



## 2018 Financial Statements

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Our energy for your needs



Our energy for your needs

# More value to energy every day.

Centrex Italia S.p.A. is active in the import, sale and trading of natural gas.

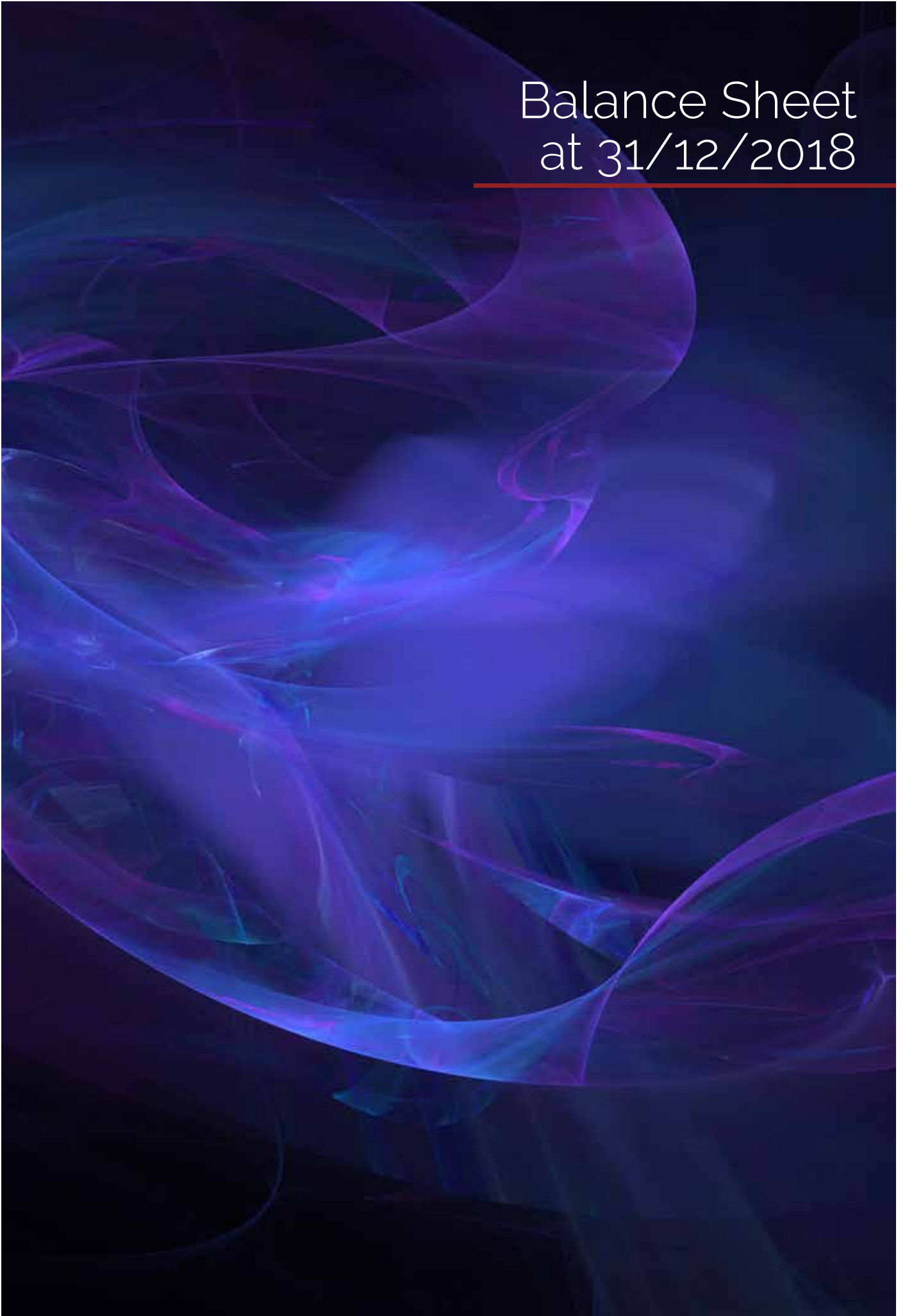
The company, operative from October 2008, with sale volumes rising steeply, can rely on a diversified supply portfolio and relevant transport and storage capacity.

Financial Statements  
at 31 | 12 | 2018

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# Balance Sheet at 31/12/2018

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## B) Fixed assets

<i>I - Intangible fixed assets</i>		
4) concessions, licenses, trademarks and similar rights	180,419	227,626
6) investments in progress and advances	0	19,000
7) others	97,664	113,330
<b>Total intangible fixed assets</b>	<b>278,083</b>	<b>359,956</b>
<i>II - Property, plant and equipment</i>		
4) other assets	161,202	151,501
<b>Total property, plant and equipment</b>	<b>161,202</b>	<b>151,501</b>
<i>III - Financial fixed assets</i>		
<i>1) equity investments in</i>		
<i>a) subsidiaries</i>		
<b>Total equity investments</b>	<b>2,017,566</b>	<b>2,017,566</b>
4) derivatives	0	57,267
<b>Total financial fixed assets</b>	<b>2,017,566</b>	<b>2,074,833</b>
<b>Total fixed assets (B)</b>	<b>2,456,851</b>	<b>2,586,290</b>

## C) Current assets

<i>I - Inventories</i>		
4) finished products and goods	26,794,758	27,979,431
<b>Total inventories</b>	<b>26,794,758</b>	<b>27,979,431</b>
<i>II - Receivables</i>		
<i>1) from customers</i>		
due by the end of the next financial year	146,558,172	113,695,682
<b>Total receivables from customers</b>	<b>146,558,172</b>	<b>113,695,682</b>
<i>2) from subsidiaries</i>		
due by the end of the next financial year	1,760,023	1,121,655
<b>Total receivables from subsidiaries</b>	<b>1,760,023</b>	<b>1,121,655</b>
<i>4) from parent companies</i>		
due by the end of the next financial year	241,008	403,887
<b>Total receivables from parent companies</b>	<b>241,008</b>	<b>403,887</b>
<i>5-bis) tax credits</i>		
due by the end of the next financial year	2,562,553	759,027
<b>Total tax credits</b>	<b>2,562,553</b>	<b>759,027</b>

## BALANCE SHEET ASSETS

31/12/2018

31/12/2017

5-ter) deferred tax assets	1,054,565	497,268
5-quater) from others		
due by the end of the next financial year	1,013,520	1,196,028
<b>Total receivables from others</b>	<b>1,013,520</b>	<b>1,196,028</b>
<b>Total receivables</b>	<b>153,189,841</b>	<b>117,673,547</b>

*III - Financial assets not classified as fixed assets*

5) derivatives	89,406	43,047
<b>Total financial assets not classified as fixed assets</b>	<b>89,406</b>	<b>43,047</b>

*IV - Cash and cash equivalents*

1) bank and postal deposits	17,357,372	5,593,062
3) cash on hand and cash equivalents	831	633
<b>Total cash and cash equivalents</b>	<b>17,358,203</b>	<b>5,593,695</b>

<b>Total current assets (C)</b>	<b>197,432,208</b>	<b>151,289,720</b>
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## D) Accruals and deferrals

	197,687	173,379
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<b>Total assets</b>	<b>200,086,746</b>	<b>154,049,389</b>
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## BALANCE SHEET ASSETS

31/12/2018

31/12/2017

## A) Shareholders' equity

I. Share capital	5,000,000	5,000,000
IV. Legal reserve	374,171	374,171
VI - Other reserves, indicated distinctly		
Capital payments	925	925
Reserve for payments made by shareholders	5,000,000	0
Various other reserves	421,076	421,076
<b>Total other reserves</b>	<b>5,422,001</b>	<b>422,001</b>
VII - Reserve, hedging of expected financial flows	(52,605)	57,267
VIII - Retained earnings (losses)	5,812,746	7,109,241
IX - Profit (loss) for the year	(1,796,800)	(1,296,495)
<b>Total shareholders' equity</b>	<b>14,759,512</b>	<b>11,666,185</b>

## B) Provisions for risks and charges

2) for taxes, including deferred	200	1,101
3) derivatives	552,156	396,186
4) others	221,327	221,327
<b>Total provisions for risks and charges</b>	<b>773,683</b>	<b>618,614</b>

## C) Employee severance indemnity

	254,554	222,012
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## D) Payables

4) payables to banks		
due by the end of the next financial year	59,529,112	49,273,789
<b>Total payables to banks</b>	<b>59,529,112</b>	<b>49,273,789</b>
6) advances		
due by the end of the next financial year	273,000	0
<b>Total advances</b>	<b>273,000</b>	<b>0</b>

The English version is a translation of the original Italian text for information purposes only. In case of any discrepancy, the original Italian text will apply.

## BALANCE SHEET ASSETS

31/12/2018

31/12/2017

7) trade payables		
due by the end of the next financial year	109,745,983	83,996,222
<b>Total trade payables</b>	<b>109,745,983</b>	<b>83,996,222</b>
11) payables to parent companies		
due by the end of the next financial year	13,289,771	6,197,019
<b>Total payables to parent companies</b>	<b>13,289,771</b>	<b>6,197,019</b>
12) tax payables		
due by the end of the next financial year	74,307	749,393
<b>Total tax payables</b>	<b>74,307</b>	<b>749,393</b>
13) payables to pension and social-security institutions		
due by the end of the next financial year	98,545	83,714
<b>Total payables to pension and social-security institutions</b>	<b>98,545</b>	<b>83,714</b>
14) other payables		
due by the end of the next financial year	1,267,294	267,656
due after the end of the next financial year	0	931,268
<b>Total other payables</b>	<b>1,267,294</b>	<b>1,198,924</b>
<b>Total payables</b>	<b>184,278,012</b>	<b>141,499,061</b>

## E) Accrued expenses and deferred income

	20,985	43,518
<b>Total liabilities</b>	<b>200,086,746</b>	<b>154,049,390</b>



## BALANCE SHEET ASSETS

31/12/2018

31/12/2017

## A) Value of production

1) revenue from sales and services	889,262,972	845,811,373
5) other revenue and income		
others	147,696	1,137,580
<b>Total other revenues and income</b>	<b>147,696</b>	<b>1,137,580</b>
<b>Total value of production</b>	<b>889,410,666</b>	<b>846,948,953</b>

## B) Cost of production

6) raw and subsidiary materials, consumables and goods	858,203,558	826,409,890
7) services	28,900,843	28,888,103
8) use of third-party assets	381,922	367,912
9) personnel		
a) wages and salaries	1,655,903	1,495,471
b) social security contributions	473,920	406,970
c) employee severance indemnity	46,984	36,352
d) provisions for pensions and similar obligations	91,493	99,292
e) other costs	40,500	42,966
<b>Total personnel costs</b>	<b>2,308,800</b>	<b>2,081,051</b>
10) amortisation, depreciation and write-downs		
a) amortisation of intangible fixed assets	91,472	83,447
b) depreciation of property, plant and equipment	42,498	26,510
<b>Total amortisation, depreciation and write-downs</b>	<b>133,970</b>	<b>109,957</b>
11) changes in inventories of raw and subsidiary materials, consumables and goods	1,184,673	(10,381,961)
14) other operating expenses	421,312	428,707
<b>Total costs of production</b>	<b>891,535,078</b>	<b>847,903,659</b>
<b>Difference between the value and costs of production (A - B)</b>	<b>(2,124,412)</b>	<b>(954,706)</b>

## C) Financial income and expense

16) other financial income		
d) income other than the above		
others	26,303	36,829
<b>Total income other than the above</b>	<b>26,303</b>	<b>36,829</b>
<b>Total other financial income</b>	<b>26,303</b>	<b>36,829</b>
17) interest and other financial expenses		
due from subsidiaries	1,047	0
others	196,790	316,936
<b>Total interest and other financial expenses</b>	<b>197,837</b>	<b>316,936</b>
17-bis) exchange gains (losses)	(2,047)	(7,170)
<b>Total financial income and expense (15 + 16 - 17 + - 17-bis)</b>	<b>(173,581)</b>	<b>(287,277)</b>

## D) Value adjustments of financial assets and liabilities

18) revaluations		
d) of derivatives	46,359	224,765
<b>Total revaluations</b>	<b>46,359</b>	<b>224,765</b>
19) write-downs		
d) of derivatives	103,365	746,137
<b>Total write-downs</b>	<b>103,365</b>	<b>746,137</b>
<b>Total value adjustments of financial assets and liabilities (18 - 19)</b>	<b>(57,006)</b>	<b>(521,372)</b>

<b>Profit (loss) before tax (A - B + - C + - D)</b>	<b>(2,354,998)</b>	<b>(1,763,355)</b>
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<b>20) Income taxes for the year: current, deferred and prepaid</b>		
taxes related to previous years	0	(38,698)
deferred and prepaid taxes	(558,198)	(428,162)
<b>Total income taxes for the year: current, deferred and prepaid</b>	<b>(558,198)</b>	<b>(466,860)</b>

<b>21) Profit (loss) for the year</b>	<b>(1,796,800)</b>	<b>(1,296,495)</b>
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**Cash Flow Statement (indirect method)***A) Cash flows from operating activities (indirect method)*

Profit (loss) for the year	-1,796,800	-1,296,495
Income tax	-558,198	-466,860
Interest expense/(income)	171,534	280,107

## 1) Profit (Loss) for the year before income tax,

interest, dividends and capital gains/losses from disposals	-2,183,464	-1,483,248
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Adjustments for non-monetary elements with no  
balancing entries in net working capital

