



## Financial statements

31 DECEMBER 2015

GRUPPO GREEN NETWORK S.p.A.

### Green Network S.p.A.

*Company subject to management and coordination by SC Holding S.r.l.*

|                             |                                 |
|-----------------------------|---------------------------------|
| Registered Offices:         | 00198 ROME - Corso d'Italia, 11 |
| Share capital:              | €15,636,000 fully paid-in       |
| Rome REA:                   | No. 1033355                     |
| Rome Register of Companies: | No. 07451521004                 |

## COMPANY STRUCTURE

### BOARD OF DIRECTORS

- ◆ Piero Saulli (Chairman)
- ◆ Sabrina Corbo (Executive Deputy Chairman)
- ◆ Giuseppe Martini (Director)
- ◆ Giovanni Barberis (Director) <sup>(1)</sup>

### BOARD OF STATUTORY AUDITORS

- ◆ Fabio Sottini (Chairman)
- ◆ Federico Pecorini (Standing auditor)
- ◆ Marlon Rizzo (Standing auditor)
- ◆ Albarosa Zaniboni (Alternate auditor)
- ◆ Elena Amico (Alternate auditor)

### INDEPENDENT AUDITORS

- ◆ BDO Italia S.p.A. <sup>(2)</sup>

(1) Appointed by the Shareholders' meeting of 5 May 2016

(2) For the 2013 - 2015 period

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## I – DIRECTORS' REPORT ON OPERATIONS

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## REFERENCE CONTEXT

### General economic background

In 2015, as in recent years, the global economic scenario was of uneven growth: while USA and emerging countries recorded a good performance (despite a slowdown), Europe and Japan continued to struggle.

Among emerging countries performance also differed: recessionary trends emerged in Brazil and Russia, triggered by the fall in commodity prices, while other emerging economies managed to hold their ground.

In this context, at the end of the year, there have been geopolitical tensions in Middle East, with the clashes between Russia and Turkey, and the advance of Islamic fundamentalism. The terror attacks have created additional uncertainty. The sole positive note seems to have been the agreement reached by the West with Iran, which is expected to have a positive impact also at the economic level as sanctions are lifted.

In Europe the economic recovery, supported by strongly expansionary policies by central banks, remains weak but after many years there was a recovery of private consumption, which has gradually replaced the contribution of exports, down for the reasons described above.

This is especially true for Italy where, after falling for three years, GDP increased by 0.8%, due to greater consumer confidence boosting domestic demand. There was a trend reversal also for unemployment, which fell with respect to the previous year, partly due to the strong incentives introduced by the government.

With regard to monetary policy, the most significant event was the historical decision by the Federal Reserve on 16 December to increase the Fed funds rates, even if only marginally, giving a clear signal to the markets of the strengthening of the US economy.

The ECB continued its expansionary policies aimed at fighting deflation and restarting the economy; the central banks of Japan and UK followed similar policies. In March 2015, the ECB launched a "quantitative easing" programme, aimed at bringing the European economy closer to its 2% inflation target. The programme (originally due to end in September 2016) was extended by another six months to provide additional support to the economy.

As a result of these diverging monetary policies, the euro/dollar exchange rate fell to 1.11, down by 16.5% with respect to its 2014 average.

With regard to the oil markets, 2015 saw prices collapsing: the decline was started by the decision taken by Saudi Arabia to increase output to discourage the development of shale oil production and later continued as a result of the fall in global demand and expectations of a comeback of Iran on the oil stage. The price of Brent crude was around 53 USD/bbl on average during the year, down by 46% with respect to 2014, reaching a low in December. The weakening of the Euro and the strong recovery in refining margins have limited the fall in refined product prices, but the effect on inflation was in any case significant.

Coal prices on the Atlantic market were on a downward trend during the year, with an average of 56.8 USD/t, down by about 25% with respect to 2014, against weak demand.

Lastly, gas prices at major European hubs also fell: the price of gas at TTF (the main European hub) fell by about 5% with respect to the 2014 average.

The only market bucking the trend was that of CO2 emission credits, which was up by almost 30% with respect to the 2014 average. This was due to expectations of the impact of the new regulations that in 2019 will introduce a market stability reserve to re-absorb excess supply.

### Reference legislative and regulatory framework

We describe below the main aspects of the key issues object of regulatory changes in 2015 in the different markets in which the company operates.

#### *Accounting unbundling*

With Resolution 11/07, the Electricity and Gas Authority (Autorità per l'Energia Elettrica, il Gas ed il Sistema Idrico, or AEEGSI) has approved the Consolidated Text of provisions on the obligations of administrative and accounting separation (unbundling) for the companies operating in the electricity and gas sectors and corresponding obligations of publication and communication.

AEEGSI, with the Resolution ARG/com 145/09, has started a consultation for the preparation of unbundling provisions: this initiative has become necessary also as a result of the decision by the Council of State to void Resolution 11/07.

With Resolution 234/14/R/com AEEGSI has specified the new provisions on obligations of accounting separation, approving the new **Consolidated Text for accounting and administrative unbundling** (Testo Integrato Unbundling Contabile or TIUC).

#### *Code of Business Conduct*

With Resolution ARG/com 104/10, as later amended by resolutions 266/2014/R/COM and 269/2015/R/com that have implemented provisions aimed at adapting the regulations in force to the new provisions of the Consumer Code, AEEGSI has approved the new Code of Business Conduct for the sale of electricity and natural gas to end users.

With these measures AEEGSI has increased the information to be provided before the contract and in the contract documentation; has modified the price comparability card for residential customers of the electric power industry and has introduced the same card also for residential customers of the gas sector; has also modified Resolution 229/01 making it applicable to all clients qualifying for the gas "safeguard regime".

#### *Invoicing*

Resolution 501/2014/R/com with subsequent amendments and integrations has specified the criteria for the transparency and simplification of electricity and natural gas bills starting from 1 September 2015. These provisions apply to smaller customers, these being understood as low-voltage electricity customers and natural gas customers with private consumption up to 200,000 Smc.

With Resolution 200/2015/R/com, AEEGSI has postponed the coming into force of the provisions introduced with Resolution 501/2014 (Bolletta 2.0), resolving that the new provisions apply to the invoices for consumption after 1 January 2016, giving to operators flexibility in the management of previous invoices.

With Resolution 610/2015/R/com AEEGSI has modified and integrated the provisions of the previous Resolution 501/2014/R/com.

#### Non-payment

Resolution 258/2015/R/com introduces the first provisions regulating non-payment in the electricity and natural gas retail markets.

In this respect, we note:

- ◆ more responsibility for distributors, through automatic indemnification and suspension of payment for the distribution service in the case of failure to respect the times for the suspension and/or termination of supply contracts with non-paying customers;
- ◆ the requirement for distributors to provide additional information on consumers to allow new entrants, in the case of electricity and gas switching, to assess the corresponding credit risk.

#### Robin Tax

The Constitutional Court declared unconstitutional, and therefore struck down, the so-called Robin Tax, that is, the additional IRES charged to companies in the oil and energy sector since 2008. The invalidity has been effective since 12 February 2015.

#### REMIT

The European Regulation on the integrity and the transparency of wholesale energy markets (REMIT) is aimed at defining shared standards for the transparency of wholesale energy markets, besides preventing any kind of abusive practice. With the approval of the implementation measures, in force since 7 January 2015, the steps for the establishment of a European registry of operators have been laid out, subject to the obligation to disclose the data on wholesale contracts exchanged on organised platforms and the fundamental data from centralised platforms.

A first reporting obligation for contracts concluded on organised markets became effective on 7 October 2015. From 7 April 2016 additional obligations will apply to disclose data on the remaining contracts (OTC standard and non-standard supply contracts; transportation contracts).

AEEGSI, as indicated in Resolution 86/2015/E/com, has developed the Italian registry, to which the market operators subject to REMIT have been required to register.

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## *Electricity*

### Dispatching

With Resolution 111/06 and subsequent amendments and integrations, AEEGSI specified the procedure for the regulation of dispatching service fees, among which the dispatching and the imbalance charges.

With sentence No. 1648 of 24 June 2014, the Administrative Court (TAR -Tribunale Amministrativo Regionale) of the Lombardy Region has voided the Resolutions 342/2012/R/eel, 239/2013/R/eel and 285/2013/R/eel with which the Authority had intervened to amend Resolution 111/06 with regard to the procedure to calculate imbalance charges. This sentence found unlawful the calculation of imbalance charges in 2013 and 2014, demanding the recalculation of these prices and the settlement of any outstanding balances. With Resolution 321/2014/C/eel AEEGSI notified that it would appeal, filing a request for preventive suspension against TAR sentence No.1648.

On 23 March 2015 the State Council rejected AEEGSI's appeal against the sentence No. 1648 of the TAR that had voided the resolutions on power imbalance in Sardinia (342/2012/R/eel, 197/2013/E/eel, 239/2013/R/eel and 285/2013/R/eel).

The Authority with Resolution 333/2015/R/eel started a process aimed at regulating the calculation of power imbalances for the period 2012-2013-2014, after the sentence of the State Council that has reinstated, for the period in question, the previous regulations (*resolution 111/06*). The process was supposed to end by 31/12/2015. At this time, there are no updates in this regard.

With Resolution 393/2015/R/eel the Authority has started a process for the reform of the dispatching service, made necessary to ensure the compatibility between the draft reform of Italian electricity dispatching (Legislative Decree 102/14) and the future European Network Codes.

To this purpose, the Authority informs that the reform process will concern the change of the modes of participation of distributed generation, non-programmable renewable sources and consumers-producers to the supply of grid services, as required by said Legislative Decree 102/14.

This process will end with the completion of the organic reform of the market for dispatching services by 31 December 2016.

### Settlement

With Resolution 587/2014/R/eel the Authority has introduced provisions on the Integrated Settlement Rules, putting forward the monthly settlement of the transactions of operators with Terna by 15 days. The possibility for the operators to verify the data made available to Terna by the distributors, and to request changes if mistakes are identified, has also been introduced.

### Market Coupling

With Resolution 546/14/R/eel the Authority has approved the rules for the allocation of cross-border transportation capacity in 2015. Starting from mid-February 2015, the "market coupling" mechanism has been extended to France and Austria (previously being in force only at the Slovenian border).

With Resolution 45/2015/R/eel the Authority has started the implementation of market coupling on the Italy-Austria, Italy-France and Italy-Slovenia borders, starting from 24 February.



The market coupling mechanism makes it possible to calculate the value of electricity in the European market zones involved and, at the same time, to allocate the available transportation capacity between these zones, optimising their use. The allocation of the rights to use transportation capacity takes place therefore at the same time as the calculation of the price of each zone, rather than with a separate process, as in the past.

With Resolution 52/2015/R/eel, the Authority has also approved the contractual format GME - Terna e Cassa Conguaglio for the electric power industry (CCSE), for the management of the economic and financial transactions deriving from the application of market coupling to the Italy-Austria, Italy-France and Italy-Slovenia borders.

#### Network code for electric power transmission service

With Resolution 268/2015/R/eel the Authority has established a Network code for the electric power transmission service (below: Network Code), to regulate the relations between electric power distributors and transmission service users.

This Resolution provides for the following measures to become effective from 1 October 2015:

- ◆ provisions on the contractual guarantees to be provided to the distributing companies, and their sizing, for the purposes of the conclusion of the contract of transmission of distribution and the corresponding criteria for their management;
- ◆ provisions on invoicing timing and due dates for each type of distribution invoice, extending the terms of payment with respect to the current ones. With Resolution 447/2015/R/eel the Authority has postponed the coming into force of the provisions of the Network Code providing for the new provisions to apply from 1 January 2016.

#### Elimination of price protection

Resolution 271/2015/R/com started a process aimed at reforming the market mechanisms for the price protection of residential customers and small businesses in the electric power and natural gas sectors- Protection 2.0. This process is included in the Competition Draft Law, currently being discussed in Parliament, which aims at removing any price protection starting from 1 January 2018, therefore providing for the full liberalisation of the market for the sale of electric power and natural gas to end users.

#### Gas

##### Reform to tariff components to cover general system costs

With Resolution 60/2015/R/gas, the Authority has changed the tariff components to cover the general costs of the gas system currently applied to the quantities of gas injected into the network (that is, on top of the variable unit component CV of the transmission tariff).

Specifically, the Authority has provided for:

- ◆ the replacement, starting from 1 October 2015, of the tariff components CVi, CVos and CVbl, applied to the entry points of the network, with new tariff components, respectively CRVi, CRVos, CRVbl, to be applied to the gas withdrawn at the redelivery points of the transmission network

without any special distinction between points directly connected to the transmission network and points interconnected with the distribution networks;

- ◆ the exclusion, on first application, from the new settings of the CVfg component (covering the guarantee factor for the regasification service) and the  $\phi$  component (covering the revenue equalisation imbalances from the transmission capacity fee on the regional network CRr) as they are directly related to the tariff dynamics, and therefore will continue to be applied to the gas injected into the network.

## Gas Balancing

EU Regulation 312/2014 has established a Network Code on Gas Balancing of Transmission Networks ("Network Code Balancing"), starting from 1 October 2015, with specific reference to all points of the transmission networks that interconnect Member States.

The Network Code Balancing introduces a market balancing system, making network users responsible for the balancing of their trading and physical position and penalising them in the case of imbalance. Users must however be placed in a position to meet their obligations, with access to flexible resources and accurate and timely information on network injections and withdrawals. The transmission service operator (TSO) is given a marginal role, as it must intervene for buying/selling gas on the market only in the presence of actual risk for the operation of the system.

Currently detailed information about several aspects is not yet available. To this regard, the Authority with Resolution 470/2015/R/gas has issued provisions with a view to the operation of the gas balancing system, postponing the coming into force of the provisions of the European Balancing Code to the summer of 2016 and in any case not after 1 October 2016.

## Settlement

With Resolution 276/2015/R/gas the Authority has approved urgent provisions in connection with the outcome of the adjustment session, provided for in the Consolidated Text Settlement Gas [Testo Integrato Settlement gas, or TISG] with Resolution 229/2012/R/GAS.

AEEGSI with Resolution 276/2015 has provided for the suspension of the payment of the invoices issued at the end of the adjustment session, also considering the issue of a notice of investigation to the managers of the infrastructure on the progress towards implementation of the provisions on adjustment.

## TRENDS IN THE ITALIAN ENERGY MARKET

### Electricity market

| TWh                             | 2015         | 2014         | % change     |
|---------------------------------|--------------|--------------|--------------|
| Net production:                 | 270.7        | 269.1        | 0.60%        |
| - <i>Thermoelectric</i>         | 180.9        | 167.1        | 8.30%        |
| - <i>Hydroelectric</i>          | 44.8         | 59.6         | -24.90%      |
| - <i>Photovoltaic</i>           | 24.7         | 21.8         | 13.00%       |
| - <i>Wind</i>                   | 14.6         | 15.1         | -3.30%       |
| - <i>Geothermal</i>             | 5.8          | 5.6          | 4.50%        |
| Net import/export balance       | 46.4         | 43.7         | 6.10%        |
| Consumption for pumping systems | -1.9         | -2.3         | -20.60%      |
| <b>Total demand</b>             | <b>315.2</b> | <b>310.5</b> | <b>1.50%</b> |

Source: official 2014 figures and 2015 pre-final figures of Terna, inclusive of network losses.

Gross electric power demand in Italy in 2015 was equal to 315.2 TWh (TWh = billion kWh), an increase of 4.7 TWh (+1.5%) with respect to the previous year: net of calendar effects (for example, excluding the effects of changes in the number of working days) demand was up by 1.3%.

Domestic production, net of the pumping system consumption, covered 85% of demand, with a slight decrease (-0.6%) with respect to 2014. Domestic production increased overall by 1.6 TWh, records a significant decrease in hydroelectric production by 14.8 TWh (-24.9%) with respect to 2014, which had been characterised by record rainfall levels, partly offset by increased thermoelectric production for 13.8 TWh (+8.3%).

Other renewable energy grew by 2.6 TWh (6.1%), due to the larger production by photovoltaic (+2.8 TWh, +13% with respect to 2014) and geothermal plants (+0.3TWh, +4.5%), offsetting the lower production of wind farms (-0.5 TWh, -3.3%).

The net import balance increased by 2.7 TWh (+6.1%), while the private consumption of the pumping systems fell by 0.5 TWh (-20.6%).

With regard to the infrastructure we note the start of operation at the Malta-Sicily interconnecting power line (200 MW) in April.

With regard to prices, the average PUN TWA (Prezzo Unico Nazionale, i.e. National Single Price Time Weighted Average) was around 52.3 euro/MWh at 31 December 2015, basically stable with respect to the previous year (52.1 euro/MWh) despite a slight increase in demand.

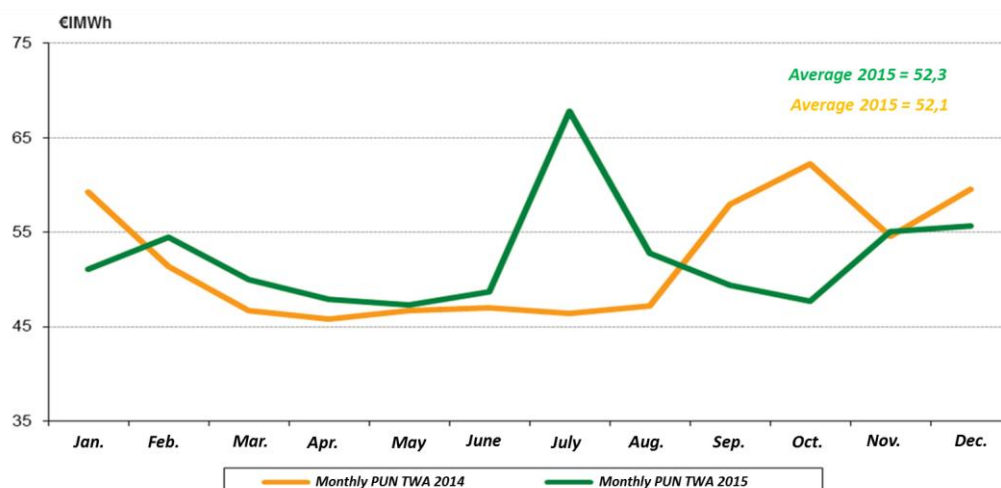
The significant increase in thermoelectric production (+8%) has had a more contained impact on prices due to the strong decrease in the prices of raw material (gas and coal).

With regard to zone pricing, in 2015 the CCT (difference between zone price and PUN) for Sicily fell substantially (-82%) to 5.2 euro/MWh, due to measures taken by the Authority to reduce the price gap between Sicily and the rest of Italy, while waiting for the operation of the Rizziconi-Sorgente power line.

The analysis of price trends by month shows two significant outliers of opposite sign: July (+46% with respect to the same month of the previous year), because of the exceptional heatwave that has

resulted in record demand levels and the fall in production from renewable sources, and October (-23% with respect to the same month of the previous year), for the combined effect of lower demand for electric power, higher production from renewable sources, and lower thermoelectric production costs.

The following graph shows the monthly figures:



With regard to prices in foreign countries, we note diverging trends with prices down in Germany (-3%), due to lower commodity costs, and up in France (+11%) due to a lower contribution of nuclear power. Therefore the Italy-France differential went from 17.4 euro/MWh to 13.7 euro/MWh and the Italy- Germany differential from 19.3 euro/MWh to 20.6 euro/MWh.

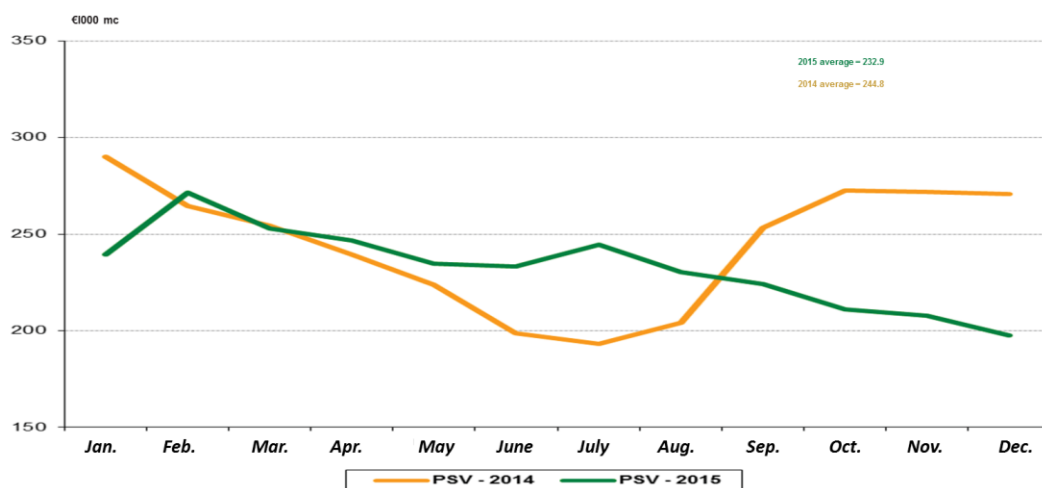
### Natural Gas Balance in Italy

| Mldlmc                          | 2015        | 2014        | % change     |
|---------------------------------|-------------|-------------|--------------|
| Residential services and uses   | 28.4        | 25.5        | 11.60%       |
| Industrial uses                 | 16          | 16.5        | -3.00%       |
| Thermoelectric uses             | 20.7        | 17.8        | 16.60%       |
| Internal consumption and losses | 1.8         | 1.6         | 8.30%        |
| <b>Total demand</b>             | <b>66.9</b> | <b>61.4</b> | <b>9.10%</b> |

Source: 2014 final figures and 2015 preliminary figures Snam Rete Gas, Ministry Economic Development

The demand for natural gas in Italy in 2015 recorded an increase of 9.1% with respect to the previous year, to about 67 billion cubic meters, due to the recovery in residential private consumption (led by lower temperatures) and higher thermoelectric output. Demand from the industrial sector continues to be affected by output levels well below those before the crisis.

Gas prices received a strong boost from the decrease in indexed gas prices (-20%), due to the downward trend of crude oil prices, only partly offset by a stronger dollar. Prices were down (-5%) also on the spot market, with an average of 232.9 euro/000 mc. Noteworthy the trend in the last part of the year: after a temporary and unusual summer peak, we have started 2016 with prices below 200 euro/000 mc.



## OPERATING PERFORMANCE AND SIGNIFICANT EVENTS

### Electricity and gas sale to end users

The core business of the company consists in the sale of electric power and gas. In 2015, against a fall in quantities sold, the company saw an increase in its profitability as a result of the balancing of the customer portfolio, focused on market segments with medium-low consumption but higher unit margins. In fact, as it can be seen from the following table, the total number of customers presents an overall increase of 133.50%.

| Customer Number | 31.12.2015     | 31.12.2014    | % change       |
|-----------------|----------------|---------------|----------------|
| Power           | 121,575        | 52,249        | 132.68%        |
| Gas             | 54,637         | 23,218        | 135.32%        |
| <b>Total</b>    | <b>176,212</b> | <b>75,467</b> | <b>133.50%</b> |

With regard to total quantities, there was a 9.38% decrease in electric power sales and a 23.92% decrease in gas sales.

|  | 31.12.2015  | 31.12.2014  | % change       |
|--|-------------|-------------|----------------|
| Sales to end users                         | 7.7         | 9.6         | -20.25%        |
| Wholesale sales                            | 3.6         | 2.8         | 27.88%         |
| <b>Total electric power sales (in TWh)</b> | <b>11.2</b> | <b>12.4</b> | <b>-9.38%</b>  |
| Sales to end users                         | 216         | 311         | -23.92%        |
| <b>Total Gas Sales (in Mln smc)</b>        | <b>216</b>  | <b>311</b>  | <b>-23.92%</b> |

### Renewables

The company, through its direct and indirect subsidiaries, is marginally active in the sector of electric power production from renewable sources, mainly wind, photovoltaic and biomass.

In this regard, in 2015 the company continued the rationalisation of its portfolio with the following transactions:

- ◆ permanent disposal of the controlling interest held in the company Solcap S.r.l., operating in the photovoltaic power generation sector;
- ◆ increase of equity stake in the company ATA Energia Soc. Agr. S.r.l., operating in the biomass power generation sector;
- ◆ increase of equity stake in the company Green Wind 2 S.r.l., operating in the wind power generation sector.

As a result of the increase of the equity stake in the company ATA Energia Soc. Agr. S.r.l. in 2015, this has become a subsidiary; its plant was working at 50% of installed capacity and it is expected to reach 100% in 2016. We also note that in October 2015, a request was filed with the Sportello Regionale per l'Energia (SRE) for a non-substantial variation of the Single Authorisation, with the objective of feeding the plant with by-products of agri-food industries, besides the vegetable compost from dedicated crops, therefore reducing the costs of the plant matrix input into the plant.

With regard to power generation from hydroelectric sources, the company continued to work to complete the "Green Hydro 1" and "Green Hydro 2" projects. Specifically, for the "Green Hydro 1" project, the company worked towards the start of the trial run of the plant with the electric power generation process indicatively scheduled for the second half of 2016.

The company also operates in the Energy Efficiency sector with medium- and long term objectives focusing on building high-yield cogeneration plants and carrying out other energy saving initiatives aimed to the expansion of the customer portfolio and an increase in their loyalty. To this end, in 2015 three energy audits were carried out for an equal number of customers (Portovesme S.r.l., La7 S.r.l. and Cairo Group).

In 2015, lastly, the purchases of electric power from independent producers (FER and/or cogeneration plants) continued, with the objective of increasing the share of energy bought directly from third parties, as well as the search for synergies on efficiency initiatives and the improvement of specific competencies, with a view to expanding the dispatching market also to renewables plants and the active participation of the demand to the energy market.

### Significant events occurred during the year

#### Structure of the company

In 2015 the company carried out some significant transactions aimed at optimising its structure.

First of all, the company Green Network Luce & Gas S.r.l. was merged by incorporation into Green Network S.p.A., holding 100% of share capital, with accounting and tax effects from 1 January 2015, to achieve greater operating effectiveness, reduce costs and optimise financial management.

Twenty trading subsidiaries, no longer in operation, and the special purpose vehicle Modula Power S.p.A. were placed in liquidation, as the reasons that had resulted in their establishment no longer applied.

The subsidiary Green Network UK PLC continued to carry out activities in preparation for entry in the UK retail market, finalising important agreements with a prime supplier of gas and energy. In this context we note the establishment of the company Green Network Power & Gas Ltd.

#### Other significant events

The year 2015 was characterised by the following significant events with a significant impact on economic and financial results.

#### Ilva S.p.A. contract

For more than 10 years, the Group has supplied electric power and gas to the Ilva Group.

In 2014 the supply contracts were renewed for the year 2015. With regard to electric power the contracts provided both for a supply linked to the actual withdrawals of the sites related to the Group and a take-or-pay supply linked to the so-called Interconnector.

This supply therefore involved the purchase by the Group of energy from abroad and therefore this had set, on the basis of the sale prices applied to Ilva, the purchase price from an independent supplier on the quantities agreed in the contract.

In January 2015 the Group Ilva S.p.a. started extraordinary administration proceedings.

After a short time (1 May 2015 to 31 December 2015) the new administrative body decided to terminate without notice all existing supply contracts despite the reassurance received about the continuation of the contract.

As a result of the termination of the supply contract, the company therefore found itself with quantities bought abroad at a price that had become, at current market conditions, no longer profitable.

The termination of these contracts has led to an extraordinary loss of around €4.7m.

#### AEEGSI sanction

In 2008, the Group imported 2,388,284 MWh from the French electric power border.

The electric power in question was bought entirely on the French electric power exchange Powernext SA. and the import was regulated by the relevant provisions, i.e. Legislative Decree 16.3.1999, No. 79 (so-called Bersani Decree). This decree had introduced the obligation for “the importers and the subjects in charge of plants, which, each year, import or produce electric power from non-renewable sources (...) to inject into the Italian electric power network, in the following year, a share produced by plants using renewable sources”. For 2008 this share was equal to 4.55%. As an alternative to direct injection into the network of renewable energy, the producer or the importer could fulfil said obligation, fully or in part, by buying the so-called green certificates.

On 30 March 2009 the Group presented to GSE a self-certification stating that all the energy imported had been bought on the French electric power exchange, and therefore, pursuant to Art. 11 of Legislative Decree 16 March 1999 No. 79, notified its 2008 generation mix, from which it could be seen that 16.53% of energy had been produced from renewable sources. GSE found this certification to be insufficient and requested the purchase of 104,117 green certificates.

After further analysis and a series of hearings, the Authority ruled that the certification of the French exchange might not have been completely suited for the exemption from the green certificates, and Green Network S.p.A. had to buy the guarantees of origin. Although it did not share the reasons brought by the GSE, in July 2012 Green Network S.p.A. purchased appropriate Guarantees of Origin (GO) from the company EDF Trading, proving that all the energy imported in 2008 had come from renewable sources and therefore had to be exempted from the obligation of purchase of the green certificates, as provided for by regulations (the GOs being an instrument to obtain an exemption from the green certificate obligation as set forth by Art. 20 of Legislative Decree 387/03). The delay in the purchase of the guarantees of origin was therefore caused by uncertainty in the interpretation of the effects of the purchase of the electric power on the exchange for the purposes of the exemption from the green certificate obligation. With Resolution No. 453/2013/S/EFR, the AEEG has acknowledged that said purchase of GOs by the Group, for a value of almost two million euros, demonstrates the willingness of the company to cooperate and solve the issue and that the purchase of the GOs, for the whole of the energy imported, even if with a delay, was suited for the protection of the system and has given a substantial contribution to make up for the violation of the rule, placed to protect a significant public interest as the protection of the environment and sustainable growth, through the promotion of electric power generated from renewable sources.

Despite these considerations, the AEEG decided to impose a sanction on the Group.

In December 2013, believing the sanction imposed to be unfair, the Group filed an appeal with TAR, which was rejected in July 2014. Another appeal was filed with the Consiglio di Stato, in September 2014, but was rejected in July 2015. The company has therefore set aside €1.4 million for the sanction in question in its 2015 financial statements.



### *Settlement 2008-2009 disputes*

With reference to disputes of the Group with the tax authorities, in February 2016 a settlement was reached in regard to the disputes for the tax years 2008-2009, involving the company Green Network Luce & Gas S.r.l. (a company incorporated into Green Network S.p.A. as described above).

Specifically, the disputes in question concerned the following charges:

- ◆ Tax assessment carried out in 2011 with regard to the 2009 tax year: this assessment, for IRES and IRAP purposes, has led to the inclusion in the tax base of non-deductible amortisation charges for approximately €9.4 million. More specifically, the authorities qualified as goodwill, deductible over 18 years, some amounts that the company had instead qualified as multi-year costs and therefore amortised on a shorter period;
- ◆ Dispute with the tax authorities with regard to the 2008 tax year: this assessment argued the existence of higher capital gains from the transfer of a business unit by Green Network S.p.A. to Green Network Luce & Gas S.r.l., resulting in a request for additional tax on capital transfers and higher IRES and IRAP.

This settlement led, with regard to the first dispute, to the reduction of the disputed amortisation charges to €4.5 million, and the application of reduced sanctions. The settlement also led to a restatement of the disputed amortisation as goodwill and therefore recoverable for tax purposes, partly through refund claim for previous years and partly as lower taxable income for the current year and for subsequent years.

With regard to the second dispute, the company, wanting to settle the issue quickly, has accepted the reconstruction of the facts proposed by the authorities, which has resulted in higher taxes for €1.65 million, plus interest for €0.4 million.

Overall this settlement has involved the recognition of total payables to the tax authorities for €3.6 million to be paid over four years, with an impact on profits before taxes equal to €3.8 million and deferred tax assets for €0.7 million.

The following table summarises these effects:

| In Euro/000                                | Before tax    | After tax    |
|--|---------------|--------------|
| <b>Profit/(Loss)</b>                       | <b>3,148</b>  | <b>1,694</b> |
| Effect early termination Ilva Spa contract | 4,685         | 3,162        |
| AEEGSI sanction for 2008 import            | 1,432         | 1,432        |
| Settlement disputes 2008-2009              | 3,753         | 3,050        |
| <b>Total extraordinary items</b>           | <b>9,870</b>  | <b>7,644</b> |
| <b>Net income from extraordinary items</b> | <b>13,018</b> | <b>9,338</b> |

## ECONOMIC- FINANCIAL RESULTS AT 31 DECEMBER 2015

|                                   | 31-Dec-15     | 31-Dec-14      | Change        | % change    |
|-----------------------------------|---------------|----------------|---------------|-------------|
| Revenue from sales                | 1,040,656     | 1,409,375      | (368,719)     | -26%        |
| Raw material costs                | (967,199)     | (1,352,199)    | 385,000       | -28%        |
| <b>First margin</b>               | <b>73,456</b> | <b>57,176</b>  | <b>16,280</b> | <b>28%</b>  |
| Direct costs                      | (21,426)      | (10,025)       | (11,401)      | 114%        |
| Indirect costs                    | (23,612)      | (21,855)       | (1,757)       | 8%          |
| <b>Adj EBITDA</b>                 | <b>28,418</b> | <b>25,296</b>  | <b>3,122</b>  | <b>12%</b>  |
| Amortisation/depreciation         | (3,663)       | (3,077)        | (586)         | 19%         |
| Provisions and write-downs        | (2,525)       | (13,243)       | 10,718        | ns          |
| <b>Adj EBIT</b>                   | <b>22,230</b> | <b>8,976</b>   | <b>13,254</b> | <b>148%</b> |
| Extraordinary expenses            | (9,870)       | 0              | (9,870)       | ns          |
| Financial operations*             | (9,213)       | (7,127)        | (2,086)       | 29%         |
| Profit before tax                 | 3,148         | 1,850          | 1,298         | 70%         |
| Tax                               | (1,454)       | (3,513)        | 2,059         | ns          |
| <b>Profit (loss) for the year</b> | <b>1,694</b>  | <b>(1,663)</b> | <b>3,357</b>  | <b>ns</b>   |

\* This item includes factoring commissions and charges on sureties

The sales of the Group in the year in question were €1,040 million, down by 26% with respect to the same period of the previous year. The fall in sales follows the strategy of the Group, already described, aimed at reducing the low- margin contracts with some large clients and focusing on the mass market (residential customers and small companies), which is more profitable.

The first margin was equal to €73 million, a 28% increase; there was also a significant increase in direct costs, +114%, mainly due to the commissions paid to acquire customers and call centre costs, as well as an 8% increase in indirect costs, incurred to strengthen the organisational structure. The overall effect leads in any case to a significant improvement in the adjusted EBITDA that reached €28.4 million, with a 12% increase.

Provisions and write-downs, mainly due to non performing credits, show a significant improvement with respect to the previous year.

The net income from financial operations went from -€7.1 million in 2014 to -€9.2 million in 2015, as a result of higher interest charges and lower interest income from customers.

## Net financial position and financial debt

| In euro million               | 31.12.2015    | 31.12.2014    | Change       |
|-------------------------------|---------------|---------------|--------------|
| Cash and cash equivalents     | 33.5          | 50.9          | (17.4)       |
| Current payables              | (37.4)        | (50.7)        | 13.3         |
| Non-current payables          | (26.2)        | (25.4)        | (0.8)        |
| <b>Net financial position</b> | <b>(30.2)</b> | <b>(25.2)</b> | <b>(5.0)</b> |

The net financial position at 31 December 2015 had been negatively affected by the greater absorption of net working capital due to expansion in the microbusiness and residential segments.

## Shareholders' equity

| In euro million                   | 31.12.2015  | 31.12.2014  |
|-----------------------------------|-------------|-------------|
| Share capital                     | 15.6        | 15.6        |
| Other reserves                    | 17.1        | 14.0        |
| Group Profit/(Loss)               | 2           | -1.4        |
| Minority interests                | 0           | -0.3        |
| <b>Total shareholders' equity</b> | <b>34.7</b> | <b>28.0</b> |

The shareholders' equity of the Group increased significantly, from €28 million to about €35 million: this resulted from the positive effect of fair value changes on the derivative contracts taken out to hedge raw material purchases and the mark to market of the corresponding sales contracts.

## TRANSACTIONS WITH PARENT, SUBSIDIARY AND AFFILIATED COMPANIES

For information on transactions with related parties, we refer to the section on other information in the Explanatory Notes to the financial statements for the year.

## OTHER INFORMATION

### *Research and development activities*

Research and development activities were carried out on an ongoing basis to solve issues related to electric power and gas supply and investment in energy generation from renewable sources through special purpose vehicles. However, no research and development cost was capitalised during the year.

### *Treasury shares*

There are no treasury shares in the portfolio.

### *Information on personnel*

For personnel information, we refer to the sections on personnel costs in the Explanatory Notes to the consolidated and individual financial statements.

### *Information on the environment*

As regards the protection of the environment, the administrative body of the company states that this performs energy and gas trading activities in compliance with the regulations in force in the energy sector and believes no liability will arise in this respect and no environmental damage will be caused.

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### Security policy document

Pursuant to Art. 6 of Italian Presidential Decree 318/99, the security policy document was drafted in accordance with the legal terms.

### Organisational model pursuant to Italian Legislative Decree 231/01

Following the introduction in the Italian legal system of Legislative Decree No. 231/2001, all companies are potentially subject to a new form of civil and criminal liability for offences committed by their directors and/or employees, unless said companies have previously adapted their organisational and internal control system in line with the principles set forth by said regulation.

In order to avoid being held liable in the aforementioned cases, the company adopted, in previous years, an appropriate organisational, management and control model (the "Organisational Model") which incorporates therein:

- ◆ "Code of Ethics", understood as the instrument adopted autonomously applied to all stakeholders that enter into relations with the company, in order to express the principles of corporate ethics which the company has made its own and which it asks all Shareholders, Employees, Directors, Consultants and Partners to respect;
- ◆ the "Disciplinary Code" to be applied if breaches of said Code of Ethics are identified.

In addition, on the basis of Italian Legislative Decree 231/01, the company has appointed a special collegial body, the "Supervisory Body", composed of three qualified professionals, responsible for the monitoring and updating of said Organisational Model as well as for the application of the Code of Ethics, and the imposition of any penalties due to non-compliance.

The scope of application of the Organisational Model, therefore, consists of all areas relating to internal and external company processes and the organisational structure headed up by the company.

The Organisational Model also requires the subsidiaries of Green Network not expressly identified in the Model to fully implement the Code of Ethics and to adjust or create their own organisation, management and control model in compliance with the ethical principles and protocols defined.

### ISO-9001 certification

In 2011, with the help of qualified professionals, the company received, from the certification body DNV Business Assurance, the certification of compliance with UNI-EN-ISO 9001:2008 standards for management systems, specific to the marketing of electricity and natural gas.

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## SIGNIFICANT EVENTS AFTER THE END OF THE YEAR AND BUSINESS OUTLOOK

No significant events occurred after the closing of the consolidated financial statements and before their approval.

The Group continues to pursue its strategy, focused on increasing electric power and gas sales to the microbusiness and residential segments and therefor improving the profitability of its customer portfolio.

The first months of 2016 have seen an accelerated expansion in the customer base with the acquisition of about 40,000 net new customers in the first quarter, well above budget forecasts.

The subsidiary Green Network UK PLC continued to prepare for entry in the UK retail market, through its subsidiary Green Network Power & Gas Ltd, initiating the authorisation process and structuring its hardware and software platforms for the management of sale activities, which should start in September. In the renewables sector the Group started to work to expand the biomass plant of ATA Energia and continued to work to complete the hydroelectric plant of Green Hydro1, which is expected to become operational in 2016.

