



Financial statements

31 DECEMBER 2016

GRUPPO GREEN NETWORK S.P.A.



Green Network S.p.A.

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

Registered Office:

Share capital:

Rome REA:

Entered in the Rome Register of Companies:

Viale della Civiltà Romana, 7 - 00144 Rome

€15,636,000 fully paid-in

No. 1033355

No. 07451521004

COMPANY STRUCTURE

BOARD OF DIRECTORS

- ◆ Piero Saulli (Chairman)
- ◆ Sabrina Corbo (Executive Deputy Chairman)
- ◆ Giovanni Barberis (General Manager)
- ◆ Giuseppe Martini (Director)

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

- ◆ PricewaterhouseCoopers S.p.A. ⁽¹⁾

(1) For the 2016 - 2018 period

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I – DIRECTORS' REPORT ON OPERATIONS

REFERENCE CONTEXT

General economic background

In 2016, the international economy expanded at a moderate pace, with variations seen across different countries.

In particular, the positive growth differential between the US and European economies was strengthened and uncertainties about the growth and development of the Chinese economy and the trade capacity of emerging markets increased.

US GDP grew by 1.6% on an annual basis. Net trade and household consumption expenditure both contributed positively to this result, while investment continued its negative contribution, which began at the end of 2015. In the job market, the unemployment rate fell (4.6% on an annual average basis compared to 5.3% in 2015), resulting in an increase in disposable income and private consumer spending, which is also expected to increase in 2017. The strength of economic growth will depend, however, on the Fed's monetary policy decisions.

Chinese GDP reached 6.7% in 2016, in line with targets. Consumers' expenditure grew by 10.7%, supported by bank lending. As regards Japan, according to government data gross domestic product increased by a modest 1.2% compared to the previous year, a nevertheless positive performance compared to forecasts, following a 2015 spent in the red.

The eurozone saw moderate growth of 0.4% in the fourth quarter, with a subsequent 1.7% expansion in annual GDP. Consumption and investment are expected to grow in 2017, while exports could slow down, due in particular to the weakness of emerging markets, and be accompanied by a simultaneous increase in imports. In this context, the European Central Bank is expected to continue to pursue an expansionary monetary policy with the aim of countering the deflation risk and supporting lending to businesses and households. Great Britain's decision to leave the European Union ("Brexit") is also having an impact on the eurozone, with the effects on other international economies set to emerge over the next two to three years.

With regard to the Italian economy, the fourth quarter of 2016 saw a slight recovery in production rates, with an increase of 1.3% compared to the previous quarter and 1.6% compared to the fourth quarter of 2015. The short-term outlook indicates a continuation of the growth phase, albeit at a very moderate pace, suggesting a 0.9% increase in GDP in 2017. Domestic demand, made up of household consumption and investments, is playing a crucial role.

The slowdown of the economic cycle of the main emerging-market economies is affecting trade flow trends, resulting in a slight reduction of the contribution of foreign demand (-0.1 percentage points) in 2016. The consolidation of Italian GDP growth, expected in the 2016-2017 two-year period, will therefore be heavily linked to the strengthening of private consumption, at favourable conditions on the credit market, and the fiscal policy measures to support investments. In particular, after the strong growth rates recorded in 2015 and in the first quarter of 2016, household consumption decelerated in the second and third quarter of the year, despite a significant increase in purchasing power (+1.1%).

In 2016, the employment rate rose to 57.4% (+1.9% compared to the previous year), supported by the improvement in the economic cycle and, partially, by incentives for new recruitments.

With regard to commodities, oil prices once again fell below 50 dollars a barrel, influenced both by weak demand and the climate of uncertainty as regards future agreements between OPEC oil-producing countries in relation to cuts in crude oil production; coal and gas prices also fell across Europe as a result of the decrease in oil prices, a greater availability of natural gas and increased competition between traditional supplies and LNG.

In terms of exchange rates, the euro strengthened overall against the British pound, partly as a result of the outcome of the “Brexit” vote, yet remains weak against the dollar as a result of the Quantitative Easing carried out by the ECB.

Reference legislative and regulatory framework

We describe below the main aspects of the key issues object of regulatory changes in 2016 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.

The AEEGSI, with 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 231/14/R/com, the AEEGSI has specified the new provisions on obligations of accounting separation, approving the new **Consolidated Text for Accounting Unbundling** (*Testo Integrato Unbundling Contabile* or TIUC), supplemented by Resolution 137/2016/R/com.

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, the AEEGSI has approved the new Code of Business Conduct for the sale of electricity and natural gas to end users.

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

Resolution 118/2016/R/efr modifies and supplements the Code of Business Conduct in order to improve consumer protection in cases of the sale of electrical energy from renewable sources.

Commercial quality of sales

With Resolution 413/2016/R/com, the Authority has approved the new Consolidated Text for the regulation of the commercial quality of electricity and gas sales services (TIQV), in force since 2017. The Resolution also provides for changes to the regulation of the commercial quality of electricity and natural gas distribution services and the related indemnities. The new TIQV follows on from the

adoption of the new guidelines for the management of the anomalous amounts referred to in Resolution 17/2016/R/com and introduces additional modifications and additions as regards the handling of complaints.

With Resolution 795/2016/R/com, the Authority has updated the provisions concerning the provision of technical data by the distributor, making changes also to the TIQV consolidated texts.

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, the AEEGSI had postponed the entry into force of the provisions introduced with Resolution 501/2014 (Bill 2.0), resolving that the new provisions apply to the invoices for consumption after 1 January 2016, giving flexibility to operators in the management of previous invoices.

With Resolutions 610/2015/R/com and 129/2017/R/com, the AEEGSI has amended and supplemented the Glossary of Bill 2.0 and the previous provisions of Resolution 501/2014/R/com, providing additional minimum elements to be made available to end customers in invoice documentation.

The 2016 Stability Law (Law 208/15) introduced changes concerning the television subscription fee (RAI licence fee) that was charged to end customers by sellers of electrical energy from the first invoice after 1 July 2016.

With Resolution 463/2016/R/com, the AEEGSI has sought to define the standard contract terms of commercial offers that must be proposed, starting from 1 January 2017, by all sellers in the market in order to increase the end customer's capacity to seize market opportunities, including through a progressive improvement of the quality of the measures used in bills.

At the same time, the Authority approved the Consolidated Text for Billing (TIF), combining in a single document all the provisions relating to period billing, illustrated in DCO 216/2016/R/com, and measures relating to year-end billing and the management of gas and power meter readings by customers in cases of transfer or change of ownership, introduced with Resolution 100/2016/R/com. The new consolidated text covers the regulation of indemnities relating to billing and of monitoring activities. Resolution 738/2016/R/com incorporates the provisions of the TIF as regards mixed billing, meter readings by customers, indemnities to be paid to end customers and instalment plans.

Non-payment

Resolution 258/2015/R/com had introduced 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.

The abovementioned Resolution approved the Consolidated text on Electrical Arrears (TIMOE) repealing Resolution ARG/elt 4/08.

Resolution 258/2015/R/com was amended by Resolution 302/2016/R/com as regards methods and timeframes relating to the guidelines for withdrawal from supply contracts for small end customers.

In September 2016, with sentence No. 01629/2016, the Lombardy administrative court (TAR - *Tribunale Amministrativo Regionale*) partially voided Resolution 258/2015/R/com in the section which introduced additional penalties for electric power distributors who delay the disconnection of non-paying end customers resulting in subsequent damage for sellers.

In December 2016, with Resolution 711/2016/R/com, the AEEGSI began a process to improve the guidelines on payment delays in the electricity and natural gas retail markets in accordance with Lombardy TAR's sentence No. 01629/16. Consultative Document 712/2016/R/com was published to this end.

Out-of-court settlement of disputes and Settlement Service

With Resolution 209/2016/E/com, the AEEGSI adopted the Consolidated Text on out-of-court dispute resolution procedures between end customers and operators in regulated sectors (TICO). As set forth in the Consumer Code, for complaints not resolved in the first instance by sellers, the Authority has defined the guidelines for the carrying out of obligatory attempts at settlement at the Settlement Service for the purposes of the admissibility of the judicial action. Sellers are obliged to take part in the Settlement Service for the out-of-court settlement of disputes with end customers.

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 to disclose data on the remaining contracts (OTC standard and non-standard supply contracts; transportation contracts) have applied.

As indicated in Resolution 86/2015/E/com, the AEEGSI has developed the Italian registry, with which the market operators subject to REMIT have been required to register. With Resolution 342/2016/R/eel, the Authority initiated proceedings for the adoption of timely prescriptive measures and the assessment of potential abuses in the wholesale electricity market within the meaning of REMIT. The

deadline for the closure of the procedure was scheduled for 24 August 2016, and subsequently extended to 15 December 2016.

Price protection - Draft Law on Competition

The annual draft law on competition, which aims to promote the development of competition and ensure the protection of consumers, including in application of the principles of the European Union law on free movement, competition and the openness of markets and European policies on competition, is currently under discussion in Parliament. This draft law currently provides for the elimination from 2018 of electricity and natural gas price protection schemes.

Electricity

Dispatching

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

With sentence No. 1648 of 24 June 2014, the Lombardy Region TAR 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, the AEEGSI notified that it would appeal, filing a request for preventive suspension against TAR sentence No. 1648.

On 23 March 2015 the Council of State rejected the AEEGSI's appeal against TAR sentence No. 1648 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).

With Resolution 333/2015/R/eel, the Authority has started a process aimed at regulating the calculation of power imbalances for the period 2012-2013-2014, after the Council of State's sentence, which reinstated, for the period in question, the previous regulations (resolution 111/06). With resolution 333/2016/R/eel, the Authority has defined the adjustment to be made to the actual imbalances in the period July 2012-September 2014, following the Lombardy TAR sentence 1648/2014 and the Council of State sentences 1532/2015 and 2457/2016, which had cancelled the previous adjustment. This measure has introduced two alternative solutions for operators to choose from:

- ◆ the standard guidelines that provide for the recovery of the adjustment which was annulled by the TAR;
- ◆ the alternative guidelines that provide for the application of the guidelines in force prior to the first intervention by the Authority in 2012.

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

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

This process will conclude with the completion of the organic reform of the market for dispatching services.

Pending the organic reform indicated above, with Resolution 444/2016/R/eel, the AEEGSI has arranged a temporary solution for the valuation of actual imbalances within electrical dispatching, introducing, with effect from 1 August 2016, a +/- 15% band for the binding programme as amended and corrected in relation to the points on dispatching for consumption units and non-authorised production units other than significant units powered by non-programmable renewable sources. A single price (marginal price) will be applied to imbalances that fall within this band, and a dual price based on average prices will be applied to those outside the band.

With Resolution 800/2016/R/eel, the Authority has finally introduced additional provisions for the valuation of the actual imbalances for 2017, supplementing and modifying resolution 444/2016 in relation to the transitional regime. Until April 2017, a standard band of 15% per consumption unit and programmable non-authorised production unit will be applied without the mixed single-dual pricing system being extended to insignificant non-programmable production units from renewable sources. From May 2017, subject to the actual entry into operation of the procedures for determining the zonal aggregate imbalance sign based on actual measurements, the standard band for consumption units will be increased to 30% and programmable non-authorised production units will be fully exempt from application of the mixed single-dual pricing system. The mixed single-dual pricing system will not apply to dispatching points for non-programmable production units from renewable sources. Starting from May 2017, the AEEGSI plans to switch to a method for determining the zonal aggregate imbalance sign based on actual measurements.

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 (hereinafter "Network Code"), to regulate the relations between electric power distributors and transmission service users.

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

- ◆ provisions on the contractual guarantees to be provided to 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 postponed the entry into force of the provisions of the Network Code providing for the new provisions to apply from 1 January 2016.

With Resolution 609/2015/R/EEL, the Authority has reformed the Network Code, introducing elements of greater flexibility for users of the transmission service in terms of guarantees to be provided, the main ones of which are:

- ◆ the removal of the rating requirement for guarantor banks to which the User may refer for the release of the guarantee;
- ◆ the ability, since 1 January 2016, to use the rating opinion as the accepted method of collateral, not subject, in a first transitional phase, to punctuality of payments.

Similar Protection

Pending the regulatory path of the Competition Draft Law, which should provide for the elimination of electricity and natural gas price protection schemes, the AEEGSI, with Resolution 271/2015/R/com, has started a process to define a path to reform the price protection mechanisms for the supply of electricity to domestic customers and small businesses.

With Resolution 369/2016/R/eel, the AEEGSI has established the instrument of Similar Protection. Through Similar Protection, by signing the contract online, including via facilitators (i.e. consumer associations), customers with Higher Protection may conclude Similar Protection contracts with a maximum duration of 12 months. Customers will benefit from a one-time bonus made available by Suppliers covered by Similar Protection, selected by a Single Buyer on the basis of a series of requirements introduced by Resolution 369/2016.

With Resolution 541/2016/R/eel, the AEEGSI has published certain clarifications and modifications to the guidelines on Similar Protection. This measure also approved the regulation for the identification of suppliers and the monitoring of Similar Protection by Single Buyers. The Similar Protection service has been extended until 30 June 2018. With Resolution 689/2016/E/eel, the Authority has integrated the Similar Protection guidelines in relation to the activities of Facilitators.

Gas

Gas Balancing

With Resolution 470/2015/R/gas, the Authority issued provisions with a view to the operation of the gas balancing system, postponing the entry into force of the provisions of the European Balancing Code to the summer of 2016 and in any case not after 1 October 2016. With Resolution 312/2016/R/gas, the Authority approves the Consolidated Text of Gas Balancing (TIB) transposing European Regulation 312/2014, with effect from 1 October 2016.

With subsequent Resolutions 554/2016/R/gas and 737/2016/R/gas, the AEEGSI has added to the abovementioned guidelines, introducing parameters for those in charge of balancing (Snam Rete Gas) and defining the fees for participation in the gas balancing platform.

TRENDS IN THE ITALIAN ENERGY MARKET

Electricity market

Electricity demand in Italy in 2016 totalled 310 TWh (Terna data), a decrease of 2.1% compared to the same period of 2015.

TWh	2016	2015	% change
Net production:	275.6	272.4	1.2%
External suppliers	43.1	50.8	(15%)
Sold to foreign customers	(6.1)	(4.5)	35.6%
Intended for pumping systems	(2.4)	(1.9)	26.3%
Italy Total	310.2	316.8	(2.1%)

Source: Terna data.

In the next 12 months, approximately 39% of total energy requirements were covered by renewable sources, in line with the previous year. Overall electricity production from renewable sources decreased slightly as a result of the drop in hydroelectric production, while wind power production increased. These phenomena are due to the different climatic conditions experienced in 2016 compared to the previous year.

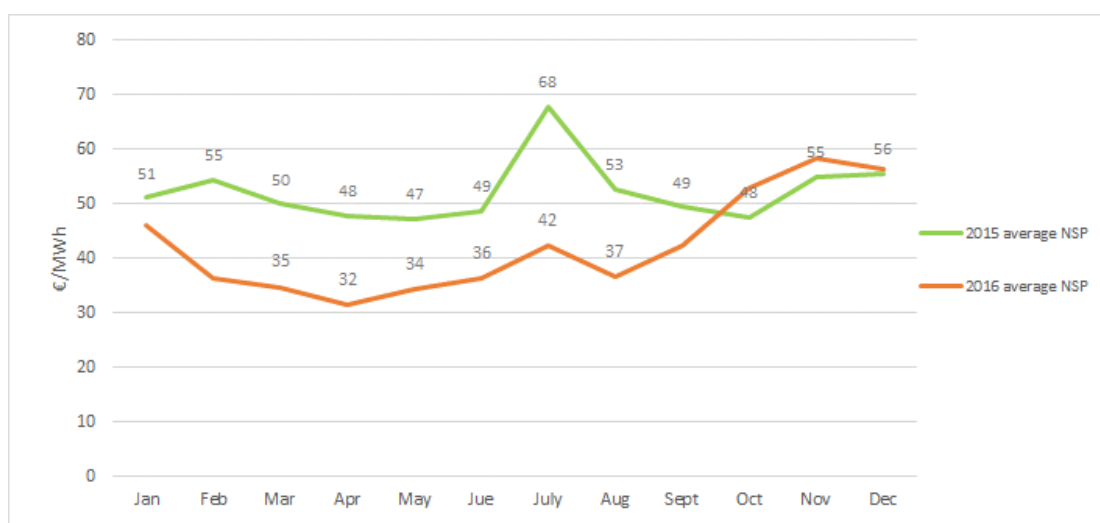
Net Italian production by source type:

%	2016	2015
Net renewable production (wind, photovoltaic, biomass and geothermal)	23.2%	22.4%
Net hydroelectric production	15.4%	17.1%
Net thermal production	61.4%	60.5%

Source: Terna data.

Borsa Italiana's average hourly price for energy (IPEX1/NSP - National Single Price) for 2016 amounted to 42 €/MWh, down (-19%) compared to the same period of 2015 (52 €/MWh).

The following graph shows the monthly figures:



Source: GME

The National Single Price is still higher on average than the French (PNX) and German (EEX PHELIX/) stock exchange prices, although the spread continues to decline. In 2016, the average price of the French stock market (PNX) was 36.7 €/MWh while that of the German stock exchange (EEX PHELIX/) was 28.9 €/MWh. The price differential between the stock exchanges is due to the different power generation facilities, which in Italy have higher production costs, hence the prevalence of import trade.

The Natural Gas Market

In 2016, the demand for natural gas in Italy increased by 5% compared to the same period of the previous year, reaching around 70.9 billion cubic meters, an increase of approximately 3.4 billion cubic meters.

Gas drawn (billion m3)	2016	2015	% change
Domestic production	5.785	6.771	(14.6%)
Imports	65.284	61.201	6.7%
Exports	(0.212)	(0.221)	(4.1%)
Change in stocks	0.58	(0.228)	(125%)
Total demand	70.914	67.523	5%

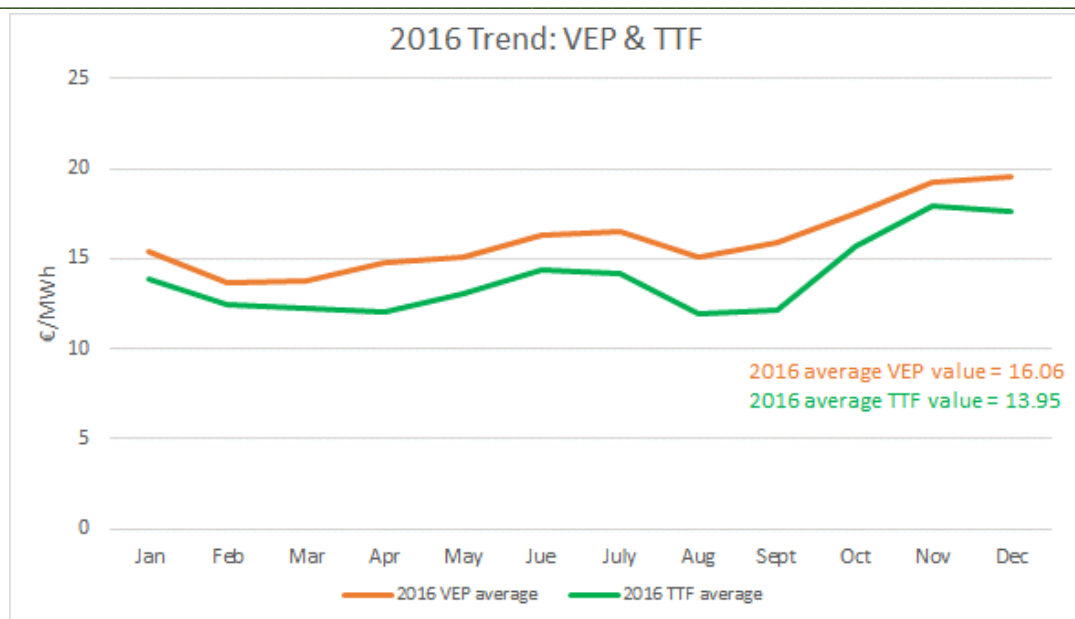
Source: 2015 figures and 2016 preliminary figures Snam Rete Gas, Ministry Economic Development

In 2016, in terms of supply sources, there was, by comparison to 2015:

- ◆ a sharp drop in national production (-1 billion cubic meters; -14.6%);
- ◆ an increase in gas imports (+4 billion cubic meters; +6.7%);
- ◆ increased use of stored gas.

2016 saw a steady decreasing trend in wholesale natural gas prices in all international areas, compared to the same period of 2015. In particular, the Dutch TTF (gas supply cost reference in wholesale markets for the higher protection rate) recorded an average value of 13.95 euro/MWh, a reduction of approximately 29% compared to the same period of 2015.

The gas spot price in Italy (shown in the following chart, which uses the virtual exchange point (VEP) as a reference) shows an oscillatory trend, first decreasing and then increasing from the third quarter onwards. The average value in the first quarter was 14.28 euro/MWh (-39.6% compared to the same period in 2015), while in the final quarter it was 18.77 euro/MWh, an increase of approximately 31%.



During the first quarter of 2016, in a context of steady demand, due mainly to the increase in the thermoelectric and industrial segments which offset reduced distribution demand, a plentiful supply has contributed to the lowering of prices. During the following months, however, there was a change in trend: prices in Europe began to increase once again and the VEP followed the European trend.

OPERATING PERFORMANCE AND SIGNIFICANT EVENTS

Electricity and gas sale to end users

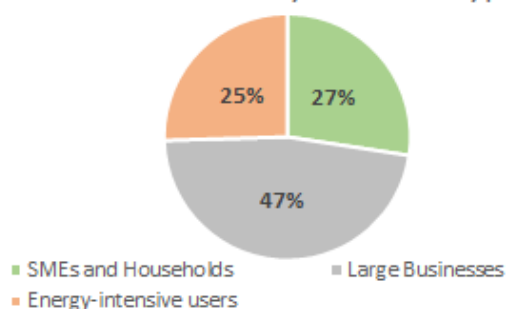
The core business of the company and the Group in general consists in the sale of electric power and gas. 2016 was characterised by an increase in profitability as a result of the balancing of the customer base, which had already begun in 2015, focused on market segments with medium-low consumption but higher unit margins. As regards total quantities, there was a reduction of 43% in the sale of electricity and 24% in the sale of the gas due to the decision to not supply certain customers with high volumes but with low profitability.

Power Volumes in TWh	31.12.2016	31.12.2015	% change
Sales to end users	4.5	7.7	(42%)
Wholesale sales	1.9	3.6	(46%)
Total	6.4	11.2	(43%)

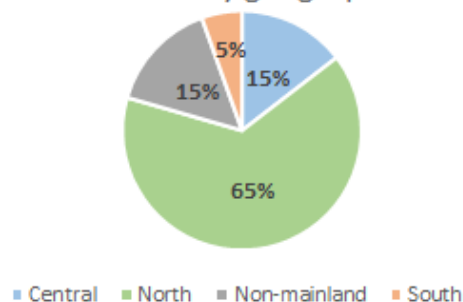
Gas Volumes in Mln smc	31.12.2016	31.12.2015	% change
Sales to end users	127.7	183	(30%)
Wholesale sales	29.8	29.1	2%
Total	157.5	212.1	(24%)

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

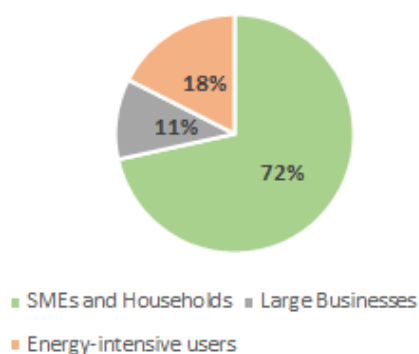
Power turnover by customer type



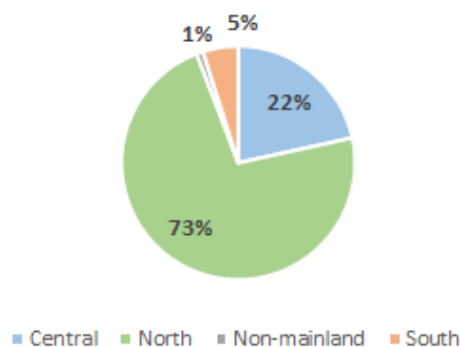
Power turnover by geographical area



Gas turnover by customer type



Gas turnover by geographical area



2016 saw the launch of activities to sell energy and gas to the UK retail market through the company

Green Network Energy. In this regard, in the month of December the preparatory phase for the large-scale acquisition of customers, which began in January 2017, was concluded.

Renewables

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

With reference to the photovoltaic sector, through the companies Solcap Green in Italy and Spectrum Tech in Romania, in 2016 electric power production totalled 13.6 GWh, lower than the 13.8 GWh recorded in the same period of the previous year as a result of lower insolation. Improved unit prices and the cutting of costs have, however, made it possible to keep margins stable compared with the previous year.

As regards the biomass and biogas sector, through the companies Rena Energia and Ata Energia, electric power production totalled 10.1 GWh in 2016, compared to 7.7 GWh in 2015, thanks to the gradual restarting of the Ata Energia plant with a significant increase in operating results.

In the hydroelectric sector, work continued to complete the plant belonging to the company Green Hydro 1. As regards the company Green Hydro 2, all of the pre-launch activities were concluded. It is noted in this regard that on 23 December 2016 a preliminary agreement for the sale of the two companies active in the hydroelectric sector was signed.

In the wind sector, electric power production totalled 2.4 GWh for the Green Wind 2 plant located in Sant'Agata di Puglia, Foggia, an increase of 9% compared to the previous year with a positive impact on operating profitability.

In 2016, lastly, the purchases of electric power from independent producers (FER and/or cogeneration plants) continued, with the aim 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.

Other Sectors

Le Fate Turchine

In the course of financial year 2016, revenues grew by 70% compared to the previous year, thanks to a consistent increase in the number of enrolments recorded in the second half of the year. Investments were made during the financial year in advertising, and purchases aimed at relaunching recreational services were carried out. This business line made a significant contribution to growing revenue volume, and also increased the structure's commercial visibility. These results are reflected in enrolments to the 2016 Summer Centre and in the considerable increase of autumn enrolments.

GREEN NETWORK SPA ECONOMIC AND FINANCIAL RESULTS AT 31 DECEMBER 2016

In EUR '000	31.12.2016	31.12.2015 Restated	Change	% change
Revenue from sales*	706,403	1,046,234	(339,831)	-32.5%
Raw material costs	(628,417)	(989,609)	361,192	-36.5%
First margin	77,986	56,625	21,361	37.7%
Direct costs	(22,030)	(21,395)	(635)	3.0%
Indirect costs**	(23,644)	(17,980)	(5,664)	31.5%
EBITDA	32,312	17,251	15,061	87.3%
Depreciation	(766)	(637)	(130)	20.3%
Provisions and write-downs	(8,491)	(3,577)	(4,914)	ns
EBIT	23,055	13,037	10,018	76.8%
Extraordinary expenses	(4,327)	(191)	(4,135)	ns
Financial operations	(5,495)	(8,233)	2,738	-33.3%
Profit before tax	13,234	4,613	8,620	ns
Taxation	(7,193)	(5,074)	(2,119)	41.8%
Net profit (loss)	6,041	(461)	6,502	ns

* The sales revenue figure at 31 December 2016 does not include the EUR 7.9 million fee rebate allocated to reduce direct costs.

** Indirect costs do not include costs relating to factoring commissions, charges on sureties and bank charges totalling EUR 3.7 million reclassified to financial management.

Gross profit for the year under review amounted to EUR 78 million, an increase of 38% compared to the previous year as a result of the strategy focused on market segments with medium-low consumption but higher unit margins.

Direct costs remained largely stable compared to the previous year, thanks in part to steps taken to contain variable costs, while the 32% increase in indirect costs is linked to the strengthening of the organisational structure. The overall effect, however, resulted in a significant improvement in EBITDA, which stood at EUR 32.3 million.

Provisions and write-downs were due, in the amount of EUR 7 million, to prudent provisions for bad debt and, in the amount of EUR 1.3 million, to write-downs of the equity investments of Sacri Re and Le Fate Turchine.

Extraordinary charges relate, in the amount of approximately EUR 2.4 million, to equity securities in the portfolio whose value has been reduced to zero and, in the amount of EUR 1.8 million, to the write-down of the equity investment in the associated company Converge S.r.l for adjustment to the equity value.

Net income from financial operations went from EUR -8.2 million in 2015 to EUR -5.5 million in 2016, as a result of strong cost rationalisation efforts both in terms of cash loans and bank-guaranteed credit.

Net financial position and financial debt

In EUR million	31.12.2016	31.12.2015 Restated	Change
Cash and cash equivalents	27.8	31.3	(3.5)
Current payables	(49.0)	(35.3)	(13.7)
Non-current payables	(5.0)	(5.9)	0.9
Net financial position	(26.2)	(10.0)	(16.3)

The change compared to the previous year reflects the increased financial needs of the subsidiaries (particularly the UK subsidiary, for the reasons described above) and the conclusion of the litigation with ILVA S.p.A.

Cash and cash equivalents consist of the item "Cash on hand and at banks" for EUR 19.4 million and "Bonds and certificates" for EUR 8.4 million.

Shareholders' equity

In EUR million	31.12.2016	31.12.2015 Restated
Share capital	15.6	15.6
Other reserves	5.3	0.4
Net profit (loss) for the period	6.0	(0.5)
Minority interests	0.0	0.0
Total shareholders' equity	26.9	15.5

GROUP ECONOMIC AND FINANCIAL RESULTS AT 31 DECEMBER 2016

In EUR '000	31.12.2016	31.12.2015 Restated	Change	% change
Revenue from sales*	732,992	1,053,897	(320,905)	(30.4%)
Raw material costs	(649,796)	(986,687)	336,891	(34.1%)
First margin	83,196	67,210	15,986	23.8%
Direct costs	(23,291)	(22,706)	(585)	2.6%
Indirect costs**	(28,236)	(22,939)	(5,297)	23.1%
Retail business UK	(2,944)	0	(2,944)	ns
EBITDA	28,725	21,565	7,160	33.2%
Depreciation	(3,909)	(3,619)	(290)	8.0%
Provisions and write-downs	(7,324)	(2,147)	(5,177)	241.1%
EBIT	17,492	15,799	1,693	10.7%
Extraordinary expenses	(4,325)	(209)	(4,116)	ns
Financial operations	(7,588)	(10,488)	2,900	(27.7%)
Profit before tax	5,579	5,102	477	9.3%
Taxation	(5,393)	(5,083)	(310)	6.1%
Net profit (loss)	186	19	167	ns

* The sales revenue figure at 31 December 2016 does not include the EUR 7.9 million fee rebate allocated to reduce direct costs.

** Indirect costs do not include costs relating to factoring commissions, charges on sureties and bank charges totalling EUR 3.8 million reclassified to financial management.

Group sales revenue in 2016 amounted to approximately EUR 733 million, a decrease of around 30% compared to the previous year. The fall in sales is in line with the Group's strategy, begun in 2014, 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. Gross profit increased by 24%, totalling EUR 83 million.

Direct costs increased slightly compared with the previous year (approximately +3%) despite the increase in customers in the household sector thanks to cost optimisation efforts. There was also an increase in indirect costs of approximately 23% connected to the strengthening of the organisational structure.

Overall EBITDA was affected by the costs associated with the launch of activities to sell electricity and gas to end customers in the UK market; it nevertheless increased considerably (+33%) compared to 2015. Net of these costs, EBITDA improved by 46% compared to the previous year.

Extraordinary charges relate, in the amount of approximately EUR 2.4 million, to equity securities in the portfolio whose value has been reduced to zero and, in the amount of EUR 1.9 million, to the write-down of the equity investment in the associated company Converge S.r.l for adjustment to the equity value.

Net income from financial operations went from EUR -10.5 million in 2015 to EUR -7.6 million in 2016, as a result of strong cost rationalisation efforts both in terms of cash loans and bank-guaranteed credit.

Net financial position and financial debt

<u>In EUR million</u>	31.12.2016	31.12.2015 Restated	Change
Cash and cash equivalents	29.2	33.3	(4.1)
Current payables	(52.2)	(37.4)	(14.7)
Non-current payables	(22.3)	(26.2)	3.9
Net financial position	(45.3)	(30.4)	(14.9)

On 31 December 2016, the net financial position was negative in the amount of EUR 45.3 million with an increase in gross debt mainly as a result of the investments made for the start-up Green Network Energy and the conclusion of the litigation with ILVA Spa.

Shareholders' equity

<u>In EUR million</u>	31.12.2016	31.12.2015
Share capital	15.6	15.6
Other reserves	(0.4)	(6.0)
Net profit (loss) for the period	0.1	0.3
Minority interests	0.2	0.0
Total shareholders' equity	15.6	10.0

TRANSACTIONS WITH HOLDING COMPANIES, SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

For information on transactions with holding companies, subsidiaries and associated companies, please refer to the section on other information in the notes to the individual and consolidated financial statements, to which this Report refers.

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 development cost was capitalised during the year under review.

Treasury shares

There are no treasury shares in the portfolio.

Information on personnel

At 31 December 2016, the Group had 200 staff members, compared to 162 in the previous year.

Information on the environment

As regards the protection of the environment, Group operations are performed in compliance with the regulations in force in the energy sector and it is believed that no liability will arise in this respect and no environmental damage will be caused.

Security policy document

The security policy document, pursuant to art. 6 of Italian Presidential Decree 318/99, 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 consolidating company adopted, in previous years, an appropriate organisational, management and control model (the "Organisational Model") which incorporates therein:

- ◆ the "Code of Ethics", understood as the autonomously-adopted instrument applicable 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 consolidating 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.

RISK FACTORS PURSUANT TO ART. 2428 OF THE ITALIAN CIVIL CODE

For information on risk factors, please refer to the relevant section of the explanatory notes to this annual financial report.

SIGNIFICANT EVENTS AFTER THE CLOSING OF THE FINANCIAL REPORT AND BUSINESS OUTLOOK

The company continues to pursue its strategy to grow sales of electricity and gas in the micro-business and residential segments in order to improve the profitability of its customer portfolio, supporting commercial development activities through cross-selling with leading operators and online channels, increasing advertising investment and gradually reducing the agency channel.

A partnership agreement was signed with Conad following which, from the end of January 2017, Conad customers who are holders of the 'Carta Insieme' loyalty card have access to an agreement for the supply of lighting and gas by Green Network Energy under special conditions, available at all Conad points of sale nationally.

Efforts are also continuing to increase the offering both in terms of the online channel and the "Similar Protection" segment in anticipation of the upcoming elimination of the Higher Protection service, which will substantially expand the open market. A new advertising campaign was launched, with a strong online presence and new testimonials.

From January, the UK subsidiary Green Network Energy began activities to sell energy and gas to the UK retail market, with approximately 30,000 points being served as at the end of March 2017.

In renewables, in January the GSE approved the granting of incentives to the company Green Hydro 1, while activities to launch the ATA Energia plant continued according to plan.

The financial year under review closed with net profit of EUR 6,041,025 which shall be allocated as follows:

- ◆ EUR 302,051 to the legal reserve;
- ◆ EUR 5,738,974 to the extraordinary reserve.

Rome, 10 April 2017

Chairman of the Board of Directors

Piero Saulli

II - FINANCIAL STATEMENTS OF GREEN NETWORK S.P.A.

