment	48.354	30.400
4) other assets	69.711	8.746
5) assets under construction and payments on account	-	467
Total tangible fixed assets	261.579	82.562
III - Financial fixed assets		
4) active derivative financial instruments	197.827	-
Total financial fixed assets	197.827	-
Total fixed assets (B)	536.336	87.809
C) Current assets		
I - Inventories		
4) finished products and goods for resale	7.150.310	3.976.945
Total inventories	7.150.310	3.976.945
II - Receivables		
1) trade accounts		
due within the following year	17.268.198	12.364.430
Total trade accounts	17.268.198	12.364.430
5-b) tax receivables		
due within the following year	-	1.226.605
Total receivables due from tax authorities	-	1.226.605
5-c) prepaid tax		
	77.419	-
5-d) other receivables		
due within the following year	97	108.080
Total receivables due from third parties	97	108.080
Total receivables	17.345.714	13.699.115
III - Current financial assets		
6) other investments	338.723	126.529
Total financial current assets	338.723	126.529
IV - Liquid funds		
1) bank and post office deposits	2.041.622	466.619
3) cash and equivalents on hand	6.582	277
Total liquid funds	2.048.204	466.896
Total current assets (C)	26.882.951	18.269.485
D) Accrued income and prepayments	72.927	21.839

Total assets	27.492.214	18.629.133
Liabilities and shareholders' equity		
A) Shareholders' equity		
I - Share capital	1.000.000	1.000.000
IV - Legal reserve	77.306	24.516
VI - Other reserves, indicated separately		
Extraordinary reserve	1.018.817	15.795
Miscellaneous other reserves	1	-
Total other reserves	1.018.818	15.795
VII - Reserve for hedging expected cash flow operations	187.350	-
IX - Net profit (loss) for the year	1.363.212	1.055.813
Total shareholders' equity	3.646.686	2.096.124
B) Reserves for contingencies and other charges		
3) passive derivative financial instruments	7.121	-
4) other	122.581	150.000
Total reserves for contingencies and other charges	129.702	150.000
Total reserve for severance indemnities (TFR)	28.005	10.044
D) Payables		
4) due to banks		
due within the following year	9.692.627	6.662.283
due beyond the following year	1.416.379	-
Total payables due to banks	11.109.006	6.662.283
5) due to other providers of finance		
due within the following year	527.906	518.357
Total payables due to other providers of finance	527.906	518.357
7) trade accounts		
due within the following year	11.651.595	8.754.676
Total trade accounts	11.651.595	8.754.676
12) due to tax authorities		
due within the following year	283.113	381.730
Total payables due to tax authorities	283.113	381.730
13) due to social security and welfare institutions		
due within the following year	15.424	2.439
Total payables due to social security and welfare institutions	15.424	2.439
14) other payables		
due within the following year	24.686	16.625
Total other payables	24.686	16.625
Total payables (D)	23.611.730	16.336.110
E) Accrued liabilities and deferred income	76.091	36.855
Total liabilities and shareholders' equity	27.492.214	18.629.133

Income statement (value and cost of production)

	31-12-2016	31-12-2015
Income statement (value and cost of production)		
A) Value of production		
1) Revenues from sales and services	40.491.006	25.768.603
5) Other income and revenues		
other	45.859	96.903
Total Other income and revenues	45.859	96.903
Total value of production	40.536.865	25.865.506
B) Costs of production		
6) Raw, ancillary and consumable materials and goods for resale	37.811.965	24.910.080
7) Services	3.042.075	1.474.703
8) Use of third party assets	155.763	35.807
9) personnel		
a) wages and salaries	300.641	133.365
b) related salaries	86.521	39.220
c) severance	19.941	8.315
Total payroll and related costs	407.103	180.900
10) depreciation, amortisation and write downs		
a) amortisation of intangible fixed assets	19.977	1.645
b) depreciation of tangible fixed assets	17.837	1.908
d) write-downs of accounts included among current assets	240.000	60.000
Total Amortisation, depreciation and write-downs	277.814	63.553
11) Changes in inventories of raw, ancillary and consumable materials and goods for resale	(3.173.365)	(2.999.185)
12) Provisions for contingencies and other charges	-	150.000
14) Other operating expenses	9.909	95.440
Total cost of production	38.531.264	23.911.298
Difference between value and cost of production (A - B)	2.005.601	1.954.208
C) Financial income and charges		
15) Income from equity investments		
other	143	124
Total income from equity investments	143	124
16) other financial income		
c) from securities included among current assets not representing equity investments	432	185
d) income other than the above		
other	1.918	1.314
Total income other than the above	1.918	1.314
Total other financial income	2.350	1.499
17) Interest and other financial expense		
other	266.777	187.954
Total interest and other financial expense	266.777	187.954
17-bis) Currency gains and losses	189.097	(87.537)
Total financial income and expense (15 + 16 - 17 + - 17-bis)	(75.187)	(273.868)
D) Value adjustments to financial assets and liabilities		
19) write-downs		
c) securities included among current assets not representing equity investments	6.409	19.422
d) derivative financial instruments	10.494	-
Total write-downs	16.903	19.422

Total value adjustments to financial assets and liabilities (18 - 19)	(16.903)	(19.422)
Pre-tax result (A - B + - C + - D)	1.913.511	1.660.918
20) Income tax for the year, current, deferred and prepaid		
Current taxes	627.718	605.105
deferred and prepaid tax	(77.419)	-
Total taxes on the income for the year	550.299	605.105
21) Profit (loss) for the year	1.363.212	1.055.813