Rome, 13 June 2016

The Chairman

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Piero Saulli

## II - GROUP CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED FINANCIAL STATEMENTS

### Income Statement and statement of comprehensive income

|   | NOTES | 31.12.2015           | 31.12.2014           |
|---|-------|----------------------|----------------------|
| <b>Revenues</b>   |       |                      |                      |
| Revenues from sales and services  | 1     | 1,022,645,238        | 1,397,132,698        |
| Other revenue and income  | 2     | 18,010,618           | 12,241,894           |
| <b>Total revenues</b>   |       | <b>1,040,655,857</b> | <b>1,409,374,592</b> |
| <b>Costs</b>  |       |                      |                      |
| Electricity and gas purchase  | 3     | 981,151,483          | 1,345,415,558        |
| Costs for services and materials  | 4     | 34,593,349           | 22,374,498           |
| Payroll and related costs   | 5     | 11,409,589           | 9,035,627            |
| Amortisation/depreciation and impairment  | 6     | 5,765,659            | 7,157,529            |
| Provisions  | 7     | 1,432,000            | 302,000              |
| Other operating costs   | 8     | 5,804,686            | 12,747,658           |
| <b>Total costs</b>  |       | <b>1,040,156,765</b> | <b>1,397,032,869</b> |
| Financial income (expense) from derivative contracts                                      | 9     | 9,267,011            | (6,783,421)          |
| <b>EBIT</b>   |       | <b>9,766,103</b>     | <b>5,558,302</b>     |
| Financial income (expense) from financial instruments measured at fair value              | 10    | (229,032)            | (85,086)             |
| Net profit (loss) from the sale of current and non-current operating assets               | 11    | 0                    | (733,908)            |
| Financial income  | 12    | 2,794,459            | 5,048,470            |
| Financial expense   | 13    | (9,202,345)          | (7,803,026)          |
| Share of income/(expense) deriving from equity investments valued using the equity method | 14    | 18,450               | (135,202)            |
| <b>Pre-tax profit (loss)</b>  |       | <b>3,147,634</b>     | <b>1,849,550</b>     |
| Taxation  | 15    | (1,454,074)          | (3,512,751)          |
| <b>Net profit (loss) for the period (group and minority interests)</b>                    |       | <b>1,693,560</b>     | <b>(1,663,201)</b>   |
| Group share   |       | 1,964,976            | (1,361,799)          |
| Share pertaining to minority interests  |       | (271,416)            | (301,402)            |

|  | NOTES | 31.12.2015         | 31.12.2014         |
|--|-------|--------------------|--------------------|
| <b>Consolidated statement of comprehensive income</b>                                    |       |                    |                    |
| <b>Profit (loss) for the year</b>  |       | <b>1,693,560</b>   | <b>(1,663,201)</b> |
| <b>Other components of comprehensive income</b>  |       |                    |                    |
| <b>Items that do not need to be reclassified</b>   |       |                    |                    |
| Revaluations of property, plant and machinery and intangible fixed assets                |       | 0                  | 0                  |
| Actuarial gains (losses) from defined benefit plans                                      |       | 167,994            | 0                  |
| <b>Items that need to be reclassified</b>  |       |                    |                    |
| Profit (losses) from redetermination of the value of financial assets available for sale |       | (1,447,715)        | 327,257            |
| Fair value changes in cash flow hedges   |       | 8,278,153          | 13,339,661         |
| <b>Income taxes relating to OCI</b>  |       | <b>(2,261,893)</b> | <b>(4,417,148)</b> |
| <b>Comprehensive profit/loss for the year</b>  |       | <b>6,430,099</b>   | <b>7,586,569</b>   |

## Statement of financial position

|   | NOTES | 31.12.2015         | 31.12.2014         |
|---|-------|--------------------|--------------------|
| <b>Non-current assets</b>   |       |                    |                    |
| Intangible fixed assets   | 16    | 740,569            | 747,628            |
| Property, plant and machinery   | 17    | 34,189,313         | 32,026,210         |
| Investment property   | 18    | 8,494,579          | 8,701,781          |
| Equity investments  | 19    | 4,629,345          | 4,665,704          |
| Non-current assets held for sale  | 20    | 0                  | 4,735,226          |
| Receivables due from holding companies, subsidiaries and associated companies | 21    | 5,240,556          | 15,850,761         |
| Tax credits   | 22    | 5,150,751          | 2,402,117          |
| Financial assets held to maturity   | 23    | 9,817,457          | 6,689,034          |
| Other non-current assets  | 24    | 2,774,969          | 4,285,618          |
| <b>Total</b>  |       | <b>71,037,540</b>  | <b>80,104,078</b>  |
| <b>Current assets</b>   |       |                    |                    |
| Inventories   | 25    | 56,120             | 1,659,084          |
| Trade-related receivables   | 26    | 207,852,285        | 310,184,274        |
| Receivables due from holding companies, subsidiaries and associated companies | 27    | 3,709,093          | 19,894,098         |
| Loans to banks and other financial institutions                               | 28    | 2,714,641          | 6,864,079          |
| Receivables for prepaid taxes   | 29    | 6,017,747          | 4,306,678          |
| Tax credits   | 30    | 8,229,377          | 8,204,824          |
| Derivatives   | 31    | 26,905,727         | 28,002,524         |
| Financial assets available for sale   | 32    | 1,792,984          | 4,124,244          |
| Other current assets  | 33    | 20,450,139         | 12,794,032         |
| Cash and cash equivalents   | 34    | 23,979,181         | 43,022,973         |
| <b>Total</b>  |       | <b>301,707,294</b> | <b>439,056,809</b> |
| <b>Total assets</b>   |       | <b>372,744,834</b> | <b>519,160,887</b> |
| <b>Shareholders' equity and liabilities</b>                                   |       |                    |                    |
| <b>Shareholders' equity</b>   |       |                    |                    |
| Share capital   | 35    | 15,636,000         | 15,636,000         |
| Other reserves  | 35    | 17,065,866         | 13,992,123         |
| Net profit (loss) for the period  | 35    | 1,964,976          | (1,361,799)        |
| Minority interests  | 35    | 17,073             | (337,574)          |
| <b>Total shareholders' equity</b>   |       | <b>34,683,914</b>  | <b>27,928,751</b>  |
| <b>Non-current liabilities</b>  |       |                    |                    |
| Long-term loans   | 36    | 26,227,826         | 25,397,778         |
| Employee severance indemnity and other employee benefits                      | 37    | 1,217,470          | 688,875            |
| Payables due to holding companies, subsidiaries and associated companies      | 38    | 0                  | 11,246,479         |
| Provisions for risks and charges (non-current portion)                        | 39    | 4,353,683          | 3,247,332          |
| Tax liabilities   | 40    | 2,732,523          | 726,774            |



|  | NOTES | 31.12.2015         | 31.12.2014         |
|--|-------|--------------------|--------------------|
| Other non-current liabilities  | 41    | 2,061,499          | 1,624,838          |
| <b>Total</b>   |       | <b>36,593,000</b>  | <b>42,932,076</b>  |
| <b>Current liabilities</b>   |       |                    |                    |
| Short-term loans   | 42    | 37,438,907         | 50,653,002         |
| Trade-related payables   | 43    | 241,583,165        | 372,552,204        |
| Payables due to holding companies, subsidiaries and associated companies | 44    | 1,919,307          | 583,784            |
| Tax payables   | 45    | 11,679,548         | 7,878,526          |
| Derivatives  | 46    | 6,222,303          | 14,674,437         |
| Other current liabilities  | 47    | 2,624,690          | 1,958,107          |
| <b>Total</b>   |       | <b>301,467,920</b> | <b>448,300,061</b> |
| <b>Total shareholders' equity and liabilities</b>                        |       | <b>372,744,834</b> | <b>519,160,887</b> |

## Statement of changes in shareholders' equity

|                                       | Share Capital | Legal reserve | Extraordinary reserve | FTA reserve | Reserve for valuation at equity | Reserve for valuation of derivatives and contracts | AFS reserve | Indivisible profits and reserves | Other reserves | Net profit (loss) for the year | Group Total  | Minority interests | Total shareholders' equity |
|---------------------------------------|---------------|---------------|-----------------------|-------------|---------------------------------|--|-------------|----------------------------------|----------------|--------------------------------|--------------|--------------------|----------------------------|
| Balances as at 1 January 2014         | 15.000.000    | 837.050       | 1.007.488             | 16.387.195  | 3.684.936                       | 0  | 0           | 3.077.813                        | 13.391         | 2.483.129                      | 42.491.003   | 169.036            | 42.660.039                 |
| Changes in Shareholders' Equity       | 636.000       | 118.000       | 1.271.383             | 0           | 1.015.639                       | (11.518.620)                                       | 327.257     | (2.229.410)                      | 1              | (2.483.129)                    | (12.862.880) | (205.208)          | (13.068.088)               |
| Net profit (loss) at 31 December 2014 | 0             | 0             | 0                     | 0           | 0                               | 0  | 0           | 0                                | 0              | (1.361.799)                    | (1.361.799)  | (301.402)          | (1.663.201)                |
| Balance at 31 December 2014           | 15.636.000    | 955.050       | 2.278.871             | 16.387.195  | 4.700.575                       | (11.518.620)                                       | 327.257     | 848.403                          | 13.392         | (1.361.799)                    | 28.266.324   | (337.574)          | 27.928.750                 |
| Changes in Shareholders' Equity       | 0             | 106.000       | 399.279               | 0           | 1.597.021                       | 13.335.124   | (2.102.229) | (10.093.460)                     | (167.992)      | 1.361.799                      | 4.435.542    | 626.063            | 5.061.605                  |
| Net profit (loss) at 31 December 2015 | 0             | 0             | 0                     | 0           | 0                               | 0  | 0           | 0                                | 0              | 1.964.976                      | 1.964.976    | (271.417)          | 1.693.560                  |
| Balance at 31 December 2015           | 15.636.000    | 1.061.050     | 2.678.150             | 16.387.195  | 6.297.596                       | 1.816.504  | (1.774.972) | (9.245.057)                      | (154.600)      | 1.964.976                      | 34.666.842   | 17.073             | 34.683.914                 |

## Cash flow statement

|   |                     |
|---|---------------------|
|   | 31.12.2015          |
| <b>Pre-tax profit (loss) for the year (total Group)</b>                                 | <b>3,147,634</b>    |
| <b>CASH FLOW STATEMENT OF OPERATING ACTIVITIES (A)</b>                                  |                     |
| Interest expense/(interest income)  | 6,513,165           |
| Income from equity investments in other companies                                       | (11,329)            |
| (Capital gains)/losses from the sale of assets  | 0                   |
| <b>Adjustments for non-monetary elements with a contra-entry in net working capital</b> |                     |
| <i>Allocations to provisions</i>  | <i>5,441,999</i>    |
| <i>Depreciation/amortisation of fixed assets</i>  | <i>3,619,041</i>    |
| <i>Write-downs due to impairment</i>  | <i>0</i>            |
| <i>Other adjustments for non-monetary elements</i>                                      | <i>673,630</i>      |
| <b>Cash flows from change in working capital</b>  | <b>(35,200,590)</b> |
| <b>Cash flows from other adjustments:</b>   |                     |
| <i>Interest collected/(paid)</i>  | <i>(6,513,164)</i>  |
| <i>(Income taxes paid)</i>  | <i>0</i>            |
| <i>Dividends collected</i>  | <i>11,329</i>       |
| <i>(Use of provisions)</i>  | <i>55,312</i>       |
| <b>Cash and cash equivalents deriving from operating activities</b>                     | <b>(25,410,607)</b> |
| <b>CASH FLOW STATEMENT OF INVESTMENT ACTIVITIES (B)</b>                                 |                     |
| Cash flows from changes in property, plant and machinery                                | (936,624)           |
| Cash flows from changes in intangible fixed assets                                      | (283,020)           |
| Cash flows from changes in financial instruments  | 16,038,907          |
| Cash flows from changes in equity investments   | 70,601              |
| <b>Cash and cash equivalents deriving from operating activities</b>                     | <b>14,889,864</b>   |
| <b>CASH FLOW STATEMENT OF FINANCING ACTIVITIES (B)</b>                                  |                     |
| Increase (decrease) in short-term payables due to banks                                 | 1,223,168           |
| Cash flows from third party financing   | (13,607,214)        |
| Cash flows from third party financing - change in scope of consolidation                | (4,348,238)         |
| Dividends paid  | 0                   |
| Other changes in shareholders' equity items   | 5,061,603           |
| <b>Cash and cash equivalents deriving from financing activities</b>                     | <b>(11,670,681)</b> |
| <b>Increase (decrease) in cash and cash equivalents</b>                                 | <b>(19,043,790)</b> |
| <b>Opening cash and cash equivalents</b>  | <b>43,022,973</b>   |
| <b>Closing cash and cash equivalents</b>  | <b>23,979,181</b>   |

## EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Introduction

The company Green Network S.p.A. (hereinafter “the company” or “the consolidating entity”), operating in the energy sector with reference to the trading of electricity and gas and production of electricity from renewable sources, has its registered office in Rome, Corso d'Italia, no. 11 and is subject to the management and coordination activities of SC Holding S.r.l..

This annual financial report (hereinafter also “the Report”) includes the accounting positions of Green Network S.p.A. and its subsidiaries and the shareholding in associated companies and joint ventures (hereinafter “the Group”). It should be underlined that this Report represents the company's first financial statements drafted in accordance with international accounting standards (IAS/IFRS).

With reference to the information required by IFRS 1, please refer to the appropriate section of Green Network S.p.A.'s separate financial statements. This information is not provided at Group level given that the transition was made solely by the consolidating entity and not all Group companies, that therefore continue to draft their financial statements according to the reference national accounting standards and, for the purposes of the report in question, they prepare the necessary reporting packages containing the book values reported in compliance with IAS/IFRS.

### Compliance with IAS/IFRS

The consolidated financial statements of the Group as at 31 December 2015 were prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), according to the text published in the Official Journal of the European Union (OJEU).

This Report is stated in Euro, which represents the currency of the primary economic area in which the Group operates. Foreign companies are included in this report according to the principles indicated in the notes hereunder.

### Financial statement layouts

The financial statements layouts adopted have the following characteristics:

- ◆ the **consolidated income statement** is in scalar form with individual items analysed by nature and shows the **other components of comprehensive income** which report the components of profit deferred to shareholders' equity;
- ◆ assets and liabilities in the **consolidated balance sheet** are analysed by maturity, with the separation of current and non-current items due within and after 12 months respectively from the balance sheet date;
- ◆ the **statement of changes in consolidated shareholders' equity** highlights changes that affected consolidated shareholders' equity in the year in question;
- ◆ the **Cash flow statement** of cash and cash equivalents is prepared by reporting cash flows according to the “indirect method”, as permitted by IAS 7.

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## Consolidated criteria and scope of consolidation

This report contains information on the equity, financial and economic position as well as on cash flows, cash and cash equivalents of Green Network S.p.A. and of the associated companies in which said company holds, directly or indirectly, a controlling stake in capital, or, exercises control defined by IFRS 10 as the “*power to determine the financial and management policies of an entity so as to obtain benefits from its activities*”.

### ◆ Subsidiaries

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is assumed until the moment said control ceases to exist.

The necessary adjustments are made to the financial statements of subsidiaries, drafted in accordance with the reference accounting standards, to make the measurement criteria consistent with those adopted by the Group. Therefore, as already described previously, these companies, solely for the purposes of drafting of these consolidated financial statements, prepare a reporting package containing the book values that conform to the international accounting standards (IAS/IFRS).

The close of the year of subsidiaries is aligned to that of the consolidating entity, and where this does not occur, the subsidiaries prepare the necessary balance sheets. For the purposes of this report, all subsidiaries transmitted their financial statements for the year ended as at 31.12.2015 in line with the consolidating entity.

Receivables and payables, as well as costs and revenues deriving from transactions between consolidated companies are fully eliminated; the capital losses and capital gains deriving from transfers of fixed assets between consolidated companies are also eliminated, as well as gains and losses deriving from transactions between consolidated companies relating to sales of assets retained as inventories at the purchasing company, write-downs and write-backs of equity investments in consolidated companies, and intercompany dividends. The portion of capital and reserves pertaining to minority interests in subsidiaries and the portion pertaining to minority interests of profit or loss for the year of consolidated subsidiaries are identified separately.

When the Group loses control of a subsidiary, the fair value of the residual equity interest held on the date of the loss of control is redetermined, with any resulting difference booked as profit or loss in the statement of profit/(loss) for the year attributable to the holding company. This value will also correspond to the initial book value of said residual equity investment as an equity investment in an associated company, joint venture or financial asset. Lastly, the Group will recognise all amounts previously recorded under components of comprehensive income in relation to that subsidiary, similar to the requirement in the event the holding company had disposed directly of the associated assets or liabilities. This would entail the reclassification of these profits or losses from shareholders' equity to the statement of profit/(loss) for the year.

◆ Associated companies and joint ventures

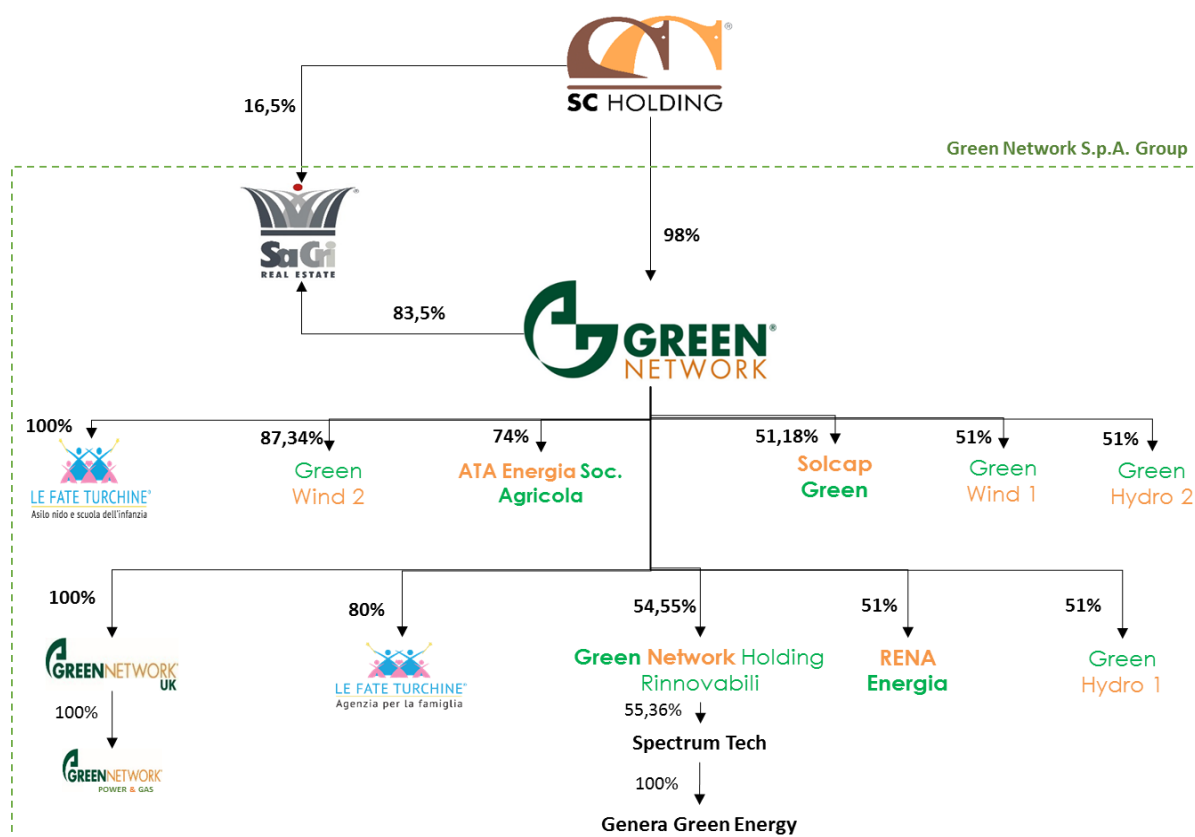
An associated company is an entity with no legal persons, as in the case of a partnership, in which the participant holds a significant influence and is neither a subsidiary nor jointly-controlled equity investment. Joint control is the contractually established sharing of control of an economic activity and only exists when the unanimous consent of all parties that share control (participants in joint control) is required for the financial and management-strategic decisions relating to the activity.

Equity investments in associated companies are recognised at cost which represents the fair value, and are subsequently measured using the equity method.

Profits or losses pertaining to the Group are recorded from the date on which the significant influence started up until the date it ceases. The book value of the equity investments is subject to impairment testing to verify the existence of permanent losses in value. In the presence of impairment, the recoverability of the investment in the associated company is verified by comparing the book value of the equity investment and the higher of the value in use, determined by discounting, where possible, the prospective cash flows of the investee, and the hypothetical sale value calculated on the basis of recent transactions or market multiples.

In the case of equity investments in subsidiaries that the Group holds through its controlling investees, the value of the equity investment is adjusted to take account of the effective percentage of the equity investment held by the Group, consequently the minority interests (capital and profit/loss).

The scope of consolidation of the Green Network S.p.A. Group for the purposes of these financial statements is shown below.



The table below provides a description of the primary business performed by each Group company.

| Subsidiaries  | Primary business  |
|---|---|
| <b>SACRI REAL ESTATE S.p.A.</b><br>Rome, Corso d'Italia no. 11                          | Real estate   |
| <b>SOLCAP GREEN S.R.L.</b><br>Rome, Corso d'Italia no. 11                               | Generation of energy from renewable sources (photovoltaic)  |
| <b>GREEN HYDRO 1 S.R.L.</b><br>Rome, Corso d'Italia no. 11                              | Generation of energy from renewable sources (hydroelectric)   |
| <b>GREEN HYDRO 2 S.R.L.</b><br>Rome, Corso d'Italia no. 11                              | Generation of energy from renewable sources (hydroelectric)   |
| <b>GREEN WIND 1 S.R.L.</b><br>Rome, Corso d'Italia no. 11                               | Generation of energy from renewable sources (wind)  |
| <b>GREEN WIND 2 S.R.L.</b><br>Rome, Corso d'Italia no. 11                               | Generation of energy from renewable sources (wind)  |
| <b>RENA ENERGIA S.R.L.</b><br>Rome, Corso d'Italia no. 11                               | Generation of energy from renewable sources (biomass)   |
| <b>ATA ENERGIA SOC. AGRICOLA S.R.L.</b><br>Rome, Corso d'Italia no. 11                  | Generation of energy from renewable sources (biomass)   |
| <b>GREEN NETWORK UK PLC</b><br>London (GB)  | Trading and sourcing electricity  |
| <b>GREEN NETWORK POWER &amp; GAS LTD</b><br>London (GB)                                 | Electricity and gas sales to end consumers  |
| <b>GREEN NETWORK HOLDING RINNOVABILI S.R.L.</b><br>Rome, Corso d'Italia no. 11          | Management of equity investments in companies operating in the renewable energy sector  |
| <b>SPECTRUM TECH S.R.L.</b><br>Bucharest (Romania), Barbu Stefanescu Delavrancea no. 55 | Generation of energy from renewable sources (photovoltaic)  |
| <b>GENERA GREEN ENERGY</b><br>Romania   | Generation of energy from renewable sources (photovoltaic)  |
| <b>LE FATE TURCHINE S.R.L.</b><br>Rome, Corso d'Italia no. 11                           | Personnel recruitment and selection   |
| <b>LE FATE TURCHINE 2 S.R.L.</b><br>Rome, Corso d'Italia no. 11                         | Offer of recreational and educational services.   |
| Associated companies  | Primary business  |
| <b>SOLERGY S.p.A.</b><br>Corso d'Italia No. 19, Rome                                    | Generation of energy from renewable sources (photovoltaic)  |
| <b>U.S. BOREALE S.r.l. (*)</b><br>Via G Sacconi, 4 B - 00196 Rome                       | Real estate investment activities   |
| <b>CONVERGE S.r.l.</b><br>Brescia, Via Corsica no. 143                                  | Construction of residential and non-residential buildings   |
| <b>JMS (Profit sharing)</b><br>Brescia, Via Corsica no. 143                             | Electricity trading, wholesaler without sale to end customers.<br>Administrative-management advisory services and company planning. |

(\*) Equity investment held through the subsidiary Sacri Real Estate S.p.A.

With reference to the percentages of shares/holdings held, note that a commitment by the company Green Network S.p.A. exists vis-à-vis the minority shareholder (Simest S.p.A.):

- ♦ of the company Solcap Green S.r.l. to acquire all minority shares as at 31.07.2017 by paying an amount equal to the shareholders' equity as of the same date of transfer and, in any event, no less than EUR 1,304,000 and no more than EUR 3,920,000;
- ♦ of the company Green Network Holding Rinnovabili to acquire all minority shares as at 30.06.2019 by paying an amount equal to the shareholders' equity as of the same date of transfer and, in any event, no less than EUR 3,500,000 and no more than EUR 1,499,600.

In compliance with IFRS 10, the subsidiaries were consolidated on a line-by-line basis. With reference to associated companies, in compliance with IAS 28, these companies were valued using the equity method, considering the financial statements for the year ended as at 31.12.2015, with the exception of the companies Converge S.r.l. and JMS S.r.l. for which, given the unavailability of said financial statements, the value of the last set of approved financial statements (31.12.2014) was considered.

### Translation of foreign currency items

The financial statements of subsidiaries and associated companies were drafted by using the currency of the primary economic area in which they operate ("functional currency"). For the purposes of this report, the financial statements of each foreign company are translated to Euro, as it is the Group's functional currency. In this regard, note that the company Green Network Uk Plc, operating in London, drafts its financial statements in Euro as its accounts are set up in the European functional currency and, therefore, no accounting balances were translated. The following exchange rates were used for the financial statements of the Romanian company Spectrum Tech S.r.l and for Genera Green Energy:

- ◆ exchange rate in force at the reporting date of the financial statements: 4.524;
- ◆ costs and revenues are converted at the average exchange rate for the period/year: 4.44541.

### Change in the scope of consolidation with respect to 31.12.2014

With reference to the scope of consolidation, bear in mind that the year under review was characterised by the following operating events:

- ◆ purchase of additional stakes in the company ATA Energia Soc. Agricola S.r.l. of 34%, which brought the percentage stake to 74% and, therefore, the company was consolidated starting from 2015;
- ◆ purchase of additional stakes in the company Green Wind 2 S.r.l. of 36.34%.

It should be noted that the year under review was characterised by the following corporate events:

- ◆ merger by incorporation of the subsidiary Green Network Luce & Gas S.r.l., with accounting effects backdated to 01.01.2015;
- ◆ liquidation of 20 electricity trading companies and of Modula Power S.p.A.;
- ◆ definitive sale of controlling interests in Solcap S.r.l.;
- ◆ disposal of the shares held in Network for Trading doo via the subsidiary Green Network UK Plc;
- ◆ subscription of all the share capital of Green Network Power & Gas Ltd which, despite being a subsidiary, was not consolidated given non-operational at the date of these financial statements.

The events described did not have significant impacts for the purposes of these consolidated financial statements, given applied retroactively at the time of transition to international accounting standards (IAS/IFRS). For in-depth comments, please refer to the section of the notes to the separate financial statements of Green Network S.p.A. dealing with the effects of the transition.



## Measurement Criteria

### Intangible fixed assets

Intangible fixed assets are the identifiable assets controlled by the entity that are able to produce future economic benefits. They also include goodwill when acquired with consideration.

These assets are recognised in the financial statements at purchase, production or transfer costs, including any accessory expenses and direct costs needed to make the asset available for use and net of any grants related to assets. Development costs are also capitalised provided that the cost can be reliably determined and that it can be demonstrated that the asset is able to produce future economic benefits.

Intangible fixed assets with a finite useful life are amortised systematically starting from the moment the asset is available for use over the period of expected use. Intangible fixed assets with an indefinite useful life are not subject to systematic amortisation but are tested at least annually for impairment.

### Property, plant and machinery and investment property

Operating property, plant and machinery are recorded under "property, plant and machinery" while non-operating properties are classified as "investment property". These are booked in the financial statements at purchase, production or transfer cost, including accessory expenses according to the criteria already indicated for intangible fixed assets.

The single components of a plant that have a different useful life are booked separately so that they are depreciated in line with their duration based on a 'component' approach.

The costs incurred subsequent to purchase are recognised to increase the book value of the element to which they refer, if it is likely that the future benefits associated with the cost incurred to replace a part of the asset will flow to the Group and the cost of the element can be reliably determined. All other costs are booked to the income statement in the year in which they are incurred.

The presumed realisable value which is expected to be recovered at the end of the useful life is not amortised. Fixed assets are depreciated systematically each year on a straight-line basis according to the economic-technical rates determined in relation to the asset's residual useful life. The range of years of useful life estimated by the Group is reported in the following table:

| Description                | Useful life (years) |
|----------------------------|---------------------|
| Plant and machinery        | 4 - 20              |
| Equipment                  | 6                   |
| Furniture and furnishings  | 8                   |
| Electronic office machines | 5                   |
| Mobile phones              | 5                   |
| Cars                       | 4                   |
| Sundry equipment           | 4                   |

A fixed asset is eliminated from the financial statements at the time of sale or when the future economic benefits expected from its use or disposal no longer apply. Any losses or profits (calculated as the difference between the net proceeds of the sale and the book value) are included in the income statement upon said elimination.

The residual value of the asset, useful life and methods applied are reviewed annually and adjusted if necessary at the end of each financial year.

In respect of assets acquired under finance leases, in compliance with the provisions of IAS 17, a financial payable for the same amount is recognised under liabilities. The payable is progressively reduced based on the instalments for the repayment of the capital included in the contractually agreed upon rents, while the value of the assets recorded under “property, plant and machinery” is systematically depreciated based on the economic-technical life of the asset itself.

If there are indicators of impairment, the tangible fixed assets are subject to impairment testing, as illustrated below in the section “impairment of non-financial assets”; any write-downs may later be written back if the reasons for the write-down no longer exist.

#### **Environmental certificates (Emission quotas and green certificates)**

Green certificates are booked in the item “Other non-current assets” under balance sheet assets, carried at purchase cost. This item is subject to impairment testing.

The green certificates accrued in relation to the production of energy with plants that use renewable energy sources are similar to non-monetary operating grants and recognised at fair value under other revenues and income, with contra-item in ‘other non-financial assets’, if the certificates were still not credited to the proprietary account, or inventories, if the certificates were already credited.

#### **Impairment of non-financial assets**

At each reporting date of the financial statements, tangible and intangible fixed assets are analysed to identify the existence of any indicators of impairment. If the presence of these indicators is identified, the recoverable value of the aforementioned assets is estimated, recognising any write-down with respect to the book value in the income statement.

The recoverable amount of an asset is the higher of the fair value of the asset, less costs to sell, and its value in use. The latter refers to the present value of the expected future cash flows for said asset. For an asset that does not generate sufficiently independent cash flows, the realisable value is determined in relation to the cash-generating unit (CGU) to which said asset belongs. In determining the value in use, the expected future cash flows are discounted using a discount rate that reflects the current market valuation of the cost of borrowing, in relation to the investment period and specific risks of the asset. Impairment is booked to the income statement when the book value of the asset is higher than its recoverable value. If the reasons for a write-down previously effected no longer apply, the book value of the asset, excluding goodwill, is written back to the income statement, up to the limits of the net book value that the asset in question would have had if the write-down had not been carried out and if depreciation had been charged.

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## Financial instruments

Financial instruments are recognised and valued according to IAS 32 or IAS 39. A financial asset or liability is recorded in the financial statements when, and only when the Group becomes party to the contractual clauses of the instrument (trade date).

Financial instruments are classified on the basis of IAS 39 as follows:

- ◆ financial assets and liabilities at fair value through profit and loss (FVTPL);
- ◆ financial assets held to maturity (HTM);
- ◆ loans and receivables (L&R);
- ◆ financial assets available for sale (AFS);
- ◆ financial liabilities measured at amortised cost.

### *Financial assets and liabilities at fair value through profit and loss (FVTPL)*

Debt securities are classified in this category, as well as equity investments in companies other than subsidiaries, associated companies and joint ventures and investment funds held for trading or designated at fair value in the income statement at the moment of initial recognition.

These instruments are initially recognised at the associated fair value and subsequent profits and losses deriving from fair value changes are booked to the income statement.

### *Financial assets held to maturity (HTM)*

This category includes non-derivative financial assets, with fixed or determinable payments and fixed maturities, listed in active markets and are not represented by equity investments, for which the Group has the intention and the capacity to hold them to maturity. These assets are initially recognised at fair value, including transaction costs and are subsequently valued at amortised cost using the effective interest rate method.

### *Loans and receivables (L&R)*

This category mainly includes trade-related receivables and other financial receivables. Loans and receivables are non-derivative financial assets, with fixed or determinable payments that are not listed in an active market, other than those that the Group intends to sell immediately or in the short-term (classified as held for trading) and those that the Group, at the time of initial recognition, designated at fair value through profit or loss or as available for sale. These assets are initially recognised at fair value, adjusted if necessary for transaction costs, and are subsequently valued at amortised cost using the effective interest rate method, without any discount if it is immaterial.

### *Assets available for sale*

This category primarily includes listed debt securities not classified as held to maturity and equity investments in other companies (if not classified as “financial assets at fair value through profit and loss”)

Assets available for sale are designated at fair value and the profits and losses determined are booked to shareholders' equity, in particular to the “AFS Reserve” and charged to the statement of other comprehensive income.

This reserve is reversed to the income statement only at the moment in which the financial asset is actually sold or, in the case of negative changes, when there is evidence that the impairment already

recorded in shareholders' equity cannot be recovered. When the fair value cannot be reliably determined, these assets are booked at cost, adjusted for any impairment.

#### *Financial liabilities at amortised cost*

This category mainly includes loans, trade-related payables, financial leasing payables and debt instruments.

Financial liabilities other than derivatives are recognised when the Group becomes party to the contractual clauses of the instrument and are initially recorded at fair value adjusted by directly attributable transaction costs. Financial liabilities are subsequently valued using the amortised cost approach, applying the effective interest rate method.

#### *Derecognition of financial assets and liabilities*

Financial assets are eliminated from the balance sheet when the right to receive the cash flows is extinguished and all risks and rewards connected with holding the asset (derecognition) are substantially transferred, or in the event the item is considered definitively non-recoverable, after all necessary recovery procedures have been completed. Financial liabilities are eliminated from the balance sheet when the specific contractual obligation is extinguished. An amendment of existing contractual terms also constitutes extinguishment, if the new conditions have significantly altered the original agreements and, in any case, when the present value of the cash flows that will be generated from the revised agreements vary by more than 10% from the value of the discounted cash flows of the original liability.

#### *Fair value measurement*

The fair value is defined as the price that would be received from the sale of an asset or that would be paid to transfer a liability in a normal transaction between market operators at the date on which the measurement is performed.

The fair value of instruments listed in public markets is determined by making reference to prices at the date of the end of the period. The fair value of unlisted instruments is measured by making reference to financial valuation techniques.

Financial assets and liabilities measured at fair value are classified into the three hierarchical levels described below, based on the relevance of the information (inputs) used in determining the fair value itself. Specifically:

- ◆ Level 1: financial assets and liabilities whose fair value is determined on the basis of the prices listed (not modified) on active markets for identical assets or liabilities;
- ◆ Level 2: financial assets and liabilities whose fair value is determined on the basis of the inputs other than the listed prices referred to in Level 1 but directly or indirectly observable;
- ◆ Level 3: financial assets and liabilities whose fair value is determined on the basis of the input data that are not based on observable market data.

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## Derivative financial instruments

A derivative is a financial instrument or another contract:

- ◆ whose value changes in relation to variations in a an “underlying” parameter, such as interest rate, price of a security or commodity, foreign exchange rate, price or interest rate index, credit rating or other variable;
- ◆ that requires a net initial investment equal to zero, or less than the amount that would be required for contracts with a similar response to changes in market conditions;
- ◆ that is settled at a future date.

Derivative contracts are initially recognised at fair value, on the date the contract is negotiated, and subsequently measured at fair value.

When financial instruments meet the requirements to qualify for hedge accounting, as per IAS 39, the following accounting treatments are applied:

- ◆ Cash flow hedge: if the derivatives hedge the risk of cash flow changes in the elements subject to hedging, the effective portion of the fair value changes in the derivatives is booked directly to shareholders' equity, in particular to the “derivatives valuation reserve” and booked to the statement of other comprehensive income, while the ineffective portion is booked directly to the income statement. At the moment the transaction is performed in the future, the amounts recorded directly in shareholders' equity are reflected in the income statement consistent with the economic effects of the hedged element;
- ◆ Fair value hedge: if the derivatives hedge the risk of fair value changes in the elements subject to hedging, the fair values changes in derivatives are booked directly to the income statement.

## Cash and cash equivalents

Cash and cash equivalents include bank and postal deposits, readily tradable securities that represent temporary investments of liquidity and financial receivables due within three months.

## Inventories

Inventories are recognised at the lower of the purchase or production cost and the net realisable value, represented by the amount the Group expects to obtain from their sale during the normal course of business, less costs to sell. The cost of inventories of raw materials, consumables and finished products and goods for resale is determined by applying the weighted average cost method.

## Employee benefits

Employee severance indemnity is determined by applying an actuarial method: the amount of the rights accrued in the year by employees is booked to the income statement to the item 'payroll and related costs', while the figurative financial expense that the company would incur if a loan was requested from the market for an amount equal to the Employee severance indemnity, is booked to “Financial income (expense)”. Actuarial gains and losses that reflect the effects of changes in the actuarial assumptions used are booked to the statement of other comprehensive income, taking account of the remaining average working life of the employees.

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### Provisions for risks and charges

Provisions for risks and charges are allocated exclusively in the presence of an actual obligation that can be reliably estimated, resulting from past events, that may be legal, contractual or derive from Group declarations or conduct to lead third parties to have reasonable expectations that the Group is responsible for or assumes responsibility for fulfilling an obligation (so-called “implicit obligations”). If the financial effect of time is significant, the liability is discounted and the effect of the discounting is booked under financial charges.

### Recognition of revenues and costs

Revenues are recognised to the extent that it is probable that economic benefits will be achieved by the Group and the associated amount can be reliably determined. Revenues are measured at the fair value of the consideration received or receivable, taking into account the value of any sales discounts, returns and allowances granted by the Group.

More specifically, based on the transaction type, revenues are recognised according to the specific criteria illustrated below:

- ◆ revenues from the sale of goods are booked when the risks and rewards of ownership of the assets are transferred to the purchaser and their amount can be reliably determined;
- ◆ revenues from the sale and transport of electricity and gas is recognised when the commodities are provided to the customers and refer to the quantities supplied in the year, even if not invoiced; they are determined by adding suitable estimates to the figures recorded based on periodic meter readings. Where applicable, these revenues are based on the tariffs and related restrictions set out in legal provisions and those of the Italian Energy Authority and equivalent foreign institutions, in force during the reference period;
- ◆ revenues from the provision of services are recorded with reference to the stage of completion of the service at the balance sheet date, in the years in which the services are provided. The stage of completion of the service is determined on the basis of the valuation of the service rendered as a percentage of the total of the services that need to be rendered or as a proportion of the costs incurred and the estimate of the total costs of the transaction. In the event it is not possible to reliably determine the value of revenues, they are recognised up to the amount of the costs incurred that it is believed will be recovered.

Financial income and expense are recognised on an accruals basis.

Dividends are recognised when the right to collection by shareholders arises, which normally occurs in the year in which the shareholders' meeting of the investee is held that resolves the distribution of profits or reserves.

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## Taxation

For the purposes of these financial statements, note that taxes derive from the sum of taxes calculated on the book values of the individual consolidated companies that take account of the estimate of taxable income in compliance with the applicable rates and provisions, or substantially approved at the close of the year, and the applicable exemptions and tax credits due.

Note that, for the year under review, the consolidating entity and certain Group companies (Sacri Real Estate S.p.A., Green Network Holding Rinnovabili S.r.l., Le Fate Turchine S.r.l. and Le Fate Turchine 2 S.r.l.) applied the national tax consolidation option pursuant to articles 117 et seq. of Presidential Decree 917/1986, therefore transferring its tax result for the period for IRES purposes to the consolidating company SC HOLDING S.r.l..

## Use of estimates and subjective evaluations

The drafting of this report on the consolidated financial statements and explanatory notes required Directors to use estimates and assumptions in determining certain assets and liabilities and in evaluating contingent liabilities. Future results stemming from the occurrence of the events could therefore differ from these estimates. The estimates and assumptions considered are constantly reviewed and the effects of any variations are booked immediately to the financial statements. The use of estimates is especially important for the following items:

- ◆ depreciation (for assets with a finite useful life) of tangible fixed assets and amortisation of intangible fixed assets and impairment testing, as described previously in the section relating to the “impairment of non-financial assets”;
- ◆ the measurement of derivative instruments and, more in general, of financial instruments; for details refer to the criteria outlined in “financial instruments” and the section relating to the “fair value measurement”;
- ◆ determination of certain sales revenues, provisions for risks and charges, bad debt provision and other write-down provisions, employee benefits and taxation: in these cases, the best possible estimates are made based on the information available.

## Offsetting of financial assets and financial liabilities

The Group offsets financial assets and financial liabilities when there is a legally enforceable right to set off the recognised amounts in the financial statements or, when it intends to either settle on a net basis or realise the asset and settle the liability simultaneously.

## INFORMATION ON RISK MANAGEMENT

For this information, please refer to the relevant section of the explanatory notes to the separate financial statements to which this report refers.

## SECTOR-BASED INFORMATION

For this information, please refer to the relevant section of the explanatory notes to the separate financial statements to which this report refers.

### Relevant customers in accordance with IFRS 8

As regards the disclosure pursuant to IFRS 8, there is no significant concentration of Group sales.



## Explanatory notes to income statement items

### 1. Revenues from sales and services - EUR 1,022,645,238

Revenues from sales and services refer almost exclusively to revenues from the sale of electricity and gas. Details of the item are reported below.

|  | 31.12.2015           | 31.12.2014           | Change               |
|--|----------------------|----------------------|----------------------|
| Sale of energy                                   | 500,988,744          | 717,043,770          | (216,055,026)        |
| Interconnector energy revenues                   | 110,855,413          | 165,120,655          | (54,265,242)         |
| Recovery of dispatch charges                     | 44,225,159           | 70,674,024           | (26,448,865)         |
| Recovery of transport charges                    | 266,102,672          | 309,042,490          | (42,939,818)         |
| Recovery of imbalance charges                    | 13,923,616           | 24,773,142           | (10,849,526)         |
| Recovery of charges and imbalance - CCC and CCCI | 949,883              | 7,280,777            | (6,330,894)          |
| Import capacity                                  | 1,405,104            | 4,877,806            | (3,472,702)          |
| Gas sales  | 71,822,241           | 89,115,030           | (17,292,789)         |
| Recovery of gas transportation charges           | 2,001,139            | 1,720,294            | 280,845              |
| Recovery of gas carrier charges                  | 8,616,048            | 4,559,541            | 4,056,508            |
| Recovery of CMOR charges                         | 691,535              | 42,327               | 649,207              |
| Other gas proceeds                               | 29,002               | 248,739              | (219,737)            |
| Recovery of sundry charges                       | 792,355              | 2,474,196            | (1,681,842)          |
| Rentals receivable                               | 1,920                | 36,016               | (34,095)             |
| Provision of services                            | 240,408              | 123,891              | 116,517              |
| <b>Total</b>                                     | <b>1,022,645,238</b> | <b>1,397,132,698</b> | <b>(374,487,459)</b> |

On the whole, both revenues from the sale of energy and gas recorded a decrease over the previous year, as a result of the reduction in low profit margin sales.

### 2. Other revenue and income - EUR 18,010,618

Other revenue and income was composed as follows as at 31 December 2015:

|                                | 31.12.2015        | 31.12.2014        | Change           |
|--------------------------------|-------------------|-------------------|------------------|
| Revenues from incentive tariff | 709,000           | 801,913           | (92,913)         |
| Operating grants               | 3,650,263         | 3,689,650         | (39,387)         |
| Other income                   | 767,898           | 1,062,917         | (295,019)        |
| Reimbursement of expenses      | 272,034           | 234,657           | 37,377           |
| Compensation from suppliers    | 1,025,932         | 4,350,410         | (3,324,477)      |
| Recovery of costs and charges  | 11,585,491        | 2,102,347         | 9,483,144        |
| <b>Total</b>                   | <b>18,010,618</b> | <b>12,241,894</b> | <b>5,768,724</b> |

Other revenue and income are primarily composed of the recovery of costs and charges connected with the sale of electricity and gas. Another significant item was operating grants, connected to the forms of incentive some Group companies benefit from, thanks to plants that produce electricity from renewable energy sources.

