Annual financial report

30 APRIL 2020

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 AUDITORS

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

INDEPENDENT AUDITORS

- PricewaterhouseCoopers S.p.A.

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BACKGROUND

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

2019 was a year of a slowdown in the world's economy, even if signs of a stabilisation of the global economic scenario increased towards the end of the year.

In fact, the world's economy is in a phase of widespread and synchronised deceleration: it is proceeding at the slowest rate since the last global financial crisis. The slow rate of growth is due to increasingly strong trade barriers, the great and growing uncertainty regarding international trade and politics, the difficult macroeconomic conditions that various emerging economies are finding themselves faced with and structural factors such as the low rise in productivity and the ageing of the population in the advanced economies.

Among the downward risks that will condition future economic prospects are continuing trade tensions, the effects of the unfinished Brexit process and the higher cyclical slowdown than expected in China. The resumption of discussions between the USA and China that took place in the last part of the year and the non-application of duties on US vehicle imports and spares gave a little respite to world trade, which, however, maintains relatively low growth rates.

The American economy is in a phase of deceleration, standing at a growth rate of about 2.4%. The rise in GDP is mainly due to household consumption, while fixed investments have remained practically stable. In fact, the stabilisation of flows of imports after the increase in duties was offset by the difficulties in growth of exports resulting from the weakness of world trade. Industry is faltering, both manufacturing for consumer goods and industrial products, while employment remained steady until the pandemic.

The Chinese economy closed the last quarter of 2019 with a GDP of 6% 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 slower growth in China's trade partners, starting from the other Asian countries.

In the Eurozone economic activity was held back by the weakness of manufacturing, which was especially marked in Germany in spite of higher performance than expected in November; the risk remains that growth in services, which have been more stable hitherto, will be affected. The trend in the economy impinges on inflation, which, according to Eurosystem projections, is sustained by monetary stimulus but is forecast still to be under 2% in the next three years. The UK economy is in slight decline, but without risk of recession, also thanks to the Brexit withdrawal agreement that has been reached with the European Union: according to this agreement, there will be a period of transition to a free trade area before Britain actually leaves the European Union that will last for about a year.

In the first part of 2020 the effects of the Covid-19 pandemic were felt on production activities and aggregate demand in all economies; there will be a very hard fall in world trade in the year as a whole. The deterioration in growth prospects led to a sharp drop in stock market indices and an abrupt rise in volatility and risk aversion. Monetary and fiscal authorities in all the main countries put strongly expansive measures in place to support household and business income, credit to the economy and market liquidity.

There was a slight recovery of economic activity in Italy in the first half of 2019 after the decline in the second half of 2018. There was a faintly positive cyclical trend in GDP (stable at 0.1%) in the third quarter of 2019 for the fourth quarter running that resulted in a 0.3% tendential increase. The data, therefore, confirm that a picture of almost complete stagnation in the Italian economy has persisted since the beginning of 2018. The almost complete stagnation of economic activity in 2019 would seem to have been the result of weak growth in domestic demand and more intensive disposal of stocks on the part of businesses in spite of a positive net contribution to growth on the part of exports.
In Italy, the epidemic that started to spread at the end of February and the measures taken to counter it had substantial repercussions on economic activity in the first quarter. According to the information to hand, industrial production slumped by 15% in March and by about an average of 6% over the quarter as a whole; GDP is reported to have fallen by about 5% in these first three months of 2020. Some services contributed to a very marked extent to this decrease. The protraction of the measures to contain the epidemic is likely to entail a reduction in GDP in the second quarter too, followed by a recovery in the second part of the year. Opinions in the business world regarding orders from abroad worsened in March. The spread of the infection is leading to a breakdown in international tourist flows, which contribute almost one-third of Italy's high current account surplus.

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

By Resolution 413/2016/R/com, the Regulatory Authority for Energy, Networks and Environment (*Autorità di Regolazione per Energia Reti e Ambiente*, or ARERA) approved the Consolidated Text of the regulation of the commercial quality of electricity and gas sales services (TIQV, *Testo integrato della regolazione della qualità dei servizi di vendita di energia elettrica e di gas naturale*), 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 made additions to the provisions governing the provision of technical data by the distributor. By Resolution 623/2018/R/com, ARERA outlined 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 of 2018.

By Resolution 228/2017/R/com, ARERA approved the Consolidated Text of the measures preparatory to the confirmation of contracts for the supply of electricity and/or natural gas and the voluntary reinstatement procedure (TIRV, *Testo integrato in materia di misure propedeutiche per la conferma del contratto di fornitura di energia elettrica e/o di gas naturale e procedura ripristinatoria volontaria*) 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.

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 referred to in 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, as amended and supplemented ("Bill 2.0") sets out the criteria for the transparency and simplification of electricity and natural gas bills as from 1 September 2015. These provisions apply to smaller customers, and then to low-voltage electricity customers and natural gas customers with private consumption of up to 200,000 SCMs.

By Resolution 463/2016/R/com, ARERA sought to lay down the standard contract terms of commercial offers that must be proposed, as 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 operators. At the same time, the Consolidated Text of Billing (TIF, *Testo Integrato Fatturazione*) was approved, which includes in a single document all the provisions relating to both period 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, by 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 payments.

Non-payment and Withdrawal

By Resolution 258/2015/R/com ARERA set out the first measures regulating past due bills in the electricity and natural gas retail markets and approved the Consolidated Text of Electricity Arrears (TIMOE, *Testo Integrato Morosità Elettrica*) 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.

By 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 seller must receive the notice of withdrawal from the incoming seller within the tenth day of the month before the date when the supplier is switched. Withdrawal regulations were afterwards amended by Resolution 783/2017/R/com in order to allow the process to be managed centrally and exclusively through the Integrated Information System (SII, *Sistema Informativo Integrato*), with effect from the contracts entered into from 15 February 2018 for electricity and from 1 November 2018 for gas. Furthermore, by Resolution 196/2019/R/com, ARERA provided, as from 1 November 2019, for the right of big customers only (i.e. users connected to Medium Voltage and High Voltage and/or with gas consumption exceeding 200,000 SCMs/year) to withdraw from their contract by giving notice thereof to the outgoing vendor even before sending the switching application in accordance with the terms of notice set out as per contract. In this case the outgoing vendor must send the SII system a notice of termination of contract due to withdrawal in order to change supplier within the tenth day of the last month of the contract.

By Resolution 37/2020/R/eel, ARERA, moreover, rescheduled the deadlines set out in the TIMOE text for the termination of dispatching and transmission contracts in cases of default on the part of the dispatching and transmission user; with effect from 1 January 2021, the termination of dispatching or transmission contracts will come into effect directly on the date that the SII system is notified by Terna or the distributor; consequently, the last resort service for the customer concerned will be delivered starting from the day after the effective date of termination (instead of the 17 business days after termination as required at present). Such customers may switch to a new supplier intra-month up to the last day of the sixth month after the date of the delivery of last resort service.

Indemnity system

By Resolution 593/2017/R/com ARERA approved the consolidated text of the indemnity system (TISIND, *Testo integrato del sistema indennitario*), while also extending its application to the natural gas sector (domestic end users, residential blocks with an annual consumption of no more than 200,000 SCMs and other different uses with an annual consumption of no more than 50,000 SCMs). Resolution 406/2018/R/com sets the dates for the start of operations of the Indemnity System within the scope of the SII system: in the electricity sector with effect from 1 December 2018 and in the gas sector with effect from 1 June 2019.

REMIT

As provided for in Resolution 86/2015/E/com, ARERA has set up the Italian registry, with which the market operators subject to REMIT (Regulation on wholesale Energy Market Integrity and Transparency) have been required to register, within its Master Data system of Operators.

2017 Competition Act

The annual market and competition Act 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 movement, competition and opening of markets. The main contents of the Act are:

- the termination of the protected consumer scheme for gas and electricity as from 1 July 2019. This expiry date was postponed to 1 July 2020 following the approval of the Act converting Decree Law no. 91/2018 (*Milleproroghe*, One Thousand Extensions) – Act 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 users connected to Low Voltage and for gas users with an annual consumption of no more than 200,000 SCMs;
- Acquirente Unico (AU, Single Buyer) is to set up a Portal for the publication of the offers to domestic gas and electricity customers and to companies connected to Low Voltage and with an annual consumption of no more than 200,000 SCMs;
- ARERA is to lay down Guidelines to promote electricity and gas commercial offers in favour of purchasing groups;
- the creation of a list of authorised entities to sell electricity.

2020 Milleproroghe (One Thousand Extensions*) Act* (Act no. 8 of 28 February 2020)

The deadlines for terminating the protected consumer scheme have been changed with respect to the provisions of the Competition Act of 2017 as follows:

- termination of protected gas consumer scheme from 1 January 2022;
- exit from the Greater Protection (*Maggior Tutela*) scheme as from:
  - 1 January 2021 for small enterprises *(less than 50 employees and an annual turnover or total assets not higher than Euro 10 million)*;
  - 1 January 2022 for household customers and micro-enterprises (*less than 10 employees and an annual turnover or total assets not higher than Euro 2 million),* perhaps staggered on the basis of the amount of power required (to be set out by ARERA).

Implementing measures of 2017 Competition Act

PLACET Offers

By Resolution 555/2017/R/com, ARERA approved the rules for PLACET offers (open market offers on conditions equivalent to protection scheme 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 connected to Low Voltage for the electricity sector, as well as to the gas users with annual consumption of less than 200,000 SCMs. Each open 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 as from 1 March 2018.

Offer Portal and Consumer 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 voltage and gas customers with a consumption of less than 200,000 SCMs/year.
By Resolution 270/2019/R/com, ARERA set up the Consumer Portal, which, from 1 July 2019, customers could use to consult the particulars and historical consumption data related to their supply, with the possibility of estimating their annual expenditure or carrying out personalised simulations on the basis of their actual historical consumption profile.

Guidelines for Purchasing Groups

By Resolution 59/2019/R/com ARERA published guidance on the voluntary adoption of Guidelines for Purchasing Groups targeted at domestic end users and small-sized electricity and natural gas companies. The Purchasing Groups (PGs) that adopt the Guidelines must, for a period of at least 24 months, comply with certain rules of conduct that ensure the necessary transparency and observance of the obligations to provide customers with information and assistance. The Sustainability PG has been formed by Green Network with Konsumer, Codacons and AECI Consumer Associations in compliance with ARERA Guidelines and as such it is expressly indicated in the PGs section of the ARERA website.

Budget Act 2018

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

- the introduction of provisions aimed at countering the problem of massive adjustments in electricity and gas 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 imposition of a tax on digital transactions (web tax) amounting to 3% of the value, net of VAT, of each provision of services delivered electronically (Entry into force on 1 January 2019);
- GSE (Italian Energy Services Manager) will reduce the incentive payment made to renewable energy production 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.

Implementing measures of Budget Act 2018

Massive adjustments in electricity bills and short-term statute of limitation period

In order to counter the phenomenon of massive adjustments in electricity bills, the Budget Act introduced the right to request that fees be subject to a two-year time bar in electricity and gas supply contracts, both between the seller and the end user (domestic users and users connected to Low Voltage 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 to Low Voltage and Low Pressure with consumption of less 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 from 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, as supplemented by Resolution 246/2019/R/com, ARERA brought in regulations for the coordination of the Authority's present "Bill 2.0" regulations with the new electronic invoicing provisions laid down in the Budget Act 2018.

Budget Act 2019

The Budget Act 2019 was approved on 30 December 2018, confirming some of the provisions already brought in by the Budget Act 2018. In detail, some of the contents are:

- the imposition of a web tax with a rate of 3% for businesses with a turnover not higher than Euro 750 million, of which an amount of at least Euro 5.5 million for the provision of digital services. Further information regarding the possible application to the energy market sector is expected;
- it is confirmed that the TV licence fee is paid (Euro 90/year) through the bill;
- biogas incentives (Euro 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.

Budget Act 2020

The Budget Act 2020 was approved on 27 December 2019, providing for measures of interest to the energy sector. In particular, it provided for:

- an obligation to give 40 days' notice for sending notices of default and of suspension of supply;
- an obligation to refund the customer and pay a penalty in the event of infringements consisting of incorrect methods of calculation of settlement payment due; incorrect invoicing; and charging unjustified expenses;
- the possibility for end users to object against a short-term statute of limitation period in the event of their ascertained liability;
- incentives for electricity production from biogas;
- a discount for Ecobonus tax credit (on energy efficiency projects) and assignment of credit for major renovation works on parts of apartment blocks.

Urgent measures following the COVID-19 epidemiological emergency

As a result of the restrictive measures to confront the COVID-19 epidemiological emergency adopted by the Government all over the country, ARERA took a number of steps to reduce the difficulties and inconvenience caused to end users and vendors within the scope of the provision of electricity and natural gas supply services. In particular, ARERA:

- halted, by Resolution 60/2020/R/com, as supplemented (Resolutions 117/20, 124/20 and 148/20), the procedures for suspending supply to electricity customers connected to Low Voltage and gas customers with consumption of less than 200,000 SCMs/year, in arrears with bills, which had already been started or carried out in the period from 10 March to 3 May 2020. At the end of the turn-off period, vendors must send another notice of default before cutting off the electricity supply completely. Suspension is postponed until 17 May 2020 only for domestic electricity and gas customers and for apartment blocks supplied with gas for domestic use (consumption of less than 200,000 SCMs/year) only;
- ordered, by Resolution 75/2020/R/com, the suspension of payment deadlines and notices both issued or to be issued in connection with all invoices accounting for consumption up to 30 April 2020 by electricity and gas users in the 11 "red zone" Municipalities referred to in the President of the Council of Ministers' Decree of 1 March 2020;

- provided, by Resolutions 116/2020/R/com and 149/2020/R/com, for users to be exempted from the obligations related to energy transmission invoices expiring in May 2020 and gas distribution invoices expiring until 1 June 2020. Specifically, default procedures are suspended if the user has paid at least 70% of the total invoiced amount relating to Low-Voltage PODs as regards electricity and 80% of the amount invoiced as regards gas. Extensions of deadlines for injunctions and from the renewal of guarantees given were also agreed;
- made arrangements, by Resolution 121/2020/R/eel, for temporary imbalance pricing. For the period from 10 March to 30 June 2020, the prices of offers accepted on the Dispatching Service Market (DSM) (MSD, *Mercato dei Servizi di Dispacciamento*), through which the imbalances of ineligible units are calculated, will have a floor (50% of the pricing of the sale offers accepted on the Day-Ahead Market (MGP, *Mercato del Giorno Prima*) during the same period and in the same dispatching point area) and a cap (set on the basis of the greater between the variable cost of an open-cycle natural gas Turbine and 1.5 multiplied by the sale offers price on the Day-Ahead Market during the same period and in the same point area).

Electricity Sector

Adjustments to Sales Marketing Cost fees and DISPBT dispatching component

By Resolution 576/2019/R/eel, ARERA adjusted the values of the Sales Marketing Cost (PCV, *Prezzo Commercializzazione Vendita*) fees and of the DISPBT dispatching component with effect from 1 January 2020. In particular, the PCV fees showed a decrease for domestic users and an increase for customers connected to Low Voltage for other uses:

PCV

	Euro cents/POD per year		Euro cents/kWh
Types of contract under paragraph 2.3 of TIS*	a) PODs of domestic customers connected to Low Voltage	c) Other PODs in Low Voltage	b) PODs in Low Voltage for street lighting
From 1/1/2019 to 31/12/2019	6,538.46	12,184.84	0.326
From 1/1/2020	6,512.39	12,564.26	0.336

DISP

	Euro cents/POD per year		Euro cents/kWh
Types of contract under paragraph 2.3 of TIS*	a) PODs of domestic customers connected to Low Voltage	c) Other PODs in Low Voltage	b) PODs in Low Voltage for street lighting
From 1/1/2019 to 31/12/2019	- 1,737.36	- 449.58	- 0.017
From 1/1/2020	- 1,398.30	- 267.20	- 0.010

[*TIV = *Testo Integrato Vendita*, Consolidated Text of Sales]

General system cost reform and additional tariff components

By Resolution 481/2017/R/eel ARERA 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 scheme 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 Gross Present Value (GPV, iVAL).

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

- initially postponed it, by Resolution 867/2017/R/eel, 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 delivery of 1,800 kWh;
- again postponed it, by Resolution 626/2018/R/eel, until 1 January 2020, while providing that from 1 January 2019 the DISPBT component will be only the fixed rate for domestic customers as well.

Dispatching – Imbalance

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

Following judgment No. 1648/2014 handed down by the Lombardy Regional Administrative Court (TAR, *Tribunale Amministrativo Regionale*) and judgments nos. 1532/2015 and 2457/2016 handed down by the Council of State, 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 actual imbalances during the period from July 2012 to September 2014, setting out mechanisms which re-establish the regulation set aside by the abovementioned judgments handed down by the Lombardy Region TAR and the Council of State.

By Resolution 342/2016/R/eel, ARERA put procedures in place for the timely adoption of prescriptive measures and for the assessment of potential abuses in the wholesale electricity market in accordance with the REMIT regulation. By Resolution 177/2017/E/eel, the publication of the names of the dispatching users concerned was postponed until the conclusion of any and all prescriptive proceedings and of any possible sanctions proceedings arising therefrom.

Pending the organic reform indicated above, by Resolution 444/2016/R/eel, ARERA 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 dispatching points for consumption units and ineligible 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.

By Resolution 800/2016/R/eel, ARERA finally brought in additional provisions for the valuation of actual imbalances for 2017, making additions and amendments to Resolution 444/2016 in relation to the transitional scheme.

Subsequently, 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 actual imbalances pending the formulation of rules based on nodal prices. This resolution provides for a macrozone non-arbitrage fee 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 actual imbalances of all ineligible units is to be reinstated.

Finally, by Resolution 300/2017/R/eel, ARERA required the Dispatching Service Market to open up to consumption units and their aggregates (Virtual Eligible Consumption Units – UVAC, *Unità Virtuali Abilitate di Consumo*) and not yet Virtual Eligible Production Units (UVAP, *Unità Virtuali Abilitate di Produzione*) 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, Resolution 372/2017/R/eel approved the pilot project for the demand participation in DSMs, while Resolution 422/2018/R/eel approved the rules for the participation by Virtual Eligible Mixed Units (UVAM, *Unità Virtuali Abilitate Miste*) in DSMs.

Network code for electricity transmission service

By Resolution 268/2015/R/eel the Authority established a Network Code for the electricity transmission service (hereinafter "Network Code"), to regulate the relations between electricity distributors and transmission service users.

This Resolution provided for the measures to become effective from 1 January 2016 with regard to:

- provisions on the contractual guarantees to be provided to authorised distribution companies, and their sizing, for the purposes of concluding the contract of transport and 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.

By Resolution 609/2015/R/EEL, ARERA reformed the Network Code, providing for elements of greater flexibility for users of the transmission service in terms of guarantees to be provided, including:

- the removal of the rating requirement for guarantor banks to which the User may refer for the release of the surety;
- 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, as confirmed by Resolution 39/2019/R/eel, the Authority made additions regarding the management of guarantees to the Network Code, setting down a further termination clause for the distributor whereby 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 transmission service 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 and subsequently by the Supreme Court in November 2019. By Resolution 109/2017/R/eel, the Authority therefore started proceedings for the execution of the Lombardy Region TAR's judgments, whose time limit for completion had been set on 30 June 2019, as required by Resolution 430/2018/R/com, and has not yet been complied with to date. There is a standing conference at ARERA whose goal is to find a fair solution in line with the decision taken by the administrative court.

QVD component adjustments

By resolution 577/2019/R/gas, ARERA adjusted the value of the retail quota (QVD, *Quota Vendita al Dettaglio*) component as from 1 January 2020. The amount of the fixed retail quota was revised upwards for any type of customer, while the amount of the variable quota remained the same as in

QVD

		PDR* held by domestic users	PDR relating to blocks for domestic use, with consumption of less than 200,000 SCMs
From 1/1/2019 to 31/12/2019	€/redelivery point/year	60.23	79.11
	c€/cm	0.7946	0.7946
From 1/1/2020	€/redelivery point/anno	63.61	83.55
	c€/cm	0.7946	0.7946

2019:

[*PDR = *Punto di Riconsegna*, Redelivery Point]

Gas Balancing

By Resolution 312/2016/R/gas, ARERA approved the Consolidated Text of Gas Balancing (TIB, *Testo Integrato del Bilanciamento*) transposing Commission Regulation (EU) No. 312/2014, with effect from 1 October 2016. In order to put the new balancing scheme into full effect from 1 April 2017, ARERA approved the consolidated text laying down provisions for the management of physical gas markets, adding to it some provisions regarding the locational product market (MPL, *Mercato dei Prodotti Locational*) and the organised market for trading stored gas (MGS, *Mercato per Gas in Stoccaggio*). 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

By 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. By Resolution 72/2018/R/gas, ARERA approved the Consolidated Text of the settlement of physical and financial items in the natural gas balancing service (TISG, *Testo Integrato Settlement Gas*), the provisions of which became applicable from 1 January 2020. By Resolution 155/2019/R/gas, ARERA provided, in relation to the switching applications submitted from 1 October 2019, the obligation to indicate the Balancing User (UdB, *Utente del Bilanciamento*) associated with the Redelivery Point. By Resolution 147/2019/R/gas, as finally supplemented by Resolution 110/2020/R/gas, ARERA decided to review the contribution of capacity at city gates; from 1 October 2021, Snam will transfer the transmission capacity for supplying the Redelivery Points served to Balancing Users automatically.

TRENDS IN THE ITALIAN ENERGY MARKET

Electricity market

Market data

Electricity demand in Italy in 2019 totalled 319.6 TWh, showing a decrease of 0.6% compared to 2018.

TWh	2019	2018	% Change
Net production	283.8	279.8	1.4%
External suppliers	44.00	47.2	(6.8)%
Sold to foreign customers	(5.8)	(3.3)	75.8%
Intended for pumping systems	(2.4)	(2.3)	4.3%
Italy Total	**319.6**	**321.4**	***(0.6%)***

Source: Terna data.

In 2019, approximately 17.7% of net production of energy requirements were covered by wind, PV and geothermal renewable sources, showing a slight increase compared to the same period of the previous year.

Net Italian production by type of source:

%	2019	2018
Net renewable production (wind, PV, geothermal)	17.7%	16.3%
Net hydroelectric production	16.5%	17.8%
Net thermal production	65.8%	65.9%

Source: Terna data.

Overall net production increased by about 4 TWh (+1.4%) mainly due to a rise in the contribution given by thermoelectric energy, equal to 2.5 TWh (+1.4%). The recovery in thermoelectric production was mainly due to a decline in the net balance of imports by 5.7 TWh (-13.0%) compared to 2018 and a reduction in hydroelectric output by 2.9 TWh (-5.8%), due to a lower availability of water resources compared to the previous year. Overall domestic production, net of energy intended for pumping systems, covered 88.1% of demand, up compared to 86.4% in 2018.

In 2020, the cumulative value of demand for electricity (76,978 GWh) showed a decrease (-4.5%) compared to 2019.

TWh	January-April 2020	January-April 2019	% Change
Net production	85.7	92.6	(7.5%)
External suppliers	14.9	14.7	1.4%
Sold to foreign customers	(2.8)	(1.8)	55.6%

TWh	January-April 2020	January-April 2019	% Change
Intended for pumping systems	(0.96)	(0.88)	9.1%
Italy Total	**96.8**	**104.6**	**(7.5%)**

Source: Terna data.

The first four-month period of 2020 showed an overall decrease of 7.5% compared to the same period of the previous year. In adjusted terms, the change would have been -8.4%. In cyclical terms, there was a negative change of -7.5% in demand for electricity in April 2020 compared to the previous month after the seasonally adjusted figure had been corrected to take the effects of the calendar and temperature into account. The trend, therefore, is strongly downward.

In 2020, 19.8% of net domestic production came from Renewable Energy Sources for a value equal to 34.7 TWh.

Net Italian production by type of source:

%	January-April 2020	January-April 2019
Net renewable production (wind, PV, geothermal)	19.8%	19.3%
Net hydroelectric production	14.6%	11.6%
Net thermal production	65.6%	69.1%

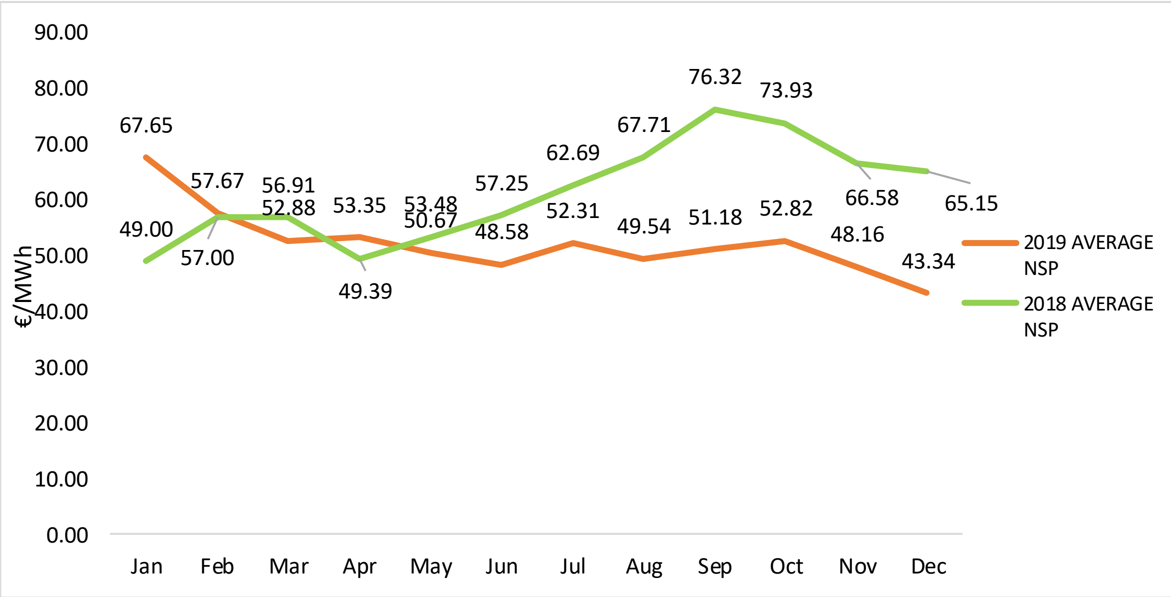
Source: Terna data.

Prices

With reference to prices at 31 December 2019, the average hourly price on the Italian Power Exchange (IPEX) (IPEX1/NSP - National Single Price) for 2019 amounted to Euro 52.3 per MWh, down by 14.6% compared to the value recorded in the same period of 2018 (Euro 61.3 per MWh).

This drop in price compared to 2018 is part of a context of lower demand for electricity and lower costs for the main fuels used for thermoelectric generation (gas, coal). In analysing the monthly trend of the NSP, it can be noted that the level was lower than in 2018, except for January, February and April. At the beginning of the year, rigid temperatures and less imported gas put pressure on prices to rise above on the day-ahead market. As from February the NSP quotations fell as a result of a drop in demand, impacted by higher than average seasonal temperatures and a weakening economic cycle background, as well as by a reduction in gas prices.

The chart below shows the monthly trend in 2019:



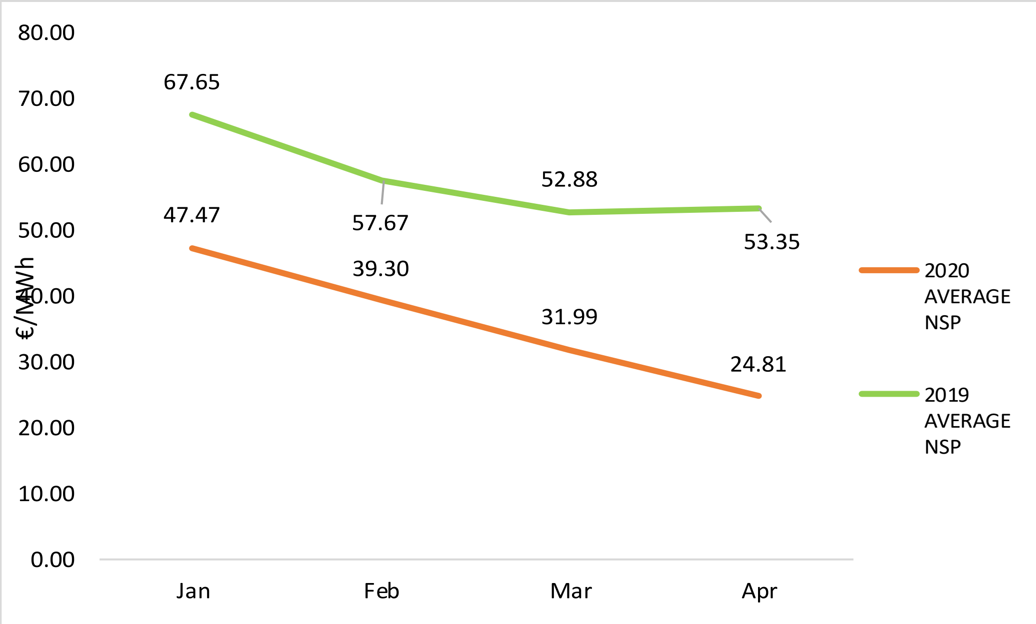
Source: GME

The price in foreign Countries also showed a general drop. In France 2019 ended at Euro 39.4 per MWH, down by 21.4% compared to the previous year. The difference from the SNP widened by 16%, coming to Euro 12.9 per MWh, also affected in the first part of the year by a reduction in interconnection capacity at the northern frontier of Italy. In Germany 2019 ended at Euro 37.7 per MWh (-15.3% compared to 2018). In spite of considerable generation of renewable energy, mainly from wind farms, which led to negative prices on some days of the year, in periods of low Renewable Energy Sources (RESs), German thermo-electric plants, mainly powered by coal and lignite, which suffered from a substantial rise in prices of CO2, managed to condition prices. The differential between Italy and Germany decreased by 13.0% compared to 2018, coming to Euro 14.7 per MWh.

The fall in prices that started in 2019, apart from a momentary rise in January 2020 (which was nevertheless well under the levels of the previous year), gained speed in the following months owing to the mild climate, which affected gas prices, and above all as a result of the effect of the pandemic on the economy as a whole, as stated below.

The decline that began in February gradually intensified, so that price levels were extraordinarily low in April, not only in absolute terms but also compared with other European countries, Germany in particular.

The chart below clearly shows the sharp fall in prices:



Source: GME

The Natural Gas Market

During 2019 the natural gas demand in Italy recorded an increase of about 2% compared to the same period in 2018, coming to about 74.3 billion cubic meters.

Gas drawn (billion m3)	2019	2018	% Change
Domestic production	4,852	5,448	(10.9%)
Imports	70,919	67,872	4.5%
Exports	(325)	(391)	(16.9%)
Change in stocks	(1,124)	(264)	325.8%
Total demand	**74,322**	**72,665**	***2.3%***

Source: 2019 figures and 2020 preliminary figures Snam Rete Gas, Ministry of Economic Development

In 2019, in terms of supply sources, compared to 2018, there was:

- a drop in domestic production (-596 million cubic meters; -10.9%);
- an increase in gas imports (+3 billion cubic meters; +4.5%);
- a balance of stored gas inventory for about 1.1 billion cubic meters.

In 2019 demand for natural gas was lower in the colder months (February, March, November and December), while the sign was positive in all other months of the year compared to 2018.

Demand for natural gas to generate electricity is starting to rise now, owing to a downturn in hydro-electricity and imports and less coal. On the supply side, around 71 billion cubic meters were imported, 3 billion more than in 2018.

The increase in global production by the main exporting countries and weaker prices on the Asian market, combined with greater use of capacity allocation by auction systems have assisted the delivery of LNG since the beginning of the year, thus supporting supply.

After a slight growth in gas in Italy during 2019 (+2.3%), it is seen that the trend is falling now and this is also confirmed by the March figures; in the first quarter, consumption decreased in fact by 6.7% compared to the same period in 2019 (about 1.7 billion m3 less).

The Covid-19 factor would only have affected gas for about three weeks in March and in, any case, to a lesser extent than electricity.

Some data, however, show that even if there was a rise in gas consumption in the civil sector (+13%) in March compared to 2019, also owing to temperatures lower than in March 2019 on the average, the fall was concentrated in the thermoelectric production segment (about -17.5% of gas less) and in industry (about -15.5%).

Gas drawn (billion m3)	January-April 2020	January-April 2019	% Change
Domestic production	1,396	1,711	(18.4%)
Imports	22,288	24,433	(8.8%)
Exports	(89)	(96)	(7.3%)
Change in stocks	4,614	5,143	(10.3%)
Total demand	**28,209**	**31,191**	**(9.6%)**

Source: 2020 preliminary figures Snam Rete Gas, Ministry of Economic Development

Demand for natural gas in the first four-month period of 2020 decreased by 9.8% compared to the period from January to April 2019 and by 7.8% over the decade average.

9.4% less imports came from Russia, which still accounted for 41.5% of the gas that Italy imported. Imports from Algeria decreased by 33.4%. The second biggest exporter in the first quarter was Northern Europe (+30.7%). Fewer cubic metres of gas (-15.2%) were imported from Libya too compared to the first quarter of 2019. There was an overall decrease in the gas imported from LNG terminals: -8.8%, currently about 19% of natural gas imported to Italy.

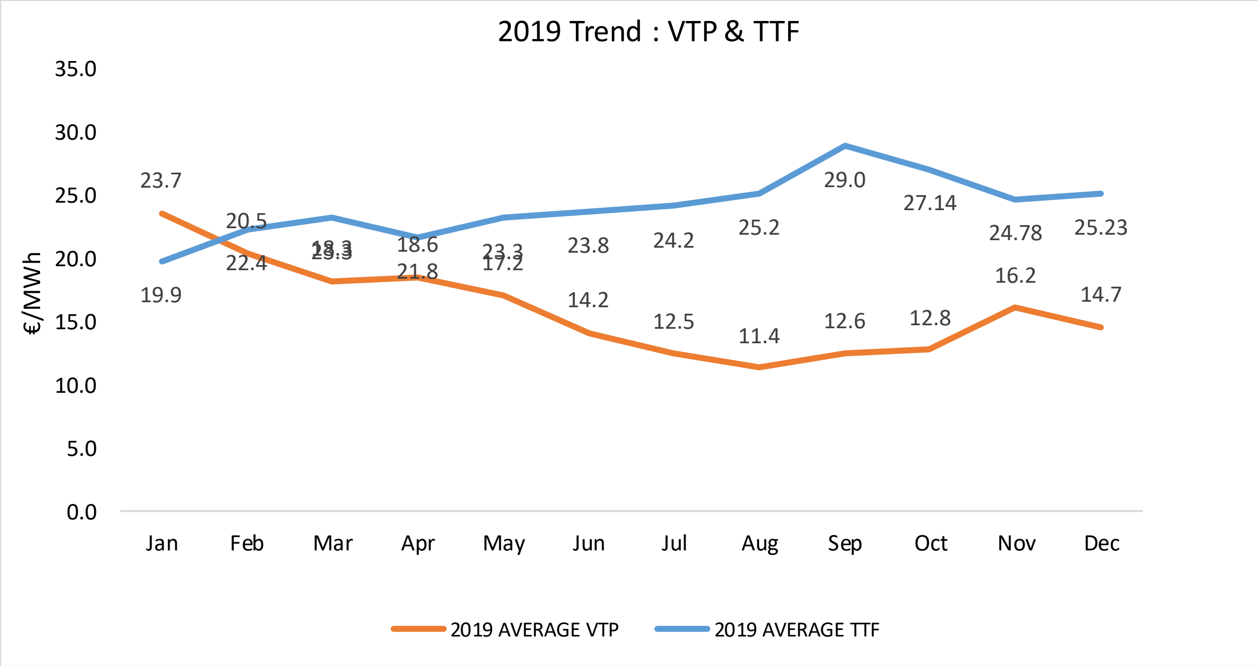
Domestic production dropped down to -18.4% compared to 2019. To date it would account for about 6.6% of domestic demand.

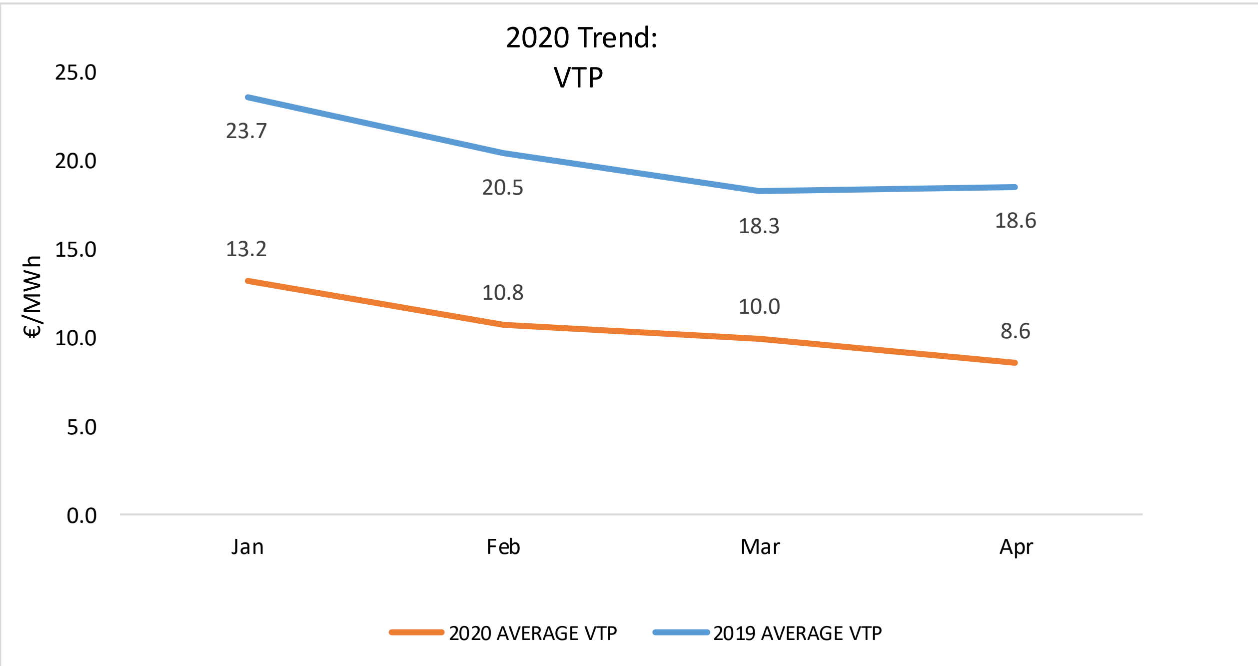
Prices

In 2019, the gas spot price in Italy showed a drop of 33.6% compared to 2018, coming to 17.0 Euro Cents per standard cubic meter. During the last quarter, the seasonal fall in temperatures caused an increase in prices specifically in November, however limited by the high availability of supply.