FINANCIAL STATEMENTS

Income Statement and statement of comprehensive income

	NOTES	31.12.2016	31.12.2015 Restated
Revenues			
Revenues from sales and services	1	705,811,594	1,043,997,349
Other revenue and income	2	8,492,365	2,236,719
Total revenues		714,303,959	1,046,234,068
Costs			
Electricity and gas purchase	3	628,417,251	989,608,961
Costs for services and materials	4	42,509,860	32,036,808
Payroll and related costs	5	12,827,077	9,301,364
Amortisation/depreciation and impairment	6	9,256,756	2,783,289
Provisions		0	1,430,000
Other operating costs	7	1,952,107	2,107,836
Total costs		694,963,051	1,037,268,258
EBIT		19,340,908	8,965,810
Financial income (expense) from financial instruments measured at fair value	8	(2,370,238)	(229,032)
Net profit (loss) from the sale of current and non-current operating assets	9	(116,956)	0
Financial income	10	3,140,611	3,385,390
Financial expense	11	(4,921,393)	(7,546,850)
Share of income/(expense) deriving from equity investments valued using the equity method	12	(1,839,372)	37,801
Pre-tax profit (loss)		13,233,560	4,613,119
Taxation	13	(7,192,535)	(5,073,866)
Net profit (loss) for the year		6,041,025	(460,747)
Other components of comprehensive income			
Items that should not be reclassified to Profit (Loss) for the period			
Revaluations of property, plant and machinery and intangible fixed assets		0	0
Actuarial gains (losses) from defined benefit plans	5	(74,328)	167,994
Items that will or could then be reclassified to Profit (Loss) for the period			
Profit (losses) from redetermination of the value of financial assets available for sale	8	(53,434)	(1,447,715)
Fair value changes in cash flow hedges	1 - 3	689,460	(10,241,180)
Income taxes relating to OCI		(181,541)	3,723,555
Comprehensive profit/loss for the year		6,421,182	(8,258,093)

Statement of financial position

	NOTES	31.12.2016	31.12.2015 Restated
Non-current assets			
Intangible fixed assets	14	697,042	740,568
Property, plant and machinery	15	3,529,557	1,642,344
Equity investments	16	17,364,773	19,859,157
Non-current assets held for sale	17	312,888	0
Receivables due from parent companies, subsidiaries, associates and joint ventures	18	27,575,776	19,001,659
Deferred tax assets	19	5,717,690	4,993,274
Tax credits	20	5,050,138	5,150,751
Financial assets held to maturity	21	0	9,817,457
Other non-current assets	22	617,881	1,170,610
Total		60,865,745	62,375,820
Current assets			
Inventories	23	321,617	0
Trade-related receivables	24	201,739,422	207,242,614
Receivables from parent companies, subsidiaries, associates and joint ventures	25	20,882,109	11,260,979
Loans to banks and other financial institutions	26	1,723,563	2,714,641
Tax credits	27	8,842,734	8,121,285
Derivatives	28	8,582,781	618,426
Financial assets available for sale	29	8,274,800	1,792,984
Other current assets	30	10,754,252	16,618,731
Cash and cash equivalents	31	17,816,008	21,810,034
Total		278,937,286	270,179,694
Total assets		339,803,031	332,555,514
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	32	15,636,000	15,636,000
Other reserves	32	5,307,065	366,083
Net profit (loss) for the year	32	6,041,025	(460,745)
Total shareholders' equity		26,984,090	15,541,338
Non-current liabilities			
Long-term loans	33	4,977,343	5,874,531
Employee severance indemnity and other employee benefits	34	1,514,811	1,186,108
Payables to parent companies, subsidiaries, associates and joint ventures		0	0
Provisions for risks and charges	35	4,016,256	4,074,056
Tax liabilities	36	1,800,199	2,732,523
Other non-current liabilities	37	5,981,856	596,368
Total		18,290,465	14,463,586
Current liabilities			
Short-term loans	38	49,037,171	35,348,339
Trade-related payables	39	201,082,154	219,249,122
Payables to parent companies, subsidiaries, associates and joint ventures	40	22,671,612	28,270,512
Tax payables	41	10,985,240	11,559,176
Derivatives	42	6,246,780	5,626,619
Other current liabilities	43	4,505,519	2,496,822
Total		294,528,476	302,550,590
Total shareholders' equity and liabilities		339,803,031	332,555,514

Statement of changes in shareholders' equity

	Share Capital	Legal reserve	Extraordinary reserve	Equity method valuation reserve	Indivisible profits and reserves	FTA reserve	Reserve for valuation of derivatives and contracts	Rounding reserve	Capital contributions	Retained earnings (accumulated losses)	AFS reserve	Actuarial gain reserve	Net profit (loss) for the year	Total
1 January 2015	15,636,000	955,050	2,278,872	4,700,575	(16,548)	16,387,195	(11,518,620)	0	13,394	0	327,257	0	(1,961,245)	26,801,930
Profit (loss) for the year	0	0	0	0	0	0	0	0	0	0	0	0	(460,744)	(460,744)
Other components of comprehensive income	0	0	0	0	0	0	(6,931,231)	0	0	0	(979,817)	113,699	0	(7,797,349)
Total components of comprehensive income	0	0	0	0	0	0	(6,931,231)	0	0	0	(979,817)	113,699	(460,744)	(8,258,093)
Dividends approved	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Purchase of treasury shares, net of quota transferred	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total transactions with shareholders, recognised directly in Equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other changes	0	106,000	399,278	1,597,021	(21,763,857)	0	16,101,920	(1)	0	0	(1,122,412)	(281,693)	1,961,245	(3,002,498)
Balance at 31 December 2015 restated	15,636,000	1,061,050	2,678,150	6,297,596	(21,780,405)	16,387,195	(2,347,931)	(1)	13,394	0	(1,774,972)	(167,994)	(460,744)	15,541,338
1 January 2016 restated	15,636,000	1,061,050	2,678,150	6,297,596	(21,780,405)	16,387,195	(2,347,931)	(1)	13,394	0	(1,774,972)	(167,994)	(460,744)	15,541,338
Profit (loss) for the year	0	0	0	0	0	0	0	0	0	0	0	0	6,041,025	6,041,025
Other components of comprehensive income	0	0	0	0	0	0	466,627	0	0	0	(36,164)	(50,305)	0	380,157
Total components of comprehensive income	0	0	0	0	0	0	466,627	0	0	0	(36,164)	(50,305)	6,041,025	6,421,182
Dividends approved	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Purchase of treasury shares, net of quota transferred	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total transactions with shareholders, recognised directly in Equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other changes	0	66,986	1,272,734	0	(1,800,464)	0	3,189,190	5	0	0	1,856,396	(24,023)	460,745	5,021,570
Balance at 31 December 2016	15,636,000	1,128,036	3,950,884	6,297,596	(23,580,869)	16,387,195	1,307,886	4	13,394	0	45,260	(242,322)	6,041,026	26,984,090

It should be noted that the values for financial year 2015 have been restated to take account of the new management policy and in order to represent derivative financial instruments in the financial statements.

Cash flow statement

	Notes	31.12.2016	31.12.2015 Restated
Profit (loss) for the year		6,041,027	(460,745)
CASH FLOW STATEMENT OF OPERATING ACTIVITIES (A)			
Taxes for the year	13	7,192,535	5,073,866
Interest expense/(interest income)	10 -11	1,785,883	4,177,027
Income from equity investments in other companies		0	0
Adjustments for non-monetary elements with a contra-entry in net working capital			
<i>Allocations to provisions</i>	5 -6	<i>7,500,720</i>	<i>3,986,220</i>
<i>Depreciation/amortisation of fixed assets</i>	6	<i>766,220</i>	<i>636,672</i>
<i>Write-downs due to impairment</i>	6	<i>1,490,536</i>	<i>0</i>
<i>Other adjustments for non-monetary elements</i>	8; 12	<i>4,305,219</i>	<i>229,032</i>
Cash flows from change in working capital			
- <i>change in inventories</i>	23	(321,617)	1,630,864
- <i>change in trade and intercompany receivables</i>	18, 24, 25	(11,117,938)	78,392,934
- <i>change in trade and intercompany payables</i>	39 - 40	(23,765,867)	(100,792,735)
- <i>other changes in net working capital</i>		4,758,422	(5,131,679)
Cash flows from other adjustments:			
<i>Interest income and other financial income received</i>	10	<i>3,135,510</i>	<i>3,369,823</i>
<i>Interest expense and other financial expenses</i>	11	<i>(4,921,393)</i>	<i>(7,546,850)</i>
<i>(Income taxes paid)</i>		<i>(5,073,866)</i>	<i>(3,165,768)</i>
<i>(Use of provisions)</i>		<i>(229,817)</i>	<i>(264,278)</i>
Cash flow generated (absorbed) by operations		(14,495,452)	(19,404,872)
CASH FLOW STATEMENT OF INVESTMENT ACTIVITIES (B)			
Cash flows from changes in property, plant and machinery	15	(2,338,115)	(603,398)
Cash flows from changes in intangible fixed assets	14	(271,791)	(253,250)
Cash flows from changes in equity investments	16	(1,244,021)	1,834,792
Cash flows from changes in receivables for loans	18	(8,574,117)	14,749,539
Cash flows from changes in financial instruments	8, 29	965,403	(1,026,195)
Cash flow generated (absorbed) by investments		(11,462,641)	14,701,488
CASH FLOW STATEMENT OF FINANCING ACTIVITIES (C)			
Cash flows from third party financing:			
Increase (decrease) in short-term payables	38	13,688,833	(13,950,920)
Increase (decrease) in long-term payables	33	(897,189)	1,070,531
Dividends paid		0	0
Other changes in shareholders' equity items	32	3,131,396	5,189,752
Cash flow generated (absorbed) by financing activities		15,923,040	(7,690,636)
Increase (decrease) in cash and cash equivalents		(3,994,026)	(12,854,766)
Opening cash and cash equivalents		21,810,034	34,664,798
Closing cash and cash equivalents		17,816,008	21,810,034

EXPLANATORY NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Introduction

Green Network S.p.A. (hereinafter also "the company") operates in the energy sector and corporate activities are focused, in particular, on the trading of electricity and gas. The company also generates electricity from renewable sources through its subsidiaries.

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 Viale della Civiltà Romana no. 7, Rome, Tax Code 08420631007, for which the key data for the last set of approved financial statements are provided below. For a full and comprehensive analysis of the economic and financial position of SC Holding S.r.l. at 31 December 2015, as well as of the economic results achieved by the company in the financial year ending on that date, reference is made to the financial statements available in the forms and in the manner prescribed by law.

BALANCE SHEET	31.12.2015	INCOME STATEMENT	31.12.2015
Non-current assets	18,418,014	Revenues	363,038
Current assets	7,192,208	Costs	(379,091)
TOTAL ASSETS	25,610,222	Financial income (expense) from derivative contracts	0
Shareholders' equity	9,865,959	EBIT	(16,053)
Non-current liabilities	4,414,182	Financial income (expense) from financial instruments measured at FV	0
Current liabilities	11,330,081	Financial income (expense)	(35,297)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	25,610,222	Share of income/(expense) deriving from equity investments valued using the equity method	0
		Pre-tax profit (loss)	(51,350)
		Taxation	(7,942)
		Net profit (loss) for the period (group and minority interests)	(59,292)

It should be noted that SC Holding also drew up the consolidated financial statements for 2015.

In the presence of significant controlling interests and in compliance with IFRS 10, the company Green Network S.p.A. Voluntarily drafts the consolidated financial statements, which are an integral part of this document.

Basis of presentation of financial statements

The annual 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, with 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".

The financial statement layouts used are the same as those used to prepare the financial statements at 31.12.2015.

These 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.

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

Restatement of the comparative values

The comparative values relating to the financial year ended 31.12.2015 have been restated with reference to the accounting representation of derivative financial instruments.

Specifically, the company has revised its procedures concerning the acquisition of and transactions in derivative financial instruments, defining a new hedge accounting policy. This new policy, discussed in detail in the section on risk management, has a significant impact on the representation of derivative financial instruments in the financial statements, including those as at 31.12.2015. More precisely, with respect to the approach adopted in previous years, the company, with reference to the supply of electricity and gas required to ensure supplies to their end customers, makes a distinction between hedging derivatives, whose change in fair value is allocated to an equity reserve, and trading/"non-hedging" derivatives (which do not comply with the conditions to be valued as hedging derivatives) whose changes in fair value are recognised directly in profit or loss.

In order to provide the reader of the financial statements with a clear and coherent picture of the company's financial situation and economic result in 2016 with respect to financial year 2015, Green Network S.p.A. considered it appropriate to restate the 2015 accounting values. Shown below are the effects on equity at 31.12.2015.

	31.12.2015 Restated	31.12.2015	Change
Share capital	15,636,000	15,636,000	0
Legal reserve	1,061,050	1,061,050	0
Extraordinary reserve	2,678,150	2,678,150	0
Equity method valuation reserve	6,297,596	6,297,596	0
Shareholder contributions	13,394	13,394	0
Indivisible profits and reserves	(21,780,405)	(2,446,144)	(19,334,261)
Derivative valuation reserve	(2,347,931)	1,816,504	(4,164,435)
AFS reserve	(1,774,972)	(1,774,972)	0
Rounding reserve	0	0	0

	31.12.2015 Restated	31.12.2015	Change
Actuarial gain reserve	(167,994)	(167,994)	0
FTA reserve	16,387,195	16,387,195	0
Profit (loss) for the year	(460,745)	1,339,720	(1,800,465)
Shareholders' equity	15,541,338	40,840,499	(25,299,161)

As can be seen from the table, the material impact on equity relates to the "Derivatives valuation reserve" and to "Indivisible profits and reserves".

The following table provides a clearer and more comprehensive picture of the changes in these reserves.

	Amounts
Positive fair value derivatives before restatement	26,905,727
Positive fair value derivatives after restatement	618,426
Difference	26,287,301
Negative fair value derivatives before restatement	5,754,963
Negative fair value derivatives after restatement	2,966,357
Difference	(2,788,607)
FTA reversal to Indivisible profits and reserves	(19,334,261)
Total change to derivatives valuation reserve	(4,164,435)
P&L impact of "restated" derivatives	(2,660,262)
Tax effect	859,797
Total "restated" P&L impact	(1,800,465)
Total restated values	(25,299,161)

The negative balance of EUR 19,334,261 is made up as follows:

- ◆ in the amount of EUR 16,673,999, a value reclassification for the purposes of greater clarity in the reporting of the figure related to the derivatives valuation reserve and FTA reserve;
- ◆ in the amount of EUR 2,660,262, the negative impact on the income statement of the financial statements restated at 31.12.2015 as a result of the different accounting representation methods for derivative financial instruments used by the company. As a result of the relative tax impact of EUR 859,797, the profit (loss) for the period at 31.12.2015 was reduced by EUR 1,800,465.

Finally, it should be noted that in order to make the values for the financial year under review comparable with those of the previous year, reclassifications were made, where appropriate, in specific item details in the tables in the explanatory notes.

Measurement Criteria

Intangible fixed assets

Intangible fixed assets are the identifiable assets controlled by the entity that are able to produce future economic benefits.

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.

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

The presumed realisable value which is expected to be recovered at the end of the useful life is not amortised.

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 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 losses

At each financial statements reporting date, intangible assets, property, plant and equipment and equity investments 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.

Non-current assets (or disposal groups) classified as held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount will be recovered through a sale transaction rather than through their on-going use. Application of this criterion requires that the non-current assets (or disposal groups) are available for immediate sale in their current conditions and that the sale be highly probable.

When the Group is involved in a sale transaction that involves the loss of control in an investee and the requirements of IFRS 5 are met, all assets and liabilities of the subsidiary are classified as held for sale regardless of whether the Group will continue to hold a non-controlling interest in the company after the sale.

In accordance with IFRS 5, non-current assets (or disposal groups) and liabilities included in disposal groups classified as held for sale are recognised separately from other assets and liabilities in the balance sheet, without offsetting or restating and re-posting the accounting values of comparative periods.

Immediately before the initial classification of non-current assets (or disposal groups) as held for sale, the carrying amounts of the asset (or group) are valued in accordance with the specific reference IAS/IFRS applicable to specific assets or liabilities. Non-current assets (or disposal groups) classified as held for sale are valued at the lower of the carrying amount and the relative fair value, less selling costs. The economic components of an initial or subsequent impairment of the asset (or disposal group) as a result of the valuation at fair value less selling costs and those relating to the reversals of impairment losses are recognised in the income statement under the continuing operations result. Non-current assets are not depreciated until they are classified as held for sale or for as long as they are included in a disposal group classified as held for sale. If the classification criteria are no longer met, the Group does not classify the asset (or disposal group) as held for sale and, in this case, these activities are valued at the lower of:

- ◆ the carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation or reversals that would have been recognised had the asset (or disposal group) not been classified as held for sale, and
- ◆ its recoverable value calculated at the date of the subsequent decision not to sell, which is equal to the greater of its fair value less disposal costs and its value in use.

Any adjustment to the carrying value of the non-current asset that ceases to be classified as held for sale is recorded in the continuing operations result.

A discontinued operation is a component of a Group that has been divested, or classified as held for sale, and

- ◆ represents a separate major line of business or geographical business area,
- ◆ is part of a single coordinated programme to dispose of a separate major line of business or geographical business area, or
- ◆ is a subsidiary acquired exclusively with a view to sale.

The Group sets out in a separate item in the income statement a single amount represented by the total of:

- ◆ profits or losses of discontinued operations net of tax effects, and
- ◆ profit or loss, net of tax effects, recognised as a result of the valuation at fair value less selling costs or the disposal of the asset (or disposal group) constituting the discontinued operation.

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, that 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.

Available-for-sale assets (AFS)

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.

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 value 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 company 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.

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.

Taxation

Current taxes are based on the taxable result for the financial year. This differs from the result reported in the income statement as a result of the exclusion or inclusion of positive and negative components that will be taxable or deductible in other financial years and also excludes items that will never be taxable or deductible.

Current tax payables are calculated using the rates in force or existing at the date of this Report and the taxation instruments allowed by tax legislation.

Deferred tax liabilities/assets are taxes that are expected to be paid or recovered on the temporary differences between the carrying value of assets and liabilities in the balance sheet and the corresponding fiscal value used in the calculation of the tax base, accounted for according to the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, while deferred tax assets are recognised to the extent that it is considered likely that there will be fiscal results that are taxable in the future that will enable the use of the deductible temporary differences.

The value of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that, on the basis of specific plans adopted by the company, it is no longer considered probable that sufficient taxable income will be available such as to allow all or part of such assets to be recovered.

Deferred tax liabilities/assets are calculated on the basis of the tax rate that is expected to be in force

at the time of the realisation of the asset or the settlement of the liability. Deferred tax liabilities/assets are recognised directly in profit or loss, except for those relating to items that are recognised directly in equity, in which case the related taxes are also charged to equity.

Recently issued accounting principles - new accounting principles

Listed below are the changes to existing international accounting standards relevant to the Group, first adopted from 1 January 2016:

- ◆ Amendments to “IAS 1: Disclosure Initiative”, issued in December 2014, that concern the following aspects:
 - materiality: it has been clarified that the concept of materiality applies to the financial statements as a whole and that the inclusion of intangible information could undermine the usefulness of the financial reporting;
 - disaggregation and subtotals: the specific items of the income statement, the statement of comprehensive income and the balance sheet may be the subject to further disaggregation and new requirements were introduced for the use of subtotals;
 - structure of the explanatory notes: IAS-adopter companies have a certain degree of flexibility regarding the order in which the footnotes to the balance sheet are presented and, in establishing said order, must take account of the requirements of understandability and comparability of the financial statements;
 - investments accounted for using the equity method: the share that is reported in the statement of comprehensive income relating to investments in associates and joint ventures accounted for using the equity method should be apportioned between the classifiable part and the non-classifiable part in the income statement.

The application of these amendments had no impact on the preparation of this Report.

- ◆ Amendments to “IAS 19 - Defined benefit plans: employee contributions”, issued in November 2013. The amendments are aimed at clarifying the recognition criteria of contributions paid by employees in the context of defined benefit plans. In particular, the contributions related to services rendered must be recognised through the reduction of the service cost:
 - over the period in which the employees render their services, if the amount of the contributions due varies by reason of the number of years of service;
 - in the period in which the related service is rendered, if the amount of the contributions due does not vary by reason of the number of years of service.

The application of these amendments had no impact on the preparation of this Report.

- ◆ Amendments to “IAS 27 - Equity method in separate financial statements”, issued in August 2014, that allow the use of the equity method in separate financial statements for accounting for investments in subsidiaries, associates and joint ventures. The amendments clarify certain aspects relating to so-called “investment entities” specifying that when a company ceases to be an investment entity it must record equity investments in subsidiaries in accordance with IAS 27.

The application of these amendments had no impact on the preparation of this Report.

- ◆ Amendments to "IFRS 11 - Accounting for acquisitions of interests in joint operations", issued in May 2014, which clarifies the accounting treatment for the acquisitions of interests in a joint operation which constitutes a business, pursuant to IFRS 3, requiring the application of all the rules of accounting for business combinations provided for by IFRS 3 and in other IFRSs except those principles which are in conflict with the guidance in IFRS 11. On the basis of these amendments, a joint operator in the guise of a purchaser of these interests must measure identifiable assets and liabilities at fair value, record the related acquisition costs in profit or loss (with the exception of the costs of issuing debt or equity), record deferred taxes, record any goodwill or profit arising from a purchase at favourable prices, perform impairment testing for the cash-generating unit to which goodwill has been allocated, and provide for the disclosure of the relevant business combination.

The application of these amendments had no impact on the preparation of this Report.

- ◆ Amendments to "IAS 16 and IAS 38 - Clarification of acceptable methods of depreciation and amortisation", issued in May 2014. This is a supplementary guide provided by the IASB on the methods of calculating depreciation relating to property, plant and equipment and intangible assets. The requirements of IAS 16 have been modified to not allow, explicitly, a method of depreciation based on revenues generated. The requirements of IAS 38 were amended to introduce the assumption that depreciation calculated according to the method based on revenues is not deemed appropriate. However, that assumption can be rebutted if:
 - the intangible asset is expressed as a measure of revenues;
 - it can be shown that the revenues and the consumption of the economic benefits generated by an intangible asset are highly correlated.

The application of these amendments had no impact on the preparation of this Report.

- ◆ IFRS 9 "Financial Instruments" - this standard is the first part of a process in phases aimed at entirely replacing IAS 39 "Financial Instruments: Recognition and Measurement" and introduces new criteria for the classification and valuation of financial assets and financial liabilities. The main changes introduced by IFRS 9 are summarised as follows: financial assets can be classified in two categories - "fair value" or "amortised cost". The categories of 'loans and receivables', 'available-for-sale financial assets' and 'financial assets held to maturity' are thus eliminated. Classification within the two categories takes place on the basis of the business model of the entity and in relation to the characteristics of the cash flows generated by the asset. A financial asset is measured at amortised cost if both of the following requirements are met: the business model of the entity provides that the financial asset is held in order to receive the related cash flows (therefore, in substance, not to make trading profits) and the characteristics of the cash flows of the asset correspond only to the payment of capital and interest. Otherwise the financial asset shall be measured at fair value. The accounting rules for embedded derivatives have been simplified: separate accounting of the embedded derivative and the financial asset that "houses" is no longer required.

All equity instruments - both listed and unlisted - are to be valued at fair value (IAS 39 stipulated

instead that where the fair value could not be reliably determined, unlisted equity instruments were valued at cost).

The entity has the option of presenting in shareholders' equity any changes in the fair value of equity instruments that are not held for trading, for which this option is prohibited. This designation is allowed at the time of initial recognition, can be adopted for individual shares and is irrevocable. Wherever this option is used, changes in the fair value of those instruments can never be reclassified from equity to the profit and loss account. Dividends instead continue to be recognised in the income statement.

IFRS 9 does not allow reclassifications between the two categories of financial assets, except in rare cases where there is a change in the business model of the entity. In this case, the effects of the reclassification shall apply prospectively. Finally, the disclosures required in the notes were adjusted to the classification and the valuation rules introduced by IFRS 9.

The amendments will apply as from 1 January 2018 but earlier application is permitted.

- ◆ IFRS 15 “Revenues from contracts with customers” - this standard, issued by the IASB on 28 May 2014, will be applicable to all contracts with customers, including contract work in progress, and will therefore replace the current IAS 18 Revenue and IAS 11 - Long-term contracts and all the related interpretations. IFRS 15 also includes disclosure requirements that have been significantly extended with respect to the existing standard regarding the nature, the amounts, the timing and the uncertainty of income and cash flows arising from contracts with customers. In April 2016 the IASB issued Amendments to IFRS 15 - Revenue from contracts with customers, which without changing the substance, clarified certain aspects of application. The amendments to the standard should be applied for annual periods that will commence on or after 1 January 2018, in line with the application of the standard itself.

It should be noted that the changes to the international accounting standards applicable in the period in question have not resulted in changes to the accounting policies used by the company.

Use of estimates and subjective evaluations

The drafting of these 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

In the presence of formal agreements with counterparties, 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.

Sector-based information

The operational areas identified by the management in line with the management and control model used are the following: Power and Gas. Segmentation by geographical area is not considered to be relevant since the business is mainly concentrated in Italy.

Below are the results by business line, compared with those of the corresponding period of the previous year:

Sector-based information by business sector

31 December 2016	Power	Gas	Total
Revenues	639,855,483	65,956,111	705,811,594
Investments	3,874,399	399,372	4,273,771
31 December 2015	Power	Gas	Total
Revenues	959,120,357	84,876,992	1,043,997,349
Investments	3,874,399	190,192	4,064,591

Relevant customers in accordance with IFRS 8

No specific concentrations of sales by the company or relevant customers pursuant to IFRS 8 were noted.

Explanatory notes to income statement items

1. Revenues from sales and services - EUR 705,811,594

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

	31.12.2016	31.12.2015	Change	% change
Sale of energy	318,185,356	510,922,382	(192,737,026)	(37.7%)
Interconnector energy revenues	27,288,763	110,855,413	(83,566,650)	(75.4%)
Recovery of dispatch charges	46,318,898	44,225,159	2,093,739	4.7%
Recovery of transport charges	210,856,044	266,102,672	(55,246,628)	(20.8%)
Imbalance and CNA revenues	21,807,374	13,923,616	7,883,758	56.6%
Imbalance CNA and CCC revenues	2,461,727	949,883	1,511,844	159.2%
Commercial costs and other EE charges	11,859,848	9,821,657	2,038,191	20.8%
Recovery of CMOR charges	1,015,650	691,535	324,115	46.9%
Import capacity	0	1,405,104	(1,405,104)	ns
Intercompany energy revenues	61,823	222,937	(161,114)	(72.3%)
Revenues from electricity sales and services	639,855,483	959,120,357	(319,264,874)	(33.3%)
Gas sales	51,787,153	71,822,241	(20,035,088)	(27.9%)
Recovery of gas transportation charges	1,533,205	2,001,139	(467,934)	(23.4%)
Recovery of gas carrier charges	8,781,630	8,616,048	165,582	1.9%
Gas imbalance revenues	385,112	0	385,112	ns
Other gas proceeds	5,811	27,986	(22,175)	(79.2%)
Commercial costs and other GAS charges	3,460,231	2,407,196	1,053,035	43.7%
Intercompany gas revenues	2,969	2,382	587	24.6%
Revenues from sale of gas	65,956,111	84,876,992	(18,920,881)	(22.3%)
Total	705,811,594	1,043,997,349	(338,185,755)	(32.4%)

On the whole, compared to the previous year, revenues from the sale of both energy and gas recorded a decrease as a result of the effect of lower quantities sold. The reduction in the quantity sold is attributable mainly to the decrease in the number of end customers, partly as a result of the customer portfolio optimisation policy embarked upon by the company in the previous year.

It should be noted that the item "Energy sales" includes the proceeds arising from the regularisation of derivative contracts on commodities signed by the company for the purposes of trading or hedging and settled during the year, as well as the M2M trading derivatives contracts existing at 31 December 2016. These are derivative contracts entered into with third parties having as their object the purchase and sale of electricity and, to a lesser extent, gas, with monthly adjustment of the fair value differential of the contract with respect to a defined value (e.g. NSP, TTF). More specifically, this income can be represented as follows:

	Derivative contracts on commodities settled during the financial year	Change in FV of derivative contracts on commodities	Total
Income	5,806,084	7,274,895	13,080,978

In order to determine said fair value, the company used Level 2, as referred to in IFRS 13.

During the financial year under review, the relative fair value of financial derivatives held for hedging purposes changed in comparison with last year's EUR 689,460, as booked to the OCI statement.

2. Other revenue and income - EUR 8,492,365

Other revenue and income was composed as follows as at 31 December 2016:

	31.12.2016	31.12.2015	Change	% change
Compensation from suppliers	205,480	855,496	(650,016)	(76.0%)
Recovery of costs and charges	80,378	148,993	(68,615)	(46.1%)
Revenues from contractual penalties	7,901,070	0	7,901,070	ns
Provision of services	46,915	53,950	(7,035)	(13.0%)
Other intercompany revenues	174,200	459,013	(284,813)	(62.0%)
Other income	84,322	719,268	(634,946)	(88.3%)
Total	8,492,365	2,236,719	6,255,646	279.7%

The item increased overall compared to the previous year by EUR 6,255,646, mainly as a result of revenues from contractual penalties on contracts with the commercial agencies on which the company relies for the promotion and sale of electricity and gas to end customers.

3. Electricity and gas purchase - EUR 628,417,251

	31.12.2016	31.12.2015	Change	% change
Electricity purchases	233,821,189	368,105,873	(134,284,684)	(36.5%)
Intercompany electricity purchase	33,246,143	111,516,564	(78,270,421)	(70.2%)
Energy transport charges	209,873,503	263,841,201	(53,967,698)	(20.5%)
Dispatch charges	41,689,664	40,415,217	1,274,447	3.2%
Imbalance and CNA costs	2,586,648	3,150,796	(564,148)	(17.9%)
CCC charges	321,605	616,320	(294,715)	(47.8%)
GME energy costs	62,832,928	131,908,178	(69,075,250)	(52.4%)
GME service costs	153,889	242,155	(88,266)	(36.5%)
CTS considerations	1,552,707	1,274,675	278,032	21.8%
CMOR charges	1,376,969	749,477	627,492	83.7%
Electricity purchase and associated costs	587,455,245	921,820,455	(334,365,210)	(36.3%)
Gas purchases	27,922,790	51,197,429	(23,274,639)	(45.5%)
Gas transportation charges	4,192,523	5,688,611	(1,496,088)	(26.3%)
Gas carrier charges	9,058,393	8,777,272	281,121	3.2%
GME gas purchases	94,200	0	94,200	ns
Gas and electricity purchase and associated costs	41,267,906	65,663,313	(24,395,407)	(37.2%)
Sundry purchases	15,717	494,329	(478,612)	(96.8%)
Inventories	(321,617)	1,630,864	(1,952,481)	(119.7%)
Total	628,417,251	989,608,961	(361,191,710)	(36.5%)

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.

It should be noted that the item "Electricity purchases" includes the charges resulting from the regularisation of derivative contracts on commodities signed by the company for the purposes of trading or hedging and settled during the year, as well as the M2M trading derivatives contracts existing at 31 December 2016 (for further details, see note 1). More specifically, these charges can be represented as follows:

Derivative contracts on commodities settled during the financial year	Change in FV of derivative contracts on commodities	Total
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Charges	(7,312,253)	(6,246,781)	(13,559,034)
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In order to determine said fair value, the company used Level 2, as referred to in IFRS 13.

Finally, it should be noted that the charge of EUR 7,312,253 includes the positive value of EUR 2,660,262, representing the change in the fair value of derivatives on commodities recorded for financial year 2015 and settled during the financial year under review. This value was determined as a result of the new internal procedures and policies for the management and representation of derivatives contracts.

4. Costs for services and materials - EUR 42,509,860

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

	31.12.2016	31.12.2015	Change	% change
Other service costs	686,272	311,140	375,132	120.6%
Technical consulting	1,141,993	914,312	227,681	24.9%
Legal and tax consulting	2,523,776	1,794,279	729,497	40.7%
Sundry consulting	225,286	48,186	177,100	367.5%
Auditors' fees	75,000	88,366	(13,366)	(15.1%)
Financial consulting	458,424	544,215	(85,791)	(15.8%)
Advertising and promotion expenses	3,774,236	4,106,406	(332,170)	(8.1%)
Utilities	45,756	45,307	449	1.0%
Postal and telephone expenses	2,869,076	2,381,991	487,085	20.4%
Stationery and printed materials	499,256	173,939	325,317	187.0%
Hardware and software support	1,084,320	536,609	547,711	102.1%
Financial expense	821,165	946,803	(125,638)	(13.3%)
Statutory Auditors' fees	53,084	93,210	(40,126)	(43.0%)
Supervisory Body's fees	24,960	15,600	9,360	60.0%
Factoring commission	394,246	750,396	(356,150)	(47.5%)
Charges on sureties	2,498,922	2,374,227	124,695	5.3%
Commission payable	18,519,255	9,931,654	8,587,601	86.5%
Call centre service costs	2,486,874	4,004,503	(1,517,629)	(37.9%)
Entertainment expenses	378,933	427,860	(48,927)	(11.4%)
Credit insurance	652,395	777,774	(125,379)	(16.1%)
Management costs and credit recovery	1,189,530	192,624	996,906	517.5%
Maintenance and repairs	1,605	1,610	(5)	(0.3%)
Rent expenses and associated charges	960,669	826,215	134,454	16.3%
Car rental	313,175	268,571	44,604	16.6%
Equipment rental	277,570	105,569	172,001	162.9%
Maintenance and repairs of third party assets	143,042	94,265	48,777	51.7%
Software licences	411,040	281,177	129,863	46.2%
Total	42,509,860	32,036,808	10,473,052	32.7%

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

5. Payroll and related costs - EUR 12,827,077

	31.12.2016	31.12.2015	Change	% change
Salaries and wages	7,212,760	5,084,024	2,128,736	41.9%
Directors' fees	1,330,000	1,218,349	111,651	9.2%
Social security charges	1,907,517	1,486,834	420,683	28.3%
Directors' and freelancers' social security charges	42,635	57,325	(14,690)	(25.6%)
Employee severance indemnity	500,720	409,603	91,117	22.2%
Cost of temporary contracts	102,247	0	102,247	ns
Other payroll and related costs	1,731,198	1,045,229	685,969	65.6%
Total	12,827,077	9,301,364	3,525,713	37.9%

The item recorded an increase compared to the previous year, due to the rise in the number of employees. Corporate activities were carried out with the collaboration on average of 173 employees (average of 138 employees in 2015), employed under permanent employment and work training contracts, broken down as follows:

- ◆ 9 senior managers on average;
- ◆ 24 middle managers on average;
- ◆ 140 employees on average.

The employee severance indemnity of EUR 500,720 takes into account the guidelines contained in IAS 19 and, during the financial year under review, the application of the said principle with the actuarial assumptions described in the subsequent note no. 34 resulted in a change in the actuarial gains reserve of EUR (74,328) booked to the statement of comprehensive income.

