ANNUAL REPORT 2017

TREMAGI HOLDING

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ADMINISTRATIVE AND AUDITING BOARDS

Board of Directors

Marco Bernardi, Chairman

Matteo Bernardi, Director

Giulia Bernardi, Director

Pacetti Tiziano, Director

Francesco Maria Bernardi, Honorary Chairman

Audit Board

Rag. Andrea Berti, Chairman

Rag. Alberto Collina, Active Auditor

Dott.ssa Sara Businelli, Active Auditor

Firm of Auditors

PricewaterhouseCoopers SpA

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REPORT OF THE STATUTORY AUDITORS ABOUT THE EVOLUTION MANAGEMENT

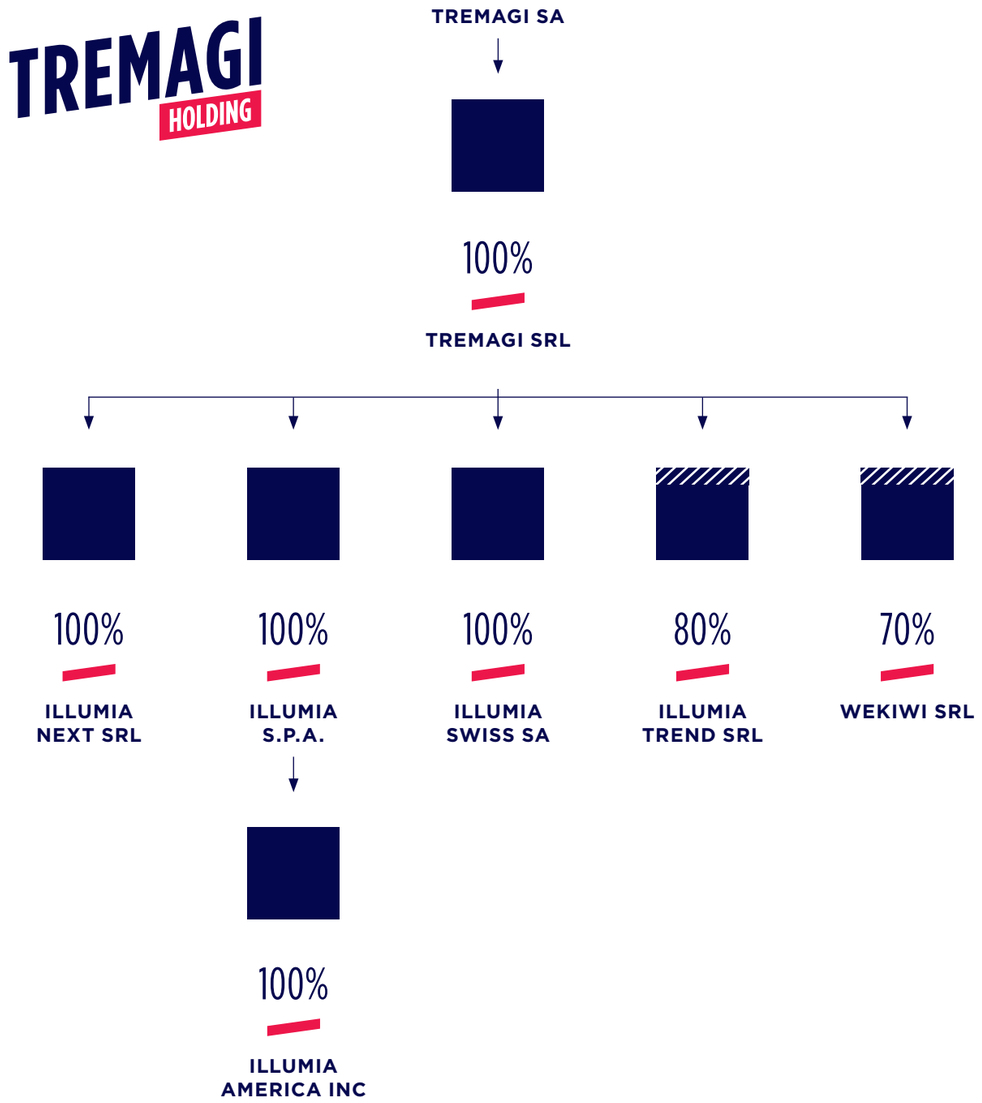
INTRODUCTION

Dear Shareholders,

in the notes to the consolidated financial statements reports are provided about the presentation of the consolidated balance sheet until December, 31st 2017, being the notes in matter integral part thereof; this report constitutes an autonomous statement, drawn up in accordance to art. 2428 of the Italian Civil Code and is mainly aimed to provide an overall information about the salient facts of the management.

The financial year on December, 31st 2017 ended with a Group positive assessment of: € 1.505 thousand as a summary of the findings as set out in the balance sheet and income statement, and as well outlined in notes to the financial statement.
The sole-shareholder Tremagi Srl was incorporated on September, 11th 2009 having as a prevailing company activity to acquire and hold shares of the Tremagi Group, activity that has begun in year 2009.

Below the establishment plan of the direct subsidiaries and related companies at December, 31st 2017 is reported:



TREMAGI GROUP

Below a brief description is reported about the directly participated companies and most relevant company's operations fulfilled during the financial year.

ILLUMIA SWISS SA

Illumia Swiss Company was incorporated on January, 30th 2015 through registered notary deed drawn up by Public Notary Marazzi, in Lugano, annex A Deed registr.nr.305.

Illumia Swiss operates in the field of energy products and assets trade. In particular, during 2017, as a consequence of the multi-yearly management contract concerning the administration of the San Fiorano Robbia electric interconnection for a proportion of 45MW of power, an analysis and scouting process was started to the aim of evaluating new business opportunities on the Swiss market. At the same time the company financed important negotiations for the subscription of EFET and ISDA contracts with primary importance energy operators. This allowed Illumia Swiss front office to increase the wholesale exchange rate of the electric energy and natural gas market in Italy and abroad.

ILLUMIA TREND SRL

The company accomplishes on behalf of the Group the following business:

- technical consulting about the coverage of the risk related to the fees applied to Illumia SpA final customers and evaluation of contracts concerning wholesale trade of energy products and consulting in the negotiation of framework contracts with the counterparts;
- trade management of electric energy from energy-sparing plants;
- logistic services of gas transport, storage, balance;
- support and consulting activity in the revision, drawing-up, negotiation of natural gas con-signments trade contracts, including assistance in possible negotiation with the counterparts;
- introduction among active counterparties of price risk coverage solutions and possible assis-tance in hedges negotiation;
- individuation of natural gas consignments purchase or sell opportunities as well outside the PSV.

WEKIWI S.R.L.

This is a "project company" aimed to the development of a new web portal for the acquisition of new web customers. On 12/31/2017 appears to be still at the start-up stage.

In particular, Wewiki.it is the web portal aimed to propose itself as the first online provider of electric energy and gas to private customers and micro business. Wekiwi will become the second commercial brand of the group, targeted to the on-line customers. It will provide advanced instruments for the subscription of contracts and supply management. The customers are put in a position to fulfil all the management operations directly on the website or through app. Wekiwi represents also an innovation lab for the Tremagi Group that can experiment through this new brand new products/services or new typology of offer and management of the customer.

ILLUMIA NEXT S.R.L

Illumia Next Srl Company was incorporated on July, 18th 2017 through notary deed drawn up by Public Notary Vico, registered in Bologna on July, 25th 2017, Deed registr.nr.140971IT.

The Company's object is the electric energy and natural gas trade and on 31/12/2017 appears to be still non-operating.

ILLUMIA SPA

It's the most important operating company of the Group that, also for what concerns 2017 financial year, reaffirms its trade and consolidation process, being a dynamic and market focused activity. Although the energy sector's conditions did not provide clear indications about the development of the liberalization process and the indicators described just a very light % increase (3,6% to 4,5%) in the passage from the higher protection market to free market, Illumia achieved the pre-set increase goals. These results have been achieved through an organic and extraordinary increase balance strategy.

The volumes of overall sales on the different markets increased in comparison to 2016:

- electric energy 3.667 GWh to 4.220 GWh (+15%);
- natural gas 68 mln Smc to 86 mln (+27%);

Differently from the previous year the Group's revenues (+17% in comparison to 2016 balance sheet) have been supported also by Group's performance external factors like the national increase of the demand and the national decrease of the electric energy price.

An increasingly final customer care aimed strategy, with a view to an increasing opening of the market, obtained more important increases in the higher performance channels productivity:

- Direct Consumer and Micro-business direct networks: +14%;
- Web sales: +34%;
- Inbound toll-free number: +47%;
- SME direct trade network: +183%.

Good results in trading activity has not however prevented Illumia's ambitions to increase, making an acceleration necessary in the achievement of the Five-Years-Term Industrial Plan. It was therefore chosen to activate an internal Task Force with the aim to individuate acquisitions opportunities on the market. The guidelines at the ground of this research have been mainly 3:

1. electric and gas sector reality, with a higher customer portfolio than 30.000 active points of supply;
2. active realities on market segments where Illumia's presence was lower;
3. realities containing an expertise non-developed by Illumia.

After having examined different dossiers, Electra Spa's one was evaluated as corresponding to what required; a company 100% hold by the Swiss BKW AG. The operation, fulfilled between July and October, allowed Illumia to acquire the business branch of Electra dedicated to the Reseller and SME sectors. That operation respected the three defined guidelines: by convey-ing about 70.000 customers, through 20 Resellers, and bringing to Illumia a still non-developed market segment and a specific know-how provided team.

During 2017 the cease of the regulated fees expiration was confirmed, as provided by Act 124/2017 (Legge Annuale per il Mercato e la Concorrenza – Yearly Legislation for Market and Concurrency) June 30th 2019 was determined as the expiry term for the enforcement of the Enhanced Protection. This important guideline however does not solve the market's un-certainty related to the modalities this termination will be fulfilled. Nevertheless, the end of legislative period on March 2018 defined that the incoming government will draw up the enforcement decrees, as to say the operational modalities of the definitive opening of the market.

During 2017 Illumia played an active role in trying to establish a network among the various market stakeholders in trying to suggest to the regulator some guidelines in favour of an open and pluralist liberalization. In this view some aggregative initiatives among the different operational realities on the market are significant:

1. the entering in the Manifesto for the energy, together with the main operators on the market and the association of consumers has given an important contribution to the politic debate;
2. the subscription of memoranda of understanding with the Codacons [Consumer Defence Association Coordination Agency] and the Movement in defence of the citizen increased the flow of shared information, oriented to a maximization of the relationship between Illumia and the consumers;
3. the active participation in AIGET [Italian Association of Wholesalers and Traders] contributed to put in common issues like concerns and critical issues of the sector.

REFERENCE FRAMEWORK

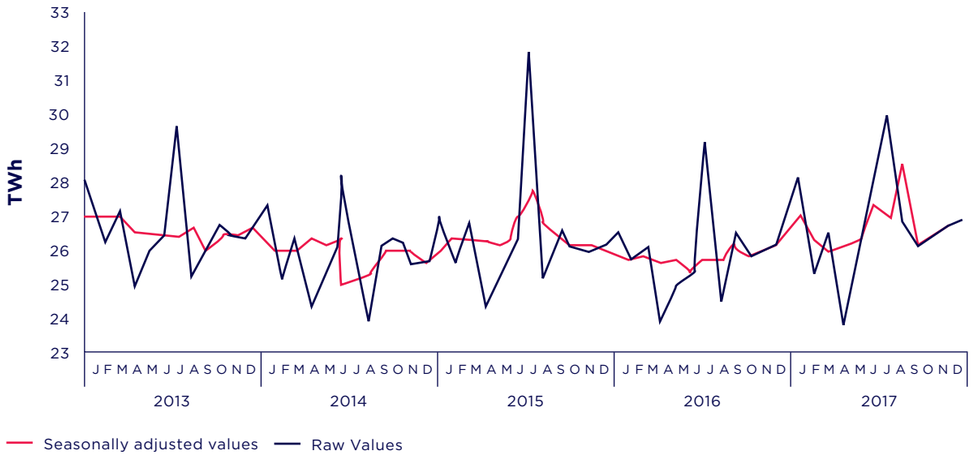
To the aim of a better understanding of the Company's performance it will be useful to provide some information about the energy reference scenario Illumia operates within.

ENERGY AND GAS DEMAND

As the "Monthly Report about electric system – December 2017 Balance Sheet" edited by Terna, the electric energy consumption in 2017 increased for 2,0% in comparison to the previous year, passing from 314,3 TWh to 320,4 TWh.

The reasons of this increase are to be traced in a resumption of industrial production and the weather effect reported in the months of January and August.

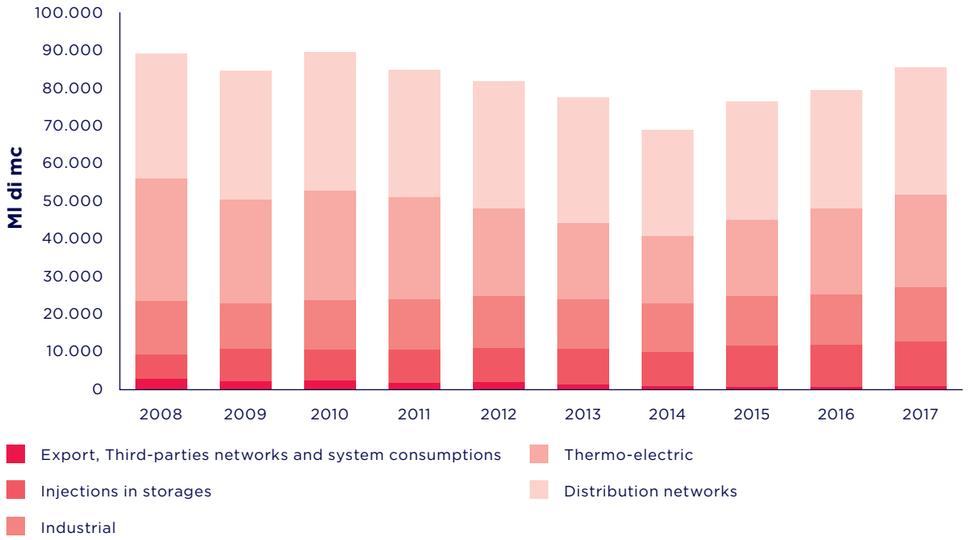
Picture 1. **Cyclical analysis of the demand for electric energy**



SOURCE: TERNA – Monthly report about the electric system – 2017 Balance sheet

In 2017 the collection of natural gas in Italy, at the third trend upward, confirm the progressive resumption, setting on the value of 85,7 billions of m3 (+5,3%) in comparison to the minimum value reached in 2014, however remaining on lower levels in comparison to 9 years before, when they have started to withdraw.

Picture 2. **Collection of Ml of m3 – Millions of cubic meters**



SOURCE: GME Newsletter nr.100 – January 2018

The leading force for the increase were mainly the thermo-electric sector's consumptions that, favoured by the electric energy demand's increase and the reduction of the hydraulic renewable production move to the highest value from 2012, equal to 25.410 million of m3. At the highest point in the last nine years also the consumption in the industrial sector, equal to 14.313 millions of m3 that contribute to the increase for a +7,2%, giving signs of recovery after a long period of production crisis. Less consistent is the increase in the civil sector's consumptions (+3,5%) pushed mainly forward by the increase reported in January 2017, characterized by average colder temperatures.

Increasing is also the export, equal to 2.281 millions of m3 (+16,2%) that however remain non-relevant, representing only the 3% of the whole consumption, while the injection in storage systems withdraw from the historical maximum of the previous year to 11.009 millions of m3 (-1,3%).

GAS AND ENERGY OFFER

Analyzing the annual data appears that in 2017 the electric energy production from renewable sources diminished in comparison to 2016. It is confirmed the significant hydro-electric production decrease that closes 2017 to -14,3% equal to -6,2 TWh in comparison to 2016. The photovoltaic system is increasing in comparison to the values reported for 2016 (+14,0%) while the wind-powered and geothermic production report values in line with 2016 ones.

Table 1. **Energy Balance**

[GWh]	December 2017	December 2016	% 17/16	jen-Dic 2017	jen-Dic 2016	% 17/16
Hydroelectric	2.350	2.783	-15,6	37.530	43.785	-14,3
Thermal	17.894	19.768	-9,5	199.500	190.771	4,6
of which Biomasses	1.474	1.514	-2,6	17.768	17.956	-1,0
Geothermal	498	497	0,2	5.785	5.867	-1,4
Wind-power	2.228	1.481	50,4	17.492	17.523	-0,2
Photovoltaic	932	923	1,0	24.811	21.757	14,0
Net Whole Production	**23.902**	**25.452**	**-6,1**	**285.118**	**279.703**	**1,9**
Import	3.659	1.872	95,5	42.892	43.181	-0,7
Export	308	554	-44,4	5.132	6.155	-16,6
Foreign Balance	**3.351**	**1.318**	**154,2**	**37.760**	**37.026**	**2,0**
Pumping	315	282	11,7	2.441	2.468	-1,1
Demand for Electric Energy(*)	**26.938**	**26.488**	**1,7**	**320.437**	**314.261**	**2,0**

*Demand for Electric Energy = Production + Foreign Balance – Consumption from pumping

SOURCE: TERNA – Monthly report about electric system – December 2017 Balance Sheet

The decrease in the volumes of "green energy" put on the market together with a highly decreasing Foreign Balance, led to an increase in the quantities produced by thermo-electric plants, about plus 9 TWh in comparison to 2016 (equal to +4,6%), thus increasing the demand for natural gas.

The increase in demand for natural gas appears accomplished mainly by import of natural gas that confirm to be the main mean of supply, equal to 69.222 millions of m3 slightly under 2011 levels and 7% increasing. Among enter points, natural gas import from Russia via Tarvisio remain the main source, equal to 30.082 millions of m3 (+6,8%); import of gas from Algeria via Mazara set at the same value of 2016 (18.880 million of m3, +0,3%) follow. In recovery, instead, import from Northern Europe (+8,1%) while the one from Libya has reduced (-3,2%). High and wide increase is reported for the GNL terminal imported gas, favoured by the peak shaving and re-gasification/storage comprehensive service. For the second consecutive year supplying from storage systems reach the record high, equal to 11.234 millions of m3 (+2,5%), representing the 13% of the whole of the input gas; the stored gas stock in the last day of the year reaches 8.487 millions of m3 in decrease in comparison to the same day in 2016 (-3,5%). In decrease, ultimately, the national production, lowering to the record low of 5.239 millions of m3 even if maintaining the whole amount up to 6%.

Table 2. **Transported gas report for year 2017**

	Ml di m³	TWh	Trend's Change (%)
Imports	69.222	732.6	+6,7
Mazara	18.880	199.8	+0,3
Tarvisio	30.082	318.4	+6,8
Passo Giries	7.215	76.4	+8,1
Gela	4.641	49.1	-3,2
Gorizia	25	0.3	+299,8
Panigaglia (GNL)	625	6.6	+189,6
Cavarzere (GNL)	6.848	72.5	+20,0
Livorno (GNL)	907	9.6	+90,5
National Production	5.239	55.4	-5,7
Supply from storages	11.234	118.9	+2,5
Placed Total	**85.695**	**906.9**	**+5,3**
Snam Rete Gas network re-delivery	72.405	766.3	+6,1
Industrial	14.313	151.5	+7,2
Thermal-electric	25.410	268.9	+9,0
Delivery networks	32.682	345.9	+3,5
Export, third parties networks and system consumption*	2.281	24.1	+16,2
Consumption whole amount	**74.686**	**790.4**	**+6,4**
Injection in the storages	11.009	117	-1,3
Drawdown whole amount	**85.695**	**906.9**	**+5,3**

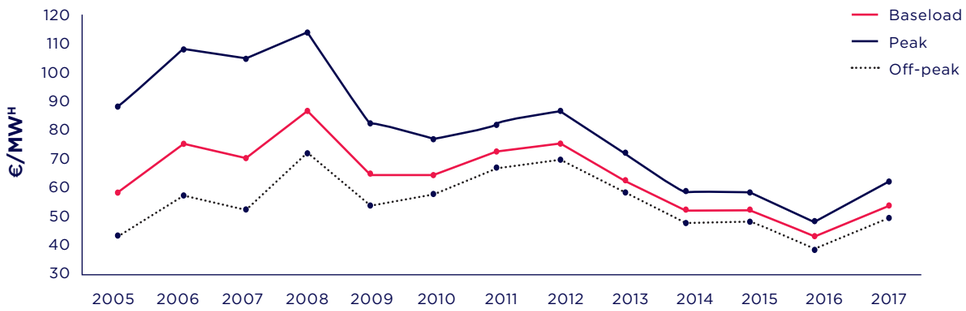
* Including reservoir/drawdown variations, losses, consumption and non-itemized gas

SOURCE: GME Newsletter nr.100 – January 2018

ELECTRIC ENERGY AND GAS PRICES

Evolution of electric energy's price on Power Exchange is below reported in the three configurations: "Baseload" (for every hour of the day), "Peak" (for daily hours), "Off-peak" (for night hours and holidays) 2005 to 2017.