### 3. Electricity and gas purchase - EUR 981,151,483

|                            | 31.12.2015         | 31.12.2014           | Change               |
|----------------------------|--------------------|----------------------|----------------------|
| Electricity purchases      | 470,263,119        | 672,038,585          | (201,775,466)        |
| Biomass purchase           | 769,947            | 784,498              | (14,551)             |
| Energy transport charges   | 263,841,201        | 311,451,997          | (47,610,797)         |
| Dispatch charges           | 40,929,218         | 73,143,604           | (32,214,386)         |
| Imbalance charges          | 2,636,794          | 3,835,774            | (1,198,980)          |
| CCC, CCCI charges          | 616,320            | 6,261,244            | (5,644,924)          |
| GME service costs          | 132,150,333        | 184,140,769          | (51,990,436)         |
| CTS considerations         | 1,274,675          | 828,454              | 446,221              |
| Import capacity            | 0                  | 5,028,216            | (5,028,216)          |
| Gas purchases              | 51,307,375         | 76,883,421           | (25,576,046)         |
| Gas transportation charges | 5,688,611          | 6,557,312            | (868,700)            |
| Gas carrier charges        | 8,777,272          | 3,817,487            | 4,959,785            |
| Other gas charges          | 639,531            | 26,684               | 612,847              |
| Sundry purchases           | 524,332            | 259,649              | 264,683              |
| Inventories                | 1,732,754          | 357,863              | 1,374,891            |
| <b>Total</b>               | <b>981,151,483</b> | <b>1,345,415,558</b> | <b>(364,264,075)</b> |

Electricity and gas purchase costs recorded a decrease in the year under review compared to the previous year, in line with the amount recognised under revenues from sales and services.

### 4. Costs for services and materials - EUR 34,593,349

Costs for services and materials are composed as follows.

|                                    | 31.12.2015 | 31.12.2014 | Change      |
|------------------------------------|------------|------------|-------------|
| Technical consulting               | 976,240    | 486,001    | 490,239     |
| Legal and tax consulting           | 2,281,444  | 1,685,757  | 595,687     |
| Sundry consulting                  | 48,186     | 172,630    | (124,445)   |
| Sales consulting                   | 809,590    | 868,671    | (59,082)    |
| Financial consulting               | 544,215    | 306,052    | 238,163     |
| Advertising and promotion expenses | 4,115,539  | 6,859,701  | (2,744,162) |
| Commission payable                 | 9,065,212  | 1,227,998  | 7,837,214   |
| Insurance                          | 848,475    | 810,467    | 38,008      |
| Utilities                          | 135,432    | 35,274     | 100,159     |
| Postal and telephone expenses      | 2,387,241  | 1,071,058  | 1,316,183   |
| Call centre service costs          | 4,004,503  | 686,561    | 3,317,942   |
| Entertainment expenses             | 432,373    | 70,575     | 361,798     |
| Auditors' fees                     | 152,860    | 257,805    | (104,945)   |
| Statutory Auditors' fees           | 114,046    | 123,387    | (9,341)     |
| Supervisory Body's fees            | 15,600     | 10,400     | 5,200       |
| Bank charges and fees              | 955,090    | 562,236    | 392,854     |
| Factoring commission               | 750,396    | 1,631,031  | (880,634)   |
| Charges on sureties                | 2,374,227  | 1,786,886  | 587,341     |
| Hardware and software support      | 671,579    | 543,663    | 127,916     |
| Maintenance and repairs            | 610,659    | 673,494    | (62,835)    |
| Transport and Warehousing          | 97,065     | 99,065     | (2,000)     |
| Stationery and printed materials   | 182,600    | 5,614      | 176,987     |
| Other service costs                | 1,378,392  | 1,069,304  | 309,088     |
| Rentals payable                    | 645,325    | 814,705    | (169,380)   |
| Car rental                         | 268,571    | 449,441    | (180,870)   |
| Equipment rental                   | 107,317    | 14,026     | 93,291      |

|   | 31.12.2015        | 31.12.2014        | Change            |
|---|-------------------|-------------------|-------------------|
| Leasing fees and charges                      | 401,804           | 8,405             | 393,399           |
| Building leases and easements                 | 23,955            | 23,955            | (0)               |
| Maintenance and repairs of third party assets | 94,265            | 0                 | 94,265            |
| Software licences                             | 101,148           | 20,336            | 80,812            |
| <b>Total</b>                                  | <b>34,593,349</b> | <b>22,374,498</b> | <b>12,218,851</b> |

The item registered a significant increase compared to the previous year, as a result of the higher costs incurred for commissions payable and call centres, related to the strategy employed by the Group regarding the sale of electricity and gas to small consumers (households) and the SME sector, as well as the development of activities on the UK market.

## 5. Payroll and related costs - EUR 11,409,589

|   | 31.12.2015        | 31.12.2014       | Change           |
|---|-------------------|------------------|------------------|
| Salaries and wages                                  | 6,089,589         | 4,956,489        | 1,133,100        |
| Social security charges                             | 1,695,644         | 1,321,454        | 374,189          |
| Employee severance indemnity                        | 431,382           | 266,295          | 165,087          |
| Directors' fees                                     | 1,533,916         | 1,111,872        | 422,044          |
| Directors' and freelancers' social security charges | 57,325            | 33,205           | 24,120           |
| Other payroll and related costs                     | 1,601,733         | 1,346,311        | 255,422          |
| <b>Total</b>  | <b>11,409,589</b> | <b>9,035,627</b> | <b>2,373,962</b> |

The increase in payroll and related costs reflects the general rise in the number of employees used by the Group to carry out company business, sitting at an average of 162 staff at the date of this report.

Other payroll and related costs include accessory charges connected with personnel management, such as those relating to the company crèche, personnel recruitment and training, the purchase of meal vouchers, the fees of the company doctor for mandatory medical check-ups as well as the management of cars granted as company benefits to personnel.

## 6. Amortisation/depreciation and impairment - EUR 5,765,659

The item may be broken down as follows.

|  | 31.12.2015       | 31.12.2014       | Change             |
|--|------------------|------------------|--------------------|
| Amortisation/depreciation and impairment of fixed assets | 3,619,041        | 3,076,621        | 542,420            |
| Impairment of receivables                                | 2,146,617        | 4,080,907        | (1,934,290)        |
| <b>Total</b>   | <b>5,765,659</b> | <b>7,157,529</b> | <b>(1,391,870)</b> |

Amortisation/depreciation totalled EUR 3,619,041, broken down into EUR 290,080 for the amortisation of intangible fixed assets, also including the amortisation of CAP certificates which accrue on the Lanciano biomass plant, and EUR 3,328,961 for the depreciation of property, plant and machinery, including the depreciation of investment property.

During the year under review, fixed assets were not tested for impairment given there was no evidence of a loss in value.

The amount of EUR 2,146,617 refers to the impairment of the receivables in the portfolio effected by the company during the year under review. The item is broken down into EUR 1,800,000 for the allocation set aside as a result of the collective evaluation of the receivables in the portfolio which presented similar characteristics, and EUR 346,617 as a result of the impairment generated by the detailed evaluation of individual credit positions in compliance with IAS 39.

## 7. Provisions - EUR 1,432,000

|              | 31.12.2015       | 31.12.2014     | Change           |
|--------------|------------------|----------------|------------------|
| Provisions   | 1,432,000        | 302,000        | 1,130,000        |
| <b>Total</b> | <b>1,432,000</b> | <b>302,000</b> | <b>1,130,000</b> |

During the year under review, in compliance with the provisions of IAS 37, the company allocated EUR 1,432,000 primarily to cover the expenses related to the dispute with the Italian Electricity and Gas Authority concerning the purchase of green certificates in 2008, as already commented on in the Report on operations, to which reference should be made for more details.

## 8. Other operating costs - EUR 5,804,686

|                                   | 31.12.2015       | 31.12.2014        | Change             |
|-----------------------------------|------------------|-------------------|--------------------|
| Taxes and duties                  | 3,220,563        | 1,468,791         | 1,751,771          |
| Membership fees                   | 34,703           | 21,346            | 13,357             |
| Losses on receivables             | 378,007          | 8,859,848         | (8,481,841)        |
| Sanctions, fines and penalties    | 1,194,831        | 1,245,354         | (50,524)           |
| Antitrust Authority contributions | 172,011          | 0                 | 172,011            |
| Sundry charges                    | 804,571          | 1,152,318         | (347,747)          |
| <b>Total</b>                      | <b>5,804,686</b> | <b>12,747,658</b> | <b>(6,942,972)</b> |

The item is composed primarily of EUR 3,220,563 in the form of interest and taxes, of which EUR 2,946,106 relating to higher taxes deriving from settlement agreements reached by the consolidating entity with the Tax Authorities in relation to disputes connected with transactions carried out in previous years, as already commented on in the Report on Operations to which reference should be made for further details.

The item relates to sanctions, fines and penalties and includes EUR 519,658 relating to the sanctions deriving from the above-mentioned settlement agreements.

## 9. Financial income (expense) from derivative contracts - EUR 9,267,011

The item presented a positive balance of EUR 9,267,011 as a result of the purchase of electricity in the year under review, for which the holding company subscribed derivative hedging instruments which resulted in a net positive effect.

## 10. Financial income (expense) from financial instruments measured at fair value - EUR (229,032)

The amount of EUR 229,032 represents the negative fair value change in the financial instruments held by the Group and classified in the "AFS" portfolio based on IAS 39, in relation to shares.

## 11. Net profit (loss) from the sale of current and non-current operating assets - EUR 0

|   | 31.12.2015 | 31.12.2014       | Change         |
|---|------------|------------------|----------------|
| Net profit (loss) from the sale of non-current operating assets | 0          | (733,908)        | 733,908        |
| <b>Total</b>  | <b>0</b>   | <b>(733,908)</b> | <b>733,908</b> |

The item presents the net profit from the sale of non-current assets classified in accordance with IFRS 5 as held for sale. The amount of EUR 733,908 recognised, based on IFRS 5 in the year 2014, relates to the net profit deriving from the sale, in the year under review, of controlling interests held in the companies Solcap S.r.l. and Modula Power S.p.A., and in the energy trading companies, as already commented on in note 19 of the explanatory notes to the separate financial statements of Green Network S.p.A., to which reference should be made for further details.

## 12. Financial income - EUR 2,794,459

The item may be broken down as follows.

|   | 31.12.2015       | 31.12.2014       | Change             |
|---|------------------|------------------|--------------------|
| Capital gains on equity investments               | 0                | 350              | (350)              |
| Income from equity investments in other companies | 11,329           | 0                | 11,329             |
| <b>Income from equity investments</b>             | <b>11,329</b>    | <b>350</b>       | <b>10,979</b>      |
| Interest on loans to subsidiaries                 | 52,620           | 39,480           | 13,140             |
| Interest on loans to associated companies         | 33,072           | 87,143           | (54,070)           |
| Interest on securities                            | 75,524           | 198,078          | (122,553)          |
| Interest on loans to other companies              | 39,480           | 0                | 39,480             |
| Capital gain from sale of securities              | 0                | 38,423           | (38,423)           |
| Interest income from customers                    | 2,683,602        | 4,266,098        | (1,582,496)        |
| Current account interest income                   | 39,240           | 95,189           | (55,949)           |
| Other financial income                            | 73,694           | 357,465          | (283,771)          |
| <b>Financial income</b>                           | <b>2,997,233</b> | <b>5,081,874</b> | <b>(2,084,642)</b> |
| <b>Exchange gains and losses</b>                  | <b>(214,102)</b> | <b>(33,755)</b>  | <b>(180,348)</b>   |
| <b>Total</b>                                      | <b>2,794,459</b> | <b>5,048,470</b> | <b>(2,254,010)</b> |

The item recorded a general reduction with respect to the balance in the previous year, mainly attributable to the fall in interest income from customers.

Income from equity investments in other companies refers to the dividends collected by the company relating to the equity investment held in Itaipower Energia S.r.l., while interest on loans to other companies of EUR 39,480 refers to the interest income accrued, at a rate of 5%, on the interest-bearing loan granted to Solcap S.r.l. transferred during the year in question.

## 13. Financial expense - EUR 9,202,345

Details of the breakdown of this item are reported below.

|  | 31.12.2015       | 31.12.2014       | Change           |
|--|------------------|------------------|------------------|
| Capital losses on sale of securities           | 13,883           | 26,898           | (13,015)         |
| Bank interest expense                          | 1,779,358        | 1,652,664        | 126,694          |
| Interest expense on mortgages and loans        | 147,115          | 575,079          | (427,964)        |
| Interest expense on factoring                  | 605,921          | 1,551,716        | (945,795)        |
| Interest due to other lenders                  | 4,687,491        | 2,019,452        | 2,668,039        |
| Charges on sureties                            | 9,576            | 0                | 9,576            |
| Sundry interest and expense                    | 538,013          | 628,816          | (90,803)         |
| Interest on settlement agreements              | 530,004          | 0                | 530,004          |
| Interest expense on shareholders' loans        | 391,747          | 105,026          | 286,720          |
| Interest expense on voluntary settlement       | 19,795           | 86,636           | (66,841)         |
| Other financial expense                        | 475,559          | 1,156,738        | (681,179)        |
| TFR (employee severance indemnity) discounting | 3,883            | 0                | 3,883            |
| <b>Total</b>                                   | <b>9,202,345</b> | <b>7,803,026</b> | <b>1,399,320</b> |

The item recorded a general increase, due primarily to interest on the settlement agreements reached by the consolidating entity with the Tax Authorities connected with tax disputes from previous years (see note 8), as well as higher interest due to other lenders recorded with respect to the previous year.

#### 14. Share of income/(expense) deriving from equity investments valued using the equity method - EUR 18,450

|                   | 31.12.2015    | 31.12.2014       | Change         |
|-------------------|---------------|------------------|----------------|
| Solergys          | 29,801        | 61,895           | (32,094)       |
| ATA Energia       | 8,000         | (248,846)        | 256,846        |
| Converge          | 0             | (7,606)          | 7,606          |
| JMS               | 0             | (28,429)         | 28,429         |
| US Boreale S.r.l. | (19,351)      | 87,784           | (107,136)      |
| <b>Total</b>      | <b>18,450</b> | <b>(135,202)</b> | <b>153,652</b> |

The item includes income deriving from the valuation, using the equity method, of equity investments in associated companies, primarily the valuation of the equity investment held in the companies Solergys S.p.A. and US Boreale S.r.l.. As regards the company ATA Energia, which became a subsidiary in the year in question, the value was adjusted to the cost actually incurred for the purchase.

It should be underlined that the equity investments in the companies Converge S.r.l. and JMS S.r.l. (Joint venture) were not valued given that, at the date of this report, the relevant financial statements for 2015 had not been received.

#### 15. Taxation - EUR (1,454,074)

Taxation for the year presents a negative balance totalling EUR 2,504,617. In compliance with IAS 12, details of the item are reported below.

|  | 31.12.2015       | 31.12.2014       | Change             |
|--|------------------|------------------|--------------------|
| Current taxes (IRES/IRAP)                | 3,623,193        | 2,081,124        | 1,542,069          |
| Net effect of deferred and prepaid taxes | (2,077,100)      | 1,893,484        | (3,970,584)        |
| Income from tax consolidation            | (92,019)         | (461,857)        | 369,838            |
| <b>Total</b>                             | <b>1,454,074</b> | <b>3,512,751</b> | <b>(2,058,677)</b> |

It should be underlined that the tax values derive from the sum of taxes resulting from the financial statements of the consolidated companies, calculated on the basis of the associated financial statements for the year. More specifically, for the consolidating entity, the allocation of taxes for the year was made on the basis of the financial statements drafted in accordance with the international accounting standards (IAS/IFRS), while that of the consolidated companies was made in consideration of the financial statements drafted according to the reference national accounting standards.

Furthermore, for the year under review, the consolidating entity and the companies Sacri Real Estate S.p.A., Green Network Holding Rinnovabili S.r.l., Le Fate Turchine S.r.l. and Le Fate Turchine 2 S.r.l. applied the national tax consolidation option pursuant to articles 117 et seq. of Presidential Decree 917/1986, therefore transferring its tax result for the period for IRES purposes to the consolidating company SC Holding S.r.l.. Therefore, the recognition of IRAP for the year involved the recording of a payable due to the tax authorities for taxes in the year, while the recognition of IRES for the year entailed the registration of a payable due to SC Holding for tax consolidation.

## Explanatory notes to balance sheet items

### 16. Intangible fixed assets - EUR 740,569

Intangible fixed assets as at 31.12.2015 presented a net book value of EUR 740,569 and are broken down as follows:

|   | Software licences  | Total              |
|---|--------------------|--------------------|
| <b>Initial values at 31 December 2014</b>           | <b>747,628</b>     | <b>747,628</b>     |
| Changes at 31 December 2015                         |                    |                    |
| - acquisitions                                      | 253,251            | 253,251            |
| - disposals   | 0                  | 0                  |
| - transfers   | 0                  | 0                  |
| - amortisation                                      | (260,309)          | (260,309)          |
| - reclassifications                                 | 0                  | 0                  |
| - write-downs                                       | 0                  | 0                  |
| <b>Total changes</b>                                | <b>(7,058)</b>     | <b>(7,058)</b>     |
| <b>Values at 31 December 2015</b>                   | <b>740,569</b>     | <b>740,569</b>     |
| <b>Historical cost</b>                              | <b>2,544,642</b>   | <b>2,544,642</b>   |
| Accumulated amortisation at 31 December 2014        | (1,543,764)        | (1,543,764)        |
| Amortisation in the period                          | (260,309)          | (260,309)          |
| <b>Accumulated amortisation at 31 December 2015</b> | <b>(1,804,073)</b> | <b>(1,804,073)</b> |
| <b>Values at 31 December 2015</b>                   | <b>740,569</b>     | <b>740,569</b>     |

The item is composed exclusively of the costs incurred for the purchase of the software for the operation of the invoicing programs and the programs for the management of the electricity and natural gas items which, during the year under review, recorded an increase of EUR 253,251 due to additional implementations.

The decreases are prevalently due to the process of amortisation calculated on the basis of the useful life of the assets estimated by the company.

### 17. Property, plant and machinery - EUR 34,189,313

The item includes the value of the properties owned by the Group, held for investment purposes.

Details of the item are reported below.

|   | Land and buildings | Plant and machinery | Industrial and commercial equipment | Other assets     | Total             |
|---|--------------------|---------------------|-------------------------------------|------------------|-------------------|
| <b>Initial values at 31 December 2014</b> | <b>1,145,849</b>   | <b>27,966,015</b>   | <b>34,991</b>                       | <b>2,879,355</b> | <b>32,026,210</b> |
| Changes at 31 December 2015               |                    |                     |                                     |                  |                   |
| - acquisitions                            | 0                  | 4,348,238           | 5,001                               | 672,822          | 5,026,061         |
| - disposals                               | 0                  | 0                   | 0                                   | 0                | 0                 |
| - transfers                               | 0                  | 0                   | 0                                   | 0                | 0                 |
| - depreciation                            | (14,069)           | (2,524,098)         | (9,029)                             | (541,557)        | (3,088,754)       |
| - reclassifications                       | 0                  | 0                   | 0                                   | 3,218            | 3,218             |
| - write-downs/revaluations                | (3,065)            | 227,616             | (1,971)                             | 0                | 222,580           |



|   | Land and buildings | Plant and machinery | Industrial and commercial equipment | Other assets       | Total               |
|---|--------------------|---------------------|-------------------------------------|--------------------|---------------------|
| <b>Total changes</b>                                | (17,134)           | 2,051,755           | (5,999)                             | 134,483            | 2,163,105           |
| <b>Values at 31 December 2015</b>                   | <b>1,128,714</b>   | <b>30,017,770</b>   | <b>28,991</b>                       | <b>3,013,839</b>   | <b>34,189,313</b>   |
| <b>Historical cost</b>                              | <b>1,166,953</b>   | <b>36,820,381</b>   | <b>58,185</b>                       | <b>6,569,741</b>   | <b>44,615,260</b>   |
| Accumulated depreciation at 31 December 2014        | (21,104)           | (4,506,128)         | (18,195)                            | (3,014,346)        | (7,559,773)         |
| Depreciation in the period                          | (14,069)           | (2,524,098)         | (9,029)                             | (541,557)          | (3,088,754)         |
| <b>Accumulated depreciation at 31 December 2015</b> | <b>(35,173)</b>    | <b>(7,030,227)</b>  | <b>(27,224)</b>                     | <b>(3,555,903)</b> | <b>(10,648,527)</b> |
| Write-downs/revaluations                            | (3,065)            | 227,616             | (1,971)                             | 0                  | 222,580             |
| <b>Values at 31 December 2015</b>                   | <b>1,128,714</b>   | <b>30,017,770</b>   | <b>28,991</b>                       | <b>3,013,839</b>   | <b>34,189,313</b>   |

The item relating to land and buildings, which presented a net book value of EUR 1,128,714, is composed, for EUR 697,971, of the value of the areas of land on which plants for the production of electricity from renewable sources sit (partly under construction), and an operating building for EUR 430,743 located in the biomass plant situated in Avigliano Umbro.

The item relating to plant and machinery, which presented a net book value of EUR 30,017,770, mainly includes the value of plants for the production of electricity from renewable sources. Details of the item are reported below.

|                                | Value as at 31.12.2014 | Acquisitions     | Depreciation       | Revaluations/write-downs | 31.12.2015        |
|--------------------------------|------------------------|------------------|--------------------|--------------------------|-------------------|
| Avigliano Umbro Biomass plant  | 6,364,472              | 0                | (471,704)          | 0                        | 5,892,768         |
| Sirone photovoltaic plants     | 3,461,466              | 0                | (203,615)          | 0                        | 3,257,851         |
| Bosisio photovoltaic plants    | 3,142,395              | 0                | (179,565)          | 0                        | 2,962,829         |
| Photovoltaic park in Romania   | 12,922,164             | 0                | (1,198,019)        | 94,633                   | 11,818,778        |
| Sant'Agata di Puglia wind farm | 2,070,000              | 0                | (115,000)          | 132,983                  | 2,087,983         |
| Lanciano Biomass plant         | 0                      | 4,348,238        | (350,678)          | 0                        | 3,997,560         |
| Other plants                   | 5,517                  | 0                | (5,517)            | 0                        | 0                 |
| <b>Total</b>                   | <b>27,966,015</b>      | <b>4,348,238</b> | <b>(2,524,098)</b> | <b>227,616</b>           | <b>30,017,770</b> |

The increase of EUR 4,348,238 relates to the Lanciano biomass plant deriving from consolidation of the company ATA Energia Società Agricola S.r.l., which became a subsidiary in the year under review.

Note that the plant for the production of electricity from renewable sources (wind) located in the Palombara district, Municipality of Sant'Agata di Puglia (FG), is the object of a twenty-year finance lease stipulated by the Group with the company Alba Leasing S.p.A.. The value of this plant, net of accumulated depreciation, is EUR 2,087,983. In particular, the plant is the object of an "existing building" property lease, whose characteristics are outlined below.

### Characteristics

|                       |            |   |               |
|-----------------------|------------|---|---------------|
| Date stipulated       | 18/06/2013 | Initial 'maxicanone' (larger initial lease payment) envisaged | 690,000       |
| Total consideration   | 2,833,305  | Monthly fees  | 14,988        |
| Purchase option       | 23,000     | Leasing rate  | 5.17%         |
| Duration in years     | 12         | P31 Index - actual 3m   |               |
| Number of instalments | 144        | Indexing  | Euribor (365) |

It should also be noted that the Group signed a "in costruendo" ('property under construction') type finance lease for the plant for the production of electricity from renewable sources (hydroelectric) in the Municipality of Bologna. At the date of this report, the construction works have still not been completed; therefore, since this transaction essentially has still not involved the transfer of the risks and rewards connected with the plant itself, the Group did not recognise an asset or the associated liability. In any case, in accordance with IAS 17, the main information relating to this transaction is reported below.

### Characteristics

|                 |              |                     |                 |
|-----------------|--------------|---------------------|-----------------|
| Presumed cost   | 1,301,196.00 | Total consideration | 1,521,269.10    |
| Months          | 144          | Rate                | 3.46%           |
| Anticipated fee | 261,196      | Redemption          | 13,011.96       |
| Periodic fee    | 8,811.70     | Preliminary         | 3,000.00        |
| Fee months      | 143          | Indexing            | 3-month Euribor |

Lastly, it should be noted that the dismantling and removal costs that will be incurred in relation to plants that generate electricity from renewable sources were estimated on the basis of the provisions of the contractual agreements in place concerning the Sirone and Bosisio fotovoltaic plants.

The item relating to other assets can be represented as follows:

|   | Value as at 31.12.2014 | Acquisitions   | Amortisation/depreciation/write-downs | Reclassifications | 31.12.2015       |
|---|------------------------|----------------|---------------------------------------|-------------------|------------------|
| Office furniture and furnishings          | 295,678                | 121,626        | (77,090)                              | 0                 | 340,214          |
| Non-depreciated furniture and furnishings | 593,599                | 0              | 0                                     | 0                 | 593,599          |
| Mobile phones                             | 13,012                 | 3,138          | (5,967)                               | 0                 | 10,184           |
| Sundry equipment                          | 11,978                 | 11,426         | (6,755)                               | 0                 | 16,648           |
| Cars                                      | 25,336                 | 33,360         | (9,736)                               | 0                 | 48,961           |
| Electronic office machines                | 404,451                | 154,221        | (159,594)                             | 0                 | 399,078          |
| Leasehold improvements                    | 1,535,302              | 349,051        | (282,417)                             | 3,218             | 1,605,154        |
| <b>Total</b>                              | <b>2,879,355</b>       | <b>672,822</b> | <b>(541,557)</b>                      | <b>3,218</b>      | <b>3,013,839</b> |

Leasehold improvements are related to the building in which company business is performed and which meet the requirements of paragraph 16 of IAS 16.

The increases that concerned the item, totalling EUR 672,822, relate to costs incurred for leasehold improvements already described previously (EUR 349,051), to the purchase of Pcs and other IT and electronic equipment (EUR 154,211), the purchase of furniture and furnishings for the office in which company business is performed (EUR 121,626), the purchase of cars and other means of transport (EUR 33,360), the purchase of mobile phones (EUR 3,138) and the purchase of sundry equipment (EUR 11,426).

## 18. Investment property - EUR 8,494,579

The item includes the value of the properties owned by the Group, held for investment purposes.

|  | 31.12.2015       | 31.12.2014       | Change           |
|--|------------------|------------------|------------------|
| Building in Terracina Terracina – San Felice | 1,761,656        | 1,752,768        | 8,887            |
| Building in Terni - Via Bramante             | 145,516          | 150,076          | (4,560)          |
| Building in Rome - Paisiello                 | 5,745,255        | 5,926,768        | (181,512)        |
| Building in Rome - Via Cavalieri             | 842,152          | 872,170          | (30,017)         |
|  | <b>8,494,579</b> | <b>8,701,781</b> | <b>(207,202)</b> |

Note that in order to adopt a prudential approach, not affected by the current trend in the real estate market, the investments in question are recognised according to the cost method and amortised based on the useful life estimated by the Group at 33 years. Therefore, the depreciation rate is 3%, with the exception of the building in Terracina for which, based on a different useful life estimated by the Group and therefore on the relative expected future economic benefits, a depreciation rate of 1.5% is applied.

For each asset, the information required by IAS 40 is provided below.

|                                 | Land           | Historical cost  | Accumulated depreciation - 2014 | NBV 2014         | Changes in the year |           | Deprec. 2015   | Accumulated depreciation - 2015 | Value as at 31.12.2015 | Fair value 2015  |
|---------------------------------|----------------|------------------|---------------------------------|------------------|---------------------|-----------|----------------|---------------------------------|------------------------|------------------|
|                                 |                |                  |                                 |                  | Increases           | Decreases |                |                                 |                        |                  |
| Rome - via Paisiello apt. 1     | 677,845        | 4,415,400        | (801,487)                       | 4,291,758        | -                   | -         | 132,462        | (933,949)                       | 4,159,296              | 4,826,000        |
| Rome - via cavalieri            | -              | 1,000,572        | (128,402)                       | 872,170          | -                   | -         | 30,017         | (158,419)                       | 842,152                | 850,000          |
| Terni                           | 37,074         | 151,996          | (38,994)                        | 150,076          | -                   | -         | 4,560          | (43,554)                        | 145,516                | 175,000          |
| Terracina                       | 178,000        | 1,574,768        |                                 | 1,752,768        | 33,004              | -         | 24,117         | (24,117)                        | 1,761,656              | 1,760,000        |
| Rome - via Paisiello apts. 3 -4 | -              | 1,635,009        |                                 | 1,635,009        | -                   | -         | 49,050         | (49,050)                        | 1,585,959              | 1,580,000        |
|                                 | <b>892,919</b> | <b>8,777,745</b> | <b>(968,883)</b>                | <b>8,701,781</b> | <b>33,004</b>       | <b>0</b>  | <b>240,206</b> |                                 | <b>8,494,579</b>       | <b>9,191,000</b> |

The fair value of properties was determined by an independent expert, appointed by the Group, based on the values contained in the database of property prices of the Real Estate Market Observatory of the Italian Revenue Agency. The values taken from the appraisals did not, nonetheless, highlight indicators of impairment.

In relation to the properties under review, the information required by IAS 40 is reported in the table below.

| Description  | 31.12.2015      |
|--|-----------------|
| Rentals receivable   | 41,500          |
| Utility costs  | (5,545)         |
| Maintenance costs  | (66,484)        |
| Insurance costs  | (2,234)         |
| Commission payable   | (2,875)         |
| Registration tax   | (12,303)        |
| Property taxes and duties (IMU [municipal property tax], TASI [taxes on indivisible services], TARI [waste tax]) | (33,249)        |
| Condominium expenses   | (7,260)         |
| <b>Total</b>   | <b>(88,451)</b> |

## 19. Equity investments - EUR 4,629,345

The item includes the value of equity investments held by the company in subsidiaries, associated companies and joint ventures and in other companies as detailed below.

|   | 31.12.2015       | 31.12.2014       | Change          |
|---|------------------|------------------|-----------------|
| Green Network Power & Gas Ltd                     | 10,000           | 0                | 10,000          |
| <b>Equity investments in subsidiaries</b>         | <b>10,000</b>    | <b>0</b>         | <b>10,000</b>   |
| Converge S.r.l.                                   | 3,581,067        | 3,581,067        | 0               |
| Sòlergys S.p.A.                                   | 323,726          | 293,927          | 29,800          |
| US Boreale S.r.l.                                 | 318,230          | 334,389          | (16,158)        |
| Network for Trading doo.                          | 0                | 60,000           | (60,000)        |
| ATA Energia Società Agricola S.r.l.               | 0                | 0                | 0               |
| JMS S.r.l.  | 386,322          | 386,322          | 0               |
| <b>Equity investments in associated companies</b> | <b>4,609,345</b> | <b>4,655,704</b> | <b>(46,359)</b> |
| Italpower Energia S.r.l.                          | 10,000           | 10,000           | 0               |
| <b>Equity investments in other companies</b>      | <b>10,000</b>    | <b>10,000</b>    | <b>0</b>        |
| <b>Total</b>                                      | <b>4,629,345</b> | <b>4,665,704</b> | <b>(36,359)</b> |

The changes relating to the equity investment in the companies Sòlergys S.p.A. and US Boreale S.r.l. derive from their valuation using the equity method as per IAS 28. Lastly, it should be noted that, during the year in question, the equity investment in the company Network for trading doo was disposed, while the equity investment in Green Network Power & Gas Ltd. was subscribed in full through Green Network UK PLC.. This company, although wholly-owned by the Group, was not consolidated given non-operational at the date of this report.

The details of the individual companies are provided below:

| Company   | Registered Office | Share Capital | Shareholders' equity | Profit (loss) for the year | % stake | Fraction of SE   |
|---|-------------------|---------------|----------------------|----------------------------|---------|------------------|
| Converge S.r.L.   | Brescia           | 114,000       | 7,350,302            | (15,612)                   | 48.72%  | 3,581,067        |
| Sòlergys S.p.A.   | Rome              | 120,000       | 660,667              | 60,818                     | 49.00%  | 323,726          |
| JMS S.r.l.  | Brescia           | 50,000        | 772,643              | (56,857)                   | 50.00%  | 386,322          |
| U.S. Boreale S.r.l.                                     | Rome              | 10,200        | 1,143,456            | (58,060)                   | 27.83%  | 318,230          |
| <b>Total equity investments in associated companies</b> |                   |               |                      |                            |         | <b>4,609,345</b> |

With reference to the equity investments in Converge S.r.l. (associated company) and in JMS S.r.l. (Joint venture) it should be noted that, at the date of these financial statements, no financial statements for the year ended as at 31.12.2015 were transmitted and, therefore, the company maintained the value recognised at 31.12.2014 as per the last set of financial statements approved by the companies themselves.

## 20. Non-current assets held for sale - EUR 0

The item presents a zero balance in the current year, given that the equity investments held for sale, based on IFRS 5, were fully sold/liquidated at the date of these financial statements.

|                          | 31.12.2015 | 31.12.2014       | Change             |
|--------------------------|------------|------------------|--------------------|
| Solcap S.r.l.            | 0          | 4,382,630        | (4,382,630)        |
| Ale Energia S.r.l.       | 0          | 10,000           | (10,000)           |
| Energy trading companies | 0          | 342,596          | (342,596)          |
| <b>Total</b>             | <b>0</b>   | <b>4,735,226</b> | <b>(4,735,226)</b> |

## 21. Receivables due from holding companies, subsidiaries and associated companies - EUR 5,240,556

The item includes the non-current receivables due to the Group from subsidiaries, holding companies and associated companies.

|   | 31.12.2015       | 31.12.2014        | Change              |
|---|------------------|-------------------|---------------------|
| Receivables due from subsidiaries         | 0                | 1,920,600         | (1,920,600)         |
| <i>of which for loans</i>                 | <i>0</i>         | <i>1,920,600</i>  | <i>(1,920,600)</i>  |
| Receivables due from associated companies | 1,430,085        | 2,650,406         | (1,220,321)         |
| Receivables due from holding companies    | 3,810,471        | 11,279,755        | (7,469,284)         |
| <i>of which for loans</i>                 | <i>3,777,195</i> | <i>11,246,479</i> | <i>(7,469,284)</i>  |
| <i>of which other receivables</i>         | <i>33,276</i>    | <i>33,276</i>     | <i>0</i>            |
| <b>Total</b>                              | <b>5,240,556</b> | <b>15,850,761</b> | <b>(10,610,205)</b> |

Receivables due from associated companies refer to the loans provided to the companies Solèrgys S.p.A. and US Boreale S.r.l., as detailed below.

| Counterparty                               | Loan                                      | 31/12/2014       | Increases      | Decreases        | 31/12/2015       |
|--|---|------------------|----------------|------------------|------------------|
| Solèrgys S.p.A.                            | Variable                                  | 1,420,085        | 0              | 0                | 1,420,085        |
| ATA Energia Soc. Agricola S.r.L.           | Non-interest bearing                      | 1,160,321        | 410,000        | 1,570,321        | 0                |
| US Boreale                                 | Non-interest bearing and interest-bearing | 70,000           | 0              | 60,000           | 10,000           |
| <b>Total due from associated companies</b> |   | <b>2,650,406</b> | <b>410,000</b> | <b>1,630,321</b> | <b>1,430,085</b> |

The decrease in the receivables due from the company ATA Energia Soc. Agricola S.r.l. is partly due to the waiving of the loan during the year under review by the consolidating entity, and partly to the reclassification of the same due to the fact it became a subsidiary.

The interest-bearing loan led to the recognition of interest income of EUR 33,072 in the income statement.

Receivables due from the holding company SC Holding S.r.l. include a receivable for a loan detailed below, and a receivable of EUR 33,276 deriving from IRES tax consolidation.

| Counterparty                            | Loan                 | 31/12/2014        | Increases        | Decreases        | 31/12/2015       |
|---|----------------------|-------------------|------------------|------------------|------------------|
| SC Holding S.r.l.                       | Non-interest bearing | 11,246,479        | 1,902,532        | 9,371,817        | 3,777,195        |
| <b>Total due from holding companies</b> |                      | <b>11,246,479</b> | <b>1,902,532</b> | <b>9,371,817</b> | <b>3,777,195</b> |

The value of the receivable, amounting to EUR 3,777,195, due from the holding company as at 31.12.2015 suffered a reduction of EUR 9,371,817 in the year under review, as a result of the waiving of the receivable from the loan by Green Network S.p.A., with the simultaneous offsetting of payables deriving from tax consolidation due to said holding company.

## 22. Tax credits - EUR 5,150,751

|  | 31.12.2015       | 31.12.2014       | Change           |
|--|------------------|------------------|------------------|
| Receivables for UTF (finance office)             | 1,077,635        | 432,260          | 645,375          |
| VAT credits from customer bankruptcy proceedings | 3,858,035        | 1,158,800        | 2,699,234        |
| Receivables for tax disputes                     | 120,370          | 726,774          | (606,404)        |
| Receivables for refund requests                  | 94,711           | 84,283           | 10,428           |
| <b>Total</b>                                     | <b>5,150,751</b> | <b>2,402,117</b> | <b>2,748,634</b> |

The increase in the item "VAT receivables from customer bankruptcy proceedings" derives mainly from the recovery of VAT, on proof of the debt, as a result of the state of progress of the ongoing bankruptcy proceedings relating to the customer Tradecom. Receivables for tax disputes refer to receivables deriving from an ongoing tax dispute with the Tax Authorities in relation to the payment of a tax demand.

## 23. Financial assets held to maturity - EUR 9,817,457

The item is composed exclusively of certificates of deposit and bonds as shown below.

|                         | 31.12.2015       | 31.12.2014       | Change           |
|-------------------------|------------------|------------------|------------------|
| Certificates of deposit | 5,900,000        | 2,000,000        | 3,900,000        |
| Bonds                   | 3,917,457        | 4,689,034        | (771,577)        |
| <b>Total</b>            | <b>9,817,457</b> | <b>6,689,034</b> | <b>3,128,423</b> |

During the year under review, certificates of deposit reached maturity for a total of EUR 2,000,000 and new investments totalling EUR 5,900,000 were made. Certificates of deposit are broken down by bank and maturity below.

| Bank                     | Maturity   | 31.12.2015       |
|--------------------------|------------|------------------|
| Banca Marche             | 27/10/2016 | 500,000          |
| Banca Popolare di Milano | 01/05/2016 | 500,000          |
| Banca Popolare di Milano | 27/07/2016 | 1,500,000        |
| Banca Popolare di Milano | 19/12/2016 | 3,400,000        |
|                          |            | <b>5,900,000</b> |

During the year under review, bonds reached maturity for a total of EUR 2,011,163, of which EUR 1,239,586 reinvested.

| Bank                      | Maturity   | 31.12.2015       |
|---------------------------|------------|------------------|
| Banca Popolare di Novara  | 31/10/2016 | 500,000.00       |
|                           | 02/12/2018 | 1,000,000.00     |
|                           | 31/01/2017 | 1,119,586.00     |
| Banca Pop. Emilia Romagna | 15/03/2017 | 80,000.00        |
|                           | 05/08/2016 | 40,000.00        |
|                           | 05/02/2017 | 40,000.00        |
|                           | 14/01/2018 | 40,000.00        |
| Imprebanca                | 11/01/2016 | 150,000.00       |
| Banca Etruria             | 06/02/2017 | 36,000.00        |
|                           | 30/10/2018 | 93,000.00        |
|                           | 30/09/2018 | 271,000.00       |
|                           | 31/01/2021 | 100,000.00       |
| Carismi                   | 15/09/2019 | 47,874.50        |
|                           | 31/12/2100 | 399,996.50       |
|                           |            | <b>3,917,457</b> |

Lastly, it should be noted that the certificates of deposit and bonds detailed above generated financial income of EUR 75,524 in the year under review.

## 24. Other non-current assets - EUR 2,774,969

The balance of the item is broken down as follows.

|   | 31.12.2015       | 31.12.2014       | Change             |
|---|------------------|------------------|--------------------|
| Receivables for security deposits                   | 1,438,213        | 2,961,981        | (1,523,768)        |
| Receivables from TGE tax consolidation              | 0                | 28,637           | (28,637)           |
| Receivables for grants pursuant to Law No. 388/2000 | 100,000          | 0                | 100,000            |
| Green certificates                                  | 1,185,137        | 1,275,892        | (90,756)           |
| Other receivables                                   | 51,620           | 19,108           | 32,512             |
| <b>Total</b>  | <b>2,774,969</b> | <b>4,285,618</b> | <b>(1,510,649)</b> |

The item is composed primarily of receivables for security deposits granted for the performance of company business, and receivables for green certificates accrued by the Romanian photovoltaic park at the date of this report. Based on the provisions of Romanian legislation, a part of these certificates can be collected starting in 2017.

## 25. Inventories - EUR 56,120

|   | 31.12.2015    | 31.12.2014       | Change             |
|---|---------------|------------------|--------------------|
| Raw, ancillary and consumable materials | 56,120        | 20,010           | 36,110             |
| Finished products and goods for resale  | 0             | 1,639,074        | (1,639,074)        |
| <b>Total</b>                            | <b>56,120</b> | <b>1,659,084</b> | <b>(1,602,963)</b> |

The balance relates to the value of raw and ancillary materials for the cogeneration plant the Group owns in the Municipality of Avigliano Umbro, in the province of Terni, as well the biomass stored at the Lanciano electricity production plant, totalling EUR 15,800 and EUR 40,320 respectively. These inventories were valued using the weighted average cost method.

## 26. Trade-related receivables - EUR 207,852,285

Details of the item are reported below.

|                                       | 31.12.2015         | 31.12.2014         | Change               |
|---------------------------------------|--------------------|--------------------|----------------------|
| Customers                             | 114,498,302        | 160,853,974        | (46,355,672)         |
| Allowance for doubtful receivables    | (4,700,651)        | (6,500,156)        | 1,799,505            |
| Receivables for invoices to be issued | 93,481,797         | 161,500,547        | (68,018,751)         |
| Credit notes to be issued             | (5,366,362)        | (14,656,683)       | 9,290,321            |
| Bank, subject to collection           | 9,939,199          | 8,986,591          | 952,608              |
| <b>Total</b>                          | <b>207,852,285</b> | <b>310,184,274</b> | <b>(102,331,988)</b> |

For the purpose of a better understanding of the financial statement figures and to provide a true and fair view of the Group's receivable and payable position, it should be noted that some items have been recognised in the financial statements at their "net book value" i.e., after netting payable and receivable positions in the presence of offset letters between the parties.