Amortisation/depreciation of fixed assets	133,970	109,957
Value adjustments for derivative assets and liabilities not involving monetary movements	57,006	521,372
Other adjustments increasing/(decreasing) non-monetary elements	138,476	36,352

**Total adjustments for non-monetary elements with  
no balancing entries in net working capital**

<b>329,452</b>	<b>146,309</b>
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## 2) Cash flow before changes in net working capital

-1,854,012	-1,336,939
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## Changes in net working capital

Decrease/(Increase) in inventories	1,184,673	-10,381,961
Decrease/(Increase) in receivables from customers	-32,862,490	-14,837,965
Increase/(Decrease) in trade payables	25,749,762	11,675,095
Decrease/(Increase) in accrued income and prepaid expenses	-24,308	-13,496
Increase/(Decrease) in accrued expenses and deferred income	-22,532	-40,141
Other decreases/(increases) in net working capital	-1,323,672	2,676,822

**Total changes in net working capital**

<b>-7,298,567</b>	<b>-12,050,982</b>
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## 3) Cash flow after changes in net working capital

-9,152,579	-13,387,921
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## Other adjustments

Interest received/(paid)	-175,288	-280,107
(Income tax paid)	-16	-280,098
Other collections/(payments)	-102,180	14,678

**Total other adjustments**

<b>-277,484</b>	<b>545,527</b>
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**Cash flow from operating activities (A)**

<b>-9,430,063</b>	<b>-13,933,448</b>
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## BALANCE SHEET ASSETS

31/12/2018

31/12/2017

*B) Cash flows from investment activities*

Property, plant and equipment (Investments)	-52,199	-94,014
Intangible fixed assets (Investments)	-9,600	-48,934
Financial fixed assets (Investments)	0	-306,000

<b>Cash flow from investment activities (B)</b>	<b>-61,799</b>	<b>-448,948</b>
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*C) Cash flows from financing activities*

Equity	5,000,000	
Third party funding		
Opening of intra-group loans payable	6,001,047	
Increase/(Decrease) in short-term payables due to banks	10,255,323	16,320,667

<b>Cash flow from financing activities (C)</b>	<b>21,256,370</b>	<b>16,320,667</b>
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<b>Increase (decrease) in cash and cash equivalents (A ± B ± C)</b>	<b>11,764,508</b>	<b>1,938,271</b>
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*Cash and cash equivalents at the beginning of the year*


Bank and postal deposits	5,593,062	3,654,171
Cash and cash equivalents on hand	633	1,253
<b>Total cash and cash equivalents at the beginning of the year</b>	<b>5,593,695</b>	<b>3,655,424</b>

*Cash and cash equivalents at year end*

Bank and postal deposits	17,357,372	5,593,062
Cash and cash equivalents on hand	830,78	633
<b>Total cash and cash equivalents at year end</b>	<b>17,358,203</b>	<b>5,593,695</b>

Milan, 28 February 2018

For the Board of Directors  
The Chief Executive Officer  
Libutti Michele



Notes to the  
Financial Statements  
at 31/12/2018

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## EXPLANATORY NOTES, FIRST PART

### Introduction

The financial statements, subject to your review and approval, show a loss for the year of euro 1,796,800.

The company is not subject to management and coordination by the Sole Shareholder pursuant to art. 2497 of the Italian Civil Code.

### Business activities

Your company's purpose is the creation and use of energy and gas production plants, the strategic structuring of energy and gas supply contracts, as well the creation of distribution structures, the sale and distribution of oil and natural gas products, and the purchase and sale of energy and natural gas.

### Significant events during the year

During 2018 the company recorded a decline in profit margins owing to contingent events, which mainly occurred in the first quarter owing to higher-than-average temperatures in the period which determined a reduction in sales to residential customers and owing to the Burián, the icy north-eastern wind, which forced the company, in order to cover peak demand from its customers, to purchase on the market further quantities at a higher price than the selling price. For more information please see the paragraph "Operating performance" in the Report on Operations.

### Structure and content of the Annual Financial Statements

The financial statements for the year ending 31/12/2018, consisting of the Balance Sheet, Income Statement, Cash Flow Statement and Explanatory Notes, correspond with the entries in the accounting records kept regularly and were prepared in compliance with the provisions found in arts. 2423 and 2423-bis of the Italian Civil Code, as well as the accounting standards and recommendations prepared by the Italian Accounting Board (OIC).

The financial statements were prepared on a going concern basis.

Their structure is compliant with that outlined by the Italian Civil Code in arts 2424 and 2425, on the basis of the premises laid down in art. 2423-ter, while the Explanatory Notes are compliant with the content provided for in arts 2427 and 2427-bis, and in all the other provisions that make reference to them.

The entire document, in its constituent parts, was prepared to offer a true and accurate picture of the company's equity and financial situation, as well as its economic results during the year, providing additional information complementary to this goal when necessary.

Pursuant to article 2423-ter, the amount for the previous financial year is indicated for each item. With regard to information on the company's economic and financial performance and relationships and transactions occurring with related parties, please refer to the Report on Operations.

### Accounting standards

In compliance with the provisions of article 2423-bis of the Italian Civil Code, the following standards were observed when preparing the Financial Statements:

- the valuation of individual items was performed in compliance with the general principles of prudence and on a going concern basis, as well as bearing in mind the substance of the transaction or contract;
- only profits effectively realised during the year were recognised;
- income and expenses accruing during the year were indicated, regardless of their actual date of payment;
- risks and losses accruing during the year were taken into account, even if only discovered after the end of the year;
- heterogeneous elements included in the various items of the financial statements were measured distinctly.

The measurement criteria provided for in art. 2426 of the Italian Civil Code were kept unaltered with respect to those adopted in the previous financial year.

The Annual Financial Statements, as well as these Notes, were prepared in euro units.

### Measurement criteria adopted

In preparing these Financial Statements, the measurement criteria envisaged in article 2426 of the Italian Civil Code were applied.

The accounting items were measured on the basis of general criteria of prudence and accrual, in the prospect of the company continuing as a going concern.

The application of the principle of prudence gave rise to the individual valuation of the elements making up the individual entries or items of the assets or liabilities in order to avoid offsets between losses to be acknowledged and profits not to be acknowledged given that they were not achieved. In compliance with the accruals concept, the effect of transactions and other events was booked and attributed to the financial year in which such transactions and events took place and not that in which the relevant accounting entries are made (collections and payments).

In application of the principle of significance the obligations on the subject of recognition, measurement, presentation and disclosure were not observed when their observance had insignificant effects in giving a true and correct picture.

Significance is assessed by the directors with reference to the reasonable possibility that a certain item of information will influence the decisions that potential users of the financial statements take on the basis of this information.

The measurement, therefore, considers each time both quantitative factors (namely the value of the item) and qualitative factors (associated with specific factors of the company).

Some of the main declinations of the principle of significance in preparing the company's financial statements are the following:

The amortised cost was not applied in the following items:

- 1) Amounts due from subsidiaries and parent companies, because, in relation to the amount of these receivables, the contractual rates do not differ significantly from the market rates at the moment of signing;
- 2) Financial payables, because they were all entered into at market rates and without significant transaction costs;
- 3) Trade receivables of Current Assets and Trade payables, because they mature within twelve months and the effects would be insignificant.

The continuity in the application of the valuation criteria over time represents a necessary element for the purposes of comparability of the company's financial statements in the various financial years.

The accounting items were recognised and presented taking into account the substance of the operation or contract.



**Intangible fixed assets**

Intangible fixed assets were recognised at the cost of acquisition, including directly attributable ancillary expenses. The related amounts were recognised net of amortisation, systematically calculated on the basis of the rates indicated below, taking their residual possibilities of use into account.

Industrial patent and intellectual property rights, licences, concessions and trademarks are amortised with an annual rate differentiated according to the estimated useful life:

- 33% in relation to assets with an estimated useful life of three financial years;
- 20% in relation to assets with an estimated useful life of five financial years.

Start-up and expansion costs, with long-term benefits were recognised under assets with the consent of the Board of Statutory Auditors and were amortised over a period of 5 years.

No changes were made to amortisation rates with respect to the previous financial year.

Improvements to third-party assets are amortised according to rates that depend on the duration of the contract.

Under the terms of point 5) of art. 2426, we note that no dividends were distributed that exceeded available reserves able to cover the amount of the said non-amortised costs.

Fixed assets for which the value as of the reporting date was found to be permanently lower with respect to the value as determined above were recognised at this lower value. If the reasons for the write-down cease to exist in future years, it is not maintained.

**Property, plant and equipment**

Property, plant and equipment items are recognised in the Financial Statements at the purchase cost. This cost includes ancillary expenses and directly attributable costs.

The related amounts are recognised net of depreciation, systematically calculated on the basis of the rates indicated below, in relation to their residual possibility of use, taking into consideration the use, destination and economic/technical duration of the assets.

Description	Rate applied
Plant and machinery (office and electronic machines)	20%
Other assets	
- Furniture and fittings	20%
- Electronic office machines	20%
- Mobile phones	33%

No changes were made to depreciation rates with respect to the previous financial year.

Fixed assets for which the value as of the reporting date was found to be permanently lower with respect to the value as determined above were recognised at this lower value. If the reasons for the write-down cease to exist in future years, it is not maintained.

**Financial fixed assets**

Financial fixed assets consisting of equity investments in subsidiaries and associates were measured using the cost method, including ancillary charges. The book value is determined on the basis of the purchase or subscription price or the value attributed to the assets transferred.

The cost as determined above is reduced when lasting losses in value are determined. If the reasons for the adjustment made cease to exist, the value of the equity investment is restored up to the purchase cost.

The value determined in this way is not higher than the value that would be determined applying the criteria envisaged in art. 2426, point 4, of the Italian Civil Code.

**Inventories**

Inventories of "Finished products and goods" made up of quantities of stored gas, are recognised at the lower of the purchase cost, including directly attributable ancillary expenses, and the estimated realisable value taken from market trends.

Finished products were recognised applying the weighted average cost method.

**Receivables**

The amortised cost criterion and the discounting process, as already highlighted in the measurement criteria, were not applied because the effects are insignificant for the purpose of giving a true and correct picture. Receivables are therefore stated at their estimated realisable value. The measurement of receivables takes into account the estimated realisable value, through the allocation of a specific provision for impairment, to which an amount corresponding to the risk of not collecting the receivables recognised in the financial statements is allocated annually, in relation to general economic conditions and the related sector, as well as the origins of the debtor.

**Cash and cash equivalents**

This item includes cash and cash equivalents and monetary deposits in accounts the company holds with credit institutions, all expressed at their nominal value, duly converted into the national currency in the case of accounts in other currencies.

**Accruals and deferrals**

Accruals and deferrals are determined following the accruals concept.

In relation to multi-year accruals and deferrals, the amount original recognised was verified and when necessary appropriate adjustments were made.

**Provisions for risks and charges**

Provisions are allocated to cover losses or liabilities of a determinate nature, which are certain or

likely to exist, but for which at the end of the financial year the amount or date of payment cannot be determined. In measuring these provisions, the general criteria of prudence and accrual were observed, and no generic provisions for risks were established without an economic justification.

### **TFR (Employee Severance Indemnity)**

The provisions for TFR (employee severance indemnity) corresponds to the company's effective commitment related to each employee, determined in compliance with current legislation and in particular with the provisions of art. 2120 of the Italian Civil Code and the collective employment and supplementary company contracts.

This liability is subject to revaluation based on indices.

### **Payables**

The amortised cost criterion and the discounting process, as already highlighted in the measurement criteria, were not applied because the effects are insignificant for the purpose of giving a true and correct picture.

Payables are therefore shown at their nominal value, possibly modified, as regards trade payables, on the occasion of invoicing adjustments.

### **Derivatives**

Derivatives are activated in order to guarantee the hedging of risks underlying the oscillation of selling prices.

A derivative financial instrument hedging the cash flows or the fair value of an asset follows the classification, in current or fixed assets, of the asset hedged; a derivative financial instrument hedging the cash flows and the fair value of a liability, an irrevocable commitment or a highly probable planned transaction is classified in current assets, as is a derivative financial instrument not for hedging. In the case of negative fair value, such instruments are recognised as liabilities among provisions for risks.

Fair value changes in derivatives are recognised in the income statement in section D) "Value adjustments of financial assets and liabilities", while fair value changes in the effective component of derivatives hedging financial flows recognised in shareholders' equity are recognised under the item *Reserve, hedging of expected cash flows*.

### **Recognition of revenues and costs**

Revenues and income are recognised net of returns, discounts and rebates, as well as of taxes directly associated with the sale of products and provision of services.

Specifically:

- revenues for the provision of services are recognised on the basis of the actual provision and in

accordance with the related contracts. revenues related to contract work in progress are recognised in proportion to the progress of the work;

- revenues from the sale of products are recognised at the time ownership is transferred, which normally corresponds with the delivery or shipping of the product;
- costs are recognised based on the accruals concept;
- allocations to provisions for risks and expenses are recognised based on their nature, when possible, in the appropriate class within the income statement;
- financial income and expenses are recognised on an accrual basis.

### Income tax

Income tax for the year is recognised in application of the accruals concept, determined by applying the current provisions under the law and based on an estimate of taxable income. The payable is recognised in the Balance Sheet under the item "tax payables", and the receivable under the item "tax credits".