In 2019, the VTP to TTF spread rose by 84.5% compared to 2018, recording an average value of 2.6 Euro Cent per standard cubic meter. This rise was due to economic cycle events , such as the higher gas levels in Dutch storage facilities and a mild winter.

The chart below shows monthly price trends from January 2019 to December 2019 and from January 2020 to April 2020:


2019 Trend : VTP & TTF
€/MWh
35.0
30.0
25.0
20.0
15.0
10.0
5.0
0.0
23.7
19.9
20.5
22.4
18.6
21.8
17.2
23.8
14.2
24.2
12.5
25.2
11.4
29.0
12.6
27.14
12.8
24.78
16.2
25.23
14.7
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
2019 AVERAGE VTP
2019 AVERAGE TTF


2020 Trend:
VTP
€/MWh
25.0
20.0
15.0
10.0
5.0
0.0
23.7
20.5
18.3
18.6
13.2
10.8
10.0
8.6
Jan
Feb
Mar
Apr
2020 AVERAGE VTP
2019 AVERAGE VTP

PERFORMANCE OF OPERATIONS AND SIGNIFICANT EVENTS

Electricity and gas sale to end users

The core business of the company consists of the sale of electric power and gas.

The Company strengthened its business activities during 2019 and 2020, having identified small businesses, small- to medium-sized enterprises and the domestic segment as the levers for the expansion of its customer base and as the sustainable development targets in the medium and long term, as regards both electricity and gas.

In line with this objective, the Company gradually reduced the number of its customers in low added value, big enterprise and reseller segments and concentrated its efforts on the commercial structure in the segment of SMEs segment.

During 2019, it also rationalised its portfolio, selling about 39,000 domestic electricity and gas customers and acquiring about 23,000 other customers, mostly businesses.

Customer base	30.04.2020	31.12.2018	% Change
Electricity	218,915	238,297	(8%)
Gas	79,243	70,648	12%
Total	**298,158**	**308,945**	**(3%)**

Net of this transaction, there was an internal growth of 2% in the customer base. In the business segment, overall growth was 8%.

With regard to volumes, since comparative data are not comparable as they are based on different periods, the table below provides a breakdown of volumes of electricity and gas sold by type of sales: volumes sold to end customers (including interconnector sales volumes of 3.4 Twh at 30 April . 2020 and 3 Twh at 31 December 2018), volumes sold to wholesalers (including volumes sold to subsidiary Energrid S.r.l.) and volumes sold through the Power Exchange and contracts (GME [Italian Energy Market Operator], Terna and counterparties).

Electricity Volumes in TWh	30.04.2020	31.12.2018	% change
Sales to end customers	12.5	10.6	18%
Wholesale sales	1.3	1.5	(8%)
Sales through the Power Exchange and contracts	7.2	3.5	105%
Total	**21.1**	**15.6**	**35%**

Gas Volumes in million SCMs	30.04.2020	31.12.2018	% Change
Sales to end customers	361.2	341.2	6%
Wholesale sales	11.1	20.8	(47%)

Sales through the Power Exchange and contracts	220.1	117.6	87%
Total	**592.5**	**479.5**	**24%**

Below is the breakdown of volumes sold by commodity and customer cluster:

Sales to end and wholesale customers – Electricity TWh	30.04.2020	**31.12.2018**	**% Change**
Domestic	0.4	0.2	81%
SMEs	1.8	1.3	37%
Corporate	7.0	6.1	14%
Wholesale	1.3	1.5	(8%)
Total	**10.5**	**9.1**	**16%**

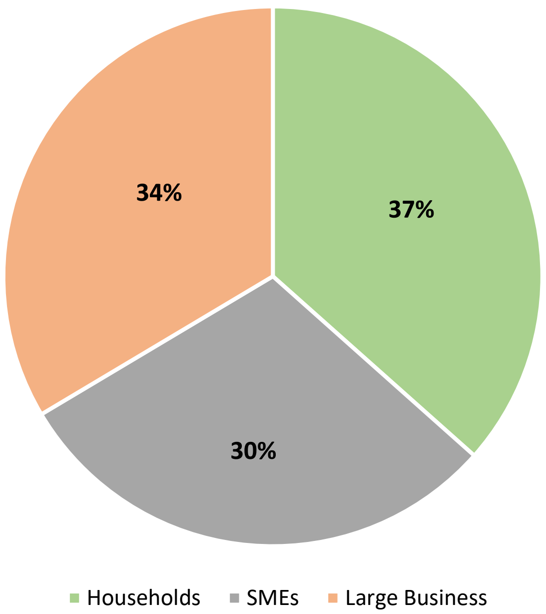
Sales to end and wholesale customers - Gas in million SCMs	30.04.2020	**31.12.2018**	**% Change**
Domestic	76.2	38.2	100%
SMEs	91.4	52.5	74%
Corporate	193.7	250.5	(23%)
Wholesale	11.1	20.8	(47%)
Total	**372.3**	**362.0**	**3%**

The business strategy is to expand the company's portfolio through growth in high profit margin segments and a gradual reduction in the volumes sold to low profit margin customers.

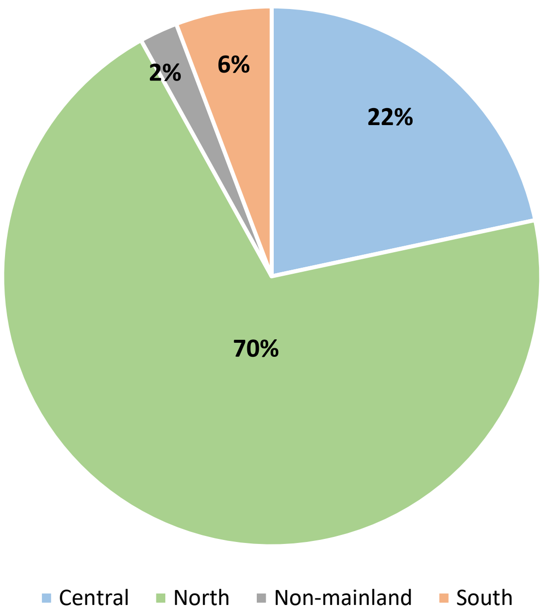
The net effect, already felt in the early months of 2020, is an improvement in unit profit margin, and also in overall margin, with positive fall-out also on requirements for bank guarantees for the purchase of raw materials and services.

The breakdown of electricity and gas turnover by type of customer and geographical area is presented below in relation to the Italian market.
Most of the turnover is concentrated in the richer areas of the country.
From the point of view of type of customer, large customers are still a high proportion of the clientele, even if it is lessening, in the electricity sector, while the situation in the gas segment is more even.

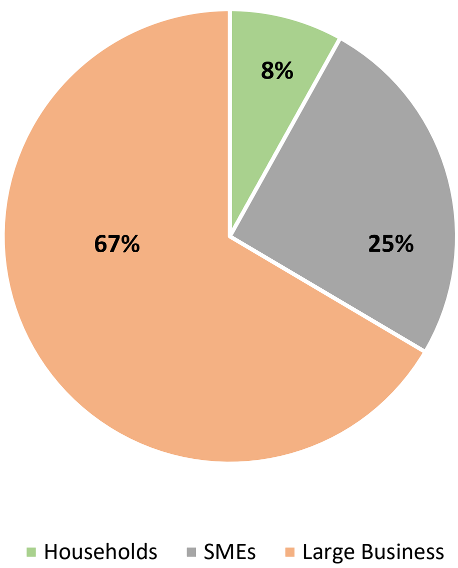
Gas turnover by customer type



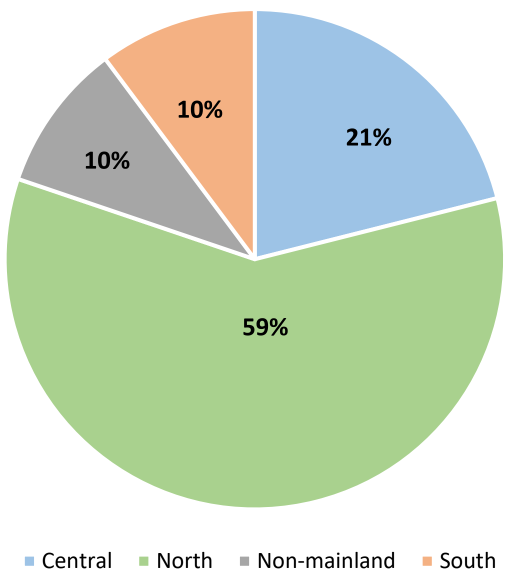
Gas turnover by geographical area



Electricity turnover by customer type



Electricity turnover by geographical area



Renewable energy sector.

The Group, through its direct and indirect subsidiaries, is also active in the sector of electricity production from renewable sources, mainly PV plants, biomass/biogas plants and wind farms.

With reference to the solar power sector, through Solcap Green S.r.l. in Italy and Spectrum Tech S.r.l. in Romania, in the financial period under review, the overall electricity production totalled 17.4 GWh compared to 12.4 GWh recorded in 2018. On the whole annualised production improved benefitting, on the average, from greater radiation.

As regards the biomass and biogas segment, through Rena Energia S.r.l. and Biogas Energy Soc. Agricola S.r.l., respectively, electricity production totalled 19.2 GWh compared to about 16 GWh in 2018. The production of energy was affected by some interruptions in availability during the operation of the two plants for both Rena and Biogas.

In the wind farm sector, the Green Wind 2 S.r.l. plant located in Sant'Agata di Puglia, Foggia, recorded increases in electricity production, coming to about 3.5 GWh compared to 2.2 GWh in 2018.

Finally, promotion continued in the energy efficiency sector, especially in the form of commercial initiatives consisting of contacting the Group's customer base to spread information about PV plants with a view to installing them at the end customers' premises.

Non-recurring transactions

On 29 April 2020 a settlement agreement was signed with Enel Distribuzione S.p.A. (ED) which allowed Green Network S.p.A. (GN) to realise a net contingent asset of about Euro 130 million.

In recent years, GN found itself faced with some financial issues that were completely extraneous to its core business, such as:

1. system costs paid to distributors but not yet collected from end customers;
2. trade receivables not yet collected due to unfair competition (see the sanctions imposed by the Antitrust Authority on some large competitors);
3. its profit margins were generally very low, also owing to unfair practices by competitors, sanctioned by the competent Authorities;
4. general mistrust of the Energy sector owing to the unfair competition mentioned above and regulatory uncertainty that increased current costs.

GN was involved in several disputes pending against some companies in the Enel Group (brought by GN on the basis of sanctions imposed by the Market Regulatory Authorities on Enel for several tens of millions of Euros), with a total claim for damages as per an expert's report for approximately Euro 340 million, including a claim for compensation for system costs paid to ED but not yet collected for more than Euro 40 million.

As a result, in February 2020 the company reported a total trade debt to ED equal to about Euro 343 million. The parties, therefore, decided to open negotiations aimed at obtaining a write-off of 50% (61% including VAT) of the trade debt, i.e. equal to a net amount of Euro 171 million, in exchange, among others, for abandoning the current proceedings regarding the return of the system costs unduly paid by GN (and a part of the write-off).
The agreement was then actually reached and formalised between GN and ED on 29 April 2020 for this amount. The remaining debt, net of VAT resulting from the write-off, amounting to Euro 134 million, will be repaid according to a structured 6-year plan consistent with the 2020 - 2026 Business Plan. From a formal point of view, it was jointly decided to choose the option of carrying out the settlement using the protective umbrella of an arrangement under Article 67, which provides both parties with greater safeguards.

The arrangement only covers GN and ED and is accompanied by a 2020-2026 Business Plan ("Plan"), certified in accordance with the law by Prof. Giovanni Fiori, consisting of a legal instrument exclusively in private law that needs no judicial scrutiny, as it belongs to the out-of-court settlement *genus* (Supreme Court, 5 July 2016, no. 13719). The Plan provides details of each component of the agreement.

The Plan that has been certified makes provision for excellent results already from the first year (May 2020) and throughout its term, with economic and financial ratios of very high standing. The compensation received, in fact, has enabled the Company to remove a number of substantial costs and bring to light GN's historical capacity to create value.

The Budget and the Plan provide for:

1. Shareholders' Equity at 30 April 2020 tripled and increasing year by year from Euro 55 million to Euro 130 million over the term of the plan;
2. EBITDA at 30 April 2020, which is affected by the positive effects of the contingent asset generated by the settlement agreement, net of system charges accounted for. The effects of Covid-19 are included;
3. EBITDA in the range of 6% of turnover as per best market standards;
4. No financial debt and cash available at the end of the period of the Plan, after payment of the remaining debt of Euro 140 million to ED.

GN's Directors, therefore, are very proud of the arrangement, whereby GN will at once seize the opportunities that present themselves in the immediate future as an effect of Covid-19 and afterwards with the termination of the Protected Consumer Market (*Mercato Tutelato*), as GN will be one of the main players in the expansion of the target Market as the only big private and independent Italian company.

GROUP RECLASSIFIED INCOME STATEMENT AND FINANCIAL POSITION AT 30 APRIL 2020

Green Network S.p.A. (and the Green Network Group) has prepared these financial statements for a reporting period of 16 months, in order to bring them into line with the change in the financial period of the parent company SC Holding S.r.l.; this change was in turn required by the consolidation requirements of the UK subsidiaries. Therefore, the figures in the financial statements for the financial period ended 30 April 2020 are not comparable to those reported for the comparative period ended 31 December 2018.

In €/th.	30.04.2020	31.12.2018	Change	% Change
Revenues from sales	2,097,582	1,671,955	425,627	25.5%
Reclassification of revenues*	(1,772)	(3,041)	1,269	(41.7%)
Costs of raw materials	(1,883,396)	(1,585,694)	(297,702)	18.8%
Gross Profit	**212,414**	**83,221**	**129,193**	**155.2%**
Direct costs	(29,057)	(17,858)	(11,199)	62.7%
Indirect costs	(54,398)	(33,841)	(20,557)	60.7%
EBITDA	**128,959**	**31,522**	**97,437**	**309.1%**

Amortisation and depreciation	(32,650)	(12,363)	(20,287)	164.1%
Write-downs and provisions	(36,266)	(4,167)	(32,099)	770.3%
EBIT	**60,043**	**14,992**	**45,051**	**300.5%**
Non-recurring costs	(285)	347	(632)	(182.1%)
Financial operations	(23,449)	(12,542)	(10,908)	87.0%
Profit (loss) before tax	**36,309**	**2,798**	**33,511**	**1,197.9%**
Taxes	694	(2,108)	2,803	(132.9%)
Profit (loss) from discontinued operations	**0**	**10,179**	**(10,179)**	**(100.0%)**
Net Profit (Loss)	**37,003**	**10,868**	**26,135**	**240.5%**

** Revenues from sales do not include penalties on fees charged to direct costs and the recovery of dispatching charges considered as a reduction in the respective cost;*

*** Indirect costs do not include costs relating to factoring commissions, charges on sureties and bank charges totalling Euro 9.2 million reclassified to financial operations.*

The table below reports the performance by segment:

Revenues (in €/mil.)	30.04.2020	31.12.2018	% Change
Green Network Spa	2,079	1,661	25%
Renewables	9	7	29%
Other companies/eliminations	8	1	551%
Total	**2,096**	**1,669**	**26%**

Revenues were substantially concentrated at the parent company.

The Gross Profit for the financial period under consideration came to Euro 212.4 million, broken down by segment:

Gross Profit (in €/mil.)	30.04.2020	31.12.2018	% Change
Green Network SpA	200.3	75.8	164%
Renewables	7.2	4.9	47%
Other companies/eliminations	5.0	2.6	94%
Total	**212.4**	**83.2**	**155%**

The margin recorded by other companies showed an increase due to the contribution given by Energrid S.r.l. and by the companies acquired during the previous year (Quinto and US Boreale).

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

Direct costs (in €/mil.)	30.04.2020	31.12.2018	%

			Change
Green Network SpA	26.5	16.2	64%
Renewables	2.5	1.7	50%
Total	**29.1**	**17.9**	**63%**

Below is the breakdown of indirect and financial costs by segment:

Indirect costs (in €/mil.)	30.04.2020	**31.12.2018**	**% Change**
Green Network SpA	50.2	32.6	54%
Renewables	0.0	0.0	n.a.
Other companies/eliminations	4.2	1.2	237%
Total	**54.4**	**33.8**	**61%**

Financial income and costs (in €/mil.)	30.04.2020	**31.12.2018**	**% Change**
Green Network SpA	21.8	11.3	94%
Renewables	1.4	1.1	26%
Other companies/eliminations	0.3	0.2	41%
Total	**23.4**	**12.5**	**87%**

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

Profit before tax came to Euro 36.3 million. The net result of Euro 37 million showed a considerable increase compared to 31 December 2018 due to the contingent item generated following the agreement with E-Distribuzione.

Net financial position and financial debt

Data in €/mil.	30.04.2020	**31.12.2018**	**Change**
Cash and cash equivalents	111.9	35.0	76.9
Short-term debt	(77.8)	(102.8)	25.0
Long-term debt	(14.9)	(22.2)	7.4
Net financial position	**19.3**	**(90.0)**	**109.3**

The net financial position was positive for Euro 19.3 million, showing an improvement of Euro 109.3 million, substantially linked to the agreement with E-Distribuzione, an amount of Euro 39.7 million of which consists of restricted cash.

Shareholders' equity

Data in €/mil.	30.04.2020	31.12.2018
Share capital	15.6	15.6
Other reserves	1.1	(9.5)
Net profit (loss) for the period	36.7	10.7
Minority interests	1.8	1.1
Total shareholders' equity	**55.3**	**17.9**

Shareholders' equity showed an increase from Euro 17.9 million to Euro 55.3 million at 30 April 2020.

PARENT COMPANY GREEN NETWORK SPA RECLASSIFIED INCOME STATEMENT AND FINANCIAL POSITION AT 30 APRIL 2020

Data in €/th.	30.04.2020	31.12.2018	Change	% Change
Revenues from sales	2,080,532	1,663,645	416,887	25%
Reclassification of revenues *	(1,772)	(3,041)	1,269	(42%)
Costs of raw materials	(1,878,479)	(1,584,823)	(293,656)	19%
Gross Profit	**200,282**	**75,781**	**124,500**	**164%**
Direct costs	(26,513)	(16,158)	(10,355)	64%
Indirect costs	(50,223)	(32,604)	(17,619)	54%
EBITDA	**123,546**	**27,020**	**96,526**	**357%**
Amortisation and depreciation	(28,957)	(9,572)	(19,385)	203%
Write-downs and Provisions	(36,264)	(4,125)	(32,139)	779%
EBIT	**58,325**	**13,322**	**45,002**	**338%**
Non-recurring costs	(1,973)	347	(2,320)	(668%)
Financial operations **	(21,809)	(11,250)	(10,559)	94%
Profit (loss) before tax	**34,543**	**2,419**	**32,124**	**1.328%**
Taxes	632	(1,952)	2,584	(132%)
Net Profit (Loss)	**35,175**	**467**	**34,708**	**7.425%**

** Revenues from sales do not include penalties on fees charged to direct costs and the recovery of dispatching charges considered as a reduction in the respective cost;*

*** Indirect costs do not include costs relating to factoring commissions, charges on sureties and bank charges totalling Euro 9.1 million reclassified to financial operations.*

Revenues from sales came to Euro 2,079 million and increased less than volumes due to a reduction in the selling prices of raw materials as described in detail below.

The table below reports the most significant quantitative data by segment:

Revenues by Energy segment (in €/mil.)	30.04.2020	31.12.2018	% Change
Corporate	712	587	21%

SMEs	295	198	49%
Domestic	89	66	35%
Wholesaler	193	207	(6%)
Other Revenues	599	432	39%
Total	**1,888**	**1,490**	**27%**

Revenues by Gas segment (in €/mil.)	30.04.2020	31.12.2018	% Change
Corporate	57	75	(25%)
SMEs	44	26	70%
Domestic	51	29	75%
Wholesaler	4	8	(50%)
Other Revenues	35	32	8%
Total	**191**	**171**	**12%**

Other revenues include income not arising from direct sales to end customers and largerly linked to portfolio optimisation (Energy Management).

The Gross Profit, as illustrated above, reflects the positive effect of about Euro 130 million linked to the settlement agreement with E-Distribuzione.

Below is the trend in direct costs:

Direct costs (in €/mil.)	30.04.2020	31.12.2018	% Change
Fees	12.3	6.4	91%
Advertising costs	3.4	3.0	14%
Customer care costs	3.5	2.0	70%
Postal / Toll-free number costs	2.3	1.9	20%
Commercial costs	1.3	0.8	75%
Debt Collection costs	3.8	2.1	84%
Total	**26.5**	**16.2**	**64%**

Growth in the segment of SMEs gives rise to an increase in recurring fees that is proportionate to the greater quantities of electricity and gas sold.

During the financial period, projects were commenced and partly implemented for optimising the customer management process (from acquisition to debt collection) with the aim of gradually reducing unit cost-to-serve in the coming years, while nevertheless maintaining a high standard of quality.

Indirect costs (in €/mil.)	30.04.2020	31.12.2018	% Change
Personnel	19.9	16.3	22%
Leases and Rentals	1.2	2.2	(46%)
Services and Consultancy advice	13.3	8.9	49%
Restructuring Costs	2.7	0.0	n.a.
Operating costs	13.1	5.1	154%
Total	**50.2**	**32.6**	**54%**

Other operating costs account for a substantial amount of indirect costs.

Personnel costs include the one-off costs incurred in 2019 as a result of a reduction in the workforce at the Turin office. The total number of employees in April 2020 was 197, down by 29 people compared to December 2018.

Costs for leases and rentals were affected by the first-time adoption of IFRS 16 and are now partly reclassified to amortisation and depreciation.

Costs for services include one-off securitisation costs of about Euro 1.1 million.

Restructuring costs include consultancy fees linked to the agreement with ED.

Operating costs partly reflect charges relating to the payment of non-recurring excise duties paid in the subsequent financial period.

Amortisation and depreciation include:

a) amortisation of one-off commissions paid to agencies (fees) on the basis of the number of customers acquired, which is steadily rising;
b) amortisation of goodwill relating to the acquisition of the above-mentioned portfolio made up of approximately 23,000 customers;
c) the first-time adoption of IFRS 16 on leases and rentals.

Write-downs reflect provisions of Euro 2 million set aside on the value of equity investments for prudential purposes.

The remaining amount arises from provisions for bad debts set aside for prudential purposes, amounting to Euro 64.5 million in April 2020.

Financial income and costs (in €/mil.)	30.04.2020	31.12.2018	% Change
Commissions and interest on factoring	3.8	3.8	(1%)
Commissions and interest on sureties	5.1	5.1	(0%)
Bank interest expense	1.0	1.3	(26%)
Interest expense to supplier	10.0	1.0	869%
Bank charges and commissions	2.8	2.0	36%
Other financial costs	6.2	1.3	376%
Other interest income	(2.7)	(0.8)	222%
Interest income from customers	(4.2)	(2.5)	71%
Total	**21.8**	**11.3**	**94%**

Interest expense to supplier, in practice, is the result of previous deferred payments to ED. In addition to substantially reducing the amount, the new plan provides for the application of an extremely low rate of interest. Hence, these charges are considered to be mainly non-recurring.

Net financial position and financial debt

Data in €/mil.	30.04.2020	31.12.2018	Change

Cash and cash equivalents	108.9	32.2	76.7
Short-term debt	(75.9)	(99.9)	24.0
Long-term debt	(6.0)	(10.7)	4.7
Net financial position	**27.1**	**(78.4)**	**105.4**

Net financial position improved by about Euro 100 million.

Shareholders' equity

Data in €/mil.	30.04.2020	31.12.2018
Share capital	15.6	15.6
Other reserves	4.6	4.9
Net profit (loss) for the period	35.2	0.5
Minority interests	0.0	0.0
Total shareholders' equity	**55.4**	**21.0**

Shareholders' equity came to Euro 55.4 million, up by 164% compared to the previous year.

OTHER INFORMATION

Research and development activities

Research and development activities were carried out on an ongoing basis to solve issues related to electricity and gas procurement and investments in energy generation from renewable sources through special purpose vehicles. However, no development cost was capitalised during the financial period under review since the requirements were not met.

Treasury shares

There are no treasury shares in the portfolio.

Information on personnel

The Group employed 305 people on average in the financial period compared to 270 in the previous year.

Information on the environment

As regards the protection of the environment, the Group's 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 terms prescribed by law.

Organisational model pursuant to Legislative Decree 231/2001

Following the enactment of Legislative Decree No. 231/2001 within the Italian legal system, all companies are potentially subject to a new form of civil and criminal liability for certain offences committed by their directors and/or employees, unless said companies have previously brought their organisational and internal control system into 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", to be intended as the autonomously–adopted instrument applicable in general to all stakeholders that establish relations with the Company, in order to lay down the principles of corporate ethics which the Company has made its own and which it asks all Shareholders, Employees, Directors, Consultants and Partners to abide by;
- the "Disciplinary Code" to be applied if breaches of the aforesaid Code of Ethics are reported.

In addition, again according to Legislative Decree 231/2001, the Company has appointed a special collective body, the "Supervisory Board", composed of three qualified professionals, responsible for monitoring and updating the aforesaid Organisational Model, as well as for the application of the Code of Ethics and the imposition of any possible sanction due to non-compliance.

The scope of application of the Organisational Model, therefore, consists of any and all areas relating to internal and external company processes, as well as to the organisational structure controlled by the company.

The Organisational Model also requires other subsidiaries controlled by Green Network, which are not expressly identified in the Model, to abide by the Code of Ethics in full and to adjust or create their own organisational, management and control model in compliance with the ethical principles and protocols defined.

ISO-9001 certification

With the help of qualified professionals, the consolidating company 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 taken any and all measures necessary to comply with Regulation (EU) No. 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

In consideration of the sector in which it operates, the Group is exposed to market risks and, for this reason, the management has put suitable monitoring tools in place to mitigate them.
For information on other risk factors to which the Group is exposed, including pursuant to Article 2428 of the Italian Civil Code, reference should be made to the relevant section of the explanatory notes to this annual Financial Report.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE OF THE FINANCIAL REPORT AND BUSINESS OUTLOOK

The company continues to pursue its strategy to increase sales of electricity and gas with strong emphasis on the segment of micro-businesses and domestic customers with a view to improving the profitability of its customer portfolio, supporting business development 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 the online channel and in the "Similar Protection" (*Tutela Simile*) segment in anticipation of the upcoming termination of the Greater Protection scheme, which will substantially expand the open market.

Rome, 26 June 2020

The Chairman of the Board of Directors

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Piero Saulli

III – GROUP CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

Income Statement and Statement of Comprehensive Income

	Notes	For the sixteen months ended 30 April 2020	For the twelve months ended 31 December 2018
Revenues			
Revenues from sales and services	1	1,857,648,407	1,548,525,351
Other revenues and income	2	239,933,509	123,429,895
Total revenues		**2,097,581,916**	**1,671,955,246**
Costs			
Electricity and gas purchase	3	1,884,861,823	1,588,427,609
Costs for services and materials	4	52,517,612	33,249,165
Personnel costs	5	26,864,288	20,477,701
Amortisation, depreciation and impairment	6	66,082,567	15,903,173
Provisions	7	2,833,667	627,000
Other operating costs	8	13,568,617	5,328,874
Total costs		**2,046,728,574**	**1,664,013,522**
EBIT		**50,853,342**	**7,941,724**
Financial income (costs) from financial instruments measured at fair value	9	7,365	(53,684)
Net profit (loss) from the sale of current and non-current operating assets		0	4,184
Financial income	10	6,087,212	2,748,566
Financial costs	11	(20,346,681)	(8,239,909)
Share of income/(costs) from equity-accounted investments	12	(292,285)	396,725
Profit (loss) before tax		**36,308,953**	**2,797,606**
Taxes	13	694,297	(2,108,241)
Profit (loss) from continuing operations		**37,003,250**	**689,365**
Profit (loss) from discontinued operations		**0**	**10,178,549**
Net profit (loss) for the period		**37,003,250**	**10,867,914**
- group share		36,714,670	10,738,898
- share attributable to minority interests		288,580	129,016

		For the sixteen months ended 30 April 2020	For the twelve months ended 31 December 2018
Profit (loss) for the period		**37,003,250**	**10,867,914**
Other comprehensive income			
Items that should not be reclassified to Profit (Loss) for the period			
Revaluations of property, plant and equipment and intangible assets		0	0
Actuarial gains (losses) from defined-benefit plans	5	(14,071)	5,397
Items that will or could be subsequently reclassified to Profit (Loss) for the period			
Profits (losses) from value restatement of other financial assets	9	(9,524)	(41,736)
Profits (losses) from translation of financial statements of foreign subsidiaries		389,934	454,864
Fair value changes in cash flow hedge	3	(1,009,152)	(7,527,761)
Income taxes relating to OCI		**184,580**	**2,049,142**
Comprehensive income (loss) for the period, of which		**36,545,017**	**5,807,820**
- group share		36,062,700	5,452,807
- share attributable to minority interests		482,318	355,013

Statement of Financial Position

	Notes	30.04.2020	31.12.2018
Non-current assets			
Intangible assets	14	62,179,898	46,038,492
Goodwill	15	27,467,338	27,341,721
Property, plant and equipment	16	34,217,530	36,879,583
Right of use	17	4,005,881	0
Investment property	18	7,487,725	7,773,961
Equity investments	19	499,829	734,383
Receivables from related parties	20	67,211,206	21,721,878
Receivables for deferred tax assets	21	8,592,103	7,457,148
Tax receivables	22	5,113,569	5,098,460
Other non-current assets	23	10,079,090	5,403,456
Total		**226,854,169**	**158,449,082**
Current assets			
Inventories	24	830,285	3,272,161
Trade receivables	25	242,540,269	420,074,151
Receivables from related parties	26	35,123,850	38,062,489
Receivables from banks and other financial institutions	27	59,908,974	18,716,742
Tax receivables	28	69,490,943	12,993,942
Derivatives	29	85,389,782	31,003,351
Other financial assets	30	392,900	952,163
Other current assets	31	13,442,344	15,329,061
Cash and cash equivalents	32	51,637,447	15,347,117
Total		**558,756,794**	**555,751,177**
Total assets		**785,610,963**	**714,200,259**
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	33	15,636,000	15,636,000
Other reserves	33	1,058,972	(9,512,915)
Net profit (loss) for the period	33	36,714,670	10,738,898
Minority interests	33	1,843,942	1,061,092
Total shareholders' equity		**55,253,584**	**17,923,075**
Non-current liabilities			
Long-term loans	34	14,851,593	22,220,336
Payables to minority shareholders	35	5,158,951	5,896,728
Employee severance indemnity and other employee benefits	36	3,351,510	3,183,397
Provisions for risks and charges (non-current portion)	37	11,580,241	11,768,408
Tax liabilities	38	11,465	11,465
Other non-current liabilities	39	12,286,993	10,277,063
Total		**47,240,753**	**53,357,397**
Current liabilities			
Short-term loans	40	77,825,589	102,814,302
Trade payables	41	357,292,402	440,581,263
Payables to related parties	42	11,578,389	32,374,972
Tax payables	43	129,891,278	39,246,577
Derivatives	44	91,179,828	15,223,835
Other current liabilities	45	15,349,140	12,678,838
Total		**683,116,626**	**642,919,787**
Total shareholders' equity and liabilities		**785,610,963**	**714,200,259**

Statement of changes in 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 contribution	Consolidation reserve	Reserve for valuation of other financial assets	Translation reserve	Reserve for actuarial gains	Net profit (loss) for the period	Total	Minority interests	Total 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 comprehensive income	0	0	0	0	0	0	1,385,009	0	0	0	4,271	390,738	(146,572)	0	**1,633,446**	0	**1,633,446**
Total comprehensive income	**0**	**0**	**0**	**0**	**0**	**0**	**1,385,009**	**0**	**0**	**0**	**4,271**	**390,738**	**(146,572)**	**0**	**1,633,446**	**0**	**1,633,446**
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	(394,639)	56,738	(92,144)	**(3,002,136)**	238,841	**(2,763,295)**
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 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 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**
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**
Balance at 1 January 2019	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	**16,861,982**	1,061,092	**17,923,074**
Adoption of new accounting standards	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**	0	**0**
Profit (loss) for the period	0	0	0	0	0	0	0	0	0	0	0	0	0	36,714,670	**36,714,670**	288,582	**37,003,252**
Other comprehensive income	0	0	0	0	0	0	(718,314)	0	0	0	(6,779)	(223,231)	(10,694)	0	**(959,019)**	0	**(959,019)**
Total comprehensive income	**0**	**0**	**0**	**0**	**0**	**0**	**(718,314)**	**0**	**0**	**0**	**(6,779)**	**(223,231)**	**(10,694)**	**0**	**(959,019)**	**0**	**(959,018)**
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**
Other changes	0	23,372	444,074	0	10,840,229	0	0	(2)	0	0	0	223,231	(0)	(10,738,898)	**792,007**	494,269	**1,286,275**
Balance at 30 April 2020	15,636,000	1,748,418	15,738,156	6,297,595	(29,934,047)	11,236,658	(3,760,612)	0	13,394	0	0	0	(280,591)	36,714,670	**53,409,640**	1,843,943	**55,253,583**

Consolidated Cash Flow Statement

	Notes	For the 16 months ended 30 April 2020	2018
Profit (loss) for the period from continuing operations		37,003,250	689,365
CASH FLOW STATEMENT OF OPERATING ACTIVITIES (A)			
Taxes for the period	13	(694,297)	2,108,241
Interest expense/(interest income)	10-11	13,847,255	5,283,788
Income from equity investments in other companies	10	0	(27,911)
Adjustments for non-cash elements with a contra-entry in net working capital			
Allocations to provisions	*6 - 7*	*36,724,216*	*4,897,691*
Amortisation and depreciation of fixed assets	*6*	*32,649,967*	*12,363,173*
Write-downs due to impairment losses	*6*	*592,600*	*0*
Other adjustments for non-cash elements	*41.191*	*284,920*	*(347,225)*
Cash flows from change in working capital			
- change in inventories	*24*	*2,441,876*	*(797,118)*
- change in trade and intercompany receivables	*20 - 25 - 26*	*147,663,020*	*(38,125,786)*
- change in trade and intercompany payables	*41-42*	*(104,085,444)*	*52,255,530*
- other changes in net working capital		*18,366,661*	*43,083,381*
Cash flows from other adjustments:			
Interest income and other financial income received	*11*	*6,499,425*	*2,984,031*
Interest expense and other financial costs paid	*12*	*(20,346,681)*	*(8,239,909)*
(Income taxes paid)		*(2,108,241)*	*(3,160,786)*
(Use of provisions)		(3,904,271)	(1,764,746)
Total cash flow generated from (used by) operations		**127,931,006**	**70,512,354**
CASH FLOW STATEMENT OF INVESTMENT ACTIVITIES (B)			
Cash flows from changes in property, plant and equipment	16-17	(9,503,356)	(8,130,978)
Cash flows from changes in intangible assets	14-15	(41,063,827)	(32,999,274)
Cash flows from changes in equity investments	19	(57,731)	2,449,141
Cash flows from changes in receivables for loans	20	(45,490,407)	(16,876,097)
Cash flows from changes in financial instruments	3 - 30 - 44	566,628	2,962,619
Total cash flow generated from (used by) investments		**(95,548,693)**	**(52,594,589)**
CASH FLOW STATEMENT OF FINANCING ACTIVITIES (C)			
Cash flows from borrowed capital:			
Increase (decrease) in short-term payables	40	(24,988,713)	(46,748,409)
Increase (decrease) in long-term payables	34	(8,106,520)	8,177,976
Dividends paid		0	0
Other changes in equity items	33	0	0
Total cash flow generated from (used by) financing activities		**(33,095,233)**	**(38,570,433)**
Increase (decrease) in cash and cash equivalents		36,290,330	(19,963,303)
Opening cash and cash equivalents		15,347,117	35,310,420
Closing cash and cash equivalents		51,637,447	15,347,117

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 referred to as "the Report") includes the accounting positions of Green Network S.p.A. and its subsidiaries and the shareholding in associates and joint ventures (hereinafter "the Group").

Basis of presentation of financial statements

The consolidated financial statements have been 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 the Standing Interpretations Committee (SIC), recognised by the European Union in accordance with Regulation (EC) No. 1606/2002 and applicable at the end of the financial period (the set of all reference standards and interpretations indicated above are hereinafter referred to as "EU-IFRS"). In particular, the EU-IFRS have been applied consistently to all financial periods presented in this document. This Report is stated in Euros, which is the currency of the primary economic area in which the Group operates. Foreign companies are included in this Report according to the standards stated in the notes below. This consolidated annual financial report was approved by the Board of Directors on 26 June 2020 and is subject to audit by PricewaterhouseCoopers S.p.A..

These financial statements provide a clear, true and fair view of the company's financial position, results of operations and cash flows. The financial statements correspond to the accounting records duly kept by the company.

Book values are stated in Euro units, with rounding-off of related amounts. Any rounding-off differences have been recognised under "Euro rounding-off reserve", stated among equity items, as "Euro rounding-off".

The financial statement schedules used are the same as those adopted to prepare the financial statements at 31 December 2018.