Picture 3. **DAM [MGP Day-Ahead Market], SNP 4[PUN Single National Price]**



SOURCE: GME: Newsletter nr.100 – January 2018

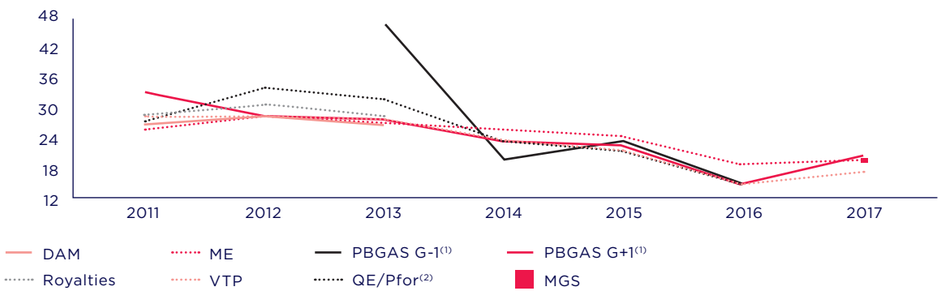
In 2017 the purchase price for energy (PUN – SNP) on the Day-Ahead Market (MGP – DAM) sets on 53,95 €/MWh and, although increasing for 11.17 €/MWh in comparison to the recorded low in 2016 (+26,1) recalls the non-high levels of 2014/2015 two-years term. The increase in SNP mirrors a scenario of increasing fees of the main commodities, amongst them mainly the gas one, in its turn led by the increase of the raw oil price and recovery of the exchanged quantities at the highest levels of the last five-years term.

This increase indistinctively characterized all the months of the year, concentrating in the first two-months term, characterized by the continuation of the tensions in French market and, in August, in relation with the exceptional levels of request related to the high temperatures. Emphasized is the higher price per hour, equal to 170.00 €/MWh (the highest value from August 2012), recorded at 6.00 p.m. on Wednesday, December 13th, a day characterized by the declaration of the emergency state by the MiSE [Ministry for the Economic Development].

For what concerns the gas purchase price, fees at Virtual Trading Point (PSV – VTP) reverse the lowering trend of the last years and increase for 26% from the lowest level in 2016.

In terms of prices, weak increases are reported on year term on all the markets, with levels ranging from 19,26 €/MWh of the Management System Guideline (MSG) and 19,67 €/MWh of MI-Gas, all slightly lower in comparison to the average VTP fee. The rise appears concentred in the last two months of 2017 and is attributable to the increase of consumption in the two months term and the episodes reported in December after the accident occurred in Austria, all in a €pean upward trend.

Picture 4. **Natural gas market prices***



* DAM and ME are continuous trading markets, Royalties and PB-Gas are auction markets, VTP is a listing and Pfor an index.

(1) In 2016 for the G+1 and G-1 segments, the data are related to the first 9 months of the year, for MSG and MPL [Monetary Policy Loosening] to the last three.

(2) Until September 2013 QE index

SOURCE: GME data; Thomson-Reuters; Source: GME Newsletter nr.100 – January 2018

The wholly resumed scenario represents once more an interesting opportunity for Illumia to increase and consolidate its business. The downturn in consumption on the final market, reported in the previous balance sheets, appears to have come to a halt. This will affect positively the wholesale companies that can count on a more steady portfolio. In this environment, Illumia represent an aggregator for demand and enhanced its skills in maximization of the supply and source portfolio's management. In this regard it is to be highlighted that interesting outlooks to a further growth will come from ongoing initiatives aimed to the overcoming of the greater protection market foreseen for 2019. Large part of the residential final customers (or also low-tension commercial uses) are until today supplied by greater protection suppliers. The regulations and prices framework until today have been an obstacle to the transfer of millions of customers from the greater protection markets to free market. The fees and regulation framework has been until today an obstacle to the passage of millions of customers from Enhanced Protection Market to the Free market. We hope that the mentioned proceedings will be formalized so to facilitate the complete liberalization of the electric energy market. These forecasts appear as important opportunities of development for Illumia.

SUMMARIES OF THE MANAGEMENT

INFORMATION TECHNOLOGY

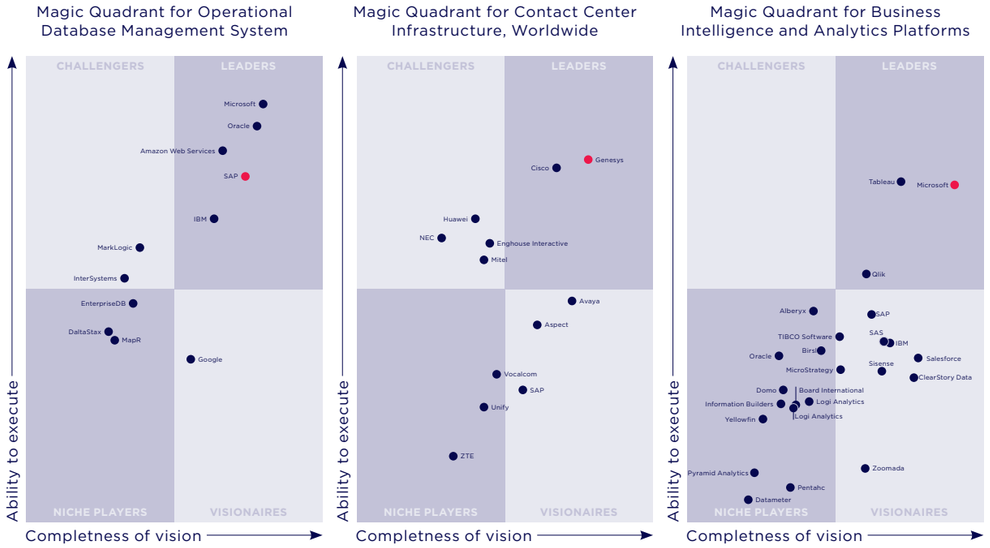
In 2017 Illumia fulfilled the refitting project of the whole application platform.

The selection led to the choice of SAP platform as a software of reference, Genesys as a Contact Centre platform, Microsoft PowerBi as Data Warehouse system.

The overall investment is about € 10 million in 5 years and the project provides the delivery on January 2019.

Besides being the world leader in ERP solutions, SAP is in Italy the mostly consolidated solution on Utilities' market, a solution adopted by the main players on Italian and €pean markets as well. This strategic choice, together with the realization of an avant-garde technologic infrastructure, adopted by the moving to the new registered office occurred during 2016, puts Illumia in condition to have all the necessary technical features to achieve a significant dimensional step forward, as to say play a main role in the liberalization process for the electric sector.

Figura 5. **Gartenr Magic Quadrant**



FONTE: Gartenr (Febbraio 2017)

Another relevant element is the fact that SAP is recognized as highly reliable solution for the company's process and data safety management as well, coherently with what requested today by the market and above all the rules and regulations in force both in Italy and Europe. For what concerns the rules and regulations, in 2017 and in continuity in 2018 a series of initiatives aimed to put Illumia in line with what requested by the GDPR within May, 25th 2018.

An equally important role will be played by the Genesys software implementation as the Contact Centre platform. Since 9 years Genesys is the leader in Gartner's yearly report in the sector of reference.

Microsoft PowerBI was the solution adopted by Illumia for the business intelligence; also in this case the chosen solution has been positioned since more than 10 years as a Leader by Gartner.

COMMUNICATION STRATEGY

At the end of the Brand Identity restyling fulfilled in 2016 the Communication Plan for 2017 was oriented to the consolidation of the new brand and commercial conversion.

The operative fulfilments of these 2 goals have to be identified in 3 strategic lines:

1. Conclusion of the compliance of all the commercial materials to the new Brand;
2. Brand Awareness Consolidation;
3. Trade conversion development through the new Social strategy.

1. Materials

The new logo restyling led to a re-definition of all the Illumia commercial instruments characterized by a new positioning that may be directed to transversal targets, communicating in a more fresh and direct way.

In detail the intervention concerned:

- Website;
- Annual Report
- Institutional Brochure;
- Coordinated Outlook;
- Segment diversified commercial flyers;
- Bills.

2. Brand Awareness Consolidation

The regulatory uncertainty about the end of the protection period stimulated the Company to review the commercial promotion strategy on traditional media, making it abandoning the TV Advertisement and increase instead the investments on Sponsoring and Digital Strategy.

For what concerns Sponsoring activities the taken direction was the one to make sponsorships followed by series of activations aimed to the target prospect profiling. In particular:

- Bologna FC sponsoring:
  - Exposure as Back Jersey Partner and Top Sponsor
  - Activation of "live" initiatives during the home court matches
  - Promo of tickets winning related lotteries.
- Illumia 12 Ship sponsoring for the Ostar Race
  - Live updates about the performance of the Race;
  - Events organization with the Skipper, Michele Zambelli.
- Meeting of Rimini Sponsoring
  - Hall naming for a whole attendance of more than 50.000 people
  - Presence of a profile stand related to social initiatives.

3.Digital strategy

The absence of advertisement campaigns on TV channels allowed a relevant development of the segmentation and promotion strategies on social networks and more in general on the web environment. For what concerns Social Networks, investments were oriented in particular on Facebook and LinkedIn, trying to achieve 3 main Company's goals: trend increase, brand awareness and recruitment. Facebook was dedicated to the first 2 objectives, thus pursuing very satisfactory results in terms of interaction and conversion, Through LinkedIn instead a new talents recruitment strategy was pursued, structured about a communication strategy of the Company's values and culture. Also in this case the obtained results lead to a significant increase in visualization and acquisitions.

2017 ILLUMIA OFFERS

During 2017 the strategic choice started in 2016 was completed by introducing new optional components in the electric energy and natural gas offers. Through this choice, Illumia on one side characterized its products thus finding a distinguished place on the market, contributing to reaffirm its identity and favouring the customers' loyaltization, on the other side introduced new revenues and marginalities' opportunities and therefore contrasted the increasing competition reported for that sector. The implement of the strategy in matter produced optimal results: almost 30% of the subscribed contracts during 2017 have subscribed also an additional optional.

As well during 2017 the Casa Sicura [Safe House] Lottery was launched. This operation provided the courtesy of an Assistance Insurance for the house developed in cooperation with a high profile Italian insurance company, aimed to the customers that subscribed one of the above described additional optional. The additional optional increase is also due to the success of this operation.

Starting from January, 1st 2017 all house customers and small enterprises, served in Enhanced Protection Market were given the choice of Tutela SIMILE (Protection). SIMILE Protection is a special type of electric energy supply contract, established by the Agency for energy to the aim of driving the consumer towards the Free Market and making him understanding modalities and systems to the informed choice of his own provider.

The SIMILE Protection contract is offered by the Free Market's suppliers but contains contract conditions established by the Agency, that are compulsory and uniform for all the sellers.

In this environment, Illumia is confirmed as one of the main operators at national level, having met all the requirements of the Agency (only 27 companies have been admitted). The Equal Protection Market offer is characterized by the same prices of the Enhanced Protection Market with, in addiction, a one-time discount for the final customer. In this particular ranking Illumia appears at the 7th place for what concerns residential offer and 12th for the business offer.

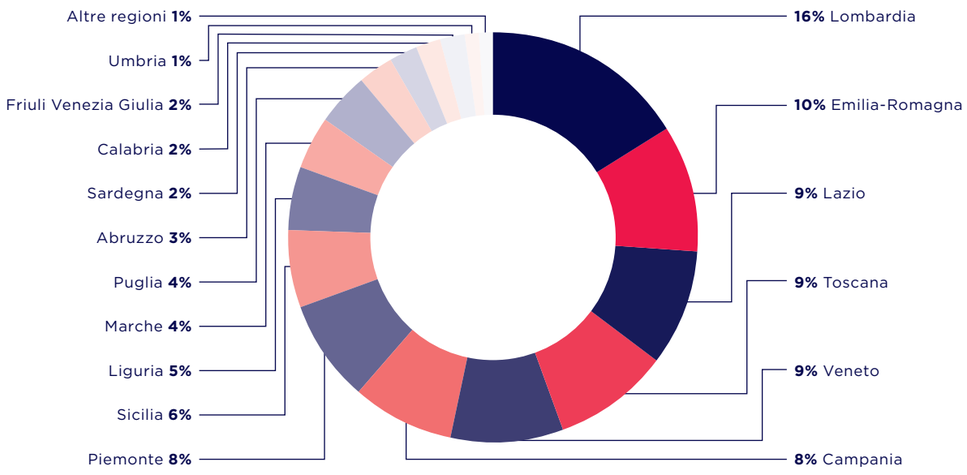
The results have been disappointing for all the operators, mainly due to two factors: the lack of an institutional communication campaign and the choice of the web as unique used channel for the subscription of this type of contract. The offer will cease to be commercialized during 2018.

PRESENCE ON THE MARKET

Illumia keeps on having a distributed customers' portfolio that is additionally and evenly developing on every Italian region. Considering the supplied points, the distribution on regional base is so divided: Lombardy (16%); Emilia-Romagna (10%), Lazio (9%), Tuscany (9%), Veneto (9%), Campania (8%), Piedmont (8%), Sicily (6%), Liguria (5%), Marche (4%) Apulia (4%), Abruzzi (3%). In general, in comparison to 2016 an enhancement is confirmed of the divisions on the minor credit risk regions also thanks to the fulfilled policies aimed to the late payment reduction.

In the first 5 regions the 50% of the customers are condensed. The distribution per geographic area is lopsided to Northern Italy according to the following percentages: 49% in the North, 30% in the Centre, 21% in the South.

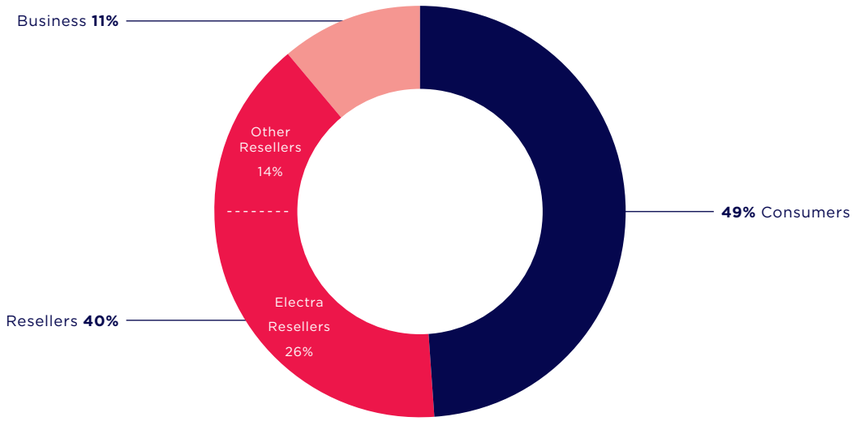
Picture 6. **Customers' portfolio per Region**



The enhancement strategy on Retail market is put into practice also in this year through the condensation of supply points mainly on the house consumption segment.

As a consequence of the acquisition of Electra Italia SpA company branch a high increase in the Reseller portfolio is reported.

Picture 7. **2016 Customers' portfolio per segment (Nr. of supply points)**



2017 ENERGY BALANCE

Below is reported the 2017 Energy Balance showing the physic flows of the only just passed year (data expressed in MWh)

Wh Electric Energy	2017	2016
Retail	1.390.852	1.220.028
Terna	36.484	76.990
GME	1.091.694	
Wholesalers	1.700.540	2.370.342
Sales	**4.219.570**	**3.667.360**
GME	942.504	1.685.166
Plants	35.480	73.417
Wholesalers	3.241.586	1.908.777
Purchases	**4.219.570**	**3.667.360**

The electric energy balance makes appearing a sales balance equal to 4,2 TWh obtained considering the net positions towards active and/or passive counterparts.

The sales to final customers are equal to a whole of 1,4 TWh, then the sales follow to wholesalers counterparts, GME and Terna for electric system balance services, knowledge that Illumia developed and made concrete in the last years offering energy on real time markets to solve temporary imbalances between energy demand and offer.

On the other side the purchases are distributed among GME (22%), Plants (1%) and Wholesalers (77%). For what concerns the natural gas sector data are below reported for the gas balance (data reported in SMC – Standard Meter Cube) – PSV – VTP (Virtual Trade Points)

Gas SMC	2017	2016
Retail	77.482.661	48.179.581
Wholesalers	8.663.545	19.898.667
Sales	**86.146.206**	**68.078.248**
Purchases at VTP	85.361.407	57.989.042
Other purchases	3.962.895	10.114.928
Storage	-3.178.096	-25.722
Purchases	**86.146.206**	**68.078.248**

The natural gas invoiced volumes adjusted to about 86 millions of M3 (in 2016 they were equal to 68 mln).

For what concerns supplies, the Company consolidated its own strategy of knowledge development to operate directly on the natural gas wholesale market.

In 2017 Illumia kept on developing the storage gas activity started in 2013. Storage means the stocking of natural gas in underground structures, kept from the national transport system and later re-introduced in the functioning network according to the requirements of the market.

Natural gas storage in underground plants is actually aimed to meet different requirements:

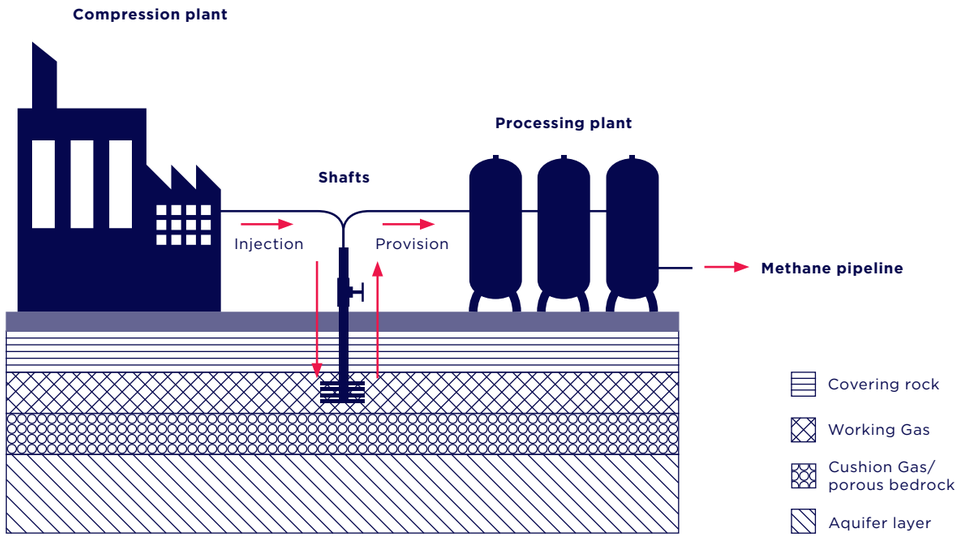
- gives response in real time to the market's gas requirements;
- assures a high margin of elasticity to the production and transport structures;

- guarantees the maintenance of "strategic" reserves for the exclusive use to face exceptional situations (particular weather conditions, like abnormal intense cold peaks, or international crisis that partially block the gas supplies from abroad, that are equal to more than 90% of the used gas in Italy).

The main components of a storage plant are: deposit, central stockholding with compression and processing plants and shafts. The deposit is the underground geological structure where is stored the extracted gas whether from the national network or produced at wide distance. Through the central stockholding the gas is displaced between the National Transport Network (NTN) and the deposit; in the central all the necessary plants to gas injection, provision and processing are placed. The shafts are the structures that put in connection the deposit with the plants on surface where a pipes system allows the gas transport among the shafts and the central, and the central and the NTN. All the plants can be also directed from remote through a remote-control system.

Usually, in the summer season the deposit is filled while, during winter, the provision to the national network system stage is predominant. Therefore the process of storage provides a first stage of filling of the stockholding plants (April to October of every year), when the gas is "injected" inside the disposed sites for storage. During the following stage, the "provision" one, the gradual emptying of the stockholding is fulfilled, during winter time, when the consumption peaks are reached by the final customers, due also to the harsher weather conditions.

Picture 8. **Stockholding center general outline (Source: Stogit SpA)**



Besides the participation management activities, in 2017Tremagi Srl as in the previous years starting from 2010 fulfilled the following services on behalf of the Companies of the Group:

- counseling and legal support;
- services concerning administration, finance and control;
- debt collection only as regards to the collection of higher amount debts;
- staff direction and management activities (HR);
- general and secretarial services.

All the mentioned services have been provided thanks to qualified employees, and through the assistance of external consultants.

FINANCIAL TREND AND INVESTMENTS

Taking into account the Balance Sheet, in observation to the request of information provided by comma 2 art. 2428 Italian Civil Code it is hereby reported the reclassified financial and patrimonial data concerning 2017 financial year in comparison to the ones of the previous financial year (values expressed in €/000). Below are reported in resume the data in synthesis concerning the last 5 financial years, although the 2013 to 2014 financial years' data don't incorporate the above described Accounting Reform's effects.

