



Annual financial report

31 DECEMBER 2018

GREEN NETWORK S.p.A.



Green Network S.p.A.

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

Registered Office:	Viale della Civiltà Romana, 7 - 00144 Rome
Share capital:	Euro 15,636,000, fully paid-up
Rome REA (Economic Administrative Register):	no. 1033355
Rome Register of Companies:	no. 07451521004

CORPORATE BODIES

BOARD OF DIRECTORS

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

BOARD OF STATUTORY DIRECTORS

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

INDEPENDENT AUDITORS

- ◆ PricewaterhouseCoopers S.p.A. ⁽¹⁾

This Annual Financial Report was approved by the Board of Directors of Green Network S.p.A. on 5 April 2019

(1) For the 2016 - 2018 period

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I – DIRECTORS' REPORT ON OPERATIONS

REFERENCE CONTEXT

The Green Network Group (hereinafter also referred to as the “group”) is an energy company: specifically, its business purpose is trading in electricity and gas, as well as the production of electricity from renewable sources through dedicated companies.

Pursuant to Article 2497-*bis*, paragraph 4, of the Italian Civil Code, it is noted that the parent company Green Network S.p.A. (hereinafter also referred to as the “company”) is subject to management and coordination on the part of SC Holding S.r.l..

General economic background

In 2018 the global economy showed some signs of slowdown.

In particular, there was an increase in the global risks stemming from the possible repercussions of the protectionist measures on business investment and from the possible intensification of financial tensions in emerging economies.

The expansion phase of the United States economy remained solid during the year with high employment levels, stimulated by tax cuts and rises in public expenditure. On the other hand the deterioration in the global scenario held this growth back partially in the last part of the year.

The Chinese economy closed the last quarter of 2018 with a GDP of 6.4%, also as a result of the trade tensions between the USA and China which led to a depreciation of the Chinese currency against the dollar and could bring about slower growth in China's trade partners, starting from the other Asian countries.

In Japan the economy recovered during the last quarter of 2018 after the sharp contraction in the three previous months; progress over the year as a whole was much slower than in 2017. GDP rose at an annualised rate of 1.4% between October and December, practically in line with expectations, thanks to a recovery in consumption and business investment.

Even if economic activity in the Eurozone continued to expand, it did so at a slower rate for many reasons: general elections in more than one country, trade tensions between the USA and Europe and Brexit and the manner in which such an important partner will leave the EU.

GDP in the Eurozone rose by 1.8% but at different rates in various Member States, with a general slowdown during the second half of the year.

GDP rose by 0.9% over the previous year in Italy, with a deceleration here too, above all in the second part of 2018, after weaker exports and industrial output. The fall in GDP is due to both external factors which affected exports and to internal factors related to political uncertainty in this country. This led to a deterioration in investor confidence and a rise in the spread between Italian and German government bonds.

The picture in the labour market was one of basic stability in the number of employed and a slight fall in the number of jobless.

Inflation in Italy continued to be lower than in the Eurozone as a whole; among the various groupings, price trends were only higher for energy.

The outlook for the next few months has been worsening gradually and at the moment GDP is expected to be practically stable with a forecast of moderate inflation. The unknown quantities still

remaining at the moment are the effects of the conflict between the USA and China trade tariffs, developments in Brexit and the capacity of the world and European economy to resume a path of growth.

High public debt is an additional problem for Italy, even if the ECB's accommodating policy towards interest rates provides precious support to the sustainability of this debt.

As regards raw materials, after a surge during the summer also arising from possible shortages of supply owing to the US sanctions against Iran, falling demand owing to the economic cycle and higher production in Saudi Arabia caused a drastic fall in oil prices, which ended the year at about 50 \$/barrel.

Italian legislative and regulatory framework

The main developments in the relevant legislative and regulatory framework for Green Network S.p.A. (the "Company") and for the Green Network Group (the "Group") are described below.

Commercial quality of sales

With Resolution 413/2016/R/com, the Regulatory Authority for Energy, Networks and Environment (Autorità di Regolazione per Energia Reti e Ambiente, or ARERA) has approved the new Consolidated Text for the regulation of the commercial quality of electricity and gas sales services (TIQV), in force from 1 January 2017. The Resolution also provides for changes to the regulation of the handling of customer complaints. The TIQV was subsequently updated by Resolution 795/2016/R/com, which adopted the provisions concerning the provision of technical data by the distributor. Finally, by Resolution 623/2018/R/com, ARERA completed the structure and contents of its "Annual report on handling complaints and resolving disputes" (Article 39 of TIQV), laying down, with effect from 2017, new procedures for the publication of operators' performance based on the calculation of commercial quality indicators (claims percentage, requests for information and capacity to respond to them) and customer satisfaction ratio, with comparisons among operators starting from the data from 2018.

With Resolution 228/2017/R/com, ARERA approved the Consolidated Text on the measures preparatory to the confirmation of contracts for the supply of electricity and/or natural gas and the voluntary reinstatement procedure (TIRV) for contracts negotiated at a distance or away from the seller's commercial premises, as well as the voluntary reinstatement procedure both for the end user and the seller if the said preventive measures have not been observed in the contract confirmation phase.

The new Resolution 366/2018/R/com approved the new Commercial Code of Conduct, which has been in force since 1 October 2018 after the preceding version introduced by Resolution ARG/com 104/10 was abrogated, and brings in some changes to the comparability sheets, involving their structure and the criteria to be used for the calculation of estimated annual expenditure which conform to those set down for the Offer Portal (resolution 51/2018/com).

Invoicing

Resolution 501/2014/R/com with subsequent amendments and integrations ("Bill 2.0") 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, and then to low-voltage electricity customers and natural gas customers with private consumption up to 200,000 SCMs.

With Resolution 463/2016/R/com, ARERA 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 put end users in a position to compare the offers of the various companies. At the same time, the Consolidated Text for Billing (TIF) was approved, which includes in a single document all the provisions relating to both period billing and year-end billing and the management of gas and electricity meter readings by customers in cases of transfer or change of ownership. Furthermore, the new consolidated text now also covers the regulation of indemnities relating to billing and of monitoring activities. Subsequently, with Resolution 738/2016/R/com, additions were made to the TIF as regards mixed billing, meter readings by customers, indemnities to be paid to end customers and instalment plans.

Non-payment and Withdrawal

With Resolution 258/2015/R/com ARERA set out the first provisions regulating non-payment in the electricity and natural gas retail markets and approved the Consolidated text on Electrical Arrears (TIMOE) both to make distributors more aware of their responsibilities and to expand the set of additional information which must be put at the disposal of the incoming supplier when end users switch contracts.

With Resolution 302/2016/R/com ARERA amended the provisions governing methods and timeframes relating to the guidelines for withdrawal from supply contracts for small end customers, making provision for standardising switching times. With effect from 1 January 2017, when a supplier is switched, the outgoing supplier must receive the withdrawal notice from the incoming supplier within the 10th of the month previous to the change of supplier. Withdrawal regulations were afterwards amended with Resolution 783/2017/R/com in order to allow the process to be managed at centralised level exclusively through the SII Integrated Information System, starting from the contracts entered into from 15 February 2018 for electricity and as from 1 November 2018 for gas.

Indemnity system

With Resolution 593/2017/R/com ARERA approved an integrated indemnity system (TISIND), while also extending its application to the natural gas sector (domestic end users, residential blocks with an annual consumption of not higher than 200,000 SCMs and other different uses with an annual consumption of not higher than 50,000 SCMs). The resolution 406/2018/R/com sets the dates for the start of operations of the Indemnity System within the scope of the SII: in the electricity sector with effect from 1 December 2018 and in the gas sector with effect from 1 June 2019.

REMIT

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

2017 Competition Law

The annual market and competition law no. 124/2017 was published on 29 August, which is aimed at encouraging the growth of competition and providing protection for consumers, also in the application of the principles of EU law on free movements, competition and opening of markets. The main contents of the 2017 law are:

- ◆ the end of the *regime di tutela*, a protected consumer regime for gas and electricity as from 1 July 2019. This expiry date was postponed to 1 July 2020 following the approval of the Law converting decree law 91/18 (*Milleproroghe*, One Thousand Extensions) – Law no. 108 of 21 September 2018;
- ◆ the obligation on all suppliers to prepare at least one fixed and one variable price offer for domestic and non-domestic utilities in low tension and for gas utilities with an annual consumption not higher than 200,000 SCMs;
- ◆ the *Acquirente Unico* – Single Buyer – is to set up a Portal for the publication of the offers to domestic gas and electricity customers and to companies connected in low tension and with an annual consumption not higher than 200,000 SCMs;
- ◆ the creation of a list of approved entities for the sale of electricity.

First implementing measures

PLACET offers

With Resolution 555/2017/R/com, ARERA approved the rules for PLACET offers (free market offers on conditions equivalent to protection regime terms) in order to put small-sized end users in a position to understand the changes and overcome the asymmetry in information. These offers have general conditions of supply set by ARERA, except for financial terms, which are freely agreed by the parties, although based on a preset structure of fees. PLACET offers shall be limited to the supply of the commodity only (without providing for additional services, nor dual fuel-type offers) and shall apply to end customers in low tension for the electricity sector, as well as to the gas users with annual consumption lower than 200,000 SCMs. Each free market operator must enter these offers in its commercial offers menu and, as required by Resolution 848/2017/R/com, upload them on its Offer Portal from 1 March 2018.

Offer Portal

By Resolution 51/2018/R/com, ARERA set up the Offer Portal for vendors to publish their offers of electricity and gas for electricity end users supplied in low tension and gas customers with a consumption of under 200,000 SCM/year.

2018 Budget Law

On 27 December 2017 the 2018 Budget Law was approved, which lays down some provisions that impact on the energy sector. In detail, the innovations are:

- ◆ the introduction of provisions which seek to counter the problem of massive adjustments in electricity bills (Entry into force for electricity on 1 March 2018 and for gas on 1 January 2019);
- ◆ the introduction of the obligation to issue electronic invoices to end consumers as the only valid document for tax purposes, to be sent through the Revenue Agency Interchange System, with effect from 1 January 2019;
- ◆ the institution of a tax on digital transactions (the web tax) amounting to 3% of the value, net of VAT, of each services transaction carried out electronically (Entry into force on 1 January 2019);
- ◆ GSE, the Italian Electricity Operator, will reduce the incentive payment to renewable energy producing plants down to a percentage of between 20% and 80% if they are found to have committed infringements;

- ◆ the confirmation of the TV licence fees at Euro 90 p.a., since no new provisions have been laid down in this regard.

First implementing measures

Massive adjustments in electricity bills and short time bar

In order to counter the phenomenon of massive adjustments in electricity bills, the Budget Law introduced the right to request that payments for electricity be subject to a two-year time bar in electricity and gas supply contracts, both between the seller and the end user (domestic and low tension for other uses) and between the seller and the distributor.

By resolution 97/2018/R/com ARERA laid down transitional rules for relations between vendors and end customers that came into force for the electricity sector on 1 March 2018, as required by primary legislation. By resolution 569/2018/R/com the Authority therefore limited the scope of application of the rules (domestic and non-domestic end customers connected in low tension and low power with consumption lower than 200,000 SCMs), laid down information obligations on vendors with respect to invoicing sums after more than 24 months and determined the procedures for the entry into force of the gas regulations on 1 January 2019.

As regards relations between vendor and distributor, ARERA ruled that in cases of recalculations for which the distributor bears liability, electricity (resolution 264/2018/R/com) and gas (resolution 683/2018/R/com) vendors may recover the costs from the distributor after the end customer has objected that the time limit has lapsed.

Electronic invoicing

By resolution 712/2018/R/com ARERA brought in regulations for the coordination of the Authority's present "Bill 2.0" regulations with the new electronic invoicing provisions in the 2018 Budget Law.

2019 Budget Law

The 2019 Budget Law was approved on 30 December 2018, confirming some of the new provisions in the 2018 Budget Law. In detail, some of the contents are:

- ◆ the introduction of a web tax with a rate of 3% for businesses with a turnover not higher than EUR 750 million, of which an amount of at least EUR 5.5 million for the provision of digital services. Further information regarding the possible application to the energy sector is expected;
- ◆ it is confirmed that the TV licence fee is paid (EUR 90/year) through the bill;
- ◆ biogas incentives (EUR 25 million/year) for plants with a capacity of up to 300 kW are extended;
- ◆ there are additional resources for energy upgrades to Public Authority buildings;
- ◆ concessions for electricity charging stations are granted.

Electricity Sector

General system cost reform and additional tariff components

With Resolution 481/2017/R/eel ARERA has framed a new tariff structure for general costs in the electricity supply system, applicable from 1 January 2018 to both domestic and non-domestic customers. The new structure is composed of two groups: "general costs of supporting renewable energy and cogeneration" (Asos) and "remaining general costs" (Arim).

In this regard, in the implementation of the new mechanism for concessions to energy-intensive companies set out in the Ministry of Economic Development's Decree of 21 December 2017 (in force from 1 January 2018), by resolution 921/2017/R/eel, ARERA provided for the application of different Asos component rates to customers not receiving tariff concessions and to energy-intensive customers according to the type of tariff concession calculated on the basis of the electro-intensity index based on GPV.

The completion of general system costs for domestic electricity customers, provided for in resolution 582/2015/R/eel, has been postponed on several occasions. ARERA:

- ◆ by resolution 867/2017/R/eel, initially postponed it to 1 January 2019, while maintaining the differentiation of costs between resident and non-resident domestic customers and the division into two brackets of annual consumption for a withdrawal of 1.800 kWh;
- ◆ by resolution 626/2018/R/eel, again postponed it until 1 January 2020, while providing that from 1 January 2019 the DISPBT (dispatching component) item will be only the fixed rate for domestic customers as well.

Dispatching – Imbalance

With Resolution 393/2015/R/eel, ARERA has started a process to reform the dispatching service.

As a result of the Lombardy Region TAR's judgment No. 1648 of 24 June 2014 and the Council of State's judgments 1532/2015 and 2457/2016, which seek to restrict improper gains by dispatching users who exploit certain anomalies in the process of calculation of imbalance prices, Resolution 333/2016/R/eel of 24 June 2016 laid down the rules to apply in order to measure effective imbalances during the period from July 2012 to September 2014, setting out mechanisms which re-establish the regulations set aside by the abovementioned judgments of the Lombardy Region TAR and of the Council of State. With Resolution 342/2016/R/eel, ARERA has put procedures in place for the timely adoption of prescriptive measures and for the assessment of potential abuses in the wholesale electricity market pursuant to the REMIT. With Resolution 177/2017/E/eel, the publication of the names of the dispatching users involved until all the prescriptive measures has been postponed and all the sanctions procedures deriving from these measures have been completed.

Pending the organic reform indicated above, with Resolution 444/2016/R/eel, ARERA 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, ARERA 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.

Also regarding this issue, ARERA published Resolution 419/2017/R/eel, which, in replacing Resolutions 444/16 and 800/16, laid down transitional rules for measuring effective imbalances pending the formulation of rules based on nodal prices. This resolution introduces a macrozone non-arbitrage fee

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with effect from 1 July 2017, and the methods of calculation of the aggregate zonal imbalance are modified with effect from 1 September 2017. From this date the single pricing mechanism for measuring the effective imbalances of all ineligible units is to be reinstated.

Finally, with Resolution 300/2017/R/eel, ARERA required the Dispatching Service Market (DSM) to open up to consumption units and their aggregates (virtual eligible consumption units - *UVAC*) and not yet eligible production units (*UVAP*) by means of pilot projects arranged by Terna, started from 1 July 2017, whose purpose will be to gather the necessary information for an organic dispatching reform. In this regard, the resolution 372/2017/R/eel approved the pilot project for the demand participation in DSMs, while the resolution 422/2018/R/eel approved the rules for virtual eligible mixed units (*UVAM*)'s participation in DSMs.

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 measures to become effective from 1 January 2016:

- ◆ 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 609/2015/R/EEL, ARERA 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.

By resolution 655/2018/R/eel, the Authority made additions regarding the management of guarantees to the Network Code, setting down a further termination clause for the distributor on the basis of which the transmission service contract will be terminated automatically if the user of the service does not take steps to adjust the guarantees within 7 business days after the time limit for complying with formal notice to perform. This will also be the case if a request for a surety is made after the loss of a rating grade.

By judgments nos. 237, 238, 243 and 244/2017, the Lombardy Region TAR ruled on the appeals submitted by some transmission service users relating to a number of alleged unlawful issues of the network Code, cancelling ARERA's Resolution 268/2015/R/eel insofar as it provides for the users' obligation to provide guarantees to also cover general system costs. These judgments were confirmed by the Council of State's Orders nos. 1869, 2772, 2775, 2778 of 2017. With Resolution 109/2017/R/eel, the Authority therefore started proceedings for the execution of the Lombardy Region TAR's judgments,

for which the time limit for completion has been set on 30 June 2019, as required by resolution 430/2018/R/com.

Natural Gas Sector

QVD component updating

With resolution 707/2018/R/gas, ARERA updated the value of the variable retail quota (QVD) component as from 1 January 2019. The amount of the fixed retail quota for domestic customers was slightly raised while the amount of the variable quota remained the same as in 2018.

		PDR held by domestic customers	PDR relating to blocks for domestic use, with consumption < 200,000 SCMs
From 1 January 2018 to 31 December 2018	€/redelivery point/year	60.01	78.82
	c€/cm	0.7946	0.7946
From 1 January 2019	€/redelivery point/year	60.23	79.11
	c€/cm	0.7946	0.7946

Gas Balancing

With Resolution 312/2016/R/gas, ARERA approved the Consolidated Text of Gas Balancing (TIB) transposing European Regulation 312/2014, with effect from 1 October 2016. In order to put the new balancing regime into full effect from 1 April 2017, ARERA approved the consolidated act laying down provisions for the management of physical natural gas markets, adding to it some provisions regarding the locational product market (*MPL*) and the market created for trading stored gas (*MGS*). By resolution 612/2018/R/gas, provisions on setting imbalance prices were also added to in order to provide for cases in which Emergency Plan non-market resources are activated; specifically, a value is set for each of these resources which is counted in calculating marginal purchase price and these prices do not constitute a limit to the amount of the higher imbalance prices in the exchange platform.

Gas settlement

With Resolution 670/2017/R/gas, ARERA issued instructions regarding the conduct of adjustment sessions referring back to 2013 and until the entry into force of the new gas settlement regulations (1 January 2020). With resolution 782/2017/R/gas it adopted specific procedures for calculating the gas volume delta including the amount fed in and taken off at the Point of Redelivery in the transmission network interconnected with distribution networks or city gates; the annual price, which up to now has been charged to the user in full, is now shared with the Balancing User at the same city gate in proportion to the offtakes allocated during the year. By resolution 72/2018/R/gas, ARERA approved the Consolidated act governing the settlement of the physical and financial items in the natural gas balancing service (*T/SG*), which will come into force from 1 January 2020. By resolutions 223/2018/R/gas and 676/2018/R/gas rules were approved for the calculation of closing balances and variance considerations in adjustment sessions for the past period, i.e. from 2013 until the new gas settlement regulations came into force.

TRENDS IN THE ITALIAN ENERGY MARKET

Electricity market

Electricity demand in Italy in 2018 totalled 321.9 TWh, showing an increase of 0.46% compared to 2017.

TWh	2018	2017	Change %
Net production:	280.3	285.1	(1.7%)
External suppliers	47.1	42.8	9.1%
Sold to foreign customers	(3.3)	(5.1)	(54.5%)
Intended for pumping systems	(2.2)	(2.4)	(9%)
Italy Total	321.9	320.4	0.46%

Source: Terna data.

In 2018, approximately 16.4% of net production of energy requirements were covered by wind, PV and geothermal renewable sources, showing a slight decrease compared to the previous year.

Net Italian production by source type:

%	2018	2017
Net renewable production (wind, photovoltaic, geothermal)	16.4%	16.9%
Net hydroelectric production	17.6%	13.1%
Net thermal production	66.0%	70.0%

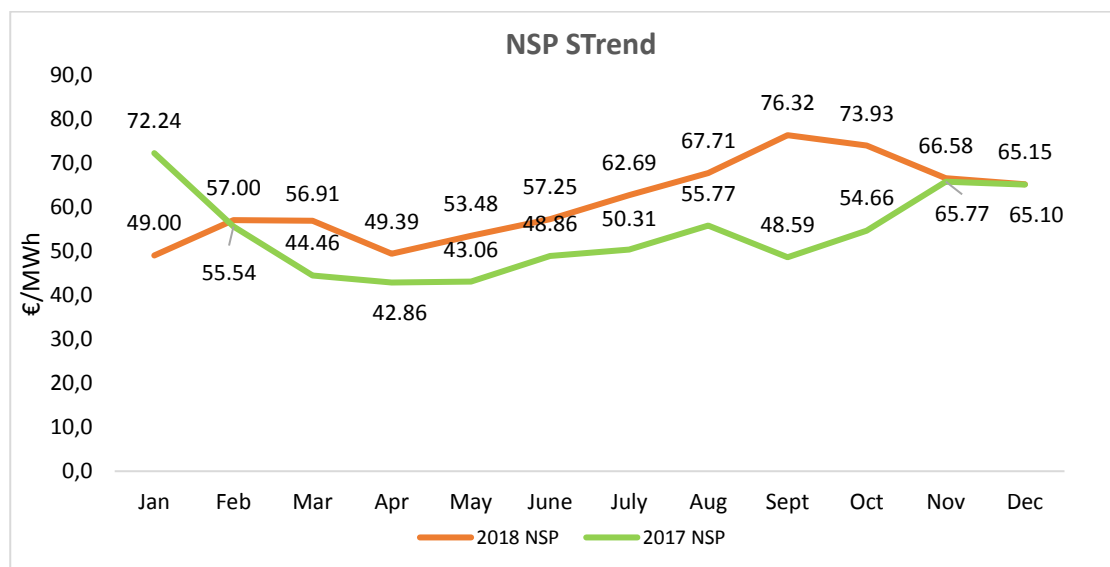
Source: Terna data.

Overall net production decreased by about 5 TWh (-1.7%), mainly due to a reduction in the contribution given by thermoelectric energy, equal to 15.3 TWh (-7.6%), which was offset by an increase in hydroelectric output (+31.2%) and by an increase in the net balance of imports (+16.3%) compared to 2017. Overall domestic production, net of the Energy intended for pumping systems, covered 86.5% of demand, down compared to 88.3% in 2017.

With reference to prices at 31 December 2018, Borsa Italiana's average hourly price for energy (IPEX1/NSP - National Single Price) for 2018 amounted to 61.3 €/MWh, up by 13.6% compared to the same period of 2017 (53.9 €/MWh).

The price increase is to be seen in a context of a rise in thermoelectric energy generation costs compared with 2017. In 2018 the level of the NSP was always higher than in 2017 except for the month of January, in which higher imports and mild temperatures led to a fall in prices on the day-before market (-32.2% compared to the same month in 2017). Prices gradually fell into line during the last quarter of the year owing to the increase in generation from renewable sources and lower gas quotations.

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:

- the average price of the French stock market (PNX) was 50.2 €/MWh in 2018;
- the price of the German stock exchange (EEX PHELIX/) was 44.5 €/MWh in 2018.

The price differential between the stock exchanges widened by 23.8%.

The Natural Gas Market

Gas drawn (billion m3)	2018	2017	% change
Domestic production	5.448	5.536	(1.6%)
Imports	67.872	69.650	(2.6%)
Exports	(0.391)	(0.273)	43.3%
Change in stocks	(0.264)	0,235	212.2%
Total demand	72.666	75.148	(3.3)%

Source: 2018 figures and 2019 preliminary figures Snam Rete Gas, Ministry of Economic Development

During 2018 the natural gas demand in Italy recorded a reduction of about 3% compared to the same period in the previous year, coming to about 72.6 billion cubic meters.

In 2018, in terms of supply sources, there was, by comparison to 2017:

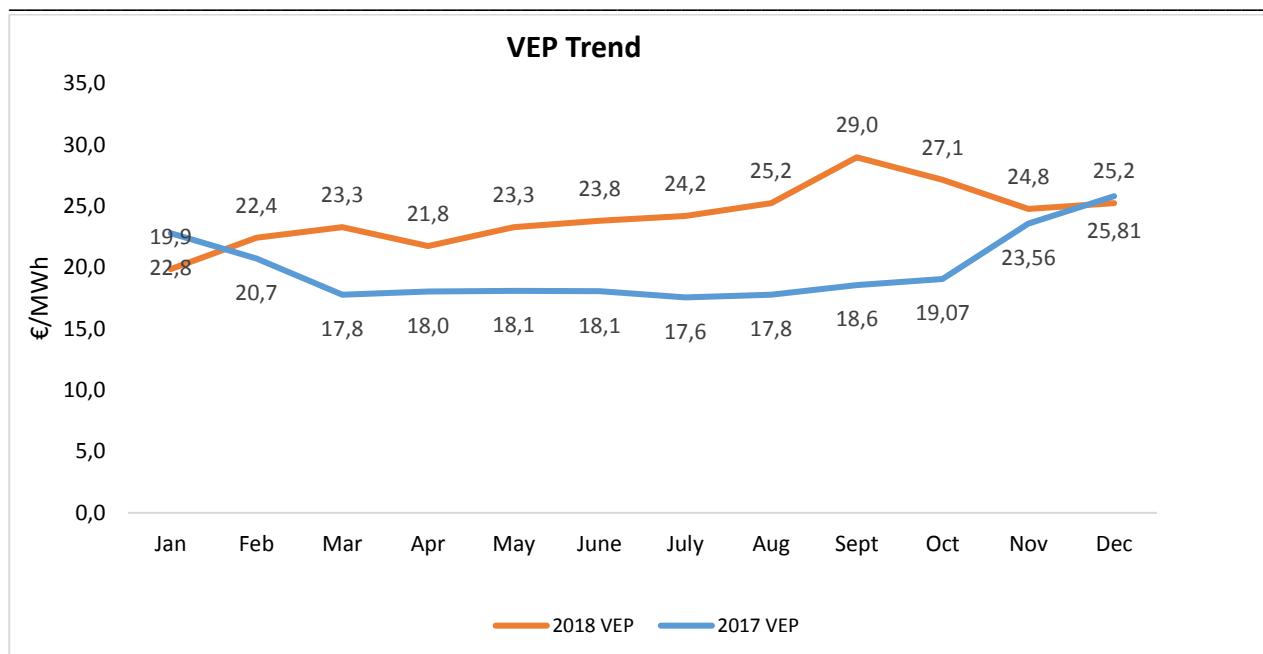
- ◆ a slight drop in national production (-88 million cubic meters; -1.6%);
- ◆ a decrease in gas imports (-1.7 billion cubic meters; -2.6%);
- ◆ a balance of stored gas inventory for about 0.4 billion cubic meters.

Demand for natural gas was lower in 2018 owing to less demand for raw material for the generation of electricity, recoveries in hydroelectricity and imports from France. Russia is still the leading natural gas supplier in spite of a slight decrease.

Italian consumption of natural gas fell again, except in February, March and September. The greatest decrease was recorded in January, when consumption was almost 21% lower than during the extremely cold days in early 2017.

The gas spot price in Italy showed an increase of 23.3% in Italy compared to 2017. Prices were lower in the early months of the year but rose from May onwards, driven by oil market trends. The rises continued owing to both tensions in the North European market and sustained demand for injections into storage facilities with low gas levels. From September onwards the trend, similarly to the oil market, reversed and the year ended with prices lower than the previous year.

In 2018 the VEP to TTF spread declined by 41.6% compared to 2017. This was partly due to higher gas levels in Italian storage facilities in addition to better matching of supply and demand.



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.

In 2018 there was a steep rise in volumes driven on one hand by an increase in the big customer portfolio and on the other hand by a greater presence in medium and low consumption market segments but higher unit margins, mainly as a result of the acquisition, from Energrid S.p.A. and from Tradeinv Gas & Energy S.p.A., of the business units dedicated to the sale of electricity and gas, which took place in November 2017.

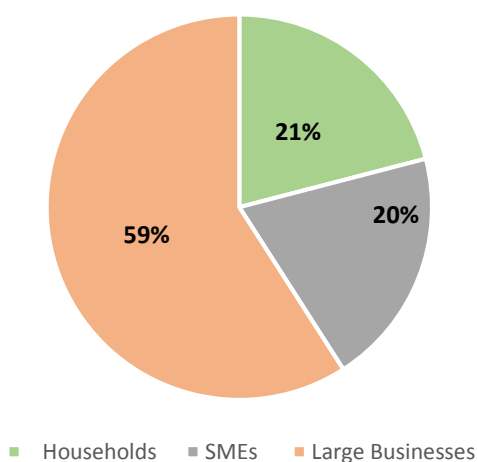
As regards total quantities, there was a sharp increase in the volumes sold, up by 44% in the sale of electricity and 124% in the sale of the gas.

Power Volumes in TWh	31.12.2018	31.12.2017	% Change
Sales to end users	12.1	8.7	39%
Wholesale sales	3.5	0.9	290%
Total	15.6	9.6	62%

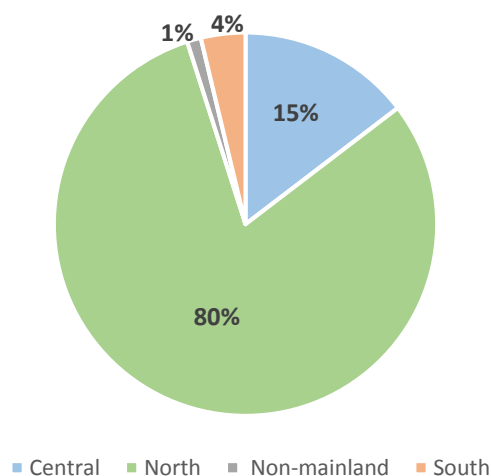
Gas Volumes in Mln SCM	31.12.2018	31.12.2017	% Change
Sales to end users	362.0	163.3	122%
Wholesale sales	117.6	37.3	215%
Total	479.5	200.6	139%

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

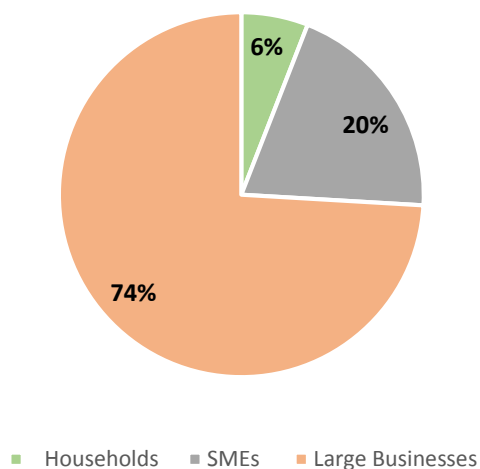
Gas turnover by customer type



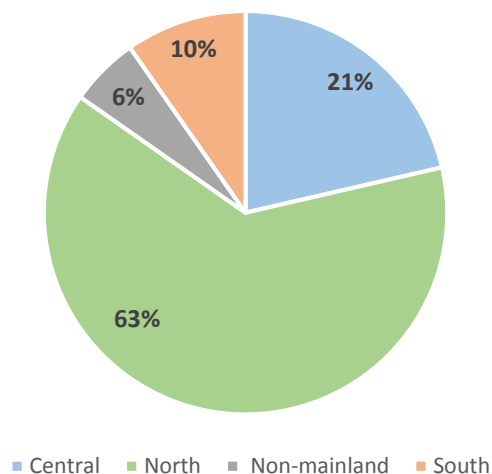
Gas turnover by geographical area



Power turnover by customer type



Power turnover by geographical area



Renewables

The Group, through its direct and indirect subsidiaries, is secondarily 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 S.r.l. in Italy and Spectrum Tech S.r.l. in Romania, in 2018 electric power production totalled 12.42 GWh compared to 13.75 GWh in 2017, due to some failures that were recorded during the year, which adversely affected production, above all in Romania.

As regards the biomass and biogas sector, through the companies Rena Energia S.r.l. and Biogas Energy S.r.l., electric power production totalled 16.1 GWh during 2018 compared to 13.4 GWh in 2017, thanks to better weather conditions and to an improved operational performance.

In the wind sector, the Green Wind 2 S.r.l. plant located in Sant'Agata di Puglia, Foggia, recorded an electricity production of 2.21 GWh, up by about 16% compared to the previous year owing to more wind.

In the first months of the year, 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.

Finally, development of the energy efficiency sector continued in the form of both the operation of a big cogenerator on an end customer's premises and marketing campaigns addressed at commercial users which propose and then carry out enhanced energy efficiency projects.

Non-recurring operations

On 12 January 2018, the investment held in Green Hydro1 was sold within the scope of the plan for the transfer of operations in the sector of energy from renewable sources.

On 28 March 2018 the quota held in the real estate company Converge S.r.l. was sold with a view to streamlining the investment portfolio.

On 20 April 2018 there was the completion of the acquisition of the business unit of Energia e Territorio S.p.A., which provides IT support to the business unit that was acquired from Energrid S.p.A. in 2017, thus completing the acquisition of the Energrid business unit.

On 28 June 2018, in performing the preliminary contract and following the fulfilment of the conditions precedent laid down therein, a contract of sale was executed in relation to the acquisition by Green Network S.p.A., with effect from 1 July 2018, of a business unit owned by Burgo Energia, which is active in the sale of electricity and gas to end customers. The business unit consists of an overall portfolio of about 8,000 points of medium and large sized customers.

On 29 July 2018 Green Network S.p.A. increased its investment in U.S. Boreale, taking over the interests held by the other shareholders, as well as its subsidiary Quinto S.r.l..

On 30 July 2018 Green Network S.p.A. established the company Green Network Energie S.a.r.l. for the development of sales of energy and gas in the French market.

On 18 December 2018 Green Network S.p.A. sold its entire investment in Green Network UK Plc in order to optimise the group's organisational structure.

GROUP ECONOMIC AND FINANCIAL RESULTS AT 31 DECEMBER 2018

In Euro '000	31.12.2018	31.12.2017	Change	% change
Revenues from sales	1,671,955	953,881	718,074	75.3%
Reclassification of revenues*	(307)	2,472	(2,779)	(112.4%)
Raw material costs	(1,588,428)	(883,266)	(705,161)	79.8%
First margin	83,221	73,087	10,134	13.9%
Direct costs	(17,858)	(18,886)	1,028	(5.4%)
Indirect costs**	(33,841)	(26,475)	(7,366)	27.8%
EBITDA	31,522	27,725	3,797	13.7%
Depreciation	(12,363)	(4,570)	(7,794)	170.6%
Provisions and write-downs	(4,167)	(6,107)	1,940	(31.8%)
EBIT	14,992	17,048	(2,056)	(12.1%)
Extraordinary expenses	347	56	292	524.4%
Financial operations**	(12,542)	(7,557)	(4,984)	66.0%
Profit (loss) before tax	2,798	9,547	(6,749)	(70.7%)
Taxation	(2,108)	(3,161)	1,053	(33.3%)
Profit (loss) from discontinued operations	10,179	(4,896)	15,075	(307.9%)
Net Profit (Loss)	10,868	1,490	9,378	629.6%

* The sales revenue figure does not include the penalties on fees allocated to direct costs.

** Indirect costs do not include costs relating to factoring commissions, charges on sureties and bank charges totalling EUR 7.0 million reclassified to financial operations.

The table below reports the performance by segment:

Revenues (in Eur million)	2018	2017
Green Network Spa	1,663	949
Renewables	7	7
Other companies/eliminations	1	0
Total	1,672	956

Revenues were substantially concentrated at the parent company.

The companies operating in the sector of renewables remained the same as in the previous year.

The turnover recorded by the other companies showed an increase as a result of the acquisitions made during the year.

The first Margin for the year under consideration came to EUR 83.2 million, up by 13.9% compared to the previous year.

The table below reports the first margin broken down by sector:

First Margin (in Eur million)	2018	2017
Green Network Spa	75.8	66.9
Renewables	4.9	5.7
Other companies/eliminations	2.6	0.5
Total	83.2	73.1

The first margin in the sector of renewables was adversely affected by a one-off write-down of the inventory of Biogas Energy (EUR 0.5 million) and by the lower production in the PV sector. The margin recorded by the other companies showed an increase thanks to the contribution given by Energrid S.r.l. and by the companies acquired during the year.