These Consolidated Financial Statements have been prepared on the basis of the going-concern assumption.

The Consolidated Financial Statements have been prepared 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.

As detailed in the Report on operations, on 29 April 2020 a settlement agreement was executed with Enel Distribuzione S.p.A. (ED), which allowed Green Network S.p.A. (GN) to realise a substantial net contingent asset. The effect of this agreement is included in the financial statements at 30 April 2020, which has a reporting period of 16 months, in order to bring them into line with the change in the financial period of the parent company SC Holding S.r.l., which was in turn required by the consolidation requirements of the UK subsidiaries.

During the 16-month financial period ended 30 April 2020, the Group posted a final profit of Euro 36.7 million, as well as showed a shareholders' equity of Euro 55.3 million and a financial debt of Euro 92.7 million, an amount of Euro 14.9 million of which due beyond 12 months. Current liabilities exceed current assets by about Euro 124.4 million. These values are substantially attributable to the parent company Green Network S.p.A..

The Directors have prepared a 2020-2026 Budget / Plan (the "Budget / Plan") for Green Network S.p.A., which was approved by the Board of Directors on 1 April 2020 and was certified in accordance with the law by an authoritative independent professional on 24 April 2020, with particular reference to the reasonableness of the assumptions underlying the projections made by the directors.

The 12-month Budget used in the preparation of these consolidated financial statements considers the generation of positive EBITDA with a rebalancing of net working capital and cash inflows. According to the Directors' projections there will be:

- a recovery of profit margins on the Electricity, Gas and Energy Management Business Units and normalisation of working capital through i) a strategy of focusing on customer clusters with higher profit margins, ii) an improvement in the customer base and therefore in the average churn rate, iii) an increase in acquisitions of new customers with particular reference to the cluster of domestic customers, iv) the optimisation of hedging and trading processes, v) economies of scale expected on Costs to Serve (CtS) and vi) efficiency improvement actions on structural costs;
- the repayment of loans disbursed by affiliates for about Euro 7 million.

The directors reasonably believe that the Green Network Group has sufficient assets and financial resources to continue its recurring operations and meet its obligations for the next twelve months, provided that the above actions are taken.

Furthermore, these consolidated financial statements at 30 April 2020 have been prepared on the basis of the going-concern assumption, for the reasons reported above, which are substantially based on the implementation of the 2020 / 2021 budget and the actual implementation of the actions described above.

Financial statement schedules

The financial statement schedules used, the accounting standards applied and the recognition and measurement criteria used, as well as 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 2018, to which reference is made for a more detailed overview.

Consolidated criteria and area

This Report provides information on the assets, financial position and results of operations, as well as on the cash flows and cash and cash equivalents of Green Network S.p.A. and of the companies in which it holds, directly or indirectly, a controlling interest in the 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, prepared in accordance with the reference accounting standards, to make the accounting policies consistent with those adopted by the Group.
Therefore, these companies, for the sole purposes of drafting these Consolidated Financial Statements, prepare a reporting package containing the book values that conform to the international accounting standards IAS/IFRS.
The closing date of the financial period of subsidiaries is aligned to that of the consolidating entity, and, where this does not occur, the subsidiaries prepare appropriate balance sheets. For the purposes of this Report, all subsidiaries submitted their separate financial statements and reporting package on 30 April 2020.
Receivables and payables, as well as costs and revenues arising from transactions between consolidated companies are eliminated in full; capital losses and capital gains arising from transfers of fixed assets between consolidated companies are also eliminated, as are profits and losses arising from transactions between consolidated companies relating to sales of assets that are held as inventories at the purchasing company, write-downs and write-backs of equity investments in consolidated companies, as well as intercompany dividends. The minority interests' share of capital and reserves in subsidiaries and the minority interests' share of profit or loss for the period of consolidated subsidiaries are identified separately.
When the Group loses control over a subsidiary, the fair value of the residual interest (investment) held on the date of the loss of control is restated, with any resulting difference booked as profit or loss in the statement of Profit/(loss) for the period attributable to the parent company. This value will also correspond to the initial book value of said residual equity investment as an investment in an associate, joint venture or financial asset. Finally, the Group will account for all amounts previously recognised among Other comprehensive income in relation to that subsidiary, as required in the event of the parent company directly disposing of the related assets or liabilities. This would entail the reclassification of these profits or losses from Equity to the statement of Profit/(Loss) for the period.

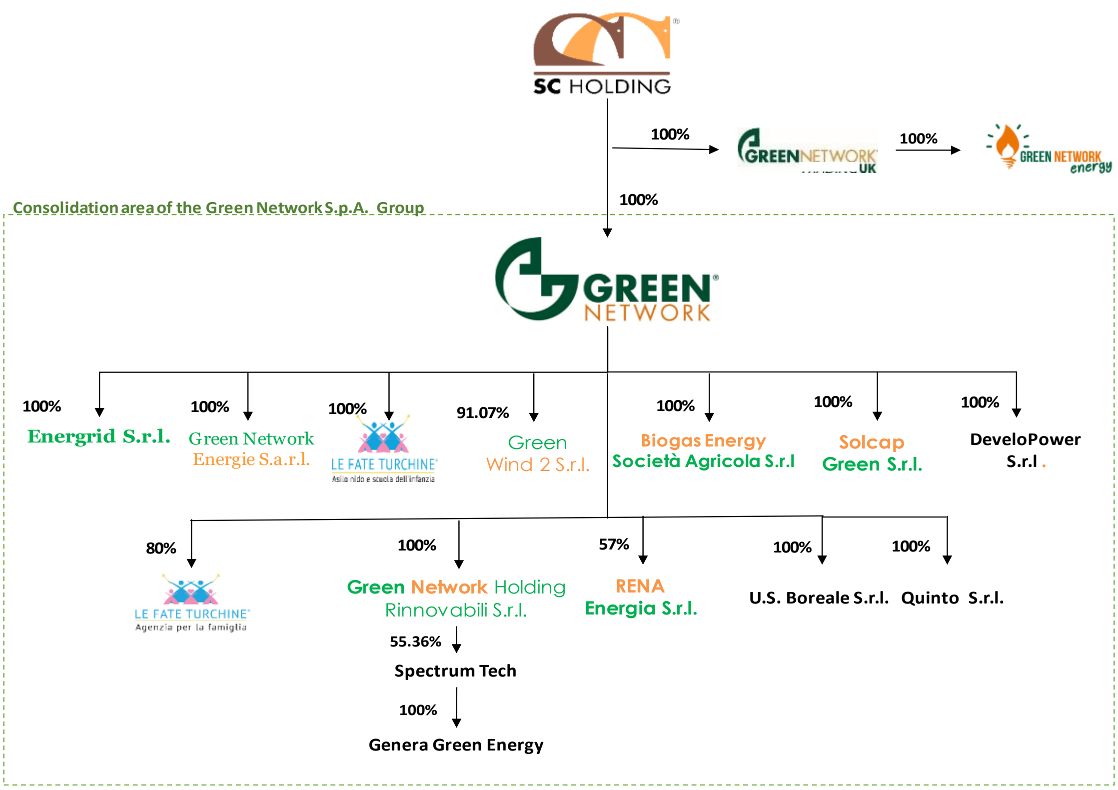
◆ Associates and joint ventures

An associate is an entity, even without legal personality, as in the case of a partnership, in which the investing company exercises a significant influence and which is neither a subsidiary nor a jointly-controlled 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 (participating in joint control) is required for the strategic financial and management decisions relating to the activity.
Equity investments in associates are initially recognised at cost which consists of the fair value, and are subsequently measured using the Equity method.

Profits or Losses pertaining to the Group are accounted for from the date on which the significant influence started up until the date it ceases. If there is any indicator of impairment, the book value of equity investments is tested for impairment in order to verify whether there is any evidence of permanent impairment losses. If there is evidence of impairment, the recoverability of the investment in the associate is verified by comparing the book value of the investment and the higher of the value in use, as determined by discounting, where possible, the prospective cash flows of the investee, and the theoretical sale value calculated on the basis of recent transactions or market multiples.

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

The consolidation area 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 core business performed by each Group company.

Subsidiaries	Core business	Consolidation method
SOLCAP GREEN S.R.L. Viale della Civiltà Romana 7, Rome	Production of energy from renewable sources (solar power)	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 2 S.R.L. Viale della Civiltà Romana 7, Rome	Production of energy from renewable sources (wind energy)	Line-by-line

Subsidiaries	Core business	Consolidation method
RENA ENERGIA S.R.L. Viale della Civiltà Romana 7, Rome	Production of energy from renewable sources (biomass)	Line-by-line
BIOGAS ENERGY SOC. AGRICOLA S.R.L. Viale della Civiltà Romana 7, Rome	Production of energy from renewable sources (biogas)	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	Production of energy from renewable sources (solar power)	Line-by-line
GENERA GREEN ENERGY Romania	Production of energy from renewable sources (solar power)	Line-by-line
GREEN NETWORK ENERGIE S.A.R.L. France	Electricity and gas sales to end consumers	Unconsolidated company
LE FATE TURCHINE IN LIQUIDATION 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	Recreation and educational services	Line-by-line
U.S. BOREALE S.R.L. Viale della Civiltà Romana 7, Rome	Production of energy from renewable sources (solar power)/Property investments	Line-by-line
QUINTO S.R.L. Viale della Civiltà Romana 7, Rome	Catering services	Line-by-line
DEVELOPOWER S.R.L. **Viale della Civiltà Romana 7, Rome**	Assistance services for decarbonisation processes	Unconsolidated company
Associates	Core business	
SOLERGYS S.p.A. Viale della Civiltà Romana 7, Rome	Production of energy from renewable sources (solar power)	Equity
JMS (Associazione in partecipazione) Via Corsica 143, Brescia	Production of energy from renewable sources (solar power)	Equity

The consolidation area, compared to the financial statements at 31 December 2018, reported the following changes:

- all minority interests in Green Network Holding Rinnovabili S.r.l. were acquired in June 2019, paying the minority quotaholder Simest S.p.A. an amount equal to the entity's equity as at the same date of transfer and, in any event, an amount of between Euro 3,500,000 and Euro 3,920,0000;
- Green Wind 1 S.r.l. was wound up definitively in October 2019;
- Le Fate Turchine S.r.l. was put into liquidation on 9 May 2019 since it was deemed not appropriate to continue business operations; the company was wound up definitively in April 2020;
- in December 2019 Developower S.r.l. was established, which is active in decarbonisation processes, with a quota capital of Euro 10,000, fully paid-up by the sole quotaholder Green Network S.p.A;
- in April 2020 Green Network S.p.A. acquired the entire quota of Quinto S.r.l. held by US Boreale S.r.l.,a subsidiary of Green Network S.p.A..

In compliance with IFRS 10, subsidiaries were consolidated on a line-by-line basis. In compliance with IAS 28, associated were valued according to the Equity method, considering the accounting statement available as at 31 December 2019, except for JMS S.r.l. for which the equity investment was written down during the financial period.

Translation of foreign currency items

The financial statements of subsidiaries and associates are prepared 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 into Euro, as it is the Group's functional currency. The following exchange rates have been used for the financial statements of the Romanian companies Spectrum Tech S.r.l and Genera Green Energy (source: www.bancaditalia.it):

- exchange rate prevailing at the reporting date of the financial statements: 4.8431;
- costs and revenues are converted at the average exchange rate for the period/year: 4.7606.

Restatement of comparative values

The balances recorded in the previous year have been reclassified for an improved reporting of income from core business operations.

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

	31.12.2018 restated	31.12.2018 reported	Change
Sale of energy	681,126,787	681,126,787	0
GME energy sales	0	98,295,687	(98,295,687)
Revenues from energy interconnector	128,406,932	128,406,932	0
Recovery of dispatching charges	84,822,538	84,822,538	0
Recovery of transmission charges	465,111,138	465,111,138	0
Revenues from imbalance and CNA* fees	10,411,598	10,411,598	0
CCC** revenues	3,429,630	3,429,630	0
Electricity Commercial costs	11,431,086	11,431,086	0
Recovery of CMOR*** fees	1,342,718	1,342,718	0
Revenues from electricity sales and services	**1,386,082,427**	**1,484,378,114**	**(98,295,687)**
Gas sales	119,416,428	119,416,428	0
GME gas sales	0	8,316,588	(8,316,588)
Recovery of gas transmission charges	10,031,176	10,031,176	0
Recovery of gas carrier charges	19,173,029	19,173,029	0
Revenues from gas imbalance	9,152,655	9,152,655	0
Other gas proceeds	134,185	43,638	90,547
Commercial costs of GAS	4,535,451	4,535,451	0
Revenues from sales of gas	**162,442,924**	**170,668,965**	**(8,226,041)**
Total	**1,548,525,351**	**1,655,047,079**	**(106,521,728)**

[*CNA, *Corrispettivo di Non-Arbitraggio*, Non-Arbitrage Fees]
[**CCC, *Copertura* contro il rischio di volatilità del *Corrispettivo* di assegnazione della *Capacità* di trasporto, *Hedge* against the volatility risk of the transmission *Capacity* allocation *Fees*]
[***CMOR, *Corrispettivo di Morosità*, Arrears Fees]

	31.12.2018 restated	31.12.2018 reported	Change
Revenues from feed-in tariff	928,988	928,988	0
Operating grants	3,945,416	3,945,416	0
Reimbursements of expenses	144	144	0
Compensation from suppliers	855,838	855,838	0
Revenues from contractual penalties and reimbursements	7,367,887	7,367,887	0
Revenues from green certificates	1,093,004	1,093,004	0
Recovery of costs and charges	125,960	125,960	0
Rent income	75,508	75,508	0
Provision of services	867,235	867,235	0
Other revenues	10,426	10,426	0
Other income	108,159,489	1,637,761	106,521,728
Total	**123,429,895**	**16,908,167**	**106,521,728**

Significant events during the financial period

Reference should be made to the Report on Operations.

Accounting policies

Introduction

The reporting period of the Financial Statements of Green Network S.p.A. ends after 16 months in order to bring it into line with that of the parent company SC Holding S.r.l..

Intangible assets

These only consist of identifiable assets, which are controlled by the entity and are capable of producing future economic benefits.

These assets are recognised at purchase, production or contribution costs, including additional charges (if any) 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 assets with a finite useful life are amortised systematically 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 trademarks;
- 5/8 years for “VAT” customer relationship;
- 5 years for “domestic” customer relationship;
- 1 year for “public authority” customer relationship.

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

Property, plant and equipment and Investment property

Operating property, plant and equipment are stated as “property, plant and equipment” while non-operating properties are classified as “Investment property”. These are booked in the financial statements at purchase, production or contribution cost, including additional charges according to the criteria already indicated for intangible assets.

Each component of a plant that has a different useful life is recognised separately so that it is depreciated in line with its duration according to a component approach.

The costs incurred after the 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 Company and the cost of the element can be determined reliably. All other costs are recognised through profit or loss in the financial period in which they are incurred.

These assets are depreciated systematically in each financial period on a straight-line basis according to economic and technical rates determined in relation to the assets' residual useful life. The range of years of useful life estimated by the Company is reported in the table below:

Description	Useful life (years)
Plant and machinery	4 - 20
Equipment	6
Furniture and furnishings	8
Electronic office machines	5
Mobile phones	5
Cars	4
Miscellaneous and small 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 derecognised 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 stated through profit or loss in the financial period of the aforesaid derecognition.

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

The assets acquired under finance leases, in compliance with the provisions of IAS 17, are recognised by stating a financial payable for the same amount among liabilities. The payable is gradually reduced based on the plan for the repayment of principal included in rentals agreed as per contract, while the value of the asset stated among “property, plant and equipment” is systematically depreciated based on the economic and technical life of the asset itself.

If there are indicators of impairment, property, plant and equipment are tested for impairment, as illustrated below in the paragraph on the “Impairment of assets”; write-downs (if any) may be written back at a later time if the reasons for their write-down no longer exist.

Environmental certificates (Emission allowances and green certificates)

Green certificates are stated as “Other non-current assets” under balance sheet assets and valued at purchase cost. This item is subject to impairment test.

The green certificates accrued in relation to energy produced by plants that use renewable sources can be treated as non-cash operating grants and recognised at fair value among other revenues and income, against an entry in “other non-financial assets”, if the certificates have not yet been credited to the proprietary account, or in inventories, if the certificates have already been credited.

Impairment losses

At each reporting date of financial statements, intangible assets, property, plant and equipment and equity investments are analysed in order to establish whether there is any evidence of impairment. If there are indicators of impairment, the recoverable value of the aforementioned assets is estimated, charging any possible write-down with respect to the related book value through profit or loss.

The recoverable amount of an asset is the higher of its fair value, less costs to sell, and its value in use. The latter consists of the present value of the expected future cash flows for said asset. The realisable value of an asset that does not generate largely independent cash flows 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. An impairment loss is recognised through profit or loss 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 through profit or loss, within the limits of the net carrying amount that the asset in question would have had if the write-down had not been carried out and if amortisation or 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 book value will be recovered through a sale transaction rather than through their on-going use. In order for this criterion to be applied, non-current assets (or disposal groups) must be available for immediate sale in their present conditions and the sale must be highly probable.

When the Company 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 Company 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 book 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 relevant 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 their carrying amount and related 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 fair value measurement, less selling costs and those relating to the reversals of impairment losses are recognised in the income statement as profit (loss) from continuing operations. Non-current assets are not amortised or 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 requirements are no longer met, the Company no longer classifies the assets (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, as adjusted by any amortisation, depreciation or reversal that would have been otherwise recognised had the asset (or disposal group) not been classified as held for sale, and
- their recoverable value calculated at the date of the subsequent decision not to sell, which is equal to the greater of their fair value less disposal costs and their value in use.

Any adjustment to the book value of the non-current asset that ceases to be classified as held for sale is recognised as profit (loss) from continuing operations.

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

- consists of 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 Company sets out in a separate item of the income statement a single amount consisting of the total of:

- profits or losses from discontinued operations net of tax effects, and
- the capital gain or loss, net of tax effects, recognised as a result of the fair value measurement, 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 in any case 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 recognised immediately as a revenue through profit or loss.
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 Company becomes a party to the contractual clauses of the instrument.

Financial assets are classified on the basis of the business model (i.e. the method according to which the Company 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 principal 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. 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 any other 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 any 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 are subsequently measured at fair value.

When financial instruments meet the requirements to qualify for hedge accounting, according to IAS 39, the following accounting treatments apply:

- Cash flow hedge: if the derivatives hedge the risk of fluctuations in the cash flows of hedged items, the effective portion of the fair value changes in the derivatives is booked directly to equity, in particular to the "Reserve for valuation of derivatives" and charged to the statement of other comprehensive income, while the ineffective portion is booked directly to profit or loss. At the moment the transaction is performed in the future, the amounts recognised directly in equity are reflected in the income statement consistently with the economic effects of the hedged item;
- Fair value hedge: if the derivatives hedge the risk of fair value changes in the hedged items, the fair value changes in derivatives are booked directly to profit or loss.

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 Company, fall outside the scope of application of IAS 39 ("own use exemption") and, therefore, they 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 Company 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 Company.

Cash and cash equivalents

These include bank and postal deposits, readily tradable securities that consist of temporary investments of liquidity and financial receivables due within three months.

Inventories

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

Provisions for risks and charges

These are set aside only when there is a present obligation, whose amount can be estimated reliably and which arises from past events; it may be of a legal or contractual nature or may derive from declarations or behaviour on the Company’s part that have induced a third party to have a valid expectation that the Company itself is responsible, or assumes the responsibility, for discharging the obligation (constructive obligations). If the financial effect of time is significant, the liability is discounted and the effect of the discounting-back is stated among financial costs.

Employee benefits

Employee severance indemnity (TFR, *Trattamento di Fine Rapporto*) is determined by applying an actuarial method: the amount of the rights accrued by employees in the financial period is charged to profit or loss among personnel costs, while the notional financial cost 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 (costs)”. 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.

Recognition of revenues and costs

The Company 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 Company 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 type of transaction, revenues are recognised according to the specific criteria reported below:

- revenues from sales of goods are recognised when the risks and rewards of ownership of the assets are transferred to the purchaser and their amount can be determined reliably;
- revenues from the sale and transmission of electricity and gas are recognised when the commodities are provided to the customers and refer to the quantities supplied in the financial period, 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, as well as by the orders issued by the Italian Energy Authority and equivalent foreign institutions, in force during the reference period;
- revenues from the provision of services are recognised with reference to the stage of completion of the service at the reporting date of the financial statements, in the financial periods 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 estimated total costs of the transaction. If the value of revenues cannot be determined reliably, they are recognised up to the amount of the costs incurred that are expected to be recovered;
- the income statement includes cost and revenue items dedicated to the management of costs of transmission, dispatching, etc., for which the Company 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 costs are recognised on an accruals basis.

Dividends are recognised when the right to collection by shareholders arises, which normally occurs in the financial period in which the share/quotaholders' meeting of the investee is held, which passes a resolution on the distribution of profits or reserves.

Taxation

Current taxes are based on the taxable result for the financial period. 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 periods and also excludes items that will never be taxable or deductible.

Current tax liabilities are calculated using the rates applicable or actually applicable at the reporting date of this Report, as well as the taxation instruments allowed by tax legislation.

Deferred tax liabilities and assets are taxes that are expected to be paid or recovered on the temporary differences between the book value of assets and liabilities in the financial statements and the corresponding value for tax purposes used in calculating the taxable income, 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 insofar as it is considered likely that there will be tax results that will be taxable in the future that will enable the use of deductible temporary differences.

The carrying amount of tax assets is reviewed at each reporting 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 and assets are calculated on the basis of the tax rate that is expected to be applicable when the asset is converted into cash or the liability is settled. Deferred tax liabilities and assets are charged directly to 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 purposes of the consolidated financial statements, it should be noted that taxes derive from the sum of taxes calculated on the book values of each consolidated company, which take account of the estimated taxable income in accordance with the applicable rates and provisions, or substantially approved at the closing date of the financial period, and of the applicable exemptions and tax credits due (if any).

It should be noted that, as from the financial period under review, the group companies do not apply, as in the previous year, the national tax consolidation scheme referred to in Articles 117 and ff. of Presidential Decree 917/1986, since the financial periods have no longer the same term as those of the consolidating company SC Holding S.r.l., as required by Article 119 of the Italian Consolidated Act on Income Taxes (TUIR, *Testo Unico delle Imposte sui Redditi*).

Accounting standards, amendments, interpretations and improvements applied from 1 January 2019

The additional documents applied from 1 January 2019, which make amendments to the International Accounting Standards that had an impact on the Group are reported below:

- 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 the 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 are shown in the financial data of the accounts (IFRS 16 applies 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 is different: there will still be a separate 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 recognises:

a) in the Balance Sheet, assets and liabilities for all leases that have a term of more than 12 months, unless the underlying asset has a modest value; and

b) in the Income Statement, amortisation and depreciation of leased assets separately from interest relating to any associated liability.

IFRS 16 was adopted from 1 January 2019, making use of the option, permitted by the transitional provisions of the accounting standard, to recognise the effect of the retrospective restatement of the values posted in equity at 1 January 2019, without restating the values relating to previous financial periods under comparison (applying the modified retrospective approach). In particular, the first-time adoption of IFRS 16 resulted in the recognition of right-of-use assets for Euro 6.8 million and a corresponding lease liability for the same amount.

In the transition to the new accounting standard, the Group decided to make use of the following practical expedients:

a) applying the standard to contracts previously identified as leases in accordance with IAS 17 and IFRIC 4;

b) recognising right-of-use assets at the date of first-time adoption for an amount equal to the lease liability adjusted by the amount of prepaid expenses or accrued income (if any) arising from such contracts and recognised in the Balance Sheet immediately prior to the date of first-time adoption;

c) possibly assessing whether the right-of-use assets at 1 January 2019 may be recovered on the basis of the measurement of the cost of lease agreements in accordance with IAS 37.

The additional documents applied as from 1 January 2019, which make amendments to the International Accounting Standards that had no impact on the Group, are reported below:

- 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.

- 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 rest of the financial 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.

- Amendments to IAS 28 – Long-term Interest in Associates and Joint Ventures

The amendments, which were issued in October 2017, clarify that the company must apply the provisions of IFRS 9 to non-current investments in associates and joint ventures for which the equity method is not applied.

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

On 12 December 2017 the IASB published the document on "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 through profit or loss, 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.

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

- Amendments to References to the Conceptual Framework in IFRS Standards

The document, which was issued in March 2019, outlines the amendments to the standards concerned in order to bring the reference to the Revised Conceptual Framework up to date. These amendments accompany the latest version of the "Revised Conceptual Framework for Financial Reporting", issued in March 2018, which contains some new concepts, provides better definitions and recognition criteria and clarifies some key concepts. The revised Conceptual Framework and the abovementioned amendments will be applicable from the financial periods commencing on 1 January 2020.

- Amendments to IAS 1 and IAS 8 - Definition of Material

They were issued in October 2018 to align the definition of "materiality" between standards and clarify some related issues. The new definition is as follows: "*Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of a specific reporting entity's general purpose financial statements make on the basis of those financial statements*." The amendments will be applicable from the financial periods commencing on or after 1 January 2020, with early adoption permitted.

- Amendments to IFRS 9, IAS 39, IFRS 7 - Interest Rate Benchmark Reform

The document, which was issued in September 2019, provides for some amendments to hedge accounting rules and some additional disclosures during the transition period (i.e., until the choice of an alternative official Interest Rate Benchmark). In this regard, it should be noted that the reform will have an impact on fair value measurement, the effects of hedge accounting and net financial position when the alternative rates have been set out.

- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current

The document, which was issued in January 2020, makes amendments to the provisions of IAS 1 with reference to the reporting of liabilities. In greater detail, the amendments clarify that:

- the classification of liabilities as current or non-current should be based on the entity's rights to defer settlement that are in existence at the end of the reporting period;
- the classification is unaffected by the management's intentions or expectations about whether an entity will exercise its right to defer settlement of a liability;
- borrowing terms and conditions affect the classification; and
- the settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services .

The amendments will be applicable, subject to endorsement, from the financial periods commencing on or after 1 January 2022, with early adoption permitted.

Use of estimates and subjective evaluations

The preparation of these financial statements and explanatory notes required Directors to use estimates and assumptions both in determining certain assets and liabilities and in measuring contingent liabilities. Future results arising from the occurrence of the events could therefore differ from these estimates. The estimates and assumptions considered are reviewed on an ongoing basis and the effects of any changes 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 property, plant and equipment and amortisation of intangible assets and impairment tests, as described in the paragraph on the "impairment of non-financial assets" above;
- measurement of derivatives and, more in general, of financial instruments; for more details, reference should be made to the criteria set out in "Financial instruments" and in the paragraph relating to "fair value measurement";
- determination of certain revenues from sales, provisions for risks and charges, provisions for bad debts and other provisions for write-down, employee benefits and taxation: in these cases the best possible estimates have been made based on the information available.

Offsetting of financial assets and liabilities

In the presence of formal agreements with counterparties, the Group offsets financial assets and 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.

SEGMENT REPORTING

The operating segments are identified by the management, in line with the management and control model used, the business sectors and 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:

Segment reporting by business sector

30 April 2020	Power	Gas	Other activities	Total
Revenues	1,689,999,241	167,649,166	239,933,509	**2,097,581,916**
Direct costs	(1,719,603,814)	(161,277,276)	(3,980,733)	**(1,884,861,823)**
Investments	33,334,762	3,306,833	8,518,626	**45,160,221**

31 December 2018	Power	Gas	Other activities	Total
Revenues	1,386,082,427	162,442,924	123,429,895	**1,671,955,246**
Direct costs	(1,431,959,133)	(154,330,091)	(2,138,385)	**(1,588,427,609)**
Investments	33,814,054	3,962,862	8,588,152	**46,365,068**

Segment reporting by geographical area

30 April 2020	Italy	Romania	Total
Revenues from electricity sales and services	1,689,533,237	466,004	1,689,999,241
Revenues from sale of gas	167,649,166	0	167,649,166
Other revenues and income	237,512,390	2,421,119	239,933,509
Electricity purchase and associated costs	1,719,603,814	0	1,719,603,814
Gas and electricity purchase and associated costs	156,507,234	0	156,507,234

31 December 2018	Italy	Romania	Total
Revenues from electricity sales and services	1,385,848,275	234,152	1,386,082,427
Revenues from sale of gas	162,442,924	0	162,442,924
Other revenue and income	121,796,519	1,633,375	123,429,895
Electricity purchase and associated costs	1,431,959,133	0	1,431,959,133
Gas and electricity purchase and associated costs	155,127,209	0	155,127,209

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

There is no significant concentration of sales for counterparties of the Group.

Explanatory notes to the income statement

1. Revenues from sales and services – Euro 1,857,648,407

Revenues from sales and services refer exclusively to revenues from the sale of electricity and gas. The breakdown of this item is reported below.

	For the 16 months ended 30 April 2020	2018	Change	% Change
Sale of energy	833,423,954	681,126,787	152,297,167	22.4%
Revenues from energy interconnector	120,231,517	128,406,932	(8,175,415)	(6.4%)
Recovery of dispatching charges	102,507,612	84,822,538	17,685,074	20.8%
Recovery of transmission charges	597,590,438	465,111,138	132,479,300	28.5%
Revenues from imbalance and CNA	2,057,695	10,411,598	(8,353,903)	(80.2%)
CCC revenues	4,738,920	3,429,630	1,309,290	38.2%
EE Commercial costs	27,330,224	11,431,086	15,899,138	139.1%
Recovery of CMOR charges	1,833,905	1,342,718	491,187	36.6%
Revenues from energy	4,060	0	4,060	n.s.
Recovery on imbalance	102,952	0	102,952	n.s.
Recovery of expenses	177,964	0	177,964	n.s.
Revenues from electricity sales and services	**1,689,999,241**	**1,386,082,427**	**303,916,814**	**21.9%**
Gas sales	107,532,115	119,416,428	(11,884,313)	(10.0%)
Recovery of gas transmission charges	12,992,128	10,031,176	2,960,952	29.5%
Recovery of gas carrier charges	30,979,206	19,173,029	11,806,177	61.6%
Revenues from gas imbalance	4,250,566	9,152,655	(4,902,089)	(53.6%)
Other gas proceeds	19,902	134,185	(114,283)	(85.2%)
Commercial costs - GAS	11,874,390	4,535,451	7,338,939	161.8%
Revenues from gas	859	0	859	n.s.
Revenues from sale of gas	**167,649,166**	**162,442,924**	**5,206,242**	**3.2%**
Total	**1,857,648,407**	**1,548,525,351**	**309,123,056**	**20.0%**

During the financial period under review revenues recorded an increase of 20% compared to 2018. Revenues from sales increased less than volumes due to commodity price trends. For more details, reference should be made to the Report on Operations.

2. Other revenues and income – Euro 239,933,509

These were made up as follows at 30 April 2020:

	For the 16 months ended 30 April 2020	2018	Change	% Change
Revenues from feed-in tariff	1,052,105	928,988	123,117	13.3%
Operating grants	4,715,804	3,945,416	770,388	19.5%
Reimbursement of expenses	1,144	144	1,000	694.4%
Compensation from suppliers	1,427,951	855,838	572,113	66.8%
Revenues from contractual penalties and reimbursements	(9,599,081)	7,367,887	(16,966,968)	(230.3%)
Revenues from green certificates	1,176,900	1,093,004	83,896	7.7%
Recovery of costs and charges	252,916	125,960	126,956	100.8%
Proceeds from securitisation	122,377	0	122,377	n.s.
Rent income	115,600	75,508	40,092	53.1%
Provision of services	1,020,986	867,235	153,751	17.7%
Other revenues	6,741	10,426	(3,685)	(35.3%)
Other income	239,640,066	108,159,489	131,480,577	121.6%
Total	**239,933,509**	**123,429,895**	**116,503,614**	**94.4%**

Revenues from contractual penalties include adjustments arising from the discontinuance of proceedings against Enel Distribuzione.
Other income includes proceeds that do not arise from direct sales to end customers and that are largely linked to portfolio optimisation, as well as transactions with GME. Operating grants related to the forms of incentive from which some Group companies benefit in relation to plants that produce electricity from sources of renewable energy.

3. Electricity and gas purchase – Euro 1,884,861,823

	For the 16 months ended 30 April 2020	2018	Change	% Change
Electricity purchase	1,045,665,832	847,849,975	197,815,857	23.3%
Energy transmission charges	464,765,653	439,234,952	25,530,701	5.8%
Dispatching charges	100,965,571	80,461,958	20,503,613	25.5%
Imbalance and CNA Electricity costs	2,429,844	8,124,385	(5,694,541)	(70.1%)
CCC charges	3,260,519	2,259,357	1,001,162	44.3%
GME energy costs	100,837,746	47,986,671	52,851,075	110.1%
GME service costs	469,492	222,495	246,997	111.0%
GSE service costs	156	0	156	n.s.
CTS* fees	302,693	4,340,104	(4,037,411)	(93.0%)
Energy CMOR charges	906,308	1,479,236	(572,928)	(38.7%)
Electricity purchase and associated costs	**1,719,603,814**	**1,431,959,133**	**287,644,681**	**20.1%**
Gas purchase	109,565,924	120,847,847	(11,281,923)	(9.3%)
Gas imbalance costs	1,577,660	2,510,886	(933,226)	(37.2%)
Gas transmission charges	12,792,491	12,469,934	322,557	2.6%
Gas carrier charges	31,426,406	19,101,404	12,325,002	64.5%
GME gas purchase	1,005,805	197,138	808,667	410.2%
Gas CMOR charges	138,948	0	138,948	n.s.
Gas purchase and associated costs	**156,507,234**	**155,127,209**	**1,380,025**	**0.9%**
Biomass purchase	2,244,575	1,717,151	527,424	30.7%
Other purchases	2,386,501	0	2,386,501	n.s.
Consumables	1,736,158	421,234	1,314,924	312.2%
Inventories	2,383,541	(797,118)	3,180,659	(399.0%)
Total	**1,884,861,823**	**1,588,427,609**	**296,434,214**	**18.7%**

[*CTS, *Corrispettivo Tariffario Specifico*, Specific Tariff Fees]

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

It should be noted that the item “Electricity purchase” includes costs and income arising from the formalization of derivative contracts on commodities signed by the company for trading or hedging purposes and performed during the financial period, as well as the mark mark-to-market of trading derivative contracts existing at 30 April 2020. More specifically, this effect can be represented as follows:

	Commodity derivatives formalized during the financial period	Change in FV of commodity derivatives	Total
Costs	(49,851,937)	(74,864,429)	(124,716,366)
Income	12,219,089	54,304,018	66,523,108

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

4. Costs for services and materials – Euro 52,517,612

Costs for services and materials are made up as follows:

	For the 16 months ended 30 April 2020	2018	Change	% Change
Other costs for services	1,018,109	989,199	28,910	2.9%
Technical consultancy	4,411,671	442,235	3,969,436	897.6%
Legal and tax advice	3,101,329	1,955,473	1,145,856	58.6%
Insurance	166,189	77,331	88,858	114.9%
Other consultancy advice	516,633	517,491	(858)	(0.2%)
Independent auditors' fees	738,314	260,691	477,623	183.2%
Financial advice	383,512	215,124	168,388	78.3%
Advertising and promotion	3,414,268	2,994,115	420,153	14.0%
Utilities	324,622	185,554	139,068	74.9%
Plant operation	187,946	144,717	43,229	29.9%
Postal and telephone expenses	2,284,565	1,613,856	670,709	41.6%
Stationery and printed materials	159,231	317,516	(158,285)	(49.9%)
Hardware and software support	1,712,281	1,257,756	454,525	36.1%
Financial costs	1,298,473	1,168,369	130,104	11.1%
Statutory Auditors' fees	72,107	54,080	18,027	33.3%
Supervisory Board's fees	24,960	27,300	(2,340)	(8.6%)
Factoring fees	2,775,325	2,241,042	534,283	23.8%
Charges on sureties	5,116,024	3,640,883	1,475,141	40.5%
Commissions expense	12,972,558	6,724,607	6,247,951	92.9%
Call centre service costs	4,799,748	2,796,142	2,003,606	71.7%
Entertainment expenses	887,294	447,545	439,749	98.3%
Credit insurance	1,805,149	767,945	1,037,204	135.1%
Debt collection and management costs	1,974,898	1,304,765	670,133	51.4%
Transport and Storage	156,540	146,541	9,999	6.8%
Maintenance and repairs	848,736	554,650	294,086	53.0%
Rent expense and associated charges	320,708	1,490,239	(1,169,531)	(78.5%)
Car hire	8,882	28,006	(19,124)	(68.3%)
Equipment hire	80,607	372,035	(291,428)	(78.3%)
Maintenance and repairs of third-party assets	178,065	178,756	(691)	(0.4%)
Software user licences	712,238	306,085	406,153	132.7%
Lease fees and charges	40,178	5,764	34,414	597.1%
Building leases and easements	26,452	23,353	3,099	13.3%
Total	**52,517,612**	**33,249,165**	**19,268,447**	**58.0%**

The item showed an increase compared to the previous year mainly due to higher costs for advice required during the financial period under review, in particular for restructuring costs, reported under technical consultancy, which include consulting costs linked to the agreement with E-Distribuzione S.p.A., as well as for higher commissions expense, charges on sureties and call center service expenses.

5. Personnel costs – Euro 26,864,288

	For the 16 months ended 30 April 2020	2018	Change	% Change
Wages and salaries	15,604,346	11,614,942	3,989,404	34.3%
Directors' fees	3,144,845	2,666,740	478,105	17.9%
Social security charges	4,973,405	3,335,345	1,638,060	49.1%
Directors' and freelancers' social security charges	123,942	71,203	52,739	74.1%
Employee severance indemnity	1,050,547	731,090	319,457	43.7%
Cost of temporary work	120,735	24,726	96,009	388.3%
Other personnel costs	1,846,468	2,033,655	(187,187)	(9.2%)
Total	**26,864,288**	**20,477,701**	**6,386,587**	**31.2%**

The increase in personnel costs was due to a general rise in the number of employees used by the Group to conduct the company business, which, at the reporting date, stood at an average of 305 people (an average of 270 in 2018), divided into the following categories:

- 18 senior managers on average;
- 42 middle managers on average;
- 160 employees on average;
- 85 blue-collars on average.