Table 3. **Tremagi Holding. Consolidated financial statements, reclassified comprehensive income**

		2017	%	2016	%	2015	%	2014	%	2013	%
Value of production	**1**	**947.390**	**100%**	**785.327**	**100%**	**814.846**	**100%**	**571.656**	**100%**	**505.099**	**100%**
Costs for raw material and hardware		722.375	76%	583.831	74%	592.638	73%	363.050	64%	293.409	58%
Changes in inventories of raw material and hardware		-891	0%	177	0%	-240	0%	-504	0%	-677	0%
Costs for services		184.730	19%	164.217	21%	179.301	22%	177.066	31%	179.534	36%
Entitlement to third parties' assets		437	0%	2.589	0%	2.681	0%	786	0%	731	0%
Different management liabilities		17.149	2%	14.004	2%	15.352	2%	14.683	3%	16.044	3%
Added value	**2**	**23.590**	**2%**	**20.509**	**3%**	**25.113**	**3%**	**16.575**	**3%**	**16.059**	**3%**
Staff costs		8.206	1%	6.878	1%	5.938	1%	5.132	1%	4.211	1%
EBITDA (MOL)	**3**	**15.384**	**2%**	**13.631**	**2%**	**19.175**	**2%**	**11.443**	**2%**	**11.848**	**2%**
Deprication and amortization (Am)		9.772	1%	6.337	1%	8.483	1%	5.265	1%	3.163	1%
Reserve		698	0%	3.148	0%	277	0%	40	0%	146	0%
EBIT (Diff. between value and cost of the production)	**4**	**4.914**	**1%**	**4.146**	**1%**	**10.416**	**1%**	**6.138**	**1%**	**8.539**	**2%**
Financial proceeds and costs		-1.437	0%	-1.033	0%	-578	0%	-304	0%	-494	0%
Extraordinary income and losses		-	0%	-	0%	-	0%	-	0%	-	0%
Financial correction activities		-385	0%	-170	0%	-3.065	0%	4	0%	1.356	0%
Result before the taxation	**5**	**3.092**	**0%**	**2.943**	**0%**	**6.774**	**1%**	**5.838**	**1%**	**9.401**	**2%**
Taxation		-1.587	0%	-1.148	0%	-3.264	0%	-3.847	-1%	-4.656	-1%
Profit (loss) of the exercise	**6**	**1.505**	**0%**	**1.795**	**0%**	**3.508**	**0%**	**1.991**	**0%**	**4.745**	**1%**

Table 4. **Tremagi Holding. Re-classified balance sheet**

		2017	2016	2015	2014	2013
Locking-up of capitals	**7**	**59.167**	**58.474**	**46.884**	**43.298**	**37.502**
Tangible assets		45.298	45.415	34.195	28.881	24.152
Intangible assets		7.737	6.879	6.014	6.498	3.051
Financial		6.132	6.180	6.675	7.919	10.299
Receivables to customers		-	-	-	-	-
Circulating assets	**8**	**193.121**	**201.792**	**163.067**	**164.150**	**148.109**
Receivables to customers within 12 months	a	125.310	137.053	123.361	121.479	118.101
Other Receivables	b	11.170	16.204	14.082	19.371	16.903
Financial activities which are not fixed assets	c	9.312	7.130	3.145	1.000	2.789
Liquid reserve	d	37.400	32.382	15.554	12.164	6.721
Prepaid expenses	e	7.676	7.608	5.322	8.742	2.826
Remainders	f	2.253	1.416	1.604	1.394	768
Aggregate amounts	**9**	**252.288**	**260.267**	**209.951**	**207.448**	**185.611**
Net assets	**10**	**41.506**	**36.539**	**39.514**	**33.035**	**31.137**
Net corporate assets		2.000	2.000	2.000	2.000	2.000
Funds for risks and costs	11	12.126	17.439	5.626	1.362	1.438
Provision	12	1.352	1.166	908	685	482
Non current liabilities		**29.723**	**31.145**	**9.047**	**3.418**	**5.467**
Payables with banks and others	15	29.723	31.145	9.047	3.418	5.467
Cash and cash equivalent	13	**167.581**	**173.979**	**154.857**	**168.948**	**147.087**
Payables with suppliers		34.900	35.500	29.644	37.190	16.089
Payables with suppliers within the 12 months period		117.464	126.457	108.523	118.346	119.892
Other payables		13.560	9.834	15.225	13.102	10.989
Liable prepaid expenses		1.657	2.189	1.465	310	116
Total liabilities and net	**14**	**252.288**	**260.267**	**209.951**	**207.448**	**185.611**

In order to analyze exhaustively and represent accurately and soundly the company's management in the other and complementary aspects it is characterized by, index concern the other company's aspects.

As to say:

- structure and balance sheet indicators;
- structure and patrimonial standing indicators;
- structure and economic standing indicators.

Table 5. **Balance indicators – Tremagi Group**

		2017	2016	2015	2014	2013
ROE	Profit for the period (6) / Equity Capital (10)	4%	5%	9%	6%	15%
ROI	EBIT (4) / Invested Capital (9)	2%	2%	5%	3%	5%
ROS	EBIT (4) / Revenues (1)	1%	1%	1%	1%	2%
ROT	Revenues (1) / Invested Capital (9)	3,76	3,02	3,88	2,76	2,72
MOL	EBITDA (3) / Revenues (1)	2%	2%	2%	2%	2%
NON-CHARACTERIZING EFFECT OF THE MANAGEMENT	Profit for the period (6) / EBIT (4)	31%	43%	34%	32%	56%
LEVERAGE	Invested Capital (9) / Equity Capital (10)	6,08	7,12	5,31	6,28	5,96
INFLEXIBILITY OF THE EMPLOYMENTS	Locked-up Assets (7) / Invested Capital (9)	23%	22%	22%	21%	20%
FLEXIBILITY OF THE EMPLOYMENTS	Capital Stocks (8) / Invested Capital (9)	77%	78%	78%	79%	80%
GLOBAL FLEXIBILITY	Capital stocks (8) / Fixed Assets (7)	3,26	3,45	3,48	3,79	3,95
FINANCIAL INDEPENDENCE	Equity Capital (10) / Invested Capital (9)	16%	14%	19%	16%	17%
PRIMARY STRUCTURE MARGIN	Locked-up assets (10) / Locked-up assets (7)	0,70	0,62	0,84	0,76	0,83
SECONDARY STRUCTURE MARGIN	Consolidated sources (10+11+12+15) / Locked-up assets (7)	1,43	1,48	1,18	0,89	1,03
CURRENT TEST RATIO	Current assets (8) / Current liabilities (13)	1,15	1,16	1,05	0,97	1,01
QUICK RATIO	Availability and liquid assets (8a+b+c+d+e) / Current liabilities	1,14	1,15	1,04	0,96	1,00

RISKS MANAGEMENT

The Company is exposed to the following risks deriving from the use of financial instruments:

- credit risk;
- liquid assets risks;
- market risks;
- exchange rate risks;

In this chapter, according to what required by art. 2428 of the Civil Code, comma 6 letter b, information is given concerning the exposition of the company to each one of the above listed risks, objectives, policies and management proceedings for what concerns risks and methods used to evaluate them.

The comprehensive responsibility for creation and supervision of a risk management system for Tremagi Group is upon the Chairman of the Board of Administrators.

The risks management policies of the Group have as an aim the identification and analysis of the risks the Group is liable of, to establish appropriate limits and controls and monitoring risks and respect of the mentioned limits. These policies and concerning systems are regularly revised in order to reflect incidental market conditions variation and the Group's business. Through the forming, standards and management procedures, the Group aims to the creation of a disciplined and subsidiaries environment where employees can reach the awareness of their roles and responsibilities.

Credit risks

The credit risk is the risk that a customer or one of the counterparts in a financial instrument causes a financial loss by non-fulfilling an obligation and derives mainly from commercial Receivables.

The exposition of the Company to credit risk depends mainly from the specific features of each customer. The demographic variables that are typical of the Company's customers portfolio, including insolvency risk that is typical of the sector where customers operate affect significantly the Company's credit risk.

The Company provisions a depreciation fund for value losses that reflects the esteem of the losses on commercial Receivables and, potentially, the non-current financial assets, which main components are individual depreciation of significant expositions and collective depreciation of homogeneous groups of activity opposite to already backed still unidentified losses. The collective depreciation is determined on the ground of the historical series of payment statistics concerning similar financial activities. The Company owns however an insurance policy to back the credit.

Liquid assets risk

It is the risk for the Company to find difficulties in fulfilling obligations attached to financial liabilities. The Company has at its disposal a good liquid assets, generated from rank management. It however disposes of bank credit lines allowing to financially anticipate the compensation of the retail activity.

The Company's approach to the liquid assets management provides a control and a preventive management of the availability of proportionate funds to fulfil its maturity obligation, whether in normal and financial alarm conditions, aimed to avoid the backing of excessive costs or the risk of damaging its own image. The mentioned control consists in the daily evaluation of all the existing derived contracts, paying particular attention to the ones on maturity, whether daily or at the end of the month's term. The mentioned report allows every day to have the forecast of the future capital outflows.

Market risk

The market risk is the risk that the fair value or the future cash flows generated by company's contracts, including financial instruments, fluctuate as a consequence of market prices variations, rates of exchange, interest or capital representative instruments quotations.

The market risk management objective is the management and control of the Company's exposition to the mentioned risk within acceptable levels, optimizing, at the same, the business profitability and the return of the investments.

During the financial year the Company negotiated derived tools of management with the aim to manage market risk, in particular trough the backing of fixed selling prices agreed with the customers, by the forward purchase, again at fixed prices, of power through physical contracts or swaps. The market risk is thus reduced to its lowest terms because the derived products purchase is exclusively oriented to the backing of price formulas sold to the customers.

Exchange risk

The Company incurs in exchange risk insofar as purchases listed products or exposes financially in a other currency than €. This can occur, i.e., when buying or selling oil index-linked formulas as a backing for the above mentioned, sold to the final purchasers. When this occurs, however, in case the purchase extent allows it, a backing also of the exchange risk is fulfilled by the use of forward on currencies.

PREDICTABLE EVOLUTION OF THE MANAGEMENT

In 2018 the expansive strategy of the Company will continue, thus consolidating what set up in 2017.

For what concerns trade, retail segments points to a further increase of home acquisitions. In parallel it continues the enhancement of the Microbusiness and SME sector, while the Industrial target, considered the volume it aimes to, will be for the first time dir ectly managed by a new unit.

The objective is a further improvement of the spread per unit. On the management side, the activity of control of the costs will be continued, with particular attention to the efficiency of external suppliers.

During 2018 new commercial offers will be proposed, whether having as object the energy efficiency products supply to customers or new included services.

FURTHER INFORMATION

INFORMATION ABOUT ENVIRONMENT

In the course of the financial year in matter, for what concerns as well the participated companies:

- no damages were produced to the environment;
- no sanctions or definitive penalties were inflicted to the Company for environmental damages or crimes;
- no emission of greenhouse-effect gas occurred, according to the provisions of Act 316/2004.

For the whole Tremagi Company, environment is a crucial subject both for what concerns eco-nomic policies and industrial activities, being persuaded that the commitment for a sustainable development represents, besides an ethic value for the business, an important aspect of the Company's management itself.

RESEARCH AND DEVELOPMENT ACTIVITIES

In the financial year closed on December, 12th 2017, the Company has fulfilled no activity of research and development.

EMPLOYMENT STATE

During 2017 financial year the company's staff employed on average by Tremagi Group Srl were 157 units against the 156 units in comparison to the 151 of the previous financial year (further information in the Explanatory Note).

Since its incorporation Tremagi Group has never recorded deaths or industrial injuries as well as no costs with regard to occupational diseases by employees or former employees the Company was ascertained as responsible for.

RELATIONS WITH THE COMPANIES OF THE GROUP

The economic and patrimonial relations with the Tremagi Group Companies and associates developed as follows:

Corporate name	Receivables to 31/12/2107	Liabilities to 31/12/2017	2017 Revenues	2017 Costs
Tremagi SA	5.300.000	755.563	-	755.563
Sea	-	348.000	-	493.000

PURCHASE OF PARENT COMPANIES' SHARES

During the financial year the Company does not hold and have not held shares of parent companies, either through trust companies or a third party.

MANAGEMENT AND COORDINATION ACTIVITY

During the financial year the Company is subject to the activity of management and coordination of the Tremagi S.A. parent company, holding 100% of the Tremagi S.r.l. capital stock; the significant data of the last balance sheet passed at the Tremagi S.A. are reported in the notes to the financial statements.

PERSONAL DATA PROCESSING IMPACT EVALUATION DOCUMENT

For what concerns rules and regulations about personal data protection, the subsidiary Illumia S.p.A. as Titular of the personal data processing, also for the financial year this Final Balance refers to, verified the adequacy of the basic measures of safety adopted to guarantee the processing of company information concerning customers, employees, suppliers and testifies the udpdating of the the requirements provided by the Code in matter of personal data protection. Taking into account the legislative evolution and the enforcement of a General Regulation in matter of personal data (EU Regulation, April, 27th 2016, nr.2016/679) the mentioned subsidiary started the adjustment process to the new legislative text, by updating the documents in use for the personal data processing, defining a data processing register and verifying the liability of suppliers and third parties processing the data on behalf of Illumia SpA. In particular, the Privacy Assessment activity referred to the Company's computer systems, is extended to the related companies to the same holding that make use of Illumia SpA computer systems. In its quality of parent company Tremagi Srl benefits of this testifying documentation of the compliance of the developed processing fulfilled within the Group's company referring to the Parent Company. This choice confirms an established company's policy aimed to the ful-fillment of a suitable safety level to prevent illicit processing, also going further the minimum provided safety measures requested by the rules and regulations as mandatory. The updated ver-sion of the Document is recorded in the Minutes at the Holder's seat.

LEGISLATIVE DECREE 231/01

In the 2017– with reference to the provisions of the Legislative Decree nr.231 dated June, 8th 2001 "Regulation of the administrative responsibility of the juridic persons, companies and associations, without legal status as well" – was verified the updating by the Illumia S.p.A. subsidiary company of the organizational model for the prevention of the crimes provided by the Decree, adopted in 2014. Moreover, the adequacy of the Ethic Code was verified, in order to to control the behaviours and actions of subject that, with various appointments, operate within the Company. It is underlined that both the Organizational model and Ethic Code were enforced after the approval of the Board of Directors of Illumia S.p.A. on June, 23rd 2014 together with the appointment of the Supervisory Body and Ethic Committee in charge of the application and verification of the adopted texts. In its quality of subsidiary company, Tremagi benefits of the Organizational Model and concerning Ethic Code that, within the limits provided by the rules and regulations in force, are suitable instruments to prevent crimes of the cases in matter as provided by Legislative Decree 231/2001 for the activities of the Group's company that correspond to the Subsidiary.

During 2017 financial year both the Supervisory Agency and the Ethic Committee have regularly accomplished their tasks, thus drawing up a yearly report about the fulfilled activity in the interest of the company.

It is to be specified that currently both Organizational Model and Ethic Code are formally enforced by the sole Illumia SpA and their effects are extended, even if not formally, to Tremagi S.r.l. and other companies of the Group. Therefore the enforcement of the mentioned instruments by Illumia S.p.A., considered the activity developed by the company in matter within the Group, allows to adequately manage the responsabilities related to the Legislative Decree 231/01 guaranteeing the full company coordination in respect with that matter, as well in respect with the other activities fulfilled by the Group.

In thanking you for the confidence to us allowed, we beg you to adopt the Tremagi Group consolidated balance sheet the way it is presented.

Bologna, March, 30th 2018

The Chairman of the Board of Administrators

Marco Bernardi PhD

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CONSOLIDATED BALANCE SHEET 12.31ST 2017

Table 1. **Assets**

BALANCE SHEET	31.12.2017	31.12.2016
A. RECEIVABLES FROM SHAREHOLDERS FOR SHARE CAPITAL		
Receivables from Shareholders for Share capital		
Total Receivables from Shareholders for Share capital	**-**	**-**
B. FIXED ASSETS		
I. Intangible Fixed Assets		
1) Start-up and enhancement costs	1.094	1.900
2) Development costs	-	-
3) Industrial patents	-	-
4) Concessions, licenses, trademarks	965	864
5) Goodwill	164	-
5-BIS) Consolidation differences	-	-
6) Intangible assets in progress and advances	1.613	389
7) Other intangible fixed assets	3.901	3.726
Total Intangible Fixed Assets	**7.737**	**6.879**
II. Tangible Fixed Assets		
1) Land and buildings	36.352	37.284
2) Plants and machineries	571	611
3) Industrial and commercial equipments	-	-
4) Other tangible fixed assets	2.988	3.233
5) Tangible assets in progress and advances	5.387	4.287
Tangible assets in progress and advances	**45.298**	**45.415**

	31.12.2017	31.12.2016
III. Financial Fixed Assets		
1) Investments in:		
d-bis) Other investments	139	41
Total Investments	**139**	**41**
c) Receivables towards parent companies		
- within 12 months	5.000	5.000
- over 12 months	-	-
	5.000	5.000
d-bis) Receivables from others		
- within 12 months	189	345
- over 12 months	804	794
	993	1.139
Total financial receivables	**5.993**	**6.139**
Total Financial Fixed Assets	**6.132**	**6.180**
Total Fixed Assets	**59.167**	**58.474**
C. CURRENT ASSETS		
I. Inventory		
1) Raw, subsidiaries and consumption materials	1.094	417
4) Goods and finished products	1.104	890
5) Payments in advance	56	109
Total Inventory	**2.253**	**1.416**
II. Receivables		
1) Receivables towards Customers:		
- within 12 months	125.310	137.053
- over 12 months	-	-
	125.310	137.053
4) Receivables towards parent companies		
- within 12 months	300	350
- over 12 months	-	-
	300	350
5-bis) Tax receivables		
- within 12 months	4.522	6.468
- over 12 months	-	-
	4.522	6.468

	31.12.2017	31.12.2016
5-ter) Deferred Taxes		
- within 12 months	1.439	3.016
- over 12 months	-	-
	1.439	3.016
5-quater) Other receivables		
- within 12 months	4.909	6.370
- over 12 months	-	-
	4.909	6.370
Total Receivables	**136.480**	**153.257**
III Current Financial Assets		
5) Derivative financial instruments	9.312	7.130
Total Current Financial Assets	**9.312**	**7.130**
IV. Cash and cash equivalents		
Bank and post accounts	37.387	32.373
Cash on hand and deposits	13	9
Total cash and cash equivalents	**37.400**	**32.382**
Total CURRENT ASSETS	**185.445**	**194.185**
D. ACCRUALS AND PREPAYMENTS	**7.676**	**7.608**
TOTAL BALANCE SHEET ASSETS	**252.289**	**260.267**

Table 2. **Net equity**

	31.12.2017	31.12.2016
A. Net equity		
I. Share Capital	2.000	2.000
II. Share premium reserve	-	-
III. Revaluation reserve	-	-
IV. Legal reserve	400	400
V. Statutory reserve	-	-
VI. Other reserves	-	-
1) Extraordinary reserve	32.868	30.147
2) Shareholders capital contribution reserve	5.017	5.017
3) Capital grants	-	-
4) Fusion surplus	87	87
5) Division surplus	-	-
6) Adjustment reserve	-2	-2
7) Interim losses coverage fund	-	-
8) Reserve for foreign exchange gains	-	-
9) Group consolidation reserve	-200	-201
10) Reserve for currency translation differences	-442	271
Total other reserves	*37.328*	*35.319*
VII. Cash flow hedge reserves	-30	-4.203
VIII. Retained earnings (losses)	-422	544
IX. Profit / (Loss) of the period	1.366	1.755
Total Equity (Group)	**40.642**	**35.815**
X. Third parties equity	26	26
IV. Legal Reserve	5	5
VII. Other reserves	-	-
1) Extraordinary reserve	693	653
IX. minority profit / (loss) of the period	139	40
Total Equity A -X Third Parties Equity	**863**	**724**
TOTAL NET EQUITY OF THE GROUP AND THIRD PARTIES	**41.506**	**36.539**

	31.12.2017	31.12.2016
B. FUNDS FOR RISKS AND CHARGES		
1) Termination benefits and similar provisions	2.014	1.781
2) Tax provisions, including deferred tax liabilities	318	312
2 bis) Consolidation fund for future risks and charges	-	-
3) Passive financial derivative instruments	9.154	12.198
4) Other provisions	640	3.148
Total provision for risks and future charges	**12.126**	**17.439**
C. SEVERANCE INDEMNITY FUND	**1.352**	**1.166**
D. PAYABLES		
4) Bank financing		
- within 12 months	23.568	25.813
- over 12 months	29.723	31.145
	53.292	56.958
5) Other financing		
- within 12 months	11.332	9.687
- over 12 months	-	-
	11.332	9.687
6) Payments in advance		
- within 12 months	1.824	1.782
- over 12 months	-	-
	1.824	1.782
7) Payables to suppliers		
- within 12 months	117.464	126.457
- over 12 months	-	-
	117.464	126.457
11) Payables to parents		
- within 12 months	756	407
- over 12 months	-	-
	756	407
12) Tax paybles		
- within 12 months	6.117	4.622
- over 12 months	-	-
	6.117	4.622

	31.12.2017	31.12.2016
13) Payables to social security and welfare institutions		
- within 12 months	570	535
- over 12 months	-	-
	570	535
14) Other paybles		
- within 12 months	4.293	2.486
- over 12 months	-	-
	4.293	2.486
Total PAYBLES	**195.648**	**202.934**
E. PASSIVE ACCRUALS AND PAYABLES	**1.657**	**2.189**
Total liabilities and net equity stock	**252.289**	**260.267**

Table 3. **PROFIT AND LOSS**

	31.12.2017	31.12.2016
A. PRODUCTION'S VALUE		
1) Revenues from sales and services	944.317	783.855
5) Other incomes	3.073	1.472
Other revenues	3.073	1.472
Total production value	**947.390**	**785.327**
B. PRODUCTION COSTS		
6) Cost of raw materials, consumables and merchandise	722.375	583.831
7) Cost of services	184.730	164.217
8) Cost of rents and leases	437	2.589
9) Costs for the staff		
a) Wages and salaries	6.463	5.195
b) Social security and welfare contributions	1.368	1.324
c) Severance indemnity	374	358
d) Retirement pension and similar fund	-	-
e) Other costs	1	1
Total of the costs for the employees	*8.206*	*6.878*
10) Amortizations and depreciations		
a) Intangible asset amortization	2.197	1.750
b) Tangible asset amortization	1.269	1.237
c) Write-downs of fixed assets	-	-
d) Write-downs of current asset	6.306	3.350
Total amount of the amortizations and depreciations	*9.772*	*6.337*
11)Change in raw materials, consumables and wares	-891	177
12) Accruals for provisions	698	3.148
13) Other accruals	-	-
14) Other operating expenses	17.149	14.004
Total amount of the production costs	**942.476**	**781.181**
DIFFERENCE BETWEEN VALUE AND PRODUCTION COSTS	**4.914**	**4.146**