Financial statement, indirect method

	31-12-2016	31-12-2015
Financial statement, indirect method		
A) Cash flows from current activities (indirect method)		
Profit (loss) for the year	1.363.212	1.055.813
Income tax	550.299	605.105
Payable (receivable) interest	264.427	186.455
(Dividends)	(143)	(124)
(Capital gains)/Capital losses from business conveyance	2.137	-
1) Profit (loss) for the year before income tax, interest, dividends and capital gains/losses from conveyances.	2.179.932	1.847.249
Adjustments to non monetary items that were not offset in the net working capital.		
Allocations to preserves	-	150.000
Fixed asset depreciation/amortisation	37.814	3.553
Write-downs for long-term value depreciation	6.409	19.422
Adjustments to financial assets and liabilities for derivative financial instruments that do not involve monetary transactions	(10.494)	-
Other adjustments to increase/(decrease) non-monetary items	17.961	6.601
total adjustments for non-monetary items that were not offset in the net working capital	51.690	179.576
2) Cash flow before changing net working capital	2.231.622	2.026.825
Changes to the net working capital		
Decrease/(increase) in inventory	(3.173.365)	(2.999.185)
Decrease/(increase) in payables to customers	(4.903.768)	(6.461.939)
Increase/(decrease) in trade payables	2.896.919	4.795.863
Increase/(decrease) from prepayments and accrued income	(51.088)	(13.640)
Increase/(decrease) from accruals and deferred income	39.236	14.515
Other decreases/(other increases) in net working capital	1.179.598	(779.645)
Total changes to net working capital	(4.012.468)	(5.444.031)
3) Cash flow after changes to net working capital	(1.780.846)	(3.417.206)
Other adjustments		
Interest received/(paid)	(264.427)	(186.455)
(Income tax paid)	(550.299)	(605.105)
Dividends received	143	124
(Use of reserves)	(20.298)	(227.518)
Total other adjustments	(834.881)	(1.018.954)
Cash flow from current activities	(2.615.727)	(4.436.160)
B) Cash flows from investments		
Tangible fixed assets		
(Investments)	(203.491)	(74.705)
Disposals	4.500	-
Intangible fixed assets		
(Investments)	(91.660)	(2.776)
Short term financial assets		
(Investments)	(276.601)	(83.880)
Disposals	58.015	5.814
Cash flows from investments (B)	(509.237)	(155.547)
C) Cash flows from financing activities		
Loan capital		
Increase/(decrease) in short term bank loans	3.030.344	4.452.432
New loans	1.425.928	518.357

(Loan repayments)	-	(129.158)
Equity		
Capital increase payments	250.000	100.000
Cash flows from financing activities (C)	4.706.272	4.941.631
Increase (decrease) in liquid assets (A ± B ± C)	1.581.308	349.924
Liquid assets at the start of the year		
Bank and post office deposits	466.619	116.000
Cash and valuables in hand	277	970
Total liquid assets at the start of the year	466.896	116.970
Liquid assets at the end of the year		
Bank and post office deposits	2.041.622	466.619
Cash and valuables in hand	6.582	277
Total liquid assets at the end of the year	2.048.204	466.896

Supplementary Notes to the Financial statements to 31-12-2016

Supplementary notes, initial part

Dear Shareholders: these explanatory notes to the financial statements are integral part of the financial statements to 31/12 /2016.

The financial statements comply with the requirements of articles 2423 and following of the Italian Civil Code and with the national accounting standards published by the Italian Accounting Board; therefore, they describe, clearly, truthfully, and accurately the assets and financial situation of the company and the economic outcome for the fiscal year.

The contents of the balance sheet and income statement are those required by articles 2424 and 2425 of the Italian Civil Code, while the statement of the financial position was prepared in accordance with art. 2425-ter.

The explanatory notes to the financial statements, written in accordance with art. 2427 of the Italian Civil Code, also contain all information useful to provide a correct interpretation of the financial statements.

Basis of preparation

Financial Statement preparation

The information contained in this document is reported based on the order of the items in the balance sheet and P&L account. In reference to the indications in the introduction to these Explanatory Notes, we declare that, in accordance with article 2423, 3rd paragraph of the Italian Civil Code, if the disclosures required by specific legal provisions are not sufficient for giving a truthful and fair representation of the company's situation, additional disclosures are provided considered necessary for this purpose.

There were no exceptional cases that made it necessary to utilize the exceptions as per art. 2423, paragraphs 4 and 5 and as per art. 2423-bis, paragraph 2 of the Italian Civil Code.

The financial statements, as well as these explanatory notes to the financial statements were written in units of Euros.

Financial statement preparation policies

The financial statements items were valued in accordance with the principle of prudence and on a going concern. In accordance with art. 2423-bis, par.1, point 1-bis of the Italian Civil Code, the items are recognized and presented taking into account the substance of the transaction and contract.

When preparing the financial statements, the charges and incomes were entered according to an accrual basis of accounting, independently of the time collection or payment. Moreover, the risks and losses accruing during the fiscal year were taken into account even if they became known after the fiscal year's closing date.

Structure and contents of the financial statement

The balance sheet, income statement, statement of cash flows, and accounting information found in these explanatory notes are consistent with the accounting entries, from which they were directly derived.

The Balance Sheet and P&L Account do not contain groupings of items preceded by Arabic numeral, as instead optionally allowed by article 2423 ter of the Italian Civil Code.