The breakdown of employees serving at 30 April 2020 for the various categories, compared to the previous year, is also reported below.

	For the 16 months ended 30 April 2020	31.12.2018
Senior managers	18	18
Middle managers	39	47
Employees	153	273
Blue-collars	105	4
Total	**315**	**342**

The provision for employee severance indemnity of Euro 1,050,547 takes into account the guidelines provided in IAS 19 and, during the financial period under review, the application of the standard with the actuarial assumptions described in note no. 36 below resulted in a change in the reserve for actuarial gains of Euro 10,694 charged to comprehensive income.

Other personnel 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, fees due to the company doctor for mandatory medical check-ups and the management of cars granted as company benefits.

6. Amortisation, depreciation and impairment – Euro 66,082,567

	For the 16 months ended 30 April 2020	2018	Change	% Change
Amortisation and impairment of intangible assets	24,796,803	8,901,888	15,894,915	178.6%
Depreciation and impairment of property, plant and equipment	7,527,281	3,221,079	4,306,202	133.7%

Depreciation of investment property	325,883	240,206	85,677	35.7%
Impairment of other assets	592,600	0	592,600	n.s.
Impairment of trade receivables	32,840,000	3,500,000	29,340,000	838.3%
Impairment of other receivables	0	40,000	(40,000)	(100.0%)
Total	**66,082,567**	**15,903,173**	**50,179,394**	**315.5%**

The item relating to the amortisation of intangible assets and to the depreciation of plant and equipment 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 showed an increase that was mainly due to the effect of the amortisation of the one-off commissions paid to agencies (fees) on the basis of the customers acquired, which are gradually increasing, as a result of the amortisation of goodwill related to the acquisition of the customer portfolio during the financial period, and as a result of the first-time adoption of the new international standard IFRS 16, the implementation of which gave rise to an increase in property, plant and equipment and consequently in their depreciation.

The item relating to the impairment of other assets, equal to Euro 592,600, only refers to the write-down of projects capitalized in 2018 but not yet implemented.

As regards receivables, the amount of Euro 32,840,000 relates to the impairment test carried out by the company on the portfolio loans during the financial period under review and only relates to the provision set aside following the valuation of the receivables in the portfolio that have similar characteristics (cluster, unpaid ratio etc.) in line with corporate policies.

7. Provisions – Euro 2,833,667

	For the 16 months ended 30 April 2020	2018	Change	% Change
Provision for charges	2,833,667	627,000	2,206,667	351.9%
Total	**2,833,667**	**627,000**	**2,206,667**	**351.9%**

The provision refers for Euro 1,875,000 to the dispute with Alpiq, which was concluded with an unfavourable outcome for the Company, thus leading to the full use of the provision that had partly set aside as early as in the previous year, as well as for Euro 756,000 to the ARERA procedure to challenge the application of specific fees to the end Customer for the receipt of invoices, for Euro 200,000 to a settlement agreement reached with the Edison counterparty as compensation for damages, and for Euro 2,667 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 – Euro 13,568,617

	For the 16 months ended 30 April 2020	2018	Change	% Change
Taxes and duties	2,091,342	1,357,224	734,118	54.1%
Membership fees	123,523	78,793	44,730	56.8%
Sanctions, fines and penalties	8,855,269	2,266,905	6,588,364	290.6%
Contribution to Antitrust Authorities	51,624	38,820	12,804	33.0%
Other charges	2,446,859	1,587,132	859,727	54.2%
Total	**13,568,617**	**5,328,874**	**8,239,743**	**154.6%**

"Other charges" mainly consist of taxes/duties, fines and penalties imposed on the company during the financial period under review in relation to excise duties.

9. Financial income (costs) from financial instruments measured at fair value – Euro 7,365

The balance of Euro 7,365 is made up of the following amounts:

- Euro (11,685) relating to the sale of Banca Etruria Bonds that took place during the financial period;
- Euro 4,320 relating to the difference between the fair value recorded in the accounts and the value arising from the sale of the bonds in portfolio.

10. Financial income – Euro 6,087,212

This item is broken down as follows.

	For the 16 months ended 30 April 2020	2018	Change	% Change
Income from equity investments in other companies	0	27,911	(27,911)	(100.0%)
Income from equity investments	**0**	**27,911**	**(27,911)**	**(100.0%)**
Interest on loans to associates	28,890	27,018	1,872	6.9%
Interest on securities	14,617	25,630	(11,013)	(43.0%)
Interest on loans to other group companies	1,017,918	229,832	788,086	342.9%
Interest income from customers	4,180,836	2,453,463	1,727,373	70.4%
Interest income on current accounts	9,182	2,124	7,058	332.3%
Other financial income	452,350	218,053	234,297	107.4%
Securitisation proceeds	534,722	0	534,722	n.s.
IFRS 16 financial income	260,910	0	260,910	n.s.
Financial income	**6,499,425**	**2,956,120**	**3,543,305**	**119.9%**
Foreign exchange gains and losses	**(412,213)**	**(235,465)**	**(176,748)**	75.1%
Total	**6,087,212**	**2,748,566**	**3,338,646**	**121.5%**

Financial income showed an increase compared to the balance in the previous year, as a result of higher interest income from customers and higher interest on loans to other group companies, as well as interest for the securitisation transaction, and for the first-time adoption of the new international accounting standard IFRS 16.

11. Financial costs – Euro 20,346,681

The breakdown of this item is reported below.

	For the 16 months ended 30 April 2020	2018	Change	% Change
Bank interest expense	1,004,414	1,360,137	(355,723)	(26.2%)
Interest expense on mortgages and loans	911,709	830,121	81,588	9.8%
Interest expense on factoring	1,055,807	1,603,533	(547,726)	(34.2%)
Interest payable to other lenders	10,033,929	1,047,721	8,986,208	857.7%
Interest expense and charges on leases	85,103	76,120	8,983	11.8%

Credit Rating access fee	1,495,999	1,445,884	50,115	3.5%
Other interest and expense	1,506,106	977,455	528,651	54.1%
Interest on settlement agreements	6,252	437,824	(431,572)	(98.6%)
Interest expense on shareholders' loans	37,114	86,184	(49,070)	(56,9%)
Interest expense on voluntary settlement	6,366	1,001	5,365	536.0%
Green certificate discounting	0	62,219	(62,219)	(100.0%)
IFRS 16 Interest expense	176,724	0	176,724	n.s.
Securitisation charges	3,586,904	0	3,586,904	n.s.
Other financial costs	376,743	276,438	100,305	36.3%
Employee severance indemnity discounting	63,511	35,272	28,239	80.1%
Total	**20,346,681**	**8,239,909**	**12,106,772**	**146.9%**

The item showed an increase of Euro 12,106,772 million, mainly attributable to higher interest payable to other lenders, which mainly includes interest paid to suppliers for deferred payments granted by them for Euro 7,943,266, to be mostly regarded as non-recurring, as well as to securitisation charges for Euro 3,586,904.

12. Share of income/(costs) from equity-accounted investments – Euro (292,285)

The breakdown of this item is reported below.

	For the 16 months ended 30 April 2020	2018	Change	% Change
Green Wind 1	(47,732)	0	(47,732)	n.s.
Solergys	67,853	91,131	(23,278)	(25.5%)
Green Network Europe Energy Sarl	(50,000)	310,808	(360,808)	(116.1%)
JMS	(262,406)	(5,214)	(257,192)	4,932.7%
Total	**(292,285)**	**396,725**	**(689,011)**	**(173.7%)**

The item reflects the effects of the valuation of the equity investments in subsidiaries and associates and is made up of a write-down of Euro 47,732 of the investment in Green Wind 1 S.r.l., a write-down of Euro 50,000 of the investment in Green Network Europe Energy Sarl, a write-down of Euro 262,406 of the investment in JMS and a revaluation of Euro 67,953 of the investment in Solèrgys.

13. Taxes – Euro 694,297

Taxes for the period showed a negative balance totalling Euro 694,297. The breakdown of this item is reported below in accordance with IAS 12.

	Amount
Current taxes	(279,209)
Taxes relating to previous years	(570,055)
Deferred tax liabilities/assets	1,490,609
Income from consolidation relating to previous years	52,952
Total	**694,297**

14. Intangible assets – Euro 62,179,898

Intangible assets showed a net book value of Euro 62,179,898 and are broken down as follows:

	Software licences	Trademarks	Other intangible assets	Total
Initial values at 31 December 2018	**1,711,523**	**7,550,615**	**36,776,354**	**46,038,492**
Changes at 30 April 2020				
- acquisitions	1,785,473	22,346	39,108,819	40,916,638
- disposals	0	0	0	0
- other adjustments from acquisition	0	0	0	0
- amortisation	(767,272)	(1,115,179)	(22,839,701)	(24,722,152)
- other changes	0	0	(53,079)	(53,079)
- write-downs	0	0	0	0
Total changes	**1,018,200**	**(1,092,834)**	**16,216,039**	**16,141,406**
Values at 30 April 2020	**2,729,723**	**6,457,782**	**52,992,393**	**62,179,898**
Historical cost	**6,640,263**	**8,415,569**	**82,746,024**	**97,801,856**
Accumulated amortisation at 31 December 2018	(3,143,267)	(842,608)	(6,860,851)	(10,846,726)
Other changes	0	0	(53,079)	(53,079)
Amortisation for the period	(767,272)	(1,115,179)	(22,839,701)	(24,722,152)
Accumulated amortisation at 30 April 2020	**(3,910,539)**	**(1,957,787)**	(29,753,631)	(35,621,957)
Values at 30 April 2020	**2,729,723**	**6,457,782**	**52,992,393**	**62,179,898**

During the financial period under review, the item showed a change of Euro 16,141,406 attributable to the acquisition of a customer portfolio for Euro 18,686,850, net of amortisation for the financial period.

The purchases of software licenses made during the financial period, equal to Euro 1,785,473, relate to the licenses used by the company, concerning the software used to manage accounting, treasury/finance and customers.

Trademarks showed purchases of Euro 22,346 relating to investee Quinto S.r.l..

Purchases on other intangible assets related to incremental costs of obtaining a contract.

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

15. Goodwill – Euro 27,467,338

The value of Euro 27,467,338 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 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.

16. Property, plant and equipment - Euro 34,217,530

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

	Land and buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Fixed assets under construction and advances	Total
Initial values at 31 December 2018	**6,793,122**	**26,215,650**	**61,405**	**3,809,406**	**0**	**36,879,583**
Changes at 30 April 2020				1,372,145		1,372,145
- acquisitions	1,404,370	396,298	120,119	1,310,059	14,709	3,245,555
- disposals	0	0	0	0	0	0
- other adjustments from acquisition	0	0	0	0	0	0
- depreciation	(398,377)	(3,202,819)	(49,100)	(1,783,776)	0	(5,434,072)
- Reclassifications	0	(63,088)	(2,369)	(1,780,224)	0	(1,845,681)
- Other changes	0	0	0	0	0	0
Total changes	**1,005,993**	**(2,869,609)**	**68,650**	**(2,253,941)**	**14,709**	**(4,034,198)**
Values at 30 April 2020	**7,799,115**	**23,346,041**	**130,055**	**2,927,610**	**14,709**	**34,217,528**
Historical cost	**8,368,770**	**40,002,376**	**236,498**	**13,118,879**	**14,709**	**61,741,232**
Accumulated depreciation at 31 December 2018	(171,279)	(13,390,429)	(54,973)	(6,627,269)	0	(20,243,950)
Depreciation for the period	(398,376)	(3,202,819)	(49,100)	(1,783,776)	0	(5,434,071)
Reclassifications	0	(63,088)	(2,369)	(1,780,224)	0	(1,845,681)
Accumulated depreciation at 30 April 2020	**(569,655)**	**(16,656,336)**	**(106,442)**	**(10,191,269)**	**0**	**(27,523,702)**
Values at 30 April 2020	**7,799,115**	**23,346,040**	**130,056**	**2,927,610**	**14,709**	**34,217,530**

The item relating to land and buildings, which showed a net book value of Euro 7,799,115, recorded an increase of Euro 1,404,370, mainly arising from improvements made to the buildings owned by the subsidiary U.S. Boreale.

The item relating to plant and equipment mainly includes the value of plants for the production of electricity from renewable sources. The related breakdown is reported below.

	Value as at 31.12.2018	Acquisitions	Reclassifications	Depreciation	30.04.2020
Avigliano Umbro Biomass plant	4,420,307	30,289	0	(656,042)	3,794,554
Sirone PV plants	2,605,388	0	0	(271,223)	2,334,165
Bosisio PV plants	2,497,925	16,827	0	(243,844)	2,270,908
PV park in Romania	9,616,517	0	0	(988,159)	8,628,358
Sant'Agata di Puglia wind farm	1,742,983	0	0	(153,333)	1,589,650
Lanciano Biomass plant	3,567,369	246,403	0	(617,247)	3,196,525
Tor di Quinto PV plants	1,310,768	96,080	0	(112,018)	1,294,830
Other plants	454,393	6,700	(63,088)	(160,954)	237,051
Total	**26,215,650**	**396,298**	**(63,088)**	**(3,202,820)**	**23,346,040**

The difference of Euro 2,869,610 compared to the previous year was mainly due to normal depreciation.

The reclassification of Euro 63,088 relates to the correct application of the new international accounting standard IFRS 16 as described in note 18 below.

Furthermore, note that the plant for the production of electricity from renewable sources (wind energy) located in the Palombara district, Municipality of Sant'Agata di Puglia, Foggia, is the object of a 12-year term finance lease entered into by the Group with Alba Leasing S.p.A.. The value of this plant, net of accumulated depreciation, is Euro 1,589,650. In particular, the plant is the object of an "existing building" property lease, whose features are outlined below.

Features

Date stipulated	18/06/2013	Advance '*maxicanone*' (larger initial lease) payment	690,000
Total consideration	2,833,305	Monthly fees	14,988
Purchase option	23,000	Lease rate	5.17%
Term in years	12		
Number of instalments	144	Indexing	P31 index actual 3m Euribor (365)

Finally, 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 Bosio PV plants.

The item relating to other assets is broken down as follows:

	Value at 31.12.2018	Effect of first-time adoption of the standard at 1 January 2019	Acquisitions	Depreciation/write-downs	Reclassifications	30.04.2020
- Office furniture and furnishing	1,711,079	0	513,835	(479,255)	(812,161)	933,498
- Non-depreciated furniture and furnishing	706,580	0	10,204	0		716,784
- Mobile phones	14,167	0	5,643	(10,903)		8,906
- Equipment	695	0	65,385	(24,199)	2,369	44,250
- Cars	70,914	712,750	230,103	(468,743)	(506,381)	38,643
- Electronic office machines	491,781	659,395	7,435	(447,595)	(464,052)	246,964
- Leasehold improvements	814,191	0	477,454	(353,081)		938,564
Total	**3,809,407**	**1,372,145**	**1,310,059**	**(1,783,776)**	**(1,780,224)**	**2,927,610**

The item relating to other assets recorded a net decrease of Euro 881,796, due to the purchases of restaurant furniture and furnishing made by the Parent Company and by U.S. Boreale and Quinto S.r.l. during the financial period for Euro 1,310,059, as well as to the effect of the first-time adoption of the new international accounting standard IFRS 16 for Euro 1,372,145, the normal depreciation process for Euro 1,783,776, and, finally, to the reclassification of right of use described in note no. 17 below for Euro 1,780,224.

17. Right of use – Euro 4,005,881

As at 30 April 2020 the item showed a net book value of Euro 4,005,881 and is broken down as follows:

	Specific plants	Properties	Other assets	30/04/2020
Initial values at 31 December 2018	**0**	**0**	**-**	0
- effect of the first-time adoption of new standards at 1 January 2019	**0**	**5,419,732**	**1,372,145**	6,791,877
Changes at 30 April 2020				0
- reclassifications	185,916		1,195,557	1,381,474
- acquisitions	-	1,846,985	534,324	2,381,308
- disposals	-	-	-	0
- amortisation and depreciation	(122,828)	(1,878,198)	(1,159,900)	(3,160,926)
- adjustments	-	(3,228,320)	(159,532)	(3,387,852)
- write-downs	-	-	-	0
Total changes	**63,088**	**(3,259,533)**	**410,449**	(2,785,996)
Values at 30 April 2020	**63,088**	**2,160,199**	**1,782,594**	4,005,881
Historical cost	**370,916**	**2,182,159**	**3,246,704**	5,799,779
Accumulated amortisation and depreciation at 31 December 2018	0	0	0	0
Reclassifications	(185,000)	1,856,237	(304,210)	1,367,027
Amortisation and depreciation for the period	(122,828)	(1,878,198)	(1,159,900)	(3,160,926)
Accumulated amortisation and depreciation at 30 April 2020	**(307,828)**	**(21,961)**	**(1,464,110)**	(1,793,899)
Values at 30 April 2020	**63,088**	**2,160,199**	**1,782,594**	4,005,881

The item is the result of the reclassification made in applying the new international standard IFRS 16 and includes the value of the properties held under lease by the company

The overall increase of Euro 4,005,881 mainly arose from the effect of the first-time adoption of the new accounting standard at 1 January 2019, equal to Euro 6,791,877, the reclassifications for Euro 1,381,474 made on tangible assets held under lease and previously classified as property, plant and equipment, and, finally, from the acquisition of new lease agreements, signed in 2019, concerning cars, electronic machines and new agreements for the properties located in Turin and Rome at Via Giulio Bona.

The adjustments, equal to Euro 3,387,852, are related to the termination of lease agreements which took place during the financial period under review.

The decreases arose from the depreciation process in progress.

In order to finance a part of the furniture, installations and equipment, totalling Euro 2,000,000, the Group signed a lease agreement with Alba Leasing S.p.A., the main features 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	0
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

During 2019, the company entered into a finance lease agreement with Dell Financial Service S.p.A. for the purchase of electronic machines as a result of which the overall value of the asset under construction (Euro 135,000) was stated among assets and the corresponding debt was stated among liabilities. The main features of the agreement are reported below.

Contract 0060145681/001 Dell Financial Services

Date stipulated	26/09/2019	Annual instalments in advance	28,809
Total consideration	135,800	Monthly fees	7,202
Purchase option	23,000	Lease rate	2.52%
Term in years	5	Purchase option	1
Number of instalments	20		

18. Investment property – Euro 7,487,725

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

	30.04.2020	31.12.2018	Change
Building in Terracina – San Felice	1,657,282	1,689,306	(32,024)
Building in Terni - Via Bramante	125,487	131,835	(6,348)
Building in Rome - Paisiello	4,992,713	5,200,718	(208,006)
Building in Rome - Via Cavalieri	712,243	752,102	(39,859)
	7,487,725	**7,773,961**	**(286,237)**

The financial information required by IAS 40 is reported below for each asset.

	Land	Historical cost	Accumulated depreciation - 2018	NBV 2018	Changes in the period	Depreciation in the 16 months ended 30.04.2020	Accumulated depreciation at 30.04.2020	NBV at 30.04.2020
Rome - Paisiello 1	677,845	4,415,400	(1,331,335)	3,761,910	39,647.20	182,521	(1,513,856)	3,619,036
Rome - Cavalieri	0	1,000,572	(248,470)	752,102	-	39,859	(288,329)	712,243
Terni	37,074	151,996	(57,235)	131,835	-	6,348	(63,583)	125,487
Terracina	178,000	1,607,773	(96,467)	1,689,306	-	32,024	(128,490)	1,657,282
Rome - Paisiello 3 -4	0	1,635,009	(196,201)	1,438,808	-	65,132	(261,334)	1,373,676
	892,919	8,810,750	(1,929,708)	7,773,961	39,647	325,883	(2,255,591)	7,487,725

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

Description	For the 16 months ended 30 April 2020
Rent income	155,761
Utility costs	(14,150)
Maintenance costs	(113,673)
Insurance costs	(2,431)
Registration tax	(1,961)

Property taxes and duties (IMU, TASI, TARI)	(34,686)
Total	**(11,140)**

[IMU, *Imposta Municipale Unica*, Municipal Property Tax; TASI, *Tassa sui Servizi Indivisibili*, Taxes on Indivisible Services; TARI, *Tassa sui Rifiuti*, Waste Tax]

19. Equity investments – Euro 499,830

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

	30.04.2020	31.12.2018	Change
Equity investments in subsidiaries	10,000	50,000	- 40,000
Equity investments in associates	479,830	674,383	(194,554)
Equity investments in other companies	10,000	10,000	0
Total	499,830	734,383	(234,554)

The amount of Euro 10,000 relating to equity investments in subsidiaries relates to the quota held by Green Network S.p.A. in the newly-established company Developower S.r.l., which had not been consolidated at the reporting date. The decrease over the previous year was due to the full write-down of the investment held in investee Green Network Energie S.a.r.l..

With reference to equity investments in associates, the change for the financial period arose from their valuation using the equity method.

It should be noted that the investment in Solergys S.p.A. showed an increase of Euro 67,853 in order to recognise the corresponding share of equity resulting from the latest accounting statement available.

The details are provided below:

Company	Registered Office	Share Capital	Shareholders' equity	Profit (loss) for the period	Ownership %	Book Value
Sòlergys S.p.A.	Rome	120,000	979,243	171,822	49.00%	479,829

Equity investments in associates, valued at equity, included at 31 December 2018 the value of Euro 262,406 relating to the 50% interest held in a joint venture having as its object a PV plant. This investment was written down in full during the financial period under review.

Finally, the value of Euro 10,000 relating to equity investments in other companies relates to the interest held by the Group in Italpower Energia. The value of this investment is unchanged compared to the value posted in the previous year.

20. Receivables from related parties – Euro 67,211,206

The item includes non-current receivables the Group claims from subsidiaries, parent companies and associates.

	30.04.2020	31.12.2018	Change
Receivables from subsidiaries	**50,000**	**111,083**	**(61,083)**
of which for loans	50,000	111,083	*(61,083)*
of which other receivables	*0*	*0*	*0*
Receivables from associates	**440,085**	**1,420,085**	**(980,000)**
of which for loans	440,085	1,420,085	(980,000)
of which other receivables	0	0	0
Receivables from affiliates	**64,068,922**	**17,368,922**	**46,700,000**
of which for loans	64,068,922	17,368,922	46,700,000
of which other receivables	0	0	0
Receivables from parent companies	**2,652,199**	**2,821,788**	**(169,589)**
of which for loans	2,634,702	2,803,211	*(168,509)*
of which other receivables	17,497	18,577	*(1,080)*
Total	**67,211,206**	**21,721,878**	**45,489,328**

Receivables from subsidiaries, equal to Euro 50,000, relate to the residual amount of the receivable for the loan to subsidiary Developower S.r.l., which has not been consolidated for the purposes of this report.

The item relating to Receivables from associates consists of loans to Sòlergys S.p.A., the amount of which is unchanged compared to the previous year.

Counterparty	Loan	31/12/2018	Increases	Decreases	Write-downs / reclassifications	30/04/2020
Solèrgys S.p.A.	EURIBOR-indexed loan	1,420,085	0	980,000	0	440,085
TOTAL DUE FROM ASSOCIATES		1,420,085	0	980,000	0	440,085

This loan is interest-bearing and the interest accrued during the financial period under review totalled Euro 28,829.

Receivables from affiliates relate to the loan to Green Network UK Plc, a subsidiary controlled by SC Holding S.r.l., which reported the following changes during the financial period:

Counterparty	Loan	31/12/2018	Increases	Decreases	Write-downs / reclassifications	30/04/2020
Green Network UK PlC	0.02	17,368,922	77,300,000	30,600,000	0	64,068,922
TOTAL DUE FROM OTHER GROUP COMPANIES		17,368,922	77,300,000	30,600,000	0	64,068,922

Receivables from parent companies include a receivable for a loan granted to SC Holding S.r.l., which showed a decrease of Euro 168,509 during the financial period under review.

Counterparty	Loan	31/12/2018	Increases	Decreases	Write-downs / reclassifications	30/04/2020
SC Holding S.r.l.	Non-interest bearing loan	2,803,211	0	168,509	0	2,634,702
TOTAL DUE FROM PARENT COMPANIES		2,803,211	0	168,509	0	2,634,702

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

21. Receivables for deferred tax assets – Euro 8,592,103

The item includes receivables for deferred tax assets that will be recoverable in subsequent financial periods.

	30.04.2020	31.12.2018	Change
Receivables for deferred tax assets	8,592,103	7,457,148	1,134,955
Total	**8,592,103**	**7,457,148**	**1,134,955**

Below is the breakdown of said receivables:

	30.04.2020
Deferred tax assets on interest expense	2,322,294
Deferred tax assets on trademarks	104,635
Deferred tax assets on other expenses	3,892
Deferred tax assets on write-downs of equity investments	1,251
Deferred tax assets on Directors' fees	0
Deferred tax assets from first-time adoption of IAS/IFRS	2,084,206
Deferred tax assets from reserves from revaluation of derivatives	1,522,631
Deferred tax assets from IAS/IFRS adjustment	62,109
Deferred tax assets on non-deductible provision for bad debts	1,146,879
Deferred tax assets on non-deductible credit losses	7,436,675
Deferred tax assets on provisions for other risks	1,617,070
Deferred tax assets from the reserve for employee severance indemnity	88,608
Deferred tax assets on goodwill - former GN L&G	423,074
Deferred tax assets from adjustment to the provision for bad debts for IFRS 9	0
Deferred tax assets on Energrid trademark	84,507
Deferred tax assets taxes from Sacri merger	195,815
Deferred tax assets from tax losses	633,737
Deferred tax assets for differences on statutory and tax depreciation of PV plants	103,115
Write-down of deferred tax assets	(9,238,395)
Total	**8,592,103**

22. Tax receivables – Euro 5,113,569

	30.04.2020	31.12.2018	Change
Receivables for UTF	869,714	869,714	0
VAT receivables	4,028,774	4,013,665	15,109
Receivables for tax disputes	120,370	120,370	0
Receivables for refund requests	51,276	51,276	0
Other tax receivables due beyond the period	43,435	43,435	0
Total	**5,113,569**	**5,098,460**	**15,109**

The item is mainly made up of VAT receivables that will be recovered through the issuance of an appropriate credit note at the end of the insolvency proceedings involving some of the company's customers, as well as of receivables for UTF (*Ufficio Tecnico di Finanza*, Finance Office) taxes in the amount of Euro 869,714 and receivables of Euro 120,370 arising from a tax dispute pending with the

Tax Authorities regarding the payment of a tax demand.

23. Other non-current assets – Euro 10,079,090

	30.04.2020	31.12.2018	Change
Receivables for guarantee deposits	9,650,312	1,680,208	7,970,104
Receivables for grants under Law No. 388/2000	100,000	100,000	0
Green certificates	0	3,593,728	(3,593,728)
Other receivables	328,778	29,520	299,258
Total	**10,079,090**	**5,403,456**	**4,675,634**

The item is mainly made up of receivables for guarantee deposits granted for the conduct of the company business.

24. Inventories – Euro 830,285

	30.04.2020	31.12.2018	Change
Inventories of finished products and goods for resale	470,311	3,066,524	(2,596,213)
Raw materials, supplies and consumables	359,974	205,637	154,337
Total	**830,285**	**3,272,161**	**(2,441,876)**

The value of Euro 470,311 concerning inventories of finished products refers for Euro 457,621 to the value of the gas stored at 30 April 2020, at special sites and not sold at the end of the financial period and for Euro 12,690 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 Euro 359,974 relates to the measurement of inventories of raw materials, supplies and consumables, using the weighted average cost method, for the Avigliano Umbro and Lanciano plants, equal to Euro 22,000 and Euro 242,493, respectively, and of inventories of raw materials of Quinto S.r.l. for Euro 95,481.

25. Trade receivables – Euro 242,540,269

The breakdown of this item is reported below.

	30.04.2020	31.12.2018	Change
Receivables from customers	203,184,678	218,461,197	(15,276,519)
Provision for bad debts	(66,125,077)	(35,752,413)	(30,372,664)
Customers for invoices to be issued	92,390,690	215,059,022	(122,668,332)
Credit notes to be issued	(7,920,232)	(5,402,321)	(2,517,911)
Bank, subject to collection	21,010,210	27,708,666	(6,698,456)
Total	**242,540,269**	**420,074,151**	**(177,533,882)**

Receivables were adjusted in order to take account of impairment losses as a result of the impairment tests performed in compliance with international accounting standards. The changes for the financial period are broken down below.

	Amounts
Balance at 31 December 2018	35,752,413
Uses during the period	(2,467,336)
Provision for the period	32,840,000
Total	**66,125,077**

The Provision was used to cover credit losses recorded in 2019 and for which the company had already estimated losses in previous years. The provision of Euro 32,840,000 was set aside as a result of the impairment process carried out by the company on a portfolio of customers homogeneous in nature and characteristics.

The company has taken account of any possible adverse impact of the Covid-19 pandemic on the portfolio of loans.

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 nominal amount of approximately Euro 15.7 million. Based on the documentation available at the reporting date, the company, with the support of its independent legal advisors, is reasonably confident in the successful outcome of the recovery of the aforesaid receivable.

"Receivables for invoices to be issued" consist of the provisions set aside for services rendered at the reporting date, while "Credit notes to be issued" are applied as direct decreases in outstanding receivables, as they relate directly to the latter amounts. The item relating to "Bank, subject to collection" includes all receivables presented for collection to banks based on the "sbf [subject to collection]" clause, and which had not yet been collected at the reporting date.

Receivables from "Bank, subject to collection" refer to commercial invoices submitted to banks for advances/discounts but which had not yet been paid at the reporting date.

It is also noted that, as security for some trade receivables, the company has received bank sureties totalling Euro 2,676,000 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 related parties – Euro 35,123,850

The breakdown of this item is reported below.

	30.04.2020	31.12.2018	Change
Green Wind 1 S.r.l.	0	4,667	(4,667)
Green Network Energie S.a.r.l	24,876	0	0
Developower S.r.l.	88	0	0
Receivables from subsidiaries	**24,964**	**4,667**	**20,297**
Sòlergys S.p.A.	52,440	463,868	(411,428)
Receivables from associates	**52,440**	**463,868**	**(411,428)**
JMS S.r.l.	2,833,376	8,820,658	(5,987,282)
Receivables from Joint Ventures	**2,833,376**	**8,820,658**	**(5,987,282)**
Green Network Trading UK PlC	5,483,787	3,860,082	1,623,705
Green Network Energy Ltd	3,260,952	883,231	2,377,721
Receivables from affiliates	**8,744,739**	**4,743,313**	**4,001,426**
SC Holding S.r.l.	23,468,331	24,029,983	(561,652)
Receivables from parent companies	**23,468,331**	**24,029,983**	**(561,652)**
Total	**35,123,850**	**38,062,489**	**(2,938,639)**

Receivables from subsidiaries, associates and other group companies mainly arise from commercial transactions, while receivables from parent company SC Holding S.r.l. mainly relate to advances to the parent company and, to a lesser extent, the provision of services delivered to the parent company itself.
Receivables 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 from affiliates relate to commercial transactions with Green Network UK PIC and with its subsidiary Green Network Energy Ltd, whose investment was sold during the previous year.

27. Receivables from banks and other financial institutions – Euro 59,908,974

The item includes receivables from banks and other financial institutions connected with trade receivables submitted for discount and factoring which had not yet been collected at the reporting date and the amount of time or pledged bank deposits.

	30.04.2020	31.12.2018	Change
Receivables from factoring companies	822,977	8,903,139	(8,080,162)
Securitisation receivables	6,786,512	0	6,786,512
Guarantee deposits	12,200,000	0	12,200,000
Time bank deposits	40,099,485	9,813,603	30,285,882
Total	**59,908,974**	**18,716,742**	**41,192,232**

In detail:

Institution	30.04.2020	31.12.2018	Change
Sarda Factor	1,987	24,116	(22,129)
Ifitalia banca	0	130	(130)
MB Factor	13,354	141,227	(127,873)
Unicredit Factor	156	65,184	(65,028)
Facto France	0	3,199,721	(3,199,721)
GE Capital Factoring	323,783	1,007,664	(683,881)
Sace Factoring	339,423	311,337	28,086
Bank on account of pledge	40,099,485	9,813,603	30,285,882
Groupama	144,274	0	144,274
Guarantee deposits	12,200,000	0	12,200,000
Securitisation receivables	6,786,512	0	6,786,512
Reconciliations of tied-up cash	0	4,153,759	(4,153,759)
Total	**59,908,974**	**18,716,741**	**41,192,233**

The increase in the item is mainly linked to the securitisation of trade receivables.

28. Tax receivables – Euro 69,490,943

The balance of this item is broken down as follows:

	30.04.2020	31.12.2018	Change
Direct tax receivables from Tax Authorities	11,726,719	506,305	11,220,414
UTF tax receivables	55,299,392	5,890,482	49,408,910

VAT receivables from Tax Authorities	1,084,724	5,050,608	(3,965,884)
Other tax receivables	1,380,108	1,546,547	(166,439)
Total	**69,490,943**	**12,993,942**	**56,497,001**

This 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 – Euro 85,389,782

This item includes the positive fair value of the derivatives that the Group holds for hedging purposes in relation to the purchase of commodities.

	30.04.2020	31.12.2018	Change
Derivative financial instruments	85,389,782	31,003,351	54,386,431
Total	**85,389,782**	**31,003,351**	**54,386,431**

They mainly consist of OTC derivatives and contracts for differences for which the fair value has been determined by applying level two as provided for by IFRS 13. More specifically, the amount of Euro 85,389,782 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 recognised directly through profit or loss for Euro 6,290,830.

30. Other financial assets – Euro 392,900

	30.04.2020	31.12.2018	Change
Bonds	392,900	952,163	(559,263)
Total	**392,900**	**952,163**	**(559,263)**

This item showed a decrease compared to the value posted at 31 December 2018, due to the sale of Bonds which took place during 2019.

31. Other current assets - Euro 13,442,334

Other current assets are broken down as follows.

	30.04.2020	31.12.2018	Change
Suppliers on account of advances on energy	648,900	100,000	548,900
Suppliers on account of advances	6,238,932	6,250,359	(11,427)
Other receivables from employees	19,826	11,217	8,609
Feed-in tariff	442,995	426,915	16,080
Other receivables	6,091,691	8,540,570	(2,448,879)
Total	**13,442,344**	**15,329,061**	**(1,886,717)**

The item relating to suppliers on account of advances, in line with the value posted in the previous year, is broken down as follows.

	30.04.2020	31.12.2018	Change
Charges on sureties	1,638,264	3,149,157	(1,510,893)
Insurance	88,648	30,660	57,989
Insurance and car expenses	20,964	636	20,328
Lease	43,013	22,895	20,118
Equipment hire	66,563	67,078	(515)
Commissions	58,341	292,901	(234,559)
Sales consulting	4,834	3,643	1,191
Other consultancy advice	15,030	88,173	(73,143)
Software licences	222,758	28,945	193,814
Costs for the provision of services	174,763	351,855	(177,092)
Taxes and duties	39,681	178	39,502
Rent expense	168,517	110,880	57,637
Proceeds from derivatives	0	55,628	(55,628)
Others	3,697,556	2,047,730	1,649,826
Total	**6,238,932**	**6,250,359**	**(11,426)**

Furthermore, other receivables comprise the receivable the Group claims from ATA Cooperativa, in connection with the Lanciano biogas plant for biomass not delivered for Euro 311,057, stated net of the provision for write-down set aside to cover losses that could occur in the future, equal to Euro 236,575. This provision did not record any change during the financial period.

32. Cash and cash equivalents – Euro 51,637,447

The values recognised in the accounts reflect the actual amount of cash on hand and at banks at the end of the financial period under review and are broken down as follows.

	30.04.2020	31.12.2018	Change
Bank and postal deposits	51,519,242	15,262,883	36,256,359
Cash and cash equivalents	118,205	84,234	33,971
Total	**51,637,447**	**15,347,117**	**36,290,330**

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

33. Shareholders' equity – Euro 55,303,513

The breakdown of the item is reported below.

	Share capital	Legal reserve	Other reserves and profits (losses) carried forward	FTA reserve	Net profit (loss) for the period	Group total	Minority interests	Total equity
Balance 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 equity		302,051	(1,050,120)	(528,476)	(92,144)	**(1,368,689)**	238,840	**(1,129,848)**
Net profit (loss) at 31/12/2017					1,402,516	**1,402,516**	87,127	**1,489,643**
Balance 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 equity		294,959	(3,175,008)	(4,622,061)	(1,402,516)	**(8,904,626)**	381,623	**(8,523,003)**
Net profit (loss) at 31/12/2018					10,738,898	**10,738,898**	129,016	**10,867,914**

Balance 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**
Changes in equity	0	23,372	10,548,514	0	(10,738,898)	**(167,011)**	494,269	**327,257**
Net profit (loss) at 30/04/2020					36,714,670	**36,714,670**	288,582	**37,003,252**
Balance at 30 April 2020	15,636,000	1,748,418	(11,926,104)	11,236,658	36,714,670	**53,409,641**	1,843,942	**55,253,584**

The share capital totalling Euro 15,636,000 is fully paid up and is divided into 15,636,000 ordinary shares with a par value of Euro 1.00 each.

The breakdown of other reserves is reported below.

	30.04.2020	31.12.2018	Change
Extraordinary reserve	15,738,156	15,294,082	444,074
Reserve for valuation at equity	6,297,595	6,297,595	0
Capital contributions	13,394	13,394	0
Reserve for actuarial gains	(280,591)	(269,897)	(10,694)
Profits (losses) carried forward	(29,934,048)	(40,774,276)	10,840,229
Reserve for valuation of derivatives	(3,760,612)	(3,042,298)	(718,314)
Reserve for valuation of other financial assets	0	6,779	(6,779)
Rounding-off reserve	2	3	(1)
Total	**(11,926,104)**	**(22,474,618)**	**10,548,515**

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

- the change relating to the legal reserve of Euro 23,372 and to the extraordinary reserve of Euro 444,074 are attributable to the allocation of statutory profit reported in the financial statements approved and filed on 31 December 2018;
- the change of Euro 10,694 in the reserve for actuarial gains includes the differences arising from the valuation of employee severance indemnity liabilities according to the criteria set out in IAS 19;
- the change of Euro (718,314) in the “Reserve for valuation of derivatives” and of Euro (6,779) in the “Reserve for valuation of other financial assets” relate to the fair value changes in the derivatives held for hedging purposes and in other financial assets.

