ANNUAL REPORT 2019

ENGLISH VERSION

TREMAGI HOLDING

INDEX

LET'S SET THE ENERGY FREE

Growing, exploring new markets.

Also, this year, as in all our 14 years of life, we have not stopped: we have grown exceeding 300 thousand customers throughout Italy. 2019 was a year of important milestones in which we laid the foundations for a series of operations that will bear fruit in the coming years: the entry into a new market segment and the internationalization process of Wekiwi in France.

Invest, ensuring adequate equipment.

Always investing, despite the difficulties of the market, is our choice. The implementation of the new SAP end-to-end IT system, which started in 2018 and was consolidated during 2019, is a concrete example of our continuing desire for innovation. These are not just economic investments, but choices dictated by the desire to advance the work processes for all employees and substantially improve the quality of service for today's and tomorrow's customers.

Focus on people and their uniqueness.

In an increasingly digital and technological world, unlike what one might think, the human being is more and more precious; his ability to ask questions, find solutions, imagine new scenarios is the essence of the enterprise. From the very beginning, the Tremagi Group wanted to build and consolidate first and foremost relationships among its employees. In recent years we have worked tirelessly to implement welfare facilities, work on the growth and development of people, perfect a system that concretely meritocratic rewarding that valued talent. This will, was recognized in 2019 with the Welfare Champion award, in the Report Welfare Index PMI.

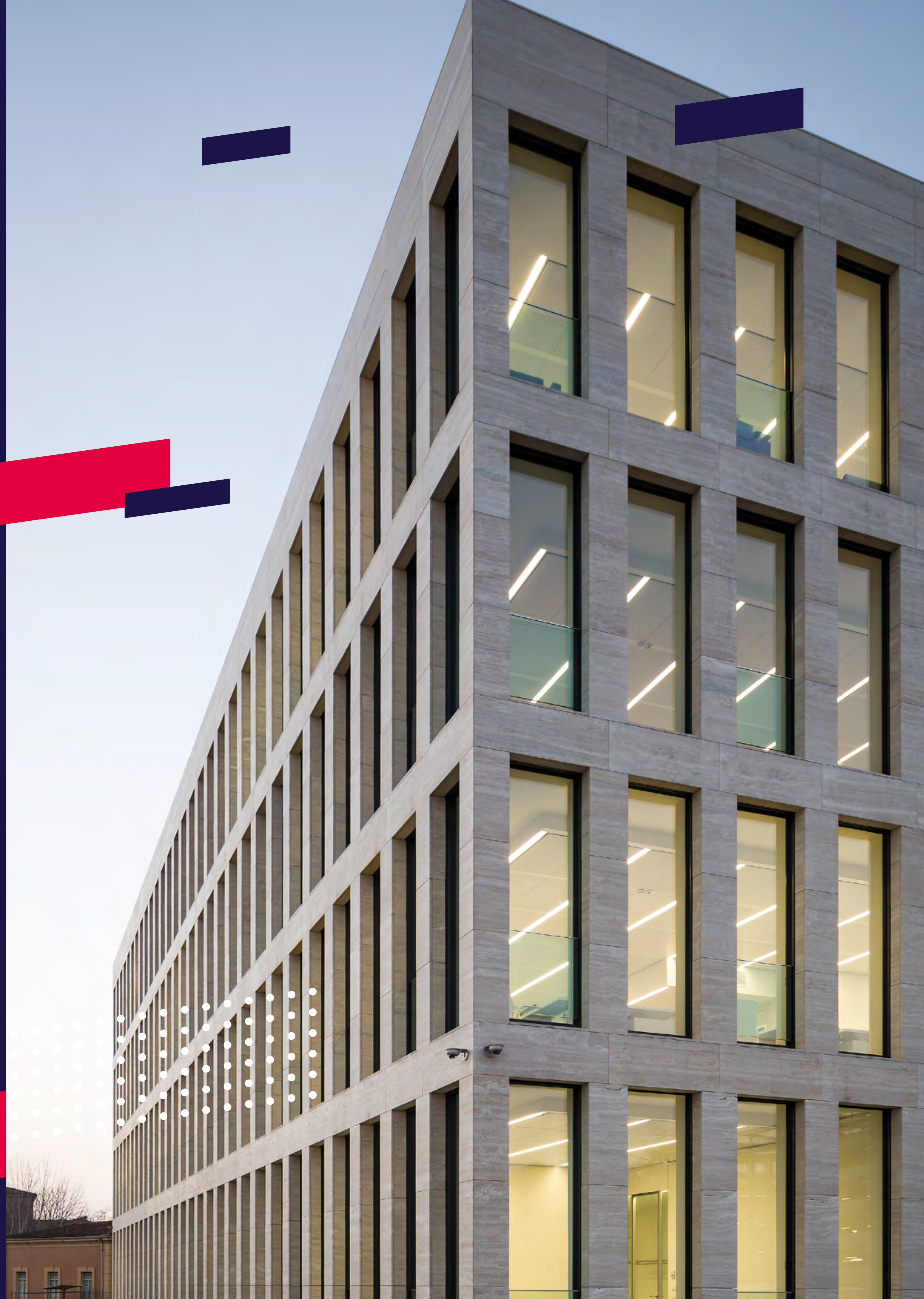
Have few ideas, but very clear.

Our Business Plan foresees an organic growth of 20 thousand customers per year, plus extraordinary transactions. Our goal is to reach more than 500 thousand customers by 2023. It is an ambitious challenge, which sees us racing against the energy giants and a market, with the first three operators at 70%, which does not have the strength to open to real free competition.

Start Everyday.

In short, if you sail with the opposite current: either slow down and you get dragged or increase the frequency of the row to move forward. We continue to row and the numbers of 2019 agree with us. Now, more than ever, we need to unleash energy. Really.

Marco Bernardi
Presidente Tremagi Holding



THE NEW FACE OF ENERGY

Illumia e il Team di Rockin'1000 durante l'evento natalizio Rocking Together.

OUR IDENTITY, OUR VALUES

Audacity, speed and beauty.
But also, knowledge, confidence and benevolence.

At a first sight our values can seem distant from the world we operate within. Instead they exactly represent what has forged us, what guides us in our choices, what we are and what we, every day, pursue our objective for.

MISSION

NEW ENERGY

"We want to keep on growing to bring to our customers and the Country a new energy, whether physical and cultural."

We want to turn ourselves from simple electric energy and gas suppliers into a strong identity community where the energy of the customers can find an input, a corresponding emotional experience.

VISION

"SWITCH ON" PEOPLE

We dream of people in motion, that employ their energy, unique and unrepeatable, to leave a positive mark on history.

SPEED

Speed is going straight to the point.

"The best is the enemy of the good."

Voltaire

CORAGGIO

The audacious person doesn't fear mistakes.

"Penalties are failed by whom dares to take them."

Diego A. Maradona

BEAUTY

When beauty happens, infuse everything with truth.

"When I'm working on a problem, I never think about beauty. But when I've finished, if the solution is not beauty, I know it's wrong."

B. Fuller

KNOW-HOW

To know, heart is not sufficient. It takes the head.

"We don't need good people, we need brave people."

H. Ford

CONFIDANCE

To trust is good, but not to trust is worst.

"Get real, ask for the impossible."

A. Camus

BENEVOLENCE

A well-done job always involves a part of benevolence.

"We are what we take most to heart."

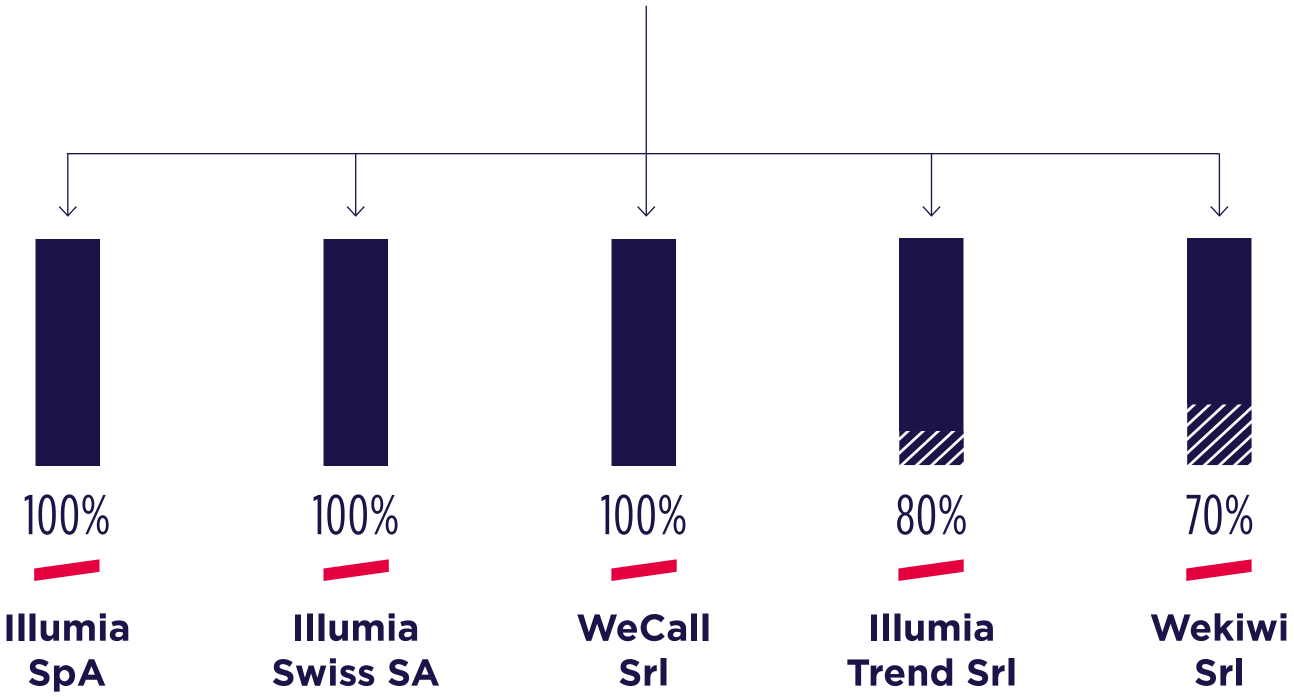
M. Archer

GROUP STRUCTURE AND PEOPLE

What counts for us are people: the attitude of everyone to give his/her best and put his/her energy in motion.

An idea we apply as well to the higher charges of the staff of the Group, led by the second generation, able to face and create competition in a changing market.

TREMAGI HOLDING



Marco Bernardi

Chairman
Tremagi Holding

Tiziano Pacetti

Administrators' Board Advisor

Matteo Carassiti

Partner Illumia Trend

Massimo Bello

CEO Wekiwi

Francesco Bernardi

Honorary Chairman

Giulia Bernardi

HR Manager
Tremagi Holding

Andrea Pagliarani

CFO
Tremagi Holding

Livio Varesi

Training Manager & Business Coach

Matteo Bernardi

CEO Illumia

Valeria Giacomoni

Executive Vice President
Tremagi Holding

Massimiliano Brialdi

Partner Illumia Trend

Gabriele Corazza

Sales Manager

ILLUMIA TREND

iTREND

Illumia Trend is the company of the Group aimed to the maximization of the Energy Portfolio.

Analysis and knowledge of the Markets, risks control and measurement, transparency and marketability.

These are the basis our work is grounded on and from which Illumia Trend starts to provide its customers of the best opportunities to administrate their Power and Gas Portfolio. Our work is aimed to improve transparency, consolidate an upstanding competition and generate prices that can transfer correctly and not distorting the information about market.

WEKIWI

wekiwi

Wekiwi Srl is the Tremagi Group's digital start-up aimed to serve a customers' digital target.

Already from the name, Wekiwi – that links WE with KIWI (Kilowatt per hour) – brands itself as a transparent agency, open and social: it puts manageability and promotion of a conscious energy source consumption at the center of its offer, focusing on transparency through the development of a highly innovative application. Making the energy consumption easier is the philosophy that stays beyond the hashtag #smartenergy promoted by Wekiwi. In 2019, Wekiwi launched the internationalization strategy with Wekiwi France.

WECALL

We Call: direct line with our customers.

Our spirit and passion keep on being the ones of a Start Up, that's why we don't give up betting on us and people. After the success of a first phase of tests, we decided to start a company's call center to manage retention activities: WeCall.

WeCall achieved important results and was able to re-finalize direct contracts with more than 9.000 clients per month.

The positive results encouraged us to go on, proving once more the value of who dares and the positivity of who chooses to pursue unexplored paths.

© Fabio Mantovani

THE RIGHT NUMBERS TO GROW UP

NUMBERS

Our data speak for themselves: we are a young company, both in essence and facts. And constantly growing.

The achieved results are really encouraging because they consolidate the strategic line of a growth in quantity but also in quality of our customers.

Marco Bernardi - QN Economia e Lavoro 8 maggio 2020

185 M

Employees
33 years average age

22 M

Ebitda

915 M

Revenue

300.000

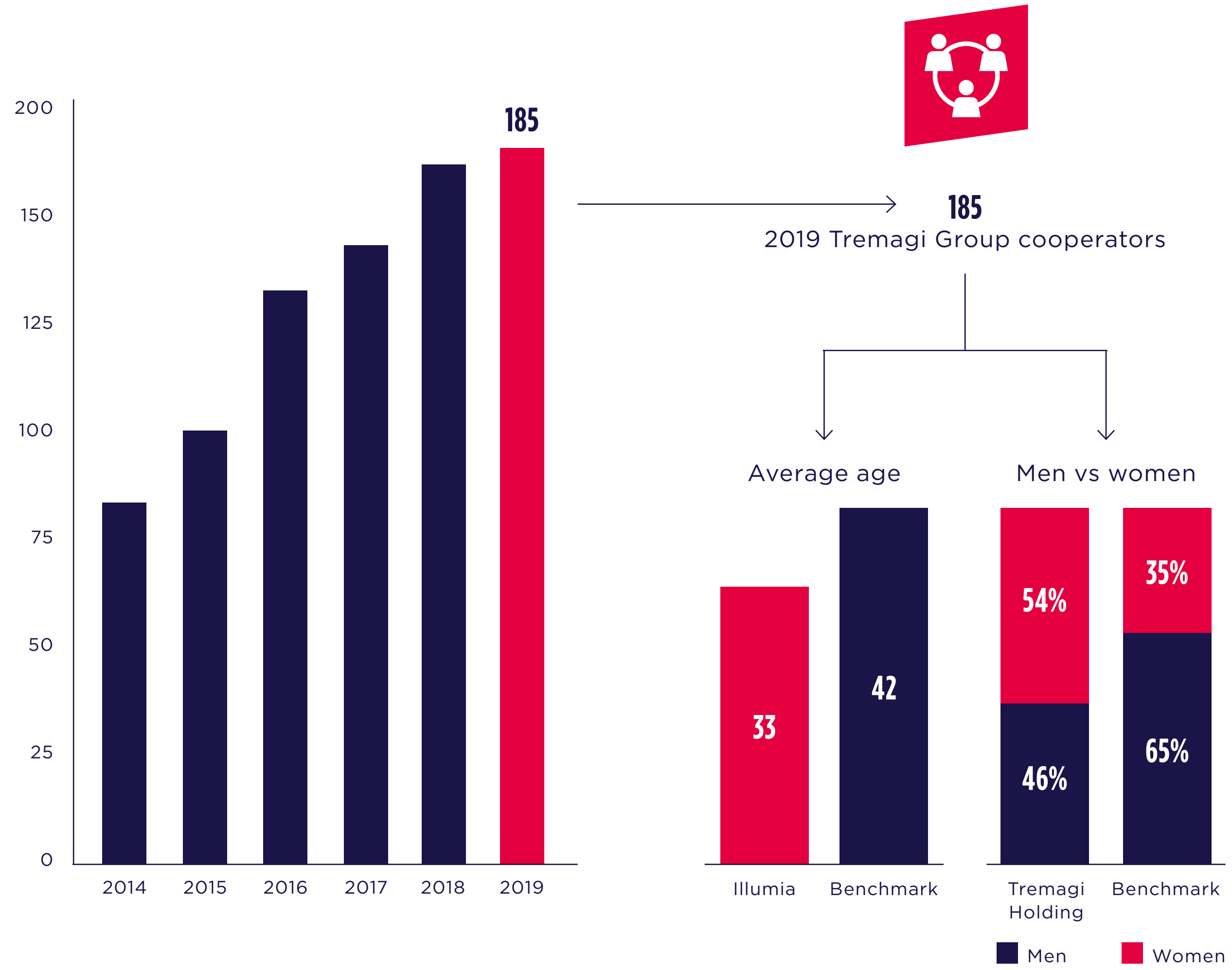
Numbers of clients

Young, adaptive, inspired.

We have increased by 10% a year, today we are almost 200, of which 150 in Bologna, in the new headquarters in Via De' Carracci.

We have a structure that today could manage twice as many customers, among other things with a very low average age, around 32-33 years.

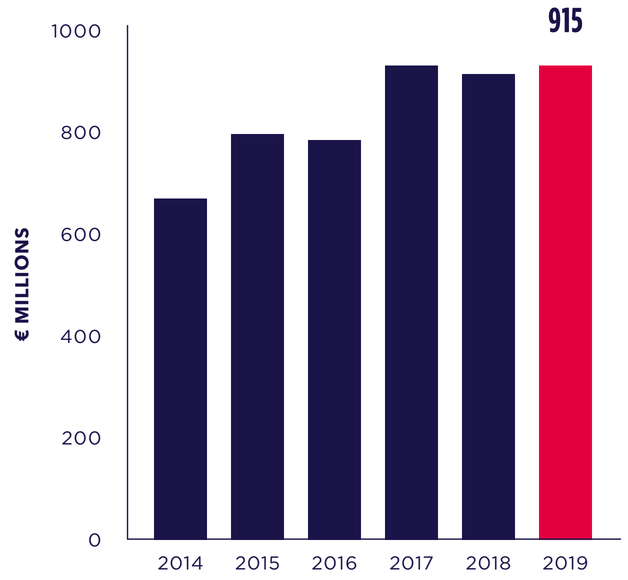
Marco Bernardi - Repubblica 2 dicembre 2019



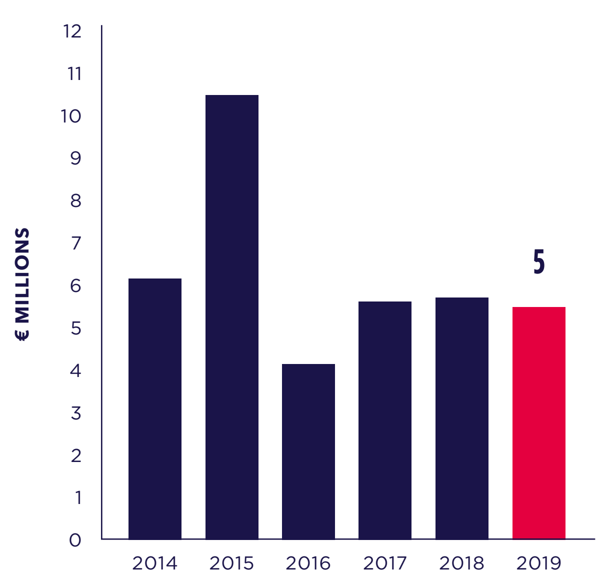
School qualification

35	46	93	11
Graduation	1st Level	2nd Level	PhD

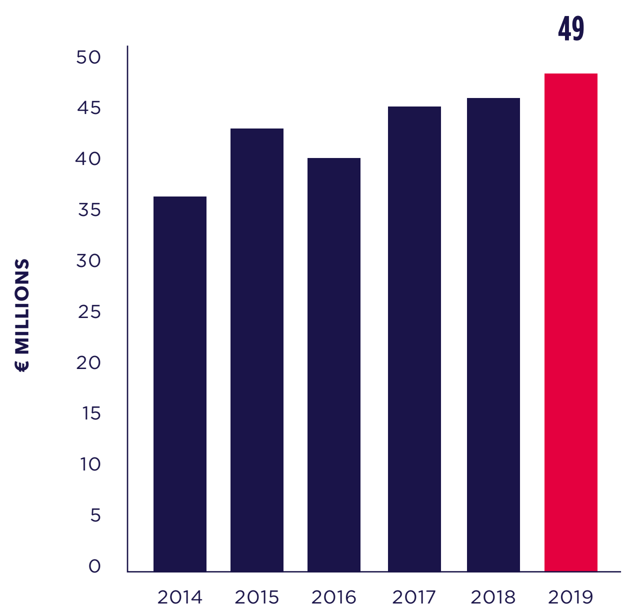
Revenue



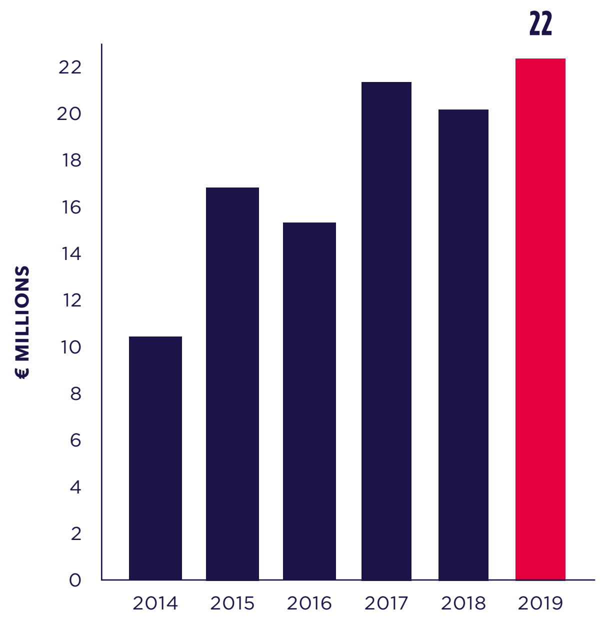
EBIT*



Equity**



EBITDA



* EBIT 2015: 10.416: effect due to the extraordinary revenue, judgment CdS [Corte di Stato] nr.8380/2015
EBIT 2016: 4.146: effect due to the provision established by Decisions 333 and 342 2016.