In accordance with article 2423 ter of the Italian Civil Code, it should be noted that all financial statement items are comparable with the previous fiscal year; thus it was not necessary to adjust any items of the previous fiscal year.

In accordance with article 2424 of the Italian Civil Code, it should be noted that there are no asset and liability elements which are under more than one item in the financial statement schedule.

Measurement policies

The criteria applied to measure the financial statement items and in value adjustments comply with the provisions of the Italian Civil Code and instructions contained in the accounting standards issued by the Italian Accounting Board. They have not changed compared to the previous fiscal year.

In accordance with article 2427, paragraph 1, n° 1 of the Italian Civil Code, the most significant valuation criteria adopted in observance of the provisions of art. 2426 of the Italian Civil Code are shown, with special reference to the balance sheet items for which the law allows several valuation and adjustment criteria or for which no specific criteria are provided.

Other information**Assessment of foreign currency items**

The accounting amounts expressed in foreign currency were entered after conversion into euro according to the exchange rate existing at the time of their assessment or at the exchange rate on the fiscal year's closing date based on the indications of OIC accounting standard no. 26.

Transactions with grant back obligation

In accordance with art. 2427, n° 6-ter, the company certifies that, during the fiscal year, the company did not perform any transaction subject to the grant back obligation.

Supplementary notes, assets

The values entered as assets in the balance sheet were valued as required by article 2426 of the Italian Civil Code and in accordance with the national accounting standards. The criteria applied in each case are indicated in the sections concerning the individual entries.

Total receivables for contributions due

The receivables due from shareholders are valued at their nominal value, which corresponds to the assumed realization value.

The following table shows the changes that occurred during the fiscal year, distinguishing them depending on whether they were mentioned or not.

	Year opening balance	Changes during the year
Receivables for contributions due but not called	250.000	(250.000)
Total receivables for contributions due	250.000	(250.000)

Fixed assets

Intangible fixed assets

As the prerequisites indicated by the accounting principles are satisfied, the intangible assets are entered as assets in the balance sheet, at the acquisition and/or production cost and are depreciated in constant amounts depending on their future usefulness.

The values of the assets are shown net of the depreciation and writedowns.

The depreciation was carried out in accordance with the following pre-established plan, which is believed to ensure a correct allocation of the cost incurred during the useful life of the asset in question:

Intangible assets items	Period
Corporate expenses	5 years on a straight-line basis
Software	5 years on a straight-line basis
Trademarks	5 years on a straight-line basis
Other intangible assets	5 years on a straight-line basis

The depreciation criterion for intangible assets was applied systematically and in every fiscal year, in relation to the remaining possibility of economic use of each asset or expense.

Pursuant to art.10 of Law n° 72 of March 19, 1983, as also recalled by the later monetary revaluation laws, it is specified that no monetary revaluation was ever carried out on the intangible assets still in the assets.

It is pointed out that it was not necessary to apply writedown on said noncurrent charges due as per art. 2426, paragraph 1, n° 3 of the Italian Civil Code because, as provided by the accounting standard OIC n° 9, no indicators of long-term losses of the value of the intangible assets were identified.

Costs for start-up and extension

Installation and expansion costs were entered among the balance sheet assets with the consent of the board of statutory auditors, as their usefulness extends over several years; these costs were depreciated within a period no longer than five years.

Tangible fixed assets

The assets in the category of property, plant and equipment, recognized on the date on which the risks and benefits linked to the acquired asset are transferred, are entered in the financial statements at the acquisition cost, incremented by any accessory charges incurred up to the moment at which the assets are ready for use and, in any case, within the limits of the recoverable value.

These assets are recorded on the financial statements assets, net of the depreciation and writedown provisions.

The accounting amount of the assets, grouped in homogeneous classes by nature and year of acquisition, is allocated among the fiscal years during which they will presumably be used. The procedure is implemented by systematically imputing to the financial statement the depreciation quotas corresponding to the pre-established plans, defined at the time that the asset is available and ready for use, also taking into account their presumed possible residual utilization. Said plans, audited yearly, are prepared on the basis of the gross value of the assets, assuming that their realization value at the end of the process is zero.

The depreciations of property, plant and equipment whose utilization is limited in time were done in accordance with the following pre-established schedule.

Property, plant and equipment items	Rate %
Apparatus and machinery	7,50%
Telephone systems	25,00%
Equipment	15,00%
Electronic office machines	20,00%
Furniture and fixtures	12,00%
Vehicles	20,00%

Any disposals of assets (sales, scrapping, etc.) that took place during the fiscal year involved the elimination of their residual value. Any difference between the accounting amount and the disposal value was imputed to the income statement.

The above mentioned rates were reduced to half for the assets acquired in the course of the fiscal year, as the depreciation share thus obtained does not differ significantly from the share calculated starting at the time that the asset is available and ready for use.

The depreciation criteria for property, plant and equipment did not change compared to those applied the previous fiscal year.

Pursuant to art.10 of Law n° 72 of March 19, 1983, as also recalled by the monetary revaluation laws, it is specified that no monetary revaluation was ever carried out on the tangible assets still in the assets.

It is pointed out that it was not necessary to apply writedowns as per art. 2426, paragraph 1, n° 3 of the Italian Civil Code because, as provided by the accounting standard OIC n° 9, no indicators of long-term losses of the value of property, apparatus and equipment were identified.