Other payroll and related costs include additional expenses 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 and the management of cars granted as company benefits to personnel.

6. Amortisation/depreciation and impairment - EUR 9,256,756

	31.12.2016	31.12.2015	Change	% change
Depreciation and impairment of intangible assets	315,318	260,309	55,009	21.1%
Depreciation and impairment of property, plant and machinery	450,902	376,362	74,540	19.8%
Impairment of other assets	1,490,536	0	1,490,536	ns
Impairment of receivables	7,000,000	2,146,618	4,853,382	226.1%
Total	9,256,756	2,783,289	6,473,467	232.6%

The item increased by a total of EUR 6,473,467, mainly due to the impairment of trade receivables and other assets. With reference to receivables, the amount of EUR 7,000,000 refers to the impairment of the receivables in the portfolio performed by the company during the financial year under review and relates only to the provision made as a result of the evaluation of the receivables in the portfolio that have similar characteristics, in line with corporate policies.

The amount of EUR 1,490,536 represents the impairment of the following non-current assets:

- ◆ EUR 900,000 in relation to the equity investment in the company Sacri Real Estate S.p.A., recorded as a result of the presence of some indicators of impairment losses;

- ◆ EUR 400,000 in order to take account of impairment losses related to the subsidiary Le Fate Turchine S.r.l.;
- ◆ EUR 190,536, of which EUR 51,668 relating to the equity investment in the company Green Wind 1 S.r.l. and EUR 138,868 relating to receivables for loans and existing commercial relations with said company, recognised in order to take account of losses due to the occurrence of a condition precedent that in substance invalidates the deed of assignment of the branch of the company itself, as described in more detail in the note no. 16 below.

7. Other operating costs - EUR 1,952,107

	31.12.2016	31.12.2015	Change	% change
Taxes and duties	208,310	47,466	160,844	338.9%
Membership fees	62,002	34,703	27,299	78.7%
Losses on receivables	0	378,007	(378,007)	(100.0%)
Sanctions, fines and penalties	1,237,324	1,194,160	43,164	3.6%
Contribution Antitrust Authorities	107,282	172,011	(64,729)	(37.6%)
Sundry charges	337,189	281,489	55,700	19.8%
Total	1,952,107	2,107,836	(155,729)	(7.4%)

Other operating costs at 31 December 2016 are mainly made up of the item Sanctions, fines and penalties imposed on the company during the financial year under review.

8. Financial income (expense) from financial instruments measured at fair value - EUR (2,370,238)

The item is made up of the following amounts.

	31.12.2016	31.12.2015	Change	% change
BPM shares	0	(48,248)	48,248	(100.0%)
Banca Marche shares	71,243	(21,900)	93,143	(425.3%)
Veneto Banca shares	(2,486,579)	(22,996)	(2,463,583)	10,713.2%
Banca Etruria shares	45,848	(135,888)	181,736	(133.7%)
Imprebanca securities	(750)	0	(750)	ns
Total	(2,370,238)	(229,032)	(2,141,206)	934.9%

The amount of EUR 2,370,238 is made up of the following amounts:

- ◆ EUR 117,091 for the AFS reserve, formed in previous years, connected to the fair value of the shares in Banca Marche and Banca Etruria since the company does not consider such value to be recoverable;
- ◆ EUR (2,486,579) in relation to the write-down of the equity shares held in Veneto Banca, of which EUR (1,990,758) for the AFS reserve, formed in previous years, since the company does not consider such value to be recoverable and EUR (495,821) for the further write-down performed during the financial year under review;
- ◆ EUR (750) for the financial charge related to the sale of Imprebanca bonds, reclassified in the financial year under review to financial assets available for sale.

During the financial year under review, a reduction in fair value of EUR 53,435, attributed to the "AFS reserve" of shareholders' equity, was recorded. The change is broken down as follows.

	Fair value 2016	Fair value 2015	Change
Mutual funds	1,177,301	1,129,363	47,938
Banco BPM shares	20,555	106,363	(85,807)
Carismi securities	38,148	54,552	(16,404)
Bonds	1,109,183	1,108,344	839
Total	2,345,187	2,398,622	(53,435)

9. Net profit (loss) from the sale of current and non-current operating assets - EUR (116,956)

	31.12.2016	31.12.2015	Change	% change
Green Hydro 1 S.r.l. shareholding	(21,346)	0	(21,346)	ns
Receivables for Green Hydro 1 S.r.l. loans	(95,610)	0	(95,610)	ns
Total	(116,956)	0	(116,956)	ns

The balance is connected to the valuation, in accordance with IFRS 5, of non-current assets held by the company constituting a transaction as described in detail in note no. 17 below.

10. Financial income - EUR 3,140,611

The item may be broken down as follows.

	31.12.2016	31.12.2015	Change	% change
Income from equity investments in other companies	1,240	11,329	(10,089)	(89.1%)
Interest on loans to subsidiaries	312,133	489,297	(177,164)	(36.2%)
Interest on loans to associated companies	28,506	31,626	(3,120)	(9.9%)
Financial income from subsidiaries	502,818	0	502,818	ns
Interest on securities	118,421	75,524	42,897	56.8%
Interest on loans to other companies	15,990	39,480	(23,490)	(59.5%)
Capital gain from sale of securities	1,400	0	1,400	ns
Interest income from customers	2,146,947	2,683,602	(536,655)	(20.0%)
Current account interest income	6,723	38,380	(31,657)	(82.5%)
Other financial income	1,332	585	747	127.7%
Financial income	3,134,270	3,358,494	(224,224)	(6.7%)
Exchange gains and losses	5,101	15,567	(10,466)	(67.2%)
Total	3,140,611	3,385,390	(244,779)	(7.2%)

Financial income at 31 December 2016 showed a general reduction with respect to the balance in the previous year, as a result of lower interest income from customers.

Income from equity investments in other companies refers to the dividends collected by the company relating to certain equity securities held, financial income from subsidiaries of EUR 502,818 refers to income accruing to the company on the corporate guarantees issued in favour of the subsidiary Green Network UK Plc., while interest on loans to other companies amounting to EUR 15,990 refers to the interest income accrued, at a rate of 5%, on the interested-bearing loan granted the company Solcap S.r.l. transferred during financial year 2015.

11. Financial expense - EUR 4,921,393

Details of the breakdown of this item are reported below.

	31.12.2016	31.12.2015	Change	% change
Capital losses on sale of securities	50	13,883	(13,833)	(99.6%)
Bank interest expense	785,005	1,112,721	(327,716)	(29.5%)
Interest expense on mortgages and loans	85,445	131,908	(46,463)	(35.2%)
Interest expense on factoring	191,048	605,921	(414,873)	(68.5%)
Interest due to other lenders	2,002,387	4,205,233	(2,202,846)	(52.4%)
Interest expense and charges on leasing	23,341	0	23,341	ns
Credit Rating access fee	780,143	0	780,143	ns
Sundry interest and expense	642,804	445,017	197,787	44.4%
Interest on settlement agreements	38,258	530,004	(491,746)	(92.8%)
Interest expense on voluntary settlement	32	19,754	(19,722)	(99.8%)
Other financial expense	348,802	478,526	(129,724)	(27.1%)
TFR (employee severance indemnity) discounting	24,078	3,883	20,195	520.1%
Total	4,921,393	7,546,850	(2,625,457)	(34.8%)

The item decreased overall mainly due to lower interest due to other lenders, down by EUR 2,202,846 compared to the previous year.

During the financial year, the company also incurred costs for access to credit ratings of EUR 780,143, while interest expense and charges on leasing, equal to EUR 23,341, relate to the lease signed with the company Alba Leasing for leasehold work and improvements on the new registered office as described in note no. 15.

12. Share of income/(expense) deriving from equity investments valued using the equity method - EUR (1,839,372)

This item includes the effects of the valuation using the equity method of investments in associates.

	31.12.2016	31.12.2015	Change	% change
Solergys	(131,865)	29,801	(161,666)	(542.5%)
ATA Energia	0	8,000	(8,000)	(100.0%)
Converge	(1,664,497)	0	(1,664,497)	ns
JMS	(43,010)	0	(43,010)	ns
Total	(1,839,372)	37,801	(1,877,174)	(4,965.9%)

It should be noted that, as described in detail in the section relating to the consolidation criteria for this Report and in note no. 16 below, the valuation of the equity investment in Solergys S.p.A. took place on the basis of the draft budget at 31.12.2016 pending approval, while the valuation of equity investment in Converge S.p.A. and in the joint venture JMS S.r.l. took into consideration the last accounting statement available i.e. the financial statements as at 31.12.2015.

13. Taxation - EUR (7,192,535)

Taxation for the year presents a negative balance totalling EUR 7,192,535, made up as follows:

- ◆ EUR (5,857,520) relating to current IRES;
- ◆ EUR (1,577,469) relating to current IRAP;
- ◆ EUR (253,879) of IRES recorded in the current financial year but relating to previous years;
- ◆ EUR 724,416 of deferred tax assets;
- ◆ EUR (228,113) of deferred tax liabilities.

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 (values in thousands of EUR).

Pre-tax profit (loss) from the financial statements	13,234
Taxes relating to previous years	(255)
Theoretical tax charge (27.5%)	3,569
Timing differences taxable/deductible in subsequent years	6,558
- Default interest income for 2016 not collected	(1,481)
- Default interest expense for 2016 not paid	1,160
- Write-downs of equity investments	900
- Allocation to provision for credit risks	5,979
Reversal of the timing differences from previous years	(3,101)
- Interest receivable before 2016 collected in 2016	201
- Interest payable on arrears before 2016 paid in 2016	(2,922)
- Use of provision for risks for deductible losses on loans	(324)
- Trademarks amortisation charge not deducted	(56)
Timing differences that will not reverse in subsequent years	4,864
- Expenses relating to vehicles	250
- Non-deductible losses on loans	139
- Non-deductible out-of-period expense	603
- Non-deductible depreciation and amortisation	1
- Non-deductible board and lodging expenses	11
- Write-downs of equity investments	4,799
- Sanctions and fines	1,030
- Telephone charges	149
- Other non-deductible costs	219
- Non-deductible travel expenses and allowances	20
- Dividends from shares	(1)
- Amortisation advertising expenses	(1,981)
- Goodwill amortisation	(265)
- Deductible IRAP	(110)
Income for the year	21,300
Effective IRES tax charge (44%)	5,857

Gross value of production	40,321
Theoretical IRAP tax charge (4.82%)	1,943
Costs not relevant for the purposes of IRAP (losses on receivables, leasing interests, etc.)	2,783
Costs relevant to IRAP (depreciation, etc.)	(2,220)
Deductions for employees	(8,158)
Total	(7,595)
Value of production for the year	32,726
Effective IRAP tax charge (3.9%)	1,577

It should be pointed out that the recognition of IRAP for the year of EUR 1,577,469 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 5,857,520 entailed the registration of a payable due to SC Holding for tax consolidation.

Explanatory notes to balance sheet items

14. Intangible fixed assets - EUR 697,042

Intangible fixed assets as at 31.12.2016 presented a net book value of EUR 697,042 and are broken down as follows:

	Software licences	Total
Initial values at 31 December 2015	740,568	740,568
Changes at 31 December 2016		
- acquisitions	271,792	271,792
- disposals	0	0
- transfers	0	0
- depreciation	(315,318)	(315,318)
- write-downs	0	0
Total changes	(43,526)	(43,526)
Values at 31 December 2016	697,042	697,042
Historical cost	2,816,627	2,816,627
Accumulated depreciation at 31 December 2015	(1,804,267)	(1,804,267)
Amortisation in the period	(315,318)	(315,318)
Accumulated depreciation at 31 December 2016	(2,119,585)	(2,119,585)
Values at 31 December 2016	697,042	697,042

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 271,792 in the year under review, due to further implementations.

The decreases are as a result of the process of amortisation calculated on the basis of the useful life of the assets estimated by the company.

15. Property, plant and machinery - EUR 3,529,557

Property, plant and machinery as at 31 December 2016 presented a net book value of EUR 3,529,557 and is broken down as follows:

	Plant and machinery	Other assets	Fixed assets in progress	Total
Initial values at 31 December 2015	0	1,642,344	0	1,642,344
Changes at 31 December 2016				
- acquisitions	3,646	134,469	2,200,000	2,338,115
- disposals	0	0	0	0
- transfers	0	0	0	0
- depreciation	(273)	(450,629)	0	(450,902)
- write-downs	0	0	0	0
Total changes	3,373	(316,160)	2,200,000	1,887,213
Values at 31 December 2016	3,373	1,326,184	2,200,000	3,529,557
Historical cost	88,150	4,372,682	2,200,000	6,660,832
Accumulated depreciation at 31 December 2015	(84,504)	(2,595,869)	0	(2,680,373)

	Plant and machinery	Other assets	Fixed assets in progress	Total
Amortisation in the period	(273)	(450,629)	0	(450,902)
Accumulated depreciation at 31 December 2016	(84,777)	(3,046,498)	0	(3,131,275)
Values at 31 December 2016	3,373	1,326,184	2,200,000	3,529,557

The item increased by EUR 2,338,115, broken down as follows:

	Value as at 31.12.2015	Acquisitions	Depreciation	Reclassifications	31.12.2016
- Leasehold improvements	392,089	0	(220,119)	0	171,970
- Office furniture and furnishings	238,592	24,844	(57,030)	0	206,406
- Non-depreciated furniture and furnishings	593,599	0	0	0	593,599
- Mobile phones	10,183	4,850	(6,686)	0	8,347
- Sundry equipment	5,714	337	(1,585)	0	4,466
- Cars	52,179	0	(15,644)	0	36,535
- Machinery for energy cert.	0	3,646	(273)	0	3,373
- Electronic office machines	349,988	104,438	(149,565)	0	304,861
- Fixed assets in progress	0	2,200,000	0	0	2,200,000
Total	1,642,344	2,338,115	(450,902)	0	3,529,557

The overall increase derives mainly from the EUR 2,200,000 posted to the item "Fixed assets in progress and advances" connected to the carrying out of works and the purchase of property, plant and machinery for the company's new headquarters and office in Viale della Civiltà Romana, Rome. As at the date of this report, said item included costs relating to tangible assets that had not yet entered in use and had therefore not been depreciated. More specifically the item consists of:

- ◆ fixtures and furnishings for EUR 1,350,000;
- ◆ specific plants for EUR 370,000;
- ◆ office equipment for EUR 280,000;
- ◆ leasehold improvements for EUR 200,000.

In order to purchase said assets, excluding leasehold improvements, the company entered into a finance lease agreement with Alba Leasing S.p.A. on 29 December 2016 as a result of which the overall value of the assets in progress i.e. fixtures and furnishings, specific plants and office equipment (EUR 2,000,000) was booked to assets and the corresponding debt booked to liabilities. Below are the main features of the agreement.

Contract 01098378/001 Alba Leasing S.p.A.			
Presumed cost	2,000,000.00	Total consideration	2,050,778.45
Months	60	Rate	2.11%
Anticipated fee	700,000	Redemption	20,000.00
Periodic fee	22,894.55	Preliminary	300.00
Fee months	59	Indexing	Actual 3M Euribor
Monthly instalment	22,895	Annual instalments in advance	274,735

16. Equity investments - EUR 17,364,773

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.

	31.12.2016	31.12.2015	Change
Green Wind 1 S.r.l.	0	21,668	(21,668)
Green Hydro 1 S.r.l.	0	16,546	(16,546)
Green Hydro 2 S.r.l.	21,022	16,021	5,001
Sacri Re S.p.A.	770,000	1,670,000	(900,000)
Green Network Trading UK PLC	1,097,025	1,097,025	0
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.	254,435	184,435	70,000
Rena Energia S.r.l.	36,425	35,225	1,200
Le Fate Turchine S.r.l.	106,298	381,299	(275,001)
Le Fate Turchine 2 S.r.l.	491,150	366,150	125,000
ATA Energia Società Agricola S.r.l.	1,750,324	1,393,324	357,000
Equity investments in subsidiaries	14,903,029	15,558,043	(655,014)
Converge S.r.l.	1,916,570	3,581,066	(1,664,496)
Sòlergys S.p.A.	191,862	323,727	(131,865)
JMS S.r.l.	343,312	386,322	(43,010)
Equity investments in associated companies and joint ventures	2,451,744	4,291,114	(1,839,370)
Italpower Energia S.r.l.	10,000	10,000	0
Equity investments in other companies	10,000	10,000	0
TOTAL EQUITY INVESTMENTS	17,364,773	19,859,157	(2,494,384)

For the purposes of these financial statements, equity investments in subsidiaries are valued at cost, adjusted for any impairment losses. The balance at 31 December 2016 shows an overall decrease of EUR 655,014; this change is due to the net effect of increases of EUR 728,200, following loan waivers in respect of the subsidiaries and, to a lesser extent, to the 6% increase of the equity investment in Rena Energia S.r.l., and a negative change of EUR 1,383,214 broken down as follows:

- ◆ write-down of EUR 1,300,000 of the value of the equity investment in Sacri Real Estate S.p.A. (EUR 900,000) and in Le Fate Turchine S.r.l. (EUR 400,000), carried out to take account of the impairment indicators known at the date of this report;
- ◆ the full write-down in the amount of EUR 51,668 of the value of the equity investment in Green Wind 1 S.r.l.—increased during the financial year by EUR 30,000 as a result of the waiving of the loan to cover losses—, as a result of the occurrence of a condition precedent at 31 December 2016 that invalidates the deed of assignment of the branch of the company relating to the construction of the wind farm;
- ◆ the reclassification, as a result of the application of IFRS 5, of the value of the equity investment in Green Hydro 1 S.r.l. for an amount of EUR 31,546 (see note no. 17 below); it should be noted in this respect that during the financial year under review the value of the equity investment increased by EUR 15,000 as a result of the waiving of the loan to cover losses.

Details of the item are reported below, with 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	% equity investment	Group net equity (A)	Carrying amount (B)
Sacri Re S.p.A.	Rome	2,000,000	136,168	(604,538)	83.50%	113,700	770,000
Green Network UK PLC *	London	1,097,024	(1,823,233)	(4,441,053)	100.00%	(1,823,233)	1,097,025
Green Network Holding Rinnovabili S.r.L.	Rome	100,000	7,960,857	14,824	100.00%	7,960,857	7,700,350
Solcap Green S.r.L.	Rome	2,671,000	3,031,601	17,485	100.00%	3,031,601	2,676,000
Green Wind 1 S.r.L. **	Rome	20,000	(55,072)	(20,700)	51.00%	(28,087)	0
Green Wind 2 S.r.L.	Rome	10,000	161,460	50,330	87.34%	141,020	254,435
Green Hydro 1 S.r.L.	Rome	20,000	(68,138)	(27,857)	51.00%	(34,750)	0
Green Hydro 2 S.r.L.	Rome	20,000	(12,471)	(13,500)	51.00%	(6,360)	21,022
Rena Energia S.r.L.	Rome	20,000	(429,133)	(236,340)	57.00%	(244,606)	36,425
ATA Energia Società Agricola S.r.L.	Rome	20,000	217,194	8,881	74.00%	160,724	1,750,324
Le Fate Turchine S.r.L.	Rome	110,000	63,405	(49,180)	80.00%	50,724	106,298
Le Fate Turchine 2 S.r.L.	Rome	100,000	71,087	(22,388)	100.00%	71,087	491,150

* Green Network UK Plc owns 100% of Green Network Energy Ltd. whose equity value at 31.12.2016 as per the financial statements is EUR (2,731,843).

** The accounting values are for the financial year ended 31.12.2015.

With reference to the subsidiaries that have an equity value that is negative or less than the value of the cost of the shareholding, it should be noted that the company, except as indicated above for Sacri Re S.p.A., Le Fate Turchine S.r.L., Hydro 1 S.r.L. and Wind 1 S.r.L., has not carried out any write-down, in consideration of the fact that these losses are not considered permanent and as a result of the impairment test (IAS 36) carried out on the basis of the companies' Discounted Cash Flows (DCF) and Business Plans. More specifically, note the following:

- ◆ SaCri Real Estate S.p.A. manages the Group's investment properties and performs the operational management of the lease agreements for the building at which the Group's corporate activities were carried out in 2016. Indeed, SaCri Real Estate S.p.A. owns properties for which it collects rent and is also the tenant for the offices at 11 Corso d'Italia in Rome, which in turn are leased to Green Network S.p.A. During the year under review, Green Network S.p.A. cancelled the lease for these offices. Given the above, Green Network S.p.A. identified impairment indicators and prudently wrote-down the value of the shareholding by EUR 900,000;
- ◆ Green Network UK Plc is an electricity trader operating in European markets. During financial year 2016, 100% control of the company Green Network Energy Ltd. was acquired in order to begin activities to sell electricity and gas on the UK market with the aim of expanding the business from financial year 2017. In view of this and the analysis of the companies' business plans at the date of this Report, impairment losses for said equity investment were not required;
- ◆ Green Wind 1 S.r.L. did not obtain the issuing of the Single Authorisation from the Puglia Region required to start construction of the planned wind farm and therefore start company activities. The construction of the wind farm was part of an agreement for the purchase of the company division which required as a condition subsequent and as grounds for invalidity of said agreement the issuance, by 31 December 2016, of the Single Authorisation. Said condition not having been fulfilled, the contract is therefore to be considered void. At the date of this Report, negotiations among shareholders in relation to the future of the company are ongoing. Green

Network S.p.A. has, prudentially, fully written-down the value of the equity investment in Green Wind 1 S.r.l.;

- ◆ Green Hydro 1 S.r.l. has continued its activities to construct the hydroelectric plant in Bologna. It should be noted that during the year under review, Green Network S.p.A. identified a buyer interested in taking over all of the shares held in the company, signing a preliminary sale agreement on 23 December 2016. Said preliminary agreement stipulates as a condition for the signing of the final contract the obtaining, by 30 June 2017, of the tariff incentive mechanisms provided for by current legislation (granted by the GSE in February 2017). For this reason, IFRS 5 has been applied with subsequent reclassification of the value of the equity investment and valuation at the lower of its carrying value and its transfer value, as described in more detail in note no. 17 below;
- ◆ Green Hydro 2 S.r.l., having obtained the Single Authorisation in financial year 2014, is completing the activities to prepare for the construction of the plant, while at the same time continuing to assess the operating procedures and financial arrangements for the start up of construction. On 23 December 2016, Green Network S.p.A. stipulated a preliminary sale agreement subject to a condition precedent for a value in line with that of the equity investment;
- ◆ Rena energia S.r.l. produces electricity through a biomass plant with a nominal electrical capacity of around 1 MW. Production in the year under review totalled 7,041 MWh, down compared to 2015 due to some extraordinary maintenance. An analysis of the business plan and an assessment based on DCF methodology revealed no loss in value of the equity investment in the company;
- ◆ ATA Energia S.r.l. produces electricity through a biogas plant with a nominal electrical capacity of around 1 MW. Production for the year under review totalled 3,588 MWh, a marked improvement compared to 2015 as a result of the carrying out of planned revamping works that will allow production to get up to full speed in 2017. An analysis of the business plan and an assessment based on DCF methodology revealed no loss in value of the equity investment in 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 2016, the company continued the activities set out in the corporate purpose, extending the range of services offered on the basis of a plan for the relaunch of activities started in 2015; Green Network S.p.A., however, as a result of the analysis of the company's business plan identified indicators of impairment and partially wrote-down the value of the equity investment in the company;
- ◆ During financial year 2016, revenues for Le Fate Turchine 2 S.r.l. grew by 70% compared to the previous year, thanks to a consistent increase in the number of enrolments recorded in the second half of the year. Investments were made during the financial year under review in advertising, and purchases aimed at relaunching recreational services were carried out. This business line made a significant contribution to growing revenue volume, and also increased the structure's commercial visibility. These results are reflected in enrolments to the 2016 Summer Centre and in the considerable increase of autumn enrolments. In view of the above and in the light of the analysis of the business plan, there were no losses in value of the equity investment in the company.

It should be noted that 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", 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 recognising the corresponding payable due to the minority shareholder.

Investments in associates include the measurement using the equity method of the equity investments in the following companies:

Company	Registered Office	Share Capital	Shareholders' equity	Profit (loss) for the year	% equity investment	Book Value
Converge S.r.L.	Brescia	114,000	3,933,847	(3,416,455)	48.72%	1,916,570
Sòlergys S.p.A.	Rome	120,000	391,554	102,083	49.00%	191,862

With reference to the equity investment in Converge S.r.l. (associated company) and JMS S.r.l. (Joint Venture) it should be noted that as at the date of these Financial Statements, the financial statements at 31 December 2016 had not been transmitted and the balance-sheet value reflects the valuation using the equity method based on the values at 31 December 2015 of the associated companies. With reference to the equity investment in Sòlergys S.p.A., the value of the equity investment decreased by EUR 131,865 in order to acknowledge the corresponding fraction of shareholders' equity as per the most recent accounting statement available pending approval.

Investments in associates include the value of EUR 343,312 relating to the 50% equity investment in a joint venture having as its object a photovoltaic system.

Company	Registered Office	Share Capital	Shareholders' equity	Profit (loss) for the year	% equity investment	Book Value
JMS S.r.l.	Brescia	50,000	686,623	(86,020)	50.00%	343,312

The information shown in the table above relates to the most recent statements available, i.e. the JML S.r.l. financial statements approved at 31 December 2015.

Investments in other companies, amounting to EUR 10,000, refer to the equity investment held by the company in Itaipower Energia S.r.l., for which the main accounting values as per the most recent available financial statements (31.12.2016) are shown below.

Company	Registered Office	Share Capital	Shareholders' equity	Profit (loss) for the year	% equity investment	Book Value
Itaipower Energia S.r.L.	Catania	100,000	559,284	191,088	10.00%	10,000

With reference to said equity investment, it should be noted that on 31 March 2017 Itaipower Energia S.r.l. approved the distribution of dividends (the share pertaining to Green Network S.p.A. is equal to EUR 15,000).

17. Non-current assets held for sale - EUR 312,888

For the current financial year, the item amounts to EUR 312,888 in relation to the value of the equity

investment held in Green Hydro 1 S.r.l. and the related loan value.

	31.12.2016	31.12.2015	Change
Green Hydro 1 S.r.l. shareholding	10,200	0	10,200
Green Hydro 1 S.r.l. loan	302,688	0	302,688
Total	312,888	0	312,888

As already described in other parts of this report, on 23 December 2016 Green Network concluded a preliminary sale agreement for the sale of the entire shareholding in the company Green Hydro 1 S.r.l. For the preliminary sale agreement to come into effect, a condition precedent must occur. Said condition consists in obtaining, by 30 June 2017, the tariff incentive mechanisms provided for by sector legislation, an event which occurred in February 2017. The preliminary sale agreement also provides for the payment of a sum of money by the purchaser both for the shareholding in Green Hydro 1 S.r.l. and the related outstanding loan.

In accordance with IFRS 5, Green Network proceeded to write-down the value of the equity investment in order to adjust it to the transfer value stipulated in the preliminary agreement for the sale of the shares.

Description	Carrying value at 31/12/2015	Adjustment	Balance sheet value at 31/12/2016
Shareholding	31,546	(21,346)	10,200
Receivables for loans	398,298	(95,610)	302,688

18. Receivables from parent companies, subsidiaries, associates and joint ventures - EUR 27,575,776

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

	31.12.2016	31.12.2015	Change
Receivables due from subsidiaries	22,700,999	13,786,882	8,914,117
<i>of which for loans</i>	<i>22,592,999</i>	<i>13,678,882</i>	<i>8,914,117</i>
<i>of which other receivables</i>	<i>108,000</i>	<i>108,000</i>	<i>0</i>
Receivables due from associated companies	1,420,085	1,420,085	0
<i>of which for loans</i>	<i>1,420,085</i>	<i>1,420,085</i>	<i>0</i>
<i>of which other receivables</i>	<i>0</i>	<i>0</i>	<i>0</i>
Receivables due from holding companies	3,454,692	3,794,692	(340,000)
<i>of which for loans</i>	<i>3,437,194</i>	<i>3,777,194</i>	<i>(340,000)</i>
<i>of which other receivables</i>	<i>17,497</i>	<i>17,497</i>	<i>0</i>
Total	27,575,776	19,001,659	8,574,117

Receivables from subsidiaries refer mainly to receivables for loans, as detailed in the table below, and a receivable of EUR 108,000 due to the company from Sacri Real Estate S.p.A. by way of guarantee deposits on buildings rented in Corso d'Italia, Rome, for which formal notice was submitted during the financial year under review.

Counterparty	Loan	31/12/2015	Increases	Decreases	Write-downs	31/12/2016
Sacri Re S.p.A.	Non-interest bearing	5,693,379	570,000	0	0	6,263,379
Green Network UK PIC	2%	0	6,960,343	0	0	6,960,343
Green Network Holding Rinnovabili S.r.L.	1.75%*	3,961,141	0	0	0	3,961,141
Green Hydro 1 S.r.L.	5%	350,298	243,000	195,000	398,298	0

Counterparty	Loan	31/12/2015	Increases	Decreases	Write-downs	31/12/2016
Green Hydro 2 S.r.L.	5%	90,279	14,500	40,000	0	64,779
Green Wind 1 S.r.L.	5%	212,168	0	30,000	91,084	91,084
Green Wind 2 S.r.L.	5%	600,730	215,000	70,000	0	745,730
Rena Energia S.r.L.	1.75%**	2,052,705	108,656	0	0	2,161,361
Solcap Green S.r.L.	5%	277,539	0	0	0	277,539
ATA Energia Società Agricola S.r.L.	Non-interest bearing	440,642	1,627,000	0	0	2,067,642
TOTAL DUE FROM SUBSIDIARIES		13,678,882	9,738,499	335,000	489,382	22,592,999

* Rate applied for the whole of 2016 in replacement of the rate of 5% applied until 31.12.2015

** Rate applied from 01.07.2016 in replacement of the rate of 5% applied until 30.06.2016.

In the year under review, additional loans of EUR 9,738,499 were disbursed, and total decreases of EUR 335,000 were recorded following the waiver of the loans. There was also a further decrease of EUR 489,382, which includes EUR 91,084 for the write-down of the outstanding loan granted to Green Wind 1 S.r.L. as a result of impairment testing, and EUR 398,298 for the reclassification of receivables for loans granted to Green Hydro 1 S.r.L. in application of IFRS 5 (see note no. 17).

The interest-bearing loans led to the recognition of interest income of EUR 312,133 in the income statement.

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

Counterparty	Loan	31/12/2015	Increases	Decreases	Write-downs	31/12/2016
Sòlèrgys S.p.A.	Non-interest bearing	1,420,085	0	0	0	1,420,085
TOTAL DUE FROM ASSOCIATED COMPANIES		1,420,085	0	0	0	1,420,085

The interest-bearing loan led to the recognition of interest income of EUR 28,506 in the income statement.

Receivables from parent companies include a receivable for a loan granted to SC Holding S.r.l., detailed below, and a receivable of EUR 17,497 deriving from IRES tax consolidation.

Counterparty	Loan	31/12/2015	Increases	Decreases	Write-downs	31/12/2016
SC Holding S.r.l.	Non-interest bearing	3,777,194	0	340,000		3,437,194
TOTAL DUE FROM HOLDING COMPANIES		3,777,194	0	340,000	0	3,437,194

During the financial year under review, the parent repaid an amount of EUR 340,000.

19. Deferred tax assets - EUR 5,717,690

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

	31.12.2016	31.12.2015	Change
Deferred tax assets	5,717,690	4,993,274	724,416
Total	5,717,690	4,993,274	724,416

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

	Amount
Interest expense	520,369

	Amount
Prepaid taxes on trademarks	184,479
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
Deferred tax assets from IAS/IFRS adjustment	(925,376)
Prepaid taxes on non-deductible allowance for doubtful receivables	1,664,795
Write-downs of equity investments	216,000
Prepaid taxes on goodwill - former GN L&G	721,841
Total	5,717,690

20. Tax credits - EUR 5,050,138

	31.12.2016	31.12.2015	Change
Receivables for UTF (finance office)	920,458	1,077,635	(157,177)
Receivables for VAT	3,914,599	3,858,035	56,564
Receivables for tax disputes	120,370	120,370	0
Receivables for refund requests	51,276	51,276	0
Other tax receivables due after	43,435	43,435	0
Total	5,050,138	5,150,751	(100,613)

The item is composed mainly of VAT receivables that will be recovered through the issuance of special credit notes at the end of the insolvency proceedings in which some of the company's customers are involved, receivables for UTF taxes in the amount of EUR 920,458, and EUR 120,370 in receivables deriving from an ongoing tax dispute with the Tax Authorities in relation to the payment of a tax bill.

21. Financial assets held to maturity - EUR 0

	31.12.2016	31.12.2015	Change
- Certificates of deposit	0	5,900,000	(5,900,000)
- Bonds	0	3,917,457	(3,917,457)
Total	0	9,817,457	(9,817,457)

For the financial year under review, this item presents a value of EUR 0 as a result of the application of the "tainting rule" referred to in paragraph 52 of IAS 39 as a result of the sale of a significant part of the securities portfolio before their natural expiry. More specifically, the following securities were sold:

Type	Value	Expiry date	Sale date
Bond	500,000	31/10/2016	03/10/2016
Bond	1,000,000	02/12/2018	03/10/2016
Bond	1,119,586	31/01/2017	03/10/2016
Bond	150,000	23/06/2017	11/01/2016

In view of these sales, the remaining securities previously classified to the HTM portfolio have been reclassified to the "Available-for-sale" securities portfolio, as described and discussed in more detail in note no. 29 below.

22. Other non-current assets - EUR 617,881

This item is mainly made up of receivables for security deposits granted for the performance of

corporate activities.

	31.12.2016	31.12.2015	Change
Receivables for security deposits	480,381	1,033,110	(552,729)
Receivables for grants pursuant to Law No. 388/2000	100,000	100,000	0
Other receivables	37,500	37,500	0
Total	617,881	1,170,610	(552,729)

23. Inventories - EUR 321,617

	31.12.2016	31.12.2015	Change
Inventories of finished products and goods for resale	321,617	0	321,617
Total	321,617	0	321,617

The value of EUR 321,617 relating to inventories of finished products refers to the value of the gas stored, as at 31 December 2016, at special sites and not sold at the end of the financial year. The inventories were valued using the weighted average cost method.

24. Trade-related receivables - EUR 201,739,422

Details of the item are reported below.

	31.12.2016	31.12.2015	Change
Trade receivables (customers)	134,408,117	113,847,135	20,560,982
Allowance for doubtful receivables	(10,269,605)	(4,622,027)	(5,647,578)
Customers for invoices to be issued	74,337,861	93,444,669	(19,106,808)
Credit notes to be issued	(5,511,757)	(5,366,362)	(145,395)
Bank, subject to collection	8,774,806	9,939,199	(1,164,393)
Total	201,739,422	207,242,614	(5,503,192)

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 10,269,605. Details of its changes in the period are shown below.

	Amounts
Balance at 31 December 2015	4,622,027
Uses during the year	(1,352,422)
Provision for the year	7,000,000
Total	10,269,605

The allowance was used to cover the losses on receivables recorded in 2016 and for which the company had already estimated losses in previous years. The provision of EUR 7,000,000 was made as a result of the impairment process carried out by the company on a portfolio of customers homogeneous in nature and characteristics.