The table below shows the trend in direct costs in the various segments:

Direct costs (in Eur million)	2018	2017
Green Network Spa	16.2	17.0
Renewables	1.7	1.8
Total	17.9	18.8

Below is the breakdown of indirect costs by segment:

Indirect costs (in Eur million)	2018	2017
Green Network Spa	32.6	26.1
Renewables	0.0	0.0
Other companies/eliminations	1.3	0.4
Total	33.9	26.5

The increase in financial costs was mainly due to the trend in financial costs incurred by the parent company.

Profit before tax came to EUR 2.8 million (EUR 9.5 million in 2017).

The net result of EUR 10.9 million showed a considerable increase compared to 31 December 2017 (+630%) due to the deconsolidation of the affiliates operating in the UK market.

Net financial position and financial debt

In Euro million	31.12.2018	31.12.2017	Change
Cash and cash equivalents	35.0	49.5	(14.5)
Current payables	(102.8)	(118.0)	15.2
Non-current payables	(22.2)	(13.8)	(8.4)
Net financial position	(90.0)	(82.3)	(7.7)

The net financial position at 31 December 2018 came to EUR -90.0 million, showing an increase of EUR 7.7 million, substantially linked to the consolidation of US Boreale, which was acquired during 2018.

Shareholders' equity

In Euro million	31.12.2018	31.12.2017
Share capital	15.6	15.6
Other reserves	(9.5)	(2.0)
Net profit (loss) for the period	10.7	1.4
Minority interests	1.1	0.6
Total shareholders' equity	17.9	15.6

Shareholders' equity showed an increase of 14.7% from EUR 15.6 million to EUR 17.9 million in 2018.

GREEN NETWORK SPA RECLASSIFIED ECONOMIC AND FINANCIAL RESULTS AT 31 DECEMBER 2018

In EUR '000	31.12.2018	31.12.2017	Change	% change
Revenue from sales	1,663,645	946,651	716,994	76%
Reclassification of revenues *	(307)	2,472	(2,779)	(112%)
Raw material costs	(1,587,557)	(882,229)	(705,328)	80%
First margin	75,781	66,894	8,887	13%
Direct costs	(16,158)	(17,040)	882	(5%)
Indirect costs**	(32,604)	(26,087)	(6,517)	25%
EBITDA	27,020	23,767	252	14%
Depreciation	(9,572)	(2,318)	(7,254)	313%
Provisions and write-downs	(4,125)	(7,060)	2,935	(42%)
EBIT	13,322	14,389	(1,067)	(7%)
Extraordinary expenses	347	56	292	524%
Financial operations **	(11,250)	(6,205)	(5,045)	81%
Profit (loss) before tax	2,419	8,240	(5,820)	(71%)
Taxation	(1,952)	(3,099)	1,147	(37%)
Net Profit (Loss)	467	5,141	(4,673)	(91%)

* The sales revenue figure does not include the penalties on fees allocated to direct costs.

** Indirect costs do not include costs relating to factoring commissions, charges on sureties and bank charges totalling EUR 6.9 million reclassified to financial operations.

Revenues from sales came to EUR 1,664 million, up by 76% compared to the previous year.

The improvement was due to the acquisitions of the commercial business units of Energrid and Tradeinv (at the end of 2017) and of Burgo Energia (in July 2018), as well as to the organic growth is driven by the development of the industrial sector, which expands critical mass and thus allows economies of scale in process management.

The table below reports the most significant quantitative data:

Revenues by Energy segment (in EUR million)	2018	2017
Large Business	780	574
SMEs	212	39
Domestic	66	38
Other Revenues	435	213
Total	1,493	863

Revenues by Gas segment (in EUR million)	2018	2017
Large Business	82	34
SMEs	28	8
Domestic	29	23

Other Revenues	32	21
Total	171	86

Other revenues are the sale of electricity and gas other than to end customers.

The first margin in the year under consideration increase up to about EUR 76 million (+13%), considering that the growth partly occurred in lower added-value sectors.

Great attention was paid to optimising direct costs (-5% compared to 2017), which are summarised in the table below:

Direct costs (in EUR million)	2018	2017
Fees	6.4	8.8
Advertising costs	3.0	3.1
Customer care costs	2.8	2.3
Postal / Toll-free number costs	1.9	1.3
Debt Collection costs	2.1	1.6
Total	16.2	17.1

Indirect costs showed an increase due to the rises linked to the acquisitions, but showing a reduction compared to turnover (from 2.7% to 1.9%). Below is the breakdown of the main expenditure items:

Indirect costs (in EUR million)	2018	2017
Personnel	16.3	12.1
Leases and Rentals	2.2	2.0
Services and Consultancy advice	8.9	9.8
Operating costs	5.1	1.7
Non-recurring costs	0.0	0.5
Total	32.5	26.1

The total effect gives rise to an increase of 14% in EBITDA compared to 2017, coming to about EUR 27 million.

Amortisation and depreciation showed an increase due to both the component linked to the amortisation of goodwill arising from the acquisitions made and the different accounting method applied to long-term costs on the fees paid to agencies for the acquisition of new customers.

Provisions and write-downs were due, in the amount of EUR 3.5 million, to prudent provisions for bad debt, down compared to the previous year. Debt recovery has made appreciable progress both in terms of incoming disputes due to tighter customer selection and the process for the recovery of overdue debts, which has further quickened. Particularly valuable in the pre-supply customer selection process is the use of the Integrated Information System together with algorithms developed with the assistance of leading market operators in the commercial information sector. The overdue debt process has been reviewed and optimised and the acquired business units have been made to adopt best practice immediately. In view of the provisions inherited from these businesses, the provision for bad debts now amounts to more than EUR 30 million.

Results from financial operations amounted to EUR -11.3 million, showing an increase compared to 2017 as a result of higher business volumes.

Profit before tax came to EUR 2.4 million (-71%) in 2018, while the net profit came to EUR 0.5 million compared to EUR 5.1 million in the previous year, including as a result of the settlement of tax disputes linked to previous years for EUR 2.7 million.

Net financial position and financial debt

<u>In EUR million</u>	31.12.2018	31.12.2017	Change
Cash and cash equivalents	32.2	41.3	(9.1)
Current payables	(99.9)	(114.3)	14.4
Non-current payables	(10.7)	(6.3)	(4.4)
Net financial position	(78.4)	(79.3)	0.9

Unlike the income statement, the balance sheet can be compared with that reported for the previous year and shows a net financial position in line with the previous year, but showing a marked reduction in the short-term debt to the benefit of higher consolidation and greater efficiency in cash generation.

Shareholders' equity

<u>In EUR million</u>	31.12.2018	31.12.2017
Share capital	15.6	15.6
Other reserves	4.9	10.0
Net profit (loss) for the period	0.5	5.1
Total Shareholders' equity	21.0	30.7

The shareholders' equity reflects a reduction in reserves following the change in the cash flow hedge reserve and the adoption of IFRS9, which has required additional accruals to the provision for bad debts.

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 since the requirements were not met.

Treasury shares

There are no treasury shares in the portfolio.

Information on personnel

In 2018 the Group employed 270 staff members on average, compared to 203 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.

Risk assessment document

The risk assessment document pursuant to Legislative Decree 81/2008 has been updated 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 2018, with the help of qualified professionals, the consolidating company also obtained, from the certification body TUV HESSEN, the certification of compliance with UNI-EN-ISO 9001:2015 standards for management systems, specific to the marketing of electricity and natural gas.

Data protection legislation

The company has prepared all the measures necessary to comply with EU Regulation 2016/679, the General Data Protection Regulation (GDPR) on the protection of natural persons, as regards the processing and free movement of their personal data.

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

Owing to the sector in which the Group operates, it is exposed to market risk, to mitigate which the management has suitable monitoring tools.

For information on other risk factors to which the Group is exposed, including pursuant to Article 2428 of the Italian Civil Code, 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 with strong emphasis on 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.

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.

Rome, 5 April 2019

Chairman of the Board of
Directors

Ing. Piero Saulli

III – GROUP CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

Income Statement and statement of comprehensive income

	Notes	2018	2017
Revenues			
Revenues from sales and services	1	1,655,047,079	939,016,368
Other revenue and income	2	16,908,167	14,864,532
Total revenues		1,671,955,246	953,880,900
Costs			
Electricity and gas purchase	3	1,588,427,609	883,266,460
Costs for services and materials	4	33,249,165	29,644,520
Payroll and related costs	5	20,477,701	14,957,519
Amortisation/depreciation and impairment	6	15,903,173	10,675,094
Provisions	7	627,000	2,000
Other operating costs	8	5,328,874	2,183,121
Total costs		1,664,013,522	940,728,714
EBIT		7,941,724	13,152,186
Financial income (expense) from financial instruments measured at fair value	9	(53,684)	12,399
Net profit (loss) from the sale of current and non-current operating assets	10	4,184	(8,717)
Financial income	11	2,748,566	2,135,272
Financial expense	12	(8,239,909)	(5,796,414)
Share of income/(expense) deriving from equity investments valued using the equity method	13	396,725	51,927
Pre-tax profit (loss)		2,797,606	9,546,653
Taxation	14	(2,108,241)	(3,160,786)
Profit (loss) from continuing operations		689,365	6,385,867
Profit (loss) from discontinued operations		10,178,549	(4,896,222)
Net profit (loss) for the year, of which		10,867,914	1,489,645
- group share		10,738,898	1,402,517
- share pertaining to minority interests		129,016	87,128

	2018	2017
Profit (loss) for the year	10,867,914	1,489,645
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	5,397
Items that will or could then be reclassified to Profit (Loss) for the year		
Profit (losses) from redetermination of the value of other financial assets	9	(41,736)
Gains (losses) on the translation of financial statements of foreign subsidiaries		454,864
Fair value changes in cash flow hedges	3	(7,527,761)
Income taxes relating to OCI	2,049,142	(692,341)
Overall profit (loss) for the year, of which	5,807,820	3,179,828
- group share	5,452,807	2,864,939
- share pertaining to minority interests	355,013	314,889

Statement of financial position

	Notes	31.12.2018	31.12.2017
Non-current assets			
Intangible fixed assets	15	46,038,492	23,639,915
Goodwill	16	27,341,721	25,642,912
Property, plant and machinery	17	36,879,583	31,969,685
Investment property	18	7,773,961	8,014,167
Equity investments	19	734,383	987,209
Receivables from group companies	20	21,721,878	4,845,782
Deferred tax assets	21	7,457,148	7,414,000
Tax credits	22	5,098,460	5,084,332
Other non-current assets	23	5,403,456	12,693,074
Total		158,449,082	120,291,076
Current assets			
Inventories	24	3,272,161	2,475,043
Trade-related receivables	25	420,074,151	394,699,635
Receivables from group companies	26	38,062,489	28,416,887
Loans to banks and other financial institutions	27	18,716,742	10,258,914
Tax credits	28	12,993,942	25,527,196
Derivatives	29	31,003,351	54,486,263
Other financial assets	30	952,163	3,964,282
Other current assets	31	15,329,061	18,673,463
Cash and cash equivalents	32	15,347,117	35,310,420
Total		555,751,177	573,812,103
Non-current assets held for sale	33	0	1,799,590
Assets classified as held for sale	34	0	780,249
Total assets		714,200,259	696,683,018
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	35	15,636,000	15,636,000
Other reserves	35	(9,512,915)	(2,010,805)
Net profit (loss) for the year	35	10,738,898	1,402,517
Minority interests	35	1,061,092	550,453
Total shareholders' equity		17,923,075	15,578,165
Non-current liabilities			
Long-term loans	36	22,220,336	13,796,984
Payables to minority shareholders	37	5,896,728	6,142,104
Employee severance indemnity and other employee benefits	38	3,183,397	2,888,843
Provisions for risks and charges (non-current portion)	39	11,768,408	12,462,616
Tax liabilities	40	11,465	905,833
Other non-current liabilities	41	10,277,063	9,490,738
Total		53,357,397	45,687,118
Current liabilities			
Short-term loans	42	102,814,302	149,562,711
Trade-related payables	43	440,581,263	403,994,722
Payables to group companies	44	32,374,972	16,705,983
Tax payables	45	39,246,577	21,751,117
Derivatives	46	15,223,835	27,348,449
Other current financial liabilities	47	12,678,838	15,732,092
Total		642,919,787	635,095,074
Liabilities classified as held for sale	48	0	322,661
Total shareholders' equity and liabilities		714,200,259	696,683,018

Statement of changes in Shareholders' equity

	Share Capital	Legal Reserve	Extraordinary reserve	Equity method valuation reserve	Profits (losses) carried forward	FTA reserve	Reserve for valuation of derivatives and contracts	Rounding-off reserve	Capital contributions	Consolidation reserve	Reserve for valuation of other financial assets	Translation reserve	Actual gain reserve	Net profit (loss) for the period	Total	Minority interests	Total shareholders equity
Balance at 1 January 2017	15,636,000	1,128,036	3,950,884	6,297,595	(29,293,790)	16,387,195	930,473	2	13,394	0	32,216	3,901	(184,165)	92,144	14,993,885	224,485	15,218,370
Profit (loss) for the period	0	0	0	0	0	0	0	0	0	0	0	0	0	1,402,516	1,402,516	87,127	1,489,643
Other components of comprehensive income	0	0	0	0	0	0	1,385,009	0	0	0	4,271	548,943	(118,203)	0	1,820,020	0	1,820,020
Total components of comprehensive income	0	0	0	0	0	0	1,385,009	0	0	0	4,271	548,943	(118,203)	0	1,820,020	0	1,820,020
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	302,051	5,738,974	0	(8,085,123)	(528,476)	480	3	0	0	0	(552,844)	28,369	(92,144)	(3,188,710)	238,841	(2,949,869)
Balance at 31 December 2017	15,636,000	1,430,087	9,689,858	6,297,595	(37,378,913)	15,858,719	2,315,963	5	13,394	0	36,487	0	(273,999)	1,402,516	15,027,712	550,453	15,578,165
Balance at 1 January 2018	15,636,000	1,430,087	9,689,858	6,297,595	(37,378,913)	15,858,719	2,315,963	5	13,394	0	36,487	0	(273,999)	1,402,516	15,027,712	550,453	15,578,165
Adoption of new accounting standards	0	0	0	0	0	(4,622,061)	0	0	0	0	0	0	0	0	(4,622,061)	0	(4,622,061)
Profit (loss) for the period	0	0	0	0	0	0	0	0	0	0	0	0	0	10,738,898	10,738,898	129,016	10,867,914
Other components of comprehensive income	0	0	0	0	0	0	(5,358,261)	0	0	0	(29,707)	323,772	4,102	0	(5,060,095)	0	(5,060,095)
Total components of comprehensive income	0	0	0	0	0	0	(5,358,261)	0	0	0	(29,707)	323,772	4,102	0	(5,060,095)	0	(5,060,095)
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	294,959	5,604,224	0	(3,395,363)	0	0	(3)	0	0	(1)	(323,772)	0	(1,402,516)	777,529	381,623	1,159,152
Balance at 31 December 2018	15,636,000	1,725,046	15,294,082	6,297,595	(40,774,276)	11,236,658	(3,042,298)	2	13,394	0	6,779	0	(269,897)	10,738,898	16,861,983	1,061,092	17,923,075

Consolidated Statement of Cash Flows

	Notes	2018	2017
Profit (loss) for the year from continuing operations		689,365	1,489,645
CASH FLOW STATEMENT OF OPERATING ACTIVITIES (A)			
Taxes for the period	14	2,108,241	3,160,786
Interest expense/(interest income)	11 - 12	5,283,788	3,943,516
Income from equity investments in other companies	11	(27,911)	(15,000)
Adjustments for non-monetary elements with a contra-entry in net working capital			
<i>Allocations to provisions</i>	6 - 7	<i>4,897,691</i>	<i>6,656,394</i>
<i>Depreciation/amortisation of fixed assets</i>	6	<i>12,363,173</i>	<i>4,569,604</i>
<i>Write-downs due to impairment</i>	6	<i>0</i>	<i>25,490</i>
<i>Other adjustments for non-monetary elements</i>	9 - 10 - 13	<i>(347,225)</i>	<i>(55,609)</i>
Cash flows from change in working capital			
- change in inventories	24	(797,118)	(1,804,118)
- change in trade and intercompany receivables	20 - 25 - 26	(38,125,786)	(196,415,671)
- change in trade and intercompany payables	43 - 44	52,255,530	165,122,893
- other changes in net working capital		43,083,381	(22,737,721)
Cash flows from other adjustments:			
<i>Interest income and other financial income received</i>	11	<i>2,984,031</i>	<i>1,867,897</i>
<i>Interest expense and other financial expenses</i>	12	<i>(8,239,909)</i>	<i>(5,456,289)</i>
<i>(Income taxes paid)</i>		<i>(3,160,786)</i>	<i>(7,128,633)</i>
<i>(Use of provisions)</i>		<i>(1,764,746)</i>	<i>8,622,572</i>
Cash flow generated (absorbed) by operations - continuing operations		70,512,354	(39,643,889)
Cash flow generated (absorbed) by operations - discontinuing operations		0	13,699,538
Total cash flow generated (absorbed) by operations		70,512,354	(25,944,350)
CASH FLOW STATEMENT OF INVESTMENT ACTIVITIES (B)			
Cash flows from changes in property, plant and machinery	17	(8,130,978)	(1,209,519)
Cash flows from changes in intangible fixed assets	15 - 16	(32,999,274)	(48,552,573)
Cash flows from changes in equity investments	19	2,449,141	(31,147)
Cash flows from changes in receivables for loans	20	(16,876,097)	131,157
Cash flows from changes in financial instruments	3 - 29 - 46	2,962,619	4,314,201
Cash flow generated (absorbed) by investments - continuing operations		(52,594,589)	(45,347,881)
Cash flow generated (absorbed) by investments - discontinuing operations		0	(540,004)
Total cash flow generated (absorbed) by investments		(52,594,589)	(45,887,886)
CASH FLOW STATEMENT OF FINANCING ACTIVITIES (C)			
Cash flows from third party financing:			
Increase (decrease) in short-term payables	42	(46,748,409)	96,831,475
Increase (decrease) in long-term payables	36	8,177,976	(2,402,760)
Other changes in shareholders' equity items	35	0	0
Cash flow generated (absorbed) by financing activities - continuing operations		(38,570,433)	94,428,715
Cash flow generated (absorbed) by financing activities - discontinuing operations		0	574,807
Total cash flow generated (absorbed) by financing activities		(38,570,433)	95,003,521
Increase (decrease) in cash and cash equivalents		(19,963,303)	24,660,930
Opening cash and cash equivalents		35,310,420	10,649,490
Closing cash and cash equivalents		15,347,117	35,310,420

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Introduction

Green Network S.p.A. (hereinafter “the consolidating entity” or “the parent company”), 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 on the part of SC Holding S.r.l..

This annual financial report (hereinafter also “the Report”) includes the accounting positions of Green Network S.p.A. and its subsidiaries and the shareholding in associated companies and joint ventures (hereinafter “the Group”).

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 5 April 2019 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 2017, 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 2018 in line with the consolidating company, 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.

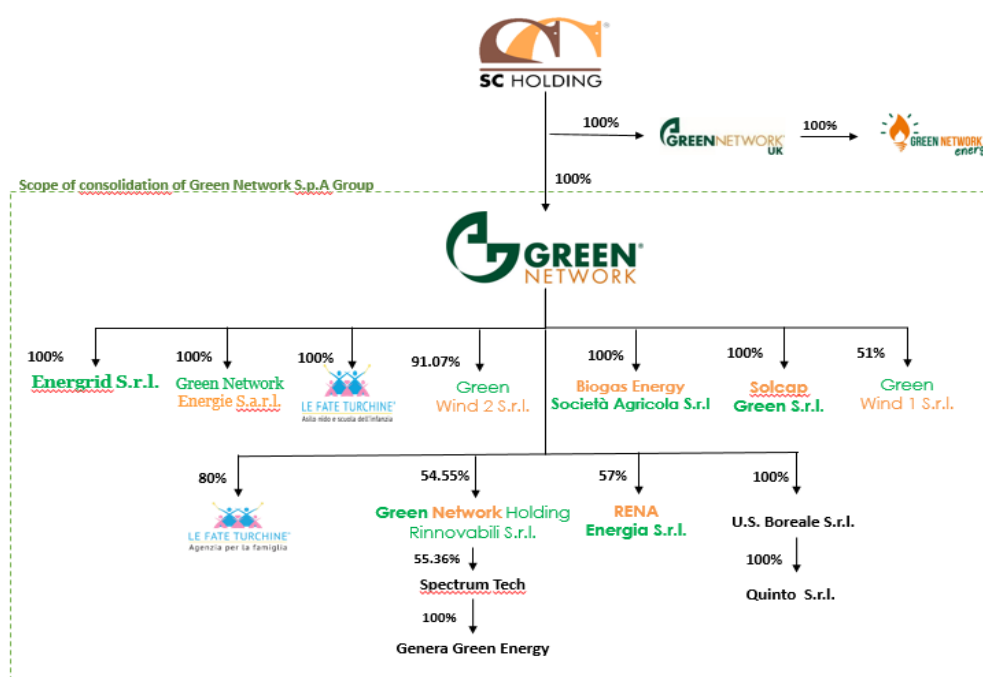
Equity investments in associated companies are recognised at cost which represents the fair value, and are subsequently measured using the equity method.

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	Consolidation criteria
SOLCAP GREEN S.R.L. Viale della Civiltà Romana 7, Rome	Generation of energy from renewable sources (photovoltaic)	Line-by-line
ENERGRID S.R.L. Viale della Civiltà Romana 7, Rome	Electricity and gas sales to Public Authorities	Line-by-line
GREEN WIND 1 S.R.L. Viale della Civiltà Romana 7, Rome	Generation of energy from renewable sources (wind)	Unconsolidated *
GREEN WIND 2 S.R.L. Viale della Civiltà Romana 7, Rome	Generation of energy from renewable sources (wind)	Line-by-line
RENA ENERGIA S.R.L. Viale della Civiltà Romana 7, Rome	Generation of energy from renewable sources (biomass)	Line-by-line
BIOGAS ENERGY SOC. AGRICOLA S.R.L. Viale della Civiltà Romana 7, Rome	Generation of energy from renewable sources (biogas)	Line-by-line
GREEN NETWORK UK PLC St.Martin's Court, 10 Paternoster Row - London (GB)	Trading and sourcing electricity	Line-by-line

Subsidiaries	Primary business	Consolidation criteria
GREEN NETWORK ENERGY LTD St.Martin's Court, 10 Paternoster Row - London (GB)	Electricity and gas sales to end consumers	Line-by-line
GREEN NETWORK HOLDING RINNOVABILI S.R.L. Viale della Civiltà Romana 7, Rome	Management of equity investments in companies operating in the renewable energy sector	Line-by-line
SPECTRUM TECH S.R.L. Bucharest (Romania), Barbu Stefanescu Delavrancea no. 55	Generation of energy from renewable sources (photovoltaic)	Line-by-line
GENERA GREEN ENERGY Romania	Generation of energy from renewable sources (photovoltaic)	Line-by-line
GREEN NETWORK ENERGIE S.A.R.L. France	Electricity and gas sales to end consumers	Line-by-line
LE FATE TURCHINE S.R.L. Viale della Civiltà Romana 7, Rome	Personnel recruitment and selection	Line-by-line
LE FATE TURCHINE 2 S.R.L. Viale della Civiltà Romana 7, Rome	Offer of recreational and educational services.	Line-by-line
U.S. BOREALE S.R.L. Viale della Civiltà Romana 7, Rome	Generation of energy from renewable sources (photovoltaic)/Real estate investments	Line-by-line
QUINTO S.R.L. Viale della Civiltà Romana 7, Rome	Food service	Line-by-line
Associated companies	Primary business	
SOLERGY S.p.A. Viale della Civiltà Romana 7, Rome	Generation of energy from renewable sources (photovoltaic)	Equity (Equity Method)
JMS (Associazione in partecipazione) Brescia, Via Corsica no. 143	Generation of energy from renewable sources (photovoltaic)	Equity (Equity Method)

**The company was put into liquidation in 2017. It has been excluded from the scope of consolidation given the insignificance of its values.*

The scope of consolidation, compared to financial statements closed at 31 December 2017, reported the following changes:

- ◆ the sale of the quotas held in Green Hydro 1 S.r.l. was completed in January 2018;
- ◆ Green Network Power & Gas Ltd was dissolved in January 2018;
- ◆ the Group's quota in Biogas Energy Società Agricola S.r.l. rose up to 100% following the failure by the quotaholders Agreenet Cooperativa Agricola A.r.l. and Free Energia S.p.A. to subscribe and pay the amount to cover the losses recognised and to replenish the quota capital, each of them proportionally to their respective quotas;
- ◆ In July 2018 Green Network Energie was established, which is active in the sale of electricity and gas in the French market, with a capital equal to EUR 50,000 that was fully subscribed by the sole shareholder Green Network S.p.A;
- ◆ The entire quota of US Boreale S.r.l. (and of its subsidiary Quinto S.r.l.) was acquired in July 2018;
- ◆ Green Network S.p.A. transferred its entire investment held in Green Network UK Plc on 18 December 2018.

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 Green Network Holding Rinnovabili to acquire all minority shares as at 30 June 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 available as at 31 December 2018 with the exception of 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 2017) 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: 4.6635;
- ◆ costs and revenues are converted at the average exchange rate for the period/year: 4.6540.

With regard to the UK companies, note that 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 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: 0.89453;
- ◆ costs and revenues are converted at the average exchange rate for the period/year: 0.88471.

Restatement of some comparative values

The comparative values for the financial year ended 31 December 2017 were restated to a lesser extent in order to take account of the correction of errors made in previous years in relation to current and deferred taxation. Furthermore, a more accurate analysis of the tax effects arising from the 2017 PPA was conducted during the year, as a result of which an adjustment was made to the goodwill posted in the previous year.

The table reported below shows the breakdown of the items that have been restated, as well as the changes in equity items.

	31.12.2017 comparative values	31.12.2017	Change
Taxes(*)	(3,160,786)	(1,261,649)	(1,899,137)
Deferred tax assets	7,414,000	8,585,325	(1,171,325)
Payables to parent companies, subsidiaries, associates and joint ventures	16,705,983	16,574,237	131,746
Goodwill	25,642,912	26,504,123	(861,211)
Provisions for risks and charges	12,462,616	13,323,827	(861,211)

**the change is attributable to the correction of errors made in previous years in relation to current and deferred taxation for EUR 758,357, as well as to the of the values posted in previous years according to IFRS 5 following the sale of the UK investment for the remaining amount.*

	31.12.2017 comparative values	31.12.2017	Change
Share capital	15,636,000	15,636,000	0
Legal reserve	1,430,087	1,430,087	0
Extraordinary reserve	9,689,858	9,689,858	0
Equity method valuation reserve	6,297,595	6,297,595	0
Shareholder contributions	13,394	13,394	0
Indivisible profits and reserves	(37,378,913)	(37,065,554)	(313,359)
Derivative valuation reserve	2,315,963	2,315,963	0
AFS reserve	36,487	36,487	0
Rounding reserve	6	6	0
Actuarial gain reserve	(273,999)	(273,999)	0
FTA reserve	15,858,719	16,09,074	(231,355)
Profit (loss) for the year	1,402,516	2,160,872	(758,357)
Total	15,027,713	16,330,783	(1,303,071)
Minority interests in capital and reserves	463,325	463,325	0
Minority interest profit (loss) for the year	87,127	87,127	0
Total shareholders' equity	15,578,165	16,881,236	(1,303,071)

In addition, it should be noted that in December 2018 Green Network S.p.A. sold the investment held in Green Network UK Plc. The investment has been reported as discontinued operation: for this reason, the comparative income and cash flow statement data relating to the previous financial year have been restated in order to determine a single amount to be recognised in the income statement consisting of profits and losses from the discontinued operation and in the cash flow statement showing the movements attributable to the operating, investing and financing activities of the discontinued operation.

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.

Significant events during the year

On 28 June 2018 a contract of sale was executed in relation to the acquisition by Green Network S.p.A., with effect from 1 July 2018, of a business unit owned by Burgo Energia S.p.A., which is active in the sale of electricity and gas to end customers.

This transaction was carried out according to the "purchase method" as required by IFRS3 "Business Combinations" referred to in the disclosures on accounting policies.

The Purchase Price Allocation ("PPA") process has been divided into the phases described below:

- ◆ Identifying the assets acquired and the liabilities assumed (including any intangible asset not recognised in the accounts/financial statements) of the business units involved in the acquisition;
- ◆ Estimating the residual useful lives of these assets;
- ◆ Calculating the fair value of the assets acquired and of the liabilities assumed;
- ◆ Allocating the purchase price to assets and liabilities based on their fair value;
- ◆ Calculating the deferred taxation on fair value adjustments (fair value less net book value);
- ◆ Calculating the residual goodwill (if any) and checking whether it is recoverable or not.

Below is the fair value of the financial balances transferred to Green Network S.p.A. following the acquisition of the business unit concerned:

	Balances at 30.06.2018
Guarantee deposits from customers	541,000
Employee severance indemnity provision	81,213
Tax payables	12,544
Payables to employees	51,124
Social security payables and other payables	31,349

The higher value, which is given by the difference between the purchase price (EUR 2.8 million) and the equity of the acquired business unit (EUR 0.7 million), equal to EUR 3.5 million, has been allocated to intangible assets among "VAT" customer relationships and is subject to an amortisation period of 8 years.

Furthermore, it should be noted that during 2018 the following transactions were carried out:

- ◆ on 12 January 2018, the investment held in Green Hydro1 was sold within the scope of the plan for the transfer of operations in the sector of energy from renewable sources;
- ◆ on 28 March 2018 the quota held in the real estate company Converge S.r.l. was sold with a view to streamlining the investment portfolio;
- ◆ on 20 April 2018 there was the completion of the acquisition of the business unit of Energia e Territorio S.p.A., which provides IT support to the business unit that was acquired from Energrid S.p.A. in 2017, thus completing the acquisition of the Energrid business unit;
- ◆ on 29 July 2018 Green Network S.p.A. increased its investment in U.S. Boreale, taking over the quotas held by the other shareholders, as well as its subsidiary Quinto S.r.l.;
- ◆ on 30 July 2018 Green Network S.p.A. established the company Green Network Energie S.a.r.l. for the development of sales of energy and gas in the French market;
- ◆ on 18 December 2018 Green Network S.p.A. sold its entire investment in Green Network UK Plc in order to optimise the group's organisational structure.

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 capital contributions (if any). 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 intended use.

Intangible assets arising from the allocation of the higher value of acquired business units are amortised over the following periods:

- 10 years for the brand;
- 8 years for “VAT” customer relationship;
- 5 years for “domestic” customer relationship;
- 1 year for “public authority” customer relationship.

Intangible fixed assets with an indefinite useful life (goodwill) are not subject to systematic amortisation but are tested at least annually for impairment (impairment test).

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 asset 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 assets 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 Company 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.

Business combinations

According to IFRS3, the business combinations involving a business unit must be accounted for by applying the acquisition method, which provides for the following phases:

- ◆ identification of the acquirer;
- ◆ determination of the business combination cost;
- ◆ allocation, as at the acquisition date, of the business combination cost to assets acquired and liabilities and potential liabilities assumed.

Specifically, the business combination cost is determined as the total sum of fair values, at the date of exchange, of assets sold, of liabilities sustained or assumed and of equity instruments issued, in exchange for the control of the acquiree.

The acquisition date is the date on which the acquirer actually obtains control of the acquiree. If an acquisition is achieved in one exchange transaction, the date of exchange is the date of acquisition.

When a business combination is carried out through more than one exchange transaction, the combination cost is equal to the fair value of the entire equity investment acquired as recognised on the date on which control is obtained. This entails the revaluation of the equity investments previously held in the acquired business at fair value through profit or loss.

The business combination cost is allocated by recognising any identifiable assets, liabilities and potential liabilities of the acquiree at their respective fair values at the acquisition date.

The positive difference between the business combination cost and the net fair value of identifiable assets, liabilities and potential liabilities, must be accounted for as goodwill.

After initial recognition, any goodwill acquired within a business combination shall be tested for impairment at least annually.

If the difference is negative, a new measurement is made. If this negative difference is confirmed, it is recognized immediately as a revenue in the income statement.

If the fair values of assets, liabilities and potential liabilities can be determined on a provisional basis only, the business combination is recognised by using these provisional values. Adjustments (if any), arising from the completion of the valuation process, are recognised within 12 months as from the date of acquisition, restating any comparative value.

Financial instruments

Financial assets or liabilities are recognised when the Group becomes party to the contractual clauses of the instrument.

Financial assets are classified on the basis of business model (i.e. the method according to which the Group manages its financial assets in order to generate cash flows) and of the contract terms and conditions of the cash flows, in one of the following categories:

- ◆ financial assets measured at amortised cost if held with the objective of collecting the contractual cash flows consisting exclusively of principals and interest. According to the amortised cost method the initial book value is subsequently adjusted to take account of the repayments of principal, as well as of impairment (if any) and of the amortisation of the difference between redemption value and the initial book value. The amortisation is carried out on the basis of the effective internal rate of interest that consists of the rate that makes the present value of estimated cash flows and the initial book value equal upon initial recognition. Receivables and other financial assets measured at amortised cost are stated net of any related provision for write-down in the balance sheet;
- ◆ financial assets at fair value through other comprehensive income (FVOCI) if held with the objective of collecting the cash flows arising from both contracts, consisting exclusively of payments of principal and interest, and sales. In this case any change in the fair value of the instrument is recognised under equity, among other comprehensive income. The cumulative amount of fair value changes, charged to the equity reserve, is subject to reversal through

profit or loss upon the derecognition of the instrument;

- ◆ financial assets at fair value through profit or loss (FVTPL), as a residual category, for any asset that is not held according to one of the business models referred to above. This category mainly includes derivatives held for trading and debt instruments the contractual flows of which do not consist of principal and interest only.

The financial assets that are sold are derecognised from balance sheet assets when the contract rights attached to obtaining the cash flows associated with the financial instrument expire, or are transferred to third parties.

The recoverability of certain financial assets is assessed on the basis of the expected credit loss.

In particular, expected losses are determined, in general, on the basis of the product of: (a) the exposure to the counterparty, net of related mitigating factors (Exposure At Default); (b) the probability of the counterparty not fulfilling its payment obligation (Probability of Default); (c) the estimate, in percentage terms, of the amount of credit that may not be recovered in case of default (Loss Given Default) defined, based on past experience and any possible recovery action that may be taken.

Financial liabilities, other than derivatives and including borrowings, trade payables, other payables and other liabilities, are initially stated at fair value, less transaction costs. Subsequently they are recognised at amortised cost (at fair value in certain circumstances), using the effective interest rate for discounting-back purposes.

Financial liabilities are derecognised when they are paid off, or when the obligation provided for in the contract is fulfilled, cancelled or has expired.

Derivative financial instruments

A derivative is a financial instrument or another contract:

- ◆ whose value changes in relation to variations in 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.

Contracts for purchase or sale of non-financial elements

In general, contracts for purchase or sale of non-financial elements, which have been executed and continue to be held for collection or delivery, according to the normal purchase, sale or use requirements set out by the Group, fall outside the scope of application of IAS 39 ("own use exemption") and, therefore, are recognised in accordance with the relevant accounting rules.

These contracts are recognised as derivatives and, accordingly, at fair value through profit or loss only if:

- ◆ they can be settled net;
- ◆ they were not entered into by the Group for its normal use, purchase and sale requirements.

A contract for purchase or sale of non-financial elements is classified as "normal contract of sale" if it has been executed:

- ◆ for physical delivery purposes
- ◆ for the normal use, purchase and sale requirements of the Group.

Cash and cash equivalents

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

Inventories

Inventories are recognised at the lower of the purchase or production cost and the net realisable value, represented by the amount the Group expects to obtain from their sale during the normal course of business, less costs to sell. The cost of inventories of raw materials, supplies and consumables, as well as of 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

The Group applies the relevant provisions of IFRS 15 for the recognition and measurement of revenues so as to report faithfully the transfer of goods and services to customers for an amount that reflects the consideration that it expects to obtain in exchange for the goods and services provided. For the purposes of revenues recognition, the Group applies a model divided into 5 basic steps: identify the contract with a customer (step 1); identify the performance obligations in the contract, recognising separately identifiable goods and services as separate obligations (step 2); determine the transaction price, i.e. the amount to which an entity expects to be entitled (step 3); allocate the transaction price to each obligation in the contract on the basis of the standalone selling price of each separately identifiable good or service (step 4); recognise revenue when the entity satisfies each performance obligation through the transfer of the good or service to the customer, i.e. when the customer obtains control over the good or service (step 5).