Financial fixed assets

Noncurrent financial asset derivative instruments

The active derivative financial instruments refer to instruments intended to cover the financial flows or the fair value of a noncurrent asset. They have been valued at fair value in accordance with art. 2426, par.1, n° 11 bis and the positive or negative variations of the fair value between two fiscal years are recognized respectively in the appropriate items of the income statement "D.18.d - Revaluations of derivative financial instruments" and "D.19.d - Writedowns of derivative financial instruments", with the exception of the variations of the derivatives that cover financial flows, which are required to be posted in the shareholders' equity item "VII - Reserve for transactions to cover anticipated financial flows". The fair value was determined in accordance to the market value, as it was possible to easily identify an active market.

Intangible fixed assets

Changes in intangible fixed assets

After entering the depreciation charges of € 19.977 in the income statement, the value of the intangible assets amounts to € 76.930.

The following table shows the movements concerning the assets in question.

	Start-up and expansion costs	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Other intangible fixed assets	Total intangible fixed assets
Year opening balance					
Cost	1.324	3.923	-	-	5.247
Balance sheet value	1.324	3.923	-	-	5.247
Changes during the year					
Increases for purchases	-	8.793	2.730	80.138	91.661

	Start-up and expansion costs	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Other intangible fixed assets	Total intangible fixed assets
Depreciation /amortisation for the year	497	2.907	546	16.028	19.978
Total changes	(497)	5.886	2.184	64.110	71.683
Year closing balance					
Cost	827	9.809	2.184	64.110	76.930
Balance sheet value	827	9.809	2.184	64.110	76.930

Detail of the composition of long-term costs

Costs for start-up and extension

The following schedule details the installation and expansion costs, highlighting the changes that occurred relative to the previous fiscal year. Reference is made to the discussion above for the reasons of their entering and the respective depreciation criteria.

Description	Detail	2016	2015	Absolute change	% change
<i>Start-up and expansion costs</i>					
	Corporate expenses	827	1.324	497-	38-
	Total	827	1.324	497-	

Tangible fixed assets

Changes in tangible fixed assets

Property, apparatus and equipment before the relative depreciation reserve amount to €. 281.426; the depreciation reserve totals €. 19.847.

The table below shows the transactions in the assets in question.

	Plant and machinery	Industrial and commercial equipment	Other tangible fixed assets	Tangible assets in process and advances	Total tangible fixed assets
Year opening balance					
Cost	43.900	30.400	10.568	467	85.335
Amortisation (amortisation fund)	951	-	1.822	-	2.773
Balance sheet value	42.949	30.400	8.746	467	82.562
Changes during the year					
Increases for purchases	113.227	21.875	68.856	3.254	207.212
Decreases for transfers and disposals (of the balance sheet value)	6.637	-	-	-	6.637
Depreciation/amortisation for the year	6.025	3.921	7.891	-	17.837
Other changes	-	-	-	(3.721)	(3.721)
Total changes	100.565	17.954	60.965	(467)	179.017
Year closing balance					
Cost	149.727	52.275	79.424	-	281.426
Amortisation (amortisation fund)	6.213	3.921	9.713	-	19.847
Balance sheet value	143.514	48.354	69.711	-	261.579

Finance leases operations

As required by the law, the assets acquired through financial lease are entered into the accounts as operating leases, by recording the leasing fees among the operating costs.

The following schedule shows the information requested by the law in order to show, albeit off balance sheet, the implications arising from the different accounting compared to the financial method; in the latter the user company would record the leased asset among the assets and would calculate the depreciation charges on said asset, while, at the same time, it would record the debt for the capital portion of the leasing charges to be paid. In this case, the income statement would record the interest portion and the depreciation portion of the leasing charges accruing in fiscal year.

	Amount
Total value of financial leased assets at the end of the year	118.160
Depreciation related to the year	21.721
Current value of unpaid instalments at the end of the year	92.780
Financial liabilities for the year based on the effective interest rate	2.707

Financial fixed assets

Movements in investments, other securities and derivative non-current active financial instruments

The table below shows the movements in the assets in question.

	Active derivative financial instruments
Changes during the year	
Increases for purchases	13.850
Revaluations during the year	194.471
Write-downs during the year	10.494
Total changes	197.827
Year closing balance	
Cost	13.850
Revaluations	194.471
depreciation	10.494
Balance sheet value	197.827

Value of financial assets

The financial assets shown in the financial statements were not entered at a value greater than their fair value.

Current assets

The elements of the current assets are valued as required by numbers 8 to 11-bis of article 2426 of the Italian Civil Code. The criteria utilized are indicated in the sections of the respective financial statements' items.

Inventory

The inventories were measured at weighted average cost. The purchase cost includes any directly attributable incidental charges.

	Year opening balance	Change during the year	Year closing balance
Finished products and goods for resale	3.976.945	3.173.365	7.150.310
Total inventories	3.976.945	3.173.365	7.150.310

Receivables included among current assets

The credits entered among the current assets were recognized in the financial statements in accordance with the depreciated cost criterion, as defined by art. 2426, par. 2 of the Italian Civil Code, taking into account the time factor and the presumable realization value, in accordance with the provisions of art. 2426, paragraph 1, N° 8 of the Italian Civil Code.

The value was adjusted to the presumable realization value by establishing a provision for the writedown of credits for a total amount of Euro 253.996.