Receivables were adjusted in order to take account of impairment as a result of the impairment tests performed in compliance with international accounting standards. This valuation led to an estimated allowance for doubtful receivables of EUR 4,700,651. Details of its changes in the period are shown below.

|                             | Amounts          |
|-----------------------------|------------------|
| Balance at 31 December 2014 | 6,500,156        |
| Uses during the year        | (3,946,122)      |
| Provision for the year      | 2,146,617        |
| <b>Total</b>                | <b>4,700,651</b> |

The provision was used to cover the losses on receivables recorded in 2015 and for which the Group had already estimated losses in previous years. The provision of EUR 2,146,617 is composed of EUR 1,800,000 as the allocation made as a result of the collective impairment process carried out by the Group on a portfolio of customers homogeneous in nature and characteristics, while the allocation of EUR 346,617 stems from the individual impairment process performed on specific non-performing loan positions..

"Receivables for invoices to be issued" represent the allocations for services rendered at the reporting date. "Credit notes to be issued" are applied as direct decreases in receivables at the reporting date, as they relate directly to this item. The item relating to 'banks, subject to collection' includes all receivables presented for collection to banks based on the 'sbf [subject to collection]' clause, and which had still not been collected at the reporting date.

It should also be noted that, as guarantee for several trade-related receivables, the Group received bank sureties totalling EUR 18,450,000.

## 27. Receivables due from holding companies, subsidiaries and associated companies - EUR 3,709,093

Details of the item are reported below.



|  | 31.12.2015       | 31.12.2014        | Change              |
|--|------------------|-------------------|---------------------|
| Green Network Power & Gas Ltd                    | 1,411            | 0                 | 1,411               |
| <b>Receivables due from subsidiaries</b>         | <b>1,411</b>     | <b>0</b>          | <b>1,411</b>        |
| Sòlerys S.p.A.                                   | 328,688          | 14,497            | 314,191             |
| ATA Energia S.r.l.                               | 0                | 17,422            | (17,422)            |
| <b>Receivables due from associated companies</b> | <b>328,688</b>   | <b>31,919</b>     | <b>296,768</b>      |
| SC Holding S.r.l.                                | 3,378,994        | 19,862,179        | (16,483,185)        |
| <b>Receivables due from holding companies</b>    | <b>3,378,994</b> | <b>19,862,179</b> | <b>(16,483,185)</b> |
| <b>Total</b>                                     | <b>3,709,093</b> | <b>19,894,098</b> | <b>(16,185,006)</b> |

Receivables due from subsidiaries and associated companies derive mainly from commercial transactions, while receivables due from the holding company SC Holding S.r.l. primarily relate to tax consolidation and, to a lesser extent, the provision of services.

The receivable due from ATA Energia società Agricola S.r.l. was reclassified under receivables due from subsidiaries as a result of the purchase of additional stakes in share capital, as already described in the section on the variation in the scope of consolidation, which involved the assumption of control of the company.

## 28. Loans to banks and other financial institutions - EUR 2,714,641

The item includes loans to banks and other financial institutions connected with trade-related receivables submitted for discount and factoring which had still not been collected at the reporting date.

| Bank                  | 31.12.2015       | 31.12.2014       | Change             |
|-----------------------|------------------|------------------|--------------------|
| Mediocredito italiano | 205,409          | 266,456          | (61,047)           |
| BCC Factoring         | 215,624          | 1,433,962        | (1,218,338)        |
| MPS Leasing&Factoring | 141,415          | 523,684          | (382,268)          |
| Eurofactor            | 95,833           | 131,839          | (36,005)           |
| GE Capital Factoring  | 2,056,360        | 748,353          | 1,308,007          |
| Mediofactoring        | 0                | 3,759,786        | (3,759,786)        |
| <b>Total</b>          | <b>2,714,641</b> | <b>6,864,079</b> | <b>(4,149,438)</b> |

## 29. Receivables for prepaid taxes - EUR 6,017,747

The item includes receivables for prepaid taxes that will be recoverable in subsequent years.

|                               | 31.12.2015       | 31.12.2014       | Change           |
|-------------------------------|------------------|------------------|------------------|
| Receivables for prepaid taxes | 6,017,747        | 4,306,678        | 1,711,069        |
| <b>Total</b>                  | <b>6,017,747</b> | <b>4,306,678</b> | <b>1,711,069</b> |

The temporary differences that led to the recognition of prepaid taxes are reported hereunder.

|   | 31.12.2015       |
|---|------------------|
| Differences on statutory and tax amortisation of photovoltaic plants    | 81,245           |
| Write-down of CDI Suisse receivable                                     | 412,500          |
| Interest expense  | 1,096,644        |
| Prepaid taxes on trademarks   | 197,812          |
| Prepaid taxes on advertising expenses                                   | 517,379          |
| Receivables from first-time application of IAS/IFRS                     | 1,244,173        |
| Receivables from derivatives revaluation reserves and from AFS reserves | 1,574,030        |
| Receivables for prepaid taxes from IAS/IFRS adjustment                  | (687,985)        |
| Prepaid taxes on non-deductible allowance for doubtful receivables      | 332,733          |
| Prepaid taxes on goodwill - former GN L&G                               | 721,841          |
| Receivables for prepaid taxes from tax losses                           | 450,668          |
| Write-down of fixed assets  | 16,904           |
| Write-down of inventories   | 59,802           |
| <b>Total</b>  | <b>6,017,747</b> |

### 30. Tax credits - EUR 8,229,377

The balance of the item is broken down as follows.

|   | 31.12.2015       | 31.12.2014       | Change        |
|---|------------------|------------------|---------------|
| Receivables due from the Tax Authorities for direct taxes | 1,114,730        | 1,256,015        | (141,285)     |
| Receivables for UTF taxes                                 | 5,905,293        | 6,156,712        | (251,419)     |
| Receivables due from tax authorities for VAT              | 860,129          | 683,043          | 177,086       |
| Other tax receivables                                     | 349,225          | 109,054          | 240,171       |
| <b>Total</b>  | <b>8,229,377</b> | <b>8,204,824</b> | <b>24,552</b> |

### 31. Derivatives - EUR 26,905,727

The item includes the positive fair value of the derivative financial instruments that the Group holds for hedging purposes for the purchase of commodities and the associated mark-to-market values of the associated sale contracts.

|                                  | 31.12.2015        | 31.12.2014        | Change             |
|----------------------------------|-------------------|-------------------|--------------------|
| Derivative financial instruments | 26,905,727        | 28,002,524        | (1,096,797)        |
| <b>Total</b>                     | <b>26,905,727</b> | <b>28,002,524</b> | <b>(1,096,797)</b> |

The financial instruments in question qualify for hedge accounting and, in compliance with IAS 39, reveal the fair value change in the derivatives revaluation reserve of shareholders' equity (note 35) until the effects of the hedged element are recognised in the income statement.

### 32. Financial assets available for sale - EUR 1,792,984

The item includes the fair value of non-derivative financial instruments that the Group has classified in the "AFS" portfolio as detailed below.

|                  | 31.12.2015       | 31.12.2014       | Change             |
|------------------|------------------|------------------|--------------------|
| Shares           | 663,620          | 2,969,756        | (2,306,136)        |
| Investment funds | 1,129,364        | 1,154,489        | (25,125)           |
| <b>Total</b>     | <b>1,792,984</b> | <b>4,124,244</b> | <b>(2,331,260)</b> |

The item suffered a decrease of EUR 2,331,260, as a result of the acknowledgement of the fair value of these financial instruments as at 31.12.2015. As a result of the impairment test performed by the Group, the fair value change was deferred partly to the “AFS reserve” of shareholders’ equity and partly recognised in the income statement given deemed no longer recoverable (note 10).

### 33. Other current assets - EUR 20,450,139

Other current assets are detailed below.

|   | 31.12.2015        | 31.12.2014        | Change           |
|---|-------------------|-------------------|------------------|
| Suppliers - energy advances                         | 124,857           | 162,929           | (38,073)         |
| Suppliers - advance account                         | 15,947,543        | 6,307,860         | 9,639,683        |
| Suppliers - transit items                           | 0                 | 57,544            | (57,544)         |
| Employees - loans                                   | 1,717             | 624,000           | (622,283)        |
| Other receivables due from employees                | 0                 | 172               | (172)            |
| Receivables for grants pursuant to Law No. 388/2000 | 0                 | 100,000           | (100,000)        |
| Incentive tariff                                    | 411,789           | 110,480           | 301,309          |
| Advances to suppliers for plants under construction | 1,823,304         | 1,741,605         | 81,699           |
| Other receivables                                   | 2,140,930         | 3,689,441         | (1,548,511)      |
| <b>Total</b>  | <b>20,450,139</b> | <b>12,794,032</b> | <b>7,656,108</b> |

The item relating to suppliers - advance accounts, up over the previous year, can be represented as follows.

|   | 31.12.2015        | 31.12.2014       | Change           |
|---|-------------------|------------------|------------------|
| Charges on sureties                       | 726,241           | 688,299          | 37,942           |
| Insurance                                 | 369,146           | 191,210          | 177,936          |
| Costs for energy services                 | 0                 | 69,504           | (69,504)         |
| Interest expense on settlement agreements | 15,422            | 0                | 15,422           |
| Insurance and car expenses                | 24,059            | 0                | 24,059           |
| Leasing                                   | 329,162           | 334,025          | (4,863)          |
| Equipment rental                          | 48,098            | 0                | 48,098           |
| Advertising expenses                      | 46,148            | 6,452            | 39,696           |
| Commissions                               | 13,791,883        | 4,604,398        | 9,187,485        |
| Sales consulting                          | 73,242            | 0                | 73,242           |
| Financial consulting                      | 21,574            | 0                | 21,574           |
| Costs for the provision of services       | 74,213            | 4,958            | 69,255           |
| Registration tax                          | 80,219            | 85,879           | (5,660)          |
| Rentals payable                           | 304,651           | 256,649          | 48,002           |
| Bank charges                              | 6,177             | 17               | 6,160            |
| Other                                     | 37,307            | 66,469           | (29,161)         |
|   | <b>15,947,543</b> | <b>6,307,860</b> | <b>9,639,683</b> |

As regards this item, the most significant part was composed of advances recognised for commissions directly related to the Group's business and sales strategy.

The item relating to “advances to suppliers for plants under construction”, amounting to EUR 1,823,304, includes the costs connected with the construction of plants for the production of electricity from renewable sources, particularly the hydroelectric power plants in the municipality of Bologna and in

the municipality of Tortona (AL) as well as the Manfredonia (FG) wind farm.

Lastly, the item relating to “other receivables” is composed mainly of the receivable for the shareholders' loan, amounting to EUR 789,600, disbursed to the company Solcap S.r.l., subject to transfer in the year under review. These receivables will be collected in 2016, based on the provisions of the sale contract.

### 34. Cash and cash equivalents - EUR 23,979,181

The values booked to the financial statements reflect the actual amount of cash on hand and at banks as at the end of the year under review and are broken down as follows.

|                                   | 31.12.2015        | 31.12.2014        | Change              |
|-----------------------------------|-------------------|-------------------|---------------------|
| Banks - ordinary current accounts | 23,953,920        | 43,012,678        | (19,058,758)        |
| Cash and equivalents on hand      | 25,261            | 10,295            | 14,967              |
| <b>Total</b>                      | <b>23,979,181</b> | <b>43,022,973</b> | <b>(19,043,791)</b> |

It should be noted that several bank current accounts are encumbered by pledges.

### 35. Shareholders' equity - EUR 34,683,914

Details of the item are reported below.

|                                      | Share Capital | Legal reserve | Other retained earnings (accumulated losses) | FTA reserve | Net profit (loss) for the year | Group total         | Minority interests | Total shareholders' equity |
|--------------------------------------|---------------|---------------|--|-------------|--------------------------------|---------------------|--------------------|----------------------------|
| <b>Balances as at 1 January 2014</b> | 15,000,000    | 837,050       | 7,783,628                                    | 16,387,195  | 2,483,129                      | <b>42,491,003</b>   | 169,036            | <b>42,660,039</b>          |
| Changes in Shareholders' Equity      | 636,000       | 118,000       | (11,133,751)                                 | 0           | (2,483,129)                    | <b>(12,862,880)</b> | (205,208)          | <b>(13,068,088)</b>        |
| Net result as at 31.12.2014          |               |               |  |             | (1,361,799)                    | <b>(1,361,799)</b>  | (301,402)          | <b>(1,663,201)</b>         |
| <b>Balance at 31 December 2014</b>   | 15,636,000    | 955,050       | (3,350,123)                                  | 16,387,195  | (1,361,799)                    | <b>28,266,324</b>   | (337,574)          | <b>27,928,751</b>          |
| Changes in Shareholders' Equity      |               | 106,000       | 2,967,743                                    |             | 1,361,799                      | <b>4,435,542</b>    | 626,063            | <b>5,061,605</b>           |
| Net result as at 31.12.2015          |               |               | 0  |             | 1,964,976                      | <b>1,964,976</b>    | (271,417)          | <b>1,693,560</b>           |
| <b>Balance at 31 December 2015</b>   | 15,636,000    | 1,061,050     | (382,380)                                    | 16,387,195  | 1,964,976                      | <b>34,666,841</b>   | 17,073             | <b>34,683,914</b>          |

The share capital totalling EUR 15,636,000 is fully paid in and is represented by 15,636,000 ordinary shares with a par value of EUR 1 each.

Details of other reserves are reported below.

|  | 31.12.2015       | 31.12.2014         | Change           |
|--|------------------|--------------------|------------------|
| Extraordinary reserve                              | 2,678,150        | 2,278,871          | 399,279          |
| Reserve for valuation at equity                    | 6,297,596        | 4,700,575          | 1,597,021        |
| Capital contributions                              | 13,394           | 13,394             | 0                |
| Actuarial gain reserve                             | (167,994)        | 0                  | (167,994)        |
| Indivisible profits and reserves                   | (9,245,057)      | 848,403            | (10,093,460)     |
| Reserve for valuation of derivatives and contracts | 1,816,504        | (11,518,620)       | 13,335,124       |
| AFS reserve  | (1,774,972)      | 327,257            | (2,102,229)      |
| Rounding reserve                                   | 0                | (2)                | 2                |
| <b>Total</b>                                       | <b>(382,380)</b> | <b>(3,350,123)</b> | <b>2,967,743</b> |

With reference to reserves, note the following:

- ◆ the variation of EUR 13,335,124 relating to the reserve for the valuation of derivatives reflects the fair value change as at 31.12.2015 in the hedging derivatives held by the Group with respect to the corresponding value at 31.12.2014;
- ◆ the negative change of EUR 2,102,229 relating to the AFS reserve is connected with the fair value change at 31.12.2015, in the financial instruments classified by the Group's management in the "AFS" portfolio, pursuant to previous note 31;
- ◆ the actuarial gain reserve, established during the year under review, includes the differences deriving from the valuation of TFR liabilities according to the criteria set out in IAS 19.

### 36. Long-term loans - EUR 26,227,826

The item is broken down as follows.

|  | 31.12.2015        | 31.12.2014        | Change           |
|--|-------------------|-------------------|------------------|
| <b>Long-term portion of bank loans</b> | <b>12,636,196</b> | <b>10,908,796</b> | <b>1,727,400</b> |
| Banca Popolare di Milano               | 6,550,463         | 3,612,006         | 2,938,456        |
| Banca Pop. Bergamo                     | 271,046           | 350,122           | (79,076)         |
| GE Capital Interbanca                  | 2,662,994         | 3,327,815         | (664,821)        |
| Mediocredito Italiano                  | 3,151,693         | 3,618,853         | (467,160)        |
| <b>Due to other lenders</b>            | <b>6,166,626</b>  | <b>6,273,840</b>  | <b>(107,214)</b> |
| Feed S.p.A.                            | 17,865            | 18,175            | (310)            |
| Alba Leasing S.p.A.                    | 1,344,761         | 1,451,665         | (106,904)        |
| Simest S.p.A.                          | 4,804,000         | 4,804,000         | 0                |
| <b>Due to minority shareholders</b>    | <b>7,425,004</b>  | <b>8,215,142</b>  | <b>(790,137)</b> |
| Nomar Enterprise S.r.l.                | 434,830           | 488,104           | (53,274)         |
| Feed S.p.A.                            | 248,995           | 28,544            | 220,451          |
| Genera S.p.A.                          | 1,521,351         | 1,541,470         | (20,119)         |
| Buia                                   | 144,874           | 148,800           | (3,926)          |
| Gold Sun Europe                        | 5,045,175         | 6,008,224         | (963,049)        |
| Doro Re S.r.l.                         | 29,780            | 0                 | 29,780           |
| <b>Total</b>                           | <b>26,227,826</b> | <b>25,397,778</b> | <b>830,049</b>   |

In relation to existing bank loans at the reporting date, details are shown below, with the amounts due within/after one year and after five years:

| Company                          | Type               | Bank                     | Nominal value | Due by 31.12.2015 | Due within 12 months | Due after 12 months | Due after five years |
|----------------------------------|--------------------|--------------------------|---------------|-------------------|----------------------|---------------------|----------------------|
| Green Network S.p.A.             | Unsecured mortgage | Banca Popolare di Milano | 5.000.000     | 4.224.899         | 3.154.367            | 1.070.531           | 0                    |
| Green Network S.p.A.             | Loan               | Banco Popolare           | 1.500.000     | 627.900           | 627.900              | 0                   | 0                    |
| Sacri Real Estate S.p.A.         | Mortgage loan      | Banca Pop. Bergamo       | 700.000       | 350.122           | 79.076               | 271.046             | 0                    |
| Sacri Real Estate S.p.A.         | Mortgage loan      | GE Capital Interbanca    | 4.000.000     | 3.329.661         | 666.667              | 2.662.994           | 0                    |
| Solcap Green S.r.l.              | Loan               | Banca Popolare di Milano | 2.800.000     | 1.967.537         | 262.039              | 1.705.499           | 500.885              |
| Solcap Green S.r.l.              | Loan               | Banca Popolare di Milano | 2.500.000     | 1.647.728         | 303.768              | 1.343.960           | 0                    |
| Rena Energia S.r.l.              | Loan               | Mediocredito Italiano    | 4.500.000     | 3.625.378         | 473.684              | 3.151.693           | 1.421.053            |
| ATA Energia Soc. Agricola S.r.l. | Loan               | Banca Popolare di Milano | 3.400.000     | 2.616.926         | 186.453              | 2.430.473           | 0                    |
|                                  |                    |                          |               | <b>18.390.150</b> | <b>5.753.954</b>     | <b>12.636.196</b>   | <b>1.921.937</b>     |

It should also be noted that:

- the loans stipulated by Solcap Green S.r.l. are guaranteed by with recourse factoring of all the amounts receivable due from the GSE (or rather those deriving from the incentive tariff) accrued respectively for the the Sirone and Bosisio plants;
- to guarantee the loan received from Mediocredito Italiano S.p.A., Rena Energia S.r.l. transferred the receivables due from GSE S.p.A. deriving from the conversion stipulated by said entity in relation to the concession of the all-inclusive tariff;

Payables backed by secured guarantees are as follows:

- the first mortgage of EUR 8,000,000 recognised on the properties in Via Paisiello, Rome to guarantee the mortgage disbursed by GE Capitale Interbanca in favour of Sacri Real Estate

S.p.A., whose residual value at the reporting date was EUR 3,329,661;

- ◆ the first mortgage of EUR 1,400,000 recognised on the properties in Via Cavalieri, Rome to guarantee the mortgage granted by Banca Popolare di Bergamo in favour of Sacri Real Estate S.p.A., whose residual value at the reporting date was EUR 350,122;
- ◆ mortgage of EUR 7,875,000 recorded on the company properties located in the municipality of Avigliano Umbro (TR), special lien on the properties, machinery, plants and on tools owned for EUR 7,785,000 to guarantee the loan received from Mediocredito italiano S.p.A. in favour of Rena energia S.r.l..

Lastly, note that the company Sacri Real Estate S.p.A., to cover the risk of interest rate exposure, entered into a hedge through the subscription of a Capped Swap, stipulated on 21/07/2010 with Banca Popolare di Bergamo, expiring on 08/02/2017. The derivative provides for capital of EUR 380,000, and the relative negative "mark to market" (MTM) value at 31.12.2015 amounted to EUR 2,842.

Due to other lenders is composed primarily of:

- ◆ the amount due from the Group to minority shareholders (Simest S.p.A) of the companies Solcap Green S.r.l. and Green Network Holding Rinnovabili S.r.l. in relation to the contract for the repurchase of the associated shares, as detailed extensively in the section relating to the "Consolidation criteria and scope of consolidation", to which reference should be made for further details;
- ◆ the Group's payable due to the company Alba Leasing S.p.A. based on the finance lease relating to the plant for the production of electricity from renewable sources (wind) located in the Municipality of Sant'Agata di Puglia;
- ◆ the payable due to outgoing shareholder, Feed S.p.A., in the companies Green Wind 1 S.r.l., Green Hydro 1 S.r.l. and Green Hydro 2 S.r.l..

Payables due to minority shareholders, amounting to EUR 7,425,004, are composed primarily of payables for loans that some Group companies have vis-a-vis minority shareholders and which are considered deferred as regards repayment.

Part of these loans are interest-bearing and, at the reporting date, involved the recognition of interest expense of EUR 391,747 in the income statement, broken down as follows.

|                         | 31.12.2015     |
|-------------------------|----------------|
| Nomar Enterprise S.r.l. | 21,985         |
| Feed S.p.A.             | 4,662          |
| Genera S.p.A.           | 76,390         |
| Buia                    | 7,309          |
| Gold Sun Europe         | 279,942        |
| Doro Re S.r.l.          | 1,459          |
| <b>Total</b>            | <b>391,747</b> |

### 37. Employee severance indemnity and other employee benefits - EUR

**1,217,470**

The item is composed exclusively of Group liabilities for employee severance indemnity vis-a-vis its employees which, for the purposes of this report, was subject to an actuarial evaluation in compliance with IAS 19.

|                              | 31.12.2015       | 31.12.2014     | Change         |
|------------------------------|------------------|----------------|----------------|
| Employee severance indemnity | 1,217,470        | 688,875        | 528,595        |
| <b>Total</b>                 | <b>1,217,470</b> | <b>688,875</b> | <b>528,595</b> |

The increase recorded with respect to the previous year is due to the general rise in the number of Group employees, as shown in note 5.

|                                    | Amount           |
|------------------------------------|------------------|
| Opening balance                    | 688,875          |
| Use for leavers                    | (29,183)         |
| Provision for the year             | 557,779          |
| <b>Balance at 31 December 2015</b> | <b>1,217,470</b> |

The valuation of employee severance indemnity based on IAS 19 involved the need to adjust the allocation for the year for EUR 43,790, as well as the recognition of interest expense of EUR 3,883 plus the recognition of a specific shareholders' equity reserve.

### 38. Payables due to holding companies, subsidiaries and associated companies - EUR 0

The item includes the Group's payables due to the holding company.

|                                   | 31.12.2015 | 31.12.2014        | Change              |
|-----------------------------------|------------|-------------------|---------------------|
| Payables due to SC Holding S.r.l. | 0          | 11,246,479        | (11,246,479)        |
| <b>Total</b>                      | <b>0</b>   | <b>11,246,479</b> | <b>(11,246,479)</b> |

At the date of this report, the value of the payable due to the holding company was zero, given subject to offsetting with the receivables due from the holding company itself, as already described in previous note 21.

### 39. Provisions for risks and charges (non-current portion) - EUR 4,353,683

Details of the item are reported below.

|                                 | 31.12.2015       | 31.12.2014       | Change           |
|---------------------------------|------------------|------------------|------------------|
| For taxes, including deferred   | 2,629,770        | 3,241,332        | (611,562)        |
| Provision for risks and charges | 1,723,913        | 6,000            | 1,717,913        |
| <b>Total</b>                    | <b>4,353,683</b> | <b>3,247,332</b> | <b>1,106,351</b> |

More specifically, the change in the associated provisions in the year under review is as follows.



|                                    | Provision for deferred taxes | Provision for risks and charges |
|------------------------------------|------------------------------|---------------------------------|
| Opening balance                    | 3,241,332                    | 6,000                           |
| Provision for the year             | 674,315                      | 1,717,913                       |
| Uses during the year               | (1,285,877)                  | 0                               |
| <b>Balance at 31 December 2015</b> | <b>2,629,770</b>             | <b>1,723,913</b>                |

The provision for deferred taxes, amounting to EUR 2,629,770, is allocated with reference to the income which will be taxed in future periods. As has occurred for prepaid tax credits, the timing differences that led to the recognition of deferred taxation are illustrated below:

|  | 31.12.2015       |
|--|------------------|
| Default interest income - Green Sud S.r.l.                 | 192,445          |
| Default interest income - GN L&G 2015                      | 602,088          |
| Default interest income - Green Network S.p.A. before 2015 | 955,679          |
| Default interest income - Green Network S.p.A. 2015        | 607,931          |
| Property revaluation - Sacri Re S.r.l. 2008                | 232,601          |
| IAS 17 financial leasing - Green Wind 2 S.r.l.             | (40,428)         |
| Other situations deriving from IAS/IFRS transition         | 79,454           |
| <b>Total</b>   | <b>2,629,770</b> |

The provision for risks and charges of EUR 1,723,913 includes the allocation made in the year under review, of which EUR 1,430,000 relating to the sanction for the non-purchase of green certificates (2008), EUR 285,913 relating to the CMOR considerations collected in the year in respect of which there is a risk of repayment if the defaulting customer settles his position and EUR 8,000 (of which EUR 2,000 allocated in the year), as the costs of dismantling photovoltaic plants relating to the subsidiary Solcap Green S.r.l., as per the contractual commitments. Bear in mind that an amount of EUR 285,913 did not refer to an allocation in the year, but a simple balance sheet reclassification.

#### 40. Tax liabilities- EUR 2,732,523

Details of the item are reported below.

|                                    | 31.12.2015       | 31.12.2014     | Change           |
|------------------------------------|------------------|----------------|------------------|
| Tax disputes                       | 36,319           | 726,774        | (690,455)        |
| Payables for settlement agreements | 2,696,204        | 0              | 2,696,204        |
| <b>Total</b>                       | <b>2,732,523</b> | <b>726,774</b> | <b>2,005,749</b> |

Tax payables due after one year totalled EUR 2,732,523, composed of other payables for tax disputes of EUR 36,319 and EUR 2,696,204 relating to agreements reached with the Tax Authorities connected to tax disputes relating to the years 2008 and 2009, which were repaid in instalments over roughly 4 years. For more details on the settlement agreements, please refer to the Report on Operations.

#### 41. Other non-current liabilities - EUR 2,061,499

|  | 31.12.2015       | 31.12.2014       | Change         |
|--|------------------|------------------|----------------|
| Guarantee deposits                                   | 608,618          | 168,464          | 440,154        |
| Payable due to Nomar for repurchase of business unit | 1,452,881        | 1,456,374        | (3,493)        |
| <b>Total</b>   | <b>2,061,499</b> | <b>1,624,838</b> | <b>436,661</b> |

The amount of EUR 608,618 refers to guarantee deposits paid by customers as set out in specific contractual agreements.

The amount of EUR 1,452,881 represents the residual payable due to Nomar Enterprise S.r.l. as a result of the purchase of the business unit, relating to Green Wind 1 S.r.l. in 2011, whose payment is subject to the obtainment of the necessary authorisation for the launch of the associated plant.

#### 42. Short-term loans - EUR 37,438,907

The item is composed of the following payables, which are due to be repaid in the next 12 months.

|   | 31.12.2015        | 31.12.2014        | Change              |
|---|-------------------|-------------------|---------------------|
| Current account payables                                      | 11,146,331        | 9,923,164         | 1,223,168           |
| Due for advances  | 11,893,953        | 22,967,141        | (11,073,188)        |
| Payables due to factoring companies                           | 8,339,687         | 13,998,958        | (5,659,271)         |
| Payables for short-term portion of mortgages loans/loans      | 5,753,954         | 1,353,693         | 4,400,261           |
| Payables for interest on loans                                | 118,882           | 0                 | 118,882             |
| Payables due to Simest for repurchase of Solcap S.r.l. shares | 0                 | 2,408,700         | (2,408,700)         |
| Other financial payables                                      | 186,100           | 1,347             | 184,753             |
| <b>Total</b>  | <b>37,438,907</b> | <b>50,653,002</b> | <b>(13,214,095)</b> |

Payables for mortgages and loans refer to the short-term portion of mortgages and loans already described in previous note 36, while current account overdrafts and due for advances represent the amounts due to banks and financial institutions for current account overdrafts and current account advances.

The payable due to factoring companies is recorded for an amount equal to the advances received (net of commission) following the factoring of trade receivables with recourse, which envisage the possibility of recourse if the factoring company does not collect the amount of the factored receivable from the debtor on the envisaged expiry date.

#### 43. Trade-related payables - EUR 241,583,165

The item is broken down as follows.

|                                    | 31.12.2015         | 31.12.2014         | Change               |
|------------------------------------|--------------------|--------------------|----------------------|
| Trade payables                     | 167,717,702        | 249,430,333        | (81,712,631)         |
| Payables for invoices to be issued | 73,327,327         | 126,594,395        | (53,267,068)         |
| Credit notes to be received        | (3,381,929)        | (3,487,790)        | 105,861              |
| Advances from customers            | 3,920,065          | 15,266             | 3,904,799            |
| <b>Total</b>                       | <b>241,583,165</b> | <b>372,552,204</b> | <b>(130,969,039)</b> |

As indicated in note 26, for the purpose of a better understanding of the financial statement figures and providing a true and fair view of the Group's receivable and payable position, it should be noted that some items have been recognised in the financial statements at their "net book value" i.e., after netting payable and receivable positions in the presence of offset letters between the parties.

These relate to Group payables due to suppliers as a result of sales transactions. The value reported represents the fair value of these obligations net of allowances and discounts agreed by suppliers.

#### 44. Payables due to holding companies, subsidiaries and associated companies - EUR 1,919,307

The item includes the Group's payables due to subsidiaries and associated companies and the holding company, as detailed below.

|                                    | 31.12.2015       | 31.12.2014     | Change           |
|------------------------------------|------------------|----------------|------------------|
| SC Holding S.r.l.                  | 1,141,045        | 99,297         | 1,041,748        |
| Genera S.p.A.                      | 388,096          | 0              | 388,096          |
| Nomar Enterprise S.r.l.            | 24,344           | 10,938         | 13,406           |
| Feed S.p.A.                        | 4,662            | 5,817          | (1,154)          |
| Doro Re                            | 1,489            | 0              | 1,489            |
| Gold Sun Europe S.r.l.             | 340,608          | 0              | 340,608          |
| <b>Due to holding companies</b>    | <b>1,900,244</b> | <b>116,051</b> | <b>1,784,193</b> |
| Energy trading companies           | 0                | 467,733        | (467,733)        |
| <b>Due to subsidiaries</b>         | <b>0</b>         | <b>467,733</b> | <b>(467,733)</b> |
| Sòlerys S.p.A.                     | 5,604            | 0              | 5,604            |
| US Boreale S.r.l.                  | 13,460           | 0              | 13,460           |
| <b>Due to associated companies</b> | <b>19,063</b>    | <b>0</b>       | <b>19,063</b>    |
| <b>Total</b>                       | <b>1,919,307</b> | <b>583,784</b> | <b>1,335,523</b> |

Payables due to holding companies derive primarily from transactions connected to tax consolidation, due exclusively to the holding company SC Holding S.r.l. The change in the item was also due to the offsetting as a result of waiving of part of the loans granted to SC Holding S.r.l. by Green Network S.p.a., as already described in previous note 21.

#### 45. Tax payables - EUR 11,679,548

The item is broken down as follows:

|  | 31.12.2015        | 31.12.2014       | Change           |
|--|-------------------|------------------|------------------|
| Due for taxation   | 100,980           | 546,712          | (445,732)        |
| Due to tax authorities for withholdings on employment and similar income | 359,851           | 588,485          | (228,634)        |
| Due to tax authorities for withholdings on freelance income              | 163,230           | 138,732          | 24,498           |
| Due to tax authorities for Gas   | 3,198,424         | 1,756,949        | 1,441,474        |
| Due to tax authorities for UTF (finance office)                          | 6,684,234         | 4,533,241        | 2,150,993        |
| Payables for settlement agreements                                       | 885,394           | 0                | 885,394          |
| Other tax payables   | 287,437           | 314,408          | (26,971)         |
| <b>Total</b>   | <b>11,679,548</b> | <b>7,878,526</b> | <b>3,801,022</b> |

The item is composed primarily of payables to the tax authorities for Gas and UTF and the current part of the payable for settlement agreements reached with the Tax Authorities, already described in the report on operations.

#### 46. Derivatives - EUR 6,222,303

Similar to the information already provided in previous note 31, the item includes the negative fair value of the derivative financial instruments that the Group holds for hedging purposes, for the purchase of commodities and the associated mark-to-market values of the associated sale contracts.

|                                  | 31.12.2015       | 31.12.2014        | Change             |
|----------------------------------|------------------|-------------------|--------------------|
| Derivative financial instruments | 6,222,303        | 14,674,437        | (8,452,134)        |
| <b>Total</b>                     | <b>6,222,303</b> | <b>14,674,437</b> | <b>(8,452,134)</b> |

#### 47. Other current liabilities - EUR 2,624,690

The item is broken down as follows.

|  | 31.12.2015       | 31.12.2014       | Change          |
|--|------------------|------------------|-----------------|
| Due to INPS (National Social Security Institute)                             | 299,595          | 280,502          | 19,093          |
| Due to INAIL (National Institute for Insurance<br>against Accidents at Work) | 8,218            | 115,074          | (106,856)       |
| Bilateral Body   | 1,728            | 1,053            | 675             |
| Payables due to pension and insurance funds                                  | 33,065           | 31,200           | 1,865           |
| <b>Due to social security and welfare institutions</b>                       | <b>342,606</b>   | <b>427,829</b>   | <b>(85,223)</b> |
| Due to employees and directors   | 922,441          | 589,297          | 333,145         |
| Payables per guarantee deposits  | 13,166           | 388,020          | (374,854)       |
| Charges on derivative financial instruments                                  | 907,695          | 0                | 907,695         |
| Sundry payables  | 438,781          | 552,961          | (114,180)       |
| <b>Other payables</b>  | <b>2,282,084</b> | <b>1,530,278</b> | <b>751,806</b>  |
| <b>Total</b>   | <b>2,624,690</b> | <b>1,958,107</b> | <b>666,583</b>  |

The item is composed primarily of the following liabilities:

- ◆ EUR 922,441 represents that Group's payables to employees, directors and freelancers for fees pertaining to December 2015 which were paid in January 2016 and related social security costs of EUR 342,606;
- ◆ EUR 907,695 for expenses pertaining to future periods on derivative financial instruments.

## OTHER INFORMATION

### Related-party transactions

In line with the relevant Group policies, the economic, equity and financial relations in place with related parties as at 31 December 2015 are reported below, in accordance with the disclosure required by IAS 24. These relate to transactions entered into in the normal course of business, settled under conditions established contractually by the parties in line with ordinary market practice.

|  | Due to holding companies | Due to non-consolidated subsidiaries | Due to associated companies |                 |                   | Joint venture | Other companies  | Total     |
|--|--------------------------|--------------------------------------|-----------------------------|-----------------|-------------------|---------------|------------------|-----------|
|  | SC Holding S.r.l.        | Green Network Power & gas LTD        | Converge S.r.l.             | Sòlergys S.p.A. | US Boreale S.r.l. | JMS S.r.l.    | Itaipower S.r.l. |           |
| <b>Equity transactions</b>                       |                          |                                      |                             |                 |                   |               |                  |           |
| Equity investments                               |                          | 10.000                               | 3.581.067                   | 323.726         | 318.230           | 386.322       | 10.000           | 4.629.345 |
| Receivables for loans                            | 3.777.195                |                                      |                             | 1.420.085       | 10.000            |               |                  | 5.207.280 |
| Trade-related receivables                        |                          | 1.411                                |                             | 328.688         |                   |               |                  | 330.099   |
| Receivables from tax consolidation               | 3.412.270                |                                      |                             |                 |                   |               |                  | 3.412.270 |
| Payables for tax consolidation                   | 1.041.045                |                                      |                             |                 |                   |               |                  | 1.041.045 |
| Trade-related and financial payables             | 100.000                  |                                      |                             | 5.604           | 13.460            |               |                  | 119.063   |
| <b>Economic transactions</b>                     |                          |                                      |                             |                 |                   |               |                  |           |
| Sales revenues                                   | 7.958                    |                                      |                             |                 |                   |               |                  | 7.958     |
| Consumption of materials and services            | 100.000                  |                                      |                             |                 | 10.144            |               |                  | 110.144   |
| Revaluations/(write-downs) of equity investments |                          |                                      |                             |                 |                   |               |                  |           |
| Interest income from loans                       |                          |                                      |                             | 31.626          | 1.447             |               |                  | 33.073    |

These relations represent transactions in place with non-consolidated Group subsidiaries, joint ventures and associated companies; they relate primarily to:

- ◆ financial transactions, represented by loans;
- ◆ tax relations connected to the tax consolidation system in place between some Group companies;
- ◆ sales relations connected mainly to the energy market sector.

The relations with the holding company SC Holding derive predominantly from financial transactions and transactions connected to tax consolidation.

### Disputes, outstanding matters and contingent liabilities

With reference to disputes, outstanding tax matters and contingent liabilities, please refer to the relevant section of the explanatory notes to the statutory financial statements of the consolidating entity, to which this report refers.

## Statement of reconciliation between the financial statements of Green Network S.p.A. and the consolidated financial statements relating to the profit (loss) for the year and shareholders' equity

|   | Shareholders' equity | of which profit (loss) for the year |
|---|----------------------|-------------------------------------|
| <b>Balances as per the financial statements of Green Network S.p.A. as at 31.12.2015</b>  | <b>40,840,499</b>    | <b>1,339,720</b>                    |
| Surplus of shareholders' equity of the financial statements, including the results for the year with respect to the book values of the equity investments in consolidated companies | 0                    | 0                                   |
| <b>Consolidation adjustments made for:</b>  |                      |                                     |
| - Line-by-line consolidation of the equity investments in subsidiaries  | (6,174,722)          | 624,192                             |
| ♦ <i>Green Wind 1 S.r.l.</i>  | (54,497)             | (10,848)                            |
| ♦ <i>Green Wind 2 S.r.l.</i>  | (7,258)              | (253)                               |
| ♦ <i>Solcap Green S.r.l.</i>  | 338,116              | 17,121                              |
| ♦ <i>Green Network Trading UK PLC</i>   | 1,005,745            | 1,381,714                           |
| ♦ <i>Sacri Re S.p.A.</i>  | (1,056,063)          | (327,268)                           |
| ♦ <i>Rena Energia S.r.l.</i>  | (133,549)            | 30,810                              |
| ♦ <i>Ale Energia S.r.l.</i>   | (1,210,779)          | (125,285)                           |
| ♦ <i>Green Hydro 1 S.r.l.</i>   | (44,485)             | (25,689)                            |
| ♦ <i>Green Hydro 2 S.r.l.</i>   | (17,814)             | (6,578)                             |
| ♦ <i>Le Fate Turchine S.r.l.</i>  | (368,231)            | (99,632)                            |
| ♦ <i>Le Fate Turchine 2 S.r.l.</i>  | (397,675)            | (121,046)                           |
| ♦ <i>Green Network Holding Rinnovabili S.r.l.</i>   | (4,516,031)          | 176,921                             |
| ♦ <i>Spectrum Tech S.r.l.</i>   | 273,792              | (279,785)                           |
| ♦ <i>Genera Green Energy</i>  | 14,007               | 14,010                              |
| - deferred and prepaid income taxes   | 0                    | 0                                   |
| Third party profits on valuation of associated companies at equity  | 1,064                | 1,064                               |
| ♦ <i>US Boreale S.r.l.</i>  | 1,064                | 1,064                               |
| <b>Group shareholders' equity and profit (loss)</b>   | <b>34,666,841</b>    | <b>1,964,976</b>                    |
| Minority interests  | 17,073               | (271,417)                           |
| <b>Consolidated shareholders' equity and profit (loss)</b>  | <b>34,683,914</b>    | <b>1,693,560</b>                    |

## Guarantees, commitments and off-balance sheet agreements

At the date of this report, the following contractual commitments and guarantees were in place:

|  | 31.12.2015         |
|--|--------------------|
| Sureties given                         | 136,440,730        |
| Sureties received                      | 18,512,500         |
| Mortgages and other secured guarantees | 53,901,876         |
| Other risks and commitments            | 5,299,715          |
|  | <b>214,154,821</b> |

Sureties given, amounting to EUR 136,440,730, are broken down as follows:

- ♦ EUR 44,440,000 in favour of third parties for the purchase/sale of electricity, gas and derivatives, of which EUR 20,250,000 in favour of the subsidiary Green Network UK Plc;
- ♦ EUR 41,889,678 in favour of third parties for the transportation of electricity and gas
- ♦ EUR 13,000,000 in favour of GME for the performance of business on electricity markets;

- ◆ EUR 7,845,000 in favour of Terna S.p.A. for dispatching, of which EUR 7,435,000 for withdrawal dispatching and EUR 410,000 for injection dispatching;
- ◆ EUR 6,200,000 in favour of third parties for the supply of electricity, of which EUR 200,000 given by Green Network S.p.A. in favour of Green Network UK PLC;
- ◆ EUR 2,817,378 in favour of third parties for gas carrier costs;
- ◆ EUR 2,000,000 in favour of the bank Akros for the purchase of derivatives by the subsidiary Green Network UK Plc;
- ◆ EUR 8,965,305 to guarantee bank loans totalling EUR 6,132,000 and existing finance leases for EUR 2,833,305;
- ◆ EUR 8,769,269 in favour of the Tax Authorities for Group VAT offsetting, requests for VAT refunds and surplus VAT reimbursements;
- ◆ EUR 450,000 in favour of Simest S.p.A. for the stake in the company Solcap Green S.r.l.;
- ◆ EUR 64,100 in favour of third parties for activities relating to the planned construction of plants for the production of energy from renewable sources.

An amount of EUR 53,901,876 relates to mortgages and other secured guarantees, broken down as follows:

- ◆ EUR 25,060,000 as secured guarantees on company assets of the Group to guarantee bank loans, already described in note 32 of this report;
- ◆ EUR 18,245,672 as pledges to banks for cash collateral activities;
- ◆ EUR 10,586,004 as pledges on shares and securities;
- ◆ EUR 10,200 as pledge on the shares held by the Group in the subsidiary Green Hydro 1 S.r.l. as guarantee to the leasing company Credit Agricole.