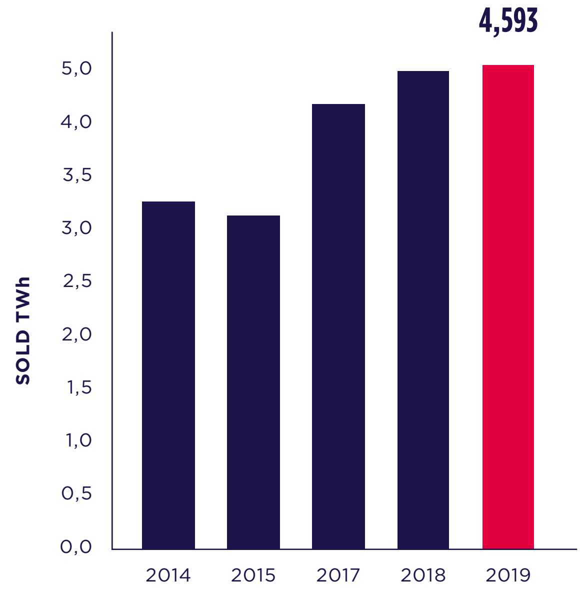
** EQUITY 2017: effect due to the hedge accounting procedures on the ground of the new accounting policies. 2018 is the first balance sheet provided by the Company in accordance to the International Accounting Guidelines IAS/IFRS (the previous balances have been drawn up according to the provision of Accounting Guidelines set up by the Italian Agency for Accountancy (OIC – Organismo Italiano per la Contabilità). The transition date, in observance to the IFRS 1 accounting guideline is the one dated January, 1st 2017, and therefore, for the purpose of comparison, the financial statements concerning year 2017 have been re-drawn up in observance of the IAS/IFRS accounting guidelines, while statements and values concerning 2017 previous financial years remain drawn up according to the OIC.

COMMERCIAL GROWTH

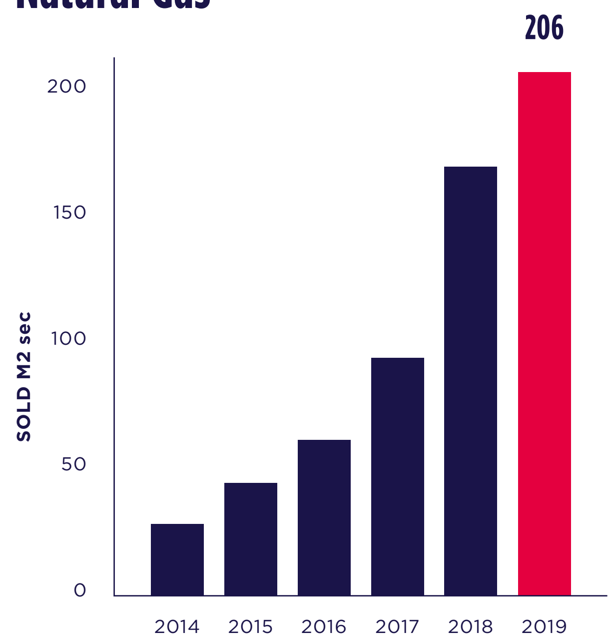
Sales increase, the will to do better increases.

The one of Illumia is a continuous and unstoppable commercial growth that allowed to report, for the last year, the most significant sales ever, from the natural gas supply to the electric energy one, to the sales of LED. An achievement that stepped up our game, inspiring us to give always even the better.

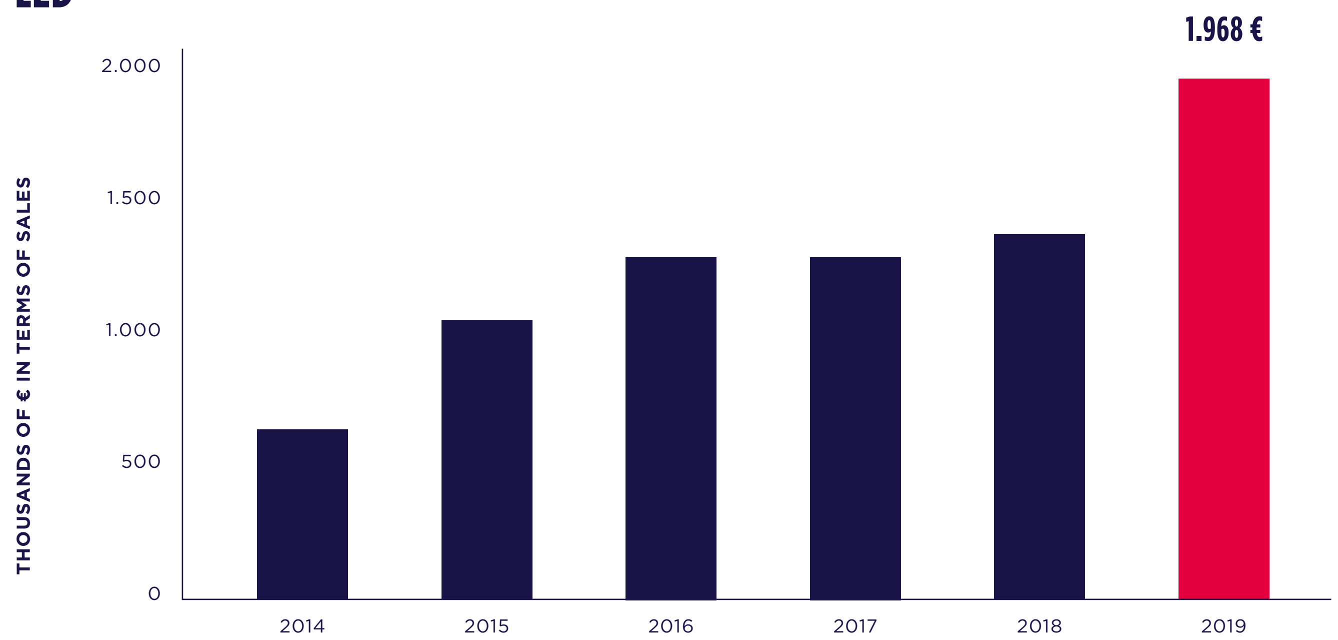
Electric Energy



Natural Gas



LED

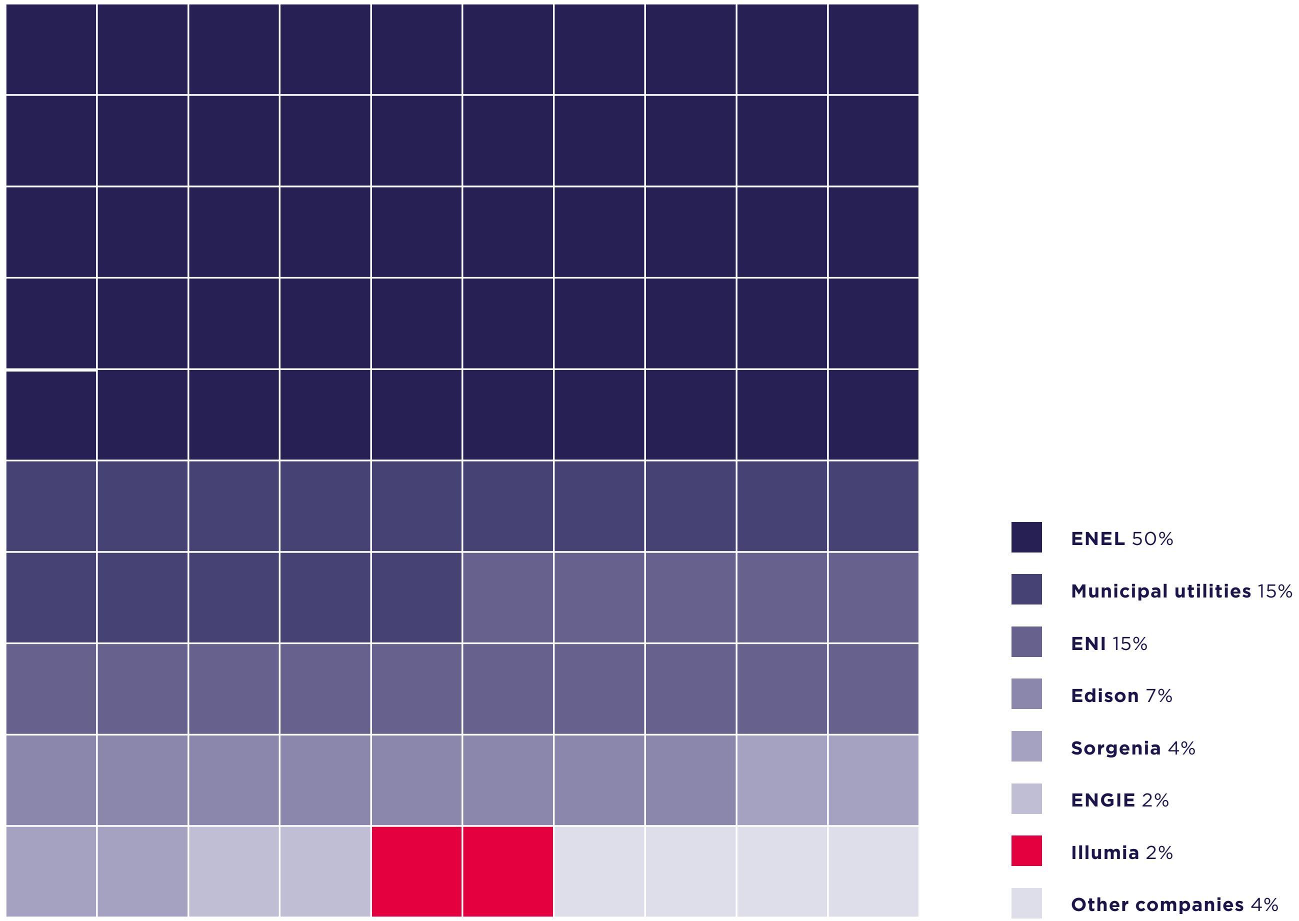


FREE MARKET

Free to control, free to grow up.

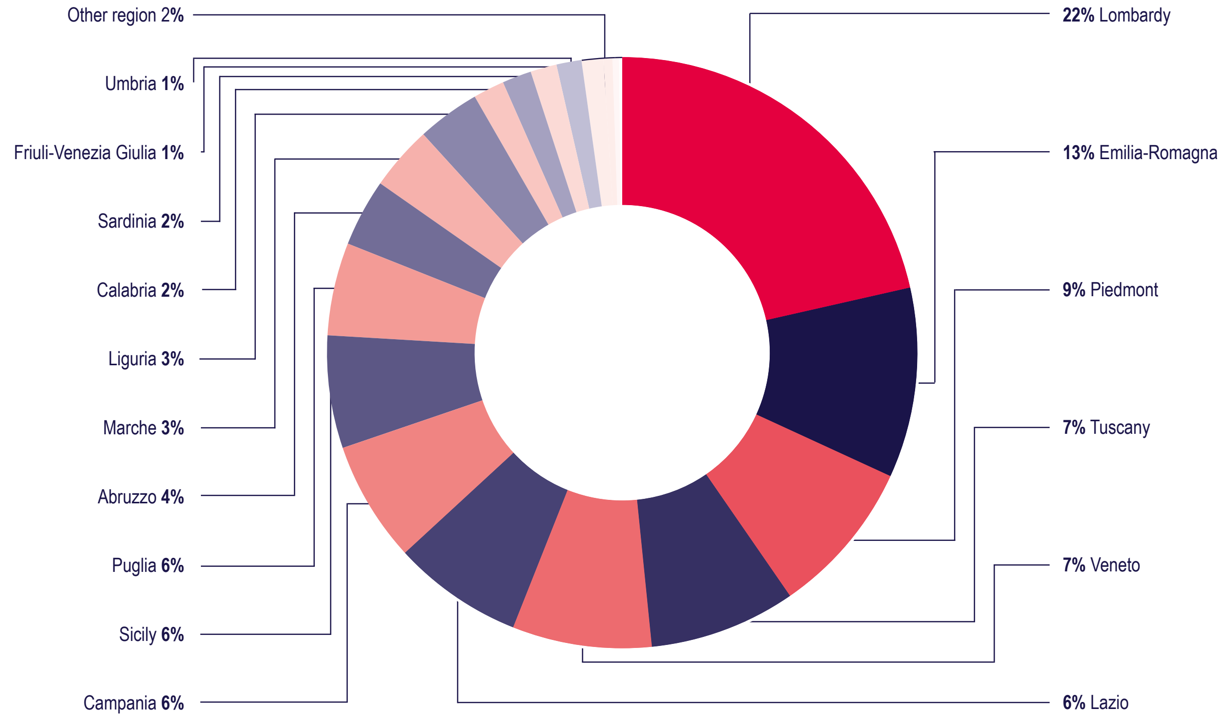
Free market is an open yard, without clear regulatory references and constantly evolving. In this uncertain and slow landscape, Illumia does not stop. Every year we choose to invest in growth and to oversee our market sector through technological innovation and special projects, to seize all possible opportunities, without ever ceasing to believe in people.

Free Market Retail



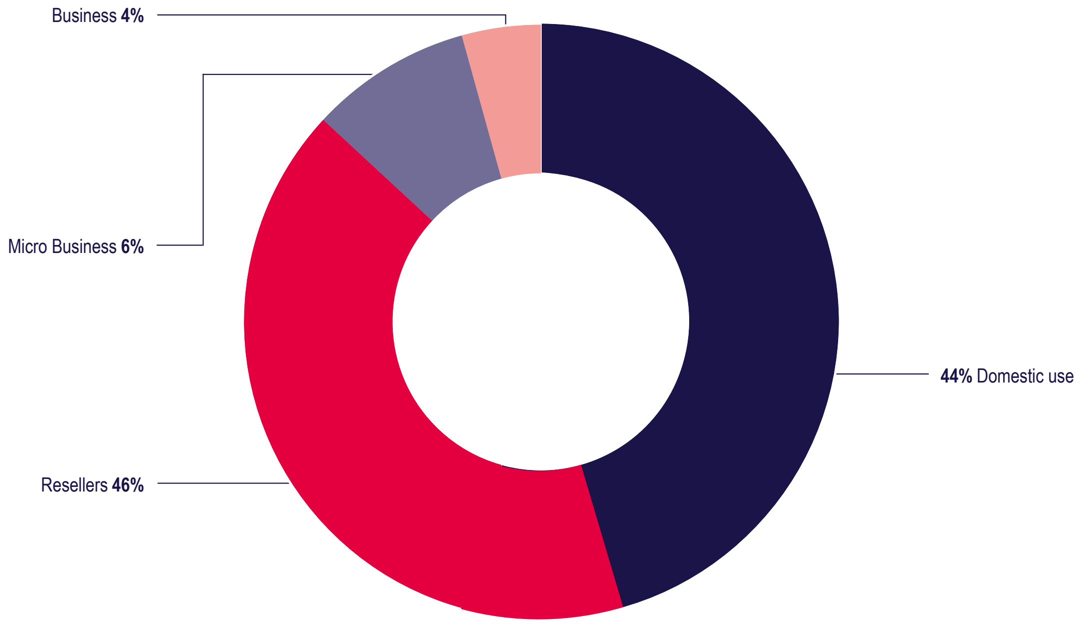
Source: Tremagi operation on ARERAS 2018 data

2019 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 domestic use.

2019 Customers' portfolio per segment (NR. of supply points)



STATE OF THE ART IS AT HOME

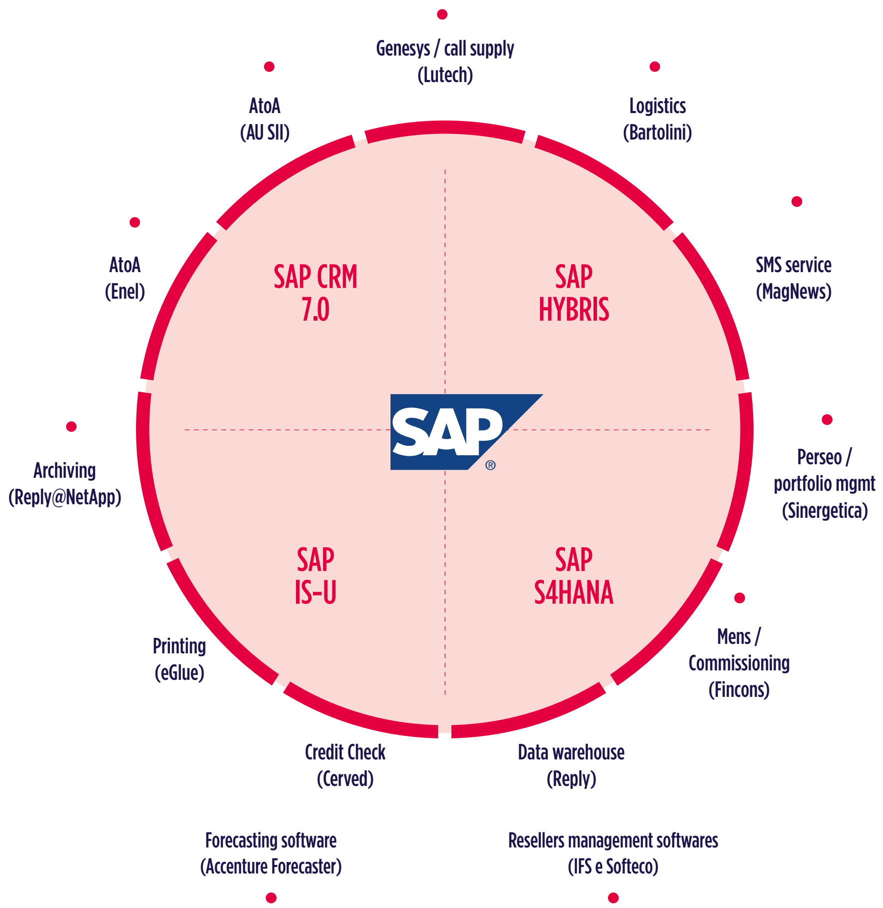
SAP integrated solutions: efficiency and cost reduction to support development and innovation

A complex sector as the one of the utilities requests a continuous updating and will to improve. To support our ambitions of development and move safely forward on the way of competitiveness we have chosen to adopt the SAP end-to-end solutions.

SAP allows the introduction of new instruments for supporting the sales, increases the fulfillment execution, provides the possibility to easily shift the business logic and make the activation of integrate projects among the different company's sectors possible.

System map

The adoption of SAP will introduce significant advantages in terms of management of portfolio, leading to cost reduction and an increased efficiency.



"The Illumia's one is a surely ambitious challenge and we are aware that if we want to emerge in this sector and gain new customers we must be different with regard to the concurrency, that dispose of remarkable source of investments and employment.