	31.12.2017	31.12.2016
C. FINACIAL INCOME AND EXPENSES		
16) Other financial incomes	*183*	*246*
a) Financial income from long-term financial receivables	-	-
a 5) from other companies	2	-
d) Other financial income:		
d 5) other companies	181	246
17) interest and other financial expenses	*1.470*	*1.455*
d) other companies	1.470	1.455
17-bis) Gains and losses on foreign currency translation	-149	176
Net Financial income (expenses)	**-1.437**	**-1.033**
D. Adjustments to the carrying value of financial assets:		
18) write-ups:	*3.497*	*10.237*
a) of investments	-	-
d) of different financial instruments	3.497	10.237
19) write-downs:	*3.882*	*10.407*
a) of investments	-	-
d) of different financial instruments	3.882	10.407
Total Amount Of The Adjustments	***-385***	***-170***
Result Before Taxation	***3.092***	***2.942***
20) Taxes for the period	*1.587*	*1.148*
- current taxes	1.393	2.171
- deferred income taxes	194	-1.045
- prepaid taxes	-	22
PROFIT (LOSS) FOR THE PERIOD	**1.505**	**1.795**
Profit (loss) for the period of minority interests	139	*40*
PROFIT (LOSS) FOR THE GROUP	**1.366**	**1.754**

Table 4. **CONSOLIDATED FINANCIAL STATEMENT OIC 10**

	31.12.2017	31.12.2016
A) Income-management deriving Capital flows (undirect method)		
Profit (loss) for the period	**1.505**	**1.754**
Income tax	1.587	1.148
Interests	1.470	1.455
(interest income)	-181	-246
Asset-disposal deriving Capital Gains (Unrealized losses)	-	282
1. Profit/losses for the period before income taxes, interests, dividends and asset-disposal deriving capital gains/unrealized losses	**4.381**	**4.393**
No compensation monetary elements in the net work capital adjustments		
Provisions	698	3.671
Severance indemnity fund	374	358
Receivables depreciation fund provision	6.306	3.350
Intangible Asset's amortization	3.466	2.987
Rounding-up (rounding-off) concerning items that affected the capital that not involve currency handling	-1.053	-1.794
Other non-monetary adjustments	-	-
Total amount of the non-monetary adjustments	*9.791*	*8.572*
2. Financial flow before adjustment of the net working capital	**14.172**	**12.965**
Variazioni del circolante netto		
Increase / (Decrease) of advance	-837	187
Increase / (Decrease) of payables to customers	6.233	-13.692
Increase / (Decrease) of payables to suppliers	-8.993	17.933
(Increase/ Decrease) of prepaid expenses	-68	-2.286
(Increase/ Decrease) of deferred income	-532	723
Other adjustments of the net working capital	8.178	-7.429
Total amount of the net working capital	*3.981*	*-4.563*
3. Financial flow after adjustment of the net working capital	**18.153**	**8.402**
Other adjustments		
interests received	181	130
interests (paid)	-1.470	-1.208
(Paid income tax)	-1.003	-3.448
(Use of the funds)	-2.967	-415
(Use of the employee leaving indemnity and paid employee leaving indemnity)	-188	-46
(Use of debt provisions)	-796	-93
Total amount of the other adjustments	*-6.242*	*-5.080*

	31.12.2017	31.12.2016
Income management financial flow (A)	**11.911**	**3.322**
B) Income financial flows deriving from investments		
Tangible and intangible fixed assets (investments)	-3.055	-15.216
Tangible and intangible fixed assets withdrawals	-1.152	226
Financial assets (investments)	48	-334
Financial assets withdrawals	-	828
Non managed financial assets (investments)	-	-
Non managed financial assets withdrawals	-	-
Asset financing activities flows (B)	**-4.159**	**-14.495**
C) Asset-financing activities deriving flows		
Third parties assets		
Increase/decrease of short-terms liabilities to banking companies	-3.666	27.432
Increase/decrease of liabilities to other investors	1.645	524
Capital resources	-	-
Principal payment increase	-	-
Disposal of shares	-	-
Asset-financinc activities deriving flow(C)	**-2.022**	**27.956**
Other asset's itemization	-713	44
Increase (Decrease) of liquid asset (A + B + C)	**5.018**	**16.828**
Liquid asset on 1/1/2016	32.382	15.554
Bank and post depots	32.373	15.546
Funds and other assets in hand	9	8
Liquid asset 31/12/2016	37.400	32.382
Bank and post depots	37.387	32.373
Funds and other assets in hand	13	9
Net liquid asset	**5.018**	**16.828**

4

EXPLANATORY NOTE TO THE CONSOLIDATED BALANCE UNTIL DECEMBER, 31ST 2017

PRELIMINARY REMARKS

Dear Shareholders,

the Consolidated Balance Sheet concerning Tremagi Group that we submit to your approval includes Financial Statement, Corporate Account and Explanatory Note in observance of the civil rules and regulations in force in Italy.

Henceforth all the complementary information believed to be necessary to provide a true and correct picture of the company's patrimonial, financial and economic situation and the Financial Statement of the business is detailed.

EVALUATION CRITERIA

The Consolidated Balance Sheet until December, 31st 2017 of the Tremagi Srl Parent Company was predisposed in the most careful respect of rules and regulations in force and through the same schemes adopted for the Parent Company's Balance Sheet drawing-up.

The accounting results of the Balance sheet and Income statement, the Consolidated Financial Statement and the Explanatory note are expressed in Thousands of € in accordance to art. 2423 comma 5 of the Italian Civil Code.

See the content of the management report for what concerns the following information (OIC 12 "Report Required by the accounting principles)"

- nature of the business's activity
- existing relations with who exerts the management and coordination activity and with other companies that are subject, and as well the mentioned activity on the management of the compa-ny business and its results.

This consolidated balance sheet, drawn-up according to Italy's accountancy principles, is subject to accounting revision by the business named PricewaterhouseCoopers SpA.

Once this premise is over, it is time to turn to the exposition of the indications as provided by Legislative Decree. nr.139/15 for the Integrative Note concerning Consolidated Balance Sheet until December, 31st 2016.

LIST OF THE COMPANIES INCLUDED IN THE CONSOLIDATION BY THE INTEGRAL METHOD

On December, 31st 2017, the consolidation areas concerning this Balance sheet is formed, besides obviously by Tremagi Srl Parent Company, also by the following subsidiary Companies, included in the consolidation by integral method's application:

Company	% of Asset		Value	Stock Capital	
	2016	2017		2016	2017
Tremagi Srl	Parent Company		Euro	2.000	2.000
Illumia SpA	100%	100%	Euro	2.000	2.000
Illumia Trend Srl	80%	80%	Euro	115	115
Wekiwi Srl	70%	70%	Euro	10	10
Illumia Swiss SA	100%	100%	Euro	92	92
Illumia Next Srl	0%	100%	Euro	-	50
Illumia America Corp	100%	100%	USD	2.515	7.570

Below are reported the main information concerning each subsidiary company of the Group:

ILLUMIA SPA:

Registered Office	Bologna – via de' Carracci 69/2
Share capital on 12/31/2017	€ 2.000
Equity on 12/31/2017	€ 12.665
Owned share	*100%*
Balance inscription value of the Holding	€ 6.132
Load value and owned nominal value difference	€ 6.532

The companies in matter were acquired by the company named Dufenergy Italia Spa of February, 10th 2010.

The company has the following social object, synthesized in its essential points:

- electric energy trading, both on national and European territory
- hydrocarbon trading
- trading and import of natural gas in general and coal;
- trading of energetic conservation items (LED lamps)
- study, organization and fulfillment in Italy and abroad of private and public engineering works in other sectors as electronics, electro-optics, computer and automation.

The Company closes its Management Balance on December, 31st of every year.

WEKIWI SRL:

Registered Office	Bologna – via de' Carracci 69/2
Share capital on 12/31/2017	€ 10
Equity on 12/31/2017	€ 40
Owned share	*70%*
Balance inscription value of the Holding	€ 661
Load value and owned nominal value difference	€ -637

Wekiwi Srl is "project company" aimed to the development of a new web portal of the Group. It has started its activity in July 2015 and on 12/31/2017 appears to be still at the start-up stage.

In particular, Wewiki.it is the web portal aimed to propose itself as the first online provider of electric energy and gas to private customers and micro business.

Wekiwi is the second commercial brand of the group, targeted to the on-line customers. It provides advanced instruments for the subscription of contracts and supply management putting the customer in condition to fulfil all the management operations directly on the website or through app. Wekiwi represents also an innovation lab for the Tremagi Group that can experiment through this new brand new products/services or new typology of offer and management of the customer.

The difference from the cost of the participation and the nominal value in the balance sheet closed on 31/12/2017 is not a durable loss in value, being the company still in a Start-Up stage.

ILLUMIA TREND SRL.

Registered Office	Bologna – via de' Carracci 69/2
Share capital on 12/31/2017	€ 115
Equity on 12/31/2017	€ 4.253
Owned share	*80%*
Balance inscription value of the Holding	€ 130
Load value and owned nominal value difference	€ 3.272

The Illumia Trend company accomplishes the following business:

technical and advanced consulting about the coverage of the risk related to the fees ap-plied to final customers and evaluation of contracts concerning wholesale trade of energy products and consulting in the negotiation of framework contracts with the counterparts;

- trade management of electric energy from energy-sparing plants;
- logistic services of gas transport, storage, balance;
- support and consulting activity in the revision, drawing-up, negotiation of natural gas consignments trade contracts, including assistance in possible negotiation with the coun-terparts;
- introduction among active counterparties of price risk coverage solutions and possible assistance in hedges negotiation;
- individuation of natural gas consignments purchase or sell opportunities as well outside the PSV;

The load value and owned nominal value are equal and corresponding to the balance inscription value.

ILLUMIA SWISS SA.

Registered Office	Lugano, Via Cantonale 19
Share capital on 12/31/2017	€ 92
Equity on 12/31/2017	€ 1.891
Owned share	*100%*
Balance inscription value of the Holding	€ 101
Load value and owned nominal value difference	€ 1.789

Illumia Swiss Company was incorporated on January, 30th 2015 through registered notary deed drawn up by Public Notary Marazzi, in Lugano, annex A Deed nr.305.

Illumia Swiss operates in the field of energy products and assets trade and accomplishes in particular the following activities:

- Energy products trade: the company financed important negotiations for the subscription of EFET and ISDA contracts with primary importance energy operators. Some negotiations were already successfully closed during the considered period, thus allowing Illumia Swiss front office to operate the first wholesale exchanges through ISDA contracts, of energy index related to Swiss, German and Italian markets.
- Service: Illumia Swiss know-how was enhanced through supplies having as object the displacement of production plants and management of suitable appointments for the use of electric interconnections among Switzerland and bordering countries. The activities in matter mainly interested the management of the appointments on the aimed data processing platforms, management of the plant displacement contracts and the verification of the monthly settlement.

ILLUMIA NEXT SRL

Registered Office	Bologna – via de' Carracci 69/2
Share capital on 12/31/2017	€ 50
Equity on 12/31/2017	€ 50
Owned share	*100%*
Balance inscription value of the Holding	€ 50
Load value and owned nominal value difference	€ 0

Illumia Next Srl Company was incorporated on July, 18th 2017 through notary deed drawn up by Public Notary Vico, registered in Bologna on July, 25th 2017, Deed registr.nr.140971IT.

The Company's object is the electric energy and natural gas trade and on 31/12/2017 appears to be still non-operating.

ILLUMIA AMERICA CORPORATION

Registered Office	11 Broadway, Suite 368 – New York 10004
Share capital on 12/31/2017	$ 7.570
Equity on 12/31/2017	$ 6.626
Owned share	*100%*
Balance inscription value of the Holding	$ 6.715
Load value and owned nominal value difference	$ -1.195

The value of registration on balance reports an increase due to the active financing to the Illumia America Corp. in stock capital, accomplished by the company in matter on April, 18th 2017.

The difference between holding cost and the corresponding net asset in the balance sheet does not represent a durable loss in value, because partly due to the exchange rate variation and, moreover, the subsidiary holds a highly valuable estate of historical value that, at the moment, appears to have a higher market value. That surplus value, that actually guarantees the recoverability of the holding value, is not itemized in the balance sheet.

OTHER EQUITY INVESTMENTS IN SUBSIDIARY AND RELATED COMPANIES EVALUATED BY THE COST.

On December, 31st 2017 within Tremagi Group no participations are reported in subsidiary and related companies evaluated by the cost.

LIST OF OTHER EQUITY INVESTMENTS IN "OTHER BUSINESS" EVALUATED BY THE COST

On December, 31st 2017 within Gruppo Tremagi are reported the following equity investments in other business, owned according to equal or lower that 5% percentages, excluding Mondo Energia that is equal to 10%:

- Mondo Energia srl
- Banca Popolare di Verona
- Banca di Bologna
- Emilbanca Credito Cooperativo
- We Sii S.r.l.
- Italian Fight Wear S.r.l.
- BHS S.r.l.

The participation in Mondo Energia srl concern Illumia SpA indirect commercial networks agencies. The company operates in the sector of consulting, promotion and sales to companies of energetic products and can count on a branched

commercial network, prevalently composed by commerce agents, mainly operating in Center Italy.

CONSOLIDATION PRINCIPLES

Henceforth are listed the consolidation principles used for the drawing-up of the Balance sheet in matter:

- For all the equity investments in subsidiary Companies the integral consolidation method was used, thus processing the sums in the line of the booked amounts until December, 31st 2017 with the respective booked values in the Balance sheet of the Group Leader;
- The consolidation difference emerges every time the value of the holding resulting from the balance sheet of the group leader differs from the value of the corresponding net assets frac-tion of the subsidiary one. Thus this difference can be formed both by components deter-mined at the holding purchase date and variations occurred in following dates, as a conse-quence of the apposition of amendments operated in order to proceed to data results consoli-dation.
- The value of registration of the equity investments in the Companies object of integral consoli-dation was directly excluded through reversal of the concerning share of capital stock and pertinent reserves of the subsidiaries company. The profits' corporate Reserves funded by the subsidiary Companies of pertinence of the Group are listed under the Newly funded Profits/ (Losses) chapter, by separate registration of the part of the assets and reserves per-taining to minority members, registered under the special chapter named "Assets and re-serves of third parties";
- Every reciprocal obliges/debtors relationships, costs and profits coming from operations per-formed within the group and profits and loss occurred within the group.
- The connected companies, when present and having a related company's object, were evaluat-ed through the net assets method, also known as "synthetic consolidation", since it produces on net assets and balance sheet the same effects of the integral method. The concerning hold-ing original cost is modified in order to acknowledge the proper amendments of this method and in particular to take into account the profits and loss shares of the associate company, realized with third subjects, in the following periods to the acquisition of the holding; this apart from whether or not the mentioned profits are distributed and whether or not the loss are invested in the participated company's corporate assets reduction. In other terms the original costs, backed for the acquisition of a holding in a other company, is periodically amended (whether in positive or negative sense) with the aim to report in the balance sheet of the company that is holder of the equity investment, both the share owed to it of the prof-its and loss, and other variations of the net assets of the participated company, in the periods following the purchase date.

EVALUATION CRITERIA

Henceforth are described the evaluation criteria used for the chapter of Assets and Liabilities in the Consolidated Balance Sheet, that result to be the same one used both by the Group Leader and subsidiaries companies, for the respective Balance sheets' drawing-up.

The balance is drawn up with clearness and represents in truthfu and correct way the patrimonial and financial situation of the company and the economic results of the financial year.

The balance sheet chapters' evaluation was performed by inspiration to general criteria of prudence and competence, in prospect of the activity's continuation, and as well taking into account the considered assets and liabilities element's economic function.

In respect of the principle of prudence, costs and loss of competence of the financial year are reported, even if known after the closing of the corresponding balance, while profits are exclusively reported if realized at the closing date of the balance.

In observation of the economic competence principle, the effect of the operation and other events was pointed out from the accountancy point of view and attributed to the financial year the mentioned operations and events are referred to and not to the one the concerning numeral operation (collections and payments) are realized.

ASSETS

INTANGIBLE

Assets are inscribed in the historical cost of acquisition, including additional costs and, for internal production assets, the direct and indirect imposition costs, these ones for the reasonably attributable part.

Costs for plants and extension, multi-year utility development costs are registered in the assets chapter, where provided, with the consent of the business in charge of control and are amortizable in a five financial years term.

Other intangible assets are amortizable in a five financial years term.

Below are reported the amortization rates of the intangible assets:

Itemization	Rate
Start-up and enhancement costs	20,00%
Licenses and trademarks	20,00%
Other intangible assets	20,00%

The Start-up itemized in the balance is amortized in 5 years. At each balance sheet's reference date the Company evaluates the presence of depreciation indicators for what concerns intangible investments. In case the indicators in matter are present, the company estimates the restorable value of the investment and operates a devaluation, in case the investment appears of a durable less value in comparison to net book.

According to art. 10 Act nr. 72 dated March, 19th 1983 is to be specified that on the mentioned assets no monetary or economic revaluation were performed.

TANGIBLE

Tangible assets are listed in the acquisition cost, inclusive of the additional costs of direct allocation. The material immobilization value is amended by the respective amortization funds.

When at the financial time closing date the surplus use value results lower to the net inscription value, this last one is amortized through a corresponding devaluation. The devalued value is restored in the following financial years in case the reasons of the performed amendment ceased.

The material assets' amortizations are reckoned in systematic and constant way, by applying rates considered as representative of their surplus use value.

The mentioned rates are below reported:

Itemization	Rates
Instrumental plants	3,00%
Machineries and equipment	15,00%
Electronic machines	20,00%
Mobile phones	20,00%
Solely loaned goods	33,33%
Cars	20,00%
Office furniture and equipment	12,00%
Generic and specific plants	8,00%
Other material assets	20,00%

Maintenance and repairing costs are allocated as Income statement for the financial year they are backed, in case they are ordinary, or capitalized in case they are extraordinary.

Acquired goods for a unitary value that is lower than € 516 have been entirely paid in the financial year and in whole are of no significant amount. This is not asserted for the solely loaned goods to the customers, whose unitary value, although being lower than € 516, follow parallel the "Energia Semplice 36 mesi" contract; as a consequence the amortization lasts 3 years.

According to art. 10 Act nr. 72 dated March, 19th 1983, we specify that in this financial year and in the previous ones no economic and/or monetary revaluation were performed.

Costs for modernizations, improvements and extraordinary maintenance that extend the economic life of the sources are brought to the increase of their value and depreciated at their same rate.

Material assets acquired in leasing through finance leasing contracts are listed consequently to the application of the financial accounting method itemized by international accountancy statements (IAS 17). This method provides the registration of the good that is acquired by means of leasing contract under the Assets' item of the Financial Statement at the moment of the mentioned contract's subscription, as a counterpart for the financial debt that backs the operation, and as well the allocation in the Income statement, instead of leasing rents, of the amortization rates of the good as economic-technical rates and financial costs that are implicit in the leasing installments. At the financial year's closing date the Group owns no goods through financial leasing contracts.

Operative leasing contracts are itemized according to the patrimonial methods providing the registration in profit or loss of the costs for the concerning rentals.

The real estate owned by Gruppo Tremagi are considered civil engineering's Manufacts constituting a form of investment, are amortized each financial year in case their residual possibility of use appears higher than the net book value.

SUBSIDIARY COMPANIES

Equity investments in subsidiary non-integrally consolidated companies are registered at the purchase cost or subscription that includes accessory costs of direct allocation, in case amended to consider permanent loss of value.

Receivables that are registered under financial assets, are registered at the presumably break-up value. In particular, the criteria of evaluation of immobilized securities is the purchase cost inclusive, transaction, active or passive commissions and every accessory costs, and every difference between initial value and nominal value at maturity are included in the amortized costs reckoning by the method of effective interest.

INVENTORY

The end of financial years inventory represents the costs backed for the purchase or production of determined goods, which profits will be collected only in the following financial year; therefore, according to the principle of competence, must be deferred.

The goods that represent the stock-on-hand are:

- Raw materials: natural gas storage;
- Wares: no-further-processing goods that are assigned to the resale LED storehouse in possession of outside contractors.

Both for what concerns Gas storehouse and LED storehouse the cost configuration of choice is the weighted average cost.

RECEIVABLES (INCLUDING RECEIVABLES ITEMIZED IN THE FINANCIAL ASSETS)

Receivables are itemized according the amortized cost method, taking into account the time factor and the presumable break-up value.

In particular, the initial registration value is given by the nominal value of the credit, after deduction of grants, allowances and rebates, and including the possible costs directly attributable to the transaction that generates the credit. Transaction costs, possible active and passive commissions and every difference between the initial value and nominal value at maturity are included in the amortized cost's reckon through the effective interest.

The adjustment of the receivables' nominal value to the presumable break-up value is obtained through a special allocation to the receivables' devaluation fund, that considers generic and specific risk of irrecoverableness.