With reference to receivables from customers, it is noted that Green Network S.p.A. has outstanding

net loans due from Tradecom S.p.A., subject to insolvency proceedings from November 2014 (bankruptcy), for a total amount of approximately EUR 14.3 million (gross value of receivables equal to EUR 35 million net of a write-down of approximately EUR 20 million). Based on the documentation available at the date of this Report, the company, with the support of its independent legal advisors, is reasonably confident of the successful outcome of the recovery of the said receivable.

The company once again confirmed an insurance policy in 2016, 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 date of this Report, while “Credit notes to be issued” are applied as direct decreases in receivables, 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 date of this report.

It is also noted that, as guarantee for several trade-related receivables, the company received bank sureties totalling EUR 16,000,000. More specifically, the sureties relate to:

- ◆ EUR 1,300,000, for the supply of electricity to the customer A.C.P. S.r.l.;
- ◆ EUR 6,000,000, for the supply of electricity and gas to the customer Riva Acciaio S.p.A.;
- ◆ EUR 10,000,000, for the supply of electricity to the customer Portovesme S.p.A.

25. Receivables from parent companies, subsidiaries, associates and joint ventures - EUR 20,882,109

Details of the item are reported below.

	31.12.2016	31.12.2015	Change
ATA Energia Società Agricola S.r.l.	448,426	348,167	100,259
Sacri Re S.p.A.	28,247	19,558	8,689
Le Fate Turchine S.r.l.	7,566	1,684	5,882
Le Fate Turchine 2 S.r.l.	47,675	24,261	23,414
Solcap Green S.r.l.	82,503	51,490	31,013
Green Wind 1 S.r.l.	2,276	36,740	(34,464)
Green Wind 2 S.r.l.	100,314	42,131	58,183
Green Hydro 1 S.r.l.	56,102	31,004	25,098
Green Hydro 2 S.r.l.	22,632	15,149	7,483
Rena Energia S.r.l.	539,468	343,304	196,164
Green Network Trading UK PLC	632,296	6,674,107	(6,041,811)
Green Network Holding Rinnovabili S.r.l.	183,037	101,511	81,526
Spectrum Tech S.r.l.	17,907	5,906	12,001
Receivables due from subsidiaries	2,168,449	7,695,012	(5,526,563)
Sòlerys S.p.A.	325,053	328,688	(3,635)
Receivables due from associated companies	325,053	328,688	(3,635)
JMS S.r.l.	9,287,287	52,622	9,234,665
Receivables due from Joint Ventures	9,287,287	52,622	9,234,665
SC Holding S.r.l.	9,101,320	3,184,657	5,916,663
Receivables due from holding companies	9,101,320	3,184,657	5,916,663
Total	20,882,109	11,260,979	9,621,130

Receivables due from subsidiaries and associated companies derive mainly from commercial

transactions and also include receivables for interest earned on existing interest-bearing shareholder loans toward some of the companies in the group; receivables due from the holding company SC Holding S.r.l. are mainly related to tax consolidation and, to a lesser extent, to receivables for services provided to the holding company itself.

Receivables due from JMS S.r.l., equal to the payables referred to in note 40 below, derive from commercial relations linked to trading activities.

26. Loans to banks and other financial institutions - EUR 1,723,563

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.

	31.12.2016	31.12.2015	Change
Receivables due from factoring companies	1,723,563	2,714,641	(991,078)
Total	1,723,563	2,714,641	(991,078)

27. Tax credits - EUR 8,842,734

Tax credits are broken down as follows:

	31.12.2016	31.12.2015	Change
Receivables due from the Tax Authorities for direct taxes	435,163	1,086,368	(651,205)
Receivables for UTF taxes	7,273,536	5,905,293	1,368,243
Receivables due from tax authorities for VAT	12,631	12,188	443
Other tax receivables	1,121,404	1,117,436	3,968
Total	8,842,734	8,121,285	721,449

The balance is mainly made up of receivables due from the tax authorities for UTF taxes and for direct taxes.

28. Derivatives - EUR 8,582,781

The item includes the positive fair value of the derivative financial instruments that the company holds both for trading purposes and for hedging purposes in relation to the purchase of commodities.

	31.12.2016	31.12.2015	Change
Derivative financial instruments	8,582,781	618,426	7,964,355
Total	8,582,781	618,426	7,964,355

This is mainly Swap and OTC derivatives for which the fair value was determined by applying level two as provided for by IFRS 13. More specifically, the amount of EUR 8,582,781 is made up of EUR 1,307,887 relating to the derivative financial instruments held by the company for hedging purposes in line with the guidelines contained in IAS 39 on hedge accounting, the change in fair value of which has been deferred to the cash hedging reserve, and EUR 7,274,894 relating to the derivative financial instruments held by the company for trading purposes or that do not meet the conditions for being classified as hedging instruments, the change in fair value of which has been booked directly to the income statement.

29. Financial assets available for sale - EUR 8,274,800

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

	31.12.2016	31.12.2015	Change
- Certificates of deposit / Savings vouchers	5,900,000	0	5,900,000
- Bonds	1,109,183	0	1,109,183
- Investment funds	1,177,301	1,129,364	47,937
- Other securities	88,316	663,620	(575,304)
Total	8,274,800	1,792,984	6,481,816

As already stated in note 21 above, the item also includes the certificates of deposit/savings vouchers and bond securities which, in application of the tainting rule referred to in paragraph 52 of IAS 39, have been reclassified to this item as a result of the sale of a significant part of said portfolio before maturity or within three months from that date.

With reference to the certificates of deposit and bond securities, the table below shows the changes with respect to the previous year.

	Certificates of deposit	Bonds
Value as at 31.12.2015	5,900,000	3,917,457
Investments	2,000,000	40,473
Disinvestments	(2,000,000)	(2,849,586)
Fair value adjustment	0	839
Total	5,900,000	1,109,183

The increase of EUR 47,937 relating to investment funds represents the adjustment of the value of the securities to the relative fair value at the date of this report. As regards the determination of the fair value, since said instruments were transferred in February 2017, the value used for the purposes of drafting this report was the transfer-date fair value.

Finally, the item “other securities” is made up exclusively of equity securities. The net negative change of EUR 575,304 recorded in the financial year is due to the adjustment of the value of the securities to the relative fair value at 31 December 2016, determined by applying level two as provided for by IFRS 13, and to an increase of EUR 22,727 for the purchase of additional shares in Banco BPM.

	31.12.2016	31.12.2015	Change
- Banco BPM shares	43,282	106,362	(63,080)
- Carismi shares	38,148	54,552	(16,404)
- Veneto Banca shares	6,886	502,706	(495,820)
Total	88,316	663,620	(575,304)

The change in the fair value of the financial instruments in the portfolio, in application of the provisions of IAS 39, was deferred to the relevant AFS reserve of shareholders' equity, which shows the relative change.

	Amount
Value as at 31.12.2015	(1,774,972)
Change in fair value of investment funds	47,938
Change in fair value of Banco BPM shares	(85,807)
Deduction of fair value of Veneto Banca, Banca Etruria and Banca Marche shares	1,873,667
Change in fair value of Carismi securities	(16,404)
Change in fair value of bond securities	839
Value as at 31.12.2016	45,260

30. Other current assets - EUR 10,754,252

The item is broken down as follows.

	31.12.2016	31.12.2015	Change
Suppliers - energy advances	100,000	100,000	0
Suppliers - advance account	10,508,090	15,378,960	(4,870,870)
Other receivables due from employees	2,210	1,717	493
Other receivables	143,952	1,138,054	(994,102)
Total	10,754,252	16,618,731	(5,864,479)

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

	31.12.2016	31.12.2015	Change
Charges on sureties	820,508	721,081	99,427
Insurance	530,179	332,514	197,665
Interest expense on settlement agreements	38	15,422	(15,384)
Insurance and car expenses	20,673	24,059	(3,386)
Leasing	26,986	53,253	(26,267)
Equipment rental	155,452	48,098	107,354
Advertising expenses	9,918	45,753	(35,835)
Commissions	7,993,718	13,777,633	(5,783,915)
Sales consulting	37,362	73,242	(35,880)
Financial consulting	0	21,574	(21,574)
Sundry consulting	29,485	0	29,485
Software licences	138,449	0	138,449
Costs for the provision of services	54,697	74,213	(19,516)
Registration tax	0	3,152	(3,152)
Rentals payable	189,196	174,154	15,042
Bank charges	372	6,177	(5,805)
Proceeds from derivatives	487,105	0	487,105
Other	13,952	8,635	5,317
Total	10,508,090	15,378,960	(4,870,870)

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.

Finally, the entry relating to Other receivables can in turn be broken down as follows.

	31.12.2016	31.12.2015	Change
Compensation from suppliers	0	8,561	(8,561)
Income from derivative financial instruments	0	174,108	(174,108)
Sundry receivables	47,627	50,175	(2,548)
Receivables due from Solcap S.r.l.	96,325	789,600	(693,275)
Financial income from securities	0	115,610	(115,610)
Total	143,952	1,138,054	(994,102)

The receivable due from Solcap S.r.l. equal to EUR 96,325 which represents the residual amount of the receivable for the shareholder loan granted to the company by Green Network S.p.A. that was collected in March 2017.

31. Cash and cash equivalents - EUR 17,816,008

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.

	31.12.2016	31.12.2015	Change
Bank and post office deposits	17,795,988	21,786,391	(3,990,403)
Cash and cash equivalents	20,020	23,643	(3,623)
Total	17,816,008	21,810,034	(3,994,026)

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.

32. Shareholders' equity - EUR 26,984,090

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
Balances as at 1 January 2014	15,000,000	837,050	4,705,815	16,387,195	2,324,299	39,254,359
Changes in Shareholders' Equity	636,000	118,000	(8,920,885)	0	(2,324,299)	(10,491,184)
Net result as at 31/12/2014					(1,961,245)	(1,961,245)
Balance at 31 December 2014	15,636,000	955,050	(4,215,070)	16,387,195	(1,961,245)	26,801,930
Changes in Shareholders' Equity		106,000	(12,867,092)		1,961,245	(10,799,848)
Net result as at 31/12/2015			0		(460,745)	(460,745)
Balance at 31 December 2015	15,636,000	1,061,050	(17,082,163)	16,387,195	(460,745)	15,541,338
Changes in Shareholders' Equity		66,986	4,873,996		460,745	5,401,728
Net result as at 31/12/2016					6,041,025	6,041,025
Balance at 31 December 2016	15,636,000	1,128,036	(12,208,166)	16,387,195	6,041,025	26,984,090

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.

	31.12.2016	31.12.2015	Change
Extraordinary reserve	3,950,884	2,678,150	1,272,734
Rounding reserve	4	(1)	5
Reserve for valuation at equity	6,297,595	6,297,596	(0)
Capital contributions	13,394	13,394	0
Indivisible profits and reserves	(23,580,868)	(21,780,405)	(1,800,464)
Reserve for valuation of derivatives and contracts	1,307,886	(2,347,931)	3,655,817
AFS reserve	45,260	(1,774,972)	1,820,232
Actuarial gain reserve	(242,322)	(167,994)	(74,328)
Total	(12,208,166)	(17,082,163)	4,873,996

With reference to changes in shareholders' equity items, the following should be noted:

- the relative change in the legal reserve of EUR 66,986 and the extraordinary reserve of EUR 1,272,734, attributable to the allocation of statutory profit to the approved financial statements filed on 31 December 2015;
- the change of EUR (74,328) in the actuarial gain reserve includes the differences deriving from the valuation of TFR liabilities according to the criteria set out in IAS 19.

With regard to the change in the AFS reserve, reference should be made to note no. 29.

The changes in financial year 2016 related exclusively to the derivatives valuation reserve for a total value of EUR 3,655,817, broken down as follows:

	Amounts
Reserve at 31.12.2015 restated	(2,347,931)
Release of fair value recorded in previous years	2,347,931
Recognition of fair value derivatives for hedging 2016	1,307,886
Value as at 31.12.2016	1,307,886

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

Nature / description	Amount	Possibility of use	Portion available
Share Capital	15,636,000		
Capital reserves:	13,394	A, B, C	13,394
Profit reserves:			
Equity method reserve	6,297,595	A, B	0
Legal reserve	1,128,036	B	0
Extraordinary reserve	3,950,884	A, B, C	3,950,884
Valuation reserve			
Reserve for valuation of derivatives and financial instruments	1,307,886		
AFS reserve	45,260		
Actuarial gain reserve	(242,322)		
Indivisible profits and reserves	(7,193,673)		
Other reserves	4		
Total	20,943,065		3,964,278

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

33. Long-term loans - EUR 4,977,343

The item, which includes the long-term portion of the loans existing at the date of this report, can be broken down as follows:

	31.12.2016	31.12.2015	Change
BPM loan	0	1,070,531	(1,070,531)
Banca Popolare di Vicenza	1,008,002	0	1,008,002
Alba Leasing S.p.A.	469,341	0	469,341
Simest S.p.A.	3,500,000	4,804,000	(1,304,000)
Total	4,977,343	5,874,531	(897,188)

The decrease compared to the previous year is due to increased debts of EUR 1,008,002 for the signing of an unsecured loan obtained by Banca Popolare di Vicenza and EUR 469,341 for the long-term portion of the lease signed with the company Alba Leasing referred to in note 16; the decreases in the amount of EUR 1,070,531 relate to the existing loan with Banco Popolare di Milano which, having reached maturity, no longer has a share payable over the financial year, and for EUR 1,304,000 to the reclassification of the portion of debt relating to the commitment to repurchase the shares of Simest S.p.A. in Solcap Green S.r.l., which has become short-term due to the fact it reaches maturity in July 2017.

As regards the financing obtained by Banca Popolare di Vicenza, it should be noted that it is an unsecured loan with a nominal value of EUR 3,000,000 with ancillary charges of EUR 9,000 and maturing on 30 June 2018.

BPV loan no. 34 5144649	
Loan	3,000,000
Preliminary expenses	9,000
Duration in months	20
Instalment frequency	Monthly
Instalment amount (capital + interest)	168,987
Nominal rate	1.750%
Variable rate	Euribor3M/360 val 15 umt + 0.1
Date stipulated	07/11/2016

This payable is recorded in the financial statements and valued using the amortised cost approach, with application of an internal rate of return (IRR) equal to 2.09%.

As regards the payable for the lease with the company Alba Leasing, it should be noted that the leasing rate is equal to 2.11% and that this payable, maturing on 31 December 2021, was recorded in the financial statements and measured at amortised cost using the effective interest rate of 1.80%.

Finally, the amount of EUR 3,500,000, owed by the company Simest S.p.A., refers to the long-term portion of the payable related to the commitment to purchase the relative shares in the company Green Network Holding Rinnovabili S.r.l.

34. Employee severance indemnity and other employee benefits - EUR 1,514,811

The item is made up exclusively of company liabilities for employee severance indemnity vis-a-vis its employees.

	31.12.2016	31.12.2015	Change
Employee severance indemnity and other employee benefits	1,514,811	1,186,108	328,703
Total	1,514,811	1,186,108	328,703

The increase recorded with respect to the previous year is due to the general increase in the number of company employees, as already shown in note no. 5.

The following table shows the change in the provision as at the date of this Report.

	Amount
Opening balance	1,186,108
Use for leavers	(170,595)
Provision for the year	394,297
Adjustment IAS 19	105,001
Balance at 31 December 2016	1,514,811

The discounting of liabilities, as per IAS 19, was carried out by an actuary appointed by the company who took into account the following actuarial assumptions:

- ◆ the probabilities of death were deduced from the Italian population, by age and gender, as calculated by ISTAT in 2000 and reduced by 20%;
- ◆ the probability of termination of service due to absolute and permanent disability was calculated, by age and gender, according to the disability tables currently used by the insurance sector.
- ◆ as regards the pension age for the general assets item, the first requisite for retirement accepted by the Compulsory General Insurance was taken into account, assuming that employees' INPS contributions began, at the latest: at the age of 25 for the current managers, 23 for current executives, 20 for current white-collar staff and 18 for blue-collar staff.
- ◆ The valuation takes into account the variations in the retirement age introduced into national law by recent reforms;

- ◆ the probability of termination of service due to resignation or dismissal was determined, as at the valuation date, at a turn-over rate of 10% per annum;
- ◆ the probability of an advance payment request was estimated at 3.00% per annum, with the size of the advance equal to 60% of the TFR remaining in the business.

With regard to wage growth, an all-inclusive wage trend of 2.70% per annum was used for all the professional categories. The estimated inflation rate used for the valuations was 1.50% per annum. The discount rate used for the valuations was 1.3103% per annum as it stands at 31 December 2016 for bond securities issued by AA-rated European companies for durations of more than 10 years.

The change in the actuarial gains reserve is shown below.

	Amount
Reserve at 31.12.2015	167,994
Provision for the year	74,328
Total as at 31.12.2016	242,322

35. Provisions for risks and charges (non-current portion) - EUR 4,016,256

Details of the item are reported below.

	31.12.2016	31.12.2015	Change
Provision for deferred taxation	2,586,256	2,358,143	228,113
Provision for risks and charges	1,430,000	1,715,913	(285,913)
Total	4,016,256	4,074,056	(57,800)

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	2,358,143	1,715,913
Provision for the year	355,471	
Uses during the year	(127,358)	(285,913)
Balance at 31 December 2016	2,586,256	1,430,000

The provision for deferred taxes, amounting to EUR 2,586,256, is allocated with reference to the income which will be taxed in future periods, broken down as follows:

	31.12.2016
Default interest income - Green Sud S.r.l.	192,445
Default interest income - GN L&G 2015	474,730
Default interest income - Green Network S.p.A. before 2015	955,679
Default interest income - Green Network S.p.A. 2015	607,931
Default interest income for 2016 not collected	355,471
Total	2,586,256

The provision for risks and charges of EUR 1,430,000 includes the allocation made during previous years relating to the sanction for the non-purchase of green certificates for 2008. In the year under review, said provision was reduced by EUR 285,913. This reduction 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 its position.

36. Tax liabilities- EUR 1,800,199

Details of the item are reported below.

	31.12.2016	31.12.2015	Change
Tax disputes	11,465	36,319	(24,854)
Payables for settlement agreements	1,788,734	2,696,204	(907,470)
Total	1,800,199	2,732,523	(932,324)

Tax payables due after one year include payables for tax disputes of EUR 11,465 and EUR 1,788,734 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.

37. Other non-current liabilities - EUR 5,981,856

The item is mainly made up of payables for guarantee deposits received from customers in connection with the supply of electricity and gas.

	31.12.2016	31.12.2015	Change
Guarantee deposits	5,960,650	596,368	5,364,282
Other non-current financial liabilities	21,206	0	21,206
Total	5,981,856	596,368	5,385,488

38. Short-term loans - EUR 49,037,171

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

	31.12.2016	31.12.2015	Change
Current account payables	10,403,952	11,146,331	(742,379)
Due for advances	9,919,705	11,893,953	(1,974,248)
Payables due to factoring companies	23,314,587	8,339,687	14,974,900
Banca Popolare di Milano loan	1,070,533	0	1,070,533
Banca Popolare di Vicenza loan	1,984,669	0	1,984,669
Alba Leasing S.p.A.	854,000	3,154,367	(2,300,367)
Banco Popolare Loan	0	627,900	(627,900)
Payables due to Simest	1,304,000	0	1,304,000
Other financial payables	185,725	186,101	(376)
Total	49,037,171	35,348,339	13,688,832

Payables for mortgages and loans refer to the short-term portion of mortgages and loans already described in previous note no. 33, 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.

39. Trade-related payables - EUR 201,082,154

The item is broken down as follows.

	31.12.2016	31.12.2015	Change
Trade payables	131,104,325	145,850,315	(14,745,990)
Payables for invoices to be issued	57,193,368	72,860,962	(15,667,594)
Credit notes to be received	(2,831,570)	(3,381,929)	550,359
Advances	15,616,031	3,919,774	11,696,257
Total	201,082,154	219,249,122	(18,166,968)

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, as indicated in note no. 24, 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.

The entry relating to payments on account refers to the advances received at the date of this Report by customers for electricity supplies still to be dispensed.

40. Payables to parent companies, subsidiaries, associates and joint ventures - EUR 22,671,612

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

	31.12.2016	31.12.2015	Change
Sacri Re S.p.A.	7,831	218,487	(210,656)
Green Network Trading UK PLC	3,601,744	27,089,711	(23,487,967)
Green Wind 2 S.r.l.	0	18,439	(18,439)
Solcap Green S.r.l.	10,253	20,824	(10,571)
Green Wind 2 S.r.l.	14,604	0	14,604
Le Fate Turchine 1 S.r.l.	100,000	0	100,000
Le Fate Turchine 2 S.r.l.	198,200	0	198,200
Due to subsidiaries	3,932,632	27,347,461	(23,414,829)
Solergys S.p.A.	4,130	4,130	0
Payables due to associated companies	4,130	4,130	0
JMS S.r.l.	9,156,087	0	9,156,087
Payables due to Joint Ventures	9,156,087	0	9,156,087
SC Holding S.r.l.	9,578,763	918,921	8,659,842
Due to holding companies	9,578,763	918,921	8,659,842
Total	22,671,612	28,270,512	(5,598,900)

Payables due to subsidiaries and associates derive from commercial relations that the company has with said entities. The payables due to Green Network UK PLC, Solcap Green S.r.l. and Green Wind 2 S.r.l. refer mainly to the purchase of electricity, while the payable due to Le Fate Turchine and Le Fate Turchine 2 S.r.l. relates to the payment still to be carried out to cover losses for 2015 recorded by the companies as per the minutes of the meeting of 28 April 2016.

The payable with the holding company SC Holding S.r.l. derives mainly from payables related to tax consolidation and, to a lesser extent, the provision of services by the holding company.

The payables due to JMS S.r.l. derive from commercial relations relating to energy trading activities.

41. Tax payables - EUR 10,985,240

The item is broken down as follows:

	31.12.2016	31.12.2015	Change
Due for taxation	1,012,012	0	1,012,012
Due to tax authorities for withholdings on employment and similar income	515,546	354,506	161,040
Due to tax authorities for withholdings on freelance income	132,668	161,512	(28,844)
Due to tax authorities for Gas	3,573,750	3,198,424	375,326
Due to tax authorities for UTF (finance office)	4,391,278	6,684,234	(2,292,956)
Payables for settlement agreements	1,084,714	885,394	199,320
Payables for VAT	0	0	0
Other tax payables	275,272	275,106	166
Total	10,985,240	11,559,176	(573,936)

The item is mainly made up of payables for direct taxes still to be paid, payables for gas and UTF excise duties, and the short-term portion of the settlement agreements reached with the tax authorities in previous years.

42. Derivatives - EUR 6,246,780

This item relates to financial derivatives that society has for trading purposes, the change in fair value of which has been recognised directly in the income statement.

	31.12.2016	31.12.2015	Change
Derivative financial instruments	6,246,780	5,626,619	620,161
Total	6,246,780	5,626,619	620,161

This is mainly Swap and OTC derivatives that the company has for trading purposes for which the fair value was determined by applying level two as provided for by IFRS 13.

43. Other current liabilities - EUR 4,505,519

The item is broken down as follows.

	31.12.2016	31.12.2015	Change
Due to INPS (National Social Security Institute)	389,641	289,415	100,226
Due to INAIL (National Institute for Insurance against Accidents at Work)	16,183	6,136	10,047
Bilateral Body	1,737	1,661	76
Payables due to pension and insurance funds	386,088	33,065	353,023
Due to social security and welfare institutions	793,649	330,277	463,372
Due to employees and directors	1,211,449	891,470	319,979
Payables per guarantee deposits	63,166	13,166	50,000
Charges on derivative financial instruments	0	907,695	(907,695)
Payables for Rai Subscription	2,045,638	0	2,045,638
Sundry payables	391,617	354,214	37,403
Other payables	3,711,870	2,166,545	1,545,325
Total	4,505,519	2,496,822	2,008,697

The item consists of:

- ◆ EUR 793,649 related to debt that the company has in respect of social security institutions and entities related to staff;

-
- ◆ EUR 1,211,449 for amounts owed to employees and directors for the latest entitlements for 2016;
 - ◆ EUR 2,045,638 for payables related to the RAI subscription bill paid by the company to be paid to the Tax Authorities.

OTHER INFORMATION

Disclosures relating to financial instruments and the risk management policy

Below is a breakdown of the financial assets and financial liabilities required by IFRS 7 subdivided into the categories defined in IAS 39.

	Financial instruments measured at fair value available for trading	Receivables and loans	Financial instruments held to maturity	Financial instruments available for sale	Derivative financial instruments		Book Value	Notes to the financial statements
					for trading purposes	for hedging purposes		
Non-current assets	0	28,193,657	0	0	0	0	28,193,657	
Other equity investments	0	0	0	0	0	0	0	
Financial assets from holding company, subsidiaries and associated companies	0	27,575,776	0	0	0	0	27,575,776	18
Financial assets from third parties	0	617,881	0	0	0	0	617,881	22
Current assets	0	252,915,354	0	8,274,800	7,274,895	1,307,886	269,772,935	
Trade receivables from customers	0	201,739,422	0	0	0	0	201,739,422	24
Trade receivables from related parties	0	0	0	0	0	0	0	
Financial assets from holding company, subsidiaries and associated companies	0	20,882,109	0	0	0	0	20,882,109	25
Financial assets from third parties	0	12,477,815	0	8,274,800	7,274,895	1,307,886	29,335,396	26, 28, 29, 30
Cash and cash equivalents	0	17,816,008	0	0	0	0	17,816,008	31
Total	0	281,109,011	0	8,274,800	7,274,895	1,307,886	297,966,592	

	Financial instruments held for trading	Liabilities at fair value	Liabilities at amortised cost	Derivative financial instruments		Book Value	Notes to the financial statemen ts
				for trading purposes	for hedging purposes		
Non-current liabilities	0	9,481,856	1,477,343	0	0	10,959,199	
Due to banks	0	0	1,008,002	0	0	1,008,002	33
Financial payables to third parties	0	3,500,000	469,341	0	0	3,969,341	33
Other financial liabilities toward third parties	0	5,981,856	0	0	0	5,981,856	37
Current liabilities	0	274,457,787	2,838,669	6,246,780	0	283,543,236	
Due to banks	0	44,708,777	1,984,669	0	0	46,693,446	38
Financial payables to third parties	0	1,489,725	854,000	0	0	2,343,725	38
Trade-related payables	0	201,082,154	0	0	0	201,082,154	39
Financial liabilities to holding company, subsidiaries and associated companies	0	22,671,612	0	0	0	22,671,612	40
Other financial liabilities toward third parties	0	4,505,519	0	6,246,780	0	10,752,299	42, 43
Total	0	283,939,643	4,316,012	6,246,780	0	294,502,435	

Fair value of financial assets and liabilities

For the fair value of securities listed on active markets, reference was made to the fair value recorded on these markets at the reference date of this Report, while in the case of securities not listed on an active market, the fair value was determined using the models and valuation techniques prevailing on the market taking into consideration different inputs from prices quoted but observable directly or indirectly.

It should be noted that for the trade receivables and payables with agreed maturity within the year, the fair value was not calculated since it is essentially in line with the relative book value.

It should also be noted that the fair values were not calculated for financial assets and liabilities for which the fair value cannot be determined objectively.

Types of financial risks and related activities

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 company 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, the company 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 108 million.

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 16,000,000 to guarantee the correct collection of the associated trade-related receivables.

Lastly, it should be noted that, in compliance with the accounting standards, the company 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, 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 largely limited to the advance payment of trade receivables from customers.

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 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 company 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 eurozone countries and its exposure to exchange rate risk is therefore extremely limited.

Risk of fluctuation in commodity prices

The company, operating essentially as an intermediary in the dispatching of energy and gas both nationally and internationally, is active in the trading and sale of electricity and gas to different types of end customers (energy-intensive, small & medium, etc.).

The company, not being a producer of electricity and gas, must obtain its supplies on the electricity and gas market, thereby exposing it to the market risk associated to price volatility. This risk also exposes the company to the related liquidity risk linked to the fact that in order to ensure the supply to end customers of the contractually-agreed amount of electricity and gas it has to advance large sums of money for the purchase of commodities. In order to cope with this risk, the company enters into derivative contracts that enable it in most cases to fix the future price of purchase of energy and gas.

The main financial derivative instruments used by the company are the following:

- ◆ operations on the electricity market:
 - derivatives with underlying NSP;
 - derivatives with underlying power other than NSP;
- ◆ operations on the gas market: derivatives with underlying TTF.

The differentials relating to flows connected to these derivative financial instruments are generally adjusted monthly.

In this regard, the company has established internal policies and procedures for the management of the risk of commodity price volatility and the related management and accounting representation of derivative financial instruments. Specifically, the aim of the transaction to hedge the risk of the NSP (National Single Price) is to fix the cost of a portion of future variable-price purchases of electricity on the Italian market represented by the NSP index for the reference period in question, in order to fulfil the fixed-price supplies provided by the company.

This is generally achieved through the stipulation of contracts for differences ("hedging instruments") that allow the company to regulate a variable amount indexed to the NSP on the basis of a fixed value

established at the time of stipulating the contract (Buy position). Derivatives taken out for hedging purposes are grouped together in a hedging portfolio consisting of derivatives which, once effectiveness testing has been carried out and formal Hedge Documentation has been prepared pursuant to IAS 39, are designated as hedging operations. As regards inclusion in the financial statements, the fair values of the derivatives in the portfolio (for the portion that is effective) are added to a specific Cash Flow Hedge reserve (OCI) while for the non-effective portion they are recognised directly in profit or loss.

The hedging strategy pursued by the company uses a “Bottom Layer” approach which consists in identifying a portion (“Layer”) that is lower than the total amount, considered almost certain and not reformulated according to changes in the volumes forecast over time, unless these do not fall within the Layer itself. For the year under review, the hedging portfolio is made up exclusively of Buy derivatives hedging Layers; once established at inception, hedges are generally not reviewed until the derivatives reach maturity.

With reference to effectiveness testing, prospective effectiveness testing is carried using the “critical terms comparison” approach aimed at attesting to the high prospective effectiveness of the hedging relationship by verifying correspondence with the main characteristics of the hedged item and the hedging instrument. Retrospective effectiveness testing, on the other hand, is carried out using the Dollar-Offset method and the hypothetical derivative method.

The table below shows the comparison between the overall monthly volumes of the hedging portfolio and the future electricity purchase forecasts produced as at the reporting date (31 December 2016).

Analysis date	31 Dec. 16											
Period	Jan. 17	Feb. 17	Mar. 17	Apr. 17	May 17	Jun. 17	Jul. 17	Aug. 17	Sept. 17	Oct. 17	Nov. 17	Dec. 17
Hedged portion (%)	17%	15%	16%	18%	16%	16%	15%	20%	15%	16%	15%	18%
Forecast Hedged Item (MWh)	200,079	198,543	213,759	183,720	204,726	207,639	228,900	166,282	212,803	205,709	209,960	185,409
Total volume Hedging Portfolio (MWh)	33,480	30,240	33,435	32,400	33,480	32,400	33,480	33,480	32,400	33,525	32,400	33,480

The table below lists the main information required by international accounting standards for the derivative contracts included in the hedging portfolio.

Inception date	Derivative type	Profile	Effective date	Termination date	Hourly energy qty	Fixed price	Total volume	Residual volume	Fair value at 31.12.2016	Derivative valuation
21/12/2015	OTC SWAP	Baseload	01/01/2016	31/12/2017	5	43.70	87,720.00	43,800.00	47.72	176,207
22/12/2015	OTC SWAP	Baseload	01/01/2016	31/12/2017	10	43.90	175,440.00	87,600.00	47.72	334,895
22/12/2015	OTC SWAP	Baseload	01/01/2016	31/12/2017	10	43.95	175,440.00	66,010.00	45.74	118,234
22/12/2015	OTC SWAP	Baseload	01/01/2016	31/12/2017	10	43.90	175,440.00	87,600.00	47.72	334,895
23/12/2015	OTC SWAP	Baseload	01/01/2016	31/12/2017	10	43.80	175,440.00	87,600.00	47.72	343,655
										1,307,886

IFRS 7 and IFRS 13 require that the classification of financial instruments measured at fair value be carried out on the basis of the quality of the input sources used to determine the fair value itself. As already described at the beginning of this section, for the purposes of determining the fair value, reference is made to Level 2 referred to in IFRS 13, which uses methodologies and instruments to

determine the fair value based on different inputs from prices quoted in an active market, but observable directly or indirectly on the market.

The following table illustrates the fair value hierarchy for the company's financial assets and liabilities valued at fair value on the basis of valuation techniques that use as reference parameters observable on the market (Level 2).

	31.12.2016	31.12.2015
Derivative assets	8,582,781	618,426
Derivative liabilities	6,246,780	5,626,619
AFS instruments	8,274,800	1,792,984

Related-party transactions

The main related-party transactions entered into by Green Network S.p.A. For financial years 2016 and 2015 are detailed below, all regulated on an arm's length basis.

TRANSACTIONS WITH RELATED PARTIES YEAR-ENDED 31.12.2016		Equity investments	Receivables for loans	Trade-related receivables	Receivables for security deposits due after	Receivables from tax consolidation	Payables for tax consolidation	Trade and financial payables	Sundry payables	Total balance sheet transactions
Holding companies										
	SC Holding S.r.l.	-	3,437,194	89,746	-	9,011,574	3,050,243	671,000	-	16,259,758
Subsidiaries										
	Sacri Real Estate S.p.A.	670,000	6,263,379	28,247	108,000	-	-	7,831	-	7,077,457
	Green Network Holding Rinnovabili S.r.l.	7,700,350	3,961,141	183,037	-	-	-	-	-	11,844,528
	Green Network UK Plc	1,097,025	6,960,343.00	632,296	-	-	-	3,601,744	-	12,291,408
	Spectrum Tech	-	-	17,907	-	-	-	-	-	17,907
	Green Hydro 1 S.r.l.	-	-	56,102	-	-	-	-	-	56,102
	Green Hydro 2 S.r.l.	21,022	64,779	22,632	-	-	-	-	-	108,433
	Green Wind 1 S.r.l.	-	91,084	2,276	-	-	-	-	-	93,360
	Green Wind 2 S.r.l.	254,435	745,730	100,314	-	-	-	14,604	21,206	1,136,289
	Rena Energia S.r.l.	36,425	2,161,361	539,468	-	-	-	-	-	2,737,254
	Solcap Green S.r.l.	2,676,000	277,539	82,503	-	-	-	10,253	-	3,046,295
	Le Fate Turchine 1 S.r.l.	206,298	-	7,566	-	-	-	100,000.00	-	313,864
	Le Fate Turchine 2 S.r.l.	491,150	-	47,675	-	-	-	198,200.00	-	737,025
	Ata Energia Soc. Agric. S.r.l.	1,750,324	2,067,643	448,426	-	-	-	-	-	4,266,393
	Green Network Energy	-	-	-	-	-	-	-	-	-
Associated companies										
	Converge	1,916,570	-	-	-	-	-	-	-	1,916,570
	Solergys	191,862	1,420,085	325,053	-	-	-	4,130	-	1,941,130
Joint Ventures										
	JMS	343,312	-	9,287,287	-	-	-	9,156,087	-	18,786,686
Other companies										
	Italpower Energia S.r.l.	10,000	-	-	-	-	-	-	-	10,000

TRANSACTIONS WITH RELATED PARTIES
YEAR-ENDED 31.12.2016

	Revenue from sales	Other revenue and income	Consumption of materials and services	Other costs	Interest income from loans	Other financial income	Revaluations (write-downs) or equity investments	Total transactions
Holding companies								
SC Holding S.r.l.	5,618		300,000			731		306,349
Subsidiaries								
Sacri Real Estate S.p.A.	3,719	3,282	883,284					890,285
Green Network Holding Rinnovabili S.r.l.		10,000			69,320			79,320
Green Network UK Plc.			33,256,000		37,523	1,265,814		34,559,337
Spectrum Tech		12,000						12,000
Green Hydro 1 S.r.l.		6,200			17,423			23,623
Green Hydro 2 S.r.l.		3,000			3,563			6,563
Green Wind 1 S.r.l.	3,000.00				2,275.83			5,276.00
Green Wind 2 S.r.l.	932	8,355	89,320		35,409	134		134,151
Rena Energia S.r.l.	13,651	103,071			71,106	459		188,287
Solcap Green S.r.l.	5,698	19,342	112,200		13,877	2,932		154,049
Le Fate Turchine 1 S.r.l.	1,250	3,086						4,336
Le Fate Turchine 2 S.r.l.	13,783	4,938		240,000		23		258,744
Ata Energia Soc. Agric. S.r.l.	21,582	4,411			54,324	13,994		94,311
Green Network Energy								
Associated companies								
Converge							(1,664,497)	(1,664,497)
Solergys						28,506	(131,865)	(103,360)
Joint Ventures								
JMS							(43,010)	(43,010)
Other companies								
Italpower Energia S.r.l.								