34. Long-term loans – Euro 14,851,593

This item includes the non-current portion of outstanding loans:

	30.04.2020	31.12.2018	Change
Long-term portion of bank loans	**12,459,391**	**20,341,938**	**(7,882,547)**
Banca Popolare di Milano	579,711	2,133,583	(1,553,872)
Banca Pop. Bergamo	0	21,604	(21,604)
GE Capital Interbanca	0	665,298	(665,298)
CARIGE loan	4,677,161	9,227,023	(4,549,862)
BCC loan	6,035,725	6,418,393	(382,668)
Banca Popolare di Spoleto	1	125,821	(125,820)
Mediocredito Italiano	1,166,793	1,750,216	(583,423)
Payables to other lenders	**2,392,202**	**1,878,398**	**533,804**
Tempestilli	10,000	10,000	0

Vigilanti	10,000	10,000	0
Alba Leasing S.p.A.	224,369	565,998	(341,629)
Feed S.p.A.	156,282	156,282	0
Free Energia S.p.A.	904,060	1,081,586	(177,526)
Lease IFRS16	959,688	0	959,688
Dell Financial	127,803	54,532	73,271
Total	**14,851,593**	**22,220,336**	**(7,348,743)**

The decrease compared to the previous year is attributable to the repayment of some loans, i.e. the reclassification of the amounts falling due within the subsequent financial period among "Short-term loans".

The table below provides the details of the outstanding bank loans and shows the current and non-current portions, as well as the amount of payables due beyond five years, rate and maturity.

Company	Bank	Nominal value	Debt at 30.04.2020	Due within the period	Due beyond the period	Due beyond five years	rate	maturity
Green Network S.p.A	BPM	2,500,000	1,463,001	1,463,001	-	-	variable	31/08/2020
Green Network S.p.A	Banca Popolare di Spoleto	750,000	1	-	1	-	variable	10/01/2020
Green Network S.p.A	Banca Carige	13,654,930	9,227,023	4,549,862	4,677,161	-	fixed	31/12/2021
Solcap Green S.r.l.	Banca Popolare di Milano	2,800,000	582,553	336,172	246,380	-	fixed	31/05/2022
Solcap Green S.r.l.	Banca Popolare di Milano	2,500,000	219,175	219,175	-	-	fixed	30/11/2020
Rena Energia S.r.l	Mediocredito Italiano	4,500,000	1,640,477	473,684	1,166,793	-	variable	30/09/2023
US Boreale S.r.l.	Banca Credito Cooperativo Roma	8,102,000	6,418,393	382,668	6,035,725	4,462,929	variable	30/06/2035
Biogas Energy Società Agricola S.r.l.	Banca Popolare di Milano	3,400,000	881,584	548,253	333,331	-	variable	30/09/2021
			20,432,205	7,972,814.56	12,459,391	4,462,929		

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

- the loans from BPM, for a nominal amount of Euro 2,800,000 and Euro 2,500,000, are guaranteed by the factoring with recourse of all the receivables claimed from GSE (i.e. those arising 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 assigned 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.

Loans backed by collateral are as follows:

- a first mortgage of Euro 8,000,000 registered on the properties located at Via Paisiello in Rome as security for the loan disbursed by GE Capital Interbanca;
- a mortgage of Euro 7,875,000 registered on the company properties located in the Municipal district of Avigliano Umbro, Terni, a special lien registered on the property, machinery, plant and tools owned for Euro 7,785,000 as security for the loan received from Mediocredito italiano S.p.A.;
- 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 Euro 406,000 and additional guarantee on the loan, equal to Euro 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 Euro 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 Euro 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.

Payables to other lenders are mainly made up of the Group's debt to Alba Leasing S.p.A. under the finance lease agreement relating to the plant for the production of electricity from renewable sources (wind energy) located in the municipal district of Sant'Agata di Puglia and the debt connected to the contract entered into by the consolidating company for the financing of equipment, furniture and furnishings for the new headquarters, and the payable arising from the first-time adoption of the new international accounting standard IFRS 16.

35. Payables to minority shareholders – Euro 5,158,951

	30.04.2020	31.12.2018	Change
Genera S.p.A.	1,539,836	1,499,836	40,000
Rossi Roberto	19,854	19,854	0
X-9 SRLS	9,927	9,926	1
Gold Sun Europe S.r.l.	3,589,334	4,367,112	(777,778)
Total	**5,158,951**	**5,896,728**	**(737,778)**

Payables to minority shareholders, amounting to Euro 5,158,951, are made up of payables for loans that some Group companies have against minority shareholders and that are considered to be subordinated as regards repayment.

36. Employee severance indemnity and other employee benefits – Euro 3,301,580

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

	30.04.2020	31.12.2018	Change
Employee severance indemnity and other employee benefits	3,351,510	3,183,397	168,113
Total	**3,351,510**	**3,183,397**	**168,113**

The table below shows the changes in the provision at the reporting date.

	Amount
Opening balance	3,183,397
Use for leavers	(940,456)
Provision for the period	1,050,549
IAS 19 adjustment	58,020
Balance at 30 April 2020	**3,351,510**

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 inferred from the Italian population, by age and gender, as observed by ISTAT in 2000 and reduced by 25%;
- the probability of termination of service due to total and permanent disability was calculated, by age and gender, according to the disability tables currently used in 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' contributions to INPS (*Istituto Nazionale per la Previdenza Sociale*, Italian Social Security Institute) began, at the latest: at the age of 25 for 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 by recent reforms into the Italian legal system;
- 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 year;
- the probability of an advance payment request was estimated at 3.00% per year, with an amount of the advance equal to 60% of the employee severance indemnity remaining with the company.

With regard to the trend in remuneration, an all-inclusive wage trend of 2.00% per year was used for all the professional categories. The estimated inflation rate used for the valuations was 1.50% per year. The discount rate used for valuations was 0.8211% per year as resulting at 30 April 2020 for bond securities issued by AA-rated European companies for durations of more than 10 years.

The breakdown of changes in the reserve for actuarial gains is shown below.

	Amount
Reserve at 31.12.2018	269,897
Provision for the period	14,071
Recognition of OCI taxes	(3,377)
Total at 30.04.2020	**280,591**

37. Provisions for risks and charges (non-current portion) – Euro 11,580,241

The breakdown of this item is reported below.

	30.04.2020	31.12.2018	Change
Provision for deferred tax liabilities	7,006,052	7,520,485	(514,433)
Provision for risks and charges	4,574,189	4,247,923	326,266
Total	**11,580,241**	**11,768,408**	**(188,167)**

The changes in the provisions in the financial period under review were as follows.

	Provision for deferred tax liabilities	Provision for risks and charges
Opening balance	7,520,485	4,247,923
Provision for the period	741,255	2,833,666
Uses during the period	(1,255,688)	(2,507,400)
Balance at 30 April 2020	**7,006,052**	**4,574,189**

The provision for deferred tax liabilities, amounting to Euro 7,006,052 was set aside with reference to the income which will be taxed in future financial periods. Below is the breakdown of the item:

	30.04.2020
Deferred tax liabilities on default interest income 2008	69,975
Deferred tax liabilities on default interest income 2009	113,152
Deferred tax liabilities on default interest income 2010	327,854
Deferred tax liabilities on default interest income 2011	574,827
Deferred tax liabilities on default interest income 2012	46,770
Deferred tax liabilities on default interest income 2013	262,623
Deferred tax liabilities on default interest income 2014	37,574
Deferred tax liabilities on default interest income 2015	360,037
Deferred tax liabilities on default interest income 2016	319,172
Deferred tax liabilities on default interest income 2017	353,861
Deferred tax liabilities on default interest income 2018	439,611
Deferred tax liabilities on default interest income 2019	773,016
Deferred tax liabilities on revaluations of equity investments	96,465
Deferred tax liabilities from Sacri merger	199,679
Deferred tax liabilities from PPA Energrid/Tradeinv/Burgo	3,160,705
Deferred tax liabilities - IAS 17 Finance lease Green Wind 2 S.r.l.	(129,975)
Deferred tax liabilities from IAS/IFRS adjustment	705
Total	**7,006,052**

The provision for risks and charges recorded an increase of Euro 2,833,666, of which an amount of Euro 2,831,000 relating to the provision arising from procedures in place with Arera, Edison Energia S.p.A. and the dispute related to Green Certificates, which was settled during the financial period and against which the provision was used for Euro 2,500,000, and amount of Euro 2,000 related 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 Euro 7,400 of US Boreale S.r.l..

38. Tax liabilities - Euro 11,465

Tax payables due beyond the financial period only include payables for tax disputes of Euro 11,465.

39. Other non-current liabilities – Euro 12,286,993

	30.04.2020	31.12.2018	Change
Other non-current liabilities	249,652	254,404	(4,752)
Guarantee deposits	12,037,341	10,022,659	2,014,682
Total	**12,286,993**	**10,277,063**	**2,009,930**

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

40. Short-term loans – Euro 77,825,589

The item is made up of the following payables, which are due to be repaid within the next 12 months.

	30.04.2020	31.12.2018	Change
Current account payables	3,128,211	16,541,617	(13,413,406)
Due for advances	6,632,330	18,137,512	(11,505,182)
Payables to factoring companies	31,196,492	55,428,275	(24,231,783)
Banca Popolare di Milano	2,566,601	1,431,403	1,135,198
Simest S.p.A.	0	3,500,000	(3,500,000)
Mediocredito Italiano	473,684	473,684	0
BCC loan	382,668	378,793	3,875
CARIGE loan	4,549,862	4,427,907	121,955
Banca Pop. Bergamo	0	84,527	(84,527)
GE Capital Interbanca	0	663,696	(663,696)
Securitisation payables	26,095,055	0	26,095,055
Banca Alpi Marittime	0	765,906	(765,906)
Banca Popolare di Spoleto	0	688,067	(688,067)
Lease IFRS16	1,989,735	0	1,989,735
Alba Leasing S.p.A.	267,718	274,735	(7,017)
Dell Financial	45,715	0	45,715
Other financial payables	497,518	18,181	479,338
Total	**77,825,589**	**102,814,303**	**(24,988,713)**

Payables for mortgages and loans refer to the short-term portion of mortgages and loans, while current account overdrafts and due for advances consist of the amounts due to banks and financial institutions for current account overdrafts and current account advances.

Payables to factoring companies are stated 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 expiry date stipulated.

The payable to Alba Leasing S.p.A. relates to the current portion of the amount due in relation to the lease agreement signed by the company for the financing of furniture, equipment and installations for the new headquarters located at Viale della Civiltà Romana no. 7 in Rome.
The payable due to Simest S.p.A., equal to Euro 3,500,000 in 2018, was settled during the financial period for the repurchase of the related minority quotas held in Green Network Holding Rinnovabili S.r.l..

In September 2019 the company signed a three-year contract for the securitisation of its commercial portfolio in order to stabilise its financial requirements and reduce its cost.

41. Trade payables – Euro 357,292,402

The item is broken down as follows.

	30.04.2020	31.12.2018	Change
Payables to suppliers	472,232,641	345,314,630	126,918,011
Payables for invoices to be received	71,720,614	137,262,580	(65,541,966)
Credit notes to be received	(199,190,019)	(64,049,822)	(135,140,197)
Advances	12,529,166	22,053,875	(9,524,709)
Total	**357,292,402**	**440,581,263**	**(83,288,861)**

These relate to Group payables due to suppliers as a result of commercial transactions. The value reported consists of the fair value of these obligations, net of allowances and discounts granted by suppliers.

42. Payables to related parties – Euro 11,528,389

The item includes the Group's payables due to subsidiaries and associates, as well as the parent company, as detailed below.

	30.04.2020	31.12.2018	Change
SC Holding S.r.l.	5,708,316	23,214,318	(17,506,002)
Payables to parent companies	**5,708,316**	**23,214,318**	**(17,506,002)**
Green Network Trading UK PlC	2,965,401	276,331	2,689,070
Payables to affiliates	**2,965,401**	**276,331**	**2,689,070**
JMS S.r.l.	2,854,672	8,884,323	(6,029,651)
Payables to Joint Ventures	**2,854,672**	**8,884,323**	**(6,029,651)**
Total	**11,528,389**	**32,374,972**	**(20,846,583)**

This item is mainly made up of payables due to SC Holding S.r.l. relating to transactions connected to tax consolidation and payables due to JMS relating to commercial relations connected with energy trading. Payables to affiliates refer to the debt to Green Network UK PlC, mainly relating to the purchase of electricity.

43. Tax payables – Euro 129,891,278

The item is broken down as follows:

	30.04.2020	31.12.2018	Change
Tax payables	29,995,685	181,670	29,814,015
Payables to Tax Authorities for withholdings on subordinate and similar employment income	291,143	665,929	(374,786)
Payables to Tax Authorities for withholdings on self-employment income	357,071	471,970	(114,899)
Payables to Tax Authorities for UTF	99,247,379	37,032,641	62,214,738
Payables for settlement agreements	0	894,367	(894,367)
Total	**129,891,278**	**39,246,577**	**90,644,701**

This item is mainly made up of payables for VAT to be paid in the subsequent financial period, payables for UTF and the short-term portion of settlement agreements reached with the Tax Authorities in previous years.

44. Derivatives – Euro 91,179,828

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

	30.04.2020	31.12.2018	Change
Derivative financial instruments	91,179,828	15,223,835	75,955,993
Total	**91,179,828**	**15,223,835**	**75,955,993**

These mainly consist 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 Euro 91,179,828 is made up of Euro 6,324,630 relating to the derivatives 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 flow hedge reserve for Euro (1,009,152), and an amount of

Euro 84,855,198 relating to the derivatives 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 recognised directly through profit or loss for Euro (4,855,834).

45. Other current liabilities - EUR 15,399,141

The item is broken down as follows.

	30.04.2020	31.12.2018	Change
Payables to INPS	847,304	1,007,486	(160,182)
Payables to INAIL (National Institute for Insurance against Accidents at Work)	2,910	13,675	(10,765)
Bilateral Body	0	36	(36)
Payables to pension and insurance funds	84,961	157,592	(72,631)
Payables to social security and welfare institutions	**935,175**	**1,178,789**	**(243,614)**
Payables to employees and directors	2,246,385	1,851,693	394,692
Payables for guarantee deposits	13,166	13,166	0
Payables for RAI licence fees	4,682,537	3,040,971	1,641,566
Sundry payables	7,521,878	6,594,219	927,659
Other payables	**14,463,966**	**11,500,049**	**2,963,917**
Total	**15,399,141**	**12,678,838**	**2,720,303**

This item is mainly made up of:

- an amount of Euro 935,175 relating to the Group's debt to social security institutions and entities relating to its personnel;
- an amount of Euro 2,246,385 relating to payables due to employees and directors for fees accrued in 2019;
- an amount of Euro 4,682,537 for payables related to the RAI licence fees bill collected by the Group and to be paid to the Tax Authorities;
- an amount of Euro 7,521,878 mostly relating to customers to whom supplies are no longer provided, with a negative balance at 31 December 2019, which has been reclassified to other payables for the purposes of this Report.

OTHER INFORMATION

Disclosures relating to financial instruments and the risk management policy

The table below provides a breakdown of financial assets and financial liabilities required by IFRS 7.

	Loans and receivables	Other financial assets	Derivatives		Book value	Notes to the financial statements
			Trading	Hedging		
Non-current assets	77,290,296	0	0	0	77,290,296	
Other equity investments	0	0	0	0	0	
Financial assets from parent company, subsidiaries and associates	67,211,206	0	0	0	67,211,206	20
Financial assets from third parties	10,079,090	0	0	0	10,079,090	23
Current assets	402,652,884	392,900	84,348,395	1,041,387	488,435,566	
Trade receivables from customers	242,540,269	0	0	0	242,540,269	25
Trade receivables from related parties	0	0	0	0	0	
Financial assets from parent company, subsidiaries and associates	35,123,850	0	0	0	35,123,850	26
Financial assets from third parties	73,351,318	392,900	84,348,395	1,041,387	159,134,000	27 - 29 - 30 - 31
Cash and cash equivalents	51,637,447	0	0	0	51,637,447	32
Total	479,943,180	392,900	84,348,395	1,041,387	565,725,862	

	Liabilities at fair value	Liabilities at amortised cost	Derivatives		Book value	Notes to the financial statements
			Trading	Hedging		
Non-current liabilities	11,876,142	8,134,402	0	0	20,010,544	
Payables to banks	4,677,161	7,782,230	0	0	12,459,391	34
Financial payables to third parties	2,040,030	352,172	0	0	2,392,202	34
Other financial liabilities towards third parties	5,158,951	0	0	0	5,158,951	35
Current liabilities	458,259,134	3,736,386	86,905,737	4,274,091	553,175,348	
Payables to banks	45,506,895	3,422,953	0	0	48,929,848	40
Financial payables to third parties	28,582,308	313,433	0	0	28,895,741	40
Trade payables	357,292,402	0	0	0	357,292,402	41
Financial liabilities to parent company, subsidiaries and associates	11,528,389	0	0	0	11,528,389	42
Other financial liabilities to third parties	15,349,140	0	86,905,737	4,274,091	106,528,968	44 - 45
Total	470,135,276	11,870,788	86,905,737	4,274,091	573,185,892	

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 reporting date, 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 financial period, the fair value was not calculated since their carrying amount are essentially in line with said 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 is concerned, the exposure to credit risk is primarily related to commercial sales activities on the open 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 due diligence and reminder procedures for past due amounts were again employed, in order to improve financial operations, which are one of the most important aspects of the activity performed, on an ongoing basis.

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 ongoing monitoring mean that the company has no significant uncontrolled exposures.

Furthermore, the Group took out an insurance policy to cover the risk of trade receivables. The total receivables insured amounts to a limit of liability of approximately Euro 219 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 Euro 2,676,000 as security for the correct collection of related trade receivables.

Finally, it should be noted that, in compliance with the accounting standards, the Group continuously carries out the valuation and calculation of the Provision for bad debts 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 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 that the Group has sufficient credit lines at any time to respect the financial maturity dates of the relevant subsequent financial 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 debt is not significant and largely limited to the advance payment of 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'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 framework, 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 updating on an ongoing basis, 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 monitoring the legislation which regulates the sector on an ongoing basis in order to promptly adopt 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 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 reporting 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 Group is primarily exposed to interest rate risk in relation to medium/long-term loans payable, 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, the Group did not have any loans denominated in a non-euro currency at the reporting date.

Risk of fluctuations 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 enterprises, etc.). The Group's trading activities for the financial period under review were carried out mainly by subsidiary Green Network UK PLC, based in London, and, to a lesser extent, by the consolidating company Green Network S.p.A., based 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 procure 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.

In particular, the Group operates through the following main derivatives:

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

The differentials relating to flows connected to these derivatives are generally adjusted on a monthly basis.

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 derivatives. 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 for the relevant period under examination, 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 transactions. As regards the recognition 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 through profit or loss.

The hedging strategy pursued by the Group uses a "Bottom Layer" approach which consists of identifying a portion (Layer) that is lower than the total amount of exposure, considered almost certain and not reformulated according to changes in the forecast volumes over time, unless these do not fall within the Layer itself. For the financial period 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 tests, 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 tests, on the other hand, are carried out using the Dollar-Offset method and the hypothetical derivative method.

The table below provides 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 value	Fair Value at 30.04.2020	Derivative valuation
07/05/2019	OTC SWAP	Baseload	GAS	01/01/2020	31/12/2020	5	19.9	29,405	29,405	8.24	(341,958)
26/06/2019	OTC SWAP	Baseload	POWER	01/01/2020	31/12/2020	5	62.4	29,405	29,405	39.80	(666,115)
05/08/2019	OTC SWAP	Baseload	GAS	01/01/2020	31/12/2020	10	18.0	58,810	58,810	8.24	(572,471)
07/08/2019	OTC SWAP	Baseload	GAS	01/01/2020	31/12/2020	5	17.8	29,405	29,405	8.24	(280,501)
04/10/2019	OTC SWAP	Baseload	POWER	01/01/2020	31/12/2020	5	59.0	29,405	29,405	39.80	(564,667)
18/10/2019	OTC SWAP	Baseload	GAS	01/04/2020	30/06/2020	10	16.8	14,640	14,640	6.00	(158,162)
25/10/2019	OTC SWAP	Baseload	GAS	01/04/2020	30/09/2020	10	16.3	36,720	36,720	6.65	(352,558)
01/11/2019	OTC SWAP	Baseload	POWER	01/01/2020	31/12/2020	5	57.9	29,405	29,405	39.80	(533,792)
05/11/2019	OTC SWAP	Baseload	GAS	01/01/2020	31/12/2020	- 20	17.0	- 117,620	- 117,620	8.24	1,030,262
05/11/2019	OTC SWAP	Baseload	GAS	01/01/2020	31/12/2020	20	19.2	117,620	117,620	10.07	(1,071,460)
13/11/2019	OTC SWAP	Baseload	GAS	01/01/2020	31/12/2020	5	18.1	29,405	29,405	10.07	(237,284)
19/11/2019	OTC SWAP	Baseload	POWER	01/01/2020	31/12/2020	5	56.2	29,405	29,405	39.80	(481,451)
29/11/2019	OTC SWAP	Baseload	POWER	01/01/2020	31/12/2020	5	57.1	29,405	29,405	39.80	(507,328)
03/12/2019	OTC SWAP	Baseload	POWER	01/01/2020	31/12/2020	5	55.6	29,405	29,405	39.80	(463,808)
09/04/2020	OTC SWAP	Baseload	POWER	01/05/2020	31/05/2020	5	23.4	3,720	3,720	20.30	(11,352)
09/04/2020	OTC SWAP	Baseload	POWER	01/06/2020	30/06/2020	5	27.3	3,600	3,600	24.78	(9,072)
09/04/2020	OTC SWAP	Baseload	POWER	01/07/2020	30/09/2020	5	30.8	11,040	11,040	30.36	(5,366)
14/04/2020	OTC SWAP	Baseload	POWER	01/05/2020	31/05/2020	5	22.5	3,720	3,720	20.30	(8,004)
14/04/2020	OTC SWAP	Baseload	POWER	01/06/2020	30/06/2020	5	26.9	3,600	3,600	24.78	(7,632)
14/04/2020	OTC SWAP	Baseload	POWER	01/07/2020	30/09/2020	5	30.3	11,040	11,040	30.36	154
14/04/2020	OTC SWAP	Baseload	POWER	01/10/2020	31/12/2020	5	36.8	11,045	11,045	35.38	(16,236)
14/04/2020	OTC SWAP	Baseload	POWER	01/05/2020	31/05/2020	5	21.6	3,720	3,720	20.30	(5,028)
14/04/2020	OTC SWAP	Baseload	POWER	01/06/2020	30/06/2020	5	25.9	3,600	3,600	24.78	(3,852)
14/04/2020	OTC SWAP	Baseload	POWER	01/07/2020	30/09/2020	5	29.6	11,040	11,040	30.36	8,213
24/04/2020	OTC SWAP	Baseload	GAS	01/01/2021	31/03/2021	30	12.6	64,770	64,770	12.31	(20,208)
27/04/2020	OTC SWAP	Baseload	POWER	01/05/2020	31/05/2020	5	27.5	3,720	3,720	26.86	(2,381)
28/04/2020	OTC SWAP	Baseload	POWER	01/01/2021	31/12/2021	5	45.8	43,800	43,800	45.73	(940)
28/04/2020	OTC SWAP	Baseload	POWER	01/05/2020	31/05/2020	5	26.8	3,720	3,720	26.86	37
28/04/2020	OTC SWAP	Baseload	POWER	01/07/2020	30/09/2020	1	39.8	2,208	2,208	38.82	(2,274)
29/04/2020	OTC SWAP	Baseload	POWER	01/05/2020	31/05/2020	5	19.6	3,720	3,720	20.30	2,412
30/04/2020	OTC SWAP	Baseload	POWER	01/07/2020	30/09/2020	2	38.8	4,416	4,416	38.82	309
30/04/2020	OTC SWAP	Baseload	POWER	01/07/2020	30/09/2020	1	39.2	2,208	2,208	38.82	(729)
											(5,283,243)

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 fair value measurement purposes, 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 table below shows the fair value hierarchy for the Group's financial assets and liabilities measured at fair value on the basis of valuation techniques that use as reference parameters observable on the market (Level 2).

	30.04.2020	31.12.2018
Derivative assets	85,389,782	31,003,351
Derivative liabilities	91,179,828	15,223,835
Other financial assets	0	952,163

Related-party transactions

In line with the relevant Group policies, the economic, equity and financial relations in place with related parties as at 30 April 2020 and 31 December 2018 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.

RELATED-PARTY TRANSACTIONS - FINANCIAL PERIOD ENDED 30.04.2020	Equity investments	Receivables for loans	Trade receivables	Receivables from tax consolidation	Payables for tax consolidation	Trade and financial payables	Other payables
Parent companies							
SC Holding S.r.l.	-	2,634,702	79,201	23,406,628	4,284,943		1,423,373
Unconsolidated subsidiaries							
Green Wind 1 S.r.l.							
Developower S.r.l.	10,000	50,000	89				
Green Network Energie S.a.r.l.	-	-	24,876	-	-	-	-
Associates							
Solergys	479,830	440,085	52,440				
Joint Ventures							
JMS	-		2,833,376			2,854,671	
Other Group companies							
Italpower Energia S.r.l.	10,000	-	-	-	-	-	-
Green Network Energy LTD	-	-	3,260,952			-	
Green Network UK Plc.	-	64,068,922	5,483,787			2,965,401	

RELATED-PARTY TRANSACTIONS - FINANCIAL PERIOD ENDED 30.04.2020	Revenues from sales	Other revenues and income	Consumption of materials, costs for services and other costs	Revaluations / Write-downs of equity investments	Interest income from loans	Other financial income
Parent companies						
SC Holding S.r.l	4,919	-	400,000	-	-	-
Unconsolidated subsidiaries						
Green Wind 1 S.r.l.	1,250	-	-	47,732	-	-
Green Network Energie S.a.r.l.	-	-	-	50,000	-	-
Associates						
Solergys	5,000	-	-	-	28,829	-
Joint Ventures						
JMS	3,200	-	37,122,421	262,406	-	-
Other companies						
Italpower Energia S.r.l.	-	-	-	-	-	-
Green Network UK Plc.	-	-	18,024,286	-	1,463,952	-

RELATED-PARTY TRANSACTIONS - FINANCIAL PERIOD ENDED 31.12.2018	Equity investments	Receivables for loans	Trade receivables	Receivables from tax consolidation	Payables for tax consolidation	Trade and financial payables	Other payables
Parent companies							
SC Holding S.r.l	-	2,803,211	605	24,047,955	22,548,318	-	666,000
Unconsolidated subsidiaries							
Green Wind 1 S.r.l.	-	111,083	4,667	-	-	-	-
Green Network Energie S.a.r.l.	50,000	-	-	-	-	-	-
Associates							
Solergys	411,977	1,420,085	463,868	-	-	-	-
Joint Ventures							
JMS	262,406	-	8,820,658	-	-	8,884,323	-
Other Group companies							
Italpower Energia S.r.l.	10,000	-	-	-	-	-	-
Green Network UK Plc.	-	17,368,922	3,860,082	-	-	276,331	-

RELATED-PARTY TRANSACTIONS - FINANCIAL PERIOD ENDED 31.12.2018	Revenues from sales	Other revenues and income	Consumption of materials, costs for services and other costs	Revaluations / Write-downs of equity investments	Interest income from loans	Other financial income
Parent companies						
SC Holding S.r.l	4,191	-	867,620	-	-	-
Unconsolidated companies						
Green Wind 1 S.r.l.	3,022	-	-	-	-	-
Green Network Energie S.a.r.l.	-	-	-	-	-	-
Associates						
Solergys	120,642	-	-	91,131	27,018	-
Joint Ventures						
JMS	44,387,131	-	44,520,762	-	-	-
Other companies						
Italpower Energia S.r.l.	-	-	-	-	-	-
Green Network UK Plc.	-	-	1,952,774	-	229,209	215,250

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

- financial transactions, consisting of loans;
- tax relations connected to the tax consolidation scheme in place between some Group companies;
- commercial transactions connected mainly to the energy market sector.

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

Disputes, pending tax matters and contingent liabilities

The disputes, pending tax matters and contingent liabilities, in relation to which the risk of losing the case is regarded as remote or possible by the Directors are summarised below.

- 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 of electricity put in place with certain counterparties, as suppliers or customers. Following these inspections, the companies received a Report on Findings (PVC, *Processo Verbale di Constatazione*) , 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 notices of assessment for VAT and Direct Taxes and related penalty notices, with reference to tax periods from 2009 to 2013 and a notice of VAT assessment for 2014. All notices of imposition of tax and penalties were challenged by the Company before the Provincial Tax Board. 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 party concerned, 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, it did not deem it necessary to set aside any provision for risks. In support of this approach, note the following:
    1) on 13 September 2016, 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 2009; 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, thus confirming, before the second-instance court, the cancellation of the notices of assessment challenged. The Revenue Agency challenged the aforementioned judgment before the Supreme Court;
    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; the judgment was challenged by the Revenue Agency. The Lazio Regional Tax Board, by judgment no. 5537/3/19, rejected the appeal filed by the Revenue Agency, thus confirming, before the second-instance court, the cancellation of the notices of assessment challenged. The Revenue Agency challenged the aforementioned judgment before the Supreme Court.
    3) on 11 June 2018, the aforesaid Division 4 of the Rome Provincial Tax Board also granted, by judgment no. 12024/4/18, the appeal against the notice of assessment no. TJBOE0300262/2016 for 2011; the Revenue Agency has filed an appeal;
    4) 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.

5) on 12 February 2019, 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 Revenue Agency has filed an appeal;
6) on 23 April 2019, Division 4 of the Rome Provincial Tax Board granted, by judgment no. 6021/4/2019 (as challenged herein) the appeal filed by Green Network against the penalty notice no. TJBIR0300002/2017 for 2011;
7) on 30 September 2019, Division 35 of the Rome Provincial Tax Board granted, by judgment no. 12528/35/2019 the appeal filed by Green Network against the penalty notice no. TJBIR0100027/2016 for 2010;
8) on 30 September 2019, Division 35 of the Rome Provincial Tax Board granted, by judgment no. 12529/35/2019, the appeal filed by Green Network against the penalty notice no. TJBIR0100026/2016 for 2010;
9) on 14 November 2019, Division 18 of the Rome Provincial Tax Board granted, by judgment no. 14941/2019 the appeal filed by Green Network against the notice of assessment no. TJBOE0300110/2018 for 2012;
10) on18 October 2019, Division 18 of the Rome Provincial Tax Board granted, by judgment no. 14945/18/2019, the appeal filed by SC Holding against the notice of assessment no. TJB0E0300110 in the matter of IRES (Corporate Income) tax for 2012;
11) on13 December 2019, Division 29 of the Rome Provincial Tax Board granted, by judgment no. 17667/2019, the joint appeals filed by Green Network against the notices of assessment nos. TJBOE0300256/2018, TJBOE0300257/2018, TJBOE0300258/2018, TJBCO0300065/2018 and TJBCO0300066/2018, for 2013;
12) on 19 February 2020, Division 6 of the Rome Provincial Tax Board granted, by judgment no. 2169/6/2020, the appeal filed by Green Network against the notice of assessment no. TJB030300104/2018 for 2012.

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 numerous judgments have been issued in favour of the taxpayer companies.

- The following measures on imbalances are also reported below for the purposes of this Report. Following 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 regulation set aside by the abovementioned judgments of the Lombardy Region TAR and of the Council of State. By Resolution 837/2017 of December 2017, a final order was published in relation to the completion of audits referred to in Resolution 333/2016 for Green Network. According to 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 1 October 2020. 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 to provision for risks has been recognised.

- By Resolution 342/2016 ARERA 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. By 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 TradeInv Gas&Energy S.p.A. (Resolution 154/2018). The hearings for the discussion of the merits of Resolutions ex-559 and 558 before the Lombardy Region TAR (except for Resolution 154/2018 for which the hearing has not yet been scheduled) have had an unfavourable outcome for the Company, which has already promptly filed appeals with the Council of State to seek the annulment of the Lombardy Region TAR's judgments nos. 01073/2019 and 00776/2019, respectively. These appeals were heard on 24 October 2019, when the Council of State ordered the adjournment of their consideration until 25 June 2020 pending the outcome of a technical investigation into the matter in dispute that has been granted. 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 to the provision for risks has been recognised.

- ARERA has commenced an action for the possible levying of sanctions for potentially unfair dispatching strategies (reference to Resolution no. 342/2016 referred to above). The procedure is still underway and the Company has not received any additional information.

- By Resolution 731/2016/S/com, ARERA started a process for the adoption of prescriptive measures and sanctions against the Company for the potential breach of the Commercial Code of Conduct, at least in the period from January 2014 to June 2016. The conduct disputed was charging domestic electricity and natural gas customers and non-domestic customers connected to Low Voltage an administrative fee (Article 5) that was only determined after the performance of the contract. By Resolution 250/2019/S/com, ARERA noted Green Network's defence arguments but still decided to levy an administrative fine and asked GN to refund the fees to the customers concerned.

  The Company is certain of the rightness of its case and promptly lodged an application with the Lombardy Region TAR to set aside Resolution 250 of 2019 after submitting a request for the order to be stayed, which was agreed to by the Lombardy Region TAR. The case has been adjourned for a decision. We are waiting for the publication of the judgment.

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, net of the amount already subject to settlement agreements, as stated in the paragraph on "non-recurring transactions" of the report on operations. 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 reporting date, there were no additional disputes or pending tax matters for a significant amount that determined contingent liabilities for the Company, which 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 period and shareholders' equity

	Shareholders' equity	of which Profit (loss) for the period
Balances as per the financial statements of Green Network S.p.A. at 30.04.2020	55,402,853	35,175,334
Consolidation adjustments made for:		
- Line-by-line consolidation of equity investments in subsidiaries	(3,394,048)	138,500
- Other changes in equity	1,400,835	1,400,835
Group equity and profit (loss)	53,409,640	36,714,669
Minority interests	1,843,942	288,582
Consolidated equity and profit (loss)	55,253,582	37,003,251

Guarantees, commitments and off-balance sheet agreements

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

- surety guarantees of Euro 118,470,869 issued in favour of third parties (of which insurance guarantees of Euro 84,812,121 and financial guarantees of Euro 33,658,748);
- guarantees in the form of pledges, totalling Euro 24,155,971, provided to banks for cash collateral activities relating to pledges requested by some banks as security for unsecured loans granted and/or uses;

Furthermore, the company, as already stated in the note on trade receivables, has received sureties from customers for Euro 2,676,000.

Guarantees issued to third parties are made up of:

- Euro 80,034,000 in favour of third parties for the purchase and sale of electricity, gas and derivatives;
- Euro 4,277,609 in favour of third parties for electricity and gas transmission;
- Euro 13,446,000 in favour of Terna S.p.A. for dispatching;
- Euro 5,380,664 in favour of regional governments and Customs Agency for the payment of excise and additional duties;
- Euro 1,300,000 in favour of SNAM for balancing;
- Euro 4,725,023 in sureties issued in favour of third parties for gas carrier and distribution;
- Euro 750,000 in favour of Idea Fimit S.p.A. for the lease of the new building at which the company business is conducted;
- Euro 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;
- Euro 5,275,130 in sureties issued in favour of the Revenue Agency for VAT excess;
- Euro 121,539 relating to other guarantees.

The amount of Euro 24,155,971 relating to pledges is made up as follows:

- Euro 11,955,971 due to banks for cash collateral activities relating to pledges requested by some banks as security for unsecured loans granted and/or used;
- Euro 12,200,000 in guarantee deposits.

The company has also received sureties and guarantees from third parties for a value equal to Euro 2,676,000 and has granted the following corporate guarantees, comfort letters and co-obligations:

- Euro 810,605 as security for the lease held by subsidiary Green Wind 2 S.r.l. with Alba Leasing S.p.A.;
- Euro 3,282,501 as security for the outstanding bank loans held by Rena Energia S.r.l., Biogas Energy Società Agricola S.r.l. and Energrid S.r.l.;
- Euro 2,205,000 as security for the outstanding loans held by associate Sòlergys S.p.A.;
- Euro 4,837,612 for a comfort letter and co-obligation in favour of the parent company SC Holding S.r.l..

Fees due to Directors, Statutory Auditors and Independent Auditors

As already indicated in notes nos. 4 and 5 above, the information relating to fees due to directors, statutory auditors and independent auditors for the 2019 financial period is provided below.

	Amount
Directors' fees	3,144,845
Statutory Auditors' fees	72,107
Independent Auditors' fees	738,314
Supervisory Board's fees	24,960
Total	**3,917,374**

Subsequent events

No further significant events occurred after the reporting date of these financial statements with respect to those already detailed in the relevant paragraph of the Report on Operations.