With reference to the recognition of tax effects deriving from temporal differences between the recognition of economic components in the financial statements and the moment the same become fiscally relevant we note the following.

Deferred tax liabilities are calculated on the basis of temporary taxable differences, applying the tax rate that it is believed will be in effect at the moment these temporary differences generate increases in the taxable base.

Following the principle of prudence, deferred tax assets are calculated on temporary deductible differences, applying the tax rate that it is believed will be in effect at the moment these differences generate a decrease in the taxable amount, based on the principle of reasonable certainty that future taxable income will exist in an amount sufficient to reabsorb said changes.

The amount of deferred tax assets is reviewed every year to verify that the reasonable certainty of achieving future taxable income still exists in order to be able to recover the entire amount of deferred tax assets.

The amount of deferred tax assets and liabilities is also subject to redetermination in the case of a change in the tax rates originally used.

For corporation tax (IRES) purposes, the company subscribed in 2015 to the "national tax consolidation regimen" pursuant to arts. 117 to 129 of the Income Tax Consolidation Act (TUIR), together with the company Weedoo S.p.A., a company 51% controlled, entailing the calculation of a single taxable base for the group of companies subscribing to the said regimen, and only the consolidating company is allocated the obligations relating to the calculation and payment of the Group's corporate income tax, as well as settling the balances and advance payments due for the

said tax. This option was renewed tacitly, following the introduction of art. 7-quater of Italian Law Decree 193/2016.

The economic relations, together with the reciprocal responsibilities and obligations between the company and the consolidated company, are set out in the tax consolidation contract for the Group's companies.

Based on the above, current corporate income tax is calculated according to the accruals concept, based on the company's year-end result, not taking into account that it belongs to the tax consolidation regimen, and charged to the its income statement. Regional business tax (IRAP) does not fall within the scope of the tax consolidation, and the effects of this tax have therefore only been stated in the company's income statement according to the regulations that were originally in effect.

## EXPLANATORY NOTES, ASSETS

## Fixed assets

*Intangible fixed assets*

The structure of intangible fixed assets and changes during the year are highlighted in the table below.

Accounting item	Opening balance	Increases	Decreases	Closing balance
Concessions, licences, trademarks and similar rights	227,626	28,600	-75,807	180,419
Investments in progress and advances	19,000		-19,000	-
Other intangible fixed assets	113,330		-15,666	97,664
<b>Total</b>	<b>359,956</b>	<b>28,600</b>	<b>-110,472</b>	<b>278,083</b>

Intangible fixed assets at 31/12/2018 amounted to euro 278,083 (euro 359,956 at the end of the previous financial year) net of amortisation.

Intangible fixed assets include start-up and expansion costs as well as licenses for software and management applications related to the creation of the ETRM (Energy Trading Risk Management) system, the invoicing system and Customer Relationship Management (CRM), as well as expenses to improve third-party assets.

### Changes in intangible fixed assets

The following table indicates changes in intangible fixed assets (article 2427, paragraph 2, of the Italian Civil Code).

	Start-up and expansion costs	Concessions, licences, trademarks and similar rights	Intangible investments in progress and advances	Other intangible fixed assets	Total intangible fixed assets
<b>Value at start of year</b>					
Cost	8,727	499,002	19,000	253,290	780,019
Amortisation (provision for amortisation)	8,727	264,686	-	139,510	412,924
Write-downs	-	6,690	-	450	7,140
Book value	-	227,626	19,000	113,330	359,956
<b>Change during the year</b>					
Increase due to acquisitions	-	9,600	-	-	28,600
Amortisation during the year	-	75,806	-	15,666	91,472
Re-classifications	-	19,000	(19,000)	-	-
Total changes	-	(47,207)	(19,000)	(15,666)	(81,873)
<b>Value at year end</b>					
Cost	8,727	527,602	-	253,290	789,619
Amortisation (provision for amortisation)	8,727	340,493	-	155,176	504,396
Write-downs	-	6,690	-	450	7,140
Book value	-	180,419	0	97,664	278,083

Intangible investments in progress and advances, which in the previous financial year amounted to euro 19,000, during the year were counted as increases to the item "Concessions, licenses, trademarks and similar rights".



**Property, plant and equipment**

The structure of property, plant and equipment and changes during the year are highlighted in the table below.

Accounting item	Opening balance	Increases	Decreases	Closing balance
Other assets	151,501	52,199	42,498	161,202
<b>Total</b>	<b>151,501</b>	<b>52,199</b>	<b>42,498</b>	<b>161,202</b>

Property, plant and equipment, net of provisions for depreciation, amounted to euro 161,202 (euro 151,501 at the end of the previous year).

**Changes in property, plant and equipment**

The table below indicates the components that were included when determining the net book value in the financial statements (article 2427, paragraph 2, of the Italian Civil Code).

	Plant and machinery	Other property, plant and equipment	Total property, plant and equipment
<b>Value at start of year</b>			
Cost	1,700	302,021	303,721
Depreciation (provision for depreciation)	1,190	149,623	150,813
Write-downs	510	898	1,408
Book value	-	151,500	151,500
<b>Change during the year</b>			
Increase due to acquisitions	-	52,199	52,199
Depreciation during the year	-	42,497	42,498
Total changes	-	9,701	9,701
<b>Value at year end</b>			
Cost	1,700	354,219	355,919
Depreciation (provision for depreciation)	1,190	192,120	193,310
Write-downs	510	898	1,408
Book value	-	161,202	161,202

The table below provides details of the accounting item "Other assets", with an indication of the changes that occurred in the single components.

Description	Furniture and fittings	IT electronic office machines	Mobile telephones	Other electronic office machines	Total other fixed assets
Historical cost	26,448	235,985	14,920	24,668	302,021
Initial provision for depreciation	8,662	111,784	9,176	20,000	149,622
Write-downs in previous years		284		614	898
Balance at start of year	17,786	123,917	5,744	4,054	151,501
Acquisitions during the year		44,877	4,050	3,272	52,199
Depreciation during the year	9,803	26,015	2,385	4,295	42,498
<b>Closing balance</b>	<b>7,983</b>	<b>142,779</b>	<b>7,409</b>	<b>3,031</b>	<b>161,202</b>

### *Financial fixed assets*

The item financial fixed assets consists of equity investments and derivatives as shown in the table below.

Financial statement items	Opening balance	Increases	Decreases	Closing balance
Equity investments in:				
a) subsidiaries	2,017,566			2,017,566
Derivatives	57,267		-57,267	-
<b>Total</b>	<b>2,074,833</b>		<b>-57,267</b>	<b>2,017,566</b>

Below we provide information and detailed tables for the individual items.

**Changes in equity investments, other securities and financial derivatives held for investment**

Equity investments recognised in fixed assets represent lasting and strategic investments by the company. Their total value at 31/12/2018 came to euro 2,017,566 (and remained unchanged compared to the end of the previous year).

The table below indicates the components that were included when determining the net book value in the financial statements (article 2427, paragraph 2, of the Italian Civil Code).

	Equity investments in subsidiaries	Total equity investments	Derivatives
<b>Value at start of year</b>			
Cost	2,017,566	2,017,566	57,267
Book value	2,017,566	2,017,566	57,267
<b>Change during the year</b>			
Other changes during the year	-	-	(57,267)
Total changes	-	-	(57,267)
<b>Value at year end</b>			
Cost	2,017,566	2,017,566	-
Book value	2,017,566	2,017,566	0

### Details on equity investments in subsidiaries

Equity investments in subsidiaries are measured at the purchase cost.

Pursuant to art. 2427, paragraph 5 of the Italian Civil Code, below we provide information on equity investments in subsidiaries, held directly or indirectly, and recognised under financial fixed assets.

Name	City, if in Italy, or foreign country	Tax ID no. (for Italian companies)	Share capital in euro	Profit (loss) last financial year, in euro	Shareholders' equity in euro	Stake held in euro	Stake held as a %	Book value or corresponding receivable
Weedoo S.p.A.	Milan	8961560961	1,000,000	(677,711)	2,345,811	510,000	51.00%	2,017,566
<b>Total</b>								<b>2,017,566</b>

The data of the Weedoo S.p.A. table refer to 31.12.2017 in relation to the latest financial statements approved.

The company decided that it did not have to write down the value of the equity investment in Weedoo S.p.A., even though it is recognised in the accounts at a value higher than the related portion of shareholders' equity, as it represents a strategic and lasting investment for the company, while waiting for it to reach the break-even point foreseen in the coming years.

We can note that the subsidiary Weedoo carried out an impairment test on its investment in SMG S.r.l. in order to assess the higher price paid on purchase, with respect to the stake held in shareholders' equity. The Impairment test was carried out discounting to the present the expected cash flows (DCF Method) which will be generated by the subsidiary as defined in the 2019-2023 development plan. From this measurement there emerges a positive difference between the percentage pertaining of the value of SMG determined with the DCF Method, and the book value of the equity investment in the accounts.

## Current assets

### *Inventories*

Pursuant to art. 2427, paragraph 4 of the Italian Civil Code, below we provide a breakdown of the item in question.

	Value at start of year	Change during the year	Value at year end
Finished products and goods	27,979,431	(1,184,673)	26,794,758
<b>Total inventories</b>	<b>27,979,431</b>	<b>(1,184,673)</b>	<b>26,794,758</b>

Note that the criteria adopted to measure individual items led to the recognition of values that are not significantly different from the current costs of the assets determined as of the reporting date (article 2426, paragraph 10, Italian Civil Code).

### *Receivables recognised in current assets*

#### Changes and maturity of receivables recognised in current assets

Below we note the structure, changes and maturity of receivables recognised in the current assets (article 2427, paragraphs 4 and 6, Italian Civil Code).

	Value at start of year	Change during the year	Value at year end	Portion due within the year
Receivables from customers recognised in current assets	113,695,682	32,862,490	146,558,172	146,558,172
Receivables from subsidiaries recognised in current assets	1,121,656	638,367	1,760,023	1,760,023
Receivables from parent companies recognised in current assets	403,887	-162,879	241,008	241,008
Tax credits recognised in current assets	759,027	1,803,526	2,562,553	2,562,553
Deferred tax assets recognised in current assets	497,268	557,297	1,054,565	
Receivables from others recognised in current assets	1,196,028	-182,508	1,013,520	1,013,520
<b>Total receivables recognised in current assets</b>	<b>117,673,548</b>	<b>35,516,294</b>	<b>153,189,841</b>	<b>152,135,277</b>

The adjustment of receivables to their estimated realisable value is obtained by using the appropriate provisions for impairment of receivables - determined through a valuation of the specific risk of collectability and taking into consideration the general economic conditions and those of the industry.

The increase in receivables due from customers is due to an increase in turnover in 2018, compared to the same period of the previous year.

The amount of receivables recognised in current assets takes account both of credit notes to be issued and of provisions for impairment of receivables set aside for euro 13,794, which during the year did not undergo any change.

As at 31/12/2018, no receivables had a duration of more than five years.

The item Receivables from subsidiaries is made up as follows:

Description	Previous financial year	Change	Current financial year
<b>Receivables from subsidiaries</b>			
Receivables from Weedoo S.p.A.	132,559	<b>323,881</b>	456,439
Receivables from SMG S.r.l.	989,097	<b>314,487</b>	1,303,584
<b>Total receivables from subsidiaries</b>	1,121,655	<b>638,368</b>	1,760,023

We must specify that the item from Weedoo S.p.A. of euro 456,439 includes an interest-bearing loan of euro 204,000 remunerated at a fixed rate of 2%.

The item Receivables from parent companies consists only of trade receivables.

The item Tax Credits is made up as follows:

Description	Previous financial year	Change	Current financial year
Withholdings made	254	17	271
IRES advances	169,808	-	169,808
IRAP advances	75,985	-	75,985
VAT credits	510,723	1,188,090	1,698,813
Other tax credits	2,257	615,420	617,677
Rounding		-1	-1
<b>Total</b>	<b>759,027</b>	<b>1,803,526</b>	<b>2,562,553</b>

The item Other tax credits, during 2018, increased because the amounts related to duties were reclassified; these, in the previous financial year, were included among payables.

The item receivables from others of euro 1,013,520 consists of guarantee deposits strictly linked to operations related to the business.

### Breakdown of receivables in current assets by geographical area

Receivables in current assets break down as follows based on the geographical area in which the debtor operates (article 2427, paragraph 6, Italian Civil Code):

Geographical area	Italy	EU (without Italy)	Non-EU	Total
Receivables from customers recognised in current assets	106,285,517	31,070,516	9,202,139	146,558,172
Receivables from subsidiaries recognised in current assets	1,760,023	-	-	1,760,023
Receivables from associates recognised in current assets		-	-	
Receivables from parent companies recognised in current assets		241,008		241,008
Tax credits recognised in current assets	2,562,553	-	-	2,562,553
Deferred tax assets recognised in current assets	1,054,565	-	-	1,054,565
Receivables from others recognised in current assets	1,013,520	-	-	1,013,520
<b>Total receivables recognised in current assets</b>	<b>112,676,178</b>	<b>31,311,524</b>	<b>9,202,139</b>	<b>153,189,841</b>

**Financial assets not classified as fixed assets****Changes in financial assets not classified as fixed assets**

Below is a table indicating the structure and changes in financial assets not classified as fixed assets (article 2427, paragraph 4, Italian Civil Code).