TRANSACTIONS WITH RELATED PARTIES
YEAR-ENDED 31.12.2015

	Equity investments	Receivables for loans	Trade-related receivables	Receivables for security deposits due after	Receivables from tax consolidation	Payables for tax consolidation	Trade and financial payables	Sundry payables	Total balance sheet transactions
Holding companies									
SC Holding S.r.l.		3,777,194	687,871		2,496,786	818,921	100,000		7,880,772
Subsidiaries									
Sacri Real Estate S.p.A.	1,670,000	5,693,379	19,558	108,000			218,487		7,709,424
Green Network Holding Rinnovabili S.r.l.	7,700,350	3,961,141	101,511						11,763,002
Green Network UK Plc.	1,097,024		6,674,107				27,089,711		34,860,842
Spectrum Tech			5,905						5,905
Green Hydro 1 S.r.l.	16,546	350,298	31,004				7,650		405,498
Green Hydro 2 S.r.l.	16,021	90,279	15,149				7,650		129,099
Green Wind 1 S.r.l.	21,668	212,168	36,740						270,576
Green Wind 2 S.r.l.	184,435	600,730	42,131				18,439	23,582	869,316
Rena Energia S.r.l.	35,225	2,052,705	343,304						2,431,234
Solcap Green S.r.l.	2,676,000	277,539	51,490				20,824		3,025,854
Le Fate Turchine 1 S.r.l.	381,298		1,684						382,982
Le Fate Turchine 2 S.r.l.	366,150		24,261						390,411
Ata Energia Soc. Agric. S.r.l.	1,393,324	440,642	348,167						2,182,133
Green Network Energy									0
Associated companies									
Converge	3,581,067								3,581,067
Solergys	323,727	1,420,085	328,688				4,130		2,076,630
Joint Ventures									
JMS	386,322		52,622						438,944
Other companies									
Italpower Energia S.r.l.	0								

TRANSACTIONS WITH RELATED PARTIES
YEAR-ENDED 31.12.2015

		Revenue from sales	Other revenue and income	Consumption of materials and services	Revaluations/writedowns of equity investments	Interest income from loans	Other financial income	Total transactions
Holding companies								
	SC Holding S.r.l.	7,958	-	100,000	-	-	-	107,958
Subsidiaries								
	Sacri Real Estate S.p.A.	6,342	-	804,484	-	-	-	810,826
	Green Network Holding Rinnovabili S.r.l.	-	-	-	201,437	-	-	201,437
	Green Network UK Plc.	-	-	-	-	-	-	-
	Spectrum Tech	-	-	-	-	-	-	-
	Green Hydro 1 S.r.l.	-	-	-	-	15,286	-	15,286
	Green Hydro 2 S.r.l.	-	-	-	-	4,559	-	4,559
	Green Wind 1 S.r.l.	-	-	-	-	10,627	-	10,627
	Green Wind 2 S.r.l.	1,281	2,376	102,493	-	30,616	23	136,789
	Rena Energia S.r.l.	11,574	-	-	-	103,033	957	115,564
	Solcap Green S.r.l.	6,361	-	163,220	-	23,172	838	193,592
	Le Fate Turchine 1 S.r.l.	818	-	-	-	-	-	818
	Le Fate Turchine 2 S.r.l.	7,983	-	220,000	-	-	-	227,983
	Ata Energia Soc. Agric. S.r.l.	39,994	6,178	-	-	47,947	3,757	97,877
	Green Network Energy	-	-	-	-	-	-	-
Associated companies								
	Converge	-	-	-	-	-	-	-
	Solergys	-	-	-	29,801	31,626	-	61,427
Joint Ventures								
	JMS	-	-	-	-	-	-	-
Other companies								
	Italpower Energia S.r.l.	-	-	-	-	-	-	-

Disputes, outstanding matters and contingent liabilities

- During financial year 2014, Green Network S.p.A. and Green Network Luce & Gas S.r.l., merged by incorporation into Green Network S.p.A. during 2015, 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 in-depth and complex briefs and observations were produced by an authoritative professional, in order to highlight the groundlessness of the objections made by the inspectors. To date, the companies concerned have received assessment notices for VAT and Direct Taxes, with reference to the 2009 and 2010 tax periods, and the related penalty notices, which both companies have contested before the Provincial Tax Commission. For the 2011 tax period, the companies concerned received assessment notices for VAT and Direct Taxes and a preliminary penalty notice. In-depth defence statements were produced in response to this, while with regard to the assessment notices, a review request was presented to the Office, using the tax assessment settlement procedure, the results of which are still pending. 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. It should be noted in this regard that on 30 June 2016, the Provincial Tax Commission of Rome, with Ruling 19904/50/16 filed on 13 September 2016, fully and peremptorily approved the appeals by the two companies against the assessment notices for the year 2009, recognising the full legitimacy of the physical trading operations carried out;

- ◆ 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, despite having already been subject, however, to a specific and positive assessment during the course of other assessments that took place in previous years. On 1 July 2016, the Provincial Tax Commission of Rome, with Ruling 21181/47/16 filed on 26 September 2016, partially upheld the company's arguments. The incorporating company Green Network S.p.A. therefore lodged an appeal against the increased IRES and IRAP taxes contested by the Office totalling approximately EUR 4.8 million. The incorporating company, supported by the opinion of an authoritative professional and university professor, considers the risk connected with the dispute to be possible;
- ◆ 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 judgement, 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 Directors, supported by the opinion of authoritative professionals, are confident of a positive outcome and consider the risk of losing to be remote. As such, no allocation was made to the risk provision.

Finally, it should be noted that during the financial year under review, a settlement was reached in relation to the ongoing litigation with the company ILVA S.p.A., which will resume supply activities from financial year 2017.

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 115,689,842 in sureties issued to third parties (of which EUR 59,729,719 related to insurance and EUR 55,960,123 of a financial nature);
- ◆ EUR 15,562,147 relating to the value of guarantees in the form of a pledge;
- ◆ EUR 57,230 relating to instalments falling due including the redemption price of certain cars subject to operating leases.

As already pointed out in the footnote relating to trade receivables, the company has also received sureties from customers in the amount of EUR 16,000,000.

The guarantees received from third parties are made up as follows:

- ◆ EUR 40,991,000 in favour of third parties for the purchase/sale of electricity, gas and derivatives, of which EUR 6,956,000 in favour of the subsidiary Green Network UK Plc;
- ◆ EUR 38,770,867 in favour of third parties for the transportation of electricity and gas;
- ◆ EUR 14,238,106 in favour of the Tax Authorities for Group VAT offsetting and surplus VAT reimbursements;
- ◆ EUR 6,350,000 in favour of GME for the performance of business on electricity markets;
- ◆ EUR 6,030,000 in favour of Terna S.p.A. for dispatching;
- ◆ EUR 6,000,000 in favour of third parties for the supply of electricity and gas;
- ◆ EUR 2,109,869 as sureties issued in favour of third parties for gas carrier costs;
- ◆ EUR 750,000 in favour of Idea Fimit S.p.A. for the leasing of the new property at which corporate activities are carried out;
- ◆ EUR 450,000 in favour of Simest S.p.A. for the stake in the company Solcap Green S.r.l.

The amount of EUR 15,562,147 relating to pledges is composed as follows:

- ◆ EUR 7,340,512 due to banks for cash collateral activities relating to pledges requested by some banks to guarantee credit commitments agreed and/or used;
- ◆ EUR 8,211,435 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.

The company holds two car leasing agreements for a residual value of EUR 57,230, EUR 15,794 of which reaches maturity in February 2017 and EUR 41,436 in March 2017.

The company has also received sureties and guarantees from third parties for a value equal to EUR 16,000,000 and has granted the following corporate guarantees/patronages/co-obligations:

- ◆ EUR 1,236,411 to guarantee the lease agreement held by the subsidiary Green Wind 2 S.r.l. with Alba Leasing S.p.A.;
- ◆ EUR 5,637,191 in guarantee of the outstanding bank loans by Rena Energia S.r.l. and ATA Energia Soc. Agric. S.r.l.;

- ◆ EUR 1,678,882 in guarantee of the existing loans of the associated company Sòlbergys S.p.A.;
- ◆ EUR 205,341 for a patronage/co-obligation in favour of the subsidiary ATA Energia Soc. Agric. S.r.l.;
- ◆ EUR 4,888,063 for a patronage/co-obligation in favour of the holding company SC Holding S.r.l.

Remuneration due to Directors, Statutory Auditors and Independent Auditors

As already indicated in notes 4 and 5 above, the information relating to remuneration due to directors, statutory auditors and the independent auditors for 2016 is provided below.

	Amount
Directors' fees	1,330,000
Statutory Auditors' fees	53,084
Auditors' fees	75,000
Supervisory Body's fees	24,960

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.

Proposal for the allocation of profit for the financial year

The financial year under review closed with net profit of EUR 6,041,025 which shall be allocated as follows:

- ◆ EUR 302,051 to the legal reserve;
- ◆ EUR 5,738,974 to the extraordinary reserve.

Rome, 10 April 2017

Chairman of the Board of
Directors

Mr Piero Saulli

III - GROUP CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

Income Statement and statement of comprehensive income

	NOTE S	31.12.2016	31.12.2015 Restated
Revenues			
Revenues from sales and services	1	725,386,269	1,047,080,667
Other revenue and income	2	15,561,308	6,816,448
Total revenues		740,947,577	1,053,897,115
Costs			
Electricity and gas purchase	3	648,639,934	986,300,163
Costs for services and materials	4	48,790,103	34,463,042
Payroll and related costs	5	16,462,763	11,409,589
Amortisation/depreciation and impairment	6	11,230,741	5,765,659
Provisions	7	2,000	1,432,000
Other operating costs	8	2,084,684	2,806,984
Total costs		727,210,225	1,042,177,437
EBIT		13,737,352	11,719,678
Financial income (expense) from financial instruments measured at fair value	9	(2,370,238)	(229,032)
Net profit (loss) from the sale of current and non-current operating assets	10	(116,956)	0
Financial income	11	2,066,482	2,794,459
Financial expense	12	(5,896,663)	(9,202,345)
Share of income/(expense) deriving from equity investments valued using the equity method	13	(1,840,378)	18,450
Pre-tax profit (loss)		5,579,599	5,101,210
Taxation	14	(5,393,387)	(5,082,690)
Net profit (loss) for the year, of which		186,212	18,520
- group share		92,144	289,936
- share pertaining to minority interests		94,069	(271,417)

	NOTE S	31.12.2016	31.12.2015 Restated
Profit (loss) for the year		186,212	18,520
Other components of comprehensive income			
Items that should not be reclassified to Profit (Loss) for the year			
Revaluations of property, plant and machinery and intangible fixed assets		0	0
Actuarial gains (losses) from defined benefit plans	5	(74,328)	167,994
Items that will or could then be reclassified to Profit (Loss) for the year			
Profit (losses) from redetermination of the value of financial assets available for sale	9	(53,434)	(1,447,715)
Gains (losses) on the translation of financial statements of foreign subsidiaries		(85,707)	0
Fair value changes in cash flow hedges	1 - 3	691,822	(10,238,628)
Portion of profit recognised in shareholders' equity by companies valued using the equity method		0	0
Income taxes relating to OCI		(154,604)	3,722,730
Overall profit (loss) for the year, of which		509,961	(7,777,099)
- group share		346,558	(7,505,967)
- share pertaining to minority interests		163,405	(271,131)

Statement of financial position

	NOTES	31.12.2016	31.12.2015 Restated
Non-current assets			
Intangible fixed assets	15	1,151,892	740,569
Property, plant and machinery	16	34,559,185	34,189,313
Investment property	17	8,254,373	8,494,579
Equity investments	18	2,789,135	4,629,345
Non-current assets held for sale	19	(85,409)	0
Receivables from parent companies, subsidiaries, associates and joint ventures	20	4,976,940	5,240,556
Deferred tax assets	21	8,496,545	6,068,677
Tax credits	22	5,050,138	5,150,751
Financial assets held to maturity	23	0	9,817,457
Other non-current assets	24	2,907,352	2,774,969
Total		68,100,151	77,106,216
Current assets			
Inventories	25	670,925	56,120
Trade-related receivables	26	202,729,026	207,799,663
Receivables from parent companies, subsidiaries, associates and joint ventures	27	18,984,606	3,761,715
Loans to banks and other financial institutions	28	1,723,563	2,714,641
Tax credits	29	10,205,057	9,089,173
Derivatives	30	18,810,083	618,426
Financial assets available for sale	31	8,274,800	1,792,984
Other current assets	32	12,964,634	20,450,139
Cash and cash equivalents	33	19,394,297	23,979,181
Total		293,756,991	270,262,042
Assets classified as held for sale	34	811,338	0
Total assets		362,668,480	347,368,258
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	35	15,636,000	15,636,000
Other reserves	35	(402,438)	(5,992,278)
Net profit (loss) for the year	35	92,143	289,937
Minority interests	35	224,485	17,073
Total shareholders' equity		15,550,190	9,950,732
Non-current liabilities			
Long-term loans	36	22,341,848	26,227,826
Employee severance indemnity and other employee benefits	37	1,567,014	1,217,470
Provisions for risks and charges (non-current portion)	38	4,175,296	4,300,040
Tax liabilities	39	1,800,199	2,732,523
Other non-current liabilities	40	5,964,750	2,061,499
Total		35,849,107	36,539,358
Current liabilities			
Short-term loans	41	52,156,429	37,438,907
Trade-related payables	42	207,041,632	241,583,166
Payables to parent companies, subsidiaries, associates and joint ventures	43	19,201,281	1,160,108
Tax payables	44	11,124,963	11,679,548
Derivatives	45	15,540,364	5,632,550
Other current financial liabilities	46	5,832,496	3,383,889
Total		310,897,165	300,878,168
Liabilities classified as held for sale	47	372,018	0
Total shareholders' equity and liabilities		362,668,480	347,368,258

Statement of changes in shareholders' equity

	Share Capital	Legal reserve	Extraordinary reserve	Equity method valuation reserve	Indivisible profits and reserves	FTA reserve	Reserve for valuation of derivatives and contracts	Rounding reserve	Capital contributions	Retained earnings (accumulated losses)	AFS reserve	Translation reserve	Actuarial gain reserve	Net profit (loss) for the year	Total	Minority interests	Total shareholders' equity
1 January 2015	15,636,000	955,050	2,278,871	4,700,575	848,403	16,387,195	(11,518,620)	(2)	13,394	0	327,257	0	0	(1,361,799)	28,266,324	(337,574)	27,928,750
Profit (loss) for the year	0	0	0	0	0	0	0	0	0	0	0	0	289,936	289,936	(271,417)	18,519	
Other components of comprehensive income	0	0	0	0	0	0	(6,929,788)	0	0	(979,814)	0	113,698	0	(7,795,904)	285	(7,795,619)	
Total components of comprehensive income	0	0	0	0	0	0	(6,929,788)	0	0	(979,814)	0	113,698	289,936	(7,505,968)	(271,132)	(7,777,100)	
Dividends approved	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Purchase of treasury shares, net of quota transferred	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total transactions with shareholders, recognised directly in Equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other changes	0	106,000	399,279	1,597,021	(28,987,166)	0	16,100,477	0	0	(1,122,414)	0	(281,692)	1,361,799	(10,826,696)	625,778	(10,200,918)	
Balance at 31 December 2015 restated	15,636,000	1,061,050	2,678,150	6,297,596	(28,138,763)	16,387,195	(2,347,931)	(2)	13,394	0	(1,774,971)	0	(167,994)	289,936	9,933,660	17,072	9,950,732
1 January 2016 restated	15,636,000	1,061,050	2,678,150	6,297,596	(28,138,763)	16,387,195	(2,347,931)	(2)	13,394	0	(1,774,971)	0	(167,994)	289,936	9,933,660	17,072	9,950,732
Profit (loss) for the year	0	0	0	0	0	0	0	0	0	0	0	0	92,144	92,144	94,069	186,213	
Other components of comprehensive income	0	0	0	0	0	0	467,961	0	0	(36,164)	(127,078)	(50,305)	0	254,414	69,334	323,748	
Total components of comprehensive income	0	0	0	0	0	0	467,961	0	0	(36,164)	(127,078)	(50,305)	92,144	346,558	163,403	509,961	
Dividends approved	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Purchase of treasury shares, net of quota transferred	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total transactions with shareholders, recognised directly in Equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other changes	0	66,986	1,272,734	0	(1,155,027)	0	3,187,376	3	0	1,856,396	130,978	(24,023)	(289,936)	5,045,487	44,010	5,089,497	
Balance at 31 December 2016	15,636,000	1,128,036	3,950,884	6,297,596	(29,293,790)	16,387,195	1,307,406	1	13,394	0	45,261	3,900	(242,322)	92,144	15,325,705	224,485	15,550,190

It should be noted that the values for financial year 2015 have been restated to take account of the new management policy and in order to represent derivative financial instruments in the financial statements.

Consolidated Statement of Cash Flows

	Notes	31.12.2016	31.12.2015 Restated
Profit (loss) for the year		186,213	18,520
CASH FLOW STATEMENT OF OPERATING ACTIVITIES (A)			
Taxes for the year	13	5,393,387	5,082,690
Interest expense/(interest income)	10 -11	3,576,307	6,193,785
Income from equity investments in other companies		0	0
Adjustments for non-monetary elements with a contra-entry in net working capital			
<i>Allocations to provisions</i>	5 -6	<i>7,660,521</i>	<i>4,009,999</i>
<i>Depreciation/amortisation of fixed assets</i>	6	<i>3,908,630</i>	<i>3,619,041</i>
<i>Write-downs due to impairment</i>	6	<i>190,536</i>	<i>0</i>
<i>Other adjustments for non-monetary elements</i>	8; 12	<i>4,073,698</i>	<i>248,383</i>
Cash flows from change in working capital			
- <i>change in inventories</i>	23	(614,805)	1,602,964
- <i>change in trade and intercompany receivables</i>	18, 24, 25	(17,323,175)	101,705,818
- <i>change in trade and intercompany payables</i>	39 - 40	(16,500,361)	(112,694,981)
- <i>other changes in net working capital</i>		4,326,634	(7,015,634)
Cash flows from other adjustments:			
<i>Interest income and other financial income received</i>	10	<i>2,320,356</i>	<i>3,008,561</i>
<i>Interest expense and other financial expenses</i>	11	<i>(5,896,663)</i>	<i>(9,202,345)</i>
<i>(Income taxes paid)</i>		<i>(5,082,690)</i>	<i>(2,421,300)</i>
<i>(Use of provisions)</i>		<i>(304,145)</i>	<i>(1,197,460)</i>
Cash flow generated (absorbed) by operations		(14,271,770)	(7,060,479)
CASH FLOW STATEMENT OF INVESTMENT ACTIVITIES (B)			
Cash flows from changes in property, plant and machinery	15	(3,628,575)	7,825,571
Cash flows from changes in intangible fixed assets	14	(821,044)	(282,848)
Cash flows from changes in equity investments	16	(307,659)	1,072,575
Cash flows from changes in receivables for loans	18	248,916	(2,441,873)
Cash flows from changes in financial instruments	8, 29	965,403	(398,851)
Cash flow generated (absorbed) by investments		(3,542,959)	5,774,574
CASH FLOW STATEMENT OF FINANCING ACTIVITIES (C)			
Cash flows from third party financing:			
Increase (decrease) in short-term payables	38	14,717,522	(11,512,217)
Increase (decrease) in long-term payables	33	(3,885,978)	(2,707,933)
Dividends paid		0	0
Other changes in shareholders' equity items	32	2,212,088	(4,859,354)
Cash flow generated (absorbed) by financing activities		13,043,632	(19,079,504)
Increase (decrease) in cash and cash equivalents		(4,584,884)	(20,346,889)
Opening cash and cash equivalents		23,979,181	44,326,070
Closing cash and cash equivalents		19,394,297	23,979,181

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 the production of electricity from renewable sources, has its registered office in Rome, viale della Civiltà Romana, no. 7 and is subject to the management and coordination activities of SC Holding S.r.l. (reference is made in this regard to the notes to the financial statements for the year).

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”).

Compliance with IAS/IFRS

The consolidated 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. 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. This consolidated annual financial report was approved by the Board of Directors on 10 April 2017 and is subject to audit by PricewaterhouseCoopers S.p.A.

Financial statement layouts

The financial statement layouts used, the accounting principles applied, the recognition and measurement criteria used, and the consolidation criteria and methods applied for this Report are the same as those adopted for the preparation of the consolidated financial statements at 31 December 2015, to which reference is made for a more detailed overview.

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 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, 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 submitted financial statements for the year ended 31 December 2016 in line with the consolidating company, with the exception of Green Wind 1 S.r.l. for the reasons described below, while for the UK subsidiaries Green Network UK PLC and Green Network Energy Ltd and the Romanian companies Spectrum Tech and Genera Green Energy the draft reporting packages submitted by them not containing the tax burden calculated for the year were taken into consideration.

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

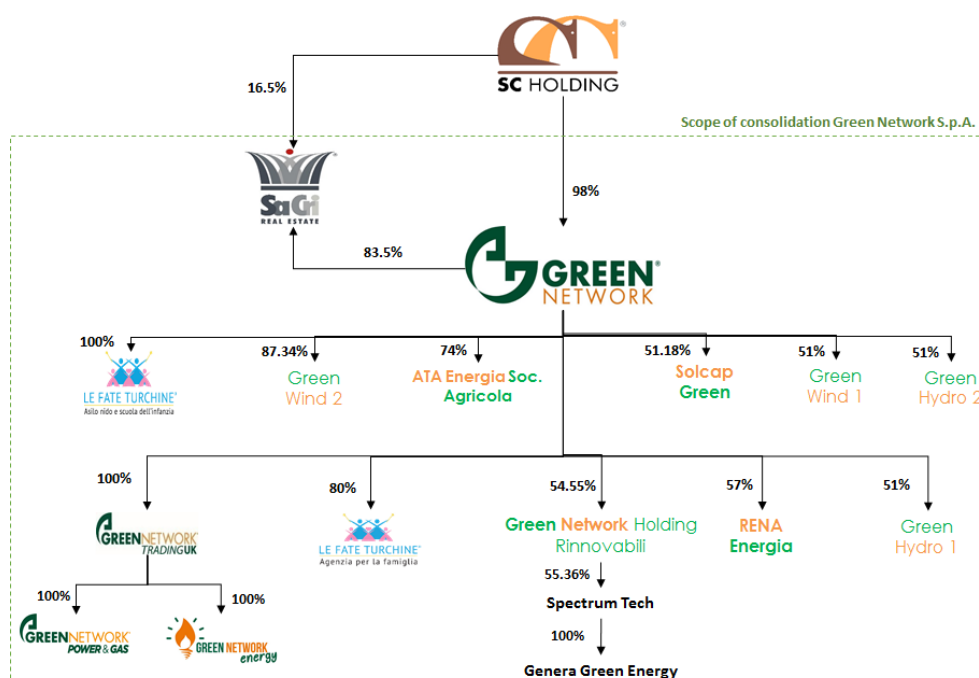
An associated company is an entity with no legal persons, as in the case of a partnership, in which the participant holds a significant influence and is neither a subsidiary nor jointly-controlled equity investment. Joint control is the contractually established sharing of control of an economic activity 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. In the presence of impairment indicators, 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
SACRI REAL ESTATE S.p.A. 7, viale della Civiltà Romana, Rome	Real estate
SOLCAP GREEN S.R.L. 7, viale della Civiltà Romana, Rome	Generation of energy from renewable sources (photovoltaic)
GREEN HYDRO 1 S.R.L. 7, viale della Civiltà Romana, Rome	Generation of energy from renewable sources (hydroelectric)
GREEN HYDRO 2 S.R.L. 7, viale della Civiltà Romana, Rome	Generation of energy from renewable sources (hydroelectric)
GREEN WIND 1 S.R.L. 7, viale della Civiltà Romana, Rome	Generation of energy from renewable sources (wind)
GREEN WIND 2 S.R.L. 7, viale della Civiltà Romana, Rome	Generation of energy from renewable sources (wind)
RENA ENERGIA S.R.L. 7, viale della Civiltà Romana, Rome	Generation of energy from renewable sources (biomass)

Subsidiaries	Primary business
ATA ENERGIA SOC. AGRICOLA S.R.L. 7, viale della Civiltà Romana, Rome	Generation of energy from renewable sources (biogas)
GREEN NETWORK UK PLC London (GB)	Trading and sourcing electricity
GREEN NETWORK POWER & GAS LTD London (GB)	Company in liquidation
GREEN NETWORK ENERGY LTD London (GB)	Electricity and gas sales to end consumers
GREEN NETWORK HOLDING RINNOVABILI S.R.L. 7, viale della Civiltà Romana, Rome	Management of equity investments in companies operating in the renewable energy sector
SPECTRUM TECH S.R.L. Bucharest (Romania), Barbu Stefanescu Delavrancea no. 55	Generation of energy from renewable sources (photovoltaic)
GENERA GREEN ENERGY Romania	Generation of energy from renewable sources (photovoltaic)
LE FATE TURCHINE S.R.L. 7, viale della Civiltà Romana, Rome	Personnel recruitment and selection
LE FATE TURCHINE 2 S.R.L. 7, viale della Civiltà Romana, Rome	Offer of recreational and educational services.
Associated companies	Primary business
SOLERGYS S.p.A. 7, viale della Civiltà Romana, Rome	Generation of energy from renewable sources (photovoltaic)
U.S. BOREALE S.r.l. (*) Via G Sacconi, 4 B - 00196 Rome	Real estate investment activities
CONVERGE S.r.l. Brescia, Via Corsica no. 143	Construction of residential and non-residential buildings
JMS (Profit sharing) Brescia, Via Corsica no. 143	Electricity trading, wholesaler without sale to end customers. 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 1,499,600;
- ♦ 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 3,920,000;

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 accounting statement pending approval available as at 31 December 2016, with the exception of the companies Converge S.r.l., US Boreale 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 December 2015) 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. The following exchange rates were used for the financial statements of the Romanian companies Spectrum Tech S.r.l and Genera Green Energy (source: www.bancaditalia.it):

- ◆ exchange rate in force at the reporting date of the financial statements: 4.5390;
- ◆ costs and revenues are converted at the average exchange rate for the period/year: 4.49043.

With regard to the UK subsidiaries, note that the direct subsidiary Green Network UK Plc, operating in London, drafts its financial statements in euros as its accounts are set up in the European functional currency and, therefore, no accounting balances were translated. Green Network Energy, acquired during the financial year under review, has its accounts set up in the UK functional currency. The corresponding accounting entries have therefore been translated, for the purposes of drafting this Report, using the following exchange rates (source: www.bancaditalia.it):

- ◆ exchange rate in force at the reporting date of the financial statements: 0.85618;
- ◆ costs and revenues are converted at the average exchange rate for the period/year: 0.819483.

Change in the scope of consolidation with respect to 31.12.2015

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

- ◆ acquisition of all of the shares of the company Green Network Energy by the direct parent Green Network UK PLC. The date of acquisition of control is 12 January 2016 and therefore, for the purposes of drafting this Report, the accounting values relating to the full year 2016 were taken into account;
- ◆ acquisition of additional stakes in the company Rena Energia S.r.l. of 6%, bringing the percentage stake to 57%;
- ◆ liquidation of the company Green Network Power & Gas Ltd.; in line with the approach taken for the financial statements at 31 December 2015 and for the semi-annual report at 30 June 2016, the company was therefore not taken into consideration.

The financial year under review also saw the consolidating company sign, on 23 December 2016, a preliminary agreement for the sale of all the shares owned by Green Network S.p.A. in Green Hydro 1 S.r.l. For the preliminary sale agreement to come into effect, a condition precedent must occur. Said condition consists in obtaining, by 30 June 2017, the tariff incentive mechanisms provided for by sector legislation, an event which occurred in February 2017.

Finally, the consolidated company did not take into consideration, for the purposes of drafting this Report, the accounting values of the subsidiary Green Wind 1 S.r.l. Specifically, the company Green Wind 1 is engaged in the construction of a wind farm in the province of Foggia and, as at the date of this Report, has not obtained the necessary Single Authorisation from the Region of Puglia. The construction of said wind farm was part of an agreement for the purchase of the company division

with Nomar Enterprise S.r.l., the entry into effect of which was conditional upon obtaining, by 31 December 2016, said Single Authorisation. Said authorisation not having been obtained, the agreement for the sale of the branch of the company is therefore void and negotiations are ongoing between shareholders in order to agree and establish the future of the company. For this reason, the financial statements as at 31 December 2016 have not been drawn up. The consolidating company has, prudently, fully written down the value of the equity investment in Green Wind 1 S.r.l. and has not consolidated the related book values. The impact of the failure to consolidate said company on the representation of the Group's financial position and economic result at 31 December 2016, based on processing performed by the consolidating company, is as follows:

- ◆ non-consolidated receivables equal to EUR 87,878, of which EUR 52,204 due from Nomar Enterprise S.r.l.;
- ◆ non-consolidated shareholders' equity equal to EUR (136,271) with an operating result equal to EUR (160,460);
- ◆ non-consolidated payables equal to EUR 26,185.

Restatement of the comparative values

The comparative values for the financial year ended 31 December 2015 were restated with reference to the accounting representation of derivative financial instruments in relation to both the parent company Green Network S.p.A. and the subsidiary Green Network UK PLC.

Specifically, the Group has revised its procedures concerning the acquisition of and transactions in derivative financial instruments, defining a new hedge accounting policy. This new policy, discussed in detail in the section on risk management, has a significant impact on the representation of derivative financial instruments in the financial statements, including those as at 31 December 2015. More precisely, with respect to the approach adopted in previous years, the Group, with reference to the supply of electricity and gas required to ensure supplies to their end customers, makes a distinction between hedging derivatives, whose change in fair value is allocated to an equity reserve, and trading derivatives (which do not comply with the conditions to be valued as hedging derivatives) whose changes in fair value are recognised directly in profit or loss.

In order to provide the reader of the financial statements with a clear and coherent picture of the Group's financial situation and economic result in 2016 with respect to financial year 2015, the Group considered it appropriate to restate the 2015 accounting values.

The restatement of financial year 2015 values has impacted significantly on the net assets of the consolidating company and therefore of the group, influencing in particular the amount of the "Reserve for valuation of derivatives and contracts", the amount of the item relating to derivatives with positive and negative fair value, and the related items in the income statement and the statement of comprehensive income. Shown below are the effects on equity at 31 December 2015.

	31.12.2015 Restated	31.12.2015	Change
Share capital	15,636,000	15,636,000	0
Legal reserve	1,061,050	1,061,050	0

Extraordinary reserve	2,678,150	2,678,150	0
Equity method valuation reserve	6,297,596	6,297,596	0
Shareholder contributions	13,394	13,394	0
Indivisible profits and reserves	(28,138,763)	(9,245,057)	(18,893,705)
Derivative valuation reserve	(2,347,931)	1,816,504	(4,164,435)
AFS reserve	(1,774,972)	(1,774,972)	0
Rounding reserve	(3)	0	(3)
Actuarial gain reserve	(167,994)	(167,994)	0
FTA reserve	16,387,195	16,387,195	0
Profit (loss) for the year	289,936	1,964,976	(1,675,040)
Total	9,933,659	34,666,842	(24,733,183)
Minority interests in capital and reserves	288,489	288,489	0
Minority interest profit (loss) for the year	(271,417)	(271,417)	0
Total shareholders' equity	9,950,732	34,683,914	(24,733,183)

As can be seen from the table, the material impact on equity relates to the "Derivatives valuation reserve" and to "Indivisible profits and reserves".

The following table provides a clearer and more comprehensive picture of the changes in these reserves.

	Amounts
Positive fair value derivatives before restatement	26,905,727
Positive fair value derivatives after restatement	618,426
Difference	26,287,301
Negative fair value derivatives before restatement	5,754,963
Negative fair value derivatives after restatement	2,966,357
Difference	(2,788,607)
Green Network S.p.A. FTA reversal to Indivisible profits and reserves	(19,334,261)
Total change to derivatives valuation reserve	(4,164,435)
Effect of restatement of Green Network UK PLC derivatives to Indivisible profits and reserves	440,556
P&L impact of derivatives	(2,534,837)
Tax impact	859,797
Total change to derivatives valuation reserve	(1,675,040)
Rounding	(3)
Total restated values	(24,733,183)

The negative balance of EUR 19,334,261 is made up as follows:

- ♦ in the amount of EUR 16,673,999, a value reclassification for the purposes of greater clarity in the reporting of the figure related to the derivatives valuation reserve and FTA reserve;
- ♦ in the amount of EUR 2,660,262, the negative impact on the income statement of the financial statements restated at 31 December 2015 as a result of the different accounting representation methods for derivative financial instruments used by the Group and the relative tax impact equal to EUR 859,797.

Restatement of the comparative values was required in order to incorporate the updated procedures concerning the acquisition of and operation in derivative financial instruments related to financial instruments held by the direct subsidiary Green Network UK PLC. Taking this new procedure into consideration resulted in an increase of EUR 440,555 in indivisible profits and reserves and an increase of EUR 125,425 in profit for the year.

Finally, it should be noted that in order to make the values for the financial year under review comparable with those of the previous year, reclassifications were made, where appropriate, in specific item details in the tables in the explanatory notes.

Measurement Criteria

The accounting policies and measurement criteria used were the same as those used to draft the Financial Statements of Green Network S.p.A., to which reference is made, except as described below.

