

2020 Financial Statements

Our energy for your needs



More value to energy every day.

Centrex Italia S.p.A. is active in sale and trading of natural gas and electricity.

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 | 2020 02

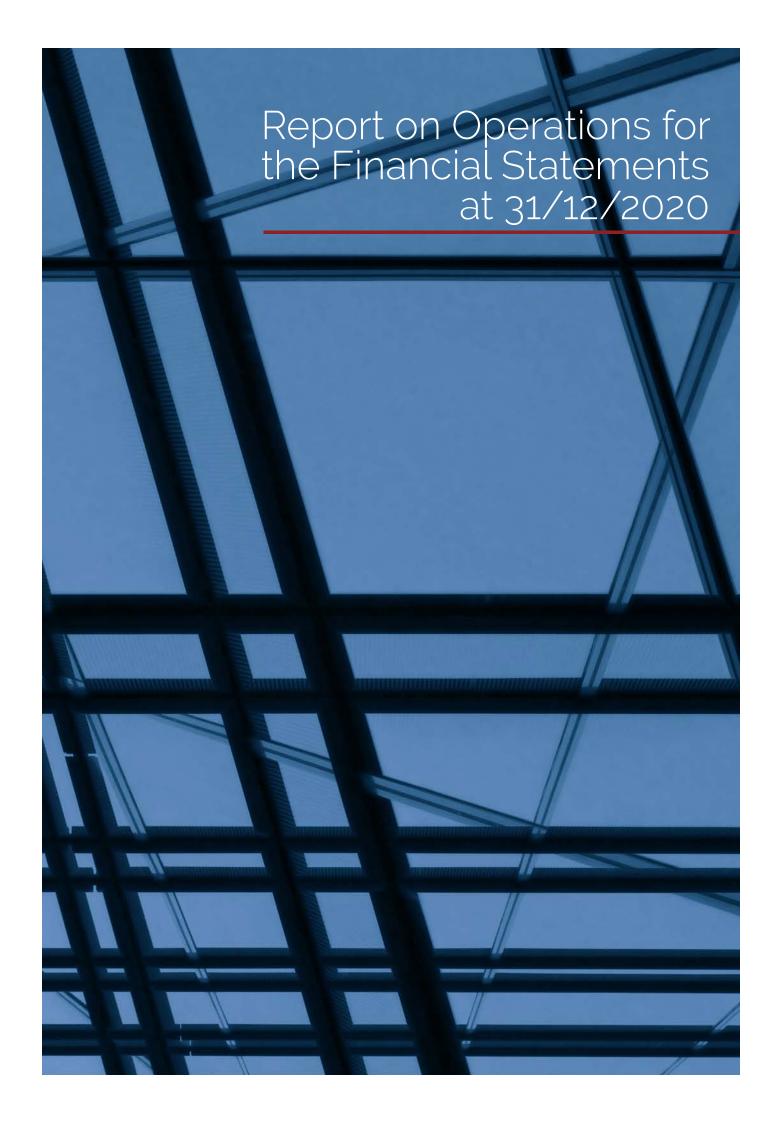
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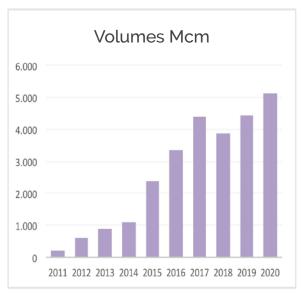
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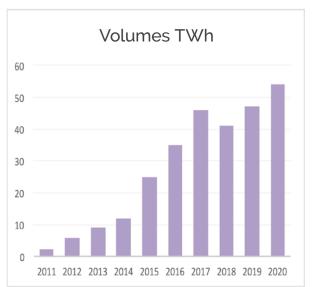
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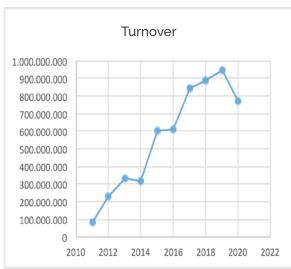
Centrex Italia Financial Statements have been prepared in accordance with the accounting principles established by the Italian law, which may not conform with generally accepted accounting principles in other countries.

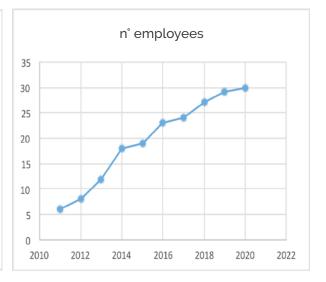


1 SUMMARY DATA









2 REPORT ON OPERATIONS FOR THE FINANCIAL STATEMENTS AT 31 DECEMBER 2020

2.1 Introduction

Dear Shareholders,

to accompany the annual financial statements for the period ended 31/12/2020 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.

2.2 The company's Business

Founded in 2007, the company creates and uses energy and gas production plants, strategically structures energy and gas supply contracts, and also creates distribution structures, sells and distributes oil and natural gas products, and buys and sells energy and natural gas.

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

2.3 Analysis of the company's economic, equity and financial situation

Financial year 2020 ended with a profit of euro 1,644,700 (compared to a profit of euro 2,552,300 in the previous year).

The year was not affected negatively by the pandemic in progress: in terms of volumes sold, in fact, the company's growth continued with +15% in 2020 compared to 2019. Also in financial terms, the company did not suffer repercussions either on the credit management side (no delays in collections were in fact reported) or in relation to the financial lines available (relations with banking counterparties remain excellent, as better described below). The operating management of the company therefore continued regularly, as shown by the good result achieved in the year in question.

The main equity and financial figures, together with a summary presentation of the economic performance of the company's business during the year, are shown in the tables below.

The company's reclassified balance sheet, compared with the one from the previous year, is shown below:

Amounts in euro	31/12/20	31/12/19
Net intangible fixed assets	745,821	315,184
Net tangible fixed assets	105,233	122,361
Net financial fixed assets	2,017,566	2.017,566
Fixed capital	2,868,620	2,455,111
Inventories	18,778,868	27,458,946
Receivable from customers	81,470,671	98,031,923
Other receivables (intra-group and third parties)	7,658,371	8,980,263
Accrued income and deferred charges	160,256	177,063
Short-term current assets	108,068,166	134,648,195
Trade payables	66,322,683	81,644,094
Tax and social security liabilities	505,815	272,885
Other payables (intra-group and third parties)	5,853,757	7,206,292
Accrued expenses and deferred income	63,932	26,902
Short-term current liabilities	72,746,187	89,150,173
Net working capital	35,321,979	45,498,022
Severance indemnities	329,377	273,889
Other medium and long-term liabilities	1,194,019	709,224
Medium/long-term liabilities	1,523,396	983,113
Invested capital	36,667,203	46,970,020
Shareholder's equity	-19,870,371	-17,719,235
Net short-term financial position	-16,796,832	-29,250,785
Equity and net financial debt	-36,667,203	-46,970,020

The table shows the excellent result obtained in 2020, similar to what was already achieved in 2019, with a significant reduction in financial indebtedness thanks to positive management of net working capital, a consequence of the significant reduction in trade receivables only in part offset by the reduction in trade payables.

The improvement in the net financial position is shown in the detail presented below:

Amounts in euro	31/12/20	31/12/19
Bank deposits	7,790,262	9,183,321
Cash on hand and other cash equivalents	465	671
Liquid assets	7,790,727	9,183,992
Derivatives	1,319,470	704.139
Financial assets other than fixed assets	1,319,470	704,139
Payables to parent company (by 12 months)	5,032,000	11,025,158
Payables to banks (by 12 months)	20,810,641	28,086,506
Other short-term liabilities	64,388	27,252
Short-term financial debts	25,907,029	39,138,916
Net short-term financial position	-16,796,832	-29,250,785
Net financial position	-16,796,832	-29,250,785

Also in 2020, despite a general prudence of financial institutions in relation to the energy services segment, Centrex Italia confirmed the excellent level of relationships with the banking industry maintaining good levels of credit and pricing. The support of its financial partners allows Centrex Italia to support growth, benefiting from economic opportunities and appropriate leverage.

The income statement reclassified for added value (or operational pertinence) is presented below.

Amounts in euro	2020	2019
Sales and services revenues	770,824,914	948,613,548
- Purchase of raw materials, consumables and goods	726,175,609	912,274,906
+ Variation of raw materials, consumables and goods	-8,680,079	664,188
- Costs for services and third parties assets use	29,383,893	28,995,768
Added value	6,585,333	8,007,062
+ Other income and proceeds	223,805	133,651
- Cost of personnel	3,640,164	3,908,839
- Sundry operating expenses	467.415	467,915
Gross Operating Profit (GOP)	2,701,559	3,763,959
- Amortizations and depreciations	181,265	635,334
Operating income	2,520,294	3,128,625
+ Financial income	28,525	50,268
- Financial charge and gains/losses on foreign currency conversion	175.348	230,603
- Devaluation of interests	88,167	-620,169
Income (Loss) before tax	2,285,304	3,568,459
+ Income tax	-640,604	-1,016,159
Net Income (Loss)	1,644,700	2,552,300

Added Value came out at euro 6.6 million (compared to the result of euro 8.0 million in 2019).