Credits for which the depreciated cost method and/or the discounting to current value are not applicable were entered at their presumable realization value, in order to provide a truthful and accurate representation of the balance sheet and income statement situation. This situation occurred, for example, in the case of debts with a maturity of less than twelve months or, with reference to the depreciated cost method, in the case in which the transaction costs, commissions, and any other differences between initial value and value at maturity are negligible or, also, in the case of discounting to current value, when the interest rate inferable from the contractual conditions does not differ significantly from the market interest rate.

Changes and deadline of receivables posted to current assets

The table below shows the information on the changes in receivables entered in current assets as well as information on their due dates, if significant.

	Year opening balance	Change during the year	Year closing balance	Amount due within 12 months
Trade receivables included among current assets	12.364.430	4.903.768	17.268.198	17.268.198
Tax receivables included among current assets	1.226.605	(1.226.605)	-	-
Assets for prepaid tax included among current assets	-	77.419	77.419	
Other receivables included among current assets	108.080	(107.983)	97	97
Total receivables included among current assets	13.699.115	3.646.599	17.345.714	17.268.295

Breakdown of receivables included among current assets by geographic area

The following table shows the distribution by geographical area of the credits entered among the current assets.

Geographic area	Italy	Cee	Extra Cee	Total
Trade receivables included among current assets	16.017.150	1.241.289	9.759	17.268.198
Assets for prepaid tax included among current assets	77.419	-	-	77.419
Other receivables included among current assets	97	-	-	97
Total receivables included among current assets	16.094.666	1.241.289	9.759	17.345.714

Financial assets not classified as fixed assets

Changes in financial assets not classified as fixed assets

Other securities

Current securities of fungible nature were valued on the basis of the lesser value of the cost recognized initially and of the realization cost inferable from the market trend. The weighted average cost method, as an alternative to the specific cost method was utilized to value the cost recognized initially.

	Year opening balance	Changes during the year	Year closing balance
Other non-current shares	126.529	212.194	338.723
Total financial current assets	126.529	212.194	338.723

Liquid funds

Cash and cash equivalents are measured at nominal value.

	Year opening balance	Change during the year	Year closing balance
Bank and post office deposits	466.619	1.575.003	2.041.622
Cash and other cash in hand	277	6.305	6.582
Total liquid funds	466.896	1.581.308	2.048.204

accrued income and prepayments

Accruals and deferred income were calculated according to an accrual basis of accounting, by allocating revenues and/or costs common to two fiscal years.

	Year opening balance	Change during the year	Year closing balance
Accrued income	507	7.373	7.880
Deferred income	21.332	43.715	65.047
Total accrued income and prepaid expenses	21.839	51.088	72.927

The following schedule shows the composition of the items in question, as they result from the financial statements.

Description	Detail	Amount for the current fiscal year
<i>Accrued income and prepayments</i>		
	Deferred income	7.880
	Prepaid expenses	65.047
	Total	72.927

Deferred income and prepaid expenses in detail:

DEFERRED INCOME

Deferred income interest income on bank accounts €. 763

Deferred income interest from negotiable securities €. 7.117

PREPAID EXPENSES

Prepaid expenses insurance premiums €. 4.887

Prepaid expenses ordinary telephone expenses €. 252

Prepaid expenses lease fees €. 15.405

Prepaid expenses rental fees €. 370

Prepaid expenses building rental fees €. 8.333

Prepaid expenses other bank charges €. 9.748

Prepaid expenses bank fees on loans €. 26.052.

It is pointed out that the sum of €. 12.941 related to the prepaid expenses bank fees on loans concerns the share beyond the following fiscal year.

Capitalized financial assets

All of the interests and other financial expenses have been entirely expensed during the fiscal year. We declare that no capitalization of financial expenses exists for the purposes of article 2427, paragraph 1 of the Italian Civil Code.

Supplementary notes, liabilities and net equity

The entries of the equity investment and the liabilities of the balance sheet were entered in accordance with the national accounting standards; the criteria specifically applied are indicated in the sections concerning the individual entries.

Shareholders' equity

The items are entered in the financial statements at their accounting amount based on the indications contained in OIC accounting standard no. 28.

Changes in shareholders' equity

In reference to the closing fiscal year, the tables below show the changes of the individual shareholders' equity, as well as the details of other reserves, if present in the financial statements.

	Year opening balance	Destination of the previous year's result	Other changes	Result for the year	Year closing balance
		Other destinations	Increases		
Capital	1.000.000	-	-		1.000.000
Legal reserve	24.516	52.790	-		77.306
Other reserves					
Extraordinary reserve	15.795	1.003.022	-		1.018.817
Miscellaneous other reserves	-	1	-		1
Total other reserves	15.795	1.003.023	-		1.018.818
Reserve to hedge expected cash flow transactions	-	-	187.350		187.350
Profit (loss) for the year	1.055.813	(1.055.813)	-	1.363.212	1.363.212
Total shareholders' equity	2.096.124	-	187.350	1.363.212	3.646.686

Detail of changes in reserves (overview)

Description	Amount
Res. from rounding to euro units	1
Total	1

Use of shareholders' equity

The following schedules indicate the items of the equity investment, specifying their origin, possible utilization and distribution, as well as their utilization during the previous three fiscal years.