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;
- ◆ the income statement includes cost and revenue items dedicated to the management of costs of transport, dispatching, etc., for which the Group recognises a revenue from sales to end customers and, subsequently, a related cost towards energy distribution companies. Any related income and costs are accounted for according to the normal business strategy and the relevant accounting standards.

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 Group, 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.

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

It should be noted that, for the year under review, the parent company and certain companies of the group 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..

Accounting standards, amendments, interpretations and improvements applicable from 1 January 2018

The new accounting standards revised and amended by the IASB, i.e. IFRS 9 and IFRS 15, were adopted for the first time with effect from 1 January 2018. The retrospective first-time adoption has entailed the restatement of some financial balances at 1 January 2018, since the Group has made use of the simplification granted under the standards upon first-time adoption.

Below are main developments required by the new standards:

◆ “IFRS 9 – Financial instruments”

The standard replaces *IAS 39 Financial Instruments: Recognition and Measurement* and replaces any and all previous version. With reference to the main scopes of application of the new standard, note that:

- *Classification and Measurement*

As specified in the section concerning accounting policies, the new standard provides for the classification of financial assets according to the Business Model by which the Group manages its financial assets and the contract terms and conditions of the cash flows arising from these instruments.

The evaluation of the Business Model determines the classification of the instrument on the basis of the purpose for which this instrument is held in the Group's portfolio. The financial assets are measured at amortised cost if they are held with the objective of collecting the contractual cash flows (Held to Collect). The financial assets are measured at Fair Value through Other Comprehensive Income if they are held with the objective of both collecting contractual cash flows and being sold (Held to Collect and Sell). Finally, they are measured at Fair Value through Profit or Loss if they are not held with the objectives set out in the other Business Models.

The evaluation of the characteristics of the contractual cash flows provides for the financial assets to be measured at amortised cost if the characteristics of the contractual cash flows only consist of estimated cash flows that provide for the repayment of the principal and of any interest accrued on the latter. If this condition is not fulfilled, the measurement will be made through the determination of the Fair Value.

Financial liabilities are accounted for at amortised cost unless they are held for trading. IFRS 9 grants a specific option to account for liabilities at Fair Value if this helps to eliminate an accounting mismatch. When this option is exercised, any and all Fair Value changes are recognised through Profit or Loss, except for Fair Value changes attributable to the effect of the entity's credit risk that are instead charged to Other Comprehensive Income.

The methods for the classification and measurement of financial instruments set out in IAS 39 with respect to the new criteria set out in IFRS 9 have been verified. The Group has not reported any significant impact due to the adoption of the new standard with reference to this scope.

- *Impairment*

IFRS 9 provides for a new framework relating to the calculation of the Impairment of financial assets and of some types of off-balance sheet financial instruments (loan commitments and financial guarantees). The new calculation method provides for estimating the impairment of certain financial instruments on the basis of Expected Losses, which is different from the method required by IAS 39, under which losses are to be determined on the basis of Incurred Loss.

The adoption of the Expected Credit Loss model for the impairment of financial assets requires:

- a) the application of a single framework to any and all financial assets;
- b) the recognition of expected losses at any time and the adjustment to their amount at the end of each accounting period, in order to reflect any change in the credit risk of the financial instrument;
- c) the measurement of expected losses on the basis of any available reasonable information, without excessive costs, including any historical, current and forecast information .

The financial assets in the portfolio subject to impairment have been analysed with specific regard to the trade receivables consisting of most of the Group's credit exposure. In particular, these receivables have been divided into clusters in the application of the simplified approach required by the standard, while also taking account of the specific legislation and regulatory framework of reference, and the impairment model has been applied which is based on expected losses and has been developed by

the Group for collective measurement. The Group applies an analytical approach only if trade receivables are regarded by the management as individually significant and precise information is available in relation to a significant increase in the credit risk.

The adoption of the new impairment model generated an adverse impact on the Group's equity at 1 January 2018, equal to EUR 4.6 million, net of the tax effect.

- *Hedge Accounting*

IFRS 9 provides for a new model to manage hedges, which identifies a broader scope of hedged instruments and risks to be hedged so as to reflect risk management practices in financial statements. The new rules also eliminate the need for quantitative effectiveness tests and the concurrent removal of effectiveness thresholds.

IFRS 9 grants the possibility of continuing to apply the Hedge Accounting rules laid down in IAS 39 to the entities that apply the International Accounting Standards. This option is granted until IFRS 9 is updated with the rules governing Macro Hedging. The decision to apply Hedge Accounting according to IFRS 9 is irrevocable, while the decision to continue to apply IAS 39 will be made in each financial period until the accounting rules governing hedging transactions are finally issued.

The Group has opted to continue to apply the hedge accounting requirements set out in IAS 39.

- ◆ "IFRS 15 – Revenue from contracts with customers"

IFRS 15 provides for revenues to be recognised for an amount that reflects the consideration to which an entity expects to be entitled in Exchange for the transfer of goods or services to the customer. The key steps in accounting for revenues are:

- a) identifying the contract with a customer, defined as an agreement (either written or oral) between two or more parties that creates enforceable rights and obligations;
- b) identifying the performance obligations which are separately identifiable in the contract;
- c) determining the transaction price, as the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, based on the techniques required by the Standard and depending on whether financial and variable components are present or not;
- d) allocating the transaction price to each performance obligation;
- e) recognising revenue when the related performance obligation is fulfilled by the entity, taking account of the fact that services may be delivered at a specific time, as well as during a certain period of time.

The standard was applied retroactively from the financial periods that commenced on 1 January 2018, with the possibility of recognising the cumulative effect in equity on 1 January 2018. The case which is significant for the purposes of the separate financial statements of the entity affected by the new provisions of IFRS 15 relates to the capitalisation of costs for the acquisition of contracts with customers which were already deferred during the previous financial years and that were reclassified to intangible assets during 2018, for an amount of EUR 11,472,459, of which EUR 8,948,435 relating to Green Network S.p.A. and the remaining amount relating to Green Network Energy Ltd..

The table below shows the changes in the balance sheet schedule at 1 January 2018 arising from the adoption of the two new IFRS 9 and IFRS 15.

	31.12.2017	IFRS 9 Effect	IFRS 15 Effect	01.01.2018
Non-current assets				
Intangible fixed assets	23,639,915		11,472,459	35,112,374
Goodwill	25,642,912			25,642,912
Property, plant and machinery	31,969,685			31,969,685
Investment property	8,014,167			8,014,167
Equity investments	987,209			987,209
Receivables from parent companies, subsidiaries, associates and joint ventures	4,845,782			4,845,782
Deferred tax assets	7,414,000	1,459,598		8,873,598
Tax credits	5,084,332			5,084,332
Other non-current assets	12,693,074		(1,318,421)	11,374,653
Total	120,291,076	1,459,598	10,154,038	131,904,712
Current assets				
Inventories	2,475,043			2,475,043
Trade-related receivables	394,699,635	(6,081,659)		388,617,976
Receivables from parent companies, subsidiaries, associates and joint ventures	28,416,887			28,416,887
Loans to banks and other financial institutions	10,258,914			10,258,914
Tax credits	25,527,196			25,527,196
Derivatives	54,486,263			54,486,263
Financial assets available for sale	3,964,282			3,964,282
Other current assets	18,673,463		(10,154,038)	8,519,425
Cash and cash equivalents	35,310,420			35,310,420
Total	573,812,103	(6,081,659)	(10,154,038)	557,576,406
Non-current assets held for sale	1,799,590			1,799,590
Assets classified as held for sale	780,249			780,249
Total assets	696,683,018	(4,622,061)	0	692,060,957
Shareholders' equity and liabilities				
Shareholders' equity				
Share capital	15,636,000			15,636,000
Other reserves	(2,010,805)	(4,622,061)		(6,632,866)
Net profit (loss) for the year	1,402,517			1,402,517
Minority interests	550,453			550,453
Total shareholders' equity	15,578,165	(4,622,061)	0	10,956,104
Non-current liabilities				
Long-term loans	13,796,984			13,796,984
Payables to minority shareholders	6,142,104			6,142,104
Employee severance indemnity and other employee benefits	2,888,843			2,888,843
Provisions for risks and charges (non-current portion)	12,462,616			12,462,616
Tax liabilities	905,833			905,833
Other non-current liabilities	9,490,738			9,490,738
Total	45,687,118	0	0	45,687,118
Current liabilities				
Short-term loans	149,562,711			149,562,711
Trade-related payables	403,994,722			403,994,722

	31.12.2017	IFRS 9 Effect	IFRS 15 Effect	01.01.2018
Payables to parent companies, subsidiaries, associates and joint ventures	16,705,983			16,705,983
Tax payables	21,751,117			21,751,117
Derivatives	27,348,449			27,348,449
Other current financial liabilities	15,732,092			15,732,092
Total	635,095,074	0	0	635,095,074
Liabilities classified as held for sale	322,661			322,661
Total shareholders' equity and liabilities	696,683,018	(4,622,061)	0	692,060,957

The additional documents applied from 1 January 2018, which make amendments to the International Accounting Standards and which have had no impact on the Group are reported below:

◆ Amendments to IAS 40 - Transfers of investment property

The document, which was issued in December 2016, clarifies that the transfers to or from investment property should only be made when there is evidence of a change in use; a change in management's intentions by itself does not constitute evidence of a change in use. The amendments have extended the scope of application of the examples of change in use to include assets under construction and development and not only the transfer of properties that have been completed.

◆ Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions, issued in June 2016.

The amendments:

- clarify that the fair value of cash-settled share-based payment transaction at the measurement date (i.e. at the grant date, at the end of each financial period and at the settlement date) must be calculated by considering the market conditions (for example: a share price target) and the conditions other than vesting conditions, while disregarding the conditions for remaining in service and the conditions for achieving results other than market conditions;
- clarify that share-based payments with a net settlement feature for withholding tax obligations should be classified entirely as share-settled transactions (provided that they would have been so classified even without the net settlement feature for withholding tax obligations);
- lay down provisions on the accounting treatment of amendments to the terms and conditions that entail a change in the classification from cash-settled share-based payments to share-settled share-based payments.

◆ IMPROVEMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (2014-2016 CYCLE)

On 8 December 2016 the IASB published the document "Annual Improvements to IFRSs: 2014-2016 Cycle. In particular, the following standards were amended:

- IFRS 1 First-time Adoption of International Financial Reporting Standards: the amendment no longer provides for the "limited exemption" granted to first-time adopters for transition to standards IFRS 7, IAS 19 and IAS 10;
- IAS 28 Investments in Associates and Joint Ventures: according to the amendment, a venture capital organisation, a mutual fund, unit trust and similar entities may elect to measure their investments in associates or joint ventures at fair value through profit or loss (FVTPL). The

Board has clarified that this election should be made separately for each associate or joint venture upon initial recognition;

- ◆ IFRIC 22 - Foreign currency transactions and advance consideration, which was issued in December 2016.

The interpretation provides clarifications for the purposes of determining the exchange rate to be used upon initial recognition of an asset, costs or revenues (or part thereof); the transaction date is that on which the entity recognises a non-monetary asset (liability) as a result of advances paid (received).

Accounting standards, amendments, interpretations applicable after the end of the financial period and not adopted in advance

◆ IFRS 16: LEASES

This standard, which was issued in January 2016 to replace the standard previously applicable to leases, IAS 17 and related interpretations, sets out criteria for recognition, measurement and presentation, as well as disclosures to be provided, with reference to lease agreements for both parties, i.e. the lessor and the lessee. IFRS 16 no longer applies the distinction, in terms of classification and accounting treatment, between operating lease (the information about which is reported on an off-balance sheet basis) and finance lease (which is reported in the accounts). The right of use of the leased asset and related commitment will be reported in the financial data of the accounts (IFRS 16 shall apply to all transactions that provide for a right of use, regardless of the contract form, i.e. lease, rent or hiring). The key development is the addition of the concept of control to the definition. Specifically, IFRS 16 requires to establish whether the lessee has a right to control the use of an identified asset for a given period of time in order to determine whether a contract is a lease or not.

The approach to lessee and lessor accounting will be different: there will still be a different accounting treatment depending on whether a lease is classified as operating or finance (based on the current guidelines).

According to this new model, the lessee must recognise:

- a) in the balance sheet, assets and liabilities for all leases that have a term greater than 12 months, unless the underlying asset has a modest value; and
- b) in the income statement, amortisation of leased assets separately from interest relating to any associated liability.

As regards lessors, the new standard should have a lower impact on the accounts (save when subleases are entered into) since the current accounting will remain unchanged, except for financial reporting, which shall be more extensive in quantitative and qualitative terms. The standard, whose endorsement process was completed in October 2017, will be applicable from 1 January 2019, with early adoption permitted if IFRS 15 – Revenue from contracts with customers is also adopted.

The Group did not opt for the early adoption of this standard, but has conducted an analysis to assess the impact arising from the adoption of IFRS16. Green Network S.p.A. has not recognised expected significant effects due o the adoption of the new standard on the basis of the results of this work.

◆ IFRIC 23 – Uncertainty over Income Tax Treatments

The interpretation provides clarifications on the recognition and measurement of IAS 12 – Income Taxes concerning the accounting for uncertainties in income taxes, while addressing improved transparency. Uncertainty may concern both current and deferred tax. According to the interpretation, the Group must recognise a tax asset or liability in conditions of uncertainty, if it is probable that the tax Authority will accept a certain tax treatment or not, considering the issues it is entitled to consider and having full knowledge of any and all information available. The interpretation also provides that an entity must reconsider the judgments and estimates made when there are changes in the facts and circumstances that modify its forecasts concerning the acceptability of certain tax treatment or the estimates made on the effects of uncertainty, or both of them.

IFRIC 23 will be applicable to the financial periods commencing on 1 January 2019, with early adoption permitted.

◆ Conceptual Framework

The objective of the Conceptual Framework project is to improve the financial reporting, while providing a more complete, clear and updated set of conceptual elements. The purpose of the Framework is: a) to assist the Board in developing IFRS that are based on consistent concepts; b) to assist preparers of financial statements in developing consistent accounting policies for a specific transaction or event that are not covered by IFRS, or when a standard allows the choice of accounting policy; c) to assist other parties in understanding and interpreting the standards.

◆ Amendments to IAS 19

On 7 February 2018 the IASB published the interpretation on “Plan Amendment, Curtailment or Settlement” (Amendments to IAS 19). The amendments provide that, if there is a defined-benefit plan amendment, curtailment or settlement, the companies are required to update their actuarial assumptions and restate the current service cost and the net interest for the period after this event. Furthermore, the amendments: (a) clarify the manners in which the obligation to account for a plan amendment, curtailment or settlement affects the requirements regarding the asset ceiling; (b) do not concern the accounting treatment of significant market fluctuations in the absence of plan amendments. The amendments will be applicable to defined-benefit plan amendments, curtailments or settlements that occur from 1 January 2019, with early adoption permitted.

◆ IMPROVEMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (2015-2017 CYCLE)

On 12 December 2017 the IASB published the document “Annual Improvements to IFRSs: 2015-2017 Cycle”. The document makes amendments to the following standards:

- IFRS 3 - Business Combinations: the IASB has added paragraph 42A to IFRS 3 to clarify that when an entity obtains control of a business that is a joint operation, it must restate the value of this business, since this transaction would constitute a business combination achieved in stages and therefore to be accounted for on this basis;
- IFRS 11 - Joint Arrangements: furthermore, paragraph B33CA has been added to IFRS 11 to clarify that if a party participates in, but does not have joint control of, a joint operation, and subsequently obtains joint control of the joint operation (constituting a business as defined in IFRS 3), it is not required to restate the value of this business;

- IAS 12 - Income Taxes: this amendment clarifies that the tax effects of income taxes arising from the distribution of profits (i.e. dividends), including payments on financial instruments classified as equity, must be recognised when a liability is reported for the payment of a dividend. The effects of income taxes must be recognised in income statement, in the statement of comprehensive income or equity in consideration of the type of transactions or past events that generated distributable profits or how they were recognised initially;
- IAS 23 - Borrowing Costs: the amendment clarifies that in calculating the capitalisation rate for loans, an entity should exclude borrowing costs applicable to loans raised to specifically obtain an asset, only until the asset is ready and available for its intended use or sale. Borrowing costs relating to specific loans that remain in place after the related asset is ready for intended use or sale must subsequently be considered as included in the general borrowing costs incurred by the entity.

These amendments shall apply retrospectively for annual periods commencing on or after 1 January 2019, with early adoption permitted.

Use of estimates and subjective evaluations

The drafting of these financial statements and explanatory notes required Directors to use estimates and assumptions both 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 provisions 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 amounts recognised 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 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 2018	Power	Gas	Other activities	Total
Revenues	1,484,378,114	170,668,965	16,908,167	1,671,955,246
Direct costs	(1,431,959,133)	(154,330,091)	(2,138,385)	(1,588,427,609)
Investments	41,583,888	4,781,180	7,773,961	54,139,029
31 December 2017	Power	Gas	Other activities	Total
Revenues	868,171,376	70,844,992	14,864,532	953,880,900
Direct costs	(823,740,826)	(57,898,423)	(1,627,211)	(883,266,460)
Investments	31,783,063	2,593,579	8,254,373	42,631,014

Sector-based information by geographical area

31 December 2018	Italy	UK	Romania	Total
<i>Revenues from electricity sales and services</i>	1,484,143,962	0	234,152	1,484,378,114
<i>Revenues from sale of gas</i>	170,668,965	0	0	170,668,965
<i>Other revenue and income</i>	15,274,792	0	1,633,375	16,908,167
<i>Electricity purchase and associated costs</i>	1,431,959,133	0	0	1,431,959,133
<i>Gas and electricity purchase and associated costs</i>	155,127,209	0	0	155,127,209
31 December 2017	Italy	UK	Romania	Total
<i>Revenues from electricity sales and services</i>	867,907,323	0	264,053	868,171,376
<i>Revenues from sale of gas</i>	70,844,992	0	0	70,844,992
<i>Other revenue and income</i>	13,258,160	0	1,606,372	14,864,532
<i>Electricity purchase and associated costs</i>	823,740,826	0	0	823,740,826
<i>Gas and electricity purchase and associated costs</i>	59,628,786	0	0	59,628,786

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 1,655,047,079

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

	2018	2017	Change	% change
Sale of energy	681,126,787	304,189,660	376,937,127	123.9%
GME gas sales	98,295,687	80,264,615	18,031,072	22.5%
Interconnector energy revenues	128,406,932	96,903,622	31,503,310	32.5%
Recovery of dispatch charges	84,822,538	56,141,291	28,681,247	51.1%
Recovery of transport charges	465,111,138	300,498,991	164,612,147	54.8%
Imbalance and CNA revenues	10,411,598	17,880,475	(7,468,877)	(41.8%)
CCC revenues	3,429,630	7,756,030	(4,326,400)	(55.8%)
EE Commercial costs	11,431,086	3,208,160	8,222,926	256.3%
Recovery of CMOR charges	1,342,718	1,328,532	14,186	1.1%
Revenues from electricity sales and services	1,484,378,114	868,171,376	616,206,738	71.0%
Gas sales	119,416,428	52,473,211	66,943,217	127.6%
GME gas sales	8,316,588	775,721	7,540,867	972.1%
Recovery of gas transportation charges	10,031,176	4,628,515	5,402,661	116.7%
Recovery of gas carrier charges	19,173,029	7,570,902	11,602,127	153.2%
Gas imbalance revenues	9,152,655	3,218,016	5,934,639	184.4%
Other gas proceeds	43,638	27,747	15,891	57.3%
Commercial costs GAS	4,535,451	2,150,880	2,384,571	110.9%
Revenues from sale of gas	170,668,965	70,844,992	99,823,973	140.9%
Total	1,655,047,079	939,016,368	716,030,711	76.3%

During the year under review revenues recorded an increase of 76.3% compared to 2017 mainly due to the acquisition of the Tradeinv and Energrid business units in November 2017, which had given their contribution for one month only in 2017, and of Burgo, made in June 2018, as well as to an increase in sales of electricity as a result of the business development. For more details, reference should be made to the Report on Operations.

2. Other revenue and income - EUR 16,908,167

Other revenue and income were composed as follows as at 31 December 2018:

	2018	2017	Change	% change
Revenues from incentive tariff	928,988	977,381	(48,393)	(5.0%)
Operating grants	3,945,416	3,746,732	198,684	5.3%
Reimbursement of expenses	144	8,302	(8,158)	(98.3%)
Compensation from suppliers	855,838	543,181	312,657	57.6%
Revenues from contractual penalties and reimbursements	7,367,887	6,228,260	1,139,627	18.3%
Revenues from green certificates	1,093,004	1,606,372	(513,368)	(32.0%)
Recovery of costs and charges	125,960	90,020	35,940	39.9%
Rentals receivable	75,508	392,092	(316,584)	(80.7%)
Provision of services	867,235	697,311	169,924	24.4%
Other intercompany revenues	10,426	0	10,426	n.s.
Other income	1,637,761	574,881	1,062,880	184.9%
Total	16,908,167	14,864,532	2,043,635	13.7%

The item remained substantially in line with the previous year.

Operating grants related 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 1,588,427,609

	2018	2017	Change	% change
Electricity purchases	847,849,975	433,970,071	413,879,904	95.4%
Energy transport charges	439,234,952	282,152,259	157,082,693	55.7%
Dispatch charges	80,461,958	54,792,105	25,669,853	46.8%
Imbalance and CNA EE costs	8,124,385	10,144,265	(2,019,880)	(19.9%)
CCC charges	2,259,357	4,152,952	(1,893,595)	(45.6%)
GME energy costs	47,986,671	35,999,748	11,986,923	33.3%
GME service costs	222,495	173,003	49,492	28.6%
CTS considerations	4,340,104	1,517,412	2,822,692	186.0%
CMOR charges	1,479,236	839,011	640,225	76.3%
Electricity purchase and associated costs	1,431,959,133	823,740,826	608,218,307	73.8%
Gas purchases	120,847,847	44,504,694	76,343,153	171.5%
Gas imbalance costs	2,510,886	1,946,940	563,946	29.0%
Gas transportation charges	12,469,934	5,352,157	7,117,777	133.0%
Gas carrier charges	19,101,404	7,484,877	11,616,527	155.2%
GME gas purchases	197,138	340,118	(142,980)	(42.0%)
Gas purchase and associated costs	155,127,209	59,628,786	95,498,423	160.2%
Biomass purchase	1,717,151	1,549,218	167,933	10.8%
Sundry purchases	0	73,755	(73,755)	(100.0%)
Consumables	421,234	77,993	343,241	440.1%
Inventories	(797,118)	(1,804,118)	1,007,000	(55.8%)
Total	1,588,427,609	883,266,460	705,161,149	79.8%

Electricity and gas purchase costs recorded an increase in the year under review compared to the previous year, connected with an increase in revenues for sales and services. For more details, reference should be made to the Report on Operations.

It should be noted that the item "Electricity purchases" includes the effect 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 change in the mark-to-market of trading derivative contracts existing at 31 December 2018. 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 effect can be represented as follows:

	Commodity derivatives settled during the year	Change in the FV of commodity derivatives	Total
Costs	(5,968,724)	(5,686,821)	(11,655,545)
Income	52,626,120	5,922,903	58,549,023

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

4. Costs for services and materials – EUR 33,249,165

Costs for services and materials are composed as follows:

	2018	2017	Change	% change
Other service costs	989,199	979,642	9,557	1.0%
Technical consulting	442,235	777,338	(335,103)	(43.1%)
Legal and tax consulting	1,955,473	1,967,613	(12,140)	(0.6%)

	2018	2017	Change	% change
Insurance	77,331	117,202	(39,871)	(34.0%)
Sundry consulting	517,491	768,992	(251,501)	(32.7%)
Auditors' fees	260,691	288,800	(28,109)	(9.7%)
Financial consulting	215,124	413,250	(198,126)	(47.9%)
Advertising and promotion expenses	2,994,115	3,089,164	(95,049)	(3.1%)
Utilities	185,554	209,227	(23,673)	(11.3%)
Plant operation	144,717	137,810	6,907	5.0%
Postal and telephone expenses	1,613,856	1,035,381	578,475	55.9%
Stationery and printed materials	317,516	248,464	69,052	27.8%
Hardware and software support	1,257,756	1,022,907	234,849	23.0%
Financial expense	1,168,369	535,813	632,556	118.1%
Statutory Auditors' fees	54,080	77,401	(23,321)	(30.1%)
Supervisory Body's fees	27,300	31,200	(3,900)	(12.5%)
Factoring commission	2,241,042	1,129,575	1,111,467	98.4%
Charges on sureties	3,640,883	2,230,628	1,410,255	63.2%
Commission payable	6,724,607	6,324,466	400,141	6.3%
Call centre service costs	2,796,142	2,339,206	456,936	19.5%
Entertainment expenses	447,545	454,640	(7,095)	(1.6%)
Credit insurance	767,945	608,128	159,817	26.3%
Management costs and credit recovery	1,304,765	964,535	340,230	35.3%
Transport and Warehousing	146,541	142,639	3,902	2.7%
Maintenance and repairs	554,650	624,116	(69,466)	(11.1%)
Rent expenses and associated charges	1,490,239	1,218,885	271,354	22.3%
Car rental	28,006	362,221	(334,215)	(92.3%)
Equipment rental	372,035	335,965	36,070	10.7%
Maintenance and repairs of third party assets	178,756	885,182	(706,426)	(79.8%)
Software licences	306,085	299,280	6,805	2.3%
Leasing fees and charges	5764	1,498	4,266	284.8%
Building leases and easements	23,353	23,352	1	0.0%
Total	33,249,165	29,644,520	3,604,645	12.2%

The item increased compared to the previous year mainly due to higher financial costs, charges on sureties and factoring commissions.

5. Payroll and related costs - EUR 20,477,701

	2018	2017	Change	% change
Salaries and wages	11,614,942	8,155,143	3,459,799	42.4%
Directors' fees	2,666,740	2,942,000	(275,260)	(9.4%)
Social security charges	3,335,345	2,175,416	1,159,929	53.3%
Directors' and freelancers' social security charges	71,203	46,595	24,608	52.8%
Employee severance indemnity	731,090	574,395	156,695	27.3%
Cost of temporary contracts	24,726	13,248	11,478	86.6%
Other payroll and related costs	2,033,655	1,050,722	982,933	93.5%
Total	20,477,701	14,957,519	5,520,182	36.9%

The increase in payroll and related costs was due to the general rise in the number of employees used by the Group to carry out company business, sitting at an average of 270 staff at the date of this Report (average of 249 in 2017), divided into the following categories:

- ◆ 17 senior managers on average;
- ◆ 44 middle managers on average;
- ◆ 206 employees on average;

◆ 3 blue-collars on average.

Detail of employees serving at 31 December 2018 for the various categories, compared to the previous year, are also reported below.

	31.12.2018	31.12.2017
Senior managers	18	16
Middle managers	47	45
Employees	273	195
Blue-collars	4	0
Total	342	256

The employee severance indemnity of EUR 731,090 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. 38 resulted in a change in the actuarial gains reserve of EUR (4,102) 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 15,903,173

	2018	2017	Change	% change
Amortisation and impairment of intangible assets	8,901,888	558,239	8,343,649	1.494.6%
Depreciation and impairment of property, plant and machinery	3,221,079	3,771,159	(550,080)	(14.6%)
Depreciation of investment property	240,206	240,206	0	0.0%
Impairment of other assets	0	25,490	(25,490)	(100.0%)
Impairment of trade receivables	3,500,000	6,000,000	(2,500,000)	(41.7%)
Impairment of other receivables	40,000	80,000	(40,000)	(50.0%)
Total	15,903,173	10,675,094	5,228,079	49.0%

The item relating to the amortisation of intangible assets and to the depreciation of plant and machinery arises from the systematic process of amortisation and depreciation of these assets on the basis of the estimated useful life of the Group. The item increased mainly due to the effect of the amortisation of trademarks and of other intangible assets related to the acquisition of companies which took place in the previous year and as a result of the application of the new international standard IFRS 15, the implementation of which gave rise to an increase in intangible assets and in the consequent amortisation. The amount of EUR 3,500,000 relates to the impairment testing carried out on the Group loans portfolio during the year under review and only relates to the provision set aside following the evaluation of the receivables in the portfolio that have similar characteristics (cluster, unpaid ratio etc.), in line with Group's policies.

The impairment relating to other receivables for EUR 40,000 related to the presumed realisable value adjustment of receivables for contract indemnities relating to biomass supplies on the part of subsidiary Rena Energia S.r.l..

7. Provisions - EUR 627,000

	2018	2017	Change	% change
Provision for charges	627,000	2,000	625,000	ns
Total	627,000	2,000	625,000	ns

The provision refers for EUR 625,000 to the dispute with Alpiq, already commented on in the Consolidated Report of Green Network S.p.A. at 31 December 2017, following the unfavourable outcome of the arbitration award and for EUR 2,000 to the amount set aside for costs accrued in relation to the dismantling of PV plants built by subsidiary Solcap Green S.r.l..

8. Other operating costs - EUR 5,328,874

	2018	2017	Change	% change
Taxes and duties	1,357,224	617,689	739,535	119.7%
Membership fees	78,793	98,969	(20,176)	(20.4%)
Sanctions, fines and penalties	2,266,905	415,180	1,851,725	446.0%
Contribution to the Antitrust Authorities	38,820	60,181	(21,361)	(35.5%)
Sundry charges	1,587,132	991,102	596,030	60.1%
Total	5,328,874	2,183,121	3,145,753	144.1%

The item showed an increase compared to the comparative values as a result of an increase in costs related to taxes/duties and fines and penalties imposed on the Group during the year under review.

The item "Sundry charges" mainly consists of the contribution paid to the Electricity and Gas Authority, while the remaining amount is made up of other non-deductible costs sustained by parent company Green Network S.p.A..

9. Financial income (expense) from financial instruments measured at fair value - EUR (53,684)

The item is broken down as follows:

	31.12.2018	31.12.2017	Change	% change
Banco BPM shares	0	19,091	(19,091)	(100.0%)
CARISMI shares	(2,091)	(52,462)	50,371	(96.0%)
Veneto Banca shares	0	(6,887)	6,887	(100.0%)
Investment funds / Certificates of deposit	10	51,818	(51,808)	(100.0%)
Government bonds	(12,720)	0	(12,720)	ns
Mediobanca bonds	(39,215)	0	(39,215)	ns
Bonds	331	839	(508)	-60.52%
Total	(53,684)	12,399	(66,083)	(533.0%)

The balance of EUR (53,684) is made up of the following amounts:

- ◆ EUR (2,091) relating to CARISMI shares, since the Group does not consider such value to be recoverable;
- ◆ EUR 10 related to the sale of Certificates of Deposit during the year;
- ◆ EUR (12,720) related to the sale of Government bonds in portfolio;
- ◆ EUR (39,215) for the adjustment at the disposal value of Mediobanca bonds;
- ◆ EUR 331 related to the fair value of UBI ex-Banca Etruria bonds redeemed during the year.

10. Net profit (loss) from the sale of current and non-current operating assets - EUR 4,184

	2018	2017	Change	% change
Green Hydro 2 S.r.l. shareholding	0	(7,147)	7,147	(100.0%)
Receivables for Green Hydro 1 S.r.l. loans	0	(15,000)	15,000	(100.0%)
Shareholding in Converge S.r.l.	0	(16,570)	16,570	(100.0%)
Capital gains from disposals	4,184	30,000	(25,816)	(86.1%)
Total	4,184	(8,717)	12,901	(148.0%)

The item includes EUR 4,184 relating to capital gains arising from the disposal of assets.

11. Financial income - EUR 2,748,566

The item may be broken down as follows.

	2018	2017	Change	% change
Income from equity investments in other companies	27,911	15,000	12,911	86.1%
Income from equity investments	27,911	15,000	12,911	86.1%
Interest on loans to associated companies	27,018	27,158	(140)	(0.5%)
Interest on loans to other companies	229,832	128,794	101,038	(78.45%)
Interest on securities	25,630	42,343	(16,713)	(39.5%)
Interest income from customers	2,453,463	1,771,790	681,673	38.5%
Current account interest income	2,124	1,398	726	51.9%
Other financial income	218,053	221,539	(3,486)	(1.6%)
Financial income	2,956,120	2,193,022	763,098	34.8%
Exchange gains and losses	(235,465)	(72,750)	(162,715)	223.7%
Total	2,748,566	2,135,272	613,294	28.7%

Financial income showed a general increase with respect to the balance in the previous year, as a result of higher interest income from customers mainly attributable to customers of the Energrid business unit acquired during the previous year.

Income from investments in other companies refers to the dividends received from Itaipower Energia S.r.l..

12. Financial expense - EUR 8,239,909

Details of the breakdown of this item are reported below.

	2018	2017	Change	% change
Bank interest expense	1,360,137	783,847	576,290	73.5%
Interest expense on mortgages and loans	830,121	678,582	151,539	22.3%
Interest expense on factoring	1,603,533	612,971	990,562	161.6%
Interest due to other lenders	1,047,721	1,032,930	14,791	1.4%
Interest expense and charges on leasing	76,120	114,817	(38,697)	(33.7%)
Credit Rating access fee	1,445,884	728,013	717,871	98.6%
Sundry interest and expense	977,455	1,058,494	(81,039)	(7.7%)
Interest on settlement agreements	437,824	2,781	435,043	15,643.4%
Interest expense on shareholders' loans	86,184	52,233	33,951	65.0%
Interest expense on voluntary settlement	1,001	801	200	25.0%
Green certificate discounting	62,219	297,843	(235,624)	(79.1%)
Other financial expense	276,438	413,253	(136,815)	(33.1%)
TFR (employee severance indemnity) discounting	35,272	19,849	15,423	77.7%
Total	8,239,909	5,796,414	2,443,495	42.2%

The item increased compared to the previous year mainly attributable to an increase in interest expense on factoring and banking and charges for credit rating access fees, provided as security for distributors for the transmission of electricity in lieu of sureties or guarantee deposits. This increase was partly offset by a reduction mainly arising from the green certificate discounting costs on the PV plant in Romania.

The item "Interest due to other lenders" mainly includes interest paid to suppliers for deferred payments granted by them and were substantially in line with the previous year.

13. Share of income/(expense) deriving from equity investments valued using the equity method - EUR 396,725

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

	2018	2017	Change	% change
Solergys	91,131	128,984	(37,852)	(29.3%)
US Boreale	310,808	(1,365)	312,173	ns
JMS	(5,214)	(75,692)	70,478	(93.1%)
Total	396,725	51,927	344,799	664.0%

It should be noted that, the valuation of the equity investment in Solergys S.p.A. took place on the basis of the financial statements at 31 December 2018, while the valuation of the equity investments 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 2017. For more details, reference should also be made to note no. 19.

The amount relating to US Boreale S.r.l. includes the reinstatement of the value of the equity investment according to the equity method on the basis of the equity at 31 December 2017, as well as the reinstatement at fair value of the equity investment following the acquisition of additional quotas during the year.

14. Taxation - EUR (2,108,241)

Taxation for the year presents a negative balance totalling EUR 2,108,241. In compliance with IAS 12, details of the item are reported below.

	Amount
Current taxes	945,977
Taxes relating to previous years	1,096,589
Deferred tax liabilities/assets	203,347
Income (expense) from adoption of tax consolidation /transparency scheme	(137,672)
Total	2,108,241

The consolidating company and the companies Rena Energia S.r.l., Green Network Holding Rinnovabili S.r.l., Le Fate Turchine S.r.l. and Le Fate Turchine 2 S.r.l., Biogas Energy S.r.l., Green Wind 2 S.r.l. and Energrid 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.

Profit (loss) from discontinued operations

As noted above, in December 2018 Green Network S.p.A. sold its investment in Green Network UK Plc, which was classified as a discontinued operation and, for this reason, a single amount has been recognised in the income statement consisting of the total:

- ◆ of profits/losses from discontinued operations until the date of transfer;
- ◆ of the capital gain/loss realised following the transfer.