	Value at start of year	Change during the year	Value at year end
Derivatives not classified as fixed assets	43,047	46,359	89,406
<b>Total financial assets not classified as fixed assets</b>	<b>43,047</b>	<b>46,359</b>	<b>89,406</b>

For more information reference is made to the paragraph "Information on derivatives, pursuant to article 2427-bis of the Italian Civil Code".

**Cash and cash equivalents**

The balance as detailed below indicates the amount and changes in cash and cash equivalents existing at the end of the year (article 2427, paragraph 4, Italian Civil Code).

	Value at start of year	Change during the year	Value at year end
Bank and postal deposits	5,593,062	11,764,310	17,357,372
Cash on hand and other cash equivalents	633	198	831
<b>Total cash and cash equivalents</b>	<b>5,593,695</b>	<b>11,764,508</b>	<b>17,358,203</b>



**Accrued income and prepaid expenses**

The structure and changes to the item in question are shown below (article 2427, paragraph 7, Italian Civil Code):

	Value at start of year	Change during the year	Value at year end
Prepaid expenses	173,379	24,308	197,687
<b>Total accrued income and prepaid expenses</b>	<b>173,379</b>	<b>24,308</b>	<b>197,687</b>

As at 31/12/2018, no accruals and deferrals had a duration of more than five years, nor were these any significant amounts with duration beyond the subsequent financial year.

Description	Previous financial year	Current financial year	Change
Prepaid expenses:			
- for rents paid and service charges	39,000	39,000	-
- for technical consulting	33,237	29,652	(3,585)
- for sureties	37,284	71,045	33,761
- for databases	27,589	17,997	(9,592)
- for employee insurance	10,484	14,708	4,224
- for car leasing fees and others	25,785	25,285	(500)
<b>Total</b>	<b>173,379</b>	<b>197,687</b>	<b>24,308</b>

**Capitalised financial expenses**

No financial expenses were booked in the period.

## EXPLANATORY NOTES, LIABILITIES AND SHAREHOLDERS' EQUITY

## Shareholders' equity

## Changes in shareholders' equity items

Shareholders' equity, at the end of the year, amounted to euro 14,759,512, showing the following changes (article 2427, paragraph 4, Italian Civil Code).

	Value at start of year	Other changes	Profit (loss) for the year	Value at year end
		Increases		
Share capital	5,000,000	0		5,000,000
Legal reserve	374,171	0		374,171
Other reserves				
Capital payments	925	0		925
Reserve for payments made by shareholders		5,000,000		5,000,000
Various other reserves	421,076	0		421,076
Total other reserves	422,001	5,000,000		5,422,001
Reserve, hedging of expected cash flows	57,267	-109,872		-52,605
Retained profits (losses)	7,109,241	-1,296,495		5,812,746
Profit (loss) for the year	-1,296,495	1,296,495	-1,796,800	-1,796,800
<b>Total shareholders' equity</b>	<b>11,666,185</b>	<b>4,890,128</b>	<b>-1,796,800</b>	<b>14,759,512</b>

On 20/09/2018 the company received a capital payment of euro 5,000,000 from the shareholder.

### Availability and use of shareholders' equity

In particular, we provide details on the reserves which make up shareholders' equity, specifying their origins and nature, possibility of use and limits on distribution, as well as any utilisation during the three previous years (article 2427, paragraph 7-bis, Italian Civil Code):

*Key Origin/nature column: C = Capital reserve; U = profit reserve.*

	Amount	Origin/ nature	Possibility of use	Portion available	Utilisation in the three previous years - to cover losses	Utilisation in the three previous years - for other reasons
Share capital	5,000,000			-		
Legal reserve	374,171	U	A,B	374,171		
Other reserves						
Capital payments	925	C	A,B	925		
Reserve for payments made by shareholders	5,000,000	C	A,B,C,	5,000,000		
Various other reserves	421,076	C	A,B,C,	421,076		
Total other reserves	5,422,001					
Reserve, hedging of expected cash flows	-52,605	U	A,B	-		
Retained profits (losses)	5,812,746	U	A,B,C,	5,812,746		
<b>Total</b>	<b>16,556,313</b>			<b>11,608,918</b>		
Non-distributable portion				427,701		

*Key: A: for capital increase, B: to cover losses, C: for distribution to shareholders  
D: for other statutory requirements E: other*

At 31/12/2018 the share capital was fully subscribed and paid up and is represented by 5,000,000 shares with a value of 1 euro.

## Provisions for risks and charges

The structure and changes in the individual items are shown in the table below (article 2427, paragraph 4, Italian Civil Code).

	Provisions for taxes, including deferred	Derivatives	Other provisions	Total provisions for risks and charges
Value at start of year	1,101	396,186	221,327	618,614
Change during the year				
Other changes	(901)	155,970	-	155,069
Total changes	(901)	155,970	-	155,069
<b>Value at year end</b>	<b>200</b>	<b>552,156</b>	<b>221,327</b>	<b>773,683</b>

Provisions for taxes include liabilities for deferred taxes of euro 200.

Details on provisions for deferred taxes can be found in the section within these Notes on exposure to the effects of deferred taxes.

The present table provides details on the item related to other provisions for risks and charges, as well as the changes occurring with respect to the previous financial year (article 2427, paragraph 7, Italian Civil Code). During financial year 2018 no changes were recorded.

Description	Previous financial year	Change	Current financial year
Provisions other than the above	221,327	-	221,327
<b>Total</b>	<b>221,327</b>		<b>221,327</b>

The provisions for charges refer for euro 221,327 to the allocation related to a potential liability due to Stoccaggi Gas Italia (Stogit) in relation to an appeal, presented by Stogit, pending at the Regional Court of Lombardy for the annulment of the AEEGSI resolution 114/2014/R/gas.

**Employee severance indemnity**

The provisions allocated represent the actual amount owed by the company, as at 31/12/2018, to employees in the workforce at this date, net of advances paid.

The structure and use are both detailed in the table below (article 2427, paragraph 4, Italian Civil Code).

	<b>Employee severance indemnity</b>
Value at start of year	222,012
Change during the year	
Provisions set aside during the financial year	46,984
Other changes	(14,442)
Total changes	32,542
<b>Value at year end</b>	<b>254,554</b>

## Payables

### Changes in payables and maturity

The structure of payables, changes in individual items and breakdown by maturity are shown in the table below (article 2427, paragraph 4, Italian Civil Code).

	Value at start of year	Change during the year	Value at year end	Portion due within the year
Payables to banks	49,273,789	10,255,323	59,529,112	59,529,112
Advance payments	0	273,000	273,000	273,000
Trade payables	83,996,222	25,749,761	109,745,983	109,745,983
Payables to parent companies	6,197,019	7,092,752	13,289,771	13,289,771
Tax payables	749,393	-675,086	74,307	74,307
Payables to pension and social security agencies	83,714	14,831	98,545	98,545
Other payables	1,198,924	68,370	1,267,294	1,267,294
<b>Total payables</b>	<b>141,499,061</b>	<b>42,778,952</b>	<b>184,278,012</b>	<b>184,278,012</b>

Payables to banks at 31/12/2018, amounting to euro 59,529,112 – maturing within the next year – include loans for commercial transactions totalling euro 45,308,356, and a documentary advance recognised in the financial statements for euro 14,120,756.

The item Trade payables of euro 109,475,983 is recognised net of credit notes to be received.

The item Payables to parent companies amounted to a total of euro 13,289,771 in relation to Centrex Energy & Gas AG. This item is represented for euro 7,288,724 by trade payables, while the remainder is related to an interest-bearing loan – at market conditions – for a nominal amount of euro 6,000,000 running from 19/12/2018.

The item tax payables is made up of payables for taxes withheld on income of self-employed workers and employees.

The item Other Payables consists mainly of payables to personnel.

There were no payables backed by real guarantees.

**Breakdown of payables by geographical area**

We also provide an informative table on the breakdown of payables based on the geographical area in which the creditor operates.

Geographic area	Italy	Europe	Non-EU	Total
Payables to banks	59,529,112	-	-	59,529,112
Advance payments	273,000	-	-	273,000
Trade payables	55,133,322	43,675,444	10,937,218	109,745,983
Payables to parent companies	0	13,289,771	-	13,289,771
Tax payables	74,307	-	-	74,307
Payables to pension and social security agencies	98,545	-	-	98,545
Other payables	1,267,294	-	-	1,267,294
<b>Payables</b>	<b>116,375,580</b>	<b>56,965,215</b>	<b>10,937,218</b>	<b>184,278,012</b>

**Accrued expenses and deferred income**

Below is an indication of the breakdown and changes in the item in question (article 2427, paragraph 7, Italian Civil Code).

	Value at start of year	Change during the year	Value at year end
Accrued expenses	-	20,985	20,985
Deferred income	43,518	(43,518)	-
<b>Total accrued expenses and deferred income</b>	<b>43,518</b>	<b>(22,533)</b>	<b>20,985</b>

As at 31/12/2018, no accruals and deferrals had a duration of more than five years, nor were these any significant amounts with duration beyond the subsequent financial year.

## EXPLANATORY NOTES, INCOME STATEMENT

## A) Value of production

Below we provide a breakdown of the value of production, as well as the changes seen in the individual items with respect to the previous year:

Description	Previous financial year	Current financial year	Change	Change %
Revenue from sales and services	845,811,373	889,262,972	43,451,599	5.14%
Other revenue and income	1,137,580	147,696	-989,884	-87.02%
<b>Total</b>	<b>846,948,953</b>	<b>889,410,666</b>	<b>42,461,713</b>	

## Breakdown of revenue from sales and services by business segment

The breakdown of revenues by business segment is not significant.

## Breakdown of revenue from sales and services by geographical area

The breakdown of revenue by geographical area of sale (identified from the delivery point) is as follows:

Geographical area	Italy	Europe	Total
Revenue from sales and services	386,479,486	502,783,486	889,262,972
Other revenue and income	147,696	-	147,696



## Cost of production

The table below provides information on the structure and changes in the item "Cost of production".

Description	Previous financial year	Current financial year	Change
Raw materials, consumables and goods for resale	826,409,890	858,203,558	31,793,668
Services	28,888,103	28,900,843	12,740
Use of third-party assets	367,912	381,922	14,010
For personnel:			
a) wages and salaries	1,495,471	1,655,903	160,432
b) social security contributions	406,970	473,920	66,950
c) employee severance indemnity	36,352	46,984	10,632
d) provisions for pensions and similar obligations	99,292	91,493	-7,799
e) other costs	42,966	40,500	-2,466
Amortisation, depreciation and write-downs:			
a) intangible fixed assets	83,447	91,472	8,025
b) property, plant and equipment	26,510	42,498	15,988
Changes in inventories of raw materials, consumables and goods for resale	-10,381,961	1,184,673	11,566,634
Other operating expenses	428,707	421,312	-7,395
<b>Total</b>	<b>847,903,659</b>	<b>891,535,078</b>	<b>43,631,419</b>

### Costs for raw and subsidiary materials, consumables and goods

These are strictly related to the information shown in the Report on Operations.

### Costs for Services

These are closely related, among others, to natural gas transport and storage services.

### Costs for use of third-party assets

These refer mainly to costs incurred for rental of offices and for vehicle hire.

**Personnel costs**

The item includes all expenses for personnel, including merit pay increases, promotions, automatic cost-of-living increases, the cost of holidays accrued but not taken and legal provisions and collective contracts.

**Depreciation/amortisation of property, plant and equipment and intangible assets**

As regards depreciation and amortisation, we note that these were calculated on the basis of the useful life of the asset and its use in the manufacturing stage.

Please refer to the information found in the relevant section in these Explanatory Notes.

**Other operating expenses**

The item includes, among other things, contributions paid to the Regulatory Authority for Energy, Networks and the Environment (ARERA) of euro 199,432, costs for the use of databases of euro 68,983 and premiums for credit insurance of euro 36,916.

**Financial income and expense**

In accordance with the provisions of point 12) of art. 2427 of the Italian Civil Code, we provide details on the amount of interest and other financial expenses related to payables due to banks and others, as well as details of other financial income.

Description	Previous financial year	Change	Current financial year
(Other revenues)	36,829	-10,529	26,303
<b>Total other financial income</b>	<b>36,829</b>	<b>-10,526</b>	<b>26,303</b>
Financial expenses	316,936	-119,099	197,837
<b>Total interest and other financial expenses</b>	<b>316,936</b>	<b>-119,099</b>	<b>197,837</b>
Exchange gains and losses	-7,170	-5,123	-2,047
<b>Total</b>	<b>287,277</b>	<b>-113,696</b>	<b>173,581</b>

Financial income refers for euro 21,834 to default interest income invoiced to customers for delayed payment, for euro 3,979 to interest income paid by Weedoo S.p.A. for the loan and for the remainder to bank interest.

Financial expense came to euro 197,837, down significantly compared to the previous year (euro 316,936).

The result of financial management in the strict sense confirms, again for the most recent financial year, careful credit management and the use of flexible financing appropriate for the business and always negotiated at the best possible market conditions.

Despite the increase in business turnover, the drop in Euribor rates also contributed to the decrease

(as the final interest rate is associated with them).

Interest primarily included loans related to advances on invoices, documentary advances and financing for importing.

### Value adjustments of financial assets and liabilities

The table below provides information on the structure and changes in the item "Value adjustments of financial assets and liabilities".

Description	Previous financial year	Change	Current financial year
<b>Revaluations:</b>			
a) of equity investments			
b) of financial fixed assets			
c) of securities recognised in current assets			
d) of derivatives	224,765	-178,406	46,359
<b>Write-downs:</b>			
a) of equity investments			
b) of financial fixed assets			
c) of securities recognised in current assets			
d) of derivatives	746,137	-642,772	103,365
of financial assets for centralised treasury management			
<b>Total</b>	<b>-521,372</b>	<b>464,366</b>	<b>-57,006</b>

Derivatives entered into in relation to proprietary trading activity are measured at fair value - that is the price that would be received if an asset were sold or that would be paid to dispose of a liability in a regular transaction between market operators on the measurement date.

Pursuant to article 2426, paragraph 4 of the Italian Civil Code, fair value is determined with reference to the market value, for financial instruments for which an active market can easily be identified. For prices of raw materials, there are observable market prices.

The observable market price is determined by referring to the bulletins published by recognised providers that provide information services to wholesale market participants.

The recognition in the financial statements reflects the typical (monthly) invoicing of sales and purchases on the hubs. The mark to market is then recognised using the net-settlement method on a monthly basis.

**Income taxes for the year: current, deferred and prepaid****Income taxes for the year**

The breakdown of the financial statements item "Income taxes for the year" is provided in the table below:

Description	Previous financial year	Change	Current financial year
Current taxes	-	-	-
Income for lower direct taxes in previous years	(61,063)	61,063	-
Taxes related to previous years	22,365	(22,365)	-
Deferred tax liabilities	5,304	(5,104)	200
Deferred tax assets	(433,466)	124,932	(558,398)
<b>Total</b>	<b>(466,860)</b>	<b>158,526</b>	<b>(558,198)</b>

### Tax reconciliation - IRES

Below is a table with the information required under OIC 25 on reconciliation of the tax burden found in the financial statements and the theoretical tax burden.

Description	Value	Taxes
Pre-tax result	-2,354,998	
Theoretical tax burden %	24%	565,200
Temporary differences taxable in subsequent years:		
- default interest income not received	-835	
<b>Total</b>	<b>-835</b>	
Temporary differences deductible in subsequent years:		
- non-deductible depreciation and amortisation	2,003	
<b>Total</b>	<b>2,003</b>	
Reversal of temporary differences from previous financial years:		
- default interest of previous years received	4,589	
- other decreases	-6,732	
<b>Total</b>	<b>-2,143</b>	
Differences not carried forward into subsequent financial years:		
- contingent liabilities	15,682	
- fines and penalties	193	
- non-deductible costs	87	
- other increases	14,186	
<b>Total increases</b>	<b>30,148</b>	
<b>taxable IRES</b>	<b>(2,325,825)</b>	
<b>Balancing of IRES calculated - IRES in the financial statements</b>		<b>558,198</b>

The taxes of euro 558,198 include prepaid taxes of euro 549,823 calculated on tax losses of euro 2,290,931. The remainder refers to other temporary differences of the financial year.

### Tax reconciliation - IRAP

Below is a table with the information required under OIC 25 on reconciliation of the tax burden found in the financial statements and the theoretical tax burden.

Description	Value	Taxes
IRAP taxable base ( A - B + b9 + b10 lett. c) and d) + b12 + b13)	184,387	
Theoretical tax burden %	3,90	7,191
Deductions:		
- INAIL	6,141	
- Social security contributions	500,265	
- Other deductions	1,363,706	
<b>Total</b>		
- other increases	15,962	
<b>Total</b>	<b>(1,669,763)</b>	
<b>Taxable IRAP</b>	-	
<b>Current IRAP for the year</b>		-
<b>Balancing of IRAP calculated - IRAP in the financial statements</b>		-

The net effect of deferred taxes on the income statement at 31/12/2018 entailed the recognition of revenue of euro 558,198.

For information on the differences which resulted in the booking of deferred tax assets, and for the reconciliation of the values reported in the balance sheet, the following should be noted:

- deferred tax liabilities were calculated on the basis of the global allocation criterion, by taking into account the cumulative amount of all timing differences and on the basis of the rates expected to be in force at the time when these timing differences occur;
- deferred tax assets were booked given that there is a reasonable certainty of the existence – in the years in which the deductible timing differences occur, and against which the deferred tax assets were booked – of taxable income that is not less than the differences which will be cancelled;

There are no timing differences for which the related deferred tax liabilities or assets were not recognised.

## EXPLANATORY NOTES, OTHER INFORMATION

**Employment figures**

In accordance with the provisions of point 15) of art. 2427 of the Italian Civil Code, below we provide information on the breakdown of employees as at 31/12/2018.

	Average number
Management	5
Office staff	22
<b>Total employees</b>	<b>27</b>

**Fees, advances and loans granted to directors and statutory auditors and commitments undertaken on their account**

The following table shows fees, advances, and loans granted to Directors and to members of the Board of Statutory Auditors, as well as commitments undertaken on their account for the year at 31/12/2018, as required under point 16 of art. 2427 of the Italian Civil Code.

	Statutory Auditors
Fees	20,280

**Fees to the independent auditor or auditing firm**

Pursuant to article 2427, point 16-bis, we provide details on the fees due to the independent auditor (or auditing firm) for services rendered, distinguishing between statutory auditing services and other services.

	Value
Independent auditing of the annual accounts	44,000
<b>Total fees due to the independent auditor or auditing firm</b>	<b>44,000</b>

**Commitments, guarantees and contingent liabilities not found in the balance sheet**

Under the terms of art. 2427 no. 9 of the Italian Civil Code We can report that the total amount of guarantees, all of a commercial nature, given by the company is euro 66,600,204 in relation to other transporters, distributors and market operators.

The breakdown by maturity is shown below:

	<b>Maturity</b>
On demand	2,000,000
Within the year	55,462,204
Beyond the year	9,138,000
<b>Total</b>	<b>66,600,204</b>

We can also note that the amount indicated above includes the guarantee of euro 365,975 issued in favour of 2i Rete Gas S.p.A. in the interest of the subsidiary SMG.

**Information on equity and loans destined for specific business**

The company does not have assets allocated to a specific area of business pursuant to art. 2447-bis, first paragraph, lett. a) of the Italian Civil Code.

**Information on transactions with related parties**

Pursuant to article 2427, paragraph 22-bis, we note that during the year the company had business relationships with:

- the subsidiary Centrex Europe Energy & Gas AG;
- the subsidiary Weedoo S.p.A.;
- the subsidiary SMG S.r.l.;
- the related party Gazprom Marketing & Trading Ltd;
- the related party Gruppo Società Gas Rimini S.p.A.;

referring to trade relations in the context of normal core business activities, relating to the purchase of raw materials and services, and regulated by normal market conditions.

**Information on significant events after the reporting date**

Under the terms of art. 2427 no. 22 quater) of the Italian Civil Code after the reporting date no significant events occurred that would have had to be reported.



**Information on derivatives, pursuant to article 2427-bis of the Italian Civil Code**

Below is the detailed information requested in article 2427-bis, paragraph 1, no. 1 of the Italian Civil Code.

For each category of derivatives indicated in the table, we provide information about the significant terms and conditions which may influence the amount, maturities and certainty of future cash flows, and fundamental assumptions behind measurement models and techniques used when fair value is not determined on the basis of market evidence. Changes in fair value reserves occurring during the year are found in the table in the Shareholders' equity section.

The derivatives indicated below fall within proprietary trading activities begun during 2015. The underlying contracts are standard contracts to purchase and sell natural gas.

Portfolio of Proprietary Trading Contracts	Change in SE year	Positive/(negative) FV	Change in SE year
Hedging derivatives	(57,267)	52,605	
Financial Instruments not for hedging - provisions		(552,156)	(103,365)
Financial Instruments not for hedging - financial assets		89,406	46,359
Financial instruments for hedging - year 2018	109,872		
<b>Total</b>	<b>52,605</b>	<b>410,145</b>	<b>(57,006)</b>

**Information on the obligation to prepare Consolidated Financial Statements**

We must specify that the company does not prepare consolidated financial statements because it fulfils the conditions for exoneration provided for in art. 27 of Italian Legislative Decree 127/1991 paragraph 1.

The parent company that prepares the consolidated financial statements of the larger set of companies to which the company belongs is Centrex Europe Energy & Gas AG based in Austria.

**Information pursuant to art. 1 paragraph 125, of Italian Law no. 124 of 4 August 2017**

With reference to art. 1 paragraph 125 of Italian Law 124/2017, the company did not receive any subsidies.

**Significant events after the end of the year**

There have been no significant events to be reported.

### **Proposal for allocation of profits or to cover losses**

Under the terms of art. 2427 no. 22-septies it is proposed to carry forward the loss of euro 1,796,800, shown in the Financial Statements.

### **Declaration of compliance of the financial statements**

**Milan, 28 February 2019**

**For the Board of Directors  
The Chief Executive Officer  
Michele Libutti**

The undersigned MICHELE LIBUTTI, in his capacity as Director, aware of the criminal liabilities provided for in the case of false declarations, certifies, pursuant to art. 147 of Italian Presidential Decree 445/2000, correspondence of the digital file in XBRL format, containing the Balance Sheet, Income Statement, Statement of Cash Flows and these Explanatory Notes with what is filed in the company's records.



Report on Operations for  
the Financial Statements  
at 31/12/2018

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Dear Shareholders,

to accompany the annual financial statements for the period ended 31/12/2018 we are providing the present Report on Operations, prepared under the terms of art. 2428 of the Italian Civil Code, with the objective of giving faithful, balanced and exhaustive information on the company's situation, the business performance and results, and on the activities carried out by the company in the year; information is also provided on the risks to which the company is exposed.

## THE COMPANY'S BUSINESS

As you know, your company's purpose is the creation and use of energy and gas production plants, the strategic structuring of energy and gas supply contracts, as well as the creation of distribution structures, the sale and distribution of oil and natural gas products, and the purchase and sale of energy and natural gas.

Under the terms of art. 2428, the activity is carried out at the registered offices in Via Lorenzini 4, Milan and there are no secondary offices.

## THE COMPANY'S SITUATION AND BUSINESS PERFORMANCE

The year ended with a loss of euro 1,798,600.

In the tables below we provide you with a summary picture of the financial situation and the economic performance of the business operations during the year, highlighting the factors described above:

Description	Previous financial year	Change	Current financial year
Net intangible fixed assets	359,956	-81,873	278,083
Net tangible fixed assets	151,501	9,701	161,202
Net financial fixed assets	2,074,833	-57,267	2,017,566
<b>Fixed assets</b>	<b>2,586,290</b>	<b>-129,439</b>	<b>2,456,851</b>
Inventories	27,979,431	-1,184,673	26,794,758
Receivables from customers	113,695,682	32,862,490	146,558,172
Other receivables (intra-group and third parties)	3,977,866	2,653,803	6,631,669
Accrued income and prepaid expenses	173,379	24,307	197,686
<b>Short-term current assets</b>	<b>145,826,358</b>	<b>34,355,927</b>	<b>180,182,285</b>
Trade payables	83,996,222	32,865,633	109,745,983
Tax and social security liabilities	833,107	-660,255	172,852
Other payables (intra-group and third parties)	6,464,675	-4,751,529	8,829,017
Accrued expenses and deferred income	43,518	-22,533	20,985
<b>Short-term current liabilities</b>	<b>91,337,522</b>	<b>27,431,316</b>	<b>118,768,837</b>
<b>Net working capital</b>	<b>54,488,836</b>	<b>6,924,611</b>	<b>61,413,448</b>
TFR (Employee Severance Indemnity)	222,012	32,542	254,554
Other medium/long-term liabilities	1,153,696	-932,169	221,527
<b>Medium/long-term liabilities</b>	<b>1,375,708</b>	<b>-899,627</b>	<b>476,081</b>
<b>Invested capital</b>	<b>55,699,418</b>	<b>7,694,799</b>	<b>63,394,218</b>
Shareholders' equity	-11,666,185	-3,093,327	-14,759,512
Short-term NFP	-44,033,233	-4,601,473	-48,634,706
<b>Equity and net financial debt</b>	<b>-55,699,418</b>	<b>-7,694,800</b>	<b>-63,394,218</b>

## REPORT ON OPERATIONS FOR THE FINANCIAL STATEMENTS AT 31/12/2018

Description	Previous financial year	Change	Current financial year
Subscribed capital, unpaid			
Fixed assets	2,586.290	-129.439	2.456.851
Current assets	151.289.721	46.142.487	197.432.208
Accruals and deferrals	173.379	24.308	197.687
<b>Total assets</b>	<b>154.049.390</b>	<b>46.037.356</b>	<b>200.086.746</b>
Shareholders' equity:	11.666.185	3.093.327	14.759.512
- of which profit (loss) for the period	-1.296.495	-500.305	-1.796.800
Provisions for future risks and charges	618.614	155.069	773.683
TFR (Employee Severance Indemnity)	222.012	32.542	254.554
Short-term payables	140.567.793	43.710.219	184.278.012
Long-term payables	931.268	-931.268	0
Accruals and deferrals	43.518	-22.533	20.985
<b>Total liabilities</b>	<b>154.049.390</b>	<b>46.037.356</b>	<b>200.086.746</b>

Description	Previous financial year	% of revenue	Current financial year	% of revenue
Revenues	845.811.373		889.262.972	
Purchases and changes in inventories of raw and subsidiary materials, consumables and goods	816.027.929	96,48	859.388.232	96,64
Costs for services and use of third-party assets	29.256.015	3,46	29.282.765	3,29
<b>Added value</b>	<b>527.429</b>	<b>0,06</b>	<b>591.975</b>	<b>0,07</b>
Other revenues	1.137.580	0,13	1.47.696	0,02
Cost of labour	2.081.051	0,25	2.308.800	0,26
Other operating costs	428.707	0,05	421.312	0,05
<b>Gross operating profit</b>	<b>-844.749</b>	<b>-0,10</b>	<b>-1.990.441</b>	<b>-0,22</b>
Amortisation, depreciation, write-downs and other provisions	109.957	0,01	133.970	0,02
<b>Operating profit (loss)</b>	<b>-954.706</b>	<b>-0,11</b>	<b>-2.124.411</b>	<b>-0,24</b>
Financial income and expense	-287.277	-0,03	-173.581	-0,02
Value adjustments of financial assets and liabilities	-521.372	-0,06	-57.006	-0,01
<b>Profit (loss) before taxes</b>	<b>-1.763.355</b>	<b>-0,21</b>	<b>-2.354.998</b>	<b>-0,26</b>
Income tax	-466.860	-0,06	-558.198	-0,06
<b>Profit (loss) for the year</b>	<b>-1.296.495</b>	<b>-0,15</b>	<b>-1.796.800</b>	<b>-0,20</b>

In support of the data presented in the tables, we can add the following notes commenting on the various aspects of operations.

## BUSINESS PERFORMANCE

Although the prospects of the European gas industry remain substantially unfavourable owing to the ongoing weakness of demand and the excess supply, in a more or less stagnant macroeconomic framework and with the progression of competitive pressure, the company, leveraging the current positioning on the markets, achieved in financial year 2018 sales volumes of 3,855 million cubic metres compared to 4,412 million in the previous year with a decrease of 13% attributable mainly to the lower consumption of residential customers as a result of the temperatures and a reduction of trading activity, which is subject to market opportunities.

The final inventories of gas stored at Stogit S.p.A., as at 31 December 2018 totalled 116 million cubic metres compared to 142 million cubic metres in 2017.

The year just ended recorded, as did 2017, a decrease in profit margins owing mainly to contingent events. In particular, the first quarter of 2018 recorded temperatures generally above the average for the period leading as a consequence to a reduction in sales to residential customers. Between the end of February and the beginning of March, in addition, Italy was affected by the Burian, the icy north-easterly wind, which led to a sharp drop in temperatures. In this circumstance, the company, in order to cover the peak demand from its customers was forced to purchase on the market further quantities of natural gas at a higher price than that of sale even though it had adequate storage levels. The spot price, in fact, was affected by the increase in demand owing both to the intense cold and to the security rules governing the use of the reserves present in Italian stocks. In practice, not being able to make any further use of the stocks, the operators increased purchases on the spot market causing an inevitable increase in demand and therefore of prices.

In particular, the added value, net of the costs for services, reached euro 0.5 million, while the gross operating margin came out at around euro -2 million after discounting all the operating costs and personnel costs.

The net loss came to euro -1.8 million after net financial expenses of euro 0.17 million and deferred tax assets and liabilities of euro 0.59 million.

Net gains/losses on financial operations, down further compared to previous years, confirmed, again for the financial year just ended, careful attention to financial optimisation and to limiting expense through the use of flexible financing related to the business and always negotiated at the best possible market conditions. Also contributing to the net decrease was the continuing low level of Euribor rates (to which often the final interest rate is linked) even though a certain tightening of the conditions was recorded towards the end of the year. For more details on the result of financial operations, please see the specific section in the Notes.

In September, the shareholder Centrex Europe Energy & Gas AG made a capital payment of euro 5,000,000.

The seasonal nature of the activities carried out also influences the trend of the net financial position, in that billing cycles are not aligned between accounts receivable and accounts payable, and depend on the trends of gas volumes sold and purchased during the year. The company makes use of bank debt mainly around the peak of the 20th of the month (the moment in which the wholesale transactions in the European market are settled) and in the summer period at the time of the stage of injection into the storages. The lines used in the recurring activity for financing current assets are: advances of invoices, supplier advances, import financing and factoring. The company is in line with market standards as regards the ratio of current assets to amounts collected.

For a better description of the company's profitability, the table below shows certain profitability ratios compared with the same ratios relating to the financial statements for the previous year.

Description	31/12/2018	31/12/2017
Net ROE	-0.12	-0.11
Gross ROE	-0.16	-0.15
ROI	-0.04	-0.02

Net ROE is calculated as the quotient between net profit/(loss) and shareholders' equity. Gross ROE is calculated as the quotient between profit/(loss) before taxes and shareholders' equity.

ROI is the quotient between operating profit/(loss) and average invested capital in the last two financial years.

### General economic trend<sup>1</sup>

#### Consolidation of the international cycle

In the first half of 2018, global growth recorded a deceleration compared to the second half of the previous year, showing differing trends in different countries. Economic activity slowed down more than was expected in the industrialised areas, while the emerging economies maintained a dynamism similar to that of the previous six months. The forecasts for the international economy for 2019 indicate a deceleration of real GDP to +3.5% from +3.7% in 2018. This trend reflects the negative effects on world trade of the implementation of protectionist measures and, in particular in the emerging countries, of more restrictive

<sup>1</sup> Information of a general economic and sectoral nature is derived from the following publications:

- Economic Bulletin. Bank of Italy. No. 1, January 2019
- Forecasts. Prospects for the Italian economy. ISTAT. 21 November 2018
- GME Newsletter (Gestore dei Mercati Energetici, the Italian Power Exchange or IPEX) No. 122 of January 2019



financial conditions, geopolitical tensions and a higher oil price. The risks associated with the ongoing process for finalising Brexit should instead be attenuated in the light of the recent agreement reached by the British government which would involve the prospect of a customs union with the EU.

In the United States, in the second half of the year, the period of economic expansion continued: in the third quarter GDP recorded higher than expected quarterly growth (+0.9%), although decelerating slightly compared to the previous quarter (+1.0%). The economy was driven by private consumption and by non-residential fixed investments, while net exports and residential investments contributed negatively. The positive cyclical period, which is accompanied by labour market conditions close to full employment (the unemployment rate in October was confirmed at 3.7%), is expected to consolidate in the coming months in line with the process of normalisation of monetary policy. Overall real GDP is likely to have grown by 2.9% this year, before decelerating to 2.6% in 2019. The Beige Book, the Federal Reserve publication that assesses the conditions of the American economy with particular attention to consumption and the labour market, confirmed in October a widespread expansion, with manufacturing activity growing moderately. Despite a general optimism among businesses, there remain, however, worries about commercial tensions, above all with China. The results, in line with the expectations of the markets, of the midterm elections did not dissipate the fears about the commercial conflict between the USA and China given that the Trump Administration has the right to impose duties without the consent of Congress. It remains instead uncertain how the latter will tackle the expiry, expected in autumn 2019, of the very expansive spending law approved last spring.

In the summer months, the quarterly increase in GDP of the euro area came out at 0.2%, in evident deceleration from the 0.4% of the second quarter. The slowdown, which determined a sharp drop in the annual figure (+1.7% from +2.2%), was mainly caused by demand-side factors and by a lower impulse provided by extra-area trading which was affected by the combined effect of the weakening of world trade and a moderate rise in the effective nominal exchange rate of the euro. Among the countries the sign and intensity of quarterly trends differed. In the third quarter GDP in France grew quarterly by 0.4%, showing signs of acceleration, in Spain it stabilised at 0.6% while in Germany it fell (-0.2%) affected in part by the entry into force of the legislation on exhaust gases which depressed the sales and production of cars.

The fundamentals for consumption and investments of the area as a whole were confirmed as solid and suggest that this could be a temporary slowdown, although the confidence surveys in the last month provided negative signals. The Economic Sentiment Indicator surveyed by the European Commission in October declined for the tenth consecutive month, confirming the indications of the confidence surveys in the single countries. Real GDP is expected to grow by 2.1% this year before decelerating to 1.9% in 2019 owing mainly to external factors such as the slowdown of world trade and higher oil prices.

As an average for 2018, the prices of the main industrial raw materials are expected to increase although with differing intensities. The agreements between the United States and oil-producing countries on production cuts should push the prices of energy products upwards. Brent prices are expected to come out at 73.1\$ a barrel as an average for 2018 and rise to 76\$ the following year. On the exchange-rate market, the cyclical imbalance in favour of the United States and the interest rate hike by the Federal Reserve are expected to determine, after a fall in the average for 2018, a rise in the dollar against the euro in 2019.

In a scenario of gradual slowdown of economic activity, in the third quarter of 2018 Italian GDP, after three years of expansion, recorded zero quarterly growth, which reflected mainly the period of contraction of industrial activity. The most recent data on foreign trade and orders also indicate the persistence of a period of weakness of the economic cycle which, according to the leading indicator prepared by the ISTAT, is expected to extend also into the fourth quarter. In 2018, GDP is therefore expected to increase by 1.1% supported by the expansion of domestic demand. Household consumption, although in significant deceleration, and spending for investments will provide a positive contribution to growth. In a context characterised by a slowdown of international trade and in particular of exports, the contribution of net foreign demand is likely to be negative (-0.2 percentage points).

In 2019, the GDP growth rate is forecast to be 1.3%, a slight acceleration compared to 2018, boosted again by the positive contribution of domestic demand, which is likely to be affected positively by a number of fiscal policy measures contained in the Budget Law such as those countering poverty and the impulse for public investments. Net foreign demand is likely to provide no contribution to growth.

In the two years of the forecast, in a context characterised by a stabilisation of production rates at lower levels than those of previous years, the labour market will maintain in any case a positive trend with a further increase in employment and a reduction of the unemployment rate, which will however remain significantly higher than in the euro area. Inflation is expected to accelerate but with lower growth rates than in the euro area.

According to the data, deseasonalised and corrected for the calendar effects, of national accounting for foreign trade, after the sharp increase recorded last year, in the first six months of 2018 it showed a drop compared to the previous six months and growth rates lower than the average for the euro area. In the first half of the year imports and exports of goods and services recorded a drop compared to the previous six months (-1.1% and -1.6% respectively). The quarterly drop in exports was particularly sharp in the first three months of the year (-2.4%) and was more limited in the second quarter (-0.1%). This trend was caused by external factors, namely the weakening of global demand and the loss of price competitiveness in relation to the United States and China. The data on the foreign trade of goods recorded instead for the third quarter a slight quarterly recovery of exports and an increase in imports.

Overall, it is expected that in 2018 both exports and imports of goods and services will record a sharp deceleration compared to the previous year (+1.6% and +2.6% respectively). In 2019, trade flows are expected to show a recovery, if there is no escalation of the protectionist measures and consequently the uncertainty on the international markets will be attenuated. Exports, boosted by a fall in the euro as an average for the year and greater dynamism of the main export markets, are likely to increase by 3.2% although they will continue to record a less lively trend than imports (+3.5%). The positive balance of trade as a percentage of GDP is, therefore, expected to fall slightly in both years compared to 2017 (+2.6% and +2.5% respectively in 2018 and 2019).

### Development of demand and trends in the markets in which the company operates

2018 can be considered discontinuous and unstable in the oil market; a year that certainly was not short of surprises for analysts and operators in the sector who, above all in the second half of the year, followed the roller coaster of Brent without managing to identify a convincing key to understanding it. The main players in this complex arena are the United States, which continues to break production records, and OPEC Plus, the alliance led by Saudi Arabia and Russia which during the year changed its skin several times. In the background, the onset or continuation of more or less serious geopolitical conflicts in several producer countries.

In 2018, Brent recorded an annual average of around 72 \$/bbl, a jump of about 20 dollars compared to 2017 and of almost 30 dollars from 2016. However, the trend was not unambiguous nor always justifiable analysing only the real fundamentals: from figures close to 60-65 \$/bbl in January it reached, with a particularly evident leap starting from September, a peak of 86 \$/bbl in the middle of October, before sliding considerably and rapidly down to a minimum of 50 \$/bbl on 24 December.

#### *European market*

In 2018 the oil price returned to the maximum level since 2015, coming out at 71.76 \$/bbl (+33%), as a result of an intense upward trend in October and only partially limited by the slowdown observed towards the end of the year, when prices were stable or down. In December, in particular, Brent fell to figures significantly lower than those of the beginning of the year, coming out at 59.76 \$/bbl. The same trend was seen for fuel oil and diesel, which confirmed the growth that had already begun in 2017 coming out respectively at 400.27 \$/MT (+33%) and 630.64 \$/MT (+31%). Also up was European coal which, after beginning the year down, resumed the growth trend observed during the previous year, coming out at an annual average of 92.17 \$/MT (+9%) and reaching the highest level since 2013.

The rise of the euro against the dollar (1.18 USD/EUR, +5%), concentrated in the first half of 2018, contributed to a slight reduction of the annual changes recorded by the prices of oil and its derivatives and of coal, not altering in practice their upward trend. The prices on the main European gas hubs also strengthened the upward trend in progress since 2017, coming back to figures not seen since 2014. The price at the PSV for the year 2018 came out at 24.55 €/MWh (+23%), recording a smaller increase than the TTF (22.90 €/MWh, +32%) and a consequent reduction in its spread from the Dutch hub at 1.65 €/MWh, approximately 1 € less compared to 2017. The intra-annual performance shows a sharply growing trend up to September and a subsequent stabilisation in the last quarter of 2018. There were two peak periods in particular: the two months February-March, in which the cold temperatures that hit Europe pushed the PSV and the TTF to daily peaks respectively of 60 €/MWh and 76 €/MWh (2 March 2018), and the summer period, characterised in central-northern Europe by high temperatures with reduced availability of water and heat and culminating in September with prices at the PSV and the TTF of 29.6 €/MWh and 27.8 €/MWh, 56/60% higher compared to September 2017. With a view to prospects, the expectations for 2019

are also for a moderate increase, with expected price levels higher in the first quarter of the year. In this context, for the second consecutive year, the rising trends of electricity prices on the European exchanges are confirmed, with figures recorded between the 44 €/MWh of the Scandinavian area and Germany, in which the most significant annual increases are concentrated (+30/50%), and the 61 €/MWh of Italy, characterised as are Spain (57.29 €/MWh) and France (50.20 €/MWh) by less sharp increases (+10/14%).

### *Italian market*

In 2018 natural gas consumption inverted the rising trend shown in the last three years and declined by 3.4% compared to 2017, coming down to 72,126 million m<sup>3</sup> (763.3 TWh), a level however 18% higher than the minimum recorded in 2014 (61,390 million m<sup>3</sup>). The drop was larger in the thermoelectric sector, in which consumption fell by 8.1%, coming back to the 2016 figures, at 23,390 million m<sup>3</sup>; this trend seems closely related to the recovery of electricity production from renewable sources, in particular that from hydroelectric plants, which recovered by 30% from the very low levels of 2017, and to higher imports across the northern border. Less significant was the reduction of consumption in the civil and industrial sectors which, down by 1%, came out however at the highest levels respectively since 2014 (32,294 million m<sup>3</sup>) and of the last ten years (14,221 million m<sup>3</sup>). Exports also fell, down to 2,221 million m<sup>3</sup> (-1.7%), a record low figure which determined a drop to 2.6% of the proportion out of the total consumed. Injections into the storage systems bucked the trend, rising to the highest ever levels, of 11,963 million m<sup>3</sup> (+8.7%).

On the supply side, the drop in consumption seems to have been absorbed mainly by natural gas imports, which fell by 2.6% compared to the previous year, again however at levels significantly higher than the minimum of 2014 and a proportion out of the total procured of more than 80%. Supplies from storage had a positive sign (+3%) and, with 11,534 million m<sup>3</sup>, broke the record for the fourth consecutive year, accounting for approximately 14% of the total input (13% in 2017); the stock of gas stored on the last day of the year stood, therefore, at 8,695 million m<sup>3</sup>, up compared to the same day in 2017 (+2.5%). Domestic production fell in both absolute and percentage terms, down to a record low of 5,123 million m<sup>3</sup>. The reduction of imports was concentrated at the gas pipeline entry points; the flows of natural gas coming from Africa fell significantly, with those from Algeria down by approximately 10%, coming out at just over 17,000 million m<sup>3</sup>, and those from Libya dropping to the lowest level for the last seven years (4,467 million m<sup>3</sup>). Imports from Russia at Tarvisio also fell, although this was confirmed as the entry point characterised by the highest volumes (29,489 million m<sup>3</sup>, -2%), while for the second consecutive year those coming from Northern Europe increased (+6.5%). The growing trend of total gas imported by the LNG terminals is continuing; among these Cavarzere was confirmed as the most active, but down by 2% compared to the previous year.

As regards prices, the quotation of natural gas at the national Virtual Exchange Point (Punto di Scambio Virtuale - PSV) consolidated the growth that began in 2017 and rose to the highest level of the last five years, 24.55 €/MWh, 4.61 €/MWh more expensive than the previous year and up 8.70 €/MWh from the minimum level reached in 2016 (respectively +23% and +55%).

Rising trends for the second consecutive year were seen also for the prices on the main European hubs, with the reference to the TTF which rose to 20.59 €/MWh (+5.58 €/MWh, +62%), facilitating a reduction of the PSV-TTF spread to 1.65 €/MWh (it was 2.62 €/MWh in 2017). This spread shows a declining intra-annual trend, remaining from July stably under 2 €/MWh, with a minimum of 0.26 €/MWh recorded in November. 2018 was the second year of full operation of the markets managed by the GME in the regulatory framework launched in October 2016 and modified in April 2017, when the new natural gas balancing system and the new design of the natural gas market (MGAS) were redefined; in this context the GME introduced in February 2018 the Market Making mechanism in relation to the Day-Ahead Market for Gas (DAM-GAS) and exclusively to the gas in negotiation day g+1.

Trades on the Gas Spot Market (SM-GAS) stopped the downward trend of the last two years and, with a rise of 24.3%, climbed to 54.4 TWh, one of the highest-ever levels. Less intense, but still considerable, was the increase in volumes traded in the IM-Gas (Intraday Market), at 27.9 TWh (+17%), which was confirmed as the most liquid with a share of more than 50%.

The prices of all the spot markets accelerated the growth trend and recorded a rise of more than 23%, oscillating at levels between 23.84 €/MWh on the SGM and 24.43 €/MWh on the IM-Gas, all lower compared to the average price at the PSV, of which they follow the trends also in an intra-annual analysis. The increase in prices in fact, which began in February, reached a peak in September, when quotations on all markets reached a record of almost 30 €/MWh.

### Competitors' behaviour

Market businesses are naturally characterised by forms of competition and also in 2018 an intensification of competition between operators was confirmed.

The company, recognised as a qualified and reliable partner, operates in the context of the natural gas market in main European markets, and in Italy as regards supplies to industrial customers and to sales companies where it has a selected customer portfolio. Our company was in twenty-third place among wholesalers in 2017 (source ARERA – Annual Report on the state of the services and on the activity performed of 31 March 2018).

The natural gas market has developed, in the last ten years, significant competition among operators, which will become increasingly intense owing to the corporate concentration among wholesalers and resellers which produces a gradual reduction of the competitive market. It therefore seems plausible that the trend to redefine market shares in favour of stronger participants will become stronger, accompanied by an overall reduction in the number of operators.

In 2018 natural gas consumption inverted the rising trend seen in the last three years and fell by 3.4% compared to 2017. Less significant was the reduction of consumption in the civil and industrial sectors which, down by 1%, came out however at the highest levels respectively since 2014. The market continues to record a now clear situation of oversupply which creates significant competitive pressures on the markets. This situation creates difficulties especially for "Midstreamers", operators that operate mainly as wholesalers.

### **Main legislative references and most significant changes in the year of the financial statements**

There were no significant legislative changes in 2018.

### **Social, political and trade-union climate**

During 2018, in the euro area the period of recovery of employment and reduction of unemployment continued. In the euro area employment recorded a quarterly increase of the same intensity in the first and second quarters (+0.4%). On the basis of the workforce data, in the period July-September the unemployment rate remained stable at the lowest level of the last few years (8.1%).

The evolution of the Italian labour market followed that of the euro area. In the second quarter employment recorded a quarterly increase (+0.5%) which was reflected also in terms of jobs (+0.4%).

In the third quarter the data on demand for work from businesses also showed a positive trend. The vacant jobs rate, which measures the proportion of jobs for which personnel are being sought, came out at 1.0% in industry and 1.1% in services, the same figures of the previous quarter which represent the highest levels of the last few years.

In the next few months the period of improvement of the labour market is expected to continue, but with lower intensity in line with the gradual slowdown of the economic cycle. In the two years of the forecast, employment, expressed in terms of jobs, is expected to grow at a rate only slightly less than that of output (+0.9%). The improvement in the number of jobs will be boosted by an increase in subordinate employment. In the forecast period unemployment is also expected to fall. In 2018 the unemployment rate should come out at 10.5% before decreasing further in the following year (10.2%).

The increase in employment and in economic activity will entail both growth in total salaries and an improvement in remuneration per employee (+1.6% and +1.1% respectively in 2018 and 2019).

From the end of the spring consumer price inflation recorded a sharp acceleration, which was consolidated in the summer months. The rise was determined essentially by factors of external origin connected with the direct and indirect effects of increases in the costs of energy inputs, affected by the recovery of international oil prices and by the falling exchange rate of the euro. A further push upwards came also from rising food prices. The domestic inflation scenario, instead, did not record significant changes compared to the recent past: the upward pressures originating from internal cost factors, in fact, remained limited, compared to a moderate recovery of the salary trend and stagnant consumer demand. On the basis of the consumer price index (CPI) the annual increase in consumer prices rose from +0.7% in the first quarter of the year to +1.5% in the third, coming out at +1.6% in October.

Core inflation (calculated excluding fresh food and energy products) did not show significant signs of recovery (+0.7% in the third quarter and in October), reflecting an upward annual trend for services and a still deflationary period for non-energy industrial goods.

Next year the price trend will again be affected by an inflationary contribution of energy items, in the presence of higher oil prices compared to 2018 and a drop in the annual average exchange rate of the euro against the dollar.

In the context of a salary trend which will be positive but more limited compared to the previous year and moderate consumer demand, the internal cost determinants will provide a greater contribution to price growth compared to 2018. The deflator of final consumer spending of households is expected to grow on average by +1.3% in 2019, two tenths more compared to the previous year. The increase of the GDP deflator is expected to be confirmed at +1.3%.

In the summer quarter household consumption decreased slightly. The most recent information indicates that spending is likely to have remained weak also towards the end of the year, reflecting still not very encouraging signs coming from the employment market. In the third quarter household consumption, gradually slowing down from the beginning of the year, declined by 0.1% compared to the previous period, with a drop in spending on non-durable goods and, to a lesser extent, on durable ones. The choices of households are likely to have been affected by the uncertain trend in income conditions: after the marked acceleration in the spring months, available income net of inflation fell by 0.2% from the previous quarter, reflecting less favourable employment trends. In this context the rise in the propensity to save continued, going up to 8.1% on average over the last four quarters, reflecting an intensification of precautionary motives. The most recent quarterly indicators suggest that in the last three months of the year the consumption trend is like to have remained weak, in line with the most recent trends of the labour market. In the third quarter of 2018 the hours worked continued to rise. The number of people employed decreased over the whole economy; according to the most recent indications, it remained stable in the two months October-November. The increase in contractual remuneration continues in all sectors.

According to the administrative data from the INPS on employment relationships in the private sector, the balance between recruitments and terminations fell significantly in the first ten months of 2018 compared to the same period of the previous year, as a result of the slowdown of the temporary component, particularly intense starting from June. The balance of permanent relationships instead improved, boosted by the growth of transformations in progress from the beginning of 2018 and in part attributable to the structural incentives in force since the beginning of the year for new contracts of a permanent type related to workers under 35.

In the economy as a whole the increase in salaries was more accentuated (1.9% for contractual and 1.3% for actual remuneration), also following the payment of tranches of remuneration in the public sector. On the basis of the most recent quarterly indications, in October and November salaries continued to rise at a rate similar to that observed in the summer.



### Operating performance in the sectors in which the company operates

The main gas markets in which Centrex Italia works have been experiencing, in the last few years, a condition of excess supply. This has led to considerable pressure on sales margins, negatively conditioned also by high competitive pressure.

The prospects of the European gas sector remain weak owing to the excess supply, fed by the growing availability of LNG on a global scale, and the modest trend of demand, penalised by the competition from other energy sources, in particular by the development of renewables and the cheapness of coal, in context of institutional uncertainty at the European level on the subject of the role of gas in the overall energy mix. The weak trend of demand owing to the macroeconomic uncertainties and the continuation of abundant supply, will determine also in the next few years notable competitive pressure.

Between 2018 and 2021 the demand for gas in Italy and in Europe is expected to be substantially stable. The increase in consumption in the thermoelectric sector limited by the growth of renewables, will be offset by a reduction of consumption in the final sectors, owing to work on energy efficiency mainly concentrated in the civil segment.

Despite the slow recovery of the economic system, Centrex Italia confirmed its positive growth trend, further strengthening its national and international position. Centrex Italia's business model is aimed at creating value within the strategic guidelines, for both the company and the stakeholders, through achieving the objectives of profitability and growth, efficiency, and the prevention of business risks. The commitment to increasing loyalty in its commercial portfolio continues. In 2018 customers present for two or more years were more than 88% of the total, more than 68% for three or more years.

The process of strengthening its organisational structure also continued, through addition of resources with high specific know-how to achieve greater operating efficiency and in order to explore new business opportunities.

For the company people play a fundamental role in achieving the corporate results, so human capital is enhanced, also and above all through the creation of a corporate climate of collaboration and participation.

The company has continued to invest in the field of the internal control and risk management system thanks also to the use of information technology in support of the various business activities and processes.

## INVESTMENT POLICY

The investments made during the year are summarised below:

<b>Investments in intangible fixed assets</b>	<b>Acquisitions during the year</b>
Authorizations, licenses, trademarks	9,600
<b>Total</b>	<b>9,600</b>

<b>Investments in property, plant and equipment</b>	<b>Acquisitions during the year</b>
Other assets	52,199
<b>Total</b>	<b>52,199</b>

## FINANCIAL ASPECTS OF OPERATIONS

The statement of Net Financial Position is provided below.