The company did not calculate and booked in the Inventory of arrears concerning the financial year, as allowed by the rules and regulations in force, that allows the booking in the balance sheet of the mentioned Inventory in the very moment they are collected.

Receivables towards other debtors are booked for their nominal value, being at the moment non-recognizable any reasons, precautionary as well, that can lead to operate depreciations on the amounts of the mentioned items.

Receivables for prepaid taxes measure the amount of taxes on the temporary differences among accounting results and the corresponding fiscal values.

The requirements are present to consider met the reasonable certainty of the presence, in the further financial years of taxable income not lower to the amount of the temporary fiscal variations that led to the advance taxes registration.

It is to be specified that, in observance of Legislative Decree 139/15, on December, 31st 2016 the receivables already itemized on December, 31st 2015 are itemized at their nominal value, believed representative of their termination value.

CASH ASSETS

Cash assets are itemized at the nominal or conventional unit that is considered as representative of the presumed break-up value.

PREPAID EXPENSES

Expressed income and costs pertaining to the financial year but collectable in further financial years or backed-up within the balance sheet's closing date are of competence of further financial years.

For what concerns multi-year duration prepaid expenses, conditions have verified that determined the original booking, adopting, where necessary, the proper variations.

Collectibles deriving from the "commissioning" are compared to the duration of every single drawn-up contract. This allows to correlate at best the costs from commissioning with the concerning income from invoicing.

PROVISIONS FOR RISKS AND COSTS

Allocated against the coverage of loss and payables, and of a determined nature and certain or likely existence, the amount or contingency or timing date can be nevertheless determined at the financial year's closing time.

In evaluation of the mentioned provisions, general criteria of prudence and economic competence are respected and no generic provisions avoid of economic justification were accrued.

Potential liabilities were pointed out in the balance sheet and booked in the funds' item as considered likely, and being the concerning reasonably assessable charge.

The risks the showing of a liability is only possible for, are itemized in the Explanatory Note, without proceeding with the allocation of a risks and costs fund.

PROVISIONS FOR EMPLOYEES

Represents the actual debt accrued towards the dependent employees in observance of law dispositions and labor contracts in force, considering every form of permanent nature remuneration.

The debt for provision corresponds to the whole of the single allowance accrued in favor of the employees at the balance sheet's closing date, after the accrued advance and what lodged at the INPS [Italian national insurance service, TN] treasury and/or integrative social security funds, and is equal to what must be settled to the employees supposing the employment's termination at that date.

PAYABLES

Payables are itemized at their nominal value, considered representative of redemption value, taking into consideration the time factor. In particular, the value of the initial itemization is given by the nominal value of the payable not including the costs of transactions and grants, allowances and rebates directly attributable to the transaction that generates the credit. Transaction costs, possible active and passive commissions and every difference between the initial value and nominal value at maturity are included in the amortized cost's reckon through the effective interest.

It is to be specified that, in observance of Legislative Decree 139/15, on December, 31st 2016 the receivables already itemized on December, 31st 2015 are itemized at their nominal value, believed representative of their termination value.

Taxes on income are booked on the ground of an estimate of the fiscal year's tax burdens with reference to rules and regulations in force.

FINANCIAL DERIVATIVES

The Company holds financial derivatives to the aim of hedging financial exposure from the risk of variations in the interest rates or variations in the gas and electric energy prices related to the charge of fixed-price or variable-price fees to customers. With the aim of enhancing the modalities of hedging of the portfolio, the Company is committed to individuate and research on the market not only standard products but also timing profiles and cherry-picking initiatives targeted to maximize the day-by-day coverage. It is moreover equipped of dedicated software that allow its portfolio's market risk monitoring through VAR and PAR techniques, daily verified within very stringent internal risk policy.

In observance of what provided by the OIC 32 accounting policy introduced by the accounting reform established by Legislative Decree nr.139/15, the financial derivatives are related to the fair value, reckoned through input data directly observed on the market.

The operations that, in the respect of the risk management policy, meet the requirements provided by OIC 32 accounting policy for the treatment in hedge accounting, are classified as Cash Flow Hedge because they are aimed to limit the exposition to financial flows variability risks linked to secure or highly likely future financial operations (mainly hedged through commodity contracts) or financial liabilities entered in the budget (interest rate swap on funding).

Contracts to expire of electric energy and gas purchase and sale, subscribed in order to meet the sale and purchase requirements of the Company or the Group are not subject to evaluation given that are based on physical supply of the purchased and sold quantities.

For the accounting, the Company entry the fair value in the balance sheet: if positive is entered in the "Financial derivative asset" item in the Financial Assets or the Financial Activities which not constitute fixed assets according to the expire of the instrument, while if negative is itemized in the "Passive financial derivatives"

in the Funds for risks and charges; with financial compensation the Net Asset item –A) VII – "Cash Flow hedge coverage for unexpected operations" after deferred taxes. This Net Asset reserve is therefore related to the income statement in the corresponding measure and timing of the occurrence of the cash flows in the hedged instrument. The fair value adjustment possibly referable to the ineffective share is immediately itemized in section D of the income statement.

The adjustments in Fair Value in operations that, though being fulfilled in substantial purpose of hedging, do not meet in full the requirements of the OIC 32 accounting policy are itemized in the Income Statement at the Section D) "Value adjustment of financial assets and liabilities" in the items provided by art. 2425 of the Italian Civil Code:

D) 18) d) re-evaluation of financial derivatives;

D) 19) d) depreciation of financial derivatives

with compensation the balance sheet in the "Active financial derivatives" in the Intangible Fixed Assets or the Financial activities which not constitute fixed assets if the fair value appears positive and/or in the "Active financial derivatives" in the Funds for risks and charges if the fair value appears negative.

SECURITIES, COMMITMENTS, THIRD PARTIES' GOODS AND RISKS

- Risks for securities given in favor of third parties are itemized in the memorandum ac-counts for an amount that is equal to the given securities amount; in particular, securities given in favor of third parties, whether directly or indirectly, shared among guarantees, backings, other personal and real securities;
- Risks for guarantees given in favor of third parties are itemized as an amount equal to the value of the given guarantee;
- Commitments are itemized in the memorandum accounts in the "Other information" sec-tion at the nominal value, deduced from the concerning records;
- Evaluation of third parties' goods at the business was performed on the ground of the value that was deduced from existing records.

COSTS AND INCOME

Itemized in the balance sheet according to the principles of prudence and economic competence by survey of the concerning Prepaid expenses.

Income and revenues, costs and charges are registered after returns, discounts, abatements and bonus, and also after taxes that are directly connected given services.

Revenues for the sales of the products are itemized when risks and benefits connected to the property are transferred, a passage that generally coincide with the expedition or delivery of the goods, while the revenues from service provisions are recognized at the date the operations in matter are closed.

Revenues and incomes, costs and charges concerning operations in currency are determined according to the current change at the date the operation in matter is closed.

Income from selling of electric energy and natural gas are referred to the increase in value of quantities respectively supplied and delivered during financial year, even if not yet invoiced, and determined by the integration, through suitable accountant valuations, by surveyed results on the ground of the readings received by suppliers and Terna (the so-called energetic balance mechanism). The mentioned income are grounded on contract agreements with customers and, in case they are applicable, are regulated by the provisions of law issued by the Autorità per l'Energia Elettrica e il Gas ["AEEG" – Electric Energy and Gas Business TN.], in force during the period of reference.

Commercial operations performed with the group's companies occurred in normal market conditions.

TAXES ON INCOME

Taxes on income in force are determined on the ground of a realistic anticipation of tax costs to be accomplished in application of rules and regulation nowadays in force in matter of revenue.

Delayed taxes are reckoned on the temporary differences existing among the property values registered in the balance sheet and the corresponding values that are recognized for purposes of revenue. In particular, delayed active taxes are registered only in case of reasonable certainty of their future recovery. Delayed active taxes are not registered in case scarce probabilities occur that the concerning debt arises.

According to what provided by art. 2427, comma 1, nr. 14) of the Italian Civil Code, this Explanatory Note reports a dedicated return containing:

1. description of the temporary differences that involved the survey of delayed and advanced taxes, specifying the applied rate, variations respect previous financial year, accrued or charged amounts to the Income statement or net assets, items excluded from the reckoning and concern-ing justifications;
2. the amount of the advanced taxes booked in balance sheet and concerning loss of financial year or previous financial years and justifications for the booking, the amount that wasn't still booked and justifications for the potential non-booking.

Particularly, for what concerns the allocation of advanced taxes on accrued and non-used fiscal loss, it must be specified that they are booked only when:

1. there is reasonable certainty to obtain in future taxable values of the company of such extent to absorb the continuative loss (in subsequent fiscal periods in higher than 80% measure of the taxable income of each one of them and for the entire sum contained in that amount),
2. in case the accrued loss may be chargeable to specific circumstances that are considered not to be repeatable in the future.

It is moreover to be pointed out that, running from the financial year closed on December, 31st 2017, the Company renewed consolidated granted taxation through option according to what disposed by articles 117 and following of D.P.R. [Decree of the President of the Republic] 917/86. Option providing group taxation is in force for the 2017-2019 three-years term and the companies that are part of it are Tremagi SA, as consolidating company, and Tremagi Srl, Illumia SpA, Illumia Trend S.r.l. and Wekiwi S.r.l.

Economic relationships, mutual liabilities and obligations are determined in the "Contratto di consolidamento fiscale nazionale" [National Contract of tax consolidation] according to which subsidiaries must recognize to the parent companies the amounts due for the transfers by way of account and in settlement of IRES, in the terms provided by rules and regulations, in force at the moment the parent companies provides to the mentioned transfers.

For the financial year's tax loss transferred to the parent companies and used in enforcement of the group taxation principles a receivable is provided, to the subsidiaries company that has caused them, in proportion of IRES rate applicable for what concerns fiscal year when the mentioned loss are used in the Group taxation.

RESULTS ABOUT EMPLOYMENT

The national labor contract in force is the one concerning trade and service sector.

Afterwards is reported the composition and variations occurred during financial year of the company staff shared for category.

Company staff	31/12/2017	31/12/2016	Variations	Average Nr
Directors	2	3	-1	3
Employees	154	148	6	144
Total	**156**	**151**	**5**	**1470**

In 2016

Company staff	31/12/2017	31/12/2016	Variations	Average Nr
Directors	3	4	-1	4
Employees	148	142	6	147
Total	**151**	**146**	**5**	**151**

TRANSACTIONS WITH RELATED PARTIES

The Board of Administrators individuates as related parties the ones stated by Italian Civil Code, art. 2427 c.1 nr. 22-bis, in detail, in the case of Tremagi S.r.l. the following ones:

a) companies directly or indirectly submitted to the control of Tremagi S.r.l. and the related companies;

b) companies where the executive and non-executive managers or, when appointed, the general managers of Tremagi S.r.l. or its subsidiary companies or the respective close relatives exert a remarkable influence.

Hereby is reported a rear-view scheme of the relations with related companies:

Business name 2017	Receivables 31/12/2017	Loans 31/12/2017	Revenues 2017	Costs
Tremagi SA	5.300	756	-	756
Sea	-	348	-	493

The above mentioned operations have been fulfilled at the market value.

Each item of the above reported rear-view scheme is commented in the Explanatory Note.

B) ASSETS

B. Fixed Assets
BI. Intangible Assets

The Balance platform concerning intangible assets amounts to € 7.737.000 and, in comparison with € 6.879.000 booked in the previous Balance sheet, reports a net increase of € 858.000.

In particular:

Balance until 31/12/2017	Balance until 31/12/2016	Variations
7.737	6.879	858

Henceforth are reported the gross values management of the intangible assets:

Intangible assets	Historic Cost 2016	Increases	Reclassification	Historic Cost 2017
1) Establishment and enhancement costs	67	-	-	67
4) Authorizations, licenses and brands	1.841	375	-	2.216
5) Goodwill	-	170	-	170
5bis) Difference of consolidation	3.550	-	-	3.550
6) Investments in progress and advance	389	1.609	-385	1.613
7) Altre immobilizzazioni immateriali	6.173	885	254	7.311
Total Intangible Assets	**16.801**	**3.188**	**-131**	**19.857**

1.Costs for Establishment and enhancement

Expenses borne at the establishment already completely amortized, and the start-up expenses concerning the launch of the Illumia brand, which amortization is ongoing.

2.Development Costs

Expenses borne at the establishment already completely amortized.

3.Authorizations, licenses and brands

This item concerns mainly purchase of software programs for current contracts' management concerning:

- Electric Energy and Gas supply to final customers
- Sales of supply to resellers
- Commissioning - results-entry system for the current contracts with relevant reckoning of the monthly commissions for agents.

4.Goodwill from Consolidation Procedure

The item is due to the conclusion of the extraordinary Start-up generated for the acquisition of the SME and Reseller customers' company branch by the Electra Italia SpA company, belonging to the BKW Group (CH), in force from November, 1st 2017. For further details about the operation please see the Management Report. It is to be pointed out that the Start-up was purchased in return of payment and registered upon consent of the Board of Auditors.

5.bis Difference of consolidation

No net balances are reported for this item because the depreciation of the Start-up generated by the purchase of Illumia SpA, by the Tremagi Srl on February, 10th 2010 was just fulfilled.

6.Investments in progress and advance

The item concerns mainly accounts given to external suppliers for the implementation activity of the new SAP software functioning from 2019.

7. Other intangible assets

Improvement for the period is mainly determined by € 78.600 intangible assets mainly referred to costs borne for the implementation of data processing software in particular of the DWH (Data-Warehouse) environment used for the elaboration of directional report in support of the strategy decisions and analysis report in support of the business.

The following rear-view scheme reports the management of the amortization funds for what concerns intangible assets:

Intangible assets	Amortized Fund 31/12/2016	Amortization Rate	Decreases	Amortized Fund 31/12/2017
1) Costs for plants and extension	957	954	-	1.911
2) Advertisement research and development costs	1.991	-	-	1.991
4) Authorizations, licenses and brands	977	275	-	1.251
5) Goodwill	-	6	-	6
5bis) Goodwill from consolidation process	3.550	-	-	3.550
6) Investments in progress and advance	-	-	-	-
7) Other intangible assets	2.447	963	-	3.410
Intangible Immobilizations Total	**9.922**	**2.197**	**-**	**12.119**

For what concerns the determination of the amortization reckoned on the Intangible assets, it is already exposed in the section concerning the "Evaluation Criteria – Intangible Assets"

Intangible assets	NBV 31/12/2016	NBV 31/12/2017
1) Costs for plants and extension	1.900	1.094
2) Advertisement Research and development costs	-	-
4) Authorizations, licenses and brands	864	965
5) Goodwill	-	164
5bis) Goodwill from consolidation process	-	-
6) Investments in progress and advance	389	1.613
7) Other intangible assets	3.726	3.901
Intangible Immobilizations Total	**6.879**	**7.737**

B II – Tangible Assets

The Balance sheet's sector concerning tangible assets amounts to € 45.298.000 and, in comparison to € 45.415.000 booked in the previous Balance sheet, a net increase of € 117.000 is reported.
In particular:

Balance until 31712/2017	Balance until 31/12/2016	Variations
45.298	45.415	(117)

The following rear-view scheme reports the management of the amortization funds for what concerns material assets:

Intangible Assets	Historical Cost 2016	Increases	Decreases	Reclassifications	€/Dollar Effect	Historical Cost 2017
1) Lands and buildings	37.630	22	-	131	-667	37.116
2) Plants and machin.	781	27	-	-	-	807
4) Other goods	5.705	606	214	-	-67	6.243
5) Invest. in progress and advance	4.287	1.100	-	-	-	5.387
Intangible immob. Total	**48.403**	**1.754**	**214**	**131**	**-734**	**49.554**

The most important increments in the financial year concern:

- Other Goods - the higher increases within this item concerns the purchase of furniture for the new registered seat of the Group. The decrease of the period is referred to the amortization of the solely loaned contracts for the LED Kits.
- In-progress and advance assets and payments on account - the increase for the period concerns the payments in advance for the amount of € 1.100.000 paid during financial year 2017 for the purchase of a new facility for civil use located in Bologna (BO – Italy) for which a preliminary purchase agreement was drawn up on November, 10th 2017 and registered on November, 11th 2017 column 3 nr. 8154.

Tangible fixed assets	Amort. Funds 2016	Amort. Rate	Decreases	€/Dollar Effect	Historical Cost 2017
1) Lands and buildings	347	417	-	-	764
2) Plants and machineries	169	67	-	-	236
4) Other goods	2.471	785	194	-21	3.042
5) Invest. in progress and advance	-	-	-	-	-
Material Assets Total Amount	**2.988**	**1.269**	**194**	**-21**	**4.042**

For what concerns the amortizations' determination reckoned on material assets see what already itemized in the paragraph concerning "Evaluation criteria – Tangible assets" of this Explanatory Note, pointing out that the amortization on Buildings and Premises exclusively concerns the facility located in Via De' Carracci 69/2, registered office of the Group.

We believe that the adoption of the mentioned amortization rates is coherent with the requirement to reflect in the balance sheet a value of sources that is corresponding to their residual possibility of utilization in ordinary business management.

Tangible fixed assets	NBV 31/12/2016	NBV 31/12/2017
1) Lands and buildings	37.284	36.352
2) Plants and machineries	611	571
4) Other goods	3.233	2.988
5) Invest. in progress and advance	4.287	5.387
Material Assets Total	**45.415**	**45.298**

B III – Financial Assets

The Balance sheet area concerning "Financial assets" records a variation in decrease, in comparison to the previous financial year, equal to € 48.000, passing from € 6.180.000 to € 6.132.000.

Balance until 31712/2017	Balance until 31/12/2016	Variations
6.132	6.180	48

In particular:

Itemization	Balance until 31/12/17	Balance until 31/12/16	Variations
Equity Investments	139	41	98
Dead loans	5.993	6.139	146
Total	**6.132**	**6.180**	**48**

1. Equity investment

Balance until 31712/2017	Balance until 31/12/2016	Variations
6.132	6.180	-48

Below are reported the details of the equity investments in subsidiaries, associates and other business.

Itemization	2016	2017	Variations
Partecipations	139	41	98
Immobilized loans	5.993	6.139	-146
Total	**6.139**	**6.180**	**-48**

1- d-bis) Equity investments in associates companies

Henceforth is detailed the composition and management occurred during the financial year in matter:

Partecipation in associated companies	%	31/12/16	Increases	Decreases	31/12/2017
Mondo Enrgia Srl	10%	1	-	-	1
Emilbanca Credito Coop.vo	N/a	15	-	-	15
Cassa di Risparmio di Ravenna	N/a	4	-	4	-
Banco Popolare di Verona	N/a	10	-	-	10
BHS	5%	-	3	-	3
Banca di Bologna	N/a	10	-	-	10
We Sii Srl	2%	-	38	-	38
Italian Fight Wear Srl	3%	-	62	-	62
Total		**41**	**102**	**4**	**139**

The minority interests concern participations in Banking Institutes outsourcing the Group.

The participation in Mondo Energia S.r.l. concerns agencies that are parts of the indirect commercial network of Illumia S.p.A. operating in the sector of the consulting, promotion and sale to companies of energy products and can count on a branched trade network, mainly composed by trading agents operating mainly in Center Italy.

Increase in the balance sheet concern the acquisition of shares, respectively 2% and 3% in Wee Sii S.r.l. and Italian Fight Wear S.r.l. companies fulfilled on December, 22nd 2017. The acquisitions in matter allow to enter in the sector of the innovative start-ups operating in the energy market. Moreover, the acquisition is reported of the 5% share of the BHS S.r.l. company occurred on June, 1st 2017 by means of notary deed registered by Public Notary Vico in Bologna on 12/06/2017, registration nr.10530.

2. Locked up receivables

Balance until 31712/2017	Balance until 31/12/2016	Variations
5.993	6.139	-146

The Balance sheet item concerning "locked-up receivables" reports an increasing variation in comparison to the previous financial year of € 146.000, passing from € 6.139.000 to € 5.993.000.

Itemization	2016	2017	Variations
Receivables towards associates	5.000	5.000	-
Receivables towards others	993	1.139	-146
Total	**5.993**	**6.139**	**149.739**

Receivables towards associates concern the Tremagi SA Holding and have generated after a transfer of participation shares occurred in July 2013. The variation in the receivables towards other companies derives from the collection of receivables claimed by Illumia America Corp. company.

C – Current assets

I. Remainders

Balance until 31712/2017	Balance until 31/12/2016	Variations
2.253	1.416	837

Increase of € 837.000 in comparison of the previous year is so booked:

Itemization	2016	2017	Variations
Raw materials and stocks	1.094	417	677
Finished products	1.104	890	214
Advance	56	109	53
Total	**2.253**	**1.416**	**837**

In detail:

1) For what concerns "Raw materials and stock consumption" it is about gas stocks stored until 12.31.2017 and evaluated according to the weighed mean cost. For "storage" is to be meant the storage in underground structures of natural gas collected from national transport network and put again in a second time in the network according to the marker requests.

2) For what concerns the term "Wares" it is about energy efficiency products, like the LED bulbs, batteries, electric bikes targeted to the retail sale. The products in matter, evaluated accord-ing to the weighed mean cost, are in storage at an external logistic-provider center.

3) "Advance" concerns advance payments on LED supplying by the main foreign providers, to be delivered during 2018.