Below is the breakdown of the result from discontinued operations:

Revenues	
Revenues from sales and services	186,761,466
Other revenue and income	0
Total revenues	186,761,466
Costs	
Electricity and gas purchase	194,833,378
Costs for services and materials	9,586,250
Payroll and related costs	8,582,390
Amortisation/depreciation and impairment	3,996,328
Provisions	0
Other operating costs	83,192
Total costs	217,081,538
EBIT	(30,320,072)
Financial income	23,958
Financial expense	(993,519)
Pre-tax profit (loss)	(31,289,633)
Taxation	(5,945,030)
Profit (loss) after tax	(25,344,603)
Capital gain on disposal of equity investment	35,523,152
Profit(loss) from discontinued operations	10,178,549

Explanatory notes to balance sheet items

15. Intangible fixed assets - EUR 46,038,492

Intangible fixed assets presented a net book value of EUR 46,038,492 and are broken down as follows:

	Software licences	Trademarks	Other intangible fixed assets	Total
Initial values at 31 December 2017	2,406,956	8378,372	12,854,587	23,639,915
- effect of the adoption of new standards at 1 January 2018	0	0	11,472,459	11,472,459
Changes at 31 December 2018				
- purchases	2,722,304	11,101	31,705,544	34,438,949
- disposals	0	0	0	0
- other adjustments from acquisition	(544,025)	0	0	(544,025)
- amortisation	(784,578)	(838,858)	(7,278,452)	(8,901,888)
- amortisation of the discontinued operation	(142,328)	0	(2,518,101)	(2,660,429)
- other changes	0	0	0	0
- effects of deconsolidation of companies that are no longer subject to control	(1,946,806)	0	(9,459,683)	(11,406,489)
- write-downs	0	0	0	0
Total changes	(695,433)	(827,757)	12,449,308	10,926,118
Values at 31 December 2018	1,711,523	7,550,615	36,776,354	46,038,492
Historical cost	10,759,814	8,393,224	56,183,144	75,336,182
Accumulated amortisation at 31 December 2017	(5,630,554)	(3,751)	(150,554)	(5,784,859)
Other adjustments from acquisition	(544,025)	0	0	(544,025)
Amortisation in the period	(784,578)	(838,858)	(7,278,452)	(8,901,888)
Amortisation of discontinued operations	(142,328)	0	(2,518,101)	(2,660,429)
Accumulated amortisation at 31 December 2018	(7,101,485)	(842,609)	(9,947,107)	(17,891,201)
Effects of deconsolidation	(1,946,806)	0	(9,459,683)	(11,406,489)
Values at 31 December 2018	1,711,523	7,550,615	36,776,354	46,038,492

During the year under review, the item, net of the effect due to the adoption of new standards at 1 January 2018, showed a change of EUR 10,926,118 mainly attributable to the costs for agent, which were capitalised among "other intangible assets" since they are defined as incremental costs to obtain contracts and the amortisation of which takes place in accordance with the estimated expected renewals as required by the new IFRS 15.

The purchases of software licenses made during the year, equal to EUR 2,722,304, mainly relate to the purchase of new software and licenses for invoicing and managing electricity and gas items for the domestic and UK markets and of electricity sales activities on the UK market.

The item Trademarks showed purchases of EUR 11,101, relating both to Green Network S.p.A. and to the indirect investee Quinto S.r.l..

The purchases relating to other intangible fixed assets of EUR 31,705,544 include capitalised costs for agents, as well as an amount of EUR 3,655,997 relating to VAT customer relationships arising from the allocation of the higher values relating to the Burgo Energia S.p.A. business unit that was acquired by Green Network S.p.A. during the year.

Other adjustments from acquisition, equal to EUR 544,025, relate to the fair value adjustment to the software that was incorporated following the acquisition of the business unit of Energia e Territorio S.p.A. on the part of the parent company, as specified in its notes to the financial statements.

The decreases are due to the process of amortisation calculated on the basis of the useful life of the

assets estimated by the Group.

It should be noted that, as illustrated in the previous paragraphs, the UK equity investments were disposed of at the end of the 2018 financial year and there was the inclusion of “amortisation of discontinued operations” in relation to the amortisation included in the Group’s financial statements until the date when the equity investments were sold, and of “effects of deconsolidation of companies that are no longer subject to control” to report the effects of the derecognition of the value of intangible assets of the two UK companies as at the date of deconsolidation.

16. Goodwill - EUR 27,341,721

The value of goodwill at 31 December 2018 refers for EUR 25,642,912 to the higher value of acquisitions of business units that took place during the previous year, which is not attributable to other balance sheet items and for EUR 1,698,809 to the goodwill generated following the first-time consolidation of US Boreale S.r.l. and Quinto S.r.l. during the year.

The balance of goodwill was tested at the level of CGU, which is identified as the unit generating independent cash flows to which goodwill relates and which is monitored for internal management purposes on the part of the Group. Specifically, the cash generating unit has been identified, which:

- ◆ represents the minimum level within the business to which goodwill relates and based on which it is monitored for management control purposes;
- ◆ is expected to benefit from the aggregation synergies;
- ◆ can be reported as a set of clear, reliable and measurable information flows.

The CGU's recoverable value has been estimated according to criteria complying with the principle of prudence and the relevant accounting standards (IAS 36), as well as in accordance with the valuation practices required by IFRS. Specifically, the recoverable value intended as the “value in use” of the CGU has been identified by discounting operating cash flows (DCF Model) extrapolated from economic and financial plans for a reference period from 2019 to 2023. Cash flow forecasts have been determined by using, in particular, operating cash flows, and considering, for terminal value, a «normalised» cash flow, without any long-term growth factor. The rate used to discount cash flows has been determined on the basis of market information of cost of money and specific risks of the relevant CGU (Weighted Average Cost of Capital, WACC). Testing has shown that the CGU's recoverable value is higher than net invested capital (including goodwill). Therefore, there was no need to adjust the goodwill value recognised in the accounts at the end of the abovementioned impairment test.

17. Property, plant and machinery - EUR 36,879,583

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 2017	1,087,739	27,126,733	161,629	3,593,584	31,969,685
Changes at 31 December 2018					
- acquisitions	1,785,722	63,183	218,756	1,004,786	3,072,447
- disposals	0	0	(25,068)	(2,451)	(27,519)
- other adjustments from acquisition	5,811,249	1,363,770	27,569	400,956	7,603,544
- depreciation	(107,966)	(2,338,036)	(14,942)	(760,135)	(3,221,079)

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Total
- depreciation of the discontinued operation	(90,440)	0	(111,146)	(354,566)	(556,152)
- effects of deconsolidation of companies that are no longer subject to control	(1,693,182)	0	(195,393)	(72,768)	(1,961,343)
- Other changes	0	0	0	0	0
Total changes	5,705,383	(911,083)	(100,224)	215,822	4,909,898
Values at 31 December 2018	6,793,122	26,215,650	61,405	3,809,406	36,879,583
Historical cost	8,748,022	39,677,686	431,154	13,471,037	62,327,899
Accumulated depreciation at 31 December 2017	(63,312)	(11,124,000)	(48,268)	(8,474,162)	(19,709,742)
Depreciation in the period	(107,966)	(2,338,036)	(14,942)	(760,135)	(3,221,079)
Depreciation of discontinued operations	(90,440)	0	(111,146)	(354,566)	(556,152)
Other changes	0	0	0	0	0
Accumulated depreciation at 31 December 2018	(261,718)	(13,462,036)	(174,356)	(9,588,863)	(23,486,973)
Effects of deconsolidation of companies that are no longer subject to control	(1,693,182)	0	(195,393)	(72,768)	(1,961,343)
Values at 31 December 2018	6,793,122	26,215,650	61,405	3,809,406	36,879,583

The item relating to land and buildings, which showed a net book value of EUR 6,793,122, recorded an increase of EUR 5,811,249 arising from the consolidation of U.S. Boreale. The acquisitions in the year, equal to EUR 1,785,722, mainly arose from the buildings contributed by the UK investees, which, following the sale of the investment, have been derecognised under item "effects of deconsolidation of companies that are no longer subject to control".

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 31.12.2017	Acquisitions	Increases from acquisitions/mergers	Depreciation	31.12.2018
Avigliano Umbro Biomass plant	4,912,049	0	0	(491,742)	4,420,307
Sirone fotovoltaic plants	2,806,143	3,080	0	(203,835)	2,605,388
Bosisio fotovoltaic plants	2,648,806	31,083	0	(181,964)	2,497,925
Photovoltaic park in Romania	10,357,542	0	0	(741,025)	9,616,517
Sant'Agata di Puglia wind farm	1,857,983	0	0	(115,000)	1,742,983
Lanciano Biomass plant	3,984,004	28,120	0	(444,755)	3,567,369
Tor di Quinto photovoltaic plants	0	0	1,341,342	(30,574)	1,310,768
Other plants	560,206	900	22,428	(129,141)	454,393
Total	27,126,733	63,183	1,363,770	(2,338,036)	26,215,650

The difference of EUR 911,083 compared to the previous year was mainly due to normal depreciation.

The PV plants in Tor di Quinto, which were acquired during the year, related to the plant installed on the roof and in the parking area of the building owned by U.S. Boreale and were incorporated following the full acquisition of the investment therein on the part of the Group.

Furthermore, 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 1,742,983. 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	Indexing	P31 index actual 3m Euribor (365)
Number of instalments	144		

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 31.12.2017	Acquisitions	Disposals	Increases from acquisitions/mergers	Depreciation/write-downs	Amortisation of discontinued operations	Deconsolidation of companies and reclassifications	31.12.2018
- Office furniture and furnishings	829,191	212,537	0	323,776	(279,295)	(137,669)	762,539	1,711,079
- Non-depreciated furniture and furnishings	653,427	53,153	0	0	0	0	0	706,580
- Mobile phones	6,289	12,318	0	167	(4,607)	0	0	14,167
- Equipment	13,746	3,261	0	4,753	(7,394)	0	(13,671)	695
- Cars	44,959	52,055	(2,451)	0	(26,867)	0	3,218	70,914
- Electronic office machines	750,935	48,743	0	4,775	(253,381)	(5,263)	(54,028)	491,781
- Leasehold improvements	1,295,038	622,719	0	67,485	(188,591)	(211,634)	(770,826)	814,191
Total	3,593,584	1,004,786	(2,451)	400,956	(760,135)	(354,566)	(72,768)	3,809,406

The item relating to other assets recorded a net increase of EUR 215,822 mainly due to the purchases made by the Parent Company during the year.

The increases from acquisitions related for EUR 281,024 to U.S. Boreale for its furniture and furnishings and for the remaining amount to Quinto S.r.l..

Following the sale of the UK equity investments, the Group has separated the amortisation and depreciation relating to the fixed assets concerned, until the transfer of control, from the closing value at which these assets were transferred, making appropriate reclassifications, if required.

In order to finance a part of 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	Total consideration	2,050,778
Months	60	Rate	2.11%
Anticipated fee	700,000	Redemption	20,000
Periodic fee	22,895	Preliminary investigations	300
Fee months	59	Indexing	Actual 3M Euribor
Monthly instalment	22,895	Annual instalments in advance	274,735

18. Investment property - EUR 7,773,961

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

	31.12.2018	31.12.2017	Change
Building in Terracina – San Felice	1,689,306	1,713,423	(24,117)
Building in Terni - Via Bramante	131,835	136,395	(4,560)
Building in Rome - Paisiello	5,200,718	5,382,230	(181,512)
Building in Rome - Via Cavalieri	752,102	782,119	(30,017)

7,773,961 8,014,167 (240,206)

Below are, for each asset, the balance-sheet details required by IAS 40.

	Land	Historical cost	Accumulated depreciation - 2017	NBV 2017	Changes in the year	Deprec. 2018	Accumulated depreciation- 2018	NBV 2018
Rome - Paisiello 1	677,845	4,415,400	(1,198,873)	3,894,372	-	132,462	(1,331,335)	3,761,910
Rome - Cavalieri	0	1,000,572	(218,453)	782,119	-	30,017	(248,470)	752,102
Terni	37,074	151,996	(52,675)	136,395	-	4,560	(57,235)	131,835
Terracina	178,000	1,607,773	(72,350)	1,713,423	-	24,117	(96,467)	1,689,306
Rome - Paisiello 3 -4	0	1,635,009	(147,151)	1,487,858	-	49,050	(196,201)	1,438,808
	892,919	8,810,750	(1,689,502)	8,014,167		240,206	(1,929,708)	7,773,961

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

Description	31.12.2018
Rentals receivable	105,355
Utility costs	(9,825)
Maintenance costs	(58,706)
Insurance costs	(2,134)
Registration tax	(1,387)
Property taxes and duties (IMU [municipal property tax], TASI [taxes on indivisible services], TARI [waste tax])	(34,817)
Total	(1,514)

19. Equity investments - EUR 734,383

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.

	31.12.2018	31.12.2017	Change
Equity investments in subsidiaries	50,000	10,000	40,000
Equity investments in associated companies	674,383	967,209	(292,826)
Equity investments in other companies	10,000	10,000	0
Total	734,383	987,209	(252,826)

The amount of EUR 50,000 relating to investments in subsidiaries refers to the shareholding held by Green Network S.p.A. in the newly-established company Green Network Energie S.a.r.l., which had not been consolidated at the reporting date.

With reference to investments in associates, the change for the year derives from their valuation using the equity method.

It should be noted that for Solergys S.p.A. the valuation was carried out on the basis of the last accounting statement available at 31 December 2018.

The details are provided below:

Company	Registered Office	Share Capital	Shareholders' equity	Profit (loss) for the year	% equity investment	Book Value
Solergys S.p.A.	Rome	120,000	840,768	152,914	49.00%	411,977

Investments in associates, measured using the equity method, include the value of EUR 262,406 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	524,811	(17,727)	50.00%	262,406

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 2017.

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, for which a dividend of EUR 27,911 has been accounted for. The value of said equity investment is unchanged compared to the previous year's value.

20. Receivables from Group companies – EUR 21,721,878

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

	31.12.2018	31.12.2017	Change
Receivables due from subsidiaries	111,083	111,083	0
<i>of which for loans</i>	111,083	111,083	0
<i>of which other receivables</i>	0	0	0
Receivables due from associated companies	1,420,085	1,430,085	(10,000)
<i>of which for loans</i>	1,420,085	1,430,085	(10,000)
<i>of which other receivables</i>	0	0	0
Receivables due from other group companies	17,368,922	0	17,368,922
<i>of which for loans</i>	17,368,922	0	17,368,922
<i>of which other receivables</i>	0	0	0
Receivables due from parent companies	2,821,788	3,304,614	(482,826)
<i>of which for loans</i>	2,803,211	3,286,037	(482,826)
<i>of which other receivables</i>	18,577	18,577	0
Total	21,721,878	4,845,782	16,876,096

Receivables due from subsidiaries, equal to EUR 111,083, 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.

The item relating to Receivables due from associated companies consists of loans to Sòlèrgys S.p.A., unchanged compared to the previous year.

Counterparty	Loan	31/12/2017	Increases	Decreases	Write-downs / reclassifications	31/12/2018
Solèrgys S.p.A.	EURIBOR-indexed loan	1,420,085	0	0	0	1,420,085
US Boreale S.r.l.	Non-interest bearing loan	10,000	0	0	(10,000)	0
TOTAL DUE FROM ASSOCIATED COMPANIES		1,430,085	0	0	(10,000)	1,420,085

This loan is interest-bearing and the interest accrued during the year under review totalled EUR 27,018.

The change of EUR 10,000 refers to the loan to US Boreale transferred from receivables due from associated companies to receivables due from subsidiaries following the acquisition of the entire

investment of the company.

Receivables due from other Group companies refer to the loan to Green Network UK Plc which reported the following changes during the year:

Counterparty	Loan	31/12/2017	Increases	Decreases	Write-downs / reclassifications	31/12/2018
Green Network UK PIC	0.02	0	20,854,972	8,796,050	5,310,000	17,368,922
TOTAL DUE FROM OTHER GROUP COMPANIES		0	20,854,972	8,796,050	5,310,000	17,368,922

This loan was reclassified from receivables due from subsidiaries to receivables due from other Group companies following the disposal of the investment to SC Holding which took place in December 2018.

Receivables due from parent companies include a receivable for a loan granted to SC Holding S.r.l., which showed a decrease of EUR 482,826 during the year under review.

Counterparty	Loan	31/12/2017	Increases	Decreases	Write-downs / reclassifications	31/12/2018
SC Holding S.r.l.	Non-interest bearing loan	3,286,037	0	482,826	0	2,803,211
TOTAL DUE FROM PARENT COMPANIES		3,286,037	0	482,826	0	2,803,211

Other receivables due from parent companies equal to EUR 18,577 relate to receivables arising from tax consolidation.

21. Deferred tax assets - EUR 7,457,148

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

	31.12.2018	31.12.2017	Change
Deferred tax assets	7,457,148	7,414,000	43,148
Total	7,457,148	7,414,000	43,148

Below is the breakdown of said receivables:

	31.12.2018
Prepaid taxes on interest expense	595,574
Prepaid taxes on trademarks	125,983
Prepaid taxes on write-downs of equity investments	1,251
Prepaid taxes on Directors' fees	60,354
Prepaid taxes from first-time adoption of IAS/IFRS	624,608
Prepaid taxes from derivatives revaluation reserves	1,231,793
Prepaid taxes from IAS/IFRS adjustment	60,618
Prepaid taxes on non-deductible allowance for doubtful accounts	1,603,737
Prepaid taxes on provisions for other risks	208,925
Prepaid taxes from the reserve for employee severance indemnity	85,231
Prepaid taxes on goodwill - former GN L&G	525,052
Prepaid taxes from adjustment to the allowance for doubtful accounts for IFRS 9	1,459,598
Prepaid taxes on Energrid trademark	150,214
Prepaid taxes from Sacri merger	195,815
Prepaid taxes from tax losses	408,376

Prepaid taxes on write-down of fixed assets	16,904
Prepaid taxes for differences on statutory and tax depreciation of PV plants	103,115
Total	7,457,148

22. Tax credits - EUR 5,098,460

	31.12.2018	31.12.2017	Change
Receivables for UTF (finance office)	869,714	877,938	(8,224)
Receivables for VAT	4,013,665	3,991,313	22,352
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	5,098,460	5,084,332	14,128

The item is composed primarily of receivables for UTF taxes of EUR 869,714, VAT credits that will be recovered through the issuing of the appropriate credit note at the end of the bankruptcy proceedings that concern some Group 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. Other non-current assets - EUR 5,403,456

	31.12.2018	31.12.2017	Change
Receivables for security deposits	1,680,208	8,215,979	(6,535,771)
Receivables for grants pursuant to Law No. 388/2000	100,000	100,000	0
Green certificates	3,593,728	2,933,443	660,285
Other receivables	29,520	1,443,652	(1,414,132)
Total	5,403,456	12,693,074	(7,289,618)

The item is mainly made up of receivables for security deposits granted for the performance of company business, whose reduction is attributable to a decrease in security deposits of the Energrid business unit acquired during the previous year, and of receivables for green certificates accrued by the Romanian photovoltaic park at the date of this Report. The share of these certificates, according to the Romanian legislation, may be collected as from 2025 and were discounted at a rate of 1.75%.

Other non-current receivables which, at the end of the previous year, mainly included the amount of prepaid expenses relating to the fees accrued in financial years commencing after 31 December 2017, were reclassified to other intangible assets according to the new standard IFRS 15.

24. Inventories - EUR 3,272,161

	31.12.2018	31.12.2017	Change
Inventories of finished products and goods for resale	3,066,524	1,801,933	1,264,591
Raw, ancillary and consumable materials	205,637	673,110	(467,473)
Total	3,272,161	2,475,043	797,118

The value of EUR 3,066,524 concerning inventories of finished products refers for EUR 3,058,132 to the value of the gas stored, as at 31 December 2018, at special sites and not sold at the end of the financial year and for EUR 8,392 to the material acquired to prepare the decoration for the themed events of subsidiary Le Fate Turchine 2 S.r.l.. The inventories were valued using the weighted average cost method compared to the net realisable value.

The value of EUR 205,637 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 6,300 and EUR 166,755 and of raw material inventories of Quinto S.r.l. for EUR 32,582.

25. Trade-related receivables - EUR 420,074,151

Below is the breakdown of the item.

	31.12.2018	31.12.2017	Change
Trade receivables (customers)	218,461,197	244,213,091	(25,751,894)
Allowance for doubtful accounts	(35,752,413)	(32,565,339)	(3,187,074)
Customers for invoices to be issued	215,059,022	162,883,432	52,175,590
Credit notes to be issued	(5,402,321)	(13,142,808)	7,740,487
Bank, subject to collection	27,708,666	33,311,259	(5,602,593)
Total	420,074,151	394,699,635	25,374,516

Receivables were adjusted in order to take account of impairment as a result of the impairment tests performed in compliance with international accounting standards. Details of its changes in the period are shown below.

	Amounts
Balance at 31 December 2017	32,565,339
Accrual to the provision for adjustment IFRS 9	6,081,659
Effect of deconsolidation of GN Energy	(201,915)
Uses during the period	(6,192,670)
Provision for the period	3,500,000
Total	35,752,413

The provision was used to cover the losses on receivables recorded in 2018 and for which the Group had already estimated losses in previous years. The provision of EUR 3,500,000 was made as a result of the impairment process carried out by the Group on a portfolio of customers homogeneous in nature and characteristics.

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 15.7 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 some trade-related receivables, the Group received bank sureties totalling EUR 3,723,000 for the supply of electricity and gas, mainly from customer Riva Acciaio S.p.A. and to a lesser extent from other customers.

26. Receivables due from Group companies – EUR 38,062,489

Details of the item are reported below.

	31.12.2018	31.12.2017	Change
Green Wind 1 S.r.l.	4,667	5,808	(1,141)
Receivables due from subsidiaries	4,667	5,808	(1,141)
Sòlergys S.p.A.	463,868	419,210	44,658
US Boreale	0	12	(12)
Receivables due from associated companies	463,868	419,222	44,646

	31.12.2018	31.12.2017	Change
JMS S.r.l.	8,820,658	7,213,661	1,606,997
Receivables due from Joint Ventures	8,820,658	7,213,661	1,606,997
Green Network Trading UK PIC	3,860,082	0	3,860,082
Green Network Power & Gas Ltd	0	3,840	(3,840)
Green Network Energy Ltd	883,231	0	883,231
Receivables due from other Group companies	4,743,313	3,840	4,739,473
SC Holding S.r.l.	24,029,983	20,774,356	3,255,627
Receivables due from holding companies	24,029,983	20,774,356	3,255,627
Total	38,062,489	28,416,887	9,645,602

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

Receivables due from JMS, in particular, relate to commercial relationships connected with energy trading and do not concern the relationships regarding the object of the joint venture.

Receivables due 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.

27. Loans to banks and other financial institutions - EUR 18,716,742

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 and the amount of time or pledged bank deposits.

	31.12.2018	31.12.2017	Change
Receivables due from factoring companies	8,903,139	2,839,077	6,064,062
Time bank deposits	9,813,603	7,419,837	2,393,766
Total	18,716,742	10,258,914	8,457,828

28. Tax credits - EUR 12,993,942

The balance of the item is broken down as follows:

	31.12.2018	31.12.2017	Change
Receivables due from the Tax Authorities for direct taxes	506,305	113,748	392,557
Receivables for UTF (finance office) taxes	5,890,482	16,551,964	(10,661,482)
Receivables due from tax authorities for VAT	5,050,608	7,544,360	(2,493,752)
Other tax receivables	1,546,547	1,317,124	229,423
Total	12,993,942	25,527,196	(12,533,254)

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

29. Derivatives - EUR 31,003,351

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

	31.12.2018	31.12.2017	Change
Derivative financial instruments	31,003,351	54,486,263	(23,482,912)

Total	31,003,351	54,486,263	(23,482,912)
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This is mainly made up of OTC derivatives and contracts for differences for which the fair value was determined by applying level two as provided for by IFRS 13. More specifically, the amount of EUR 31,003,351 is made up of derivative financial instruments 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 for EUR 4,375,728.

30. Other financial assets – EUR 952,163

	31.12.2018	31.12.2017	Change
- Certificates of deposit	0	1,499,990	(1,499,990)
- Bonds	952,163	1,464,083	(511,920)
- Other securities	0	1,000,209	(1,000,209)
Total	952,163	3,964,282	(3,012,119)

This item decreased by EUR 3,012,119 compared to the value posted at 31 December 2017, mainly due to the sale of the certificates of deposit, Government bonds and some types of bonds relating to the parent company, to which reference should be made for more details.

It should be noted that in the year under review, the Group bonds also included the securities held by subsidiary U.S. Boreale for an amount of EUR 392,900.

31. Other current assets - EUR 15,329,061

Other current assets are detailed below.

	31.12.2018	31.12.2017	Change
Suppliers - energy advances	100,000	100,000	0
Suppliers - advance account	6,250,359	14,602,556	(8,352,197)
Other receivables due from employees	11,217	12,625	(1,408)
Incentive tariff	426,915	416,798	10,117
Other receivables	8,540,570	3,541,484	4,999,086
Total	15,329,061	18,673,463	(3,344,402)

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

	31.12.2018	31.12.2017	Change
Charges on sureties	3,149,157	1,787,176	1,361,981
Insurance	30,660	40,035	(9,375)
Insurance and car expenses	636	4,823	(4,187)
Leasing	22,895	0	22,895
Equipment rental	67,078	77,473	(10,395)
Advertising expenses	0	0	0
Commissions	292,901	11,033,074	(10,740,173)
Sales consulting	3,643	73,828	(70,185)
Sundry consulting	88,173	53,933	34,240
Software licences	28,945	155,203	(126,258)
Costs for the provision of services	351,855	9,665	342,190
Taxes and duties	178	57,403	(57,225)
Rentals payable	110,880	328,953	(218,073)
Bank charges	0	10	(10)

Proceeds from derivatives	55,628	0	55,628
Other	2,047,730	980,980	1,066,750
	6,250,359	14,602,556	(8,352,197)

The decrease was mainly attributable to the item relating to commissions reclassified to other intangible fixed assets according to the new standard IFRS15. The decrease was partly offset by the increase in charges on sureties and in "other" costs for debt management and recovery costs.

Furthermore, the item other receivables comprises the receivable due to the Group from ATA Cooperativa, in connection with the Lanciano biogas plant, equal to EUR 74,482 net of the provision for depreciation allocated to cover losses that could occur in the future equal to EUR 236,575. This provision did not record any change during the year.

32. Cash and cash equivalents - EUR 15,347,117

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.

	31.12.2018	31.12.2017	Change
Bank and post office deposits	15,262,883	35,283,159	(20,020,276)
Cash and cash equivalents	84,234	27,261	56,973
Total	15,347,117	35,310,420	(19,963,303)

As stated in note no. 27 the Group holds additional liquid assets classified in financial receivables since they are restricted.

33. Non-current assets held for sale – EUR 0

	31.12.2018	31.12.2017	Change
Green Hydro 1 S.r.l. shareholding	0	10,200	(10,200)
Green Hydro 1 S.r.l. loan	0	(110,610)	110,610
Converge S.r.l. shareholding	0	1,900,000	(1,900,000)
Total	0	1,799,590	(1,799,590)

The item showed a negative balance of Euro 100,410 at 31 December 2017, 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. The sale of the aforesaid company's quotas was completed in January 2018.

Furthermore the item comprised an amount of EUR 1,900,000 relating to the quota held in Converge S.r.l., unconsolidated company, which was disposed of in March 2018.

34. Assets classified as held for sale - EUR 0

The item, which included the value of the assets held by subsidiary Green Hydro 1 S.r.l. at 31 December 2017, showed a value equal to zero as at the reporting date, since the aforesaid company's quotas were disposed of in January 2018.

35. Shareholders' equity - EUR 17,923,075

Details of the item are reported below.

	Share capital	Legal reserve	Other reserves and profits (losses) carried forward	FTA reserve	Net profit (Loss) for the year	Group total	Minority interest	Total shareholders' equity
Balances as at 1 January 2016	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		68,986	5,191,033	0	(289,936)	4,968,082	113,343	5,081,425
Net results as at 31/12/2016					92,144	92,144	94,069	186,213
Balances as at 31 December 2016	15,636,000	1,128,036	(18,249,490)	16,387,195	92,144	14,993,885	224,485	15,218,370
Changes in shareholders' equity		302,051	(1,050,120)	(528,476)	(92,144)	(1,368,689)	238,840	(1,129,848)
Net results as at 31/12/2017					1,402,516	1,402,516	87,127	1,489,643
Balances as at 31 December 2017	15,636,000	1,430,087	(19,299,610)	15,858,719	1,402,516	15,027,712	550,453	15,578,165
Changes in shareholders' equity		294,959	(3,175,008)	(4,622,061)	(1,402,516)	(8,904,626)	381,623	(8,523,003)
Net results as at 31/12/2018					10,738,898	10,738,898	129,016	10,867,914
Balances as at 31 December 2018	15,636,000	1,725,046	(22,474,618)	11,236,658	10,738,898	16,861,983	1,061,092	17,923,075

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.

	31.12.2018	31.12.2017	Change
Extraordinary reserve	15,294,082	9,689,858	5,604,224
Reserve for valuation at equity	6,297,595	6,297,595	0
Capital contributions	13,394	13,394	0
Actuarial gain reserve	(269,897)	(273,999)	4,102
Profits (losses) carried forward	(40,774,276)	(37,378,913)	(3,395,363)
Derivative valuation reserve	(3,042,298)	2,315,963	(5,358,261)
Other financial assets valuation reserve	6,779	36,487	(29,708)
Rounding reserve	3	5	(2)
Total	(22,474,618)	(19,299,610)	(3,175,008)

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

- the changes relating to the legal reserve of EUR 294,959 and to the extraordinary reserve of EUR 5,604,224 are attributable to the allocation of statutory profit to the approved financial statements filed on 31 December 2017;
- the change of EUR 4,102 in the actuarial gain reserve includes the differences deriving from the valuation of TFR liabilities according to the criteria set out in IAS 19;
- the change of EUR (5,358,261) in the "Derivative valuation reserve" and EUR (29,708) in the "Other financial assets valuation reserve" relate to the fair value changes in the derivatives held for hedging purposes and in other financial assets;
- the change of EUR (4,622,061) in the FTA reserve relates to the adjustment to the amount of the allowance for doubtful accounts in accordance with IFRS 9.

36. Long-term loans - EUR 22,220,336

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

	31.12.2018	31.12.2017	Change
Long-term portion of bank loans	20,341,938	7,975,675	12,366,263
Banca Popolare di Milano	2,133,583	3,559,387	(1,425,804)

	31.12.2018	31.12.2017	Change
Banca Pop. Bergamo	21,604	106,129	(84,525)
GE Capital Interbanca	665,298	1,328,995	(663,697)
CARIGE loan	9,227,023	0	9,227,023
BCC loan	6,418,393	0	6,418,393
Banca Alpi Marittime	0	573,562	(573,562)
Banca Popolare di Spoleto	125,821	190,227	(64,406)
Mediocredito Italiano	1,750,216	2,217,375	(467,159)
Due to other lenders	1,878,398	5,821,309	(3,942,911)
Tempestilli	10,000	0	10,000
Vigilanti	10,000	0	10,000
Alba Leasing S.p.A.	565,998	1,954,407	(1,388,409)
Feed S.p.A.	156,282	156,283	(1)
Nomar Enterprise S.r.l.	0	45,196	(45,196)
Free Energia S.p.A.	1,081,586	92,711	988,875
Simest S.p.A.	0	3,500,000	(3,500,000)
Dell Financial	54,532	72,712	(18,180)
	22,220,336	13,796,984	8,423,352

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

Company	Bank	Nominal value	Due as at 31.12.2018	Due within 12 months	Due beyond 12 months	Payable due beyond five years	Rate	Expiry date
Green Network S.p.A.	Banca Popolare di Spoleto	1,500,000	190,227	190,227	0	0	variable	10/03/2019
Green Network S.p.A.	BPM	2,000,000	250,000	250,000	0	0	variable	31/03/2019
Green Network S.p.A.	Banca Pop. Bergamo	700,000	106,129	84,525	21,604	0	variable	08/02/2020
Green Network S.p.A.	GE Capital Interbanca	4,000,000	1,328,995	663,697	665,298	0	variable	31/12/2020
Green Network S.p.A.	Banca Popolare di Spoleto	750,000	623,661	497,840	125,821	0	variable	10/01/2020
Green Network S.p.A.	Banca Carige	13,654,930	13,654,930	4,427,907	9,227,023	0	fixed	31/12/2021
Solcap Green S.r.l.	Banca Popolare di Milano	2,800,000	1,138,877	311,365	827,512	0	fixed	31/05/2022
Solcap Green S.r.l.	Banca Popolare di Milano	2,500,000	692,497	354,288	338,209	0	fixed	30/11/2020
Pena Energia S.r.l.	Mediocredito Italiano	4,500,000	2,223,900	473,684	1,750,216	0	variable	30/09/2023
Energrid S.r.l.	Banca Alpi Marittime	3,000,000	765,906	765,906	0	0	variable	29/07/2019
US Boreale S.r.l.	Banca Credito Cooperativo Roma	8,102,000	6,797,186	378,793	6,418,393	4,862,338	variable	30/06/2035
Biogas Energy Società Agricola S.r.l.	Banca Popolare di Milano	3,400,000	1,483,611	515,749	967,862	0	variable	30/09/2021
		29,255,921	8,913,983	20,341,938	4,862,338			

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., arising from the conversion entered into with it in relation to the granting of an all-inclusive tariff.

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.;
- ◆ pledge on bonds in relation to the loan of US Boreale S.r.l. with Banca di Credito Cooperativo di Roma for an amount of EUR 406,000 and additional guarantee on the loan, equal to EUR 7,696,900.

Below are financial and non-financial covenants relating to loans:

- ◆ Net Debt/EBITDA of less than 3.75 on the consolidated financial statements of SC Holding for the loan of Green Network S.p.A. with GE Capital Interbanca;
- ◆ A deposit of EUR 380,000 on the current account and filing of the separate and consolidated financial statements by 31 July of each year on the loan of Rena Energia S.r.l. with Mediocredito Italiano;
- ◆ A surety of EUR 1,632,000 issued by Green Network S.p.A. for the loan of Biogas Energy Società Agricola S.r.l. with Banca Popolare di Milano.

Due to other lenders are composed primarily of 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 and the debt connected to the contract concluded by the consolidating company for the financing of equipment, fixtures and furnishings for the new registered offices.

The debt that the Group has in respect of Simest S.p.A. in relation to the commitment for the repurchase of minority quotas in Green Network Holding Rinnovabili S.r.l. has been reclassified to "Short-term loans" in consideration of its maturity on 30 June 2019.

37. Payables to minority shareholders – EUR 5,896,728

	31.12.2018	31.12.2017	Change
Genera S.p.A.	1,499,836	1,499,836	0
Rossi Roberto	19,854	19,854	0
X-9 SRLS	9,926	9,926	0
Gold Sun Europe S.r.l.	4,367,112	4,612,488	(245,376)
Total	5,896,728	6,142,104	(245,376)

Payables due to minority shareholders, amounting to EUR 5,896,728, are composed of payables for loans that some Group companies have vis-à-vis minority shareholders and which are considered deferred as regards repayment.

38. Employee severance indemnity and other employee benefits - EUR 3,183,397

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

	31.12.2018	31.12.2017	Change
Employee severance indemnity and other employee benefits	3,183,397	2,888,843	294,554
Total	3,183,397	2,888,843	294,554

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

	Amount
Opening balance	2,888,843
Balances from acquisitions	136,498
Use for leavers	(534,268)
Provision for the year	712,530
Effect of deconsolidation of GN Energy	(20,206)
Balance at 31 December 2018	3,183,397

The discounting of liabilities, as per IAS 19, was carried out by an actuary appointed by the Group 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 25%;
- ◆ 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 1.5711% per annum as it stands at 31 December 2018 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 as at 31.12.2017	273,999
Provision for the year	(5,397)
Recognition of OCI taxes	1,295
Total as at 31.12.2018	269,897

39. Provisions for risks and charges (non-current portion) - EUR 11,768,408

Details of the item are reported below.