The decrease in revenue (and of the cost of products sold) was due exclusively to the average price of gas recorded during 2020, much lower than the average price of 2019. This is proven by the fact that, in volume terms, sales recorded in 2020 came out at 5,138 million cubic metres of gas (Mm³) compared to 4,452 Mm³ in 2019, an increase of approximately 15%.

The reduction recorded in added value is explained by many different factors: the company is seeing a trend of gradual shrinking of commercial margins which, as also explained below in the Report, is attributable to the intensification of competition between operators, also following processes of vertical concentration between wholesalers and retailers, and to a gradual increase in the efficiency of the market which is reducing the opportunities for arbitrage through exploiting assets (foreign interconnection capacity and storage).

The Gross Operating Profit came out at euro 2.7 million (compared to euro 3.8 million in 2019).

The Operating Profit came out at euro 2.5 million (compared to euro 3.1 million in 2019). During 2019, the company had set aside provisions for impairment of receivables of approximately euro 0.5 million, the result of the prudential estimate made by the management on the potential losses on receivables in being at 31 December 2019. In 2020 the company also updated the estimate of prudential provisions adjusting it to the decrease in total receivables, proceeding therefore to a partial release of the same. In practice the company has never used the provisions for impairment of receivables, thanks to careful selection of its customers, all with high credit rating: the current pandemic situation, as already mentioned, has also not caused delays in collection times.

The result of financial management in 2020 shows a worse net result (by euro 0.7 million) because 2019 recorded a benefit deriving from the recognition of financial income deriving from the measurement at fair value of derivatives entered into in the context of proprietary trading activity.

The profit before tax amounted to euro 2.3 million, compared to a profit before tax of euro 3.6 million in 2019. Current and deferred taxes had an impact on the result with a total cost of euro 0.6 million compared to euro 1 million in 2019.

The year therefore ended with a net profit of euro 1.6 million, compared to euro 2.6 million of net profit recorded in 2019.

The good result achieved in the year therefore enables further consolidation of the company's equity and financial situation, with Shareholders' Equity amounting at the end of the year to euro 19.9 million (compared to euro 17.7 million at 31 December 2019).

A number of financial result indicators are analysed below. These were chosen among those considered most significant in relation to the company's situation. They are divided into economic and financial indicators.

The key **economic indicators** identified to assess the company are ROE, ROI and ROS, which are standard indicators and, in the table below, show the excellent result for the year:

Profit & Loss Indicators	2020	2019
ROE (Return on Equity) Net Income (Loss) / Net worth	8.28%	14.40%
Gross ROE EBT / Net worth	11.50%	20.14%
ROI (Return on Investment) Operating income / Total assets	4.57%	5.25%
ROS (Return on Sales) Difference between value and cost of production / Sales	0.33%	0.33%

The ROS shows as a very low percentage the difference between cost of production and revenues from sales which is typical of the sector, present in particular in businesses such as Centrex Italia which have a high proportion of trading out of total turnover.

The financial indicators identified are the following:

Equity indicators	2020	2019
Primary liquidity (Current assets - inventory) / current liabilities	99.7%	91.3%
Secondary liquidity Current assets / current liabilities	118.8%	112.7%
Debt Ratio Third party funds / Shareholder's equity	5.04	7.30
Cover Margin of Fixed Assets (euro/000) Equity - Fixed Assets	17,001,751	15,264,124
Cover Margin of Fixed Assets Ratio Equity / Fixed Assets	692.68%	721.73%
Equity + Long-Term Liabilities – Fixed Assets (euro/000) Net worth + Consolidated liabilities – Fixed assets	18,589,535	16,274,489
Equity + Long-Term Liabilities – Fixed Assets Ratio (Net worth + Consolidated liabilities) / Fixed assets	748.03%	762.88%

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 proportion between third party funding and shareholders' equity and also for financial year 2020 the trend of significant reduction of this index was confirmed, as it showed that third party funding decreased to 5 times Shareholders' Equity compared to 7.3 times in 2019 and 12.6 times in 2018. This significantly declining trend is explained by the trends of the natural gas price, and by the positive result obtained in 2020 and 2019 which guaranteed a significant strengthening of equity.

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 the critical business is concentrated at the level of management of working capital.

2.4 Analysis of the company's operations and performance

Macroeconomic framework

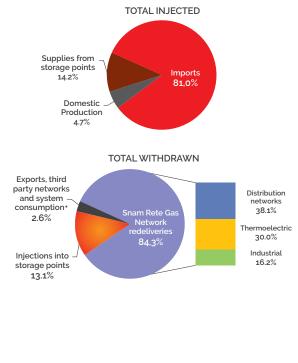
In 2020, characterised by the Covid-19 health emergency, natural gas consumption in Italy began to fall again compared to the previous year (coming out at 70,721 Mm³, -4.4%), the lowest level reached in the last four years, a trend concentrated in the spring months corresponding to closure of productive activities and attenuated by a considerable recovery towards the end of the year (+10% in December). The downward trend was sharper for consumption in the industrial and thermoelectric sectors (-6%) compared to those of the civil segment (-2%). The lower demand led to a reduction in imports, via both pipeline (-6%) and LNG regasifiers (-10%), and in domestic production (-15% and at a record low). There was a positive sign only for distribution from storage systems, the proportion of which out of the total procured rose more than 14% (+2% over 2019), while injection fell (-8%); the stock in storage at the end of December declined, therefore, by 11% compared to the same day of the previous year, remaining however at around the highest levels.

In the above context the prices on the PSV fell to a record low of 10.55 €/MWh, falling approximately 6 €/MWh from 2019, in line with the trends recorded by the main European benchmarks; also in this case, the drop in prices was attenuated by the general rise recorded in the second half of the year. In the gas spot markets managed by GME total trades, with the fourth consecutive increase, reached a record high of 113 TWh, representing more than 15% of total demand for gas (+5% over 2019). The growth is attributable both to the new AGS segments, in the first year of operations, and to the two continuous trading title markets, both at record levels. Trading on the MGS instead fell to record lows, more than halved compared to the previous year.

Prices, down everywhere, came out at around the PSV quotation, with a minimum in the continuous trading day-ahead segment at 10.41 €/MWh. As regards futures trading, trades on the MT-Gas amounted to 0.5 TWh (compared to 3.2 TWh in 2019), while trades were recorded on the P-GAS.

Figure 1: transported gas balance. Year 2020.

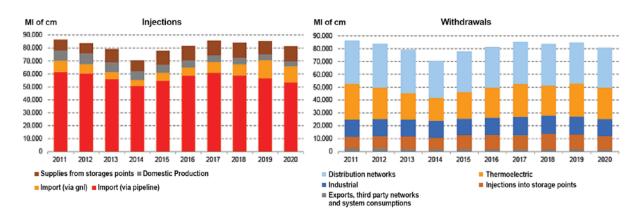
	Mmc	TWh	Var. %
Imports	65,932	697.8	-6.9%
Import per entry points:			
- Mazara	12,023	127.2	+17.5%
- Tarvisio	28,295	299.5	-5.0%
- Gries Pass	8,553	90.5	-22.9%
- Gela	4,461	47.2	-22.0%
- Gorizia	3	0.0	-82.4%
- Melendugno	12	0.1	-
- Panigaglia (GNL)	2,509	26.6	+3.5%
- Cavarzere (GNL)	6,806	72.0	-14.2%
- Livorno (GNL)	3,271	34.6	-10.0%
Domestic Production	3,855	40.8	-14.8%
Supplies from storage points	11,562	122.4	+13.6%
Total injected	81,349	860.9	-4.9%
Snam Rete Gas Network redeliveries	68,607	726.1	-4.3%
- industrial	13,202	139.7	-6.1%
- thermoelectric	24,428	258.5	-5.7%
- distribution networks	30,976	327.8	-2.4%
Exports, third party networks and system consumptions *	2,114	22.4	-6.8%
Total consumption	70,721	748.5	-4.4%
- injections into storage points	10,628	112	-8.2%
Total withdrawn	81,349	860.9	-4.9%



Source: SRG data

Source: SRG data

Figure 2: Transported gas evolution.



The above information is taken from GME Newsletter. No. 144 of January 2021.

 $^{^{\}star}$ includes line-pack variation, losses, consumptions and non-accounted gas

Competitors' behaviour

Market businesses are naturally characterised by forms of competition and also in 2020 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 the main European markets, and in Italy as regards supplies to industrial customers and to sales companies where it has a selected customer portfolio.

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 contestable market. It therefore seems plausible that the trend to redefine market shares in favour of stronger participants will be reinforced, accompanied by an overall reduction in the number of operators.

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 competition from other energy sources, in particular by the development of renewables and the cheapness of coal, in a 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 also bring, notable competitive pressure in the next few years.

In the next few years, 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 and the prospects outlined above, 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.

The company, leveraging its current positioning on the markets, achieved in 2020 sales volumes of 5,138 million cubic metres compared to 4,452 million in the previous year, an increase of 15.4% mainly attributable to an increase in trading activity, subject to market opportunities.