Rome, 26 June 2020

The 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	For the sixteen months ended 30 April 2020	For the twelve months ended 31 December 2018
Revenues			
Revenues from sales and services	1	1,853,085,601	1,547,673,668
Other revenues and income	2	227,446,306	115,971,046
Total revenues		**2,080,531,907**	**1,663,644,714**
Costs			
Electricity and gas purchase	3	1,879,944,454	1,587,556,539
Costs for services and materials	4	49,660,404	31,439,509
Personnel costs	5	23,393,163	19,425,786
Amortisation, depreciation and impairment	6	62,389,949	13,072,276
Provisions	7	2,831,000	625,000
Other operating costs	8	13,070,339	5,144,483
Total costs		**2,031,289,309**	**1,657,263,593**
EBIT		**49,242,598**	**6,381,121**
Financial income (costs) from financial instruments measured at fair value	9	7,365	(53,684)
Net profit (loss) from the sale of current and non-current operating assets		0	4,184
Financial income	10	6,863,645	3,284,448
Financial costs	11	(19,590,557)	(7,593,381)
Share of income/(costs) arising from equity-accounted investments	12	(1,979,879)	396,725
Profit (loss) before tax		**34,543,172**	**2,419,413**
Taxes	13	632,162	(1,951,967)
Net profit (loss) for the period		**35,175,334**	**467,446**

	NOTES	For the sixteen months ended 30 April 2020	For the twelve months ended 31 December 2018
Net profit (loss) for the period		**35,175,334**	**467,446**
Other comprehensive income			
Items that should not be reclassified to Profit (Loss) for the period			
Actuarial gains (losses) from defined-benefit plans	5	(14,071)	5,397
Items that will or could be subsequently reclassified to Profit (Loss) for the period			
Profit (losses) from value restatement of other financial assets	9	(9,524)	(41,736)
Fair value changes in cash flow hedge	3	(1,009,152)	(7,527,761)
Income taxes relating to OCI		**296,959**	**2,180,234**
Comprehensive income (loss) for the period		**34,439,546**	**(4,916,420)**

Statement of Financial Position

	NOTES	30.04.2020	31.12.2018
Non-current assets			
Intangible assets	14	62,157,335	46,036,651
Goodwill	15	25,561,517	25,561,517
Property, plant and equipment	16	2,415,662	3,869,452
Right of use	17	4,005,881	0
Investment property	18	7,487,725	7,773,961
Equity investments	19	15,855,174	15,477,434
Receivables from related parties	20	79,039,809	31,551,999
Receivables for deferred tax assets	21	7,135,322	6,132,392
Tax receivables	22	5,113,569	5,098,460
Other non-current assets	23	5,661,230	1,758,544
Total		**214,433,224**	**143,260,410**
Current assets			
Inventories	24	457,621	3,058,132
Trade receivables	25	237,574,174	416,654,276
Receivables from related parties	26	40,537,573	43,530,312
Receivables and current financial assets	27	59,499,556	18,307,527
Tax receivables	28	64,726,872	10,358,161
Derivatives	29	85,389,782	31,003,351
Financial assets held for sale	30	0	559,263
Other current assets	31	11,764,595	13,582,564
Cash and cash equivalents	32	49,428,072	13,325,900
Total		**549,378,245**	**550,379,486**
Total assets		**763,811,469**	**693,639,896**
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	33	15,636,000	15,636,000
Other reserves	33	4,591,519	4,859,862
Net profit (loss) for the period	33	35,175,334	467,446
Total shareholders' equity		**55,402,853**	**20,963,308**
Non-current liabilities			
Payables and non-current financial liabilities	34	5,989,022	10,660,276
Employee severance indemnity and other employee benefits	35	3,097,885	3,031,832
Payables to related parties	36	0	1,075,067
Provisions for risks and charges	37	11,692,845	11,844,517
Tax liabilities	38	11,465	11,465
Other non-current liabilities	39	12,051,419	10,040,339
Total		**32,842,636**	**36,663,496**
Current liabilities			
Payables and current financial liabilities	40	75,863,095	99,864,836
Trade payables	41	355,704,344	440,608,139
Payables to related parties	42	12,241,080	31,939,577
Tax payables	43	126,791,501	37,453,034
Derivatives	44	91,179,828	15,223,835
Other current liabilities	45	13,786,132	10,923,671
Total		**675,565,980**	**636,013,092**
Total shareholders' equity and liabilities		**763,811,469**	**693,639,896**

Statement of changes in 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 contribution	Reserve for valuation of other financial assets	Reserve for actuarial gains	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 comprehensive income	0	0	0	0	0	0	1,385,009	0	0	4,271	(89,834)	0	**1,299,446**
Total comprehensive income	**0**	**0**	**0**	**0**	**0**	**0**	**1,385,009**	**0**	**0**	**4,271**	**(89,834)**	**5,140,826**	**6,440,272**
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**
Profit (loss) for the period	0	0	0	0	0	0	0	0	0	0	0	467,446	**467,446**
Other comprehensive income	0	0	0	0	0	0	(5,358,261)	0	0	(29,707)	4,102	0	**(5,383,867)**
Total comprehensive income	**0**	**0**	**0**	**0**	**0**	**0**	**(5,358,261)**	**0**	**0**	**(29,707)**	**4,102**	**467,446**	**(4,916,421)**
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)	(4,622,061)	(0)	1	0	0	0	(5,140,826)	**(4,935,417)**
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)	2	13,394	6,780	(269,897)	467,446	**20,963,309**
Balance at 1 January 2019	15,636,000	1,725,046	15,294,082	6,297,595	(26,401,500)	11,236,658	(3,042,298)	2	13,394	6,780	(269,897)	467,446	**20,963,309**
Profit (loss) for the period	0	0	0	0	0	0	0	0	0	0	0	35,175,334	**35,175,334**
Other comprehensive income	0	0	0	0	0	0	(718,314)	0	0	(6,779)	(10,694)	0	**(735,787)**
Total comprehensive income	**0**	**0**	**0**	**0**	**0**	**0**	**(718,314)**	**0**	**0**	**(6,779)**	**(10,694)**	**35,175,334**	**34,439,547**
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	23,372	444,074	0	0	0	0	(2)	0	(1)	(1)	(467,446)	**(4)**
Balance at 30 April 2020	15,636,000	1,748,418	15,738,156	6,297,595	(26,401,500)	11,236,658	(3,760,612)	0	13,394	(0)	(280,592)	35,175,334	**55,402,852**

Cash flow statement

	Notes	For the sixteen months ended 30 April 2020	2018
Profit (loss) for the period		35,175,334	467,446
CASH FLOW STATEMENT OF OPERATING ACTIVITIES (A)			
Taxes	14	(632,162)	1,951,967
Interest expense/(interest income)	11 - 12	12,717,238	4,342,486
Income from equity investments in other companies	11	0	(27,911)
Adjustments for non-cash elements with a contra-entry in net working capital			
Allocations to provisions	6 - 7	*36,499,721*	*4,783,729*
Amortisation and depreciation of fixed assets	6	*28,957,349*	*9,572,276*
Write-downs due to impairment losses	6	*592,600*	*0*
Other adjustments for non-cash elements	9 - 10 - 13	*1,972,514*	*(347,225)*
Cash flows from change in working capital			
- change in inventories	24	2,600,511	(1,256,199)
- change in trade and intercompany receivables	20 - 25 - 26	149,232,840	(50,700,754)
- change in trade and intercompany payables	43 - 44	(105,677,361)	83,203,268
- other changes in net working capital		18,966,416	20,863,719
Cash flows from other adjustments:			
Interest income and other financial income received	11	*6,873,319*	*3,278,806*
Interest expense and other financial costs paid	12	*(19,590,557)*	*(7,593,381)*
(Income taxes paid)		*(1,951,967)*	*(3,098,714)*
(Use of provisions)		*(3,745,341)*	*(1,642,167)*
Cash flow generated from (used by) operations		**126,815,120**	**63,329,900**
CASH FLOW STATEMENT OF INVESTMENT ACTIVITIES (B)			
Cash flows from changes in property, plant and equipment	17	(7,042,197)	(902,534)
Cash flows from changes in intangible assets	15 - 16	(40,894,292)	(31,889,966)
Cash flows from changes in equity investments	19	(2,357,618)	5,336,423
Cash flows from changes in receivables for loans	20	(47,487,809)	(11,877,413)
Cash flows from changes in financial instruments	3 - 29 - 46	566,628	3,355,519
Cash flow generated from (used by) investments		**(97,215,288)**	**(35,977,971)**
CASH FLOW STATEMENT OF FINANCING ACTIVITIES (C)			
Cash flows from borrowed capital:			
Increase (decrease) in short-term payables	42	(24,001,741)	(45,936,553)
Increase (decrease) in long-term payables	36	(4,671,253)	4,371,479
Dividends paid		0	0
Other changes in equity items	35	0	0
Cash flow generated from (used by) financing activities		**(28,672,994)**	**(41,565,074)**
Increase (decrease) in cash and cash equivalents		36,102,172	(13,745,699)
Opening cash and cash equivalents		13,325,900	27,071,599
Closing cash and cash equivalents		49,428,072	13,325,900

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 Article 2497-*bis*, paragraph 4, of the Italian Civil Code, it should be noted that the company is subject to the management and coordination by SC Holding S.r.l., with registered office in Viale della Civiltà Romana no. 7, Rome, Tax Code 08420631007, for which the highlights for the last set of approved financial statements are provided below. For a full and comprehensive analysis of the financial position and cash flows of SC Holding S.r.l. at 31 December 2018, as well as of the results of operations 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	31.12.2018
Non-current assets	25,039,932
Current assets	28,065,142
TOTAL ASSETS	**53,105,074**
Shareholders' equity	9,045,740
Non-current liabilities	2,821,852
Current liabilities	41,237,482
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**53,105,074**

INCOME STATEMENT	31.12.2018
Revenues	633,039
Costs	(737,146)
Net profit (loss)	**(104,107)**
Financial income (costs)	(15,976)
Profit (loss) before tax	**(120,084)**
Taxes	27,555
Net profit (loss) for the period	**(147,639)**

It should be noted that SC Holding also prepared the consolidated financial statements for 2018.

Basis of presentation of financial statements

The annual financial statements have been 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 the Standing Interpretations Committee (SIC), recognised by the European Union in accordance with Regulation (EC) No. 1606/2002 and applicable at the end of the financial period (the set of all reference standards and interpretations indicated above are hereinafter referred to as "EU-IFRS"). In particular, the EU-IFRS have been applied consistently to all financial periods presented in this document. This annual financial report was approved by the Board of Directors on 26 June 2020 and is subject to audit by PricewaterhouseCoopers S.p.A..

These financial statements provide a clear, true and fair view of the company's financial position, results of operations and cash flows. The financial statements correspond to the accounting records duly kept by the company.

Book values are stated in Euro units, with rounding-off of related amounts. Any rounding-off differences have been recognised under "Euro rounding-off reserve", stated among equity items, as "Euro rounding-off".

The financial statement schedules used are the same as those adopted to prepare the financial statements at 31 December 2018.

These Financial Statements have been prepared on the basis of the going-concern assumption.

The Financial Statements have been prepared 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.

As detailed in the Report on operations, on 29 April 2020 a settlement agreement was executed with Enel Distribuzione S.p.A. (ED), which allowed Green Network S.p.A. (GN) to realise a substantial net contingent asset. The effect of this agreement is included in the financial statements at 30 April 2020, which has a reporting period of 16 months, in order to bring them into line with the change in the financial period of the parent company SC Holding S.r.l., which was in turn required by the consolidation requirements of the UK subsidiaries. Therefore, the data of the financial statements at 30 April 2020 cannot be compared with those of the comparative period ended 31 December 2018.

During the 16-month financial period ended 30 April 2020, the Company posted a final profit of Euro 35.2 million, as well as showed a shareholders' equity of Euro 55.4 million and a financial debt of Euro 81.9 million, an amount of Euro 6.0 million of which due beyond 12 months. Current liabilities exceed current assets by about Euro 126.2 million.

The Directors have prepared a 2020-2026 Budget / Plan (the "Budget / Plan"), which was approved by the Board of Directors on 1 April 2020 and was certified in accordance with the law by an authoritative independent professional on 24 April 2020, with particular reference to the reasonableness of the assumptions underlying the projections made by the directors.

The 12-month Budget used in the preparation of these financial statements considers the generation of positive EBITDA with a rebalancing of net working capital and cash inflows. According to the Directors' projections there will be:

- a recovery of profit margins on the Electricity, Gas and Energy Management Business Units and normalisation of working capital through i) a strategy of focusing on customer clusters with higher profit margins, ii) an improvement in the customer base and therefore in the average churn rate, iii) an increase in acquisitions of new customers with particular reference to the cluster of domestic customers, iv) the optimisation of hedging and trading processes, v) economies of scale expected on Costs to Serve (CtS) and vi) efficiency improvement actions on structural costs;
- the repayment of loans disbursed by affiliates and subsidiaries operating in the sector of renewable energy for about Euro 9.4 million.

The directors reasonably believe that Green Network S.p.A. has sufficient assets and financial resources to continue its recurring operations and meet its obligations for the next twelve months, provided that the above actions are taken.

Furthermore, these financial statements at 30 April 2020 have been prepared on the basis of the going-concern assumption, for the reasons reported above, which are substantially based on the implementation of the 2020 / 2021 budget and the actual implementation of the actions described above.

Restatement of comparative values

The balances recorded in the previous year have been reclassified for an improved reporting of income from core business operations.

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

	31.12.2018 restated	31.12.2018 reported	Change
Sale of energy	675,302,042	675,302,042	0
GME gas sales	-	98,295,687	(98,295,687)
Revenues from energy interconnector	128,406,932	128,406,932	0
Recovery of dispatching charges	83,964,543	83,964,543	0
Recovery of transmission charges	457,414,017	457,414,017	0
Revenues from imbalance and CNA*	10,411,598	10,411,598	0
CCC ** revenues	3,429,630	3,429,630	0
Electricity Commercial costs	11,430,223	11,430,223	0
Recovery of CMOR *** charges	1,341,917	1,341,917	0
Intercompany energy revenues	13,715,041	13,715,041	0
Revenues from electricity sales and services	**1,385,415,943**	**1,483,711,630**	**(98,295,687)**
Gas sales	118,359,283	118,359,283	0
GME gas sales	-	8,316,588	(8,316,588)
Recovery of gas transmission charges	9,874,643	9,874,643	0
Recovery of gas carrier charges	18,741,059	18,741,059	0
Revenues from gas imbalance	9,152,655	9,152,655	0
Other gas proceeds	133,770	43,223	90,547
Commercial costs of GAS	4,534,101	4,534,101	0
Intercompany gas revenues	1,462,214	1,462,214	0
Revenues from sales of gas	**162,257,725**	**170,483,766**	**(8,226,041)**
Total	**1,547,673,668**	**1,654,195,396**	**(106,521,728)**

[* CNA, *Corrispettivo di Non-Arbitraggio*, Non-Arbitrage Fees]
[** CCC, *Copertura* contro il rischio di volatilità del *Corrispettivo* di assegnazione della *Capacità* di trasporto, *Hedge* against the volatility risk of the transmission *Capacity* allocation *Fees*]
[*** CMOR, *Corrispettivo di Morosità*, Arrears Fees]

	31.12.2018 restated	31.12.2018 reported	Change
Compensation from suppliers	855,838	855,838	0
Recovery of costs and charges	125,970	125,970	0
Revenues from contractual penalties and reimbursements	7,367,887	7,367,887	0
Rent income	105,211	105,211	0
Reimbursement of expenses	144	144	0
Other intercompany revenues	452,942	452,942	0
Other income	107,063,054	541,326	106,521,728
Total	**115,971,046**	**9,449,318**	**106,521,728**

Significant events during the financial period

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

Accounting policies

The accounting standards and policies are the same as those adopted to prepare the consolidated financial statements of the Green Network Group, to which reference should be 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.

Segment reporting

The operating segments 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:

Segment reporting by business sector

30 April 2020	Power	Gas	Other activities	Total
Revenues	1,685,871,723	167,213,878	227,446,306	**2,080,531,907**
Direct costs	(1,718,459,969)	(161,484,485)	0	**(1,879,944,454)**
Investments	6,351,234	629,950	0	**6,981,184**

31 December 2018	Power	Gas	Other activities	Total
Revenues	1,385,415,943	162,257,725	115,971,046	**1,663,644,714**
Direct costs	(1,433,685,529)	(153,871,010)	0	**(1,587,556,539)**
Investments	4,995,867	585,108	0	**5,580,975**

Major customers in accordance with IFRS 8

No specific concentrations of sales by the company nor major customers are noted pursuant to IFRS 8.

Explanatory notes to income statement

1. Revenues from sales and services – Euro 1,853,085,601

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

	For the 16 months ended 30 April 2020	2018	Change	% Change
Sale of energy	826,144,282	675,302,042	150,842,240	22.3%
Revenues from energy interconnector	120,231,517	128,406,932	(8,175,415)	(6.4%)
Recovery of dispatching charges	101,447,402	83,964,543	17,482,859	20.8%
Recovery of transmission charges	588,370,321	457,414,017	130,956,304	28.6%
Revenues from imbalance and CNA	2,040,937	10,411,598	(8,370,661)	(80.4%)
CCC revenues	4,738,920	3,429,630	1,309,290	38.2%
Electricity Commercial costs	27,226,074	11,430,223	15,795,851	138.2%
Recovery of CMOR charges	1,834,023	1,341,917	492,106	36.7%
Intercompany energy revenues	13,557,330	13,715,041	(157,711)	(1.1%)
Recovery of dispatching charges	102,952	-	102,952	n.s.
Recovery of costs	177,965	-	177,965	n.s.
Revenues from electricity sales and services	**1,685,871,723**	**1,385,415,943**	**300,455,780**	**21.7%**
Gas sales	106,204,056	118,359,283	(12,155,227)	(10.3%)
Recovery of gas transmission charges	12,750,220	9,874,643	2,875,577	29.1%
Recovery of gas carrier charges	30,306,486	18,741,059	11,565,427	61.7%
Revenues from gas imbalance	4,250,566	9,152,655	(4,902,089)	(53.6%)
Other gas proceeds	19,716	133,770	(114,054)	(85.3%)
Commercial costs of Gas	11,856,666	4,534,101	7,322,565	161.5%
Intercompany gas revenues	1,826,168	1,462,214	363,954	24.9%
Revenues from sales of gas	**167,213,878**	**162,257,725**	**4,956,153**	**3.1%**
Total	**1,853,085,601**	**1,547,673,668**	**305,411,933**	**19.7%**

During the financial period under review revenues recorded an increase of 20% compared to 2018. Revenues from sales increased less than volumes due to commodity price trends. For more details, reference should be made to the Report on Operations

2. Other revenues and income – Euro 227,446,306

Other revenues and income for the sixteen months ended 30 April 2020 are made up as follows:

	For the 16 months ended 30 April 2020	2018	Change	% Change
Compensation from suppliers	1,427,951	855,838	572,113	67%
Recovery of costs and charges	252,916	125,970	126,946	101%
Revenues from contractual penalties and reimbursements	(9,599,081)	7,367,887	(16,966,968)	(230%)
Rent income	154,617	105,211	49,406	47%
Reimbursement of expenses	1,144	144	1,000	694%
Other intercompany revenues	701,623	452,942	248,681	55%
Securitisation proceeds	122,377	0	122,377	n.s.
Other income	234,370,524	107,063,054	127,307,470	119%
Operating grants	14,235	0	14,235	n.s.
Total	**227,446,306**	**115,971,046**	**111,475,260**	**96%**

Revenues from contractual penalties include adjustments arising from the discontinuance of proceedings against Enel Distribuzione.
Other income includes proceeds that do not arise from direct sales to end customers and that are largely linked to portfolio optimisation, as well as transactions with GME.

3. Electricity and gas purchase - EUR 1,879,944,454

	For the 16 months ended 30 April 2020	2018	Change	% Change
Electricity purchase	1,045,986,737	848,143,282	197,843,455	23.3%
Energy transmission charges	463,302,506	440,668,041	22,634,465	5.1%
Dispatching charges	100,964,627	80,461,958	20,502,669	25.5%
Imbalance and CNA Electricity costs	2,429,365	8,124,385	(5,695,020)	(70.1%)
CCC charges	3,260,519	2,259,357	1,001,162	44.3%
GME energy costs	100,837,746	47,986,671	52,851,075	110.1%
GME service costs	469,468	222,495	246,973	111.0%
CTS* fees	302,693	4,340,104	(4,037,411)	(93.0%)
Energy CMOR charges	906,308	1,479,236	(572,928)	(38.7%)
Electricity purchase and associated costs	**1,718,459,969**	**1,433,685,529**	**284,774,440**	**19.9%**
Gas purchase	109,565,924	120,847,847	(11,281,923)	(9.3%)
Gas imbalance costs	1,577,660	2,510,886	(933,226)	(37.2%)
Gas transmission charges	12,792,491	12,469,934	322,557	2.6%
Gas carrier charges	31,426,406	19,101,404	12,325,002	64.5%
GME gas purchases	1,005,805	197,138	808,667	410.2%
Gas CMOR charges	138,948	0	138,948	n.s.
Gas purchase and associated costs	**156,507,234**	**155,127,209**	**1,380,025**	**0.9%**
Other purchases	2,376,740	0	2,376,740	n.s.
Inventories	2,600,511	(1,256,199)	3,856,710	(307.0%)
Total	**1,879,944,454**	**1,587,556,539**	**292,387,915**	**18.4%**

[*CTS, *Corrispettivo Tariffario Specifico*, Specific Tariff Fees]

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

It should be noted that the item “Electricity purchase” includes costs and income arising from the formalization of derivative contracts on commodities signed by the company for trading or hedging purposes and performed during the financial period, as well as the mark mark-to-market of trading derivative contracts existing at 30 April 2020. More specifically, this effect can be represented as follows:

	Commodity derivatives formalized during the financial period	Change in FV of commodity derivatives	Total
Costs	(49,851,937)	(74,864,429)	(124,716,366)
Income	12,219,089	54,304,018	66,523,108

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

4. Costs for services and materials – Euro 49,660,404

Costs for services and materials mainly relate to services connected with sales activities and are made up as follows.

	For the 16 months ended 30 April 2020	2018	Change	% Change
Other costs for services	436,302	473,775	(37,473)	(7.9%)
Insurance	64,515	27,496	37,019	134.6%
Technical consultancy	4,262,300	328,392	3,933,908	1,197.9%
Legal and tax advice	3,030,229	1,920,916	1,109,313	57.7%
Other consultancy advice	516,633	517,491	(858)	(0.2%)
Independent Auditors' fees	677,114	260,691	416,423	159.7%
Financial advice	383,512	215,124	168,388	78.3%
Advertising and promotion	3,404,715	2,991,513	413,202	13.8%
Utilities	193,538	137,618	55,920	40.6%
Postal and telephone expenses	2,262,073	1,605,742	656,331	40.9%
Stationery and printed materials	119,897	316,909	(197,012)	(62.2%)
Hardware and software support	1,712,281	1,257,756	454,525	36.1%
Financial costs	1,208,740	1,068,188	140,552	13.2%
Statutory Auditors' fees	72,107	54,080	18,027	33.3%
Supervisory Board's fees	24,960	24,960	0	0.0%
Factoring fees	2,762,066	2,233,836	528,230	23.6%
Charges on sureties	5,111,194	3,639,136	1,472,058	40.5%
Commissions expense	12,543,221	6,724,607	5,818,614	86.5%
Call centre service costs	4,799,748	2,796,142	2,003,606	71.7%
Entertainment expenses	919,730	439,555	480,175	109.2%
Credit insurance	1,805,149	767,945	1,037,204	135.1%
Debt collection and management costs	1,974,898	1,304,765	670,133	51.4%
Maintenance and repairs	171,285	86,078	85,207	99.0%
Rent expenses and associated charges	248,490	1,367,773	(1,119,283)	(81.8%)
Car hire	0	26,345	(26,345)	(100.0%)
Equipment hire	68,973	369,842	(300,869)	(81.4%)
Maintenance and repairs of third-party assets	178,065	178,756	(691)	(0.4%)
Software licences	708,669	304,078	404,591	133.1%
Total	**49,660,404**	**31,439,509**	**18,220,895**	**58.0%**

The item showed an increase compared to the previous year mainly due to higher costs for advice required during the financial period under review, in particular for restructuring costs, reported under technical consultancy, which include consulting costs linked to the agreement with E-Distribuzione S.p.A., as well as for higher commissions expense, charges on sureties and call center service expenses.

5. Personnel costs – Euro 23,393,163

	For the 16 months ended 30 April 2020	2018	Change	% Change
Wages and salaries	13,111,143	10,752,486	2,358,657	21.9%
Directors' fees	3,033,333	2,605,833	427,500	16.4%
Social security charges	4,238,792	3,100,436	1,138,356	36.7%
Directors' and freelancers' social security charges	103,505	63,655	39,850	62.6%
Employee severance indemnity	828,721	658,729	169,992	25.8%
Cost of temporary work	48,454	24,726	23,728	96.0%

Other personnel costs	2,029,215	2,219,921	(190,706)	(8.6%)
Total	**23,393,163**	**19,425,786**	**3,967,377**	**20.4%**

Corporate activities were carried out with the collaboration on average of 206 employees (an average of 225 employees in 2018), employed under permanent employment and work training contracts, broken down as follows:

- 18 senior managers on average;
- 40 middle managers on average;
- 142 employees on average;
- 6 blue-collars on average.

The breakdown of employees serving at 30 April 2020 for the various categories, compared to the previous year, is also reported below.

	For the 16 months ended 30 April 2020	2018
Senior Managers	18	18
Middle managers	37	44
Employees	135	164
Blue-collars	6	0
Total	**196**	**226**

The provision for employee severance indemnity of Euro 828,721 takes into account the guidelines provided in IAS 19 and, during the financial period under review, the application of the standard with the actuarial assumptions described in note no. 36 below resulted in a change in the reserve for actuarial gains of Euro 10,694 charged to comprehensive income.

Other personnel 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, fees due to the company doctor for mandatory medical check-ups and the management of cars granted to staff members as company benefits.

6. Amortisation, depreciation and impairment – Euro 62,389,949

	For the 16 months ended 30 April 2020	2018	Change	% Change
Amortisation and impairment of intangible assets	24,773,607	8,482,962	16,290,645	192.0%
Depreciation and impairment of property, plant and equipment	3,857,859	849,108	3,008,751	354.3%
Depreciation of investment property	325,883	240,206	85,677	35.7%
Impairment of other assets	592,600	0	592,600	n.s.
Impairment of receivables	32,840,000	3,500,000	29,340,000	838.3%
Total	**62,389,949**	**13,072,276**	**49,317,673**	**377.3%**

The item relating to the amortisation of intangible assets and to the depreciation of plant and equipment 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 showed an increase that was mainly due to the effect of the amortisation of the one-off commissions paid to agencies (fees) on the basis of the customers acquired, which are gradually increasing, as a result of the amortisation of goodwill related to the acquisition of the customer portfolio during the financial period, and as a result of the first-time adoption of the new international standard IFRS 16, the implementation of which gave rise to an increase in property, plant and equipment and consequently in their depreciation.

The item relating to the impairment of other assets, equal to Euro 592,600, only refers to the write-down of projects capitalized in 2018 but not yet implemented.

As regards receivables, the amount of Euro 32,840,000 relates to the impairment test carried out by the company on the portfolio loans during the financial period under review and only relates to the provision set aside following the valuation of the receivables in the portfolio that have similar characteristics (cluster, unpaid ratio etc.) in line with corporate policies.

7. Provisions – Euro 2,831,000

	For the 16 months ended 30 April 2020	2018	Change	% Change
Provisions	2,831,000	625,000	2,206,000	353.0%
Total	**2,831,000**	**625,000**	**2,206,000**	**353.0%**

The provision refers for Euro 1,875,000 to the dispute with Alpiq, which was concluded with an unfavourable outcome for the Company, thus leading to the full use of the provision that had partly set aside as early as in the previous year, as well as for Euro 756,000 to the ARERA procedure to challenge the application of specific fees to the end Customer for the receipt of invoices and for Euro 200,000 to a settlement agreement reached with the Edison counterparty as compensation for damages.

8. Other operating costs – Euro 13,070,339

	For the 16 months ended 30 April 2020	2018	Change	% Change
Taxes and duties	1,964,267	1,271,262	693,005	54.5%
Membership fees	123,391	78,793	44,598	56.6%
Sanctions, fines and penalties	8,578,936	2,177,964	6,400,972	293.9%
Contribution to Antitrust Authorities	51,624	38,820	12,804	33.0%
Other charges	2,352,121	1,577,644	774,477	49.1%
Total	**13,070,339**	**5,144,483**	**7,925,856**	**154.1%**

"Other charges" mainly consist of taxes/duties, fines and penalties imposed on the company during the financial period under review in relation to excise duties.

9. Financial income (costs) from financial instruments measured at fair value – Euro 7,365

The balance of Euro 7,365 is made up of the following amounts:

- Euro (11,685) relating to the sale of Banca Etruria Bonds that took place during the financial period;

- Euro 4,320 relating to the difference between the fair value recorded in the accounts and the value arising from the sale of the bonds in portfolio.

10. Financial income – Euro 6,863,645

The item is broken down as follows:

	For the 16 months ended 30 April 2020	2018	Change	% Change
Income from equity investments in other companies	0	27,911	(27,911)	(100.0%)
Income from equity investments	**0**	**27,911**	**(27,911)**	**(100.0%)**
Interest on loans to subsidiaries	372,997	530,760	(157,763)	(29.7%)
Interest on loans to associates	28,890	27,018	1,872	6.9%
Interest on securities	10,915	23,674	(12,759)	(53.9%)
Interest on loans to other group companies	1,017,918	0	1,017,918	n.s.
Interest income from customers	4,192,339	2,453,510	1,738,829	70,9%
Interest income on current accounts	8,621	683	7,938	1.162,2%
Other financial income	446,007	215,250	230,757	107,2%
Securitisation proceeds	534,722	0	534,722	n.s.
IFRS 16 Financial income	260,910	0	260,910	n.s.
Financial income	**6,873,319**	**3,250,895**	**3,622,424**	**111.4%**
Foreign exchange gains and losses	**(9,674)**	**5,642**	**(15,316)**	**(271.5%)**
Total	**6,863,645**	**3,284,448**	**3,579,197**	**109.0%**

Financial income showed an increase compared to the balance in the previous year, as a result of higher interest income from customers and higher interest on loans to other group companies, as well as interest for the securitisation transaction, and for the first-time adoption of the new international accounting standard IFRS 16.

11. Financial costs – Euro 19,590,557

The breakdown of this item is reported below.

	For the 16 months ended 30 April 2020	2018	Change	% Change
Bank interest expense	955,951	1,299,647	(343,696)	(26.4%)
Interest expense on mortgages and loans	644,757	549,844	94,913	17.3%
Interest expense on factoring	993,942	1,555,743	(561,801)	(36.1%)
Interest payable to other lenders	9,981,437	1,034,305	8,947,132	865.0%
Interest expense and charges on leases	22,819	21,061	1,758	8.3%
Credit Rating access fee	1,495,999	1,445,884	50,115	3.5%
Other interest and expense	1,502,245	962,734	539,511	56.0%
Interest on settlement agreements	6,252	437,824	(431,572)	(98.6%)
Interest expense on voluntary settlement	6,366	1,001	5,365	536.0%
Other financial costs	153,650	250,066	(96,416)	(38.6%)
IFRS 16 Interest expense	176,724	0	176,724	n.s.
Securitisation charges	3,586,904	0	3,586,904	n.s.
Employee severance indemnity discounting	63,511	35,272	28,239	80.1%
Total	**19,590,557**	**7,593,381**	**11,997,176**	**158.0%**

The item showed an increase of Euro 11,997,176 million, mainly attributable to higher interest payable to other lenders, which mainly includes interest paid to suppliers for deferred payments granted by them for Euro 7,943,266, to be mostly regarded as non-recurring, as well as to securitisation charges for Euro 3,586,904.

12. Share of income/(costs) from equity-accounted investments - Euro (1,979,879)

The breakdown of this item is reported below.

	For the 16 months ended 30 April 2020	2018	Change	% Change
Green Wind 1	(47,732)	0	(47,732)	n.s.
Impairment of equity investments	(2,000,000)	0	(2,000,000)	n.s.
Solergys	67,853	91,131	(23,278)	(25.5%)
US Boreale	0	310,808	(310,808)	(100.0%)
JMS	0	(5,214)	5,214	(100.0%)
Total	**(1,979,879)**	**396,725**	**(2,376,605)**	**(599.1%)**

The item reflects the effects of the valuation of the equity investments in subsidiaries and associates and is made up of a write-down of Euro 47,732 of the investment in Green Wind 1 S.r.l., provisions of Euro 2,000,000 set aside for prudential reasons on the value of equity investments and a revaluation of Euro 67,853 of the investment in Solèrgys.

13. Taxes – Euro 632,162

Taxes for the financial period showed a positive balance totalling Euro 632,162, made up as follows:

- Euro (609,433) relating to current IRES tax;
- Euro 708,715 of deferred tax assets;
- Euro 479,928 of deferred tax liabilities;
- Euro 52,952 of income from consolidation relating to previous years.

In accordance with IAS 12, the statements of reconciliation of the theoretical and the effective tax charge connected with IRES (Corporate Income) and IRAP (Regional Production Activity) tax are reported below (values in thousands of Euro).

Profit (loss) before tax from the financial statements	**33,987**
Taxes relating to previous years	(1,242)
Theoretical tax charge (24%)	7,859
Temporary differences taxable/deductible in subsequent financial periods	**36,769**
- Default interest income for 2019 not collected	(3,221)
- Default interest expense for 2019 not paid	1,526
- Write-downs of equity investments and securities	2,000
-Other write downs	593
- Allocation to provision for credit risks	30,986
- Allocation to provision for other risks	4,886
-Directors' fees not paid	0
Reversal of temporary differences from previous years	**(2,186)**
- Interest receivable before 2019 collected in 2019	220
- Default interest payable before 2019 paid in 2019	(209)
- Revaluations of equity investments	(68)
- Use of provision for risks for deductible credit losses	(1,804)
- Trademark amortisation allowance not deducted	(74)

- Directors' fees paid	(251)
Temporary differences that will not be reversed in subsequent financial periods	**(150,643)**
- Expenses relating to cars	906
- Contingent assets	(171,013)
- Non-deductible taxes	(35)
-Contingent assets – taxes from previous years	(699)
- Non-deductible contingent liabilities	2,979
-Contingent liabilities – taxes from previous years	0
- IAS Employee severance indemnity portion	0
- Non-deductible depreciation and amortisation	4,334
- Deductible Energrid/Tradeinv/Burgo goodwill	(1,968)
-Income from properties	466
- Sanctions and fines	8,579
- Telephone charges	46
- Other non-deductible costs	6,115
- Non-deductible travel expenses and allowances	1
- Dividends from shares	0
- Amortisation of advertising expenses	0
- Goodwill amortisation	(354)
Income for the period	**(82,073)**
Effective IRES tax charge (24%)	**0**

Difference between production value and costs	**109,042**
Theoretical IRAP tax charge (4.82%)	5,256
Costs not relevant for IRAP tax purposes (credit losses, lease interest, etc.)	16,206
Costs relevant for IRAP tax purposes (amortisation and depreciation, etc.)	(173,530)
Deductions for employees	(17,299)
Total	(174,623)
Value of production for the financial period	(65,581)
Effective IRAP tax charge (4.82%)	**0**

Explanatory notes to the statement of financial position

14. Intangible assets – Euro 61,157,335

Intangible assets showed a net book value of Euro 61,157,335 at 30 April 2020 and are broken down as follows:

	Software licences	Trademarks	Other intangible assets	30/04/2020
Initial values at 31 December 2018	**1,711,523**	**7,548,774**	**36,776,354**	**46,036,651**
Changes at 30 November 2019				
- acquisitions	1,785,473	0	39,108,819	40,894,292
- disposals	0	0	0	0
- other adjustments from acquisitions	0	0	0	0
- amortisation	(767,272)	(1,113,555)	(22,839,701)	(24,720,528)
- reclassifications	0	0	(53,079)	(53,079)
- other changes	0	0	0	0
- write-downs	0	0	0	0
Total changes	**1,018,200**	**(1,113,555)**	**16,216,039**	**16,120,684**
Values at 30 April 2020	**2,729,723**	**6,435,219**	**52,992,393**	**62,157,335**
Historical cost	**6,640,263**	**8,391,274**	**82,746,024**	**97,777,561**
Accumulated amortisation at 31 December 2018	(3,143,267)	(842,500)	(6,860,851)	(10,846,618)
Other adjustments	0	0	(53,079)	(53,079)
Amortisation for the period	(767,272)	(1,113,555)	(22,839,701)	(24,720,528)
Accumulated amortisation at 30 April 2020	**(3,910,539)**	**(1,956,055)**	**(29,753,631)**	**(35,620,225)**
Values at 30 April 2020	**2,729,723**	**6,435,219**	**52,992,393**	**62,157,335**

During the financial period, the item showed a change of Euro 16,120,684 attributable to the acquisition of a customer portfolio for Euro 18,686,850, net of amortisation for the financial period.

The purchases of software licenses made during the financial period, equal to Euro 1,785,473, relate to the licenses used by the company, concerning the software used to manage accounting, treasury/finance and customers.

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

Purchases on other intangible assets related to incremental costs of obtaining a contract.

15. Goodwill – Euro 25,561,517

The value of Euro 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.