	31.12.2018	31.12.2017	Change
Provision for deferred taxation	7,520,485	8,849,093	(1,328,608)
Provision for risks and charges	4,247,923	3,613,523	634,400
Total	11,768,408	12,462,616	(694,208)

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

	Provision for deferred taxes	Provision for risks and charges
Opening balance	8,849,093	3,613,523
Balances from acquisitions	0	7,400
Provision for the year	1,807,344	627,000
Uses during the year	(3,135,952)	0
Balance at 31 December 2018	7,520,485	4,247,923

The provision for deferred taxes, amounting to EUR 7,520,485, was allocated with reference to the income which will be taxed in future periods. Below is the breakdown of the item:

	31.12.2018
Deferred taxes on default interest income 2008	69,975
Deferred taxes on default interest income 2009	113,152
Deferred taxes on default interest income 2010	327,854
Deferred taxes on default interest income 2011	574,827
Deferred taxes on default interest income 2012	46,770
Deferred taxes on default interest income 2013	262,623
Deferred taxes on default interest income 2014	37,574
Deferred taxes on default interest income 2015	361,018
Deferred taxes on default interest income 2016	325,218
Deferred taxes on default interest income 2017	360,270
Deferred taxes on default interest income 2018	479,086
Deferred taxes from Sacri merger	199,679
Deferred taxes on revaluations of equity investments	96,465
Deferred taxes on other financial assets reserve	2,745
Deferred taxes from PPA Energrid/Tradeinv/Burgo	4,360,738
Deferred taxes IAS 17 Finance lease Green Wind 2 S.r.l.	(98,215)
Deferred taxes from adjustment IAS/IFRS	705
Total	7,520,485

The provision for risks and charges recorded an increase of EUR 625,000 relating to the amount set aside for the Alpiq dispute and for EUR 2,000 to the allocation of costs accrued in relation to the decommissioning of the PV plants built by subsidiary Solcap Green S.r.l.. The item also includes an amount of EUR 7,400 of US Boreale S.r.l..

40. Tax liabilities- EUR 11,465

Details of the item are reported below.

	31.12.2018	31.12.2017	Change
Tax disputes	11,465	11,465	0
Payables for settlement agreements	0	894,368	(894,368)

	31.12.2018	31.12.2017	Change
Total	11,465	905,833	(894,368)

Tax payables due after one year only include payables for tax disputes of EUR 11,465. The amount of EUR 894,368 reported in 2017 related to agreements reached with the Tax Authorities connected to tax disputes relating to the years 2008 and 2009 at 31 December 2018 was fully classified under current liabilities.

41. Other non-current liabilities - EUR 10,227,063

	31.12.2018	31.12.2017	Change
Other non-current liabilities	254,404	0	254,404
Guarantee deposits	10,022,659	9,490,738	531,921
Total	10,277,063	9,490,738	786,325

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

42. Short-term loans - EUR 102,814,302

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

	31.12.2018	31.12.2017	Change
Current account payables	16,541,617	39,400,976	(22,859,359)
Due for advances	18,137,512	14,198,472	3,939,040
Payables due to factoring companies	55,428,275	89,066,842	(33,638,567)
BPER loan	0	125,679	(125,679)
Banca Popolare di Milano	1,431,403	2,119,981	(688,578)
Mediocredito Italiano	473,684	473,684	0
BCC loan	378,793	0	378,793
CARIGE loan	4,427,907	0	4,427,907
Banca Pop. Bergamo	84,527	81,556	2,971
GE Capital Interbanca	663,696	661,639	2,057
MPS	0	166,667	(166,667)
Banca Alpi Marittime	765,906	756,776	9,130
Banca Popolare di Spoleto	688,067	1,050,853	(362,786)
Banca Pop. Vicenza loan	0	1,008,002	(1,008,002)
Alba Leasing S.p.A.	274,735	255,388	19,347
Simest S.p.A.	3,500,000	0	3,500,000
Other financial payables	18,181	196,196	(178,016)
Total	102,814,302	149,562,711	(46,748,409)

In general, the item recorded a decrease of EUR 46,748,409 with respect to the balance of the previous year, mainly due to the decrease in current account payables and payables due to factoring companies.

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 factoring companies is recorded for an amount equal to the advances received (net of commissions) 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.

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.

The payable due to Simest S.p.A. relates to the current share of the Group's payable connected with the commitment to the repurchase of the related minority quotas held in Green Network Holding Rinnovabili S.r.l..

43. Trade-related payables - EUR 440,581,263

The item is broken down as follows.

	31.12.2018	31.12.2017	Change
Trade payables	345,314,630	250,292,507	95,022,123
Payables for invoices to be received	73,212,758	111,202,064	(37,989,306)
Advances	22,053,875	42,500,151	(20,446,276)
Total	440,581,263	403,994,722	36,586,541

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

44. Payables to group companies – EUR 32,374,972

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

	31.12.2018	31.12.2017	Change
SC Holding S.r.l.	23,214,318	9,497,045	13,717,273
Payables due to parent companies	23,214,318	9,497,045	13,717,273
Green Network Power&Gas	0	8,509	(8,509)
Payables due to subsidiaries	0	8,509	(8,509)
Solergys S.p.A.	0	5,603	(5,603)
US Boreale S.r.l.	0	9,691	(9,691)
Payables due to associated companies	0	15,294	(15,294)
Green Network Trading UK PIC	276,331	0	276,331
Payables due to other group companies	276,331	0	276,331
JMS S.r.l.	8,884,323	7,185,135	1,699,188
Payables due to Joint Ventures	8,884,323	7,185,135	1,699,188
Total	32,374,972	16,705,983	15,668,989

This item is mainly composed of payables due to SC Holding S.r.l. relating to transactions connected to tax consolidation and payables due to JMS refer to commercial relations related to energy trading activities.

45. Tax payables - EUR 39,246,577

The item is broken down as follows:

	31.12.2018	31.12.2017	Change
Due for taxation	181,670	537,528	(355,858)
Due to tax authorities for withholdings on employment and similar income	665,929	391,404	274,525
Due to tax authorities for withholdings on freelance income	471,970	374,164	97,806
Due to tax authorities for UTF (finance office)	37,032,641	19,368,612	17,664,029

	31.12.2018	31.12.2017	Change
Payables for VAT	0	184,955	(184,955)
Other tax payables	0	87	(87)
Payables for settlement agreements	894,367	894,367	0
Total	39,246,577	21,751,117	17,495,460

This item is composed primarily of payables for direct taxes still to be paid, payables for UTF (finance office) and the short-term portion of settlement agreements reached with the Tax Authorities in previous years.

The increase in the item is mainly attributable to higher payables accruing to the Tax Authorities for higher excise duties on the sales of gas and electricity as a result of an increase in business volumes.

46. Derivatives – EUR 15,223,835

This item includes the negative fair value of financial derivatives that the Group holds for hedging purposes for the purchase of commodities.

	31.12.2018	31.12.2017	Change
Derivative financial instruments	15,223,835	27,348,449	(12,124,614)
Total	15,223,835	27,348,449	(12,124,614)

This is mainly made up of OTC derivatives and contracts for differences for which the fair value was determined by applying level two as provided for by IFRS 13. More specifically, the amount of EUR 15,223,835 is made up of EUR 4,274,091 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 stated in cash hedging reserve for EUR (7,527,761), and an amount of EUR 10,949,744 relating to the derivative financial instruments 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 for EUR (4,139,646).

47. Other current liabilities - EUR 12,678,838

The item is broken down as follows.

	31.12.2018	31.12.2017	Change
Due to INPS (National Social Security Institute)	1,007,486	724,690	282,796
Due to INAIL (National Institute for Insurance against Accidents at Work)	13,675	5,222	8,453
Bilateral Body	36	1,706	(1,670)
Payables due to pension and insurance funds	157,592	252,355	(94,763)
Due to social security and welfare institutions	1,178,789	983,973	194,816
Due to employees and directors	1,851,693	3,559,601	(1,707,908)
Payables per guarantee deposits	13,166	64,166	(51,000)
Payables for Rai Subscription	3,040,971	2,069,119	971,852
Sundry payables	6,594,219	9,055,233	(2,461,014)
Other payables	11,500,049	14,748,119	(3,248,070)
Total	12,678,838	15,732,092	(3,053,254)

This item is composed primarily:

- ◆ EUR 1,178,789 relating to payables due from the Group to social security institutions and entities relating to its personnel;

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- ◆ EUR 1,851,693 relating to payables due to employees and directors for fees pertaining to 2018;
 - ◆ EUR 3,040,971 for payables related to the RAI subscription bill collected by the Group and to be paid to the Tax Authorities;
 - ◆ EUR 6,594,219 mostly relating to customers to which supplies are no longer provided, with a negative balance at 31 December 2018, which have been reclassified to other payables for the purposes of this Report.

48. Liabilities classified as held for sale - EUR 0

The item, which included the value of the liabilities held by subsidiary Green Hydro 1 S.r.l. at 31 December 2017, showed a value equal to zero at the reporting date, since the quotas of the aforesaid company were disposed of in January 2018.

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.

	Receivables and loans	Other financial assets	Derivative financial instruments		Book value	Notes to the financial statements
			for trading purposes	for hedging purposes		
Non-current assets	27,125,334	0	0	0	27,125,334	
Other equity investments	0	0	0	0	0	
Financial assets from parent company, subsidiaries and associated companies	21,721,878	0	0	0	21,721,878	20
Financial assets from third parties	5,403,456	0	0	0	5,403,456	23
Current assets	507,529,560	952,163	31,003,351	0	539,485,074	
Trade receivables from customers	420,074,151	0	0	0	420,074,151	25
Trade receivables from related parties	0	0	0	0	0	
Financial assets from parent company, subsidiaries and associated companies	38,062,489	0	0	0	38,062,489	26
Financial assets from third parties	34,045,803	952,163	31,003,351	0	66,001,317	27 - 29 - 30 - 31
Cash and cash equivalents	15,347,117	0	0	0	15,347,117	32
Total	534,654,895	952,163	31,003,351	0	566,610,409	

	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	16,381,619	11,735,445	0	0	28,117,064	
Due to banks	9,227,023	11,114,915	0	0	20,341,938	36
Financial payables to third parties	1,257,868	620,530	0	0	1,878,398	36
Other financial liabilities toward third parties	5,896,728	0	0	0	5,896,728	37
Current liabilities	584,454,471	3,994,905	10,949,744	4,274,091	603,673,210	
Due to banks	95,301,217	3,720,170	0	0	99,021,387	42
Financial payables to third parties	3,518,181	274,735	0	0	3,792,916	42
Trade-related payables	440,581,263	0	0	0	440,581,263	43
Financial liabilities to parent company, subsidiaries and associated companies	32,374,972	0	0	0	32,374,972	44
Other financial liabilities toward third parties	12,678,838	0	10,949,744	4,274,091	27,902,673	46 - 47
Total	600,836,090	15,730,350	10,949,744	4,274,091	631,790,274	

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 to cover the risk of trade-related receivables. The total receivables insured amounts to a maximum of approximately EUR 234 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 3,723,000 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.

The development expected in the management of commercial relations which is being defined, the credit facilities granted by the banking system and the current trading confirm the Group' ability to meet its obligations for the next twelve months.

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

Given its operating segment, the Group is exposed to market risks, mainly to the risk of fluctuations in interest rates, the risk of fluctuations in commodity prices, and, to a lesser extent, in exchange rates, which are mitigated by adequate control mechanisms put in place by the management.

The risk analysis and management are carried out based on a control process that provides for the performance of activities all over the year. The related reports to the Top Management are provided on a monthly and daily basis.

Market Risk means the risk relating to unexpected effects on the value of the portfolio assets due to changes in market conditions.

In this context some cases might give rise to **Price Risk** and **Volume Risk**, which are defined as follows:

- ✓ **Price Risk**: is associated with changes in commodity prices arising when there is a mismatch between price indices for purchases and sales of Electricity and Natural Gas;
- ✓ **Volume Risk**: is associated to changes in the volumes that are actually consumed by end customers compared to volumes forecast in contracts of sale (sales profiles) or, in general, with the balancing of portfolio positions.

Risk limits are defined so as:

- ✓ To minimise overall risk;
- ✓ To ensure the necessary operating flexibility in procurement of commodities and hedging activities.

The commodity risk management and mitigation are functional to achieving the economic and financial targets of the Green Network Group, as stated in the budget-plan; specifically:

- ✓ Protecting the Gross profit from unexpected events and unfavourable short-term market shocks that might have an impact on revenues or costs;
- ✓ Identifying, measuring, managing and represent risk exposure;
- ✓ Reducing risks by preparing and applying appropriate internal control checks, procedures, IT systems and expertise.

Forward contracts (for physical purchases or sales of commodities and/or hedging derivatives) are entered into to meet the expected requirements arising from the contracts held in the portfolio.

Risk exposure is evaluated based on the following activities:

- ✓ Recording all transactions relating to physical and/or financial quantities in appropriate books broken down by commodity (e.g. Electricity, Gas), purpose (Trading or purchase and sale on wholesale markets, Portfolio Management, Sale to end customers) and type of transactions (physical or financial);

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- ✓ Analysing purchases and sales carefully, limiting open positions, i.e. the exposure of physical positions of purchase and sale of each commodity;
 - ✓ Creating reference scenarios (prices, indices) and control of exposures.

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/VTP;

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 price risk is to

fix the cost of a portion of future variable-price purchases of electricity and gas 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 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 lists the main information required by international accounting standards for the derivative contracts included in the hedging portfolio.

Inception date	Derivative type	Profile	Product	Effective date	Termination date	Hourly energy qty	Fixed price	Total volume	Residual volume	Fair Value at 31.12.2018	Derivative valuation
21/09/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	78.85	10.795	10.795	69.94	(96.190)
24/09/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	82.45	10.795	10.795	69.94	(135.052)
24/09/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	81.80	10.795	10.795	69.94	(128.035)
25/09/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	81.80	10.795	10.795	69.94	(125.876)
25/09/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	80.80	10.795	10.795	69.94	(117.240)
26/09/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	80.20	10.795	10.795	69.94	(110.763)
06/09/2018	OTC SWAP	Baseload	GAS	01/01/2019	31/03/2019	10	27.98	21.590	21.590	22.70	(113.995)
18/09/2018	OTC SWAP	Baseload	GAS	01/01/2019	31/03/2019	10	28.10	43.680	21.590	22.70	(118.586)
24/09/2018	OTC SWAP	Baseload	GAS	01/01/2019	31/03/2019	30	30.00	64.770	64.770	22.70	(472.821)
03/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	77.40	10.795	10.795	69.94	(80.537)
03/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	77.05	10.795	10.795	69.94	(76.759)
04/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	77.80	10.795	10.795	69.94	(84.855)
04/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	77.70	10.795	10.795	69.94	(83.776)
08/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	77.95	10.795	10.795	69.94	(86.474)
08/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	77.60	10.795	10.795	69.94	(82.696)
09/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	76.25	10.795	10.795	69.94	(68.123)
10/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	10	75.75	21.590	21.590	69.94	(125.451)
10/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	75.40	10.795	10.795	69.94	(58.947)
10/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	75.40	10.795	10.795	69.94	(58.947)
10/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	74.80	10.795	10.795	69.94	(52.470)
10/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	74.65	10.795	10.795	69.94	(50.851)
11/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	72.85	10.795	10.795	69.94	(31.420)
12/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	75.20	10.795	10.795	69.94	(56.788)
15/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	76.44	10.795	10.795	69.94	(70.174)
15/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	76.10	10.795	10.795	69.94	(66.504)
15/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	75.25	10.795	10.795	69.94	(57.328)
16/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	74.55	10.795	10.795	69.94	(49.771)
17/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	74.05	10.795	10.795	69.94	(44.374)
18/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	73.65	10.795	10.795	69.94	(40.056)
19/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	74.75	10.795	10.795	69.94	(51.930)
22/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	74.25	10.795	10.795	69.94	(46.533)
08/11/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	70.10	10.795	10.795	69.94	(1.734)
12/11/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	72.50	10.795	10.795	69.94	(27.642)
12/11/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	72.50	10.795	10.795	69.94	(27.642)
12/11/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	72.75	10.795	10.795	69.94	(30.340)
13/11/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	72.85	10.795	10.795	69.94	(31.420)
13/11/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	72.50	10.795	10.795	69.94	(27.642)
20/11/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	70.30	10.795	10.795	69.94	(3.893)
26/11/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	70.60	10.795	10.795	69.94	(7.131)
06/07/2018	OTC SWAP	Baseload	GAS	01/01/2019	31/03/2019	15	25.25	32.385	32.385	24.08	(38.052)
09/07/2018	OTC SWAP	Baseload	GAS	01/01/2019	31/03/2019	15	25.38	32.385	32.385	24.08	(42.101)
03/08/2018	OTC SWAP	Baseload	GAS	01/01/2019	31/03/2019	10	25.10	21.590	21.590	24.08	(22.130)
14/09/2018	OTC SWAP	Baseload	GAS	01/01/2019	31/03/2019	10	27.25	21.590	21.590	22.70	(98.235)
26/09/2018	OTC SWAP	Baseload	GAS	01/10/2019	31/03/2020	10	25.65	43.920	43.920	22.48	(139.446)
03/10/2018	OTC SWAP	Baseload	GAS	01/01/2019	31/03/2019	30	27.50	64.770	64.770	22.70	(310.896)
08/10/2018	OTC SWAP	Baseload	GAS	01/01/2019	31/03/2019	10	27.93	21.590	21.590	22.70	(112.808)
10/10/2018	OTC SWAP	Baseload	GAS	01/01/2019	31/03/2019	10	28.93	21.590	21.590	22.70	(91.218)
15/10/2018	OTC SWAP	Baseload	GAS	01/01/2019	31/03/2019	10	27.05	21.590	21.590	22.70	(93.917)
15/10/2018	OTC SWAP	Baseload	GAS	01/01/2019	31/03/2019	10	26.85	21.590	21.590	22.70	(89.599)
19/10/2018	OTC SWAP	Baseload	GAS	01/01/2019	31/03/2019	10	26.80	21.590	21.590	22.70	(88.519)
09/11/2018	OTC SWAP	Baseload	GAS	01/01/2019	31/03/2019	10	24.55	21.590	21.590	22.70	(39.942)
19/11/2018	OTC SWAP	Baseload	GAS	01/01/2019	31/12/2019	5	24.73	43.800	43.800	23.49	(54.203)
05/12/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	69.60	10.795	10.795	67.82	(19.248)
05/12/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	69.05	10.795	10.795	67.82	(13.311)
12/12/2018	OTC SWAP	Baseload	GAS	01/01/2019	31/01/2019	10	24.03	7.440	7.440	22.68	(10.044)
27/12/2018	OTC SWAP	Baseload	GAS	01/01/2019	31/01/2019	15	23.72	11.160	11.160	22.68	(11.662)
											(4,274,091)

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).

	31.12.2018	31.12.2017
Derivative assets	31,003,351	54,486,263
Derivative liabilities	15,223,835	27,348,449
Other financial assets	952,163	3,964,282

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 2018 and 31 December 2017 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 31.12.2018		Equity investments	Receivables for loans	Trade-related receivables	Receivables for tax consolidation	Payables for tax consolidation	Trade and financial payables	Sundry payables
Holding companies								
	SC Holding S.r.l.	-	2,803,211	605	24,047,955	22,548,318	-	666,000
Non-consolidated subsidiaries								
	Green Wind 1 S.r.l.	-	111,083	4,667	-	-	-	-
	Green Network Energie S.a.r.l.	50,000	-	-	-	-	-	-
Associated companies								
	Solergys	411,977	1,420,085	463,868	-	-	-	-
Joint Ventures								
	JMS	262,406	-	8,820,658	-	-	8,884,323	-
Other Group companies								
	Itaipower Energia S.r.l.	10,000	-	-	-	-	-	-

TRANSACTIONS WITH RELATED PARTIES - YEAR ENDED 31.12.2018		Revenues from sales	Other revenue and income	Consumption of materials, costs for services and other costs	Revaluations / Write-downs of equity investments	Interest income from loans	Other financial income
Holding companies							
	SC Holding S.r.l.	4,191	-	867,620	-	-	-
Non-consolidated subsidiaries							
	Green Wind 1 S.r.l.	3,022	-	-	-	-	-
	Green Network Energie S.a.r.l.	-	-	-	-	-	-
Associated companies							
	Solergys	120,642	-	-	91,131	27,018	-
Joint Ventures							
	JMS	44,387,131	-	44,520,762	-	-	-
Other companies							
	Itaipower Energia S.r.l.	-	-	-	-	-	-

TRANSACTIONS WITH RELATED PARTIES - YEAR ENDED 31.12.2017		Equity investments	Receivables for loans	Trade-related receivables	Receivables for tax consolidation	Payables for tax consolidation	Trade and financial payables	Sundry payables
Holding companies								
	SC Holding S.r.l.	-	3,286,037	-	9,298,821	8,314,797	-	596,000
Non-consolidated subsidiaries								
	Green Wind 1 S.r.l.	-	111,084	5,809	-	-	-	-
	Green Network Power & Gas S.r.l.	10,000	-	3,840	-	-	8,509	-
Associated companies								
	Converge	1,900,000	-	-	-	-	-	-
	Solergys	320,845	1,420,085	419,222	-	-	5,603	-
	US Boreale	378,744	10,000	-	-	-	13,691	-
Joint Ventures								
	JMS	267,620	-	7,213,661	-	-	7,185,134	-
Other companies								
	Itaipower Energia S.r.l.	10,000	-	-	-	-	-	-

TRANSACTIONS WITH RELATED PARTIES - YEAR ENDED 31.12.2017		Revenues from sales	Other revenue and income	Consumption of materials costs for services and other costs	Revaluations / Write-downs of equity investments	Interest income from loans	Other financial income
Holding companies							
	SC Holding S.r.l.	408	-	-	-	-	-
Non-consolidated subsidiaries							
	Green Wind 1 S.r.l.	3,058	-	30	-	-	-
	Green Network Power & Gas S.r.l.	-	-	-	-	-	-
Associated companies							
	Converge	-	-	-	(16,570)	-	-
	Solergys	99,864	-	-	128,984	-	27,158
	Us Boreale	14,500	-	-	1,365	-	-
Joint Ventures							
	JMS	25,876,512	-	25,992,113	(75,692)	-	-
Other companies							
	Itaipower Energia S.r.l.	-	-	-	-	-	-

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 Parent Company has received assessment notices for VAT and Direct Taxes, with reference to tax periods from 2009 to 2013, the related penalty notices for the years from 2009 to 2011 and the notice challenging the related sanctions for the years from 2012 to 2013, which it has contested before the Provincial Tax Commission. The company Green Network S.p.A., also as the merging entity of Green Network Luce & Gas and based on the opinions received over the years, believes that, owing to the absence of any prejudice for the Tax Authorities and for any other interested party, the risk with reference to the overall dispute and to the joint assessment of the plurality of claims for different reasons, with reference to the same facts subject matter of the dispute, is remote and uncertain and therefore, did not deem it necessary to enter any risk provision. In support of this approach, note the following:

- 1) on 13 September 2016, the Division 50 of the Rome Provincial Tax Board granted, by judgment no. 19904/50/16, the appeals against the notices of assessment nos. TJB080100391/2014, TJB030100389/2014, TJB080100384/2014, TJB030100382/2014, TJB080100124/2015 and TJB030100125/2015 for the 2009 year; the judgment was challenged by the Revenue Agency. On 20 December 2018 the Lazio Regional Tax Board, by judgment no. 9262/9/2018, rejected the appeal filed by the Revenue Agency against the aforesaid favourable judgment no. 19904/50/16 in the matter of IRES (Corporate Income), IRAP (Regional Production Activity) and VAT tax for 2009, thus confirming, before the second-instance court, the cancellation of the notices of assessment challenged; the terms are still to be set for the objections on the part of the Revenue Agency;
- 2) on 11 June 2018, Division 4 of the Rome Provincial Tax Board granted, by judgment no. 127027/4/18, the appeals against the penalty notices nos. TJBIR0100016/2016 and TJBIR0100015/2016 for 2009, and, by judgment no. 12024/4/18, the appeal against the notice of assessment no. TJBOE0300262/2016 for 2011; the judgments were challenged by the Revenue Agency; Green Network S.p.A. has submitted its counter-arguments and is waiting for the hearings to be scheduled;
- 3) on 19 September 2018, Division 34 of the Rome Provincial Tax Board granted, by judgment no. 15985/34/18, the appeal against the penalty notice no. TJBIR0100018/2016 for 2009; the Revenue Agency has filed an appeal and Green Network S.p.A. is preparing its counter-arguments;
- 4) on 12 February 2018, Division 43 of the Rome Provincial Tax Board granted, by judgment no. 1956/43/2019, the appeals filed by Green Network and SC Holding against the notices of assessment nos. TJB030300263/2016, TJB030300264/2016 and TJB030300267/2016 in the matter of IRES (Corporate Income), IRAP (Regional Production Activity) and VAT tax for 2011; the terms are still to be set for the objections on the part of the Revenue Agency.

Finally, it should be noted that other third-party companies, which are also involved in the same case, have successfully challenged the notices of tax assessment received before the competent

Tax Boards: to date 16 judgments have been issued in favour of the taxpayer companies.

- ◆ 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 parent company's arguments. In order to reach a settlement of the dispute quickly, Green Network S.p.A. concluded conciliation proceedings with the Revenue Agency on 24 October 2018, paying in full an amount that was considerably lower than that initially requested.
- ◆ In 2005, the parent 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. Furthermore, 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. The arbitration, which remained suspended until the settlement of the administrative dispute, was concluded with the issue of an unfavourable award for Green Network S.p.A., which has in any case found, through the authoritative professionals working for it, valid elements to request the cancellation of the award itself, which was made in November 2018. Even if the legal counsels are confident in a positive outcome, they consider the risk of losing the case to be probable; therefore, amounts have been set aside in the financial statements.
- ◆ The following measures on imbalances are also reported below for the purposes of this Report. As a result of the Lombardy Region TAR's judgment No. 1648/2014 and the Council of State's judgments 1532/2015 and 2457/2016, which seek to restrict improper gains by dispatching users who exploit certain anomalies in the process of calculation of imbalance prices, Resolution 333/2016/R/eel of 24 June 2016 laid down the rules to apply in order to measure effective imbalances during the period from July 2012 to September 2014, setting out mechanisms which re-establish the regulations set aside by the abovementioned judgments of the Lombardy Region

TAR and of the Council of State. With resolution 837/2017 of December 2017, an order was published in relation to the completion of audits referred to in Resolution 333/2016 for Green Network. According to ARERA, the Regulatory Authority for Energy, Networks and Environment (*Autorità di Regolazione per Energia Reti e Ambiente*, or ARERA), Green Network S.p.A. did not operate in a diligent manner during the first half of 2013. The parent company filed an appeal against this resolution before the Lombardy Region TAR, which firstly suspended the order and then rejected the Company's petitions by judgment no. 897 of 4 April 2018. Green Network S.p.A. promptly submitted an appeal to the Council of State on 26 April 2018, which, by an order no. 2375/2018, suspended the execution of the abovementioned judgment handed down by the Lombardy Region TAR, scheduling the hearing for the discussion of the merits of the appeal on 12 December 2019. The directors, who are supported by the opinion rendered by authoritative professionals, are confident that the dispute will be favourably settled and consider the risk of losing the case as possible. Therefore, no allocation was made to the provision for risks.

- ◆ With Resolution 342/2016 ARERA has also started procedures for the timely adoption of prescriptive measures in relation to any possible advantage obtained by imbalances for the period from January 2015 to July 2016. With resolutions 559/2017 ARERA adopted a prescriptive measure against Green Network S.p.A. for the period from January 2016 to July 2016, as amended by resolution 136/2018. Then Green Network S.p.A. filed an appeal with the Lombardy Region TAR to have the aforesaid measure repealed, while obtaining, pending discussion of the merits, the stay of the ruling of the resolution passed by the Authority. Following the corporate acquisition of Energrid S.p.A, the parent company assumed liability for the same measure issued against the acquired company (resolution 558/2017, as amended by resolution 74/2018), thus obtaining the stay pending discussion of the merits. A similar case involved the acquired company Tradelnv Gas&Energy S.p.A. (resolution 154/2018). The three hearings for the discussion of the merits have been scheduled for the spring of 2019. The directors, who are supported by the opinion rendered by authoritative professionals, are confident that the dispute will be favourably settled and consider the risk of losing as remote. Therefore, no allocation was made to the provision for risks.

For the sake of completeness, it should be noted that Green Network Group has brought, also in relation to the most recent case law and the resolutions passed by ARERA, the related actions to protect its own interests for the return of any sum unduly paid to electricity distributors. In this context, the directors, who are supported by the opinions rendered by authoritative legal counsels, believe that, as things stand, the risk of losing the case is remote.

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 31.12.2018	20,963,308	467,446
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	(4,101,325)	92,903
- deferred and prepaid income taxes	0	0
Other changes	0	10,178,549
<i>Profit (loss) from discontinued operations</i>	0	10,178,549
Group shareholders' equity and profit (loss)	16,861,983	10,738,898
Minority interests	1,061,092	129,016
Consolidated shareholders' equity and profit (loss)	17,923,075	10,867,914

Guarantees, commitments and off-balance sheet agreements

At the date of this report the Group had the following commitments and risks in place, which do not result from the statement of financial position:

- ◆ Surety guarantees of EUR 170,435,746 issued in favour of third parties (of which insurance guarantees of EUR 103,970,007 and financial guarantees of EUR 66,465,739);
- ◆ Guarantees in the form of pledges of EUR 9,862,761.

Furthermore, the Group, as already stated in the note on trade receivables, has received sureties from customers for EUR 3,723,000.

Guarantees issued to third parties are made up of:

- ◆ EUR 132,292,000 in favour of third parties for the purchase and sale of electricity, gas and derivatives;
- ◆ EUR 5,642,300 in favour of third parties for the transportation of electricity and gas;
- ◆ EUR 5,877,513 in favour of Tax Authorities for VAT refund and for excess VAT setoff;
- ◆ EUR 1,000,000 in favour of GME for the performance of operations on electricity markets;
- ◆ EUR 16,496,000 in favour of Terna S.p.A. for dispatching;
- ◆ EUR 1,900,000 in favour of SNAM for balancing;
- ◆ EUR 3,255,801 in sureties issued in favour of third parties for gas carrier activities and distribution;
- ◆ EUR 750,000 in favour of Idea Fimit S.p.A. for the lease of the new building at which corporate activities are carried out;
- ◆ EUR 3,160,903 in favour of Terna S.p.A. for the suspension of the instalment payment in relation

to the TAR order 2375/2018;

- ◆ EUR 31,229 in favour of entities involved in the construction of plants for the production of electricity from renewable sources;
- ◆ EUR 30,000 relating to other guarantees in favour of third parties.

The amount of EUR 3,723,000 relating to sureties received from customers has been commented on in the note relating to trade receivables, to which reference is made.

The amount of EUR 9,862,761 relating to pledges is made up as follows:

- ◆ EUR 9,403,123 due to banks for cash collateral activities relating to pledges requested by some banks to guarantee credit commitments agreed and/or used
- ◆ EUR 459,638 for pledges on shares and securities.

The Group also has the following corporate guarantees/patronages/co-obligations granted by the consolidating:

- ◆ EUR 988,859 to guarantee the lease agreement held by the subsidiary Green Wind 2 S.r.l. with Alba Leasing S.p.A.;
- ◆ EUR 4,712,727 in guarantee of the outstanding bank loans by Rena Energia S.r.l., Biogas Energy Società Agricola S.r.l. and Energrid S.r.l.;
- ◆ EUR 1,220,500 a in guarantee of the existing loans of the associated company Sòlerys S.p.A.;
- ◆ EUR 9,278,616 for a patronage/co-obligation in favour of Green Network UK PIC;
- ◆ 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 previous notes 4 and 5, the information relating to remuneration due to directors, statutory auditors and the independent auditors for 2018 is provided below.

	Amount
Directors' fees	2,666,740
Statutory Auditors' fees	54,080
Independent Auditors' fees	260,691
Supervisory Body's fees	27,300
Total	3,008,811

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.