The final inventories of gas stored at 31 December 2020 totalled approximately 119 million cubic metres compared to 125 million cubic metres in 2019.

As mentioned above, as in 2019, financial year 2020 confirmed the return to a very positive level of profit margin, reversing the negative performance recorded in 2018.

In addition, the project to expand sales also to the electricity market continued: the information systems needed to manage the new business were implemented, the logistics and back office structure for managing power sales was consolidated, and the sales structure effectively widened its sales portfolio to more than twenty Reseller customers.

As regards systems the company is working on the design and implementation of the Portfolio, Risk and Trading systems in support of the new Power business activities together with the expansion of the functions and services in the GAS Settlement field.

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.

2.5 Investment policy

The investments made during the year are summarised below:

Amounts in euro	Investments 2020	
Intangible fixed assets		
- concessions, licenses, trademarks and similar rights	506,800	
- investments in progress, advances	52,800	
Total intangible	559,600	
Tangible fixed assets		
- other assets	35,174	
Total tangible	35,174	
Total investments	594,774	

The investments recorded in the year were significant if compared with those of previous years and were mostly linked to the new project to develop the Power business which, after the feasibility tests were completed, came into production during 2020.

2.6 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.

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

2.7 Information related to personnel

During the year, in consideration of the health emergency linked to the pandemic, the company carried out all the measures necessary to make safe the performance of work by its employees, above all, activating remote working solutions thus reducing, to the minimum necessary, presence in the office. All workers were issued with IT instruments and IT connections in VPN to be able to work opportunely at home.

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 by 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.

No injuries to employees occurred during the year.

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

2.8 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 and electricity 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 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, standby letters of credit, patronage letters from the holding company.

Again in 2020, 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.

As regards credit risk, the Management analyses the Customer items and, considering any doubtful receivables, the concentrations of Customers, the creditworthiness of Customers and the current economic trend, makes an assessment of provisions for doubtful receivables.

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, including for the medium-long term, for the purposes of containing exposure and absorption of capital. However, given the core 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.

2.9 Research & Development

Pursuant to Art. 2428, paragraph 2, point 1 of the Italian Civil Code, in the financial year in question, your company did not perform research and development activities.

2.10 Regulatory framework

We can note the following updates of the regulatory framework that became relevant during the financial year in question:

Balancing

Resolution 208/2019/R/gas: this resolution approved provisions on the subject of procurement by the Balancing Manager (hereinafter also "BM") of the quantities to cover: consumption, network losses, changes in the line-pack and gas not accounted for. In this sense, it provided for amendments to the Consolidated Balancing Text, also in relation to the BM neutrality mechanisms, and the introduction of a new performance indicator.

Storage

Resolution 55/2020/R/gas: the resolution approved a proposal to amend the Storage Code of the company Stogit S.p.A. which regards

- revision of the characteristics of the basis services in terms of performance of the injection and distribution services during the thermal year;
- additions to the criteria for confirming the reformulation of the daily programme (renomination) during the gas day with flow mainly in injection;

- rationalisation of the structure of contents of the Code in keeping with the provisions of the RAST;
- the processes of conferment to auction of services of annual/multi-annual duration through the PRISMA Platform;
- the adoption of the provisions for the fifth regulatory period (2020-2025) of the RTSG and the RQSG.

Resolution 58/2020/R/gas: this resolution updates certain parameters for calculating the reserve price for the auctions for awarding storage capacity for 2020/2021.

Transport

Resolution 114/2019/R/gas: this measure adopts the tariff settlement criteria for the natural gas transport service for the fifth regulatory period (5PRT), following the proceeding launched with Resolution 82/2017/R/gas of 23 February 2017.

Gas settlement

The process is continuing for implementation of the reform of gas settlement launched by the Authority with Resolution 72/2018/R/gas, with which it introduced substantial amendments to the rules previously in force, starting from 1 January 2020. Subsequently, with Resolution 148/2019/R/gas, ARERA approved a new "Integrated text of provisions for settlement of physical and economic items of the natural gas balancing service (TISG)", replacing the one pursuant to Resolution 72/2018/R/gas, adopting the new rules on provisional balancing and management of the chain of commercial relationships in the context of the Integrated Information System.

Instead, with Resolution 155/2019/R/gas, the Authority introduced the rules functional to enabling the process of updating the relation of correspondence between Balancing User, Distribution User and Redelivery Point of the distribution network in the context of the Integrated Information System.

Gas settlement - New rules on provisional balancing and publication and new Integrated Text - Resolution 148/2019: the Authority, with the resolution in question, approved the new Gas Settlement Integrated Text (Testo Integrato Settlement Gas - TISG), replacing the one approved with Resolution 72/2018, adopting the new rules on provisional balancing and management of the chain of commercial relationships in the context of the Integrated Information System (IIS), confirming the entry into force on 1 January 2020.

The IIS makes available to the BM, within the fourth-to-last day of each month, the information related to Annual Consumption and to the standard withdrawal profile for all Redelivery Points ("RPs") served by the Balancing User ("BU"), aggregated by city gate and type of treatment.

The TISG was also amended to adopt the rules functional to the new process of updating the relation of correspondence between BU and RP of the distribution network in the context of the IIS pursuant to Resolution 155/2018.

Integrated Information System – Process of updating the relation of correspondence between Balancing User and distribution network RP - Resolution 155/2019: the Authority, with the resolution in question, approved the rules functional to the process of updating the relation of correspondence between BU and RP present in the distribution contract of a Distribution User ("DU") to be implemented in the context of the IIS.

By updating of the relation of correspondence between BU and RP of the distribution network, is meant:

- both the dissociation by a BU from the RPs to which it was associated in the GAS Official Central Register (OCR) that must be sent to the IIS within and no later than the second working day of the month before the starting date of the relation of correspondence;
- and the association by a DU of a BU in the GAS OCR to the RPs already present in its distribution contract or for which it requests a switching or new activation;

This request must be sent to the IIS within the 10th day of the month before the date of updating the relation of correspondence; or in the case of switching, is defined in the context of the switching process pursuant to Annex A of Resolution 77/2018. Starting from 1 October 2019, the SW requests must contain also the identification data of the BU associated with the RP; or in the case of new activation, it is defined in the context of the data uploading process pursuant to article 5.2 of Resolution 850/2017.

In these cases, the BU must confirm or reject this association; in the case of failure to communicate to the IIS the association proposed by the DU is understood as rejected.

The updating of the relation of correspondence will run from the first day of the month, with the exception of cases of activation and deactivation of a RP for which it will take effect from the day of activation and deactivation.

In the absence of valid relation of correspondence, the IIS will communicate to the BM and to the other transport companies the information related to the RP for the purposes of activating the transport default service.

Approval of the update of the Network Code ("NC") of the company Snam Rete Gas S.P.A. ("SRG") and rules for launching the Settlement reform - Resolution 538/2019 R/GAS and subsequent resolutions: given also the launch of the Settlement reform from 1 January 2020, in order to limit the risks connected with the possible incorrect assessment of the transport capacity necessary as a result of the uncertainties in the forecast of withdrawals in the first

phase of application of the reform, the Authority provided for:

- transitional rules, up to 30 September 2020, of application of the variance fees of the transport capacity at the output points and the redelivery points;
- the holding by the transport companies of a special conferment session to be held by the end of September 2020, enabling the BUs to increase the capacities they have available at the city gates with effect from 1 October 2019 and taking into account the variance fees.

Approval of amendments to Resolution 137/02 on variance fees and a proposal to update the NC of the company SRG - Resolution 329/2020/R/GAS: the maximum amount of the variance fees applied to a user at a redelivery point, with reference to the entire thermal year, may not be more than 1.1 times the annual amount of the unit capacity fee at the redelivery point at which the variance occurs, multiplied by the maximum variance recorded at the same point during the thermal year.

Approval of update of the NC of the company SRG and provisions on variance fees – Resolution 521/20: resolution 329/2020 was amended to state that each capacity increase requested - starting from October and up to March 2021 inclusive - was to be considered as capacity available from 1 October 2020, also for the purposes of calculating the variance fees.

2.11 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 summary data for the last two approved financial reports are presented below:

Centrex Europe Energy & Gas AG

Amounts in euro/000	2019	2018	
Total assets	157,656	156,603	
Net equity	142,878	141,223	
Total liabilities	14,778	15,380	
Revenues	62,688	90,438	
Operating result	-1,344	-1,201	
Profit (Loss) of the period	1,782	2,274	

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 a 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:

Amounts in euro	Paya	bles	Receiv	ables	Cos	ts	Reven	ues
Counterpart	Trade	Financial	Trade	Financial	Trade	Financial	Trade	Financial
Centrex Europe	4,474,102	5,032,000	231,972		29,979,342	149,683	318,340	
Gazprom Marketing & Trading Ltd	14,209,109		7,972,667		116,550,017		103,440,999	
SMG			901,470				2,922,785	
Società Gas Rimini			1,450,234				2,970,883	
Weedoo		0	460,611	208,080			875,139	4,080
Total	18,683,211	5,032,000	11,016,954	208,080	146,529,359	149,683	110,528,146	4,080

The table also shows the transactions carried out with Società Gas Rimini S.p.A., considered a related party, as it holds 49% of the share capital of Weedoo.