The other risks and commitments refer, for EUR 4,122,000, to the factored receivables to guarantee the bank loans received, and for EUR 1,177,715 to the commitment assumed by the Group in terms of the residual payable due to leasing companies, with whom car and equipment lease agreements are in place.

### Remuneration due to Directors, Statutory Auditors and Independent Auditors

As already indicated in previous notes 4 and 5, the information relating to remuneration due to directors, statutory auditors and the independent auditors for 2015 is provided below.

|                            | Amount    |
|----------------------------|-----------|
| Directors' fees            | 1,533,916 |
| Statutory Auditors' fees   | 114,046   |
| Independent Auditors' fees | 189,264   |
| Supervisory Body's fees    | 15,600    |

### Subsequent events

No further significant events occurred after the close of the current financial year, with respect to those already detailed in the relevant section of the Report on Operations.

### III - FINANCIAL STATEMENTS OF GREEN NETWORK S.P.A.



## FINANCIAL STATEMENTS

### Income Statement and statement of comprehensive income

|   | NOTES | 31.12.2015           | 31.12.2014           |
|---|-------|----------------------|----------------------|
| <b>Revenues</b>   |       |                      |                      |
| Revenues from sales and services  | 1     | 1,020,024,093        | 1,336,528,535        |
| Other revenue and income  | 2     | 13,160,254           | 7,317,433            |
| <b>Total revenues</b>   |       | <b>1,033,184,347</b> | <b>1,343,845,967</b> |
| <b>Costs</b>  |       |                      |                      |
| Electricity and gas purchase  | 3     | 978,480,732          | 1,288,489,862        |
| Costs for services and materials  | 4     | 31,985,212           | 20,378,878           |
| Payroll and related costs   | 5     | 9,301,364            | 7,580,999            |
| Amortisation/depreciation and impairment  | 6     | 2,783,289            | 4,552,252            |
| Provisions  | 7     | 1,430,000            | 300,000              |
| Other operating costs   | 8     | 5,105,538            | 12,220,377           |
| <b>Total costs</b>  |       | <b>1,029,086,134</b> | <b>1,333,522,368</b> |
| Financial income (expense) from derivative contracts                                      | 9     | 4,581,755            | (6,783,421)          |
| <b>EBIT</b>   |       | <b>8,679,967</b>     | <b>3,540,179</b>     |
| Financial income (expense) from financial instruments measured at fair value              | 10    | (229,032)            | (85,086)             |
| Net profit (loss) from the sale of current and non-current operating assets               | 11    | 0                    | (733,908)            |
| Financial income  | 12    | 3,385,390            | 5,001,341            |
| Financial expense   | 13    | (7,546,850)          | (6,295,016)          |
| Share of income/(expense) deriving from equity investments valued using the equity method | 14    | 37,801               | (222,986)            |
| <b>Pre-tax profit (loss)</b>  |       | <b>4,327,276</b>     | <b>1,204,524</b>     |
| Taxation  | 15    | (2,987,556)          | (3,165,768)          |
| <b>Net profit (loss) for the period (group and minority interests)</b>                    |       | <b>1,339,720</b>     | <b>(1,961,244)</b>   |

|  | NOTES | 31.12.2015         | 31.12.2014         |
|--|-------|--------------------|--------------------|
| <b>Statement of comprehensive income</b>   |       |                    |                    |
| <b>Profit (loss) for the year</b>  |       | <b>1,339,720</b>   | <b>(1,961,244)</b> |
| <b>Other components of comprehensive income</b>  |       |                    |                    |
| <b>Items that do not need to be reclassified</b>   |       |                    |                    |
| Revaluations of property, plant and machinery and intangible fixed assets                |       | 0                  | 0                  |
| Actuarial gains (losses) from defined benefit plans                                      |       | 167,994            | 0                  |
| <b>Items that need to be reclassified</b>  |       |                    |                    |
| Profit (losses) from redetermination of the value of financial assets available for sale |       | (1,447,715)        | 327,257            |
| Fair value changes in cash flow hedges   |       | 13,335,124         | 7,815,640          |
| <b>Income taxes relating to OCI</b>  |       | <b>(3,896,306)</b> | <b>(2,631,784)</b> |
| <b>Comprehensive profit/loss for the year</b>  |       | <b>9,498,817</b>   | <b>3,549,868</b>   |

## Statement of financial position

|   | NOTES | 31.12.2015         | 31.12.2014         |
|---|-------|--------------------|--------------------|
| <b>Non-current assets</b>   |       |                    |                    |
| Intangible fixed assets   | 16    | 740,568            | 747,629            |
| Property, plant and machinery   | 17    | 1,642,344          | 1,415,308          |
| Equity investments  | 18    | 19,859,157         | 16,958,724         |
| Non-current assets held for sale  | 19    | 0                  | 4,735,226          |
| Receivables due from holding companies, subsidiaries and associated companies | 20    | 19,001,659         | 33,751,197         |
| Tax credits   | 21    | 5,150,751          | 2,402,117          |
| Financial assets held to maturity   | 22    | 9,817,457          | 6,689,034          |
| Other non-current assets  | 23    | 1,170,610          | 1,857,934          |
| <b>Total</b>  |       | <b>57,382,547</b>  | <b>68,557,169</b>  |
| <b>Current assets</b>   |       |                    |                    |
| Inventories   | 24    | 0                  | 1,630,864          |
| Trade-related receivables   | 25    | 207,295,236        | 278,785,140        |
| Receivables due from holding companies, subsidiaries and associated companies | 26    | 11,208,357         | 20,258,005         |
| Loans to banks and other financial institutions                               | 27    | 2,714,641          | 6,864,079          |
| Receivables for prepaid taxes   | 28    | 4,993,273          | 3,882,024          |
| Tax credits   | 29    | 7,261,488          | 7,368,784          |
| Derivatives   | 30    | 26,905,727         | 19,418,040         |
| Financial assets available for sale   | 31    | 1,792,984          | 4,124,244          |
| Other current assets  | 32    | 16,618,731         | 9,168,594          |
| Cash and cash equivalents   | 33    | 21,810,034         | 34,664,798         |
| <b>Total</b>  |       | <b>300,600,472</b> | <b>386,164,572</b> |
| <b>Total assets</b>   |       | <b>357,983,019</b> | <b>454,721,741</b> |
| <b>Shareholders' equity and liabilities</b>                                   |       |                    |                    |
| <b>Shareholders' equity</b>   |       |                    |                    |
| Share capital   | 34    | 15,636,000         | 15,636,000         |
| Other reserves  | 34    | 23,864,779         | 13,127,175         |
| Net profit (loss) for the period  | 34    | 1,339,720          | (1,961,245)        |
| <b>Total shareholders' equity</b>   |       | <b>40,840,499</b>  | <b>26,801,930</b>  |
| <b>Non-current liabilities</b>  |       |                    |                    |
| Long-term loans   | 35    | 5,874,531          | 4,804,000          |
| Employee severance indemnity and other employee benefits                      | 36    | 1,186,108          | 673,000            |
| Payables due to holding companies, subsidiaries and associated companies      | 37    | 0                  | 11,246,479         |
| Provisions for risks and charges (non-current portion)                        | 38    | 4,074,056          | 3,011,839          |
| Tax liabilities   | 39    | 2,732,523          | 726,774            |
| Other non-current liabilities   | 40    | 596,368            | 158,630            |
| <b>Total</b>  |       | <b>14,463,586</b>  | <b>20,620,722</b>  |

|  | NOTES | 31.12.2015         | 31.12.2014         |
|--|-------|--------------------|--------------------|
| <b>Current liabilities</b>   |       |                    |                    |
| Short-term loans   | 41    | 35,348,339         | 49,299,259         |
| Trade-related payables   | 42    | 219,249,122        | 305,918,723        |
| Payables due to holding companies, subsidiaries and associated companies | 43    | 28,270,512         | 31,147,167         |
| Tax payables   | 44    | 11,559,176         | 7,502,088          |
| Derivatives  | 45    | 5,754,963          | 11,602,400         |
| Other current liabilities  | 46    | 2,496,822          | 1,829,451          |
| <b>Total</b>   |       | <b>302,678,933</b> | <b>407,299,088</b> |
| <b>Total shareholders' equity and liabilities</b>                        |       | <b>357,983,019</b> | <b>454,721,741</b> |

## Statement of changes in shareholders' equity

|                                       | Share Capital     | Legal reserve    | Extraordinary reserve | Reserve for valuation at equity | Indivisible profits and reserves | FTA reserve       | Reserve for valuation of derivatives and contracts | Rounding reserve | Capital contributions | AFS reserve        | Actuarial gain reserve | Net profit (loss) for the year | Total               |
|---------------------------------------|-------------------|------------------|-----------------------|---------------------------------|----------------------------------|-------------------|--|------------------|-----------------------|--------------------|------------------------|--------------------------------|---------------------|
| <b>Balances as at 1 January 2014</b>  | 15.000.000        | 837.050          | 1.007.488             | 3.684.936                       | 0                                | 16.387.195        | 0  | (3)              | 13.394                | 0                  | 0                      | 2.324.299                      | <b>39.254.359</b>   |
| Changes in Shareholders' Equity       | 636.000           | 118.000          | 1.271.384             | 1.015.639                       | (16.548)                         | 0                 | (11.518.620)                                       | 3                | 0                     | 327.257            | 0                      | (2.324.299)                    | <b>(10.491.184)</b> |
| Net profit (loss) at 31 December 2014 | 0                 | 0                | 0                     | 0                               | 0                                | 0                 | 0  | 0                | 0                     | 0                  | 0                      | (1.961.245)                    | <b>(1.961.245)</b>  |
| <b>Balance at 31 December 2014</b>    | <b>15.636.000</b> | <b>955.050</b>   | <b>2.278.872</b>      | <b>4.700.575</b>                | <b>(16.548)</b>                  | <b>16.387.195</b> | <b>(11.518.620)</b>                                | <b>0</b>         | <b>13.394</b>         | <b>327.257</b>     | <b>0</b>               | <b>(1.961.245)</b>             | <b>26.801.930</b>   |
| Changes in Shareholders' Equity       | 0                 | 106.000          | 399.278               | 1.597.021                       | (2.429.597)                      | 0                 | 13.335.124   | 0                | 0                     | (2.102.229)        | (167.994)              | 1.961.245                      | <b>12.698.848</b>   |
| Net profit (loss) at 31 December 2015 | 0                 | 0                | 0                     | 0                               | 0                                | 0                 | 0  | 0                | 0                     | 0                  | 0                      | 1.339.720                      | <b>1.339.720</b>    |
| <b>Balance at 31 December 2015</b>    | <b>15.636.000</b> | <b>1.061.050</b> | <b>2.678.150</b>      | <b>6.297.596</b>                | <b>(2.446.144)</b>               | <b>16.387.195</b> | <b>1.816.504</b>                                   | <b>0</b>         | <b>13.394</b>         | <b>(1.774.972)</b> | <b>(167.994)</b>       | <b>1.339.720</b>               | <b>40.840.499</b>   |

## Cash flow statement

|   |                     |
|---|---------------------|
|   | 31.12.2015          |
| <b>Pre-tax profit (loss) for the year</b>   | <b>4,327,276</b>    |
| <b>CASH FLOW STATEMENT OF OPERATING ACTIVITIES (A)</b>                                  |                     |
| Interest expense/(interest income)  | 4,188,356           |
| Income from equity investments in other companies                                       | (11,329)            |
| (Capital gains)/losses from the sale of assets  | 0                   |
| <b>Adjustments for non-monetary elements with a contra-entry in net working capital</b> |                     |
| <i>Allocations to provisions</i>  | <i>5,416,221</i>    |
| <i>Depreciation/amortisation of fixed assets</i>  | <i>636,671</i>      |
| <i>Write-downs due to impairment</i>  | <i>0</i>            |
| <i>Other adjustments for non-monetary elements</i>                                      | <i>654,279</i>      |
| <b>Cash flows from change in working capital</b>  | <b>(29,918,692)</b> |
| <b>Cash flows from other adjustments:</b>   |                     |
| <i>Interest collected/(paid)</i>  | <i>(4,188,356)</i>  |
| <i>(Income taxes paid)</i>  | <i>0</i>            |
| <i>Dividends collected</i>  | <i>11,329</i>       |
| <i>(Use of provisions)</i>  | <i>(1,040,582)</i>  |
| <b>Cash and cash equivalents deriving from operating activities</b>                     | <b>(24,252,103)</b> |
| <b>CASH FLOW STATEMENT OF INVESTMENT ACTIVITIES (B)</b>                                 |                     |
| Cash flows from changes in property, plant and machinery                                | (603,398)           |
| Cash flows from changes in intangible fixed assets                                      | (253,248)           |
| Cash flows from changes in financial instruments  | 16,622,133          |
| Cash flows from changes in equity investments   | (8,513,882)         |
| <b>Cash and cash equivalents deriving from operating activities</b>                     | <b>7,251,605</b>    |
| <b>CASH FLOW STATEMENT OF FINANCING ACTIVITIES (B)</b>                                  |                     |
| Increase (decrease) in short-term payables  | 1,223,218           |
| Cash flows from third party financing   | (14,103,607)        |
| Dividends paid  | 0                   |
| Other changes in shareholders' equity items   | 12,698,847          |
| <b>Cash and cash equivalents deriving from financing activities</b>                     | <b>(181,542)</b>    |
| <b>Increase (decrease) in cash and cash equivalents</b>                                 | <b>(12,854,764)</b> |
| <b>Opening cash and cash equivalents</b>  | <b>34,664,798</b>   |
| <b>Closing cash and cash equivalents</b>  | <b>21,810,034</b>   |

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## TRANSITION TO IAS/IFRS

### Introduction

In compliance with IFRS 1, this section contains detailed information and the reconciliation tables explaining the process of transition to IAS/IFRS.

The reconciliation tables were drafted for the sole purpose of the transition process for the preparation of the first complete set of financial statements according to IAS/IFRS and, therefore, lack the comparative data and the necessary explanatory notes that would be required to provide a full overview of the company's financial position and economic result in compliance with IAS/IFRS. These tables were prepared in accordance with the currently applicable international accounting standards, including the IFRSs adopted recently by the IASB and the interpretations of the IFRIC and SIC, approved by the European Commission.

### Transition to IAS/IFRS

In light of the ongoing changes to the regulatory framework in relation to the financial statements and reference national accounting standards (OIC), that by and large converge with international accounting standards (IAS/IFRS), Green Network S.p.A. decided to draft its separate financial statements for the year ended as at 31.12.2015, including the balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in shareholders' equity items and associated explanatory notes according to the IAS/IFRSs issued by the IASB and approved by the European Union.

It should be noted that the data presented in the preliminary IFRS reconciliation tables below, being prepared solely for the purpose of the transition process for the drafting of the first set of financial statements of Green Network S.p.A. as at 31.12.2015 according to international accounting standards (IAS/IFRS), lack the comparative tables and information and the associated explanatory notes that would be required to provide a true and fair view of the company's financial position and economic result in compliance with IFRS.

As required by IFRS 1, at the date of transition to the new standards, a consolidated balance sheet was drafted in which:

- ◆ all assets and liabilities whose recognition is required by IAS/IFRS were recorded and valued, including those not envisaged in the application of Italian accounting standards;
- ◆ all assets and liabilities whose recognition is required by Italian accounting standards, but which is not permitted under IFRS, were eliminated;
- ◆ some balance sheet items were reclassified according to IFRS.

The effects of the above differences were recognised, where applicable, directly in opening shareholders' equity at the transition date (01.12.2014). Adjustments were determined in compliance with the accounting standards adopted and detailed in the appropriate section of these explanatory notes.

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## Optional and mandatory exemptions to the full retrospective adoption of IAS/IFRS

Companies that adopt IAS/IFRS for the first time may opt to apply some of the optional exemptions from the full retroactive application of the accounting standards.

For the purposes of the transition to IAS/IFRS, the company retrospectively adopted all the international accounting standards, with the exception of the following:

- ◆ IAS 19 - Employee benefits: the company decided to adopt the facility set forth in IFRS 1 and, therefore, did not re-determine the provision accrued in favour of employees for severance indemnities in full compliance with IAS 19 at the transition date;
- ◆ Redetermination of the historical cost: the company availed itself of the facility set forth in IFRS 1, therefore avoiding the need to retroactively reconstruct the cost of recognition according to the provisions of IAS 16, IAS 17 and IAS 40 at the date of purchase of the assets already depreciated.

By contrast, the company decided not to adopt the facility set forth in IFRS 1 relating to business combinations and to retrospectively apply IFRS 3 with reference to the merger, in 2015, of the company Green Network Luce & Gas S.r.l. (merged company) with Green Network S.p.A. (merging company) and the merger of La Scossa S.r.l. with Green Network Luce & Gas S.r.l. which took place in 2014. Therefore, at the transition date, the entities subject to a business combination were considered as a single entity.

At the same time, IFRS 1 establishes some mandatory exceptions to the retrospective application of the international accounting standards in the process of transition to the IFRSs adopted by the European Union. The mandatory exceptions applicable to the company are outlined below.

### *Derecognition of financial assets and financial liabilities*

Non-derivative financial assets and/or liabilities relating to transactions carried out before the date of transition to IAS/IFRS that were eliminated from the financial statements drafted according to Italian accounting standards, do not need to be recognised or written back to the financial statements.

### *Recognition of hedging transactions*

A derivative cannot be accounted as a hedge if the hedging relationship did not exist at the transition date.

### *Estimates*

The estimates prepared at the date of transition to the IFRSs adopted by the European Union must conform to the estimates made at the same date according to the Italian accounting standards (after the necessary adjustments to reflect any differences in the accounting standards).

## Subsequent events to the financial statements for the years ended as at 31 December 2013 and 31 December 2014

Following the reporting date of the financial statements as at 1 January 2013, 31 December 2013 and 31 December 2014, no subsequent events were verified as such to require an adjustment to the data recorded and the associated information provided.

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## Accounting treatments chosen beforehand as part of the accounting options set out in IAS/IFRS

### Inventories

In accordance with IAS 2 - Inventories, paragraph 25, the cost of fungible assets is calculated by using the weighted average cost method.

### Valuation of tangible and intangible fixed assets

Following initial recognition at cost, IAS 16 - Property, plant and machinery, paragraph 30 and IAS 38- Intangible assets, paragraph 72, envisage that tangible and intangible assets may be valued at cost net of accumulated amortisation/depreciation and impairment, or by periodically determining the market value and adjusting to said value the accounting balance at the reference date of the assessment of market value. The company decided to adopt the cost method.

### Equity investments

Having decided to draft the consolidated financial statements of the "sub-group Green Network S.p.A." in line with IAS 27, the company valued equity investments in subsidiaries at cost.

Equity investments in associated companies and in joint ventures were measured using the equity method, in compliance with IAS 28.

### Non-current assets held for sale

Non-current assets which the company's management undertook to dispose by commencing activities to identify a buyer and defining the sale conditions, were reclassified under non-current assets held for sale and valued in accordance with IFRS 5.

### Financial instruments

Financial assets and liabilities were accounted for at fair value when the contractual rights and obligations envisaged by the instrument arose. Their initial recognition takes account of the transaction costs directly attributable to the acquisition and the issue costs that are included in the initial measurement of all assets and liabilities defined as financial instruments. Subsequent measurement depends on the type of instrument. Specifically:

- ◆ other financial assets and liabilities, other than derivative instruments and equity investments, with fixed or determinable payments, are measured at amortised cost. Any transaction costs incurred in the acquisition/sale phase directly adjust the nominal value of the asset/liability (e.g. issue premiums and discounts, costs incurred for the acquisition of loans, etc.);
- ◆ assets available for sale are designated at fair value and the profits and losses determined are booked to shareholders' equity, in particular to the "AFS Reserve" and charged to the statement of other comprehensive income. This reserve is reversed to the income statement only at the moment in which the financial asset is actually sold or, in the case of negative changes, when there is evidence that the impairment already recorded in shareholders' equity cannot be recovered. The classification as a current or non-current asset depends on management's intentions and the actual tradability of the security itself; those which are expected to be sold in



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the subsequent twelve months are recorded under current assets;

- ◆ loans and receivables include trade and financial receivables, including therein debt securities, not represented by derivative instruments and not listed on an active market, from which fixed or determinable payments are expected and for which there is no predetermined intention to subsequently sell. These assets are initially recognised at fair value, and are subsequently valued at amortised cost using the effective interest rate method. Trade-related receivables, whose expiry falls under the normal commercial terms, are not discounted. If there is objective evidence of impairment indicators, the value of the assets is reduced to the extent equal to the discounted value of the cash flows that may be obtained in the future: impairment calculated through impairment tests is booked to the income statement. If, in later periods, the reasons for the aforementioned write-downs no longer apply, the value of the assets is written back up to the value that would have been derived from applying the amortised cost method if no impairment had been charged. These assets are classified as current assets, except for portions expiring after twelve months, which are included under non-current assets.

Where applicable, the company applied Hedge Accounting. Consequently, derivative instruments are classified as hedging instruments when the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedge, periodically verified, is high in accordance with IAS 39. In this case, the following accounting treatments apply in particular:

- ◆ if the derivatives hedge the risk of cash flow changes in the elements subject to hedging (cash flow hedge), the effective portion of the fair value changes in the derivatives is booked directly to shareholders' equity, in particular to the "derivatives valuation reserve" and booked to the statement of other comprehensive income, while the ineffective portion is booked directly to the income statement. At the moment the transaction is performed in the future, the amounts recorded directly in shareholders' equity are reflected in the income statement consistent with the economic effects of the hedged element;
- ◆ if the derivatives hedge the risk of fair value changes in the elements subject to hedging (fair value hedge), the fair value changes in derivatives are booked directly to the income statement.

Financial liabilities relating to loans and other obligations to be paid other than derivative instruments are measured at amortised cost, net of repayments of principal already made.

Payables and other liabilities are classified as current liabilities, except where the Group has the contractual right to extinguish its obligations at least after twelve months from the balance sheet date.

### Financial statement layouts

In relation to the possibility of choosing the financial statement layouts set out in IAS 1, the company adopted the balance sheet layout with the separate identification of current and non-current assets and liabilities. In relation to the income statement, the company chose to present items 'by nature', the format considered to be most representative with respect to the so-called presentation by use (also known as "cost of sales").

## Tables of connection and reconciliation between Italian accounting standards and IAS/IFRS

The tables below show the effects of the transition to the IAS/IFRSs adopted by the European Union, both in terms of reclassifications and adjustments, which are described in more detail below.

| Balance sheet 2013  | Italian accounting standards | Reclassifications   | Adjustments       | IAS/IFRS           | NOTES |
|---|------------------------------|---------------------|-------------------|--------------------|-------|
| <b>Non-current assets</b>   |                              |                     |                   |                    |       |
| Intangible fixed assets   | 3,240,302                    | (4,505)             | (2,946,830)       | 288,967            | 1     |
| Goodwill  | 233,361                      | 0                   | (233,361)         | 0                  | 2     |
| Property, plant and machinery   | 1,127,392                    | 4,505               | 0                 | 1,131,897          |       |
| Equity investments  | 19,769,967                   | 499,860             | 3,154,167         | 23,423,994         | 3     |
| Non-current assets held for sale  | 0                            | 0                   | 0                 | 0                  |       |
| Receivables due from holding companies, subsidiaries and associated companies | 26,873,945                   | 0                   | 0                 | 26,873,945         |       |
| Tax credits   | 1,400,455                    | 0                   | 0                 | 1,400,455          |       |
| Financial assets held to maturity   | 0                            | 15,670,580          | 0                 | 15,670,580         |       |
| Other non-current financial receivables                                       | 499,860                      | (499,860)           | 0                 | 0                  |       |
| Other non-current assets  | 2,537,030                    | 0                   | 0                 | 2,537,030          |       |
| <b>Total</b>  | <b>55,682,312</b>            | <b>15,670,580</b>   | <b>(26,024)</b>   | <b>71,326,869</b>  |       |
| <b>Current assets</b>   |                              |                     |                   |                    |       |
| Inventories   | 1,948,051                    | 0                   | 0                 | 1,948,051          |       |
| Trade-related receivables   | 329,947,676                  | 0                   | (2,841,686)       | 327,105,990        | 4     |
| Receivables due from holding companies, subsidiaries and associated companies | 19,086,656                   | 0                   | 0                 | 19,086,656         |       |
| Loans to banks and other financial institutions                               | 0                            | 6,315,063           | 0                 | 6,315,063          |       |
| Receivables for prepaid taxes   | 6,381,782                    | 0                   | 1,244,173         | 7,625,955          | 5     |
| Tax credits   | 6,691,832                    | 0                   | 0                 | 6,691,832          |       |
| Derivatives   | 0                            | 0                   | 24,488,813        | 24,488,813         | 6     |
| Financial assets available for sale   | 0                            | 2,095,174           | (203,229)         | 1,891,945          |       |
| Other current financial assets  | 29,810,099                   | (25,280,817)        | 0                 | 4,529,282          |       |
| Other current assets  | 0                            | 0                   | 0                 | 0                  |       |
| Cash and cash equivalents   | 26,849,142                   | 0                   | 0                 | 26,849,142         |       |
| <b>Total</b>  | <b>420,715,238</b>           | <b>(16,870,580)</b> | <b>22,688,072</b> | <b>426,532,730</b> |       |
| <b>Total assets</b>   | <b>476,397,550</b>           | <b>(1,200,000)</b>  | <b>22,662,048</b> | <b>497,859,598</b> |       |
| <b>Shareholders' equity and liabilities</b>                                   |                              |                     |                   |                    |       |
| <b>Shareholders' equity</b>   |                              |                     |                   |                    |       |
| Share capital   | 15,000,000                   | 0                   | 0                 | 15,000,000         |       |
| Other reserves  | 8,027,812                    | 0                   | 13,902,248        | 21,930,060         |       |
| Net profit (loss) for the period  | 2,324,299                    | 0                   | 0                 | 2,324,299          |       |
| <b>Total shareholders' equity</b>   | <b>25,352,111</b>            | <b>0</b>            | <b>13,902,248</b> | <b>39,254,359</b>  |       |
| <b>Non-current liabilities</b>  |                              |                     |                   |                    |       |
| Long-term loans   | 0                            | 0                   | 1,304,000         | 1,304,000          | 7     |
| Employee severance indemnity and other employee benefits                      | 502,431                      | 0                   | 0                 | 502,431            |       |

| Balance sheet 2013   | Italian accounting standards | Reclassifications  | Adjustments       | IAS/IFRS           | NOTES |
|--|------------------------------|--------------------|-------------------|--------------------|-------|
| Payables due to holding companies, subsidiaries and associated companies | 8,838,479                    | 0                  | 0                 | 8,838,479          |       |
| Provisions for risks and charges (non-current portion)                   | 5,282,543                    | (1,200,000)        | 0                 | 4,082,543          |       |
| Tax liabilities  | 0                            | 0                  | 0                 | 0                  |       |
| Other non-current liabilities  | 149,037                      | 0                  | 0                 | 149,037            |       |
| <b>Total</b>   | <b>14,772,490</b>            | <b>(1,200,000)</b> | <b>1,304,000</b>  | <b>14,876,490</b>  |       |
| <b>Current liabilities</b>   |                              |                    |                   |                    |       |
| Short-term loans   | 96,034,958                   | 0                  | 2,301,247         | 98,336,205         | 7     |
| Provisions for risks and charges (current portion)                       | 0                            | 0                  | 0                 | 0                  |       |
| Trade-related payables   | 286,599,903                  | 0                  | 0                 | 286,599,903        |       |
| Payables due to holding companies, subsidiaries and associated companies | 47,541,187                   | 0                  | 0                 | 47,541,187         |       |
| Tax payables   | 5,010,300                    | 0                  | 0                 | 5,010,300          |       |
| Derivatives  | 0                            | 0                  | 5,154,553         | 5,154,553          | 6     |
| Other current financial liabilities                                      | 1,086,601                    | 0                  | 0                 | 1,086,601          |       |
| <b>Total</b>   | <b>436,272,949</b>           | <b>0</b>           | <b>7,455,800</b>  | <b>443,728,749</b> |       |
| <b>Total shareholders' equity and liabilities</b>                        | <b>476,397,550</b>           | <b>(1,200,000)</b> | <b>22,662,048</b> | <b>497,859,598</b> |       |

| Balance sheet 2014  | Italian accounting standards | Reclassifications | Adjustments      | IAS/IFRS          | NOTES |
|---|------------------------------|-------------------|------------------|-------------------|-------|
| <b>Non-current assets</b>   |                              |                   |                  |                   |       |
| Intangible fixed assets   | 6,286,421                    | (208,697)         | (5,330,095)      | 747,629           | 1     |
| Goodwill  | 128,446                      | 0                 | (128,446)        | 0                 | 2     |
| Property, plant and machinery   | 1,206,611                    | 208,697           | 0                | 1,415,308         |       |
| Equity investments  | 15,888,293                   | (4,092,270)       | 5,162,701        | 16,958,724        | 3     |
| Non-current assets held for sale  | 0                            | 4,592,130         | 143,096          | 4,735,226         |       |
| Receivables due from holding companies, subsidiaries and associated companies | 33,751,197                   | 0                 | 0                | 33,751,197        |       |
| Tax credits   | 2,402,117                    | 0                 | 0                | 2,402,117         |       |
| Financial assets held to maturity   | 0                            | 6,689,034         | 0                | 6,689,034         |       |
| Other non-current financial receivables                                       | 499,860                      | (499,860)         | 0                | 0                 |       |
| Other non-current assets  | 1,857,934                    | 0                 | 0                | 1,857,934         |       |
| <b>Total</b>  | <b>62,020,879</b>            | <b>6,689,034</b>  | <b>(152,744)</b> | <b>68,557,169</b> |       |
| <b>Current assets</b>   |                              |                   |                  |                   |       |
| Inventories   | 1,630,864                    | 0                 | 0                | 1,630,864         |       |
| Trade-related receivables   | 281,723,598                  | 0                 | (2,938,458)      | 278,785,140       | 4     |
| Receivables due from holding companies, subsidiaries and associated companies | 20,718,518                   | (159,445)         | (301,068)        | 20,258,005        |       |
| Loans to banks and other financial institutions                               | 0                            | 6,864,079         | 0                | 6,864,079         |       |
| Receivables for prepaid taxes   | 2,637,851                    | 0                 | 1,244,173        | 3,882,024         | 5     |
| Tax credits   | 7,368,784                    | 0                 | 0                | 7,368,784         |       |
| Derivatives   | 0                            | 0                 | 19,418,040       | 19,418,040        | 6     |

| Balance sheet 2014   | Italian accounting standards | Reclassifications  | Adjustments        | IAS/IFRS           | NOTES |
|--|------------------------------|--------------------|--------------------|--------------------|-------|
| Financial assets available for sale                                      | 0                            | 4,114,318          | 9,926              | 4,124,244          |       |
| Other current financial assets   | 28,176,580                   | (19,007,986)       | 0                  | 9,168,594          |       |
| Other current assets   | 0                            | 0                  | 0                  | 0                  |       |
| Cash and cash equivalents  | 34,664,798                   | 0                  | 0                  | 34,664,798         |       |
| <b>Total</b>   | <b>376,920,993</b>           | <b>(8,189,034)</b> | <b>17,432,613</b>  | <b>386,164,572</b> |       |
| <b>Total assets</b>  | <b>438,941,872</b>           | <b>(1,500,000)</b> | <b>17,279,869</b>  | <b>454,721,741</b> |       |
| <b>Shareholders' equity and liabilities</b>                              |                              |                    |                    |                    |       |
| <b>Shareholders' equity</b>  |                              |                    |                    |                    |       |
| Share capital  | 15,636,000                   | 0                  | 0                  | 15,636,000         |       |
| Other reserves   | 10,615,412                   | 0                  | 2,511,763          | 13,127,175         |       |
| Net profit (loss) for the period   | 2,085,750                    | 0                  | (4,046,995)        | (1,961,245)        |       |
| <b>Total shareholders' equity</b>  | <b>28,337,162</b>            | <b>0</b>           | <b>(1,535,231)</b> | <b>26,801,930</b>  |       |
| <b>Non-current liabilities</b>   |                              |                    |                    |                    |       |
| Long-term loans  | 0                            | 0                  | 4,804,000          | 4,804,000          | 7     |
| Employee severance indemnity and other employee benefits                 | 673,000                      | 0                  | 0                  | 673,000            |       |
| Payables due to holding companies, subsidiaries and associated companies | 11,246,479                   | 0                  | 0                  | 11,246,479         |       |
| Provisions for risks and charges (non-current portion)                   | 4,511,839                    | (1,500,000)        | 0                  | 3,011,839          |       |
| Tax liabilities  | 726,774                      | 0                  | 0                  | 726,774            |       |
| Other non-current liabilities  | 158,630                      | 0                  | 0                  | 158,630            |       |
| <b>Total</b>   | <b>17,316,722</b>            | <b>(1,500,000)</b> | <b>4,804,000</b>   | <b>20,620,722</b>  |       |
| <b>Current liabilities</b>   |                              |                    |                    |                    |       |
| Short-term loans   | 46,890,559                   | 0                  | 2,408,700          | 49,299,259         | 7     |
| Provisions for risks and charges (current portion)                       | 0                            | 0                  | 0                  | 0                  |       |
| Trade-related payables   | 305,918,723                  | 0                  | 0                  | 305,918,723        |       |
| Payables due to holding companies, subsidiaries and associated companies | 31,147,167                   | 0                  | 0                  | 31,147,167         |       |
| Tax payables   | 7,502,088                    | 0                  | 0                  | 7,502,088          |       |
| Derivatives  | 0                            | 0                  | 11,602,400         | 11,602,400         | 6     |
| Other current financial liabilities                                      | 1,829,451                    | 0                  | 0                  | 1,829,451          |       |
| <b>Total</b>   | <b>393,287,988</b>           | <b>0</b>           | <b>14,011,100</b>  | <b>407,299,088</b> |       |
| <b>Total shareholders' equity and liabilities</b>                        | <b>438,941,872</b>           | <b>(1,500,000)</b> | <b>17,279,869</b>  | <b>454,721,741</b> |       |

Generally speaking, the reclassifications made were due to the need to present the company's equity and financial position based on IAS/IFRS and IAS 1 in particular. More specifically, the reclassifications are attributable to the following:

- ◆ allocation of leasehold improvements under tangible fixed assets in compliance with IAS 16;
- ◆ allocation of equity investments in subsidiaries of assets held for sale in the next 12 months, carried out in 2014 in compliance with IFRS 5;
- ◆ allocation to the respective portfolios of financial instruments that the company placed in the

“HTM - Held to maturity” portfolio and financial instruments that the company placed in the “AFS - Available for sale” portfolio in compliance with IAS 32 and IAS 39;

- ◆ allocation of accrued income and prepaid expenses and accrued expenses and deferred income in the corresponding items of receivables and payables in compliance with the general principles set forth in the framework of IAS/IFRSs;
- ◆ allocation of the equity investment held in JMS S.r.l. (joint venture) for EUR 499,860 from receivables due from others to equity investments, in compliance with IAS 28.

By contrast, the adjustments are detailed below.

### 1. Intangible fixed assets

The item underwent an adjustment relating to costs for intangible assets for which capitalisation is not permitted under IAS 38. Details of intangible assets subject to adjustment and the relative amounts are reported below.

|                               | 2013             | 2014             |
|-------------------------------|------------------|------------------|
| Start-up and expansion costs  | 6,384            | 10,640           |
| Website costs to be amortised | 133,225          | 107,017          |
| Advertising expenses          | 2,804,440        | 5,208,314        |
| Trademarks                    | 1,782            | 3,124            |
| Other intangible fixed assets | 1,000            | 1,000            |
| <b>Total</b>                  | <b>2,946,830</b> | <b>5,330,095</b> |

### 2. Goodwill

The adjustment relating to goodwill refers exclusively to the effects of the impairment effected by the company at the transition date. In fact, the company, given it does not foresee future economic benefits from the intangible asset, wrote the asset down fully.

### 3. Equity investments

The item underwent the following adjustments:

|  | 2013             | 2014               |
|--|------------------|--------------------|
| Sacri Real Estate S.p.A. equity investment   | (136,509)        | 76,177             |
| Ale Energia S.r.l. JMS S.r.l. equity investment                                      | (64,319)         | (58,048)           |
| Green Network UK PLC equity investment   | 0                | (1,189,625)        |
| <b>Adjustments for equity investments in subsidiaries</b>                            | <b>(200,828)</b> | <b>(1,171,496)</b> |
| ATA Energia equity investment  | (8,000)          | (256,846)          |
| JMS equity investment  | (85,109)         | (113,539)          |
| Solergys S.p.A. equity investment  | (157,143)        | (95,248)           |
| <b>Adjustments for equity investments in associated companies and joint ventures</b> | <b>(250,252)</b> | <b>(465,633)</b>   |
| Residual portion of Solcap Green S.r.l. capital                                      | 1,304,000        | 1,304,000          |
| Residual portion of Solcap S.r.l. capital  | 2,301,247        | 1,995,830          |
| Residual portion of Green network Holding Rinnovabili S.r.l. capital                 | 0                | 3,500,000          |
| <b>Adjustments for wholly-owned equity investments</b>                               | <b>3,605,247</b> | <b>6,799,830</b>   |
| <b>Total adjustments</b>   | <b>3,154,167</b> | <b>5,162,701</b>   |

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More specifically:

- ◆ the adjustments to equity investments in subsidiaries derive from the re-statement at cost of the value of the equity investments that the company valued on the basis of the equity method in accordance with OIC 17. That also involved a corresponding adjustment to the “reserve for the valuation of equity investments using the equity method”;
- ◆ the adjustments to equity investments in associated companies and joint ventures derive from the re-statement of the values of the equity investments that the company valued on the basis of the equity method in accordance with national accounting standards;
- ◆ the adjustments to the wholly-owned equity investments reflect the obligation deriving from the contractual commitments of the company Green Network S.p.A. to repurchase the shares of the minority shareholder, at a predetermined cost and time. Therefore, in order to reflect the “substance” of the transactions entered into by the company, these equity investments were considered 100%.

#### **4. Trade-related receivables**

The adjustments to the item are due exclusively to the adjustment of the value of receivables in the portfolio following the impairment test performed by the company on some credit positions according to the analytical valuation pursuant to IAS 39.

#### **5. Receivables for prepaid taxes**

The item was adjusted in order to represent the tax effect deriving from the collection of adjustments and reclassifications made in relation to the items of the company's financial statements, for the purposes of the transition to IAS/IFRS.

#### **6. Derivatives**

The adjustments derive from the need to represent, in the company's financial and equity position, the fair value of the derivatives that the company holds at the balance sheet date. These derivatives were recognised and represented under current assets/liabilities based on the positive/negative fair value. The change in this fair value from one year to the next is booked to a shareholders' equity reserve (“derivatives valuation reserve”), in compliance with the provisions of IAS 39, given these derivatives are held for hedging purposes.

#### **7. Short- and long-term loans**

The adjustment made relates to the presentation of the company's payable due to the minority shareholder of the subsidiaries, based on the agreement in place for the repurchase of shares, as already described in previous note 3.

The following table and the subsequent explanatory notes summarise the main changes to the shareholders' equity of Green Network S.p.A..

|   | FY 2013                      |                   |                   |                   | FY 2014                      |                   |                    |                   | Notes |
|---|------------------------------|-------------------|-------------------|-------------------|------------------------------|-------------------|--------------------|-------------------|-------|
|   | Italian accounting standards | Reclassifications | Adjustments       | IAS/IFRS          | Italian accounting standards | Reclassifications | Adjustments        | IAS/IFRS          |       |
| <b>SHAREHOLDERS' EQUITY</b>                   |                              |                   |                   |                   |                              |                   |                    |                   |       |
| I - Share capital                             | 15.000.000                   | 0                 | 0                 | 15.000.000        | 15.636.000                   | 0                 | 0                  | 15.636.000        |       |
| IV - Legal reserve                            | 837.050                      | 0                 | 0                 | 837.050           | 955.050                      | 0                 | 0                  | 955.050           |       |
| VII - Other reserves:                         |                              |                   |                   |                   |                              |                   |                    |                   |       |
| Extraordinary or optional reserve             | 1.007.488                    | 0                 | 0                 | 1.007.488         | 2.278.872                    | 0                 | 0                  | 2.278.872         |       |
| Euro rounding reserve                         | (3)                          | 0                 | 0                 | (3)               | 0                            | 0                 | 0                  |                   |       |
| Reserve for valuation based on equity method  | 6.169.883                    | 0                 | (2.484.947)       | 3.684.936         | 7.368.095                    | 0                 | (2.667.521)        | 4.700.575         | 1     |
| Capital contributions                         | 13.394                       | 0                 | 0                 | 13.394            | 13.394                       | 0                 | 0                  | 13.394            |       |
| FTA reserve                                   | 0                            | 0                 | 16.387.195        | 16.387.195        | 0                            | 0                 | 16.387.195         | 16.387.195        | 2     |
| Derivative valuation reserve                  | 0                            | 0                 | 0                 | 0                 | 0                            | 0                 | (11.518.620)       | (11.518.620)      | 3     |
| AFS reserve                                   | 0                            | 0                 | 0                 | 0                 | 0                            | 0                 | 327.257            | 327.257           | 4     |
| Indivisible profits and reserves              | 0                            | 0                 | 0                 | 0                 | 0                            | 0                 | (16.548)           | (16.548)          | 5     |
| <b>Total other reserves</b>                   | <b>7.190.762</b>             | <b>0</b>          | <b>13.902.248</b> | <b>21.093.010</b> | <b>9.660.362</b>             | <b>0</b>          | <b>2.511.763</b>   | <b>12.172.125</b> |       |
| VIII - Retained earnings (accumulated losses) | 0                            | 0                 | 0                 | 0                 | 0                            | 0                 |                    |                   |       |
| IX - Profit (loss) for the year               | 2.324.299                    | 0                 | 0                 | 2.324.299         | 2.085.750                    | 0                 | (4.046.995)        | (1.961.245)       |       |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>             | <b>25.352.111</b>            | <b>0</b>          | <b>13.902.248</b> | <b>39.254.359</b> | <b>28.337.162</b>            | <b>0</b>          | <b>(1.535.231)</b> | <b>26.801.930</b> |       |

As described at the start of this section, all the effects of the adjustments made for the purposes of the transition to IAS/IFRS were recognised as a contra-item in the company's shareholders' equity at the date of transition. This involved, in particular, the recognition and presentation of a special reserve known as the "FTA reserve - reserve for the first-time adoption of IAS/IFRS", totalling EUR 16,387,195, detailed in note 2 below.