16. Property, plant and equipment – Euro 2,415,662

Property, plant and equipment at 30 April 2020 showed a net book value of Euro 2,415,662 and are broken down as follows:

	Plant and equipment	Other assets	Fixed assets under construction	30/04/2020
Initial values at 31 December 2018	**433,621**	**3,435,831**	**-**	**3,869,452**
- effect of first-time adoption of new standards at 1 January 2019	**0**	**1,372,145**		**1,372,145**
Changes at 30 April 2020				-
- acquisitions	6,700	758,322	9,883	774,906
- disposals	-		-	-
- depreciation	- 160,953	- 1,594,206	-	(1,755,159)
- reclassifications	- 63,088	- 1,782,594	-	(1,845,682)
- write-downs	-	-	-	-
Total changes	**(217,341)**	**(2,618,477)**	**9,883**	**(2,825,935)**
Values at 30 April 2020	**216,279**	**2,189,499**	**9,883**	**2,415,662**
Historical cost	**768,877**	**12,137,588**	**9,883**	**12,916,348**
Accumulated depreciation at 31 December 2018	(328,556)	(6,571,290)	0	(6,899,846)
Other reclassifications	(63,088)	(1,782,594)	0	(1,845,682)
Depreciation in the period	(160,953)	(1,594,206)	0	(1,755,159)
Accumulated depreciation at 30 April 2020	**(552,597)**	**(9,948,089)**	**0**	**(10,500,687)**
Values at 30 April 2020	**216,279**	**2,189,499**	**9,883**	**2,415,662**

The item showed a decrease totalling Euro 1,453,790 broken down as follows:

	Value at 31.12.2018	Effect of first-time adoption of standards at 1 January 2019	Acquisitions	Depreciation	Reclassifications	30.04.2020
- Leasehold improvements	749,636	0	477,454	(324,551)	0	902,539
- Office furniture and furnishings	1,407,042	0	46,478	(345,201)	(812,161)	296,159

- Non-depreciated furniture and furnishings	706,580	0	10,204	0	0	716,784
- Mobile phones	13,999	0	5,643	(10,903)	0	8,738
- Small equipment	130	0	719	(1,864)	0	(1,015)
- Cars	70,914	712,750	230,103	(468,743)	(506,381)	38,644
- Machinery for energy cert.	433,621	0	6,700	(160,953)	(63,088)	216,280
- Electronic office machines	487,530	659,395	(12,279)	(442,944)	(464,052)	227,650
- Properties under construction	0	0	9,883			9,883
Total	**3,869,452**	1,372,145	774,906	(1,755,159)	(1,845,682)	**2,415,662**

The item relating to other assets recorded a net decrease of Euro 1,453,790, mainly due to works executed at the company headquarters for Euro 774,906, as well as to the effect of the first-time adoption of the new international accounting standard IFRS 16 for Euro 1,372,145, the normal depreciation process for Euro 1,755,159, and, finally, to the reclassification of right of use described in note no. 17 below for Euro 1,845,682.

17. Right of use – Euro 4,005,881

As at 30 April 2020 the item showed a net book value of Euro 4,005,881 and is broken down as follows:

	Specific plants	Properties	Other assets	30/04/2020
Initial values at 31 December 2018	**0**	**0**	**-**	0
- effect of the first-time adoption of new standards at 1 January 2019	**0**	**5,419,732**	**1,372,145**	**6,791,877**
Changes at 30 April 2020				0
- reclassifications	185,916		1,195,557	1,381,474
- acquisitions	-	1,846,985	534,324	2,381,308
- disposals	-	-	-	0
- amortisation and depreciation	(122,828)	(1,878,198)	(1,159,900)	(3,160,926)
- adjustments	-	(3,228,320)	(159,532)	(3,387,852)
- write-downs	-	-	-	0
Total changes	**63,088**	**(3,259,533)**	**410,449**	**(2,785,996)**
Values at 30 April 2020	**63,088**	**2,160,199**	**1,782,594**	**4,005,881**
Historical cost	**370,916**	**2,182,159**	**3,246,704**	**5,799,779**
Accumulated amortisation and depreciation at 31 December 2018	0	0	0	0
Reclassifications	(185,000)	1,856,237	(304,210)	1,367,027
Amortisation and depreciation for the period	(122,828)	(1,878,198)	(1,159,900)	(3,160,926)
Accumulated amortisation and depreciation at 30 April 2020	**(307,828)**	**(21,961)**	**(1,464,110)**	(1,793,899)
Values at 30 April 2020	**63,088**	**2,160,199**	**1,782,594**	4,005,881

The item is the result of the reclassification made in applying the new international standard IFRS 16 and includes the value of the properties held under lease by the company

The overall increase of Euro 4,005,881 mainly arose from the effect of the first-time adoption of the new accounting standard at 1 January 2019, equal to Euro 6,791,877, the reclassifications for Euro 1,381,474 made on tangible assets held under lease and previously classified as property, plant and equipment, and, finally, from the acquisition of new lease agreements, signed in 2019, concerning cars, electronic machines and new agreements for the properties located in Turin and Rome at Via Giulio Bona.

The adjustments, equal to Euro 3,387,852, are related to the termination of lease agreements which took place during the financial period under review.

The decreases arose from the depreciation process in progress.

In order to purchase some assets following the move of registered office, 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 fixed assets under construction, i.e. fixtures and furnishings, specific plants and office equipment (Euro 2,000,000) was booked to assets and the corresponding debt booked to liabilities. The main features of the agreement are reported below.

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

Presumed cost	2,000.,00	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

During 2019, the company entered into a finance lease agreement with Dell Financial Service S.p.A. for the purchase of electronic machines as a result of which the overall value of the asset under construction (Euro 135,000) was stated among assets and the corresponding debt was stated among liabilities. The main features of the agreement are reported below.

Contract 0060145681/001 Dell Financial Services

Date stipulated	26/09/2019	Annual instalments in advance	28,809
Total consideration	135,800	Monthly fees	7,202
Purchase option	23,000	Lease rate	2.52%
Term in years	5	Indexing	1
Number of instalments	20		

18. Investment property – Euro 7,487,725

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

	30.04.2020	31.12.2018	Change
Building in Terracina – San Felice	1,657,282	1,689,306	(32,024)
Building in Terni - Via Bramante	125,487	131,835	(6,348)
Building in Rome - Paisiello	4,992,713	5,200,718	(208,006)
Building in Rome - Via Cavalieri	712,243	752,102	(39,859)
	7,487,725	**7,773,961**	**(286,237)**

The details of each asset are reported below.

	Land	Historical cost	Accumulated depreciation - 2018	NBV 2018	Changes in the period	Depreciation in the 16 months ended 30.04.2020	Accumulated depreciation at 30.04.2020	NBV at 30.04.2020
Rome - Paisiello 1	677,845	4,415,400	(1,331,335)	3,761,910	39,647.20	182,521	(1,513,856)	3,619,036
Rome - Cavalieri	0	1,000,572	(248,470)	752,102	-	39,859	(288,329)	712,243
Terni	37,074	151,996	(57,235)	131,835	-	6,348	(63,583)	125,487
Terracina	178,000	1,607,773	(96,467)	1,689,306	-	32,024	(128,490)	1,657,282
Rome - Paisiello 3 -4	0	1,635,009	(196,201)	1,438,808	-	65,132	(261,334)	1,373,676
	892,919	8,810,750	(1,929,708)	7,773,961	39,647	325,883	(2,255,591)	7,487,725

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

Description	For the 16 months ended 30 April 2020
Rent income	155,761
Utility costs	(14,150)
Maintenance costs	(113,673)
Insurance costs	(2,431)
Registration tax	(1,961)
Property taxes and duties (IMU, TASI, TARI)	(34,686)
Total	**(11,140)**

[IMU, *Imposta Municipale Unica*, Municipal Property Tax; TASI, *Tassa sui Servizi Indivisibili*, Taxes on Indivisible Services; TARI, *Tassa sui Rifiuti*, Waste Tax]

19. Equity investments – Euro 15,855,174

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

	30.04.2020	31.12.2018	Change
Green Network Energie S.a.r.l.	0	50,000	(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.	292,231	271,764	20,467
Rena Energia S.r.l.	192,957	112,957	80,000
Le Fate Turchine S.r.l.	0	185,298	(185,298)
Le Fate Turchine 2 S.r.l.	491,150	491,150	0
Biogas Energy Società Agricola S.r.l.	2,505,939	2,240,980	264,959
Energrid S.r.l.	10,000	10,000	0
US Boreale S.r.l.	2,089,552	2,089,552	0
Quinto S.r.l.	1,833,000	-	1,833,000
DeveloPower S.r.l.	10,000	-	10,000
Equity investments in subsidiaries	**16,766,179**	**14,793,051**	**1,973,128**
Sòlergys S.p.A.	479,830	411,977	67,853
JMS S.r.l.	0	262,406	(262,406)
Equity investments in associates and joint ventures	**479,830**	**674,383**	**(194,553)**
Italpower Energia S.r.l.	10,000	10,000	0
Equity investments in other companies	**10,000**	**10,000**	**0**
Provision for write-down of equity investments	**1,400,835**	**-**	**1,400,835**
TOTAL EQUITY INVESTMENTS	**15,855,174**	**15,477,434**	**377,740**

For the purposes of these financial statements, equity investments in subsidiaries are valued at cost, adjusted by impairment losses. The balance at 30 April 2020 showed an overall increase of Euro 1,973,128, which was due to the net effect of decreases of Euro 2,000,000 and a positive change of Euro 2,208,426. These changes are reported below:

- On 20 April 2020 there was the execution of the deed of sale between US Boreale S.r.l. and Green Network S.p.A., concerning the equity investment held in the quota capital of Quinto S.r.l.. US Boreale S.r.l. sold and transferred the investment to Green Network S.p.A., which acquired full and exclusive ownership thereof, with a nominal value of Euro 200,000.00 (two hundred thousand/00) and accounting for 100% (hundred percent) of the quota capital of Quinto S.r.l.;
- On 2 December 2019 Developower S.r.l. was established for the development of renewable plants at third-party sites and large energy efficiency projects, with a quota capital equal to Euro 10,000 fully subscribed by the Sole Quotaholder Green Network S.p.A.;
- An increase in the investment in Rena Energia S.r.l. following Green Network S.p.A.'s waiver of the receivable for Euro 80,000;
- An increase in the investment in Green Wind 2 S.r.l. following Green Network S.p.A.'s waiver of the receivable for Euro 20,467;
- A write-down of the entire quota in Le Fate Turchine S.r.l. following its winding-up on 23 April 2020;
- A write-down of the entire quota in Green Wind 1 S.r.l., which was wound-up on 23 October 2019;
- An increase in the value of the investment in Biogas Energy Società Agricola S.r.l. following Green Network S.p.A.'s waiver to the receivable for Euro 264,959.

The company prudentially set aside a provision for write-down of Euro 1,400,835 to cover any possible decrease in their value resulting from a worsening of the general trend in economy following the well-known events that occurred in 2020.

Details of the item are reported below, with the main accounting data of the subsidiaries and the associated ownership percentages. 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 Developower 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 at 30/04/2020	Profit (loss) for the period	Ownership %	Equity	Book value at 30/04/2020
Green Network Energie S.a.r.l.	Paris	50,000	46,939	(3,061)	100.00%	46,939	0
Green Network Holding Rinnovabili S.r.l.	Rome	100,000	6,666,792	(1,324,910)	100.00%	6,666,792	6,665,350
Solcap Green S.r.l.	Rome	2,671,000	3,268,466	10,509	100.00%	3,268,466	2,676,000
Green Wind 2 S.r.L.	Rome	10,000	347,690	87,477	91.07%	316,642	292,231
Rena Energia S.r.l.	Rome	20,000	(418,232)	(130,410)	57.00%	- 238,392	192,957
Le Fate Turchine 2 S.r.l.	Rome	100,000	62,639	(11,070)	100.00%	62,639	491,150
Biogas Energy Società Agricola S.r.l.	Rome	20,000	(54,772)	(363,975)	100.00%	- 54,772	2,505,939
Energrid S.r.l.	Rome	10,000	1,786,003	1,170,327	100.00%	1,786,003	10,000
US Boreale S.r.l.	Rome	10,200	683,417	(357,097)	100.00%	683,417	2,089,552
Quinto S.r.l.	Rome	200,000	143,414	(898,326)	100.00%	143,414	1,833,000

With reference to the subsidiaries that have an equity value that is negative or less than the value of the cost of the investment, 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:

- Rena Energia S.r.l. produces electricity through a biomass plant with a nominal electrical capacity of around 1 MW. An analysis of the business plan and an assessment based on DCF methodology revealed no loss in value of the 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. An analysis of the business plan and an assessment based on DCF methodology revealed no loss in value of the investment in the company;
- Le Fate Turchine 2 S.r.l. offers recreation and educational services. An analysis of the business plan and an assessment based on DCF methodology revealed no loss in value of the investment in the company;
- US Boreale S.r.l. produces electricity through a PV plant and property investments. An analysis of the business plan and an assessment based on DCF methodology revealed no loss in value of the investment in the company;
- Quinto S.r.l performs catering activities. An analysis of the business plan and an assessment based on DCF methodology revealed no loss in value of the investment in the company.

Equity investments in associates include the measurement using the equity method of the investment in Sòlergys S.p.A.:

Company	Registered Office	Share Capital	Shareholders' equity	Profit (loss) for the period	Ownership %	Book value at 30/04/2020
Sòlergys S.p.A.	Rome	120,000	979,243	171,822	49.00%	479,829

The value of the equity investment showed an increase of Euro 67,853 in order to recognise the corresponding share of equity resulting from the latest accounting statement available (31 December 2019).

Equity investments in associates, valued at equity, included, at 31 December 2018, the value of Euro 262,406 relating to the 50% interest held in a joint venture having as its object a PV plant. This investment was written down in full during the financial period under review.

Equity investments in other companies, amounting to Euro 10,000, refer to the quota held by the company in Italpower Energia S.r.l..

20. Receivables from related parties – Euro 79,039,809

The item includes non-current receivables the company claims from subsidiaries, parent companies and associates.

	30.04.2020	31.12.2018	Change
Receivables from subsidiaries	**11,878,602**	**9,942,284**	**1,936,318**
of which for loans	*11,878,602*	*9,942,284*	*1,936,318*
of which other receivables	*0*	*0*	*0*

Receivables from associates	440,085	1,420,085	(980,000)
of which for loans	*440,085*	1,420,085	(980,000)
of which other receivables	*0*	0	0
Receivables from affiliates	64,068,922	17,368,922	46,700,000
of which for loans	*64,068,922*	17,368,922	46,700,000
of which other receivables	*0*	0	0
Receivables due from parent companies	2,652,200	2,820,708	(168,508)
of which for loans	*2,634,702*	*2,803,211*	*(168,509)*
of which other receivables	*17,497*	*17,497*	*0*
Total	79,039,809	31,551,999	47,487,810

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

Counterparty	Loan	31/12/2018	Increases	Decreases	Write-downs / Reclassifications	30/04/2020
Green Network Holding Rinnovabili S.r.l.	1.75%	3,500,000	0	800,000	0	2,700,000
Le Fate Turchine S.r.l. in liquidation	Non-interest bearing	30,000	20,000	50,000	0	0
Green Wind 2 S.r.l.	5%	798,505	0	108,505	0	690,000
Green Wind 1 S.r.l.	Non-interest bearing	111,084	0	111,084	0	0
Rena Energia S.r.l.	1.75%	2,084,829	250,000	0	0	2,334,829
Solcap Green S.r.l.	5%	461,539	200,000	0	0	661,539
Biogas Energy Società Agricola S.r.l.	5%	2,392,643	0	0	0	2,392,643
Biogas Energy Società Agricola S.r.l.	Non-interest bearing	300,000	700,000	0	0	1,000,000
US Boreale S.r.l.	Non-interest bearing	263,684	3,618,906	1,833,000	0	2,049,591
DevoloPower Srl	Non-interest bearing	0	50,000	0	0	50,000
TOTAL DUE FROM SUBSIDIARIES		9,942,284	4,838,906	2,902,589	0	11,878,602

In the financial period under review, additional loans of Euro 4,483,906 were disbursed, recording total decreases of Euro 2,791,505 relating for Euro 1,833,000 to offsetting against the payable due to US Boreale S.r.l. for the acquisition of the investment in Quinto S.r.l., for Euro 158,505 relating to the waivers of the loan against Green Wind 2 S.r.l. and Le Fate Turchine S.r.l in liquidation, while for Euro 800,000 relating to the return of a portion of the loan on the part of Green Network Holding Rinnovabili S.r.l..

Interest-bearing loans led to the recognition of interest income of Euro 372,997 through profit or loss.

The item relating to Receivables from associates consists of loans to Sòlergys S.p.A., the amount of which is unchanged compared to the previous year.

Counterparty	Loan	31/12/2018	Increases	Decreases	Write-downs / reclassifications	30/04/2020
Solèrgys S.p.A.	EURIBOR-indexed loan	1,420,085	0	980,000	0	440,085
TOTAL DUE FROM ASSOCIATES		1,420,085	0	980,000	0	440,085

This loan is interest bearing and the interest accrued during the financial period under review totalled Euro 28,890.

Receivables from affiliates relate to the loan to Green Network UK Plc, which reported the following changes during the financial period:

Counterparty	Loan	31/12/2018	Increases	Decreases	Write-downs / reclassifications	30/04/2020
Green Network UK PIC	2%	17,368,922	77,300,000	30,600,000	0	64,068,922
TOTAL DUE FROM OTHER GROUP COMPANIES		17,368,922	77,300,000	30,600,000	0	64,068,922

This loan is interest bearing and the interest accrued during the financial period under review totalled Euro 1,017,918.

Receivables from parent companies include a receivable for a loan granted to SC Holding S.r.l., which showed a decrease of Euro 168,509 during the financial period under review.

Counterparty	Loan	31/12/2018	Increases	Decreases	Write-downs / reclassifications	30/04/2020
SC Holding S.r.l.	Non-interest bearing	2,803,211	0	168,509	0	2,634,702
TOTAL DUE FROM PARENT COMPANIES		2,803,211	0	168,509	0	2,634,702

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

21. Receivables for deferred tax assets – Euro 7,135,322

The item includes receivables for deferred tax assets that will be recoverable in subsequent financial periods.

	30.04.2020	31.12.2018	Change
Receivables for deferred tax assets	7,135,322	6,132,392	1,002,930
Total	**7,135,322**	**6,132,392**	**1,002,930**

The temporary differences that led to the recognition of deferred tax assets are reported below.

	30.04.2020
Deferred tax assets on interest expense	2,051,742
Deferred tax assets on trademarks	104,635
Deferred tax assets on write-downs of equity investments	1,251
Deferred tax assets from first-time adoption of IAS/IFRS	2,084,206
Deferred tax assets from reserves from revaluation of derivatives	1,522,631
Deferred tax assets from IAS/IFRS adjustment	54,297
Deferred tax assets on non-deductible provision for bad debts	738,007
Deferred tax assets on non-deductible credit losses	7,436,675
Deferred tax assets on provisions for other risks	1,588.270
Deferred tax assets from the reserve for employee severance indemnity	88,608
Deferred tax assets on goodwill - former GN L&G	423,074
Deferred tax assets on Energrid trademark	84,507
Deferred tax assets from Sacri merger	195,815
Write-down of deferred tax assets	- 9,238,395
Total	**7,135,323**

22. Tax receivables – Euro 5,113,569

	30.04.2020	31.12.2018	Change
Receivables for UTF	869,714	869,714	0
VAT receivables	4,028,774	4,013,665	15,109
Receivables for tax disputes	120,370	120,370	0
Receivables for refund requests	51,276	51,276	0
Other tax receivables due beyond the period	43,435	43,435	0
Total	**5,113,569**	**5,098,460**	**15,109**

The item is mainly made up of VAT receivables that will be recovered through the issuance of an appropriate credit note at the end of the insolvency proceedings involving some of the company's customers, as well as of receivables for UTF (*Ufficio Tecnico di Finanza*, Finance Office) taxes in the amount of Euro 869,714 and receivables of Euro 120,370 arising from a tax dispute pending with the Tax Authorities regarding the payment of a tax demand.

23. Other non-current assets – Euro 5,661,230

This item is mainly made up of receivables for guarantee deposits provided for the conduct of the company business.

	30.04.2020	31.12.2018	Change
Receivables for guarantee deposits	5,233,637	1,658,544	3,575,093
Receivables for grants under Law No. 388/2000	100,000	100,000	0
Other receivables	327,593	0	327,593
Total	**5,661,230**	**1,758,544**	**3,902,686**

24. Inventories – Euro 457,621

	30.04.2020	31.12.2018	Change
Inventories of finished products and goods for resale	457,621	3,058,132	(2,600,511)
Total	**457,621**	**3,058,132**	**(2,600,511)**

The value of Euro 457,621 concerning inventories of finished products refers to the value of the gas stored at 30 April 2020, at special sites and not sold at the end of the financial period . The inventories were valued using the weighted average cost method compared to the net realisable value.

25. Trade receivables – Euro 237,574,174

The breakdown of this item is reported below.

	30.04.2020	31.12.2018	Change
Receivables from customers	197,615,067	215,111,431	(17,496,364)
Provision for bad debts	(64,461,641)	(34,065,349)	(30,396,292)
Customers for invoices to be issued	91,330,770	213,301,849	(121,971,079)
Credit notes to be issued	(7,920,232)	(5,402,321)	(2,517,911)
Bank, subject to collection	21,010,210	27,708,666	(6,698,456)

Total	237,574,174	416,654,276	(179,080,102)

Receivables were adjusted in order to take account of impairment losses as a result of the impairment tests performed in compliance with international accounting standards. The changes for the financial period are broken down below.

	Amount
Balance at 31 December 2018	34,065,349
Uses during the period	(2,443,708)
Provision for the period	32,840,000
Total	64,461,641

The Provision was used to cover credit losses recorded in 2019 and for which the company had already estimated losses in previous years. The provision of Euro 32,840,000 was set aside as a result of the impairment process carried out by the company on a portfolio of customers homogeneous in nature and characteristics.

The company has prudentially taken account of any possible adverse impact of the Covid-19 pandemic on the portfolio of loans.

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 Euro 15.7 million. Based on the documentation available at the reporting date, the company, with the support of its independent legal advisors, is reasonably confident in the successful outcome of the recovery of the aforesaid receivable.

The company once again confirmed an insurance policy in 2019, which can be renewed every year, to cover the risk on trade receivables. The total insured amount of receivables is equal to a limit of liability of approximately Euro 219 million.

“Receivables for invoices to be issued” consist of the provisions set aside for services rendered at the reporting date, while “Credit notes to be issued” are applied as direct decreases in outstanding receivables, as they relate directly to the latter amounts. The item relating to “Bank, subject to collection” includes all receivables presented for collection to banks based on the “sbf [subject to collection]” clause, and which had not yet been collected at the reporting date.

It is also noted that, as security for some trade receivables, the company has received bank sureties totalling Euro 2,676,000 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 related parties – Euro 40,537,573

The breakdown of this item is reported below.

	30.04.2020	31.12.2018	Change
Biogas Energy Società Agricola S.r.l.	169,009	597,499	(428,490)
Le Fate Turchine S.r.l. in liquidation	0	21,941	(21,941)
Le Fate Turchine 2 S.r.l.	17,536	3,751	13,785
Solcap Green S.r.l.	231,533	137,973	93,560
Green Wind 1 S.r.l.	0	4,667	(4,667)
Green Wind 2 S.r.l.	33,704	139,232	(105,528)
U.S. Boreale S.r.l.	86,913	41,513	45,400
Rena Energia S.r.l.	260,932	293,523	(32,591)

Quinto S.r.l.	122,484	48,557	73,927
Green Network Holding Rinnovabili S.r.l.	129,857	38,376	91,481
Energrid Srl	5,170,155	4,712,464	457,691
Green Network Energie S.a.r.l	24,876	0	24,876
Developower Srl	89	0	89
Spectrum Tech S.r.l.	4,002	54,034	(50,032)
Receivables from subsidiaries	**6,251,090**	**6,093,530**	**157,560**
Sòlergys S.p.A.	52,440	463,868	(411,428)
Receivables from associates	**52,440**	**463,868**	**(411,428)**
JMS S.r.l.	2,833,376	8,820,658	(5,987,282)
Receivables from Joint Ventures	**2,833,376**	**8,820,658**	**(5,987,282)**
SC Holding S.r.l.	22,655,930	23,408,943	(753,013)
Receivables from parent companies	**22,655,930**	**23,408,943**	**(753,013)**
Green Network Trading UK PlC	5,483,787	3,860,082	1,623,705
Green Network Energy Ltd	3,260,950	883,231	2,377,719
Receivables from other group companies	**8,744,737**	**4,743,313**	**4,001,424**
Total	**40,537,573**	**43,530,312**	**(6,994,163)**

Receivables from subsidiaries and associates mainly arise from commercial transactions and also include receivables for interest accrued on interest-bearing shareholder loans to some of the group companies; receivables from parent company SC Holding S.r.l. mainly relate to advances to the parent company and, to a lesser extent, receivables for the provision of services delivered to the parent company itself.
Receivables from JMS S.r.l., as the payables referred to in note no. 42 below, arise from other commercial relationships connected with energy trading and not with the activity that is the object of the joint venture.

Receivables from affiliates relate to commercial transactions with Green Network UK PlC and with its subsidiary Green Network Energy Ltd, whose investment was sold during the previous year.

27. Receivables and current financial assets – Euro 59,499,556

The item includes receivables from banks and other financial institutions connected with trade receivables submitted for discount and factoring which had not yet been collected at the reporting date and the amount of time or pledged bank deposits.

	30.04.2020	31.12.2018	Change
Receivables from factoring companies	822,978	8,903,139	(8,080,161)
Securitisation receivables	6,786,511	-	6,786,511
Guarantee deposits	12,200,000	-	12,200,000
Time bank deposits	39,690,067	9,404,388	30,285,679
Total	**59,499,556**	**18,307,527**	**41,192,029**

In detail:

Institution	30.04.2020	31.12.2018	Change
Sarda Factor	1,987	24,116	(22,129)
Ifitalia banca	0	130	(130)
MB Factor	13,354	141,227	(127,873)
Unicredit Factor	156	65,185	(65,029)
Facto France	0	3,199,721	(3,199,721)
GE Capital Factoring	323,784	1,007,664	(683,880)
Sace Factoring	339,423	311,337	28,086
Bank on account of pledge	39,690,067	9,404,388	30,285,679

Groupama	144,274	-	144,274
Guarantee deposits	12,200,000	-	12,200,000
Securitisation receivables	6,786,511	-	6,786,511
Reconciliations of tied-up cash	-	4,153,759	(4,153,759)
Total	**59,499,556**	**18,307,527**	**41,192,029**

The increase in the item is mainly linked to the securitisation of trade receivables

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28. Tax receivables – Euro 64,726,872

These are broken down as follows:

	30.04.2020	31.12.2018	Change
Direct tax receivables from Tax Authorities	11,590,807	439,566	11,151,241
UTF tax receivables	51,851,902	4,071,825	47,780,077
VAT receivables from Tax Authorities	443	4,466,454	(4,466,011)
Other tax receivables	1,283,720	1,380,316	(96,596)
Total	**64,726,872**	**10,358,161**	**54,368,711**

This 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 – Euro 85,389,782

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

	30.04.2020	31.12.2018	Change
Derivative financial instruments	85,389,782	31,003,351	54,386,431
Total	**85,389,782**	**31,003,351**	**54,386,431**

They mainly consist of OTC derivatives and contracts for differences for which the fair value has been determined by applying level two as provided for by IFRS 13. More specifically, the amount of Euro 85,389,782 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 recognised directly through profit or loss for Euro 6,290,830.

30. Financial assets held for sale – Euro 0

This 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.

	31.12.2019	31.12.2018	Change
- Bonds	0	559,263	-559,263
Total	**0**	**559,263**	**-559,263**

This item showed a decrease compared to the value posted at 31 December 2018 due to the sale of Bonds which took place during 2019.

31. Other current assets – Euro 11,764,595

The item is broken down as follows:

	30.04.2020	31.12.2018	Change
Suppliers on account of advances on energy	648,900	100,000	548,900
Suppliers on account of advance	6,055,729	5,905,498	150,231
Other receivables from employees	19,826	11,217	8,609
Other receivables	5,040,139	7,565,849	(2,525,710)
Total	**11,764,595**	**13,582,564**	**(1,817,969)**

The item relating to suppliers on account of advances, up compared to the value posted in the previous year, is broken down as follows:

	30.04.2020	31.12.2018	Change
Charges on sureties	1,624,903	3,149,157	(1,524,254)
Software licences	222,463	28,563	193,901
Rent expense	168,114	109,511	58,604
Others	4,040,248	2,618,268	1,421,981
	6,055,729	**5,905,499**	**150,231**

The increase was mainly attributable to a rise in the item relating to charges on sureties and to costs, among “others”, for debt management and collection, as well as to deferred interconnector energy purchase costs.

32. Cash and cash equivalents – Euro 49,428,072

The values recognised in the accounts reflect the actual amount of cash on hand and at banks at the end of the financial period under review and are broken down as follows.

	30.04.2020	31.12.2018	Change
Bank and postal deposits	49,397,593	13,306,936	36,090,657
Cash and cash equivalents	30,479	18,964	11,515
Total	**49,428,072**	**13,325,900**	**36,102,172**

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

33. Shareholders’ equity – Euro 55,402,853

The breakdown of the item is reported below.

	Share Capital	Legal Reserve	Other reserves and profits (losses) carried forward	FTA Reserve	Net profit (loss) for the period	Total Equity
Balances at 1 January 2016	15,636,000	1,061,050	(17,082,163)	16,387,195	(460,745)	15,541,338
Changes in equity	0	66,986	4,542,176	(0)	460,745	5,069,907
Net profit (loss) at 31/12/2016					6,041,026	6,041,026
Balance at 31 December 2016	15,636,000	1,128,036	(12,539,987)	16,387,195	6,041,026	26,652,270
Changes in equity		302,051	5,289,501	(528,476)	(6,041,026)	(977,949)
Net profit (loss) at 31/12/2017			0		5,140,826	5,140,826
Balance at 31 December 2017	15,636,000	1,430,087	(7,250,486)	15,858,719	5,140,826	30,815,147
Changes in equity	0	294,959	(851,356)	(4,622,061)	(5,140,826)	(10,319,284)
Net profit (loss) at 31/12/2018					467,446	467,446
Balance at 31 December 2018	15,636,000	1,725,046	(8,101,841)	11,236,658	467,446	20,963,308
Changes in equity	0	23,372	(291,716)	0	(467,446)	(735,790)
Net profit (loss) at 30/04/2020					35,175,334	35,175,334
Balance at 30 April 2020	15,636,000	1,748,418	(8,393,557)	11,236,658	35,175,334	55,402,853

The share capital totalling Euro 15,636,000 is fully paid in and is divided into 15,636,000 ordinary shares with a par value of Euro 1.00 each.

The breakdown of other reserves is reported below.

	30.04.2020	31.12.2018	Change
Extraordinary reserve	15,738,156	15,294,082	444,074
Rounding-off reserve	0	3	(3)
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)	(26,401,499)	0
Reserve for valuation of derivatives	(3,760,612)	(3,042,298)	(718,314)
Reserve for valuation of other financial assets	0	6,779	(6,779)
Reserve for actuarial gains	(280,591)	(269,897)	(10,694)
Total	**(8,393,557)**	**(8,101,841)**	**(291,716)**

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

- the change relating to the legal reserve of Euro 23,372 and to the extraordinary reserve of Euro 444,074 are attributable to the allocation of statutory profit reported in the financial statements approved and filed on 31 December 2018;
- the change of Euro (10,694) in the reserve for actuarial gains includes the differences arising from the valuation of employee severance indemnity liabilities according to the criteria set out in IAS 19;
- the change of Euro (718,314) in the "Reserve for valuation of derivatives" and of Euro (6,779) in the "Reserve for valuation of other financial assets" relate to the fair value changes in the derivatives held for hedging purposes and in other financial assets.

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

Nature / description	Amount	Possibility of use	Available share
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	1,748,418	B	
Extraordinary reserve	15,738,156	A, B, C	15,738,156
Valuation reserves			
Reserve for valuation of derivatives and financial instruments	-3,760,612		
Reserve for valuation of other financial assets	0		
Reserve for actuarial gains	-280,591		
Undivided profits and reserves	-26,401,499		
Other reserves	0		
Total			**15,751,550**

Key: A: for capital increases– B: for loss coverage–C: for distribution to shareholders

34. Long-term loans – Euro 5,989,022

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

	30.04.2020	31.12.2018	Change
Carige loan	4,677,161	9,227,023	(4,549,862)
Banca Popolare di Spoleto	1	125,821	(125,820)
Alba Leasing S.p.A.	224,369	565,998	(341,629)
Dell Financial	127,803	54,532	73,271
Banca Pop. Bergamo	0	21,604	(21,604)
GE Capital Interbanca	0	665,298	(665,298)
Lease IFRS16	959,688	0	959,688
Total	**5,989,022**	**10,660,276**	**(4,671,254)**

The decrease compared to the previous year is attributable to the repayment of some loans, i.e. the reclassification of the amounts falling due within the subsequent financial period among “Short-term loans”.

As regards the payable for the lease with Alba Leasing, it should be noted that the lease 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 (IRR) of 2.02%. In April 2020 there also was a payable for the lease with Dell Financial Services, made up of two contracts: a contract arising from the Energia e Territorio business unit, whose lease rate is equal to 5.53%, due November 2022, and recognised at amortised cost based on the effective interest rate (IRR) of 4.63%; the other contract was signed directly by the Company during the financial period, whose lease rate is equal to 2.52%, due January 2025, and recognised at amortised cost based on the effective interest rate (IRR) of 2.28%.

For a 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.

35. Employee severance indemnity and other employee benefits – Euro 3,097,885

The item is made up exclusively of the liabilities for employee severance indemnity that the company has against its employees.

	30.04.2020	31.12.2018	Change
Employee severance indemnity and other employee benefits	3,097,885	3,031,832	66,053
Total	**3,097,885**	**3,031,832**	**66,053**

The table below shows the change in the provision at the reporting date.

	Amount
Opening balance	3,031,832
Use for leavers	(600,658)
Provision for the period	608,692
IAS 19 adjustment	58,019
Balance at 31 December 2018	**3,097,885**

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 inferred from the Italian population, by age and gender, as observed by ISTAT in 2000 and reduced by 25%;
- the probability of termination of service due to total and permanent disability was calculated, by age and gender, according to the disability tables currently used in 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' contributions to INPS (*Istituto Nazionale per la Previdenza Sociale*, Italian Social Security Institute) began, at the latest: at the age of 25 for 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 by recent reforms into the Italian legal system;
- 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 year;
- the probability of an advance payment request was estimated at 3.00% per year, with an amount of the advance equal to 60% of the employee severance indemnity remaining with the company.

With regard to the trend in remuneration, an all-inclusive wage trend of 2.00% per year was used for all the professional categories. The estimated inflation rate used for the valuations was 1.50% per year. The discount rate used for valuations was 0.8211% per year as resulting at 30 April 2020 for bond securities issued by AA-rated European companies for durations of more than 10 years.

The breakdown of changes in the reserve for actuarial gains is shown below.

	Amount
Reserve at 31.12.2018	269,897
Provision for the period	14,071
Recognition of OCI taxes	(3,377)

Total as at 30.04.2020	280,591

36. Payables to related parties – Euro 0

The breakdown of this item is reported below.

	30.04.2020	31.12.2018	Change
Energrid Srl	0	1,075,067	(1,075,067)
Total	**0**	**1,075,067**	**(1,075,067)**

The amount which related to the long-term payable to subsidiary Energrid S.r.l. was settled during the financial period under review.

37. Provisions for risks and charges (non-current portion) - Euro 11,692,845

The breakdown of this item is reported below.

	30.04.2020	31.12.2018	Change
Provision for deferred tax liabilities	7,135,322	7,617,994	(482,672)
Provision for risks and charges	4,557,523	4,226,523	331,000
Total	**11,692,845**	**11,844,517**	**(151,672)**

The change in the related provisions in the financial period under review is as follows.

	Provision for deferred tax liabilities	Provision for risks and charges
Opening balance	7,617,994	4,,26,523
Provision for the period	773,016	2,831,000
Uses during the period	(1,255,688)	(2,500,000)
Balance at 30 April 2020	**7,135,322**	**4,557,523**

The provision for deferred tax liabilities, amounting to Euro 7,135,322, is set aside with reference to the income which will be taxed in future financial periods, broken down as follows:

	30.04.2020
Deferred tax liabilities on default interest income 2008	69,975
Deferred tax liabilities on default interest income 2009	113,152
Deferred tax liabilities on default interest income 2010	327,854
Deferred tax liabilities on default interest income 2011	574,827
Deferred tax liabilities on default interest income 2012	46,770
Deferred tax liabilities on default interest income 2013	262,623
Deferred tax liabilities on default interest income 2014	37,574
Deferred tax liabilities on default interest income 2015	360,037
Deferred tax liabilities on default interest income 2016	319,172
Deferred tax liabilities on default interest income 2017	353,861
Deferred tax liabilities on default interest income 2018	439,611
Deferred tax liabilities on default interest income 2019	773,016
Deferred tax liabilities on revaluations of equity investments	96,465
Deferred tax liabilities from Sacri merger	199,679
Deferred tax liabilities from PPA Energrid/Tradeinv/Burgo	3,160705
Total	**7,135,322**

The provision for risks and charges recorded an increase of Euro 2,931,000, relating to the provision arising from procedures in place with Arera, Edison Energia S.p.A. and the dispute related to Green Certificates, which was settled during the financial period and against which the provision was used for Euro 2,500,000.

38. Tax liabilities- Euro 11,465

Tax payables due beyond the financial period only include payables for tax disputes of Euro 11,465.

39. Other non-current liabilities – Euro 12,051,419

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

	30.04.2020	31.12.2018	Change
Guarantee deposits	12,037,340	10,021,509	2,015,831
Other non-current liabilities	14,079	18,830	(4,751)
Total	**12,051,419**	**10,040,339**	**2,011,080**

40. Payables and current financial liabilities – Euro 75,863,095

The item is made up of the following payables, which are due to be repaid within the next 12 months.

	30.04.2020	31.12.2018	Change
Current account payables	3,125,670	16,391,938	(13,266,268)
Due for advances	6,632,330	18,137,512	(11,505,182)
Payables to factoring companies	31,196,492	55,428,275	(24,231,783)
Banca Popolare di Milano	1,463,001	250,000	1,213,001
Simest S.p.A.	-	3,500,000	(3,500,000)
Carige loan	4,549,862	4,427,907	121,955
Securitisation payables	26,095,055	-	26,095,055
Banca Popolare di Spoleto	-	688,067	(688,067)
GE Capital Interbanca	-	663,696	(663,696)
Lease IFRS16	1,989,735	-	1,989,735
Alba Leasing S.p.A.	267,718	274,735	(7,017)
Banca Pop. Bergamo	-	84,525	(84,525)
Dell Financial	45,715	-	45,715
Other financial payables	497,517	18,181	479,336
Total	**75,863,095**	**99,864,836**	**(24,001,741)**

Payables for mortgages and loans refer to the short-term portion of mortgages and loans, while current account overdrafts and due for advances consist of the amounts due to banks and financial institutions for current account overdrafts and current account advances.

Payables to factoring companies are stated 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 expiry date stipulated.

The payable to Alba Leasing S.p.A. relates to the current portion of the amount due in relation to the lease agreement signed by the company for the financing of furniture, equipment and installations for the new headquarters located at Viale della Civiltà Romana no. 7 in Rome. The payable due to Simest S.p.A., equal to Euro 3,500,000 in 2018, was settled during the financial period for the repurchase of the related minority quotas held in Green Network Holding Rinnovabili S.r.l..

In September 2019 the company signed a three-year contract for the securitisation of its commercial portfolio in order to stabilise its financial requirements and reduce its cost.

41. Trade payables – Euro 355,704,344

The item is broken down as follows.

	30.04.2020	31.12.2018	Change
Payables to suppliers	470,950,487	345,506,618	125,443,869
Payables for invoices to be received	71,466,269	137,135,909	(65,669,640)
Credit notes to be received	(199,190,019)	(64,049,822)	(135,140,197)
Advances	12,477,607	22,015,433	(9,537,826)
Total	**355,704,344**	**440,608,139**	**(84,903,795)**

These relate to the company's payables due to suppliers as a result of commercial transactions. The value reported consists of the fair value of these obligations, net of allowances and discounts granted by suppliers.

42. Payables to related parties – Euro 12,241,080

The item includes the company's payables due to subsidiaries and associates, as well as the parent company, as detailed below.

	30.04.2020	31.12.2018	Change
Solcap Green S.r.l.	10,885	10,746	139
Green Wind 2 S.r.l.	11,217	19,100	(7,883)
Le Fate Turchine 1 S.r.l.	0	79,000	(79,000)
Le Fate Turchine 2 S.r.l.	73,270	378,675	(305,405)
Energrid Srl	1,108,894	22,922	1,085,972
Quinto Srl	0	724	(724)
Payables to subsidiaries	**1,204,266**	**511,167**	**693,099**
JMS S.r.l.	2,854,671	8,884,322	(6,029,651)
Payables to Joint ventures	**2,854,671**	**8,884,322**	**(6,029,651)**
Green Network Trading UK PLC	2,965,401	276,331	2,689,070
Payables to other Group companies	**2,965,401**	**276,331**	**2,689,070**
SC Holding S.r.l.	5,216,742	22,267,757	(17,051,015)
Payables to parent companies	**5,216,742**	**22,267,757**	**(17,051,015)**
Total	**12,241,080**	**31,939,577**	**(19,698,497)**

Payables to subsidiaries 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 2 S.r.l. relates to the costs for nursery and, finally, the payable due to Energrid S.r.l. refers to the outstanding balance of amounts collected from customers that are credited to Green Network S.p.A.'s current account, which are subsequently passed on to Energrid S.r.l., and the receivable Energrid S.r.l. claimed from E-Distribuzione S.p.A. for system costs acquired by Green Network S.p.A..

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

Payables to affiliates refer to the debt to Green Network UK PIC mainly relating to the purchase of electricity.

The payable 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.

43. Tax payables – Euro 126,791,501

The item is broken down as follows.

	30.04.2020	31.12.2018	Change
Tax payables	29,778,121	90,734	29,687,387
Payables to Tax Authorities for withholdings on subordinate and similar employment income	211,315	596,120	(384,805)
Payables to Tax Authorities for withholdings on self-employment income	356,191	470,929	(114,738)
Payables to Tax Authorities for UTF	96,445,874	35,400,884	61,044,990
Payables for settlement agreements	0	894,367	(894,367)
Total	**126,791,501**	**37,453,034**	**89,338,467**

This item is mainly made up of payables for VAT to be paid in the subsequent financial period, payables for UTF and the short-term portion of settlement agreements reached with the Tax Authorities in previous years.

44. Derivatives – Euro 91,179,828

This item includes the negative fair value of derivatives that the company holds for both trading and hedging purposes for the purchase of commodities.

	30.04.2020	31.12.2018	Change
Derivative financial instruments	91,179,828	15,223,835	75,955, 993
Total	**91,179,828**	**15,223,835**	**75,955,993**

These mainly consist 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 Euro 91,179,828 is made up of Euro 6,324,630 relating to the derivatives 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 flow hedge reserve for Euro (1,009,152), and an amount of Euro 84,855,198 relating to the derivatives 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 recognised directly through profit or loss for Euro (4,855,834).

45. Other current liabilities – Euro 13,786,132

The item is broken down as follows.

	30.04.2020	31.12.2018	Change
Payables to INPS	747,954	947,886	(199,932)
Payables to INAIL (National Institute for Insurance against Accidents at Work)	440	11,047	(10,607)
Payables to pension and insurance funds	81,008	152,197	(96,165)
Payables to social security and welfare institutions	**829,402**	**1,111,130**	**(281,728)**
Payables to employees and directors	2,194,625	1,762,834	431,791
Payables for guarantee deposits	13,166	13,166	0
Payables for RAI licence fees	4,682,537	3,040,971	1,641,566
Sundry payables	6,066,402	4,995,570	1,070,832
Other payables	**12,956,730**	**9,812,541**	**3,144,189**
Total	**13,786,132**	**10,923,671**	**2,862,461**

This item is mainly made up of:

- an amount of Euro 829,402 relating to the company's debt to social security institutions and entities relating to its personnel;
- an amount of Euro 2,194,625 relating to payables due to employees and directors for fees accrued in 2019;
- an amount of Euro 4,682,537 for payables related to the RAI licence fees bill collected by the company and to be paid to the Tax Authorities;
- an amount of Euro 6,066,402 mostly relating to customers to whom supplies are no longer provided, with a negative balance at 30 April 2020, which has been reclassified to other payables for the purposes of this Report.

OTHER INFORMATION

Disclosures relating to financial instruments and the risk management policy

The table below provides a breakdown of financial assets and financial liabilities required by IFRS 7.

	Loans and receivables	Financial instruments available for sale	Derivatives		Book value	Notes to the financial statements
			Trading	Hedging		
Non-current assets	84,701,039	0	0	0	84,701,039	
Other equity investments	0	0	0	0	0	
Financial assets from parent company, subsidiaries and associates	79,039,809	0	0	0	79,039,809	20
Financial assets from third parties	5,661,230	0	0	0	5,661,230	23
Current assets	398,803,970	0	84,348,395	1,041,387	484,193,752	
Trade receivables from customers	237,574,174	0	0	0	237,574,174	25
Trade receivables from related parties	0	0	0	0	0	
Financial assets from parent company, subsidiaries and associates	40,537,573	0	0	0	40,537,573	26
Financial assets from third parties	71,264,151	0	84,348,395	1,041,387	156,653,933	27 - 29 - 30 - 31
Cash and cash equivalents	49,428,072	0	0	0	49,428,072	32
Total	483,505,009	0	84,348,395	1,041,387	568,894,791	

	Liabilities at fair value	Liabilities at amortised cost	Derivatives		Book value	Notes to the financial statements
			Trading	Hedging		
Non-current liabilities	5,636,849	352,173	0	0	5,989,022	
Payables to banks	4,677,161	1	0	0	4,677,162	35
Financial payables to third parties	959,688	352,172	0	0	1,311,860	35
Other financial liabilities towards third parties	0	0	0	0	0	
Current liabilities	457,281,218	313,433	86,905,737	4,274,091	548,774,479	
Payables to banks	46,967,355	0	0	0	46,967,355	41
Financial payables to third parties	28,582,307	313,433	0	0	28,895,740	41
Trade payables	355,704,344	0	0	0	355,704,344	42
Financial liabilities to parent company, subsidiaries and associates	12,241,080	0	0	0	12,241,080	43
Other financial liabilities to third parties	13,786,132	0	86,905,737	4,274,091	104,965,960	45 - 46
Total	462,918,067	665,606	86,905,737	4,274,091	554,763,501	

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 reporting date, 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 financial period, the fair value was not calculated since their carrying amount are essentially in line with said 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 is concerned, the exposure to credit risk is primarily related to commercial sales activities on the open 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, 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 due diligence and reminder procedures for past due amounts were again employed, in order to improve financial operations, which are one of the most important aspects of the activity performed, on an ongoing basis.

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 ongoing monitoring mean that the company has no significant uncontrolled exposures.

Furthermore, the company took out an insurance policy to cover the risk of trade receivables. The total receivables insured amounts to a limit of liability of approximately Euro 219 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 Euro 2,676,000 as security for the correct collection of related trade receivables.

Finally, it should be noted that, in compliance with the accounting standards, the company continuously carries out the valuation and calculation of the Provision for bad debts 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 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 that the company has sufficient credit lines at any time to respect the financial maturity dates of the relevant subsequent financial 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 debt is not significant and largely limited to the advance payment of 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 framework, 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 updating on an ongoing basis, as regards the resolutions of the competent Authority which regulates the sector.

In this regard, the company is committed to monitoring the legislation which regulates the sector on an ongoing basis in order to promptly adopt 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 purchases 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 reporting 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 payable, 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, therefore, its exposure to exchange rate risk is extremely limited.

Risk of fluctuations 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 enterprises, etc.).

The company, not being a producer of electricity and gas, must procure its supplies on the electricity and gas market, thereby exposing it to the market risk associated with 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 purchases of energy and gas.

In particular, the company operates through the following main derivatives:

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

The differentials relating to flows connected to these derivatives are generally adjusted on a monthly basis.

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 derivatives. 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 for the relevant period under examination, 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 transactions. As regards the recognition 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 through profit or loss.

The hedging strategy pursued by the company uses a “Bottom Layer” approach which consists of identifying a portion (Layer) that is lower than the total amount of exposure, considered almost certain and not reformulated according to changes in the forecast volumes over time, unless these do not fall within the Layer itself. For the financial period 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 tests, 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 tests, on the other hand, are carried out using the Dollar-Offset method and the hypothetical derivative method.

The table below provides 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 30.04.2020	Derivative valuation
07/05/2019	OTC SWAP	Baseload	GAS	01/01/2020	31/12/2020	5	19.9	29,405	29,405	8.24	- 341,958
26/06/2019	OTC SWAP	Baseload	POWER	01/01/2020	31/12/2020	5	62.4	29,405	29,405	39.80	- 666,115
05/08/2019	OTC SWAP	Baseload	GAS	01/01/2020	31/12/2020	10	18.0	58,810	58,810	8.24	- 572,471
07/08/2019	OTC SWAP	Baseload	GAS	01/01/2020	31/12/2020	5	17.8	29,405	29,405	8.24	- 280,501
04/10/2019	OTC SWAP	Baseload	POWER	01/01/2020	31/12/2020	5	59.0	29,405	29,405	39.80	- 564,667
18/10/2019	OTC SWAP	Baseload	GAS	01/04/2020	30/06/2020	10	16.8	14,640	14,640	6.00	- 158,162
25/10/2019	OTC SWAP	Baseload	GAS	01/04/2020	30/09/2020	10	16.3	36,720	36,720	6.65	- 352,558
01/11/2019	OTC SWAP	Baseload	POWER	01/01/2020	31/12/2020	5	57.9	29,405	29,405	39.80	- 533,792
05/11/2019	OTC SWAP	Baseload	GAS	01/01/2020	31/12/2020	- 20	17.0	-117,620	-117,620	8.24	1,030,262
05/11/2019	OTC SWAP	Baseload	GAS	01/01/2020	31/12/2020	20	19.2	117,620	117,620	10.07	- 1,071,460
13/11/2019	OTC SWAP	Baseload	GAS	01/01/2020	31/12/2020	5	18.1	29,405	29,405	10.07	- 237,284
19/11/2019	OTC SWAP	Baseload	POWER	01/01/2020	31/12/2020	5	56.2	29,405	29,405	39.80	- 481,451
29/11/2019	OTC SWAP	Baseload	POWER	01/01/2020	31/12/2020	5	57.1	29,405	29,405	39.80	- 507,328
03/12/2019	OTC SWAP	Baseload	POWER	01/01/2020	31/12/2020	5	55.6	29,405	29,405	39.80	- 463,808
09/04/2020	OTC SWAP	Baseload	POWER	01/05/2020	31/05/2020	5	23.4	3,720	3,720	20.30	- 11,352
09/04/2020	OTC SWAP	Baseload	POWER	01/06/2020	30/06/2020	5	27.3	3,600	3,600	24.78	- 9,072
09/04/2020	OTC SWAP	Baseload	POWER	01/07/2020	30/09/2020	5	30.8	11,040	11,040	30.36	- 5,366
14/04/2020	OTC SWAP	Baseload	POWER	01/05/2020	31/05/2020	5	22.5	3,720	3,720	20.30	- 8,004
14/04/2020	OTC SWAP	Baseload	POWER	01/06/2020	30/06/2020	5	26.9	3,600	3,600	24.78	- 7,632
14/04/2020	OTC SWAP	Baseload	POWER	01/07/2020	30/09/2020	5	30.3	11,040	11,040	30.36	154
14/04/2020	OTC SWAP	Baseload	POWER	01/10/2020	31/12/2020	5	36.8	11,045	11,045	35.38	- 16,236
14/04/2020	OTC SWAP	Baseload	POWER	01/05/2020	31/05/2020	5	21.6	3,720	3,720	20.30	- 5,028
14/04/2020	OTC SWAP	Baseload	POWER	01/06/2020	30/06/2020	5	25.9	3,600	3,600	24.78	- 3,852
14/04/2020	OTC SWAP	Baseload	POWER	01/07/2020	30/09/2020	5	29.6	11,040	11,040	30.36	8,213
24/04/2020	OTC SWAP	Baseload	GAS	01/01/2021	31/03/2021	30	12.6	64,770	64,770	12.31	- 20,208
27/04/2020	OTC SWAP	Baseload	POWER	01/05/2020	31/05/2020	5	27.5	3,720	3,720	26.86	- 2,381
28/04/2020	OTC SWAP	Baseload	POWER	01/01/2021	31/12/2021	5	45.8	43,800	43,800	45.73	- 940
28/04/2020	OTC SWAP	Baseload	POWER	01/05/2020	31/05/2020	5	26.8	3,720	3,720	26.86	37
28/04/2020	OTC SWAP	Baseload	POWER	01/07/2020	30/09/2020	1	39.8	2,208	2,208	38.82	- 2,274
29/04/2020	OTC SWAP	Baseload	POWER	01/05/2020	31/05/2020	5	19.6	3,720	3,720	20.30	2,412
30/04/2020	OTC SWAP	Baseload	POWER	01/07/2020	30/09/2020	2	38.8	4,416	4,416	38.82	309
30/04/2020	OTC SWAP	Baseload	POWER	01/07/2020	30/09/2020	1	39.2	2,208	2,208	38.82	- 729
											- 5,283,243

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 fair value measurement purposes, 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 table below shows the fair value hierarchy for the company's financial assets and liabilities measured at fair value on the basis of valuation techniques that use as reference parameters observable on the market (Level 2).

	30.04.2020	31.12.2018
Derivative assets	85,389,782	31,003,351
Derivative liabilities	91,179,828	15,223,835
Other financial assets	0	559,263

Related-party transactions

The main related-party transactions entered into by Green Network S.p.A. for the financial period 2019-2020 and for the 2018 financial year are detailed below, all regulated on an arm's length basis.

RELATED-PARTY TRANSACTIONS - FINANCIAL PERIOD ENDED 30.04.2020	Equity investments	Receivables for loans	Trade receivables	Receivables for guarantee deposits beyond	Receivables from tax consolidation	Payables for tax consolidation	Trade and financial payables	Other payables
Parent companies								
SC Holding S.r.l	-	2,634,702	79,201	-	22,594,227	3,793,368	-	1,423,373
Subsidiaries								
Green Network Energie S.a.r.l.	-	-	24,876	-	-	-	-	-
Green Network Holding Rinnovabili S.r.l.	6,665,350	2,700,000	129,857	-	-	-	-	-
Spectrum Tech	-	-	4,002	-	-	-	-	-
US Boreale S.r.l.	2,089,552	2,049,591	86,913	-	-	-	-	-
Quinto S.r.l.	1,833,000	-	122,484	-	-	-		-
Green Wind 1 S.r.l.	-	-	-	-	-	-		-
Green Wind 2 S.r.l.	292,231	690,000	33,704	-	-	-	11,217	-
Rena Energia S.r.l.	192,957	2,334,829	260,932	-	-	-		-
Solcap Green S.r.l.	2,676,000	661,539	231,533	-	-	-	10,885	-
Le Fate Turchine S.r.l.	-	-	-	-	-	-		-
Le Fate Turchine 2 S.r.l.	491,150	-	17,536	-	-	-	73,270	-
Biogas Energy Soc. Agric. S.r.l.	2,505,939	3,392,643	169,009	-	-	-		-
Energrid S.r.l.	10,000	-	5,170,155	-	-	-	1,108,894	-
Developower S.r.l.	10,000	50,000	89	-	-	-		-
Provision for write-down	- 1,400,835	-	-	-	-	-	-	-
Associates								
Solergys	411,977	440,085	52,440	-	-	-	-	-
Joint Ventures								
JMS	-	-	2,833,376	-	-	-	2,854,671	-
Other companies								
Italpower Energia S.r.l.	10,000	-	-	-	-	-	-	-
Green Network Energy LTD	-	-	3,260,952					
Green Network UK Plc.	-	64,068,922	5,483,787	-	-	-	2,965,401	-

RELATED-PARTY TRANSACTIONS - FINANCIAL PERIOD ENDED 30.04.2020	Revenues from sales	Other revenues and income	Consumption of materials and services	Other costs	Interest income from loans	Other financial income	Revaluations / Write-downs of equity investments
Parent companies							
SC Holding S.r.l	4,919	-	-	400,000	-	-	-
Subsidiaries							
Green Network Energie S.a.r.l.			-	-	-	-	-
Green Network Holding Rinnovabili S.r.l.	2,500	10,833	-	-	75,390	-	-
Spectrum Tech	12,000	20,000	-	-	-	-	-
US Boreale S.r.l.	73,553	6,345	-	-	-	5,553	-
Quinto S.r.l.	28,231	2,987	-	37,593	-	4,107	-
Green Wind 1 S.r.l.	1,250	-	-	-	-	-	-
Green Wind 2 S.r.l.	8,430	14,564	155,840	-	47,154	7	-
Rena Energia S.r.l.	25,140	24,620	-	-	50,053	304	-
Solcap Green S.r.l.	16,964	25,905	165,065	-	41,273	393	-
Le Fate Turchine S.r.l.	2,177	761	-	17,416	-		
Le Fate Turchine 2 S.r.l.	25,117	3,735	-	204,000	-	-	-
Biogas Energy Soc. Agric. S.r.l.	12,207	16,345	-	-	159,128	1,139	-
Energrid S.r.l.	15,218,845	852,215	-	-	-	-	-
Associates							
Solergys		5,000	-	-		28,890	91,131
Joint Ventures							
JMS	1,200	2,000	-	-	-	-	-
Other companies							
Italpower Energia S.r.l.	-	-	-	-	-	-	-
Green Network UK Plc.	-	-	-	-		1,017,918	-

RELATED-PARTY TRANSACTIONS - FINANCIAL PERIOD ENDED 31.12.2018	Equity investments	Receivables for loans	Trade receivables	Receivables for guarantee deposits beyond	Receivables from tax consolidation	Payables for tax consolidation	Trade and financial payables	Other payables
Parent companies								
SC Holding S.r.l	-	2,803,211	606	-	23,425,835	21,601,757	-	666,000
Subsidiaries								
Green Network Energie S.a.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	-
Associates								
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	-	-	-	-	-	-	-
Green Network UK Plc.	-	17,368,922	3,860,082	-	-	-	276,331	-

RELATED-PARTY TRANSACTIONS - FINANCIAL PERIOD ENDED 31.12.2018

	Revenues from sales	Other revenues and income	Consumption of materials and services	Other costs	Interest income from loans	Other financial income	Revaluations / Write-downs of equity investments
Parent companies							
SC Holding S.r.l.	4,191	-	-	867,620	-	-	-
Subsidiaries							
Green Network Energie S.a.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	-	-	-	-	-
Associates							
Solergys	120,642	-	-	-	27,018	-	91,131
Joint Ventures							
JMS	44,387,131	-	44,520,762	-	-	-	-
Other companies							
Italpower Energia S.r.l.	-	-	-	-	-	-	-
Green Network UK Plc.	-	-	1,952,774	-	229,209	215,250	-

Disputes, pending tax matters and contingent liabilities

The disputes, pending tax matters and contingent liabilities, in relation to which the risk of losing the case is regarded as remote or possible by the Directors are summarised below.

- 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 of electricity put in place with certain counterparties, as suppliers or customers. Following these inspections, the companies received a Report on Findings (PVC, *Processo Verbale di Constatazione*) , 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 notices of assessment for VAT and Direct Taxes and related penalty notices, with reference to tax periods from 2009 to 2013 and a notice of VAT assessment for 2014. All notices of imposition of tax and penalties were challenged by the Company before the Provincial Tax Board. 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 party concerned, 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, it did not deem it necessary to set aside any provision for risks. In support of this approach, note the following:
    1) on 13 September 2016, 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 2009; 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, thus confirming, before the second-instance court, the cancellation of the notices of assessment challenged. The Revenue Agency challenged the aforementioned judgment before the Supreme Court;
    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; the judgment was challenged by the Revenue Agency. The Lazio Regional Tax Board, by judgment no. 5537/3/19, rejected the appeal filed by the Revenue Agency, thus confirming, before the second-instance court, the cancellation of the notices of assessment challenged. The Revenue Agency challenged the aforementioned judgment before the Supreme Court.
    3) on 11 June 2018, the aforesaid Division 4 of the Rome Provincial Tax Board also granted, by judgment no. 12024/4/18, the appeal against the notice of assessment no. TJBOE0300262/2016 for 2011; the Revenue Agency has filed an appeal;
    4) 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.

5) on 12 February 2019, 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 Revenue Agency has filed an appeal;
6) on 23 April 2019, Division 4 of the Rome Provincial Tax Board granted, by judgment no. 6021/4/2019 (as challenged herein) the appeal filed by Green Network against the penalty notice no. TJBIR0300002/2017 for 2011;
7) on 30 September 2019, Division 35 of the Rome Provincial Tax Board granted, by judgment no. 12528/35/2019 the appeal filed by Green Network against the penalty notice no. TJBIR0100027/2016 for 2010;
8) on 30 September 2019, Division 35 of the Rome Provincial Tax Board granted, by judgment no. 12529/35/2019, the appeal filed by Green Network against the penalty notice no. TJBIR0100026/2016 for 2010;
9) on 14 November 2019, Division 18 of the Rome Provincial Tax Board granted, by judgment no. 14941/2019 the appeal filed by Green Network against the notice of assessment no. TJBOE0300110/2018 for 2012;
10) on18 October 2019, Division 18 of the Rome Provincial Tax Board granted, by judgment no. 14945/18/2019, the appeal filed by SC Holding against the notice of assessment no. TJB0E0300110 in the matter of IRES (Corporate Income) tax for 2012;
11) on13 December 2019, Division 29 of the Rome Provincial Tax Board granted, by judgment no. 17667/2019, the joint appeals filed by Green Network against the notices of assessment nos. TJBOE0300256/2018, TJBOE0300257/2018, TJBOE0300258/2018, TJBCO0300065/2018 and TJBCO0300066/2018, for 2013;
12) on 19 February 2020, Division 6 of the Rome Provincial Tax Board granted, by judgment no. 2169/6/2020, the appeal filed by Green Network against the notice of assessment no. TJB030300104/2018 for 2012.

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 numerous judgments have been issued in favour of the taxpayer companies.

- The following measures on imbalances are also reported below for the purposes of this Report. Following 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 regulation set aside by the abovementioned judgments of the Lombardy Region TAR and of the Council of State. By Resolution 837/2017 of December 2017, a final order was published in relation to the completion of audits referred to in Resolution 333/2016 for Green Network. According to 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 1 October 2020. 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 to provision for risks has been recognised.

- By Resolution 342/2016 ARERA 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. By 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 TradeInv Gas&Energy S.p.A. (Resolution 154/2018). The hearings for the discussion of the merits of Resolutions ex-559 and 558 before the Lombardy Region TAR (except for Resolution 154/2018 for which the hearing has not yet been scheduled) have had an unfavourable outcome for the Company, which has already promptly filed appeals with the Council of State to seek the annulment of the Lombardy Region TAR's judgments nos. 01073/2019 and 00776/2019, respectively. These appeals were heard on 24 October 2019, when the Council of State ordered the adjournment of their consideration until 25 June 2020 pending the outcome of a technical investigation into the matter in dispute that has been granted. 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 to the provision for risks has been recognised.

- ARERA has commenced an action for the possible levying of sanctions for potentially unfair dispatching strategies (reference to Resolution no. 342/2016 referred to above). The procedure is still underway and the Company has not received any additional information.

- By Resolution 731/2016/S/com, ARERA started a process for the adoption of prescriptive measures and sanctions against the Company for the potential breach of the Commercial Code of Conduct, at least in the period from January 2014 to June 2016. The conduct disputed was charging domestic electricity and natural gas customers and non-domestic customers connected to Low Voltage an administrative fee (Article 5) that was only determined after the performance of the contract. By Resolution 250/2019/S/com, ARERA noted Green Network's defence arguments but still decided to levy an administrative fine and asked GN to refund the fees to the customers concerned.

  The Company is certain of the rightness of its case and promptly lodged an application with the Lombardy Region TAR to set aside Resolution 250 of 2019 after submitting a request for the order to be stayed, which was agreed to by the Lombardy Region TAR. The case has been adjourned for a decision. We are waiting for the publication of the judgment.

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, net of the amount already subject to settlement agreements, as stated in the paragraph on "non-recurring transactions" of the report on operations. 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 reporting date, there were no additional disputes or pending tax matters for a significant amount that determined contingent liabilities for the Company, which are not reflected in this document.

Guarantees, commitments and off-balance sheet agreements

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

- surety guarantees of Euro 112,761,060 issued in favour of third parties (of which insurance guarantees of Euro 79,102,313 and financial guarantees of Euro 33,658,747);
- guarantees in the form of pledges, totalling Euro 24,155,971, provided to banks for cash collateral activities relating to pledges requested by some banks as security for unsecured loans granted and/or uses;

Furthermore, the company, as already stated in the note on trade receivables, has received sureties from customers for Euro 2,676,000.

Guarantees issued to third parties are made up of:

- Euro 80,034,000 in favour of third parties for the purchase and sale of electricity, gas and derivatives;
- Euro 4,277,609 in favour of third parties for electricity and gas transmission;
- Euro 13,446,000 in favour of Terna S.p.A. for dispatching;
- Euro 5,038,124.26 in favour of regional governments and Customs Agency for the payment of excise and additional duties;
- Euro 1,300,000 in favour of SNAM for balancing;
- Euro 4,725,023 in sureties issued in favour of third parties for gas delivery and distribution;
- Euro 750,000 in favour of Idea Fimit S.p.A. for the lease of the new building at which the company business is conducted;
- Euro 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;
- Euro 29,400 relating to other guarantees.

The amount of Euro 24,155,971 relating to pledges is made up as follows:

- Euro 11,955,971 due to banks for cash collateral activities relating to pledges requested by some banks as security for unsecured loans granted and/or used;
- Euro 12,200,000 in guarantee deposits.

The company has also received sureties and guarantees from third parties for a value equal to Euro 2,676,000 and has granted the following corporate guarantees, comfort letters and co-obligations:

- Euro 810,605 as security for the lease held by subsidiary Green Wind 2 S.r.l. with Alba Leasing S.p.A.;
- Euro 3,282,501 as security for the outstanding bank loans held by Rena Energia S.r.l., Biogas Energy Società Agricola S.r.l. and Energrid S.r.l.;
- Euro 2,205,000 as security for the outstanding loans held by associate Sòlergys S.p.A.;
- Euro 4,837,612 for a comfort letter and co-obligation in favour of the parent company SC Holding S.r.l..

Information pursuant to Article 1, paragraph 125 of Law no. 124 of 4 August 2017

In accordance with the provisions of Article 1, paragraph 125, of Law 124/2017, in the notes to the financial statements, companies are obliged to disclose any sums of money received during the financial period as subsidies, grants, remuneration for assignments and, in any event, financial benefits of any kind from public authorities and entities referred to in paragraph 125 of this Article. The Company hereby confirms that it has not received any such sums of money.

Fees due to Directors, Statutory Auditors and Independent Auditors

As already indicated in notes nos. 4 and 5 above, the information relating to fees due to directors, statutory auditors and independent auditors for the 2019 financial period is provided below.

	Amount
Directors' fees	3,033,333
Statutory Auditors' fees	72,107
Independent Auditors' fees	677,114
Supervisory Board's fees	24,960
Total	**3,807,514**

Subsequent events

No further significant events occurred after the reporting date of these financial statements with respect to those already detailed in the relevant paragraph of the Report on Operations.

Proposal for the allocation of profit for the financial period

The financial period under review closed with a net profit of Euro 35,175,334, which shall be allocated as follows:

- Euro 1,378,782 to legal reserve;
- Euro 33,796,552 to extraordinary reserve.

Rome, 26 June 2020

The Chairman of the Board of Directors

Piero Saulli

IV – ANNEXES

Board of Statutory Auditors’ report on the consolidated financial statements of Green Network S.p.A.

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 financial period ended 30 April 2020 (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 S.p.A. Group for the financial period ended 30 April 2020.

The consolidated financial statements closed with a net profit of EUR 37,003,250 (EUR 36,714,670 of which attributable to the Group and EUR 288,580 to minority interests), total assets of EUR 785,610,963 and total shareholders' equity of EUR 55,253,584 (EUR 1,843,942 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.	Roma, viale della Civiltà Romana, 7
ENERGRID S.R.L.	Roma, viale della Civiltà Romana, 7
GREEN WIND 2 S.R.L.	Roma, viale della Civiltà Romana, 7
RENA ENERGIA S.R.L.	Roma, viale della Civiltà Romana, 7
BIOGAS ENERGY SOC. AGRICOLA S.R.L.	Roma, viale della Civiltà Romana, 7
GREEN NETWORK HOLDING RINNOVABILI S.R.L.	Roma, viale della Civiltà Romana, 7

Name	HQ
SPECTRUM TECH S.R.L.	Bucharest (Romania), Barbu Stefanescu Delavrancea nr. 55
GENERA GREEN ENERGY	Romania
LE FATE TURCHINE S.R.L. in liquidation	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

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 30 April 2020, 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 financial period ended 30 April 2020, with regard to which we disclose the following.

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.

As reported in detail by the directors in the paragraph on "non-recurring transactions", on 29 April 2020 a settlement agreement was signed with Enel Distribuzione S.p.A., which allowed the Group to carry out the write-off of a debt of EUR 171 million and recognise a net contingent asset of EUR 130 million. As a result of this agreement, certain proceedings that had been brought by the Parent company against Enel Distribuzione S.p.A. were discontinued.

This transaction strengthened the shareholders' equity and financial structure of the entire Group in a significant manner.

Below are the comments on the following items relating to intangible assets:

- Goodwill, stated for EUR 27.5 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 consolidation of US Boreale and Quinto, totalling EUR 1.9 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 6.5 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 business units, as well as the brand of Quinto S.r.l.), in addition to other purchases of a non-significant amount;
- Other intangible assets, stated for EUR 53.0 million, net of related amortisation, mainly included:
  - the customer relationships stated for EUR 26.8 million, net of any related amortisation, concerned the valuation of the customers gained following the above-mentioned acquisitions made during the previous years, and the acquisition of a new customer portfolio during the financial period ended 30 April 2020 for EUR 16.4 million;
  - Incremental costs incurred to obtain the existing contracts, which were amortised consistently with the estimated expected renewals, for a total of EUR 26.1 million, net of any related amortisation.

The Board of Statutory Auditors notes with satisfaction the strategies adopted in order to implement the business organisational structure, highlighting the increased complexity - especially with regard to the retail market – even in light of the current events relating to the health emergency caused by the spread of the Covid-19 virus. In this regard, the Board of Statutory Auditors invites the Board of Directors to continue the path it has already embarked on. The Board of Statutory Auditors also notes the reasons, indicated by the directors in the paragraph on the "Basis of presentation of the financial statements", for which the Group's consolidated financial statements at 30 April 2020 were prepared on a going-concern basis, which are referred to in the emphasis of matter paragraph of the independent auditors' report on the consolidated financial statements. In this regard, the Board of Statutory Auditors invites the Board of Directors to continue the path it has already embarked on and to monitor the progress of the planned work on an ongoing basis.

With regard to the current state of health emergency, the Board of Statutory Auditors points out that the company has prepared the consolidated financial statements considering their potential effects, as indicated by the directors in their comments on the items in the explanatory notes.

The consolidated financial statements for the financial period ended 30 April 2020 were submitted for the opinion of the independent auditors PricewaterhouseCoopers S.p.A., appointed by the Shareholders' Meeting to perform the statutory audit of accounts, which issued their audit report on 8 July 2020 without any remarks regarding the reporting principles and the true and fair view of the financial position, cash flows and results of operations.

In our opinion, the aforementioned consolidated financial statements as a whole correctly present the financial and equity position of the Green Network S.p.A: Group and the results of its operations for the financial period ended 30 April 2020, in compliance with the provisions governing the consolidated financial statements referred to above.

Brescia, 8 July 2020

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 08420831007

* * * *

Report of the Board of Statutory Auditors on the separate financial statements for the financial period ended 30 April 2020 (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 financial period ended 30 April 2020 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 prepared at the reporting date of 30 April 2020, for which the directors have given reasons in the Report on Operations and with regard to which we disclose the following.

The Board of Directors made available to us the financial statements for the financial period ended 30 April 2020, 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 Group for the financial period ended 30 April 2020.

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 in addition to the clarifications already provided by the directors.

As reported in detail by the directors in the paragraph on "non-recurring transactions", on 29 April 2020 a settlement agreement was signed with Enel Distribuzione S.p.A., which allowed Green Network S.p.A. to carry out the write-off of a debt of EUR 171 million and recognise a net contingent asset of EUR 130 million. As a result of this agreement, certain proceedings that had been brought by the Company against Enel Distribuzione S.p.A. were discontinued.

This transaction strengthened the shareholders' equity and financial structure of the company in a significant manner.

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 6.4 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);
- Other intangible assets stated for EUR 53.0 million, net of related amortisation, mainly included:
  - the customer relationships stated for EUR 26.8 million, net of any related amortisation, concerned the valuation of the customers gained following the acquisitions made during the previous years, and the acquisition of a new customer portfolio during the financial period ended 30 April 2020 for EUR 16.4 million;
  - incremental costs incurred to obtain the existing contracts, which were amortised consistently with the estimated expected renewals, for a total of EUR 26.1 million, net of any related amortisation.

The net financial position improved significantly with respect to that posted in the previous year.

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. Receivables from and payables to related parties are also broken down in the appropriate items of the statement of financial position.

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.

With regard to the current state of health emergency, the Board of Statutory Auditors points out that the company has prepared its annual financial statements considering their potential effects, as indicated by the directors in their comments on the items in the explanatory notes.

The Board of Statutory Auditors notes with satisfaction the strategies adopted in order to implement the business organisational structure, highlighting the increased complexity - especially with regard to the retail market – even in light of the current events relating to the health emergency caused by the spread of the Covid-19 virus. The Board of Statutory Auditors also notes the reasons, indicated by the directors in the paragraph on the "Basis of presentation of the financial statements", for which Green Network S.p.A.'s annual financial statements at 30 April 2020 were prepared on a going-concern basis, which are referred to in the emphasis of matter paragraph of the independent auditors' report on the annual financial statements. In this regard, the Board of Statutory Auditors invites the Board of Directors to continue the path it has already embarked on and to monitor the progress of the planned work on an ongoing basis.

PricewaterhouseCoopers S.p.A. was appointed by the Shareholders' Meeting to carry out the statutory audit of accounts. This firm has not informed us of any significant facts or information which must be highlighted in this report. The independent auditors' report was issued on 8 July 2020 without any remarks regarding the reporting principles and the true and fair view of the Company's financial position, cash flows and results of operations.

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 30 April 2020 and the report on operations. In addition, it has no observations on the Board of Directors' proposal to allocate the result for the financial period as stated in the explanatory notes.

Brescia, 8 July 2020

The Board of Statutory Auditors

(Fabio Sottini)

(Federico Pecorini)

(Marlon Rizzo)

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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 30 April 2020

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 the Green Network Group (the Group), which comprise the statement of financial position as of 30 April 2020, the income statement, statement of comprehensive income, statement of changes in equity, cash flow statement for the period 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 30 April 2020, and of the result of its operations and cash flows for the period 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.

Emphasis of matter

The directors provided in paragraph *"Basis of presentation of financial statements"* of the explanatory notes the reasons underlying the preparation of the consolidated financial statements of Green Network SpA as of 30 April 2020 under the going concern assumption. Our opinion is not qualified with regard to this matter.

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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 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.

The board of statutory auditors is 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.39/10

The directors of Green Network SpA are responsible for preparing a report on operations of the Green Network Group as of 30 April 2020, 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 30 April 2020 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 30 April 2020 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.39/10, 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, 8 July 2020

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

in accordance with article 14 of Legislative Decree No.39 of 27 January 2010

Green Network SpA

Financial statements as of 30 April 2020

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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 30 April 2020, the income statement, statement of comprehensive income, statement of changes in equity, cash flow statement for the period 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 30 April 2020, and of the result of its operations and cash flows for the period 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.

Emphasis of matter

The directors provided in paragraph "*Basis of presentation of financial statements*" of the explanatory notes the reasons underlying the preparation of the financial statements of Green Network SpA as of 30 April 2020 under the going concern assumption. Our opinion is not qualified with regard to this matter.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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Responsibilities of the Directors and the Board of Statutory Auditors for the 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.
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.

The board of statutory auditors is 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.39/10

The directors of Green Network SpA are responsible for preparing a report on operations of Green Network SpA as of 30 April 2020, 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 30 April 2020 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 30 April 2020 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.39/10, 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, 8 July 2020

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.