Rome, 5 April 2019

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	2018	2017
Revenues			
Revenues from sales and services	1	1,654,195,396	938,616,711
Other revenue and income	2	9,449,318	8,033,985
Total revenues		1,663,644,714	946,650,696
Costs			
Electricity and gas purchase	3	1,587,556,539	882,228,527
Costs for services and materials	4	31,439,509	27,925,944
Payroll and related costs	5	19,425,786	14,557,128
Amortisation/depreciation and impairment	6	13,072,276	9,378,409
Provisions	7	625,000	0
Other operating costs	8	5,144,483	2,050,764
Total costs		1,657,263,593	936,140,772
EBIT		6,381,121	10,509,924
Financial income (expense) from financial instruments measured at fair value	9	(53,684)	12,399
Net profit (loss) from the sale of current and non-current operating assets	10	4,184	(8,717)
Financial income	11	3,284,448	2,496,319
Financial expense	12	(7,593,381)	(4,822,311)
Share of income/(expense) deriving from equity investments valued using the equity method	13	396,725	51,927
Pre-tax profit (loss)		2,419,413	8,239,541
Taxation	14	(1,951,967)	(3,098,715)
Net profit (loss) for the year		467,446	5,140,826
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	5,397	(118,203)
Items that will or could then be reclassified to Profit (Loss) for the year			
Profit (losses) from restatement of the value of other financial assets	9	(41,736)	6,000
Fair value changes in cash flow hedges	3	(7,527,761)	1,945,784
Income taxes relating to OCI		2,180,234	(534,136)
Comprehensive profit/loss for the year		(4,916,420)	6,440,271

Statement of financial position

	Notes	31.12.2018	31.12.2017
Non-current assets			
Intangible fixed assets	15	46,036,651	22,629,646
Goodwill	16	25,561,517	25,561,517
Property, plant and machinery	17	3,869,452	3,816,026
Investment property	18	7,773,961	8,014,167
Equity investments	19	15,477,434	18,158,078
Receivables from group companies	20	31,551,999	19,674,586
Deferred tax assets	21	6,132,392	4,829,963
Tax credits	22	5,098,460	5,084,332
Other non-current assets	23	1,758,544	9,179,861
Total		143,260,410	116,948,176
Current assets			
Inventories	24	3,058,132	1,801,933
Trade-related receivables	25	416,654,276	368,153,536
Receivables from group companies	26	43,530,312	44,830,298
Loans to banks and other financial institutions	27	18,307,527	10,258,914
Tax credits	28	10,358,161	22,826,471
Derivatives	29	31,003,351	29,971,294
Other financial assets	30	559,263	3,964,282
Other current assets	31	13,582,564	13,457,878
Cash and cash equivalents	32	13,325,900	27,071,599
Total		550,379,486	522,336,205
Non-current assets held for sale	33	0	2,259,055
Total assets		693,639,896	641,543,436
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	34	15,636,000	15,636,000
Other reserves	34	4,859,862	10,038,321
Net profit (loss) for the year	34	467,446	5,140,826
Total shareholders' equity		20,963,308	30,815,147
Non-current liabilities			
Long-term loans	35	10,660,276	6,288,796
Employee severance indemnity and other employee benefits	36	3,031,832	2,707,861
Payables to group companies	37	1,075,067	0
Provisions for risks and charges	38	11,844,517	12,526,927
Tax liabilities	39	11,465	905,833
Other non-current liabilities	40	10,040,339	9,489,588
Total		36,663,496	31,919,005
Current liabilities			
Short-term loans	41	99,864,836	145,801,388
Trade-related payables	42	440,608,139	368,883,816
Payables to group companies	43	31,939,577	21,535,700
Tax payables	44	37,453,034	21,189,803
Derivatives	45	15,223,835	6,900,098
Other current liabilities	46	10,923,671	14,498,479
Total		636,013,092	578,809,284
Total shareholders' equity and liabilities		693,639,896	641,543,436

Statement of changes in shareholders' equity

	Share Capital	Legal Reserve	Extraordinary reserve	Equity method valuation reserve	Profits (losses) carried forward	FTA reserve	Reserve for valuation of derivatives and contracts	Rounding-off reserve	Capital contributions	Reserve for valuation of other financial assets	Actual gain reserve	Net profit (loss) for the year/period	Total
Balance at 1 January 2017	15,636,000	1,128,036	3,950,884	6,297,595	(23,580,868)	16,387,195	930,953	4	13,394	32,216	(184,165)	6,041,026	26,652,270
Profit (loss) for the period	0	0	0	0	0	0	0	0	0	0	0	5,140,826	5,140,826
Other components of comprehensive income	0	0	0	0	0	0	1,385,009	0	0	4,271	(89,834)	0	1,299,446
Total components of comprehensive income	0	0	0	0	0	0	1,385,009	0	0	4,271	(89,834)	0	1,299,446
Dividends approved	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
Total transactions with shareholders, recognised directly in Equity	0	0	0	0	0	0	0	0	0	0	0	0	0
Other changes	0	302,051	5,738,974	0	(1,748,917)	(528,476)	(0)	(2)	0	0	0	(6,041,026)	(2,277,396)
Balance at 31 December 2017	15,636,000	1,430,087	9,689,858	6,297,595	(25,329,785)	15,858,719	2,315,962	2	13,394	36,487	(273,999)	5,140,826	30,815,147
Balance at 1 January 2018	15,636,000	1,430,087	9,689,858	6,297,595	(25,329,785)	15,858,719	2,315,963	1	13,394	36,487	(273,999)	5,140,826	30,815,147
Adoption of new accounting standards	0	0	0	0	0	(4,622,061)	0	0	0	0	0	0	(4,622,061)
Profit (loss) for the period	0	0	0	0	0	0	0	0	0	0	0	467,446	467,446
Other components of comprehensive income	0	0	0	0	0	0	(5,358,261)	0	0	(29,707)	4,102	0	(5,383,867)
Total components of comprehensive income	0	0	0	0	0	0	(5,358,261)	0	0	(29,707)	4,102	0	(5,383,867)
Dividends approved	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
Total transactions with shareholders, recognised directly in Equity	0	0	0	0	0	0	0	0	0	0	0	0	0
Other changes	0	294,959	5,604,224	0	(1,071,715)	0	(0)	0	0	0	0	(5,140,826)	(313,357)
Balance at 31 December 2018	15,636,000	1,725,046	15,294,082	6,297,595	(26,401,500)	11,236,658	(3,042,298)	1	13,394	6,780	(269,897)	467,446	20,963,308

Cash flow statement

	Notes	2018	2017
Profit (loss) for the year		467,446	5,140,826
CASH FLOW STATEMENT OF OPERATING ACTIVITIES (A)			
Taxes for the period	14	1,951,967	3,098,714
Interest expense/(interest income)	11 - 12	4,342,486	2,322,014
Income from equity investments in other companies		(27,911)	(15,000)
Adjustments for non-monetary elements with a contra-entry in net working capital			
<i>Allocations to provisions</i>	6 - 7	<i>4,783,729</i>	<i>6,540,529</i>
<i>Depreciation/amortisation of fixed assets</i>	6	<i>9,572,276</i>	<i>2,317,919</i>
<i>Write-downs due to impairment</i>	6	<i>0</i>	<i>1,060,490</i>
<i>Other adjustments for non-monetary elements</i>	8 - 13	<i>(347,225)</i>	<i>(55,609)</i>
Cash flows from change in working capital			
- <i>change in inventories</i>	24	(1,256,199)	(1,480,316)
- <i>change in trade and intercompany receivables</i>	20 - 25 - 26	(50,700,754)	(196,066,103)
- <i>change in trade and intercompany payables</i>	41 - 42	83,203,268	166,379,771
- <i>other changes in net working capital</i>		20,863,719	(18,763,804)
Cash flows from other adjustments:			
<i>Interest income and other financial income received</i>	11	<i>3,278,806</i>	<i>2,515,297</i>
<i>Interest expense and other financial expenses</i>	12	<i>(7,593,381)</i>	<i>(4,822,311)</i>
<i>(Income taxes paid)</i>		<i>(3,098,714)</i>	<i>(7,192,535)</i>
<i>(Use of provisions)</i>		<i>(1,642,167)</i>	<i>8,573,537</i>
Cash flow generated (absorbed) by operations		63,329,901	(35,587,408)
CASH FLOW STATEMENT OF INVESTMENT ACTIVITIES (B)			
Cash flows from changes in property, plant and machinery	17	(902,534)	(1,055,580)
Cash flows from changes in intangible fixed assets	15 - 16	(31,889,966)	(47,999,019)
Cash flows from changes in equity investments	19	5,336,423	(3,511,800)
Cash flows from changes in receivables for loans	20	(11,877,413)	7,803,190
Cash flows from changes in financial instruments	3 - 29 - 45	3,355,519	4,314,201
Cash flow generated (absorbed) by investments		(35,977,972)	(40,449,008)
CASH FLOW STATEMENT OF FINANCING ACTIVITIES (C)			
Cash flows from third party financing:			
Increase (decrease) in short-term payables	41	(45,936,553)	96,016,477
Increase (decrease) in long-term payables	35	4,371,479	(7,120,488)
Other changes in shareholders' equity items	34	0	0
Cash flow generated (absorbed) by financing activities		(41,565,074)	88,895,988
Increase (decrease) in cash and cash equivalents		(13,745,699)	18,000,398
Opening cash and cash equivalents		27,071,599	9,071,201
Closing cash and cash equivalents		13,325,900	27,071,599

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 2017, 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		31.12.2017	INCOME STATEMENT		31.12.2017
	Non-current assets	20,081,143		Revenues	833,922
	Current assets	18,263,333		Costs	(969,967)
	TOTAL ASSETS	38,344,476		Net profit (loss)	(136,045)
	Shareholders' equity	9,193,379		Financial income (expense)	(13,310)
	Non-current liabilities	25,846,419		Pre-tax profit (loss)	(149,355)
	Current liabilities	3,304,678		Taxation	19,315
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	38,344,476		Net profit (loss) for the period	(130,040)

It should be noted that SC Holding also drew up the consolidated financial statements for 2017.

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. This annual financial report was approved by the Board of Directors on 5 April 2019 and has been audited by PricewaterhouseCoopers S.p.A..

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 December 2017.

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 comparative values

The comparative values relating to the financial year ended 31 December 2017 were restated to a lesser extent in order to take account of the correction of errors made in previous years in relation to current and deferred taxation. Furthermore, a more accurate analysis of the tax effects arising from the 2017 PPA was conducted during the year, as a result of which an adjustment was made to the goodwill posted in the previous year.

The table reported below shows the breakdown of the items that have been restated, as well as the changes in equity items.

	31.12.2017 comparative values	31.12.2017	Change
Taxes	3,098,715	2,340,358	758,357
Deferred tax assets	4,829,963	6,001,288	(1,171,325)
Payables to parent companies, subsidiaries, associates and joint ventures	21,535,700	21,403,954	131,746
Goodwill	25,56,517	26,302,025	(740,508)
Provisions for risks and charges	12,526,927	13,267,435	(740,508)

	31.12.2017 comparative values	31.12.2017	Change
Share capital	15,636,000	15,636,000	0
Legal reserve	1,430,087	1,430,087	0
Extraordinary reserve	9,689,858	9,689,858	0
Equity method valuation reserve	6,297,595	6,297,595	0
Shareholder contributions	13,394	13,394	0
Indivisible profits and reserves	(25,329,784)	(25,016,425)	(313,359)
Derivative valuation reserve	2,315,962	2,315,962	0
AFS reserve	36,487	36,487	0
Rounding reserve	1	1	0
Actuarial gain reserve	(273,998)	(273,998)	0
FTA reserve	15,858,719	16,090,074	(231,355)
Profit (loss) for the year	5,140,826	5,899,183	(758,357)
Total	30,815,147	32,118,218	(1,303,071)

Furthermore, 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.

Significant events of the financial year

For more details, reference should be made to the information provided in the Report on the consolidated financial statements of the Green Network Group.

Measurement Criteria

The accounting policies and criteria were the same as those used to prepare the consolidated financial statements of the Green Network Group, to which reference is made.

Use of estimates and subjective evaluations

With reference to the use of accounting estimates, reference should be made to the explanatory notes to the consolidated financial statements of the Green Network Group.

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 2018	Power	Gas	Other assets	Total
Revenues	1,483,711,630	170,483,766	0	1,654,195,396
Direct costs	(1,433,685,529)	(153,871,010)	0	(1,587,556,539)
Investments	5,394,723	619,873	0	6,014,596
31 December 2017	Power	Gas	Other assets	Total
Revenues	867,815,654	70,801,057	0	938,616,711
Direct costs	(824,020,937)	(58,207,590)	0	(882,228,527)
Investments	5,206,737	424,794	0	5,631,531

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 1,654,195,396

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

	2018	2017	Change	% change
Sale of energy	675,302,042	30,068,522	373,233,520	123.6%
GME energy sale	98,295,687	80,264,615	18,031,072	22.5%
Interconnector energy revenues	128,406,932	96,903,622	31,503,310	32.5%
Recovery of dispatch charges	83,964,543	55,822,405	28,142,138	50.4%
Recovery of transport charges	457,414,017	297,446,439	159,967,578	53.8%
Imbalance and CNA revenues	10,411,598	17,880,475	(7,468,877)	(41.8%)
CCC revenues	3,429,630	7,756,030	(4,326,400)	(55.8%)
Commercial costs EE	11,430,223	3,207,211	8,223,012	256.4%
Recovery of CMOR charges	1,341,917	1,328,532	13,385	1.0%
Intercompany energy revenues	13,715,041	5,137,803	8,577,238	166.9%
Revenues from electricity sales and services	1,483,711,630	867,815,654	615,895,976	71.0%
Gas sales	118,359,283	52,227,779	66,131,504	126.6%
GME gas sales	8,316,588	775,721	7,540,867	972.1%
Recovery of gas transportation charges	9,874,643	4,596,712	5,277,931	114.8%
Recovery of gas carrier charges	18,741,059	7,480,484	11,260,575	150.5%
Gas imbalance revenues	9,152,655	3,218,016	5,934,639	184.4%
Other gas proceeds	43,223	26,214	17,009	64.9%
Commercial costs GAS	4,534,101	2,150,880	2,383,221	110.8%
Intercompany gas revenues	1,462,214	325,251	1,136,963	349.6%
Revenues from sale of gas	170,483,766	70,801,057	99,682,709	140.8%
Total	1,654,195,396	938,616,711	715,578,685	76.2%

During the year under review revenues recorded an increase of 76.2% compared to 2017 mainly arising from the acquisition of the Energrid and Tradeinv business units, which had given their contribution for one month only in 2017, and of Burgo, made in June 2018, as well as to an increase in sales of electricity as a result of the industrial business development. For more details, reference should be made to the Report on Operations.

2. Other revenue and income - EUR 9,449,318

Other revenue and income were composed as follows as at 31 December 2018:

	2018	2017	Change	% change
Compensation from suppliers	855,838	483,781	372,057	76.9%
Recovery of costs and charges	125,970	90,022	35,948	39.9%
Revenues from contractual penalties and reimbursements	7,367,887	6,228,260	1,139,627	18.3%
Rentals receivable	105,211	392,092	(286,881)	(73.2%)
Reimbursement of expenses	144	8,302	(8,158)	(98.3%)
Other intercompany revenues	452,942	217,162	235,780	108.6%
Other income	541,326	614,366	(73,040)	(11.9%)
Total	9,449,318	8,033,985	1,415,333	17.6%

The item remained substantially in line with the previous year.

3. Electricity and gas purchase - EUR 1,587,556,539

	2018	2017	Change	% change
Electricity purchases	848,143,282	434,250,182	413,893,100	95.3%
Energy transport charges	440,668,041	282,152,259	158,515,782	56.2%
Dispatch charges	80,461,958	54,792,105	25,669,853	46.8%
Imbalance and CNA EE costs	8,124,385	10,144,265	(2,019,880)	(19.9%)
CCC charges	2,259,357	4,152,952	(1,893,595)	(45.6%)
GME energy costs	47,986,671	35,999,748	11,986,923	33.3%
GME service costs	222,495	173,003	49,492	28.6%
CTS considerations	4,340,104	1,517,412	2,822,692	186.0%
CMOR charges	1,479,236	839,011	640,225	76.3%
Electricity purchase and associated costs	1,433,685,529	824,020,937	609,664,592	74.0%
Gas purchases	120,847,847	44,504,694	76,343,153	171.5%
Gas imbalance costs	2,510,886	1,946,940	563,946	29.0%
Gas transportation charges	12,469,934	5,352,157	7,117,777	133.0%
Gas carrier charges	19,101,404	7,484,877	11,616,527	155.2%
GME gas purchases	197,138	340,118	(142,980)	(42.0%)
Gas purchase and associated costs	155,127,209	59,628,786	95,498,423	160.2%
Sundry purchases	0	59,120	(59,120)	(100.0%)
Inventories	(1,256,199)	(1,480,316)	224,117	(15.1%)
Total	1,587,556,539	882,228,527	705,328,012	79.9%

Electricity and gas purchase costs recorded an increase in the year under review compared to the previous year, connected with an increase in revenues for sales and services. For more details, reference should be made to the Report on Operations.

It should be noted that the item "Electricity purchases" includes income and costs 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 mark-to-market of trading derivative contracts existing at 31 December 2018. More specifically, this effect can be represented as follows:

	Derivative contracts on commodities settled during the financial year	Change in FV of derivative contracts on commodities	Total
Charges	(5,968,724)	(5,686,821)	(11,655,545)
Income	52,626,120	5,922,903	58,549,023

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

4. Costs for services and materials - EUR 31,439,509

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

	2018	2017	Change	% change
Other service costs	473,775	629,466	(155,691)	(24.7%)
Insurance	27,496	13,575	13,921	102.5%
Technical consulting	328,392	662,976	(334,584)	(50.5%)
Legal and tax consulting	1,920,916	1,952,119	(31,203)	(1.6%)
Sundry consulting	517,491	768,992	(251,501)	(32.7%)
Auditors' fees	260,691	288,800	(28,109)	(9.7%)
Financial consulting	215,124	413,250	(198,126)	(47.9%)
Advertising and promotion expenses	2,991,513	3,083,351	(91,838)	(3.0%)
Utilities	137,618	155,063	(17,445)	(11.3%)

	2018	2017	Change	% change
Postal and telephone expenses	1,605,742	1,028,940	576,802	56.1%
Stationery and printed materials	316,909	248,167	68,742	27.7%
Hardware and software support	1,257,756	1,021,629	236,127	23.1%
Financial expense	1,068,188	520,711	547,477	105.1%
Statutory Auditors' fees	54,080	68,305	(14,225)	(20.8%)
Supervisory Body's fees	24,960	24,960	0	0.0%
Factoring commissions	2,233,836	1,129,114	1,104,722	97.8%
Charges on sureties	3,639,136	2,229,340	1,409,796	63.2%
Commission payable	6,724,607	6,281,181	443,426	7.1%
Call centre service costs	2,796,142	2,339,206	456,936	19.5%
Entertainment expenses	439,555	443,337	(3,782)	(0.9%)
Credit insurance	767,945	608,128	159,817	26.3%
Management costs and credit recovery	1,304,765	964,535	340,230	35.3%
Maintenance and repairs	86,078	117,390	(31,312)	(26.7%)
Rent expenses and associated charges	1,367,773	1,055,733	312,040	29.6%
Car rental	26,345	361,441	(335,096)	(92.7%)
Equipment rental	369,842	333,090	36,752	11.0%
Maintenance and repairs of third party assets	178,756	885,147	(706,391)	(79.8%)
Software licences	304,078	297,998	6,080	2.0%
Total	31,439,509	27,925,944	3,513,565	12.6%

The item showed an increase compared to the previous year mainly due to higher financial costs, charges on sureties and factoring commissions.

5. Payroll and related costs - EUR 19,425,786

	2018	2017	Change	% change
Salaries and wages	10,752,486	7,672,598	3,079,888	40.1%
Directors' fees	2,605,833	2,930,000	(324,167)	(11.1%)
Social security charges	3,100,436	2,067,006	1,033,430	50.0%
Directors' and freelancers' social security charges	63,655	44,675	18,980	42.5%
Employee severance indemnity	658,729	540,529	118,200	21.9%
Cost of temporary contracts	24,726	13,248	11,478	86.6%
Other payroll and related costs	2,219,921	1,289,072	930,849	72.2%
Total	19,425,786	14,557,128	4,868,658	33.4%

The item recorded an increase compared to 2017 as a result of the acquisition of Energrid and Tradeinv, which took place in November 2017. Corporate activities were carried out with the collaboration on average of 225 employees (an average of 181 employees in 2017), employed under permanent employment and work training contracts, broken down as follows:

- ◆ 17 senior managers on average;
- ◆ 43 middle managers on average;
- ◆ 165 employees on average.

Details of employees serving at 31 December 2018 for the various categories, compared to the previous year, are also reported below.

	31.12.2018	31.12.2017
Managers	18	15
Middle managers	44	45

	31.12.2018	31.12.2017
Employees	164	173
Total	226	233

Provision for employee severance indemnity of EUR 658,729 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. 36 resulted in a change in the actuarial gains reserve of EUR (4,102) 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 13,072,276

	2018	2017	Change	% change
Amortisation and impairment of intangible assets	8.482.962	504.898	7.978.064	1.580,1%
Depreciation and impairment of property, plant and machinery	849.108	1.572.815	(723.707)	(46,0%)
Depreciation of investment property	240.206	240.206	(0)	(0,0%)
Impairment of other assets	0	1.060.490	(1.060.490)	(100,0%)
Impairment of receivables	3.500.000	6.000.000	(2.500.000)	(41,7%)
Total	13.072.276	9.378.409	3.693.867	39,4%

The item relating to the amortisation of intangible assets and to the depreciation of plant and machinery arises from the systematic process of amortisation and depreciation of these assets on the basis of the estimated useful life of the asset. The item increased mainly due to the effect of the amortisation of trademarks and of other intangible assets related to the acquisition of companies which took place in the previous year and as a result of the application of the new international standard IFRS 15, the implementation of which gave rise to an increase in intangible assets and in the consequent amortisation.

With reference to receivables, the amount of EUR 3,500,000 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 (cluster, unpaid ratio etc.), in line with corporate policies.

7. Provisions - EUR 625,000

	2018	2017	Change	% change
Provisions	625,000	0	625,000	n.s.
Total	625,000	0	625,000	n.s.

The provision relates for EUR 625,000 to the dispute with Alpiq, which was already commented on in the Report of Green Network S.p.A. at 31 December 2017, following the unfavourable outcome of the arbitration award.

8. Other operating costs - EUR 5,144,483

	2018	2017	Change	% change
Taxes and duties	1,271,262	500,131	771,131	154.2%
Membership fees	78,793	98,969	(20,176)	(20.4%)
Sanctions, fines and penalties	2,177,964	400,814	1,777,150	443.4%

Contribution to Antitrust Authorities	38,820	60,181	(21,361)	(35.5%)
Sundry charges	1,577,644	990,669	586,975	59.3%
Total	5,144,483	2,050,764	3,093,719	150.9%

The item "Sundry charges" mainly consists of the contribution paid to the Electricity and Gas Authority and of other non-deductible costs. The remaining amount of "other operating costs" is made up of taxes/duties and fines and penalties imposed on the company during the financial year under review.

9. Financial income (expense) from financial instruments measured at fair value - EUR (53,684)

The item is made up of the following amounts.

	31.12.2018	31.12.2017	Change	% change
Banco BPM shares	0	19,091	(19,091)	(100.0%)
CARISMI shares	(2,091)	(52,462)	50,371	(96.0%)
Veneto Banca shares	0	(6,887)	6,887	(100.0%)
Certificates of deposit	10	51,818	(51,808)	(100.0%)
Government bonds	(12,720)	0	(12,720)	ns
Mediobanca bonds	(39,215)	0	(39,215)	ns
Bonds	331	839	(508)	(60.5%)
Total	(53,684)	12,399	(66,083)	(533.0%)

The amount of EUR (53,684) is made up of the following amounts:

- ◆ EUR (2,091) relating to CARISMI shares, since the company does not consider such value to be recoverable;
- ◆ EUR 10 related to the sale of Certificates of Deposit during the year;
- ◆ EUR (12,720) related to the difference between the fair value recorder in the financial statements and the value arising from the sale of the government bonds in portfolio;
- ◆ EUR (39,215) for the adjustment to the disposal value of Mediobanca bonds;
- ◆ EUR 331 related to the fair value of UBI ex-Banca Etruria bonds which were redeemed during the year.

10. Net profit (loss) from the sale of current and non-current operating assets - EUR 4,184

	2018	2017	Change	% change
Green Hydro 2 S.r.l. shareholding	0	(7,147)	7,147	(100.0%)
Receivables for Green Hydro 1 S.r.l. loans	0	(15,000)	15,000	(100.0%)
Shareholding in Converge S.r.l.	0	(16,570)	16,570	(100.0%)
Capital gains from disposals	4,184	30,000	(25,816)	(86.1%)
Total	4,184	(8,717)	12,901	(148.0%)

The item includes an amount of EUR 4,184 relating to the capital gains arising from the disposal of assets.

11. Financial income - EUR 3,284,448

The item may be broken down as follows:

	2018	2017	Change	% change
Income from equity investments in other companies	27,911	15,000	12,911	86.1%
Income from equity investments	27,911	15,000	12,911	86.1%

	2018	2017	Change	% change
Interest on loans to subsidiaries	530,760	426,282	104,478	24.5%
Interest on loans to associated companies	27,018	27,158	(140)	(0.5%)
Interest on securities	23,674	42,343	(18,669)	(44.1%)
Interest on loans to other companies	0	3,919	(3,919)	(100.0%)
Interest income from customers	2,453,510	1,782,829	670,681	37.6%
Current account interest income	683	1,328	(645)	(48.6%)
Other financial income	215,250	216,438	(1,188)	(0.5%)
Financial income	3,250,895	2,500,297	750,598	30.0%
Exchange gains and losses	5,642	(18,978)	24,620	(129.7%)
Total	3,284,448	2,496,319	788,129	31.6%

Financial income at 31 December 2018 showed an increase compared to the balance in the previous year, as a result of higher interest income from customers mainly attributable to the customers of the Energrid business unit, which had been acquired in the previous year, and of higher interest on loans to Subsidiaries.

Income from equity investments in other companies refers to the dividends collected from Itaipower Energia S.r.l..

12. Financial expense - EUR 7,593,381

Details of the breakdown of this item are reported below.

	2018	2017	Change	% change
Bank interest expense	1,299,647	706,340	593,307	84.0%
Interest expense on mortgages and loans	549,844	338,974	210,870	62.2%
Interest expense on factoring	1,555,743	605,827	949,916	156.8%
Interest due to other lenders	1,034,305	1,032,883	1,422	0.1%
Interest expense and charges on leasing	21,061	1,726	19,335	1,120.2%
Credit Rating access fee	1,445,884	728,013	717,871	98.6%
Sundry interest and expense	962,734	1,058,489	(95,755)	(9.0%)
Interest on settlement agreements	437,824	2,781	435,043	15,643.4%
Interest expense on voluntary settlement	1,001	799	202	25.3%
Other financial expense	250,066	326,630	(76,564)	(23.4%)
TFR (employee severance indemnity) discounting	35,272	19,849	15,423	77.7%
Total	7,593,381	4,822,311	2,771,070	57.5%

The item showed an increase of EUR 2,771,070, which was mainly attributable to an increase in interest expense on factoring and banking and charges for credit rating access fees, provided as security for distributors for the transmission of electricity in lieu of sureties or guarantee deposits.

The item "Interest due to other lenders" mainly includes interest paid to suppliers for deferred payments granted by them and were substantially in line with the previous year.

13. Share of income/(expense) deriving from equity investments valued using the equity method - EUR 396,725

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

	2018	2017	Change	% change
Solergys	91,131	128,984	(37,852)	(29.3%)
US Boreale	310,808	(1,365)	312,173	(22,869.8%)
JMS	(5,214)	(75,692)	70,478	(93.1%)
Total	396,725	51,927	344,799	664.0%

It should be noted that the valuation of the equity investment in Solergys S.p.A. took place on the basis of the financial statements at 31 December 2018, while the valuation of equity investments 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 2017. For more details, reference should also be made to note no. 19.

The amount relating to US Boreale S.r.l. includes the reinstatement of the value of the equity investment according to the equity method on the basis of the equity at 31 December 2017, as well as the reinstatement at fair value of the equity investment following the acquisition of additional quotas during the year.

14. Taxation - EUR (1,951,967)

Taxation for the year presents a negative balance totalling EUR 1,951,967 made up as follows:

- ◆ EUR (588,426) relating to current IRES;
- ◆ EUR (150,193) relating to current IRAP;
- ◆ EUR (496,713) of taxes relating to previous years;
- ◆ EUR (1,074,309) of deferred tax assets;
- ◆ EUR (357,674) 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	1,923
Taxes relating to previous years	497
Theoretical tax charge (24%)	581
Timing differences taxable/deductible in subsequent years	526
- Default interest income for 2018 not collected	(1,996)
- Default interest expense for 2018 not paid	308
- Write-downs of equity investments and securities	5
- Allocation to provision for credit risks	1,333
- Allocation to provision for other risks	625
- Directors' fee not paid	251
Reversal of the timing differences from previous years	(5,055)
- Interest receivable before 2018 collected in 2018	924
- Interest payable on arrears before 2018 paid in 2018	(1,146)
- Revaluations from equity investments	(402)
- Use of provision for risks for deductible losses on loans	(4,375)
- Trademarks amortisation charge not deducted	(56)
Timing differences that will not reverse in subsequent years	5,058
- Expenses relating to vehicles	348
- Non-deductible taxes	1,181
-Contingent assets – taxes from previous years	(646)
- Non-deductible contingent liabilities	1,111
-Contingent liabilities – taxes from previous years	0
- IAS Employee severance indemnity (TFR) portion	0
- Non-deductible depreciation and amortisation	2,596
-Deductible Energrid/Tradeinv goodwill	(1,420)
-Income from real properties	315
- Sanctions and fines	2,178
- Telephone charges	80
- Other non-deductible costs	734
- Non-deductible travel expenses and allowances	13

- Dividends from shares	(27)
- Amortisation of advertising expenses	(1,139)
- Goodwill amortisation	(265)
Income for the year	2,452
Effective IRES tax charge (24%)	588

Difference between production value and costs	29,932
Theoretical IRAP tax charge (4.82%)	1,443
Costs not relevant for the purposes of IRAP (losses on receivables, leasing interest, etc.)	6,528
Costs relevant to IRAP (depreciation, etc.)	(19,005)
Deductions for employees	(14,339)
Total	(26,816)
Value of production for the year	3,116
Effective IRAP tax charge (4.82%)	150

It should be pointed out that the recognition of IRES tax for the year of EUR 588,426 involved the recognition of a payable due to the SC Holding for tax consolidation, while the recognition of IRAP tax for the year amounting to EUR 150,193 entailed the recognition of a payable due to tax authorities for taxes in the year.

Explanatory notes to balance sheet items

15. Intangible fixed assets - EUR 46,036,651

Intangible fixed assets as at 31 December 2018 presented a net book value of EUR 46,036,651 and are broken down as follows:

	Software licences	Trademarks	Other intangible fixed assets	Total
Initial values at 31 December 2017	1,815,505	8,378,372	12,435,769	22,629,646
- effect of the adoption of new standards at 1 January 2018	0	0	8,948,435	8,948,435
Changes at 31 December 2018				
- acquisitions	1,224,621	9,152	22,251,784	23,485,557
- disposals	0	0	0	0
- other adjustments from acquisitions	(544,025)	0	0	(544,025)
- amortisation	(784,578)	(838,750)	(6,859,634)	(8,482,962)
- reclassifications	0	0	0	0
- other changes	0	0	0	0
- write-downs	0	0	0	0
Total changes	(103,982)	(829,598)	15,392,150	14,458,570
Values at 31 December 2018	1,711,523	7,548,774	36,776,354	46,036,651
Historical cost	8,419,272	8,391,275	43,733,201	60,543,748
Accumulated amortisation at 31 December 2017	(5,379,146)	(3,751)	(97,213)	(5,480,110)
Other adjustments from acquisitions	(544,025)	0	0	(544,025)
Amortisation in the year	(784,578)	(838,750)	(6,859,634)	(8,482,962)
Accumulated amortisation at 31 December 2018	(6,707,749)	(842,501)	(6,956,847)	(14,507,097)
Values at 31 December 2018	1,711,523	7,548,774	36,776,354	46,036,651

During the year, the item, net of the effect due to the adoption of new standards at 1 January 2018, showed a change of EUR 14,458,570 mainly attributable to the costs for agents, which were capitalised among "other intangible assets" since they are defined as incremental costs to obtain contracts and the amortisation of which takes place in accordance with the estimated expected renewals as required by the new IFRS 15.

The purchases of software licenses made during the year, equal to EUR 1,244,621, related to the licences used by the company, involving the software used to manage accounting, treasury/finance and customers.

Other adjustments from acquisition, equal to EUR 544,025, relate to the fair value adjustment to the software that was incorporated following the acquisition of the business unit of Energia e Territorio S.p.A., which took place during the year under consideration.

Furthermore, it should be noted that the amount of EUR 22,251,784 of purchases of other intangible fixed assets includes capitalised costs for agents, as well as an amount of EUR 3,655,997 relating to the "VAT" customer relationships arising from the allocation of higher values relating to the Burgo Energia S.p.A. business unit acquired during the year.

The decreases arose from the process of amortisation calculated on the basis of the useful life of the assets estimated by the company.

16. Goodwill - EUR 25,561,517

The value of EUR 25,561,517 relates to the higher value of acquisitions of business units that took place during the previous year, which is not attributable to other balance sheet items (trademarks and customer lists).

The balance of goodwill was tested at the level of CGU, which is identified as the unit generating independent cash flows to which goodwill relates and which is monitored for internal management purposes on the part of the company. Specifically, the cash generating unit has been identified, which:

- ◆ represents the minimum level within the business to which goodwill relates and based on which it is monitored for management control purposes;
- ◆ is expected to benefit from the aggregation synergies;
- ◆ can be reported as a set of clear, reliable and measurable information flows.

The CGU's recoverable value has been estimated according to criteria complying with the principle of prudence and the relevant accounting standards (IAS 36), as well as in accordance with the valuation practices required by IFRS. Specifically, the recoverable value intended as the "value in use" of the CGU has been identified by discounting operating cash flows (DCF Model) extrapolated from economic and financial plans for a reference period from 2019 to 2023. Cash flow forecasts have been determined by using, in particular, operating cash flows, and considering, for terminal value, a «normalised» cash flow, without any long-term growth factor. The rate used to discount cash flows has been determined on the basis of market information of cost of money and specific risks of the relevant CGU (Weighted Average Cost of Capital, WACC). Testing has shown that the CGU's recoverable value is higher than net invested capital (including goodwill). Therefore, there was no need to adjust the goodwill value recognised in the accounts at the end of the abovementioned impairment test.

17. Property, plant and machinery - EUR 3,869,452

Property, plant and machinery as at 31 December 2018 presented a net book value of EUR 3,869,452 and is broken down as follows:

	Plant and machinery	Other assets	Total
Initial values at 31 December 2017	560,206	3,255,820	3,816,026
Changes at 31 December 2018			
- acquisitions	900	904,085	904,985
- disposals	0	(2,451)	(2,451)
- other adjustments from acquisition	0	0	0
- depreciation	(127,485)	(721,623)	(849,108)
- reclassifications	0	0	0
- write-downs	0	0	0
Total changes	(126,585)	180,011	53,426
Values at 31 December 2018	433,621	3,435,831	3,869,452
Historical cost	833,782	10,781,537	11,615,319
Accumulated depreciation at 31 December 2017	(272,676)	(6,624,083)	(6,896,759)
Other adjustments from acquisition	0	0	0
Depreciation in the year	(127,485)	(721,623)	(849,108)
Accumulated depreciation at 31 December 2018	(400,161)	(7,345,706)	(7,745,867)
Values at 31 December 2018	433,621	3,435,831	3,869,452

The item increased by EUR 53,426 broken down as follows:

	Value as at 31.12.2017	Acquisitions	Disposals	Depreciation	31.12.2018
- Leasehold improvements	310,821	617,486	0	(178,671)	749,636
- Office furniture and furnishings	1,543,288	120,657	0	(256,903)	1,407,042
- Non-depreciated furniture and furnishings	653,427	53,153	0	0	706,580
- Mobile phones	6,288	12,318	0	(4,607)	13,999
- Sundry equipment	3,284	0	0	(3,154)	130
- Cars	48,177	52,055	(2,451)	(26,867)	70,914
- Machinery for energy cert.	560,206	900	0	(127,485)	433,621
- Electronic office machines	690,535	48,416	0	(251,421)	487,530
Total	3,816,026	904,985	(2,451)	(849,108)	3,869,452

The overall increase of EUR 904,985 mainly arose from works executed at the premises where the company business is conducted. The decreases mainly arose from the depreciation process in progress, as calculated based on the assets' useful life estimated by the company.

In order to purchase some assets following the move of registered office that had taken place during the previous year, 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	Total consideration	2,050,778
Months	60	Rate	2.11%
Anticipated fee	700,000	Redemption	20,000
Periodic fee	22,895	Preliminary investigations	300
Fee months	59	Indexing	actual 3m Euribor
Monthly instalment	22,895	Annual instalments in advance	274,735

18. Investment property - EUR 7,773,961

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

	31.12.2018	31.12.2017	Change
Building in Terracina – San Felice	1,689,306	1,713,423	(24,117)
Building in Terni - Via Bramante	131,835	136,395	(4,560)
Building in Rome - Paisiello	5,200,718	5,382,230	(181,512)
Building in Rome - Via Cavalieri	752,102	782,119	(30,017)
	7,773,961	8,014,167	(240,206)

Below are the details of each asset.

	Land	Historical cost	Accumulated depreciation 2017	NBV 2017	Changes in the year	Deprec. 2018	Accumulated depreciation 2018	NBV 2018
Rome - Paisiello 1	677,845	4,415,400	(1,198,873)	3,894,372	-	132,462	(1,331,335)	3,761,910
Rome – Cavalieri	0	1,000,572	(218,453)	782,119	-	30,017	(248,470)	752,102
Terni	37,074	151,996	(52,675)	136,395	-	4,560	(57,235)	131,835
Terracina	178,000	1,607,773	(72,350)	1,713,423	-	24,117	(96,467)	1,689,306
Rome - Paisiello 3 -4	0	1,635,009	(14,151)	1,487,858	-	49,050	(196,201)	1,438,808
	892,919	8,810,750	(1,689,502)	8,014,167		240,206	(1,929,708)	7,773,961

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

Description	31.12.2018
Rentals receivable	105,355
Utility costs	(9,825)
Maintenance costs	(58,706)
Insurance costs	(2,134)
Registration tax	(1,387)
Property taxes and duties (IMU [municipal property tax], TASI [taxes on indivisible services], TARI [waste tax])	(34,817)
Total	(1,514)

19. Equity investments - EUR 15,477,434

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.

	31.12.2018	31.12.2017	Change
Green Network UK PLC	0	5.097.025	(5.097.025)
Green Network Energie S.a.r.l.	50.000	0	50.000
Green Network Holding Rinnovabili S.r.l.	6.665.350	6.665.350	0
Solcap Green S.r.l.	2.676.000	2.676.000	0
Green Wind 2 S.r.l.	271.764	271.764	0
Rena Energia S.r.l.	112.957	112.957	0
Le Fate Turchine S.r.l.	185.298	106.298	79.000
Le Fate Turchine 2 S.r.l.	491.150	491.150	0
Biogas Energy Società Agricola S.r.l.	2.240.980	1.750.324	490.656
Energrid S.r.l.	10.000	10.000	0
US Boreale S.r.l.	2.089.552	0	2.089.552
Equity investments in subsidiaries	14.793.051	17.180.869	(2.387.817)
Sòlergys S.p.A.	411.977	320.845	91.132
JMS S.r.l.	262.406	267.620	(5.214)
US Boreale S.r.l.	0	378.744	(378.744)
Equity investments in associated companies and joint ventures	674.383	967.209	(292.826)
Italpower Energia S.r.l.	10.000	10.000	0
Equity investments in other companies	10.000	10.000	0
TOTAL EQUITY INVESTMENTS	15.477.434	18.158.078	(2.680.644)

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 2018 showed an overall decrease of EUR 2,387,817; this change is due to the net effect of decreases of EUR 5,097,025 and a positive change of EUR 2,709,208. These changes are reported below:

- ◆ Disposal of the entire equity investment held in Green Network UK PIC which was completed on 18 December 2018;
- ◆ Establishment of Green Network Energie on 30 July 2018, operating in the sale of electricity and gas in the French market, with a quota capital equal to EUR 50,000 fully subscribed by the sole quotaholder Green Network S.p.A;
- ◆ Increase in the investment in Le Fate Turchine S.r.l. following the loss coverage payment made by Green Network S.p.A. for EUR 79,000;

- ◆ Increase in the value of the investment in Biogas Energy Società Agricola S.r.l. following the payment of quotaholder loans for EUR 90,656 and the waiver of the quotaholder loan for EUR 400,000 on the part of Green Network S.p.A.;
- ◆ Increase in the value of the investment in US Boreale S.r.l. following the acquisition of the entire investment in the company and the recognition of the quotas of other quotaholders.