	Amount	Origin / nature	Possible use	Available amount
Capital	1.000.000	Share capital		-
Legal reserve	77.306	Profits	B	-
Other reserves				
Extraordinary reserve	1.018.817	Profits	A;B;C	1.018.817
Miscellaneous other reserves	1			-
Total other reserves	1.018.818			-
Reserve to hedge expected cash flow transactions	187.350			-
Total	2.283.474			1.018.817

Unavailable amount				76.930
Residual available share				941.887

Key: A: for capital increase, B: to hedge losses, C: distribution to shareholders, D: for other article of association restraints, E: other

Origin, possibility of use and leasability of miscellaneous other reserves (overview)

Description	Amount
Res. from rounding to euro units	1
Total	1

Key: A: for capital increase, B: to hedge losses, C: distribution to shareholders, D: for other article of association restraints, E: other

Changes to the reserve for hedge operations on expected cash flows

In accordance with art. 2427-bis, paragraph 1b-quater of the Italian Civil Code, the following schedule illustrates the movements of the fair value reserves that occurred during the fiscal year.

	Reserve to hedge expected cash flow transactions
Changes during the year	
Increases for fair value change	194.471
Decreases for fair value change	7.121
Year closing balance	187.350

Provisions for risks and charges

The provisions for risks and charges were allocated to cover liabilities whose existence was deemed to be certain or probable and for which the amount or the contingency date could not be determined at the fiscal year's closing date.

The provisions were established on the basis of the principles of prudence and accrual, in compliance with the accounting standard OIC 31. The related provisions are recorded in the income statement of the accrual period, on the basis of the by the nature cost classification criterion.

	Passive derivative financial instruments	Other funds	Total provisions for risks and charges
Year opening balance	-	150.000	150.000
Changes during the year			
Use in the financial year	-	27.419	27.419
Other changes	7.121	-	7.121
Total changes	7.121	(27.419)	(20.298)
Year closing balance	7.121	122.581	129.702

Other provisions

The following schedule shows the composition of the item in question, as entered in the financial statements, in accordance with art. 2427, par.1 of the Italian Civil Code.

Description	Detail	Amount for the current fiscal year
<i>other</i>		

Other prov.for defer.risks and charges 122.581

Total 122.581

Staff severance fund

The provision for the staff leaving indemnity were calculated in accordance with the terms of article 2120 of the Italian Civil Code, taking into account legal provisions and the specific nature of the contracts and professional categories, and includes the annual amounts accrued and revaluations performed based on ISTAT coefficients.

The amount of the provision is assessed net of advances paid and the amounts used for terminations of employment occurring during the fiscal year and represents the certain payable due to the employees on the fiscal year's closing date.

	Staff severance fund
Year opening balance	10.044
Changes during the year	
Operating accrual	17.992
Other changes	(31)
Total changes	17.961
Year closing balance	28.005

Payables

The debts were recognized in the financial statements in accordance with the depreciated cost criterion, as defined by art. 2426 of the Italian Civil Code, taking into account the time factor, in accordance with the terms of art. 2426, paragraph 1, N° 8 of the Italian Civil Code. Debts for which the depreciated cost method and/or the discounting to current value are not applicable were entered at their nominal value, in order to provide a truthful and accurate representation of the balance sheet and income statement situation. This situation occurred, for example, in the case of debts with a maturity of less than twelve months or, with reference to the depreciated cost method, in the case in which the transaction costs, commissions, and any other differences between initial value and value at maturity are negligible or, also, in the case of discounting to current value, when the interest rate inferable from the contractual conditions does not differ significantly from the market interest rate.

Payables changes and due date

The table below shows the information on changes in payables and any information related to their due dates.

	Year opening balance	Change during the year	Year closing balance	Amount due within 12 months	Amount due beyond 12 months
Payables to banks	6.662.283	4.446.723	11.109.006	9.692.627	1.416.379
Payables to other financiers	518.357	9.549	527.906	527.906	-
Payables to suppliers	8.754.676	2.896.919	11.651.595	11.651.595	-
Tax payables	381.730	(98.617)	283.113	283.113	-
Payables due to social security and welfare institutions	2.439	12.985	15.424	15.424	-
Other payables	16.625	8.061	24.686	24.686	-
Total payables (D)	16.336.110	7.275.620	23.611.730	22.195.351	1.416.379

Payables due to banks

The following table shows the subdivision of the item "Debts to banks".

Entry	Payables of bank account	Payables of short loans	Payables of medium loans	Total
4)	7.756.526	1.936.101	1.416.379	11.109.006

Other payables

The following table shows the subdivision of the item "Other debts".

Description	Detail	Amount for the current fiscal year
<i>OTHER PAYABLES</i>		
	Payables due to suppl. pension funds	1.875
	Other payables	1.080
	Payables F.I.R.R.	4.527
	Personnel for remuneration	17.204
	Total	24.686

Breakdown of payables by geographic area

The following table shows the distribution by geographical area of the debts.

Geographic area	Italy	Cee	Extra Cee	Total
Payables to banks	11.109.006	-	-	11.109.006
Payables to other financiers	527.906	-	-	527.906
Payables to suppliers	2.407.846	2.037.696	7.206.053	11.651.595
Tax payables	283.113	-	-	283.113
Payables due to social security and welfare institutions	15.424	-	-	15.424
Other payables	24.686	-	-	24.686
Payables due to companies controlled by parent companies	14.367.981	2.037.696	7.206.053	23.611.730

Payables covered by real guarantees on company assets

Pursuant to article 2427, paragraph 1, no. 6 of the Italian Civil Code, we declare that there are no company payables secured by collateral.

Loans by shareholders

The company did not receive any loans from shareholders.

accrued liabilities and deferred income

Accruals and deferred income were calculated according to an accrual basis of accounting, by separating costs and/or revenue common to two fiscal years.

	Year opening balance	Change during the year	Year closing balance
Accrued liabilities	36.855	39.236	76.091
Total accrued liabilities and deferred income	36.855	39.236	76.091

The following schedule shows the composition of the items in question, as they result from the financial statements.

Description	Detail	Amount for the current fiscal year
<i>Accrued income and prepayments</i>		

Accrued liabilities	76.091
Total	76.091

Accrued liabilities in detail:

ACCRUED LIABILITIES

Accrued liabilities premiums Inail €. 2.335

Accrued liabilities insurance premiums €. 28

Accrued liabilities bank fees and charges €. 1.199

Accrued liabilities withholding taxes paid on interest income €. 198

Accrued liabilities bank interest expenses and commitment fees €. 48.524

Accrued liabilities employee costs €. 23.807.

Supplementary notes, income statement

The income statement shows the economic outcome for the fiscal year.

It shows the operating activities through a summary of the revenue and cost components of the income that contributed to the economic outcome. The revenue and cost components of the income, entered in the financial statements as required by article 2425-bis of the Italian Civil Code, are grouped in a way that provides meaningful intermediate results and are distinguished depending on the various operations to which they belong: ordinary, accessory, and financial.

The ordinary activity identifies the income components generated by operations that are performed continuously and in the sector pertinent to the performance of the operation, which identify and qualify the specific and distinctive part of the economic activity carried out by the company and which is the company's business purpose.

The financial activity consists of transactions that generate revenues and expenses of financial nature.

Finally, the accessory activity consists of the operations that generate income components that are part of the ongoing activity, but do not fall into the ordinary and financial activity.

Value of production

Revenues are entered in the financial statements on accrual basis of accounting, net of returns, allowances, discounts, and bonuses, as well as of the taxes directly linked to them.

Revenues generated by the sale of goods are entered when the substantive, not the formal transfer of the ownership title occurs; the reference parameter for the substantive transfer is the transfer of the risks and benefits.

Breakdown of net revenue by business category

The following table illustrates the distribution of the revenues from sales and services by categories of activities.

Business category	Current year value
Sale of goods	40.491.006
Total	40.491.006

Breakdown of net revenue by geographic area

The following table illustrates the distribution of the revenues from sales and services by geographical area.

Geographic area	Current year value
Italy	35.668.661
Cee	4.774.349
Extra Cee	47.996
Total	40.491.006

Cost of production

The costs and charges are attributed on accrual basis of accounting and according to their nature, net of returns, allowances, discounts, and premiums, in compliance with the principle of correlation with the revenues; they are entered in the respective items as required by accounting standard OIC 12. The costs incurred to purchase goods are entered when the substantive, not the formal transfer of the ownership title occurs; the reference parameter for the substantive transfer is the transfer of the risks and benefits. When services are purchased, the related costs are entered when the service is received, that is when the service has been performed; in the case of ongoing services, the related costs are entered for the portion accrued.

Financial income and charges

Financial income and charges are entered on accrual basis of accounting based on the portion accrued during the fiscal year.

Composition of share income

The dividends are recognized in the fiscal year in which their distribution is declared.

There is no income from equity investments as per article 2425 no. 15 of the Italian Civil Code other than dividends.

Breakdown of interest and other financial liabilities by payables type

The schedule below shows the interest expenses and other financial expenses as per article 2425, no. 17 of the Italian Civil Code, with specific division between those related to debenture bonds, payables due to banks and other types.

	Interest and other financial liabilities
Payables to banks	261.379
other	5.398
Total	266.777

Gains/losses on foreign exchange

The information concerning exchange rate gains or losses is shown below, distinguishing the portion realized from that derived from the valuations of assets and liabilities denominated in foreign currency entered at the end of the fiscal year.

Description	Amount shown in the balance sheet	Valuation portion	Realised portion
<i>Currency gains and losses</i>	<i>189.097</i>		
Gain on foreign exchange		144.245	587.192
Loss on foreign exchange		45.572	496.768
Total entry		98.673	90.424

Value adjustments to financial assets and liabilities

During this fiscal year a write-down of securities included in current assets not classified as fixed assets was done, by adjusting them through the release a provision of Euro 6.409.

Amount and nature of the single income/cost items of exceptional size or effect

No revenues or other positive components derived from events of exceptional magnitude or impact were recognized during the current fiscal year.

No costs derived from events of exceptional magnitude or impact were recognized during the current fiscal year.

Income tax for the year, current, deferred and prepaid

Deferred tax assets and liabilities

This item includes the impact of deferred taxes on these financial statements. It can be traced back to the temporary differences between the value attributed to an asset or liability in accordance with statutory criteria and the corresponding value recognized for these elements for tax purposes.

The company determined the deferred taxation exclusively for the IRES (24%), as there were no temporary changes of IRAP.

The information requested by art. 2427, n° 14 of the Italian Civil Code is shown below:

- the description of the temporary differences that involved the recognition of the deferred and prepaid taxes, specifying the rate applied and the changes compared to the previous fiscal year, the amounts credited or debited to the income statement or to the shareholders' equity;

- the amount of the prepaid taxes posted to the financial statements, pertaining to the losses for the fiscal year or for prior fiscal years and the reasons for the entering; the amount not yet posted and the reasons for the failure to post it;
- the items excluded from the calculation and the related reasons.