2.12 Treasury shares and parent company shares/quotas

Complying with the provisions of points 3 and 4, paragraph 2, Art. 2428 of the Italian Civil Code, during the financial year, the company did not hold treasury shares or shares of the parent company.

2.13 Business outlook

To be able to tackle the challenges of the new scenario of reference of the energy market and consolidate the positioning achieved over the years by Centrex Italia, confirming itself as one of the leading operators of the Italian energy market, it is necessary to intensify and accelerate in the process of diversification, growth and repositioning. The actions identified and indicated in the strategic plan are the following:

• Pursuing effective **vertical integration** on all segments of natural gas and electricity sales. In this sense, the organic growth on the SME and domestic customer segment is continuing through the subsidiaries Weedoo and SMG. It is also necessary to accelerate the growth finalizing strategic acquisitions/participation of sales companies.

- As regards diversification the implementation of the "power" product/service was completed with the first volumes sold during the fourth quarter of the year to more than twenty Reseller customers. During financial year 2021 the full commercial development of this business line is expected; this will guarantee a growing contribution from year to year to total corporate margins.
- Again as regards diversification, the company finished the study of the potential of the Small Scale LNG business in Italy confirming extremely interesting growth prospects.
 Several initiatives and collaborations have been identified and should be initiate during 2021; these are aimed at overseeing the activities of production/importation and sale, and the construction of some refuelling stations.
- It is necessary to get involved as soon as possible in the area of **energy efficiency**, a sector for which significant growth is forecast thanks also to the planned incentives, through partnerships that make it possible to provide new services to sales companies and final customers to accompany the sale of commodities.
- As regards systems, finally, the company is completing the implementation of the CRM, Billing and Connection Services integrated 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, 26 February 2021 For the Board of Directors The Chief Executive Officer Libutti Michele



3 FINANCIAL STATEMENTS FOR THE YEAR 2020 AND STATEMENT OF CASH FLOWS

B) Fixed assets

4) concessions, licenses, trademarks and similar rights	623,857	104,38
6) investments in progress and advances	52,800	128,80
7) others assets	69,164	81,99
Total intangible fixed assets	745,821	315,18
II - Tangible assets		
4) other assets	105,233	122,36
Total tangible assets	105,233	122,36
III - Financial fixed assets		
1) equity investments in		
a) subsidiaries	2,017,566	2,017,56
Total financial fixed assets	2,017,566	2,017,56

C) Current assets

I - Inventories		
4) finished products and goods	18,778,868	27,458,946
Total inventories	18,778,868	27,458,946
II - Receivables		
1) from customers		
due by the end of the next financial year	81,470,671	98,031,923
2) from subsidiaries		
due by the end of the next financial year	1,570,161	1,673,663
4) from parent companies		
due by the end of the next financial year	231,972	238,547
5-bis) tax credits	3,896,013	4.828,098
5-ter) deferred tax assets	251,311	546,668
5-quater) from others		
due by the end of the next financial year	1,708,914	1,693,287
Total receivables	89,129,042	107,012,186

BALANCE SHEET ASSETS	euro 31/12/2020	euro 31/12/2019
III - Financial assets not classified as fixed assets		
5) derivatives	1,319,470	704,139
Total financial assets not classified as fixed assets	1,319,470	704,139
IV - Cash and cash equivalents		
1) bank and postal deposits	7,790,262	9,183,321
3) cash on hand and cash equivalents	465	671
Total cash and cash equivalents	7,790,727	9,183,992
Total current assets (C)	117,018,107	144,359,263
D) Accruals and deferrals		
Total accruals and deferrals (D)	160,256	177,063
Total assets (A + B + C + D)	120,046,983	146,991,437

I. Share Capital	5,000,000	5,000,000
IV. Legal reserve	501,786	374,173
VI. Other reserves	5,422,001	5,422,001
VII. Reserve for hedging of expected financial flows	861,251	354,816
VIII. Retained earnings (losses)	6,440,633	4,015,947
IX. Profit (loss) of the year	1,644,700	2,552,300
Total Shareholders' equity (A)	19,870,371	17,719,235
B) Provisions for risks and charges		
2) for taxes, including deferred	272,174	117,857
3) derivatives	64,388	27,252
4) others	921,845	591,367
Total provisions for risks and charges (B)	1,258,407	736,476
C) Employees severance indemnity		
Severance indemnity fund	329.377	273,889
D) Payables		
3) debts towards shareholders for loans		
due by the end of the next financial year	5,032,000	11,025,158
Total debts towards shareholders for loans	5,032,000	11,025,158
4) payables to banks		
due by the end of the next financial year	20,810,641	28,086,506
Total payables to banks	20,810,641	28,086,506
7) Trade payables		
due by the end of the next financial year	66,322,683	81,644,094
Total trade payables	66,322,683	81,644,094
g) Payables to subsidiaries		
due by the end of the next financial year	167,562	331,959
Total payables to subsidiaries	167,562	331,959

BALANCE SHEET LIABILITIES	euro 31/12/2020	euro 31/12/2019
11) payables to parent companies		
due by the end of the next financial year Total payables to parent companies	4,474,102	5,565,945 5,565,94 5
Total payables to parent companies	4,474,102	5,505,945
12) tax payables		
due by the end of the next financial year	167,062	171,619
Total tax payables	167,062	171,619
13) Payables to pension and social-security institutions		
due by the end of the next financial year	338,753	101,266
Total payables to pension and social-security institutions	338,753	101,266
14) Others payables		
due by the end of the next financial year	1,212,093	1,308,388
Total other payables	1,212,093	1,308,388
Total payables (D)	98,524,896	128,234,935
E) Accruals and deferrals		
Total accruals and deferrals (E)	63,932	26,902
Total liabilities (A + B + C + D + E)	120,046,983	146,991,437
		+-,55,457

A) Value of production

1) revenue from sales and services	770,824,914	948,613,548
5) other revenues and income	223,805	133,651
Total value of production (A)	771,048,719	948,747,199

B) Costs of production

6) raw materials, accessories, consumables and goods	726,175,609	912,274,906
7) services	28,989,613	28,601,378
8) use of third party assets	394,280	394,390
9) personnel	3,640,164	3,908,839
a) wages and salaries	2,789,571	3,258,921
b) social security contributions	651,892	464,802
c) severance Indemnity	65,456	53,771
d) pensioning and similar	89,944	89,152
e) other costs	43,301	42,193
10) amortization, depreciations and write-downs	181,265	635.334
a) intangible fixed assets amortization	128,963	91,699
b) tangible fixed assets depreciation	52,302	53,756
d) write-downs of receivables falling in the current assets		
and liquid assets	-	489,879
11) changes in inventories of raw materials, accessories,		
consumables and goods	8,680,079	-664,188
14) other operating expenses	467.415	467,915
Total costs of production (B)	768,528,425	945,618,574
Difference between the value and costs of production (A - B)	2,520,294	3,128,625

C) Financial income and expense

17 – bis) exchange gains (losses) Total financial income and expense (16 - 17)	1,024 -146,823	1,579 -180,335
17.5) from others	123,669	175,513
17.3) from controlling companies	50,655	53,511
17) Interest and other financial charges	174,324	229,024
16) other Financial Income d) income other than the above d.5) from others	28,525 28,525	50,268 50,268

D) Value adjustments of financial assets and liabilities

18) revaluations d) of financial derivatives instruments	160,838	620,169
19) write-downs		
d) of financial derivatives instruments	249,005	-
Total of the adjustments (18 - 19)	-88,167	620,169
Profit (loss) before taxes (A - B + / - C + / - D)	2,285,304	3,568,459
20) Income taxes for the year: current, deferred and prepaid	-640,604	-1,016,159
a) current	-350,857	-502,652
b) accrued	-295,357	-507,897
c) deferred	5,610	-5,610
21) Profit for the year	1,644,700	2,552,300