Equity investments in associated companies and joint ventures

For the purposes of drafting the consolidated financial statements, investments in subsidiaries and associated companies are valued using the equity method and adjusted to take account of the actual percentage of shares held by the Group.

Taxation

For the purposes of this Report, 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.

It should be noted that, for the year under review, the parent company and certain companies of the group (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., ATA Energia Soc. Agricola S.r.l., Green Wind 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.

The amount of certain tax assets and liabilities recorded in the balance sheet from which the Group will receive future economic benefits was corrected during the financial year under review in order to implement the change in the IRES rate which, starting from 1 January 2017, was reduced from 27.5% to 24% (change implemented by Law no. 208 of 28 December 2015, amending the Consolidated Act on Income Taxes (TUIR)).

Estimates

With reference to the use of accounting estimates, please refer to the explanatory notes to the financial statements of Green Network S.p.A.

SECTOR-BASED INFORMATION

The operational areas are identified by the management, in line with the management and control model used, with the business sectors and with the geographical areas in which the Group operates: Power and Gas, with reference to business sectors, and Italy, Romania and the United Kingdom with reference to geographical areas.

Below are the results by business line, compared with those of the corresponding period of the previous year:

Sector-based information by business sector

31 December 2016	Power	Gas	Other activities	Total
Revenues	647,265,374	78,120,895	15,561,308	740,947,577
Investments	31,865,151	3,845,925	8,254,373	43,965,449
31 December 2015	Power	Gas	Other activities	Total
Revenues	951,690,483	95,390,184	6,816,448	1,053,897,115
Investments	31,747,731	3,182,150	8,494,579	43,424,460

Sector-based information by geographical area

31 December 2016	Italy	UK	Romania	Total
<i>Revenues from electricity sales and services</i>	639,043,860	20,106,064	253,294	659,403,218
<i>Revenues from sale of gas</i>	65,953,760	29,291	0	65,983,051
<i>Other revenue and income</i>	13,873,629	197	1,687,482	15,561,308
<i>Electricity purchase and associated costs</i>	554,209,104	51,860,109	0	606,069,213
<i>Gas and electricity purchase and associated costs</i>	41,267,906	94,123	0	41,362,029
31 December 2015	Italy	UK	Romania	Total
<i>Revenues from electricity sales and services</i>	959,449,250	2,467,429	286,996	962,203,675
<i>Revenues from sale of gas</i>	84,876,992	0	0	84,876,992
<i>Other revenue and income</i>	5,120,762	0	1,695,686	6,816,448
<i>Electricity purchase and associated costs</i>	805,951,925	111,657,893	0	917,609,818
<i>Gas and electricity purchase and associated costs</i>	65,663,312	0	0	65,663,312

Other activities relate mainly to the real estate business and the agency work and crèche businesses.

There is no significant concentration of sales of the Group.

Explanatory notes to income statement items

1. Revenues from sales and services - EUR 725,386,269

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

	31.12.2016	31.12.2015	Change	% change
Sale of energy	337,791,356	514,073,917	(176,282,561)	(34.3%)
Interconnector energy revenues	27,288,763	110,855,413	(83,566,650)	(75.4%)
Recovery of dispatch charges	46,318,898	44,225,159	2,093,739	4.7%
Recovery of transport charges	210,856,044	266,102,672	(55,246,628)	(20.8%)
Imbalance and CNA revenues	21,807,374	13,923,616	7,883,758	56.6%
Imbalance CNA and CCC revenues	2,461,727	949,883	1,511,844	159.2%
Commercial costs and other EE charges	11,858,159	9,821,657	2,036,502	20.7%
Recovery of CMOR charges	1,015,650	691,535	324,115	46.9%
Import capacity	0	1,405,104	(1,405,104)	(100.0%)
Intercompany energy revenues	5,247	154,719	(149,472)	(96.6%)
Revenues from electricity sales and services	659,403,218	962,203,675	(302,800,457)	(31.5%)
Gas sales	51,816,444	71,822,241	(20,005,797)	(27.9%)
Recovery of gas transportation charges	1,533,205	2,001,139	(467,934)	(23.4%)
Recovery of gas carrier charges	8,781,630	8,616,048	165,582	1.9%
Gas imbalance revenues	385,112	0	385,112	ns
Other gas proceeds	5,811	27,986	(22,175)	(79.2%)
Commercial costs and other GAS charges	3,460,231	2,407,196	1,053,035	43.7%
Intercompany gas revenues	618	2,382	(1,764)	(74.1%)
Revenues from sale of gas	65,983,051	84,876,992	(18,893,941)	(22.3%)
Total	725,386,269	1,047,080,667	(321,694,398)	(30.7%)

On the whole, compared to the previous year, revenues from the sale of both energy and gas recorded a decrease as a result of the effect of lower quantities sold. The reduction in the quantity sold is attributable mainly to the decrease in the number of end customers, partly as a result of the customer portfolio optimisation policy implemented by the parent company Green Network S.p.A. in the previous year.

It should be noted that the item "Energy sales" includes the proceeds arising from the regularisation of derivative contracts on commodities signed by the Group for the purposes of trading or hedging and settled during the year, as well as the M2M trading derivatives contracts existing at 31 December 2016. These are derivative contracts entered into with third parties having as their object the purchase and sale of electricity and, to a lesser extent, gas, with monthly adjustment of the fair value differential of the contract with respect to a defined value (e.g. NSP, TTF). More specifically, this income can be represented as follows:

	31.12.2016	31.12.2015	Change	% change
Revenue from contracts on commodities measured at fair value	32,389,408	13,423,161	18,966,247	141.3%

In order to determine said fair value, the company used Level 2, as referred to in IFRS 13.

During the financial year under review, the relative fair value of financial derivatives held for hedging purposes changed in comparison with last year's EUR 691,822, as booked to the OCI statement.

2. Other revenue and income - EUR 15,561,308

Other revenue and income was composed as follows as at 31 December 2016:

	31.12.2016	31.12.2015	Change	% change
Revenues from incentive tariff	911,952	709,000	202,952	28.6%
Operating grants	2,832,339	1,772,700	1,059,639	59.8%
Reimbursement of expenses	104,175	272,034	(167,859)	(61.7%)
Compensation from suppliers	207,466	1,025,932	(818,466)	(79.8%)
Revenues from contractual penalties	7,901,070	0	7,901,070	ns
Revenues from green certificates	1,654,241	1,877,564	(223,323)	(11.9%)
Recovery of costs and charges	80,055	148,992	(68,937)	(46.3%)
Rentals receivable	58,400	1,920	56,480	2,941.7%
Provision of services	516,013	240,408	275,605	114.6%
Other intercompany revenues	3,000	0	3,000	ns
Other income	1,292,597	767,898	524,699	68.3%
Total	15,561,308	6,816,448	8,744,860	128.3%

The item increased overall compared to the previous year by EUR 8,744,860 (128.3%), mainly as a result of revenues from contractual penalties on contracts with the commercial agencies on which the Group relies for the promotion and sale of energy and gas to end customers.

Another significant item was operating grants, connected to the forms of incentive from which some Group companies benefit, thanks to plants that produce electricity from renewable energy sources.

3. Electricity and gas purchase - EUR 648,639,934

	31.12.2016	31.12.2015	Change	% change
Electricity purchases	285,681,300	475,411,799	(189,730,499)	(39.9%)
Energy transport charges	209,873,503	263,841,201	(53,967,698)	(20.5%)
Dispatch charges	41,689,664	40,415,217	1,274,447	3.2%
Imbalance and CNA costs	2,586,648	3,150,796	(564,148)	(17.9%)
CCC charges	321,605	616,320	(294,715)	(47.8%)
GME energy costs	62,832,928	131,908,178	(69,075,250)	(52.4%)
GME service costs	153,889	242,155	(88,266)	(36.5%)
CTS considerations	1,552,707	1,274,675	278,032	21.8%
CMOR charges	1,376,969	749,477	627,492	83.7%
Electricity purchase and associated costs	606,069,213	917,609,818	(311,540,605)	(34.0%)
Gas purchases	28,016,913	51,197,429	(23,180,516)	(45.3%)
Gas transportation charges	4,192,523	5,688,611	(1,496,088)	(26.3%)
Gas carrier charges	9,058,393	8,777,272	281,121	3.2%
GME gas purchases	94,200	0	94,200	ns
Gas and electricity purchase and associated costs	41,362,029	65,663,312	(24,301,283)	(37.0%)
Biomass purchase	1,709,825	769,947	939,878	122.1%
Sundry purchases	29,499	494,329	(464,830)	(94.0%)
Consumables	84,173	30,003	54,170	180.5%
Inventories	(614,805)	1,732,754	(2,347,559)	(135.5%)
Total	648,639,934	986,300,163	(337,660,229)	(34.2%)

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.

It should be noted that the item "Electricity purchases" includes the charges resulting from the regularisation of derivative contracts on commodities signed by the Group for the purposes of trading

or hedging and settled during the year, as well as the M2M trading derivatives contracts existing at 31 December 2016 (for further details, see note 1). More specifically, these charges can be represented as follows:

	Derivative contracts on commodities settled during the financial year	Change in FV of derivative contracts on commodities	Total
Charges	(16,779,693)	(16,302,881)	(33,082,574)

In order to determine said fair value, the company used Level 2, as referred to in IFRS 13.

Finally, it should be noted that the charge of EUR 16,779,693 includes the positive value of EUR 2,660,262, representing the change in the fair value of derivatives on commodities recorded for financial year 2015 and settled during the financial year under review. This value was determined as a result of the new internal procedures and policies for the management and representation of derivatives contracts.

4. Costs for services and materials - EUR 48,790,103

Costs for services and materials are composed as follows.

	31.12.2016	31.12.2015	Change	% change
Other service costs	1,156,790	924,899	231,891	25.1%
Technical consulting	1,195,751	914,312	281,439	30.8%
Legal and tax consulting	4,529,048	1,945,799	2,583,249	132.8%
Insurance	102,755	70,701	32,054	45.3%
Sundry consulting	225,286	48,186	177,100	367.5%
Auditors' fees	126,674	152,860	(26,186)	(17.1%)
Financial consulting	458,424	544,215	(85,791)	(15.8%)
Advertising and promotion expenses	4,084,887	4,115,539	(30,652)	(0.7%)
Utilities	82,762	135,432	(52,670)	(38.9%)
Plant operation	132,464	0	132,464	ns
Postal and telephone expenses	3,024,309	2,387,241	637,068	26.7%
Stationery and printed materials	502,267	182,600	319,667	175.1%
Hardware and software support	1,089,188	731,017	358,171	49.0%
Financial expense	861,664	955,090	(93,426)	(9.8%)
Statutory Auditors' fees	73,919	114,046	(40,127)	(35.2%)
Supervisory Body's fees	31,200	15,600	15,600	100.0%
Factoring commission	394,246	750,396	(356,150)	(47.5%)
Charges on sureties	2,500,724	2,374,227	126,498	5.3%
Commission payable	18,531,320	9,934,529	8,596,791	86.5%
Call centre service costs	2,486,874	4,004,503	(1,517,629)	(37.9%)
Entertainment expenses	381,084	432,373	(51,289)	(11.9%)
Credit insurance	652,395	777,774	(125,379)	(16.1%)
Management costs and credit recovery	1,189,530	192,624	996,906	517.5%
Transport and Warehousing	153,129	97,065	56,064	57.8%
Maintenance and repairs	639,392	610,659	28,733	4.7%
Trading Fees & Subscriptions	1,197,640	387,240	810,400	209.3%
Rent expenses and associated charges	1,623,433	667,056	956,377	143.4%
Car rental	313,175	268,571	44,605	16.6%
Equipment rental	279,041	107,317	171,724	160.0%

	31.12.2016	31.12.2015	Change	% change
Maintenance and repairs of third party assets	143,042	94,265	48,777	51.7%
Software licences	593,325	101,148	492,177	486.6%
Leasing fees and charges	11,010	401,804	(390,794)	(97.3%)
Building leases and easements	23,355	23,955	(600)	(2.5%)
	48,790,103	34,463,042	14,327,061	41.6%

The item registered a significant increase compared to the previous year as a result of the higher costs incurred for commissions payable, related to the strategy employed by the Group regarding the sale of electricity and gas to small consumers (households) and the SME sector, the development of activities on the UK market, and costs for legal and tax advice, which were heavily influenced by the support for the launching up of activities on the UK market.

5. Payroll and related costs - EUR 16,462,763

	31.12.2016	31.12.2015	Change	% change
Salaries and wages	10,197,651	6,084,686	4,112,965	67.6%
Directors' fees	1,330,000	1,533,916	(203,916)	(13.3%)
Social security charges	1,989,319	1,695,644	293,675	17.3%
Directors' and freelancers' social security charges	42,635	57,325	(14,690)	(25.6%)
Employee severance indemnity	526,946	431,382	95,564	22.2%
Cost of temporary contracts	102,247	4,903	97,344	1,985.4%
Other payroll and related costs	2,273,965	1,601,733	672,232	42.0%
Total	16,462,763	11,409,589	5,053,174	44.3%

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 200 staff at the date of this Report (average of 162 in 2015), divided into the following categories:

- ◆ 9 senior managers on average;
- ◆ 24 middle managers on average;
- ◆ 167 employees on average.

The employee severance indemnity of EUR 526,946 takes into account the guidelines contained in IAS 19 and, during the financial year under review, the application of the said principle with the actuarial assumptions described in the subsequent note no. 3 resulted in a change in the actuarial gains reserve of EUR (74,238) booked to the statement of comprehensive income.

Other payroll and related costs include additional expenses 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 and the management of cars granted as company benefits.

6. Amortisation/depreciation and impairment - EUR 11,230,741

	31.12.2016	31.12.2015	Change	% change
Depreciation and impairment of intangible assets	409,721	290,080	119,641	41.2%
Depreciation and impairment of property, plant and machinery	3,498,909	3,328,961	169,948	5.1%
Impairment of other assets	190,536	0	190,536	ns
Impairment of trade receivables	7,000,000	2,146,617	4,853,383	226.1%
Impairment of other receivables	131,575	0	131,575	ns
Total	11,230,741	5,765,659	5,465,082	272.4%

The item increased overall by EUR 5,465,082, mainly as a result of the impairment testing carried out on the Group loans portfolio during the year under review. More specifically this item consists of:

- ♦ EUR 7,000,000 for provisions set aside by the consolidating company as a result of the evaluation of the receivables in the portfolio that have similar characteristics, in line with corporate policies;
- ♦ EUR 131,575 for the analytical impairment carried out by ATA Energia Società Agricola S.r.l. in relation to advances paid to ATA Cooperativa for the purchase of biomass.

As regards the amount EUR 190,536, EUR 51,668 relates to the write-down of the Group's equity investment in Green Wind 1 S.r.l. and EUR 138,868 to the write-down of receivables for existing shareholder loans and trade receivables with said subsidiary, recognised in order to account for losses due to the occurrence of a condition precedent that in substance invalidates the deed of assignment of the branch of the company itself, as described in more detail in the section on changes in the scope of consolidation.

7. Provisions - EUR 2,000

	31.12.2016	31.12.2015	Change	% change
Provision for charges	2,000	1,432,000	(1,430,000)	(99.9%)
Total	2,000	1,432,000	(1,430,000)	(99.9%)

During the financial year under review, the provision made relates to expected future charges for dismantling the group's Bosisio and Sirone photovoltaic plants (see note 16).

8. Other operating costs - EUR 2,084,684

	31.12.2016	31.12.2015	Change	% change
Taxes and duties	334,945	274,457	60,488	22.0%
Membership fees	62,002	34,703	27,299	78.7%
Losses on receivables	0	378,007	(378,007)	(100.0%)
Sanctions, fines and penalties	1,237,833	1,194,831	43,002	3.6%
Contribution Antitrust Authorities	107,282	172,011	(64,729)	(37.6%)
Sundry charges	342,622	752,976	(410,354)	(54.5%)
Total	2,084,684	2,806,984	(722,300)	(25.7%)

Other operating costs are mainly made up of the item Sanctions, fines and penalties imposed on the Group during the financial year under review.

9. Financial income (expense) from financial instruments measured at fair value - EUR (2,370,238)

The item is broken down as follows:

	31.12.2016	31.12.2015	Change	% change
Banco BPM shares	0	(48,248)	48,248	(100.0%)
Banca Marche shares	71,243	(21,900)	93,143	(425.3%)
Veneto Banca shares	(2,486,579)	(22,996)	(2,463,583)	10,713.2%
Banca Etruria shares	45,848	(135,888)	181,736	(133.7%)
Imprebanca securities	(750)	0	(750)	ns
Total	(2,370,238)	(229,032)	(2,141,206)	934.9%

The balance of EUR 2,370,238 is broken down as follows:

- ♦ EUR 117,091 for the AFS reserve, formed in previous years, connected to the fair value of the shares in Banca Marche and Banca Etruria since the company does not consider such value to be recoverable;
- ♦ EUR (2,483,579) in relation to the write-down of the equity shares held in Veneto Banca, of which EUR (1,990,758) for the AFS reserve, formed in previous years, since the company does not consider such value to be recoverable and EUR (495,821) for the further write-down performed during the financial year under review;
- ♦ EUR (750) for the financial charge related to the sale of Imprebanca bonds, reclassified in the financial year under review to financial assets available for sale.

During the financial year under review, a reduction in fair value of EUR 53,435, attributed to the "AFS reserve" of shareholders' equity, was recorded. The change is broken down as follows.

	FV 2016	FV 2015	Change	% change
Mutual funds	1,177,301	1,129,363	47,938	4.2%
Banco BPM	20,555	106,363	-85,807	(80.7%)
Carismi securities	38,148	54,552	-16,404	(30.1%)
Bonds	1,109,183	1,108,344	839	0.1%
Total	2,345,187	2,398,622	(53,435)	(2.2%)

10. Net profit (loss) from the sale of current and non-current operating assets - EUR (116,956)

	31.12.2016	31.12.2015	Change
Green Hydro 1 S.r.l. shareholding	(21,346)	0	(21,346)
Receivables for Green Hydro 1 S.r.l. loans	(95,610)	0	(95,610)
Total	(116,956)	0	(116,956)

The balance is connected to the valuation, in accordance with IFRS 5, of non-current assets held by the company constituting a transaction as described in more detail in note no. 19 below.

11. Financial income - EUR 2,066,482

The item may be broken down as follows.

	31.12.2016	31.12.2015	Change	% change
Income from equity investments in other companies	1,240	11,329	(10,089)	(89.1%)
Interest on loans to subsidiaries	9,588	52,620	(43,032)	(81.8%)
Interest on loans to associated companies	28,506	33,072	(4,566)	(13.8%)
Interest on securities	118,421	75,524	42,897	56.8%
Interest on loans to other companies	15,990	39,480	(23,490)	(59.5%)
Capital gain from sale of securities	1,400	0	1,400	ns
Interest income from customers	2,129,406	2,683,602	(554,196)	(20.7%)
Current account interest income	6,818	39,240	(32,422)	(82.6%)
Other financial income	8,986	73,693	(64,707)	(87.8%)
Financial income	2,319,115	2,997,232	(678,117)	(22.6%)
Exchange gains and losses	(253,873)	(214,102)	(39,771)	18.6%
Total	2,066,482	2,794,459	(727,977)	(26.1%)

Financial income at 31 December 2016 showed a general reduction with respect to the balance in the previous year, as a result of lower interest income from customers.

Income from investments in other companies refers to the dividends received in relation to certain equity securities in the portfolio. Interest on loans to subsidiaries refers to interest income accrued on the interest-bearing loans granted to Green Wind 1 S.r.l. which, as described in other parts of this Report, has not been consolidated.

12. Financial expense - EUR 5,896,663

Details of the breakdown of this item are reported below.

	31.12.2016	31.12.2015	Change	% change
Capital losses on sale of securities	50	13,883	(13,833)	(99.6%)
Bank interest expense	1,095,879	1,779,358	(683,479)	(38.4%)
Interest expense on mortgages and loans	395,897	147,115	248,782	169.1%
Interest expense on factoring	191,048	605,921	(414,873)	(68.5%)
Interest due to other lenders	2,138,206	4,687,491	(2,549,285)	(54.4%)
Interest expense and charges on leasing	135,019	0	135,019	ns
Credit Rating access fee	780,143	0	780,143	ns
Sundry interest and expense	642,863	538,013	104,850	19.5%
Interest on settlement agreements	38,258	530,004	(491,746)	(92.8%)
Interest expense on shareholders' loans	104,030	391,747	(287,717)	(73.4%)
Interest expense on voluntary settlement	125	19,795	(19,670)	(99.4%)
Other financial expense	351,067	485,136	(134,069)	(27.6%)
TFR (employee severance indemnity) discounting	24,078	3,883	20,195	520.2%
Total	5,896,663	9,202,345	(3,305,682)	(35.9%)

This item decreased overall compared to the previous year due primarily to lower interest due to other lenders, lower bank interest and factoring expense, and the reduction of interest expense on settlement agreements reached with the Tax Authorities in relation to disputes connected with transactions carried out in previous years.

During the financial year, the Group also incurred costs for access to credit ratings of EUR 780,143, while interest expense and charges on leasing, equal to EUR 135,019, relate to the lease signed with the company Alba Leasing for leasehold work and improvements on the new registered office and to the lease relating to the plant for the production of electricity from renewable sources (wind) located in the Palombara district, municipality of Sant'Agata di Puglia, Foggia.

13. Share of income/(expense) deriving from equity investments valued using the equity method - EUR 1,840,378

This item includes the effects of the valuation using the equity method of investments in associates.

	31.12.2016	31.12.2015	Change	% change
Solergys	(131,865)	29,801	(161,666)	(542.5%)
ATA Energia	0	8,000	(8,000)	(100.0%)
US Boreale	(1,006)	(19,351)	18,345	(94.8%)
Converge	(1,664,497)	0	(1,664,497)	ns
JMS	(43,010)	0	(43,010)	ns
Total	(1,840,378)	18,450	(1,858,828)	(10,074.9%)

It should be noted that, as described in detail in the section relating to the consolidation criteria for this Report and in note 18 below, the valuation of the equity investment in Solergys S.p.A. took place on the basis of the draft financial statements at 31 December 2016 pending approval, while the valuation of the equity investment in Converge S.p.A., US Boreale S.r.l. and in the joint venture JMS S.r.l. took into consideration the last accounting statement available i.e. the financial statements as at 31 December 2015.

14. Taxation - EUR 5,393,387

Taxation for the year presents a negative balance totalling EUR 5,393,387. In compliance with IAS 12, details of the item are reported below.

	Amount
Current taxes	7,550,860
Taxes relating to previous years	236,465
Deferred tax liabilities/assets	(2,321,207)
Income (expense) from tax consolidation	(72,731)
Total	5,393,387

The consolidating company 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., ATA Energia Soc. Agricola S.r.l., and Green Wind 2 S.r.l. applied the national tax consolidation option pursuant to articles 117 et seq. of Presidential Decree 917/1986, therefore transferring the 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

15. Intangible fixed assets - EUR 1,151,892

Intangible fixed assets presented a net book value of EUR 1,151,892 and are broken down as follows:

	Software licences	Total
Initial values at 31 December 2015	740,569	740,569
Changes at 31 December 2016		
- acquisitions	821,043	821,043
- disposals	0	0
- transfers	0	0
- depreciation	(409,720)	(409,720)
- reclassifications	0	0
- write-downs	0	0
Total changes	411,323	411,323
Values at 31 December 2016	1,151,892	1,151,892
Historical cost	3,365,879	3,365,879
Accumulated depreciation at 31 December 2015	(1,804,267)	(1,804,267)
Amortisation in the period	(409,720)	(409,720)
Accumulated depreciation at 31 December 2016	(2,213,987)	(2,213,987)
Values at 31 December 2016	1,151,892	1,151,892

This item is made up exclusively of the costs incurred for the purchase of software and licenses, and the relative increase of EUR 821,043 is due, for EUR 271,791, to further implementations on the existing systems for invoicing and managing electricity and natural gas items, for EUR 336,252 to the purchase of new software and licenses for invoicing and managing electricity and gas items for the UK market, and for EUR 213,000 to the purchase of licenses for the carrying out of trading activities in the electricity market and for the start-up of electricity sales activities on the UK market.

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

16. Property, plant and machinery - EUR 34,559,185

This item includes the value of the buildings that the Group owns for the carrying out of its corporate activities and is made up as follows.

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Total
Initial values at 31 December 2015	1,128,715	30,017,769	28,990	3,013,838	34,189,313
Changes at 31 December 2016					
- acquisitions	7,446	763,645	2,439	2,879,652	3,653,182
- disposals	0	0	0	0	0
- transfers	0	0	0	0	0
- depreciation	(14,069)	(2,162,666)	(5,915)	(1,076,054)	(3,258,704)
- reclassifications	0	0	0	0	0
- Other changes	(12,838)	0	(11,768)	0	(24,606)
Total changes	(19,461)	(1,399,021)	(15,244)	1,803,598	369,872
Values at 31 December 2016	1,109,254	28,618,747	13,747	4,817,435	34,559,185
Historical cost	1,171,334	37,401,463	65,673	9,443,935	48,082,407
Accumulated depreciation at 31 December 2015	(35,173)	(6,620,050)	(34,243)	(3,550,446)	(10,239,912)
Amortisation in the period	(14,069)	(2,162,666)	(5,915)	(1,076,054)	(3,258,704)
Accumulated depreciation at 31 December 2016	(49,242)	(8,782,716)	(40,158)	(4,626,500)	(13,498,616)
- Other changes	(12,838)	0	(11,768)	0	(24,606)
Values at 31 December 2016	1,109,254	28,618,747	13,747	4,817,435	34,559,185

The item relating to land and buildings, which presented a net book value of EUR 1,109,254, is composed, for EUR 705,416, 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 403,838 located in the biomass plant situated in Avigliano Umbro. Other changes relating to the item Land and buildings, equal to EUR 12,838, refer to the reclassification of the land owned by the Group at the hydroelectric plant currently under construction in the province of Bologna reclassified to non-current assets held for sale.

The item relating to plant and machinery mainly includes the value of plants for the production of electricity from renewable sources. Details of the item are reported below.

	Value as at 31.12.2015	Acquisitions	Depreciation	Revaluations/write-downs	31.12.2016
Avigliano Umbro Biomass plant	5,892,768	1,969	(491,064)	0	5,403,673
Sirone photovoltaic plants	3,257,851	0	(247,912)	0	3,009,939
Bosisio photovoltaic plants	2,962,829	900	(135,358)	0	2,828,371
Photovoltaic park in Romania	11,818,778	0	(739,801)	0	11,078,977
Sant'Agata di Puglia wind farm	2,087,983	0	(115,000)	0	1,972,983
Lanciano Biogas plant	3,997,560	757,130	(433,258)	0	4,321,432
Other plants	0	3,646	(273)	0	3,373
Total	30,017,769	763,645	(2,162,666)	0	28,618,747

The increase of EUR 763,645 relates to additional implementations carried out during the financial year on existing plants, particularly those required to make the Lanciano biogas plant operative.

Note that the plant for the production of electricity from renewable sources (wind) located in the

Palombara district, Municipality of Sant'Agata di Puglia, Foggia, is the object of a 12-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 1,972,983. 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)

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 photovoltaic plants.

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

	Value as at 31.12.2015	Acquisitions	Amortisation/depreciation/write-downs	Reclassifications	31.12.2016
- Office furniture and furnishings	340,214	239,422	(136,466)	0	443,170
- Non-depreciated furniture and furnishings	593,599	0	0	0	593,599
- Mobile phones	10,184	4,850	(6,686)	0	8,348
- Equipment	16,648	481	(1,949)	0	15,180
- Cars	48,961	0	(15,644)	0	33,317
- Electronic office machines	399,078	33,024	(171,279)	0	260,823
- Equipment for energy certification	0	104,438	0	0	104,438
- Leasehold improvements	1,605,154	297,437	(744,030)	0	1,158,561
- Fixed assets in progress	0	2,200,000	0	0	2,200,000
Total	3,013,838	2,879,652	(1,076,054)	0	4,817,436

Leasehold improvements relate to the property at 11, Corso d'Italia, Rome, at which corporate activities were carried out during the financial year under review. It should be noted that in October 2016, notice was given in relation to the lease for this property, with effect from 30 October 2016 - 30 April 2017. Depreciation was therefore recalculated based on the new useful life. Acquisitions for the year relating to this category, equal to EUR 297,437, relate to capitalised expenditure from the direct subsidiary Green Network UK PLC for work carried out at the offices in which corporate activities are performed.

The item relating to other assets increased by EUR 2,879,652 mainly due to works in progress, equal to EUR 2,200,000, made up of EUR 2,000,000 for furniture, installations and equipment for the new premises where, from February 2017, corporate activities will be carried out, and EUR 200,000 for leasehold improvements under way. In order to finance the furniture, installations and equipment, totalling EUR 2,000,000, the Group signed a lease agreement with Alba Leasing S.p.A., the main characteristics of which are reported below.

Contract 01098378/001 Alba Leasing S.p.A.

Presumed cost	2,000,000.00	Total consideration	2,050,778.45
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Months	60	Rate	2.11%
Anticipated fee	700,000	Redemption	20,000.00
Periodic fee	22,894.55	Preliminary	300.00
Fee months	59	Indexing	Actual 3M Euribor
Monthly instalment	22,895	Annual instalments in advance	274,735

It should be noted that since these fixed assets have not yet entered into operation, they have not been depreciated.

Finally, the other changes relating to the item Industrial and commercial equipment in the amount of EUR 11,768 relate to the deconsolidation, for the purposes of this Report, of the company Green Wind 1 S.r.l.

17. Investment property - EUR 8,254,373

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

	31.12.2016	31.12.2015	Change
Building in Terracina – San Felice	1,737,539	1,761,656	(24,117)
Building in Terni - Via Bramante	140,956	145,516	(4,560)
Building in Rome - Paisiello	5,563,743	5,745,255	(181,512)
Building in Rome - Via Cavalieri	812,135	842,152	(30,017)
	8,254,373	8,494,579	(240,206)

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.

Below are the details of each asset:

	Land	Historical cost	Accumulated depreciation - 2015	NBV 2015	Changes in the year	Deprec. 2016	Accumulated depreciation - 2016	NBV 2016	Fair value 31.12.2016
Rome - Paisiello 1	677,845	4,415,400	(933,949)	4,159,296	-	132,462	(1,066,411)	4,026,834	4,675,000
Rome - Cavalieri	0	1,000,572	(158,419)	842,152	-	30,017	(188,436)	812,135	845,000
Terni	37,074	151,996	(43,554)	145,516	-	4,560	(48,114)	140,956	189,000
Terracina	178,000	1,607,773	(24,117)	1,761,656	-	24,117	(48,234)	1,737,539	1,740,000
Rome - Paisiello 3-4	0	1,635,009	(49,050)	1,585,959	-	49,050	(98,100)	1,536,909	1,540,000
	892,919	8,810,750	(1,209,089)	8,494,579		240,206	(1,449,295)	8,254,373	8,989,000

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, however, reveal any indicators of impairment.

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

Description

31.12.2016

Rentals receivable	941,684
Utility costs	(10,003)
Maintenance costs	(123,138)
Insurance costs	(2,214)
Commission payable	(12,065)
Registration tax	(1,102)
Property taxes and duties (IMU [municipal property tax], TASI [taxes on indivisible services], TARI [waste tax])	(32,145)
Condominium expenses	(9,881)
Total	751,136

18. Equity investments - EUR 2,789,135

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

	31.12.2016	31.12.2015	Change
Equity investments in subsidiaries	10,000	10,000	0
Equity investments in associated companies and joint ventures	2,769,135	4,609,345	(1,840,210)
Equity investments in other companies	10,000	10,000	0
Total	2,789,135	4,629,345	(1,840,210)

The amount of EUR 10,000 relating to investments in subsidiaries refers to its shareholding in the company Green Network Power & Gas Ltd, currently not operational and in liquidation and therefore, as already described, not consolidated.

With reference to investments in associates, the change for the year derives from their valuation using the equity method. As already described above, it is noted that for Solergys S.p.A. the valuation was carried out on the basis of the book values of the investee company as at 31 December 2016, while the values relating to Converge S.r.l., US Boreale S.r.l. and JMS S.r.l. reflect their book values as at 31 December 2015.

The details of the individual companies are provided below:

Company	Registered Office	Share Capital	Shareholders' equity	Profit (loss) for the year	% equity investment	Book Value
Converge S.r.L. *	Brescia	114,000	3,933,847	(3,416,455)	48.72%	1,916,570
Sòlerys S.p.A.	Rome	120,000	391,554	102,083	49.00%	191,862
US Boreale S.r.L. *	Rome	10,200	1,140,439	(61,077)	27.83%	317,390

* Values as at 31.12.2015

Investments in associates include the value of EUR 343,312 relating to the 50% equity investment in a joint venture having as its object a photovoltaic system.

Company	Registered Office	Share Capital	Shareholders' equity	Profit (loss) for the year	% equity investment	Book Value
JMS S.r.l.	Brescia	50,000	686,623	(86,020)	50.00%	343,312

The information shown in the table above relates to the most recent statements available, i.e. the JML

S.r.l. financial statements approved at 31 December 2015.

Finally, the value of EUR 10,000 relating to investments in other companies relates to the equity investment held by the Group in Itaipower Energia. The value of said equity investment is unchanged compared to the previous year's value. Reported below are the accounting data from the 2016 financial statements. It should also be noted that the company Itaipower Energia S.r.l. has approved the distribution of dividends with reference to the profit for financial year 2016 and the share pertaining to the Group is EUR 15,000.

Company	Registered Office	Share Capital	Shareholders' equity	Profit (loss) for the year	% equity investment	Book Value
Itaipower Energia S.r.l.	Catania	100,000	559,284	191,088	10.00%	10,000

19. Non-current assets held for sale - EUR (85,409)

For the current financial year, the item has a negative balance of EUR 85,409 in relation to the value of the equity investment held by the Group in Green Hydro 1 S.r.l. and the related loan value.

	31.12.2016	31.12.2015	Change
Green Hydro 1 S.r.l. shareholding	10,200	0	10,200
Green Hydro 1 S.r.l. loan	(95,609)	0	(95,609)
Total	(85,409)	0	(85,409)

As already described in other parts of this report, on 23 December 2016 the consolidating company Green Network concluded a preliminary sale agreement for the sale of the entire shareholding in the company Green Hydro 1 S.r.l. For the preliminary sale agreement to come into effect, a condition precedent must occur. Said condition consists in obtaining, by 30 June 2017, the tariff incentive mechanisms provided for by sector legislation, an event which occurred in February 2017. The preliminary sale agreement also provides for the payment of a sum of money by the purchaser both for the shareholding in Green Hydro 1 S.r.l. and the related outstanding loan.