	Amount	IRES 24%	Prepaid taxes
Writedowns of accounts included among current assets	200.000	(48.000)	48.000
Other provision	122.581	(29.419)	29.419
Amount 31/12/2016	322.581	(77.419)	77.419

Supplementary notes, financial statement

The company prepared the statement of cash flows, which is the summary document linking the changes in the company's balance sheet that occurred during the fiscal year with the changes in financial position; said statement shows the value of the financial resources that the company needed during the fiscal year and the uses of said resources.

With regard to the method used, it is specified that, in accordance with the provision of OIC 10, the company utilized the indirect method, on the basis of which the cash flow is reconstructed by adjusting the fiscal year income/loss results of the non-monetary components.

Supplementary notes, other information

The other information requested by the Italian Civil Code is shown below.

Employment data

The schedule below shows the average number of employees, broken down by category and calculated considering the daily average.

	Average number
Office staff	4
Blue collar workers	6
Total employees	10

Remuneration, advances and credits granted to directors and auditors and commitments on their behalf

The following schedule shows the information requested by art. 2427, n° 16 of the Italian Civil Code; it is specified that there are no advances and credits and that no commitments were assumed on behalf of the administrative body as a result of providing any type of guarantee.

	Directors	Auditors
Remuneration	210.000	6.240

Remuneration to legal auditor or audit company

The following table shows the remunerations payable to the statutory auditor, subdivided by the types of services provided.

	Value
Legal audit of annual accounts	4.160
Total remuneration due to the legal auditor or audit firm	4.160

Category of shares issued by the company

This paragraph of the explanatory notes is not pertinent since the share capital is not represented by shares.

Securities issued by the company

The company did not issue securities.

Details of other financial instruments issued by the company

The company did not issue other financial instruments in accordance with article 2346, paragraph 6, of the Italian Civil Code.

Commitments, guarantees and potential liabilities not posted to the balance sheet

The following table shows the information required by art. 2427, n° 9 of the Italian Civil Code.

	Amount
Commitments	96.001

Information on assets and loans addressed to specific deals

Assets destined to a specific business

It is certified that, at the date of closing of the financial statements, there are no assets dedicated to a specific business transaction as per n° 20 of art. 2427 of the Italian Civil Code.

Financing destined to a specific business

It is certified that, at the date of closing of the financial statements, there are no loans dedicated to a specific business transaction as per n° 21 of art. 2427 of the Italian Civil Code.

Information on transactions with correlated parties

For the purpose of the requirements of the legislation in effect, no transactions were conducted with related parties during the fiscal year.

Information on agreements not posted to the balance sheet

No agreements not entered on the Balance Sheet were undertaken during the fiscal year.

Information on significant events after yearend

With regard to point 22-quater of art. 2427 of the Italian Civil Code, no significant events occurred after the fiscal year's closing date that significantly impacted on the balance sheet, financial position, and income statement.

Companies that draft the largest/smallest group of companies that they belong to as subsidiary

There are no cases such as those mentioned at art. 2427, numbers 22-quinquies and sexies of the Italian Civil Code.

Information regarding derivative financial instruments as per art. 2427-b Civil Code

In compliance with the requirements of article 2427-bis of the Italian Civil Code, in observance of the principle of truthful and fair representation of company commitments, the appropriate disclosures are provided below on the "fair value", entity and nature of any financial derivative instruments held:

KIND	ISSUER	FAIR VALUE
Irs	Intesa San Paolo	€ - 2.367,00
Option on rate	Intesa San Paolo	€ + 2.953,00
Option on currency	Intesa San Paolo	€ + 40.245,00
Option on currency	Intesa San Paolo	€ + 8.479,00
Option on rate	Banca Popolare di Milano	€ + 226,39
Option on currency	Banca Popolare di Milano	€ + 22.769,65
Option on currency	Banca Popolare di Milano	€ + 16.709,40

Terminable option currency	Banca Popolare di Sondrio	€. + 29.038,53
Terminable option currency	Banca Popolare di Sondrio	€. + 26.775,61
Option on exchange ratio on foreign currency	Banca Popolare di Sondrio	€. + 37.359,25
Option on exchange ratio on foreign currency	Banca Popolare di Sondrio	€. - 4.754,27
Option on rate	Banco Popolare	€. + 176,62
Option on currency	Banco Popolare	€. + 13.094,84

Summary of balance sheet of the company exercising management and coordination activities

In accordance with art. 2497-bis, par. 4 of the Italian Civil Code, it is certified that the company is not subject to management and coordination activity by other companies.

Proposed use of profits or hedging of losses

Dear Shareholders, in view of the above, the Board of directors proposes allocating the profit for the fiscal year Euro 1.363.212,37 as follows:

- 5% Euro 68.160,62 to legal reserve;
- 95% Euro 1.295.051,75 to extraordinary reserve.

Supplementary notes, final part

Dear Shareholders: we confirm that these financial statements, consisting of the balance sheet, income statement, statement of cash flows, and explanatory notes describe truthfully and accurately the balance sheet and financial position of the company, as well as the economic outcome for the fiscal year and that said financial statements correspond to the accounting records. Therefore, we ask you to approve the draft financial statements to 31/12/2016 together with the proposed destination of the fiscal year income/loss, as set forth by the administrative body.

The financial statements are true and real and correspond to accounting records

VERTEMATE CON MINOPRIO, 8/05/2017

Board of directors

Pierluigi Biondi, Chief

Fabio Massimo Berneri, Board member

Balance sheet conformity statement