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; exception is made for Green Wind 1 S.r.l., for which the reporting package is not prepared since it is not consolidated and, therefore, the equity was considered which was resulting from the financial statements prepared according to Italian GAAPs.

Company	Registered Office	Share Capital	Shareholders' Equity	Profit (loss) for the year	% equity investment	Group net equity	Carrying amount
Green Wind 1 S.r.l.	Rome	20,000	(180,588)	(3,452)	51.00%	(92,100)	0
Green Network Energie S.a.r.l.	Paris	50,000	50,000	0	100.00%	50,000	50,000
Green Network Holding Rinnovabili S.r.l.	Rome	100,000	7,991,702	13,710	100.00%	7,991,702	6,665,350
Solcap Green S.r.l.	Rome	2,671,000	3,257,957	147,859	100.00%	3,257,957	2,676,000
Green Wind 2 S.r.l.	Rome	10,000	347,690	59,688	91.07%	316,642	271,764
Rena Energia S.r.l.	Rome	20,000	(427,822)	(77,329)	57.00%	(243,858)	112,957
Le Fate Turchine S.r.l.	Rome	110,000	15,176	(58,284)	80.00%	12,141	185,298
Le Fate Turchine 2 S.r.l.	Rome	100,000	73,709	(8,123)	100.00%	73,709	491,150
Biogas Energy Società Agricola S.r.l.	Rome	20,000	44,245	(537,230)	100.00%	44,245	2,240,980
Energrid S.r.l.	Rome	10,000	614,979	550,946	100.00%	614,979	10,000
US Boreale S.r.l.	Rome	10,200	1,040,514	(3,827)	100.00%	1,040,514	2,089,552

With reference to the subsidiaries that have an equity value that is negative or less than the value of the cost of the shareholding, the differential is regarded as recoverable on the basis of the impairment test (IAS 36) carried out by using the "Discounted Cash Flows (DCF)" arising from the business plans, as discounted on the basis of specific WACCs for each company. A definite useful life correlated to the incentive term was considered for project companies (Biogas Energy Società Agricola S.r.l., Rena Energia S.r.l., Green Network Holding Rinnovabili S.r.l., Solcap Green S.r.l., Green Wind 2 S.r.l.). More specifically, note the following:

- ◆ 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 having been fulfilled, the contract has been terminated. Following these events, the company was put into liquidation on 19 July 2017. Green Network S.p.A. has fully written-down the value of the equity investment in Green Wind 1 S.r.l.;
- ◆ 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 was in line with the previous year, from 8,176MWh in 2017 to 8,140 MWh in 2018. 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;
- ◆ Biogas Energy Società Agricola S.r.l. produces electricity through a biogas plant with a nominal electrical capacity of around 1 MW. Production for the year under review increased from 7,027 MWh in 2017 to 7,894 MWh in 2018, due to a better and increasingly effective operation of the

plant. 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 2018 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 the previous years;
- ◆ During the 2018 financial year, revenues for Le Fate Turchine 2 S.r.l. grew by 14% compared to the previous year mainly due to a higher number of events organised at the facility and to a number of corporate activities such as language courses, theatre and music lessons and educational garden;
- ◆ US Boreale S.r.l. produces electricity through a photovoltaic plant and catering activities. 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.

It should be noted that for the company Green Network Holding Rinnovabili S.r.l., Green Network S.p.A. has a current contractual commitment to the minority shareholder for the purchase of all shares held by the latter. Therefore the equity investment was valued as 100% owned by Green Network S.p.A., while recognising the corresponding payable due to the minority quotaholder Simest.

Investments in associates include the measurement using the equity method of the equity investment in Sòlerys S.p.A.:

Company	Registered Office	Share Capital	Shareholders' equity	Profit (loss) for the year	% equity investment	Book value
Sòlerys S.p.A.	Rome	120,000	840,768	152,914	49.00%	411,977

The value of the equity investment increased by EUR 91,131 in order to acknowledge the corresponding fraction of shareholders' equity as per the most recent accounting statement available (31 December 2018).

Investments in associates, valued at equity, include the value of EUR 262,406 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	524,811	(17,727)	50.00%	262,406

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 2017.

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 a dividend of EUR 27,911 has been accounted for.

20. Receivables from Group companies – EUR 31,551,999

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

	31.12.2018	31.12.2017	Change
Receivables due from subsidiaries	9,942,284	14,940,967	(4,998,683)
of which for loans	9,942,284	14,940,967	(4,998,683)

<i>of which other receivables</i>	0	0	0
Receivables due from associated companies	1,420,085	1,430,085	(10,000)
<i>of which for loans</i>	1,420,085	1,430,085	(10,000)
<i>of which other receivables</i>	0	0	0
Receivables due from Group companies	17,368,922	0	17,368,922
<i>of which for loans</i>	17,368,922	0	17,368,922
<i>of which other receivables</i>	0	0	0
Receivables due from holding companies	2,820,708	3,303,534	(482,826)
<i>of which for loans</i>	2,803,211	3,286,037	(482,826)
<i>of which other receivables</i>	17,497	17,497	0
Total	31,551,999	19,674,586	11,877,413

Receivables from subsidiaries refer to receivables for loans, as detailed in the table below.

Counterparty	Loan	31/12/2017	Increases	Decreases	Write-downs / Reclassifications	31/12/2018
Green Network UK PIC	2%	5,310,000	0	0	(5,310,000)	0
Green Network Holding Rinnovabili S.r.l.	1.75%	3,819,141	0	319,141	0	3,500,000
Le Fate Turchine S.r.l.	Non-interest bearing	0	30,000	0	0	30,000
Green Wind 1 S.r.l.	Non-interest bearing	111,084	0	0	0	111,084
Green Wind 2 S.r.l.	5%	745,730	52,775	0	0	798,505
Rena Energia S.r.l.	1.75%	2,084,829	0	0	0	2,084,829
Solcap Green S.r.l.	5%	327,539	134,000	0	0	461,539
Biogas Energy Società Agricola S.r.l.	5%	2,542,643	250,000	400,000	0	2,392,643
Biogas Energy Società Agricola S.r.l.	Non-interest bearing	0	300,000	0	0	300,000
US Boreale S.r.l.	Non-interest bearing	0	253,684	0	10,000	263,684
TOTAL DUE FROM SUBSIDIARIES		14,940,966	1,020,459	719,141	(5,300,000)	9,942,284

In the year under review, additional loans of EUR 1,020,458 were disbursed, and total decreases of EUR 719,141 were recorded, which related for EUR 400,000 to the waiver of the loan to Biogas Energy Società Agricola S.r.l. and for EUR 319,141 to the return of a portion of the loan on the part of Green Network Holding Rinnovabili S.r.l..

The reclassification of EUR 5,300,000 relates for EUR (5,310,000) to the loan to Green Network UK Plc reclassified to receivables from other Group companies following the disposal of the investment to SC Holding, which took place in December 2018 and for EUR 10,000 to the reclassification of the loan to US Boreale from receivables from associated companies to receivables from subsidiaries following the acquisition of the entire investment in the company.

The interest-bearing loans led to the recognition of interest income of EUR 300,928 in the income statement.

The item relating to receivables from associated companies is made up of loans to Sòlèrgys S.p.A., unchanged with respect to the previous year.

Counterparty	Loan	31/12/2017	Increases	Decreases	Write-downs / reclassifications	31/12/2018
Sòlèrgys S.p.A.	EURIBOR-indexed loan	1,420,085	0	0	0	1,420,085
US Boreale S.r.l.	Non-interest bearing loan	10,000	0	0	(10,000)	0
TOTAL AMOUNT DUE FROM ASSOCIATED COMPANIES		1,430,085	0	0	(10,000)	1,420,085

This loan is interest bearing and the interest accrued during the year under review totalled EUR 27,018.

Receivables from parent companies include a receivable for a loan granted to SC Holding S.r.l., which

decreased by EUR 482,826 during the year under review.

Counterparty	Loan	31/12/2017	Increases	Decreases	Write-downs / reclassifications	31/12/2018
SC Holding S.r.l.	Non-interest bearing loan	3,286,037	0	482,826	0	2,803,211
TOTAL DUE FROM PARENT COMPANIES		3,286,037	0	482,826	0	2,803,211

Other receivables from parent companies, equal to EUR 17,497, relate to receivables arising from tax consolidation.

Receivables from other group companies relate to the loan to Green Network UK Plc, which reported the following changes during the year:

Counterparty	Loan	31/12/2017	Increases	Decreases	Write-downs / reclassifications	31/12/2018
Green Network UK PIC	2%	0	20,854,972	8,796,050	5,310,000	17,368,922
TOTAL DUE FROM OTHER GROUP COMPANIES		0	20,854,972	8,796,050	5,310,000	17,368,922

21. Deferred tax assets - EUR 6,132,392

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

	31.12.2018	31.12.2017	Change
Deferred tax assets	6,132,392	4,829,963	1,302,429
Total	6,132,392	4,829,963	1,302,429

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

	31.12.2018
Prepaid taxes on interest expense	363.909
Prepaid taxes on trademarks	125.983
Prepaid taxes on write-downs of equity investments	1.251
Prepaid taxes on Directors' fee	60.354
Prepaid taxes from first-time adoption of IAS/IFRS	624.608
Prepaid taxes from derivatives revaluation reserves	1.231.793
Prepaid taxes from IAS/IFRS adjustment	54.297
Prepaid taxes on non-deductible allowance for doubtful receivables	1.188.159
Prepaid taxes on provisions for other risks	180.125
Prepaid taxes from the reserve for employee severance indemnity	85.231
Prepaid taxes on goodwill - former GN L&G	525.052
Prepaid taxes from allowance for doubtful accounts adjustments for IFRS 9	1.459.598
Prepaid taxes on Energrid trademark	36.217
Prepaid taxes from Sacri merger	195.815
Total	6.132.392

22. Tax credits - EUR 5,098,460

	31.12.2018	31.12.2017	Change
Receivables for UTF (finance office)	869,714	877,938	(8,224)
VAT receivables	4,013,665	3,991,313	22,352
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	5,098,460	5,084,332	14,128
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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 869,714 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.

23. Other non-current assets - EUR 1,758,544

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

	31.12.2018	31.12.2017	Change
Receivables for security deposits	1,658,544	7,761,440	(6,102,896)
Receivables for grants pursuant to Law No. 388/2000	100,000	100,000	0
Other receivables	0	1,318,421	(1,318,421)
Total	1,758,544	9,179,861	(7,421,317)

This item is mainly made up of receivables for security deposits granted for the performance of corporate activities, whose reduction is attributable to a decrease in the security deposits of the Energrid business unit acquired during the previous year.

Other non-current receivables, which, at the end of the previous year, mainly included the amount of prepaid expenses relating to the fees accrued in financial years commencing after 31 December 2017 have been reclassified to other intangible fixed assets according to the new standard IFRS 15.

24. Inventories - EUR 3,058,132

	31.12.2018	31.12.2017	Change
Inventories of finished products and goods for resale	3,058,132	1,801,933	1,256,199
Total	3,058,132	1,801,933	1,256,199

The value of EUR 3,058,132 relating to inventories of finished products refers to the value of the gas stored as at 31 December 2018 at special sites and not sold at the end of the financial year. The inventories were valued using the weighted average cost method compared to the net realisable value.

25. Trade-related receivables - EUR 416,654,276

Details of the item are reported below:

	31.12.2018	31.12.2017	Change
Trade receivables from customers	215,111,431	216,533,045	(1,421,614)
Allowance for doubtful accounts	(34,065,349)	(30,663,424)	(3,401,925)
Customers for invoices to be issued	213,301,849	162,115,464	51,186,385
Credit notes to be issued	(5,402,321)	(13,142,808)	7,740,487
Bank, subject to collection	27,708,666	33,311,259	(5,602,593)
Total	416,654,276	368,153,536	48,500,740

Receivables were adjusted in order to take account of impairment as a result of the impairment tests performed in compliance with international accounting standards. Details of their changes in the year are shown below:

	Amount
Balance at 31 December 2017	30.663.424
Allocation to the provision for IFRS 9 adjustment	6.081.659

Uses during the year	(6.179.734)
Provision for the year	3.500.000
Total	34.065.349

The allowance was used to cover the losses on receivables recorded in 2018 and for which the company had already estimated losses in previous years. The provision of EUR 3,500,000 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 net total amount of approximately EUR 15.7 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 2018 which can be renewed every year, to cover the risk on trade-related receivables. The total insured amount of receivables is equal to a limit of liability of approximately EUR 234 million.

“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 3,723,000 for the supply of electricity and gas mainly from customer Riva Acciaio S.p.A. and to a lesser extent from other customers.

26. Receivables from group companies– EUR 43,530,312

Details of the item are reported below.

	31.12.2018	31.12.2017	Change
Biogas Energy Società Agricola S.r.l.	597,499	432,316	165,183
Le Fate Turchine S.r.l.	21,941	15,529	6,412
Le Fate Turchine 2 S.r.l.	3,751	2,145	1,606
Solcap Green S.r.l.	137,973	104,738	33,235
Green Wind 1 S.r.l.	4,667	5,809	(1,142)
Green Wind 2 S.r.l.	139,232	94,924	44,308
Green Hydro 1 S.r.l.	0	107,919	(107,919)
U.S. Boreale S.r.l.	41,513	0	41,513
Rena Energia S.r.l.	293,523	403,111	(109,588)
Quinto S.r.l.	48,557	0	48,557
Green Network Holding Rinnovabili S.r.l.	38,376	39,244	(868)
Energrid Srl	4,712,464	13,803,513	(9,091,049)
Spectrum Tech S.r.l.	54,034	29,983	24,051
Receivables due from subsidiaries	6,093,530	15,039,231	(8,945,701)
Sòlerys S.p.A.	463,868	419,210	44,658
US Boreale	0	12	(12)
Receivables due from associated companies	463,868	419,222	44,646
JMS S.r.l.	8,820,658	7,213,660	1,606,998
Receivables due from Joint Ventures	8,820,658	7,213,660	1,606,998
SC Holding S.r.l.	23,408,943	20,465,480	2,943,463

	31.12.2018	31.12.2017	Change
Receivables due from parent companies	23,408,943	20,465,480	2,943,463
Green Network Trading UK PIC	3,860,082	1,692,705	2,167,377
Green Network Energy Ltd	883,231	0	883,231
Receivables due from other group companies	4,743,313	1,692,705	3,050,608
Total	43,530,312	44,830,298	(4,350,594)

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 parent company SC Holding S.r.l. are mainly related to advances in favour of the parent company 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 43 below, derive from commercial relations linked to energy trading activities.

Receivables due from other group companies relate to commercial operations with Green Network UK PIC and with its subsidiary Green Network Energy Ltd, whose investment was sold during the year.

27. Loans to banks and other financial institutions - EUR 18,307,527

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 and the amount of time or pledged bank deposits.

	31.12.2018	31.12.2017	Change
Receivables due from factoring companies	8,903,139	2,839,077	6,064,062
Time bank deposits	9,404,388	7,419,837	1,984,551
Total	18,307,527	10,258,914	8,048,613

28. Tax credits - EUR 10,358,161

Tax credits are broken down as follows:

	31.12.2018	31.12.2017	Change
Receivables due from the Tax Authorities for direct taxes	439,566	35,292	404,274
Receivables for UTF taxes	4,071,825	16,496,286	(12,424,461)
Receivables due from tax authorities for VAT	4,466,454	5,131,454	(665,000)
Other tax credits	1,380,316	1,163,439	216,877
Total	10,358,161	22,826,471	(12,468,310)

The item is mainly made up of the receivables claimed from the tax authorities for advances paid on excise duties due on gas and electricity consumption and for VAT.

29. Derivatives – EUR 31,003,351

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.

	31.12.2018	31.12.2017	Change
Derivative financial instruments	31,003,351	29,971,294	1,032,057
Total	31,003,351	29,971,294	1,032,057

This is mainly OTC derivatives and contracts for differences for which the fair value was determined by applying level two as provided for by IFRS 13. More specifically, the amount of EUR 31,003,351 is made up of 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 for EUR 4,375,728.

30. Other financial assets – EUR 559,263

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

	31.12.2018	31.12.2017	Change
- Certificates of deposit	0	1,499,990	(1,499,990)
- Bonds	559,263	1,464,083	(904,820)
- Other securities	0	1,000,209	(1,000,209)
Total	559,263	3,964,282	(3,405,019)

This item showed a decrease of EUR 3,405,019 compared to the value at 31 December 2017 mainly due to the sale of the certificates of deposit and Government bonds, stated under “other securities”, which took place during the year under review.

In 2018 an amount of about EUR 400,000 of bonds was repaid by UBI Banca on maturity, while Mediobanca securities were sold for a value of about EUR 500,000.

Therefore, the value of the item at 31 December 2018 changed as follows:

	Certificates of deposit	Bonds	Other Securities
Value as at 31.12.2017	1,499,990	1,464,083	1,000,209
Investments	0	0	0
Disinvestments	(1,499,990)	(878,795)	(998,119)
Fair value adjustment	0	(26,025)	(2,090)
Total	0	559,263	0

The change in the fair value of the Bonds in the portfolio, net of the amount already recognised in the income statement, was deferred to the related “other financial assets reserve” of the shareholders' equity, which shows the related change.

	Amount
Value as at 31.12.2017	36,486
Deduction of fair value of Government bonds sold	(36,578)
Deduction of fair value of Mediobanca bonds sold	21,199
Deduction of fair value of UBI ex-Etruria bonds repaid	(331)
Change in fair value of Bonds	(26,025)
Deferred tax effect	12,028
Value as at 31.12.2018	6,779

31. Other current assets – EUR 13,582,564

The item is broken down as follows:

	31.12.2018	31.12.2017	Change
Suppliers - energy advances	100,000	100,000	0
Suppliers - advance account	5,905,498	10,964,459	(5,058,961)

Other receivables due from employees	11,217	20,456	(9,239)
Other receivables	7,565,849	2,372,963	5,192,886
Total	13,582,564	13,457,878	124,686

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

	31.12.2018	31.12.2017	Change
Charges on sureties	3,149,157	1,768,414	1,380,743
Insurance	12,716	26,617	(13,901)
Insurance and car expenses	636	4,823	(4,187)
Leasing	22,895	0	22,895
Equipment rental	67,078	77,473	(10,395)
Commissions	292,901	8,040,399	(7,747,499)
Sales consulting	3,643	73,828	(70,184)
Sundry consulting	88,173	53,933	34,240
Software licences	28,563	155,203	(126,641)
Costs for the provision of services	26,867	9,615	17,252
Rentals payable	109,511	101,087	8,424
Bank charges	0	10	(10)
Proceeds from derivatives	55,629	0	55,629
Other	2,047,729	653,058	1,394,672
Total	5,905,498	10,964,459	(5,058,962)

The decrease was mainly attributable to the item relating to the commissions reclassified to other intangible fixed assets according to the new standard IFRS 15. The decrease was partly offset by an increase in the item relating to charges on sureties and to "others" among costs for management and credit recovery expenses.

32. Cash and cash equivalents - EUR 13,325,900

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.

	31.12.2018	31.12.2017	Change
Bank and post office deposits	13,306,936	27,049,922	(13,742,986)
Cash and cash equivalents	18,964	21,677	(2,713)
Total	13,325,900	27,071,599	(13,745,699)

As stated in note no. 27 the company holds additional financial resources classified in financial receivables since they are restricted.

33. Non-current assets held for sale - EUR 0

	31.12.2018	31.12.2017	Change
Green Hydro 1 S.r.l. equity investment	-	10,200	- 10,200
Green Hydro 1 S.r.l. loan	-	348,855	- 348,855
Converge S.r.l. equity investment	-	1,900,000	- 1,900,000
Total	-	2,259,055	- 2,259,055

The item showed a balance equal to EUR 359,055 at 31 December 2017, relating to the value of the equity investment held by the Group in Green Hydro 1 S.r.l. and to the related value of the loan. The sale of the above mentioned company's quotas was completed in January 2018.

The item also included an amount of EUR 1,900,000 relating to the equity investment in Converge S.r.l., an unconsolidated company, which was sold in March 2018.

34. Shareholders' equity - EUR 20,963,308

Details of the item are reported below.

	Share capital	Legal reserve	Other reserves and profits (losses) carried forward	FTA reserve	Net profit (loss) for the year	Total Shareholders' Equity
Balances as at 1 January 2016	15,636,000	1,061,050	(17,082,183)	16,387,195	(460,745)	15,541,338
Changes in shareholders' equity	0	66,986	4,542,176	(0)	480,745	5,069,907
Net result as at 31/12/2016					6,041,026	6,041,026
Balance as at 31 December 2016	15,636,000	1,128,036	(12,539,987)	16,387,195	6,041,026	26,652,270
Changes in shareholders' equity		302,051	5,289,501	(528,476)	(6,041,026)	(977,949)
Net result as at 31/12/2017			0		5,140,826	5,140,826
Balance as at 31 December 2017	15,636,000	1,430,087	(7,250,486)	15,858,719	5,140,826	30,815,147
Changes in shareholders' equity	0	294,959	(851,356)	(4,622,061)	(5,140,826)	(10,319,284)
Net result as at 31/12/2018					467,446	467,446
Balance as at 31 December 2018	15,636,000	1,725,046	(8,101,841)	11,236,658	467,446	20,963,308

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.

	31.12.2018	31.12.2017	Change
Extraordinary reserve	15,294,082	9,689,858	5,604,224
Rounding reserve	3	1	2
Reserve for valuation at equity	6,297,595	6,297,595	(0)
Capital contributions	13,394	13,394	(0)
Profits (losses) carried forward	(26,401,499)	(25,329,785)	(1,071,715)
Reserve for valuation of derivatives	(3,042,298)	2,315,963	(5,358,261)
Other financial assets valuation reserve	6,779	36,487	(29,707)
Actuarial gain reserve	(269,897)	(273,999)	4,102
Total	(8,101,841)	(7,250,486)	(851,356)

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

- the change relating to the legal reserve of EUR 294,959 and to the extraordinary reserve of EUR 5,604,224 are attributable to the allocation of statutory profit to the approved financial statements filed on 31 December 2017;
- the change of EUR 4,102 in the actuarial gain reserve includes the differences deriving from the valuation of TFR liabilities according to the criteria set out in IAS 19;
- the change of EUR (5,358,261) in the "Reserve for valuation of derivatives" and of EUR (29,707) in the "Other financial assets valuation reserve" relate to the fair value changes of the derivative financial instruments held for hedging purposes and of other financial assets;
- the change of EUR (4,622,061) in the FTA reserve and of EUR (1,071,715) in profits (losses) carried forward relate to the adjustment to the amount of the allowance for doubtful accounts in accordance with IFRS 9 and to balances on deferred tax assets relating to errors from previous years, respectively.

The table below 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	
Legal reserve	1,725,046	B	
Extraordinary reserve	15,294,082	A, B, C	15,294,082
Valuation reserve			
Reserve for valuation of derivatives and financial instruments	(3,042,298)		
Other financial assets valuation reserve	6,779		
Actuarial gain reserve	(269,897)		
Undivided profits and reserves	(26,401,499)		
Other reserves	3		
Total			15,307,476

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

35. Long-term loans - EUR 10,660,276

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

	31.12.2018	31.12.2017	Change
Carige loan	9,227,023	0	9,227,023
Banca Popolare di Spoleto	125,821	190,227	(64,406)
Alba Leasing S.p.A.	565,998	840,733	(274,735)
Dell Financial	54,532	72,712	(18,180)
Banca Popolare di Milano	0	250,000	(250,000)
Banca Pop. Bergamo	21,604	106,129	(84,525)
GE Capital Interbanca	665,298	1,328,995	(663,697)
Simest S.p.A.	0	3,500,000	(3,500,000)
Total	10,660,276	6,288,796	4,371,480

The increase compared to the previous year was mainly attributable to the loan with Banca Carige that was raised during the first half of 2018; this change was partially offset by the reclassification to "Short-term loans" of the company's debt to Simest S.p.A. relating to the commitment to the repurchase of the related minority interests in Green Network Holding Rinnovabili S.r.l., in consideration of the fact that it will expire on 30 June 2019.

As regards the payable for the lease with 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 2.02%. In December 2018 there also was a payable for the lease with Dell Financial Services arising from the Energia e Territorio business unit. The related leasing rate is equal to 5.53% and this payable, due November 2022, has been recognised at amortised cost based on the effective interest rate (IRR) of 4.63%.

For the breakdown of outstanding bank loans, showing both current and non-current portions, the amount due beyond five years, fixed or variable rates, maturity and related covenants, reference should be made to the Report on the consolidated financial statements of the Green Network Group.

36. Employee severance indemnity and other employee benefits – EUR 3,031,832

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

	31.12.2018	31.12.2017	Change
Employee severance indemnity and other employee benefits	3,031,832	2,707,861	323,971
Total	3,031,832	2,707,861	323,971

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

	Amount
Opening balance	2,707,861
Balances from acquisitions	81,213
Use for leavers	(406,415)
Provision for the year	649,582
Adjustment IAS 19	(409)
Balance at 31 December 2018	3,031,832

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 25%;
- ◆ 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 1.5711% per annum as it stands at 31 December 2018 or 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 31.12.2017	273,999
Provision for the year	(5,397)
Recognition of OCI taxes	1,295
Total as at 31.12.2018	269,897

37. Payables to group companies – EUR 1,075,067

Details of the item are reported below.

	31.12.2018	31.12.2017	Change
Energrid S.r.l.	1,075,067	0	1,075,067
Total	1,075,067	0	1,075,067

The amount refers to the long-term payable to subsidiary Energrid S.r.l..

38. Provisions for risks and charges (non-current portion) - EUR 11,884,517

Details of the item are reported below.

	31.12.2018	31.12.2017	Change
Provision for deferred taxation	7,617,994	8,925,404	(1,307,410)
Provision for risks and charges	4,226,523	3,601,523	625,000
Total	11,844,517	12,526,927	(682,410)

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	8,925,404	3,601,523
Provision for the year	1,807,344	625,000
Uses during the year	(3,114,754)	0
Balance at 31 December 2018	7,617,994	4,226,523

The provision for deferred taxes, amounting to EUR 7,617,994 is allocated with reference to the income which will be taxed in future periods, broken down as follows:

	31.12.2018
Deferred taxes on default interest income 2008	69,975
Deferred taxes on default interest income 2009	113,152
Deferred taxes on default interest income 2010	327,854
Deferred taxes on default interest income 2011	574,827
Deferred taxes on default interest income 2012	46,770
Deferred taxes on default interest income 2013	262,623
Deferred taxes on default interest income 2014	37,574
Deferred taxes on default interest income 2015	361,018
Deferred taxes on default interest income 2016	325,218
Deferred taxes on default interest income 2017	360,270
Deferred taxes on default interest income 2018	479,086
Deferred taxes from Sacri merger	199,679
Deferred taxes on revaluations of equity investments	96,465
Deferred taxes on other financial assets reserve	2,745
Deferred taxes from PPA Energrid/Tradeinv/Burgo	4,360,738
Total	7,617,994

The provision for risks and charges recorded an increase of EUR 625,000 relating to the provision for the Alpiq dispute.

39. Tax liabilities- EUR 11,465

Details of the item are reported below.

	31.12.2018	31.12.2017	Change
Tax disputes	11,465	11,465	0
Payables for settlement agreements	0	894,368	(894,368)
Total	11,465	905,833	(894,368)

Tax payables due after one year only include payables for tax disputes of EUR 11,465. The amount of EUR 894,368 in 2017 relating to agreements reached with the Tax Authorities for tax disputes relating to the years 2008 and 2009 was fully classified among current liabilities at 31 December 2018.

40. Other non-current liabilities - EUR 10,040,339

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

	31.12.2018	31.12.2017	Change
Guarantee deposits	10,021,509	9,470,758	550,751
Other non-current liabilities	18,830	18,830	0
Total	10,040,339	9,489,588	550,751

41. Short-term loans - EUR 99,864,836

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

	31.12.2018	31.12.2017	Change
Current account payables	16,391,938	37,990,094	(21,598,156)
Due for advances	18,137,512	14,198,472	3,939,040
Payables due to factoring companies	55,428,275	89,066,842	(33,638,567)
Banca Popolare di Milano	250,000	1,000,000	(750,000)
Simest S.p.A.	3,500,000	0	3,500,000
Carige loan	4,427,907	0	4,427,907
BPER loan	0	125,679	(125,679)
Banca Popolare di Spoleto	688,067	1,050,853	(362,786)
GE Capital Interbanca	663,696	661,639	2,057
Banca Pop. Vicenza loan	0	1,008,002	(1,008,002)
Alba Leasing S.p.A.	274,735	255,388	19,347
Banca Pop. Bergamo	84,525	81,556	2,969
MPS	0	166,667	(166,667)
Other financial payables	18,181	196,196	(178,015)
Total	99,864,836	145,801,388	(45,936,552)

Payables for mortgages and loans refer to the short-term portion of mortgages and loans, 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.

The payable due to Alba Leasing S.p.A. relates to the current portion of the payable relating to the lease agreement signed by the company for the financing of furniture, equipment and installations for the new headquarters located in Rome at Viale della Civiltà Romana 7.

The payable due to Simest S.p.A. relates to the current portion of the company's payable relating to the commitment to the repurchase of the related minority interests in Green Network Holding Rinnovabili S.r.l..

42. Trade-related payables – EUR 440,608,139

The item is broken down as follows.

	31.12.2018	31.12.2017	Change
Trade payables	345,506,618	231,603,110	113,903,508
Payables for invoices to be issued	73,086,088	111,107,571	(38,021,483)
Advances	22,015,433	26,173,135	(4,157,702)
Total	440,608,139	368,883,816	71,724,323

These relate to the company's 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

43. Payables to group companies– EUR 31,939,577

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

	31.12.2018	31.12.2017	Change
Solcap Green S.r.l.	10,746	12,935	(2,189)
Green Wind 2 S.r.l.	19,100	28,421	(9,321)
Le Fate Turchine 1 S.r.l.	79,000	40,795	38,205
Le Fate Turchine 2 S.r.l.	378,675	289,285	89,390
Energrid Srl	22,922	4,719,606	(4,696,684)
Quinto Srl	724	0	724
Payables due to subsidiaries	511,167	5,091,042	(4,579,875)
Solergys S.p.A.	0	5,603	(5,603)
Payables due to associated companies	0	5,603	(5,603)
JMS S.r.l.	8,884,322	7,185,134	1,699,188
Payables due to Joint Ventures	8,884,322	7,185,134	1,699,188
Green Network Trading UK PLC	276,331	211,378	64,953
Payables due to other group companies	276,331	211,378	64,953
SC Holding S.r.l.	22,267,757	9,042,543	13,225,214
Payables due to parent companies	22,267,757	9,042,543	13,225,214
Total	31,939,577	21,535,700	10,403,877

Payables due to subsidiaries and associates derive from commercial relations that the company has with said entities. The payables due to 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.

Payables due to Joint Venture include payables due to JMS S.r.l. arising from commercial relationships concerning energy trading.

Payables due to other group companies refer to the debt to Green Network UK PIC mainly relating to the purchase of electricity.

The payable due to the parent 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 parent company.

44. Tax payables - EUR 37,453,034

The item is broken down as follows.

	31.12.2018	31.12.2017	Change
Due for taxation	90,734	405,614	(314,880)
Due to tax authorities for withholdings on employment and similar income	596,120	372,649	223,471
Due to tax authorities for withholdings on freelance income	470,929	373,678	97,251
Due to tax authorities for UTF (finance office)	35,400,884	19,143,495	16,257,389
Payables for settlement agreements	894,367	894,367	0
VAT payables	0	0	0
Total	37,453,034	21,189,803	16,263,231

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

The increase in the item is mainly attributable to higher payables accruing vis-à-vis the Tax Authorities for higher excise duties on the sales of gas and electricity as a result of higher business volumes.

45. Derivatives – EUR 15,223,835

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

	31.12.2018	31.12.2017	Change
Derivative financial instruments	15,223,835	6,900,098	8,323,737
Total	15,223,835	6,900,098	8,323,737

This is mainly made up of OTC derivatives and contracts for differences for which the fair value was determined by applying level two as provided for by IFRS 13. More specifically, the amount of EUR 15,223,835 is made up of EUR 4,274,091 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 stated in cash hedging reserve for EUR (7,527,761), and EUR 10,949,744 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 for EUR (4,139,646).

46. Other current liabilities - EUR 10,923,671

The item is broken down as follows.

	31.12.2018	31.12.2017	Change
Due to INPS (National Social Security Institute)	947,886	703,491	244,395
Due to INAIL (National Institute for Insurance against Accidents at Work)	11,047	3,688	7,359
Bilateral Body	0	1,684	(1,684)
Payables due to pension and insurance funds	152,197	248,362	(96,165)
Due to social security and welfare institutions	1,111,130	957,225	153,905
Due to employees and directors	1,762,834	3,462,173	(1,99,339)
Payables for guarantee deposits	13,166	64,166	(51,000)
Payables for Rai Subscription	3,040,971	2,069,119	971,852
Sundry payables	4,995,570	7,945,796	(2,950,226)
Other payables	9,812,541	13,541,254	(3,728,713)
Total	10,923,671	14,498,479	(3,574,808)

This item is mainly made up of:

-
- ◆ EUR 1,111,130 related to payables due from the company to social security institutions and entities relating to its personnel;
 - ◆ EUR 1,762,834 relating to payables due to employees and directors for fees pertaining to 2018;
 - ◆ EUR 3,040,971 for payables related to the RAI subscription bill paid by the company to be paid to the Tax Authorities;
 - ◆ EUR 4,995,570, mostly relating to customers to which supplies are no longer provided, with a negative balance at 31 December 2018, which have been reclassified to other payables for the purposes of this Report.

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.

	Receivables and loans	Financial instruments available for sale	Derivative financial instruments		Book value	Notes to the financial statements
			for trading	for hedging		
Non-current assets	33,310,543	0	0	0	33,310,543	
Other investments	0	0	0	0	0	
Financial assets from parent company, subsidiaries and associated companies	31,551,999	0	0	0	31,551,999	20
Financial assets from third parties	1,758,544	0	0	0	1,758,544	23
Current assets	505,400,579	559,263	31,003,351	0	536,963,193	
Trade receivables from customers	416,654,276	0	0	0	416,654,276	25
Trade receivables from third parties	0	0	0	0	0	
Financial assets from parent company, subsidiaries and associated companies	43,530,312	0	0	0	43,530,312	26
Financial assets from third parties	31,890,091	559,263	31,003,351	0	63,452,705	27 - 29 - 30 - 31
Cash and cash equivalents	13,325,900	0	0	0	13,325,900	32
Total	538,711,122	559,263	31,003,351	0	570,273,736	

	Liabilities at fair value	Liabilities at amortised cost	Derivative financial instruments		Book value	Notes to the financial statements
			for trading	for hedging		
Non-current liabilities	9,227,023	1,433,253	0	0	10,660,276	
Due to banks	9,227,023	812,723	0	0	10,039,746	35
Financial payables to third parties	0	620,530	0	0	620,530	35
Other financial liabilities toward third parties	0	0	0	0	0	
Current liabilities	581,625,200	1,711,023	10,949,744	4,274,091	598,560,058	
Due to banks	94,635,632	1,436,288	0	0	96,071,920	41
Financial payables to third parties	3,518,181	274,735	0	0	3,792,916	41
Trade-related payables	440,608,139	0	0	0	440,608,139	42
Financial payables to parent company, subsidiaries and associated companies	31,939,577	0	0	0	31,939,577	43
Other financial liabilities toward third parties	10,923,671	0	10,949,744	4,274,091	26,147,506	45 - 46
Total	590,852,223	3,144,276	10,949,744	4,274,091	609,220,334	

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 related 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.