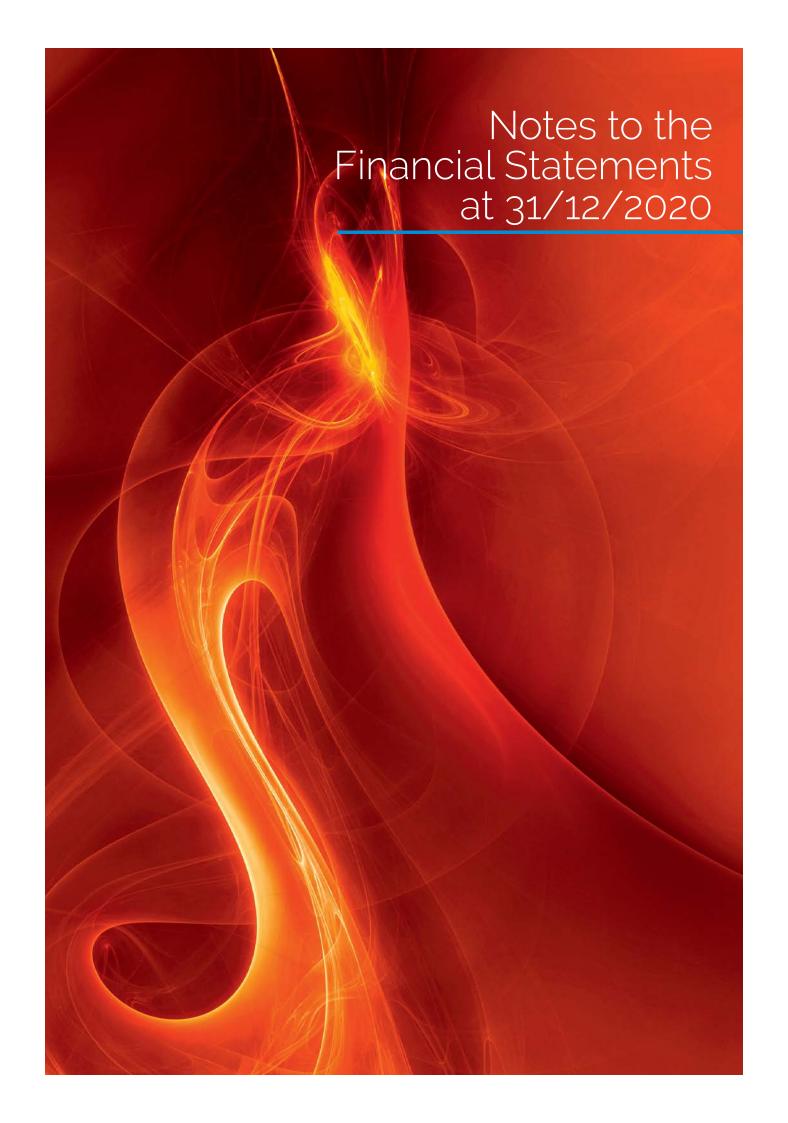
Cash Flow Statement

a) Cash flow to/from operating activities		
Profit for the year	1,644,700	2,552,300
Adjustments for		
- Interest expense / (income)	145,799	178,756
- Income taxes	640,604	1.016,159
1) Profit (Loss) for the year before income tax, interest, dividends		
and capital gains/losses from disposals	2,431,103	3,747,215
Tangible assets depreciation	52,302	53,756
Intangible assets amortization	128,963	91,699
Value adjustments for derivative assets		
and liabilities not involving monetary movements	88,167	-620,169
Other adjustments increasing/(decreasing) non-monetary elements	385,966	879,254
2) Cash flow before changes in net working capital	3,086,500	4,151,755
(Increase) decrease in inventories	8,680,078	-664,188
Decrease/(Increase) in receivables from customers	16,561,252	48,036,370
Increase/(Decrease) in trade payables	-15,321,411	-28,101,889
Decrease/(Increase) in accrued income and prepaid expenses	16,807	20,624
Increase/(Decrease) in accrued expenses and deferred income	37,032	5,917
Other decreases/(increases) in net working capital	71,989	-4,881,834
Total changes in net working capital	10,045,747	14,415,000
3) Cash flow from operating activities	13,132,247	18,566,755
Interest received/(paid)	-145,799	-178,756
(Income tax paid)	-515,916	0
Total other adjustments	-661,715	-178,756
Cash flow from operating activities (A)	12,470,532	18,387,999

CASH FLOW STATEMENT	euro 31/12/2020	euro 31/12/2019
B) Cash flow from investments		
Tangible assets acquisition	-35,174	-14,915
Intangible assets acquisition	-559,600	-128,800
Cash flow from investments (B)	-594,774	-143,715
C) Cash flow from financing activity		
Increase/(Decrease) in short-term payables due to banks	-7,275,865	-31,442,606
Opening of intra-group loans payable	-5,993,158	5,024,111
Payments deriving from capital increase and reserves	0	0
Cash flow from financing activity (C)	-13,269,023	-26,418,495
Increase (decrease) of net cash and cash equivalents (A + B + C)	-1,393,265	-8,174,211
Net cash and equivalent at the beginning of the year	9,183,992	17,358,203
Net cash and equivalent at the closing of the year	7,790,727	9,183,992
	-1,393,265	-8,174,211

Milan, 26 February 2021

For the Board of Directors The Chief Executive Officer Libutti Michele



4 NOTES TO THE STATEMENTS, FIRST PART

4.1 Introduction

The financial statements, subject to your review and approval, show a profit for the year of euro 1,644,700 (compared to a profit for financial year 2019 of euro 2,552,300).

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

4.2 Business activities

The 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.

4.3 Significant events during the year

Financial year 2020 ended with a profit of euro 1,644,700 (compared to a profit of euro 2,552,300 in the previous year), a result however very positive considering the pandemic context in which the company operated.

The year was not negatively affected by the pandemic in progress: in terms of volumes sold, in fact, the company's growth continued with +15% of gas volumes sold in 2020 compared to 2019, as well as the launch of the power business which ended 2020 with a total of 7,555 MWh sold. Also in financial terms, the company did not suffer repercussions either on the credit management side (no delays in collections were in fact reported) or reductions of the financial lines available (relations with banking counterparties remain excellent). The operating management of the company therefore continued regularly, as shown by the good result achieved in the year in question.

This is confirmed today when these financial statements will be approved.

For more information, please see the paragraph "Operating performance" in the Report on Operations.

4.4 Structure and content of the Annual Financial Statements

The financial statements for the year ending 31/12/2020, consisting of the Balance Sheet, Income Statement, Statement of Cash Flows and Explanatory Notes, correspond with the entries in the accounting records kept regularly and were prepared in compliance with the rules provided for 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 Statement of Cash Flows is compliant with the provisions of art. 2425-ter of the Italian Civil Code.

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.

4.5 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.

4.6 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.

No changes were made to depreciation 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 paragraph 1 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	Rates applied
Plant and machinery	20%
Other tangible assets:	
- furnitures	20%
- electronic office machines	20%
- mobile equipment	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 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, paragraph 1, 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 on the basis of 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.

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, for 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 *Reserves for hedging of expected financial 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 liabilities and assets is also subject to redetermination in the case of a change in the tax rates originally used.

For corporate 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 this regimen, and only the consolidating company is allocated the requirements 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 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.

Use of estimates

Preparation of the annual financial statements and the related Notes to the Statements requires the Management to make estimates and assumptions that have an effect on the values of the balance sheet assets and liabilities and on the disclosure related to contingent assets and liabilities at the reporting date. The estimates and assumptions used are based on experience and on other factors considered significant. The final results that will emerge could therefore differ from these estimates. The estimates and assumptions are reviewed periodically, and the effects of all changes made to them are reflected in the income statement in the period in which the estimate is revised, if the revision has effects only on this period, or also in subsequent periods, if the revision has effects both on the current year and on future ones. The main accounting items that require estimates and assumptions are chiefly provisions for bad debt and provisions for risks.

5 NOTES TO THE STATEMENTS - COMMENT ON THE ACCOUNTING ITEMS

Balance Sheet Assets

Subscribed capital, unpaid

As of 31 December 2020, the capital was fully subscribed and paid up.

Fixed assets

I. Intangible fixed assets

The breakdown of intangible fixed assets is as follows:

Amounts in euro	31/12/20	31/12/19	Var	Var %
4) Concessions, licenses, trademarks and similar rights	623,857	104,386	519,471	497.6%
6) Investments in progress and advances	52,800	128,800	-76,000	-59.0%
7) Others assets	69,164	81,998	-12,834	-15.7%
Total intangible assets	745,821	315,184	430,637	136.6%

The changes which occurred during the year (Art. 2427, paragraph 1, point 2, of the Italian Civil Code) are shown in the statement below:

A	Gross Value			Accumu				
Amounts in euro	31/12/19	Increase	Reclass.	31/12/20	31/12/19	Increase	31/12/20	Net Value
Start-up and expansion costs	8,727			8,727	8,727		8,727	0
Concessions, licenses	527,602	506,800	128,800	1,163,202	423,216	116,129	539,345	623,857
Improvements on third party assets	120,895			120,895	41,732	10,000	51,732	69,163
Other intangible assets	132,395			132,395	129,560	2,834	132,394	1
Investments in progress, advances	128,800	52,800	-128,800	52,800	0		0	52,800
Total intangible assets	918,419	559,600	0	1,478,019	603,235	128,963	732,198	745,821

Intangible fixed assets at 31/12/2020 amounted to euro 745,821 (euro 315,184 at the end of the previous financial year) net of amortisation. This item recorded an increase due mainly to the continuation of investments in management software, used from 2020 for the new electricity business in expansion (please see what is indicated in the Report on Operations on the development prospects in 2021).

Intangible fixed assets include costs for software and management application licences 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.

II. Property, plant and equipment

The breakdown of property, plant and equipment is as follows.