	Carrying value at 31/12/2016	IFRS 5	Balance sheet value at 31/12/2016
Shareholding	31,546	(21,346)	10,200
Receivables for loans	398,298	(95,610)	302,688

20. Receivables from parent companies, subsidiaries, associates and joint ventures - EUR 4,976,940

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	91,084	0	91,084
<i>of which for loans</i>	91,084	0	91,084
<i>of which other receivables</i>	0	0	0
Receivables due from associated companies	1,430,085	1,430,085	0
<i>of which for loans</i>	1,430,085	1,430,085	0
<i>of which other receivables</i>	0	0	0
Receivables due from holding companies	3,455,771	3,810,471	(354,700)

	31.12.2015	31.12.2014	Change
<i>of which for loans</i>	3,437,194	3,777,195	(340,001)
<i>of which other receivables</i>	18,576	33,276	(14,700)
Total	4,976,940	5,240,556	(263,616)

Receivables from subsidiaries, equal to EUR 91,084, relate to the residual amount of the receivable for the loan to the subsidiary Green Wind 1 S.r.l., which has not been consolidated for the purposes of this report. As a result of the impairment testing carried out by the consolidating company, said loan was prudently written down by half.

Receivables from associated companies refer to the outstanding loan to the associated companies Solèrgys S.p.A. and US Boreale S.r.l., reported below in more detail.

Counterparty	Loan	31/12/2015	Increases	Decreases	31/12/2016
Solèrgys S.p.A.	Interest-bearing	1,420,085	-	-	1,420,085
US Boreale	Non-interest bearing	10,000	-	-	10,000
TOTAL DUE FROM ASSOCIATED COMPANIES		1,430,085	-	-	1,430,085

The loan to US Boreale S.r.l. is non-interest bearing while the loan to Solèrgys S.p.A. is interest-bearing and the interest accrued during the year under review totalled EUR 28,506.

Receivables from parent companies include a receivable for a loan granted to SC Holding S.r.l., detailed below, and a receivable of EUR 18,576 deriving from IRES tax consolidation.

Counterparty	Loan	31/12/2015	Increases	Decreases	31/12/2016
SC Holding S.r.l.	Non-interest bearing	3,777,194	0	340,000	3,437,194
TOTAL DUE FROM HOLDING COMPANIES		3,777,194	0	340,000	3,437,194

During the financial year under review, the parent repaid part of this loan.

21. Deferred tax assets - EUR 8,496,545

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

	31.12.2016	31.12.2015	Change
Deferred tax assets	8,496,545	6,068,677	2,427,868
Total	8,496,545	6,068,677	2,427,868

Details of these receivables are reported below.

	Amount
Differences on statutory and tax amortisation of photovoltaic plants	108,618
Write-down of CDI Suisse receivable	0
Interest expense	715,602
Prepaid taxes on trademarks	184,479
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
Deferred tax assets from IAS/IFRS adjustment	(701,164)
Prepaid taxes on non-deductible allowance for doubtful receivables	1,721,573
Prepaid taxes on goodwill - former GN L&G	721,841
Receivables for prepaid taxes from tax losses	2,158,269
Write-down of fixed assets	16,904
Write-downs of equity investments	216,000

	Amount
Adjustment to the new IRES rate of 24%	(42,681)
Receivables on registration fees	1,720
Write-down of inventories	59,802
Total	8,496,545

The increase compared to the previous year derives from the allocation of deferred tax assets carried out by Group companies, mainly the subsidiaries operating in the UK, as a result of tax losses.

22. Tax credits - EUR 5,050,138

	31.12.2016	31.12.2015	Change
Receivables for UTF (finance office)	920,458	1,077,635	(157,177)
Receivables for VAT	3,914,599	3,858,035	56,564
Receivables for tax disputes	120,370	120,370	0
Receivables for refund requests	51,276	51,276	0
Other tax receivables	43,435	43,435	0
Total	5,050,138	5,150,751	(100,613)

The item is composed primarily of receivables for UTF taxes of EUR 920,458, 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.

23. Financial assets held to maturity - EUR 0

	31.12.2016	31.12.2015	Change
- Certificates of deposit	0	5,900,000	(5,900,000)
- Bonds	0	3,917,457	(3,917,457)
Total	0	9,817,457	(9,817,457)

For the financial year under review, this item has been affected by the application of the “tainting rule” referred to in paragraph 52 of IAS 39 as a result of the sale of a significant part of the securities portfolio before their natural expiry.

Type	Value	Expiry date	Sale date
Bond	500,000	31/10/2016	03/10/2016
Bond	1,000,000	02/12/2018	03/10/2016
Bond	1,119,586	31/01/2017	03/10/2016
Bond	150,000	23/06/2017	11/01/2016

In view of these sales, the remaining securities previously classified to the HTM portfolio (certificates of deposit and bonds) have been reclassified to the “Available-for-sale” securities portfolio, as described and discussed in more detail in note 31 below.

24. Other non-current assets - EUR 2,907,352

	31.12.2016	31.12.2015	Change
Receivables for security deposits	997,193	1,438,213	(441,020)
Receivables for grants pursuant to Law No. 388/2000	100,000	100,000	0
Green certificates	1,741,659	1,185,137	556,522
Other receivables	68,500	51,619	16,881
Total	2,907,352	2,774,969	132,383

The item is mainly made up 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.

25. Inventories - EUR 670,925

	31.12.2016	31.12.2015	Change
Inventories of finished products and goods for resale	321,617	0	321,617
Raw, ancillary and consumable materials	349,308	56,120	293,188
Total	670,925	56,120	614,805

The value of EUR 321,617 relating to inventories of finished products refers to the value of the gas stored, as at 31 December 2016, at special sites and not sold at the end of the financial year. The inventories were valued using the weighted average cost method.

The value of EUR 349,308 relates to the increase in value using the weighted average cost criterion of inventories of raw materials, consumables and finished products for the Avigliano Umbro and Lanciano plants, respectively equal to EUR 8,786 and EUR 340,522.

26. Trade-related receivables - EUR 202,729,026

Details of the item are reported below.

	31.12.2016	31.12.2015	Change
Trade receivables (customers)	135,344,395	114,445,680	20,898,715
Allowance for doubtful receivables	(10,348,229)	(4,700,651)	(5,647,578)
Customers for invoices to be issued	74,469,811	93,481,797	(19,011,986)
Credit notes to be issued	(5,511,757)	(5,366,362)	(145,395)
Bank, subject to collection	8,774,806	9,939,199	(1,164,393)
Total	202,729,026	207,799,663	(5,070,637)

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 10,348,229. Details of its changes in the period are shown below.

	Amounts
Balance at 31 December 2015	4,700,651
Uses during the year	(1,352,422)
Provision for the year	7,000,000

Total **10,348,229**

The provision was used to cover the losses on receivables recorded in 2016 and for which the Group had already estimated losses in previous years. The provision of EUR 7,000,000 was made as a result of the impairment process carried out by the Group on a portfolio of customers homogeneous in nature and characteristics. It should be noted that the Group made a further bad debt provision of EUR 131,575 to cover losses on loans not of a commercial nature but of another nature (the receivable to which the latter provision refers is in fact a receivable reclassified to other current assets as per note no. 32 below).

With reference to receivables from customers, it is noted that the Group has outstanding net loans due from Tradecom S.p.A., subject to insolvency proceedings from November 2014 (bankruptcy), for a total amount of approximately EUR 14.3 million (gross value of receivables equal to EUR 35 million net of a write-down of approximately EUR 20 million). Based on the documentation available at the date of this Report, the Group, with the support of its independent legal advisors, is reasonably confident of the successful outcome of the recovery of the receivable.

The receivables relating to 'Banks, subject to collection' refer to commercial invoices submitted to banks for advances/discounts but which at the date of this Report had not yet been paid.

"Receivables for invoices to be issued" represent the allocations for services rendered at the date of this Report. "Credit notes to be issued" are applied as direct decreases in receivables at the date of this Report, as they relate directly to this item.

It should also be noted that, as guarantee for several trade-related receivables, the Group received bank sureties totalling EUR 16,000,000. More specifically, the sureties relate to:

- ◆ EUR 1,300,000, for the supply of electricity to the customer A.C.P. Srl;
- ◆ EUR 6,000,000, for the supply of electricity and gas to the customer Riva Acciaio S.p.A.;
- ◆ EUR 10,000,000, for the supply of electricity to the customer Portovesme S.p.A.

27. Receivables from parent companies, subsidiaries, associates and joint ventures - EUR 18,984,606

Details of the item are reported below.

	31.12.2016	31.12.2015	Change
Green Network Power & Gas Ltd	0	1,411	(1,411)
Green Wind 1 S.r.l.	2,275	0	2,275
Receivables due from subsidiaries	2,275	1,411	864
Sòlerys S.p.A.	325,053	328,688	(3,635)
Receivables due from associated companies	325,053	328,688	(3,635)
JMS S.r.l.	9,287,287	52,622	9,234,665
Receivables due from Joint Ventures	9,287,287	52,622	9,234,665
SC Holding S.r.l.	9,369,991	3,378,994	5,990,997
Receivables due from holding companies	9,369,991	3,378,994	5,990,997
Total	18,984,606	3,761,715	15,222,891

The increase in the item of EUR 15,222,891 with respect to the balance of the previous year is attributable to the receivable due from JMS S.r.l. (joint venture) whose value for financial year 2015

was offset with the corresponding debtor values. These receivables, equal to the payables referred to the note 43 below, refer to commercial relations related to energy trading activities and do not refer to relations related to the object of the joint venture.

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.

Receivables from subsidiaries include a receivable from the subsidiary Green Wind 1 S.r.l. which, for the purposes of this Report, has not been consolidated.

28. Loans to banks and other financial institutions - EUR 1,723,563

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.

	31.12.2016	31.12.2015	Change
Receivables due from factoring companies	1,723,563	2,714,641	(991,078)
Total	1,723,563	2,714,641	(991,078)

29. Tax credits - EUR 10,205,057

The balance of the item is broken down as follows.

	31.12.2016	31.12.2015	Change
Receivables due from the Tax Authorities for direct taxes	482,009	1,114,730	(632,721)
Receivables for UTF taxes	7,273,536	5,905,293	1,368,243
Receivables due from tax authorities for VAT	1,190,358	860,129	330,229
Other tax receivables	1,259,154	1,209,021	50,133
Total	10,205,057	9,089,173	1,115,884

The balance is mainly made up of receivables due from the tax authorities for UTF taxes and receivables relating to VAT.

30. Derivatives - EUR 18,810,083

The item includes the positive fair value of the derivative financial instruments that the Group holds for hedging purposes for the purchase of commodities.

	31.12.2016	31.12.2015	Change
Derivative financial instruments	18,810,083	618,426	18,191,657
Total	18,810,083	618,426	18,191,657

This is mainly Swap and OTC derivatives for which the fair value was determined by applying level two as provided for by IFRS 13. More specifically, the amount of EUR 18,810,083 is made up of EUR 1,307,886 relating to the derivative financial instruments held by the Group for hedging purposes in line with the guidelines contained in IAS 39 on hedge accounting, the change in fair value of which has been deferred to the cash hedging reserve, and EUR 17,502,197 held by the Group for trading purposes or that do not meet the conditions for being classified as hedging instruments, the change

in fair value of which has been booked directly to the income statement. Of these derivative financial instruments, EUR 7,274,895 are held by the consolidating company and EUR 10,227,302 are held by the subsidiary Green Network UK PLC which operates on behalf of the Group on energy trading platforms.

31. Financial assets available for sale - EUR 8,274,800

	31.12.2016	31.12.2015	Change
- Certificates of deposit / Savings vouchers	5,900,000	0	5,900,000
- Bonds	1,109,183	0	1,109,183
- Investment funds	1,177,301	1,129,363	47,938
- Other securities	88,316	663,621	(575,304)
Total	8,274,800	1,792,984	6,481,816

As already stated in note 23 above, the item also includes the certificates of deposit/savings vouchers and bond securities which, in application of the tainting rule referred to in paragraph 52 of IAS 39, have been reclassified to this item as a result of the sale of a significant part of said portfolio before maturity or within three months from that date.

With reference to the certificates of deposit and bond securities, the table below shows the changes with respect to the previous year.

	Certificates of deposit	Bonds
Value as at 31.12.2015	5,900,000	3,917,457
Investments	2,000,000	40,473
Disinvestments	(2,000,000)	(2,849,586)
Fair value adjustment	0	839
Total	5,900,000	1,109,183

The increase of EUR 47,937 relating to investment funds represents the adjustment of the value of the securities to the relative fair value at the date of this report. As regards the determination of the fair value, since said instruments were transferred in February 2017, the value used for the purposes of drafting this report was the transfer-date fair value.

Finally, the item "other securities" is made up exclusively of equity securities. The net negative change of EUR 575,304 recorded in the financial year is due to the adjustment of the value of the securities to the relative fair value at 31 December 2016, determined by applying level two as provided for by IFRS 13, and to an increase of EUR 22,727 for the purchase of additional shares in Banco BPM.

	31.12.2016	31.12.2015	Change
- BPM shares	43,282	106,362	(63,080)
- Carismi shares	38,148	54,552	(16,404)
- Veneto Banca shares	6,887	502,707	(495,821)
Total	88,316	663,621	(575,304)

The change in the fair value of the financial instruments in the portfolio, in application of the provisions of IAS 39, was deferred to the relevant AFS reserve of shareholders' equity. The relative changes are reported below.

	Amount
Value as at 31.12.2015	(1,774,972)
Change in fair value of investment funds	47,938
Change in fair value of Banco BPM shares	(85,807)
Deduction of fair value of Veneto Banca, Banca Etruria and Banca Marche shares	1,873,667
Change in fair value of Carismi securities	(16,404)
Change in fair value of bond securities	839
Value as at 31.12.2016	45,260

32. Other current assets - EUR 12,964,634

Other current assets are detailed below.

	31.12.2016	31.12.2015	Change
Suppliers - energy advances	100,000	124,856	(24,856)
Suppliers - advance account	11,521,078	15,947,543	(4,426,465)
Other receivables due from employees	2,210	1,717	493
Incentive tariff	247,859	411,789	(163,930)
Advances to suppliers for plants under construction	140,557	1,823,304	(1,682,747)
Other receivables	952,930	2,140,930	(1,188,000)
Total	12,964,634	20,450,139	(7,485,505)

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

	31.12.2016	31.12.2015	Change
Charges on sureties	823,959	726,241	97,718
Insurance	558,826	369,146	189,680
Interest expense on settlement agreements	38	15,422	(15,384)
Insurance and car expenses	20,673	24,059	(3,386)
Leasing	26,986	329,162	(302,176)
Equipment rental	155,452	48,098	107,354
Advertising expenses	9,918	46,148	(36,230)
Commissions	8,001,903	13,791,883	(5,789,980)
Sales consulting	37,362	73,242	(35,880)
Financial consulting	0	21,574	(21,574)
Sundry consulting	29,485	0	29,485
Software licences	138,449	0	138,449
Costs for the provision of services	54,697	74,213	(19,516)
Registration tax	71,684	80,219	(8,535)
Rentals payable	482,183	304,651	177,532
Bank charges	372	6,177	(5,805)
Proceeds from derivatives	487,105	0	487,105
Other	621,986	37,308	584,678
	11,521,078	15,947,543	(4,426,465)

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 140,557, includes the costs connected with the construction of plants for the production of electricity from renewable sources, particularly the hydroelectric power plant in the municipality of Tortona, Alessandria. The reduction with respect to the previous year's value is the result of a simple reclassification of the hydroelectric plant in the province of Bologna to assets classified as held for sale and the deconsolidation of the subsidiary Green Wind 1 S.r.l.

Finally, the entry relating to other receivables is made up as follows.

	31.12.2016	31.12.2015	Change
Compensation from suppliers	0	8,561	(8,561)
Income from derivative financial instruments	0	174,108	(174,108)
Sundry receivables	856,605	1,053,051	(196,446)
Receivables due from Solcap S.r.l.	96,325	789,600	(693,275)
Financial income from securities	0	115,610	(115,610)
	952,930	2,140,930	(1,188,000)

The receivable due from Solcap S.r.l. equal to EUR 96,325 which represents the residual amount of the receivable for the shareholder loan granted to the company by Green Network S.p.A. that was collected in March 2017.

The item "other receivables" comprises the receivable due to the Group from ATA Cooperativa, in connection with the Lanciano biogas plant, equal to EUR 74,862 net of the provision for depreciation allocated to cover losses that could occur in the future. The change in this provision is shown below.

	Amounts
Balance at 31 December 2015	117,605
Uses during the year	0
Provision for the year	131,575
Total	249,180

33. Cash and cash equivalents - EUR 19,394,297

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.

	31.12.2016	31.12.2015	Change
Bank and post office deposits	19,370,182	23,953,920	(4,583,738)
Cash and cash equivalents	24,115	25,261	(1,146)
Total	19,394,297	23,979,181	(4,584,884)

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. Assets classified as held for sale - EUR 811,338

This amount refers to the following assets:

	Amount
Land	12,838
Tax credits	130,328
Receivables for prepaid taxes	21,970
Receivables for plants under construction	359,966
Other current receivables	283,563
Other non-current receivables	2,674
Total	811,338

These assets relate to assets held by the subsidiary Green Hydro 1 S.r.l. for which negotiations are under way with regard to the sale of all of the shares held by the Group.

35. Shareholders' equity - EUR 15,550,190

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
Balances as at 1 January 2014	15,000,000	837,050	7,783,628	16,387,195	2,483,129	42,491,003	169,036	42,660,039
Changes in Shareholders' Equity	636,000	118,000	(11,133,751)	0	(2,483,129)	(12,862,880)	(205,208)	(13,068,088)
Net result as at 31/12/2014					(1,361,799)	(1,361,799)	(301,402)	(1,663,201)
Balance at 31 December 2014	15,636,000	955,050	(3,350,123)	16,387,195	(1,361,799)	28,266,324	(337,574)	27,928,750
Changes in Shareholders' Equity		106,000	(20,090,400)		1,361,799	(18,622,601)	626,063	(17,996,538)
Net result as at 31/12/2015			0		289,936	289,936	(271,417)	18,520
Balance at 31 December 2015	15,636,000	1,061,050	(23,440,523)	16,387,195	289,936	9,933,659	17,073	9,950,732
Changes in Shareholders' Equity		66,986	5,522,854		(289,936)	5,299,903	113,343	5,413,246
Net result as at 31/12/2016					92,144	92,144	94,069	186,213
Balance at 30 December 2016	15,636,000	1,128,036	(17,917,669)	16,387,195	92,144	15,325,705	224,485	15,550,190

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.

	31.12.2016	31.12.2015	Change
Extraordinary reserve	3,950,884	2,678,150	1,272,734
Reserve for valuation at equity	6,297,595	6,297,596	(0)
Capital contributions	13,394	13,394	0
Actuarial gain reserve	(242,322)	(167,994)	(74,328)
Indivisible profits and reserves	(29,293,790)	(28,138,763)	(1,155,027)
Derivative valuation reserve	1,307,406	(2,347,931)	3,655,337
AFS reserve	45,260	(1,774,972)	1,820,232
Rounding reserve	2	(3)	5
Translation reserve	3,901	0	3,901
Total	(17,917,669)	(23,440,523)	5,522,854

With reference to changes in shareholders' equity items, the following should be noted:

- ◆ The amount of EUR 3,655,337 relating to the derivatives valuation reserve reflects the change in fair value at 31 December 2016 as well as the effects of the restatement of the comparative values;
- ◆ The amount of EUR 1,820,232 relating to the AFS reserve is connected to the change in fair value, at 31 December 2016, of financial instruments classified by Group management in the "AFS - available for sale" portfolio, as well as the reversal from said reserve of changes in fair value recognised in previous years and reversed to the income statement in the current financial year in view of the fact that they are deemed to be irrecoverable;
- ◆ The amount of EUR (74,328) relating to the actuarial gains reserve includes the differences arising from the valuation of TFR liabilities according to the criteria set out in IAS 19 for the financial year under review, as described in detail in note 37 below.

36. Long-term loans - EUR 22,341,848

This item includes the non-current share of existing loans.

	31.12.2016	31.12.2015	Change
Long-term portion of bank loans	10,307,893	12,636,196	(2,328,303)
Banca Popolare di Milano	4,423,770	6,550,463	(2,126,693)
Banca Popolare Bergamo	189,972	271,046	(81,074)
GE Capital Interbanca	2,001,615	2,662,994	(661,379)
Banca Popolare di Vicenza	1,008,002	0	1,008,002
Mediocredito Italiano	2,684,534	3,151,693	(467,159)
Due to other lenders	5,205,938	6,166,626	(960,688)
Feed S.p.A.	4,400	17,865	(13,465)
Alba Leasing S.p.A.	1,701,538	1,344,761	356,777
Simest S.p.A.	3,500,000	4,804,000	(1,304,000)
Due to minority shareholders	6,828,017	7,425,004	(596,987)
Nomar Enterprise S.r.l.	123,830	434,830	(311,000)
Feed S.p.A.	156,283	248,995	(92,712)
Genera S.p.A.	1,557,570	1,521,350	36,220
Buia	0	144,874	(144,874)
Gold Sun Europe S.r.l.	4,867,844	5,045,175	(177,331)
Free Energia S.p.A.	92,711	0	92,711
Doro Re S.r.l.	29,779	29,780	(1)
Total	22,341,848	26,227,826	(3,885,978)

The following table contains the details of the outstanding bank loans and shows the current and non-current amounts and portion of payables due beyond five years.

Type	Bank	Nominal value	Due as at 31.12.2016	Due within 12 months	Due beyond 12 months	Payable due beyond five years
Unsecured loan	Banca Popolare di Milano	5,000,000	0	0	0	0
Loan	Banco Popolare	1,500,000	1,070,533	1,070,533	0	0
Loan	Banca Popolare di Vicenza	2,991,000	2,991,000	1,984,669	1,008,002	0
Mortgage loan	Banca Pop. Bergamo	700,000	271,853	81,073	190,779	0
Mortgage loan	GE Capital Interbanca	4,000,000	2,667,474	666,667	2,000,807	0
Loan	Banca Popolare di Milano	2,800,000	1,707,128	277,545	1,429,583	151,577
Loan	Banca Popolare di Milano	2,500,000	1,345,590	319,766	1,025,824	0
Loan	Mediocredito Italiano	4,500,000	3,158,218	473,684	2,684,534	828,947
Loan	Banca Popolare di Milano	3,400,000	2,432,811	464,448	1,968,363	0
			15,644,607	5,338,385	10,307,893	980,525

The decrease recorded in the long-term portion of payables for bank financing, compared to the previous year, is due primarily to increased debts of EUR 1,008,002 for an unsecured loan obtained from Banca Popolare di Vicenza and to the decrease in the payables due to Banca Popolare di Milano which, having reached maturity, no longer has a share payable beyond the financial year.

The amount of payables due to Banca Popolare di Vicenza represents the value, in the application of the depreciated cost criteria with an internal rate of return (IRR) equal to 2.09%, of the long-term portion of financing that the Group has obtained from Banca Popolare di Vicenza. This is an unsecured loan with a nominal value of EUR 3,000,000, with additional charges of EUR 9,000, maturing on 30 June 2018.

BPV loan no. 34 5144649	
Loan	3,000,000
Preliminary expenses	9,000
Duration in months	20
Instalment frequency	Monthly
Instalment amount (capital + interest)	168,987
Nominal rate	1.750%
Variable rate	Euribor3M/360 val 15 umt + 0.1
Date stipulated	07/11/2016

With reference to bank financing, it should also be borne in mind that:

- ◆ the loans to BPM, for a nominal amount of EUR 2,800,000 and EUR 2,500,000, are guaranteed by the factoring with recourse of all the amounts receivable due from the GSE (or rather those deriving from the feed-in tariff) accrued for the Sirone and Bosisio plants;
- ◆ to guarantee the loan received from Mediocredito Italiano S.p.A., the Group transferred the receivables due from GSE S.p.A. in relation to the Avigliano Umbro plant;

Payables backed by secured guarantees are as follows:

- ◆ first mortgage of EUR 8,000,000 recognised on the property assets in Via Paisiello in Rome to guarantee the loan granted by GE Capital Interbanca;
- ◆ first mortgage of EUR 1,400,000 recognised on the property assets in Via Cavalieri in Rome to guarantee the loan granted by Banca Popolare di Bergamo;
- ◆ mortgage of EUR 7,875,000 recognised on the company properties located in the municipality of Avigliano Umbro, Terni, special lien on the properties, machinery, plants and tools owned for EUR 7,785,000 to guarantee the loan received from Mediocredito italiano S.p.A.

Lastly, note that in order to cover the risk of interest rate exposure, the Group entered into a hedge through the subscription of a Capped Swap, stipulated on 21 July 2010 with Banca Popolare di Bergamo, for the loan with a nominal value of EUR 700,000, maturing on 8 February 2017. The derivative provides for capital of EUR 270,000, and the relative negative "mark to market" (MTM) value at 31 December 2016 amounted to EUR 480. The value of said derivative is included in the value of the negative derivatives referred to in note no. 46 below.

Due to other lenders is composed primarily of:

- ◆ the non-current share of debt that the Group has in respect of Simest S.p.A. in relation to the commitment for the repurchase of minority shares in the company Green Network Holding Rinnovabili S.r.l.;
- ◆ the debt that the Group has in respect of the company Alba Leasing S.p.A. under the financial leasing contract relating to the plant for the production of electrical energy from renewable sources (wind) in the municipality of Sant'Agata di Puglia, equal to EUR 1,232,197, and the debt connected to the new contract concluded by the consolidating company for the financing of equipment, fixtures and furnishings for the new registered offices, equal to EUR 469,341;

- ♦ the payables due to the outgoing shareholder, Feed S.p.A., in Green Hydro 2 S.r.l.

Payables due to minority shareholders, amounting to EUR 6,828,017, are composed of payables for loans that some Group companies have vis-a-vis minority shareholders and which are considered deferred as regards repayment. Interest expense totalling EUR 91,422 has accrued on these payables.

37. Employee severance indemnity and other employee benefits - EUR 1,567,014

The item is made up exclusively of Group liabilities for employee severance indemnity vis-a-vis its employees.

	31.12.2016	31.12.2015	Change
Employee severance indemnity and other employee benefits	1,567,014	1,217,470	349,544
Total	1,567,014	1,217,470	349,544

The increase recorded with respect to the previous year is due to the general increase in the number of Group employees, as shown in note no. 5.

The following table shows the change in the provision as at the date of this Report.

	Amount
Opening balance	1,217,470
Use for leavers	(175,888)
Provision for the year	525,432
Balance at 31 December 2016	1,567,014

The discounting of liabilities, as per IAS 19, was carried out by an actuary appointed by the company who took into account the following actuarial assumptions:

- ♦ the probabilities of death were deduced from the Italian population, by age and gender, as calculated by ISTAT in 2000 and reduced by 20%;
- ♦ the probability of termination of service due to absolute and permanent disability was calculated, by age and gender, according to the disability tables currently used by the insurance sector;
- ♦ as regards the pension age for the general assets item, the first requisite for retirement accepted by the Compulsory General Insurance was taken into account, assuming that employees' INPS contributions began, at the latest: at the age of 25 for the current managers, 23 for current executives, 20 for current white-collar staff and 18 for blue-collar staff;
- ♦ the valuation takes into account the variations in the retirement age introduced into national law by recent reforms;
- ♦ the probability of termination of service due to resignation or dismissal was determined, as at the valuation date, at a turn-over rate of 10% per annum;
- ♦ the probability of an advance payment request was estimated at 3.00% per annum, with the size of the advance equal to 60% of the TFR remaining in the business.

With regard to wage growth, an all-inclusive wage trend of 2.70% per annum was used for all the professional categories. The estimated inflation rate used for the valuations was 1.50% per annum. The discount rate used for the valuations was 1.3103% per annum as it stands at 31 December 2016 for bond securities issued by AA-rated European companies for durations of more than 10 years.

The change in the actuarial gains reserve is shown below.

	Amounts
Value as at 31.12.2015	167,994
Provision for the year	74,328
Value as at 31.12.2016	242,322

38. Provisions for risks and charges (non-current portion) - EUR 4,175,296

Details of the item are reported below.

	31.12.2016	31.12.2015	Change
Provision for deferred taxation	2,735,296	2,576,127	159,169
Provision for risks and charges	1,440,000	1,723,913	(283,913)
Total	4,175,296	4,300,040	(124,744)

The change in the provisions in the year under review is as follows.

	Provision for deferred taxes	Provision for risks and charges
Opening balance	2,576,127	1,723,913
Provision for the year	355,471	2,000
Uses during the year	(196,302)	(285,913)
Balance at 31 December 2015	2,735,296	1,440,000

The provision for deferred taxes, amounting to EUR 2,735,296, is allocated with reference to the income which will be taxed in future periods, mainly relating to interest on arrears of previous years.

	Amount
Default interest income - Green Sud S.r.l.	192,445
Default interest income - GN L&G 2015	474,730
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	199,679
IAS 17 financial leasing - Green Wind 2 S.r.l.	(57,786)
Other situations deriving from IAS/IFRS transition	7,147
Default interest income for 2016 not collected	355,471
Total	2,735,296

The provision for risks and charges equal to EUR 1,440,000 increased by EUR 2,000 to cover future expenditure related to the decommissioning of the Bosisio and Sirone photovoltaic plants, while the amount of EUR 285,913 is not representative of a drawdown for the year but rather a balance sheet reclassification.

39. Tax liabilities- EUR 1,800,199

Details of the item are reported below.

	31.12.2016	31.12.2015	Change
Tax disputes	11,465	36,319	(24,854)
Payables for settlement agreements	1,788,734	2,696,204	(907,470)
Total	1,800,199	2,732,523	(932,324)

Tax payables due after one year include payables for tax disputes of EUR 11,465 and EUR 1,788,734 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.

40. Other non-current liabilities - EUR 5,964,750

	31.12.2016	31.12.2015	Change
Guarantee deposits	5,964,750	608,618	5,356,132
Payable due to Nomar for repurchase of business unit	0	1,452,881	(1,452,881)
Total	5,964,750	2,061,499	3,903,251

The item is mainly made up of payables for guarantee deposits received from customers in connection with the supply of electricity and gas.

The reduction compared to the previous year is connected to the payable due to Nomar Enterprise for the repurchase of the branch of the subsidiary Green Wind 1 S.r.l. which, in view of what is described in the section relating to the change in the scope of consolidation, is no longer owed.

41. Short-term loans - EUR 52,156,429

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

	31.12.2016	31.12.2015	Change
Current account payables	11,240,027	11,146,331	93,696
Due for advances	9,919,705	11,893,953	(1,974,248)
Payables due to factoring companies	23,314,587	8,339,687	14,974,900
Banca Popolare di Milano	2,132,292	3,906,627	(1,774,335)
Mediocredito Italiano	473,684	473,684	0
Banca Popolare di Bergamo	81,073	79,076	1,997
GE Capital Interbanca	666,667	666,667	0
Banca Popolare di Vicenza loan	1,984,669	0	1,984,669
Alba Leasing S.p.A.	854,000	0	854,000
Banco Popolare Loan	0	627,900	(627,900)
Payables due to Simest for repurchase of Solcap Green S.r.l. shares	1,304,000	0	1,304,000
Other financial payables	185,725	304,982	(119,257)
Total	52,156,429	37,438,907	14,717,522

In general, the item has increased by EUR 14,717,522 with respect to the balance of the previous year, due mainly to the increase in payables due to factoring companies. Said payables are 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.

Payables for mortgages and loans refer to the short-term portion of mortgages and loans already described in previous note no. 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 Alba Leasing S.p.A. relates to the current share of the payable relating to the leasing contract signed by the Group for the financing of furniture, equipment and installations for the new head office at 7, Viale della Civiltà Romana, Rome.

42. Trade-related payables - EUR 207,041,632

The item is broken down as follows.

	31.12.2016	31.12.2015	Change
Trade payables	136,838,202	167,717,702	(30,879,500)
Payables for invoices to be issued	57,418,890	73,327,327	(15,908,437)
Credit notes to be received	(2,831,570)	(3,381,929)	550,359
Advances	15,616,110	3,920,066	11,696,044
Total	207,041,632	241,583,166	(34,541,534)

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.

As indicated in note no. 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.

43. Payables to parent companies, subsidiaries, associates and joint ventures - EUR 19,201,281

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

	31.12.2016	31.12.2015	Change
SC Holding S.r.l.	10,017,391	1,141,045	8,876,346
Due to holding companies	10,017,391	1,141,045	8,876,346
GN Power & gas Ltd.	8,509	0	8,509
Due to subsidiaries	8,509	0	8,509
Solergys S.p.A.	5,603	5,603	0
US Boreale S.r.l.	13,691	13,460	231
Due to associated companies	19,294	19,063	231
JMS S.r.l.	9,156,087	0	9,156,087
Payables due to Joint Ventures	9,156,087	0	9,156,087
Total	19,201,281	1,160,108	18,041,173

Payables due to holding companies derive primarily from transactions connected to tax consolidation, due exclusively to the holding company SC Holding S.r.l.

In general, the increase compared to the previous year relates, on the one hand, to the payable due to the joint venture JMS S.r.l. whose debt in the previous year was offset with the related credit entries

and, on the other hand, to the increase in the payables due to SC Holding S.r.l. for tax consolidation. In particular, the payables due to JMS refer to commercial relations related to energy trading activities and do not refer to relations related to the object of the joint venture.

44. Tax payables - EUR 11,124,963

The item is broken down as follows:

	31.12.2016	31.12.2015	Change
Due for taxation	1,029,516	100,980	928,536
Due to tax authorities for withholdings on employment and similar income	526,965	359,851	167,114
Due to tax authorities for withholdings on freelance income	132,692	163,230	(30,538)
Due to tax authorities for Gas	3,573,750	3,198,424	375,326
Due to tax authorities for UTF (finance office)	4,391,278	6,684,234	(2,292,956)
Payables for settlement agreements	1,084,714	885,394	199,320
Payables for VAT	103,550	0	103,550
Other tax payables	282,498	287,435	(4,937)
Total	11,124,963	11,679,548	(554,585)

The item is composed primarily of payables to the tax authorities for Gas and UTF, while payables for settlement agreements refer to the current part of the payable for settlement agreements reached with the Tax Authorities in relation to taxes for previous years. With reference to this last item, the relative increase derives from the signing during the financial year under review of a further settlement agreement for which the payable amounts to EUR 190,347 and is to be paid in full during financial year 2017.

45. Derivatives - EUR 15,540,364

This item relates to financial derivatives that the company has for trading purposes, the change in fair value of which has been recognised directly in the income statement.

	31.12.2016	31.12.2015	Change
Derivative financial instruments	15,540,364	5,632,550	9,907,814
Total	15,540,364	5,632,550	9,907,814

This is mainly Swap and OTC derivatives for which the fair value was determined by applying level two as provided for by IFRS 13. The amount of EUR 15,540,364 is made up in particular of:

- ◆ EUR 6,246,780 for derivatives held by the consolidating company Green Network S.p.A.;
- ◆ EUR 9,293,104 for derivatives held by the subsidiary Green Network UK PLC;
- ◆ EUR 480 for the derivative held for hedging purposes on the outstanding loan received by Banca Popolare di Milano with a nominal value of EUR 700,000.

46. Other current liabilities - EUR 5,832,496

The item is broken down as follows.