Furthermore, the company stipulated an insurance policy to cover the risk of trade-related receivables. The total receivables insured amounts to a maximum of approximately EUR 234 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 3,723,000 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.

The development expected in the management of commercial relations which is being defined, the credit facilities granted by the banking system and the current trading confirm the Company's ability to meet its obligations for the next twelve months.

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

Given its operating segment, the company is exposed to market risks, mainly to the risk of fluctuations in interest rates, the risk of fluctuations in commodity prices, and, to a lesser extent, in exchange rates, which are mitigated by adequate control mechanisms put in place by the management.

The risk analysis and management are carried out based on a control process that provides for the performance of activities all over the year. The related reports to the Top Management are provided on a monthly and daily basis.

Market Risk means the risk relating to unexpected effects on the value of the portfolio assets due to changes in market conditions.

In this context some cases might give rise to **Price Risk** and **Volume Risk**, which are defined as follows:

- ✓ **Price Risk:** is associated with changes in commodity prices arising when there is a mismatch between price indices for purchased and sales of Electricity and Natural Gas;
- ✓ **Volume Risk:** is associated with changes in the volumes that are actually consumed by end customers compared to volumes forecast in contracts of sale (sales profiles) or, in general, with the balancing of portfolio positions.

Risk limits are defined so as:

- ✓ To minimise overall risk;
- ✓ To ensure the necessary operating flexibility in procurement of commodities and hedging activities.

The commodity risk management and mitigation are functional to achieving the economic and financial targets of the Green Network Group, as stated in the budget-plan; specifically:

- ✓ Protecting the Gross profit from unexpected events and unfavourable short-term market shocks that might have an impact on revenues or costs;
- ✓ Identifying, measuring, managing and represent risk exposure;
- ✓ Reducing risks by preparing and applying appropriate internal control checks, procedures, IT systems and expertise.

Forward contracts (for physical purchases or sales of commodities and/or hedging derivatives) are entered into to meet the expected requirements arising from the contracts held in the portfolio.

Risk exposure is evaluated based on the following activities:

- ✓ Recording all transactions relating to physical and/or financial quantities in appropriate books broken down by commodity (e.g. Electricity, Gas), purpose (Trading or purchase and sale on wholesale markets, Portfolio Management, Sale to end customers) and type of transactions (physical or financial);

- ✓ Analysing purchases and sales carefully, limiting open positions, i.e. the exposure of physical positions of purchase and sale of each commodity;
- ✓ Creating reference scenarios (prices, indices) and control of exposures.

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/VTP.

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 is to fix the cost of a portion of future variable-price purchases of electricity and gas 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 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 lists the main information required by international accounting standards for the derivative contracts included in the hedging portfolio.

Inception date	Derivative type	Profile	Product	Effective date	Termination date	Hourly energy qty	Fixed price	Total volume	Residual volume	Fair Value at 31.12.2018	Derivative valuation
21/09/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	78.85	10.795	10.795	69.94	(96.190)
24/09/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	82.45	10.795	10.795	69.94	(135.052)
24/09/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	81.80	10.795	10.795	69.94	(128.035)
25/09/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	81.60	10.795	10.795	69.94	(125.876)
25/09/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	80.80	10.795	10.795	69.94	(117.240)
26/09/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	80.20	10.795	10.795	69.94	(110.763)
06/09/2018	OTC SWAP	Baseload	GAS	01/01/2019	31/03/2019	10	27.98	21.590	21.590	22.70	(113.995)
18/09/2018	OTC SWAP	Baseload	GAS	01/01/2019	31/03/2019	10	28.10	43.680	21.590	22.70	(118.586)
24/09/2018	OTC SWAP	Baseload	GAS	01/01/2019	31/03/2019	30	30.00	64.770	64.770	22.70	(472.821)
03/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	77.40	10.795	10.795	69.94	(80.537)
03/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	77.05	10.795	10.795	69.94	(78.759)
04/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	77.80	10.795	10.795	69.94	(84.855)
04/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	77.70	10.795	10.795	69.94	(83.776)
08/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	77.95	10.795	10.795	69.94	(86.474)
08/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	77.60	10.795	10.795	69.94	(82.696)
09/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	78.25	10.795	10.795	69.94	(88.123)
10/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	10	75.75	21.590	21.590	69.94	(125.451)
10/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	75.40	10.795	10.795	69.94	(58.947)
10/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	75.40	10.795	10.795	69.94	(58.947)
10/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	74.80	10.795	10.795	69.94	(52.470)
10/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	74.65	10.795	10.795	69.94	(50.851)
11/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	72.85	10.795	10.795	69.94	(31.420)
12/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	75.20	10.795	10.795	69.94	(56.788)
15/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	76.44	10.795	10.795	69.94	(70.174)
15/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	76.10	10.795	10.795	69.94	(66.504)
15/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	75.25	10.795	10.795	69.94	(57.328)
16/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	74.55	10.795	10.795	69.94	(49.771)
17/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	74.05	10.795	10.795	69.94	(44.374)
18/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	73.65	10.795	10.795	69.94	(40.056)
19/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	74.75	10.795	10.795	69.94	(51.930)
22/10/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	74.25	10.795	10.795	69.94	(46.533)
08/11/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	70.10	10.795	10.795	69.94	(1.734)
12/11/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	72.50	10.795	10.795	69.94	(27.642)
12/11/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	72.50	10.795	10.795	69.94	(27.642)
12/11/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	72.75	10.795	10.795	69.94	(30.340)
13/11/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	72.85	10.795	10.795	69.94	(31.420)
13/11/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	72.50	10.795	10.795	69.94	(27.642)
20/11/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	70.30	10.795	10.795	69.94	(3.893)
26/11/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	70.60	10.795	10.795	69.94	(7.131)
06/07/2018	OTC SWAP	Baseload	GAS	01/01/2019	31/03/2019	15	25.25	32.385	32.385	24.08	(38.052)
09/07/2018	OTC SWAP	Baseload	GAS	01/01/2019	31/03/2019	15	25.38	32.385	32.385	24.08	(42.101)
03/08/2018	OTC SWAP	Baseload	GAS	01/01/2019	31/03/2019	10	25.10	21.590	21.590	24.08	(22.130)
14/09/2018	OTC SWAP	Baseload	GAS	01/01/2019	31/03/2019	10	27.25	21.590	21.590	22.70	(98.235)
26/09/2018	OTC SWAP	Baseload	GAS	01/10/2019	31/03/2020	10	25.65	43.920	43.920	22.48	(139.446)
03/10/2018	OTC SWAP	Baseload	GAS	01/01/2019	31/03/2019	30	27.50	64.770	64.770	22.70	(310.896)
08/10/2018	OTC SWAP	Baseload	GAS	01/01/2019	31/03/2019	10	27.93	21.590	21.590	22.70	(112.808)
10/10/2018	OTC SWAP	Baseload	GAS	01/01/2019	31/03/2019	10	26.93	21.590	21.590	22.70	(91.218)
15/10/2018	OTC SWAP	Baseload	GAS	01/01/2019	31/03/2019	10	27.05	21.590	21.590	22.70	(93.917)
15/10/2018	OTC SWAP	Baseload	GAS	01/01/2019	31/03/2019	10	26.85	21.590	21.590	22.70	(89.599)
19/10/2018	OTC SWAP	Baseload	GAS	01/01/2019	31/03/2019	10	26.80	21.590	21.590	22.70	(88.519)
09/11/2018	OTC SWAP	Baseload	GAS	01/01/2019	31/03/2019	10	24.55	21.590	21.590	22.70	(39.942)
19/11/2018	OTC SWAP	Baseload	GAS	01/01/2019	31/12/2019	5	24.73	43.800	43.800	23.49	(54.203)
05/12/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	69.80	10.795	10.795	67.82	(19.248)
05/12/2018	OTC SWAP	Baseload	POWER	01/01/2019	31/03/2019	5	69.05	10.795	10.795	67.82	(13.311)
12/12/2018	OTC SWAP	Baseload	GAS	01/01/2019	31/01/2019	10	24.03	7.440	7.440	22.68	(10.044)
27/12/2018	OTC SWAP	Baseload	GAS	01/01/2019	31/01/2019	15	23.72	11.160	11.160	22.68	(11.662)
											(4,274,091)

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).

	31.12.2018	31.12.2017
Derivative assets	31,00,351	29,971,294
Derivative liabilities	15,223,835	6,900,098
Other financial assets	559,263	3,964,282

Related-party transactions

The main related-party transactions entered into by Green Network S.p.A. for financial years 2018 and 2017 are detailed below, all regulated on an arm's length basis.

TRANSACTIONS WITH RELATED PARTIES - YEAR ENDED 31.12.2018		Equity investments	Receivables for loans	Trade-related receivables	Receivables for security deposits beyond	Receivables for tax consolidation	Payables for tax consolidation	Trade and financial payables	Sundry payables
Holding companies									
	SC Holding S.r.l.	-	2,803,211	606	-	23,425,835	21,601,757	-	666,000
Subsidiaries									
	Green Network Energie S.r.l.	50,000	-	-	-	-	-	-	-
	Green Network Holding Rinnovabili S.r.l.	6,665,350	3,500,000	38,376	-	-	-	-	-
	Spectrum Tech	-	-	54,034	-	-	-	-	-
	US Boreale S.r.l.	2,089,552	263,684	41,513	-	-	-	-	-
	Quinto S.r.l.	-	-	48,557	-	-	-	724	-
	Green Wind 1 S.r.l.	-	111,084	4,667	-	-	-	-	-
	Green Wind 2 S.r.l.	271,764	798,505	139,232	-	-	-	19,100	-
	Rena Energia S.r.l.	112,957	2,084,829	293,523	-	-	-	-	-
	Solcap Green S.r.l.	2,676,000	461,539	137,973	-	-	-	10,746	-
	Le Fate Turchine S.r.l.	185,298	30,000	21,941	-	-	-	79,000	-
	Le Fate Turchine 2 S.r.l.	491,150	-	3,751	-	-	-	378,675	-
	Biogas Energy Soc. Agric. S.r.l.	2,240,980	2,692,643	597,499	-	-	-	-	-
	Energrid S.r.l.	10,000	-	4,712,464	-	-	-	22,922	-
Associated companies									
	Solergys	411,977	1,420,085	463,868	-	-	-	-	-
Joint Ventures									
	JMS	262,406	-	8,820,658	-	-	-	8,884,322	-
Other companies									
	Italpower Energia S.r.l.	10,000	-	-	-	-	-	-	-

TRANSACTIONS WITH RELATED PARTIES - YEAR ENDED 31.12.2018		Revenues from sales	Other revenue and income	Consumption of materials and services	Other costs	Interest income from loans	Other financial income	Revaluations / Write-downs of equity investments
Holding companies								
	SC Holding S.r.l.	4,191	-	-	867,620	-	-	-
Subsidiaries								
	Green Network Energie S.r.l.	-	-	-	-	-	-	-
	Green Network Holding Rinnovabili S.r.l.	-	10,000	-	-	65,415	-	-
	Spectrum Tech	-	24,000	-	-	-	-	-
	US Boreale S.r.l.	23,332	408	-	-	-	885	-
	Quinto S.r.l.	18,888	1,117	-	-	-	899	-
	Green Wind 1 S.r.l.	3,022	-	-	-	-	-	-
	Green Wind 2 S.r.l.	1,458	13,755	122,449	-	39,853	1	-
	Rena Energia S.r.l.	13,238	56,000	-	-	36,485	7	-
	Solcap Green S.r.l.	4,870	27,699	170,858	-	19,577	35	-
	Le Fate Turchine S.r.l.	2,326	3,000	-	44,911	-	-	-
	Le Fate Turchine 2 S.r.l.	14,171	3,139	-	160,200	-	-	-
	Biogas Energy Soc. Agric. S.r.l.	6,715	13,517	-	-	139,598	3	-
	Energrid S.r.l.	15,135,194	622,773	-	-	-	-	-
Associated companies								
	Solergys	120,642	-	-	-	27,018	-	91,131
Joint Ventures								
	JMS	44,387,131	-	44,520,762	-	-	-	-
Other companies								
	Italpower Energia S.r.l.	-	-	-	-	-	-	-

TRANSACTIONS WITH RELATED PARTIES -
YEAR ENDED 31.12.2017

	Equity investments	Receivables for loans	Trade-related receivables	Receivables for security deposits beyond	Receivables for tax consolidation	Payables for tax consolidation	Trade and financial payables	Sundry
Holding companies								
SC Holding S.r.l.	-	3,286,037	0	-	20,482,977	8,314,797	-	596,000
Subsidiaries								
Green Network Holding Rinnovabili S.r.l.	6,665,350	3,819,141	39,224	-	-	-	-	-
Green Network UK Plc.	5,097,025	5,310,000	1,692,705	-	-	-	211,378	-
Spectrum Tech	-	-	29,983	-	-	-	-	-
Green Hydro 1 S.r.l.	-	-	107,919	-	-	-	-	-
Green Wind 1 S.r.l.	-	111,084	5,809	-	-	-	-	-
Green Wind 2 S.r.l.	271,764	745,730	94,924	-	-	-	28,421	1,782
Rena Energia S.r.l.	112,957	2,084,829	403,111	-	-	-	-	-
Solcap Green S.r.l.	2,676,000	327,539	104,738	-	-	-	12,935	-
Le Fate Turchine 1 S.r.l.	106,298	-	15,529	-	-	-	40,795	-
Le Fate Turchine 2 S.r.l.	491,150	-	2,145	-	-	-	289,285	-
Biogas Energy Soc. Agric. S.r.l.	1,750,324	2,542,643	432,316	-	-	-	-	-
Energrid S.r.l.	10,000	-	13,803,514	-	-	-	4,719,605	-
Associated companies								
Converge	1,900,000	-	-	-	-	-	-	-
Solergys	320,845	1,420,085	419,222	-	-	-	-	-
US Boreale S.r.l.	378,744	10,000	-	-	-	-	-	-
Joint Ventures								
JMS	267,620	-	7,213,661	-	-	-	7,185,134	-
Other companies								
Italpower Energia S.r.l.	10,000	-	-	-	-	-	-	-

TRANSACTIONS WITH RELATED PARTIES -
YEAR ENDED 31.12.2017

	Revenues from sales	Other revenue and income	Consumption of materials and services	Other costs	Interest income from loans	Other financial income	Revaluations / Write-downs of equity investments
Holding companies							
SC Holding S.r.l.	408	-	-	-	-	-	-
Subsidiaries							
Green Network Holding Rinnovabili S.r.l.	-	10,000	-	-	67,562	-	(1,035,000)
Green Network UK Plc.	-	-	61,365	-	124,875	215,250	-
Spectrum Tech	-	24,000	-	-	-	-	-
Green Hydro 1 S.r.l.	-	12,612	-	-	20,487	-	(15,000)
Green Hydro 2 S.r.l.	-	1,750	-	-	2,362	-	(7,147)
Green Wind 1 S.r.l.	3,058	-	-	30	-	-	-
Green Wind 2 S.r.l.	984	11,994	126,715	-	37,287	85	-
Rena Energia S.r.l.	11,945	115,625	-	-	36,881	1,076	-
Solcap Green S.r.l.	5,032	26,800	153,454	-	15,699	1,675	-
Le Fate Turchine 1 S.r.l.	2,181	3,000	-	45,428	-	-	-
Le Fate Turchine 2 S.r.l.	12,395	3,000	-	204,000	-	-	-
Biogas Energy Soc. Agric. S.r.l.	9,966	3,026	-	-	121,160	8,253	-
Energrid S.r.l.	5,414,333	53,285	-	-	-	-	-
Associated companies							
Converge	-	-	-	-	-	-	(16,570)
Solergys	99,864	-	-	-	-	27,158	128,984
US Boreale S.r.l.	14,500	-	-	-	-	-	1,365,00
Joint Ventures							
JMS	25,876,512	-	25,992,113	-	-	-	(75,692)
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. 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 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 Company has received assessment notices for VAT and Direct Taxes, with reference to tax periods from 2009 to 2013, the related penalty notices for the years from 2009 to 2011 and the notice challenging the related sanctions for the years from 2012 to 2013, which it has contested before the Provincial Tax Board. The company Green Network S.p.A., also as the merging entity of Green Network Luce & Gas and based on the opinions received over the years, 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 therefore, did not deem it necessary to enter any risk provision. In support of this approach, note the following:
 - 5) on 13 September 2016, the Division 50 of the Rome Provincial Tax Board granted, by judgment no. 19904/50/16, the appeals against the notices of assessment nos. TJB080100391/2014, TJB030100389/2014, TJB080100384/2014, TJB030100382/2014, TJB080100124/2015 and TJB030100125/2015 for the 2009 year; the judgment was challenged by the Revenue Agency. On 20 December 2018 the Lazio Regional Tax Board, by judgment no. 9262/9/2018, rejected the appeal filed by the Revenue Agency against the aforesaid favourable judgment no. 19904/50/16 in the matter of IRES (Corporate Income), IRAP (Regional Production Activity) and VAT tax for 2009, thus confirming, before the second-instance court, the cancellation of the notices of assessment challenged; the terms are still to be set for the objections on the part of the Revenue Agency;
 - 6) on 11 June 2018, Division 4 of the Rome Provincial Tax Board granted, by judgment no. 127027/4/18, the appeals against the penalty notices nos. TJBIR0100016/2016 and TJBIR0100015/2016 for 2009, and, by judgment no. 12024/4/18, the appeal against the notice of assessment no. TJBOE0300262/2016 for 2011; the judgments were challenged by the Revenue Agency; the Company has submitted its counter-arguments and is waiting for the hearings to be scheduled;
 - 7) on 19 September 2018, Division 34 of the Rome Provincial Tax Board granted, by judgment no. 15985/34/18, the appeal against the penalty notice no. TJBIR0100018/2016 for 2009; the Revenue Agency has filed an appeal and the Company is preparing its counter-arguments;
 - 8) on 12 February 2018, Division 43 of the Rome Provincial Tax Board granted, by judgment no. 1956/43/2019, the appeals filed by Green Network and SC Holding against the notices of assessment nos. TJB030300263/2016, TJB030300264/2016 and TJB030300267/2016 in the matter of IRES (Corporate Income), IRAP (Regional Production Activity) and VAT tax for 2011;

the terms are still to be set for the objections on the part of the Revenue Agency.

Finally, it should be noted that other third-party companies, which are also involved in the same case, have successfully challenged the notices of tax assessment received before the competent Tax Boards: to date 16 judgments have been issued in favour of the taxpayer companies.

- ◆ On 26 June 2015, 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 Board of Rome, with Ruling 21181/47/16 filed on 26 September 2016, partially upheld the company's arguments. In order to reach a settlement of the dispute quickly, Green Network S.p.A. concluded conciliation proceedings with the Revenue Agency on 24 October 2018, paying in full an amount that was considerably lower than that initially requested.
- ◆ 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 only. Furthermore, 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. The arbitration, which remained suspended until the settlement of the administrative dispute, was concluded with the issue of an unfavourable award for Green Network S.p.A., which has in any case found, through the authoritative professionals working for it, valid elements to request the cancellation of the award itself, which was made in November 2018. Even if the legal counsels are confident in a positive outcome, they consider the risk of losing the case to be probable; therefore, amounts have been set aside in the financial statements.
- ◆ The following measures on imbalances are also reported below for the purposes of this Report. As a result of the Lombardy Region TAR's judgment No. 1648/2014 and the Council of State's judgments 1532/2015 and 2457/2016, which seek to restrict improper gains by dispatching users who exploit certain anomalies in the process of calculation of imbalance prices, Resolution 333/2016/R/eel of 24 June 2016 laid down the rules to apply in order to measure effective imbalances during the period from July 2012 to September 2014, setting out mechanisms which

re-establish the regulations set aside by the abovementioned judgments of the Lombardy Region TAR and of the Council of State. With resolution 837/2017 of December 2017, an order was published in relation to the completion of audits referred to in Resolution 333/2016 for Green Network. According to ARERA, the Regulatory Authority for Energy, Networks and Environment (*Autorità di Regolazione per Energia Reti e Ambiente*, or ARERA), Green Network S.p.A. did not operate in a diligent manner during the first half of 2013. The Company filed an appeal against this resolution before the Lombardy Region TAR, which firstly suspended the order and then rejected the Company's petitions by judgment no. 897 of 4 April 2018. Green Network S.p.A. promptly submitted an appeal to the Council of State on 26 April 2018, which, by an order no. 2375/2018, suspended the execution of the abovementioned judgment handed down by the Lombardy Region TAR, scheduling the hearing for the discussion of the merits of the appeal on 12 December 2019. The directors, who are supported by the opinion rendered by authoritative professionals, are confident that the dispute will be favourably settled and consider the risk of losing the case as possible. Therefore, no allocation was made to the provision for risks.

- ◆ With Resolution 342/2016 ARERA has also started procedures for the timely adoption of prescriptive measures in relation to any possible advantage obtained by imbalances for the period from January 2015 to July 2016. With resolutions 559/2017 ARERA adopted a prescriptive measure against Green Network S.p.A. for the period from January 2016 to July 2016, as amended by resolution 136/2018. Then Green Network S.p.A. filed an appeal with the Lombardy Region TAR to have the aforesaid measure repealed, while obtaining, pending discussion of the merits, the stay of the ruling of the resolution passed by the Authority. Following the corporate acquisition of Energrid S.p.A, the Company assumed liability for the same measure issued against the acquired company (resolution 558/2017, as amended by resolution 74/2018), thus obtaining the stay pending discussion of the merits. A similar case involved the acquired company Tradelnv Gas&Energy S.p.A. (resolution 154/2018). The three hearings for the discussion of the merits have been scheduled for the spring of 2019. The directors, who are supported by the opinion rendered by authoritative professionals, are confident that the dispute will be favourably settled and consider the risk of losing as remote. Therefore, no allocation was made to the provision for risks.

For the sake of completeness, it should be noted that the Company has brought, also in relation to the most recent case law and the resolutions passed by ARERA, the related actions to protect its own interests for the return of any sum unduly paid to electricity distributors. In this context, the directors, who are supported by the opinions rendered by authoritative legal counsels, believe that, as things stand, the risk of losing the case is remote.

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 had the following commitments and risks in place, which do not result from the statement of financial position:

- ◆ Surety guarantees of EUR 170,435,746 issued in favour of third parties (of which insurance guarantees of EUR 103,970,007 and financial guarantees of EUR 66,465,739);

- ◆ Guarantees in the form of pledges of EUR 9,862,761.

Furthermore, the Company, as already stated in the note on trade receivables, has received sureties from customers for EUR 3,723,000.

Guarantees issued to third parties are made up of:

- ◆ EUR 132,292,000 in favour of third parties for the purchase and sale of electricity, gas and derivatives;
- ◆ EUR 5,642,300 in favour of third parties for the transportation of electricity and gas;
- ◆ EUR 5,877,513 in favour of Tax Authorities for VAT refund and for excess VAT setoff;
- ◆ EUR 1,000,000 in favour of GME for the performance of operations on electricity markets;
- ◆ EUR 16,496,000 in favour of Terna S.p.A. for dispatching;
- ◆ EUR 1,900,000 in favour of SNAM for balancing;
- ◆ EUR 3,255,801 in sureties issued in favour of third parties for gas carrier activities and distribution;
- ◆ EUR 750,000 in favour of Idea Fimit S.p.A. for the lease of the new building at which corporate activities are carried out;
- ◆ EUR 3,160,903 in favour of Terna S.p.A. for the deferred instalment payment on the TAR's order 2375/2018;
- ◆ EUR 31,229 in favour of the entities involved in the construction of the plants for the production of energy from renewable sources;
- ◆ EUR 30,000 relating to other guarantees.

The amount of EUR 9,862,761 relating to pledges is composed as follows:

- ◆ EUR 9,403,123 due to banks for cash collateral activities relating to pledges requested by some banks to guarantee credit commitments agreed and/or used;
- ◆ EUR 459,638 as shares and securities.

The Company has also received sureties and guarantees from third parties for a value equal to EUR 3,723,000 and has granted the following corporate guarantees/patronages/co-obligations:

- ◆ EUR 988,859 to guarantee the lease agreement held by the subsidiary Green Wind 2 S.r.l. with Alba Leasing S.p.A.;
- ◆ EUR 4,712,727 in guarantee of the outstanding bank loans by Rena Energia S.r.l., Biogas Energy Società Agricola S.r.l. and Energrid S.r.l.;
- ◆ EUR 1,220,500 in guarantee of the existing loans of the associated company Sòlergys S.p.A.;
- ◆ EUR 9,278,616 for a patronage/co-obligation in favour of Green Network UK PIC;
- ◆ 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 2018 is provided below.

	Amount
Directors' fees	2,605,833
Statutory Auditors' fees	54,080
Auditors' fees	260,691
Supervisory Body's fees	24,960
Total	2,945,564

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 467,446 which shall be allocated as follows:

- ◆ EUR 23,372 to the legal reserve;
- ◆ EUR 444,074 to the extraordinary reserve.

Rome, 5 April 2019

Chairman of the Board of Directors

Piero Saulli

IV – ANNEXES

GREEN NETWORK S.p.A. GROUP

Registered office: Rome, Viale della Civiltà Romana no. 7

Share capital: EUR 15,636,000.00 fully paid-up

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
for the year ended 31 December 2018
(pursuant to Articles 2403 and 2429, paragraph 2, of the Italian Civil Code)
to the Shareholders' Meeting of Green Network S.p.A.**

Dear Shareholders,

Within the sphere of our duties, we checked compliance and adequacy of the information provided in the documents relating to the consolidated financial statements and to the Report on Operations of the Green Network Group for the year ended 31 December 2018.

The consolidated financial statements closed with a net profit of EUR 10,867,914 (EUR 10,738,898 of which attributable to the Group and EUR 129,016 to minority interests), total assets of EUR 714,200,259 and total shareholders' equity of EUR 17,923,075 (EUR 1,061,092 of which attributable to minority interests).

Besides the Parent Company, the following subsidiaries (directly or indirectly controlled) have been consolidated line-by-line:

Name	HQ
SOLCAP GREEN S.R.L.	Rome, viale della Civiltà Romana, 7
ENERGRID S.R.L.	Rome, viale della Civiltà Romana, 7
GREEN WIND 2 S.R.L.	Rome, viale della Civiltà Romana, 7
RENA ENERGIA S.R.L.	Rome, viale della Civiltà Romana, 7
BIOGAS ENERGY SOC. AGRICOLA S.R.L.	Rome, viale della Civiltà Romana, 7
GREEN NETWORK UK PLC (1)	St.Martin's Court, 10 Paternoster Row – London (GB)

GREEN NETWORK S.P.A. GROUP

Name	HQ
GREEN NETWORK ENERGY LTD (1)	St.Martin's Court, 10 Paternoster Row - London (GB)
GREEN NETWORK HOLDING RINNOVABILI S.R.L.	Roma, viale della Civiltà Romana, 7
SPECTRUM TECH S.R.L.	Bucarest (Romania), Barbu Stefanescu Delavrancea nr. 55
GENERA GREEN ENERGY	Romania
GREEN NETWORK ENERGIE S.A.R.L.	France
LE FATE TURCHINE S.R.L.	Roma, viale della Civiltà Romana, 7
LE FATE TURCHINE 2 S.R.L.	Roma, viale della Civiltà Romana, 7
U.S. BOREALE S.R.L.	Roma, viale della Civiltà Romana, 7
QUINTO S.R.L.	Roma, viale della Civiltà Romana, 7
<i>1) Deconsolidated at 18 December 2018 following the transfer of the quotas</i>	

The equity investments in the following associated companies have been carried at equity: Solergys S.p.A. and JMS S.r.l. (joint venture).

We have examined the consolidated financial statements as at 31 December 2018, drawn up in accordance with international accounting standards (IAS/IFRS) and made up of the Statement of financial position, the Statement of comprehensive income, the Statement of changes in shareholders' equity, the Statement of Cash Flows and the Explanatory notes, as well as of the Report on Operations, which was prepared together with the separate financial statements of the parent company Green Network S.p.A. for the year ended 31 December 2018, with regard to which we disclose the following.

The consolidated financial statements for financial year 2018 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 9 May 2019, finding no irregularities as regards the basis of presentation and the true and correct representation of the financial position and result of operations.

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.

It should be noted that, during the last months of the previous year, major non-recurring transactions were carried out, which were completed during and had an impact on the entire current financial year, both as regards results of operations and cash flows and, last but not least, in organisational terms. In this regard, it should be noted that 20 April 2018 saw the acquisition of the business unit of Energia e Territorio S.p.A., which provides IT support to the Energrid S.p.A. business unit.

During the current year some disposals of non-strategic investments were also carried out, i.e. investments that fall within the scope of the policy outlined by the Company's management. It should be noted that the result of the Group's consolidated financial statements was affected by the recognition of positive components of results of operations due to discontinued operations, as described in the explanatory notes, for a total of EUR 10.2 million.

Below are the comments on the following items relating to intangible assets:

- Goodwill, stated for EUR 27.3 million, was mainly attributable to the higher value of the business units which had been acquired during the previous years (Energrid and Tradeinv), which was not attributable to other balance sheet items, equal to EUR 25.6 million, as well as to the goodwill recognised following the first consolidation of US Boreale and Quinto, totalling EUR 1.7 million.

As required by IAS 36, the Company conducted the impairment test on the aforesaid goodwill on the basis of budget plans approved by the Board of Directors; pursuant to article 2426 of the Italian Civil Code, we have given our consent to the recognition of this goodwill, which was acquired for valuable consideration, in the balance sheet assets;

- The trademarks stated for EUR 7.5 million, net of any related amortisation, mainly related to the allocation of the purchase price of the business units that had been acquired during the previous years (Energrid and Tradeinv), as adjusted by a non-significant amount during the year under consideration, as

well as to the acquisition of the brand of Quinto S.r.l., which also showed a non-significant amount;

- Other intangible assets mainly included, net of the assets of the UK companies deconsolidated in December 2018:
 - the customer relationships stated for EUR 13.9 million, net of any related amortisation, concerned the valuation of the customers gained following the above-mentioned acquisitions made during the previous years, as well as of the acquisition of the Burgo business unit, for a total amount of EUR 3.4 million, net of amortisation;
 - Incremental costs incurred to obtain the existing contracts, which were amortised consistently with the estimated expected renewals, as defined in the new IFRS 15, for a total of EUR 22.3 million, net of any related amortisation.

The Board of Statutory Auditors points out how the target market is further characterised by an increasing complexity, above all as regards the retail market; the Group's development and the higher volumes, which were also due to the acquisitions carried out, require the strengthening of the level of the corporate organisational structure on an ongoing basis; as in the past, the Board of Statutory Auditors invites the Management Body to maintain the commitment to adopt all the policies necessary to achieve the financial balance and continuing to supervise the protection and adequacy of net worth, increasing them based on invested capital.

In our opinion, the aforementioned consolidated financial statements as a whole correctly present the financial and equity position of the Green Network Group and the results of its operations for the year ended 31 December 2018, in compliance with the provisions governing the consolidated financial statements referred to above.

Brescia, 9 May 2019

The Board of Statutory Auditors

(Fabio Sottini)

(Federico Pecorini)

(Marlon Rizzo)

GREEN NETWORK S.p.A.

Registered office: Rome, Viale della Civiltà Romana no. 7

Share capital: EUR 15,636,000.00 fully paid-up

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 in Rome, at Viale della Civiltà Romana no. 7, tax code

08420631007

* * * *

**Report of the Board of Statutory Auditors on the
separate financial statements
for the year ended 31 December 2018
(pursuant to Articles 2403 and 2429, paragraph 2, of the Italian Civil Code)
to the Shareholders' Meeting of Green Network S.p.A.**

Dear Shareholders,

Preliminarily, we hereby inform you that during the year ended 31 December 2018 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 regularly 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, except as specified below.

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 submitted under Article 2408 of the Italian Civil Code or by shareholders or third parties were received by the Board of Statutory Auditors.

We have examined the annual financial statements as at 31 December 2018, 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 2018, 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 Statement of cash flows and the Explanatory notes containing the list of significant accounting policies and other explanatory notes.

The Board of Directors also made available to us the Report on Operations, which was prepared together with the consolidated financial statements of the Green Network S.p.A. Group for the year ended 31 December 2018.

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 observations to report.

It should be noted that, during the last months of the previous year, major non-recurring transactions were carried out, which were completed during and had an impact on the entire current financial year, both as regards results of operations and cash flows and, last but not least, in organisational terms. In this regard, it should be noted that 20 April 2018 saw the acquisition of the business unit of Energia e Territorio S.p.A., which provides IT support to the Energrid S.p.A. business unit.

Below are the comments on the following items relating to intangible assets:

- Goodwill, stated for EUR 25.6 million, was fully attributable to the higher value of the business units which had been acquired during the previous years (Energrid and Tradeinv), which was not attributable to other balance sheet items.

As required by IAS 36, the Company conducted the impairment test on the aforesaid goodwill on the basis of budget plans approved by the Board of Directors; pursuant to article 2426 of the Italian Civil Code, we have given our consent to the recognition of this goodwill, which was acquired for valuable consideration, in the balance sheet assets;

- The trademarks stated for EUR 7.5 million, net of any related amortisation, only related to the allocation of the purchase price of the business units that had been acquired during the previous years (Energrid and Tradeinv), as adjusted by a non-significant amount during the year under consideration;
- Other intangible assets mainly included:
 - the customer relationships stated for EUR 13.9 million, net of any related amortisation, concerned the valuation of the customers gained following the acquisitions made during the previous years, as well as of the acquisition of the Burgo business unit, for a total amount of EUR 3.4 million, net of amortisation;
 - Incremental costs incurred to obtain the existing contracts, which were amortised consistently with the estimated expected renewals, as defined in the new IFRS 15, for a total of EUR 22.3 million, net of any related amortisation.

The net financial position was substantially confirmed with respect to that posted in the previous year. Among the other non-recurring transactions, note the disposal of the investment held in Green Network UK Plc.

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 points out that the Company's development plans, the acquisitions carried out, the size achieved and the well-known complexity of the relevant sector, in addition to its development, highly require the need for implementing the corporate organisational structure.

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 9 May 2019.

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 2018 and the report on operations. In addition, it has no observations on the Board of Directors' proposal to allocate the result for the year as stated in the explanatory notes.

Brescia, 9 May 2019

The Board of Statutory Auditors

(Fabio Sottini)

(Federico Pecorini)

(Marlon Rizzo)

Independent auditor's report on the consolidated financial statements of Green Network S.p.A.
Group



Independent auditor's report
in accordance with article 14 of Legislative Decree No.39 of 27 January 2010

Green Network SpA

Consolidated financial statements
as of 31 December 2018



Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010

To the shareholders of Green Network SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Green Network (the Group), which comprise the statement of financial position as of 31 December 2018, the income statement, statement of comprehensive income, statement of changes in shareholders' equity, statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2018, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Green Network SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the

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European Union and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate Green Network SpA or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;



- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010

The directors of Green Network SpA are responsible for preparing a report on operations of the Green Network Group as of 31 December 2018, including its consistency with the relevant consolidated financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No.720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of the Green Network Group as of 31 December 2018 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the consolidated financial statements of the Green Network Group as of 31 December 2018 and is prepared in compliance with the law.



With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Rome, 9 May 2019

PricewaterhouseCoopers SpA

Signed by

Pierpaolo Mosca
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

Independent auditor's report on the financial statements of Green Network S.p.A.



Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010

Green Network SpA

Financial statements as of 31 December 2018



Independent auditor's report

in accordance with article 14 of Legislative Decree No.39 of 27 January 2010

To the shareholders of Green Network SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Green Network SpA (the Company), which comprise the statement of financial position as of 31 December 2018, the income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2018, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

PricewaterhouseCoopers SpA

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The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010

The directors of Green Network SpA are responsible for preparing a report on operations of Green Network SpA as of 31 December 2018, including its consistency with the relevant financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No.720B in order to express an opinion on the consistency of the report on operations with the financial statements of Green Network SpA as of 31 December 2018 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the financial statements of Green Network SpA as of 31 December 2018 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Rome, 9 May 2019

PricewaterhouseCoopers SpA

Signed by

Pierpaolo Mosca
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers