Half-Yearly Financial Report

30 JUNE 2018

GRUPPO GREEN NETWORK

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:	EUR 15,636,000 fully paid-in
Rome REA:	No. 1033355
Entered in the Rome Register of Companies:	no. 07451521004

COMPANY STRUCTURE

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)
- Stefano Galdi (Alternate auditor)

INDEPENDENT AUDITORS

- PricewaterhouseCoopers S.p.A.

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I – INTERIM DIRECTORS' REPORT

REFERENCE CONTEXT

The Green Network Group (hereinafter also referred to as the "Group") operates in the energy sector and corporate activities are focused, in particular, on the trading of electricity and gas and the production of electricity from renewable sources through dedicated companies.

Pursuant to Article 2497-bis, paragraph 4, of the Italian Civil Code, note that the parent company Green Network S.p.A. (hereinafter also referred to as the "company") is subject to management and coordination by SC Holding S.r.l.

General economic background

During the first six months of 2018, the international economy expanded at a moderate pace, with variations seen across different countries. After the slowdown observed in the first quarter, the short-term outlook for the global economy remained broadly favourable. However, international trade, while continuing to expand, decelerated; there is an increasing risk that global trade and the activity of companies operating in international markets will be held back by increased trade tensions between the United States and its main economic partners.

In the United States, GDP growth is showing signs of dynamism: the increase in GDP in the second quarter of 2018 (+4.1%) and extremely favourable employment conditions were accompanied by positive signs from the most recent economic indicators. On the other hand, consumer confidence worsened, driven by expectations about the future economic situation, in particular.
China's economy grew strongly, with GDP up 6.8% in the first few months of 2018, above the government's 2018 target of around 6.5% and slightly above market expectations. On the other hand, the Japanese economy declined for the first time since 2015 in the period from January to March, weighed down by the slowdown in consumption and corporate investment.
In the Eurozone, growth continued to be moderate: albeit this year began with a slight slowdown in GDP, growth has since regained momentum, supported by the strengthening of household consumption and business investment. Consumption was supported in particular by a good climate of confidence, which remained at rather high levels, and by labour market conditions, which saw a reduction in the number of unemployed people and a fall in the unemployment rate to its lowest level in 2008 (in May 8.4%, a tenth lower than the previous month).
In Italy, growth continued at low levels and economic indicators were gradually decelerating; foreign demand suffered from the strengthening of the euro exchange rate in the first few months of 2018 and the weakening of foreign trade in all European countries. These effects were a consequence of the climate of uncertainty both at the international level, especially for US trade policies, and at the domestic level following the somewhat unclear picture that emerged with the result of the elections and the formation of the government. There was a further increase in the number of employees (+0.8% in terms of work units), but despite these improvements, unemployment remained high (10.8%).
Inflation continued to pick up sharply. According to the preliminary estimate of the index for the entire community, in June consumer prices recorded a trend-based increase of 1.4%, the highest value since May 2017. The increase mainly reflects the direct and indirect effects of increased energy prices related to higher oil prices and the concomitant depreciation of the euro/US dollar exchange rate.

In June, consumer confidence showed a significant increase, recovering from the decline in May, supported by the economic component. During the same period, business confidence increased more moderately.
Macroeconomic projections suggest that growth would continue over the next three years, although its pace would be affected by higher crude oil prices. On the basis of annual data, GDP would increase by 1.3% this year, 1% next year and 1.2% in 2020. Inflation, while remaining slightly lower than in the Eurozone as a whole, would gradually rise in the core component over the three-year period; it would reach 1.5% in 2020, assuming that expectations continue to improve and that this translates into a progressive recovery in nominal wages.

Reference legislative and regulatory framework

The main changes in the reference legislative and regulatory context for the Company are reported below.

Commercial quality of sales

With Resolution 413/2016/R/com, the Authority (hereinafter: ARERA) approved the new Consolidated Text for the regulation of the commercial quality of electricity and gas sales services (TIQV), in force since 1 January 2017, envisaging, among other things, the change in regulation concerning the handling of customer complaints. The TIQV was updated by Resolution 795/2016/R/com, which supplemented its provisions concerning technical data made available by the distributor. With Resolution 39/2018/R/com, the Authority envisaged an annual rescheduling of customer satisfaction surveys on the quality of the call centre and of responses to complaints and requests for information, in order to allow operators to simplify their commitments and, on the other hand, to have an overall picture of the performance of companies based on annual data and no longer on a half-yearly basis.

With Resolution 228/2017/R/com, ARERA approved the Consolidated Text on preparatory measures for the confirmation of the electricity and/or natural gas supply contract and the voluntary reinstatement procedure (TIRV) in the case of distance or off-premises contracts of the seller, as well as the voluntary reinstatement procedure for both the end customer and the seller, if the aforementioned preventive measures were not complied with when confirming the contract.

Invoicing

Resolution 501/2014/R/com as amended (known as "Bill 2.0") specified the criteria for the transparency and simplification of bills starting from 1 September 2015. These provisions apply to small-size customers, these being understood as low-voltage electricity customers and natural gas customers with consumption up to 200,000 Scm.

With Resolution 463/2016/R/com, ARERA approved the Consolidated Text for Billing (TIF), combining in a single document all the provisions relating to period billing, and for the management of meter readings by customers in cases of transfer or change of ownership. The TIF also covers the regulation of indemnities relating to billing and monitoring activities. The TIF was subsequently supplemented by Resolution 738/2016/R/com, which set forth additional provisions regarding mixed billing, meter readings by customers, indemnities and instalment plans. Finally, Resolution 555/2017/R/com prohibited, for all offers on the free market, any costs for the customer in relation to the methods chosen for receiving bills.

Non-payment and Withdrawal

By means of Resolution 258/2015/R/com, ARERA identified the first provisions regulating non-payment in the electricity and natural gas retail markets and approved the Consolidated Text on Electrical Arrears (TIMOE), with the intention of both making distributors more responsible and expanding the set of additional information that must be made available to the incoming seller in the event of switching by the end customer.

With resolution 302/2016/R/com, ARERA updated the rules on the methods and timing of withdrawal from supply contracts for small end customers, envisaging their homogenisation with the timing for switching. For the purpose of changing supplier, as from 1 January 2017, the outgoing seller received the notice of withdrawal, from the incoming seller, no later than the 10th day of the month preceding the date of change of supplier. The rules governing withdrawal were subsequently amended by resolution 783/2017/R/com in order to allow centralised management of the process exclusively through the SII, starting with the contracts signed by each type of customer, with effect from 15 February 2018 for electricity and 1 November 2018 for gas.

Compensation System

Pending a more advanced centralisation of processes on the SII, ARERA, with resolution 593/2017/R/com, approved the new rules of the compensation system, while simplifying the activities envisaged by provisional regulations. The objective scope of application was maintained with regard to the electricity sector (LV electricity customers) and the regulation was also extended to the natural gas sector (residential end customers, condominiums for residential use with an annual consumption of up to 200,000 Scm and other uses with annual consumption not exceeding 50,000 Scm). The effective date of entry into force of the provisions identified for natural gas will be identified with a subsequent measure.

REMIT

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

2017 Law on Competition

On 29 August, the Annual Law on market and competition no. 127 of 4 August 2017 was published in the Official Gazette no. 189. This law aims to promote the development of competition and ensure the protection of consumers, also in accordance with the principles of the European Union law on free movement, competition and the opening of markets. The main contents of the Law concern:

- The obligation for each seller to prepare at least one offer at a fixed price and one at a variable price for residential and non-residential LV electricity users and for gas users with annual consumption not exceeding 200,000 Scm;
- Preparation by AU of a portal for the publication of offers for residential gas and power customers and for LV electricity companies and with gas consumption not exceeding 200,000 Scm/year;
- The establishment of a list of entities qualified to sell electricity;
- The termination of the gas and power protection system with effect from 1 July 2019.

It should be noted that an amendment to the Milleproroghe decree postponed by one year the deadlines for the final transition to the free market for electricity and gas.

List of Electricity Sellers

With Resolution 762/2017/I/eel, the Authority sent to the Ministry of Economic Development its proposal concerning the criteria, requirements and methods of admission of operators to the List of Electricity Sellers (EVE), whose inclusion in the list will be a necessary condition for carrying out the activity of selling electricity to end customers. Eligibility requirements would be divided into three macro-categories: Requirements of good repute; Financial requirements; Technical requirements. The decree establishing the list has not yet been published by the Ministry of Economic Development.

PLACET offer

In compliance with the obligation to prepare at least one fixed-price and one variable-price offer, the Authority, with Resolution 555/2017/R/com, approved the regulation of PLACET offers (free price offers with equivalent conditions of protection), in order to strengthen the "capability" of small customers and overcome information asymmetries. These offers, which must be submitted by each free market operator in its list of commercial offers as from 1 March 2018, are characterised by general terms of supply set by the Authority with the exception of economic conditions, the levels of which are freely defined between the parties, albeit in accordance with a predefined structure of fees. PLACET offers are limited to the supply of the commodity only, no additional services or dual fuel offers are envisaged.

Offer Portal

As from 1 July 2018, PLACET offers are represented within the Single Buyer Offer Portal referred to above, established on the basis of the specifications of the Regulatory Authority referred to in Resolution 51/2018/R/com. This portal will include all the generalised offers of the free market as from December 2018.

2018 Budget Law

On 27 December 2017, the 2018 Budget Law containing some provisions that have an impact on the energy sector was approved. More specifically, the innovations concern:

- The introduction of provisions to combat the problem of maxi adjustments in bills, which came into force for the electricity sector on 1 March 2018. For the gas sector, these forecasts will be in force from 1 January 2019;
- The introduction of a tax on digital transactions (known as web tax) equal to 3% of the value, net of VAT, of the individual supply of services by electronic means (entry into force on 1 January 2019);
- The reduction by the GSE of the incentive received by plants producing energy from renewable sources by 20% to 80% if the violations are assessed;
- Confirmation of the amount of the TV licence fee at EUR 90 per year, without including new provisions in this regard.

Maxi adjustments in bills and Short prescription

The Budget Law, in order to counteract the phenomenon of maxi adjustments in bills, introduced the right for the customer to object to the limitation in the presence of receivables due beyond 2 years in relation to the performance of contracts for the supply of electricity and gas, both in relations between seller and end customer (residential and LV other uses) and between seller and distributor. The detailed regulation, determined by Resolutions 97/2018/R/com and 264/2018/R/com, on the power side, will be subject to future amendments, which are expected when the gas side regulation is identified.

Electricity

Reform of general system costs

With Resolution 481/2017/R/eel, the Regulator defined a new tariff structure for general system costs for the electricity sector applicable as from 1 January 2018 both to residential and to non-residential customers. The new structure is made up of the following groups: “general costs relating to support for renewable energies and cogeneration” (Asos) and “remaining general costs” (Arim).

The subsequent Resolution 867/2017/R/eel postponed until 1 January 2019 the completion of the reform relating to the tariff components to cover general system charges costs for residential customers of electricity, as envisaged by Resolution 582/15. Specifically, it was decided to maintain the differentiation of costs for domestic customers between residents and non-residents and, in turn, diversified between two brackets of annual consumption at a withdrawal of 1,800 kWh.

Resolution 921/2017/R/eel introduced measures to implement the new mechanism of incentives for energy-intensive businesses identified by the Decree of the Ministry of economic development of 21 December 2017, in force as from 1 January 2018. Specifically, the application of differentiated rates of the Asos component is envisaged between facilitated customers and energy-intensive customers, depending on the class of facility to which they belong, calculated on the basis of the electrical intensity index on the Gross Present Value (iVAL).

Dispatching – Imbalance

With Resolution 393/2015/R/eel, the Authority initiated proceedings for the organic reform of the dispatching service.

Following ruling no. 1648/2014 of the Lombardy Regional Administrative Court (TAR) and ruling no. 1532/2015 and 2457/2016 of the Council of State, aimed at limiting the achievement of undue gains by dispatching users through the exploitation of certain anomalies in the mechanism of calculating imbalance prices, Resolution 333/2016/R/eel of 24 June 2016 defined the regulation to be used in order to increase in value the actual imbalances achieved in the period July 2012 to September 2014, defining mechanisms to restore the regulation cancelled by the aforementioned rulings of the Lombardy Regional Administrative Court and the Council of State.

With Resolution 342/2016/R/eel, the Authority initiated proceedings for the adoption of timely prescriptive measures and the assessment of potential abuses in the wholesale electricity market in accordance with REMIT. With resolution 177/2017/E/eel, ARERA deferred the publication of the names of the dispatching users concerned until the conclusion of all the prescriptive procedures and all the possible sanctioning procedures deriving from them.

Pending the organic reform indicated above, with 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 points on dispatching for consumption units and non-authorised production units other than significant units powered by non-programmable renewable sources. A single price (marginal price) will be applied to imbalances that fall within this band, and a dual price based on average prices will be applied to those outside the band.

With Resolution 800/2016/R/eel, the Authority finally introduced additional provisions for the valuation of the actual imbalances for 2017, supplementing and modifying resolution 444/2016 in relation to the transitional regime.

Moreover, on the subject, ARERA published resolution 419/2017/R/eel that, in replacement of resolutions 444/16 and 800/16, defined the transitional regulations of valuation of the actual imbalances pending the definition of a regulation based on nodal prices. With this resolution, a macrozonal non-arbitrage fee is introduced with effect from 1 July 2017 and the methods for calculating the aggregate zonal imbalance are changed with effect from 1 September 2017. From this last date, the single pricing mechanism for the valuation of the actual imbalances of all non-authorised units will be reinstated.

Finally, by means of Resolution 300/2017/R/eel, ARERA opened initially the Dispatching Service Market (MSD) to consumption units and their aggregates (UVAC) and to production units not already authorised (UVAP) through pilot projects, launched on 1 July 2017, and aimed at collecting useful elements for the organic dispatching reform.

Network code for electric power transmission service

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

This Resolution envisaged the following measures with effect from 1 January 2016:

- Provisions on the contractual guarantees to be provided to distributing companies, and their sizing, for the purposes of the conclusion of the contract of transmission of distribution and the corresponding criteria for their management;
- Provisions on invoicing timing and due dates for each type of distribution invoice, extending the terms of payment with respect to the current ones.

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

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

With rulings 237, 238, 243 and 244/2017, the Regional Administrative Court of Lombardy pronounced on the appeals lodged by some transport users concerning various alleged illegitimacy profiles of the Network Code, annulling Resolution ARERA 268/2015/R/EEL in so far as it envisaged the obligation, for transport service users, to give guarantees also to cover general system costs. These rulings were confirmed by Council of State Orders no. 1869, 2772, 2775, 2778 of 2017. Therefore, with Resolution 109/2017/R/eel, the Authority initiated proceedings to comply with the rulings of the Lombardy Regional Administrative Court, the conclusion of which is not yet known.

Natural Gas

QVD Component Update

With Resolution 916/2017/R/gas, the Authority updated the value of the QVD component with effect from 1 January 2018. The value of the fixed portion of the QVD was revised slightly upwards while the value of the variable portion remained constant compared to 2017.

	Component	Year 2017	Year 2018
Domestic user	c€/PdR/year	59.65	60,01
	c€/Smc	0.7946	0,7946
Residential blocks with consumption < 200,000 Smc	c€/PdR/year	78.35	78,82
		0.583	0,583

Gas Balancing

With Resolution 312/2016/R/gas, the Authority approved the Consolidated Text of Gas Balancing (TIBEG) transposing European Regulation 312/2014, with effect from 1 October 2016. In order to fully implement the new balancing system, which became effective on 1 April 2017, ARERA approved the consolidated TICORG text containing the provisions concerning the regulatory conditions for the management of physical gas markets, integrating it with certain provisions relating to the market for locational products (MPL) and the organised market for the trading of gas in storage (MGS).

With Resolution 670/2017/R/gas, ARERA provided guidelines for the implementation of adjustment sessions starting in 2013 and until the entry into force of the new settlement gas regulations (1 January 2020). With measure 782/2017/R/gas, the Authority adopted specific measures to determine the delta of gas volumes, between injected and drawn to the PdR of the transmission network interconnected with distribution networks or city gates, dividing the annual portion, currently entirely owned by the distribution user, to the UdB at the same city gate in proportion to the withdrawals allocated during the year.

Following the results of the first adjustment session envisaged for 2018, ARERA will consider the advisability of introducing mechanisms to cover any settlement items pertaining to non-recoverable users.

UK reference legislative and regulatory framework

During the first half of 2018, the energy regulator (Ofgem) drastically increased the number of customers with prepaid gas and electricity meters, subject to tariff caps. This measure was already introduced for a limited number of users during 2017. The measure will envisage an average decrease in the price of prepaid tariffs of around £60 per year for over one million users.

At the political level, the immediate introduction of the tariff cap for all users has become an integral part of the Government's programme. After the last favourable vote by the House of Lords, final approval is expected during summer. Ofgem already started an internal working group to define the evaluation criteria of the cap and confirmed to the Government the possibility of introducing this measure before the end of the year. During a recent interview with its CEO, British Gas confirmed its willingness not to lodge any appeal against the introduction of the tariff cap.

During 2017 and the first part of 2018, the regulator's programme to increase the level of competition in the UK led to a drastic increase of almost 50% in the number of active suppliers. The resulting aggressive market strategies of the new suppliers significantly lowered fixed tariff prices and put many suppliers' finances under stress. During the first half of 2018, two suppliers went bankrupt, making it necessary to initiate emergency procedures to reallocate their customers to other operators. A review of the criteria for granting licences to operate in the retail market is currently being examined with a view to introducing checks on the financial soundness and on the business plans of future applying companies.

During the first half of 2018, Green Network Energy exceeded the threshold of 250,000 residential measurement points being served; this will activate, as from April 2019, its social and environmental obligations in accordance with the regulations in force. These obligations mainly concern the implementation of energy saving initiatives for less well-off users, the granting of prefixed discounts to vulnerable customers and the management of feed-in tariffs for household users feeding renewable energy into the network.

The recent introduction of the GDPR international regulation required a considerable effort on the part of all players in the electricity and gas markets to adapt their information systems, many internal processes and the infrastructures for exchanging information between the parties.

TRENDS IN THE ITALIAN ENERGY MARKET

Electricity market

Electricity demand in Italy in the first half of 2018 totalled 158.6 TWh (Terna data), an increase of 0.8% compared to the same period of 2017.

TWh	2018	2017	% change
Net production	136.1	140.4	(3.1%)
External suppliers	25.5	21.4	19.1%
Sold to foreign customers	(1.7)	(3.1)	(45.2%)
Intended for pumping systems	(1.3)	(1.3)	0%
Italy Total	**158.6**	**157.4**	***0.8%***

Source: Terna data.

The increase in demand mainly materialised in February and March, characterised by peaks of winter cold that produced a significant temperature deviation from the period's averages, whereas in the spring months demand remained substantially stable.

In the first six months of the year, approximately 17.5% of net energy production was covered by renewable sources, such as wind, photovoltaic and geothermal, slightly down on the same period of the previous year. Overall, the production of hydroelectric power increased, while heat production decreased. These phenomena are due to the different climatic conditions experienced in 2018 compared to the previous year.

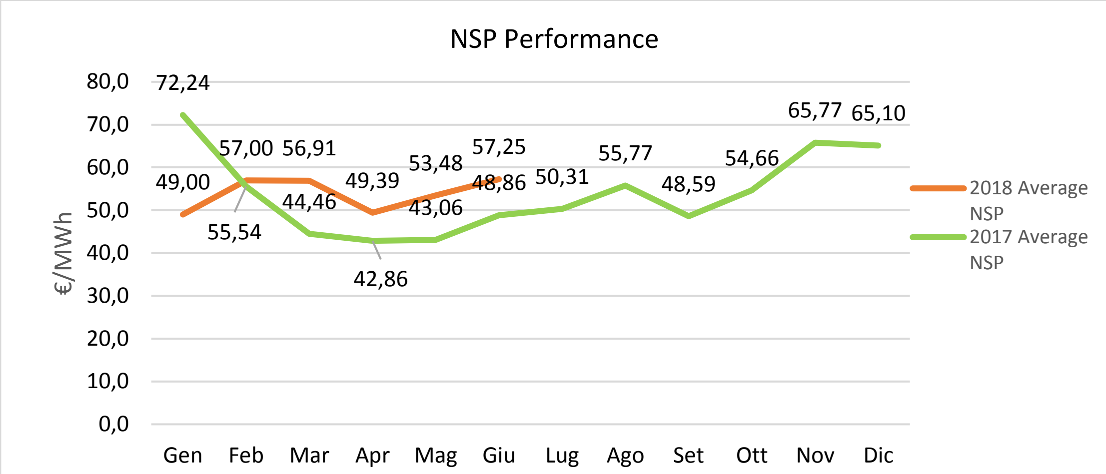
Net Italian production by source type:

%	2018	2017
Net renewable production (wind, photovoltaic and geothermal)	17.5%	17.7%
Net hydroelectric production	19.1%	13.4%
Net thermal production	63.4%	69.8%

Source: Terna data.

Borsa Italiana's average hourly price for energy (IPEX1/NSP - National Single Price) for the first six months of 2018 amounted to 53.8 €/MWh, up (+5.2%) compared to the same period of 2017 (51.2 €/MWh). During the year, the price was constantly higher (except in January) than in 2017.

The following graph shows the monthly figures:



Source: GME

The National Single Price was still higher on average than the French (PNX) and German (EEX PHELIX/) stock exchange prices, although the spread continued to decline due to the progressive alignment of the PUN with foreign securities:

• the average price on the French stock exchange (PNX) was 40.3 €/MWh for the first half of 2018, down 9.3% compared with the same period last year;

• the average price on the German stock exchange (EEX/PHELIX) was 35.7 €/MWh for the first half of 2018, up 0.6% compared with the same period last year.

The price differential between the stock exchanges is due to the different power generation facilities, which in Italy have higher production costs, hence the prevalence of import trade.

The Natural Gas Market

Gas drawn (billion m3)	2018	2017	% change
Domestic production	2.76	2.71	1.9%
Imports	35.35	35.61	(0.7%)
Exports	(0.17)	(0.13)	32.5%
Change in stocks	0.843	1.222	(31.0%)
Total demand	**38.785**	**39.412**	***(1.6%)***

Source: 2017 figures and 2018 preliminary figures Snam Rete Gas, Ministry Economic Development

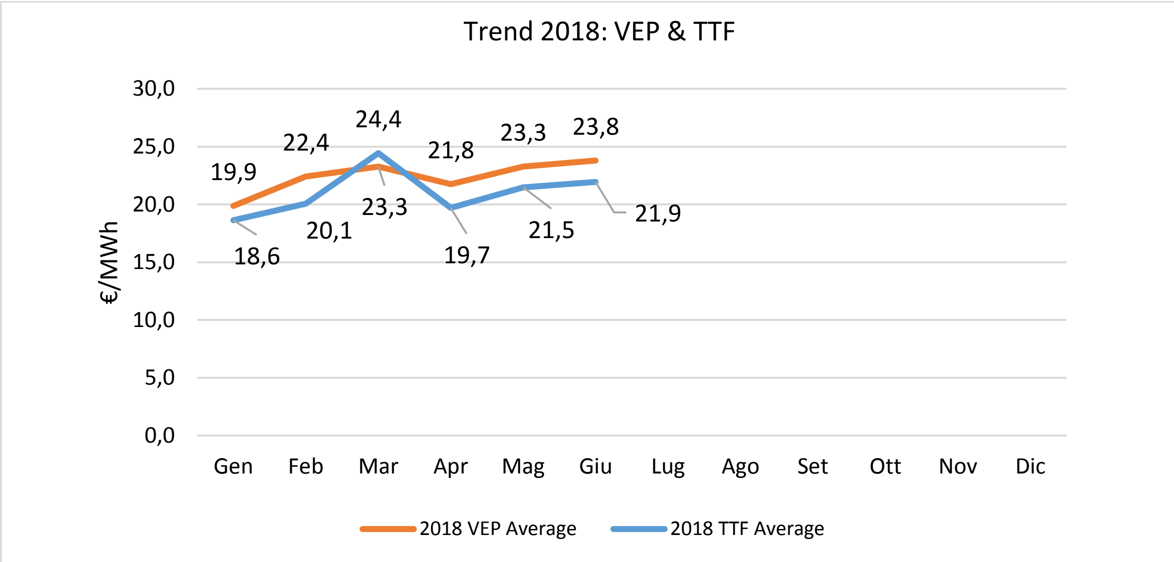
In the first 6 months of 2018, the demand for natural gas in Italy decreased by around 1.6% compared to the same period of the previous year, reaching around 38.8 billion cubic meters.

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

- An increase in national production (+53 billion cubic meters; 1.9%);
- A slight decrease in gas imports (- 0.7%);
- A decrease in storage (0.8 billion cubic meters drawn, compared with 1.2 billion cubic meters in the first half of 2017).

The first six months of 2018 ended with an increase in average spot prices in the main European hubs. In particular, the Dutch Title Transfer Facility (TTF) (gas supply cost reference in wholesale markets for the higher protection rate) recorded an average value of 21.04 €/MWh, an increase of approximately 24% compared to the first half-year of 2017.

With regard to the price of spot gas in Italy (shown in the chart below, which uses the PSV price as a reference), the average value for the first half of 2018 was 22.40 €/MWh (+16.3% compared to the same period in 2017).



In the first quarter of the year, drop in temperatures and the capacity reductions in some Northern European infrastructures supported prices between February and March. In the second quarter, after a decrease recorded in April, prices began to rise again, driven by the upward trend observed on the oil market. In this context, the increases recorded on the Italian market, together with what was observed on the other European hubs, continued due to the effect of import restrictions caused by maintenance as well as to the strong demand for injection into storage.

OPERATING PERFORMANCE AND SIGNIFICANT EVENTS

Electricity and gas sale to end users

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

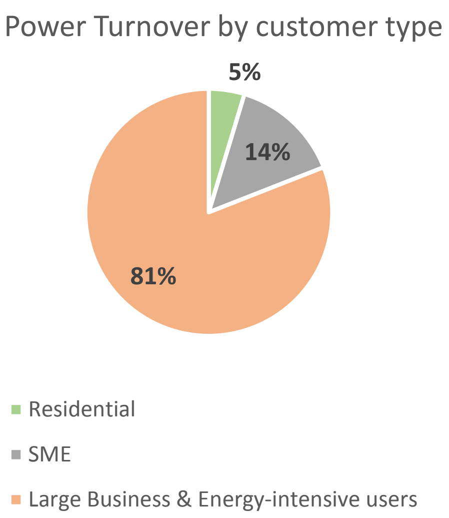
The first six months of 2018 were characterised by a significant increase in volumes sold as a result of the entry into the portfolio of large customers and the strengthening of the presence in market segments with medium/low consumption but with higher unit margins. The positive impact is mainly due to the acquisition from Energrid S.p.A. and Tradeinv Gas & Energy S.p.A. of the electricity and gas marketing business units with a total portfolio of over 150,000 points.

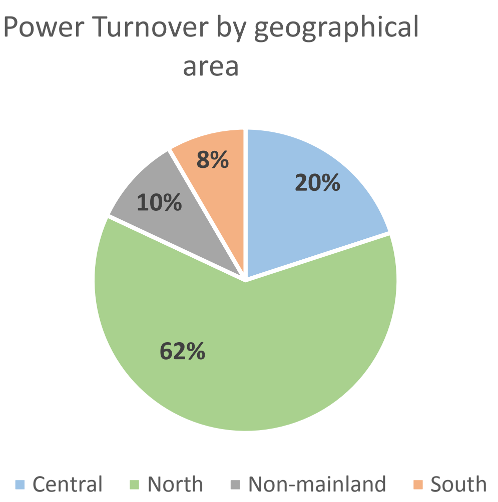
As a result, unit sales were up sharply compared with the first six months of the previous year, with sales of electric power up 48% and gas up 272%.

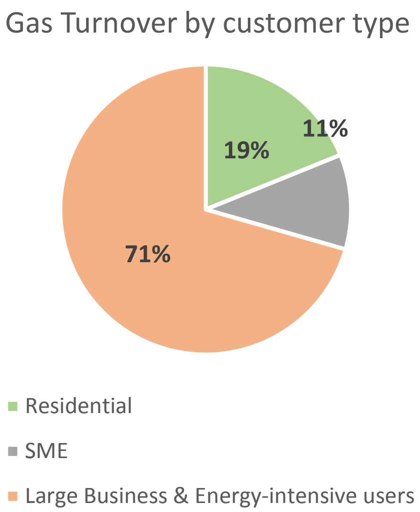
Power Volumes in TWh	30/06/2018	30/06/2017	% change
Sales to end users	5.9	4.2	41%
Wholesale sales	1.0	0.5	107%
Total	**6.9**	**4.7**	**48%**

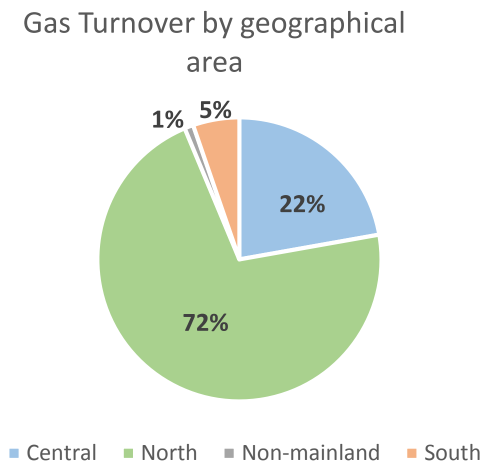
Gas Volumes in Mln scm	30/06/2018	30/06/2017	% change
Sales to end users	203.0	55.0	269%
Wholesale sales	46.4	11.9	290%
Total	**249.4**	**67.0**	**272%**

The breakdown of power and gas turnover by customer type and geographical area is presented below in relation to the Italian market:









As regards the UK market, in the first six months of 2018, following the start of sales of energy and gas on the retail market through the company Green Network Energy, positive results were recorded: at the end of June the company supplied around 250,000 power & gas sites with a constantly growing trend of acquisitions.

Renewables

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

With reference to the photovoltaic sector, through the companies Solcap Green S.r.l. in Italy and Spectrum Tech S.r.l. in Romania, in 2018 electric power production totalled 6.3 GWh compared to 7.3 GWh recorded in 2017. The decrease in production is due to failures on Spectrum Tech inverters in February and June.

As regards the biomass and biogas sector, through the companies Rena Energia S.r.l. and Biogas Energy S.r.l., electric power production totalled 7.61 GWh during the first six months of 2018, compared to 7.75 GWh in 2017. The gradual increase in production of Biogas Energy offset the decrease in production of Rena Energia. For the latter, extraordinary maintenance was used to replace a condensate extraction pump to bring forward the scheduled shutdown envisaged for September 2018.

In the hydroelectric sector, the company Green Hydro 1 S.r.l. was sold on 12 January 2018.

In the wind sector, the plant of the company Green Wind 2 S.r.l. located in Sant'Agata di Puglia (FG) recorded a production of electricity equal to 1.26 GWh, compared to 1.33 GWh in the previous year. Production was therefore in line with the recorded average wind speed.

The E.S.Co certification of Green Network Spa was reconfirmed in 2018. Collaborations with agencies and consortia were activated to promote new energy efficiency initiatives. The first positive results were recorded by SME customers.

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

Extraordinary transactions

On 20 April 2018, the acquisition of the business unit of the company Energia e Territorio S.p.A., which provides IT support to the business unit of Energrid S.p.A. acquired in November 2017, was completed.

GREEN NETWORK SPA ECONOMIC AND FINANCIAL RESULTS AT 30 JUNE 2018

In EUR '000	30/06/2018	30/06/2017	Change	% change
Revenue from sales	744,121	428,942	315,179	73%
Reclassification of revenue*	(115)	2,855	(2,970)	(104%)
Raw material costs	(700,483)	(391,112)	(309,371)	79%
First margin	**43,523**	**40,685**	**2,838**	**7%**
Direct costs	(6,849)	(11,725)	4,876	(42%)
Indirect costs	(14,476)	(10,675)	(3,801)	36%
EBITDA	**22,198**	**18,284**	**3,914**	**21%**
Depreciation/Amortisation	(4,433)	(658)	(3,775)	574%
Provisions and write-downs	(3,605)	(3,025)	(580)	19%
EBIT	**14,160**	**14,601**	**(441)**	**(3%)**
Extraordinary expenses	29	131	(102)	(78%)
Financial operations**	(4,711)	(3,769)	(942)	25%
Profit (loss) before tax	**9,478**	**10,963**	**(1,485)**	**(14%)**
Taxation	(2,099)	(3,453)	1,354	(39%)
Net profit (loss)	**7,378**	**7,510**	**(131)**	**(2%)**

** The amount refers to charge backs of costs recognised as direct costs.*

*** Indirect costs do not include costs relating to factoring commissions, charges on sureties and bank charges totalling EUR 2.9 million as at 30 June 2018 and 1.7 as at 30 June 2017 reclassified to financial management.*

Revenue from sales amounted to EUR 744 million, up 73% compared to the same period of the previous year following the acquisition of the Energrid and Tradeinv business units in November 2017.

The table below shows the effects of the acquisitions:

Revenues	EUR million	%
Current business	553	74.3%
Acquisition of Energrid	159	21.4%
Acquisition of Tradeinv	32	4.3%
Total	**744**	

The strategy of growth in electric power and gas sales continued and was mainly oriented towards the microbusiness and residential segments in order to improve the profitability of the portfolio.

In the retail sector, in particular, growth was focused on innovative web channels or cross-selling operations with leading market players; on the other hand, traditional channels were subject to constant monitoring, with the elimination of non-performing agencies both in quantitative and qualitative terms.

The following table shows the most significant quantitative data.

Other revenues refer to purchase/sale of energy and gas with other traders for 36%, purchase/sale of energy and gas with institutional counterparties for 35% and to interconnector sales for 29%.

Revenues by Power segment (EUR million)	30/06/2018	30/06/2017
Large Business	373.6	252.7
SME	90.0	8.6
Domestic	25.3	16.8
Other revenues	169.0	127.0
Total	**657.8**	**405.1**

Revenues by Gas segment (EUR million)	30/06/2018	30/06/2017
Large Business	45.0	10.4
SME	14.4	1.5
Domestic	14.0	11.4
Other revenues	12.9	3.3
Total	**86.2**	**26.7**

The sharp and unexpected rise in commodity prices in the first half of the year penalised the first Margin in the year under review, which amounted to EUR 44 million, increasing only by 7% compared to the same period last year.

The contribution of the acquisition of the business units at the first margin is shown below:

First margin	EUR million	%
Current business	31.0	71.1%
Acquisitions	12.6	28.9%
Total	**43.5**	

Great attention was paid to the optimisation of direct costs, which are summarised in the following table:

Direct costs (EUR million)	30/06/2018	30/06/2017
Commissions	2.2	8.1
Advertising costs	1.7	1.2
Customer Care Costs	1.4	1.1
Postal costs/Freefone number	0.9	0.7
Credit recovery costs	0.6	0.6
Total	**6.8**	**11.7**

The 42% saving compared to the same period of the previous year was achieved by maintaining and, where possible, increasing the quality of service. In relation to commissions, the change is due to a double effect:

- The capitalisation of these costs of approximately EUR 2 million on the basis of the provisions of the new IFRS 15;
- Increase in the average contractual duration of the acquired customers, period on the basis of which these costs are capitalised.

As regards indirect costs, the main cost items show the following trend:

Indirect costs (EUR million)	30/06/2018	30/06/2017
Personnel	9.4	6.1
Leased assets	1.4	1.0
Services and Consulting	2.4	3.0
Operating costs	1.2	0.7
Total	**14.5**	**10.7**

The 36% increase in indirect costs compared to the same period of the previous year is mainly due to the personnel item where the increase in the workforce related to the business units acquired is reflected.

The overall effect leads to a 21% increase in Ebitda compared to 30 June 2017, reaching EUR 22 million.

Depreciation and amortisation increased by EUR 3.8 million compared to 30 June 2017, in that EUR 2.1 million was affected by the different accounting treatment of commissions and EUR 1.4 million by the amortisation of the higher value recorded following acquisitions.

Provisions and write-downs were mainly due, in the amount of EUR 3 million, to provisions for bad debts, in line with the same period of the previous year. The credit recovery process made clear progress both in terms of fewer incoming disputes, due to better customer selection, and in terms of the overdue recovery process, which was further speeded up. Particularly noteworthy was the use of the integrated information system together with algorithms developed with the support of leading market operators in the commercial information sector in the pre-supply customer selection process. The overdue recovery process was revised and optimised by applying Group procedures to the business units acquired as well.

The net income from financial operations came to EUR -4.7 million, up by 25% compared to 30 June 2017.

Profit before tax as at 30 June 2018 amounted to EUR 9.5 million (-14%).

The tax burden in the year was positively affected by corrections of tax estimates for previous years. This allows us to close the year with a net profit of EUR 7.4 million, in line with the previous year.

Net financial position and financial debt

In EUR million	30/06/2018	31/12/2017	Change
Cash and cash equivalents	18.5	41.3	(22.7)
Current payables	(91.7)	(114.3)	22.5
Non-current payables	(13.7)	(6.3)	(7.4)
Net financial position	**(86.8)**	**(79.3)**	**(7.6)**

Cash and cash equivalents consist of the item "Cash on hand and at banks" of EUR 6.9 million, "Bonds and certificates" of EUR 2.5 million and loans to banks and factoring companies of EUR 9 million.

The changes show an optimisation of liquidity and an extension of the average life of the debt with a consequent sharp decrease in short-term debts.

The financial position is net of the reverse factoring transaction of EUR 38 million with one of the company's main suppliers.

Shareholders' equity

In EUR million	30/06/2018	31/12/2017
Share capital	15.6	15.6
Other reserves	10.9	10.6
Net profit (loss) for the period	7.4	5.9
Minority interests	0.0	0.0
Total shareholders' equity	**33.9**	**32.1**

Shareholders' equity reached EUR 34 million (+6%) also considering the adjustment due to the application of the new accounting standard IFRS 9, for details of which reference should be made to the explanatory notes, and the change in the cash flow hedge reserve.

GROUP ECONOMIC AND FINANCIAL RESULTS AS AT 30 JUNE 2018

In EUR '000	30/06/2018	30/06/2017	Change	% change
Revenue from sales	834,009	437,803	396,205	90.5%
Reclassification of revenue	(115)	2,855	(2,970)	(104.0%)
Raw material costs	(783,939)	(394,206)	(389,733)	98.9%
First margin	**49,954**	**46,452**	**3,502**	**7.5%**
Direct costs	(7,720)	(13,782)	6,062	(44.0%)
Indirect costs	(22,954)	(16,292)	(6,662)	40.9%
EBITDA	**19,281**	**16,378**	**2,902**	**17.7%**
Depreciation/amortisation	(8,324)	(2,772)	(5,552)	200.3%
Provisions and write-downs	(4,335)	(3,133)	(1,203)	38.4%
EBIT	**6,622**	**10,474**	**(3,852)**	**(36.8%)**
Extraordinary expenses	29	54	(26)	(47.2%)
Financial operations	(5,603)	(4,752)	(851)	17.9%
Profit (loss) before tax	**1,048**	**5,776**	**(4,729)**	**(81.9%)**
Taxation	(362)	(2,556)	2,194	(85.8%)
Net profit (loss)	**685**	**3,220**	**(2,535)**	**(78.7%)**

** The amount refers to charge backs of costs recognised as direct costs.*

*** Indirect costs do not include costs relating to factoring commissions, charges on sureties and bank charges totalling EUR 2.9 million reclassified to financial management.*

The economic results as at 30 June 2018 include the effects of the acquisition of Energrid and Tradeinv that took place in November 2017.

The following table shows the trends by sector:

Revenues (EUR million)	30/06/2018	30/06/2017
Green Network Spa	553	432
Acquisition of Energrid/Tradeinv	191	0.0
Green Network UK PLC	11	0.3
Green Network Energy Limited	75	5
Renewables	3	3
Other companies/eliminations	0.9	0.3
Total	834	441

With regard to the growth of Green Network Spa, it is driven by the development in the industrial sector that, by expanding the critical mass, allows economies of scale to be achieved in the management of processes.

In addition to the acquisitions mentioned above, revenues were positively affected by the launch of consumer sales activities in the UK through the subsidiary Green Network Energy Limited that, starting from scratch, reached approximately 250,000 users in one year (August 2018).

The first margin in the year under review was EUR 50 million, up 7.5% compared to the same period of the previous year.

First Margin (EUR million)	30/06/2018	30/06/2017
Green Network Spa	31.0	40.7
Acquisition of Energrid/Tradeinv	12.6	0.0
Green Network UK PLC	0.3	2.9
Green Network Energy Limited	3.7	0.6
Renewables	2.2	2.1
Other companies/eliminations	0.3	0.1
Total	**50.0**	**46.5**

With regard to the UK Energy business, the contribution to the first margin is equal to EUR 3.7 million, a marked improvement compared to the previous year.

As regards direct costs, the following table breaks down the changes in the various sectors:

Direct costs (EUR million)	30/06/2018	30/06/2017
Green Network Spa	6.8	11.7
Green Network UK PLC	0.0	0.0
Green Network Energy Limited	0.1	1.2
Renewables	0.8	0.9
Total	**7.7**	**13.8**

Indirect costs by sector changed as follows:

Indirect costs (EUR million)	30/06/2018	30/06/2017
Green Network Spa	14.5	10.7
Green Network UK PLC	2.3	3.0
Green Network Energy Limited	6.2	2.5
Renewables	0.0	0.0
Other companies/eliminations	0.0	0.1
Total	**23.0**	**16.3**

Overall Ebitda, although affected by the costs associated with the launch of activities to sell electricity and gas to end customers in the UK market, increased by 18% compared to the same period of the previous year and amounted to EUR 19.3 million.

The net income from financial operations came to EUR -5.6 million, up by 18% compared to 30 June 2017.

Pre-tax profit was EUR 1 million, while net profit (loss) was EUR 0.7 million.

Net financial position and financial debt

In EUR million	30/06/2018	31/12/2017	Change
Cash and cash equivalents	23.2	49.5	(26.4)
Current payables	(97.5)	(118.0)	20.5
Non-current payables	(19.9)	(13.8)	(6.1)
Net financial position	**(94.2)**	**(82.3)**	**(11.9)**

The net financial position as at 30 June 2018 came to EUR -94 million, with a decrease in cash and cash equivalents and short-term debt and an increase in long-term debt.

The financial position is net of the reverse factoring transaction of EUR 38 million with one of the Group's main suppliers.

Shareholders' equity

In EUR million	30/06/2018	31/12/2017
Share capital	15.6	15.6
Other reserves	(3.7)	(1.5)
Net profit (loss) for the period	0.6	2.2
Minority interests	1.0	0.6
Total shareholders' equity	**13.6**	**16.9**

Shareholders' equity decreased from EUR 16.9 million to EUR 13.6 million as at 30 June 2018 due to the adjustment due to the application of the new IFRS 9 accounting standard, details of which are provided in the explanatory notes, and to the change in the cash flow hedge reserve.

OTHER INFORMATION

Research and development activities

Research and development activities were carried out on an ongoing basis to solve aspects related to electric power and gas supply and investment in energy generation from renewable sources through special purpose vehicles. However, no development cost was capitalised during the year under review, as the conditions were not met.

Treasury shares

There are no treasury shares in the portfolio.

Information on personnel

Group personnel as at 30 June 2018 numbered 314, compared with 213 in the same period of the previous year.

Information on the environment

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

Security policy document

The security policy document, pursuant to art. 6 of Italian Presidential Decree 318/99, was prepared in accordance with the legal terms.

Organisational model pursuant to Italian Legislative Decree 231/01

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

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

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

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

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

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

ISO-9001 certification

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

Data protection law

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

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

The Group's operating segment is exposed to market risks, to mitigate which the management adopted adequate control mechanisms.
For information on other risk factors to which the Group is exposed also pursuant to Article 2428 of the Italian Civil Code, please refer to the relevant section of the explanatory notes to Financial Report.

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

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

Therefore, on 28 June 2018, in the performance of the preliminary contract and following the fulfilment of the conditions precedent contained therein, a sale and purchase contract was signed for the purchase, with effect from 1 July 2018, by Green Network S.p.A. of a business unit owned by Burgo Energia S.p.A., active in the sector of the sale of electricity and gas to end customers. The business unit consists of a total portfolio of approximately 8,000 points.

Efforts are also continuing to increase the offering both in terms of the online channel and the "Similar Protection" segment in anticipation of the upcoming elimination of the Higher Protection service, which will substantially expand the open market.

Energy and gas sales on the UK retail market continued successfully through the company Green Network Energy Ltd with approximately 250,000 points of supply in August 2018. Overall, at the end of August the group supplied about 550,000 users between Italy and the UK.

The newly formed Green Network Energie, which operates in the French market for the sale of electricity and gas, began operations on 10 July 2018.

Moreover, on 30 July 2018, Green Network Spa increased its stake in U.S. Boreale by acquiring the shares of the other shareholders.

Rome, 3 September 2018

Chairman of the Board of Directors

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Mr Piero Saulli

II - HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE GREEN NETWORK GROUP

CONSOLIDATED FINANCIAL STATEMENTS

Separate income statement and comprehensive income statement

	Notes	For the 6 months as at 30/06/2018	For the 6 months as at 30/06/2017
Revenues			
Revenues from sales and services	1	828,485,928	431,500,981
Other revenue and income	2	5,522,896	6,302,504
Total revenues		834,008,824	437,803,485
Costs			
Electricity and gas purchase	3	783,939,196	394,206,496
Costs for services and materials	4	19,071,845	19,795,936
Payroll and related costs	5	13,301,870	8,370,188
Amortisation/depreciation and impairment	6	12,033,126	5,904,239
Provisions	7	626,000	0
Other operating costs	8	1,288,701	809,298
Total costs		830,260,738	429,086,157
EBIT		3,748,086	8,717,328
Financial income (expense) from financial instruments measured at fair value	9	10	70,919
Net profit (loss) from the sale of current and non-current operating assets	10	1,209	(22,147)
Financial income	11	961,977	489,024
Financial expense	12	(3,691,221)	(3,484,340)
Share of income/(expense) deriving from equity investments valued using the equity method	13	27,532	5,708
Pre-tax profit (loss)		1,047,593	5,776,492
Taxation	14	(362,245)	(2,556,282)
Net profit (loss) for the period, of which		685,348	3,220,210
- group share		573,780	3,452,021
- share pertaining to minority interests		111,568	(231,811)

		For the 6 months as at 30/06/2018	For the 6 months as at 30/06/2017
Profit (Loss) for the period		685,348	3,220,210
Other components of comprehensive income			
Items that should not be reclassified to profit (Loss) for the period			
Revaluations of property, plant and machinery and intangible fixed assets		0	0
Actuarial gains (losses) from defined benefit plans	5	0	0
Items that will or could then be reclassified to profit (Loss) for the period			
Profit (losses) from redetermination of the value of other financial assets	9	5,504	(28,376)
Gains (losses) on the translation of financial statements of foreign subsidiaries		0	0
Fair value changes in cash flow hedges	3	(5,833,679)	(122,184)
Income taxes relating to OCI		1,679,680	43,391
Overall profit (loss) for the period, of which		(3,463,147)	3,113,041
- group share		(3,574,715)	3,344,853
- share pertaining to minority interests		111,568	(231,812)

Statement of financial position

	Notes	30/06/2018	31/12/2017
Non-current assets			-
Intangible fixed assets	15	41,589,756	23,639,915
Goodwill	16	26,504,123	26,504,123
Property, plant and machinery	17	31,777,932	31,969,685
Investment property	18	7,895,052	8,014,167
Equity investments	19	1,004,741	987,209
Receivables from parent companies, subsidiaries, associates and joint ventures	20	4,845,783	4,845,782
Deferred tax assets	21	12,720,311	8,585,325
Tax receivables	22	5,006,691	5,084,332
Other non-current assets	23	5,631,329	12,693,074
Total		**136,975,718**	**122,323,612**
Current assets			
Inventories	24	2,755,884	2,475,043
Trade-related receivables	25	443,412,656	394,699,635
Receivables from parent companies, subsidiaries, associates and joint ventures	26	28,838,306	28,416,887
Loans to banks and other financial institutions	27	9,173,436	10,258,914
Tax receivables	28	31,661,793	25,527,196
Derivatives	29	99,364,121	54,486,263
Other financial assets	30	2,469,796	3,964,282
Other current assets	31	10,742,515	18,673,463
Cash and cash equivalents	32	11,509,026	35,310,420
Total		**639,927,533**	**573,812,103**
Non-current assets held for sale	33	0	1,799,590
Assets classified as held for sale	34	0	780,249
Total assets		**776,903,251**	**698,715,554**
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	35	15,636,000	15,636,000
Other reserves	35	(3,694,380)	(1,466,089)
Net profit (loss) for the period	35	573,780	2,160,872
Minority interests	35	1,043,356	550,453
Total shareholders' equity		**13,558,756**	**16,881,236**
Non-current liabilities			
Long-term loans	36	19,855,951	13,796,984
Due to minority shareholders	37	5,898,524	6,142,104
Employee severance indemnity and other employee benefits	38	2,892,980	2,888,843
Provisions for risks and charges (non-current portion)	39	13,201,110	13,323,827
Tax liabilities	40	458,649	905,833
Other non-current liabilities	41	9,539,218	9,490,738
Total		**51,846,432**	**46,548,329**
Current liabilities			
Short-term loans	42	135,533,894	149,562,711
Trade-related payables	43	428,557,887	403,994,722
Payables to parent companies, subsidiaries, associates and joint ventures	44	27,204,989	16,574,237
Tax payables	45	40,181,300	21,751,117
Derivatives	46	63,597,405	27,348,449
Other current liabilities	47	16,422,588	15,732,092
Total		**711,498,063**	**634,963,328**
Liabilities classified as held for sale	48	0	322,661
Total shareholders' equity and liabilities		**776,903,251**	**698,715,554**

Statement of changes in shareholders’ equity

	Share Capital	Legal reserve	Extraordinary reserve	Equity method valuation reserve	Retained earnings (accumulated losses)	FTA reserve	Valuation reserve of derivatives and contracts	Rounding reserve	Capital contributions	Consolidation reserve	Other financial asset valuation reserve	Translation reserve	Actuarial gain reserve	Net profit (loss) for the period	Total	Minority interests	Total shareholders' equity
Balance as 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	3.452.021	**3.452.021**	(231.811)	**3.220.210**
Other comprehensive income components	0	0	0	0	0	0	(86.971)	0	0	0	(20.198)	0	0	0	**(107.168)**	0	**(107.168)**
Total comprehensive income components	**0**	**0**	**0**	**0**	**0**	**0**	**(86.971)**	**0**	**0**	**0**	**(20.198)**	**0**	**0**	**0**	**(107.168)**	**0**	**(107.168)**
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	(6.217.236)	0	480	4	0	0	(0)	(3.901)	0	(92.144)	**(271.773)**	6.152	**(265.621)**
Balance as at 30 June 2017	15.636.000	1.430.087	9.689.858	6.297.595	(35.511.026)	16.387.195	843.982	6	13.394	0	12.018	0	(184.165)	3.452.021	**18.066.965**	(1.174)	**18.065.791**
Balance as at 1 January 2018	15.636.000	1.430.087	9.689.858	6.297.595	(37.065.554)	16.090.074	2.315.963	6	13.394	0	36.487	0	(273.999)	2.160.872	**16.330.783**	550.453	**16.881.236**
Application of new accounting standards	0	0	0	0	0	(1.407.295)	0	0	0	0	0	0	0	0	**(1.407.295)**	0	**(1.407.295)**
Profit (loss) for the period	0	0	0	0	0	0	0	0	0	0	0	0	0	573.780	**573.780**	111.569	**685.349**
Other comprehensive income components	0	0	0	0	0	0	(4.152.413)	0	0	0	3.918	0	0	0	**(4.148.496)**	0	**(4.148.496)**
Total comprehensive income components	**0**	**0**	**0**	**0**	**0**	**0**	**(4.152.413)**	**0**	**0**	**0**	**3.918**	**0**	**0**	**0**	**(4.148.496)**	**0**	**(4.148.495)**
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	(2.571.675)	0	0	(9)	0	0	0	0	0	(2.160.872)	**1.166.628**	381.334	**1.547.962**
Balance as at 30 June 2018	15.636.000	1.725.046	15.294.082	6.297.595	(39.637.229)	14.682.779	(1.836.450)	(3)	13.394	0	40.405	0	(273.999)	573.780	**12.515.400**	1.043.356	**13.558.756**

Cash flow statement

	Notes	For the 6 months as at 30/06/2018	For the 6 months as at 30/06/2017
Profit (loss) for the period		685,348	3,220,210
CASH FLOW STATEMENT OF OPERATING ACTIVITIES (A)			
Taxes for the period	14	362,245	2,556,282
Interest expense/(interest income)	11 - 12	2,543,200	3,149,109
Income from equity investments in other companies	11	(27,911)	0
Adjustments for non-monetary elements with a contra-entry in net working capital			
Allocations to provisions	5 - 6	*4,845,979*	*3,419,917*
Depreciation/amortisation of fixed assets	6	*8,323,636*	*2,771,735*
Write-downs due to impairment	6	*0*	*25,490*
Other adjustments for non-monetary elements	9 - 10 - 13	*(28,751)*	*(54,481)*
Cash flows from change in working capital			
- change in inventories	24	(280,841)	(555,805)
- change in trade and intercompany receivables	20 - 25 - 26	(57,674,606)	(22,497,404)
- change in trade and intercompany payables	42 - 43	35,193,916	(15,393,810)
- other changes in net working capital		18,159,141	(2,406,300)
Cash flows from other adjustments:			
Interest income and other financial income received	11	*1,175,933*	*335,231*
Interest expense and other financial expenses	12	*(3,691,221)*	*(3,484,340)*
(Income taxes paid)		*(1,261,649)*	*(5,393,387)*
(Use of provisions)		*(1,255,070)*	*(1,857,135)*
Cash flow generated (absorbed) by operations		6,384,001	(39,384,898)
CASH FLOW STATEMENT OF INVESTMENT ACTIVITIES (B)			
Cash flows from changes in property, plant and machinery	17	(1,428,979)	(376,784)
Cash flows from changes in intangible fixed assets	15 - 16	(24,533,630)	(489,745)
Cash flows from changes in equity investments	19	1,809,591	(87,082)
Cash flows from changes in receivables for loans	20	0	151,157
Cash flows from changes in financial instruments	9 - 29 - 45	1,495,705	4,796,687
Cash flow generated (absorbed) by investments		(22,657,313)	3,994,233
CASH FLOW STATEMENT OF FINANCING ACTIVITIES (C)			
Cash flows from third party financing:			
Increase (decrease) in short-term payables	41	(14,028,817)	30,558,061
Increase (decrease) in long-term payables	36	5,815,387	(1,412,822)
Dividends paid		0	0
Other changes in shareholders' equity items	35	0	0
Cash flow generated (absorbed) by financing activities		(8,213,430)	29,145,239
Increase (decrease) in cash and cash equivalents		(23,801,394)	(3,025,216)
Opening cash and cash equivalents		35,310,420	10,649,490
Closing cash and cash equivalents		11,509,026	7,624,274

EXPLANATORY NOTES TO THE HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

Introduction

The company Green Network S.p.A. (hereinafter "the consolidating company" 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 of SC Holding S.r.l.

These Half-year condensed consolidated financial statements (hereinafter also "the Report") include the accounting positions of Green Network S.p.A. and its subsidiaries and the shareholding in associated companies and joint ventures (hereinafter "the Group").

This Report was approved by a resolution of the Board of Directors of 3 September 2018, which authorised its publication and is subject to a limited audit by PricewaterhouseCoopers S.p.A.

Form, contents and accounting standards applied

This Report was prepared in accordance with IAS 34 - "Interim Financial Reporting", issued by the International Accounting Standards Board (IASB) and consists of the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in shareholders' equity, the consolidated cash flow statement and the related explanatory notes.

In accordance with the option granted by the aforementioned standard, the information contained in this Report is reduced compared to that contained in a complete Annual Report, in accordance with IAS 1 - Presentation of Financial Statements, in that it is intended to provide an update on the activities, facts and circumstances that took place during the half-year in question, where considered relevant, as well as certain minimum additional information expressly required by the standard, thus omitting information, data and notes already presented and commented on in the Consolidated Report of Green Network S.p.A. as at 31 December 2017, to which reference should be made for a more complete understanding of the information contained in this document. The relevance of the information provided below was assessed, in accordance with IAS 34, with a view to ensuring the comprehensibility of the equity, financial and economic changes recorded during the first half of 2018.

It should be noted that the Green Network Group adopts the half-year as the interim period of reference for the purposes of applying the aforementioned international accounting standard IAS 34 and the definition of interim financial statements indicated therein.

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

Financial statement layouts and measurement criteria

This report was prepared on the basis of the going concern assumption, in that the directors verified that there are no financial, management or other indicators that could point to critical issues regarding the Group's ability to fulfil its obligations in the foreseeable future, especially in the next twelve months. The directors assessed the current balance of sources and uses and, with reference to the short-term debt exposure to working capital, it was considered recoverable on the basis of the forecasts contained in the company's business plan.

In accordance with IAS 34, the explanatory notes are presented in a condensed form and do not include all the information required in the annual financial statements, since they exclusively refer to those components that are essential - in terms of amount, composition or changes - for an understanding of the Group's economic and financial position. Therefore, this Report should be read together with the 2017 consolidated financial statements.

The financial statements, the accounting standards, the recognition and measurement criteria, as well as the consolidation criteria and methods used for the purposes of this Report, comply, where applicable, with those adopted for the preparation of the consolidated financial statements as at 31 December 2017. For the sake of completeness of information and to enable readers of the financial statements to immediately understand this Report, the measurement criteria adopted are set out below.

Intangible fixed assets

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

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

Intangible fixed assets with a finite useful life are amortised systematically starting from the moment the asset is available for use over the period of expected use.

The intangible assets deriving from the allocation of the higher value of the acquired business units are amortised according to the following amortisation periods:

- 10 years for the trademark;
- 8 years for “VAT” customer relationship
- 5 years for “residential” customer relationship
- 1 year for “public administration” customer relationship”.

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

Property, plant and machinery and investment property

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

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

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

Fixed assets are depreciated systematically each year/period on a straight-line basis according to the economic-technical rates determined in relation to the asset's residual useful life. The range of years of useful life estimated by the Group is reported in the following table:

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

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

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

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

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

If there are indicators of impairment, property, plant and machinery are subject to an impairment test, as explained in the section "Impairment" of this Report; any write-downs may later be written back if the reasons for the write-down no longer exist.

Environmental certificates (Emission quotas and green certificates)

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

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

Impairment losses

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

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

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

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

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

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

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

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

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

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

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

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

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

Business combination

On the basis of the provisions of IFRS 3, business combinations involving a business unit must be recorded applying the purchase method that envisages the following phases:

- identification of the buyer;
- determination of the business combination cost;
- allocation, at the acquisition date, of the cost of the business combination to the assets acquired and to the liabilities and contingent liabilities assumed.

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

The acquisition date is the date on which control over the acquiree is actually obtained. When the acquisition is made in a single exchange transaction, the date of exchange coincides with the date of acquisition.

If the business combination is carried out by means of several exchange transactions, the cost of the combination is in any case equal to the fair value of the entire equity investment acquired as at the date of acquisition of control. This involves the revaluation at fair value, with the effects recorded in the income statement, of the equity investments previously held in the acquired company.

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

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

After initial recognition, goodwill acquired in a business combination is tested for impairment at least once a year.

In the event of a negative difference, a new measurement is taken. This negative difference, if confirmed, is immediately recognised as income in the income statement.

If the fair values of assets, liabilities and contingent liabilities can only be determined provisionally, the business combination is recognised using these provisional values. Any adjustments resulting from the completion of the valuation process are recognised within 12 months of the acquisition date, restating the comparative data.

Financial instruments

Financial instruments are recognised and valued in accordance with IFRS 9, for the purposes of classifying and measuring financial instruments at fair value, including transaction costs.

Financial assets are classified according to the business model (i.e. the way in which the Group manages financial assets in order to generate cash flows) and the contractual characteristics of cash flows, in one of the following categories:

- amortised cost, for financial assets held with the aim of collecting contractual cash flows exclusively represented by principal and interest;
- fair value through other comprehensive income (FVOCI), for financial assets held with the aim of collecting both contractual cash flows, which exclusively represent payments of principal and interest, and sales cash flows
- fair value through profit or loss (FVTPL), as a residual category, for assets that are not held in one of the above business models. This category mainly includes derivative financial instruments held for trading and debt instruments whose contractual flows are not represented solely by principal and interest.

In line with IFRS 9, the Group recognises financial liabilities not measured at fair value through profit or loss at fair value less transaction costs.

After initial recognition, the Group measures financial liabilities at amortised cost or fair value in specific circumstances.

In the case of financial liabilities for which the fair value option was chosen at initial recognition, the portion of fair value changes due to own credit risk is recognised in OCI.

Financial liabilities that qualify as contingent consideration are measured at fair value through profit or loss.

Derivative financial instruments

A derivative is a financial instrument or another contract:

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

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

The Group opted to continue to apply the hedge accounting requirements of IAS 39, according to which when financial instruments have the characteristics to be accounted for in "hedge accounting", the following accounting treatments apply:

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

Contracts for the purchase or sale of non-financial items

In general, contracts for the purchase or sale of non-financial items, which have been signed and continue to be held for collection or delivery, according to the normal purchase, sale or use requirements envisaged by the Company, are recorded on the basis of the accounting rules of reference.

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

- adjusted on a net basis
- not signed for normal use and sale requirements by the Company.

A contract for the purchase or sale of a non-financial item is classified as a "normal sale and purchase contract" if it has been signed:

- for physical delivery
- for normal use and sale requirements of the Company.

Loans and receivables (L&R)

This category mainly includes trade-related receivables and other financial receivables. Loans and receivables are non-derivative financial assets, with fixed or determinable payments that are not listed in an active market, other than those that the Group intends to sell immediately or in the short-term and those that the Group, at the time of initial recognition, designated at fair value through profit or loss or as available for sale. These assets are initially recognised at fair value, adjusted if necessary for transaction costs, and are subsequently valued at amortised cost using the effective interest rate method.

Cash and cash equivalents

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

Inventories

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

Provisions for risks and charges

Provisions for risks and charges are allocated exclusively when there is a current obligation that can be reliably estimated as a result of past events. This obligation may be legal, contractual or derive from Group declarations or behaviour such as to lead third parties to have reasonable expectations that the Group is responsible for or assumes responsibility for fulfilling an obligation (so-called "implicit obligations"). If the financial effect of time is significant, the liability is discounted, and the effect of the discounting is booked under financial charges.

Employee benefits

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

Financial liabilities at amortised cost

This category mainly includes loans, trade-related payables, financial leasing payables and debt instruments. Financial liabilities other than derivatives are recognised when the Group becomes party to the contractual clauses of the instrument and are initially recorded at fair value adjusted by directly attributable transaction costs. Financial liabilities are subsequently valued using the amortised cost approach, applying the effective interest rate method.

Other assets/liabilities

These items include the residual portion of current and non-current assets and liabilities. Assets include prepaid commissions paid to agents whose usefulness will become apparent in future years.

Recognition of revenues and costs

The Group applies the reference provisions of IFRS 15 for the recognition and measurement of revenues so as to faithfully represent the process of transferring goods and services to customers for an amount that reflects the amount expected to be obtained in exchange for the goods and services provided. For the revenue recognition, the Group applies a model consisting of 5 fundamental steps: identifying the contract with the customer (step 1); identifying the contractual obligations, recognising the separable goods and services as separate obligations (step 2); determining the price of the transaction, i.e. the amount of the consideration expected to be obtained (step 3); allocating the transaction price to each obligation identified in the contract on the basis of the stand-alone sale price of each separable good or service (step 4); recognising revenue when each contractual obligation is satisfied through the transfer of the good or service to the customer, i.e. when the customer obtains control of the good or service (step 5).

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

- revenues from the sale of goods are booked when the risks and rewards of ownership of the assets are transferred to the purchaser and their amount can be reliably determined;
- revenues from the sale and transport of electricity and gas are recognised when the commodities are provided to the customers and refer to the quantities supplied in the 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 and those of the Italian Energy Authority and equivalent foreign institutions, in force during the reference period;
- revenues from the provision of services are recorded with reference to the stage of completion of the service at the balance sheet date, in the years in which the services are provided. The stage of completion of the service is determined on the basis of the valuation of the service rendered as a percentage of the total of the services that need to be rendered or as a proportion of the costs incurred and the estimate of the total costs of the transaction. In the event it is not possible to reliably determine the value of revenues, they are recognised up to the amount of the costs incurred that it is believed will be recovered;
- the income statement includes cost and revenue items dedicated to the management of transport and dispatching costs, etc., for which the Group records sales income to end customers and, subsequently, a related cost to energy distribution companies. The recognition of the relevant

income and expenses follows the normal business logic and the accounting standards of reference.

Financial income and expense are recognised on an accrual basis.

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

Taxation

In accordance with the provisions of international accounting standards regarding intermediate closures, the tax charge was recorded on the basis of the best estimate of the weighted average annual tax rate expected for the entire period; estimated amounts may need to be adjusted in a subsequent interim period of that period if the estimate of the annual tax rate changes.

Accounting standards, amendments, interpretations and improvements applied as from 1 January 2018

With effect from 1 January 2018, the new accounting standards revised and amended by the IASB were applied for the first time: IFRS 9 and IFRS 15. The first retrospective application led to the restatement of certain balance-sheet balances as at 1 January 2018, since the Group took advantage of the simplification granted by these standards upon first-time adoption.
The main changes introduced by the new standards are commented on below:

- "*IFRS 9 – Financial Instruments*"

The standard replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions. With reference to the main areas of application of the new standard, note the following:

- *Classification and Measurement*

As specified in the section on measurement criteria, the new standard envisages the classification of financial assets according to the Business Model with which the company manages the financial assets and the contractual characteristics of the cash flows of these instruments.
The measurement of the Business Model determines the classification of the instrument on the basis of the objective with which the instrument is held within the company's portfolio. Financial assets are measured at amortised cost if they are held with the aim of collecting contractual cash flows (Held to Collect). Financial assets are measured at fair value with changes in value recognised in Other Comprehensive Income if they are held with the objective of both collecting contractual cash flows and selling these assets (Held to Collect and Sell). Finally, they are measured at fair value with changes in value recognised in the income statement if they are not held with the objectives typical of other business models.
The measurement of the characteristics of the contractual cash flows requires that financial assets be measured at amortised cost if the characteristics of the contractual cash flows represent only expected cash flows that envisage the repayment of the principal and interest accrued on such principal. If this condition is not met, a measurement will be made by determining the Fair Value.
Financial liabilities are recorded at amortised cost unless they are held for trading. IFRS 9 grants a specific option to account for liabilities at fair value if this option helps to eliminate an accounting

mismatch. When this option is exercised, all changes in Fair Value are recognised in profit and loss with the exception of changes in Fair Value attributable to the effect of own credit risk, which are recognised in OCI.
The methods for classifying and measuring financial instruments in accordance with IAS 39 with respect to the new criteria envisaged by IFRS 9 were checked. With reference to this area, the Group did not report any significant impact due to the adoption of the new standard.

- *Impairment*

IFRS 9 introduces a new framework for calculating the impairment of financial assets and certain types of off-balance sheet financial instruments (loan commitments and financial guarantees). The new calculation method involves estimating the impairment of certain financial instruments on the basis of the concept of Expected Loss, which differs from the method envisaged by IAS 39, which envisages the calculation of losses on the basis of a concept of Incurred Loss.
The adoption of the Expected Credit Loss model for the impairment of financial assets envisages:

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

An analysis of the financial assets in the portfolio subject to impairment was carried out, with particular reference to trade receivables representing most of the Group's credit exposure. In particular, in accordance with the simplified approach envisaged by the standard, these receivables were divided into clusters, also taking into account the specific legislative and regulatory context of reference, and the impairment model based on expected losses developed by the Group for collective measurement was applied. Only if the management considers the trade receivables to be individually significant and precise information is available on the significant increase in credit risk, the Group applies an analytical approach.
The application of the new impairment model generated a negative impact on the shareholders' equity of the Group as at 1 January 2018 of EUR 1.4 million net of the tax effect.

- *Hedge Accounting*

IFRS 9 introduces a new hedge management model that identifies a broader range of hedged instruments and hedged risks in order to create an accounting impact of risk management practices. The new rules also eliminate the need for quantitative effectiveness tests and the simultaneous elimination of effectiveness thresholds.
IFRS 9 allows those who apply International Accounting Standards to continue to apply the hedge accounting rules set out in IAS 39. This option is granted until IFRS 9 is updated with the Macro Hedging rules. The decision to apply hedge accounting in accordance with IFRS 9 is irrevocable, while the decision to continue applying IAS 39 will be made each year until the final issue of the accounting rules for hedging transactions.
The Group has opted to continue to apply the hedge accounting requirements of IAS 39.

- "IFRS 15 "Revenue from contracts with customers"

IFRS 15 envisages the recognition of revenues for the amount that reflects the consideration the entity expects to be entitled to in exchange for the transfer of goods and services to the customer. The main requirements for recognising revenues are set below:

a) identify the contract, defined as an agreement (written or oral) of a commercial nature between two or more parties that creates legally enforceable rights and obligations with the customer;
b) identify the performance obligations contained in the contract;
c) determine the transaction price, as the consideration that the company expects to receive from the transfer of the goods or the provision of services to the customer, in accordance with the techniques envisaged by the Standard and on the basis of the presence of any financial components and variable components;
d) allocate the price to each performance obligation;
e) recognise revenue when the entity satisfies a performance obligation, taking into account the fact that the services could be rendered not at a specific time, but also over a period of time.

The standard was applied retrospectively from financial years beginning on or after 1 January 2018, with the possibility of recording the cumulative effect in shareholders' equity on 1 January 2018. The significant case in the consolidated financial statements of the Group affected by the new provisions of IFRS 15 refers to the capitalisation of costs for the acquisition of contracts with customers already deferred in previous years and that in 2018 were reclassified under intangible assets.

The following table shows the changes to the consolidated balance sheet as at 1 January 2018 related to the application of the two new standards IFRS 9 and IFRS 15.

	31/12/2017	Effect of IFRS 9	Effect of IFRS 15	01/01/2018
Non-current assets		-	-	-
Intangible fixed assets	23,639,915		11,882,844	35,522,759
Goodwill	26,504,123			26,504,123
Property, plant and machinery	31,969,685			31,969,685
Investment property	8,014,167			8,014,167
Equity investments	987,209			987,209
Receivables from parent companies, subsidiaries, associates and joint ventures	4,845,782			4,845,782
Deferred tax assets	8,585,325	444,409		9,029,734
Tax receivables	5,084,332			5,084,332
Other non-current assets	12,693,074		(1,318,421)	11,374,653
Total	**122,323,612**	**444,409**	**10,564,423**	**133,332,444**
Current assets				
Inventories	2,475,043			2,475,043
Trade-related receivables	394,699,635	(1,851,704)		392,847,931
Receivables from parent companies, subsidiaries, associates and joint ventures	28,416,887			28,416,887
Loans to banks and other financial institutions	10,258,914			10,258,914
Tax receivables	25,527,196			25,527,196
Derivatives	54,486,263			54,486,263
Financial assets available for sale	3,964,282			3,964,282
Other current assets	18,673,463		(10,564,423)	8,109,040
Cash and cash equivalents	35,310,420			35,310,420
Total	**573,812,103**	**(1,851,704)**	**(10,564,423)**	**561,395,976**
Non-current assets held for sale	1,799,590			1,799,590
Assets classified as held for sale	780,249			780,249
Total assets	**698,715,554**	**(1,407,295)**	**0**	**697,308,259**
Shareholders' equity and liabilities				

	31/12/2017	Effect of IFRS 9	Effect of IFRS 15	01/01/2018
Shareholders' equity				
Share capital	15,636,000			15,636,000
Other reserves	(1,466,089)	(1,407,295)		(2,873,384)
Net profit (loss) for the year	2,160,872			2,160,872
Minority interests	550,453			550,453
Total shareholders' equity	**16,881,236**	**(1,407,295)**	**0**	**15,473,941**
Non-current liabilities				
Long-term loans	19,939,088			19,939,088
Employee severance indemnity and other employee benefits	2,888,843			2,888,843
Provisions for risks and charges (non-current portion)	13,323,827			13,323,827
Tax liabilities	905,833			905,833
Other non-current liabilities	9,490,738			9,490,738
Total	**46,548,329**	**0**	**0**	**46,548,329**
Current liabilities				
Short-term loans	149,562,711			149,562,711
Trade-related payables	403,994,722			403,994,722
Payables to parent companies, subsidiaries, associates and joint ventures	16,574,237			16,574,237
Tax payables	21,751,117			21,751,117
Derivatives	27,348,449			27,348,449
Other current financial liabilities	15,732,092			15,732,092
Total	**634,963,32 8**	**0**	**0**	**634,963,32 8**
Liabilities classified as held for sale	322,661			322,661
Total shareholders' equity and liabilities	**698,715,55 4**	**(1,407,295)**	**0**	**697,308,25 9**

The additional documents applied from 1 January 2018 that contain amendments to the international accounting standards that have not had an impact on the Group are shown below:

- Amendment to IAS 40 "Transfers of Investment Property"

The document, issued in December 2016, clarifies that transfers to or from investment property must be justified by a change in use supported by evidence; a simple change of intention is not sufficient to support such a transfer. The amendments expanded the examples of change in use to include activities under construction and development and not just the transfer of completed properties.

- "Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions"

The document issued in June 2016:

a) clarifies that the fair value of a cash-settled share-based payment transaction at the measurement date (i.e. at the grant date, at the end of each reporting period and at the settlement date) must be calculated taking into account market conditions (e.g. a share price target) and conditions other than vesting conditions, while ignoring the conditions for continued service and the conditions for achieving results other than market ones;
b) clarifies that share-based payments with the payment characteristic net of withholding tax should be classified entirely as equity-settled transactions (provided that they would have been so classified even without the payment characteristic net of withholding tax);
c) provides guidance on the accounting treatment of amendments to the terms and conditions that determine the change in classification from cash-settled share-based payments to share-based payments settled through the issue of shares.

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

On 8 December 2016, the IASB published the document "Annual Improvements to IFRSs: 2014-2016 Cycle". The document introduces amendments to the following standards:

a) IFRS 1 First – time Adoption of International Financial Reporting Standards: the amendment removes the limited exemption for the transition of first-time adopters to IFRS 7, IAS 19 and IAS 10. These transitional provisions were available for past reporting periods and are therefore no longer applicable.
b) IAS 28 Investments in Associates and Joint Ventures: the amendment allows companies, mutual investment funds, trust units and similar entities to choose to recognise their investments in associates or joint ventures as fair value through profit or loss (FVTPL). The Board clarified that such measurements should be made separately for each partner or joint venture at the time of initial recognition.

- "IFRIC 22: Foreign currency transactions and advance consideration"

The interpretation, issued by the IASB in December 2016, clarifies the purposes of determining the exchange rate to be used on initial recognition of an asset, costs or revenue (or part of them), the date of the transaction is the date on which the company recognises any non-monetary asset (liability) as a result of advances paid (received).

Accounting principles, amendments and interpretations applicable after the end of the year

- IFRS 16 LEASES

Issued in January 2016, it replaces the previous standard on leases, IAS 17 and related interpretations, identifies the criteria for recognition, measurement and presentation and the disclosure to be provided in relation to lease agreements for both parties, the lessor and the lessee. IFRS 16 marks the end of the distinction in terms of classification and accounting treatment between operating leases (for which information is off-balance sheet) and finance leases (for which information is included in the financial statements). The right to use the leased asset ("right of use") and the commitment undertaken will emerge in the financial statements (IFRS 16 will apply to all transactions that provide for a right of use, regardless of the contractual form, i.e. leasing, rent or hire). The main innovation is the introduction of the concept of control within the definition. In particular, to determine whether or not a contract is a lease, IFRS 16 requires checking whether or not the lessee has the right to control the use of a specified asset for a specified period of time.

There will be no accounting symmetry with the lessees: there will continue to be separate accounting treatment depending on whether it is an operating lease or a financial lease (based on existing guidelines).

On the basis of this new model, the lessee must recognise:

a) in the balance sheet, the assets and liabilities for all leasing agreements with a duration of more than 12 months, unless the underlying asset is of low value; and

b) in the income statement, depreciation of assets relating to leases separately from interest on related liabilities.

On the lessor's side, the new standard should have a lesser impact on the financial statements (unless so-called "subleases" are implemented) because the current accounting will not change, except for financial information, which must be quantitatively and qualitatively higher than the previous one. The standard, which ended its endorsement process in October 2017, applies as from 1 January 2019, however it can be applied earlier if IFRS 15 - Revenues from contracts with customers is also adopted.

The Group did not consider it appropriate to carry out the early application of this standard.

- "IFRIC 23 – Uncertainty over Income Tax Treatments"

This interpretation clarifies the recognition and measurement of IAS 12 - Income Taxes with regard to the accounting treatment of income taxes in case of regulatory uncertainties, also with a view to improving transparency.

IFRIC 23 does not apply to taxes and duties that do not fall within the scope of IAS 12 and will be effective from financial years beginning on or after 1 January 2019, but early application is permitted.

- "Amendments to IAS 19"

On 7 February 2018, the IASB published its interpretation "Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)", which requires companies to use updated actuarial assumptions to determine pension charges following changes in defined benefit employee benefits.

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

On 12 December 2017, the IASB published the document "Annual Improvements to IFRSs: 2015-2017 Cycle". The document introduces amendments to the following standards:

- IFRS 3 - Business Combinations: The IASB added paragraph 42A to IFRS 3 to clarify that when an entity obtains control of an asset that is a joint operation, it must restate the value of that asset, because that transaction would be regarded as a business combination carried out in stages and therefore accounted for on that basis;
- IFRS 11 - Joint Arrangements: Moreover, paragraph B33CA was added to IFRS 11 to clarify that if a party that participates in a joint operation but does not have joint control and subsequently obtains joint control over the joint operation (which is an asset as defined in IFRS 3), it is not required to restate the value of that asset;
- 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 for the payment of a dividend is recognised. The consequences of income taxes must be recognised in the income statement, statement of comprehensive income or shareholders' equity in consideration of the nature of the transactions or past events that generated the distributable profits or as they were initially recognised;
- IAS 23 - Borrowing Costs: The amendment clarifies that in calculating the capitalisation rate for loans, an entity should exclude borrowing costs applicable to loans made specifically to obtain an asset, only until the asset is ready and available for its intended use or sale.

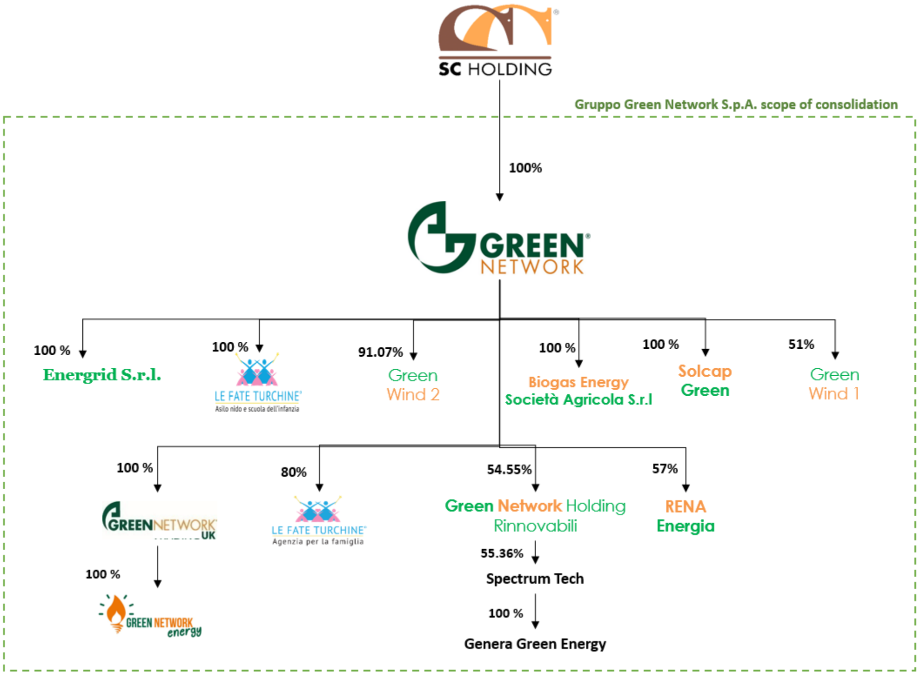
Borrowing costs relating to specific loans that remain outstanding after the related asset is ready for its intended use or sale must subsequently be considered as part of the entity's general borrowing costs.

These amendments must be applied retrospectively for annual periods beginning on or after 1 January 2019. Early application is permitted.

Consolidated criteria and change in the scope of consolidation

The consolidation criteria used for the purposes of this Report are the same as those used for the preparation of the Consolidated Annual Financial Report as at 31 December 2017, to which reference should be made for further details.

The scope of consolidation of the Green Network Group for the purposes of this Report is shown below.



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

Subsidiaries	Primary business	Consolidation criteria used
SOLCAP GREEN S.R.L. 7, viale della Civiltà Romana, Rome	Generation of energy from renewable sources (photovoltaic)	Line-by-line
ENERGRID S.R.L. 7, viale della Civiltà Romana, Rome	Electricity and gas sales to Public Administration	Line-by-line
GREEN WIND 1 S.R.L. 7, viale della Civiltà Romana, Rome	Generation of energy from renewable sources (wind)	Not consolidated
GREEN WIND 2 S.R.L. 7, viale della Civiltà Romana, Rome	Generation of energy from renewable sources (wind)	Line-by-line
RENA ENERGIA S.R.L. 7, viale della Civiltà Romana, Rome	Generation of energy from renewable sources (biomass)	Line-by-line
BIOGAS ENERGY SOC. AGRICOLA S.R.L. 7, viale della Civiltà Romana, Rome	Generation of energy from renewable sources (biogas)	Line-by-line
GREEN NETWORK UK PLC St.Martin's Court, 10 Paternoster Row - London (GB)	Trading and sourcing electricity	Line-by-line

GREEN NETWORK ENERGY LTD St.Martin's Court, 10 Paternoster Row - London (GB)	Electricity and gas sales to end consumers	Line-by-line
GREEN NETWORK HOLDING RINNOVABILI S.R.L. 7, viale della Civiltà Romana, Rome	Management of equity investments in companies operating in the renewable energy sector	Line-by-line
SPECTRUM TECH S.R.L. Bucharest (Romania), Barbu Stefanescu Delavrancea no. 55	Generation of energy from renewable sources (photovoltaic)	Line-by-line
GENERA GREEN ENERGY Romania	Generation of energy from renewable sources (photovoltaic)	Line-by-line
LE FATE TURCHINE S.R.L. 7, viale della Civiltà Romana, Rome	Personnel recruitment and selection	Line-by-line
LE FATE TURCHINE 2 S.R.L. 7, viale della Civiltà Romana, Rome	Offer of recreational and educational services.	Line-by-line
Associated companies	Primary business	
SOLERGYS S.p.A. 7, viale della Civiltà Romana, Rome	Generation of energy from renewable sources (photovoltaic)	Shareholders' Equity (Equity Method)
U.S. BOREALE S.r.l. Via G Sacconi, 4 B - 00196 Rome	Real estate investment activities	Shareholders' Equity (Equity Method)
JMS (Profit sharing) Brescia, Via Corsica no. 143	Generation of energy from renewable sources (photovoltaic)	Shareholders' Equity (Equity Method)

Compared with the financial statements for the year ended 31 December 2017, the scope of consolidation underwent the following changes:

- in January 2018, the sale of the shares held in the company Green Hydro 1 S.r.l. was finalised;
- the company Green Network Power & Gas Ltd was terminated in January 2018;
- the Group's shareholding in the company Biogas Energy Società Agricola S.r.l. rose to 100% following the failure of Agreenet Cooperativa Agricola A.r.l. and Free Energia S.p.A. members to subscribe and pay for the coverage of the losses recorded and the re-establishment of the share capital, each in proportion to their respective shareholdings;

With reference to the percentages of shares held, note that a commitment by the company Green Network S.p.A. exists vis-à-vis the minority shareholder (Simest S.p.A.) of the company Green Network Holding Rinnovabili to acquire all minority shares as at 30 June 2019 by paying an amount equal to the shareholders' equity at the same date of transfer and, in any event, no less than EUR 3,500,000 and no more than EUR 3,920,000;

Finally, note that as from 25 June 2018 Green Network S.p.A. is fully controlled by SC Holding S.r.l.

Translation of foreign currency items

The financial statements of subsidiaries and associated companies were 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 to Euro, as it is the Group's functional currency. In this regard, note that the company Green Network Uk Plc, operating in London, prepares its financial statements in Euro as its accounts are set up in the European functional currency and, therefore, no accounting balances were translated.

The following exchange rates were used for the financial statements of the indirect subsidiary Green

Network Energy Ltd:

- exchange rate in force at the reporting date of the financial statements 0.88605;
- costs and revenues are converted at the average exchange rate for the period/year: 0.87977

The following exchange rates (Romanian Leu) were used for the financial statements of the Romanian companies Spectrum Tech S.r.l and Genera Green Energy:

- exchange rate in force at the reporting date of the financial statements 4.6631;
- costs and revenues are converted at the average exchange rate for the period/year: 4.6543

Restatement of the comparative values

The comparative figures as at 30 June 2017 were restated to reflect the tax effect of changes in the fair value of hedging derivatives and available-for-sale financial assets recognised in equity, as well as changes in the provision for employee severance indemnities and other employee benefits of the parent company Green Network S.p.A.

	30/06/2017 comparative data	30/06/2017	Change
Share capital	15,636,000	15,636,000	0
Legal reserve	1,430,087	1,430,087	0
Extraordinary reserve	9,689,858	9,689,858	0
Equity method valuation reserve	6,297,595	6,297,595	0
Shareholder contributions	13,394	13,394	0
Indivisible profits and reserves	(35,511,026)	(35,511,026)	0
Derivative valuation reserve	843,983	901,133	(57,150)
AFS reserve	12,018	16,884	(4,866)
Rounding reserve	5	5	0
Actuarial gain reserve	(184,165)	(242,322)	58,157
FTA reserve	16,387,195	16,387,195	0
Profit (loss) for the year	3,452,021	3,452,021	0
Total	**18,066,965**	**18,070,825**	**(3,859)**
Minority interests in capital and reserves	230,638	230,638	0
Minority interest profit (loss) for the year	(231,811)	(231,811)	0
Total shareholders' equity	**18,065,791**	**18,069,651**	**(3,859)**

Note that during the period payables to customers no longer in supply were reclassified under "Other current liabilities". For details, see the table below:

	30/06/2017 comparative data	30/06/2017	Change
Trade-related receivables	221,161,605	217,967,645	3,193,960
Other current liabilities	8,572,781	5,378,821	(3,193,960)

In addition to the above, during the period under review, term bank current accounts or bank current accounts encumbered by pledges were reclassified under the item "Loans to banks and other financial institutions". For details, see the table below:

	30/06/2017 comparative data	30/06/2017	Change
Receivables due from factoring companies	10,327,225	1,149,309	9,177,916
Term bank deposits	7,624,274	16,802,190	(9,177,916)

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

Seasonality of the reference business

The economic results of the Group in terms of revenues and costs can be affected, although not significantly, by the natural alternation of seasons and by the resulting weather conditions. In particular, during periods of the year characterised by milder temperatures, there is a reduction in the amount of gas sold and, during holiday closure of industrial plants and offices, there is a reduction in the amount of electricity sold: this reduction is partially absorbed during the milder periods by the increased demand for electricity for household use.

Similarly, the generation of electricity from renewable sources such as wind may decrease depending on the lower windiness that characterises spring and early summer, while production from renewable solar sources is higher in the months of greatest insolation.

Considering the low economic impact of these trends, the additional financial report required by paragraph 21 of IAS 34 relating to the six-month trend as at 30 June 2018 is not provided.

SECTOR-BASED INFORMATION

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

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

Sector-based information by business sector

30 June 2018	Power	Gas	Other activities	Total
Revenues	708,785,622	119,700,306	5,522,896	**834,008,824**
Direct costs	(649,524,412)	(133,445,821)	(968,963)	**(783,939,196)**
Investments	62,767,466	10,600,222	7,895,052	**81,262,740**

30 June 2017	Power	Gas	Other activities	Total
Revenues	403,216,903	28,284,078	6,302,504	**437,803,485**
Direct costs	(374,848,794)	(18,576,083)	(781,619)	**(394,206,496)**
Investments	31,702,188	2,223,784	8,134,270	**42,060,242**

Sector-based information by geographical area

30 June 2018	Italy	United Kingdom	Romania	Total
Revenues from electricity sales and services	657,673,869	51,005,146	106,607	**708,785,622**
Revenues from sale of gas	84,789,274	34,911,033	0	**119,700,306**
Other revenue and income	4,732,793	0	790,103	**5,522,896**
Electricity purchase and associated costs	622,024,592	27,499,821	0	**649,524,412**
Gas and electricity purchase and associated costs	78,650,846	54,858,506	0	**133,509,352**

30 June 2017	Italy	United Kingdom	Romania	Total
Revenues from electricity sales and services	399,644,055	3,421,486	151,362	**403,216,903**
Revenues from sale of gas	26,054,553	2,229,525	0	**28,284,078**
Other revenue and income	5,992,727	0	309,777	**6,302,504**
Electricity purchase and associated costs	373,477,752	1,371,042	0	**374,848,794**
Gas and electricity purchase and associated costs	18,629,521	465,690	0	**19,095,211**

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

There is no significant concentration of sales of the Group.

Explanatory notes to income statement items

1. Revenues from sales and services – EUR 828,485,928

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

	30/06/2018	30/06/2017	Change	% change
Sale of energy	335,060,381	140,064,646	194,995,735	139.2%
GME electricity sales	45,345,938	32,242,408	13,103,530	40.6%
Interconnector energy revenues	52,343,558	49,921,964	2,421,594	4.9%
Recovery of dispatch charges	43,275,449	27,801,293	15,474,156	55.7%
Recovery of transport charges	224,350,370	134,258,398	90,091,972	67.1%
Imbalance and CNA revenues	3,363,864	12,535,385	(9,171,521)	(73.2%)
CCC revenues	973,319	4,230,697	(3,257,378)	(77.0%)
EE commercial costs	3,296,527	1,432,311	1,864,216	130.2%
Recovery of CMOR charges	773,638	728,152	45,486	6.2%
Intercompany energy revenues	2,578	1,649	929	56.3%
Revenues from electricity sales and services	**708,785,622**	**403,216,903**	**305,568,719**	**75.8%**
Gas sales	96,898,593	20,584,283	76,314,310	370.7%
GME gas sales	2,406,254	382,051	2,024,203	529.8%
Recovery of gas transportation charges	5,378,630	1,580,034	3,798,596	240.4%
Recovery of gas carrier charges	10,769,067	3,034,145	7,734,922	254.9%
Gas imbalance revenues	2,665,139	1,274,549	1,390,590	109.1%
Other gas proceeds	86,856	83,161	3,695	4.4%
Gas commercial costs	1,495,487	1,345,531	149,956	11.1%
Intercompany gas revenues	280	324	(44)	(13.6%)
Revenues from sale of gas	**119,700,306**	**28,284,078**	**91,416,228**	**323.2%**
Total	**828,485,928**	**431,500,981**	**396,984,947**	**92.0%**

On the whole, compared to the previous year, revenues from the sale of both energy and gas increased as a result of the acquisition of the Tradeinv and Energrid business units at the end of the previous year and the launch of sales activities in the UK market. For further details, please see the Report on operations.

2. Other revenue and income – EUR 5,522,896

Other revenue and income are broken down as follows:

	30/06/2018	30/06/2017	Change	% change
Revenues from feed-in tariff	457,137	508,647	(51,510)	(10.1%)
Operating grants	1,833,585	1,888,150	(54,565)	(2.9%)
Reimbursement of expenses	47	2,007	(1,960)	(97.7%)
Compensation from suppliers	494,660	324,856	169,804	52.3%
Revenues from contractual penalties and reimbursements	1,358,375	2,737,402	(1,379,027)	(50.4%)
Revenues from green certificates	790,103	309,777	480,326	155.1%
Recovery of costs and charges	26,550	46,746	(20,196)	(43.2%)
Rentals receivable	49,296	49,200	96	0.2%
Provision of services	418,780	350,281	68,499	19.6%
Other intercompany revenues	1,630	1,520	110	7.2%
Other income	92,733	83,918	8,815	10.5%
Total	**5,522,896**	**6,302,504**	**(779,608)**	**(12.4%)**

This item shows a trend that is substantially in line with the previous period.

Operating grants are related to the forms of incentive from which some Group companies benefit on plants that produce electricity from renewable sources.

3. Electricity and gas purchase - EUR 783,939,196

	30/06/2018	30/06/2017	Change	% change
Electricity purchases	363,344,750	206,070,037	157,274,713	76.3%
Energy transport charges	213,506,243	115,196,157	98,310,086	85.3%
Dispatch charges	41,208,062	27,509,878	13,698,184	49.8%
Imbalance and CNA EE costs	2,660,717	5,379,344	(2,718,627)	(50.5%)
CCC charges	534,360	2,349,485	(1,815,125)	(77.3%)
GME energy costs	25,582,286	17,079,434	8,502,852	49.8%
GME service costs	122,092	76,455	45,637	59.7%
CTS considerations	1,790,009	752,934	1,037,075	137.7%
CMOR charges	775,893	435,070	340,823	78.3%
Electricity purchase and associated costs	**649,524,412**	**374,848,794**	**274,675,618**	**73.3%**
Gas purchases	114,183,339	13,911,868	100,271,471	720.8%
Gas imbalance costs	1,259,042	345,547	913,495	264.4%
Gas transportation charges	6,585,451	1,682,294	4,903,157	291.5%
Gas carrier charges	11,317,436	3,032,440	8,284,996	273.2%
GME gas purchases	164,084	123,062	41,022	33.3%
Gas purchase and associated costs	**133,509,352**	**19,095,211**	**114,414,141**	**599.2%**
Biomass purchase	936,639	744,617	192,022	25.8%
Sundry purchases	217,310	36,677	180,633	492.5%
Consumables	32,324	37,002	(4,678)	(12.6%)
Inventories	(280,841)	(555,805)	274,964	(49.5%)
Total	**783,939,196**	**394,206,496**	**389,732,700**	**98.9%**

Electricity and gas purchase costs increased during the year under review compared to the previous year, due to the increase in revenues from sales and services. For further details, please see the Report on operations.

Electricity and gas purchase costs include income from derivative financial instruments totalling EUR 21,854,618 and EUR 1,801,970, respectively.

4. Costs for services and materials - EUR 19,071,845

Costs for services and materials are broken down as follows.

	30/06/2018	30/06/2017	Change	% change
Other service costs	2,466,348	1,941,887	524,461	27.0%
Technical consulting	527,839	618,688	(90,849)	(14.7%)
Legal and tax consulting	642,927	1,216,128	(573,201)	(47.1%)
Insurance	49,667	59,320	(9,653)	(16.3%)
Sundry consulting	276,874	163,506	113,368	69.3%
Auditors' fees	130,329	81,753	48,576	59.4%
Financial consulting	13,406	232,294	(218,888)	(94.2%)
Advertising and promotion expenses	1,768,277	1,313,866	454,411	34.6%
Utilities	93,858	56,814	37,044	65.2%
Plant operation	71,512	85,448	(13,936)	(16.3%)
Postal and telephone expenses	908,510	686,269	222,241	32.4%

	30/06/2018	30/06/2017	Change	% change
Stationery and printed materials	144,577	98,433	46,144	46.9%
Hardware and software support	1,577,629	767,163	810,466	105.6%
Financial expense	464,220	270,622	193,598	71.5%
Statutory Auditors' fees	38,700	36,960	1,740	4.7%
Supervisory Body's fees	15,600	15,600	0	0.0%
Factoring commission	797,461	371,984	425,477	114.4%
Charges on sureties	1,666,738	1,114,164	552,574	49.6%
Commission payable	2,322,307	6,564,540	(4,242,233)	(64.6%)
Call centre service costs	1,428,865	1,070,034	358,831	33.5%
Entertainment expenses	79,203	227,433	(148,230)	(65.2%)
Credit insurance	277,367	197,802	79,565	40.2%
Management costs and credit recovery	342,403	434,310	(91,907)	(21.2%)
Transport and Warehousing	58,488	39,339	19,149	48.7%
Maintenance and repairs	170,477	306,226	(135,749)	(44.3%)
Trading Fees & Subscriptions	64,629	113,292	(48,663)	(43.0%)
Rent expenses and associated charges	1,131,956	818,334	313,622	38.3%
Car rental	267,086	174,225	92,861	53.3%
Equipment rental	187,025	159,626	27,399	17.2%
Maintenance and repairs of third-party assets	54,158	125,798	(71,640)	(56.9%)
Software licences	1,029,685	429,555	600,130	139.7%
Leasing fees and charges	102	901	(799)	(88.7%)
Building leases and easements	3,622	3,622	0	0.0%
	19,071,845	**19,795,936**	**(724,091)**	**(3.7%)**

The item decreased compared to the previous period mainly due to lower costs for commissions that, on the basis of the new international standard IFRS 15, were capitalised in that defined as incremental costs for obtaining the contract.

The decrease is partly offset by higher hardware and software support costs and software user licences of the companies operating in the UK market and by other cost items of the parent company.

5. Payroll and related costs - EUR 13,301,870

	30/06/2018	30/06/2017	Change	% change
Salaries and wages	9,164,337	5,421,408	3,742,929	69.0%
Directors' fees	395,500	465,000	(69,500)	(14.9%)
Social security charges	1,834,269	1,186,088	648,181	54.6%
Directors' and freelancers' social security charges	49,266	43,838	5,428	12.4%
Employee severance indemnity	510,489	312,903	197,586	63.1%
Cost of temporary contracts	24,726	0	24,726	ns
Other payroll and related costs	1,323,283	940,951	382,332	40.6%
Total	**13,301,870**	**8,370,188**	**4,931,682**	**58.9%**

The increase in payroll and related costs reflects the general rise in the number of employees used by the Group to carry out company business, sitting at an average of 328 staff at the date of this Report (203 as at 30 June 2017), divided into the following categories:

- 17 senior managers on average;
- 42 middle managers on average;
- 266 employees on average;
- 3 workers on average.

The increase is due to both the acquisitions made in 2017 and the development of activities in the UK.

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

6. Amortisation/depreciation and impairment - EUR 12,033,126

The item may be broken down as follows.

	30/06/2018	30/06/2017	Change	% change
Amortisation and impairment of intangible assets	6,583,789	256,737	6,327,052	ns
Depreciation and impairment of property, plant and machinery	1,620,731	2,394,896	(774,165)	(32.3%)
Amortisation of investment property	119,115	120,103	(988)	(0.8%)
Impairment of trade receivables	3,709,491	3,106,014	603,477	19.4%
Impairment of other assets	0	26,490	(26,490)	(100.0%)
Total	**12,033,126**	**5,904,239**	**6,128,887**	**103.8%**

The item relating to the amortisation of intangible fixed assets and the depreciation of plant and machinery derives from the systematic amortisation/depreciation process of these assets on the basis of the estimated useful life of the Group. The item increased mainly due to the effect of the amortisation of the trademarks and other intangible fixed assets relating to corporate acquisitions made during the previous year and to the effect of the application of the new international standard IFRS 15, the implementation of which led to an increase in intangible fixed assets and consequent amortisation.
The amount of EUR 3,709,491 refers to the impairment of the receivables in the portfolio carried out by the Group during the financial period under review and relates only to the provision made as a result of the measurement of the receivables in the portfolio that have similar characteristics (cluster, unpaid ratio etc.), in line with Group policies.

7. Provisions – EUR 626,000

The item may be broken down as follows.

	30/06/2018	30/06/2017	Change	% change
Provision for charges	626,000	0	626,000	ns
Total	**626,000**	**0**	**626,000**	**ns**

The provision includes EUR 625,000 for the lawsuit with Alpiq, already commented on in the consolidated report of Green Network S.p.A. as at 31 December 2017, following the unfavourable outcome of the arbitration award, and EUR 1,000 for the provision for the charge relating to the dismantling of photovoltaic plants carried out by the subsidiary Solcap Green S.r.l.

8. Other operating costs - EUR 1,288,701

The item may be broken down as follows.

	30/06/2018	30/06/2017	Change	% change
Taxes and duties	387,233	207,721	179,512	86.4%
Membership fees	39,888	62,072	(22,184)	(35.7%)
Sanctions, fines and penalties	582,752	298,863	283,889	95.0%
Antitrust Authority Contribution	0	30,091	(30,091)	(100.0%)
Sundry charges	278,828	210,551	68,277	32.4%
Total	**1,288,701**	**809,298**	**479,403**	**59.2%**

The item increased compared to the comparative values as a consequence of the increase in costs related to taxes, and fines and penalties imposed on the Group during the year under review.

9. Financial income (expense) from financial instruments measured at fair value - EUR 10

The amount of EUR 10 represents the difference between the fair value recognised in the financial statements and the value deriving from the sale of certain certificates of deposit during the half-year under review.

10. Net profit (loss) from the sale of current and non-current operating assets - EUR 1,209

	30/06/2018	30/06/2017	Change	% change
Green Hydro 2 S.r.l shareholding	0	(7,147)	7,147	(100.0%)
Receivables for Green Hydro 1 S.r.l. loans	0	(15,000)	15,000	(100.0%)
Capital gains on disposals	1,209	0	1,209	ns
Total	**1,209**	**(22,147)**	**23,356**	**(105.5%)**

The item includes EUR 1,209 relating to capital gains from the disposal of assets.

11. Financial income - EUR 961,977

The item may be broken down as follows.

	30/06/2018	30/06/2017	Change	% change
Capital gains on equity investments	0	0	0	ns
Income from equity investments in other companies	27,911	15,000	12,911	86.1%
Income from equity investments	**27,911**	**15,000**	**12,911**	**86.1%**
Interest on loans to associated companies	14,393	13,550	843	6.2%
Interest on securities	10,450	14,571	(4,121)	(28.3%)
Interest income from customers	1,096,773	287,156	809,617	281.9%
Current account interest income	23,406	1,056	22,350	ns
Other financial income	2,999	3,899	(900)	(23.1%)
Financial income	**1,148,021**	**320,232**	**827,789**	**258.5%**
Exchange gains and losses	**(213,955)**	**153,792**	**(367,747)**	(239.1%)
Total	**961,977**	**489,024**	**472,953**	**96.7%**

Financial income as at 30 June 2018 increased compared to the balance of the previous period as a result of higher interest income from customers mainly attributable to customers of the Energrid business unit acquired during the previous year.

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

12. Financial expense - EUR 3,691,221

Details of the breakdown of this item are reported below.

	30/06/2018	30/06/2017	Change	% change
Bank interest expense	538,129	351,542	186,587	53.1%
Interest expense on mortgages and loans	498,692	300,641	198,051	65.9%
Interest expense on factoring	587,953	274,230	313,723	114.4%

Interest due to other lenders	637,906	945,029	(307,123)	(32.5%)
Interest expense and charges on leasing	38,652	34,160	4,492	13.1%
Credit Rating access fee	705,100	351,217	353,883	100.8%
Sundry interest and expense	510,840	493,274	17,566	3.6%
Interest on settlement agreements	1,973	1,153	820	71.1%
Interest expense on shareholders' loans	54,362	96,889	(42,527)	(43.9%)
Interest expense on voluntary settlement	629	349	280	80.2%
Discounting of green certificates	30,101	457,763	(427,662)	(93.4%)
Other financial expense	86,884	178,093	(91,209)	(51.2%)
Total	**3,691,221**	**3,484,340**	**206,881**	**5.9%**

The item is substantially in line with the previous financial year; specifically, there was an increase in interest expense on factoring and in charges for credit rating access fees, envisaged as a guarantee to distributors for the transportation of electricity instead of sureties or guarantee deposits, and a decrease in interest due to other lenders and costs for discounting green certificates on the photovoltaic plant in Romania.

13. Share of income/(expense) deriving from equity investments valued using the equity method – EUR 27,532

	30/06/2018	30/06/2017	Change	% change
Solergys	24,736	82,138	(57,402)	(69.9%)
Converge	0	627	(627)	(100.0%)
US Boreale	8,010	(1,365)	9,374	(687.0%)
JMS	(5,214)	(75,692)	70,478	(93.1%)
Total	**27,532**	**5,708**	**21,824**	**382.3%**

The item includes income (expense) deriving from the measurement of equity investments in associated companies and joint ventures using the equity method.

14. Taxation - EUR 362,245

At the date of this Report, taxes amounted to EUR 378,038 and are the sum of the taxes resulting from the financial statements of the individual companies calculated in accordance with IAS 34. This amount is broken down as follows:

- EUR 3,084,149 relating to current IRES and IRAP taxes;
- EUR (1,001,541) in taxes relating to previous years;
- EUR (1,712,745) in prepaid and deferred taxes;
- EUR (7,619) resulting from compliance with tax consolidation.

15. Intangible fixed assets - EUR 41,589,756

Intangible fixed assets present a net book value of EUR 41,589,756 and are broken down as follows:

	Software licences	Trademarks	Other intangible fixed assets	Total
Initial values as at 31 December 2017	2,406,956	8,378,372	12,854,587	23,639,915
- effect of the application of new accounting standards as at 1 January 2018	0	0	11,882,844	11,882,844
Changes as at 30 June 2018				
- purchases	811,024	9,151	13,300	833,475
- disposals	0	0	0	0
- other acquisition adjustments	(544,025)	0	0	(544,025)
- amortisation	(448,301)	(415,928)	(5,719,560)	(6,583,789)
- other changes	0	0	12,361,336	12,361,336
- write-downs	0	0	0	0
Total changes	(181,302)	(406,777)	6,655,076	6,066,997
Values as at 30 June 2018	2,225,654	7,971,595	31,392,507	41,589,756
Historical cost	8,848,534	8,391,274	37,262,621	54,502,429
Accumulated amortisation as at 31 December 2017	(5,630,554)	(3,751)	(150,554)	(5,784,859)
Other acquisition adjustments	(544,025)	0	0	(544,025)
Amortisation for the period	(448,301)	(415,928)	(5,719,560)	(6,583,789)
Accumulated amortisation as at 30 June 2018	(6,622,880)	(419,679)	(5,870,114)	(12,912,673)
Values as at 30 June 2018	2,225,654	7,971,595	31,392,507	41,589,756

During the half-year under review, the item, net of the effect of the application of the new standards on 1 January 2018, changed by EUR 6,066,997, mainly due to the costs for agents, which were capitalised in that defined as incremental costs for obtaining contracts and whose amortisation is consistent with the estimate of the expected renewals as defined by the new IFRS 15.

Purchases made since the beginning of the year, amounting to EUR 833,475, mainly relate to the purchase of new software and licences for invoicing and managing energy and gas items for the UK market and the sale of electricity on the UK market.

Other acquisition adjustments, amounting to EUR 544,025, refer to the fair value adjustment of the software absorbed following the acquisition of the business unit of Energia e Territorio S.p.A., which took place during the half-year under review.

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

16. Goodwill – EUR 26,504,123

The value of EUR 26,504,123 refers to the higher value of the acquisitions of business units made during the previous year, not attributable to the other asset items.
The estimate of the recoverable amount of the CGU was determined on the basis of prudence and in compliance with the relevant accounting standards (IAS 36) as well as in line with the IFRS measurement method.

The measurement of the CGU to which the goodwill is allocated is carried out annually or when circumstances indicate that the book value may not be recovered. The test was carried out as at 31 December 2017 on the basis of the discounting of the operating cash flows (DCF Model) extrapolated from the economic and financial plans for the period from 2018 to 2022. The key assumptions used to determine the value in use of the CGU are reported in the Consolidated financial statements as at 31 December 2017. It should be emphasised that no impairment indicator was reported.

17. Property, plant and machinery - EUR 31,777,932

The item includes the value of capital property owned by the Group and can be broken down as follows.

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Total
Initial values as at 31 December 2017	1,087,739	27,126,733	161,629	3,593,584	31,969,685
Changes as at 30 June 2018					
- purchases	0	31,721	112,408	1,312,368	1,456,497
- disposals	0	0	(25,068)	(2,451)	(27,519)
- other acquisition adjustments	0	0	0	0	0
- depreciation	(6,978)	(1,145,966)	(117,376)	(350,411)	(1,620,731)
- reclassifications	0	0	0	0	0
- Other changes	0	0	0	0	0
Total changes	**(6,978)**	**(1,114,245)**	**(30,036)**	**959,506**	**(191,753)**
Values as at 30 June 2018	**1,080,761**	**26,012,488**	**131,593**	**4,553,090**	**31,777,932**
Historical cost	**1,151,051**	**38,282,454**	**297,237**	**13,377,664**	**53,108,406**
Accumulated depreciation as at 31 December 2017	(63,312)	(11,124,000)	(48,268)	(8,474,163)	(19,709,743)
Other acquisition adjustments	0	0	0	0	0
Other changes	0	0	0	0	0
Depreciation for the period	(6,978)	(1,145,966)	(117,376)	(350,411)	(1,620,731)
Accumulated depreciation as at 30 June 2018	**(70,290)**	**(12,269,966)**	**(165,644)**	**(8,824,574)**	**(21,330,474)**
- reclassifications	0	0	0	0	0
Values as at 30 June 2018	**1,080,761**	**26,012,488**	**131,593**	**4,553,090**	**31,777,932**

In general, this item decreased by EUR 191,753, mainly due to the systematic depreciation process underway, offset in part by the purchases made during the year. These increases amounting to EUR 1,456,497 are mainly due to improvements to the leased building by subsidiaries in the UK, by virtue of the imminent company relocation.

The item relating to plant and machinery, which presented a net book value of EUR 26,012,488, mainly includes the value of plants for the production of electricity from renewable sources. Details of the item are reported below.

	Value as at 31/12/2017	Purchases	Depreciation	30/06/2018
Avigliano Umbro Biomass plant	4,912,049	0	(243,850)	4,668,199
Sirone photovoltaic plants	2,806,143	0	(101,061)	2,705,082
Bosisio photovoltaic plants	2,648,806	23,260	(89,868)	2,582,198
Photovoltaic park in Romania	10,357,542	0	(370,606)	9,986,936
Sant'Agata di Puglia wind farm	1,857,983	0	(57,500)	1,800,483
Lanciano Biomass plant	3,984,004	8,461	(219,512)	3,772,953
Other plants	560,206	0	(63,569)	496,637
Total	**27,126,733**	**31,721**	**(1,145,966)**	**26,012,488**

Note that the plant for the production of electricity from renewable sources (wind) located in the Palombara district, Municipality of Sant'Agata di Puglia (FG), the net book value of which is equal to EUR 1,800,483, is the subject matter of a 12-year "existing building" finance lease signed by the Group with the company Alba Leasing S.p.A., whose characteristics are outlined below.

Characteristics

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

Lastly, it should be noted that the dismantling and removal costs that will be incurred in relation to plants that generate electricity from renewable sources were estimated on the basis of the provisions of the contractual agreements in place concerning the Sirone and Bosisio photovoltaic plants.
The item relating to other assets can be represented as follows:

	Value as at 31/12/2017	Purchases	Disposals	Depreciation/write-downs	30/06/2018
- Office furniture and furnishings	829,191	13,469	0	(161,528)	681,132
- Non-depreciated furniture and furnishings	653,427	51,233	0	0	704,660
- Mobile phones	6,289	5,626	0	(2,204)	9,711
- Equipment	13,746	0	0	(2,326)	11,420
- Cars	44,959	0	(2,451)	(10,148)	32,360
- Electronic office machines and equipment for energy certification	750,935	425	0	(132,188)	619,172
- Leasehold improvements	1,295,038	1,241,615	0	(42,017)	2,494,636
Total	**3,593,584**	**1,312,368**	**(2,451)**	**(350,411)**	**4,553,090**

The item recorded a net increase of EUR 959,506 mainly due to the improvements made by the UK subsidiaries on the buildings to which, as indicated above, the premises of both companies will be relocated.

In order to finance the furniture, installations and equipment, totalling EUR 2,000,000, at the premises of the Group, a lease agreement was signed with Alba Leasing S.p.A., the main characteristics of which are reported below.

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

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

18. Investment property - EUR 7,895,052

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

	30/06/2018	31/12/2017	Change
Building in Terracina – San Felice	1,701,463	1,713,423	(11,960)
Building in Terni - Via Bramante	134,135	136,395	(2,260)
Building in Rome - Paisiello	5,292,220	5,382,230	(90,010)
Building in Rome - Via Cavalieri	767,234	782,119	(14,885)
	7,895,052	**8,014,167**	**(119,115)**

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

	Land	Historical cost	Accumulated depreciation - 2017	NBV 2017	Changes in the year	Deprec. - 30/06/2018	Accumulated depreciation -30.06.2018	NBV 30/06/2018
Rome - Paisiello 1	677,845	4,415,400	(1,198,873)	3,894,372	-	65,687	(1,264,560)	3,828,685
Rome - Cavalieri	0	1,000,572	(218,453)	782,119	-	14,885	(233,339)	767,234
Terni	37,074	151,996	(52,674)	136,395	-	2,260	(54,935)	134,135
Terracina	178,000	1,607,773	(72,350)	1,713,423	-	11,960	(84,310)	1,701,463
Rome - Paisiello 3-4	0	1,635,009	(147,151)	1,487,858	-	24,324	(171,474)	1,463,534
	892,919	**8,810,750**	**(1,689,501)**	**8,014,167**		**119,115**	**(1,808,617)**	**7,895,052**

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

Description	30/06/2018
Rentals receivable	49,296
Utility costs	(5,925)
Maintenance costs	(18,897)
Insurance costs	(752)
Registration tax	(364)
Property taxes and duties (IMU [municipal property tax], TASI [taxes on indivisible services], TARI [waste tax])	(17,428)
Total	**5,930**

19. Equity investments - EUR 1,004,741

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

	30/06/2018	31/12/2017	Change
Equity investments in subsidiaries	0	10,000	(10,000)
Equity investments in associated companies	994,741	967,209	27,532
Equity investments in other companies	10,000	10,000	0
Total	**1,004,741**	**987,209**	**17,532**

The change of EUR 10,000 in equity investments in subsidiaries refers to the equity investment held by the direct subsidiary Green Network UK Plc in the company Green Network Power & Gas Ltd, which was extinguished in January 2018.

Changes in equity investments in associated companies derive from their measurement using the equity method. As already described above, it should be noted that for Solergys S.p.A. the measurement was carried out on the basis of the book values of the investee as at 30 June 2018. With regard to the associated company US Boreale S.r.l. and the joint venture JMS S.r.l., the measurement took into account the financial statements as at 31 December 2017.

The details of the individual companies are provided below:

Company	Registered Office	Share Capital	Shareholders' equity	Profit/loss for the year/period	% equity investment	Book Value
Sòlergys S.p.A.	Rome	120,000	705,268	50,480	49.00%	345,581
US Boreale S.r.L.	Rome	10,200	1,160,377	24,030	33.33%	386,754
JMS S.r.l.	Brescia	50,000	524,811	(17,727)	50.00%	262,406

Finally, the value of EUR 10,000 relating to equity investments in other companies relates to the equity investment held by the Group in Italpower Energia for which a dividend of EUR 27,911 was recorded.

20. Receivables due from parent companies, subsidiaries and associated companies - EUR 4,845,783

The item includes non-current receivables claimed by the Group from parent companies, subsidiaries and associated companies.

	30/06/2018	31/12/2017	Change
Receivables due from subsidiaries	111,083	111,083	0
of which for loans	*111,083*	*111,083*	*0*
of which other receivables	*0*	*0*	*0*
Receivables due from associated companies	1,430,085	1,430,085	0
of which for loans	1,430,085	1,430,085	0
of which other receivables	0	0	0
Receivables due from parent companies	3,304,615	3,304,614	1
of which for loans	*3,286,037*	*3,286,037*	*0*
of which other receivables	*18,578*	*18,577*	*1*
Total	4,845,783	4,845,782	1

Receivables due from subsidiaries, equal to EUR 111,083, refer to receivables for loans granted by the consolidating company to the direct subsidiary Green Wind 1 S.r.l., which has not been consolidated for the purposes of this report.

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

Counterparty	Loan	31/12/2017	Increases	Decreases	Write-downs	30/06/2018
Solèrgys S.p.A.	Interest bearing	1,420,085	0	0	0	1,420,085
US Boreale	Non-interest bearing	10,000	0	0	0	10,000

The interest-bearing loan led to the recognition of interest income of EUR 13,375 in the income statement.

Receivables due from parent companies refer to receivables for loans granted by the consolidating company to SC Holding S.r.l. as well as to loans granted to tax consolidation of EUR 18,578.

21. Deferred tax assets - EUR 12,720,311

This item includes prepaid taxes that are recoverable in subsequent years on the basis of forecasts prepared by management.

	30/06/2018	31/12/2017	Change
Deferred tax assets	12,720,311	8,585,325	4,134,986
Total	**12,720,311**	**8,585,325**	**4,134,986**

More specifically, the change in deferred tax assets during the period under review is as follows:

	Deferred tax assets
Opening balance	8,585,325
Provision for the year	4,317,972
Uses during the year	(182,986)
Balance as at 30 June 2018	**12,720,311**

The details of these receivables are shown below.

	30/06/2018
Prepaid taxes on differences on statutory and tax amortisation of photovoltaic plants	123,842
Prepaid taxes on interest expense	1,018,674
Prepaid taxes on trademarks	157,784
Prepaid taxes on advertising expenses	380,640
Prepaid taxes from first-time adoption of IAS/IFRS	1,244,173
Prepaid taxes from derivative revaluation reserves and from other financial assets	1,172,439
Prepaid taxes from IAS/IFRS adjustment	(593,203)
Prepaid taxes on derivative valuation reserve	743,559
Prepaid taxes on non-deductible allowance for doubtful receivables	2,986,962
Prepaid taxes on provision for risks	19,200
Prepaid taxes on goodwill - former GN L&G	611,365
Prepaid taxes from tax losses	4,880,953
Prepaid taxes on write-down of fixed assets	16,904
Prepaid taxes for adjustment of new 24% IRES rate	(42,981)
Total	**12,720,311**

22. Tax receivables - EUR 5,006,691

The item is broken down as follows:

	30/06/2018	31/12/2017	Change
Receivables for UTF (finance office)	800,297	877,938	(77,641)
Receivables for VAT	3,991,313	3,991,313	0
Receivables for tax disputes	120,370	120,370	0
Receivables for refund requests	51,276	51,276	0
Other tax receivables	43,435	43,435	0
Total	**5,006,691**	**5,084,332**	**(77,641)**

The item is composed primarily of receivables for UTF taxes of EUR 800,297, VAT receivables that will be recovered through the issuing of the appropriate credit note at the end of the bankruptcy proceedings that concern some company customers, and EUR 120,370 in receivables deriving from an ongoing tax dispute with the Tax Authorities in relation to the payment of a tax bill.

23. Other non-current assets - EUR 5,631,329

The balance of the item is broken down as follows.

	30/06/2018	31/12/2017	Change
Receivables for security deposits	2,207,327	8,215,979	(6,008,652)
Receivables for grants pursuant to Law No. 388/2000	100,000	100,000	0
Green certificates	3,324,002	2,933,443	390,559
Other receivables	0	1,443,652	(1,443,652)
Total	**5,631,329**	**12,693,074**	**(7,061,745)**

The item is mainly made up of receivables for security deposits granted for the carrying-on of company business, the decrease in which is attributable to the decrease in security deposits of the Energrid division acquired during the previous financial year, and receivables for green certificates accrued by the Romanian photovoltaic park at the date of this Report. Based on the provisions of Romanian legislation, a part of these certificates can be collected starting in 2025 and were discounted at a rate of 1.75%.

Other non-current receivables, which at the end of the previous year mainly included the portion of prepaid expenses relating to commissions accrued after 31 December 2017, were reclassified among other intangible fixed assets in accordance with the new IFRS 15 standard.

24. Inventories - EUR 2,755,884

	30/06/2018	31/12/2017	Change
Inventories of finished products and goods for resale	2,326,229	1,801,933	524,296
Raw materials and consumables	429,655	673,110	(243,455)
Total	**2,755,884**	**2,475,043**	**280,841**

The value of EUR 2,326,229 relating to inventories of finished products and goods for resale refers to the value of the gas stored at the date of this Report, at special sites and not yet sold. These inventories were measured using the weighted average cost method.

The value of EUR 429,655 relates to the increase in value using the weighted average cost criterion of inventories of raw materials and consumables preparatory to the operation of the Avigliano Umbro and Lanciano plants, amounting to EUR 24,600 and EUR 405,055, respectively.

25. Trade-related receivables - EUR 443,412,656

Details of the item are reported below.

	30/06/2018	31/12/2017	Change
Trade receivables (customers)	289,126,973	244,213,091	44,913,882
Allowance for doubtful receivables	(37,227,176)	(32,565,339)	(4,661,837)
Customers for invoices to be issued	181,576,887	162,883,432	18,693,455
Credit notes to be issued	(13,522,185)	(13,142,808)	(379,377)
Bank, subject to collection	23,458,157	33,311,259	(9,853,102)
Total	**443,412,656**	**394,699,635**	**48,713,021**

Receivables were adjusted in order to take account of impairment losses as a result of an impairment tests carried out in compliance with international accounting standards (IFRS 9). The following table shows details of changes during the period.

	Amounts
Balance as at 31 December 2017	32,565,339
Effect of application of the new IFRS 9 standard	1,851,704
Uses during the period	(899,357)

Provision for the period	3,709,490
Total	**37,227,176**

The provision was used to cover the losses on receivables recorded in the half-year under review and for which the Group had already estimated losses in previous years. The provision of EUR 3,709,490 was made as a result of the impairment process carried out by the Group on a portfolio of customers homogeneous in nature and characteristics.

With reference to trade receivables (customers), it is noted that the Group has outstanding net loans due from Tradecom S.p.A., subject to insolvency proceedings from November 2014 (bankruptcy), for a total amount of approximately EUR 15.7 million. Based on the documentation available at the date of this Report, the Group, with the support of its independent legal advisors, is reasonably confident of the successful outcome of the recovery of the receivable.

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

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

It should also be noted that, as guarantee for several trade-related receivables, the Group received bank sureties totalling EUR 4,000,000 given by the customer Riva Acciaio S.p.A. for the supply of electricity and gas.

26. Receivables due from parent companies, subsidiaries and associated companies - EUR 28,838,306

Details of the item are reported below.

	30/06/2018	31/12/2017	Change
Green Network Power & Gas Ltd	0	3,840	(3,840)
Green Wind 1 S.r.l.	2,836	5,808	(2,972)
Receivables due from subsidiaries	**2,836**	**9,648**	**(6,812)**
Sòlergys S.p.A.	451,921	419,210	32,711
Receivables due from associated companies	**451,921**	**419,210**	**32,711**
US Boreale	1,050	12	1,038
JMS S.r.l.	8,156,566	7,213,661	942,905
Receivables due from associated companies	**8,157,616**	**7,213,673**	**943,943**
SC Holding S.r.l.	20,225,933	20,774,356	(548,423)
Receivables due from parent companies	**20,225,933**	**20,774,356**	**(548,423)**
Total	**28,838,306**	**28,416,887**	**421,419**

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

In particular, receivables due from JMS refer to commercial relations involving energy trading activities and do not refer to relations concerning the subject matter of the joint venture.

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

27. Loans to banks and other financial institutions - EUR 9,173,436

The item includes loans to banks and other financial institutions connected with trade-related receivables submitted for discount and factoring that had still not been collected at the reporting date and the portion of term deposits with banks or bank deposits encumbered by pledges.

	30/06/2018	31/12/2017	Change
Receivables due from factoring companies	1,807,008	2,839,077	(1,032,069)
Term deposits with banks	7,366,428	7,419,837	(53,409)
Total	**9,173,436**	**10,258,914**	**(1,085,478)**

28. Tax receivables - EUR 31,661,793

The balance of the item is broken down as follows.

	30/06/2018	31/12/2017	Change
Receivables due from the Tax Authorities for direct taxes	2,039,590	113,748	1,925,842
Receivables for UTF taxes	21,136,183	16,551,964	4,584,219
Receivables due from tax authorities for VAT	7,144,300	7,544,360	(400,060)
Other tax receivables	1,341,720	1,317,124	24,596
Total	**31,661,793**	**25,527,196**	**6,134,597**

The increase is due to receivables from the tax authorities for advances paid on excise duties due on the consumption of gas and electricity.

29. Derivatives – EUR 99,364,121

The item includes the positive fair value of the derivative financial instruments held by the Group in connection with commodity purchases.

	30/06/2018	31/12/2017	Change
Derivative financial instruments	99,364,121	54,486,263	44,877,858
Total	**99,364,121**	**54,486,263**	**44,877,858**

These are mainly OTC derivatives and contracts for differences for which the fair value was determined in accordance with level two of IFRS 13. More specifically, the amount of EUR 99,364,121 is made up of EUR 673,542 in derivative financial instruments held by the Group for hedging purposes in accordance with IAS 39 on hedge accounting, the change in fair value of which was recognised in the cash hedging reserve for EUR (2,670,129), and of EUR 98,690,579 held by the Group for trading purposes or that do not meet the conditions for being classified as hedging instruments, the change in fair value of which was recognised directly in the income statement for EUR 47,547,987. Of these derivative financial instruments, EUR 44,399,107 are held by the consolidating company and EUR 54,965,014 are held by the subsidiary Green Network UK Plc. that operates on behalf of the Group on energy trading platforms.

30. Other financial assets – EUR 2,469,796

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

	30/06/2018	31/12/2017	Change
- Certificates of deposit / Savings bond	0	1,499,990	(1,499,990)
- Bonds	1,448,037	1,464,083	(16,046)
- Other securities	1,021,759	1,000,209	21,550
Total	**2,469,796**	**3,964,282**	**(1,494,486)**

This item decreased by EUR 1,494,486 compared to the value as at 31 December 2017, mainly due to the sale of certificates of deposit during the half-year under review, as well as to the fair-value adjustment of the value of securities held in portfolio recorded in other components of the statement of comprehensive income.

31. Other current assets - EUR 10,742,515

Other current assets are detailed below.

	30/06/2018	31/12/2017	Change
Suppliers - energy advances	100,000	100,000	0
Suppliers - advance account	7,427,517	14,602,556	(7,175,039)
Other receivables due from employees	21,372	12,625	8,747
Feed-in tariff	286,833	416,798	(129,965)
Other receivables	2,906,793	3,541,484	(634,691)
Total	**10,742,515**	**18,673,463**	**(7,930,948)**

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

	30/06/2018	31/12/2017	Change
Charges on sureties	1,228,215	1,787,176	(558,961)
Insurance	326,546	40,035	286,511
Interest expense on settlement agreements	0	0	0
Insurance and car expenses	22,636	4,823	17,813
Leasing	0	0	0
Equipment rental	78,989	77,473	1,516
Advertising expenses	0	0	0
Commissions	0	11,033,074	(11,033,074)
Sales consulting	87,647	73,828	13,819
Financial consulting	5,646	0	5,646
Sundry consulting	92,682	53,933	38,749
Software licences	235,981	155,203	80,778
Costs for the provision of services	1,213,268	9,665	1,203,603
Taxes and duties	4,134	57,403	(53,269)
Rentals payable	0	328,953	(328,953)
Bank charges	1,500	10	1,490
Income from derivatives	106,546	0	106,546
Other	4,023,728	980,980	3,042,748
	7,427,517	**14,602,556**	**(7,175,039)**

The decrease is mainly due to the item relating to commissions reclassified among other intangible fixed assets based on the provisions of the new IFRS 15. The decrease is partly offset by the increase in the item "Other" mainly due to the advance payment of EUR 1,871,159 made on 28 June 2018 for the purchase of the business unit from Burgo Energia, the effects of which are effective as from 1 July 2018, and for the remaining part to the increase in prepaid expenses for credit rating access fees, for charges on sureties and for the allocation of the realised portion of trading derivative revenues for the year but not yet credited to the company's current accounts as at 30 June 2018.

The item "other receivables", substantially in line with the previous period, also comprises the receivable due to the Group from ATA Cooperativa, in connection with the Lanciano biogas plant, equal to EUR 74,482 net of the provision for depreciation allocated to cover losses that could occur in the future of EUR 236,575. This provision did not undergo any changes during the year.

32. Cash and cash equivalents - EUR 11,509,026

The recognised values reflect the actual amount of cash on hand and at banks as at the end of the half-year under review and are broken down as follows.

	30/06/2018	31/12/2017	Change
Bank and post office deposits	11,483,308	35,283,159	(23,799,851)
Cash and cash equivalents	25,718	27,261	(1,543)
Total	**11,509,026**	**35,310,420**	**(23,801,394)**

The change in the period is due to a better efficiency in the management of cash and cash equivalents. As shown in note 27, the company has additional cash and cash equivalents classified as financial receivables because they are restricted.

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

	30/06/2018	31/12/2017	Change
Equity investment in Green Hydro 1 S.r.l.	0	10,200	(10,200)
Green Hydro 1 S.r.l. loan	0	(110,610)	110,610
Equity investment in Converge S.r.l.	0	1,900,000	(1,900,000)
Total	**0**	**1,799,590**	**(1,799,590)**

As at 31 December 2017, the item has a negative balance of EUR 110,410 in relation to the value of the equity investment held by the Group in Green Hydro 1 S.r.l. and the related loan value. The sale of the shares of this company was completed in January 2018.
The item also included an amount of EUR 1,900,000 relating to the equity investment in Converge S.r.l., a non-consolidated company, which was sold in March 2018.

34. Assets classified as held for sale - EUR 0

This item, which at 31 December 2017 included the value of the assets held by the subsidiary Green Hydro 1 S.r.l., at the date of this report had a value of zero as the shares of this company were sold in January 2018.

35. Shareholders' equity - EUR 13,558,756

Details of the item are reported below.

	Share Capital	Legal reserve	Other retained earnings (accumulated losses)	FTA reserve	Net profit (loss) for the year	Group total	Minority interests	Total shareholders' equity
Balances as at 1 January 2017	15.636.000	1.128.036	(18.249.490)	16.387.195	92.144	14.993.885	224.485	15.218.370
Changes in Shareholders' Equity		302.051	(588.848)	(1)	(92.144)	(378.942)	6.152	(372.789)
Net result as at 30/06/2017					3.452.021	3.452.021	(231.811)	3.220.210
Balance as at 30 June 2017	15.636.000	1.430.087	(18.838.339)	16.387.195	3.452.021	18.066.965	(1.174)	18.065.791
Changes in Shareholders' Equity			(147.911)		(3.452.021)	(3.599.933)	464.499	(3.135.433)
Net result as at 31/12/2017					2.160.872	2.160.872	87.128	2.248.000
Balance as at 1 January 2018	15.636.000	1.430.087	(18.986.250)	16.090.074	2.160.872	16.330.783	550.453	16.881.236
Changes in Shareholders' Equity		294.959	(1.115.943)	(1.407.295)	(2.160.872)	(4.389.151)	381.334	(4.007.817)
Net result as at 30/06/2018					573.780	573.780	111.569	685.349
Balance as at 30 June 2018	15.636.000	1.725.046	(20.102.205)	14.682.779	573.780	12.515.400	1.043.356	13.558.756

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

Details of other reserves are reported below.

	30/06/2018	31/12/2017	Change
Extraordinary reserve	15.294.082	9.689.858	5.604.224
Equity method valuation reserve	6.297.595	6.297.595	0
Capital contributions	13.394	13.394	0
Actuarial gain reserve	(273.999)	(273.999)	0
Retained earnings (accumulated losses)	(39.637.229)	(37.065.554)	(2.571.675)
Derivative valuation reserve	(1.836.450)	2.315.963	(4.152.413)
Other financial asset valuation reserve	40.405	36.487	3.918
Rounding reserve	(3)	6	(9)
Translation reserve	0	0	0
Total	(20.102.205)	(18.986.250)	(1.115.955)

With reference to reserves, note the following:

- the change of EUR 5,604,224 relating to the extraordinary reserve is attributable to the allocation of profit recognised in the financial statements of the parent company as at 31 December 2017;
- the negative change of EUR 2,571,675 relating to the item "Indivisible profits and reserves" derives from the consolidation operations carried out for the purposes of preparing the consolidated financial statements to include the balances of subsidiaries;
- the changes in the items "Derivative valuation reserve" and "Other financial assets valuation reserve" reflect the change in fair value as at 30 June 2018 of derivatives held for hedging purposes and other financial assets, respectively.

36. Long-term loans - EUR 19,855,951

The item can be broken down as follows:

	30/06/2018	31/12/2017	Change
Long-term portion of bank loans	**17,798,444**	**7,975,675**	**9,822,769**
Banca Popolare di Milano	2,729,228	3,559,387	(830,159)
Banca Pop. Bergamo	64,232	106,129	(41,897)

GE Capital Interbanca	997,642	1,328,995	(331,353)
CARIGE loan	11,456,093	0	11,456,093
Banca Alpi Marittime	191,761	573,562	(381,801)
Banca Popolare di Spoleto	375,719	190227	185,492
Mediocredito Italiano	1,983,769	2,217,375	(233,606)
Due to other lenders	**2,057,507**	**5,821,309**	**(3,763,802)**
Alba Leasing S.p.A.	1,744,786	1,954,407	(209,621)
Feed S.p.A.	156,283	156,283	0
Nomar Enterprise S.r.l.	0	45,196	(45,196)
Free Energia S.p.A.	92,711	92,711	0
Simest S.p.A.	0	3,500,000	(3,500,000)
Dell Financial	63,727	72,712	(8,985)
Total	**19,855,951**	**13,796,984**	**6,058,967**

With reference to the long-term portion of bank loans, the item shows an increase mainly attributable to the loan with Banca Carige taken out in the first half of 2018.

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

Company	Bank	Nominal value	Payable due as at 30/06/2018	Due within 12 months	Due beyond 12 months	Payable due beyond five years	rate	maturity
Green Network S.p.A.	Banca Popolare di Spoleto	1500.000	567.578	567.578	0	0	variable	10/03/2019
Green Network S.p.A.	Banca Popolare di Vicenza	3.000.000	168.718	83.333	0	0	fixed	30/06/2018
Green Network S.p.A.	MPS	500.000	83.333	83.333	0	0	variable	30/09/2018
Green Network S.p.A.	Banca Popolare di Spoleto	250.000	21585	21585	0	0	variable	10/07/2018
Green Network S.p.A.	BPM	2.000.000	750.000	750.000	0	0	variable	31/03/2019
Green Network S.p.A.	Banca Pop. Bergamo	700.000	147.250	83.018	64.232	0	variable	08/02/2020
Green Network S.p.A.	GE Capital Interbanca	4.000.000	1660.060	662.418	997.642	0	variable	31/12/2020
Green Network S.p.A.	Banca Popolare di Spoleto	750.000	746.625	370.906	375.719	0	variable	10/01/2020
Green Network S.p.A.	MPS	800.000	533.333	266.667	0	0	fixed	31/07/2018
Green Network S.p.A.	Banca Carige	13.654.930	13.654.930	2.198.837	11456.093	0	fixed	31/12/2021
Solcap Green S.r.l.	Banca Popolare di Milano	2.800.000	1311584	326.978	984.606	0	fixed	31/05/2022
Solcap Green S.r.l.	Banca Popolare di Milano	2.500.000	889.973	373.286	516.688	0	fixed	30/11/2020
Rena Energia S.r.l.	Mediocredito Italiano	4.500.000	2.457.453	473.684	1983.769	112.543	variable	30/09/2023
Energrid S.r.l.	Banca Alpi Marittime	3.000.000	953.084	761323	191761	0	variable	29/07/2019
Biogas Energy Società Agricola S.r.l.	Banca Popolare di Milano	3.400.000	1771043	543.108	1227.935	0	variable	30/09/2021
			25.716.549	**7.566.053**	**17.798.444**	**112.543**		

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

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

Payables backed by secured guarantees are as follows:

- first mortgage of EUR 8,000,000 recognised on the property assets in Via Paisiello in Rome to guarantee the loan granted by GE Capital Interbanca;

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

The covenants on the loans are set below:

- Net Debt/EBITDA less than 3.75 on SC Holding S.r.l. for the Green Network S.p.A. loan with GE Capital Interbanca;
- Deposit of EUR 380,000 on the current account for the Rena Energia S.r.l. loan with Mediocredito Italiano;
- Guarantee of EUR 1,632,000 issued by Green Network S.p.A. for the Biogas Energy Società Agricola S.r.l. loan with Banca Popolare di Milano;

Due to other lenders is primarily composed of the debt that the Group has in respect of the company Alba Leasing S.p.A. under the financial leasing contract relating to the plant for the production of electrical energy from renewable sources (wind) in the municipality of Sant'Agata di Puglia, and the debt related to the new contract concluded by the consolidating company for the financing of equipment, fixtures and furnishings for the new registered offices.
The debt that the Group has in respect of Simest S.p.A. in relation to the commitment for the repurchase of minority shares in the company Green Network Holding Rinnovabili S.r.l. was reclassified under "Short-term loans" considering its expiry on 30 June 2019.

37. Payables due to minority shareholders - EUR 5,898,524

	30/06/2018	31/12/2017	Change
Genera S.p.A.	1,499,836	1,499,836	0
Rossi Roberto	19,854	19,854	0
X-9 SRLS	9,926	9926	0
Gold Sun Europe S.r.l.	4,368,908	4,612,488	(243,580)
Total	**5,898,524**	**6,142,104**	**(243,580)**

Payables due to minority shareholders, amounting to EUR 5,898,524, are composed of payables for loans that some Group companies have vis-a-vis minority shareholders and that are considered deferred as regards repayment.

38. Employee severance indemnity and other employee benefits - EUR 2,892,980

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

	30/06/2018	31/12/2017	Change
Employee severance indemnity and other employee benefits	2,892,980	2,888,843	4,137
Total	**2,892,980**	**2,888,843**	**4,137**

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

	Amount
Opening balance	2,888,843
Use for leavers	(506,352)
Provision for the period	510,489
Balance as at 30 June 2018	**2,892,980**

39. Provisions for risks and charges - EUR 13,201,110

Details of the item are reported below.

	30/06/2018	31/12/2017	Change
Provision for deferred taxation	8,961,587	9,710,304	(748,717)
Provision for risks and charges	4,239,523	3,613,523	626,000
Total	**13,201,110**	**13,323,827**	**(122,717)**

More specifically, the change in the relevant provisions in the period under review is as follows.

	Provision for deferred taxes	Provision for risks and charges
Opening balance	9,710,304	3,613,523
Provision for the period	1,059,475	626,000
Uses for the period	(1,808,193)	0
Balance as at 30 June 2018	**8,961,587**	**4,239,523**

The provision for deferred taxes, amounting to EUR 8,961,587, is allocated with reference to the income that will be taxed in future periods. As for prepaid taxes, the breakdown of deferred taxes is as follows:

	30/06/2018
Default interest income - Green Sud S.r.l.	192,445
Default interest income - GN L&G 2015	474,730
Default interest income - Green Network S.p.A. before 2015	954,237
Default interest income - Green Network S.p.A. 2015	603,240
Default interest expense - Green Network S.p.A. 2016	(22,791)
Default interest expense - Green Network S.p.A. 2017	364,504
Default interest expense - Green Network S.p.A. 2018	257,793
Property revaluation - Sacri Re S.r.l. 2008	199,679
Taxes on derivative valuation reserve	(711,061)
IAS 17 financial leasing - Green Wind 2 S.r.l.	(87,362)
Transfer of the Energrid/Tradeinv business unit	6,585,256
Adjustment to OCI tax reserve for TFR and AFS	16,359
Other situations deriving from IAS/IFRS transition	134,559
Total	**8,961,587**

The provision for risks and charges increased by EUR 626,000, of which EUR 625,000 for the lawsuit with Alpiq and EUR 1,000 for the provision for the charge relating to the dismantling of photovoltaic plants carried out by the subsidiary Solcap Green S.r.l.

40. Tax liabilities - EUR 458,649

Details of the item are reported below.

	30/06/2018	31/12/2017	Change
Tax disputes	11,465	11,465	0
Payables for settlement agreements	447,184	894,368	(447,184)
Total	**458,649**	**905,833**	**(447,184)**

Tax payables due after one year include payables for tax disputes of EUR 11,465 and EUR 447,184 relating to agreements reached with the Tax Authorities related to tax disputes for the years 2008 and 2009, which were repaid in instalments over roughly 4 years.

41. Other non-current liabilities - EUR 9,539,218

	30/06/2018	31/12/2017	Change
Other non-current liabilities	18,830	0	18,830
Guarantee deposits	9,520,388	9,490,738	29,650
Total	**9,539,218**	**9,490,738**	**48,480**

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

42. Short-term loans - EUR 135,533,894

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

	30/06/2018	31/12/2017	Change
Current account payables	26,108,653	39,400,976	(13,292,323)
Due for advances	17,352,603	14,198,472	3,154,131
Payables due to factoring companies	80,613,179	89,066,842	(8,453,663)
BPER loan	0	125,679	(125,679)
Banca Popolare di Milano	1,993,371	2,119,981	(126,610)
Mediocredito Italiano	473,684	473,684	0
CARIGE loan	2,198,837	0	2,198,837
Banca Pop. Bergamo	83,018	81,556	1,462
GE Capital Interbanca	662,418	661,639	779
MPS	350,000	166,667	183,333
Banca Alpi Marittime	761,323	756776	4,547
Banca Popolare di Spoleto	960,069	1050853	(90,784)
Banca Pop Vicenza loan	0	1,008,002	(1,008,002)
Alba Leasing S.p.A.	297,629	255,388	42,241
Simest S.p.A.	3,500,000	0	3,500,000
Other financial payables	179,110	196,196	(17,086)
Total	**135,533,894**	**149,562,711**	**(14,028,817)**

In general, the item decreased by EUR 14,028,817 compared to the balance of the previous year, due mainly to the decrease in current account payables and payables due to factoring companies.
These payables are recorded for an amount equal to the advances received (net of commission) following the factoring of trade receivables with recourse. It should be noted that during the period some reverse factoring operations took place and led to the transformation of some trade payables into financial payables.
Payables for mortgages and loans refer to the short-term portion of mortgages and loans already

described in previous note 36, while current account overdrafts and due for advances represent the amounts due to banks and financial institutions for current account overdrafts and current account advances.

The payable due to Alba Leasing S.p.A. refers to the current portion of the payable relating to the leasing contract signed by the Group for the financing of furniture, equipment and installations for the new head office at 7, Viale della Civiltà Romana, Rome.

The payable due to Simest S.p.A. refers to the current portion of the payable that the Group has with regard to Simest S.p.A. in relation to the commitment to repurchase the related minority shares in the company Green Network Holding Rinnovabili S.r.l.

43. Trade-related payables - EUR 428,557,887

The item is broken down as follows.

	30/06/2018	31/12/2017	Change
Trade payables	189,241,020	250,292,507	(61,051,487)
Payables for invoices to be issued	101,113,112	111,202,064	(10,088,952)
Advances	138,203,755	42,500,151	95,703,604
Total	**428,557,887**	**403,994,722**	**24,563,165**

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

It should be noted that during the period some reverse factoring operations took place and reduced trade payables by EUR 38 million.

44. Payables due to parent companies, subsidiaries and associated companies - EUR 27,204,989

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

	30/06/2018	31/12/2017	Change
SC Holding S.r.l.	19,017,083	9,365,299	9,651,784
Due to parent companies	**19,017,083**	**9,365,299**	**9,651,784**
GN P&G	0	8,509	(8,509)
Wind 1	0	0	0
Payables due to subsidiaries	**0**	**8,509**	**(8,509)**
Solergys S.p.A.	5,603	5,603	0
US Boreale S.r.l.	9,691	9,691	0
Payables due to associated companies	**15,294**	**15,294**	**0**
JMS S.r.l.	8,172,612	7,185,135	987,477
Payables due to Joint Ventures	**8,172,612**	**7,185,135**	**987,477**
Total	**27,204,989**	**16,574,237**	**10,639,261**

The item increased compared to the values of the 2017 financial year almost entirely attributable to the item relating to payables to parent companies, which includes the payable to SC Holding S.r.l. mainly relating to operations involving tax consolidation, as well as to the increase in payables to JMS S.r.l. In particular, these payables refer to commercial relations related to energy trading activities and do not refer to relations related to the subject matter of the joint venture.

45. Tax payables - EUR 40,181,300

The item is broken down as follows:

	30/06/2018	31/12/2017	Change
Due for taxation	1,498,347	537,528	960,819
Due to tax authorities for withholdings on employment and similar income	506,726	391,404	115,322
Due to tax authorities for withholdings on freelance income	222,142	374,164	(152,022)
Due to tax authorities for UTF (finance office)	37,936,839	19,368,612	18,568,227
Payables for settlement agreements	0	894,367	(894,367)
Payables for VAT	17,204	184,955	(167,751)
Other tax payables	42	87	(45)
Total	**40,181,300**	**21,751,117**	**18,430,183**

The increase in tax payables is mainly due to higher payables to the tax authorities for advances related to higher excise duties on the consumption of gas and electricity sold as a result of the increase in the business.

46. Derivatives – EUR 63,597,405

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

	30/06/2018	31/12/2017	Change
Derivative financial instruments	63,597,405	27,348,449	36,248,956
Total	**63,597,405**	**27,348,449**	**36,248,956**

These are mainly OTC derivatives and contracts for differences for which the fair value was determined in accordance with level two of IFRS 13. More specifically, the amount of EUR 63,597,405 is made up of EUR 3,253,550 in derivative financial instruments held by the Group for hedging purposes in accordance with IAS 39 on hedge accounting, the change in fair value of which was recognised in the cash hedging reserve for EUR (3,163,550), and EUR 60,343,855 held by the Group for trading purposes or that do not meet the conditions for being classified as hedging instruments, the change in fair value of which was recognised directly in the income statement for EUR (33,085,405). Of these derivative financial instruments, EUR 15,975,254 are held by the consolidating company and EUR 47,622,151 are held by the subsidiary Green Network UK Plc. that operates on behalf of the Group on energy trading platforms.

47. Other current liabilities - EUR 16,422,588

The item is broken down as follows.

	30/06/2018	31/12/2017	Change
Due to INPS (National Social Security Institute)	539,156	724,690	(185,534)
Due to INAIL (National Institute for Insurance against Accidents at Work)	303	5,222	(4,919)
Bilateral Body	27	1,706	(1,679)
Payables due to pension and insurance funds	175,908	252,355	(76,447)
Due to social security and welfare institutions	**715,394**	**983,973**	**(268,579)**

Due to employees and directors	2,442,236	3,559,601	(1,117,365)
Payables per guarantee deposits	15,134	64,166	(49,032)
Customers - advance account	2,829	0	2,829
Payables for Rai licence fee	2,987,087	2,069,119	917,968
Sundry payables	10,259,908	9,055,233	1,204,675
Other payables	**15,707,194**	**14,748,119**	**959,075**
Total	**16,422,588**	**15,732,092**	**690,496**

The item mainly consists of:

- EUR 715,394 related to debt that the company has in respect of social security institutions and entities related to staff;
- EUR 2,442,236 for amounts owed to employees and directors for amounts due in 2018;
- EUR 2,987,087 for payables related to the RAI licence fee bill collected by the company to be paid to the Tax Authorities.
- EUR 10,259,908 relating for the most part to customers no longer in supply, with a negative balance as at 30 June 2018, which were reclassified under other payables for the purposes of this Report.

48. Liabilities classified as held for sale - EUR 0

This item, which at 31 December 2017 included the value of the liabilities held by the subsidiary Green Hydro 1 S.r.l., at the date of this report had a value of zero as the shares of this company were sold in January 2018.

OTHER INFORMATION

Disclosures relating to financial instruments and the risk management policy

A breakdown of the financial assets and liabilities required by IFRS 7 are broken down below.

	Receivables and loans	Other financial assets	Derivative financial instruments for trading purposes	Derivative financial instruments for hedging purposes	Book Value	Notes to the financial statements
Non-current assets	10.477.112	0	0	0	10.477.112	
Other equity investments	0	0	0	0	0	
Financial assets from parent company, subsidiaries and associated companies	4.845.783	0	0	0	4.845.783	20
Financial assets from third parties	5.631.329	0	0	0	5.631.329	23
Current assets	503.675.939	2.469.796	98.690.579	673.542	605.509.856	
Trade receivables from customers	443.412.656	0	0	0	443.412.656	25
Trade receivables from related parties	0	0	0	0	0	
Financial assets from parent company, subsidiaries and associated companies	28.838.306	0	0	0	28.838.306	26
Financial assets from third parties	19.915.951	2.469.796	98.690.579	673.542	121.749.868	27 - 29 - 30 - 31
Cash and cash equivalents	11.509.026	0	0	0	11.509.026	32
Total	514.153.051	2.469.796	98.690.579	673.542	615.986.968	

	Liabilities at fair value	Liabilities at amortised cost	Derivative financial instruments for trading purposes	Derivative financial instruments for hedging purposes	Book Value	Notes to the financial statements
Non-current liabilities	22.364.944	3.389.531	0	0	25.754.475	
Payables due to banks	16.363.320	1.435.124	0	0	17.798.444	36
Financial payables to third parties	103.100	1.954.407	0	0	2.057.507	36
Other financial liabilities toward third parties	5.898.524	0	0	0	5.898.524	37
Current liabilities	605.716.224	2.003.134	60.343.855	3.253.550	671.316.763	
Payables due to banks	129.851.650	1.705.505	0	0	131.557.155	42
Financial payables to third parties	3.679.110	297.629	0	0	3.976.739	42
Trade-related payables	428.557.887	0	0	0	428.557.887	43
Financial liabilities to parent company, subsidiaries and associated companies	27.204.989	0	0	0	27.204.989	44
Other financial liabilities toward third parties	16.422.588	0	60.343.855	3.253.550	80.019.993	46 - 47
Total	628.081.168	5.392.665	60.343.855	3.253.550	697.071.238	

Fair value of financial assets and liabilities

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

It should be noted that for the trade receivables and payables with agreed maturity within 12 months, the fair value was not calculated since it is essentially in line with the relative book value.

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

Types of financial risks and related activities

Credit risk

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

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

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

Lastly, the Group stipulated an insurance policy with the company Euler Hermes Italia S.p.A. to cover the risk of trade-related receivables. The total receivables insured amounted to a maximum of approximately EUR 200 million.

It should also be noted that the Group primarily conducted non-recourse factoring, with the transfer of commercial risks to factors, and received bank sureties for EUR 4,000,000 to guarantee the correct collection of the associated trade-related receivables.

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

Liquidity risk

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

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

In any case, the Group is believed to be subject to limited exposure to liquidity risk thanks to its capacity to generate cash flows, and limited exposure to the risk of changes in cash flows, in consideration of the fact that the Group's debt is insignificant and largely limited to the advance payment of trade receivables from customers.

Regulatory risk

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

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

Market risk

The Group's operating segment is exposed to market risks and, mainly, to the risk of fluctuation in interest rates, in commodity prices and, to a lesser degree, in exchange rates, to mitigate the effects of which the management adopted adequate control mechanisms.

Risk analysis and management is carried out according to a control process that involves the carrying-out of activities throughout the year. The relevant reports to top management are made monthly and daily.

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

In this context, reference is made to the types of **Price Risk** and **Volume Risk** thus defined:

- ✓ **Price Risk**: risk related to change in commodity prices caused by the different purchase and sale price indexes of Electricity and Natural gas;
- ✓ **Volume Risk**: risk related to the change in the volumes actually consumed by end customers compared to the volumes envisaged by the sales contracts (sales profiles) or, in general, to the balancing of the positions in the portfolios.

The risk limits are defined in such a way as to:

- ✓ Minimise the overall risk;
- ✓ Ensure the necessary operational flexibility in the supply of commodities and in hedging activities.

The management and mitigation of commodity risk are functional to the achievement of the economic and financial objectives of the Green Network Group, as indicated in the budget/plan, in particular:

- ✓ Protect the First Margin against unforeseen and unfavourable short-term market shocks that impact revenues or costs;
- ✓ Identify, measure, manage and represent risk exposure;
- ✓ Reduce risks through the preparation and application of adequate internal controls, procedures, information systems and skills.

Forward contracts (for physical transactions involving the purchase and sale of commodities and/or hedging derivatives) are entered into to meet the expected requirements deriving from the contracts in the portfolio.

The risk exposure assessment includes the following activities:

- ✓ Recording of all transactions relating to physical and/or financial quantities carried out in special books differentiated by commodity (e.g.: Electricity, Gas), purpose of the activity (Trading or trading on wholesale markets, Portfolio Management, Sale to end customers) and nature of the transactions (physical, financial);
- ✓ Accurate analysis of purchases and sales containing open positions, i.e. the exposure of the physical positions of purchase and sale of individual commodities;
- ✓ Creating reference scenarios (prices, indices) and checking exposures.

Interest rate risk

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

Exchange rate risk

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

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

Risk of fluctuation in commodity prices and in sale prices to end customers

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

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

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

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

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

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

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

The hedging strategy pursued by the Group uses a "Bottom Layer" approach that consists in identifying a portion ("Layer") that is lower than the total amount, considered almost certain and not reformulated according to changes in the volumes forecast over time, unless these do not fall within the Layer itself.

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

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

Inception date	Derivative type	Profile	Effective date	Termination date	Hourly qty	Fixed price	Total volume	Residual volume	Fair value as at 30/06/2018	Derivative valuation
19/09/2017	OTC SWAP	Baseload	01/07/2018	31/12/2018	5	49,90	22.085	22.085	65,12	336.219
09/10/2017	OTC SWAP	Baseload	01/07/2018	31/12/2018	5	49,85	22.085	22.085	65,12	337.323
09/05/2018	OTC SWAP	Baseload	01/07/2018	31/07/2018	10	65,10	7.440	7.440	62,93	(16.145)
09/05/2018	OTC SWAP	Baseload	01/07/2018	31/07/2018	10	64,60	7.440	7.440	62,93	(12.425)
10/05/2018	OTC SWAP	Baseload	01/07/2018	31/07/2018	5	64,70	3.720	3.720	62,93	(6.584)
14/05/2018	OTC SWAP	Baseload	01/07/2018	31/07/2018	5	66,25	3.720	3.720	62,93	(12.350)
14/05/2018	OTC SWAP	Baseload	01/07/2018	31/07/2018	5	66,17	3.720	3.720	62,93	(12.053)
14/05/2018	OTC SWAP	Baseload	01/07/2018	31/07/2018	10	66,30	7.440	7.440	62,93	(25.073)
14/05/2018	OTC SWAP	Baseload	01/07/2018	31/07/2018	5	66,30	3.720	3.720	62,93	(12.536)
18/05/2018	OTC SWAP	Baseload	01/07/2018	31/07/2018	10	68,35	7.440	7.440	62,93	(40.325)
21/05/2018	OTC SWAP	Baseload	01/01/2019	31/12/2019	5	59,10	43.800	43.800	58,80	(13.140)
21/05/2018	OTC SWAP	Baseload	01/01/2019	31/12/2019	5	59,10	43.800	43.800	58,80	(13.140)
21/05/2018	OTC SWAP	Baseload	01/07/2018	31/07/2018	5	68,60	3.720	3.720	62,93	(21.092)
21/05/2018	OTC SWAP	Baseload	01/07/2018	31/07/2018	5	68,68	3.720	3.720	62,93	(21.390)
21/05/2018	OTC SWAP	Baseload	01/01/2019	31/12/2019	5	59,10	43.800	43.800	58,80	(13.140)
22/05/2018	OTC SWAP	Baseload	01/01/2019	31/12/2019	10	60,15	87.600	87.600	58,80	(118.260)
22/05/2018	OTC SWAP	Baseload	01/01/2019	31/12/2019	5	60,00	43.800	43.800	58,80	(52.560)
22/05/2018	OTC SWAP	Baseload	01/01/2019	31/12/2019	5	60,20	43.800	43.800	58,80	(61.320)
22/05/2018	OTC SWAP	Baseload	01/01/2019	31/12/2019	5	60,25	43.800	43.800	58,80	(63.510)
22/05/2018	OTC SWAP	Baseload	01/01/2019	31/12/2019	5	60,20	43.800	43.800	58,80	(61.320)
22/05/2018	OTC SWAP	Baseload	01/01/2019	31/12/2019	5	60,10	43.800	43.800	58,80	(56.940)
22/05/2018	OTC SWAP	Baseload	01/01/2019	31/12/2019	5	60,20	43.800	43.800	58,80	(61.320)
22/05/2018	OTC SWAP	Baseload	01/01/2019	31/12/2020	10	58,35	175.440	175.440	56,31	(358.424)
22/05/2018	OTC SWAP	Baseload	01/01/2019	31/12/2019	5	60,25	43.800	43.800	58,80	(63.510)
23/05/2018	OTC SWAP	Baseload	01/01/2019	31/12/2019	5	59,65	43.800	43.800	58,80	(37.230)
23/05/2018	OTC SWAP	Baseload	01/01/2019	31/12/2019	5	59,90	43.800	43.800	58,80	(48.180)
23/05/2018	OTC SWAP	Baseload	01/01/2019	31/12/2019	5	59,90	43.800	43.800	58,80	(48.180)
23/05/2018	OTC SWAP	Baseload	01/01/2019	31/12/2019	10	59,80	87.600	87.600	58,80	(87.600)
23/05/2018	OTC SWAP	Baseload	01/01/2019	31/12/2019	5	59,65	43.800	43.800	58,80	(37.230)
24/05/2018	OTC SWAP	Baseload	01/01/2019	31/12/2019	5	60,15	43.800	43.800	58,80	(59.130)
24/05/2018	OTC SWAP	Baseload	01/01/2019	31/12/2019	5	60,10	43.800	43.800	58,80	(56.940)
24/05/2018	OTC SWAP	Baseload	01/01/2019	31/12/2019	5	60,00	43.800	43.800	58,80	(52.560)
31/05/2018	OTC SWAP	Baseload	01/07/2018	31/07/2018	5	70,60	3.720	3.720	62,93	(28.532)
										(898.598)

The Group pursues strategies to hedge the risk of commodity price volatility by entering into derivative contracts on differences based on different underlyings on which it has been possible to show the effectiveness of the proxy hedge.

As regards inclusion in the financial statements, the fair values of these instruments in the portfolio (for the portion that is effective) are added to a specific Cash Flow Hedge reserve (OCI) while for the non-effective portion they are recognised directly in profit or loss.

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

Inception date	Derivative type	Profile	Effective date	Termination date	Fixed price	Total volume	Residual volume	Fair value as at 30/06/2018	Derivative valuation
29/05/2018	OTC SWAP	Baseload	17/12/2018	17/12/2018	16,26	100.000	100.000	65,12	(140.500)
29/05/2018	OTC SWAP	Baseload	17/12/2018	17/12/2018	16,40	100.000	100.000	65,12	(155.000)
30/05/2018	OTC SWAP	Baseload	17/12/2018	17/12/2018	16,15	100.000	100.000	62,93	(130.000)
									(425.500)

The Group is also exposed to the market risk related to the volatility of sales prices to end customers. This risk exposes the Group to the relevant liquidity risk related to the supply of the quantity of energy and gas at a fixed price against a possible reduction in sales prices. In order to cope with this risk, the Group enters into derivative contracts that enable it to fix the future price of purchases of energy and gas.

The objective pursued by the Group through the hedging operation is to fix the price of a portion of future variable-price sales of energy and gas to meet the fixed-price supply provided by the Group.

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

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

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

Inception date	Derivative type	Profile	Effective date	Termination date	Hourly qty	Fixed price	Total volume	Residual volume	Fair value as at 30/06/2018	Derivative valuation
07/02/2018	OTC SWAP	Baseload	01/04/2018	30/09/2018	(10)	16,50	(43.920)	(22.080)	22	(119.232)
27/02/2018	OTC SWAP	Baseload	01/04/2018	30/09/2018	(50)	16,65	(219.600)	(110.400)	22	(579.600)
01/03/2018	OTC SWAP	Baseload	01/07/2018	30/09/2018	(40)	16,68	(88.320)	(88.320)	22	(461.472)
26/03/2018	OTC SWAP	Baseload	01/07/2018	30/09/2018	(10)	17,57	(22.080)	(22.080)	22	(95.606)
										(1.255.910)

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

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

	30/06/2018	31/12/2017
Derivative assets	99,364,121	54,486,263
Derivative liabilities	63,597,405	27,348,449
Other financial assets	2,469,796	3,964,282

Related-party transactions

In line with the relevant Group policies, the economic, equity and financial relations in place with related parties as at 30 June 2018 are reported below, in accordance with the disclosure required by IAS 34 and IAS 24.

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

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

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

The following table shows the values attributable to transactions with related parties and the related comparative data as at 31 December 2017 and 30 June 2017 relating to the financial position and profit or loss, respectively.

Transactions with related parties as at 30 June 2018

FINANCIAL POSITION	Equity investments	Receivables for loans	Trade-related receivables	Receivables from tax consolidation	Payables for tax consolidation	Trade and financial payables	Sundry payables
Parent companies							
SC Holding S.r.l	-	3.286.037	98.386	20.146.123	18.513.083	-	504.000
Non-consolidated subsidiaries							
Green Wind 1 S.r.l.	-	111.084	-	-	-	-	-
Green Network Power & Gas S.r.l.	-	-	-	-	-	-	-
Associated companies							
Converge	-	-	-	-	-	-	-
Solergys	345.582	1.420.085	451.921	-	-	5.603	-
US Boreale	386.754	10.000	1.050	-	-	-	-
Joint Ventures							
JMS	267.620	-	8.156.566	-	-	8.167.942	-
Other companies							
Italpower Energia S.r.l.	10.000	-	-	-	-	-	-

PROFIT AND LOSS	Revenue from sales	Other revenue and income	Consumption of materials and services	Revaluations/write-downs of equity investments	Interest income from loans	Other financial income
Parent companies						
SC Holding S.r.l	1.594	-	-	-	-	-
Non-consolidated subsidiaries						
Green Wind 1 S.r.l.	1.400	-	-	-	-	-
Green Network Power & Gas S.r.l.	-	-	-	-	-	-
Associated companies						
Converge	-	-	-	-	-	-
Solergys	58.512	-	-	24.736	20.178	-
US Boreale	-	-	-	8.010	-	-
Joint Ventures						
JMS	24.019.767	-	24.076.860	-	-	-
Other companies						
Italpower Energia S.r.l.	-	-	-	-	-	-

Transactions with related parties as at 30 June 2017

PROFIT AND LOSS	Revenue from sales	Other revenue and income	Consumption of materials and services	Revaluations/write-downs of equity investments	Interest income from loans	Other financial income
Parent companies						
SC Holding S.r.l	1.973	-	-	-	-	-
Non-consolidated subsidiaries						
Green Wind 1 S.r.l.	1.520	-	-	-	-	-
Green Network Power & Gas S.r.l.	-	-	-	-	-	-
Associated companies						
Converge	-	-	-	-	-	-
Solergys	-	-	-	82.138	13.550	-
US Boreale	-	-	-	(1.365)	-	-
Joint Ventures						
JMS	13.532.206	-	13.644.577	-	-	-
Other companies						
Italpower Energia S.r.l.	-	-	-	-	-	-

Transactions with related parties as at 31 December 2017

FINANCIAL POSITION	Equity investments	Receivables for loans	Trade-related receivables	Receivables from tax consolidation	Payables for tax consolidation	Trade and financial payables	Sundry payables
Parent companies							
SC Holding S.r.l	-	3.286.037	-	9.298.821	8.314.797	-	596.000
Non-consolidated subsidiaries							
Green Wind 1 S.r.l.	-	111.084	5.809	-	-	-	-
Green Network Power & Gas S.r.l.	10.000	-	3.840	-	-	8.509	-
Associated companies							
Converge	1.900.000	-	-	-	-	-	-
Solergys	320.845	1.420.085	419.222	-	-	5.603	-
US Boreale	378.744	10.000	-	-	-	13.691	-
Joint Ventures							
JMS	267.620	-	7.213.661	-	-	7.185.134	-
Other companies							
Italpower Energia S.r.l.	10.000	-	-	-	-	-	-

Disputes, outstanding matters and contingent liabilities

- During financial year 2014, Green Network S.p.A. and Green Network Luce & Gas S.r.l., merged by incorporation into Green Network S.p.A. in 2015, were inspected by the Guardia di Finanza (Italian Tax Police) across 2009-2013, concerning certain transactions relating to the physical trading activity of electricity put in place by the Company with certain counterparties, as suppliers or customers. Following these inspections, the companies received a report on findings, for which in-depth and complex briefs and observations were produced by an authoritative professional, in order to highlight the groundlessness of the objections made by the inspectors. To date, the company received assessment notices for VAT and Direct Taxes for the tax periods from 2009 to 2011, and the related penalty notices, which the company contested before the Provincial Tax Commission. The company Green Network S.p.A. also as the merging entity of Green Network Luce & Gas, also on the back of the opinions received over the years, believes that, owing to the absence of any prejudice for the Tax Authorities and for any other interested party, the risk with reference to the overall dispute and to the joint assessment of the plurality of claims for different reasons, with reference to the same facts subject matter of the dispute, is remote and uncertain and therefore, did not deem it necessary to enter any risk provision. It should be noted in this regard that on 30 June 2016, the Provincial Tax Commission of Rome, with Ruling 19904/50/16 filed on 13 September 2016, fully and peremptorily approved the appeals by the two companies against the assessment notices for the year 2009, recognising the full legitimacy of the physical trading operations carried out; moreover, the other third-party companies also involved in the same case challenged the tax deeds received before the competent Tax Commissions: to date, 11 rulings were delivered in favour of the taxpaying companies. The Inland Revenue Agency initially appealed against ruling 19904/50/16, but subsequently filed with Green Network S.p.A. an adjournment (upheld), pending an amicable settlement of the dispute. Subsequently, consistently with the abovementioned decision, the Provincial Tax Commission of Rome, with ruling no. 12027/4/2018, upheld the parent company's appeal against the assessment notice on 2009 corporate income tax penalties and, with ruling no. 12024/4/18, upheld the appeal against the assessment notice for 2011 corporate income tax. Finally, it should be noted that other third-party companies also involved in the same case successfully challenged the tax deeds received before the competent Tax Commissions: to date, a total of 16 rulings were delivered in favour of the taxpaying companies.

- On 26 June 2015, the company Green Network Luce & Gas received two assessment notices (one relating to VAT and IRAP and the other to IRES) in which some transactions entered into with a commercial operator were contested, despite having already been subject, however, to a specific and positive assessment during the course of other assessments that took place in previous years. On 1 July 2016, the Provincial Tax Commission of Rome, with Ruling 21181/47/16 filed on 26 September 2016, partially upheld the company's arguments. In order to reach a quick settlement of the dispute, Green Network S.p.A. concluded a conciliation procedure with the Italian Inland Revenue.

- In 2005, the parent company imported energy from Switzerland, by signing a purchase contract with Aar e Ticino SA di Elettricità (now Alpiq). In order to comply with the applicable regulations, the parties agreed that the consideration paid by Green Network S.p.A. to Aar e Ticino SA di Elettricità, included not only the amount for electricity, but also the amount due for certifications of origin from renewable sources required by the applicable regulations. The certifications obtained were not recognised by the GSE as appropriate to fulfil the obligation of certifying the origin of the electricity from renewable sources indicated therein, for which the AEEG issued a measure against Green Network S.p.A. in which it ordered the company to acquire the missing green certificates and also imposed a pecuniary sanction. Green Network S.p.A. challenged the aforementioned measure before the administrative judicial authorities and succeeded in obtaining, at second instance proceedings, solely the cancellation of the pecuniary sanction. Moreover, Green Network S.p.A. initiated arbitration proceedings before the International Chamber of Commerce of Paris, aimed at obtaining a ruling against Alpiq S.A., formerly Aar e Ticino SA di Elettricità to repay the amount the former company must pay to the GSE, due to the non-recognition of the certifications of origin of electricity from renewable sources that said entity Aar e Ticino SA di Elettricità had delivered to it together with the energy it had sold to it in 2005. The arbitration, which remained suspended until the administrative case was settled, ended with the issue of an unfavourable award for Green Network S.p.A., which, however, identified, through its authoritative professionals, valid elements to request the annulment of the award by 2018. The lawyers, although confident in a positive outcome to the matter, consider the risk of losing to be probable; therefore, amounts were set aside in the financial statements.

- For the purposes of this Report, the following measures on imbalances are also reported. Following ruling no. 1648/2014 of the Lombardy Regional Administrative Court (TAR) and rulings no. 1532/2015 and 2457/2016 of the Council of State, aimed at limiting the achievement of undue gains by dispatching users through the exploitation of certain anomalies in the mechanism of calculating imbalance prices, Resolution 333/2016 of 24 June 2016 defined the regulation to be used in order to increase in value the actual imbalances achieved in the period July 2012 to September 2014, defining mechanisms to restore the regulation cancelled by the aforementioned rulings of the Lombardy Regional Administrative Court and the Council of State. With resolution 837/2017 of December 2017, the final measure of the checks of resolution 333/2016 for Green Network was published. According to ARERA, Green Network S.p.A. did not operate diligently in the first half of 2013. The parent company appealed against this resolution to the Lombardy Regional

Administrative Court, which first suspended the ruling and then rejected the Company's claims with ruling no. 897 of 4 April ult. Green Network S.p.A. promptly filed an appeal on 26 April ult. with the Council of State that, with order of 2375/2018, suspended the above-mentioned ruling of the Regional Administrative Court of Lombardy and set 12 December 2019 as the date on which the appeal will be dealt with on its merits. The Directors, supported by the opinion of authoritative professionals, are confident of a positive outcome and consider the risk of losing to be possible. As such, no allocation was made to the risk provision.

- Moreover, ARERA initiated proceedings for the timely adoption of prescriptive measures in relation to any advantages achieved with the imbalances for the period January 2015 to July 2016 with resolution 342/2016. With resolutions 559/2017, ARERA adopted a prescriptive measure against Green Network S.p.A. for the period January 2016 to July 2016, which was subsequently amended by resolution 136/2018. Green Network S.p.A. appealed to the Lombardy Regional Administrative Court for the repeal of the above-mentioned measure, obtaining, pending the discussion of the merits, the suspension of the enacting clause of the Authority's resolution. Following the acquisition of Energrid S.p.A., the parent company took on the same measure as the acquired company (resolution 558/2017 as amended by resolution 74/2018), obtaining the same adjournment pending discussion of the merits. A similar case concerned the acquired company TradeInv Gas &Energy S.p.A. (resolution 154/2018). The three discussions of the merits are scheduled for spring 2019. The Directors, supported by the opinion of authoritative professionals, are confident of a positive outcome and consider the risk of losing to be remote. As such, no allocation was made to the risk provision.

For the sake of full disclosure, note that the Green Network Group, also in relation to recent case law and ARERA's resolutions, started the relevant proceedings to protect its interests for the repayment of sums unduly paid to electric power distributors. In this context, the directors, supported by authoritative legal opinions, consider the risk of losing the case to be remote.

At the date of this report, there were no additional disputes or pending tax matters for a significant amount that determined contingent liabilities for the Group that are not reflected in this document.

Off-balance sheet guarantees, commitments and agreements

At the date of this report, the Group has the following off-balance sheet guarantees and commitments in place:

- EUR 143,226,485 relating to sureties issued to third parties (of which EUR 72,597,384 related to insurance and EUR 70,629,101 of a financial nature);
- EUR 8,292,964 relating to the value of guarantees in the form of a pledge.

As already pointed out in the footnote relating to trade receivables, the Group has also received sureties from customers in the amount of EUR 4,000,000.

The guarantees given to third parties are made up as follows:

- EUR 92,263,000 in favour of third parties for the purchase/sale of electricity, gas and derivatives, of which EUR 21,683,000 in favour of the subsidiary Green Network UK Plc;

- EUR 5,532,300 in favour of third parties for the transportation of electricity and gas;
- EUR 18,954,611 in favour of the Tax Authorities for Group VAT offsetting and surplus VAT reimbursements;
- EUR 3,160,903 in favour or Terna S.p.A. for suspension of payment by instalments on order no. 2375/2018 of the Regional administrative court;
- EUR 1,000,000 in favour of GME for the performance of business on electricity markets;
- EUR 15,496,000 in favour of Terna S.p.A. for dispatching;
- EUR 1,300,000 in favour of SNAM for balancing;
- EUR 4,435,071 as sureties issued in favour of third parties for gas carrier and distribution costs;
- EUR 750,000 in favour of Idea Fimit S.p.A. for the leasing of the property at which corporate activities of the parent company are carried out;
- EUR 154,100 in favour of entities involved in the construction of plants for the production of electricity from renewable sources;
- EUR 180,500 relating to other guarantees received in favour of third parties.

The amount of EUR 4,000,000 relating to sureties received from customers has been commented on in the footnote relating to trade receivables, to which reference is made.

The amount of EUR 8,292,964 relating to pledges is composed as follows:

- EUR 7,366,415 due to banks for cash collateral activities relating to pledges requested by some banks to guarantee credit commitments agreed and/or used;
- EUR 926,549 as shares and securities.

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

- EUR 1,073,905 to guarantee the lease agreement held by the subsidiary Green Wind 2 S.r.l. with Alba Leasing S.p.A.;
- EUR 4,418,336 to guarantee the outstanding bank loans by Rena Energia S.r.l. and Biogas Energy Società Agricola S.r.l.;
- EUR 1,336,788 to guarantee the existing loans of the associated company Sòlergys S.p.A.;
- EUR 90,000 for a patronage/co-obligation in favour of the subsidiary Biogas Energy Società Agricola S.r.l.;
- EUR 4,888,063 for a patronage/co-obligation in favour of the parent company SC Holding S.r.l.

Subsequent events

For subsequent events, please refer to the relevant session of the Interim Report on Operations.

Rome, 3 September 2018

Chairman of the Board of Directors

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Mr Piero Saulli

III – ANNEXES

FINANCIAL STATEMENTS OF GREEN NETWORK S.P.A.

Separate and comprehensive income statements

	For the 6 months as at 30/06/2018	For the 6 months as at 30/06/2017
Revenues		
Revenues from sales and services	741,877,815	425,718,014
Other revenue and income	2,243,117	3,223,690
Total revenues	**744,120,932**	**428,941,704**
Costs		
Electricity and gas purchase	700,482,758	391,112,112
Costs for services and materials	13,660,008	14,526,386
Payroll and related costs	9,428,507	6,057,835
Amortisation/depreciation and impairment	7,413,357	3,683,458
Provisions	625,000	0
Other operating costs	1,221,938	704,745
Total costs	**732,831,568**	**416,084,536**
EBIT	**11,289,364**	**12,857,168**
Financial income (expense) from financial instruments measured at fair value	10	70,919
Net profit (loss) from the sale of current and non-current operating assets	1,209	(22,147)
Financial income	1,376,610	545,861
Financial expense	(3,216,771)	(2,571,744)
Share of income/(expense) deriving from equity investments valued using the equity method	27,532	82,138
Pre-tax profit (loss)	**9,477,954**	**10,962,195**
Taxation	(2,099,281)	(3,453,071)
Net profit (loss) for the period	**7,378,673**	**7,509,124**

	For the 6 months as at 30/06/2018	For the 6 months as at 30/06/2017
Net profit (loss) for the period	**7,378,673**	**7,509,124**
Other components of comprehensive income		
Items that should not be reclassified to profit (Loss) for the period		
Revaluations of property, plant and machinery and intangible fixed assets	0	0
Actuarial gains (losses) from defined benefit plans	0	0
Items that will or could then be reclassified to profit (Loss) for the period		
Profit (losses) from redetermination of the value of other financial assets	5,504	(28,376)
Fair value changes in cash flow hedges	(5,833,679)	(122,184)
Income taxes relating to OCI	**1,679,680**	**48,661**
Overall profit (Loss) for the year	**3,230,178**	**7,407,225**

Statement of financial position

	30/06/2018	31/12/2017
Non-current assets		
Intangible fixed assets	36,064,689	22,629,646
Goodwill	26,302,025	26,302,025
Property, plant and machinery	3,649,366	3,816,026
Investment property	7,895,052	8,014,167
Equity investments	18,276,266	18,158,078
Receivables from parent companies, subsidiaries, associates and joint ventures	27,486,309	19,674,586
Deferred tax assets	7,402,888	6,001,288
Tax receivables	5,006,691	5,084,332
Other non-current assets	1,707,217	9,179,861
Total	**133,790,503**	**118,860,009**
Current assets		
Inventories	2,326,229	1,801,933
Trade-related receivables	322,358,727	368,153,536
Receivables from parent companies, subsidiaries, associates and joint ventures	46,119,902	44,830,298
Loans to banks and other financial institutions	9,173,436	10,258,914
Tax receivables	28,476,020	22,826,471
Derivatives	44,399,107	29,971,294
Financial assets available for sale	2,469,796	3,964,282
Other current assets	8,540,645	13,457,878
Cash and cash equivalents	6,906,531	27,071,599
Total	**470,770,393**	**522,336,205**
Non-current assets held for sale	0	2,259,055
Total assets	**604,560,896**	**643,455,269**
Shareholders’ equity and liabilities		
Shareholders’ equity		
Share capital	15,636,000	15,636,000
Other reserves	10,926,426	10,583,035
Net profit (loss) for the period	7,378,673	5,899,183
Total shareholders’ equity	**33,941,099**	**32,118,218**
Non-current liabilities		
Long-term loans	13,650,121	6,288,796
Employee severance indemnity and other employee benefits	2,794,241	2,707,861
Payables to parent companies, subsidiaries, associates and joint ventures	7,290,015	0
Provisions for risks and charges	13,214,107	13,267,435
Tax liabilities	458,649	905,833
Other non-current liabilities	9,538,068	9,489,588
Total	**46,945,201**	**32,659,513**
Current liabilities		
Short-term loans	129,784,287	145,801,388
Trade-related payables	291,932,033	368,883,816
Payables to parent companies, subsidiaries, associates and joint ventures	32,894,605	21,403,954
Tax payables	37,955,697	21,189,803
Derivatives	15,975,254	6,900,098
Other current liabilities	15,132,720	14,498,479
Total	**523,674,596**	**578,677,538**
Total shareholders’ equity and liabilities	**604,560,896**	**643,455,269**

Statement of changes in shareholders' equity

	Share Capital	Legal reserve	Extraordinary reserve	Equity method valuation reserve	Retained earnings (accumulated losses)	FTA reserve	Valuation reserve of derivatives and contracts	Rounding reserve	Capital contributions	Other financial asset valuation reserve	Actuarial gain reserve	Net profit (loss) for the year/period	Total
1 January 2017	15.636.000	1.128.036	3.950.884	6.297.595	(23.580.868)	16.387.195	930.953	3	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	7.509.124	**7.509.124**
Other comprehensive income components	0	0	0	0	0	0	(86.971)	0	0	(20.198)	0	0	**(107.168)**
Total comprehensive income components	**0**	**0**	**0**	**0**	**0**	**0**	**(86.971)**	**0**	**0**	**(20.198)**	**0**	**0**	**(107.168)**
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	0	0	(0)	(1)	0	(0)	0	(6.041.026)	**(3)**
Balance as at 30 June 2017	15.636.000	1.430.087	9.689.858	6.297.595	(23.580.868)	16.387.195	843.982	2	13.394	12.018	(184.165)	7.509.124	**34.054.224**
Balance as at 1 January 2018	15.636.000	1.430.087	9.689.858	6.297.595	(25.016.425)	16.090.074	2.315.963	1	13.394	36.487	(273.999)	5.899.183	**32.118.218**
Application of new accounting standards	0	0	0	0	0	(1.407.295)	0	0	0	0	0	0	**(1.407.295)**
Profit (loss) for the period	0	0	0	0	0	0	0	0	0	0	0	7.378.673	**7.378.673**
Other comprehensive income components	0	0	0	0	0	0	(4.152.413)	0	0	3.918	0	0	**(4.148.495)**
Total comprehensive income components	**0**	**0**	**0**	**0**	**0**	**0**	**(4.152.413)**	**0**	**0**	**3.918**	**0**	**0**	**(4.148.495)**
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)	0	(0)	(2)	0	0	0	(5.899.183)	**(3)**
Balance as at 30 June 2018	15.636.000	1.725.046	15.294.082	6.297.595	(25.016.426)	14.682.779	(1.836.450)	(1)	13.394	40.405	(273.999)	7.378.673	**33.941.099**

Cash flow statement

	Notes	For the 6 months as at 30/06/2018	For the 6 months as at 30/06/2017
Profit (loss) for the year		7,378,673	7,509,124
CASH FLOW STATEMENT OF OPERATING ACTIVITIES (A)			
Taxes for the period	13	2,099,280	3,453,071
Interest expense/(interest income)	10 - 11	1,871,971	2,013,856
Income from equity investments in other companies		(27,911)	0
Adjustments for non-monetary elements with a contra-entry in net working capital			
Allocations to provisions	5 - 6	*3,937,597*	*3,260,747*
Depreciation/amortisation of fixed assets	6	*4,433,357*	*657,968*
Write-downs due to impairment	6	*0*	*25,490*
Other adjustments for non-monetary elements	8 - 12	*(28,751)*	*(130,910)*
Cash flows from change in working capital			
- change in inventories	23	(524,296)	(731,829)
- change in trade and intercompany receivables	19 - 24- 25	36,260,201	(17,137,529)
- change in trade and intercompany payables	40 - 41	(58,171,117)	(23,743,046)
- other changes in net working capital		18,100,913	596,213
Cash flows from other adjustments:			
Interest income and other financial income received	10	*1,372,711*	*557,887*
Interest expense and other financial expenses	11	*(3,216,771)*	*(2,571,744)*
(Income taxes paid)		*(2,340,358)*	*(7,192,535)*
(Use of provisions)		*(924,545)*	*(1,834,661)*
Cash flow generated (absorbed) by operations		2,842,281	(42,777,021)
CASH FLOW STATEMENT OF INVESTMENT ACTIVITIES (B)			
Cash flows from changes in property, plant and machinery	16	(212,121)	(260,781)
Cash flows from changes in intangible fixed assets	14 - 15	(17,370,504)	(401,656)
Cash flows from changes in equity investments	18	2,168,399	(4,193,977)
Cash flows from changes in receivables for loans	19	(7,811,723)	1,033,500
Cash flows from changes in financial instruments	8 - 28 - 43	1,495,705	4,803,834
Cash flow generated (absorbed) by investments		(21,730,245)	980,921
CASH FLOW STATEMENT OF FINANCING ACTIVITIES (C)			
Cash flows from third party financing:			
Increase (decrease) in short-term payables	39	(16,017,101)	28,887,414
Increase (decrease) in long-term payables	34	7,361,325	37,394
Dividends paid		0	0
Other changes in shareholders' equity items	33	0	0
Cash flow generated (absorbed) by financing activities		(8,655,777)	28,924,808
Increase (decrease) in cash and cash equivalents		(20,165,067)	(5,362,169)
Opening cash and cash equivalents		27,071,599	9,071,201
Closing cash and cash equivalents		6,906,531	3,709,032

INDEPENDENT AUDITORS' REPORT ON THE HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE GREEN NETWORK GROUP

REVIEW REPORT

GREEN NETWORK SPA

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2018

REVIEW REPORT ON HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors of
Green Network SpA

Foreword

We have reviewed the accompanying half-year condensed consolidated financial statements of Green Network SpA and its subsidiaries (the Green Network Group) as of 30 June 2018, comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and related notes. The directors of Green Network SpA are responsible for the preparation of the half-year condensed consolidated financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these half-year condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of half-year condensed consolidated financial statements consist of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the half-year condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-year condensed consolidated financial statements of the Green Network Group as of 30 June 2018 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Rome, 12 September 2018

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. We have not examined the translation of the half-year condensed consolidated financial statements referred to in this report.