Amounts in euro	31/12/20	31/12/19	Var	Var %
4) Others assets	105,233	122,361	-17,128	-14.0%
Total tangible assets	105,233	122,361	-17,128	-14.0%

The changes that occurred during the year (Art. 2427, paragraph 1, point 2, of the Italian Civil Code) in the item "Other assets" are shown in the statement below:

	Gross Value			Accumu	lated depr		
Amounts in euro	31/12/19	Increase	31/12/20	31/12/19	Increase	31/12/20	Net Value
Plant and machinery	1,700		1,700	1,700		1,700	0
Furnitures	26,448		26,448	23,581	2,867	26,448	0
Electronic office machines	284,446	27,854	312,300	178,086	38,609	216,695	95,605
Mobile equipment	25,629	3,363	28,992	17,195	5,196	22,391	6,601
Other electronic equipments	32,611	3,957	36,568	27,911	5,630	33,541	3,027
Total tangible assets	370,834	35,174	406,008	248,473	52,303	300,775	105,233

Property, plant and equipment, net of depreciation, came to euro 105,233 (euro 122,361 at the end of the previous year), with a decrease explained mainly by depreciation for the year, only in part offset by the investments made.

III. Financial fixed assets

The item "financial fixed assets" consists of an equity investment in a subsidiary, as shown in the table below:

Amounts in euro	31/12/20	31/12/19	Var	Var %
Interests in controlled companies	2,017,566	2,017,566	0	0.0%
Total interests	2,017,566	2,017,566	o	0.0%
Total financial fixed assets	2,017,566	2,017,566	0	0.0%

The item Equity investments refers to the equity investment held in Weedoo S.p.A., with registered office in Milan, and represents a long-term and strategic investment by the company. The total value at 31/12/2020 was euro 2,017,566 (and remained unchanged compared to the end of the previous year). The equity investment in question is measured at the purchase cost.

Under the terms of art. 2427, paragraph 1, point 5, of the Italian Civil Code, the information related to this, the only equity investment in subsidiaries, is provided below:

WeeDoo S.p.A. - VAT nr. 8961560961

Description	31/12/19
Share Capital	1,000,000
Retained earnings / reserves	859,610
Net Profit (Loss)	-335,636
Total equity WeeDoo	1,523,974
Total equity WeeDoo Owned share	1,523,974 51%

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. The company also carried out an impairment test on the equity investment in the subsidiary Weedoo, discounting to the present the expected cash flows (DCF Method) which will be generated by the subsidiary as defined in the 2021-2025 development plan. No risk of impairment emerged from this test.

The subsidiary Weedoo holds an equity investment of 75% in the share capital of SMG S.r.l., a gas and electricity retail sales company with registered office in Arese (Milan), Italy, VAT no. 03761580962. SMG S.r.l. had shareholders' equity at 31 December 2019 of euro 898,837, while the value at which the equity investment is recognised in the financial statements of Weedoo is euro 2,361,565. Also in this case, Weedoo carried out an impairment test, discounting to the present the expected cash flows (DCF Method) which will be generated by the subsidiary as defined in the 2021-2025 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

I. Inventories

Under the terms of art. 2427, paragraph 1, point 4, of the Italian Civil Code, below we provide a breakdown of the item in question:

Amounts in euro	31/12/20	31/12/19	Var	Var %
Inventories	18,778,868	27,458,946	-8,680,078	-31.6%
Total inventories	18,778,868	27,458,946	-8.680.078	-31.6%

The company opportunely checked that the inventory amounts expressed were not more than the current cost of the assets ascertainable on the reporting date (art. 2426, paragraph 1, point 10, of the Italian Civil Code). The check did not find the need to recognise any write-down of inventories.

II. Receivables

Below, we note the breakdown of and changes in receivables recognised in current assets (Article 2427, no. 4 of the Italian Civil Code):

Amounts in euro	31/12/20	31/12/19	Var	Var %
From customers	81,470,671	98,031,923	-16,561,252	-16.9%
From subsidiaries	1,570,161	1,673,663	-103,502	-6.2%
From parent company	231,972	238,547	-6,575	-2.8%
Tax credits	3,896,013	4,828,098	-932,085	-19.3%
Deferred tax assets	251,311	546,668	-295,357	-54.0%
From Others	1,708,914	1,693,287	15,627	0.9%
Total receivables	89,129,042	107,012,186	-17,883,144	-16.7%

Under the terms of art. 2427, paragraph 1, no. 6 of the Italian Civil Code, we can note that all receivables pursuant to the present item are to be considered enforceable within the year.

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 change in receivables from customers was due to the price effect because sales in December 2020 were made at a price, on average, approximately 18% lower compared to December 2019, an effect to a minimal extent offset by higher volumes in December 2020, approximately 3.7% more than those of December 2019.

The amount of receivables recognised in current assets takes account both of credit notes to be issued and of provisions for impairment of receivables of euro 428,123. Details of the item and related changes in provisions for impairment of receivables are shown below:

Amounts in euro	31/12/20	31/12/19	Var	Var %
Receivables from customers	81,898,794	98,535,596	-16,636,802	-16.9%
Reserve for bad debts	-428,123	-503,673	75,550	-15.0%
Tot. receivables from customers	81,470,671	98,031,923	-16,561,252	-16.9%
Amounts in euro				
Balance as of 31 December 2019	-503,673			
Accrual	0			
Release	75,550			

-428,123

As at 31/12/2020, no receivables had a duration of more than five years.

The item Receivables from subsidiaries is made up as follows:

Amounts in euro	31/12/20	31/12/19	Var	Var %
Receivables from Weedoo SpA	668,691	587,967	80,724	13.7%
Receivables from SMG Srl	901,470	1,085,696	-184,226	-17.0%
Tot. receivables from subsidiaries	1,570,161	1,673,663	-103,502	-6.2%

We must specify that the item from Weedoo S.p.A. 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, in line with the figure at 31 December 2019.

Balance as of 31 December 2020

The item Tax Credits is made up as follows:

Amounts in euro	31/12/20	31/12/19	Var	Var %
VAT receivables	1,082,483	892,367	190,116	21.3%
VAT asked for refund	1,119,972	994,715	125,257	12.6%
VAT credit in compensation	0	998,813	-998,813	-100.0%
Ires advances	169,808	169,808	0	0.0%
Excise credits	1,299,099	1,494,962	-195,863	-13.1%
Advances on regional withholding taxes	224,380	277,162	-52,782	-19.0%
Withholding on interest received	271	271	0	0.0%
Total tax credits	3,896,013	4,828,098	-932,085	-19.3%

The item "receivables from others" of euro 1,708,914 (euro 1,693,287 at 31 December 2019) consists mainly of guarantee deposits strictly linked to operations related to the business.

Receivables in current assets break down as follows based on the geographical area in which the debtor has its registered office (Article 2427, paragraph 1, point 6, of the Italian Civil Code):

Geographical area	Italy	EU	Non-EU	Total
From customers	45.791,724	21,492,347	14,186,600	81,470,671
From subsidiaries	1,570,161			1,570,161
From parent company		231,972		231,972
Tax credits	3,896,013			3,896,013
Deferred tax assets	251,311			251,311
From Others	1,708,914			1,708,914
Total receivables	53,218,123	21,724,319	14,186,600	89,129,042

III. 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 1, point 4 of the Italian Civil Code):

Amounts in euro	31/12/20	31/12/19	Var	Var %
Derivatives	1,319,470	704,139	615,331	87.4%
Financial assets not classified as fixed assets	1,319,470	704,139	615,331	87.4%

For more information, please see paragraph 6 "Other Information", in the specific point on "Information on derivatives, pursuant to Art. 2427-bis of the Italian Civil Code".

IV. Cash and cash equivalents

The balance, as detailed below, indicates the amount of and changes in cash and cash equivalents existing at the end of the year (Article 2427, paragraph 1, point 4, of the Italian Civil Code):

Amounts in euro	31/12/20	31/12/19	Var	Var %
Bank and postal deposits	7,790,262	9,183,321	-1,393,059	-15.2%
Cash and cash values	465	671	-206	-30.7%
Total cash and cash equivalents	7,790,727	9,183,992	-1,393,265	-15.2%

The change in cash and cash equivalents is analysed in the statement of cash flows annexed to the financial statements on the basis of the nature of the components that determined it.

Accrued income and prepaid expenses

The breakdown and changes to the item in question are shown below (article 2427, paragraph 1, point 7, of the Italian Civil Code):

Amounts in euro	31/12/20	31/12/19	Var	Var %
Prepaid financial expenses	40,905	74,730	-33,825	-45.3%
Other prepaid expenses	99,202	102,333	-3,131	-3.1%
Accrued incomes	20,149	0	20,149	100.0%
Total	160,256	177,063	-16,807	-9.5%

As at 31/12/2020, no accruals or deferrals had a duration of more than five years, nor were there any significant amounts with duration beyond the subsequent financial year.

Prepaid expenses are made up of expenses for sureties, discounted for each surety on the basis of the related duration, and for the remainder, mainly of prepayments on car hire fees, rents paid and fees to access to databanks.

BALANCE SHEET LIABILITIES

Shareholders' equity

Amounts in euro	31/12/20	31/12/19	Var	Var %
Share Capital	5,000,000	5,000,000	0	0.0%
Legal reserve	501,786	374,171	127,615	34.1%
- other reserves - capital payments	925	925	0	0.0%
- other reserves - payments from shareholders	5,000,000	5,000,000	0	0.0%
- other reserves - extraordinary	421,076	421,076	0	0.0%
Subtotal other reserves	5,422,001	5,422,001	0	0.0%
Reserve, hedging of expected cash flows	861,251	354,816	506,435	142.7%
Profits (Losses) carried forward	6,440,632	4,015,947	2,424,685	60.4%
Operating Profit	1,644,700	2,552,300	-907,600	-35.6%
Total shareholders' equity	19,870,371	17,719,235	2,151,136	12.1%

Shareholders' Equity, at the end of the year, amounted to euro 19,870,371, showing the following changes in the last three years (Article 2427, paragraph 1, point 4, of the Italian Civil Code).

Amounts in euro	Share capital	Legal reserve	Other reserves	Cash flow hedging reserve	Losses carried forward	Result of the year	Total net worth
Balance as of January 1 st , 2018	5,000,000	374,171	422,001	57,267	7,109,241	-1,296,495	11,666,185
Previous year loss allocation					-1,296,495	1,296,495	0
Increase in reserves			5,000,000				5,000,000
Other movements (includ. tax effects)				-109,872			-109,872
Loss for the year						-1,796,800	-1,796,800
Balance as of December 31, 2018	5,000,000	374,171	5,422,001	-52,605	5,812,746	-1,796,800	14,759,512
Previous year loss allocation					-1,796,800	1,796,800	0
Other movements (includ. tax effects)				407,421			407,421
Profit for the year						2,552,300	2,552,300
Balance as of December 31, 2019	5,000,000	374,171	5,422,001	354,816	4,015,947	2,552,300	17,719,235
Previous year loss allocation		127,615			2,424,685	-2,552,300	0
Other movements (includ. tax effects)				506,435			506,435
Profit for the year						1,644,700	1,644,700
Balance as of December 31, 2020	5,000,000	501,786	5,422,001	861,251	6,440,632	1,644,700	19,870,371

You are reminded that, on 20/09/2018, the company received a capital payment of euro 5,000,000 from the Shareholder.

We provide details on the reserves which make up Shareholders' Equity, specifying their origins and nature, possibility of use and limits on distribution (Article 2427, paragraph 1, point 7-bis of the Italian Civil Code):

Amounts in euro	31/12/20	Origin/ Nature	Type of availability	Available amount
Share Capital	5,000,000		-	0
Legal reserve	501,786	U	A,B	501,786
- other reserves - capital payments	925	С	A,B	925
- other reserves - payments from shareholders	5,000,000	С	A,B,C	5,000,000
- other reserves - extraordinary	421,076	С	A,B,C	421,076
Reserve, hedging of expected cash flows	861,251	U	-	0
Profits (Losses) carried forward	6,440,632	U	A,B,C	6,440,632
Operating Profit	1,644,700			
Total shareholders' equity	19,870,371			12,364,419
Amount non-distributable	6,363,962			502,711

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

Key: A: for capital increase, B: to cover losses, C: for distribution to Shareholders.

At 31/12/2020, 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 breakdown of and changes in the individual items are shown in the table below (Article 2427, paragraph 1, point 4, of the Italian Civil Code):

Amounts in euro	31/12/20	31/12/19	Var	Var %
For taxes, including deferred	272,174	117,857	154,317	130.9%
Derivatives	64,388	27,252	37,136	136.3%
Others	921,845	591,367	330,478	55.9%
Total provision for risks and charges	1,258,407	736,476	521,931	70. 9%

Provisions for taxes relate entirely to deferred tax liabilities of euro 272,174.

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 1, point 7, of the Italian Civil Code).

Amounts in euro	31/12/19	Increase	Decrease	31/12/20
For taxes, including deferred	117,857	159,927	-5,610	272,174
Derivatives	27,252	37,136		64,388
Others	591,367	330,478		921,845
Total provision for risks and charges	736,476	527,541	-5,610	1,258,407

The balance of "Other" provisions for risks and charges represents the prudential allocation, against the business risks identified or potential future outlays, made by the Directors on the basis of their best knowledge and supported, where appropriate, by the opinion of the lawyers with reference to existing or potential disputes.

With reference to the considerations presented in paragraph 4.6 on the use of estimates, or on the estimation procedures adopted in the assessment of the risk of losing in disputes, we can note that the Management is not aware of any significant risks which could derive from existing disputes against which no provisions for risks have been set aside at the end of the financial year in question. The Management, therefore, considers the provisions set aside as appropriate.

Employee severance indemnity

The provisions allocated represent the actual amount owed by the company, as at 31/12/2020, to employees in the workforce at this date, net of advances paid.

The breakdown and uses are detailed in the table below (Article 2427, paragraph 1, point 4 of the Italian Civil Code):

Amounts in euro	31/12/19	Increase	Decrease	31/12/20
Employees severance indemnity fund	273,889	68,455	12,967	329,377
Total severance indemnity fund	273,889	68,455	12,967	329,377

Payables

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

Amounts in euro	31/12/20	31/12/19	Var	Var %
Loans from parent companies	5,032,000	11,025,158	-5,993,158	-54.4%
Payables to banks	20,810,641	28,086,506	-7,275,865	-25.9%
Trade payables	66,322,683	81,644,094	-15,321,411	-18.8%
Payables to subsidiaries	167,562	331,959	-164,397	-49.5%
Payables to parent companies	4,474,102	5.565,945	-1,091,843	-19.6%
Tax payables	167,062	171,619	-4,557	-2.7%
Payables to social security institutions	338,753	101,266	237,487	234.5%
Other payables	1,212,093	1,308,388	-96,295	-7.4%
Total payables	98,524,896	128,234,935	-29,710,039	-23.2%

The item "Payables for shareholder loans" refers to an interest-bearing loan - at market conditions - for a nominal amount of euro 5,000,000 disbursed on 18 January 2019 with a duration of one year. The item also includes interest accruing up to 31 December 2020. The company benefits from a loan facility with the Sole Shareholder for a total amount of euro 20 million, of which euro 5 million used at 31 December 2020, as noted above.

The balance of Payables due to banks at 31 December 2020, of euro 20.8 million shows a significant decrease compared to the previous financial statements owing both to the effect of the contribution of cash deriving from ordinary operations, and to a more virtuous management of net working capital which enabled less use of the facilities available at the end of the year (at 31 December 2020 facilities of euro 77.3 million remained available). Owing to the nature of the company's business, all existing loans have a duration of less than 12 months. The details of the payable by type are as follows:

Amounts in euro	31/12/20	31/12/19	Var	Var %
Customer invoices financing	4,836,896	13,127,134	-8,290,238	-63.2%
Import financing	9,613,180	8,001,702	1,611,478	20.1%
Customer contracts financing	6,360,565	6,948,785	-588,220	-8.5%
Overdrafts	0	8,884	-8,884	-100.0%
Debts towards banks	20,810,641	28,086,506	-7,275,865	-25.9%

The item Trade payables of euro 66.3 million is recognised net of credit notes to be received. This item also shows a drop compared to the previous year, owing mainly to the effect of the trend in the natural gas price recorded in December 2020, lower than that in the same period of 2019.

The item Payables to subsidiaries is related to the payable to the subsidiary Weedoo, owing to the recognition of expenses deriving from tax consolidation.

The item Payables to parent companies amounted to a total of euro 4.4 million, payable in relation to Centrex Energy & Gas AG. This is a trade payable.

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

The item "Others Payables" consists mainly of payables to personnel.

There were no payables backed by real guarantees.

We also provide an informative table on the breakdown of payables based on where the creditor counterparty has its registered office:

Geographical area	Italy	EU	Non-EU	Total	
Loans from parent companies		5,032,000		5,032,000	
Payables to banks	20,810,641			20,810,641	
Trade payables	23,440,736	11,203,099	31,678,848	66,322,683	
Payables to subsidiaries	167,562			167,562	
Payables to parent companies		4,474,102		4,474,102	
Tax payables	167,062			167,062	
Payables to social security institutions	338,753			338,753	
Other payables	1,212,093			1,212,093	
Total payables	46,136,847	20,709,201	31,678,848	98,524,896	

Accruals and deferrals

Amounts in euro	31/12/20	31/12/19	Var	Var %
Accrued expenses	9,360	26,902	-17,542	-65.2%
Deferred revenues	54,574	0	54,574	100.0%
Total accruals and deferrals	63,932	26,902	37,030	137.6%

As at 31/12/2020, no accruals or deferrals had a duration of more than five years, nor were there any significant amounts with duration beyond the subsequent financial year.

INCOME STATEMENT

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:

Amounts in euro	2020	2019	Var	Var %
Revenue from sales and services	770,824,914	948,613,548	-177,788,634	-18.7%
Other revenue and income	223,805	133,651	90,154	67.5%
Total value of production	771,048,719	948,747,199	-177,698,480	-18.7%

In the year the item Other revenues and income included the amount of euro 75,000, because the company partially released its provisions for credit risks.

The breakdown of revenues by geographical area of sale, identified on the basis of where the customer has its registered office, is the following:

Geographical area	Italy	EU	Non-EU	Total
Revenue from sales and services	354,015,570	278,979,695	137,829,649	770,824,914
Other revenue and income	223,805			223,805
Total value of production	354,239,375	278,979,695	137,829,649	771,048,719

Costs of production

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

Amounts in euro	2020	2019	Var	Var %
Consumables and goods	726,175,609	912,274,906	-186,099,297	-20.4%
Services	28,989,613	28,601,378	388,235	1.4%
Use of third party assets	394,280	394,390	-110	0.0%
- wages and salaries	2,789,571	3,258,921	-469,350	-14.4%
- social charges	651,892	464,802	187,090	40.3%
- severance indemnity	65,456	53,771	11,685	21.7%
- pensioning and similar	89,944	89,152	792	0.9%
- other costs	43,301	42,193	1,108	2.6%
Cost of personnel	3,640,164	3,908,839	-268,675	-6.9%
- intangible fixed assets amortization	128,963	91,699	37,264	40.6%
- tangible fixed assets depreciation	52,302	53,756	-1,454	-2.7%
- write-off of receivables	0	489,879	-489,879	-100.0%
Depreciations and devaluations	181,265	635,334	-454,069	-71.5%
Changes in inventories	8,680,079	-664,188	9,344,267	-1406.9%
Other operating expenses	467,415	467,915	-500	-0.1%
Total cost of production	768,528,425	945,618,574	-177,090,149	-18.7%

The decrease in costs for consumables and goods, as explained also in the Report on Operations, is closely related to the decrease in revenue from the sale of natural gas.

Costs for services are mainly related to transport and natural gas storage services and are in line with the figures of the previous year.

Costs for use of third-party assets refer mainly to costs incurred for rental of offices and for vehicle hire and do not show significant changes in the year.

The item "personnel costs" includes all expenses for personnel, including merit pay increases, promotions, automatic cost-of-living increases, the cost of holidays accrued but not taken and provisions according to law and collective contracts. 2020 also includes the allocation of the variable associated with achieving the personal and corporate objectives.

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 Notes to the Statements for more details.

Other operating expenses include, among other things, contributions paid to the Regulatory Authority for Energy, Networks and the Environment (ARERA) of euro 183,000, costs for the use of databanks of euro 62,000, the contribution paid to the Competition and Market Authority (AGCM) of euro 49,000 and premiums for insurance on receivables of euro 55,000.

Financial income and expense

In accordance with the provisions of point 12) of paragraph 1 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.

Amounts in euro	2020	2019	Var	Var %
Financial Income	28,525	50,268	-21,743	-43.3%
Financial Charges	-174,324	-229,024	54,700	-23.9%
Exchange gains and losses	-1,024	-1,579	555	-35.1%
Total finacial income and charges	-146,823	-180,335	33,512	-18.6%

Financial income refers for euro 7,000 to default interest income invoiced to customers for delayed payment, for euro 4,000 to interest income paid by Weedoo S.p.A. for the loan and for the remainder to bank interest and for euro 17,000 to interest on guarantee deposits and VAT rebates.

Financial expenses were euro 174,000, down compared to 2019 owing mainly to the financial expenses deriving from the reduction of the use of credit lines.

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.

Besides the interest on the loan of the Sole Shareholder of euro 32,000, we can note also interest on loans related to advances on invoices, documentary advances and financing for imports.

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":

Amounts in euro	2020	2019	Var	Var %
Revaluations of derivatives	160,838	620,169	-459,331	-74.1%
Write-downs of derivatives	249,005	0	249,005	100.0%
Adjustments of financial assets and liabilities	-88,167	620,169	-708,336	-114.2%

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

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

Amounts in euro	2020	2019	Var	Var %
Current taxes	-350,857	-502,652	151,795	-30.2%
Deferred tax liabilities	5,610	-5,610	11,220	-200.0%
Deferred tax assets	-295,357	-507,897	212,540	-41.8%
Total income taxes for the year	-640,604	-1.016,159	375,555	-37.0%

In particular, these are the details of the breakdown of current taxes:

Amounts in euro	2020	2019	Var	Var %
IRES	-38,088	-895,522	857,434	-95.7%
IRAP	-111,671	-170,694	59,023	-34.6%
Income from tax consolidation	-201,098	563,564	-764,662	-135.7%
Current taxes	-350,857	-502,652	151,795	-30.2%

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 (amounts in euro)	Value	Taxes
Pre-tax result	2,285,304	
Theoretical tax burden %	24%	548,473
- default interest income not received	-23,373	-5,610
Temporary differences taxable in subsequent years	-23,373	-5,610
- non-deductible depreciation and amortisation	2,003	481
Temporary differences deductible in subsequent years	2,003	481
- contingent liabilities	24,996	5,999
- fines and penalties	1,522	365
- fund accruals	330,447	79,307
- other increases	115,434	27,704
Positive differences not carried forward into subsequent financial years	472,399	113,376
Aid for economic growth ("ACE")	-230,562	-55.335
Negative differences not carried forward into subsequent financial years	-2,347,062	-563,295
IRES	158,709	38,088

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 (amounts in euro)	Value	Taxes
IRAP taxable base (A - B + b9 + b10 lett. c) and d) + b12 + b13)	6,160,458	
Theoretical tax burden %	3.9%	240,258
Deductions:		
- INAIL	-8,157	-318
- social security contributions	-686,537	-26,775
- other deductions	-2,419,482	-94.360
Total deductions	-3,114,176	-121,453
- other increases	-182,923	-7.134
Total other increases	-182,923	-7,134
IRAP	2,863,359	111,671

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 temporary differences for which the related deferred tax liabilities and assets were not recognised.

6 OTHER INFORMATION

Employment figures

In accordance with the provisions of point 15) of paragraph 1 of art. 2427 of the Italian Civil Code, below we provide information on the breakdown of employees as at 31/12/2020.

Staff	Average 2020	Average 2019	Var
Managers	5.0	5.0	0.0
Employees	25.0	24.3	0.7
Total	30.0	29.3	0.7

Fees of directors and statutory auditors

As required by point 16 of paragraph 1 of art. 2427 of the Italian Civil Code, we can note that the fees to members of the Board of Statutory Auditors were in line with those of the previous year and amounted to euro 20,625. No advances or loans were granted to them.

We can note that, on 7 April 2020, at the Shareholders' Meeting for approval of the 2019 financial statements, the company appointed a new Board of Statutory Auditors, which will remain in office until approval of the 2022 financial statements, made up of the Chairperson Mr. Filippo Momi and the Regular Auditors Ms. Alessia Rado and Mr. Francesco Lamperti.

No fees are envisaged for the Board of Directors, nor were advances or credits granted to them.

Exceptional costs and revenues

As required by point 13 of paragraph 1 of Art. 2427 of the Italian Civil Code, we can note that there were no exceptional costs and revenues.

Fees to the independent auditor or auditing firm

Under the terms of Art. 2427 of paragraph 1, point 16-bis, we can note that the fees due to the independent auditor (the auditing firm) for services rendered, that is the independent auditing of the annual accounts, amounted to euro 48,000 (compared to euro 44,000 in the previous year).

During the year further services were performed for euro 16,000.

We can note that, on 7 April 2020, at the Shareholders' Meeting for approval of the 2019 financial statements, the company renewed the three-year appointment (2020-2022) for independent auditing of the company Axis S.r.l.

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 (or given by the Sole Shareholder on behalf of the company) is euro 61,599,816 in relation to other transporters, distributors and market operators. Of this amount, euro 6,662,000 has a maturity at more than 12 months.

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;
- includes euro 13,000,000 issued on behalf of the company by the Sole Shareholder;

In addition, we can inform you that the Sole Shareholder issued patronage letters to guarantee the company's commitments in relation to a number of financial institutions and suppliers for a total amount of euro 215.4 million and that the company benefits from guarantees in its favour of euro 4.0 million in the form of patronage letters.

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

Under the terms of Art. 2427, paragraph 1, point 22-bis, of the Italian Civil Code we can note that during the year the company had business relationships with:

- the parent company 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..

These are commercial relationships 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	2020 Equity movements	Positive/(negative) FV	2020 P&L movements
Hedging derivatives	-466,864	1,133,224	
Financial Instruments not for hedging - provisions		-33.777	
Financial Instruments not for hedging - financial assets		155,634	-88,167
Financial instruments for hedging - year 2020	-394,388		
Total	-861,252	1,255,081	-88,167

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, paragraph 1, of Italian Legislative Decree 127/1991.

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.

Proposal for allocation of profits

Under the terms of Art. 2427, paragraph 1, no. 22-septies of the Italian Civil Code, it is proposed to carry forward the profit for the year of euro 1,644,700, net of the portion allocated to the legal reserve.

These financial statements, made up of the Balance Sheet, the Income Statement and the Notes to the Statements, represent a true and fair view of the equity and financial situation as well as the economic result for the financial year to 31 December 2020 and correspond to the results of the accounting entries.

Milan, 26 February 2021

For the Board of Directors The Chief Executive Officer Libutti Michele



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