## 1. Reserve for valuation based on equity method

The adjustment to the item derives from the different method of valuing some equity investments in subsidiaries held by the company at the date of transition as well as the retroactive application of IFRS 3. Details are reported below.

|   | 2013             | 2014             |
|---|------------------|------------------|
| Sacri Real Estate S.p.A. equity investment (IAS 27)                       | 350,140          | 350,140          |
| Sacri Real Estate S.p.A. equity investment (IAS 27)                       | 0                | 199,121          |
| Green Network Luce & Gas S.r.l. and Green Sud equity investments (IFRS 3) | 2,134,807        | 2,118,260        |
| <b>Total</b>  | <b>2,484,947</b> | <b>2,667,521</b> |

## 2. FTA ("First Time Adoption") reserve

Details of the reserve and the breakdown are reported below.

| Description  | Amount            | Notes |
|--|-------------------|-------|
| Measurement of equity investments in associated companies  | (250,252)         | a     |
| Measurement of equity investments in subsidiaries          | 149,312           | b     |
| Fair value measurement of financial instruments            | (203,229)         | c     |
| Fair value presentation of hedging derivatives             | 19,334,260        | d     |
| Reserve for valuation with equity method                   | 2,068,611         | e     |
| Impairment test on loans in the portfolio                  | (2,841,686)       | f     |
| Valuation of intangible fixed assets according to IAS/IFRS | (3,113,995)       | g     |
| Tax effects of transition to IAS/IFRS                      | 1,244,173         | h     |
| <b>Total</b>   | <b>16,387,195</b> |       |

- 
- a. the amount refers to the effects of the measurement of equity investments in associated companies according to the equity method, as already described in previous note 3 relating to equity investments;
  - b. the amount refers to the effects of the measurement at cost of equity investments in subsidiaries valued according to OIC standards with the equity method, as already described in previous note 3 relating to equity investments; The value indicated also takes account of the disposal of EUR 350,140 of the reserve for the valuation according to the equity method relating to the effects of the first valuation, with said method, of the equity investment held in the company Sacri Real Estate S.p.A.;
  - c. the amount refers to the fair value measurement of financial instruments at the transition date;
  - d. the amounts refers to the fair value of hedging derivatives at the transition date;
  - e. the amount refers to the cancellation of the reserve for the valuation according to the equity method with reference to the equity investments in Green Network Luce & Gas s.r.l. and Green Sud S.r.l., due to the retroactive application of IFRS 1;
  - f. the amount refers to the effects of the adjustment of trade-related receivables in the portfolio at the transition date as a result of the impairment test performed by the company on an individual basis as set forth in IAS 39;
  - g. the amount represents the adjustment relating to intangible fixed assets already described in previous note 1 relating to intangible fixed assets and to goodwill pursuant to previous note 2, capitalised according to Italian accounting standards, which do not meet the requirements of IAS 38 for the recognition of intangible assets;
  - h. the amount refers to the tax effects connected with the adjustments made at the time of the transition to IAS/IFRS.

It should be underlined that the FTA reserve is booked to the company's financial statements for the purposes of the transition to international accounting standards, and represents a specific accounting item in the year of transition to IAS/IFRS (2013).

### **3. Derivative valuation reserve**

The reserve includes the fair value change recorded in 2014 connected with the derivative financial instruments held for hedging purposes (cash flow hedge), in compliance with IAS 39.

### **4. AFS Reserve (Financial instruments available for sale)**

The reserve includes the fair value change recorded in 2014 relating to financial instruments classified in the "AFS - available for sale" portfolio still not realised, in compliance with IAS 39.

### **5. Indivisible profits and reserves**

The item, strictly related to the FTA reserve already described previously, includes the additional effects of the transition to international accounting standards (IAS/IFRS).



## Tables of connection and reconciliation between Italian accounting standards and IAS/IFRS of the economic result for 2014

In compliance with IFRS 1, the table of reconciliation of the company's economic result for 2014 with the result deriving from application of international accounting standards (IAS/IFRS) is outlined below.

| Income Statement - 2014   | Italian accounting standards | Reclassifications   | Adjustments        | IAS/IFRS             | NOTES |
|---|------------------------------|---------------------|--------------------|----------------------|-------|
| <b>Revenues</b>   |                              |                     |                    |                      |       |
| Revenues from sales and services  | 1.360.397.668                | (23.869.134)        | 0                  | 1.336.528.535        |       |
| Other revenue and income  | 18.576.363                   | (11.674.325)        | 415.394            | 7.317.433            | 1     |
| <b>Total revenues</b>   | <b>1.378.974.031</b>         | <b>(35.543.458)</b> | <b>415.394</b>     | <b>1.343.845.967</b> |       |
| <b>Costs</b>  |                              |                     |                    |                      |       |
| Electricity and gas purchase  | 1.309.321.302                | (20.831.440)        | 0                  | 1.288.489.862        |       |
| Costs for services and materials  | 17.064.587                   | (2.421.541)         | 5.735.832          | 20.378.878           | 2     |
| Payroll and related costs   | 5.500.721                    | 2.080.278           | 0                  | 7.580.999            |       |
| Amortisation/depreciation and impairment  | 7.497.567                    | 0                   | (2.945.315)        | 4.552.252            | 2     |
| Provisions  | 300.000                      | 0                   | 0                  | 300.000              |       |
| Other operating costs   | 31.475.927                   | (19.255.550)        | 0                  | 12.220.377           |       |
| <b>Total costs</b>  | <b>1.371.160.104</b>         | <b>(40.428.253)</b> | <b>2.790.516</b>   | <b>1.333.522.368</b> |       |
| Financial income (expense) from derivative contracts                                      | 0                            | (6.783.421)         | 0                  | (6.783.421)          |       |
| <b>EBIT</b>   | <b>7.813.927</b>             | <b>(1.898.627)</b>  | <b>(2.375.122)</b> | <b>3.540.179</b>     |       |
| Financial income (expense) from financial instruments measured at fair value              | 0                            | 0                   | (85.086)           | (85.086)             |       |
| Net profit (loss) from the sale of current and non-current operating assets               | 0                            | (575.935)           | (157.973)          | (733.908)            |       |
| Financial income  | 2.176.811                    | 2.853.546           | (29.016)           | 5.001.341            |       |
| Financial expense   | (5.340.097)                  | (954.919)           | 0                  | (6.295.016)          |       |
| Share of income/(expense) deriving from equity investments valued using the equity method | 600.877                      | 575.935             | (1.399.798)        | (222.986)            | 3     |
| <b>Pre-tax profit (loss)</b>  | <b>5.251.518</b>             | <b>0</b>            | <b>(4.046.995)</b> | <b>1.204.524</b>     |       |
| Tax   | (3.165.768)                  | 0                   | 0                  | (3.165.768)          |       |
| <b>Net profit (loss) for the period</b>   | <b>2.085.750</b>             | <b>0</b>            | <b>(4.046.995)</b> | <b>(1.961.244)</b>   |       |

Generally speaking, the reclassifications meet the need of presenting the positive and negative income components by nature; more specifically, these are attributable as follows:

- ♦ allocation by nature of positive and negative income components classified under “extraordinary” components on the basis of the layout set forth in national standards;
- ♦ allocation of the effect of hedging derivatives to the corresponding item “financial income (expenses) from derivative contracts” of the income statement pursuant to IAS/IFRS.

By contrast, the adjustments are detailed below.

### 1. Other revenue and income

The item underwent a modification deriving from the adjustment of trade-related receivables in the portfolio as a result of the impairment test performed by the company.

### 2. Costs for services and amortisation of intangible fixed assets

The adjustment derives from the measurement of intangible fixed assets which, in light of IAS 38, as outlined previously, can no longer be capitalised. This valuation involved the recognition to the income statement of the costs incurred in 2014 which, in line with national accounting standards, can be

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capitalised. These costs, totalling EUR 5,735,832, are broken down as follows:

- ◆ advertising expenses, for EUR 5,705,441;
- ◆ website costs, for EUR 21,000;
- ◆ expenses for legal and tax consulting, for EUR 7,681;
- ◆ trademark expenses for EUR 1,710.

At the same time, the valuation based on IAS 38 of intangible assets involved a different presentation of the associated amortisation charges, therefore involving savings of EUR 2,945,315 in terms of amortisation.

### **3. Share of income/(expense) deriving from equity investments valued using the equity method**

The adjustment is due to the measurement of equity investments in subsidiaries and associated companies according to international accounting standards, IAS 27 and IAS 38 respectively, and the valuation of equity investments in subsidiaries based on IFRS 5. More specifically, the equity investments in subsidiaries measured on the basis of the Italian accounting standards with the equity method, were re-stated at cost, in light of IAS 27, involving an overall adjustment of EUR 771,547 in terms of minor revaluations of equity investments.

The measurement of equity investments in associated companies and joint ventures based on IAS 28 involved the recognition of write-downs of EUR 215,381 in the income statement.

Lastly, the measurement, based on IFRS 5, of equity investments in subsidiaries subject to sale involved the recognition of a write-down of EUR 412,870 in the income statement in 2014.

## EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

### Introduction

Green Network S.p.A. (hereinafter also “the company”) operates in the energy sector and, in particular, company business is focused on the trading of electricity and gas. The company also performs, through its subsidiaries, the generation of electricity from renewable sources.

Pursuant to art. 2497-bis, paragraph 4, of the Italian Civil Code, it should be noted that the company is subject to the management and coordination activities of SC Holding S.r.l., with registered office in Corso d'Italia no. 11, Rome, Tax Code 08420631007, for which the key data of the last set of approved financial statements are provided below:

| BALANCE SHEET                                     | 31.12.2014        | INCOME STATEMENT                      | 31.12.2014       |
|---|-------------------|---------------------------------------|------------------|
| B) FIXED ASSETS                                   | 28,435,688        | Value of production                   | 110,177          |
| C) CURRENT ASSETS                                 | 15,185,471        | Cost of production                    | 427,567          |
| D) ACCRUALS AND DEFERRALS                         | 115,784           | <b>Net value of production</b>        | <b>(317,390)</b> |
| <b>TOTAL ASSETS</b>                               | <b>43,736,943</b> | Financial operations                  | 4,419            |
| A) SHAREHOLDERS' EQUITY                           | 23,469,398        | Value adjustments to financial assets | 1,561,907        |
| D) PAYABLES                                       | 20,267,545        | Extraordinary operations              | (3,404)          |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> | <b>43,736,943</b> | <b>Pre-tax profit (loss)</b>          | <b>1,245,532</b> |
|   |                   | Taxation                              | 53,680           |
|   |                   | <b>Net profit (loss)</b>              | <b>1,299,212</b> |

In the presence of significant controlling interests and in compliance with IFRS 10, the company Green Network S.p.A. drafts the consolidated financial statements, which are an integral part of this document and presents Group shareholders' equity of EUR 34,720,484 and profit for the year pertaining to the Group of EUR 914,433.

### Basis of presentation of financial statements

The statutory financial statements are prepared in compliance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the IFRS Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC), recognised by the European Union in accordance with EC Regulation 1606/2002 and in force at the close of the year (the set of all reference standards and interpretations indicated above are defined below as “EU-IFRS”). In particular, the EU-IFRS were applied consistently to all periods presented in this document.

These financial statements present a clear, true and fair view of the company's financial position and its economic result. The financial statements correspond to the accounting records duly kept by the company.

The book values are stated in Euros, through rounding of the associated amounts. Any rounding differences are indicated in the item “Euro rounding reserve”, included under shareholders' equity items, under the item “Euro rounding”.

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The financial statement layouts used and the associated classification criteria adopted by the company are indicated hereunder, as part of the options set forth in IAS 1 "Presentation":

- ◆ the income statement was prepared by classifying operating costs by nature;
- ◆ the statement of financial position was drafted by classifying assets and liabilities according to the "current/non-current" method;
- ◆ the Cash flow statement was prepared by reporting cash flows from operating activities according to the "indirect method".

These statutory financial statements were drafted on the basis of the going concern assumption, given that the Directors verified the non-existence of financial, management or other types of indicators that may signal criticalities regarding the company's ability to be able to fulfil its obligations in the foreseeable future, especially in the next 12 months.

These statutory financial statements were drafted on the basis of the conventional historical cost criterion, except for the measurement of financial assets and liabilities, in cases in which the application of the fair value criterion is mandatory.

### Accounting standards applied

The accounting standards and measurement criteria are the same as those adopted to draft the annual consolidated financial report, to which reference should be made, with the exception of the recognition and measurement of equity investments in subsidiaries which are booked at the cost of acquisition or establishment. This value was subject to impairment testing, pursuant to IAS 36, for the purposes of recoverability of the investment. In the presence of impairment of assets, the recoverability is verified by comparing the book value and the higher of the value in use, determined by discounting, where possible, the prospective cash flows of the equity investment, and the hypothetical sale value calculated on the basis of recent transactions or market multiples.

### Estimates

With reference to the use of accounting estimates, please refer to the explanatory notes of the Group's consolidated financial statements.

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## Risk management and the associated hedging

### Credit risk

Credit risk represents the company's exposure to potential losses resulting from the non-fulfilment of the obligations assumed by commercial and financial counterparties. As far as the Group goes, the exposure to credit risk is primarily related to commercial sales activities on the free electricity and gas market.

In order to mitigate said risk, the company is equipped with a rating analysis system for the evaluation of customers before the start of new supply relations, also through appropriate agreements with the credit insurance company that carries out a preliminary evaluation of the customer credit limit, a key factor in supply contracts involving medium-low volumes. Furthermore, the customer verification and reminder procedures for past due amounts were again employed, in order to constantly improve financial operations, which is one of the most important aspects of the activity performed.

In relation to the turnover generated, credit risk is mitigated due to the collection terms, included in the range of 30-60 days, and the careful management of the portfolio and its constant monitoring mean that the company has no significant uncontrolled exposures.

Lastly, Green Network S.p.A. stipulated an insurance policy with the company Euler Hermes Italia S.p.A. to cover the risk of trade-related receivables. The total receivables insured amounts to a maximum of approximately EUR 91 million, and reported an immaterial amount of claims at year-end.

It should also be noted that the company primarily conducted non-recourse factoring, with the transfer of commercial risks to factors, and received bank sureties for EUR 18,512,500 to guarantee the correct collection of the associated trade-related receivables.

Lastly, it should be noted that, in compliance with the accounting standards, the Group continuously carries out the valuation and determination of the Allowance for doubtful receivables in order to cover its associated losses in value.

### Liquidity risk

Liquidity risk is the risk of an entity having difficulty in fulfilling the obligations associated with financial liabilities to be settled by delivering cash or cash equivalents or another financial asset. Liquidity risk management activity is targeted at containing the risk of the company's available financial resources not being sufficient to cover the financial and commercial obligations according to the pre-established terms and maturity dates.

The strategic objective is to ensure the company has sufficient credit lines at any moment to respect the financial maturity dates of the relevant subsequent period.

In any case, as regards sales activities, the company is believed to be subject to limited exposure to liquidity risk thanks to its capacity to generate cash flows, and limited exposure to the risk of changes in cash flows, in consideration of the fact that the company's debt is insignificant and limited to the advance payment of trade receivables (customers); whereas, as regards the loans obtained mostly for the construction of plants, the associated repayment is strictly connected to the production of cash flows from the generation of electricity.

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## Regulatory risk

One potential source of risk is the constant changes in the reference regulatory context, which affects the functioning of the market, tariff plans, the levels of service quality required and technical-operational obligations. In fact, the area of risk is related to the current technical complexity of the sector which requires constant updating, as regards the resolutions of the competent Authority which regulates the sector.

In this regard, the company is committed, both on its own behalf and in favour of other Group companies, to constantly monitoring the legislation which regulates the sector in order to promptly acknowledge any changes, targeted at minimising the economic impact of any changes.

## Market risk

In carrying out its operating activities, the company is exposed to various market risks and, mainly to the risk of fluctuation in interest rates, the prices of commodities and, to a lesser degree, in exchange rates. The objective of market risk management is containing the company's exposure to these risks within acceptable levels, at the same time by optimising the return on investments.

The Group mainly uses hedges to manage the volatility of results.

### Interest rate risk

The company is primarily exposed to interest rate risk in relation to medium/long-term loans payables, indexed at a floating rate, which are, nonetheless, assessed as limited based on the trend in the financial markets, as well as in consideration of the fact that the duration of such advances is limited.

### Exchange rate risk

The company is active mainly in the Italian market and, at any rate, in Euro area countries and, therefore, its exposure to exchange rate risk deriving from the different currencies in which it operates is extremely limited. Furthermore, at the date of this report, the company does not have any loans denominated in a non-Euro currency.

### Risk of fluctuation in commodity prices

The Group is exposed to the risk of changes in commodity prices and, in order to cover this exposure, makes use of hedging transactions through the subscription of derivatives (cash flow hedges).

The cash flow hedge is applied with the intention of hedging the Group from exposure to the risk of changes in expected cash flows associated to an asset, liability or a highly probable transaction. These variations are attributable to a specific risk and could otherwise impact the income statement.

The Group policies relating to the management of the risk of changes in commodity prices normally envisage the hedging of the expected cash flows of a specific planned transaction that will materialise within 12 months for accounting purposes. Therefore, it is reasonable to believe that the associated effect of the hedge deferred in the "derivatives valuation reserve" will be booked to the income statement predominantly in the year following the stipulation of the contracts.

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Derivative contracts are initially recognised at fair value, on the date the contract is negotiated, and subsequently remeasured at fair value. The method of measuring gains and losses on a derivative is dependent on the designation of the derivative itself as a hedging instrument, and, in that case, the nature of the hedged element.

The effective portion of fair value changes in derivatives, which are designated and qualify as cash flow hedges, is booked to shareholders' equity under "other comprehensive income". The profit or loss relating to the ineffective portion of the hedge is booked immediately to the income statement.

## Sector-based information

The company does not believe an analysis by segment and geographical areas is relevant for its reporting purposes. However, it should be noted that:

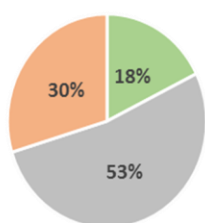
- ♦ the company operates primarily in the electricity and gas sale sectors;
- ♦ as regards geographical areas, the bulk of revenues and costs is concentrated mostly in Italy.

The main segments of the Power & Gas market are reported in detail below:

- ♦ Energy-intensive customers with annual consumption of more than 500 GWh and 50 Scm of gas;
- ♦ Large Business with annual consumption of at least 1 GWh and 500,000 Scm of gas;
- ♦ SMEs and domestic customers.

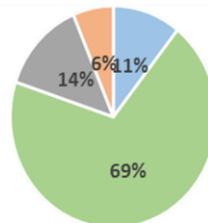
The breakdown of power and gas turnover by customer type and geographical area is presented below:

Power turnover by customer type



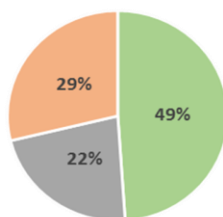
■ SMEs and domestic customers ■ Large Business ■ Energy-intensive customers

Power turnover by geographical area



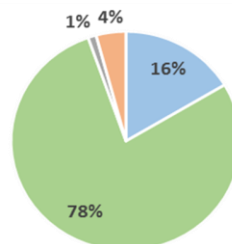
■ Middle ■ North ■ Islands ■ South

Gas turnover by customer type



■ SMEs and domestic customers ■ Large Business ■ Energy-intensive customers

Gas turnover by geographical area



■ Middle ■ North ■ Islands ■ South

## Relevant customers in accordance with IFRS 8

As regards the disclosure pursuant to IFRS 8, there is no significant concentration of Group sales.



## Explanatory notes to income statement items

### 1. Revenues from sales and services - EUR 1,020,024,093

Revenues from sales and services, net of discounts, allowances and premiums, are broken down as follows.

|  | 31.12.2015           | 31.12.2014           | Change               |
|--|----------------------|----------------------|----------------------|
| Sale of energy                                   | 497,871,644          | 608,079,394          | (110,207,750)        |
| Interconnector energy revenues                   | 110,855,413          | 165,120,655          | (54,265,242)         |
| Recovery of dispatch charges                     | 44,225,159           | 70,674,024           | (26,448,865)         |
| Recovery of transport charges                    | 266,102,672          | 309,042,490          | (42,939,818)         |
| Recovery of imbalance charges                    | 13,923,616           | 24,773,142           | (10,849,526)         |
| Recovery of charges and imbalance - CCC and CCCI | 949,883              | 7,280,777            | (6,330,894)          |
| Import capacity                                  | 1,405,104            | 4,877,806            | (3,472,702)          |
| Gas sales  | 71,822,241           | 89,115,030           | (17,292,789)         |
| Recovery of gas transportation charges           | 2,001,139            | 1,720,294            | 280,845              |
| Recovery of gas carrier charges                  | 8,616,048            | 4,559,541            | 4,056,508            |
| Recovery of CMOR charges                         | 691,535              | 42,327               | 649,207              |
| Other gas proceeds                               | 29,002               | 248,739              | (219,737)            |
| Recovery of sundry charges                       | 792,355              | 2,474,196            | (1,681,842)          |
| Intercompany revenues                            | 684,332              | 48,454,416           | (47,770,083)         |
| Provision of services                            | 53,950               | 65,703               | (11,753)             |
| <b>Total</b>                                     | <b>1,020,024,093</b> | <b>1,336,528,535</b> | <b>(316,504,442)</b> |

On the whole, both revenues from the sale of energy and gas recorded a decrease over the previous year, as a result of the reduction in low profit margin sales.

### 2. Other revenue and income - EUR 13,160,254

Other revenue and income was composed as follows as at 31 December 2015:

|                               | 31.12.2015        | 31.12.2014       | Change           |
|-------------------------------|-------------------|------------------|------------------|
| Other income                  | 719,268           | 864,676          | (145,408)        |
| Compensation from suppliers   | 855,496           | 4,350,410        | (3,494,914)      |
| Recovery of costs and charges | 11,585,490        | 2,102,347        | 9,483,143        |
| <b>Total</b>                  | <b>13,160,254</b> | <b>7,317,433</b> | <b>5,842,821</b> |

On the whole, the item recorded an increase of EUR 7,317,433, as a result of the higher revenues from the recovery of expenses and commercial costs and less compensation from suppliers with respect to the previous year.

### 3. Electricity and gas purchase - EUR 978,480,732

|                                   | 31.12.2015         | 31.12.2014           | Change               |
|-----------------------------------|--------------------|----------------------|----------------------|
| Electricity purchases             | 356,977,644        | 391,814,579          | (34,836,936)         |
| Intercompany electricity purchase | 111,516,564        | 224,134,145          | (112,617,581)        |
| Energy transport charges          | 263,841,201        | 311,451,997          | (47,610,797)         |
| Dispatch charges                  | 40,929,218         | 73,143,604           | (32,214,386)         |
| Imbalance charges                 | 2,636,794          | 3,835,774            | (1,198,980)          |
| CCC, CCCI charges                 | 616,320            | 6,261,244            | (5,644,924)          |
| GME service costs                 | 132,150,333        | 184,140,769          | (51,990,436)         |
| CTS considerations                | 1,274,675          | 828,454              | 446,221              |
| Import capacity                   | 0                  | 5,028,216            | (5,028,216)          |
| Gas purchases                     | 51,307,375         | 76,883,421           | (25,576,046)         |
| Gas transportation charges        | 5,688,611          | 6,557,312            | (868,700)            |
| Gas carrier charges               | 8,777,272          | 3,817,487            | 4,959,785            |
| Other gas charges                 | 639,531            | 26,684               | 612,847              |
| Sundry purchases                  | 494,329            | 248,988              | 245,340              |
| Gas inventories                   | 1,630,864          | 317,187              | 1,313,677            |
| <b>Total</b>                      | <b>978,480,732</b> | <b>1,288,489,862</b> | <b>(310,009,130)</b> |

Electricity and gas purchase costs recorded a decrease in the year under review compared to the previous year, in line with the amount recognised under revenues from sales and services.

### 4. Costs for services and materials - EUR 31,985,212

Costs for services and materials refer mainly to services connected with sale activities and are composed as follows.

|                                    | 31.12.2015 | 31.12.2014 | Change      |
|------------------------------------|------------|------------|-------------|
| Other service costs                | 584,343    | 412,917    | 171,426     |
| Technical consulting               | 976,240    | 468,613    | 507,627     |
| Legal and tax consulting           | 1,742,684  | 1,464,767  | 277,917     |
| Sundry consulting                  | 48,186     | 172,630    | (124,445)   |
| Auditors' fees                     | 88,366     | 224,305    | (135,939)   |
| Financial consulting               | 544,215    | 306,052    | 238,163     |
| Insurance                          | 777,774    | 760,007    | 17,767      |
| Advertising and promotion expenses | 4,106,406  | 6,857,501  | (2,751,095) |
| Utilities                          | 800,479    | 345,728    | 454,751     |
| Postal and telephone expenses      | 1,626,819  | 684,155    | 942,664     |
| Stationery and printed materials   | 173,939    | 5,314      | 168,626     |
| Hardware and software support      | 477,171    | 482,065    | (4,894)     |
| Bank charges and fees              | 946,803    | 541,469    | 405,334     |
| Statutory Auditors' fees           | 93,210     | 101,970    | (8,760)     |
| Supervisory Body's fees            | 15,600     | 10,400     | 5,200       |
| Factoring commission               | 750,396    | 1,631,031  | (880,634)   |
| Charges on sureties                | 2,374,227  | 1,786,886  | 587,341     |
| Commission payable                 | 9,062,337  | 1,225,623  | 7,836,714   |
| Sales consulting                   | 809,590    | 868,671    | (59,082)    |
| Call centre service costs          | 4,004,503  | 686,561    | 3,317,942   |
| Entertainment expenses             | 427,860    | 67,421     | 360,438     |
| Rentals payable                    | 804,484    | 792,706    | 11,778      |
| Car rental                         | 268,571    | 449,441    | (180,870)   |
| Equipment rental                   | 105,569    | 12,310     | 93,259      |

|   | 31.12.2015        | 31.12.2014        | Change            |
|---|-------------------|-------------------|-------------------|
| Maintenance and repairs of third party assets | 94,265            | 0                 | 94,265            |
| Software licences                             | 281,177           | 20,336            | 260,841           |
| <b>Total</b>                                  | <b>31,985,212</b> | <b>20,378,878</b> | <b>11,606,335</b> |

The item registered a significant increase compared to the previous year, as a result of the higher costs incurred for commissions payable and call centres, related to the general sales project on the mass market launched by the company in previous years.

## 5. Payroll and related costs - EUR 9,301,364

|   | 31.12.2015       | 31.12.2014       | Change           |
|---|------------------|------------------|------------------|
| Salaries and wages                                  | 5,084,024        | 4,308,372        | 775,652          |
| Directors' fees                                     | 1,218,349        | 1,111,872        | 106,477          |
| Social security charges                             | 1,486,834        | 1,215,608        | 271,226          |
| Directors' and freelancers' social security charges | 57,325           | 33,205           | 24,120           |
| Employee severance indemnity                        | 409,603          | 255,578          | 154,025          |
| Other payroll and related costs                     | 1,045,229        | 656,363          | 388,866          |
| <b>Total</b>  | <b>9,301,364</b> | <b>7,580,999</b> | <b>1,720,365</b> |

The item recorded an increase compared to the previous year, due to the rise in the number of employees. The corporate activities were carried out availing of the collaboration on average of 138 employees, employed under permanent employment and work training contracts.

Other payroll and related costs include accessory charges connected with personnel management, such as those relating to the company crèche, personnel recruitment and training, the purchase of meal vouchers, the fees of the company doctor for mandatory medical check-ups as well as the management of cars granted as company benefits to personnel.

## 6. Amortisation/depreciation and impairment - EUR 2,783,289

The item may be broken down as follows.

|  | 31.12.2015       | 31.12.2014       | Change             |
|--|------------------|------------------|--------------------|
| Amortisation/depreciation and impairment of fixed assets | 636,672          | 549,968          | 86,703             |
| Impairment of receivables                                | 2,146,617        | 4,002,283        | (1,855,666)        |
| <b>Total</b>   | <b>2,783,289</b> | <b>4,552,252</b> | <b>(1,768,963)</b> |

Amortisation/depreciation totalled EUR 636,672, broken down into EUR 260,310 for the amortisation of intangible fixed assets and EUR 376,362 for the depreciation of property, plant and machinery.

During the year under review, fixed assets were not tested for impairment given there was no evidence of a loss in value.

The amount of EUR 2,146,617 refers to the impairment of the receivables in the portfolio effected by the company during the year under review. The item is broken down into EUR 1,800,000 for the allocation set aside as a result of the collective evaluation of the receivables in the portfolio which presented similar characteristics, and EUR 346,617 as a result of the impairment generated by the detailed evaluation of individual credit positions in compliance with IAS 39.

## 7. Provisions - EUR 1,430,000

|              | 31.12.2015       | 31.12.2014     | Change           |
|--------------|------------------|----------------|------------------|
| Provisions   | 1,430,000        | 300,000        | 1,130,000        |
| <b>Total</b> | <b>1,430,000</b> | <b>300,000</b> | <b>1,130,000</b> |

During the year under review, in compliance with the provisions of IAS 37, the company allocated EUR 1,430,000 to cover the expenses related to the dispute with the Italian Electricity and Gas Authority concerning the purchase of green certificates in 2008, as already commented on in the Report on operations, to which reference should be made for more details.

## 8. Other operating costs - EUR 5,105,538

|                                   | 31.12.2015       | 31.12.2014        | Change             |
|-----------------------------------|------------------|-------------------|--------------------|
| Taxes and duties                  | 2,993,572        | 1,315,369         | 1,678,203          |
| Membership fees                   | 34,703           | 20,748            | 13,954             |
| Losses on receivables             | 378,007          | 8,859,848         | (8,481,841)        |
| Sanctions, fines and penalties    | 1,194,160        | 1,234,890         | (40,730)           |
| Antitrust Authority contributions | 172,011          | 0                 | 172,011            |
| Sundry charges                    | 333,085          | 789,521           | (456,436)          |
| <b>Total</b>                      | <b>5,105,538</b> | <b>12,220,377</b> | <b>(7,114,838)</b> |

The item 'taxes and duties' of EUR 2,993,572 includes an amount of EUR 2,946,106 for higher taxes relating to previous years deriving from settlement agreements the company reached with the Tax Authorities in relation to disputes connected with transactions carried out in previous years, as already commented on in the Report on Operations to which reference should be made for further details.

The item relates to sanctions, fines and penalties and includes EUR 519,658 relating to the sanctions deriving from the above-mentioned settlement agreements.

## 9. Financial income (expense) from derivative contracts - EUR 4,581,755

The item presented a positive balance of EUR 4,581,755 as a result of the purchase of electricity in the year under review, for which the holding company subscribed derivative hedging instruments which resulted in a net positive effect.

## 10. Financial income (expense) from financial instruments measured at fair value - EUR (229,032)

The amount of EUR 229,032 represents the negative fair value change in the financial instruments held by the company and classified in the "AFS" portfolio based on IAS 39, in relation to shares.

## 11. Net profit (loss) from the sale of current and non-current operating assets - EUR 0

|   | 31.12.2015 | 31.12.2014       | Change         |
|---|------------|------------------|----------------|
| Net profit (loss) from the sale of non-current operating assets | 0          | (733,908)        | 733,908        |
| <b>Total</b>  | <b>0</b>   | <b>(733,908)</b> | <b>733,908</b> |

The item presents the net profit from the sale of non-current assets classified in accordance with IFRS 5 as held for sale. The amount of EUR 733,908 recognised, based on IFRS 5 in the year 2014, relates to the net profit deriving from the sale, in the year under review, of controlling interests held in the companies Solcap S.r.l. and Modula Power S.p.A., and in the energy trading companies.

## 12. Financial income - EUR 3,385,390

The item may be broken down as follows.

|   | 31.12.2015       | 31.12.2014       | Change             |
|---|------------------|------------------|--------------------|
| Capital gains on equity investments               | 0                | 350              | (350)              |
| Income from equity investments in other companies | 11,329           | 0                | 11,329             |
| <b>Income from equity investments</b>             | <b>11,329</b>    | <b>350</b>       | <b>10,979</b>      |
| Interest on loans to subsidiaries                 | 489,297          | 292,303          | 196,994            |
| Interest on loans to associated companies         | 31,626           | 86,567           | (54,942)           |
| Interest on securities                            | 75,524           | 198,077          | (122,553)          |
| Interest on loans to other companies              | 39,480           | 0                | 39,480             |
| Capital gain from sale of securities              | 0                | 38,423           | (38,423)           |
| Interest income from customers                    | 2,683,602        | 4,266,097        | (1,582,496)        |
| Current account interest income                   | 38,380           | 95,107           | (56,727)           |
| Other financial income                            | 584              | 8,554            | (7,969)            |
| <b>Financial income</b>                           | <b>3,358,494</b> | <b>4,985,129</b> | <b>(1,626,635)</b> |
| <b>Exchange gains and losses</b>                  | <b>15,567</b>    | <b>15,862</b>    | <b>(295)</b>       |
| <b>Total</b>                                      | <b>3,385,390</b> | <b>5,001,341</b> | <b>(1,615,951)</b> |

The item recorded a general reduction with respect to the balance in the previous year, attributable to the fall in interest income from customers.

Income from equity investments in other companies refers to the dividends collected by the company relating to the equity investment held in Itaipower Energia S.r.l., while interest on loans to other companies of EUR 39,480 refers to the interest income accrued, at a rate of 5%, on the interest-bearing loan granted to Solcap S.r.l. transferred during the year in question.

## 13. Financial expense - EUR 7,546,850

Details of the breakdown of this item are reported below.

|  | 31.12.2015       | 31.12.2014       | Change           |
|--|------------------|------------------|------------------|
| Capital losses on sale of securities           | 13,883           | 26,898           | (13,015)         |
| Bank interest expense                          | 1,112,721        | 1,652,664        | (539,943)        |
| Interest expense on mortgages and loans        | 131,908          | 0                | 131,908          |
| Interest expense on factoring                  | 605,921          | 1,551,716        | (945,795)        |
| Interest due to other lenders                  | 4,205,233        | 2,017,166        | 2,188,068        |
| Charges on sureties                            | 6,539            | 0                | 6,539            |
| Sundry interest and expense                    | 445,017          | 628,816          | (183,799)        |
| Interest on settlement agreements              | 530,004          | 0                | 530,004          |
| Interest expense on voluntary settlement       | 19,754           | 86,631           | (66,878)         |
| Other financial expense                        | 471,987          | 331,127          | 140,860          |
| TFR (employee severance indemnity) discounting | 3,883            | 0                | 3,883            |
| <b>Total</b>                                   | <b>7,546,850</b> | <b>6,295,016</b> | <b>1,251,833</b> |

The item recorded a general increase, due primarily to interest on the settlement agreements reached by the company with the Tax Authorities connected with tax disputes from previous years (see note 8), as well as higher interest due to other lenders recorded with respect to the previous year. In addition, a significant reduction in interest expense on factoring and bank interest payable was registered.

#### 14. Share of income/(expense) deriving from equity investments valued using the equity method - EUR 37,801

|                                  | 31.12.2015    | 31.12.2014       | Change         |
|----------------------------------|---------------|------------------|----------------|
| Solergys S.p.A.                  | 29,801        | 61,895           | (32,094)       |
| ATA Energia Soc. Agricola S.r.l. | 8,000         | (248,846)        | 256,846        |
| Converge S.r.l.                  | 0             | (7,606)          | 7,606          |
| JMS S.r.l.                       | 0             | (28,429)         | 28,429         |
| <b>Total</b>                     | <b>37,801</b> | <b>(222,986)</b> | <b>260,788</b> |

The item includes income deriving from the valuation, using the equity method, of the equity investments in associated companies, relating primarily to the measurement of the equity investment held in Solergys S.p.A. for the year under review; as regards the company ATA Energia, which became a subsidiary in the year in question, the value was adjusted to the cost actually incurred for the purchase.

It should be underlined that the equity investments in the companies Converge S.r.l. and JMS S.r.l. (Joint venture) were not valued given that, at the date of this report, the relevant financial statements for 2015 had not been received.

#### 15. Taxation - EUR (2,987,556)

Taxation for the year presents a negative balance totalling EUR 2,987,556. In compliance with IAS 12, details of taxation are reported below.

|  | 31.12.2015       | 31.12.2014       | Change           |
|--|------------------|------------------|------------------|
| Current taxes:                           | 3,397,415        | 1,590,526        | 1,806,889        |
| <i>IRES</i>                              | 2,824,399        | 300,841          | 2,523,558        |
| <i>IRAP</i>                              | 573,016          | 1,289,685        | (716,669)        |
| Net effect of deferred and prepaid taxes | (409,859)        | 2,008,366        | (2,418,225)      |
| Income from tax consolidation            | 0                | (433,124)        | 433,124          |
| <b>Total</b>                             | <b>2,987,556</b> | <b>3,165,768</b> | <b>(178,212)</b> |

It should be pointed out that the recognition of IRAP for the year of EUR 573,016 involved the recording of a payable due to the tax authorities for taxes in the year, while the recognition of IRES for the year amounting to EUR 2,824,399 entailed the registration of a payable due to SC Holding for tax consolidation.

In accordance with IAS 12, the tables of reconciliation of the theoretical and the effective tax charges connected with IRES and IRAP are reported below.

|  |                |
|--|----------------|
| <b>Pre-tax profit (loss) from the financial statements</b>                                   | <b>4,327</b>   |
| <b>Theoretical IRES tax charge (27.5%)**</b>   | <b>1,190</b>   |
| <b>1. Timing differences taxable / deductible in subsequent years</b>                        | <b>2,247</b>   |
| - Default interest income for 2015 not collected   | (2,211)        |
| - Default interest expense for 2015 not paid   | 1,308          |
| - Default interest expense for years prior to 2015 not paid                                  | 1,984          |
| - Allocation to provision for credit risks   | 1,118          |
| - Provision for employee severance indemnity   | 48             |
| <b>2. Reversal of the timing differences from previous years</b>                             | <b>(1,592)</b> |
| - Interest receivable before 2015 collected in 2015  | 4,012          |
| - Interest payable before 2015 paid in 2015  | (1,995)        |
| - Interest expense Art. 96 of the Consolidation Act on Income Taxes before tax consolidation | (2,141)        |
| - Use of taxed provision for risks for deductible losses on loans                            | (1,161)        |
| - Trademarks amortisation charge not deducted  | (56)           |
| - Goodwill amortisation charge - 2009  | (251)          |
| <b>3. Timing differences that will not reverse in subsequent years</b>                       | <b>5,289</b>   |
| - Non-deductible losses on loans   | 575            |
| - Expenses relating to vehicles  | 204            |
| - Entertainment expenses   | 160            |
| - Non-deductible out-of-period expense   | 3,750          |
| - Revaluations of equity investments   | (38)           |
| - Allocation to provision for risks  | 1,430          |
| - Write-downs of equity investments  | 229            |
| - Sanctions and fines  | 1,194          |
| - Amortisation of advertising and trademark expenses   | (1,981)        |
| - Telephone charges  | 159            |
| - Other non-deductible costs   | 185            |
| - Income from equity investments   | (11)           |
| - Deductible IRAP  | (325)          |
| - Untaxed out-of-period income   | (243)          |
| <b>Income for the year</b>   | <b>10,271</b>  |
| <b>Effective IRES tax charge (27.5%)</b>   | <b>2,824</b>   |

|   |                |
|---|----------------|
| Difference between value and cost of production in the financial statements             | 21,560         |
| Theoretical IRAP tax charge (4.82%)   | 1,039          |
| Costs not relevant for IRAP purposes (write-down and losses on receivables, etc.)       | 1,060          |
| Costs not relevant for IRAP purposes (amortisation, extraordinary out-of-period income) | (4,894)        |
| - Deductions for employees  | (5,837)        |
| <b>Total</b>  | <b>(9,671)</b> |
| <b>Income for the year</b>  | <b>11,888</b>  |
| Theoretical IRES tax charge (4.82%)   | 573            |



## Explanatory notes to balance sheet items

### 16. Intangible fixed assets - EUR 740,568

Intangible fixed assets as at 31.12.2015 presented a net book value of EUR 740,568 and are broken down as follows:

|   | Software licences  | Total              |
|---|--------------------|--------------------|
| <b>Initial values at 31 December 2014</b>           | <b>747,629</b>     | <b>747,629</b>     |
| Changes at 31 December 2015                         |                    |                    |
| - acquisitions                                      | 253,249            | 253,249            |
| - disposals   | 0                  | 0                  |
| - transfers   | 0                  | 0                  |
| - amortisation                                      | (260,310)          | (260,310)          |
| - reclassifications                                 | 0                  | 0                  |
| - write-downs                                       | 0                  | 0                  |
| <b>Total changes</b>                                | <b>(7,061)</b>     | <b>(7,061)</b>     |
| <b>Values at 31 December 2015</b>                   | <b>740,568</b>     | <b>740,568</b>     |
| <b>Historical cost</b>                              | <b>2,544,642</b>   | <b>2,544,642</b>   |
| Accumulated amortisation at 31 December 2014        | (1,543,764)        | (1,543,764)        |
| Amortisation in the period                          | (260,310)          | (260,310)          |
| <b>Accumulated amortisation at 31 December 2015</b> | <b>(1,804,074)</b> | <b>(1,804,074)</b> |
| <b>Values at 31 December 2015</b>                   | <b>740,568</b>     | <b>740,568</b>     |

The item is composed exclusively of the capitalised costs relating to software licences in use at the company, i.e. software for accounts management, treasury/finance management and customer management, which recorded an increase of EUR 253,249 in the year under review, due to further implementations.

The decreases are prevalently due to the process of amortisation calculated on the basis of the useful life of the assets estimated by the company.