	31.12.2016	31.12.2015	Change
Due to INPS (National Social Security Institute)	404,592	299,595	104,997
Due to INAIL (National Institute for Insurance against Accidents at Work)	16,974	8,218	8,756
Bilateral Body	1,759	1,728	31
Payables due to pension and insurance funds	599,072	33,065	566,007
Due to social security and welfare institutions	1,022,397	342,606	679,791
Due to employees and directors	1,256,260	922,441	333,819
Payables per guarantee deposits	63,166	13,166	50,000
Charges on derivative financial instruments	0	907,695	(907,695)
Payables for Rai Subscription	2,045,638	0	2,045,638
Sundry payables	1,445,035	1,197,981	247,054
Other payables	4,810,099	3,041,283	1,768,816
Total	5,832,496	3,383,889	2,448,607

The item consists of:

- ◆ EUR 1,256,260 for payables due from the Group to employees, directors and freelancers for fees pertaining to December 2016 which were paid in January 2017;
- ◆ EUR 1,022,610 in end-of-year payables due to pension institutions and bilateral bodies in relation to staff performance;
- ◆ EUR 2,045,638 for payables related to the RAI subscription bill paid by the company to be paid to the Tax Authorities.
- ◆ EUR 1,445,035 of sundry payables attributable largely to advances received from customers/third parties in relation to operations still to be performed, as well as to expenses pertaining to future periods on derivative financial instruments. This item also includes payables due to minority shareholders of Group companies.

47. Liabilities classified as held for sale - EUR 372,018

This item includes the liabilities of the company Green Hydro 1 S.r.l. for which the Group is involved in a plan to sell all of the shares owned.

	Amount
Shareholders' equity	(71,338)
Provisions for deferred taxation	21,048
Shareholder loans	296,299
Due to other lenders	6,000
Trade payables	80,943
Tax payables	16,020
Other current liabilities	23,046
Total	372,018

OTHER INFORMATION

Disclosures relating to financial instruments and the risk management policy

Below is a breakdown of the financial assets and financial liabilities required by IFRS 7 subdivided into the categories defined in IAS 39.

	Financial instruments measured at fair value available for trading	Receivables and loans	Financial instruments held to maturity	Financial instruments available for sale	Derivative financial instruments		Book Value	Notes to the financial statements
					for trading purposes	for hedging purposes		
Non-current assets	0	7,884,292	0	0	0	0	7,884,292	
Other equity investments	0	0	0	0	0	0	0	
Financial assets from holding company, subsidiaries and associated companies	0	4,976,940	0	0	0	0	4,976,940	20
Financial assets from third parties	0	2,907,352	0	0	0	0	2,907,352	24
Current assets	0	255,796,126	0	8,274,800	17,502,197	1,307,886	282,881,009	
Trade receivables from customers	0	202,729,026	0	0	0	0	202,729,026	26
Trade receivables from related parties	0	0	0	0	0	0	0	
Financial assets from holding company, subsidiaries and associated companies	0	18,984,606	0	0	0	0	18,984,606	27
Financial assets from third parties	0	14,688,197	0	8,274,800	17,502,197	1,307,886	41,773,080	28, 30, 31, 32
Cash and cash equivalents	0	19,394,297	0	0	0	0	19,394,297	33
Total	0	263,680,418	0	8,274,800	17,502,197	1,307,886	290,765,301	

	Financial instruments held for trading	Liabilities at fair value	Liabilities at amortised cost	Derivative financial instruments		Book Value	Notes to the financial statements
				for trading purposes	for hedging purposes		
Non-current liabilities	0	26,829,255	1,477,343	0	0	28,306,598	
Due to banks	0	9,299,891	1,008,002	0	0	10,307,893	36
Financial payables to third parties	0	11,564,614	469,341	0	0	12,033,955	36
Other financial liabilities toward third parties	0	5,964,750	0	0	0	5,964,750	40
Current liabilities	0	281,393,169	2,838,669	15,539,884	480	299,772,202	
Due to banks	0	47,828,035	1,984,669	0	0	49,812,704	41
Financial payables to third parties	0	1,489,725	854,000	0	0	2,343,725	41
Trade-related payables	0	207,041,632	0	0	0	207,041,632	42
Financial liabilities to holding company, subsidiaries and associated companies	0	19,201,281	0	15,539,884	480	34,741,645	43, 45
Other financial liabilities toward third parties	0	5,832,496	0	0	0	5,832,496	46
Total	0	308,222,424	4,316,012	15,539,884	480	328,078,800	

Fair value of financial assets and liabilities

For the fair value of securities listed on active markets, reference was made to the fair value recorded on these markets at the reference date of this Report, while in the case of securities not listed on an active market, the fair value was determined using the models and valuation techniques prevailing on the market taking into consideration different inputs from prices quoted but observable directly or indirectly.

It should be noted that for the trade receivables and payables with agreed maturity within the year, the fair value was not calculated since it is essentially in line with the relative book value.

It should also be noted that the fair values were not calculated for financial assets and liabilities for which the fair value cannot be determined objectively.

Types of financial risks and related activities

Credit risk

Credit risk represents the Group'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 Group is equipped with a rating analysis system for the evaluation of customers before the start of new supply relations, including through appropriate agreements with the credit insurance company which 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, the Group 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 108 million.

It should also be noted that the Group primarily conducted non-recourse factoring, with the transfer of commercial risks to factors, and received bank sureties for EUR 16,000,000 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 Group has sufficient credit lines at any moment to respect the financial maturity dates of the relevant subsequent period.

In any case, the Group 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 Group's debt is insignificant and largely limited to the advance payment of trade receivables from customers.

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 consolidating 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 Group 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 aim of market risk management is to contain the Group's exposure to these risks within acceptable levels, at the same time optimising the return on investments.

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

Interest rate risk

The Group 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 Group is active mainly in the Italian market and, at any rate, in eurozone countries and, therefore, its exposure to exchange rate risk deriving from the different currencies in which it operates and the translation of financial statements of foreign subsidiaries is extremely limited.

Furthermore, at the date of this report, the Group does not have any loans denominated in a non-euro currency.

Risk of fluctuation in commodity prices

The Group, operating essentially as an intermediary in the dispatching of energy and gas both nationally and internationally, is active in the trading and sale of electricity and gas to different types of end customers (energy-intensive, small & medium, etc.). The Group's trading activities for the financial year under review were carried out mainly by the subsidiary Green Network UK PLC, which has its head office in London, and, to a lesser extent, by the consolidating company Green Network S.p.A., which has its head office in Rome.

The Group, not being a producer of electricity and gas with the exception of the share of electricity from renewable sources (marginal compared to sales volumes), must obtain its supplies on the electricity and gas market, thereby exposing it to the market risk associated with price volatility. This risk also exposes the Group to the related liquidity risk linked to the fact that in order to ensure the supply to end customers of the contractually-agreed amount of electricity and gas it has to advance large sums of money for the purchase of commodities. In order to cope with this risk, the Group enters into derivative contracts that enable it in most cases to fix the future price of purchases of energy and gas.

The main financial derivative instruments used by the Group are the following:

- ◆ operations on the electricity market:
 - derivatives with underlying NSP;
 - derivatives with underlying power other than NSP;

- ◆ operations on the gas market:
 - derivatives with underlying TTF;
 - Derivatives with underlying UK gas (NBT), minimal as in the start-up phase.

The differentials relating to flows connected to these derivative financial instruments are generally adjusted monthly.

In this regard, the Group has established internal policies and procedures for the management of the risk of commodity price volatility and the related management and accounting representation of derivative financial instruments. Specifically, the aim of the transaction to hedge the risk of the NSP (National Single Price) is to fix the cost of a portion of future variable-price purchases of electricity represented by the NSP index for the reference period in question, in order to fulfil the fixed-price supplies provided by the Group.

This is generally achieved through the stipulation of contracts for differences (“hedging instruments”) that allow the Group to regulate a variable amount indexed to the NSP on the basis of a fixed value established at the time of stipulating the contract (Buy position). Derivatives taken out for hedging purposes are grouped together in a hedging portfolio consisting of derivatives which, once effectiveness testing has been carried out and formal Hedge Documentation has been prepared pursuant to IAS 39, are designated as hedging operations. As regards inclusion in the financial statements, the fair values of the derivatives in the portfolio (for the portion that is effective) are added to a specific Cash Flow Hedge reserve (OCI) while for the non-effective portion they are recognised directly in profit or loss.

The hedging strategy pursued by the Group uses a “Bottom Layer” approach which consists in identifying a portion (“Layer”) that is lower than the total amount, considered almost certain and not reformulated according to changes in the volumes forecast over time, unless these do not fall within the Layer itself. For the year under review, the hedging portfolio is made up exclusively of Buy derivatives hedging Layers; once established at inception, hedges are generally not reviewed until the derivatives reach maturity.

With reference to effectiveness testing, prospective effectiveness testing is carried using the “critical terms comparison” approach aimed at attesting to the high prospective effectiveness of the hedging relationship by verifying correspondence with the main characteristics of the hedged item and the hedging instrument. Retrospective effectiveness testing, on the other hand, is carried out using the Dollar-Offset method and the hypothetical derivative method.

The table below shows the comparison between the overall monthly volumes of the hedging portfolio and the future electricity purchase forecasts produced as at the reporting date (31 December 2016).

Analysis date	31 Dec. 16											
Period	Jan. 17	Feb. 17	Mar. 17	Apr. 17	May 17	Jun. 17	Jul. 17	Aug. 17	Sept. 17	Oct. 17	Nov. 17	Dec. 17
Hedged portion (%)	17%	15%	16%	18%	16%	16%	15%	20%	15%	16%	15%	18%
Forecast Hedged Item (MWh)	200,079	198,543	213,759	183,720	204,726	207,639	228,900	166,282	212,803	205,709	209,960	185,409
Total volume Hedging Portfolio (MWh)	33,480	30,240	33,435	32,400	33,480	32,400	33,480	33,480	32,400	33,525	32,400	33,480

The table below lists the main information required by international accounting standards for the derivative contracts included in the hedging portfolio.

Inception date	Derivative type	Profile	Effective date	Termination date	Hourly energy qty	Fixed price	Total volume	Residual volume	Fair value at 31.12.2016	Derivative valuation
21/12/2015	OTC SWAP	Baseload	01/01/2016	31/12/2017	5	43.70	87,720.00	43,800.00	47.72	176,207
22/12/2015	OTC SWAP	Baseload	01/01/2016	31/12/2017	10	43.90	175,440.00	87,600.00	47.72	334,895
22/12/2015	OTC SWAP	Baseload	01/01/2016	31/12/2017	10	43.95	175,440.00	66,010.00	45.74	118,234
22/12/2015	OTC SWAP	Baseload	01/01/2016	31/12/2017	10	43.90	175,440.00	87,600.00	47.72	334,895
23/12/2015	OTC SWAP	Baseload	01/01/2016	31/12/2017	10	43.80	175,440.00	87,600.00	47.72	343,655
										1,307,886

IFRS 7 and IFRS 13 require that the classification of financial instruments measured at fair value be carried out on the basis of the quality of the input sources used to determine the fair value itself. As already described at the beginning of this section, for the purposes of determining the fair value, reference is made to Level 2 referred to in IFRS 13, which uses methodologies and instruments to determine the fair value based on different inputs from prices quoted in an active market, but observable directly or indirectly on the market.

The following table illustrates the fair value hierarchy for the Group's financial assets and liabilities valued at fair value on the basis of valuation techniques that use as reference parameters observable on the market (Level 2).

	31.12.2016	31.12.2015
Derivative assets	18,810,083	618,426
Derivative liabilities	15,540,364	5,632,550
AFS instruments	8,274,800	1,792,984

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 2016 and 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.

TRANSACTIONS WITH RELATED PARTIES YEAR-ENDED 31.12.2016		Equity investments	Receivables for loans	Trade-related receivables	Receivables for security deposits due after	Receivables from tax consolidation	Payables for tax consolidation	Trade and financial payables	Sundry payables	Total balance sheet transactions
Holding companies										
	SC Holding S.r.l.	-	3,437,194	89,746	-	9,280,245	9,346,391	671,000	-	22,824,576
Non-consolidated subsidiaries										
	Green Wind 1 S.r.l.	-	91,084	2,275	-	-	-	-	-	93,359
	Green Network Power & Gas S.r.l.	10,000	-	-	-	-	-	8,509	-	18,509
Associated companies										
	Converge	1,916,570	-	-	-	-	-	-	-	1,916,570
	Solergys	191,862	1,420,085	325,053	-	-	-	5,603	-	1,942,603
	US Boreale	-	-	-	-	-	-	13,691	-	13,691
Joint Ventures										
	JMS	343,312	-	9,287,287	0	0	0	9,156,087	-	18,786,686
Other companies										
	Italpower Energia S.r.l.	10,000	-	-	-	-	-	-	-	10,000

TRANSACTIONS WITH RELATED PARTIES YEAR-ENDED 31.12.2016		Revenue from sales	Other revenue and income	Consumption of materials and services	Revaluations/write-downs of equity investments	Interest income from loans	Other financial income	Total transactions
Holding companies								
	SC Holding S.r.l.	5,618	-	300,000	-	-	731	306,349
Non-consolidated subsidiaries								
	Green Wind 1 S.r.l.	3,000	-	-	-	2,276	-	5,276
	Green Network Power & Gas S.r.l.	-	-	-	-	-	-	-
Associated companies								
	Converge	-	-	-	-	(1,664,497)	-	(1,664,497)
	Solergys	-	-	-	-	28,506	(131,865)	(103,360)
	US Boreale	-	-	-	-	-	(1,006)	1,006.00
Joint Ventures								
	JMS	-	-	-	-	-	(43,010)	43,010.00
Other companies								
	Italpower Energia S.r.l.	-	-	-	-	-	-	-

TRANSACTIONS WITH RELATED PARTIES YEAR-ENDED 31.12.2015		Equity investments	Receivables for loans	Trade-related receivables	Receivables for security deposits due after	Receivables from tax consolidation	Payables for tax consolidation	Trade and financial payables	Sundry payables	Total balance sheet transactions
Holding companies										
	SC Holding S.r.l.	-	3,777,195	-	-	3,412,270	1,041,045	100,000	-	8,330,510
Non-consolidated subsidiaries										
	Green Network Power & Gas S.r.l.	10,000	-	1,411	-	-	-	-	-	11,411
Associated companies										
	Converge	3,581,067	1,420,085	328,688	-	-	-	5,604	-	5,335,443
	Solergys	323,726	10,000	-	-	-	-	13,460	-	347,186
	US Boreale	318,230	-	-	-	-	-	-	-	318,230
Joint Ventures										
	JMS	386,322	-	52,622	-	-	-	-	-	438,944
Other companies										
	Itaipower Energia S.r.l.	10,000	-	-	-	-	-	-	-	10,000

TRANSACTIONS WITH RELATED PARTIES YEAR-ENDED 31.12.2015		Revenue from sales	Other revenue and income	Consumption of materials and services	Revaluations/write-downs of equity investments	Interest income from loans	Other financial income	Total transactions
Holding companies								
	SC Holding S.r.l.	7,958	-	100,000	-	-	-	107,958
Non-consolidated subsidiaries								
	Green Network Power & Gas S.r.l.	-	-	-	-	-	-	0
Associated companies								
	Converge	-	-	-	-	-	-	0
	Solergys	-	-	-	-	31,626	-	31,626
	US Boreale	-	-	10,144	-	1,447	-	11,591
Joint Ventures								
	JMS	-	-	-	-	-	-	0
Other companies								
	Itaipower Energia S.r.l.	-	-	-	-	-	-	0

These relations represent transactions in place with non-consolidated Group subsidiaries, joint ventures and associated companies and 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

- ◆ During financial year 2014, Green Network S.p.A. and Green Network Luce & Gas S.r.l., merged by incorporation into Green Network S.p.A. in 2015, 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 in-depth and complex briefs and observations were produced by an authoritative professional, in order to highlight the groundlessness of the objections made by the inspectors. To date, the companies concerned have received assessment notices for VAT and Direct Taxes, with reference to the 2009 and 2010 tax periods, and the related penalty notices, which both companies have contested before the Provincial Tax Commission. For the 2011 tax period, the companies concerned received assessment notices for VAT and Direct Taxes and a preliminary penalty notice. In-depth defence statements were produced in response to this, while with regard to the assessment notices, a review request was presented to the Office, using the tax assessment settlement procedure, the results of which are still pending. 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. It should be noted in this regard that on 30 June 2016, the Provincial Tax Commission of Rome, with Ruling 19904/50/16 filed on 13 September 2016, fully and peremptorily approved the appeals by the two companies against the assessment notices for the year 2009, recognising the full legitimacy of the physical trading operations carried out;
- ◆ 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, despite having already been subject, however, to a specific and positive assessment during the course of other assessments that took place in previous years. On 1 July 2016, the Provincial Tax Commission of Rome, with Ruling 21181/47/16 filed on 26 September 2016, partially upheld the company's arguments. The incorporating company Green Network S.p.A. therefore lodged an appeal against the increased IRES and IRAP taxes contested by the Office totalling approximately EUR 4.8 million. The incorporating company, supported by the opinion of an authoritative professional and university professor, considers the risk connected with the dispute to be possible;
- ◆ 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 judgement, 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 Directors, supported by the opinion of authoritative professionals, are confident of a positive outcome and consider the risk of losing to be remote. As such, no allocation was made to the risk provision.

Finally, it should be noted that during the financial year under review, a settlement was reached in relation to the ongoing litigation with the company ILVA S.p.A., which will resume supply activities from financial year 2017.

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 Group that are not reflected in this document.

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
Balances as per the financial statements of Green Network S.p.A. as at 31.12.2016	26,984,090	6,041,025
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
Consolidation adjustments made for:		
- Line-by-line consolidation of the equity investments in subsidiaries	(11,658,383)	(5,948,882)
- deferred and prepaid income taxes	0	0
Other changes to the balance sheet	(2)	1
<i>'Rounding reserve</i>	(2)	1
Group shareholders' equity and profit (loss)	15,325,705	92,144
Minority interests	224,485	94,069
Consolidated shareholders' equity and profit (loss)	15,550,190	186,213

Guarantees, commitments and off-balance sheet agreements

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

Amount

Guarantees given	124,450,472
Guarantees received	16,000,000
Corporate guarantees given	8,552,484
Patronages/co-obligations	5,093,405
Pledges	15,562,147
Other	57,230
Balance at 31 December 2016	169,715,737

With reference to the guarantees given, the amount of EUR 124,450,472 is broken down as follows:

- ◆ EUR 49,191,000 in sureties and guarantees for the purchase and sale of electrical energy and natural gas and for operations in financial derivatives on energy trading markets;
- ◆ EUR 38,770,868 in sureties and guarantees for the transportation of electricity and natural gas;
- ◆ EUR 14,640,906 in sureties and guarantees to the Internal Revenue Agency for group VAT and compensation VAT;
- ◆ EUR 6,350,000 in sureties and guarantees to the GME;
- ◆ EUR 6,030,000 in sureties and guarantees relating to dispatching;
- ◆ EUR 6,000,000 in sureties and guarantees for electricity supply activities;
- ◆ EUR 2,109,869 for gas carrier activities;
- ◆ EUR 1,357,829 in favour of third parties, of which EUR 750,000 in favour of the lessor of the building at which corporate activities will be carried out from February 2017, EUR 450,000 in favour of Simest S.p.A. relating to shares held in the company Green Network Holding Rinnovabili S.r.l. and EUR 157,829 in favour of entities involved in the construction of plants for the production of electricity from renewable sources.

The amount of EUR 16,000,000 relating to sureties received from customers has been commented on in the footnote relating to trade receivables, to which reference is made.

The Group also has the following corporate guarantees/patronages/co-obligations granted by the consolidating company:

- ◆ EUR 1,236,411 to guarantee the lease agreement held by the subsidiary Green Wind 2 S.r.l. with Alba Leasing S.p.A.;
- ◆ EUR 5,637,191 in guarantee of the outstanding bank loans by Rena Energia S.r.l. and ATA Energia Soc. Agric. S.r.l.;
- ◆ EUR 1,678,882 in guarantee of the existing loans of the associated company Sòlerys S.p.A.;
- ◆ EUR 205,342 for a patronage/co-obligation in favour of the subsidiary ATA Energia Soc. Agric. S.r.l.;
- ◆ EUR 4,888,063 for a patronage/co-obligation in favour of the holding company SC Holding S.r.l.

The amount of EUR 15,562,147 relating to pledges is composed as follows:

- ◆ EUR 7,340,512 due to banks for cash collateral activities relating to pledges requested by some banks to guarantee credit commitments agreed and/or used;
- ◆ EUR 8,211,435 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.

Finally, other commitments refer to the remaining amount of two car leasing contracts, of which EUR 15,794 reaches maturity in February 2017 and EUR 41,436 in March 2017.

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 2016 is provided below.

	Amount
Directors' fees	1,330,000
Statutory Auditors' fees	73,919
Auditors' fees	126,674
Supervisory Body's fees	31,200
Total	1,561,793

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

Statutory auditors' report on the financial statements of Green Network S.p.A.

GREEN NETWORK S.p.A.

GREEN NETWORK S.p.A.

Registered office: 7, Viale della Civiltà Romana, Rome, Italy

Share capital: EUR 15,636,000.00 fully paid-in

Tax Code and Rome Register of Companies No. 07451521004

Rome CCIAA (Chamber of Commerce, Industry, Craft Trade and Agriculture) – R.E.A.

(Economic and Administrative Index) No. 1033355

* * * *

**Company subject to management and coordination by SC Holding S.r.l.
with registered office at 7, Viale della Civiltà Romana, Rome, Italy, tax code
08420631007**

* * * *

Report of the Board of Statutory Auditors on the separate financial statements for the year ended 31 December 2016 (pursuant to Articles 2403 and 2429, section 2 of the Italian Civil Code) to the Shareholders' Meeting of Green Network S.p.A.

Dear Shareholders,

Preliminarily, as usual, we hereby inform you that during the year ended 31 December 2016 the Board of Statutory Auditors carried out the supervisory activities envisaged by Article 2403 of the Italian Civil Code, as specified below.

Based on the type of activity carried out by the company and its organisational and accounting structure, and considering the company's size and business complexity, the Board of Statutory Auditors has planned its supervisory activity taking into consideration the inherent risks and the internal control system in relation to the Company's management activities.

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. It is also noted that major changes occurred during the year, both in the commercial and financial areas, with the introduction of key figures and the appointment of a new General Manager.

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 2016, with regard to which we disclose the following.

The Board of Directors made available to us the financial statements for the year ended 31 December 2016, prepared in accordance with international accounting standards (IAS/IFRS) and made up of, as required by IAS 1, the Statement of financial position, the Income statement and Statement of comprehensive income, the Statement of changes in shareholders' equity, the Cash flow statement and the Explanatory notes containing the list of significant accounting policies and other explanatory notes.

The Board expressly waives the terms provided for by paragraph 1 of article 2429 of the Italian Civil Code and notes that the shareholders have expressly waived the terms referred to in paragraph 3 of the same article 2429 of the Italian Civil Code.

Since we are not appointed to carry out the analytical audit on the contents of the financial statements, we have overseen the general layout given to the same, and their general compliance with the Law with regard to their form and structure. We have verified the observation of 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.

The Board notes 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 off-balance sheet agreements are correctly described in the notes to the financial statements.

The Board of Statutory Auditors notes that during financial year 2016 the administrative body has improved the organisational structure of the company and invites it to continue with this policy, through the further and ongoing review of business processes aimed at improving the monitoring of the activities carried out.

With reference to credit risk, it is recommended that directors maintain and implement analysis procedures for assessing customer ratings, focusing in particular on activity in relation to the retail market, and that they adopt all the corporate policies necessary in order to monitor, contain and possibly hedge such risks.

PriceWaterhouseCoopers S.p.A. was appointed by the Shareholders' Meeting of 22 June 2016 to carry out the statutory audit. This firm has not informed us of any significant facts or information which must be highlighted in this report, and set out in their report dated 28 April 2017.

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 drawing up the financial statements, the Board of Statutory Auditors deems, in as far as it is responsible, to express a favourable opinion for the approval of the annual financial statements as at 31 December 2016 and the report on operations.

Brescia, Italy, 28 April 2017

The Board of Statutory Auditors

(Fabio Sottini) *[handwritten signature]*

(Federico Pecorini) *[handwritten signature]*

(Marlon Rizzo) *[handwritten signature]*

Statutory auditors' report on the consolidated financial statements of the Green Network S.p.A. Group

GREEN NETWORK S.p.A. GROUP

GREEN NETWORK S.p.A. GROUP

Registered office: 7, Viale della Civiltà Romana, Rome

Share capital: EUR 15,636,000.00 fully paid-in

Tax Code and Rome Register of Companies No. 07451521004

Rome CCIAA (Chamber of Commerce, Industry, Craft Trade and Agriculture) – R.E.A.

(Economic and Administrative Index) No. 1033355

* * * *

Report of the Board of Statutory Auditors on the consolidated financial statements as at 31 December 2016

(pursuant to Articles 2403 and 2429, section 2 of the Italian Civil Code) to the Shareholders' Meeting of Green Network S.p.A.

Dear Shareholders,

Within the sphere of our duties, pursuant to Article 41 of Italian Legislative Decree No. 127/91, we audited the consolidated financial statements of the Green Network S.p.A. Group as at 31 December 2016 along with the report on operations accompanying the consolidated financial statements.

The consolidated financial statements closed with a net profit of EUR 186,212 (EUR 92,144 of which attributable to the Group and EUR 94,069 to minority interests), total assets of EUR 362,668,480 and total shareholders' equity of EUR 15,550,190 (EUR 224,485 of which attributable to minority interests).

Besides the Parent Company, the following subsidiaries (directly or indirectly controlled) have been consolidated line-by-line:

Name
SACRI REAL ESTATE S.p.A. 7, Viale della Civiltà Romana, Rome
SOLCAP GREEN S.R.L. 7, Viale della Civiltà Romana, Rome
GREEN HYDRO 1 S.R.L. 7, Viale della Civiltà Romana, Rome
GREEN HYDRO 2 S.R. L. 7, Viale della Civiltà Romana, Rome
GREEN WIND 2 S.R.L. 7, Viale della Civiltà Romana, Rome
RENA ENERGIA S.R.L. 7, Viale della Civiltà Romana, Rome
ATA ENERGIA SOC. AGRICOLA S.R.L. 7, Viale della Civiltà Romana, Rome

GREEN NETWORK UK PLC London (GB)
GREEN NETWORK ENERGY LTD London (GB)
SPECTRUM TECH S.R.L. Bucharest (Romania), Barbu Stefanescu Delavrancea no. 55
GENERA GREEN ENERGY Romania
GREEN NETWORK HOLDING RINNOVABILI S.R.L. 7, Viale della Civiltà Romana, Rome
LE FATE TURCHINE S.R.L. 7, Viale della Civiltà Romana, Rome
LE FATE TURCHINE 2 S.R.L. 7, Viale della Civiltà Romana, Rome

The equity investments in the following associated companies have been carried at equity: Solergys S.p.A., U.S. Boreale S.r.l., Converge S.r.l. and JMS S.r.l. (joint venture).

We have examined the consolidated financial statements as at 31 December 2016, drawn up in accordance with international accounting standards (IAS/IFRS), with regard to which we disclose the following.

The consolidated financial statements for financial year 2016 were audited by the independent auditor PriceWaterhouseCoopers S.p.A., which was appointed by the Shareholders' Meeting on 22 June 2016 to carry out the statutory audit, and which issued its audit report on 28 April 2017, finding no irregularities as regards the basis of presentation and the true and correct representation of the financial position and economic result.

Since we are not appointed to carry out the analytical audit on the contents of the consolidated financial statements, we have overseen the general layout given to the same, and their general compliance with the law with regard to their form and structure.

Considering the Group's significant size, the commitments undertaken and the consequent risks, we encourage the management body to continue with the policies implemented in order to maintain balance in its financial position and to continue to oversee the safeguarding and adequacy of its own funds.

With reference to credit risk, particularly as regards Green Network S.p.A., it is recommended that directors maintain and implement analysis procedures for assessing customer ratings, focusing in particular on activity in relation to the retail market, and that they adopt all the policies necessary in order to monitor, contain and possibly hedge such risks.

In our opinion, the aforementioned consolidated financial statements as a whole correctly present the financial and equity position of the Green Network S.p.A. Group and the results of its operations for the year ended 31 December 2016, in compliance with the provisions governing the consolidated financial statements referred to above.

Brescia, Italy, 28 April 2017

The Board of Statutory Auditors

(Fabio Sottini) *[handwritten signature]*

(Federico Pecorini) *[handwritten signature]*

(Marlon Rizzo) *[handwritten signature]*

Independent auditors' report on the financial statements of Green Network S.p.A.



**INDEPENDENT AUDITORS' REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE NO.
39 OF 27 JANUARY 2010**

GREEN NETWORK SPA

FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016



INDEPENDENT AUDITORS' REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

To the Shareholders of
Green Network S.p.A.,

Report on the financial statements

We have carried out the audit of the attached financial statements of Green Network S.p.A., made up of the Statement of financial position as at 31 December 2016, the Statement of comprehensive income, the Statement of changes in shareholders' equity, the Cash flow statement for the year then ended, a summary of the significant accounting policies and other explanatory notes.

Responsibility of the directors in respect of the financial statements

Directors are responsible for preparing the financial statements in such a way as to provide a true and fair view in accordance with the International Financial Reporting Standards adopted by the European Union.

Responsibility of the independent auditors

It is our responsibility to express an opinion on the financial statements based on the audit. We have carried out the audit in accordance with the International Standards on Auditing (ISA Italy) established pursuant to article 11 of Legislative Decree 39/2010. These standards require compliance with ethical principles, as well as the planning and carrying out of the audit so as to acquire reasonable assurance that the financial statements do not contain significant errors.

The audit involves the carrying out of certain procedures in order to acquire evidence in support of the amounts and information contained in the financial statements. The procedures chosen depend on the professional opinion of the auditor, including the assessment of the risks of significant errors in the financial statements due to fraud or to unintentional behaviours or events. In carrying out these risk assessments, the auditor takes into consideration the internal control relating to the company's preparation of the financial statements in such a way as to provide a true and fair view, in order to establish audit procedures that are appropriate to the circumstances and not for the purpose of expressing an opinion on the effectiveness of

PricewaterhouseCoopers SpA

Administrative and registered offices: Milan 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Share Capital EUR 6,890,000.00 fully paid-in, Tax Code, VAT No. and Milan Register of Companies No. 12979880155 Enrolled in the Register of Auditors under no. 119644 - Other Offices: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhler 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Florence** 50121 Viale Gramsci Tel. 0552482811 - **Genoa** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Naples** 80121 Via dei Mille 16 Tel. 08136181 - **Padua** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Trollo 8 Tel. 0854545711 - **Rome** 00154 Largo Fochetti 29 Tel. 06570251 - **Turin** 10122 Corso Palestro 10 Tel. 011556771 - Trento 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422690911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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the company's internal control. The audit also includes the assessment of the suitability of the accounting standards adopted, of the reasonableness of the accounting estimates made by directors, and the assessment of the presentation of the financial statements for the year as a whole.

We believe that we have acquired sufficient and appropriate evidence on which to base our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the economic and financial position of Green Network S.p.A. as at 31 December 2016 and of the economic result and cash flow for the year then ended, in accordance with the International Financial Reporting Standards adopted by the European Union.

Other opinions

- The financial statements of Green Network S.p.A. for the financial year ended 31 December 2015 were audited by another auditor who, on 14 June 2016, expressed an unqualified opinion on these financial statements.
- As required by law, the company has included in the explanatory notes the key figures from the last financial statements of the company that carries out its management and coordination activities. The opinion on the financial statements of Green Network S.p.A. does not refer to said figures.

Report on other legal requirements and regulations

Assessment of the consistency of the report on operations with the financial statements

We have carried out the procedures indicated in Auditing Standard (SA Italy) no. 720B in order to express, as required by law, an opinion on the consistency of the report on operations, for which responsibility falls to the directors of Green Network S.p.A., with the annual financial statements of Green Network S.p.A. as at 31 December 2016. In our opinion, the report on operations is consistent with the annual financial statements of Green Network S.p.A. as at 31 December 2016.

Rome, 28 April 2017

PricewaterhouseCoopers

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Pier Luigi Vitelli
(Statutory Auditor)

Independent auditors' report on the consolidated financial statements of the Green Network S.p.A. Group



**INDEPENDENT AUDITORS' REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE
NO. 39 OF 27 JANUARY 2010**

GREEN NETWORK SPA

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016



INDEPENDENT AUDITORS' REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

To the Shareholders of
Green Network S.p.A.,

Report on the consolidated financial statements

We have carried out the audit of the attached consolidated financial statements of the Green Network group, made up of the Statement of financial position as at 31 December 2016, the Statement of comprehensive income, the Statement of changes in shareholders' equity, the Cash flow statement for the year ending on the aforementioned date, a summary of the significant accounting policies and other explanatory notes.

Responsibility of the directors in respect of the consolidated financial statements

Directors are responsible for preparing the consolidated financial statements in such a way as to provide a true and fair view in accordance with the International Financial Reporting Standards adopted by the European Union.

Responsibility of the independent auditors

It is our responsibility to express an opinion on the consolidated financial statements based on the audit. We have carried out the audit in accordance with the International Standards on Auditing (ISA Italy) established pursuant to article 11 of Legislative Decree 39/2010. These standards require compliance with ethical principles, as well as the planning and carrying out of the audit so as to acquire reasonable assurance that the consolidated financial statements do not contain significant errors.

The audit involves the carrying out of certain procedures in order to acquire evidence in support of the amounts and information contained in the consolidated financial statements. The procedures chosen depend on the professional opinion of the auditor, including the assessment of the risks of significant errors in the consolidated financial statements due to fraud or to unintentional behaviours or events. In carrying out these risk assessments, the auditor takes into consideration the internal control relating to the company's preparation of the consolidated financial statements in such a way as to provide a true and fair view, in order to establish audit procedures that are appropriate to the circumstances and not for the purpose of expressing an opinion on the effectiveness of the company's internal control. The audit also includes the assessment

PricewaterhouseCoopers SpA

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of the suitability of the accounting standards adopted, of the reasonableness of the accounting estimates made by directors, and the assessment of the presentation of the consolidated financial statements for the year as a whole.

We believe that we have acquired sufficient and appropriate evidence on which to base our opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the economic and financial position of the Green Network Group as at 31 December 2016 and of the economic result and cash flow for the year then ended, in accordance with the International Financial Reporting Standards adopted by the European Union.

Other opinions

- The consolidated financial statements of Green Network S.p.A. for the financial year ended 31 December 2015 were audited by another auditor who, on 14 June 2016, expressed an unqualified opinion on these financial statements.
- As required by law, the company has included in the explanatory notes the key figures from the last financial statements of the company that carries out its management and coordination activities. The opinion on the consolidated financial statements of Green Network S.p.A. does not refer to said figures.

Report on other legal requirements and regulations

Assessment of the consistency of the report on operations with the consolidated financial statements

We have carried out the procedures indicated in Auditing Standard (SA Italy) no. 720B in order to express, as required by law, an opinion on the consistency of the report on operations, for which responsibility falls to the directors of Green Network S.p.A., with the consolidated financial statements of the Green Network Group as at 31 December 2016. In our opinion, the report on operations is consistent with the consolidated financial statements of the Green Network Group as at 31 December 2016.

Rome, 28 April 2017

PricewaterhouseCoopers SpA

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Pier Luigi Vitelli
(Statutory Auditor)