Description	Previous financial year	Change	Current financial year
<b>a) Short-term assets</b>			
Bank deposits	5,593,062	11,764,310	17,357,372
Cash on hand and other cash equivalents	633	198	831
Equities and bonds not classified as fixed assets			
Financial receivables within 12 months			
Other short-term assets	43,047	46,359	89,406
<b>Cash and cash equivalents and securities in current assets</b>	<b>5,636,742</b>	<b>11,810,867</b>	<b>17,447,609</b>
<b>b) Short-term liabilities</b>			
Bonds and convertible bonds (within 12 months)			
Payables to banks (within 12 months)	49,273,789	10,255,323	59,529,112
Payables to parent company (within 12 months)	0	6,001,047	6,001,047
Other short-term liabilities	396,186	155,970	552,156
<b>Short-term financial payables</b>	<b>49,669,975</b>	<b>16,412,340</b>	<b>66,082,315</b>
<b>Short-term net financial position</b>	<b>-44,033,233</b>	<b>32,824,680</b>	<b>-48,634,706</b>
<b>c) Medium/long-term assets</b>			
Financial receivables beyond 12 months			
Other non-trade receivables			
<b>Total medium/long-term assets</b>			
<b>c) Medium/long-term liabilities</b>			
Bonds and convertible bonds (beyond 12 months)			
Payables to banks (beyond 12 months)			
Payables to other lenders (beyond 12 months)			
Other medium/long-term liabilities			
<b>Total medium/long-term liabilities</b>			
<b>Medium/long-term net financial position</b>			
<b>Net financial position</b>	<b>-44,033,233</b>	<b>0</b>	<b>-48,634,706</b>

The increase in the short-term net financial position compared to the previous financial year was due mainly to the increase in the natural gas price, which came back to the highest levels since 2014, and less use of stocks in storage compared to 2017. The increase in the net financial position was mitigated by the capital payment made by the Shareholder during the year.

The tables below provide, instead, a reclassification of the Balance Sheet on the base of uses and sources of liquidity.

Uses	Amounts	% of uses
Immediate liquidity	17.358.203	8,68
Deferred liquidity	153.476.934	76,71
Available inventory	26.794.758	13,39
<b>Total current assets</b>	<b>197.629.895</b>	<b>98,77</b>
Intangible fixed assets	278.083	0,14
Tangible fixed assets	161.202	0,08
Financial fixed assets	2.017.566	1,01
<b>Total current fixed assets</b>	<b>2.456.851</b>	<b>1,23</b>
<b>Total uses</b>	<b>200.086.746</b>	<b>100</b>

Sources	Amounts	% of sources
Current liabilities	184.298.997	92,77
Consolidated liabilities	1.028.237	0,47
<b>Total capital of non-controlling interests</b>	<b>185.327.234</b>	<b>93,24</b>
Share capital	5.000.000	2,29
Reserves and retained profits (losses)	11.556.312	5,3
Profit (loss) for the year	-1.796.800	-0,82
<b>Total own capital</b>	<b>14.759.512</b>	<b>6,76</b>
<b>Total sources</b>	<b>218.248.021</b>	<b>100</b>

Despite the growth of the company's turnover the equity structure remains substantially unchanged in keeping with the company's financial trend.

For a better description of the financial situation, the following table shows some accounting ratios, compared with the same ratios related to the financial statements of the previous year.

Description	31/12/2018	31/12/2017
Primary liquidity	0.93	0.88
Secondary liquidity	1.07	1.08
Debt	12.56	12.2

The liquidity ratios remained substantially unchanged compared to the previous financial year.

The primary liquidity index shows the ratio of current assets net of inventories (short-term current assets and cash and cash equivalents and securities in current assets) to current liabilities (Short-term current liabilities and short-term financial payables).

The secondary liquidity index shows the ratio of current assets (including therefore also inventories) to current liabilities.

The debt ratio is the quotient between third party funds and shareholders' equity.

To better describe the company's capital solidity and financial balance, the table below shows certain financial ratios compared with the same ratios relating to the financial statements for the previous year.

	31/12/2018	31/12/2017
Fixed asset/equity margin	12,302,661	9,079,895
Fixed assets/liabilities and equity margin	13,330,898	10,455,603

The fixed asset/equity margin shows the company's ability to cover investments in fixed assets with own funds; it is calculated as the difference between own capital (shareholders' equity) and fixed assets (fixed capital).

The fixed assets/liabilities and equity margin indicates how much of lasting investments is financed with long-term financing sources; it is calculated as the sum of own capital and long-term debt capital (Medium/long-term liabilities) net of fixed assets.

The indices and the reclassified balance sheet show that the company's capital solidity - i.e. its ability to maintain financial equilibrium in the medium/long-term - has substantially remained unchanged.

The business model adopted up to now does not need significant investments in fixed assets, given the commercial nature of the company. It follows therefore that the structure is extremely simplified and that the critical business is concentrated at the level of management of working capital.

In general, during 2018, the demand for credit on the part of businesses continued to grow moderately, boosted mainly by the low level of interest rates.

However, signs of growing worry about credit conditions come from surveys involving businesses; these indicate since the spring conditions applied to loans gradually and generally tightening, although in the context of a situation still relatively relaxed. This trend was accentuated at the end of 2018: on the basis of the most up-to-date information, in the last quarter of the year the conditions for access to credit seem to have recorded a further worsening, which involved all companies and segments, but was more marked for those operating in the services sector and, within manufacturing, for small and medium-sized enterprises. Centrex Italia, in particular, confirmed the good level of relationships with the banking system conserving good levels of credit facilities and pricing. The support of its financial partners allows Centrex Italia to support growth, benefiting from economic opportunities and opportune leverage.

### INFORMATION ON THE ENVIRONMENT

During the year no damage was caused to the environment for which the company was found guilty. Our company was not given fines or definitive sentences for environmental crimes or damage during the year.

#### **Environmental disputes**

The company currently has no civil or criminal disputes with third parties for damage caused to the environment or environmental crimes.

**INFORMATION RELATED TO PERSONNEL****Safety**

The company operates in all its environments in compliance with the provisions of Italian Legislative Decree 81/08 on the safety of workers.

The activity carried out in this field involves:

- training employees;
- carrying out regular medical check-ups;
- organising and training the action teams provided for in the law;
- continual corporate monitoring of the PPSM;
- preparing and distributing the documents of Italian Legislative Decree 81/08.

In particular during the year the following initiatives were taken:

- updating of the corporate Risk Assessment Document;
- updating and preparation of procedures on the subject of health and safety in the workplace;
- training course for new recruits.

None of the following occurred or were recorded during the year:

- workplace mortalities of personnel listed in the company's employee register;
- serious workplace accidents that involved serious or very serious injuries to personnel listed in the company's employee register.

No charges were recorded during the year, regarding occupational illnesses, against employees or former employees and cases of mobbing, for which the company was held to be definitively liable.

The company is particularly attentive to enhancing human resources, improving aspects of internal communication and continually making the organisation more efficient.

**Injuries**

No injuries to employees occurred during the year.

**Disputes**

The company currently has no disputes with employees or former employees of any kind.

## DESCRIPTION OF THE MAIN RISKS AND UNCERTAINTIES TO WHICH THE COMPANY IS EXPOSED

The company has developed a Risk Management model aimed at keeping in adequate consideration current and prospective risks, also in the medium and long term, in the context of a cohesive and overall view. The purpose is to strengthen the awareness, at all corporate levels, that adequate risk assessment and management has an effect on the achievement of the objectives and on the value of the company.

The company operates in the natural gas supply sector and, consequently, the main categories of risk are linked to:

- the trend in the price of commodities and the demand for natural gas influenced by consumer consumption and temperatures (market risk);
- non-fulfilment of contractual obligations (credit/counterparty risk);
- inability to manage unforeseen negative cash balances (liquidity risk);
- inability to manage errors (operational risk).

In order to prevent problems connected with inadequate management of risks, the company makes an effort to incorporate risk management adequately into business processes; it constantly monitors, very frequently, both its own global portfolio position and its cash flows over a long time horizon of at least twelve months.

### Market risk

The company is exposed to the risk of price oscillation.

The company has no particular exposure in foreign currencies.

The activities for managing and controlling this risk are governed by the Risk Policy, which provides for the adoption of specific risk limits in terms of economic capital and the use of hedging transactions in order to contain the exposure within the established limits.

Within the core business, proprietary trading activity is permitted observing the specific procedures and segregated in advance in a specific portfolio. This activity is monitored through stringent risk limits, observance of which is verified by the Risk Management Office, an office independent of the one that performs the operations.

The Risk Management Office has the objective of preventing or limiting the consequence of unforeseen results and of enabling the achievement of the strategic and operating targets. In relation to climate risk, the company avails itself of temperature forecasting systems in order to improve its consumption estimates.

### Credit risk

The company maintains the level of attention to credit risk, through procedures and actions aimed at controlling and assessing the credit standing of its customers. To this end it bases its procedures on external analyses provided by leading companies in the credit rating sector and on continual monitoring of the positions of each counterparty, both in



the stages of beginning a new commercial relationship and during supply. On the basis of the creditworthiness assigned to each counterparty, the corporate policies on credit risk management provide for the company requiring collateral guarantees from any customers that do not have an official credit rating, in the form of first-demand bank guarantees, stand-by letters of credit, patronage letters from the holding company.

Again in 2018, in support of its risk adverse approach, the company continued to make use also of a credit insurance contract, signed with a market leader, to protect itself against difficulties that could arise with its trade customers.

### **Liquidity risk**

Liquidity risk is related to the possibility that the financial resources available to the company will not be sufficient to cope with the financial and commercial obligations in the terms and deadlines set.

Management of the corporate treasury, as regards forecasts and final figures, pursues the purpose of managing immediate and short-term cash flows, in order to control and optimise the use of cash and cash equivalents.

The company has good credit capacity with an adequate pricing level which allows it to make best use of the available financial resources.

As a consequence of the type of business it conducts, the company has unfavourable collection times and has attempted, during the course of the year, to reduce this gap and improve current assets by decreasing the level of debt, whose peak is reached at the end of the year in conjunction with the end of the storage injection cycle.

The company therefore continues to implement a careful commercial policy and prudent treasury management, even in the medium-long term, for the purposes of containing exposure and absorption of capital. However, given the reference business and the life cycle of natural gas trading, the financial exposure should still be considered as short term.

### **Operational risk**

In order to limit the possibility of errors and to make company business efficient and effective, the company – during the year – continually updated the processes which coordinate the primary activities implemented within the company in order to make them increasingly consistent with the growth of operations and the increase in company size.

### **Policies related to the various hedging activities**

In order to reduce to a minimum any possible exposure deriving from fluctuation in commodity prices, the company takes a cautious approach to hedging its portfolio.

Transactions are carried out for the exclusive purpose of hedging with a neutral impact on the income statement result since the effects of hedging are the opposite of the results of the underlying physical contract.

## RESEARCH & DEVELOPMENT ACTIVITIES

Pursuant to art. 2428, paragraph 2, point 1 of the Italian Civil Code, it is noted that in the Financial Year in question your company did not perform research and development activities.

## RELATIONS WITH SUBSIDIARIES, ASSOCIATES, PARENT COMPANIES AND SISTER COMPANIES

It should be noted that the sole shareholder Centrex Europe Energy & Gas AG does not exercise management and coordination activities given that the company has full decision-making, management and operational autonomy.

The company carried out the following transactions during the year with subsidiaries, associates, parent companies and sister companies.

The company carried out the following transactions with Group companies, all of strictly commercial nature. These transactions, which do not include atypical and/or unusual ones, are regulated by normal market conditions, i.e. conditions which would be applied between independent parties.

The table below provides a summary picture of transactions carried out during the year:

Related party	Payables		Receivables		Revenue	Costs
	Commercial	Financial	Commercial	Financial	Commercial	Financial
Weedoo S.p.A.	-	-	248,460	207,979	422,065	
SMG S.r.l.	-	-	1,303,584	-	3,652,880	-
Centrex Europe Energy & Gas AG	7,288,724	6,001,047	241,008	-	283,853	83,224,952
Gazprom Marketing & Trading Ltd	16,940,024	-	7,770,727	-	72,171,847	114,195,473
<b>Total</b>	<b>24,228,748</b>	<b>6,001,047</b>	<b>9,563,779</b>	<b>207,979</b>	<b>76,530,644</b>	<b>197,420,425</b>

## TREASURY SHARES AND PARENT COMPANY SHARES/HOLDINGS

Complying with the provisions of points 3) and 4), paragraph 2, art. 2428 of the Italian Civil Code, we communicate that during the financial year the company did not hold treasury shares and shares of the parent company.

## BUSINESS OUTLOOK

Centrex Italia, in keeping with the strategic plan approved by the shareholder, is continuing a vertical integration action on all segments of the sale of natural gas and electricity. In this sense, the organic growth of the SME and domestic customer segment is continuing through the subsidiaries Weedoo and SMG, as is the growth along external lines through a constant search for strategic acquisitions of sales companies.

As regards diversification, implementation of the new "power" product/service is in progress; as for natural gas, this will be managed in an integrated manner covering the whole supply chain (procurement/trading, dispatching and sale). The company is also engaged in exploring and implementing the Small Scale LNG business, for which a series of initiatives and collaborations have already been activated with the aim of overseeing the production/importation and sale activity.

As regards systems the company is working on the design and implementation of the CRM, Billing and Connection Services systems in support of the new Power business activities together with the expansion of the functions and services in the ETRM field.

We thank you for your trust and invite you to approve the Financial Statements as presented.

**Milan, 28 February 2019**

**The Chief Executive Officer  
Libutti Michele**



CENTREX ITALIA SPA  
Single-member company  
Registered office in VIA LORENZINI 4 - 20139 MILANO (MI)  
Share Capital Euro 5.000.000,00 fully paid  
VAT - Tax ID 05630590965 - Rea 1835547