### 17. Property, plant and machinery - EUR 1,642,344

Property, plant and machinery as at 31.12.2015 presented a net book value of EUR 1,642,344 and are broken down as follows:

|  | Plant and machinery | Other assets     | Total            |
|--|---------------------|------------------|------------------|
| <b>Initial values at 31 December 2014</b>    | <b>5,517</b>        | <b>1,409,791</b> | <b>1,415,308</b> |
| Changes at 31 December 2015                  |                     |                  |                  |
| - acquisitions                               | 0                   | 600,179          | 600,179          |
| - disposals                                  | 0                   | 0                | 0                |
| - transfers                                  | 0                   | 0                | 0                |
| - depreciation                               | (5,517)             | (370,845)        | (376,362)        |
| - reclassifications                          | 0                   | 3,218            | 3,218            |
| - write-downs                                | 0                   | 0                | 0                |
| <b>Total changes</b>                         | <b>(5,517)</b>      | <b>232,552</b>   | <b>227,035</b>   |
| <b>Values at 31 December 2015</b>            | <b>0</b>            | <b>1,642,344</b> | <b>1,642,344</b> |
| <b>Historical cost</b>                       | <b>84,504</b>       | <b>4,238,213</b> | <b>4,322,717</b> |
| Accumulated depreciation at 31 December 2014 | (78,987)            | (2,225,024)      | (2,304,011)      |
| Depreciation in the period                   | (5,517)             | (370,845)        | (376,362)        |

|  | Plant and machinery | Other assets | Total       |
|--|---------------------|--------------|-------------|
| Accumulated depreciation at 31 December 2015 | (84,504)            | (2,595,869)  | (2,680,373) |
| Values at 31 December 2015                   | 0                   | 1,642,344    | 1,642,344   |

The item recorded an increase of EUR 600,179, detailed below, while the decreases derive exclusively from the depreciation process connected with the estimated useful life of each asset.

|   | Value as at 31.12.2014 | Acquisitions   | Depreciation     | Reclassifications | 31.12.2015       |
|---|------------------------|----------------|------------------|-------------------|------------------|
| Leasehold improvements                      | 204,528                | 349,051        | (161,490)        | 3,218             | 395,307          |
| - Office furniture and furnishings          | 221,199                | 69,948         | (52,555)         | 0                 | 238,592          |
| - Non-depreciated furniture and furnishings | 593,599                | 0              | 0                | 0                 | 593,599          |
| - Mobile phones                             | 13,012                 | 3,138          | (5,967)          | 0                 | 10,184           |
| - Sundry equipment                          | 3,286                  | 5,245          | (2,817)          | 0                 | 5,714            |
| - Cars                                      | 25,336                 | 33,360         | (9,736)          | 0                 | 48,961           |
| - Electronic office machines                | 348,832                | 139,437        | (138,281)        | 0                 | 349,988          |
| <b>Total</b>                                | <b>1,409,791</b>       | <b>600,179</b> | <b>(370,845)</b> | <b>3,218</b>      | <b>1,642,344</b> |

## 18. Equity investments - EUR 19,859,157

The item includes the value of equity investments held by the company in subsidiaries, associated companies and joint ventures and in other companies as detailed below.

|   | 31.12.2015        | 31.12.2014        | Change           |
|---|-------------------|-------------------|------------------|
| Green Wind 1 S.r.l.                               | 21,668            | 17,709            | 3,959            |
| Green Hydro 1 S.r.l.                              | 16,546            | 10,200            | 6,346            |
| Green Hydro 2 S.r.l.                              | 16,021            | 10,200            | 5,821            |
| Sacri Re S.p.A.                                   | 1,670,000         | 1,670,000         | 0                |
| Green Network Trading UK PLC                      | 1,097,024         | 100,000           | 997,024          |
| Green Network Holding Rinnovabili S.r.l.          | 7,700,350         | 7,700,350         | 0                |
| Solcap Green S.r.l.                               | 2,676,000         | 2,676,000         | 0                |
| Green Wind 2 S.r.l.                               | 184,435           | 15,300            | 169,135          |
| Rena Energia S.r.l.                               | 35,225            | 10,200            | 25,025           |
| Le Fate Turchine S.r.l.                           | 381,299           | 266,300           | 114,999          |
| Le Fate Turchine 2 S.r.l.                         | 366,150           | 211,150           | 155,000          |
| ATA Energia Società Agricola S.r.l.               | 1,393,324         | 0                 | 1,393,324        |
| <b>Equity investments in subsidiaries</b>         | <b>15,558,042</b> | <b>12,687,409</b> | <b>2,870,633</b> |
| Converge S.r.l.                                   | 3,581,067         | 3,581,067         | 0                |
| Sòlerys S.p.A.                                    | 323,727           | 293,927           | 29,800           |
| ATA Energia Società Agricola S.r.l.               | 0                 | 0                 | 0                |
| JMS S.r.l.  | 386,322           | 386,322           | 0                |
| <b>Equity investments in associated companies</b> | <b>4,291,115</b>  | <b>4,261,315</b>  | <b>29,800</b>    |
| Italpower Energia S.r.l.                          | 10,000            | 10,000            | 0                |
| <b>Equity investments in other companies</b>      | <b>10,000</b>     | <b>10,000</b>     | <b>0</b>         |
| <b>Total equity investments</b>                   | <b>19,859,157</b> | <b>16,958,724</b> | <b>2,900,433</b> |

Equity investments in subsidiaries are valued at cost for the purposes of these financial statements. The balance registered an increase as at 31.12.2015 connected mainly to the equity investment held

in the company ATA Energia Società Agricola S.r.l. which became a subsidiary during the year following the acquisition, by Green Network S.p.A., of an additional 34% of share capital with a subsequent increase in the percentage stage to 74%.

Details of the item are reported below, with a description of the main accounting data of the subsidiaries and the associated percentage stakes. For the purposes of the table below, the reporting packages of the subsidiaries drafted in compliance with IAS/IFRS were considered.

| Company                                  | Registered Office | Share Capital | Shareholders' equity | Profit (loss) for the year | % held  | Book Value |
|--|-------------------|---------------|----------------------|----------------------------|---------|------------|
| Green Wind 1 S.r.l.                      | Rome              | 20,000        | (64,371)             | (21,271)                   | 51.00%  | 21,668     |
| Green Hydro 1                            | Rome              | 20,000        | (55,281)             | (50,371)                   | 51.00%  | 16,546     |
| Green Hydro 2                            | Rome              | 20,000        | (3,972)              | (12,898)                   | 51.00%  | 16,021     |
| Sacri Re S.p.A.                          | Rome              | 2,000,000     | 735,254              | (391,938)                  | 83.50%  | 1,670,000  |
| Green Network Trading UK PLC             | London            | 1,097,024     | 2,102,769            | 1,381,714                  | 100.00% | 1,097,024  |
| Green Network Holding Rinnovabili S.r.l. | Rome              | 100,000       | 7,946,034            | 92,686                     | 100.00% | 7,700,350  |
| Solcap Green S.r.l.                      | Rome              | 2,671,000     | 3,014,400            | 17,121                     | 100.00% | 2,676,000  |
| Green Wind 2 S.r.l.                      | Rome              | 10,000        | 41,130               | (289)                      | 87.34%  | 184,435    |
| Rena Energia S.r.l.                      | Rome              | 20,000        | (192,792)            | 60,412                     | 51.00%  | 35,225     |
| Le Fate Turchine S.r.l.                  | Rome              | 110,000       | (12,415)             | (123,266)                  | 80.00%  | 381,298    |
| Le Fate Turchine 2 S.r.l.                | Rome              | 100,000       | (31,526)             | (121,046)                  | 100.00% | 366,150    |
| ATA Energia Società Agricola S.r.l.      | Rome              | 20,000        | (148,687)            | (169,304)                  | 74.00%  | 1,393,324  |
| Total equity investments in subsidiaries |                   |               |                      |                            |         | 15,558,042 |

With reference to the companies that present a negative shareholders' equity value, note that the company maintained the cost value recognised, therefore not carrying out any write-downs, in consideration of the fact that these losses are not considered permanent, also as a result of the impairment test (IAS 36) performed on the basis of the "DCF's" and "Business plans" of the companies themselves.

More specifically, note the following:

- the company Green Wind 1 S.r.l. has still not obtained the issuing of the Single Authorisation from the Puglia Region required to start construction of the planned wind farm and therefore start company activities. Therefore, the company filed an appeal, via its legal representatives, to the Regional Administrative Court of the Puglia Region and hopes to complete the authorisation process as soon as possible.
- the company Green Hydro 1 S.r.l., as a result of the obtainment in 2013 of the authorisation to construct a hydroelectric plant, with a capacity of around 400 kW on the Reno river in the district of Santa Viola (BO), signed the "Operating Regulation" in the year and sent it to Enel. Said company Enel will install the exchange meter with the national electricity grid. This will allow the company to start the trial run of the plant with subsequent start of the generation of electricity scheduled for the second half of 2016.
- during 2014, the company Green Hydro 2 S.r.l. obtained the issuing of the Single Authorisation and is currently assessing the operating and financial methods for the launch of the planned plant. In this regard, in 2015, the company received two loan quotes from the companies Alba Leasing and Credit Agricole Leasing respectively, and presented a surety to the City of Tortona for the construction of the plant;

- ◆ the company Rena energia S.r.l. carries out the production of electricity through a biomass plant with a nominal electrical capacity of around 1 MW, which entered operation in April 2013. Production in the year in question totalled 7,251 MWh, an improvement of 1% compared to 2014, in addition to 108 MWh produced by the photovoltaic plant;
- ◆ the company Le Fate Turchine S.r.l. carries out agency activities in service of households to select qualified personnel in the childcare and babyhood sector. During the year 2015, the company continued the activities set out in the corporate purpose, extending the range of services offered considerably, on the basis of a plan for the relaunch of activities started in 2014;
- ◆ in 2015, the company Le Fate Turchine 2 S.r.l. continued the activities set out in the corporate purpose, i.e. entertainment and daycare for children and teenagers, expanding the offering of services, primarily recreational, as well as educational, cultural and social services. Revenues grew by 139% over the previous year, thanks to a sizeable increase in the number of enrolments recorded in September, coinciding with the start of the 2015-2016 school year. The number of children enrolled rose from 28 in January to 69 at the end of December, and is expected to grow further in 2016;
- ◆ in 2012, the company ATA Energia Società Agricola S.r.l. completed the construction of a biomass plant of approximately 1 MW in the municipality of Lanciano. However, renewable energy production is still invalidated by the technical malfunctions of the plant. A lawsuit is currently under way against the builder of the plant, in order to determine the causes and actual liability for this malfunctioning. The report of the court-appointed expert assigns liability to the contractor of EUR 1.87 million, by way of lost revenues of the company ATA Energia, and an additional EUR 496 thousand as costs for adjustment works and plant compliance with the provisions of the contractual agreements. A ruling is currently pending that confirms the values set out by the expert and the company, also in consideration of the opinion of its legal representatives, is confident of a positive outcome of the dispute underway with the contractor. Investment activities are also underway in order to increase the efficiency of the plant and activities are in progress relating to the procurement of raw materials to ensure supplies at competitive costs: in this regard, it should be noted that, in October 2015, a request was filed with the Sportello Regionale per l' Energia (SRE) for a non-substantial variation of the Single Authorisation, with the objective of feeding the plant with by-products of agri-food industries, besides the vegetable compost from dedicated crops, therefore reducing the costs of the plant matrix input into the plant. The business plan recently approved by the company envisages future profits considerably higher than current profits, which reflect the malfunctions described previously.

For the companies Solcap Green S.r.l. and Holding Rinnovabili S.r.l., as already described in the explanatory notes to the consolidated financial statements of this report in the section "Consolidation criteria and scope of consolidation", please note that Green Network S.p.A. has a current contractual commitment to the minority shareholder for the purchase of all shares held by the latter. For the purposes of this report, in compliance with the general principles contained in the framework of international accounting standards, the equity investments in both companies were valued as 100% owned by Green Network S.p.A., at the same time time recognising the corresponding payable due to the minority shareholder.

With reference to the equity investments in associated companies, for the purposes of this report in compliance with IAS 28, the equity method was adopted. The details of the individual companies are provided below:

| Company   | Registered Office | Share Capital | Shareholders' equity | Profit (loss) for the year | % stake | Fraction of SE   |
|---|-------------------|---------------|----------------------|----------------------------|---------|------------------|
| Converge S.r.L.   | Brescia           | 114,000       | 7,350,302            | (15,612)                   | 48.72%  | 3,581,067        |
| Sòlergys S.p.A.   | Rome              | 120,000       | 660,667              | 60,818                     | 49.00%  | 323,727          |
| JMS S.r.l.  | Brescia           | 50,000        | 772,643              | (56,857)                   | 50.00%  | 386,322          |
| <b>Total equity investments in associated companies</b> |                   |               |                      |                            |         | <b>4,291,115</b> |

With reference to the equity investments in Converge S.r.l. (associated company) and in JMS S.r.l. (Joint venture) it should be noted that, at the date of these financial statements, no financial statements for the year ended as at 31.12.2015 were transmitted and, therefore, the company maintained the value recognised at 31.12.2014. With reference to the equity investment in Sòlergys S.p.A., the value of the equity investment increased by EUR 29,800 in order to acknowledge the corresponding fraction of shareholders' equity as per the last set of approved financial statements.

### 19. Non-current assets held for sale - EUR 0

The item presents a zero balance in the current year, given that the equity investments held for sale, based on IFRS 5, were fully sold/liquidated at the date of these financial statements.

|                          | 31.12.2015 | 31.12.2014       | Change             |
|--------------------------|------------|------------------|--------------------|
| Solcap S.r.l.            | 0          | 4,382,630        | (4,382,630)        |
| Ale Energia S.r.l.       | 0          | 10,000           | (10,000)           |
| Energy trading companies | 0          | 342,596          | (342,596)          |
| <b>Total</b>             | <b>0</b>   | <b>4,735,226</b> | <b>(4,735,226)</b> |

### 20. Receivables due from holding companies, subsidiaries and associated companies - EUR 19,001,659

The item includes the non-current receivables due to the company from subsidiaries, holding companies and associated companies.

|  | 31.12.2015        | 31.12.2014        | Change              |
|--|-------------------|-------------------|---------------------|
| Receivables due from subsidiaries                  | 13,786,882        | 21,067,136        | (7,280,254)         |
| <i>of which for loans</i>                          | <i>13,678,882</i> | <i>20,959,136</i> | <i>(7,280,254)</i>  |
| <i>of which receivables for guarantee deposits</i> | <i>108,000</i>    | <i>108,000</i>    | <i>0</i>            |
| Receivables due from associated companies          | 1,420,085         | 1,420,085         | 0                   |
| Receivables due from holding companies             | 3,794,692         | 11,263,976        | (7,469,284)         |
| <i>of which for loans</i>                          | <i>3,777,194</i>  | <i>11,246,479</i> | <i>(7,469,285)</i>  |
| <i>of which receivables from tax consolidation</i> | <i>17,497</i>     | <i>17,497</i>     | <i>0</i>            |
| <b>Total</b>                                       | <b>19,001,659</b> | <b>33,751,197</b> | <b>(14,749,538)</b> |

Receivables due from subsidiaries refer primarily to the receivables for loans to subsidiaries, as detailed in the table that follows and also include an amount of EUR 108,000 due to the company from Sacri Real Estate S.p.A. in the form of guarantee deposits on leased properties.

| Counterparty  | Loan                 | 01/01/2015        | Increases        | Decreases        | 31/12/2015        |
|---|----------------------|-------------------|------------------|------------------|-------------------|
| Sacri Re S.p.A.   | Non-interest bearing | 8,993,379         | 400,000          | 3,700,000        | 5,693,379         |
| Green Network Trading UK PLC                                  | Non-interest bearing | 997,024           | 450,000          | 1,447,024        | 0                 |
| Green Network Holding Rinnovabili S.r.l.                      | 5%                   | 4,030,263         | 0                | 69,122           | 3,961,141         |
| Le Fate Turchine S.r.l.                                       | Non-interest bearing | 70,000            | 45,000           | 115,000          | 0                 |
| Le Fate Turchine 2 S.r.l.                                     | Non-interest bearing | 35,000            | 120,000          | 155,000          | 0                 |
| Green Hydro 1 S.r.l.  | 5%                   | 275,844           | 80,800           | 6,346            | 350,298           |
| Green Hydro 2 S.r.l.  | 5%                   | 86,100            | 10,000           | 5,821            | 90,279            |
| Green Wind 1 S.r.l.   | 5%                   | 214,127           | 2,000            | 3,959            | 212,168           |
| Green Wind 2 S.r.l.   | 5%                   | 633,248           | 0                | 32,518           | 600,730           |
| Rena Energia S.r.l.   | 5%                   | 2,077,730         | 0                | 25,025           | 2,052,705         |
| Solcap S.r.l.   | 5%                   | 789,600           | 0                | 789,600          | 0                 |
| Solcap Green S.r.l.   | 5%                   | 465,500           | 0                | 187,961          | 277,539           |
| ATA Energia Società Agricola S.r.l.                           | Non-interest bearing | 1,160,321         | 410,000          | 1,129,679        | 440,642           |
| Green Trading 1 S.r.l. Unipersonale (single-member company)   | Non-interest bearing | 55,000            | 0                | 55,000           | 0                 |
| Green Trading 2 S.r.l. Unipersonale (single-member company)   | Non-interest bearing | 55,000            | 0                | 55,000           | 0                 |
| Green Trading 3 S.r.l. Unipersonale (single-member company)   | Non-interest bearing | 55,000            | 0                | 55,000           | 0                 |
| Green Trading 4 S.r.l. Unipersonale (single-member company)   | Non-interest bearing | 51,000            | 0                | 51,000           | 0                 |
| Green Trading 5 S.r.l. Unipersonale (single-member company)   | Non-interest bearing | 51,000            | 0                | 51,000           | 0                 |
| Green Trading 6 S.r.l. Unipersonale (single-member company)   | Non-interest bearing | 51,000            | 0                | 51,000           | 0                 |
| Green Trading 7 S.r.l. Unipersonale (single-member company)   | Non-interest bearing | 51,000            | 0                | 51,000           | 0                 |
| Green Trading 8 S.r.l. Unipersonale (single-member company)   | Non-interest bearing | 50,000            | 0                | 50,000           | 0                 |
| Green Trading 9 S.r.l. Unipersonale (single-member company)   | Non-interest bearing | 50,000            | 0                | 50,000           | 0                 |
| Green Trading 10 S.r.l. Unipersonale (single-member company)  | Non-interest bearing | 50,000            | 0                | 50,000           | 0                 |
| La Place Energia S.r.l. Unipersonale (single-member company)  | Non-interest bearing | 72,000            | 0                | 72,000           | 0                 |
| MI Energia S.r.l. Unipersonale (single-member company)        | Non-interest bearing | 60,000            | 0                | 60,000           | 0                 |
| Nash S.r.l. con socio unico (with sole shareholder)           | Non-interest bearing | 60,000            | 0                | 60,000           | 0                 |
| Ostrom S.r.l. Unipersonale (single-member company)            | Non-interest bearing | 60,000            | 0                | 60,000           | 0                 |
| ALE Energia S.r.l. Unipersonale (single-member company)       | Non-interest bearing | 60,000            | 0                | 60,000           | 0                 |
| ST Energia S.r.l. Unipersonale (single-member company)        | Non-interest bearing | 60,000            | 0                | 60,000           | 0                 |
| Tesla Trading S.r.l. Unipersonale (single-member company)     | Non-interest bearing | 60,000            | 0                | 60,000           | 0                 |
| Yunus Trading S.r.l. Unipersonale (single-member company)     | Non-interest bearing | 60,000            | 0                | 60,000           | 0                 |
| DA Energia S.r.l. Unipersonale (single-member company)        | Non-interest bearing | 60,000            | 0                | 60,000           | 0                 |
| Fibonacci Energia S.r.l. Unipersonale (single-member company) | Non-interest bearing | 60,000            | 0                | 60,000           | 0                 |
| <b>Total receivables due from subsidiaries</b>                |                      | <b>20,959,136</b> | <b>1,517,800</b> | <b>8,798,054</b> | <b>13,678,882</b> |

In the year in question, additional loans of EUR 1,517,800 were disbursed, and total decreases of EUR 8,798,054 were recorded, broken down as follows:

- ◆ EUR 1,131,000 relating to 20 electricity trading companies liquidated in the year;

- ◆ EUR 789,600 classified in the item “other receivables” of current assets as a result of the sale in December 2015 of the controlling interests held in the company Solcap S.r.l.;
- ◆ EUR 3,957,083 as a result of the repayment of previous loans, of which EUR 3,700,000 by the subsidiary Sacri Re;
- ◆ EUR 2,920,371 attributable to the waiving of the shareholder loans during the year for the coverage of subsidiaries' losses.

The interest-bearing loans, at a rate of 5%, led to the recognition of interest income of EUR 489,297 in the income statement.

The item relating to receivables due from associated companies, whose value remained unchanged with respect to the previous year, relates to the interest-bearing loan to Sòlèrgys S.p.A.:

| Counterparty                               | Loan       | 31/12/2014       | Increases | Decreases | 31/12/2015       |
|--|------------|------------------|-----------|-----------|------------------|
| Sòlèrgys S.p.A.                            | % variable | 1,420,085        |           |           | 1,420,085        |
| <b>Total due from associated companies</b> |            | <b>1,420,085</b> | <b>-</b>  | <b>-</b>  | <b>1,420,085</b> |

The interest-bearing loan led to the recognition of interest income of EUR 31,626 in the income statement.

Receivables due from the holding company SC Holding S.r.l. include a receivable for a loan detailed below, and a receivable of EUR 17,497 deriving from IRES tax consolidation.

| Counterparty                            | Loan                 | 31/12/2014        | Increases        | Decreases        | 31/12/2015       |
|---|----------------------|-------------------|------------------|------------------|------------------|
| SC Holding S.r.l.                       | Non-interest bearing | 11,246,479        | 1,902,532        | 9,371,817        | 3,777,194        |
| <b>Total due from holding companies</b> |                      | <b>11,246,479</b> | <b>1,902,532</b> | <b>9,371,817</b> | <b>3,777,194</b> |

The value of the receivable, amounting to EUR 3,777,194, due from the holding company as at 31.12.2015 suffered a reduction of EUR 9,371,817 in the year under review, as a result of the waiving of the receivable from the loan by Green Network S.p.A., with the simultaneous offsetting of payables deriving from tax consolidation due to said holding company.

## 21. Tax credits - EUR 5,150,751

|                                      | 31.12.2015       | 31.12.2014       | Change           |
|--------------------------------------|------------------|------------------|------------------|
| Receivables for UTF (finance office) | 1,077,635        | 432,260          | 645,375          |
| Receivables for VAT                  | 3,858,035        | 1,158,800        | 2,699,234        |
| Receivables for tax disputes         | 120,370          | 726,774          | (606,404)        |
| Receivables for refund requests      | 94,711           | 84,283           | 10,428           |
| <b>Total</b>                         | <b>5,150,751</b> | <b>2,402,117</b> | <b>2,748,634</b> |

The item is composed primarily of receivables for UTF taxes of EUR 1,077,635, VAT credits that will be recovered through the issuing of the appropriate credit note at the end of the bankruptcy proceedings that concern some company customers, and EUR 120,370 in receivables deriving from an ongoing tax dispute with the Tax Authorities in relation to the payment of a tax demand.

## 22. Financial assets held to maturity - EUR 9,817,457

The item is composed exclusively of certificates of deposit and bonds as shown below.



|                           | 31.12.2015       | 31.12.2014       | Change           |
|---------------------------|------------------|------------------|------------------|
| - Certificates of deposit | 5,900,000        | 2,000,000        | 3,900,000        |
| - Bonds                   | 3,917,457        | 4,689,034        | (771,577)        |
| <b>Total</b>              | <b>9,817,457</b> | <b>6,689,034</b> | <b>3,128,423</b> |

During the year under review, certificates of deposit reached maturity for a total of EUR 2,000,000 and new investments totalling EUR 5,900,000 were made. Certificates of deposit are broken down by bank and maturity below.

| Bank                     | Maturity   | 31.12.2015       |
|--------------------------|------------|------------------|
| Banca Marche             | 27/10/2016 | 500,000          |
| Banca Popolare di Milano | 01/05/2016 | 500,000          |
| Banca Popolare di Milano | 27/07/2016 | 1,500,000        |
| Banca Popolare di Milano | 19/12/2016 | 3,400,000        |
|                          |            | <b>5,900,000</b> |

During the year under review, bonds reached maturity for a total of EUR 2,011,163, of which EUR 1,239,586 reinvested.

| Bank                      | Maturity   | 31.12.2015       |
|---------------------------|------------|------------------|
| Banca Popolare di Novara  | 31/10/2016 | 500,000.00       |
|                           | 02/12/2018 | 1,000,000.00     |
|                           | 31/01/2017 | 1,119,586.00     |
| Banca Pop. Emilia Romagna | 15/03/2017 | 80,000.00        |
|                           | 05/08/2016 | 40,000.00        |
|                           | 05/02/2017 | 40,000.00        |
|                           | 14/01/2018 | 40,000.00        |
| Imprebanca                | 11/01/2016 | 150,000.00       |
| Banca Etruria             | 06/02/2017 | 36,000.00        |
|                           | 30/10/2018 | 93,000.00        |
|                           | 30/09/2018 | 271,000.00       |
|                           | 31/01/2021 | 100,000.00       |
| Carismi                   | 15/09/2019 | 47,874.50        |
|                           | 31/12/2100 | 399,996.50       |
|                           |            | <b>3,917,457</b> |

Lastly, it should be noted that the securities in question generated financial income of EUR 75,524 in the year under review.

### 23. Other non-current assets - EUR 1,170,610

The item, composed primarily of receivables for guarantee deposits, recorded a reduction over the previous year, attributable mainly to the repayment of the guarantee deposit of EUR 300,000 by Enel Trade S.p.A..

|   | 31.12.2015       | 31.12.2014       | Change           |
|---|------------------|------------------|------------------|
| Receivables for security deposits                   | 1,033,110        | 1,829,297        | (796,187)        |
| Receivables from TGE tax consolidation              | 0                | 28,637           | (28,637)         |
| Receivables for grants pursuant to Law No. 388/2000 | 100,000          | 0                | 100,000          |
| Other receivables                                   | 37,500           | 0                | 37,500           |
| <b>Total</b>  | <b>1,170,610</b> | <b>1,857,934</b> | <b>(687,324)</b> |



## 24. Inventories - EUR 0

The balance of inventories at the end of 2015 was zero. Final inventories of goods for sale as at 31 December 2014 instead amounted to EUR 1,630,864, and refer solely to natural gas stored at specific sites and not sold at the end of 2014.

## 25. Trade-related receivables - EUR 207,295,236

Details of the item are reported below.

|                                     | 31.12.2015         | 31.12.2014         | Change              |
|-------------------------------------|--------------------|--------------------|---------------------|
| Customers                           | 113,899,757        | 129,376,216        | (15,476,459)        |
| Allowance for doubtful receivables  | (4,622,027)        | (6,421,532)        | 1,799,505           |
| Customers for invoices to be issued | 93,444,669         | 161,500,548        | (68,055,879)        |
| Credit notes to be issued           | (5,366,362)        | (14,656,683)       | 9,290,321           |
| Bank, subject to collection         | 9,939,199          | 8,986,591          | 952,608             |
| <b>Total</b>                        | <b>207,295,236</b> | <b>278,785,140</b> | <b>(71,489,903)</b> |

For the purpose of a better understanding of the financial statement figures and to provide a true and fair view of the company's receivable and payable position, it should be noted that some items have been recognised in the financial statements at their "net book value" i.e., after netting payable and receivable positions in the presence of offset letters between the parties.

Receivables were adjusted in order to take account of impairment as a result of the impairment tests performed in compliance with international accounting standards. This valuation led to an estimated allowance for doubtful receivables of EUR 4,622,027. Details of its changes in the period are shown below.

|                             | Amounts          |
|-----------------------------|------------------|
| Balance at 31 December 2014 | 6,421,532        |
| Uses during the year        | (3,946,122)      |
| Provision for the year      | 2,146,617        |
| <b>Total</b>                | <b>4,622,027</b> |

The provision was used to cover the losses on receivables recorded in 2015 and for which the company had already estimated losses in previous years. The provision of EUR 2,146,617 is composed of EUR 1,800,000 as the allocation made as a result of the collective impairment process carried out by the company on a portfolio of customers homogeneous in nature and characteristics, while the allocation of EUR 346,617 stems from the individual impairment process performed on specific non-performing loan positions.

The company confirmed an insurance policy also in 2015, which can be renewed every year, with Euler Hermes Italia S.p.A., to cover the risk on trade-related receivables.

"Receivables for invoices to be issued" represent the allocations for services rendered at the reporting date. "Credit notes to be issued" are applied as direct decreases in receivables at the reporting date, as they relate directly to this item. The item relating to 'banks, subject to collection' includes all receivables presented for collection to banks based on the 'sbf [subject to collection]' clause, and which had still not been collected at the reporting date.

It is also noted that, as guarantee for several trade-related receivables, the company received bank sureties totalling EUR 18,450,000.

## 26. Receivables due from holding companies, subsidiaries and associated companies - EUR 11,208,357

Details of the item are reported below.

|  | 31.12.2015        | 31.12.2014        | Change              |
|--|-------------------|-------------------|---------------------|
| ATA Energia Società Agricola S.r.l.              | 348,167           | 0                 | 348,167             |
| Sacri Re S.p.A.                                  | 19,558            | 0                 | 19,558              |
| Le Fate Turchine S.r.l.                          | 1,684             | 660               | 1,024               |
| Le Fate Turchine 2 S.r.l.                        | 24,261            | 0                 | 24,261              |
| Solcap Green S.r.l.                              | 51,490            | 31,580            | 19,910              |
| Green Wind 1 S.r.l.                              | 36,740            | 26,097            | 10,643              |
| Green Wind 2 S.r.l.                              | 42,131            | 91,739            | (49,608)            |
| Green Hydro 1 S.r.l.                             | 31,004            | 15,613            | 15,391              |
| Green Hydro 2 S.r.l.                             | 15,149            | 10,576            | 4,573               |
| Rena Energia S.r.l.                              | 343,304           | 234,508           | 108,796             |
| Green Network Trading UK PLC                     | 6,674,107         | 0                 | 6,674,107           |
| Green Network Holding Rinnovabili S.r.l.         | 101,511           | 80,944            | 20,567              |
| Spectrum Tech S.r.l.                             | 5,905             | 0                 | 5,905               |
| <b>Receivables due from subsidiaries</b>         | <b>7,695,012</b>  | <b>491,717</b>    | <b>7,203,295</b>    |
| Sòlerys S.p.A.                                   | 328,688           | 14,497            | 314,191             |
| ATA Energia Società Agricola S.r.l.              | 0                 | 17,422            | (17,422)            |
| <b>Receivables due from associated companies</b> | <b>328,688</b>    | <b>31,919</b>     | <b>296,769</b>      |
| SC Holding S.r.l.                                | 3,184,657         | 19,734,369        | (16,549,712)        |
| <b>Receivables due from holding companies</b>    | <b>3,184,657</b>  | <b>19,734,369</b> | <b>(16,549,712)</b> |
| <b>Total</b>                                     | <b>11,208,357</b> | <b>20,258,005</b> | <b>(9,049,648)</b>  |

Receivables due from subsidiaries and associated companies derive mainly from commercial transactions, while receivables due from the holding company SC Holding S.r.l. primarily relate to tax consolidation and, to a lesser extent, the provision of services by the holding company.

The receivable due from ATA Energia società Agricola S.r.l. was reclassified under receivables due from subsidiaries as a result of the purchase of additional stakes in share capital, as already described in the section on the variation in the scope of consolidation, which involved the assumption of control of the company.

## 27. Loans to banks and other financial institutions - EUR 2,714,641

The item includes loans to banks and other financial institutions connected with trade-related receivables submitted for discount and factoring which had still not been collected at the reporting date.

| Bank                  | 31.12.2015       | 31.12.2014       | Change             |
|-----------------------|------------------|------------------|--------------------|
| Mediocredito italiano | 205,409          | 266,456          | (61,047)           |
| BCC Factoring         | 215,624          | 1,433,962        | (1,218,338)        |
| MPS Leasing&Factoring | 141,415          | 523,684          | (382,268)          |
| Eurofactor            | 95,833           | 131,839          | (36,005)           |
| GE Capital Factoring  | 2,056,360        | 748,353          | 1,308,007          |
| Mediofactoring        | 0                | 3,759,786        | (3,759,786)        |
| <b>Total</b>          | <b>2,714,641</b> | <b>6,864,079</b> | <b>(4,149,438)</b> |

## 28. Receivables for prepaid taxes - EUR 4,993,273

The item includes receivables for prepaid taxes that will be recoverable in subsequent years.

|                               | 31.12.2015       | 31.12.2014       | Change           |
|-------------------------------|------------------|------------------|------------------|
| Receivables for prepaid taxes | 4,993,273        | 3,882,024        | 1,111,249        |
| <b>Total</b>                  | <b>4,993,273</b> | <b>3,882,024</b> | <b>1,111,249</b> |

The timing differences that led to the recognition of prepaid taxes are reported hereunder.

|   | 31.12.2015       |
|---|------------------|
| Write-down of CDI Suisse receivable                                     | 412,500          |
| Interest expense  | 943,381          |
| Prepaid taxes on trademarks   | 197,812          |
| Prepaid taxes on advertising expenses                                   | 517,379          |
| Receivables from first-time application of IAS/IFRS                     | 1,244,173        |
| Receivables from derivatives revaluation reserves and from AFS reserves | 1,574,030        |
| Receivables for prepaid taxes from IAS/IFRS adjustment                  | (925,376)        |
| Prepaid taxes on non-deductible allowance for doubtful receivables      | 307,533          |
| Prepaid taxes on goodwill - former GN L&G                               | 721,841          |
| <b>Total</b>  | <b>4,993,273</b> |

## 29. Tax credits - EUR 7,261,488

Tax credits, amounting to EUR 7,261,488, are broken down as follows:

|   | 31.12.2015       | 31.12.2014       | Change           |
|---|------------------|------------------|------------------|
| Receivables due from the Tax Authorities for direct taxes | 1,086,368        | 1,198,478        | (112,109)        |
| Receivables for UTF taxes                                 | 5,905,293        | 6,156,712        | (251,419)        |
| Receivables due from tax authorities for VAT              | 12,188           | 689              | 11,499           |
| Other tax receivables                                     | 257,639          | 12,906           | 244,733          |
| <b>Total</b>  | <b>7,261,488</b> | <b>7,368,784</b> | <b>(107,296)</b> |

## 30. Derivatives - EUR 26,905,727

The item includes the positive fair value of the derivative financial instruments that the company holds for hedging purposes for the purchase of commodities and the associated mark-to-market values of the associated sale contracts.

|                                  | 31.12.2015        | 31.12.2014        | Change           |
|----------------------------------|-------------------|-------------------|------------------|
| Derivative financial instruments | 26,905,727        | 19,418,040        | 7,487,687        |
| <b>Total</b>                     | <b>26,905,727</b> | <b>19,418,040</b> | <b>7,487,687</b> |

The financial instruments in question qualify for hedge accounting and, in compliance with IAS 39, reveal the fair value change in the derivatives revaluation reserve of shareholders' equity (note 34) until the effects of the hedged element are recognised in the income statement.

### 31. Financial assets available for sale - EUR 1,792,984

The item includes the fair value of non-derivative financial instruments that the company has classified in the "AFS" portfolio as detailed below.

|                  | 31.12.2015       | 31.12.2014       | Change             |
|------------------|------------------|------------------|--------------------|
| Shares           | 663,620          | 2,969,756        | (2,306,136)        |
| Investment funds | 1,129,364        | 1,154,489        | (25,125)           |
| <b>Total</b>     | <b>1,792,984</b> | <b>4,124,244</b> | <b>(2,331,260)</b> |

The item suffered a decrease of EUR 2,331,260, as a result of the acknowledgement of the fair value of these financial instruments as at 31.12.2015. As a result of the impairment test performed by the company, the fair value change was deferred partly to the "AFS reserve" of shareholders' equity and partly recognised in the income statement given deemed no longer recoverable (note 10).

### 32. Other current assets - EUR 16,618,731

The item is broken down as follows.

|   | 31.12.2015        | 31.12.2014       | Change           |
|---|-------------------|------------------|------------------|
| Suppliers - energy advances                         | 100,000           | 162,929          | (62,929)         |
| Suppliers - advance account                         | 15,378,960        | 5,668,716        | 9,710,244        |
| Suppliers - transit items                           | 0                 | 57,544           | (57,544)         |
| Employees - loans                                   | 1,717             | 624,000          | (622,283)        |
| Other receivables due from employees                | 0                 | 172              | (172)            |
| Receivables for grants pursuant to Law No. 388/2000 | 0                 | 100,000          | (100,000)        |
| Other receivables                                   | 1,138,054         | 2,555,233        | (1,417,179)      |
| <b>Total</b>  | <b>16,618,731</b> | <b>9,168,594</b> | <b>7,450,137</b> |

The item relating to suppliers - advance accounts, up over the previous year, can be represented as follows.

|   | 31.12.2015        | 31.12.2014       | Change           |
|---|-------------------|------------------|------------------|
| Charges on sureties                       | 721,081           | 640,008          | 81,073           |
| Insurance                                 | 332,514           | 171,201          | 161,313          |
| Costs for energy services                 | 0                 | 69,504           | (69,504)         |
| Interest expense on settlement agreements | 15,422            | 0                | 15,422           |
| Insurance and car expenses                | 24,059            | 0                | 24,059           |
| Vehicle leasing                           | 53,253            | 55,895           | (2,642)          |
| Equipment rental                          | 48,098            | 0                | 48,098           |
| Advertising expenses                      | 45,753            | 6,452            | 39,301           |
| Commissions                               | 13,777,633        | 4,587,773        | 9,189,860        |
| Sales consulting                          | 73,242            | 0                | 73,242           |
| Financial consulting                      | 21,574            | 0                | 21,574           |
| Costs for the provision of services       | 74,213            | 4,958            | 69,255           |
| Registration tax                          | 3,152             | 0                | 3,152            |
| Rentals payable                           | 174,154           | 106,166          | 67,988           |
| Bank charges                              | 6,177             | 0                | 6,177            |
| Other                                     | 8,634             | 26,759           | (18,125)         |
| <b>Total</b>                              | <b>15,378,960</b> | <b>5,668,716</b> | <b>9,710,244</b> |

As regards this item, the most significant part was composed of advances recognised for commissions directly related to the company's business and sales strategy. The item relating to interest expenses on settlement agreements includes the portion of financial charges, pertaining to subsequent years, deriving from the agreements stipulated with the Tax Authorities connected to disputes of previous years.

Lastly, the item relating to other current financial assets is composed of sundry receivables which may, in turn, be broken down as follows.

|   | 31.12.2015       | 31.12.2014       | Change             |
|---|------------------|------------------|--------------------|
| Compensation from suppliers                         | 8,561            | 13,102           | (4,541)            |
| Income from derivative financial instruments        | 174,108          | 0                | 174,108            |
| Dividends on shares                                 | 0                | 90               | (90)               |
| Sundry receivables                                  | 50,176           | 2,181,130        | (2,130,954)        |
| Receivables due from Solcap S.r.l.                  | 789,600          | 19,382           | 770,218            |
| Receivables due from subsidiaries to be transferred | 0                | 140,063          | (140,063)          |
| Financial income from securities                    | 115,610          | 201,466          | (85,856)           |
|   | <b>1,138,054</b> | <b>2,555,233</b> | <b>(1,417,178)</b> |

### 33. Cash and cash equivalents - EUR 21,810,034

The values booked to the financial statements reflect the actual amount of cash on hand and at banks as at the end of the year under review and are broken down as follows.

|                                   | 31.12.2015        | 31.12.2014        | Change              |
|-----------------------------------|-------------------|-------------------|---------------------|
| Banks - ordinary current accounts | 21,786,391        | 34,656,570        | (12,870,179)        |
| Cash and equivalents on hand      | 23,642            | 8,228             | 15,414              |
| <b>Total</b>                      | <b>21,810,034</b> | <b>34,664,798</b> | <b>(12,854,764)</b> |

It should be noted that several bank accounts are encumbered by pledges to said banks, as a guarantee of the credit lines for the issue of sureties, issued by said banks as guarantee for the company in relation to energy market operators.

### 34. Shareholders' equity - EUR 40,840,499

Details of the item are reported below.

|                                      | Share Capital | Legal reserve | Other retained earnings (accumulated losses) | FTA reserve | Net profit (loss) for the year | Total shareholders' equity |
|--------------------------------------|---------------|---------------|--|-------------|--------------------------------|----------------------------|
| <b>Balances as at 1 January 2014</b> | 15,000,000    | 837,050       | 4,705,815                                    | 16,387,195  | 2,324,299                      | <b>39,254,359</b>          |
| Changes in Shareholders' Equity      | 636,000       | 118,000       | (8,920,885)                                  | 0           | (2,324,299)                    | <b>(10,491,184)</b>        |
| Net result as at 31.12.2014          |               |               |  |             | (1,961,245)                    | <b>(1,961,245)</b>         |
| <b>Balance at 31 December 2014</b>   | 15,636,000    | 955,050       | (4,215,070)                                  | 16,387,195  | (1,961,245)                    | <b>26,801,930</b>          |
| Changes in Shareholders' Equity      |               | 106,000       | 10,631,603                                   |             | 1,961,245                      | <b>12,698,848</b>          |
| Net result as at 31.12.2015          |               |               | 0  |             | 1,339,720                      | <b>1,339,720</b>           |
| <b>Balance at 31 December 2015</b>   | 15,636,000    | 1,061,050     | 6,416,533                                    | 16,387,195  | 1,339,720                      | <b>40,840,499</b>          |

The share capital totalling EUR 15,636,000 is fully paid in and is represented by 15,636,000 ordinary shares with a par value of EUR 1 each.

Details of other reserves are reported below.

|  | 31.12.2015       | 31.12.2014         | Change            |
|--|------------------|--------------------|-------------------|
| Extraordinary reserve                              | 2,678,150        | 2,278,872          | 399,278           |
| Rounding reserve                                   | 0                | 0                  | 0                 |
| Reserve for valuation at equity                    | 6,297,596        | 4,700,575          | 1,597,021         |
| Capital contributions                              | 13,394           | 13,394             | 0                 |
| Translation reserve                                | 0                | 0                  | 0                 |
| Indivisible profits and reserves                   | (2,446,144)      | (16,548)           | (2,429,597)       |
| Retained earnings (accumulated losses)             | 0                | 0                  | 0                 |
| Reserve for valuation of derivatives and contracts | 1,816,504        | (11,518,620)       | 13,335,124        |
| AFS reserve  | (1,774,972)      | 327,257            | (2,102,229)       |
| Actuarial gain reserve                             | (167,994)        | 0                  | (167,994)         |
| <b>Total</b>                                       | <b>6,416,533</b> | <b>(4,215,070)</b> | <b>10,631,603</b> |

With reference to reserves, note the following:

- ◆ the variation of EUR 1,597,021 relating to the reserve for the valuation of equity investments using the equity method derives from the allocation of 2014 profit, based on the report of the Board of Directors dated 24.06.2015;
- ◆ the variation of EUR 13,335,124 relating to the reserve for the valuation of derivatives reflects the fair value change as at 31.12.2015 in the hedging derivatives held by the company with respect to the corresponding value at 31.12.2014;
- ◆ the negative change of EUR 2,102,229 relating to the AFS reserve is connected with the fair value change at 31.12.2015, in the financial instruments classified by the company's management in the "AFS" portfolio, pursuant to previous note 31;
- ◆ the actuarial gain reserve, established during the year under review, includes the differences deriving from the valuation of TFR liabilities according to the criteria set out in IAS 19.

The table below contains a description of the reserves by origin, availability and method of use.

| Nature / description   | Amount            | Possibility of use | Portion available |
|--|-------------------|--------------------|-------------------|
| <b>Share Capital</b>   | <b>15,636,000</b> |                    |                   |
| Capital reserves   | 13,394            | A, B, C            | 13,394            |
| Profit reserves  |                   |                    |                   |
| Equity method reserve  | 6,297,596         | A, B               | 0                 |
| Legal reserve  | 1,061,050         | B                  | 0                 |
| Extraordinary reserve  | 2,678,150         | A, B, C            | 2,678,150         |
| Valuation reserve  |                   |                    |                   |
| Reserve for valuation of derivatives and financial instruments | 41,532            |                    |                   |
| Actuarial gain reserve   | (167,994)         |                    |                   |
| Indivisible profits and reserves                               | 13,941,051        |                    |                   |
| <b>Total</b>   | <b>39,500,779</b> |                    | <b>2,691,544</b>  |

Key: A. for share capital increases - B. for coverage of losses - C. for distribution to shareholders

### 35. Long-term loans - EUR 5,874,531

The item is broken down as follows.

|                              | 31.12.2015       | 31.12.2014       | Change           |
|------------------------------|------------------|------------------|------------------|
| BPM loan                     | 1,070,531        | 0                | 1,070,531        |
| Payable due to Simest S.p.A. | 4,804,000        | 4,804,000        | 0                |
| <b>Total</b>                 | <b>5,874,531</b> | <b>4,804,000</b> | <b>1,070,531</b> |

The value of EUR 1,070,531 represents the residual payable as at 31.12.2015 of the company due to the bank BPM (nominal value of EUR 5,000,000) as a result of the loan obtained in the year and which will be repaid by 30.04.2017.

The amount of EUR 4,804,000 represents the payable due from the company to Simest S.p.A., a minority shareholder of Solcap Green S.r.l. and Green Network Holding Rinnovabili S.r.l., as detailed in the explanatory notes to the consolidated financial statements of this report in the section "Consolidation criteria and scope of consolidation", to which reference should be made for further details.

### 36. Employee severance indemnity and other employee benefits - EUR 1,186,108

The item is composed exclusively of company liabilities for employee severance indemnity vis-a-vis its employees which, for the purposes of this report, was subject to an actuarial evaluation in compliance with IAS 19.

|                   | 31.12.2015       | 31.12.2014     | Change         |
|-------------------|------------------|----------------|----------------|
| Employee benefits | 1,186,108        | 673,000        | 513,108        |
| <b>Total</b>      | <b>1,186,108</b> | <b>673,000</b> | <b>513,108</b> |

The increase recorded with respect to the previous year is due to the general rise in the number of company employees, as already shown in note 5.

|                                    | Amount           |
|------------------------------------|------------------|
| Opening balance                    | 673,000          |
| Use for leavers                    | (23,039)         |
| Provision for the year             | 536,148          |
| <b>Balance at 31 December 2015</b> | <b>1,186,108</b> |

The valuation of employee severance indemnity based on IAS 19 involved the need to adjust the allocation for the year for EUR 43,790, as well as the recognition of interest expense of EUR 3,883 plus a specific shareholders' equity reserve, already described in previous note 34.

### 37. Payables due to holding companies, subsidiaries and associated companies - EUR 0

The item includes the company's payables due to the holding company.

|                                   | 31.12.2015 | 31.12.2014        | Change              |
|-----------------------------------|------------|-------------------|---------------------|
| Payables due to SC Holding S.r.l. | 0          | 11,246,479        | (11,246,479)        |
| <b>Total</b>                      | <b>0</b>   | <b>11,246,479</b> | <b>(11,246,479)</b> |

At the date of this report, the value of the payable due to the holding company was zero, given subject to offsetting with the related receivable items, as already described in previous note 20.

### 38. Provisions for risks and charges (non-current portion) - EUR 4,074,056

Details of the item are reported below.

|                                 | 31.12.2015       | 31.12.2014       | Change           |
|---------------------------------|------------------|------------------|------------------|
| Provision for deferred taxation | 2,358,143        | 3,011,839        | (653,696)        |
| Provision for risks and charges | 1,715,913        | 0                | 1,715,913        |
| <b>Total</b>                    | <b>4,074,056</b> | <b>3,011,839</b> | <b>1,062,217</b> |

More specifically, the change in the associated provisions in the year under review is as follows.

|                                    | Provision for deferred taxes | Provision for risks and charges |
|------------------------------------|------------------------------|---------------------------------|
| Opening balance                    | 3,011,839                    | 0                               |
| Provision for the year             | 607,931                      | 1,715,913                       |
| Uses during the year               | (1,261,627)                  | 0                               |
| <b>Balance at 31 December 2015</b> | <b>2,358,143</b>             | <b>1,715,913</b>                |

The provision for deferred taxes, amounting to EUR 2,358,143, is allocated with reference to the income which will be taxed in future periods. As has occurred for prepaid tax credits, the timing differences that led to the recognition of deferred taxation are illustrated below:

|  | 31.12.2015       |
|--|------------------|
| Default interest income - Green Sud S.r.l.                 | 192,445          |
| Default interest income - GN L&G 2015                      | 602,088          |
| Default interest income - Green Network S.p.A. before 2015 | 955,679          |
| Default interest income - Green Network S.p.A. 2015        | 607,931          |
| <b>Total</b>   | <b>2,358,143</b> |



The provision for risks and charges of EUR 1,715,913 includes the allocation made in the year under review, of which EUR 1,430,000 relating to the sanction for the non-purchase of green certificates (2008), and EUR 285,913, which represented a simple balance sheet reclassification, relating to the CMOR considerations collected in the year in respect of which there is a risk of repayment if the defaulting customer settles his position.

### 39. Tax liabilities- EUR 2,732,523

Details of the item are reported below.

|                                    | 31.12.2015       | 31.12.2014     | Change           |
|------------------------------------|------------------|----------------|------------------|
| Tax disputes                       | 36,319           | 726,774        | (690,455)        |
| Payables for settlement agreements | 2,696,204        | 0              | 2,696,204        |
| <b>Total</b>                       | <b>2,732,523</b> | <b>726,774</b> | <b>2,005,749</b> |

Tax payables due after one year totalled EUR 2,732,523, composed of other payables for tax disputes of EUR 36,319 and EUR 2,696,204 relating to agreements reached with the Tax Authorities connected to tax disputes relating to the years 2008 and 2009, which were repaid in instalments over roughly 4 years. For more details on the settlement agreements, please refer to the Report on Operations.

### 40. Other non-current liabilities - EUR 596,368

The item is composed entirely of payables for guarantee deposits received from third parties.

|                    | 31.12.2015     | 31.12.2014     | Change         |
|--------------------|----------------|----------------|----------------|
| Guarantee deposits | 596,368        | 158,630        | 437,738        |
| <b>Total</b>       | <b>596,368</b> | <b>158,630</b> | <b>437,738</b> |

### 41. Short-term loans - EUR 35,348,339

The item is composed of the following payables, which are due to be repaid in the next 12 months.

|   | 31.12.2015        | 31.12.2014        | Change              |
|---|-------------------|-------------------|---------------------|
| Current account payables                                      | 11,146,331        | 9,923,114         | 1,223,218           |
| Due for advances  | 11,893,953        | 22,967,141        | (11,073,188)        |
| Payables due to factoring companies                           | 8,339,687         | 13,998,958        | (5,659,271)         |
| BPM loan  | 3,154,367         | 0                 | 3,154,367           |
| Banco Popolare Loan   | 627,900           | 0                 | 627,900             |
| Payables due to Simest for repurchase of Solcap S.r.l. shares | 0                 | 2,408,700         | (2,408,700)         |
| Other financial payables                                      | 186,100           | 1,347             | 184,753             |
| <b>Total</b>  | <b>35,348,339</b> | <b>49,299,259</b> | <b>(13,950,921)</b> |

The payable for the BPM loan represents the short-term value of the payable already described in previous note 35. The loan disbursed by Banco Popolare represents the residual payable of the loan (nominal value of EUR 1,500,000) to be repaid by 31.07.2016.

### 42. Trade-related payables - EUR 219,249,122

The item is broken down as follows.

|                             | 31.12.2015         | 31.12.2014         | Change              |
|-----------------------------|--------------------|--------------------|---------------------|
| Trade payables              | 145,850,315        | 183,007,273        | (37,156,958)        |
| Invoices to be received     | 72,860,962         | 126,395,619        | (53,534,657)        |
| Credit notes to be received | (3,381,929)        | (3,487,790)        | 105,861             |
| Advances                    | 3,919,775          | 3,621              | 3,916,154           |
| <b>Total</b>                | <b>219,249,122</b> | <b>305,918,723</b> | <b>(86,669,601)</b> |

As indicated in note 25, for the purpose of a better understanding of the financial statement figures and to provide a true and fair view of the company's receivable and payable position, it should be noted that some items have been recognised in the financial statements at their "net book value" i.e., after netting payable and receivable positions in the presence of offset letters between the parties.

### 43. Payables due to holding companies, subsidiaries and associated companies - EUR 28,270,512

The item includes the company's payables due to subsidiaries and associated companies and the holding company, as detailed below.

|   | 31.12.2015        | 31.12.2014        | Change             |
|---|-------------------|-------------------|--------------------|
| Sacri Re S.p.A.                             | 218,487           | 4,786             | 213,701            |
| Green Network Trading UK PLC                | 27,089,711        | 30,666,080        | (3,576,369)        |
| Green Wind 2 S.r.l.                         | 18,439            | 0                 | 18,439             |
| Solcap Green S.r.l.                         | 20,824            | 0                 | 20,824             |
| Ale Energia S.r.l.                          | 0                 | 0                 | 0                  |
| Trading companies                           | 0                 | 467,733           | (467,733)          |
| Le Fate Turchine 2 S.r.l.                   | 0                 | 8,568             | (8,568)            |
| <b>Due to subsidiaries</b>                  | <b>27,347,461</b> | <b>31,147,167</b> | <b>(3,799,706)</b> |
| Solergys S.p.A.                             | 4,130             | 0                 | 4,130              |
| <b>Payables due to associated companies</b> | <b>4,130</b>      | <b>0</b>          | <b>4,130</b>       |
| SC Holding S.r.l.                           | 918,921           | 0                 | 918,921            |
| <b>Due to holding companies</b>             | <b>918,921</b>    | <b>0</b>          | <b>918,921</b>     |
| <b>Total</b>                                | <b>28,270,512</b> | <b>31,147,167</b> | <b>(2,876,655)</b> |

In particular, payables due to subsidiaries and associated companies derive from commercial relations that the company has with said entities, while the payable with the holding company derives mainly from payables connected to tax consolidation and, to a lesser extent, the provision of services by the holding company. With reference to payables due to the holding company, as already described in note 20, note that said payable was subject to offsetting as a result of the partial waiving of the receivable for the loans disbursed by Green Network S.p.A. to said holding company SC Holding S.r.l..

### 44. Tax payables - EUR 11,559,176

The item is broken down as follows:

|  | 31.12.2015 | 31.12.2014 | Change    |
|--|------------|------------|-----------|
| Due for taxation   | 0          | 217,956    | (217,956) |
| Due to tax authorities for withholdings on employment and similar income | 354,506    | 588,485    | (233,979) |

|   | 31.12.2015        | 31.12.2014       | Change           |
|---|-------------------|------------------|------------------|
| Due to tax authorities for withholdings on freelance income | 161,512           | 130,351          | 31,161           |
| Due to tax authorities for Gas                              | 3,198,424         | 1,756,949        | 1,441,474        |
| Due to tax authorities for UTF (finance office)             | 6,684,234         | 4,533,241        | 2,150,993        |
| Payables for settlement agreements                          | 885,394           | 0                | 885,394          |
| Other tax payables  | 275,106           | 275,106          | 0                |
| <b>Total</b>  | <b>11,559,176</b> | <b>7,502,088</b> | <b>4,057,088</b> |

#### 45. Derivatives - EUR 5,754,963

Similar to the information already provided in previous note 30, the item includes the negative fair value of the derivative financial instruments that the Group holds for hedging purposes, for the purchase of commodities and the associated mark-to-market values of the associated sale contracts.

|              | 31.12.2015       | 31.12.2014        | Change             |
|--------------|------------------|-------------------|--------------------|
| Derivatives  | 5,754,963        | 11,602,400        | (5,847,437)        |
| <b>Total</b> | <b>5,754,963</b> | <b>11,602,400</b> | <b>(5,847,437)</b> |

As already described previously, said financial instruments qualify for hedge accounting and, in compliance with IAS 39, the fair value change is booked to the derivatives revaluation reserve of shareholders' equity until the effects of the hedged element are recognised in the income statement. For details of the associated reserve please see note 34.

#### 46. Other current liabilities - EUR 2,496,822

The item is broken down as follows.

|   | 31.12.2015       | 31.12.2014       | Change          |
|---|------------------|------------------|-----------------|
| Due to INPS (National Social Security Institute)                          | 289,415          | 270,738          | 18,677          |
| Due to INAIL (National Institute for Insurance against Accidents at Work) | 6,136            | 115,034          | (108,898)       |
| Bilateral Body  | 1,661            | 1,020            | 642             |
| Payables due to pension and insurance funds                               | 33,065           | 31,200           | 1,865           |
| <b>Due to social security and welfare institutions</b>                    | <b>330,277</b>   | <b>417,992</b>   | <b>(87,714)</b> |
| Due to employees and directors  | 891,470          | 564,872          | 326,597         |
| Payables per guarantee deposits   | 13,166           | 385,621          | (372,455)       |
| Charges on derivative financial instruments                               | 907,695          | 0                | 907,695         |
| Sundry payables   | 354,214          | 460,966          | (106,752)       |
| <b>Other payables</b>   | <b>2,166,545</b> | <b>1,411,460</b> | <b>755,085</b>  |
| <b>Total</b>  | <b>2,496,822</b> | <b>1,829,451</b> | <b>667,370</b>  |

The item is composed primarily of the following liabilities:

- ◆ EUR 891,470 represents that Group's payables to employees, directors and freelancers for fees pertaining to December 2015 which were paid in January 2016 and related social security costs of EUR 342,606;
- ◆ EUR 907,695 for expenses pertaining to future periods on derivative financial instruments.

## OTHER INFORMATION

### Related-party transactions

The main related-party transactions entered into by Green Network S.p.A. are detailed below, all regulated on an arm's length basis.

|  |                          | SC Holding S.r.l.   | Sacri Re S.p.A. | Green Network Holding Rén. S.r.l. | Green Network UK PLC | Spectrum | Green Hydro 1 S.r.L. | Green Hydro 2 S.r.L. | Green Wind 1 S.r.L. | Green Wind 2 S.r.L. | Rena Energia S.r.L. | Solcap Green S.r.L. | Le Fate Turchine S.r.l. | Le fate Turchine 2 S.r.l. | ATA Energia Società Agricola S.r.L. | Converge                    | Salerges S.r.l. | JMS S.r.l.    | Total |
|--|--------------------------|---------------------|-----------------|-----------------------------------|----------------------|----------|----------------------|----------------------|---------------------|---------------------|---------------------|---------------------|-------------------------|---------------------------|-------------------------------------|-----------------------------|-----------------|---------------|-------|
| Equity transactions                            | Due to holding companies | Due to subsidiaries |                 |                                   |                      |          |                      |                      |                     |                     |                     |                     |                         |                           |                                     | Due to associated companies |                 | Joint venture |       |
| Equity investments                             |                          | 1.670.000           | 7.700.350       | 1.097.024                         |                      | 16.546   | 16.021               | 21.668               | 184.435             | 35.225              | 2.676.000           | 381.298             | 366.150                 | 1.393.324                 | 3.581.067                           | 323.727                     | 386.322         | 19.849.157    |       |
| Receivables for loans                          | 3.777.194                | 5.693.379           | 3.961.141       |                                   |                      | 350.298  | 90.279               | 212.168              | 600.730             | 2.052.705           | 277.539             |                     |                         | 440.642                   |                                     | 1.420.085                   |                 | 18.876.161    |       |
| Trade-related receivables                      | 687.871                  | 19.558              | 101.511         | 6.674.107                         | 5.905                | 31.004   | 15.149               | 36.740               | 42.131              | 343.304             | 51.490              | 1.684               | 24.261                  |                           |                                     | 328.688                     |                 | 8.711.570     |       |
| Receivables for guarantee deposits after       |                          | 108.000             |                 |                                   |                      |          |                      |                      |                     |                     |                     |                     |                         |                           |                                     |                             |                 | 108.000       |       |
| Receivables from tax consolidation             | 2.496.786                |                     |                 |                                   |                      |          |                      |                      |                     |                     |                     |                     |                         |                           |                                     |                             |                 | 2.496.786     |       |
| Payables for tax consolidation                 | 818.921                  |                     |                 |                                   |                      |          |                      |                      |                     |                     |                     |                     |                         |                           |                                     |                             |                 | 818.921       |       |
| Trade-related and financial payables           | 100.000                  | 218.487             |                 | 27.089.711                        |                      |          |                      |                      | 18.439              |                     | 20.824              |                     |                         |                           |                                     | 4.130                       |                 | 27.451.591    |       |
| Sundry payables                                |                          |                     |                 |                                   |                      | 7.650    | 7.650                | 23.582               |                     |                     |                     |                     |                         |                           |                                     |                             |                 | 38.882        |       |
| Economic transactions                          | Due to holding companies | Due to subsidiaries |                 |                                   |                      |          |                      |                      |                     |                     |                     |                     |                         |                           |                                     | Due to associated companies |                 | Joint venture |       |
| Sales revenues                                 | 7.958                    | 6.342               |                 |                                   |                      |          |                      |                      | 1.281               | 11.574              | 6.361               | 818                 | 7.983                   | 39.994                    |                                     |                             |                 | 82.312        |       |
| Other revenue and income                       |                          |                     |                 |                                   |                      |          |                      |                      | 2.376               |                     |                     |                     |                         | 6.178                     |                                     |                             |                 | 8.554         |       |
| Consumption of materials and services          | 100.000                  | 804.484             |                 |                                   |                      |          |                      |                      | 102.493             |                     | 163.220             |                     | 220.000                 |                           |                                     |                             |                 | 1.390.198     |       |
| Revaluations/Write-downs of equity investments |                          |                     |                 |                                   |                      |          |                      |                      |                     |                     |                     |                     |                         |                           |                                     | 29.801                      |                 | 29.801        |       |
| Interest income from loans                     |                          |                     | 201.437         |                                   |                      | 15.286   | 4.559                | 10.627               | 30.616              | 103.033             | 23.172              |                     |                         | 47.947                    |                                     | 31.626                      |                 | 468.303       |       |
| Other financial income                         |                          |                     |                 |                                   |                      |          |                      |                      | 23                  | 957                 | 838                 |                     |                         | 3.757                     |                                     |                             |                 | 5.575         |       |

### Disputes, outstanding matters and contingent liabilities

During the 2014 financial year, the companies Green Network S.p.A. and Green Network Luce & Gas S.r.l., merged in Green Network S.p.A. were inspected by the Guardia di Finanza (Italian Tax Police) across 2009-2013, concerning certain transactions relating to the physical trading activity of electricity put in place by the Company with certain counterparties, as suppliers or customers. Following these inspections, the companies received a report on findings, for which wide and articulated briefs and observations were produced by authoritative professional, in order to highlight the groundlessness of the objections made by the inspectors. To date, the companies concerned received, with reference only to the 2009 and 2010 tax periods, the notices of assessment for VAT and Direct taxes, both contested by it. In addition, for the year 2009, the two companies received a deed of imposition of sanctions, while for 2010 a mere inquiry challenging the sanctions for which broad statements were produced in their defence. The company Green Network S.p.A. also as the merging entity of Green Network Luce & Gas, supported by the opinion of an authoritative professional and university professor, believes that, owing to the absence of any prejudice for the Tax Authorities and for any other interested party, the risk with reference to the overall dispute and to the joint assessment of the plurality of claims for different reasons, with reference to the same facts subject matter of the dispute, is remote and uncertain and therefore, did not deem it necessary to enter any risk provision.

In 2005, the company imported energy from Switzerland, by stipulating a purchase contract with Aar e Ticino SA di Elettricità (now Alpiq). In order to comply with the applicable regulations, the parties agreed that the consideration paid by Green Network S.p.A. to Aar e Ticino SA di Elettricità, included not only the amount for electricity, but also the amount due for certifications of origin from renewable sources required by the applicable regulations. The certifications obtained were not recognised by the GSE as appropriate to fulfil the obligation of certifying the origin of the electricity from renewable sources indicated therein, for which the AEEG issued a measure against Green Network S.p.A. in

which it ordered the company to acquire the missing green certificates and also handed it a pecuniary sanction. Green Network S.p.A. challenged the aforementioned measure before the administrative judicial authorities and succeeded in obtaining, at second instance proceedings, solely the cancellation of the pecuniary sanction. Pending an administrative judgment, Green Network S.p.A. initiated arbitration proceedings before the International Chamber of Commerce of Paris, aimed at obtaining a ruling against Alpiq S.A., formerly Aar e Ticino SA di Elettricità to repay the amount the former company must pay to the GSE, due to the non-recognition of the certifications of origin of electricity from renewable sources that said entity Aar e Ticino SA di Elettricità had delivered to it together with the energy it had sold to it in 2005 (around EUR 2.4 million). The arbitration proceedings that remained suspended until the settlement of the administrative issue restarted on 7 April 2016 and should be completed in the next two years. The professionals that are assisting the company are confident in a positive resolution of the issue.

On 26 June 2015, the company Green Network Luce & Gas received two assessment notices (one relating to VAT and IRAP and the other to IRES) in which some transactions entered into with a commercial operator were contested, however already the object of a specific and positive assessment during the course of other assessments that took place in previous years. The merging entity, supported by the opinion of an authoritative professional and university professor, believes that the risk connected with the dispute is remote and uncertain and therefore, did not deem it necessary to enter any risk provision.

At the date of this report, there were no additional disputes or pending tax matters for a significant amount that determined contingent liabilities for the company that are not reflected in this document.

### Guarantees, commitments and off-balance sheet agreements

At the date of this report, the company has the following off-balance sheet guarantees and commitments in place:

- ◆ EUR 135,337,812 for sureties issued in favour of third parties;
- ◆ EUR 28,841,876 relating to the value of guarantees in the form of a pledge;
- ◆ EUR 105,161 relating to the instalments falling due including the redemption price of certain cars subject to an operating lease.

The amount of EUR 135,337,812 relates to sureties issued which include, in particular:

- ◆ EUR 44,440,000 in favour of third parties for the purchase/sale of electricity, gas and derivatives, of which EUR 20,250,000 in favour of the subsidiary Green Network UK PLC;
- ◆ EUR 41,889,678 in favour of third parties for the transportation of electricity and gas;
- ◆ EUR 13,000,000 in favour of GME for the performance of business on electricity markets;
- ◆ EUR 7,845,000 in favour of Terna S.p.A. for dispatching, of which EUR 7,435,000 for withdrawal dispatching and EUR 410,000 for injection dispatching;
- ◆ EUR 6,200,000 in favour of third parties for the supply of electricity, of which EUR 200,000 given by Green Network S.p.A. in favour of Green Network UK PLC;
- ◆ EUR 2,817,378 as sureties issued in favour of third parties for gas carrier costs;

- ◆ EUR 2,000,000 in favour of the bank Akros for the purchase of derivatives by the subsidiary Green Network UK Plc;
- ◆ EUR 8,965,305 to guarantee bank loans totalling EUR 6,132,000 and existing finance leases for EUR 2,833,305;
- ◆ EUR 7,710,451 in favour of the Tax Authorities for Group VAT offsetting and surplus VAT reimbursements;
- ◆ EUR 450,000 in favour of Simest S.p.A. for the stake in the company Solcap Green S.r.l.;
- ◆ EUR 20,000 in favour of third parties for activities relating to the planned construction of plants for the production of energy from renewable sources

The amount of EUR 28,841,876 relating to pledges is composed as follow:

- ◆ EUR 18,245,672 due to banks for cash collateral activities;
- ◆ EUR 10,586,004 as shares and securities;
- ◆ EUR 10,200 on the shares held by the company in the subsidiary Green Hydro 1 S.r.l. as guarantee to the leasing company Credit Agricole.

### Remuneration due to Directors, Statutory Auditors and Independent Auditors

As already indicated in previous notes 4 and 5, the information relating to remuneration due to directors, statutory auditors and the independent auditors for 2015 is provided below.

|                            | Amount    |
|----------------------------|-----------|
| Directors' fees            | 1,218,349 |
| Statutory Auditors' fees   | 93,210    |
| Independent Auditors' fees | 124,770   |
| Supervisory Body's fees    | 15,600    |

### Subsequent events

No further significant events occurred after the close of the current financial year, with respect to those already detailed in the relevant section of the Report on Operations.

## IV - ANNEXES

## **GREEN NETWORK S.p.A.**

Registered offices: Corso d'Italia No. 11, Apt. No. 8, Rome, Italy

Share capital: €15,636,000 fully paid-in

Tax Code and Rome Register of Companies No. 07451521004

Rome Chamber of Commerce - E&A Index No. 1033355

\*\*\*\*

Company subject to management and coordination by SC Holding S.r.l.

Registered offices in Corso d'Italia No. 11, Apt. 8, Rome, Italy, Tax code 08420631007

\*\*\*\*

### **Report of the Board of Statutory Auditors on the statutory and consolidated financial statements for the year**

**ended 31 December 2015**

**(pursuant to Art. 2403 and 2429, section 2 of the Italian Civil Code) to the  
Shareholders' Meeting of Green Network S.p.A.**

Dear Shareholders,

Preliminarily, we hereby inform you that during the year ended 31 December 2015 the Board of Statutory Auditors carried out the supervisory activities envisaged by Article 2403 of the Italian Civil Code as specified below.

We regularly carried out the supervisory activities, drawing up the related reports in accordance with the Law.

We oversaw the observance of the Law and the Articles of Association and the observance of the standards of correct management making reference, when accomplishing our appointment, to the Standards of Conduct for Boards of Statutory Auditors recommended by the Italian Board of Chartered Accountants and Accounting Experts.

We took part in the meetings of the Board of Directors and the Shareholders' Meetings and we obtained information from the Management Body on the general operating trend and on the outlook for the future as well as on transactions of greatest significance, due to their size or features, carried out by the company and, on the basis of the available information, we can reasonably state that the action carried out is compliant with the law and the Articles of Association and is not manifestly imprudent, hazardous or such



that it compromises the integrity of the company assets.

We acquired awareness of and oversaw the adequacy of the company's organisational structure; in this connection, we have no particular indications to make.

We assessed and oversaw the adequacy of the administrative and accounting system as well as the reliability of the latter to correctly represent the operating events, and in this connection we have no particular observations to report.

No complaints as per Article 2408 of the Italian Civil Code were received.

We have examined the annual financial statements as at 31 December 2015, with regard to which we disclose the following.

Pursuant to the Legislative Decree No. 38 of 28.02.2005, containing the implementing provisions of Act No. 306/2003 (promulgated after the coming into force of European Regulation No.1606/2002), which provides the option for unlisted companies that prepare consolidated financial statements of adopting on a voluntary basis the international accounting standards (IAS/IFRS) issued by the International Accounting Standard Board (IASB) and ratified at the EU level, the company Green Network S.p.A. has chosen to exercise this option preparing both the annual financial statements and the consolidated financial statements as at 31 December 2015 in compliance with the international accounting standards (International Accounting Standards (IAS) and International Financial Reporting Standards - IFRS) issued by the International Accounting Standards Board (IASB) and with the interpretations issued by the IFRS Interpretations Committee (IFRIC) and by the Standing Interpretations Committee (SIC), recognised by the European Union pursuant to the Regulation (EC) 1606/2002 and in force at the end of the year (the set of all reference standards and the interpretations mentioned before are indicated below as "EU-IFRS"). Notably, the EU-IFRS were consistently applied to all years presented in this document.

The Board of Directors has therefore made available to us the individual and consolidated financial statements for the year ended 31 December 2015 consisting, as required by the international accounting standard IAS 1, of the Balance Sheet, the Income Statement and Comprehensive Income Statement, the Statement of Changes in Shareholders' Equity, the Statement of Cash Flows and the Explanatory Notes containing the list of the accounting standards relevant and other notes.

Lastly, in compliance with the standard of the comparability of the values of financial statements with the values of the previous year and as required by IAS 1, the annual financial statements were integrated with the reconciliation statement "Transition to IAS/IFRS". The transition to the international accounting standards ("First Time Adoption") was carried out on 1 January 2014.

The Board of Statutory Auditors acknowledges the reasons advanced by the Administrative Body for the use of the longer period of one hundred and eighty days for the call of the shareholders' meeting for the approval of the annual financial statements ended at the 31 December 2015, as provided by the Civil Code and by the Articles of Association.

The Board expressly waived the terms set by Par. 1 of Art. 2429 of the Civil Code and notes that the shareholders have expressly waived the terms as set forth in the Par. 3 of Art. 2429 of the Civil Code.

Since we are not appointed to carry out the analytical audit on the contents of the financial statements and the consolidated financial statements, we have overseen the general layout given to the same, their general compliance with the Law with regard to their form and structure. We have verified compliance with the legal provisions inherent to the preparation of the Report on operations and in this connection, we have no particular observations to report.

Intercompany transactions and those with related parties are included in the respective sections of the Explanatory Notes to the Financial Statements to which this Board refers with regard to the identification of the type of transactions and the related economic, equity and financial effects.

This Board note that the identification and quantification of the significant transactions with related parties is, amongst other aspects, reserved for the exclusive competence of the Board of Directors.

The guarantees, commitments and agreements not resulting from the balance sheet and cash flow statement are correctly reported in the Explanatory Notes.

Our audit has resulted in the comments made below, still current with respect to the description in the previous report to the 2014 financial statements:

- a) the economic crisis has had a heavy impact on the industrial, economic and social fabric of our country producing significant effects also in the sector in which your company operates, a sector increasingly competitive and complex also because of the constant evolving legal and regulatory framework;
- b) among the most significant effects of the crisis we note the risk in the collection of the receivables, such the financial management has become increasingly relevant, with regard both to funding and to the guarantees to be issued to third parties;
- c) in reference to the so-called "credit risk", we recommend to the Directors to preserve and implement the procedures of analysis for the assessment of customer rating, with a special focus on the activity addressed to the so-called "retail" market, adopting all corporate policies necessary for their monitoring, mitigation and possibly hedging;
- d) as shown by the Directors in their report, and object of a request for additional disclosure by the auditing company in its report issued today, in 2014 the company was the object of an assessment by the Guardia di Finanza - Nucleo di Polizia Tributaria of Rome for the years 2009-2013, in regard to some transactions related to the activity of physical trading of electric power carried out by the company with some counterparties, as suppliers or customers. As a result of these assessment activities the companies, including also the incorporated company Green Network Luce & Gas, have received in 2014 a report on findings followed by the notification of assessment notices on VAT and Income Taxes with regard to the tax year 2009 and 2010, both challenged with the competent bodies. Moreover the companies also received a notice of infliction of sanctions for 2009; for 2010 they received a notice simply informing them of the start of the sanctioning procedure, for which extensive defensive arguments were produced, which presents consistent arguments to justify the legitimacy of the actions of the company and, therefore, prove unfounded the findings carried out.

The Directors, therefore, on the basis of the opinion of the legal representative, have not believed necessary to make provisions to the reserve for risk and charges.

The Board of Statutory Auditors - in the light of the results of both the assessments carried out and the exchanges of information with the independent auditing company and with the supervisory body as set forth in the Legislative Decree 231/2001 - invites the Administrative Body to continue in the qualitative and quantitative strengthening of the corporate organisational structure, through the ongoing monitoring of corporate procedures to best safeguard the management and the monitoring of the activities and ensure timely corrective measures, where necessary. In addition, the Board of Statutory Auditors - keeping into account what was said above as well as the information on corporate events acquired in the execution of the mandate received and on account of the need to preserve and improve the financial stability of the company - recommends that the Directors ensure the ongoing monitoring of its economic and financial position.

In 2015 Green Network S.p.A. carried out a merger by incorporation of its fully owned subsidiary Green Network Luce & Gas S.r.l. This transaction, the accounting and tax effects of which were backdated to 1 January 2015, was fully described and justified in the merger plan, to which we refer for more details.

The auditing company BDO S.p.A. was appointed to carry out auditing functions: no events or relevant information were notified by this that must be reported here, with the exception of the request for additional information made in their report of 14 June 2016. On conclusion of this report, given the results of the checks carried out, the results of the activities performed by the audit body and the criteria followed by the Directors when preparing the financial statements, the Board of Statutory Auditors deems, in as far as it is responsible, to express an favourable opinion for the approval of the financial statements for the year ended 31 December 2015 and the report on operations.

Brescia, 14 June 2016

The Board of Statutory Auditors

Signed by Mr. Fabio Sottini (President)

Signed By Mr. Federico Pecorini (Member)

Signed by Mr. Marlon Rizzo (Member)



**GREEN NETWORK S.p.A.**

Report of the consolidated financial statements  
as of December 31, 2015

**INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ART. 14 AND 16 OF LEGISLATIVE  
DECREE NO.39 OF JANUARY 27<sup>th</sup>, 2010**

To the shareholders of  
GREEN NETWORK S.p.A.

**Report of the consolidated financial statements:**

We have audited the accompanying consolidated financial statements of GREEN NETWORK S.p.A. and its subsidiaries (the GREEN NETWORK Group), which comprise the statement of financial position as of December 31, 2015, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

**Directors' responsibility for the consolidated financial statements**

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union.

***Auditors' responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to art. 11, paragraph 3 of Legislative Decree NO. 39/2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view, in order to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the financial position of GREEN NETWORK Group as of December 31, 2015 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union.

### *Emphasis of matter*

- Since 2015 the company has prepared the consolidated financial statements of the Group in compliance with IAS and IFRS international accounting standards as issued by the European Union and in force at the end of the year. The transition to the international accounting standards ("First Time Adoption") was carried out, pursuant to the accounting standard IFRS 1, on 1 January 2014.
- In 2015 the subsidiary GREEN NETWORK LUCE & GAS S.r.l. was merged by incorporation into GREEN NETWORK S.p.A. This transaction, the accounting and tax effects of which were backdated to 1 January 2015, is part of a plan to rationalise the organisation and structure of the company and the Group GREEN NETWORK in order to achieve greater operational effectiveness, reduce costs and optimise financial management.
- In 2014 the Guardia di Finanza - Nucleo di Polizia Tributaria of Rome began a tax assessment for direct and indirect tax purposes on the companies Green Network S.p.A. and Green Network Luce & Gas S.r.l. for the 2009-2013 tax years. Following these inspections, the companies received a report on findings, for which wide and articulated briefs and observations were produced by an authoritative professional, in order to highlight the groundlessness of the objections made by the inspectors. Until now the companies in question have received, only for the tax years 2009 and 2010, assessment notices for VAT and Income Taxes, both challenged by the companies. The two companies also received a notice of infliction of sanctions for 2009; for 2010 they received a notice simply informing them of the start of the sanctioning procedure, for which extensive defensive arguments were produced. Green Network S.p.A., also as incorporating company of Green Network Luce & Gas, supported by the opinion of an authoritative professional and university professor, believes that, owing to the absence of any prejudice for the Tax Authorities and for any other interested party, the risk with regard to the dispute as a whole and to the joint assessment of the plurality of claims made for different reasons, with reference to the same facts subject matter of the dispute, is remote and uncertain and therefore, did not deem it necessary to enter any risk provision.
- At 31 December 2015 Green Network S.p.A. recognises under "Trade Receivables" in the asset side of the balance-sheet a net amount equal to €14.3 million for receivables from its customer Tradecom S.p.A., in regard to which insolvency proceedings had been started in November 2014. This amount includes €2.2 million for VAT to be recovered at the end of the insolvency proceedings, in compliance with current tax law provisions. At the start of the insolvency proceedings involving Tradecom, the receivable had been recognised for an amount equal to €35.0 million, plus late interest for €3.17 million; since then, both in previous years and in the current year, the receivable has been written down by the Directors, on the basis of the information obtained, the documentation available at the reporting date and the information obtained by the legal representative appointed to this purpose.

#### *Other matters*

The consolidated financial statements for the year ended December 31, 2014 were audited by the auditor in charge at the time who expressed an unmodified opinion on those statements on June 19, 2015.

#### **Report on compliance with other laws and regulation**

##### ***Opinion on the consistency of the consolidated financial statements with the report on operations and of certain information set out on corporate governance and ownership structure***

We have performed the procedures required by auditing standard (SA Italia) N0. 720B in order to express an opinion, as required by law, on the consistency of the report on operations which are the responsibility of the directors of GREEN NETWORK S.p.A., with the consolidated financial statements of GREEN NETWORK Group. In our opinion, the report on operations and of the information set out in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of GREEN NETWORK Group as of December 31, 2015.

Milan, June 14, 2016

BDO Italia S.p.A.

Signed by Fabrizio Brugora  
(Partner)

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| <p><i>This report has been translated into english from the italian original solely for the convenience of international readers</i></p> |
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**GREEN NETWORK S.p.A**

Report of the financial statements  
as of December 31, 2015

**INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ART. 14 AND 16 OF LEGISLATIVE  
DECREE NO.39 OF JANUARY 27<sup>th</sup>, 2010**

To the shareholders of  
GREEN NETWORK S.p.A.

***Report of the financial statements***

We have audited the accompanying financial statements of GREEN NETWORK S.p.A., which comprise the statement of financial position as of December 31, 2015, the income statement, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

***Directors' responsibility for the financial statements***

The directors are responsible for the preparation of financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union.

***Auditors' responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to art. 11, paragraph 3 of Legislative Decree NO. 39/2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view, in order to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements give a true and fair view of the financial position of GREEN NETWORK S.p.A. as of December 31, 2015 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union.

## Emphasis of matter

For a better understanding of the annual financial statements we note the following significant events and information:

- Since 2015 the company has prepared its annual financial statements in compliance with IAS and IFRS international accounting standards issued by the European Union and in force at the end of the year. The transition to the international accounting standards ("First Time Adoption") was carried out, pursuant to the accounting standard IFRS 1, on 1 January 2014.
- In 2015 the subsidiary GREEN NETWORK LUCE & GAS S.r.l. was merged by incorporation into GREEN NETWORK S.p.A. This transaction, the accounting and tax effects of which were backdated to 1 January 2015, is part of a plan to rationalise the organisation and structure of the company and the Group GREEN NETWORK in order to achieve greater operational effectiveness, reduce costs and optimise financial management.
- In 2014 the Guardia di Finanza - Nucleo di Polizia Tributaria of Rome began a tax assessment for direct and indirect tax purposes on the companies Green Network S.p.A. and Green Network Luce & Gas S.r.l. for the 2009-2013 tax years. Following these inspections, the companies received a report on findings, for which wide and articulated briefs and observations were produced by an authoritative professional, in order to highlight the groundlessness of the objections made by the inspectors. Until now the companies in question have received, only for the tax years 2009 and 2010, assessment notices for VAT and Income Taxes, both challenged by the companies. The two companies also received a notice of infliction of sanctions for 2009; for 2010 they received a notice simply informing them of the start of the sanctioning procedure, for which extensive defensive arguments were produced. Green Network S.p.A., also as incorporating company of Green Network Luce & Gas, supported by the opinion of an authoritative professional and university professor, believes that, owing to the absence of any prejudice for the Tax Authorities and for any other interested party, the risk with regard to the dispute as a whole and to the joint assessment of the plurality of claims made for different reasons, with reference to the same facts subject matter of the dispute, is remote and uncertain and therefore, did not deem it necessary to enter any risk provision.
- At 31 December 2015 the company recognised under Trade Receivables in the asset side of the balance sheet a net amount of €14.3 million for receivables from its customer Tradecom S.p.A., which had started insolvency proceedings in November 2014. This amount includes €2.2 million for VAT to be recovered at the end of the insolvency proceedings, in compliance with current tax law provisions. At the start of the insolvency proceedings involving Tradecom, the receivable had been recognised for an amount equal to €35.0 million, plus late interest for €3.17 million; since then, both in previous years and in the current year, the receivable has been written down by the Directors, on the basis of the information obtained, the documentation available at the reporting date and the information obtained by the legal representative appointed to this purpose.

## Other matters

The financial statements for the year ended December 31, 2014 were audited by the auditor in charge at the time who expressed an unmodified opinion on those statements on June 19, 2015.

## Report on compliance with other laws and regulation

### ***Opinion on the consistency of the financial statements with the report on operations and of certain information set out on corporate governance and ownership structure***

We have performed the procedures required by auditing standard (SA Italia) N0. 720B in order to express an opinion, as required by law, on the consistency of the report on operations which are the responsibility of the directors of GREEN NETWORK S.p.A., with the financial statements of GREEN NETWORK S.p.A.. in our opinion, the report on operations and of the information set out in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of GREEN NETWORK S.p.A. as of December 31, 2015.

Milan, June 14, 2016

BDO Italia S.p.A.

Signed by Fabrizio Brugora  
(Partner)

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| <p><i>This report has been translated into english from the italian original solely for the convenience of international readers</i></p> |
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