II. Receivables

Balance until 31712/2017	Balance until 31/12/2016	Variations
136.480	153.257	(16.777)

In comparison to the previous financial year the item concerning "Circulating assets receivables" books a net decrease equal to € 16.777, paying € 136.480 in comparison with € 153.257 of the previous financial year.
The receivables' maturity is so shared out:

Itemization	Within 12 months	Over 12 months	Over 5 years	TOTAL
From customers	125.310	-	-	125.310
From parent companies	300	-	-	300
Exercise and revenue receivables	4.522	-	-	4.522
Advanced taxes	1.439	-	-	1.439
From third subjects	4.909	-	-	4.909
Total	**136.480**	**-**	**-**	**136.480**

In 2016:

Itemization	Within 12 months	Over 12 months	Over 5 years	TOTAL
From customers	137.053	-	-	137.053
From parent companies	350	-	-	350
Exercise and revenue receivables	6.468	-	-	6.468
Advanced taxes	3.016	-	-	3.016
From third subjects	6.370	-	-	6.370
Total	**1.53.257**	**-**	**-**	**1.53.257**

The allocation of funds on December, 31st 2017 according the geographic area of the obligor is reported in the following rear-view scheme:

Itemization	Italy	Abroad	TOTAL
To customers	116.050	9.261	125.311
To parent companies	-	300	300
Exercise and revenue receivables	4.476	46	4.522
Prepaid income taxes	1.439	-	1.439
From third subjects	3.289	1.621	4.910
Total	**125.253**	**11.228**	**136.482**

In 2016:

Itemization	Italy	Abroad	TOTAL
To customers	126.757	10.296	137.053
To parent companies	-	350	350
Exercise and revenue receivables	6.069	399	6.468
Prepaid income taxes	2.847	4.244	6.370
From third subjects	2.126	4.244	6.370
Total	**137.799**	**15.458**	**153.257**

Here the circulating assets' amounts are submitted to analysis:

1. Receivables from customers

Itemization	31/12/2017	31/12/2016	Variations
Receivables from customers	125.310	137.053	(11.743)

The item is so composed:

Itemization	2017	2016	Variations
Receivables from gross customers	142.714	148.947	-6.233
Receivables depreciation	-17.404	-11.894	-5.510
Total	**125.310**	**137.053**	**-11.743**

The decrease of the net credits towards customers in 2016 balance sheet is mainly due to different timeframes of collection in comparison to the previous financial year.
Receivables depreciation fund underwent the following operations during the financial year:

Itemization	31/12/2017	Non-excised part rate	Excised part rate	Total amount
Receivables depreciation	11.894	6.306	-796	17.404
Final fund	**11.894**	**6.306**	**-796**	**17.404**

Receivables depreciation fund allocation is in accordance with the following criteria:

- analysis of each single € 15.000 exceeding receivable and determination of the supposed loss for each already appeared write-off;
- esteem, for € 15.000 not-exceeding receivable, according to experience and every other useful element, besides the evaluation of the claim for due debts age index with respect to the ones concerning previous financial years.

It is to be specified that the Company, in case it's possible, covers the Credit Risk through a specific insura nce.

4. Towards parent companies

Balance until 31/12/2017	Balance until 31/12/2016	Variations
300	350	-50

The balance concerns the trade receivables in Illumia SpA for the contracts management on behalf of Tremagi SA, aimed to import electric energy from the territory of Switzerland.

5. bis. Tax Receivables

Balance until 31/12/2017	Balance until 31/12/2016	Variations
4.522	6.468	(1.946)

The item is so composed:

Itemization	31/12/2017	31/12/2016	Variations
Vat receivables	3.269	3.128	141
Exercise and revenue receivables	133	123	10
Credits from customers and excise duties	1.047	3.113	-2.066
Tax deduction credit	73	104	-31
Total	**4.522**	**6.468**	**-1.946**

The main increase in exercise and revenue receivables is given by resulting from UTF Statement, reporting a decrease of € 2.066.000 due to the adjustment of the Revenue excise duty for the higher revenue in 2017.

5.ter Deferred taxes

Balance until 31/12/2017	Balance until 31/12/2016	Variations
1.439	3.016	1.577

The "Deferred taxes" item represents the whole of the taxes in advance, reckoned on temporary differences among civil law values and the corresponding values recognized at fiscal level as reported in this Explanatory Note, as a remark of the Income statement's "Balance taxes", to be referred to.

The variation in the balance sheet makes reference to the advanced deduction of taxes reckoned on the financial derivatives Fair Values at 31/12/2016.

5.quater Other Receivables

Balance until 31/12/2017	Balance until 31/12/2016	Variations
4.909	6.370	1.461

In detail:

Itemization	31/12/2017	31/12/2016	Variations
Suppliers c/advanced payments	1.211	2.087	-876
Receivables t/JAO	1.438	2.978	-1.540
ECC deposits	2.016	1.100	916
Receivables t/INAIL	2	4	-2
Different receivables	242	201	41
Total	**4.909**	**6.370**	**-1.461**

The balance sheet is mainly formed by the € 2.016.000 deposit for the activity on average regulated markets managed by the ECC and the receivables towards JAO for an amount of € 1.438.000. This last item makes reference to advanced payments towards the operator named Joint Allocation Office (in short JAO) for purchase operations concerning transmission capacity at the France-Italy and Switzerland-Italy borders performed through participation to electronic auctions.

III. Financial activities constituting no assets

Balance until 31712/2017	Balance until 31/12/2016	Variations
9.312	7.130	2.182

5 – Financial derivatives assets

The itemization of "Financial activities constituting no assets" is mainly referred to the financial derivatives on commodities ongoing at December 31st 2017 to be so reassumed:

Itemization	31/12/17			31/12/16		
	Fair Value Activity	Fair Value Liabilities	Net Effect	Fair Value Attività	Fair Value Liabilities	Net Effect
Cash Flow Hedge Power	-	-	-	-	-5.733	-5.733
Cash Flow Hedge Gas	-	-	-	379	-300	79
Total Cash Flow Hedge	**-**	**-**	**-**	**379**	**-6.033**	**-5.654**
Non Hedge Accounting Power	8.705	-7.699	1.005	5.400	-4.800	600
Non Hedge Accounting Gas	599	-1.381	-782	1.352	-1.344	8
Total Non Hedge Accounting	**9.303**	**-9.080**	**223**	**6.751**	**-6.143**	**608**
Total Fair Value	**9.303**	**-9.080**	**223**	**7.130**	**-12.176**	**-5.046**

The derivatives on commodities identified as cash flow hedge present a negative net whole fair value on December, 31st 2016 of € 5.654.000: in accordance with what provided by OIC 32 accountant principle introduced with the "Accounting Reform" the fair value, net from fiscal effect was itemized in the dedicated Net Equity Surplus being operation aimed to the limiting of the exposition to financial flow variability risks attributable both to assets and liabilities itemized in the balance sheet or deriving from sure future or highly possible operations.

The movement of the Reserve can be booked as follows:

Reserves for hedging of predictable financial flows	Value on 1/1/2017	Tax effect 1/1/2017	Net value 1/1/2017	Derivatives fair value 31/12/2017	Tax effects on derivatives 31/12/2017	Net value 31/12/2017
Derivatives on commodities	-5.654	1.467	-4.187	5.654	-1.467	-
Derivative on interest rate	-22	5	-17	-1	-12	-30
Total	**-5.676**	**1.473**	**-4.203**	**5.653**	**-1.480**	**-30**

As the scheme points out, on December, 31st 2017 in the Net Equity reserves the Fair value is reported of two derivatives agreed as hedging of loans subscribed by the Company.

The derivatives identified as non hedge accounting are referred to derivatives on commodities and have a whole net fair value positive at December, 31st 2017 equal to € 223.000 (positive equal to 608.000 in the previous balance sheet): the item concerns contracts agreed mainly as hedging but, according to the stringent criteria established by the OIC 32 accounting principle can't be formally qualified as hedge accounting. The Fair Value variations in these contracts generated income and expenses classified in the item D of the Economic Account "Financial assets and liabilities value adjustments".

IV. Liquid assets

Balance until 31712/2017	Balance until 31/12/2016	Variations
37.400	32.382	5.018

Liquid assets until December 31st 2017 are quantified in a whole amount of € 37.400.000 in comparison with € 32.382.000 of the previous financial year, thus recording a net increase of € 5.018.000. They are figured as € 13.000 from cash and vault money and € 37.387.000 from bank deposits on the corresponding active deposits on accounts at Banking Companies and Post Offices, which of them € 609.000 result as captive in deposit accounts for bank guaranties.

Below is reported the net balance sheet's historical evolution:

EQUITY BALANCE SHEET	31/12/17	31/12/16
Cash and liquid deposits	37.400	32.382
Current payables from banks	-23.568	-25.813
Current payables from short-terms investors	-11.332	-9.687
Current payables from short-terms partners	-	-
Current short-terms net Financial Payables	**2.500**	**-3.118**
Non current payables from banking companies	-29.723	-31.145
Non current payables from long-terms investors	-	-
Non current payables from long-terms partners	-	-
Equity Balance Sheet	**-27.223**	**-34.263**

For further details see Enclosure 1 to the "Financial Statement".

D – Active Prepaid expenses

Balance until 31712/2017	Balance until 31/12/2016	Variations
7.676	7.608	68

Balance until December 31st 2017 amounts to € 7.676.000 and, in comparison with the € 7.608.000 of the balance until December, 31st 2016, reports a net increase of € 68.000.

These values were determined according to financial year's actual economic competence method and are booked as follows:

Itemization	31/12/2017	31/12/2016	Variations
Assets	6.893	5.598	1.295
Accrued revenues	782	2.010	-1.228
Total	**7.676**	**7.608**	**68**

Accrued revenues are assessed in € 6.893.000 and refer instead to reversals of economic competence shares-to-be. In detail:

Itemization	31/12/2017	31/12/2016	Variations
Accrued revenues on commission expenses	5.915	4.667	1.248
Accrued revenues on invoices of suppliers for the future financial year	598	233	365
Accrued revenues for bank fees and charges	164	571	-407
Accrued revenues for commission for financing	-	-	-
Other accrued revenues	196	127	69
Total accrued revenues	**6.893**	**5.598**	**1.295**

The increase of the accrued revenues on commissions is determined by the reckoning method that for the ongoing financial year is determined on 36 months instead of on 12 months with the aim of correctly representing the final customers' average life. However, in case the final customer withdraws from the contract before that term, the concerning quote that is part of the accrued revenues on commissions is completely recognized in profits or loss. The accrued revenues on guarantees concern the bank commissions in line with the reported period.

"Accrued revenues" are mainly referred for the amount of € 751.963 to the share that is part of the competent revenue deriving from "ISDA" contracts collected in the following period and subscribed with Banking Companies. No accrued revenues are superior to 12 months.

LIABILITIES

A) Net equity

Balance until 31/12/2017	Balance until 31/12/2016	Variations
41.506	36.539	5.736

The area concerning the Group and Third Parties' Net Equity passes with a whole amount of € 41.506.000 reporting in comparison to the € 36.539 balance of the previous financial year, an increase of € 5.736.000 mainly due to the hedge accounting reserve issuing determined according the new accounting principles and as appears in the following rear-view scheme:

€/000	CURRENT ASSETS	LEGAL RESERVE	OTHER RESERVE	HEDGE ACCOUNTING RESERVES	INCOME FOR THE YEAR	REVENUE/ LOSS OF FIN, YEAR	NET EQUITY GROUP	MINORITY INTEREST	TOTAL
NET EQUITY UNTIL 31/12/2015	**2.000**	**400**	**32.235**	**551**	**429**	**3.247**	**38.862**	**652**	**39.514**
Destination of the results on 31/12/2015			3.131		114	-3.247	-2	-	-2
Translation differences			-50				-50		-50
Other variations			3				3	32	35
Revenues/loss of the 2016 financial year						1.755	1.755	40	1.795
Cash Flow Hedge Reserve				-4.754			-4.754		-4.754
NET EQUITY UNTIL 31/12/2016	**2.000**	**400**	**35.319**	**-4.203**	**544**	**1.755**	**35.815**	**724**	**36.539**
Destination of the results on 31/12/2016			2.721		-966	-1.755	-0	-	-0
Translation differences			-713				-713		-713
Other variations			3				3	1	4
Revenues/loss of the 2017 financial year						1.366	1.366	139	1.505
Cash Flow Hedge Reserve				4.173			4.173		4.173
NET EQUITY UNTIL 31/12/2017	**2.000**	**400**	**37.328**	**-30**	**-422**	**1.366**	**40.642**	**863**	**41.506**

Capital stock is equal to € 2.000.000, entirely paid. The Legal Reserve is to be meant as non-shareable. Differences deriving from rounding off operations equal to € 2.000 was respectively booked under "AVII – Altre Riserve" [Other Reserves] item and precisely in "Riserva da arrotondamento" [Rounding-off reserve].

According to the provisions of art. 2426 of the Italian Civil Code it is to be specified that on December, 31st 2017 the start-up costs are equal to € 1.094.000, having as a consequence that the "Different reserves" are meant to be unallocated until the cover of the amount in matter and until the mentioned intangible assets depreciation will be over.

For the completeness of the balance sheet information the following Net Assets connection table and financial year's result of the parent companies company and consolidated Net asset and consolidated financial year's results is attached:

€/000	EQUITY 12/2016	DIFFERENT FINANCIALS MOVIM.	RESULTS 2016	EQUITY 12/2016
Tremagi Srl	**31.530**	-	**1.783**	**33.313**
Elision of the Shareholding in subsidiaries	26.931	-	1.583	28.514
Intercompany Dividends exclusion	-20.114	-	-2.000	-22.114
Participations in Associates	-	-	-	-
Other items of Net Income	-2.529	3.460	-	931
Rounding-offs	-3	2	-	-1
Net Equity of the Group	**35.815**	**3.462**	**1.366**	**40.642**
Net Equity of Others	724	0	139	**863**
Tremagi Srl Group	36.539	3.462	1.505	**41.506**

B) Provisions for Risks and Costs

Balance until 31/12/2017	Balance until 31/12/2016	Variations
12.126	17.439	-5.313

On December, 31st 2017 the Provisions for Risks and Costs item amounts to € 12.126.000 in comparison with € 17.439.000 of the previous financial year, thus reporting a decrease amount-ing to € 5.313.000, mainly determined by the allocation for the "passive financial derivatives" as requested by the Italian new accounting principles.

Thus at the balance sheet closed on December, 31st 2017 the Funds for Risks and Costs booking is so composed:

Detail of the provisions for risks and charges	31/12/2017	31/12/2016	Variations
B1) For retirement pensions	2.014	1.781	233
B2) For taxes, also deferred	318	312	6
B3) Passive financial derivatives	9.154	12.198	-3.044
B4) Other items	640	3.148	-2.508
Total	**12.126**	**17.439**	**-5.313**

As follows the operations of each single Fund for Risks and Costs:

Itemization	31/12/2017	Increases	Decreases	31/12/2017
B1) Customers benefit fund	774	258	-25	1.007
B1) TFM Provisions	1.007	-	-	1.007
B1) Retirement pensions fund	1.781	258	-25	2.014
B2) Deferred taxes fund	312	6	-	318
B3) Passive financial derivatives	12.198	3.676	-6.720	9.154
B4) Other items	3.148	698	-3.206	640
Total	**17.439**	**4.638**	**-9.951**	**12.126**

B1) Retirement pensions' fund (Customer benefit fund)

Retirement pensions' fund represents the esteem of the costs to bear in order to back the in progress and advance business's relations' possible interruption.

At the moment of the balance sheet's drawing-up, on December 31st 2017, we have carried out a survey on the position of each single agent, on the grounds of the agreements provided by the National collective agreement and, as a consequence, the Fund was adjusted through an provisioning of € 258.000.

B1) TFM provision

The TFM [trattamento di fine mandato – employment leaving provision] is an allowance that the business commits itself to pay to directors at the business's expiry date.

B2) Deferred income taxes fund

The Deferred income taxes item represents the whole of the prepaid taxes reckoned on the temporary differences among civil values and the corresponding tax-level recognized taxes reported in the item "Tax periods" in the Income Statement.

B3) Passive financial derivatives

The "Passive financial derivatives" item was commented in the paragraph concerning "Financial activities constituting no assets" booking of the Balance Sheet.

B3) Other items

The fund undergone a loss for € 2.508.202 so composed:

Itemization	31/12/2017	Use	Licenses	31/12/2017
B1) Customers benefit fund	3.148	-3.206	698	640
Total	**3.148**	**-3.206**	**698**	**640**

The variations in the financial year concern mainly:

- the use of the financial year is mainly related to the enforcement of the decisions of the ARERA [Autorità di Regolazione per l'Energia Reti e Ambiente – Energy Networks and Environment Regulation Agency] concerning the activity qualified in the electric energy sector as "voluntary imbalances". It consists in the trade of electric energy, having Terna as a counterpart, to the aim of inducing the network balancing. The activity in matter was performed by Illumia, as well as by other electric energy sector operators. During 2012 the Energy Agency issued a list of measures aimed to modify the discipline regulating the "imbalances". Illumia believed illegitimate these measures and appealed against them. The TAR [Administrative Regional Court] of the Lombardy, through decision nr.1648/2014 dated June, 24th 2014, granted the application of Illumia and in a second time, the Consiglio di Stato [State Council] through decision nr. 1532/2015 dated March, 20th 2015, reaffirmed the decision issued by the TAR of Lombardy. The effect of these two court decisions compelled Terna, in its quality of counterpart of Illumia, to revise the reckoning of the charges due to our Company, as well as the ones due to the other operators that have started the same business. This led in favor of Illumia a significant resettlement concerning the receivables matured during the period the cancelled deliberations were enforced. The Energy Agency has nevertheless decided to start a second part of measures aimed to re-introduce, with retroactive effect, the cancelled discipline, also with the aim to recover a part of what resettled by Terna in favor of Illumia and other operators.
  Illumia has therefore moved in two directions. The first, in occasion of the approval of the balance sheet concerning 2016 financial year, in observance to the principle of diligence and prudence, was implemented through the constitution of a hedging fund for risks and charges deriving from a possible request to return what received by Terna in fulfillment of the resettlement. Secondly, Illumia, in the conviction of the unlawfulness of the decisions taken by the Agency, appealed in front of the Tar of Lombardy the decisions aimed to recover part of the adjusted amounts resettled by Terna (decision 333/2016/R/EEL dated June, 24th 2016) and, at the same time, enforced a compliance proceedings by citing that the TAR Sentence nr. 1648/2014 passed and favorable to it, prevented the Agency to deliberate with retroactive effect about a definitively acquired right. Actually on December 2017, in execution of the decision nr. 333/2016/R/EEL, Terna provided to request permanently to Illumia a part of what, in past times, had received as resettlement. Illumia will pay the last of the three tranches, related to the obligation in matter, on April 2018 according to the modalities stated by the Energy Agency itself.
- Also for effect of this request, lower than the assumed share part and provisioned in the fund, a windfall profit was determined for an amount of about 611.000 €.
- An increase equal to € 175.000 concerning the conclusion of a legal dispute deriving from an ongoing lease agreement for withdrawal in advance anticipated by an agency contract.

B) Severance indemnity fund

Balance until 31/12/2017	Balance until 31/12/2016	Variations
1.352	1.166	186

On December, 31st 2017 the T.F.R. Fund [Trattamento di Fine Rapporto – Employee leaving indemnity] results in a total amount of € 1.352.000 in comparison with the previous financial year's € 1.166.000.
During the financial year the Severance indemnity fund results to have undergone the following variations:

itemization	Directors	Employees	Total amount
Employee leaving indemnity 31/12/2016	-	1.166	1.166
Exceptional operation	-	33	33
Migration of employees (only intercompany)	-	0	0
Revaluation	-	22	22
Substitute tax	-	-4	-4
Uses	-	-146	-146
2017 payments in advance	-	-34	-34
2017 accrued Leaving indemnity	29	337	366
Leaving indemnity funds	-29	-20	-49
Rounding offs	-	-	-
Employment leaving indemnity [Provision] 31/12/2017	-	1.352	1.352

Employment leaving indemnity [Provision] represents the effective debt, until 12/31/2017, of the company towards the employees in activity at that date, net of the allowed payments in advance and of what paid to pension forms of complementary of social security as provided by nr. 252/2005 Legislative Decree and nr. 296/2006 Financial Act.

C) Payables

Balance until 31/12/2017	Balance until 31/12/2016	Variations
195.648	202.934	-7.286

In comparison to the previous financial year's values, the "payables" concerning item reports a net decrease of € 7.000.

Payables are assessed at their nominal value and their expiry is so booked:

Itemization	Winthin 12 months	Over 12 months	Over 5 years	Total amount
Banking companies	23.568	28.379	1.344	53.291
Other financial payables	11.332			11.332
Advances	1.824			1.824
Payables to suppliers	117.464			117.464
Payables to subsidiary comp.	756			756
Taxes liabilities	6.117			6.117
Payables to welfare institutions	570			570
Other payables	4.293			4.293
Total	**165.924**	**28.379**	**1.344**	**195.648**

In 2016:

Itemization	Winthin 12 months	Over 12 months	Over 5 years	Total amount
Banking companies	25.813	27.724	3.421	56.958
Other financial payables	9.687	-	-	9.687
Advances	1.782	-	-	1.782
Payables to suppliers	126.457	-	-	126.457
Payables to subsidiary comp.	407	-	-	407
Taxes liabilities	4.622	-	-	4.622
Payables to welfare institutions	535	-	-	535
Other payables	2.486	-	-	2.486
Total	**171.790**	**27.724**	**3.421**	**202.934**

Payables allocation until December, 31st 2014 according to the creditors' geographic area are reported in the following rear-view scheme:

Itemization	Italy	Abroad	Total amount
Banking companies	53.291	-	53.291
Other financial payables	11.332	-	11.332
Advances	1.824	-	1.824
Payables to suppliers	98.380	19.084	117.464
Payables to subsidiary companies	-	756	756
Tax liabilities	6.117	-	6.117
Payables to welfare institutions	570	-	570
Other payables	4.215	78	4.293
Total	**175.729**	**19.918**	**195.649**

In 2016:

Itemization	Italy	Abroad	Total amount
Banking companies	56.275	683	56.958
Other financial payables	9.687	-	9.687
Advances	1.782	-	1.782
Payables to suppliers	116.593	9.864	126.457
Payables to subsidiary companies	-	407	407
Tax liabilities	4.402	220	4.622
Payables to welfare institutions	521	14	535
Other payables	2.472	14	2.486
Total	**191.731**	**11.202**	**202.934**

4) Loans

Balance until 31/12/2017	Balance until 31/12/2016	Variations
53.292	56.958	-3.666

This balance is so composed:

Loans	31/12/2017	31/12/2016	Variations
Within 12 months	23.568	25.813	-2.245
Over 12 months	29.723	31.145	-1.423
Total amount	**53.292**	**56.958**	**-3.666**

For the short terms, 2017 is basically composed in the following way:

Loans	31/12/2017	31/12/2016	Variations
RID advance in portfolio, invoices and customer accounts	2.769	3.095	-326
Advances on bills of exchange	3	3	-
Short term funding	20.797	22.725	-1.928
Long and middle term funding	29.723	31.145	-1.423
Total	**53.292**	**56.968**	**-3.676**

In the scheme details are reported above the funding in advantage of the Group, explicitly declaring the short and long term rates:

Company	Banking company	Funding Amount	Outstanding Debt on 31/12/17	Within 12 month	Over 12 months and within 5 years	Over 5 years	Maturity
Illumia Spa	Carisbo	3.000	500	500	-	-	10/04/18
Illumia Spa	Emilbanca	2.000	684	684	-	-	04/12/18
Illumia Spa	Banca Desio	1.500	758	503	254	-	10/06/19
Illumia Spa	Mediocredito	13.200	11.169	2.031	8.123	1.015	31/03/23
Illumia Spa	BCC	1.000	253	253	-	-	21/06/18
Illumia Spa	CR Cento	3.000	1.771	1.005	766	-	01/08/19
Illumia Spa	Banca di Bologna	4.000	2.152	1.348	804	-	06/07/19
Illumia Spa	B.del Mezzogiorno	10.000	7.420	2.167	5.253	-	30/06/21
Illumia Spa	UBI Banca	1.500	252	252	-	-	26/01/18
Illumia Spa	Emilbanca	2.000	1.513	496	1.017	-	24/10/20
Illumia Spa	Cariparma	5.000	3.355	1.667	1.689	-	28/10/19
Illumia Spa	Banco BPM	4.000	2.514	2.007	507	-	31/03/19
Illumia Spa	BPMilano	2.000	1.373	1.267	106	-	31/01/19
Illumia Spa	MPS	3.500	3.500	1.400	2.100	-	30/06/20
Illumia Spa	CR Cento	2.000	1.837	659	1.178	-	01/08/20
Illumia Spa	BP Vicenza	2.000	1.833	667	1.167	-	30/09/20
Illumia Spa	Carige	3.000	3.000	1.487	1.513	-	31/12/19
Illumia Spa	B. Interprovinciale	3.500	3.214	1.154	2.061	-	30/09/20
Illumia Spa	UBI Banca	1.000	1.000	497	503	-	25/10/19
Tremagi Srl	Caribo	695	536	37	170	329	01/12/28
Tremagi Srl	Caricento	2.375	341	225	116	-	20/02/19
Tremagi Srl	BNL	1.500	571	214	357	-	02/08/20
Tremagi Srl	Caricento	1.000	939	245	695	-	01/08/21
Illumia Trend Srl	BCC	250	34	34	-	-	05/06/18
	Total	**73.020**	**50.520**	**20.797**	**28.379**	**1.344**	

5) Payables towards other financiers

Balance until 31/12/2017	Balance until 31/12/2016	Variations
11.332	9.687	1.645

This value is referred to a reverse factor financing targeted to defer for 50 days the payment to the E-Distribuzione supplier.

6) Advances

Balance until 31/12/2017	Balance until 31/12/2016	Variations
1.824	1.782	42

Instalments on commercial customers. Debts will be completely paid off in the first 2018 invoicing.

7) Payables to suppliers

Among the main payables towards suppliers are:

- payables for energy and gas purchase;
- payables for energy and gas transportation;
- payables for energy distribution

Balance until 31/12/2017	Balance until 31/12/2016	Variations
117.464	126.457	-8.993

Other payables towards suppliers concern costs related to commissioning (commissions, bonus, loyalties) and ordinary costs for technical, executive and administrative consulting.

The item in matter, in comparison to the € 126.457.000 reported in the previous year's Balance sheet, reports a decrease of € 8.993.

10) Payables to associate companies

Balance until 31/12/2017	Balance until 31/12/2016	Variations
756	407	349

The item is referred to the debt of the Group's company toward the Tremagi SA parent company for the 2017 CNM.

12) Tax liabilities

Balance until 31/12/2017	Balance until 31/12/2016	Variations
6.117	4.622	1.495

The balance, in comparison with previous financial year, is so composed:

Itemization	31/12/2017	31/12/2016	Variations
Energy excise debts	5.405	3.202	2.200
VAT payables	99	40	59
IRPEF unpaid tax collector to be paid	371	372	22
IRAP payables	48	264	-216
RAI National Broadcasting cp payables	189	288	-99
Other payables	8	351	-343
Total	**6.117**	**4.622**	**1.495**

For fiscal payables see "Taxes" item.

13) Payables to welfare institutions

Balance until 31/12/2017	Balance until 31/12/2016	Variations
570	535	35

In the booking, the balance is so composed:

Itemization	31/12/2017	31/12/2016	Variations
Payables to INPS	234	224	10
Payables to INAIL	3	2	1
Payables to ENASARCO	84	105	-21
Payables to Supplementary Social Protection	42	41	1
Payables to FIRR	113	87	26
Social security contributions on advance	94	75	19
Total	**570**	**535**	**35**

Every above listed welfare contributions have regularly been paid in the first months of 2018.

14) Other payables

Balance until 31/12/2017	Balance until 31/12/2016	Variations
4.293	2.486	1.807

The € 4.293.000 item in matter, in comparison to € 2.486.000 balance booked in the Balance sheet concerning previous financial year, reports an increase of 1.807.000. This year's balance is constituted by:

Itemization	31/12/2017	31/12/2016	Variations
Payables to employees - cooperators	1.849	575	1.274
Security deposits from customers	2.149	1.644	505
Credit card	42	46	-4
EULER HERMES compensation	165	184	-19
Other payables	88	37	51
Total	**4.293**	**2.486**	**1.807**

E) Prepaid expenses

Balance until 31/12/2017	Balance until 31/12/2016	Variations
1.657	2.189	(532)

Concerning entries of the financial year included into an account according to the economic commission.
In detail:

Itemization	31/12/2017	31/12/2016	Variations
Deferred income	407	75	332
Accrued expenses	1.250	2.114	-864
Total	**1.657**	**2.189**	**-532**

Deferred income concern mainly the allowances for 2018 billed in 2017 by the Wekiwi S.r.l. company.

The accrued expenses is mainly given by the responsibilities on spread liabilities deriving from derived financial instruments subscribed with Banking companies.

To be complete the information required by art. 2427 and 2435-bis of the Italian Civil Code shall contain the following:

- during the financial year no financial charges have been related to values itemized in the statement of assets;
- no income from participating interests exist but the dividends as provided by art. 2425 nr.15 of the Italian Civil Code;
- during this financial year the Group did not issue participation certificates or loan capital convertible into certificates or securities or similar values;
- during the financial year Tremagi Group did not accomplish trade operations with grant-back obligation.

INCOME STATEMENT

A) Production value

Balance until 31/12/2017	Balance until 31/12/2016	Variations
947.390	785.327	162.063

The booking is so composed:

Itemization	31/12/2017	31/12/2016	Variations
Revenues from sales and services	944.317	783.855	160.462
Other revenues	3.073	1.472	1.601
Total	**947.390**	**785.327**	**162.063**

The amount in matter, € 947.390.000, in comparison to the previous financial year's balance € 785.327 reports a € 162.063.000 increase.

The whole trade volume on market increased in comparison to 2016:

- Electric Energy: 3.667 GWh to 4.220 GWh (+15%);
- Gas: 68 Mln Smc to 86 Mln Smc (+27%);

Differently from what reported for the previous year the revenues of the Group (+17% in comparison to 2016 financial year) have been supported also by external events to the Group's performance, like the national increase in the demand and the increase in the price of electric energy.

The Company confirmed several gross market operations, like purchase-sale operations with wholesale market agents in the sector of electric energy, thanks to the success record track that the Company obtained during the previous financial years and that have boosted the leading role of Illumia SpA and Illumia Trend on the markets in matter.

Below a description of business and diffusion according to geographic areas.

Itemization	Italy	Abroad	Total amount
Revenues from electric energy	707.699	76.127	783.826
Revenues from gas	80.886	78.239	159.125
Revenues from LED	1.366	-	1.366
Total	**789.951**	**154.366**	**944.317**

In 2016:

Itemization	Italy	Abroad	Total amount
Revenues from electric energy	664.396	58.741	723.137
Revenues from gas	52.793	6.558	59.351
Revenues from LED	1.367	-	1.367
Total	**718.556**	**65.299**	**783.855**

The "Other incomes and revenues" item is mainly composed by:

- € 793.000 for windfall profits deriving from appropriations of invoices to be collected by electric energy and gas suppliers and distributors maturing at 31/12/2016 and higher than what actually due;
- € 247.000 for compensations from distributors;
- € 1.429.000 concerning revision of invoices against third parties;
- € 611.000 for the issue of the fund for risks and charges due to excess of provisioning. Further details are reported in the commentaries at the "Funds for risks and charges" item.

B) Operating costs

Balance until 31/12/2017	Balance until 31/12/2016	Variations
942.476	781.181	161.295

The booking is so composed:

Itemization	31/12/2017	31/12/2016	Variations
Costs of sales and consumption	722.375	583.831	138.544
Service costs	184.730	164.217	20.513
Availability of Minority's good	437	2.589	-2.152
Employment costs	8.206	6.878	1.328
Amortization of intangible assets	2.197	1.750	447
Amortization of tangible fixed assets	1.269	1.237	32
Payables depreciation	6.306	3.350	2.956
Final inventory of goods	-891	177	-1.068
Provisions for risks	698	3.148	-2.450
Other operating costs	17.149	14.004	3.145
Total	**942.476**	**781.181**	**161.295**

Henceforth, down below each item is reported.

6. Cost of sales and consumption

Balance until 31/12/2017	Balance until 31/12/2016	Variations
722.375	583.831	138.544

Purchase cost for electric energy, gas and LED and concerning additional costs from the Illumia SpA and Illumia Swiss SA controlled companies, because other companies within this area exclusively book purchases of writing materials and/or fuels for non-material amounts.
Raw materials, subsidiary and consumption costs can be, principally, so summarized:

Itemization	31/12/2017	31/12/2016	Variations
Electric energy purchase	646.785	549.963	96.822
Gas purchase	73.767	32.646	41.121
LED purchase	1.397	811	586
Other	426	411	15
Total	**722.375**	**583.831**	**138.544**

In short, costs of sales and consumption can be, principally, so summarized:

- Electric Energy purchase from ordinary suppliers /wholesalers for € 535.343.000;
- Electric Energy purchase from GME Stock Exchange for € 86.772.000;
- Other margin of Energy for third parties, for Energy purchase/sell operations and for € 24.792.000;
- Costs for Gas purchase for 72.767.000;
- Purchase of material intended to the re-sale, in particular LED for € 1.397.000;
- Consumption material costs for € 426.000.

7. Service Costs

Balance until 31/12/2017	Balance until 31/12/2016	Variations
184.730	164.217	20.513

Mainly costs for transport and delivery of the Energy produced by Illumia SpA company. They can be briefly so summarized:

Itemization	31/12/2017	31/12/2016	Variations
Transport and accessory costs	135.327	120.310	15.017
Costs of delivery	23.640	17.430	6.210
Technical, administrative and fiscal consulting, receivables recovery, portfolio, IT and notary costs	5.466	8.204	-2.738
Costs for the agents	9.448	7.296	2.152
Costs for banking operations	2.788	2.985	-197
Travelling costs for employees, cooperators, statutory auditors	479	465	14
Mail, shipment and telephone costs	1.309	1.285	24
Remuneration for statutory auditors	173	172	1
Remuneration for cooperators (and contributions) and temporary employees	61	39	22
Remuneration for governing directors	1.770	1.857	-87
TFM appropriated surplus	-	210	-210
Booking allowance	379	409	-30
Advertisement and sponsoring	684	1.382	-698
Insurance	791	552	239
Canteen	117	111	6
Maintenance	775	384	391
Congresses and professional training	115	69	46
Charges for single buyer	22	-	22
IT costs	110	-	110
Other general expenses	1.275	1.057	218
Total	**184.730**	**164.217**	**20.513**

For relations with associates within this areas legal expenses and management consulting ser-vices provided by SEA SpA for € 368.000 are included.

8. Costs for availability of minority goods

Balance until 31/12/2017	Balance until 31/12/2016	Variations
437	2.589	-2.152

Costs for availability of minority goods are so booked:

Itemization	31/12/2017	31/12/2016	Variations
Agency branches rents	-	1.932	-1.932
Offices rents	102	293	-191
Ordinary maintenance on third parties' goods	25	44	-19
Car hire and charter	310	320	-10
Total	**437**	**2.589**	**-2.152**

9. Employment Costs

Balance until 31/12/2017	Balance until 31/12/2016	Variations
8.206	6.878	1.328

The booking is so composed:

Itemization	31/12/2017	31/12/2016	Variations
Wages and salaries	6.463	5.195	1.268
Social security contributions	1.368	1.324	44
Employee leaving indemnity	374	358	16
Other employment costs	1	1	-
Total	**8.206**	**6.878**	**1.328**

Employment costs will increased as a consequence of the provision for competence of the bonus that will be disbursed in 2018.

10. Amortization and depreciation expenses

Balance until 31/12/2017	Balance until 31/12/2016	Variations
9.772	6.337	3.435

The booking is so composed:

Itemization	31/12/2017	31/12/2016	Variations
Amortization of intangible assets	2.197	1.750	447
Amortization of fixed assets	1.269	1.237	32
Loans and cash depreciation	6.306	3.350	2.956
Total	**9.772**	**6.337**	**3.435**

10. a) Amortizations of intangible assets

Below is reported the booking concerning intangible assets' amortizations of:

Itemization	Amortization rate
1) Costs for plants and enhancements	954
4) Costs for plants and enhancements	275
5) Start-up	6
7) Other intangible assets	963
Other intangible assets	**2.197**

During financial year no revaluation and/or depreciation of the intangible assets were reported.
For what concerns amortization's percentages used in the reckoning and evaluation criteria adopted in the determination of amortizations see what already booked in the "Intangible Assets" item.

10. b) Tangible Assets Amortizations

Below the booking is reported:

Itemization	Amortization rate
1) Costs for plants and enhancements	417
4) Costs for plants and enhancements	67
5) Start-up	785
7) Other intangible assets	**1.269**

For what concerns the determination modalities for amortization's rates see what already booked in the "Evaluation Criteria" paragraph of the Explanatory Note.

10. d) Depreciation of receivables and available cash included in the current assets

The financial year's allowance is a consequence of the prudential in progress and advance receivables' risk assessment for the opened positions on 12/31/2017.

Itemization	31/12/2017	31/12/2016	Variations
Depreciation of the available cash	6.306	3.350	2.955
Total	**6.306**	**3.350**	**2.955**

11. Variations of raw materials and stocks inventory

Balance until 31/12/2017	Balance until 31/12/2016	Variations
-891	177	-1.068

The variations of inventory are so booked:

Initial existences	Final remaining	Economic Delta until 31/12/2017
1.307	2.198	-891

In detail, final inventories are
- € 1.094 for gas stocking until 12/31/2017;
- € 1.104 for the purchase of materials assigned to the re-sales.

12. Allowance for advance

Balance until 31/12/2017	Balance until 31/12/2016	Variations
698	3.148	-2.450

For every further detail see Financial Statement Liabilities at the "Provisions for Risks and Costs" item.

14. Other operating costs

Balance until 31/12/2017	Balance until 31/12/2016	Variations
17.149	14.004	3.145

In detail, this cost can be so booked:

Itemization	31/12/2017	31/12/2016	Variations
Associative contributions	383	363	20
Windfall loss	998	688	310
Tax and charges	311	300	11
Excises on gas	15.266	12.232	3.034
Charity	64	107	-43
Books and magazines	3	6	-3
Fines and penalties	1	17	-16
Compliments	8	21	-13
Losses for divesture	20	200	-180
Non deductible expense	47	51	-4
Other items	48	20	28
Total	**17.149**	**14.004**	**3.144**

C) Interest expense

Balance until 31/12/2017	Balance until 31/12/2016	Variations
-1.437	-1.033	-404

Henceforth, the booking of this balance is reported below:

16. Other financial income

Are so booked:

Itemization	31/12/2017	31/12/2016	Variations
A5 from other companies	2	-	2
D5 other companies	181	246	-65
Total	**183**	**246**	**-63**

The decrease of € 63.000 is mainly due to the fact that during the previous financial year higher default interests were invoiced to the Illumia SpA final customers.

17. Interests and other financial charges

Itemization	31/12/2017	31/12/2016	Variations
Interests and other financial charges	1.470	1.455	15
Total inventory and other interest expenses	**1.470**	**1.455**	**15**

In detail:

Itemization	31/12/2017	31/12/2016	Variations
Exchange-rate loss	78	206	-128
UTF [Revenues Department Office] Interest expenses	2	-	2
Interests expenses on security deposits	-	2	-2
Interests expenses on financing	1.012	787	225
Other interest expenses	175	455	-280
Other financial charges	203	5	198
Total	**1.470**	**1.455**	**15**

17-bis. Net profit on exchanges

Itemization	31/12/2017	31/12/2016	Variations
Profit and loss on exchanges	-149	176	-325
Total	**-149**	**176**	**-325**

The item concerns loss on exchanges mainly accrued by the America Corp. and Illumia Swiss SA companies.
The rear-view scheme is so booked:

Itemization	31/12/2017	31/12/2016	Variations
Realized exchange losses	-110	-1	-109
Exchange gains	10	15	-5
Realized changes ratio	**-100**	**14**	**-114**
Evaluation exchange losses	-49	-1	-48
Evaluation exchange gains	-	163	-163
Evaluation exchange ratio	**-49**	**162**	**-211**
Total	**-149**	**176**	**-325**

D) Correction of value of financial activities

Balance until 31/12/2017	Balance until 31/12/2016	Variations
-385	-170	-215

In detail:

Itemization	31/12/2017	31/12/2016	Variations
18 Revalorization of different financials	3.497	10.237	-6.740
19 Devaluation of different financials	3.882	10.407	-6.525
Total amount	**-385**	**-170**	**-215**

The balance of this item represents the Fair Value variation for the contracts agreed with the aim of significant hedging, but that in observance of the stringent criteria established by the OIC 32 accounting principle can't be formally qualified as hedge accounting.

TAXES

Taxes on financial year's revenues

Balance until 31/12/2017	Balance until 31/12/2016	Variations
1.587	1.148	439

Taxes on income are so booked:

Itemization	31/12/2017	31/12/2016	Variations
Current income taxes	1.393	2.171	-778
Deferred income taxes	194	-1.045	1.239
Payable income taxes	-	22	-22
Tax base	**1.587**	**1.148**	**439**

Below is reported the itemization of the balance in matter:

Current income taxes

Starting from the financial year closed on December, 31st 2017, the Company renewed their fiscal consolidated, through option according to provisions of art. 117 and following of the 917/86 D.P.R. [Decree of the President of the Republic TN]. The option is for group taxation and is valid for 2017-2019 three-years term and the companies adopting this option are Tremagi SA in its role of consolidating fiscal entity and Tremagi srl, Illumia SpA, Illumia Trend and Wekiwi Srl.

Economic relations, responsibilities and reciprocal obligations are stated in the "Contratto di consolidamento fiscale nazionale" [National tax consolidation contract] establishing that the subsidiaries company must recognize to the parent companies company the due amount for payments in advance and settlement of the IRES, in the terms provided by rules and regulations in force at the moment the parent company provides to the payments in matter. Other companies pertaining to the civil consolidated annuities and not to the fiscal consolidated annuities prearranged the direct taxes reckoning in autonomy.

In detail the booking is the following one:

Itemization	Tremagi Srl	Illumia Spa	Wekiwi Srl	Illumia Trend Srl	Illumia America Corp.	Illumia Swiss SA	Total
Costs from civil annuities	11	435	-	231	-	-	677
IRES (Taxes on income)	-	-	2	-	5	109	116
IRAP (Taxes per Region)	48	435	-	117	-	-	600
Total	**59**	**870**	**2**	**348**	**5**	**109**	**1.393**

Deferred taxes

The booking of deferred taxes occurred in observance of the principle of prudence and in the company's activity continuation point of view, considering the real possibility of production of future taxable income.

The allocation of deferred taxes was performed on the ground of fiscal rates in force.

OPERATING DEFERRED TAXES

Deductible Temporary differences	31/12/16	Increa-ses	Decrea-ses	31/12/17	24,00% Ires	4,82% Irap	Final Appro-pr.	Initial Appro-pr.	C.Im-pact
Risk fund pro-vision	3.148	640	3.207	581	140	28	168	907	-1
Taxed Receivables depreciation fund	2.575	2.871	611	5	0	-	0	618	-1
7/12 Building depreciation	33	33	-	0	0	-	0	8	-0
Default interests	40	53	40	0	0	-	0	10	-0
Total	**5.797**	**3.597**	**3.858**	**586**	**140**	**28**	**168**	**1.543**	**-1**

PASSIVE DEFERRED TAXES

Passive Defer-red taxes	31/12/16	Increases	Decreases	31/12/17	24,00% Ires	4,82% Irap	Final Ap-propr.	Initial Appropr.	C.Impact
Still uncollected default interests	465	81	82	0	0	-	0	112	0
Total	**465**	**81**	**82**	**0**	**0**	**-**	**0**	**112**	**0**

For what concerns the deferred taxes generated by the booking of derivatives, the item is reported at point "III – Financial activities constituting no assets." For each detail reference is made at the "Funds for risks and Charges" chapter.

Further information

Obligations, provided securities and potential liabilities non booked in the balance sheet

In observance and in force of art.2427 comma 9 of the Italian Civil Code the further obligations, provided securities and potential liabilities appear as non booked in the balance sheet.

ILLUMIA SPA:

Banking company	31/12/2016	INCREASES	DECREASES	31/12/2017
BANCA DI IMOLA/CARIRA	10	-	-10	-
BANCA DI BOLOGNA	-	525	-29	496
BANCO DESIO	2.000	-	-	2.000
BARCLAYS	300	-	-200	100
BNL	8.713	147	-5.600	3.260
BPER	2.931	-	-131	2.800
BPM	479	44	-20	503
CARICENTO	631	561	-12	1.180
CARIGE	7.505	-	-1.005	6.500
CARISBO	-	4.199	-	4.199
CARIFE	152	-	-152	-
CARIM	427	160	-118	469,49
CREDIT AGRICOLE	-	200	-	200,00
ICCREA	2.000	-	-	2.000
UBI	1.500	-	-	1.500
UNICREDIT	14.020	1.201	-11.844	3.377
Total	**40.667**	**7.037**	**-19.120**	**28.584**

ILLUMIA TREND SRL:

Banking company	31/12/2016	INCREASES	DECREASES	31/12/2017
UNICREDIT	2.410	877	-300	2.987
BPM	250	1.500	-	1.750
BANCA DI IMOLA/CARIRA	200	-	-	200
MPS	430	230	-230	430
CARICENTO	265	-	-	265
EMILBANCA	500	-	-	500
BANCO BPM	-	310	-	310
Total	**4.055**	**2.917**	**-530**	**6.442**

ILLUMIA SWISS SA:

Banking Institute	31/12/2016	INCREASES	DECREASES	31/12/2017
BANCA STATO	3.375	375	-	3.750
Total	**3.375**	**375**	**-**	**3.750**

In addition to these bank guarantees the Group can count on € 18,5 mln in guarantees upon signature obtained by insurance companies thanks to the reliability shown during the term on the market. Moreover, "Real Securities" for an amount of € 10.150.000 are connected to mortgages on property real estates, while the € 6.462.000 "obligations" concern the Capacity Allocation Service Company EU S.A. (in brief CASC) for the right to acquire the electric energy transmission capacity at the France-Italy and Switzerland-Italy borders to be fulfilled through online auctions: the obligations in matter are referred to the whole 2018.

As specified in the "Financial Derivatives" paragraph, the electric energy and gas trade contracts at maturity, subscribed to the aim to meet the purchase and sale requirements of the Company or the Group are not subject to evaluation being object of the physical delivery of the purchased or sold quantities. The contracts in matter have a positive Fair Value at 31/12/2017 equal to € 10,9 mln.

TREMAGI SA,
6, Rue Guillarme Schneider,
L - 2522 Luxembourg

Exceptional extent or incidence revenue or costs elements

According to art. 2427, point 13 of the Italian Civil Code it is pointed out that no exceptional extent or incidence revenue or costs element are reported.

Information about management and coordination activity according to art. 2497-bis, comma 4

The company was subject to management and coordination activity exercised by Tremagi SA parent companies, having its registered office at 6, rue Guillaume Schneider, L-2522 Luxembourg, Registre de commerce et des Sociétés Luxembourg B reg. nr. 114.804. In the following page essential results deduced from the last approved balance sheet of Tremagi SA closed on 31/12/2016 are summarized.

BALANCE SHEET

Financial year from 01/01/2016 to 31/12/2016 (in EUR)

ASSETS	2016	2015
C. FIXED ASSETS	**17.720.296**	**17.723.434**
II. Tangible assets	-	3.138
3. Other fixtures and fittings, tools and equipment	-	3.138
III. Financial assets	17.720.296	17.720.296
1. Shares in affiliated undertakings	17.720.296	17.720.296
D. CURRENT ASSETS	**3.052.534**	**3.214.045**
II. Debtors	742.784	951.000
1. Trade debtors	406.684	443.743
a) becoming due and payable within one year	406.684	443.743
2. Amounts owed by affiliated undertaking	0	100.000
a) becoming due and payable within one year	0	100.000
4. Other debtors	336.100	407.257
a) becoming due and payable within one year	336.100	407.257
III. Investments	2.100.000	2.100.000
3. Other investments	2.100.000	2.100.000
IV. Cash at bank and in hand	209.750	163.045
TOTAL (ASSETS)	**20.772.830**	**20.937.479**

	2016	2015
CAPITAL, RESERVES AND LIABILITIES		
A. CAPITAL AND RESERVES	**12.904.305**	**11.579.352**
I. Subscribed capital	32.000	32.000
IV. Reserves	3.200	3.200
1. Legal reserve	3.200	3.200
V. Profit or loss brought forward	11.544.152	14.444.388
VI. Profit or loss for the financial year	1.324.953	-2.900.236
C. CREDITORS	**7.864.416**	**9.352.726**
4. Trade creditors	416.872	1.332.774
a) becoming due and payable within one year	416.872	1.332.774
6. Amounts owed to affiliated undertakings	5.000.000	5.155.033
a) becoming due and payable within one year	2.700.000	2.855.033
b) becoming due and payable after more than one year	2.300.000	2.300.000
8. Other creditors	2.447.544	2.864.919
a) Tax authorities	647.544	857.068
c) Other creditors	1.800.000	2.007.851
i) becoming due and payable within one year	1.800.000	2.007.851
E. DEFERRED INCOME	**4.109**	**5.400**
TOTAL (CAPITAL, RESERVES AND LIABILITIES)	**20.772.830**	**20.937.479**

PROFIT AND LOSS ACCOUNT		
1. Net turnover	-	6.220.265
4. Other operating income	1.935.593	1.912.269
5. Raw materials and consumables and other external expenses	-57.759	-5.796.160
a) Raw material and consumables	-	-5.655.862
b) Other external expenses	-57.759	-140.298
6. Staff costs	-745	-142.448
a) Wages and salaries	-	-122.130
b) Social security costs	-745	-20.318
ii) other social security costs	-745	-20.318
7. Value adjustments	-3.166	-2.123
a) in respect of formation expenses and of tangible and intangible fixed assets	-3.166	-2.123
8. Other operating expenses	-640	-527
11. Other interest receivable and similar income	13.002	339.246
a) derived from affiliated undertakings	1.265	28.183
b) other interest and similar income	11.737	311.063
13. Value adjustments in respect of financial assets and of investments held as current assets	-	-4.600.000
14. Interest payable and similar expenses	-34.186	-143.069
b) other interest and similar expenses	-34.186	-143.069
15. Tax on profit or loss	-376.210	-492.928
16. PROFIT OR LOSS AFTER TAXATION	**1.475.888**	**-2.705.476**
17. OTHER TAXES NOT SHOWN UNDER ITEMS 1 TO 16	**-150.935**	**-194.760**
18. PROFIT OR LOSS FOR THE FINANCIAL YEAR	**1.324.953**	**-2.900.236**

REMUNERATIONS FOR DIRECTORS, STATUTORY AUDITORS AND ACCOUNTANT STATUTORY AUDITORS

On December, 31st 2017 accounts opened for the remunerations of the Illumia SpA Board of Administration's members, Illumia Trend S.r.l. Sole Director, besides the relevant Statutory Auditors (for Illumia SpA and Tremagi srl) are itemized as follows:

Remuneration for Statutory Auditors	*70.000*
Remuneration for Directors	*1.652.000*

For what concerns the company (remunerations booked for service done):

Price WaterhouseCoopers SpA	*Amounts*
Balance and bank accounts auditing	*122.000*

PricewaterhouseCoopers SpA audits the balance sheet of Tremagi srl and Illumia SpA, besides the consolidated balance sheet of the Group.

MAJOR EVENTS OCCURRED AFTER THE END OF THE FINANCIAL YEAR

With reference to the information concerning the nature and the assets, financial and economic effects of the major events occurred after the end of the financial year, in observance of the art.2427 point 22-quater of the Italian Civil Code, appears that at the date of the approval of the balance sheet no mayor events are reported. This balance sheet, composed by Financial Statement, Income statement and Explanatory Note, truthfully and correctly represents the patrimonial and balance sheet as well as the financial year's economic result, and is in conformity with the book entries' accounting results.

Bologna, 30/03/2018

The Chairman of the Directors' Board

Marco Bernardi PhD

5

REPORT OF THE BOARD OF THE STATUTORY AUDITORS

TREMAGI S.R.L. – SOLE PARTNER COMPANY – HOLDING

BOARD OF STATUTORY AUDITORS' REPORT
CONCERNING THE CONSOLIDATED BALACE SHEET UNTIL 12/31/2017

Dear Partners,

Tremagi Srl consolidated balance sheet until December, 31st 2017 that is now at Your disposal was handed over to us in enclosure with Management Report.

It is drawn up according to the law provisions and reports in short the following values (in thousands of Euro).

ASSETS	252.289
LIABILITIES	210.783
CONSOLIDATED NET ASSETS	41.506

(of whom third parties' assets for 863)

The Income statement points out the positive consolidated result of 2017 financial year equal to € 1.505 (including Minority's assets for € 139) and corresponds with the Financial Statement's results.

The balance sheets subject of consolidation are referred to the same closing date of the Group Leader that corresponds to calendar year (1/1/2017 – 31/12/2017).

The audits carried out by PricewaterhouseCoopers Spa, Auditing company in charge of the revision, are summarized in the Auditing Report to be referred to, for what concerns the content and in which is stated that the consolidated balance concerning Tremagi Srl and its associated companies on 12/31/2017 was drawn up with clearness and represents in truthful and correct way the patrimonial and balance sheet and operating results of the Group: the Auditing Company has moreover expressed a judgment about the Director's Report's coherence with the consolidated balance sheet.

The Board of Statutory Auditors control was not extended to the mentioned results and information as well as the consolidated balance sheet, except what above specified, in observation of the dispositions of art. 41 nr.3 Legislative Decree 4/9/1991 – nr. 127.

Consolidation's area determination, choice of the consolidation's principles of the Equity investments and proceedings adopted for the object in view, are to be considered technically correct and, in their whole, in accordance with the specific rules and regulations in force.

The Directors Report explains adequately economic, patrimonial and balance sheet, operational trend during 2017 and evolution, after the closing of the financial year, of the whole of companies that are subject matter of consolidation; for what concerns us we remark its consistency with the consolidated balance sheet.

BOLOGNA, 13/04/2018

Acc. Andrea Berti - Chairman

Acc. Alberto Collina - Statutory Auditor

Acc. Sara Businelli PhD - Statutory Auditor

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REPORT OF THE AUDITING COMPANY

REPORT OF THE INDEPENDENT AUDITING COMPANY

ACCORDING TO ART. 14 LEGISLATIVE DECREE 1/27/2010 NR.39.

To the Sole Partner of Tremagi Srl

REPORT ABOUT THE AUDITING OF ACCOUNTS OF THE CONSOLIDATED BALANCE SHEET

Judgment

We have fulfilled the auditing of accounts concerning the consolidated balance sheet of Tremagi Srl (henceforth "the Group") given by the consolidated balance sheet closed on December, 31st 2017, the statement of assets and liabilities and the financial report closed at the same date, together with the Explanatory note.

In our judgment the consolidated balance sheet represents in truthful and correct way the patrimonial and balance situation of the Tremagi Group at December, 31st 2017 and the economic result of the cash flows of the financial year closed at that date, in observance of the Italian rules and regulations that regulate drawing-up criteria.

Elements at the ground of the judgment

We performed the auditing in accordance to the International Auditing Regulations (ISA Itay). Our responsibility in pursuance of the mentioned principles are furthermore de-scribed in the Responsibilities of the auditing company for the auditing of accounts section of this Report. We are independent from the Tremagi Srl. Company (henceforth "the Company") in observance of the rules and regulations require in matter of ethic and inde-pendence in force in Italian legislation in matter of auditing of balance sheet. We believe to have acquired sufficient and adequate evidence elements to ground our auditing on.

Other issues

As provided by the law, the Company has included in the Explanatory Note the last bal-ance sheet's significant results concerning the company that exercise on it the management and coordination activity. Our judgment about the consolidated balance sheet of Tremagi Srl is not extended to the mentioned results.

Responsibilities of the Directors for the consolidated balance sheet

The Directors are responsible for the consolidated balance sheet drawing-up, to be ful-filled with clearness, representing in truthful and correct way the patrimonial and balance sheet in observance of the Italian rules and regulations that regulate drawing-up criteria and, in the terms provided by the legislation, for that part of internal control by themselves considered necessary to allow the drawing-up of a balance sheet containing no significant errors due to frauds or non intentional behaviors or occurrences.

The Directors are responsible for the evaluation of the Group's capacities to continue op-erating like a functioning entity and, in the drawing-up of the consolidated balance sheet, for the soundness of the use of the business continuity presumption, and as well for a suitable information in matter. The Directors make use of the business continuity pre-sumption in the drawing-up of the consolidated balance sheet unless they have evaluated that conditions occur for the liquidation of the Tremagi Srl parent company or the interrup-tion of the activity, or they have no realistic alternatives to the mentioned choices.

Responsibilities of the auditing company in matter of auditing of accounts of the consoli-dated balance sheet

Our aims are the acquisition of a reasonable certainty that the consolidated balance sheet in its whole contains no significant errors due to frauds or non intentional behaviors or oc-currences, and the issuing of an auditing report including our judgment. For reasonable certainty is meant a high certainty level that, however, provide no guarantee that an audit-ing of accounts performed in accordance to the International Auditing Regulations (ISA Italy) individuates a significant error, in case it exists. Errors can come from frauds or non intentional behaviors and occurrences and are considered significant in case one can rea-sonably expect that, singularly or in their whole, they can influence the economic deci-sions taken by the users on the ground of the consolidated balance sheets.

In performing the auditing of accounts fulfilled in accordance to the International Auditing Regulations (ISA Italy), we exerted the professional judgment and maintained the profes-sional skepticism all along the whole auditing of accounts. Moreover:

- we identified and evaluated significant errors in the consolidated balance sheet, due to frauds or non intentional behaviors and occurrences; we defined and fulfilled auditing procedures in response to the mentioned risk; we have acquired evidence elements that are sufficient and proper to ground our judgment on. The risk not to individuate a significant error due to frauds is higher in comparison to the risk not to individuate a significant error due to non intentional behaviors or occurrences, because the fraud can imply the existence of collusion, counterfeiting, intentional omissions, misleading representations or forced feeding of the internal control;

- we acquired a significant comprehension of the internal control for what concerns auditing of accounts to the aim of defining suitable auditing procedures for the cir-cumstances and not to express a judgment about the efficiency of the internal con-trol of the Group;
- we evaluated the adequacy of the adopted auditing principles and the reasonability of the accounting estimates drawn up by the Directors, including the concerning Explanatory Note;
- we came to a conclusion about the adequacy of the observance by the Directors of the business continuity principle and, according to the acquired evidence elements, of the possible existence of a significant uncertainty concerning occurrences and circumstances that can make significant doubts arise about the capacity of the Group to continue operating as a functioning entity. In presence of a significant uncertainty we are obliged to call the attention in the auditing report about the con-cerning balance sheet explanatory note or, in case the information in matter is inad-equate, to report this circumstance in our judgment. Our conclusions are grounded on the evidence elements acquired until the date of this report. Nevertheless, suc-cessive occurrences or circumstances can involve that the Group ceases to operate as a functioning entity;
- we evaluated the presentation, structure and content of the consolidated balance sheet in its whole, including the Explanatory Note, and if the consolidated balance sheet represents underlying operations and occurrences so to provide a correct rep-resentation;
- we acquired sufficient and adequate evidence elements about the financial infor-mation of the companies and different economic activities performed inside the Group to express a judgment about the consolidated balance sheet. We are respon-sible of the management, supervision and the fulfillment of the appointment for the auditing of accounts of the Group. We are the unique responsible of the auditing of accounts of the consolidated balance sheet.

We communicated to the governance activities responsible, identified at an adequate level as provided by the ISA Italy, among the other aspects, the extent and time schedule pro-vided for the auditing of accounts and the occurred significant elements, including the possible significant deficiency in the internal control identified during the auditing pro-ceeding.

REPORT ABOUT OTHER LEGISLATIVE RULES AND REGULATIONS

OPINION IN OBSERVANCE OF ART.14 COMMA 2 LETTER E) OF THE LEGISLATIVE DECREE 39/2010

The Tremagi Srl Directors are responsible for the drawing-up of the report about the man-agement of the Tremagi Group on 31/12/2017 including its coherence with the concerning consolidated balance and its accordance with the regulations in force.

We fulfilled the procedures stated by the Auditing Regulations (SA Itay) nr.720B to the aim of expressing an opinion about the consistency of the management report with the Tremagi Group's Consolidated Balance Sheet Report until December, 31st 2017 and the consistency of the mentioned with the rules and regulations in force, and as well to issue a statement about possible significant errors.

In our opinion the Management Report is coherent with the consolidated balance sheet of Tremagi Group until December, 31st 2017 and is drawn in observance of the rules and regulations in force.

With reference to the statement provided by art.14 comma 2 letter e) of the Legislative De-cree 39/2010 given on the ground of the acknowledges and comprehension of the busi-ness and concerning environment acquired during the performance of the auditing activity, we have nothing to report.

Bologna, April, 16th 2018

PricewaterhouseCoopers SpA

Roberto Sollevanti
(Legal external auditor)

7

MINUTES OF THE MEETING OF THE TREMAGI SRL FOR THE APPROVAL OF THE BALANCE SHEET

TREMAGI Srl
Bologna via Galliera 89
Fiscal code and registration number nr. 02965701200

TREMAGI S.R.L. SOLE DIRECTOR COMPANY

Registered office in Bologna, via de' Carracci 69/2
Company stock Euro 2.000.000
Registered in the Register of the Companies with the number 02965701200

MINUTE OF THE ORDINARY MEETING HELD ON 16/04/2018

Today, April 16th 2018, at 0030 p.m., in Bologna, at the registered office, the ordinary meeting of the members of the Company named TREMAGI Srl is summoned, in order to discuss and deliberate about the following items in agenda:

1. adoption of the balance sheet until 12/31st/2017; related and consequent decisions;
2. any other business.

The chairmanship is taken by the Chairman, Marco Bernardi who states the presence of the sole director for Tremagi S.a., represented by Aldo Bernardoni, by proxy recorded in the deeds of the company and the presence of the Board of Directors and the Board of Statutory Auditors, and declares the Meeting as validly constituted and, upon consent of the attending members, appoints Mrs. Valeria Giacomoni as Secretary.

About the first issue on the order of business, the Chairman, after a brief resume, reads the tables of consolidated financial statements ended at December, 31st 2017, for what concerns basic parts, Balance Sheet, Income Statements, Explanatory Notes, and Directors' Report about the management.

The Chairman of the Board of Statutory Auditors Mr. Andrea Berti reads then the Report of the Board of Statutory Auditors and the Report filed up by the PricewaterhouseCoopers S.p.A Company, appointed of the auditing of accounts in attachment to this minutes.

After a full discussion the Meeting, by unanimous vote

DECIDES

- the adoption of the consolidated financial statements dated December, 31st 2017 for what con-cerns the explained results.

Having nobody asked to speak about the second point at the business of the day, the Chairman declares as closed the Meeting at 01.15 p.m. after the reading and approval of this minutes.

THE SEGRETARY
Valeria Giacomoni

THE CHAIRMAN
Marco Bernardi

COMPLIANCE CERTIFICATE

I, the undersigned Simona Esposito PhD, registered in the Certified Interpreter-Translator Assessors Roll of the Court of Perugia, registration nr.414/04, in my office of translator appointed by TREMAGI Srl (Bologna), hereby state and testify that the copies of the foregoing in Italian are the true copies of the originals.

Perugia, July, 28th 2018

THE TRANSLATOR
Simona Esposito

Tremagi S.r.l. società a socio unico - Holding

Sede legale in Via De' Carracci 69/2 - 40129 Bologna
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