The value-added services we are offering are aimed to this direction, and also the choice to adopt SAP innovative solutions. Innovation is the focus of our mission and to cope with our targets we should adopt technologic solutions that support our development."

Matteo Bernardi, CEO di Illumia - Business Insider, March, 22nd 2019

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PEOPLE: OUR RESOURCE

THE VALUE OF TIME

Feeling supported whether at office or home.
Feeling free to show one's potential and to risk.
This is the aim of our Company Welfare Program.

A tailor-made package of goods and services, for free or in bargain, conceived to make our employees' daily life easier and their spare time an occasion of cultural growth and welfare.

- **Delivery of the shopping and local products**
- **Game room**
- **Electro-bicycle rental**
- **Insurance policies**
- **MBO program**
- **Meal vouchers**
- **Laundry service**
- **Maternity bonus**
- **Food, culture, beauty, fitness, health contracts**
- **Education**
- **3% Gross Annual Earnings paid through Company**
- **Flexible working hours**
- **Smart working**

This year we have invested half a million euros in corporate welfare, which means child education, health, travel and more. We want to continue, the feedback is positive. The latest innovation, now in experimentation, is smart working: about 25% of employees, with priority for mothers and commuters, will be able to work from home or in any case out of the office one day a week. This is how we make concrete the trust and gratitude we have for our collaborators.

Marco Bernardi - QN Economia e Lavoro 17 giugno 2019

Our smart-working employees at home together with their exceptional "coworkers"

EVENTS TO GROW

Together we take our energy out of the market, in everyday life.

Illumia is primarily involved in the growth of its cooperators, by involving them in special initiatives dedicated to them and making them aware about issues that are a matter of concern to the brand.

Thanks to everybody's commitment, through the donation of the 2% of the net profit, Illumia supports projects and initiatives aimed to make the life of people in difficult better.

Linus guest of Illumia

"Everything that grows must have the ambition to go beyond its own borders, but without being completely detached. It is in fact to our collaborators that we ask how to allocate our charity treasury, which has 2% of the net profit, more than 400,000 euros in the last 4 years.

As for sponsorships, we look for visibility opportunities that have the following characteristics: consistency with corporate values, proximity to the territory and national scope. This is how to read the sponsorships to the staff of Cesare Cremonini during the last tour and at Bologna FC."

Marco Bernardi - QN Economia e Lavoro 17 giugno 2019

Imprese riuscite

Organized by Illumia with FAAC, MACRON, BOLOGNA FC 1909 and other companies, "Imprese riuscite" [Successful enterprises] are a series of conferences to support the NPOS that help ill and disabled children in our territory. In three years, they have involved leading figures in sport and entertainment and have raised funds for over 70,000 euros. Among the guests of "Imprese riuscite" we list: Martin Castrogiovanni, Paolo Cevoli, Antonio Rossi, Davide Cassani, Jury Chechi, Nicola Rizzoli, Marco Di Vaio, Adam Masina, Rodrigo Palacio, Mattia Destro, Mauro Bergamasco e Roberto Donadoni.

Illumia celebrates its fifth year of sponsorship with Bologna FC

Illumia employees during the annual Give&go

Give and Go

Give&Go starts to bring the cooperators out of their offices and make them part of what happens in the other departments. A day dedicated to the company and those who live it, in which they present themselves and results achieved in the last year, and new targets are set. Every year the initiative is made even more special by the presence of famous guests, such as Marco Belinelli, Italian NBA star, Linus, veteran artistic director of Radio Deejay air broadcasting company, and Fabio Zaffagnini, creator and organizer of Rockin' 1000.

Sharing energy. Rocking together.

Illumia's 2019 ended with an annual convention to the rhythm of rock'n'roll and a Christmas party full of solidarity. The spirit of Illumia took shape in two different events, united by the desire to be together and share energy to build something memorable.

The convention was animated by an exceptional guest: Fabio Zaffagnini. The creator of Rockin'1000 started this event with a speech of great impact, followed by a team building in rock time. The collaborators were invited to play a song all together and the result was a jam session of over 200 elements: a unique opportunity that allowed us to experience the power of sharing.

The pleasure of building something great together was then also proposed at the Christmas party. After years of parties dedicated only to us, the party was completely turned upside down. Together with Banco di Solidarietà [Solidarity Project] we organized a lunch for some families in difficulty involving collaborators, suppliers and friends of Illumia. On this occasion everyone was able to express their energy, giving the best of themselves to others.

"Daring is perhaps the characteristic that more than any other distinguishes us and is exactly what we wanted to do for our usual Christmas party. Thus, a bold proposal was born of gratuitousness freely offered to all those we have known this year."

Marco Bernardi - Affari Italiani.it 16 Dicembre 2019

n the kitchen during the event Sharing Energy

Fabio Zaffagnini

ENERGY TO LIVE

CLOSER TO THE CUSTOMER

Our priority is the customer: we'd like him/her to approach our world in an immediate, spontaneous and simple way.

Accessibility to the service.

We are available to customers. Access to our services is easy and guaranteed in 98.4% of cases.

Reduced waiting time.

We've dramatically reduced the waiting time: only 39 seconds in comparison to the average 91 of the other operators.

High level of the service.

We aim to the excellence. Our customers can count on very high level services: 96,6% (the indicator, defined by the Authority, is the ratio among the number of persons that have spoken with our staff members and the persons that have asked to speak) in comparison to 95,1% of the competitors.

CLOSER TO BUSINESS COMPANIES

Illumia offer targeted to PMI [Piccole-Medie Imprese – Small to Medium Enterprises] aims to meet their real requirements. It provides, in fact:

A dedicated consultant.

He/she guides the enterprise in the choice of the better pricing plan and in costs management, for free and for the whole duration of the supply.

Online customers area.

The innovative Illumia Selfcare allows to monitor consumption and costs, download the bills and export the required data.

Easy and transparent bill.

Who owns more than one supply point can receive a bill for each point or a unique, detailed and clear invoice.

Energy sparing products.

We offer the best LED technology, with products targeted to every requirement. Thanks to our Portfolio Optimization we guarantee the best market prices for the time.

CLOSER TO MAJOR CUSTOMERS

A dedicated team gives an answer to the requirements of the Energy Managers and Energy Purchasing Managers of major companies.

We offer a competitive price and study special rates for major companies.

Our innovative open desk ensures all the major customers to obtain a targeted service for the management of the portfolio: a dedicated person monitors, advises and adjusts or fix on their behalf the most convenient rates directly on the gross market.

TRANSPARENCE

We provide access to our analysis and gross market prices.

CONTROL

We constantly monitor consumption and parameters of the supply.

AUTONOMY

We offer the possibility to block the rates or guarantee to the companies the most convenient prices.

SAFETY

We support the Energy Managers in the definition of operations, purchase and financial cover to activate in order to protect one's company from unexpected increases.

OUR SMART PRODUCTS

We want energy to be always with our customers, going over light and gas.

Thanks to our smart products, energy accompanies Illumia's customers in many moments of everyday life, in-and-outside home. LED, electric bikes and batteries: objects different for functions but having the sustainability in common.

Energy and economic saving are the key words of our line of smart products, conceived to give new energy to Illumia's customers by guaranteeing them the advanced technology's efficiency.

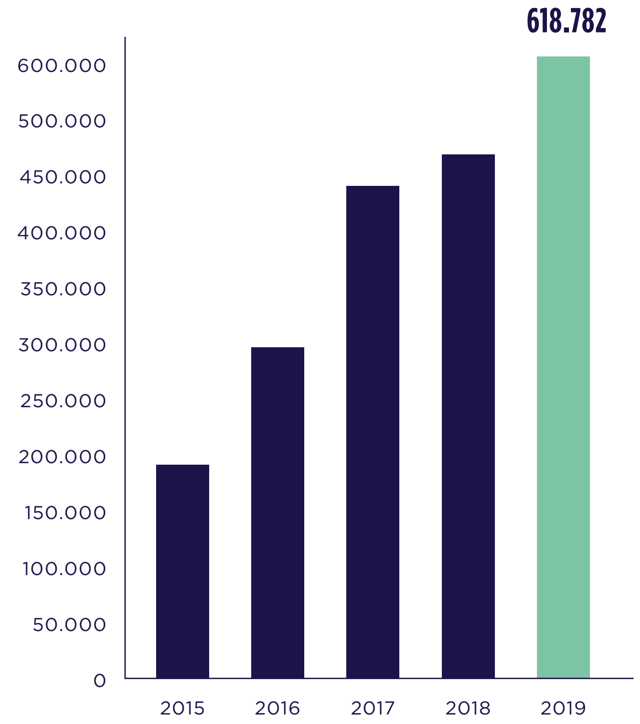
LED

Illumia means not only light and gas: it is also a smarter way to intend energy, focusing on economic saving and environmental impact. That's why we invest on LED technology and offer a wide choice of products, guaranteeing a range of saving between 50% and 85% in comparison to traditional light bulbs and reducing the $CO2$ emissions of 300 kg per year.

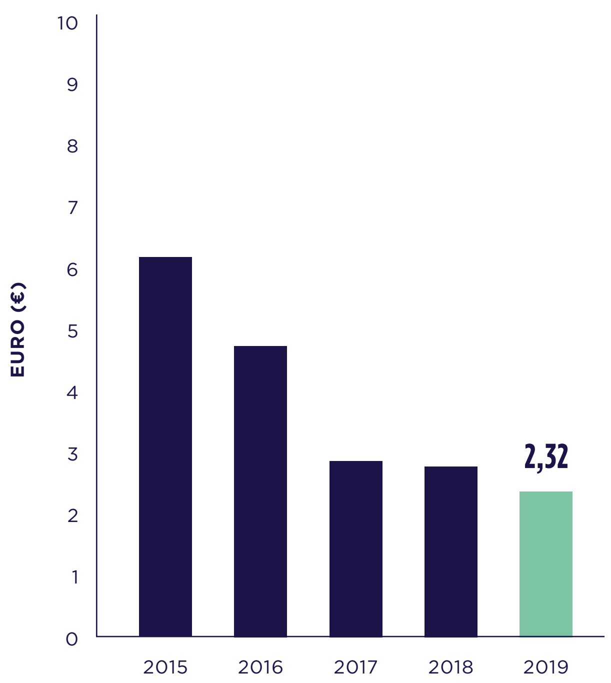
We want to spread this new energy in the whole Italy, passing from 849 to 1.000 sales points.

Our will to grow inspire us, pushing us to give always our best.

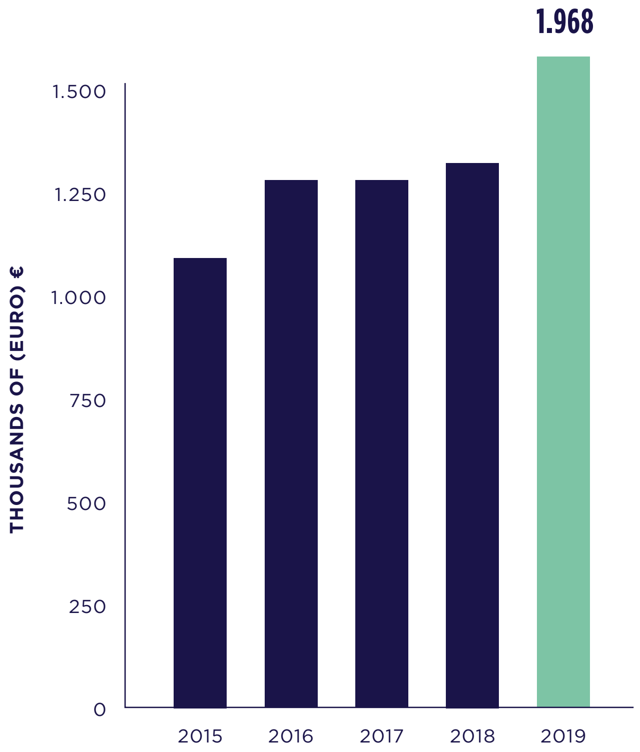
Sold LED units



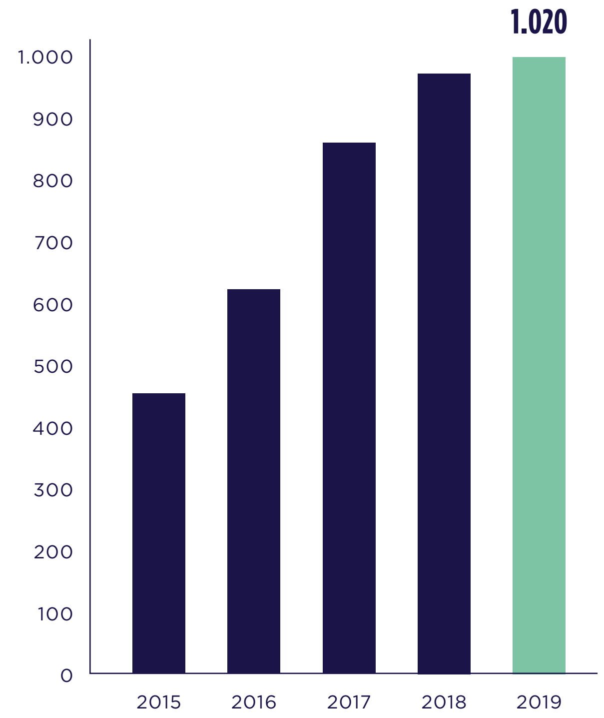
Middle price for LEDS



Revenue LED



Sales points LED



BATTERIES

One of our smart products, conceived to have always more energy at hand. Illumia points on a choice of long-lasting alkaline batteries, able to comply with every requirement.

BIKES

Cycling towards sustainability.

Illumia wants to accompany people to a more sustainable future and chooses to do that riding an electric bicycle, that can cut costs and reduce the environmental impact.

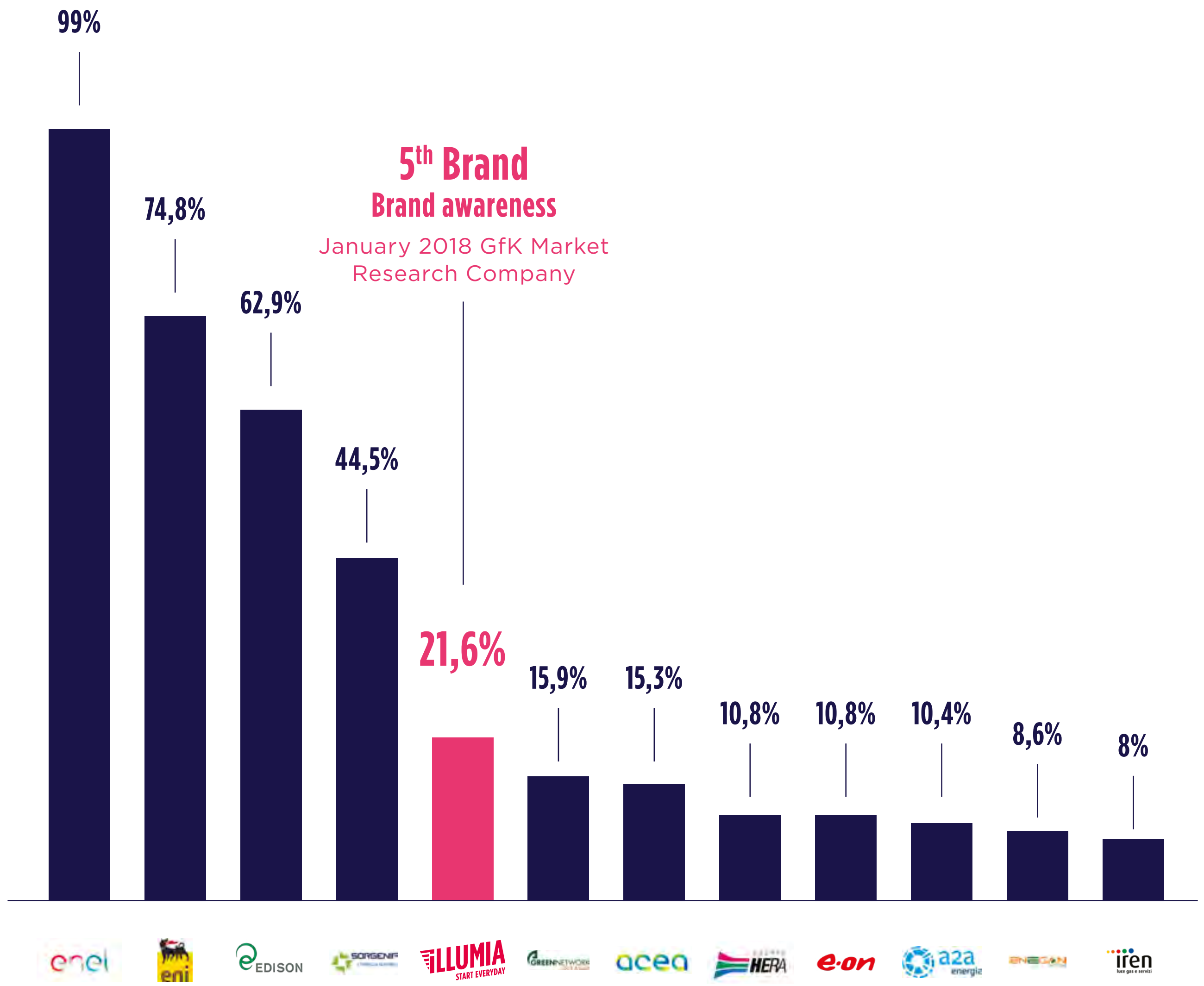
Thus, Illumia Revolution was developed: a bicycle for every need, from a folding e-bike, to a city bike or a mountain bike for sportive people. By choosing one of these models, the customer can use the energy in a smart and mindful way, obtaining to reset bills to zero until two years.

#ALWAYSCONNECTED

MARKET OVERVIEW: COMPETITIVE POSITIONING

A brand awareness consolidated on TV, and today supported by digital media

After an efficient TV campaign that, in 2016, made the brand known by the general public, today Illumia chooses to communicate with its customers through the digital: a closer world to adult and young people, towards whom communication must have a direct and smart approach. A living place where Illumia feels at home. That's why it invested on sponsorships and aimed to a solid Digital Strategy, keeping the fifth position on Energy market in terms of Brand Awareness (survey by GfK).



SOCIALS

Original content and quality interactions.

Thanks to a structured digital communication strategy and optimized investments in Social Advertising, in 2019 the online presence of Illumia has been strengthened.

In this year the social action has focused on two activities:

- creating a community through content dedicated to user interaction;
- increasing the conversion rate of the website through retargeting campaigns.

The optimization of the investments has been activated thanks to the use of a Pixel of monitoring integrated to our site. In this way, the Social Advertising campaigns were aimed at a targeted purpose and really interested in Illumia products and content.

Facebook: The channel was mainly used for commercial communications, with advertising campaigns aimed at increasing conversions on the Illumia site. The editorial plan then welcomed educational and storytelling content, with the aim of providing information on the energy market through motion-video tutorials, advice on the use of energy and video explainer to frequently asked questions.

Instagram: The Instagram profile has increased its followers thanks to a 360-degree narrative of the Illumia world. Events, guests, sponsorships and educational content have created quality interactions with users. The use of new formats and layouts has helped to strengthen the brand identity of Illumia with a style in step with the times.

LinkedIn: The Linkedin channel is the official voice of Illumia in the digital world. This space has welcomed the news of the goals and many initiatives supported by the energy of Illumia. Here we have opened contacts with the world of great professionals, but also with that of young talents, thanks to an effective and attractive recruitment plan.

Twitter: This profile is the channel for communication with the media and stakeholders. The contents are mainly industry editorial links and news related to the company, told through an informal and credible tone of voice.

Social Advertising: In 2019, investments in advertising on Facebook and Instagram channels were greatly optimized on the Illumia target, that is addressed to users potentially interested in our products and services. This process of optimization has allowed an increase in site visits and, ultimately, an increase in conversions, as demonstrated by the data provided by the advertising platform Business Manager Facebook. These data refer to users tracked through the Facebook Pixel integrated on the Illumia website.

ALWAYS CONNECTED

The use of the socials allows us to keep in touch with our customers and interact with them.

ENERGY TO THE DREAMS

We support initiatives and situations that go along with our values and contribute to bring a new physical and cultural energy to the Country.

BOLOGNA FC 1909

Bologna FC 1909 and Illumia.
Together for a new energy.

Illumia is the Back Jersey Partner of Bologna FC team. The partnership rises from the sharing of the same vision: a reality rich in tradition that is also oriented towards the future, just like Illumia.

Giallo Dozza

Since 2017 we have been supporting Giallo Dozza, the rugby team of the Dozza correctional in Bologna, to support his players in their most important game: the one to get back to social dignity, continuing to put the maximum effort into it.

Incontri Esistenziali

Existential Encounters

Exhibitions and concerts, shows and debates, in which important themes are touched, from the future of young people to faith. All this is Existential Encounters. Illumia hosts and promotes these events, because it believes in the power of debate and the energy that culture brings with it.

YOU DREAM WE BELIEVE.

You dream we believe

Since 2018, in partnership with the Italian incubator Wylab, we organize a contest for startups operating in the energy sector and developing services and products for smart city, smart home and energy efficiency.

THE ENERGY OF TOMORROW

2020: TOWARDS A NEW LIBERALIZATION

The rules and regulations uncertainty in the utilities sector is wide. In this moment it is impossible to rely on the perspective of a new liberalization or know with precision what will the future scenarios be. Notwithstanding the uncertain premises, we choose to carry on our projects related to the presence in this sector of the market and the development.

We are active part of the AIGET, Associazione Italiana di Grossisti di Energia e Trader [Italian Association of Energy Gross wholesalers and Traders] of which Massimo Bello, CEO of WeKiwi, is chairman, and we carefully follow the development of the sector.

In view of the possible abolition of the higher protection, ARERA provided mechanisms that can be quickly adopted to assure the concurrence and plurality of suppliers and offers. With regard to this information, we react by keeping our commitment in the protection of all the customers, with reliability and motivation.

ILLUMIA IN THE CHAMBER OF DEPUTIES

In hearing at the Commission Ten of the Chamber of Deputies the Chairman Marco Bernardi brought the contribution of Illumia in the framework of the Survey on the prospects of implementation and adaptation of the National Energy Strategy to the National Plan Energy and Climate for on 2030 (PNIEC). At the heart of the intervention is the issue of system charges and the liberalisation of the electricity market.

"Ahead with decarbonisation but changing method: just weigh the bill with the system charges" said Marco Bernardi.

At the end of the speech, the Chairman Marco Bernardi also drew attention to the need for rapid action on liberalisation from DCO 397/2019 published by ARERA.

CONSUMERS PROTOCOL

Last year we have started an important cooperation with two consumers associations: Codacons and MDC - Movimento per la Difesa del Cittadino [Citizen Defense Movement]. Thanks to these relations, today we can:

- provide the client a pre-contractual and contractual document validated and integrated by the qualified staff of the two associations;
- benefit from a dedicated training for the cooperating agencies, in particular for what concerns the consumers' rights in matter of the European GDPR [General Data Protection Regulation] and the rules and regulations for the trade sector;
- being provided of a certification about the sales policies, in particular the recruiting process of the sales agencies and the monitoring of the quality of their work (sanction measures included), validated by the staff of the two consumers' associations through a dedicated audit.

We have also become the only Italian operator to publish the telephone numbers actually authorized. Our customers, after signing a contract on the phone, can verify the reliability of the agency and report incorrect practices by entering the official website of Illumia the number from which they were contacted.

COMPLIANCE

The current legislation requires that all agents comply with few but essential consumer protection standards in their daily work. The AEEGSI Code of Commercial Conduct and the Consumer Code are the regulations that must be followed. In order for these guidelines to be clear and comprehensible to all, we established a Quality Office in 2018.

This new department dictates the strict guidelines for agents, monitors the quality of sales and provides materials and support tools to all affiliated agencies, guiding them in adopting the correct procedures.

ENERGY TO WIN

We have received important awards and gratifications. We are proud of the results but, most of all, proud to know that the daily commitment to our work, our passion, the attention to the individuals, the will of innovation and the effort spent for the social field are publicly recognized and shared.

Welfare Index Award

Ilumia enters the list of Italian companies with a 'Welfare Champion' rating and is awarded as Italian welfare excellence.

'Welfare Index PMI' evaluates the level of corporate welfare in the small and medium-sized productive realities that constitute the backbone of the Italian economic scenario. The index is scientifically constructed, with research criteria and methodology submitted to the control of a Steering Committee.

Among the 4,500 companies surveyed for the 2019 edition, Illumia is ranked first in the category 'Commerce and Services'.

Food for Good Award

Illumia was awarded the Food for Good 2019 award for her contribution to the collection of food surpluses from its corporate events.

Food for Good is an initiative promoted by Federcongressi&eventi in collaboration with the non-profit organization Banco Alimentare and Equoevento. With the FCE Exellence Awards, Federcongressi&eventi rewards the commitment of its members in innovating the congress and events sector, encouraging the development and sharing of best practices.

FINANCIAL STATEMENTS

1

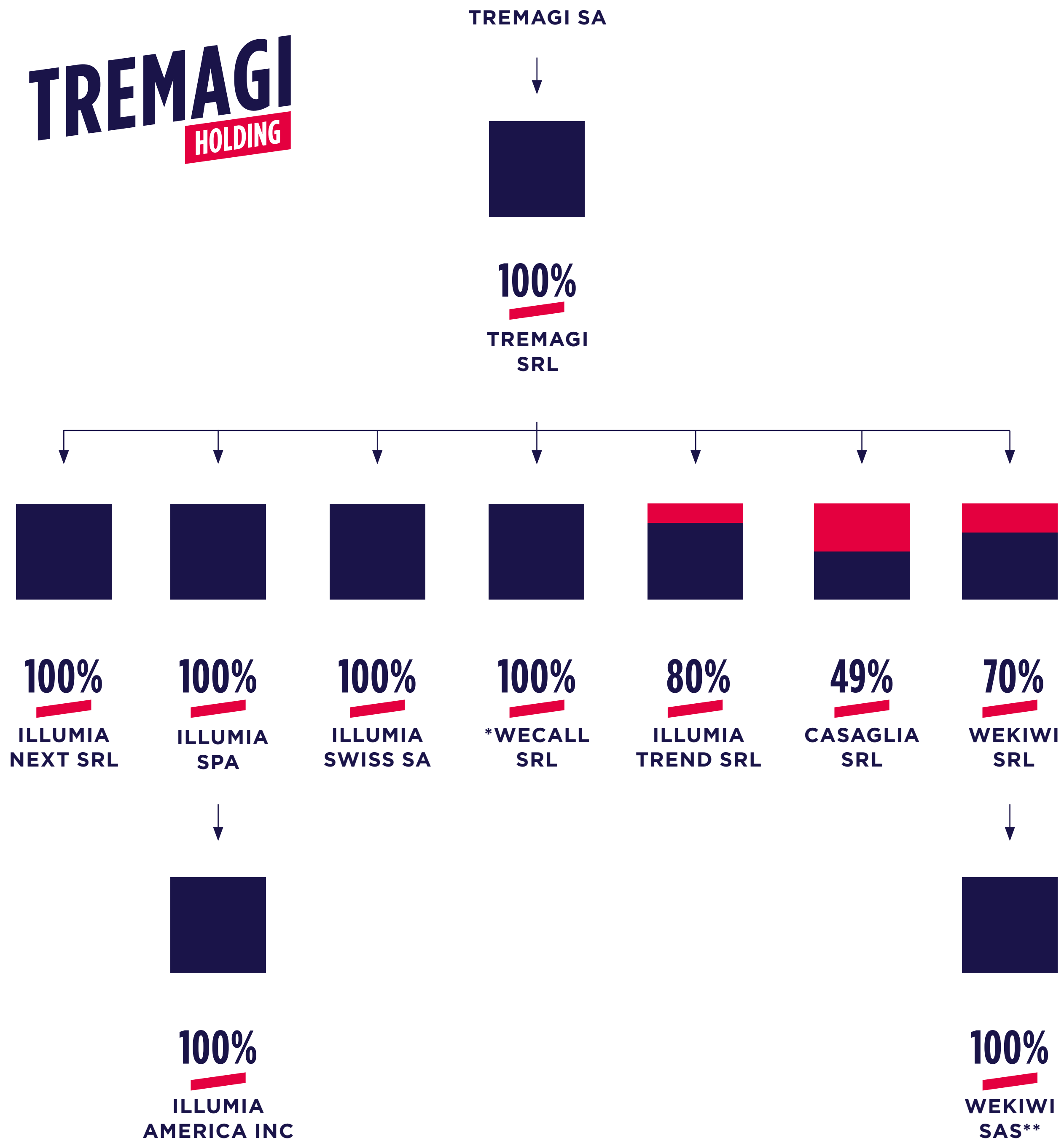
THE CHAIRMAN'S LETTER TO QUOTAHOLDERS

Dear Quotaholders,

These consolidated financial statements are made up of the statement of financial position, the Income Statement, the Statement of Comprehensive Income, the Cash Flow Statement, the Statement of changes in equity and related Explanatory Notes.

The Consolidated Financial Statements at 31 December 2019 are audited by the Audit firm PricewaterhouseCoopers S.p.A., as per the engagement assigned by the Quotaholders' Meeting held on 30 April 2019 (2019-2021) under Legislative Decree no. 39 of 27 January 2010.

TREMAGI HOLDING



GOVERNING AND CONTROL BODIES

Board of Directors

Marco Bernardi, Chairman

Matteo Bernardi, Director

Giulia Bernardi, Director

Pacetti Tiziano, Director

Francesco Maria Bernardi, Honorary Chairman

Board of Statutory Auditors

Rag. Andrea Berti, Chairman

Rag. Alberto Collina, Standing auditor

Dott.ssa Sara Businelli, Standing auditor

Independent Auditors

PricewaterhouseCoopers SpA

1. REPORT ON OPERATIONS

Dear Quotaholders,

The financial year ended 31 December 2019 closed with a profit of Euro 4,058,025, which is the result of the operations reported in the balance sheet, the income statement and the cash flow statement, as well as illustrated in the explanatory notes.

The sole-quotaholder company Tremagi S.r.l. was established on 11 September 2009, its core business being the acquisition and holding of interests of the Tremagi Group, the operations of which started during 2009.

The direct subsidiaries and the most significant corporate transactions that took place during the financial year are briefly described below:

ILLUMIA SPA

100% of the shares in this company were acquired from Dufenergy Italia S.p.A. on 10 February 2010, by a deed drawn up by Notary Public Scutra in Brescia, File no. 81632/18406, at the provisionally agreed price of Euro 6,230,000, which was subsequently restated as Euro 6,109,157 following a contractually mandated adjustment.

The company has been operating in the electricity trading sector since 2003, and its corporate purpose mainly consists of the following:

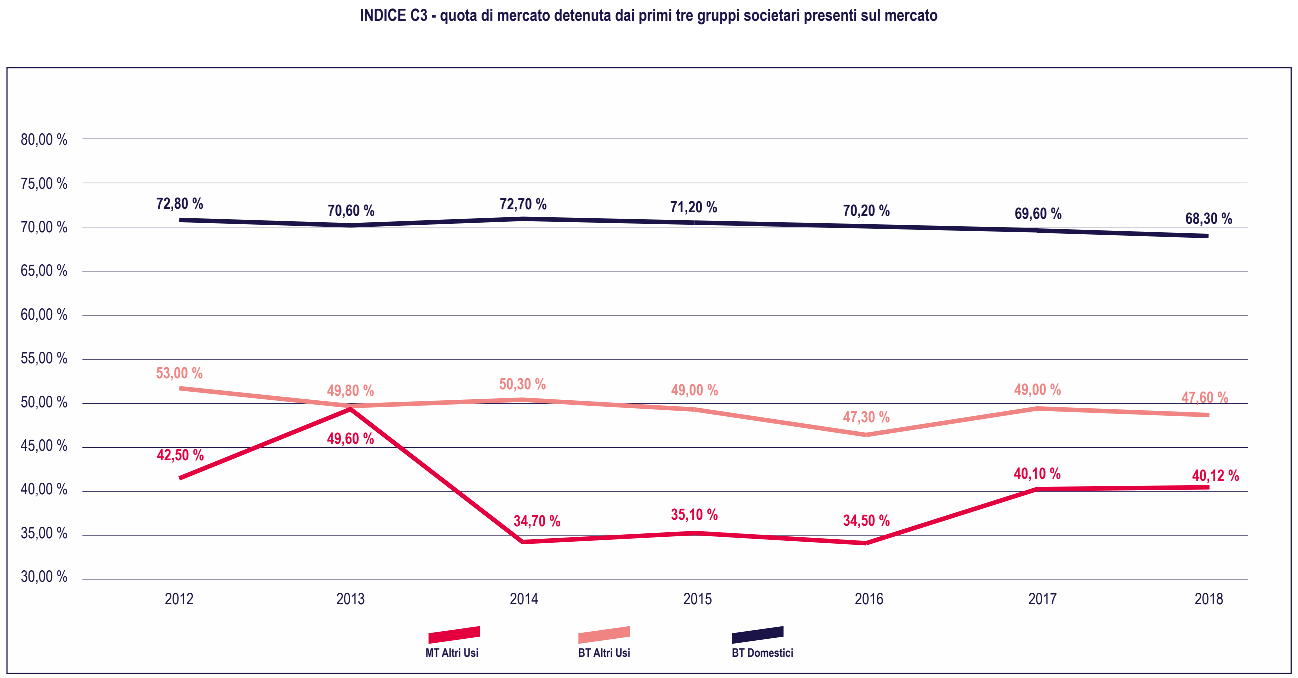
- trading in electricity;
- trading in hydrocarbons;
- importing and trading in natural gas in general and coal;
- designing, organising and executing public and private engineering works in various sectors, including electronics, electro-optical information technology and automation, both in Italy and abroad.

In 2019 Illumia experienced a particularly successful year thanks to a significant growth in the number of customers served by the dispatching scheme. In general terms, sales increased again despite a last quarter with above-average temperatures that contributed to lower final consumption.

The political situation, in which a new majority government was formed after the summer, has once again cancelled out the work performed by the previous executive on issues concerning the completion of liberalisation as a result of the termination of the Greater Protection (Maggior Tutela) tariff scheme. The new government has in fact established yet another extension by setting 1 January 2021 as the date for opening the market for Small Enterprises and 1 January 2022 as the date for enterprises in the micro-business and residential segment. This scenario has once again contributed to consumers' lower awareness of the opportunities offered by the free market, on the one hand, and, on the other, to an increase in the market concentration rate of incumbent operators.

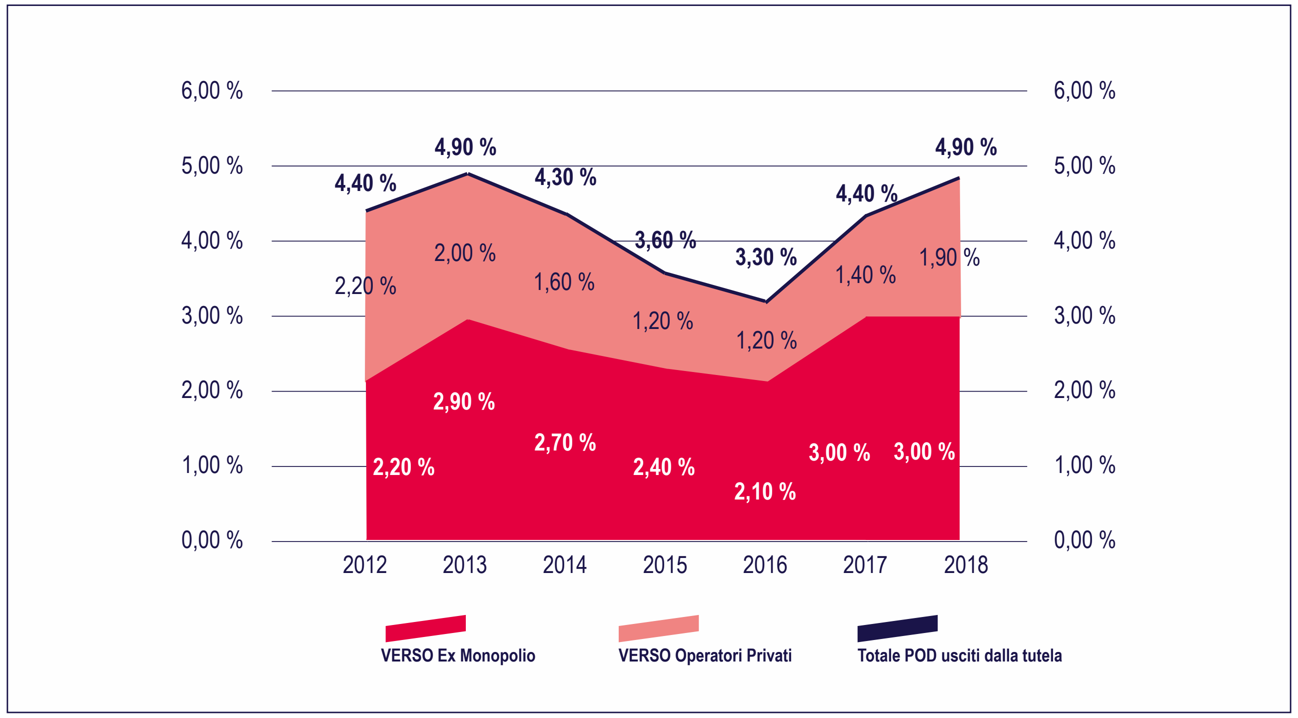
Both events are well described by the latest Retail Market Survey conducted by ARERA (Autorità di Regolazione per Energia Reti e Ambiente, Italian Regulatory Authority for Energy, Networks and Environment). In particular, the C3 index, which represents the free market share held by the top three corporate groups, has stood at around 70% from 2012 to date (Charts 4.1, 4.2 and 4.3 of the Retail Market Survey). This scenario has been caused by a shift from the protected market towards the free market, which, in addition to being slow (3% to 5% from 2012 to date), is characterised by a clear prevalence of shifts within the same incumbent group. For example, with regard to the domestic customer segment only, just 1.9% of consumers chose an operator unrelated to an incumbent group out of 4.9% who shifted from the protected market towards the free market in 2018. This clearly prevailing real "drag effect" was observed in a similar fashion even during previous years (Table 4.5 of the Retail Market Survey). This is compounded by another factor, which has further complicated the scenario. The number of groups operating in the free market has in fact continued to grow, totalling 426 in 2018. In 2012 there were 219 groups, showing an increase of more than 90% (Table 4.1 of the Retail Market Survey).

Indice C3



FONTE Tab. 4.3 clienti che hanno abbandonato i servizi di tutela - rapporto monitoraggio Reatail 2018.

Passaggi da Tutela a Libero



Numero operatori

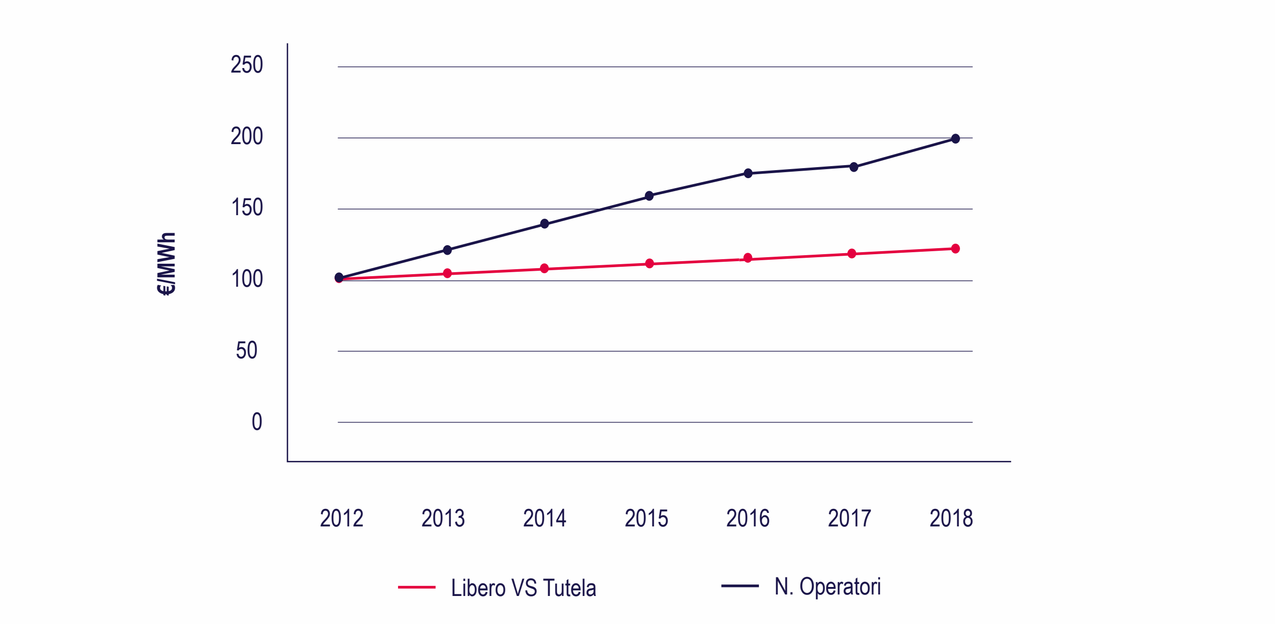


Tabella 4.1 Presenza nel mercato libero a livello regionale dei gruppi societari attivi nella vendita di energia elettrica e relative variazioni - anni 2012 - 2017.

GRUPPI PRESENTI IN	2012		2013		2014		2015		2016		2017		2018	
	N°	%	N°	%	N°	%	N°	%	N°	%	N°	%	N°	%
1 regione	60	27%	65	25%	64	23%	63	19%	71	19%	69	18%	74	17%
Tra 2 e 5 regioni	39	18%	54	21%	55	20%	78	23%	71	19%	64	16%	71	17%
Tra 6 e 10 regioni	24	11%	35	13%	41	15%	57	17%	56	15%	52	13%	51	12%
Tra 11 e 15 regioni	33	15%	27	10%	37	13%	39	12%	49	13%	55	14%	66	15%
Tra 16 e 20 regioni	63	29%	79	30%	83	30%	98	29%	126	34%	151	39%	164	38%
Totale	219	100%	260	100%	280	100%	335	100%	373	100%	391	100%	426	100%

VARIAZIONI %	Δ 2012-2013		Δ 2013-2014		Δ 2014-2015		Δ 2015-2016		Δ 2016-2017		Δ 2017-2018		Δ 2012-2018	
	N°	%	N°	%	N°	%	N°	%	N°	%	N°	%	N°	%
1 regione	+5	+8%	-1	-2%	-1	-2%	+8	+13%	-2	-3%	+5	+7%	+14	+23%
Tra 2 e 5 regioni	+15	+38%	+1	+2%	+23	+42%	-7	-9%	-7	-10%	+7	+11%	+32	+82%
Tra 6 e 10 regioni	+11	+46%	+6	+17%	+16	+39%	-1	-2%	-4	-7%	-1	-2%	+27	+113%
Tra 11 e 15 regioni	-6	-18%	+10	+37%	+2	+5%	+10	+26%	+6	+12%	+11	+20%	+33	+100%
Tra 16 e 20 regioni	+16	+25%	+4	+5%	+15	+18%	+28	+29%	+25	+20%	+13	+9%	+101	+160%
Totale	+41	+19%	+20	+8%	+55	+20%	+38	+11%	+18	+5%	+35	+9%	+207	+95%

FONTE DATI: elaborazioni dati dichiarati dagli operatori ai sensi della deliberazione arg/elt 167/08 e GOP 35/08.

Within this context, the growth in Illumia's volumes, which was pursued through a strategy aimed at balancing segments and channels utilised, becomes even more significant.
Total sales volumes in the markets showed an increase compared to 2018:

- Electricity: from 4,445 GWh to 4,593 GWh (+3.0%)
- Gas: from 159 million to 206 million SCMs (+30%)

The number of end customers served by the dispatching scheme totalled 270,915, showing an increase of 19% compared to 2018, thus ranking Illumia among the top 15 companies in the free Retail market (source: Authority's Retail Market Report) and among the leading private companies in Italy.
With the aim of further opening up the market, the strategy of continuously improving end customer care has led to further increases in productivity in the most successful channels compared to 2018:

- Online Sales: +113%
- Toll-Free Inbound Calls: +55%
- Direct sales network – SMEs and Executive channels: +11%

Furthermore, a Retention project was launched within the Group by establishing a new company, WeCall S.r.l., which allowed customer care and retention performances to be improved significantly in just a few months, thus increasing them by 119%.
As mentioned above, the seating of Italy's new government in 2019 resulted in delayed termination of the regulated tariff scheme, thereby rendering ineffective both Mr Renzi's Government Law no. 124/2017 (Annual Market and Competition Law), under which this termination was due to take place on 1 July 2019, and the extension to 1 July 2020 set out by the Prime Minister Conte's first Government mandate. The new regulatory framework offers even further support to the actions already taken in previous years in preparation for frequent and authoritative interaction with the institutions:

1. Participation in the Energy Manifesto, together with major market players and consumer associations, continued to play an important role in the political debate;

2. The signing of memoranda of understanding with Codacons (Italian Consumer Group) and the Citizen's Protection Movement (Movimento a Difesa del Cittadino) resulted in the certification of our sales processes on the part of these two associations, an absolute first for the electricity market;

3. Active participation in AIGET (Associazione Italiana di Grossisti di Energia e Traders, Italian Association of Wholesalers and Energy Traders) contributed to sharing problems and issues critical to the sector, by bringing key matters to the attention of the Authorities, the Government and the Parliament, including the reform of system charges, the creation of a Register of Sellers and Vendors and the abuse of dominant position on the part of the incumbents.

WEKIWI SRL:

It is a "project company" dedicated to the development of a new Group-wide web portal.
In particular, Wekiwi.it is a web portal that aims to become the very first online supplier of electricity and gas for private consumers and micro-businesses. Wekiwi is the Group's second largest brand dedicated to online customers. It provides advanced tools for signing contracts and for supply management, allowing the customer to carry out any and all management operations directly via the website or apps. In the Tremagi Group the secondary Wekiwi brand also serves as an innovation workshop, and can be used to try out new products/services, as well as new types of offering or new customer management methods.

ILLUMIA TREND SRL:

This company conducts the following business activities:

- providing technical and advanced support to hedge the risk associated with the tariffs applied to end customers, evaluating contracts concerning the wholesale purchase and sale of energy products, and providing assistance in negotiating framework agreements with counterparties;
- engaging in the purchase and sale of energy from energy-saving plants;
- delivering logistics services for gas transport, storage and balancing;
- providing support to and advice on the review, preparation and negotiation of contracts for the purchase and sale of natural gas, including assistance in negotiations with counterparties;
- offering price risk hedging solutions, as well as any possible hedge trading advice, to active counterparties;
- searching for opportunities to buy or sell natural gas batches, even outside the Virtual Trading Point (VTP).

ILLUMIA SWISS SA

The company was established on 30 January 2015, by a deed drawn up by Notary Public Marazzi in Lugano, and recorded under file no. 305, appendix A.
Illumia Swiss SA operates in the purchase and sale of energy products and assets, and is mainly engaged in the following business activities:

- Purchase and sale of energy products: during 2019 the company entered into various negotiations for the execution of EFET (European Federation of Energy Traders) and ISDA (International Swaps and Derivatives Association) contracts with major energy operators. This business, which is now considered no longer strategic for the Group, was discontinued during 2019 and the company is taking steps to conduct a market analysis in order to establish whether a new business is feasible in the Swiss market.

ILLUMIA NEXT SRL

The company was established on 18 July 2017 by a deed drawn up by Notary Public Vico in Bologna, recorded under no. 14097IT on 25 July 2017. The company has the purpose of trading in electricity and natural gas and was not yet operational at 31 December 2019.

WECALL SRL

The company, which was established by Tremagi on 17 September 2018, is currently in its start-up phase, and its corporate purpose consists of the provision and operation of call centre services, as well as the management of relations with the Group's customers and other potential customers.

WEKIWI SAS

The company, which was incorporated under French law on 17 July 2018, is dedicated to developing a commercial offering for private and business customers throughout France, applying the same online business model as its Parent Company Wekiwi S.r.l., as from 2019. As at 31 December 2019 it was still in its start-up phase, since its objective is to pursue the development of its hardware and software infrastructure and the recruitment of its human resources.

CASAGLIA SRL

On 12 October 2018 Tremagi S.r.l. acquired a 49% quota of Casaglia S.r.l. for an amount of Euro 5,000,000. The corporate purpose consists of the management and refurbishment of the company-owned properties. The company is valued using the equity method.

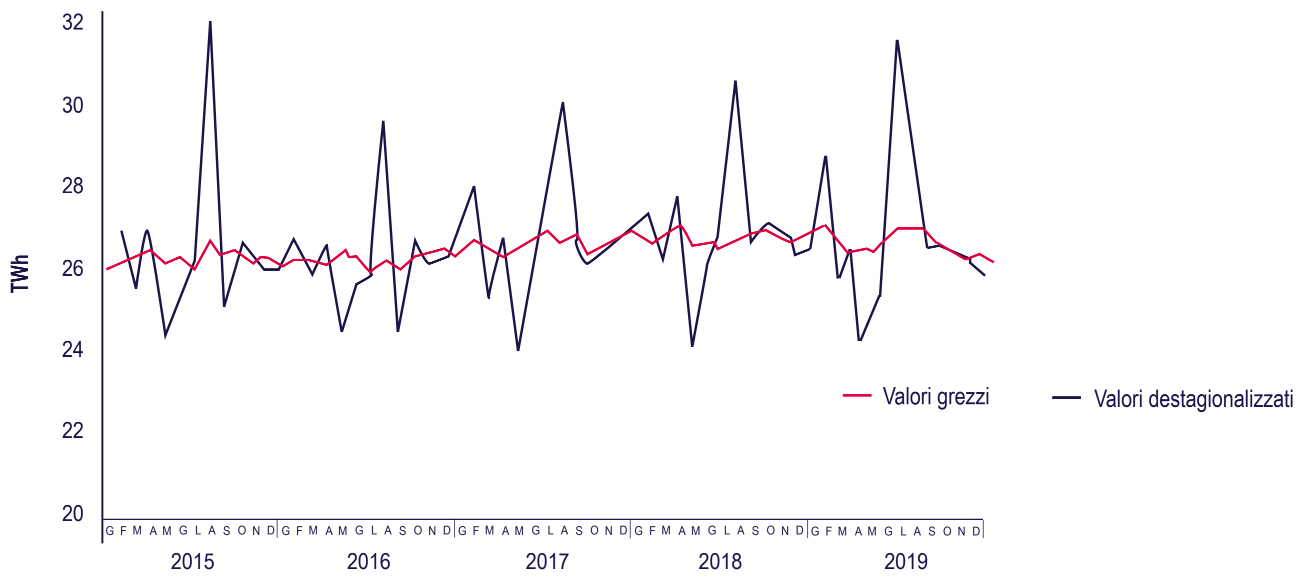
THE RELEVANT SCENARIO

In order to gain a better understanding of the corporate performance, we provide some information regarding the relevant scenario of the energy sector in which Illumia operates.

ENERGY DEMAND

As shown by the "Monthly report on the electricity system - December 2019 Final Data" published by Terna, the overall demand for electricity showed a slight decrease in 2019 compared to 2018, from 321.4 TWh to 319.6 TWh (-0.6%).

Economic analysis of electricity demand

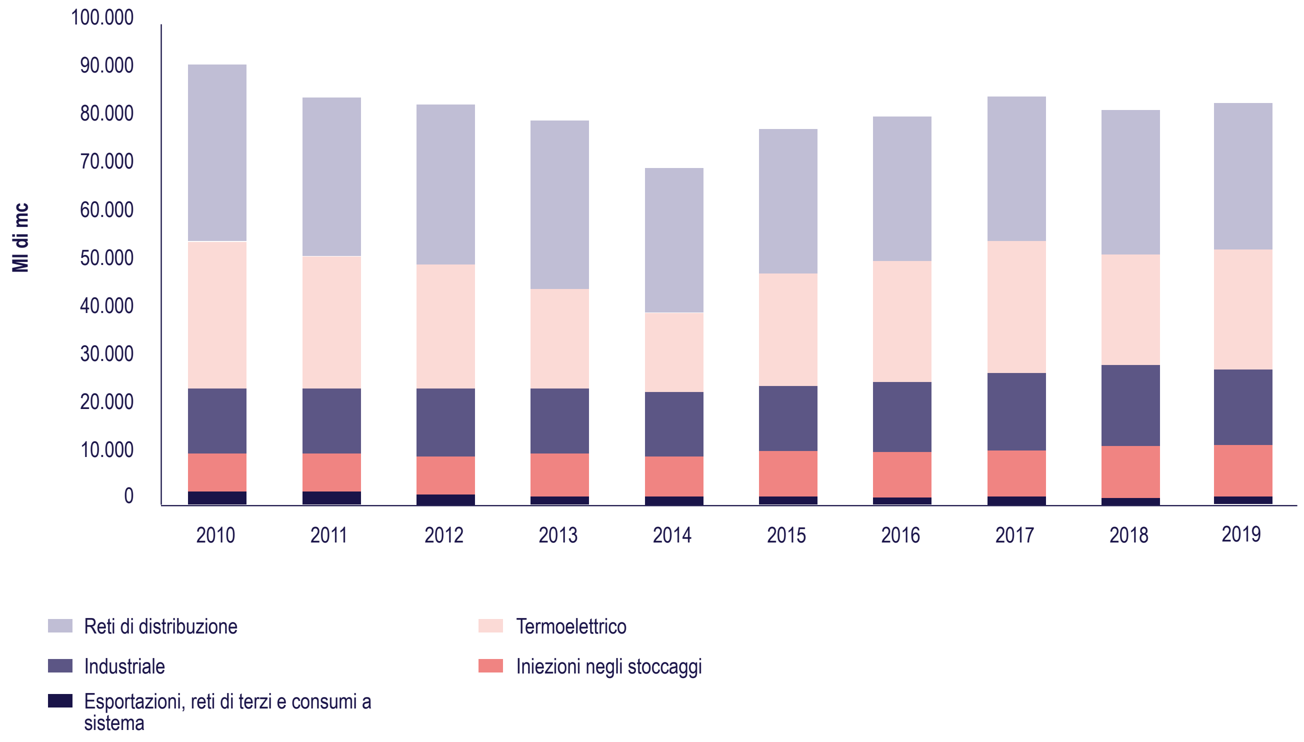


SOURCE: TERNA – Monthly report on the electricity system –December 2019 Final Data

GAS DEMAND

In 2019 natural gas consumption in Italy returned to the growth trend that had been interrupted in the previous year (+2.3%), slightly lower than in 2017.

Natural gas off-take



SOURCE: GME: Newsletter no.133 - January 2020

In 2019 natural gas consumption rose again after the decline recorded in the previous year (+2.3%), coming to 73,760 million m^3 (780.6 TWh), just below the levels recorded in 2017, but well above the lowest seen in 2014 (61,390 million m^3). The growth was attributable to consumption in the thermoelectricity sector which, recovering more than the amount sold in 2018 (+10%), rose to a peak from 2012, equal to 25,714 million m^3 (272.1 TWh); it was supported both by the downward trend in gas costs, which marked the entire year, and by lower imports of electricity from the northern border, against a production of electricity from renewable sources that was only slightly lower than the previous year. On the other hand, the downward trend in consumption continued in the civil sector, which, especially after a mild autumn, returned to the levels reported in 2016, equal to 31,649 million m^3 (-2%). Consumption in the industrial sector continued to record similar trends, but remained among the highest since 2009 (13,957 million m^3, 147.7 TWh). Exports were on the rise, but still at low levels, amounting to 2,439 million m^3 (+12%).

ENERGY SUPPLY

An analysis of the annual data shows that the production of electricity from renewable sources increased slightly in 2019 compared to 2018 (+1.6%) mainly thanks to a clear recovery in wind and PV production, which closed 2019 at +14.3% and 9.3%, respectively, with a rise of 4.6 TWh compared to 2018. This increase offsets the decline in water production (-5.9%) and geothermal energy (-1.2%) compared to 2018.

It is also interesting to note that the Italian system has on the one hand reduced imports of electricity from abroad (-6.8%) by 3.2 TWh, and on the other increased exports by 2.6 TWh (+77.8%), absorbing them following a more flexible production mix.

Bilancio energia

[GWh]	Dicembre 2019	Dicembre 2018	% 19/18	Gennaio-Dicembre 19	Gennaio-Dicembre 18	% 19/18
Idrica	4.458	3.602	23,8%	46.959	49.928	-5,9%
di cui pompaggio in produzione[2]	*194*	*156*	*24,2%*	*1.688*	*1.619*	*4,3%*
Termica	14.181	16.138	-12,1%	186.811	184.388	1,3%
di cui Biomasse	1.537	1.515	1,5%	17.546	17.601	-0,3%
Geotermica	461	498	-7,4%	5.687	5.756	-1,2%
Eolica	2.457	1.917	28,2%	20.063	17.557	14,3%
Fotovoltaica	923	897	2,9%	24.326	22.266	9,3%
Totale produzione netta	**22.480**	**23.052**	**-2,5%**	**283.846**	**279.845**	**1,4%**
di cui Produzione da FER[3]	*9.642*	*8.273*	*16,6%*	*112.893*	*111.489*	*1,3%*
Importazione	3.949	3.966	1.130,0%	43.980	47.170	-6,8%
Esportazione	552	410	34,6%	5.817	3.271	77,8%
Saldo estero	**3.397**	**3.556**	**1.100,0%**	**38.163**	**43.899**	**-13,1%**
Pompaggi	**277**	**223**	**24,2%**	**2.412**	**2.313**	**4,3%**
Richiesta di energia elettrica[1]	**26.600**	**26.385**	**-3,0%**	**319.597**	**321.431**	**-0,6%**

[1] Richiesta di energia Elettrica = Produzione + Saldo estero – Consumo Pompaggio.
[2] Quota di produzione per apporto da Pompaggio, calcolata con il rendimento medio teorico dal pompaggio in assorbimento.
[3] Produzioine da FER = Idrico-Pompaggio in Produzione + Biomasse + Geotermico + Eolico + Fotovoltaico.

SOURCE: TERNA – Monthly report on the electricity system –December 2019 Final Data

GAS SUPPLY

On the supply side, the higher demand was exclusively absorbed by natural gas imports through regasification terminals which, up by 61% compared to the previous year, rose to an all-time high of 14 million m3 (147.6 TWh), accounting for 16% of total supply (+6% p.p.). An opposite trend was reported for pipeline imports, which fell to the lowest of the last four years, equal to 56,693 million m3 (600 TWh, -4%). An analysis of flows by entry points shows a reduction in pipeline imports concentrated in Mazara: the flow of gas from Algeria (10,206 million m3), which had already declined sharply in 2018, showed a fall of 40% down to its lowest level since 2016. The reduction in imports at the entry point in Gorizia was less strong, recording 15 million m3 (-39%); however, a positive sign was reported for the flow of natural gas from the remaining pipelines, including that at Tarvisio which still gives the most substantial contribution (29,706 million m3).

With regard to the three regasification terminals, all of which recorded a significant increase up to their historical highs, note the three-digit growth trend reported at Panigaglia and Livorno (2,417 and 3,622 million m3, respectively), while Cavarzere remains the facility with the most work-intensive scheduling (7,910 million m3,+16%).

An opposite trend was recorded in supplies from storage, which, after four consecutive increases, dropped to their lowest levels since 2015, equal to 10,149 million m3 (107.4 TWh, -12% from the historical record of 2018), accounting for about 12% of total gas injected into the distribution network (14% in 2018). A decrease of 4% was also recorded in injections into the storage systems, which however remained at their highest levels ever with 11,544 million m3; therefore, the gas stored on the last day of the year came to 12,070 million m3 (+7%), the ratio of gas in stock to allocated space capacity coming to 90%, showing a recovery (+4.5 p.p.), against an increase of 2% in available space.

Finally, the downward trend continued in domestic production, which reached its all-time low (4,512 million m3) for the eight consecutive year.

Transported gas balance – 2019

	Ml di mc	TWh	var. tend.
Importazioni	70.643	747,6	*+4,8%*
Import per punti di entrata			
Mazara	10.206	108,0	*-40,3%*
Tarvisio	29.706	314,4	*+0,7%*
Passo Gries	11.065	117,1	*+43,8%*
Gela	5.701	60,3	*+27,6%*
Gorizia	15	0,2	*-38,6%*
Panigaglia (GNL)	2.417	25,6	*+173,7%*
Cavarzere (GNL)	7.910	83,7	*+18,0%*
Livorno (GNL)	3.622	38,3	*+236,8%*
Produzione Nazionale	4.512	47,7	*-11,9%*
Erogazioni da stoccaggi	10.149	107,4	*-12,0%*
TOTALE IMMESSO	**85.304**	902,8	***+1,4%***
Riconsegne rete Snam Rete Gas	71.320	754,8	*+2,0%*
Industriale	13.957	147,7	*-2,3%*
Termoelettrico	25.714	272,1	*+10,1%*
reti di distribuzione	31.649	335,0	*-2,1%*
*Esportazioni, reti di terzi e consumi di sistema**	2.439	25,8	*+11,8%*
TOTALE CONSUMATO	**73.760**	780,6	*+2,3%*
Iniezioni negli stoccaggi	11.544	122	*-3,5%*
TOTALE PRELEVATO	**85.304**	902,8	***+1,4%***

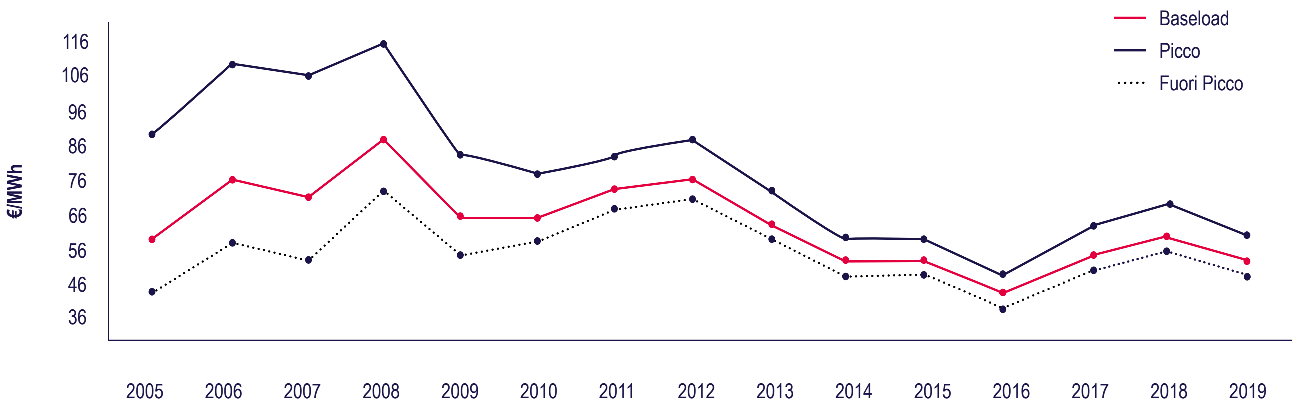
**Comprende variazioni invaso/svaso, perdite, consumi e gas non contabilizzato*

FONTE: GME, Newsletter n.133 - Gennaio 2020.

ENERGY AND GAS PRICES:

The trend in energy prices on the Electricity Exchange in the three "Baseload" (i.e. for all hours of the day), "Peak" (i.e. for daylight hours), and "Off peak" (i.e. for evening and holiday hours) configurations, from 2005 to 2019, is reported below:

MGP (Mercato del Giorno Prima, Day-Ahead Market) – PUN (Prezzo Unico Nazionale, National Single Price)

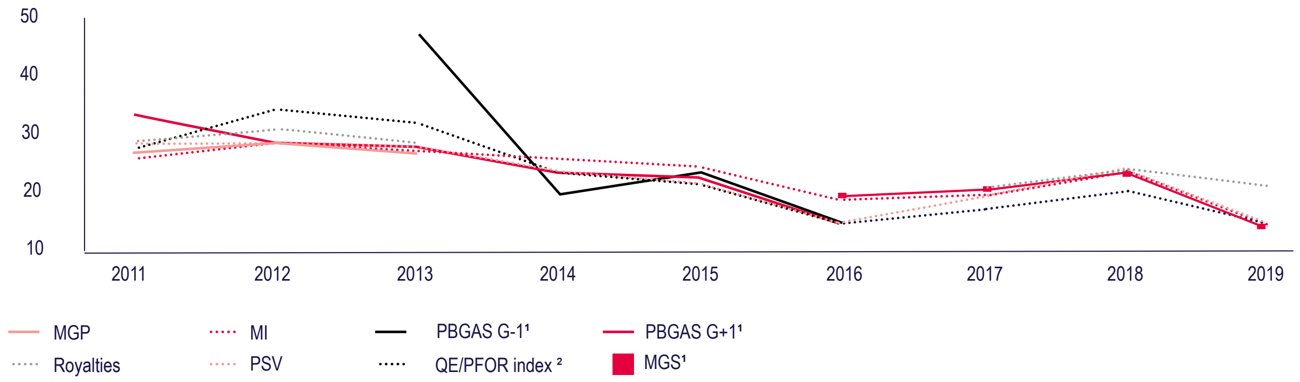


SOURCE: GME: Newsletter no.133 - January 2020

The average energy purchase price on the electricity exchange (PUN) went down to Euro 52.32 per MWh in 2019, showing a decrease of Euro 8.99 per MWh compared to 2018 (-14.7%). After considering that, during the last six years, domestic purchase levels were less than the highest in 2018 only, and that net imports were close to their lowest ever levels, the decrease arose, in 2019 too, from a downward trend in gas prices at the VTP, which was reported in particular between June and December (about -Euro18 per MWh), reaching its peak in September (-Euro 25 per MWh compared to 2018).

The breakdown by groups of hours shows a similar reduction in prices during peak hours, down to Euro 59.12 per MWh (-Euro 9.35 per MWh, -13.7%) and off-peak hours, down to Euro 48.72 per MWh (-Euro 8.79 per MWh, -15.3%), with a peak/baseload ratio that consequently remained stable at 1.13 (+0.01 compared to 2018).

NATURAL GAS MARKETS, PRICES *



*MGP e MI sono mercati a contrattazione continua, le Royalties e la PB-GAS mercati ad asta, il PSV è una quotazione ed il PFOR** un indice.

[1] Nel 2016 per i comparti G+1 and G-1 i dati sono relativi ai primi nove mesi dell'anno, per MGS e MPL agli ultimi tre.

[2] Fino a settembre 2013 indice QE.

FONTE: GME, Newsletter n.133 - Gennaio 2020.

The overall scenario described once again is a major opportunity for Illumia to grow and strengthen its business. The general reaffirmation of the consumption levels in the end-user market has had a positive effect on wholesale companies, which are now able to rely on a more stable portfolio. In this context, Illumia has become one of the leading demand aggregators at a national level, with well-established skills in procurement optimisation and customer portfolio management.

In this regard, it should once again be highlighted that the ongoing projects aimed at the abolition of the greater protection market scheme expected at the beginning of 2021 will lead to interesting opportunities for further growth for low-voltage commercial users, while it is expected for 2022 for residential customers.

Most of these end customers are even today being served by suppliers regulated under the greater protection scheme. Up until now, the regulatory and tariff structure has always prevented millions of customers from shifting from the greater protection to the free market scheme.

We hope that this process will be facilitated by promoting the full deregulation of the electricity market. These prospects present an important opportunity for Illumia to grow.

SUMMARY OF OPERATIONS

INFORMATION TECHNOLOGY

In 2018 Illumia successfully completed the project dedicated to upgrading the entire application platform.

On 7 January 2019 all the new company systems were "up and running", thus ensuring business continuity.

During 2019, the necessary actions were taken to put the SAP project on a more stable footing. The new applications required accurate fine tuning sessions that involved the entire company and will be completed during 2020.

In line with expectations, the new systems enabled the company to operate with more structured and efficient processes during the second half of the year.

The implemented solution features major developments and innovations: it's the first Full SAP/4HANA installation in Europe, among the first in Italy, to integrate Microsoft PowerBi into BW/4HANA.

Thanks to this application solution, Illumia is able to operate and ensure the management of such major customer base increases as should arise following the deregulation of the market, or as a result of M&A activities.

Combined with the infrastructure work performed in recent years, such as the new headquarters and the two external data centres, the implementation of the adopted solution will generally provide Illumia with a highly technological standard in line with that of the leading market operators.

As in past years, projects were performed in the field of security of IT systems and data processing in compliance with the new GDPR regulation in 2019 too.

COMMUNICATION STRATEGY

The 2019 Communication Plan was geared towards strengthening Brand Awareness as a primary support to sales.

At an operational level, this objective was pursued along 2 strategic lines:

1. Increasing the number of projects targeted at strengthening the market positioning linked to corporate values

2. Strengthening sales conversion through innovative Digital strategies.

MARKET POSITIONING

The experience of the Bologna FC Football Club and Cesare Cremonini Crew sponsorships in recent years has helped the Company strengthen its expertise in achieving excellent Brand Awareness results through sponsorships and positioning events. In particular, these actions have been shown to improve our performance insofar as they engage the audience they target. The concept of "activation" amplified by the digital channel was therefore the underlying rationale of this strategy.

In particular:

- **Bologna FC football club Sponsorship:**
  - Activation of "live" initiatives during home matches:
    - "Fai Goal con Illumia" (Score a goal with Illumia), whereby participants previously selected on Social Networks can take penalty kicks during the half time.

- **Sponsorship of the Giallo Dozza rugby team of the Bologna prison:**
  - This initiative combines Corporate Social Responsibility and brand awareness through the organisation of a training session with a champion like Mauro Bergamasco.
  - The event was also the occasion for a video story which was then posted on the Company's social networks.

- **Organisation of the "All you need is Vintag" event:**

  This event celebrated the partnership between Illumia and the start-up Vintag, which is active in the field of recycling applied to vintage fashion. The 2-day session was an opportunity to transform Illumia's offices into the home of a vintage exhibition, two conferences on sustainability and a popular party.

- **Organisation of the "You Dream, We Believe" event**

  This was the second contest for energy start-ups in which twelve teams participated with innovative ideas on services to match the electricity bill. The developments for 2019 saw the involvement of all staff members in the evaluation of proposals.

DIGITAL STRATEGY

In 2019 Illumia confirmed its development strategy throughout the digital world, which had been started in 2018, by strengthening its partnership, focused on optimising the Customer Experience on digital channels, especially via the Website and on Social Networks, with the London-based company Rock&Growth.

This strategy is aimed at increasing online conversion by using customised plans designed to identify such elements as are useful to increase the number of contracts signed via the web channel.

Combined with new promotional offers, these activities have led to a significant increase in conversion rates, online acquisitions and a sharp decrease in CTA (Cost to Acquire).

As regards social networks, it was decided to focus our work mainly on two activities:

- Creating a community around the brand, through contents dedicated to user interaction and to strengthening brand awareness;

- Improving the website's conversion rate, through re-targeting campaigns aimed at users who have visited or interacted with the website.

This strategy has made it possible to optimise investments in a significant manner, through the use of user Tracking Pixels, with the social advertising campaigns targeting specific Audiences who are really interested in the products or engagement content.

2019 ILLUMIA SALES OFFERING AND STRATEGY

The strategic decision made in 2016 to add new optional components to the electricity and natural gas offerings continued to be developed, in line with expectations. The 2018 trend was definitively well established in 2019. One out of every three customers signed in fact a contract with an additional optional service (green energy, carefree option, and the Led Kit).

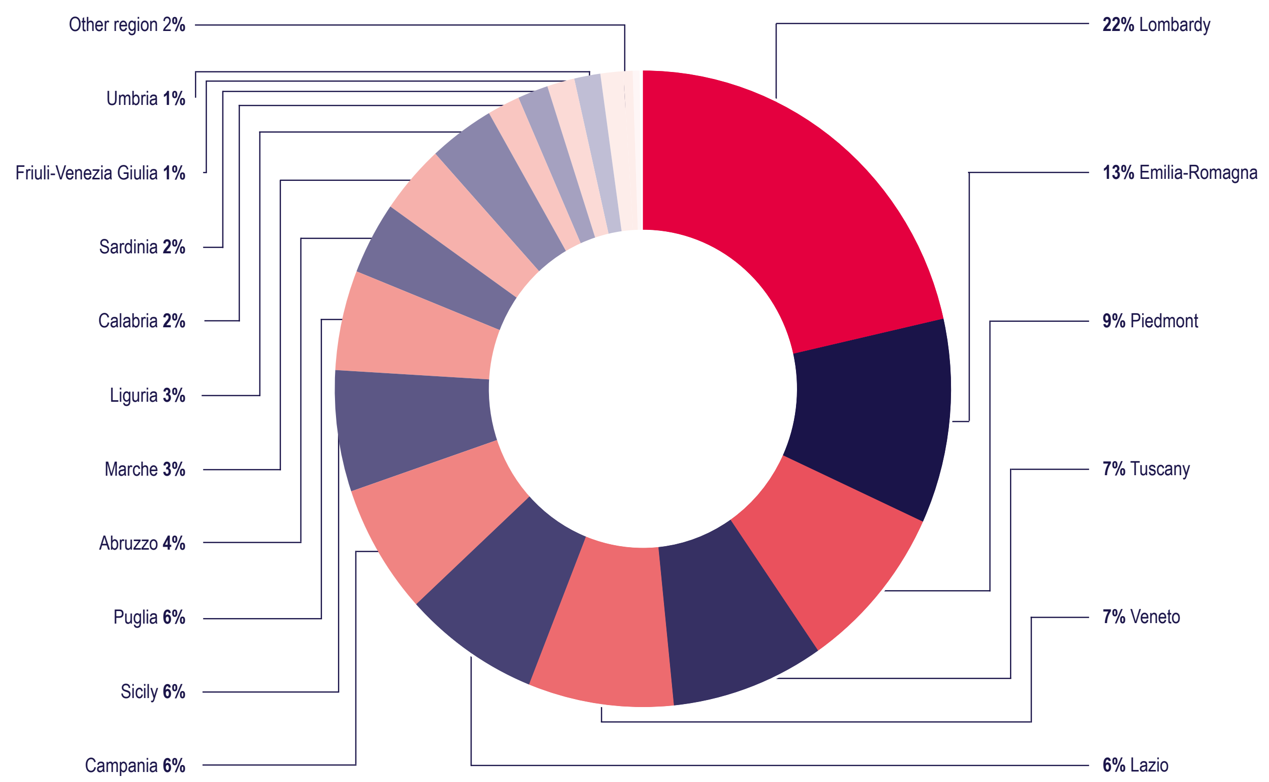
The implementation of the Placet offers (i.e. free market offers on conditions equivalent to protection regime terms), as per the ARERA Resolution put into effect in 2018, confirmed results below expectations. From our vantage point we continue to say that the lack of value-added services, which is hindered on these types of offers is most likely the main factor determining a lack of interest from end consumers.

The WinBack work carried out in-house with the aim of regaining customers lost to another supplier proved to be a strategic asset for the healthy growth of our clientele during 2019. The number of customers we have gained from this work recorded an increase which resulted in improved retention, thus raising performance by 119%.

We achieved a major turning point for "indirect" sales channels towards "direct" sales channels. The customers we have gained from these channels, such as for example, the WEB, SME and Toll-Free Number, show an average lifespan, measured over 12 months, which is much longer, and the percentages of those who sign SEPA payment contracts are much higher, thus contributing to lower credit risk. Actually 2019 marked this turning point in our business, which today sees "direct" channels outstripping "indirect" channels in terms of sales activation.

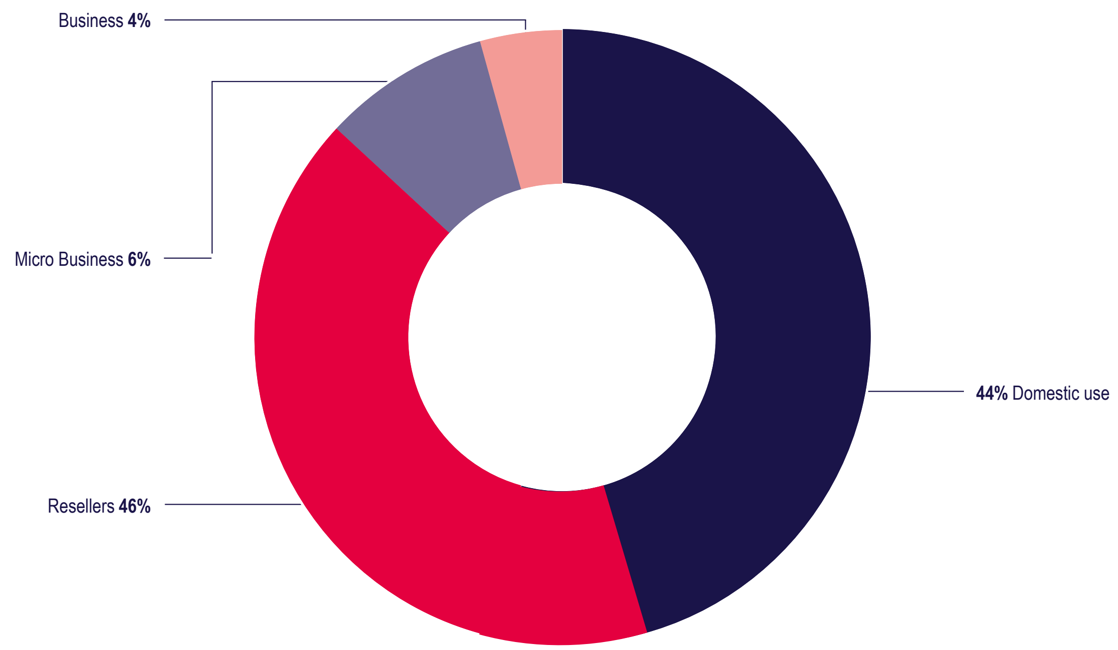
In line with this strategy, we definitively structured a new sales channel, the DEALERS. In fact, a new campaign was launched to acquire domestic customers through non-owned and multi-product sales outlets throughout the country. We closed 2019 with more than 100 affiliated stores and an initial but virtuous customer base of over 1,000 units.

2019 CUSTOMERS' PORTFOLIO PER REGION:



The strategy of bolstering our footprint in the Retail market was reflected this year too by the supply points mainly focusing on the Consumer segment.

2019 CUSTOMERS' PORTFOLIO PER SEGMENT (NR. of supply points)



2019 ENERGY BALANCE

Below is the 2019 Energy Balance, which shows the physical flows over the past year (in MWh):

ENERGIA ELETTRICA (MWh)	2019	2018
RETAIL	1.657.376	1.531.594
TERNA	11.242	34.644
GME	1.519.744	1.356.467
WHOLESALERS	1.405.011	1.522.651
SALES	**4.593.373**	**4.445.357**
GME	1.241.443	737.602
PLANTS	8.984	8.360
WHOLESALERS	3.342.946	3.699.394
PURCHASES	**4.593.373**	**4.445.357**

The electricity balance shows sales of approximately 4.6 TWh, which were obtained considering the net credit and/or debit positions towards counterparties.

Sales to end-customers amounted to 1.6 TWh in aggregate, followed by sales to wholesale counterparties, the GME (Italian Energy Market Operator) and Terna for electrical system balancing services, an expertise that Illumia has developed and strengthened in recent years, offering energy on real-time markets in order to resolve any temporary imbalance between energy supply and demand.

Purchases, on the other hand, were distributed among GME (27%), Plants (0.2%) and Wholesalers (79%).

As regards the natural gas sector, the gas balance data (in SCMs) is provided below:

GAS (Smc)	2019	2018
RETAIL MARKET	199.868.277	151.136.261
WHOLESALERS	6.365.089	7.711.091
SALES	**206.233.367**	**158.847.352**
WHOLESALERS	207.009.968	158.711.407
STOCK	-776.601	135.945
PURCHASES	**206.233.367**	**158.847.352**

The volumes of natural gas invoiced amounted to approximately 200 million Cubic Meters (against approximately 151 million in 2018).

In terms of procurement, the Group strengthened its expertise development strategy in order to operate directly on the wholesale gas markets.

In 2019 Illumia continued to develop its gas storage business, the operations of which started in 2013. The term storage is to be understood as the storage of natural gas in underground facilities. This gas is taken from the national distribution network, and is subsequently re-injected into the network based on the market demand.

In fact, the underground storage of natural gas is aimed at meeting various needs:

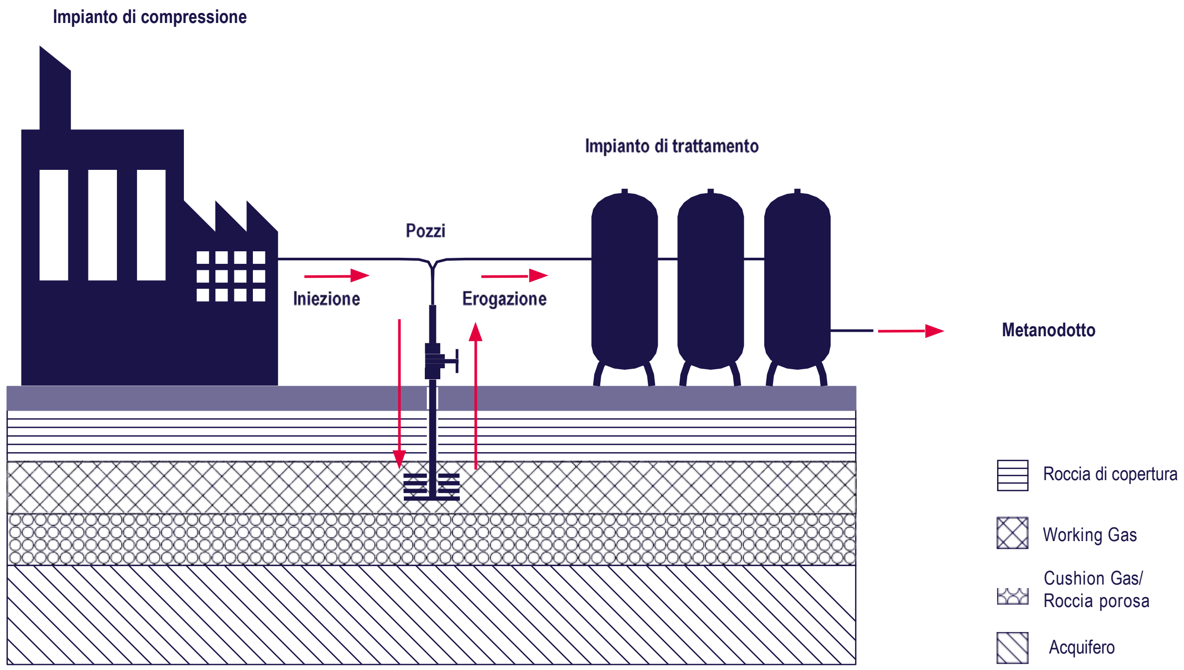
- responding to market gas demand in real time;
- ensuring a high degree of flexibility for the management of production and transport facilities;
- ensuring the maintenance of "strategic" reserves to be used exclusively to deal with exceptional situations (particular weather conditions, such as abnormally cold temperatures, or international crises that partially block foreign supplies, which account for more than 90% of the gas used in Italy).

The storage sites' mainly consist of the following: the gas field, the storage plant with compression and treatment facilities, and the wells. The gas field is the underground geological structure into which the gas taken from the national grid, and produced even at great distances, is injected. The gas moves between the National Transportation Network (NTN) and the gas field via the storage plant; all the equipment necessary for the injection, delivery and treatment of gas is installed at the plant. The wells are the facilities that connect the gas field with the surface plants, while a set of pipes allows the gas to be transported between the wells and the plant, and between the plant and the NTN. The plants can even be managed remotely via the remote control system.

The gas field is generally filled during the summertime, while the delivery of the gas to the national network usually takes place during the winter months.

The storage process therefore entails an initial filling phase (from April to October of each year), during which the gas is "injected" into the sites outfitted for storage purposes. During the wintertime "delivery" phase, on the other hand, the gas field is gradually emptied. It is during this phase that the usage peaks by the end civil customers take place, due to the harsher temperature conditions.

SCHEMA GENERALE SITO DI STOCCAGGIO (Fonte Stogit S.p.A.)



RESULTS OF OPERATIONS AND FINANCIAL PERFORMANCE

The reclassified income statement and balance sheet data for the 2019 financial year (amounts expressed in thousands of Euros) are reported below.

RECLASSIFIED INCOME STATEMENT

	2019	2018
VALUE OF PRODUCTION (Vp)	917.307	902.667
Costs for raw materials and supplies	684.720	697.461
Costs for services	199.268	174.652
Other operating costs	1.601	2.268
ADDED VALUE	31.718	28.286
Personnel costs (Cp)	9.383	8.254
EBITDA	22.335	20.032
Amortisation, depreciation and impairment (Am)	16.034	13.578
Provisions (Ac)	1.297	987
EBIT (Difference between production value and cost)	5.004	5.467
Financial income and costs (Of)	-1.579	-1.222
PROFIT (LOSS) BEFORE TAX (RAI)	3.424	4.245
Taxes	634	-1.293
PROFIT (LOSS) FOR THE YEAR	4.058	2.952

STATO PATRIMONIALE RICLASSIFICATO

	2019	2018
Receivables	119.265	111.273
Inventories	1.944	2.109
Other assets	28.711	30.475
Current assets	149.920	143.857
Trade payables	122.086	113.857
Other liabilities	16.428	21.456
Current liabilities	138.514	135.314
Net Working Capital	11.406	8.543
Property, plant and equipment	28.383	29.943
Investment property	19.104	18.982
Intangible assets	19.372	15.509
Right of use	1.113	-
Non-current financial assets	10.052	7.366
Total non-current assets	78.024	71.799
Provision for Employee Severance Pay	2.734	2.604
Other provisions	3.028	2.177
Net Invested Capital	83.668	75.562
Quota capital	2.000	2.000
Reserves	42.046	40.134
Profit (loss) for the year	3.852	2.957
Minority interests	1.013	812
Total equity	48.912	45.904
Cash and cash equivalents	22.157	31.446
Current financial assets	4.000	-
Current financial liabilities	26.271	34.015
Non-current financial liabilities	34.643	27.091
Net Financial Position	34.756	29.658

BALANCE SHEET RATIOS

Specific ratios are used in order to comprehensively analyse and provide a true and fair view of the various and complementary aspects of the Group's business management.
These include:

- Indicators regarding the financial structure and position;
- Indicators regarding the capital structure and position;
- Indicators regarding the earnings structure and position.

BALANCE SHEET RATIOS		2019	2018
ROE	Profit for the period/ Net Equity	8%	6%
ROI	EBIT / Invested Capital	2%	2%
ROS	EBIT/ Turnover	1%	1%
ROT	Turnover / Invested Capital	3,67	3,65
MOL	EBITDA / Turnover	2%	2%
IMPACT OF NON-CORE OPERATIONS	Profit for the period/ EBIT	81%	54%
LEVERAGE	Invested Capital / Net Equity	5,11	5,38
INVESTMENT RIGIDITY	Fixed Assets/ Invested Capital	31%	29%
INVESTMENT ELASTICITY	Current Assets/ Invested Capital	69%	71%
GLOBAL ELASTICITY	Current Assets / Fixed Assets	2,21	2,44
FINANCIAL AUTONOMY	Net Equity/ Invested Capital	20%	19%
PRIMARY MARGIN	Net Equity / Fixed Assets	63%	64%
SECONDARY MARGIN	Consolidated sources / Fixed Assets	1,14	1,08
CURRENT TEST RATIO	Current Assets / Short-term Liabilities	1,04	1,04
QUICK RATIO	Cash and cash equivalents / Short-term Liabilities	1,03	1,02

OTHER INFORMTION

INFORMAZIONI SULL'AMBIENTE

During the financial year under review, even with regard to the Subsidiaries:

- there was no damage caused to the environment;
- no fines or definitive penalties for environmental offences or damage were imposed on the Group;
- there were no greenhouse gas emissions under Law no. 316/2004.

All the companies belonging to the Tremagi Group are committed to environmental protection, and believe that sustainable development is both an important ethical value and a key aspect of the Company's management.

RESEARCH AND DEVELOPMENT ACTIVITIES

During the 2019 financial year, the Group carried out R&D activities, and mainly focused its efforts on the following projects, which are regarded as particularly innovative. The projects were implemented at the plant located at VIA DE CARRACCI NO. 69 – 40129 BOLOGNA (BO). The research work will continue during 2020.
The details for each company are provided below:

ILLUMIA S.P.A.

The Company incurred costs totalling Euro 97,333.25 for the development of the projects mentioned above. As regards the total incremental expenditure of Euro 59,250.75, compared to the average for the three-year period from 2012 to 2014, the Company intends to benefit from the R&D tax credit envisaged in Article 3 of Decree Law no. 145 of 23 December 2013, as amended and converted by Law no. 9 of 21 February 2014, and to use it in accordance with the provisions laid down therein.

ILLUMIA TREND S.R.L.

The Company incurred costs totalling Euro 430,200.93 for the development of the projects mentioned above. As regards the total incremental expenditure of Euro 329,411.99, compared to the average for the three-year period from 2012 to 2014, the Company intends to benefit from the R&D tax credit envisaged in Article 3 of Decree Law no. 145 of 23 December 2013, as amended and converted by Law no. 9 of 21 February 2014, and to use it in accordance with the provisions laid down therein.

WEKIWI S.R.L.

The Company incurred costs totalling Euro 170,755.96 for the development of the projects mentioned above. As regards the total incremental expenditure of Euro 170,755.96 compared to the average for the three-year period from 2012 to 2014, the Company intends to benefit from the R&D tax credit envisaged in Article 3 of Decree Law no. 145 of 23 December 2013, as amended and converted by Law no. 9 of 21February 2014, and to use it in accordance with the provisions laid down therein.

EMPLOYMENT DATA

During the 2019 financial year, the Tremagi Group employed an average workforce of 172 people against 165 in the previous year.
In 2019 the Group reported that a worker had suffered an accident in his journey from home to work on 14 October 2019. The worker regularly returned to work on 21 October 2019. Finally, it should be noted that, since the year of its incorporation, the Group has never reported any workplace fatalities or incurred any charges for occupational illnesses caused to employees or former employees, for which the Company itself was found to be responsible.

CORPORATE WELFARE

In recent years the Group has increasingly strengthened its commitment to Corporate Welfare, to be intended, in its broadest sense, as attention to and investment in the well-being of the Group's employees.
Firstly, the Group focuses its attention to the well-being of its employees on careful planning and design of space; for this reason it has constructed a new headquarters to meet the needs of its employees, with the aim of improving the quality of time spent at the workplace.
In addition to careful and well-focused planning of space, the Group has prepared an actual service plan with the aim of improving the work-life balance of its employees, including a wide range of services, which are much appreciated and made use of by employees.
Welfare benefits are provided at workplace, as well as outside, through a network of agreements ranging from food and fitness to travel and culture.
The Group has always focused on people's growth and development. For this reason, an Academy has been built inside the headquarters, which is equipped with everything necessary for continuous training of human resources, with more than 100 courses delivered to employees each year.
Since 2018, the Group has launched a Corporate Welfare scheme which targets all employees, precisely with the aim of giving a concrete proof of how much the well-being of its human resources and their families is a priority for the Company. This is demonstrated, in concrete terms, through the Welfare bonus, which is paid to all employees every year, regardless of them achieving the corporate objectives or not.

The bonus is calculated in proportion to the Gross Annual Salary of each employee, at a 3% percentage thereof, a rate which increased up to 5% from 1 January 2020.

The credit, which can be accumulated over a number of years, can be spent on goods and services in all the sectors envisaged in the relevant regulations: supplementary healthcare, supplementary pension funds, financial support to families and education, recreation and leisure packages are just some of the benefits available through a convenient online portal.

In addition to these services, our employees have the opportunity to take advantage of a share of fringe benefits, within the maximum amounts set out by regulations.

This is a set of flexible benefits, which consist of a package of services for employees to be added to their basic salary, do not constitute income from employment and are designed to facilitate the reconciliation of work and private life.

In providing these services, the Group is able to take on the needs of its employees and their families, thus performing a function which consists in paying a sort of wage supplement, which has a value even in social terms.

Under its Corporate Welfare scheme, the Group has also decided to provide effective support for its female workers on maternity leave, committing itself to pay an additional amount of Welfare Credits to new mothers to provide practical help to families. The additional welfare credit is paid for an amount of Euro 1,000 for each child.

This kind of support is particularly suitable for new mothers, as it can be spent on vouchers for the purchase of useful goods for children or can be used to request the reimbursement of school education costs.

Again with a view to supporting maternity, the Group has made provision for an hourly schedule that ensures greater flexibility for female employees with children. The mechanism is very simple: female employees are permitted to get to work early, take a quick lunch break and then leave work at an earlier time than normal according to increasingly flexible working hours.

ACQUISITION OF QUOTAS IN PARENT COMPANIES

The Group does and did not hold any quota in Parent Companies during the financial year, not even through trust companies or third parties.

MANAGEMENT AND COORDINATION ACTIVITIES

During the financial year the Group was subject to management and coordination activities on the part of its parent company Tremagi S.A., which holds 100% of the quota capital of Tremagi S.r.l.; the highlights of Tremagi S.A.'s last approved financial statements are provided in the Explanatory Notes.

PERSONAL DATA PROTECTION

In accordance with the regulations governing the protection of individuals with regard to the processing of their personal data, as well as to the free circulation of these data, the Group companies verified, also for the financial year to which these Financial Statements refer, whether the technical and organisational measures adopted to ensure the protection of personal data relating to the persons concerned (e.g. customers, workers, suppliers, etc.) comply in full with the provisions of Regulation (EU) no. 2016/679 of 27 April 2016, Legislative Decree no. 196/2003, as reformed by Legislative Decree no. 101/2018 and the requirements prescribed by the Data Protection Authority. In 2019, the Group proceeded in particular with a review of the documentation already prepared for managing the formalities referred to in the aforementioned regulations (e.g. disclosures, register of processing activities, deeds of appointment, contract clauses, etc.); it also carried out an audit and assessment of the technical security measures protecting personal data which had been implemented on company information systems and checked (on a sample basis) the technical and organisational measures adopted by the agencies that process personal data as Data Processors (in accordance with Article 28 of Regulation (EU) no. 2016/679 of 27 April 2016) on behalf of Illumia S.p.A. itself; it then delivered training courses - both in classroom and in e-learning mode - on the subject of personal data processing and for the management of any possible personal data breach. The activities performed for the Group companies confirm a well-established corporate policy aimed at pursuing an adequate security level in order to prevent any unlawful data processing. The Data Protection Officer (DPO) provided advice to the Group on an ongoing basis in the matter of current legislation governing the protection of personal data, monitoring compliance therewith. The updated version of the documentation produced is kept on file at the Company's headquarters in Bologna.

LEGISLATIVE DECREE 231/2001

During the 2019 financial year – with regard to the provisions of Legislative Decree no. 231 of 8 June 2001 governing the "Regulations on administrative liability of legal persons, Companies, and associations,

including unincorporated entities" (hereinafter "the Decree")– the controlling company Tremagi S.r.l. appointed a consulting company (AiComply) to prepare its own Organisational, Management and Control Model (hereinafter the "Model"), including the Code of Ethics, and decided to establish a Supervisory Board. Furthermore, Illumia S.p.A. updated its Model, including the Code of Ethics, for the prevention of the crimes contemplated by the aforementioned Decree at 31 December 2019. This Model was adopted by the Board of Directors' meeting held on 3 March 2020. According to Legislative Decree no. 231/2001, the Supervisory Board of Illumia S.p.A. verified whether the Model was adequate and effective, including through the analysis of processes the work of which is performed by Tremagi S.r.l.. The audit work performed by the Supervisory Board was formalised in appropriate minutes and reports.

We would like to thank you for the trust placed in us, and invite you to approve the financial statements as submitted.

Bologna, 18 March 2020

The Chairman of the Board of Directors
DOTT. MARCO BERNARDI

2

2. GROUP CONSOLIDATED FINANCIAL STATEMENTS

2.1 INCOME STATEMENT

Income Statement	Notes	31/12/19	31/12/18
Revenues from sales	1	915.108	900.038
Other revenues	1	2.198	2.629
Total turnover		**917.307**	**902.667**
Costs for Raw materials	2	684.720	697.461
Costs for services	3	199.268	174.987
Other operating costs	4	1.601	1.933
Personnel costs	5	9.383	8.254
Amortisation of intangible assets	6	10.253	8.146
Depreciation of property, plant and equipment	7	1.358	1.242
Provisions and Impairment	8	5.720	5.177
Operating profit (loss)		**5.004**	**5.467**
Financial income and costs	9	-1.579	-1.222
Profit (loss) before tax		**3.424**	**4.245**
Taxes	10	-634	1.293
Net profit (loss)		**4.058**	**2.952**

Attributable to:	Notes	31/12/19	31/12/18
Quotaholders of the Parent Company		3.852	2.957
Minority quotaholders (wekiwi and trend)		**206**	**-5**

2.2 STATEMENT OF COMPREHENSIVE INCOME

Statement of Comprehensive Income	Notes	31/12/19	31/12/18
Net profit (loss) for the year		**4.058**	**2.952**
Fair value of derivatives	3	-1.210	-184
Profit/(losses) from translation of financial statements of foreign subsidiaries		109	257
Components that can be reclassified to P&L		**-1.102**	**73**
Discounting-back of Employee Severance Pay (TFR)	5	-51	-34
Components that CANNOT BE reclassified to P&L		**-51**	**-34**
Comprehensive income		**2.905**	**2.991**

Attributable to:	*31/12/19*	*31/12/18*
Quotaholders of the Parent Company	2.699	3.023
Minority quotaholders (wekiwi and trend)	**206**	**-33**

2.3 STATEMENT OF FINANCIAL

	Notes	31/12/19	31/12/18
ASSETS			
Non-current assets			
Property, plant and equipment	11	28.383	29.943
Investment property	12	19.104	18.982
Intangible assets	13	19.372	15.509
Right of use	14	1.113	-
Equity investments	15	4.644	4.910
Other non-current assets	16	346	353
Deferred tax assets	17	5.061	2.103
Total non-current assets		**78.024**	**71.799**
Current assets			
Inventories	18	1.944	2.109
Trade receivables	19	119.265	111.273
Current tax assets	20	6.659	2.445
Other current assets	21	11.620	13.014
Current financial assets	22	4.000	-
Derivatives	23	10.432	15.016
Cash and cash equivalents	24	22.157	31.446
Total current assets		**176.077**	**175.303**
TOTAL ASSETS		**254.101**	**247.104**
EQUITY AND LIABILITIES			
Quota capital and reserves			
Quota capital		2.000	2.000
Reserves		40.298	40.762
Profits (Losses) carried forward		1.748	-628
Profit (loss) for the year		3.852	2.957
Group equity	**25**	**47.898**	**45.091**
Minority interests		1.013	812
Total equity	**25**	**48.912**	**45.904**
Non-current financial liabilities	26	34.643	27.091
Employee, agent and director benefits	27	2.734	2.604
Provisions for risks and charges	28	2.050	1.198
Deferred tax liabilities	29	979	979
Total non-current liabilities		**40.405**	**31.872**
Current financial liabilities	30	26.271	34.015
Trade payables	31	122.086	113.857
Current tax liabilities	32	4.635	5.358
Other current liabilities	33	4.202	8.565
Derivatives	34	7.592	7.533
Total current liabilities		**164.784**	**169.328**
TOTAL LIABILITIES		**205.190**	**201.200**
TOTAL EQUITY AND LIABILITIES		**254.101**	**247.104**

2.4 CASH FLOW STATEMENT

4. CASH FLOW STATEMENT	Notes	31/12/19	31/12/18
A) Cash flows from operating activities (indirect method)			
Profit (loss) for the year		**4.058**	**2.952**
Income taxes	10	-634	1.293
Interest expense	9	1.694	1.381
(Interest income)	9	-99	-137
(Capital gains)/losses from disposal of assets	8	226	280
1. Profit (loss) for the year before income tax, interest, dividends and capital gains/losses from disposal		**5.245**	**5.769**
Adjustments for cash items without a contra-entry in Net Working Capital			
Accruals to Provisions	8	1.297	987
Accrual to the Provision for Employee Severance Pay (TFR)	5	432	445
Accrual to the Provision for Bad Debts	8	4.422	3.910
Amortisation and depreciation of fixed assets	6 - 7	11.612	9.389
Value adjustments to financial derivative assets and liabilities that do not entail cash movements	22 - 33	4.642	-7.324
Other non-cash adjustments		-1.051	34
Total adjustments to non-cash items		21.354	7.441
2. Cash flow before changes in Net Working Capital		**26.599**	**13.210**
Changes in net working capital			
Decrease/(increase) in inventories	18	165	145
Decrease/(increase) in receivables from customers and Group company	19	-12.415	10.989
(Decrease)/increase in payables to suppliers and Group company	31	8.229	-8.958
Other changes in Net Working Capital		-9.486	1.377
Total changes in Net Working Capital		-13.507	3.552
3. Cash flow after changes in Net Working Capital		**13.093**	**16.762**
Other adjustments			
Interest collected	9	99	137
Interest (paid)	9	-1.694	-1.381
(Income tax paid)	10	-1.484	-999
Total other adjustments		-3.079	-2.243
Cash flow from operating activities (A)		**10.014**	**14.519**
B) Cash flows from investing activities			
Property, plant and equipment and intangible assets (investments)	13	-14.117	-12.312
Property, plant and equipment and intangible assets (disinvestments)	11 - 12 - 14	-1.034	680
Non-current financial assets (investments)	15	39	-4.532
Non-current financial assets (disinvestments)	22	-4.000	-
Cash flow from investing activities (B)		**-19.111**	**-16.164**
C) Cash flows from financing activities			
Borrowed capital			
Increase (decrease) in payables to banks		-192	-4.309
Cash flow from financing activities (C)		**-192**	**-4.309**
Other changes			
Increase (decrease) in cash and cash equivalents (A + B + C)		**-9.289**	**-5.954**
Cash and cash equivalents at 1/1/2019		31.446	37.400
Cash and cash equivalents at 31/12/2019		22.157	31.446
Net Liquidity		**-9.289**	**-5.954**

2.5 STATEMENT OF CHANGES IN EQUITY

€/000	QUOTA CAPITAL	LEGAL RESERVE	OTHER RESERVES	HEDGE ACCOUNTING RESERVE	PROFIT (LOSS) CARRIED FORWARD	FTA/IAS RESERVES	PROFIT / (LOSS) FOR THE YEAR	GROUP EQUITY	MINORITY INTERESTS	MINORITY PROFIT / (LOSS) FOR THE YEAR	TOTAL
BALANCE AT 31/12/2017	**2.000**	**400**	**37.329**	**-30**	**-422**	**702**	**2.114**	**42.094**	**709**	**114**	**42.917**
Translation differences			257					257			257
Otehr changes			-3			-29		-32	-5		-37
Cash Flow Hedge Reserve				-184				-184			-184
Other profit/loss	**-**	**-**	**254**	**-184**	**-**	**-29**	**-**	**41**	**-5**	**-**	**35**
Allocation of the result at 31/12/2017			2.320		-206		-2.114	-0	114	-114	-0
Profit (Loss) for FY 2018							2.957	2.957		-5	2.952
BALANCE AT 31/12/2018	**2.000**	**400**	**39.903**	**-214**	**-628**	**673**	**2.957**	**45.091**	**818**	**-5**	**45.905**
Translation differences			109					109			109
Otehr changes						51		51	-5		46
Cash Flow Hedge Reserve				-1.211				-1.211			-1.211
Altri utili/perdite complessivi	**-**	**-**	**109**	**-1.211**	**-**	**51**	**-**	**-1.051**	**-5**	**-**	**-1.056**
Allocation of the result at 31/12/2018			581		2.376		-2.957	-0	-5	5	-0
Otehr changes			6					6			
Profit (Loss) for FY 2019							3.852	3.852		205	4.057
BALANCE AT 31/12/2019	**2.000**	**400**	**40.599**	**-1.425**	**1.748**	**724**	**3.852**	**47.898**	**808**	**205**	**48.906**

EXPLANATORY NOTES

2.6 GENERAL BASIS OF PREPARATION

The Consolidated Financial Statements have been prepared in accordance with the IAS/IFRS (International Accounting Standards and International Financial Reporting Standards) issued by the IASB, based on the text published in the Official Journal of the European Union (O.J.E.U.). The term IFRS is also to be understood as all the revised international accounting standards ("IAS") and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC).

The Consolidated Financial Statements have been drawn up on the assumption of the Group's ability to continue to operate as a going concern, while taking account of the impact arising from the COVID-19 health emergency and include the statement of financial position, the income statement, the statement of comprehensive income, the cash flow statement, the statement of changes in equity and related explanatory notes.

With regard to the layout and contents of the financial statements, the Group has opted for the following:

- The consolidated balance sheet is presented in sections with separate disclosure of assets, liabilities and equity. In turn, assets and liabilities are stated on the basis of their classification as either current or non-current;

- The components of the profit/loss for the reporting period are shown on an income statement, laid out in a report form based on the nature of the items, as this format provides more reliable and material information for the Group than the classification by function, which is shown immediately before the statement of comprehensive income;

- The statement of comprehensive income is presented separately, and, starting with the operating result, shows the other components required by IAS 1;

- The statement of changes in equity is presented with separate disclosure of the operating result, as well as of each income and cost that has not been taken to profit or loss but recognised directly in equity according to specific applicable accounting standards;

- The cash flow statement is shown by using the indirect method for determining the cash flows derived from operating activities. According to this method, the operating result is adjusted by taking account of the effects of non-monetary transactions, as well as of those resulting from the deferral or accrual of previous or future operating receipts or payments, and of revenue or cost items associated with the cash flows derived from investing or financing activities.

As specified above, the schedules used are those that provide a true and fair view of the Group 's financial position, results of operations and cash flows.

If, due to the application of a new standard, a change in the nature of the transactions, or a review of the financial statements, it is deemed necessary or more appropriate to make a change to the items of the financial statements in order to provide more reliable and material information for the users of the financial statements themselves, the comparative data will be reclassified accordingly in order to improve the comparability of the information provided for each financial period. In this case, appropriate disclosures will be provided in the explanatory notes, if significant.

Finally, it should be noted that these financial statements have been prepared in Euros.

2.7 PRINCIPLES OF CONSOLIDATION

The consolidation principles used to prepare the Consolidated Financial Statements under review are listed below:

- All the equity investments in Subsidiaries have been consolidated according to the full consolidation method, with the amounts recognised in their Financial Statements at 31 December 2019 being summed on a line-by-line basis with the related values recognised in the Parent Company's Financial Statements;

- A consolidation difference arises whenever the value of the equity investment resulting from the parent company's financial statements differs from the value of the corresponding share of equity in the subsidiary. This difference can therefore be caused both by components that were observed on the date on which the investment was acquired, and by changes that occurred at a later time, as a result of reporting adjustments made for the purpose of consolidating the data;

- The book value of the equity investments in companies consolidated on a line-by-line basis has been directly derecognised by reversing the related portion of the subsidiary's share or quota capital and reserves. The Revenue Reserves set aside by the subsidiaries and pertaining to the Group have been allocated to Profits/(Losses) carried forward, with the portion of the share or quota capital and reserves attributable to minority interests being stated separately under the specific item of "Minority interests' capital and reserves";

- All mutual credit/debit relationships, as well as any costs and revenues arising from intra-group transactions and intra-group profits and losses have been derecognised in full;

- The associates, if present and with a relevant corporate purpose, are valued using the equity method, which is also referred to as the "concise consolidation" method, as it has the same effects on the equity and operating results as the full consolidation method. The initial cost of any equity investment in associates is changed to reflect the adjustments specific to that method and, in particular, to take into account the portions of the profits and losses the investee has realised with third parties, in periods subsequent to the acquisition of the investment; this is regardless of whether these profits are distributed or whether the losses are taken as a reduction in the investee's capital. In other words, the initial cost incurred for the acquisition of an equity investment in an associate or in any other company is adjusted periodically (with a positive or negative sign) in order for the financial statements of the Group that holds the investment to reflect both the share of related profits or losses, and any other change in the investee's equity, during the periods following the acquisition date.

LIST OF COMPANIES CONSOLIDATED ON A LINE-BY-LINE BASIS

As at 31 December 2019, in addition to the Parent Company Tremagi S.r.l., the consolidation area for these Financial Statements also included the following Subsidiaries, which were consolidated on a line-by-line basis:

Equity investments in subsidiaries	%	31/12/18	Increases	Decreases	31/12/19
Illumia SpA	100%	6.132	-	-	6.132
Wekiwi Srl	**70%**	**662**	**-**	**-**	**662**
Illumia Trend Srl	80%	130	-	-	130
Illumia Swiss SA	**100%**	**101**	**850**	**581**	**370**
Illumia Next Srl	100%	50	-	-	50
We Call Srl	**100%**	**10**	**70**	**-**	**80**
Illumia America Corp	100%	5.930	-	31	5.899
Wekiwi SAS	**100%**	**310**	**-**	**-**	**310**
Total equity investments in subsidiaries		**13.325**	**920**	**613**	**13.632**

Below is the breakdown of the item, complete with the main accounting data of the Subsidiaries and related ownership percentages:

Company name	Registered Office	CAPITAL AT 31/12/2019	EQUITY AT 31/12/2019	"Profit (loss) for the year "	%	Book value
Illumia SpA	Bologna – via de' Carracci 69/2	2.000	15.816	6.320	100%	6.132
Wekiwi Srl	**Bologna – via de' Carracci 69/2**	**10**	**1.006**	**635**	**70%**	**662**
Illumia Trend Srl	Bologna – via de' Carracci 69/2	115	3.779	78	80%	130
Illumia Swiss SA	**Lugano – Via Cantonale, 19**	**92**	**370**	**-656**	**100%**	**370**
Illumia Next Srl	Bologna – via de' Carracci 69/2	50	48	-1	100%	50
We Call Srl	**Bologna – via de' Carracci 69/2**	**10**	**47**	**-33**	**100%**	**80**
Illumia America Corp	11 Broadway, Suite 368 – New York 10004	6.715	5.542	-187	100%	5.899
Wekiwi SAS	**Avenue F.D. Roosvelt, 49 Bis - Parigi 75008**	**310**	**136**	**-112**	**100%**	**310**

ILLUMIA SPA

The shares in this Company were acquired from the Dufenergy Italia S.p.A. Group on 10 February 2010. The Company's corporate purpose mainly consists of:

- trading in electricity both in Italy and in Europe;
- trading in hydrocarbons;
- importing and trading in natural gas in general and coal;
- trading in energy-saving materials (LED bulbs);
- designing, organising and executing public and private engineering works in various sectors, including electronics, electro-optical information technology and automation, both in Italy and abroad.

The company closes its financial statements on 31 December of each year.

WEKIWI SRL:

It is a "project company" dedicated to the development of a new Company-wide web portal. In particular, Wekiwi.it is a web portal that aims to become the very first online supplier of electricity and gas for private consumers and micro-businesses. Wekiwi is the Company's second largest brand dedicated to online customers. It provides advanced tools for signing contracts and for supply management, allowing the customer to carry out any and all management operations directly via the website or apps. In the Tremagi Group the secondary Wekiwi brand also serves as an innovation workshop, and can be used to try out new products/services, as well as new types of offering or new customer management methods.

ILLUMIA TREND SRL

This company conducts the following business activities:

- providing technical and advanced support to hedge the risk associated with the tariffs applied to end customers, evaluating contracts concerning the wholesale purchase and sale of energy products, and providing assistance in negotiating framework agreements with counterparties;
- engaging in the purchase and sale of energy from energy-saving plants;
- delivering logistics services for gas transport, storage and balancing;
- providing support to and advice on the review, preparation and negotiation of contracts for the purchase and sale of natural gas, including assistance in negotiations with counterparties;
- offering price risk hedging solutions, as well as any possible hedge trading advice, to active counterparties;
- searching for opportunities to buy or sell natural gas batches, even outside the Virtual Trading Point (VTP).

The book value at which it has been recognised in the financial statements is equal to the nominal value, which corresponds to the subscription cost.

ILLUMIA SWISS SA

The company was established on 30 January 2015, by a deed drawn up by Notary Public Marazzi in Lugano, and recorded under file no. 305, appendix A.
Illumia Swiss SA operates in the purchase and sale of energy products and assets, and is mainly engaged in the following business activities:

- Purchase and sale of energy products: the company has entered into various negotiations for the execution of EFET (European Federation of Energy Traders) and ISDA (International Swaps and Derivatives Association) contracts with major energy operators. This business, which is now considered no longer strategic for the Group, was discontinued during 2019 and the company is taking steps to conduct a market analysis in order to establish whether a new business is feasible in the Swiss market.

ILLUMIA NEXT SRL

The company was established on 18 July 2017 by a deed drawn up by Notary Public Vico in Bologna, recorded under no. 14097IT on 25 July 2017. The company has the purpose of trading in electricity and natural gas and was not yet operational at 31 December 2018; therefore, the difference between the cost of the equity investment and the value of equity in the financial statements at 31 December 2019 does not constitute a permanent impairment loss.

WECALL SRL

The company, which was established by Tremagi on 17 September 2018, is currently in its start-up phase, and its corporate purpose consists of the provision and operation of call centre services, as well as of the management of customer and potential customer relations. The difference between the cost of the equity investment and the value of equity in the financial statements at 31 December 2019 does not constitute a permanent impairment loss, since this company is still in a Start-up phase.

ILLUMIA AMERICA CORP

The difference between the cost of the equity investment and the value of equity in the financial statements at 31 December 2019 does not constitute a permanent impairment loss, as it is partly due to exchange rate fluctuations and, furthermore, the subsidiary owns luxury properties recognised at historical values, which have been determined to have a higher market value. This capital gain, which actually guarantees the recoverability of the investment's value, is not reported in the financial statements.

WEKIWI SAS

The company, which was incorporated under French law on 17 July 2018, is dedicated to developing a commercial offering for private and business customers throughout France, applying the same online business model as its Parent Company Wekiwi S.r.l., as from 2019. The difference between the cost of the equity investment and the value of equity in the financial statements at 31 December 2019 does not constitute a permanent impairment loss, since this company is still in a Start-up phase.

LIST OF OTHER EQUITY INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES VALUED AT EQUITY

Equity investments in associates	%	31/12/18	Increases	Decreases	31/12/19
Casaglia Srl	49%	4.720		226	4.494
Total equity investments in other companies		4.720	-	226	4.494

On 12 October 2018 Tremagi S.r.l. acquired a 49% quota in Casaglia S.r.l. for an amount of Euro 5,000 thousand. The company HAS AS ITS PURPOSE the operation and refurbishment of company-owned properties and is valued using the equity method.

The decrease of Euro 226 thousand was due to an impairment carried out by the Directors based on the value of the properties owned by the associated company, specifically assessed by an independent expert.

LIST OF OTHER EQUITY INVESTMENTS IN "OTHER COMPANIES" THAT ARE NOT INCLUDED IN THE CONSOLIDATION AREA

As at 31 December 2019, the Tremagi Group also held the following equity investments, in other companies, in percentages equal to or less than 5%:

- Banco Popolare di Verona
- Banca di Bologna
- Emilbanca Credito Cooperativo
- Italian Fight Wear S.r.l.
- Its4Kids S.r.l.
- BHS S.r.l.

2.8 CHANGES IN INTERNATIONAL ACCOUNTING STANDARDS

Except as stated below in relation to the accounting standards, amendments and interpretations applicable from 1 January 2019, the accounting standards adopted for the preparation of these Consolidated Financial Statements are consistent with those applied for the preparation of the consolidated financial statements at 31 December 2018.

Accounting standards, amendments and interpretations endorsed by the European Union, applicable from 1 January 2019, which have been applied for the first time in the financial statements of Illumia S.p.A. for the financial year ended 31 December 2019

IFRS 16: "Leases". In January 2016, the IASB published the document for the initial recognition, measurement, presentation and disclosure of lease agreements for both parties to a contract. This document replaced IAS 17 - Leases. It does not apply to service contracts, but only to lease agreements or to the lease components of other contracts. Under the standard a lease is a contract that grants the customer (lessee) the right to use an asset for a certain period of time in exchange for consideration. The new standard eliminates the classification between finance lease and operating lease, and introduces a single accounting model that provides for the recognition of assets and liabilities for all leases with a term of more than 12 months, and the separate recognition of amortisation, depreciation and interest expense through profit or loss. With regard to the lessor, the method of accounting does not change significantly with respect to the rules that are currently laid down in IAS 17.

IFRS 16 was applied from 1 January 2019, making use of the option, permitted by the transitional provisions of the accounting standard, to adopt the "simplified method" without any impact on the opening equity.

The table below summarises the impact arising from the application of this standard on the Group's Financial Statements:

€/000		01/01/2019		31/12/2019
Right of use		685		554
Financial liabilities	-	685	-	557
Impact throught equity	-		-	3

In adopting IFRS 16 the Group has made use of the exemption permitted by paragraph 5a) in relation to leases with a term of less than 12 months, in particular for some vehicle hire agreements and the exemption permitted by paragraph 5b) with regard to lease agreements for which the underlying asset is a low-value asset, i.e. when the assets underlying the lease agreement did not exceed the replacement value by Euro 5,000. The agreements for which the exemption has been applied mainly refer to electronic devices. The first-time adoption of IFRS 16 did not entail the recognition of the financial liability and related right of use for these agreements. Lease payments will therefore be recognised in the income statement on a straight-line basis for the term of the respective agreements.

The table below summarises the impact through profit or loss arising from the application of this standard on the Group's financial statements:

€/000		31/12/2019
Decrease in 2019 lease fees		135
Increase in amortisation and depreciation	-	131
Increase in financial costs	-	8
Impact to P&L due the IFRS 16's adoption	-	3

IFRIC 23 Uncertainty over Income Tax Treatments. On 7 June 2017, the IASB issued IFRIC 23, which provides guidance on how to account for income tax assets and liabilities (current and/or deferred) in the presence of uncertainties regarding the application of the tax legislation. The adoption of this standard did not have any significant impact on the Group's financial statements.

Amendments to IFRS 9 Financial instruments on prepayment features with negative compensation. On 12 October 2017, the International Accounting Standards Board (IASB) published amendments to International Financial Reporting Standard (IFRS) 9 - Financial Instruments. Prepayment Features with Negative Compensation. The amendments are intended to clarify the classification of particular prepayable financial assets when applying IFRS 9. Specifically, if the financial asset contains a contractual clause that might change the timing or amount of contractual cash flows, the entity must determine whether the contractual cash flows that might arise during the life of the instrument under said clause exclusively consist of payments of principal and interest accrued on the capital amount to be repaid. The IASB has set the date for the first-time adoption of the amendments at 1 January 2019, with early adoption permitted. After having consulted the European Financial Reporting Advisory Group (EFRAG), the Commission concluded that the amendments to IFRS 9 meet the adoption requirements prescribed in Article 3, paragraph 2, of Regulation (EC) No. 1606/2002. The European Union endorsed these amendments under Regulation (EU) No. 2018/498 of 22 March 2018, which amends Regulation (EC) No. 1126/2008. The adoption of these amendments did not have any significant impact on the Group's financial statements.

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures. On 12 October 2017 the IASB issued the amendments to IAS 28 to clarify the application of IFRS 9- Financial Instruments" for long-term interests in associates or joint ventures included in investments in these entities for which the equity method is not applied. The adoption of these amendments did not have any significant impact on the Group's financial statements.

Amendments to IAS 19 Employee benefits - Plan Amendment, Curtailment or Settlement. On 7 February 2018 the IASB issued these amendments to clarify how to calculate pension costs when there is a change in defined-benefit plans. The provisions of the Amendments to IAS 19 were endorsed by the European Union on 13 March 2019. The adoption of these amendments did not have any significant impact on the Group's financial statements.

Annual improvements to IFRSs 2015-2017 cycle. In December 2017, the IASB published these Improvements, which included the major amendments to the following IFRS: a) IAS 12 - Income Taxes. The proposed amendments clarify that an entity should recognise any and all tax effects (tributary relative) concerning the distribution of dividends; b) IAS 23 - Borrowing Costs: the proposed amendments clarify that if the specific loans required for the acquisition and/or construction of an asset remain outstanding even after the asset is ready for use or sale, these loans cease to be regarded as specific and are therefore included in the entity's general financing items for the purposes of determining the capitalisation rate of borrowing; c) IAS 28 - Investments in Associates and Joint Ventures – Long-term Interests in Associates or Joint Ventures. The proposed amendments clarify that IFRS 9 - Financial Instruments, including impairment requirements, also applies to other financial instruments held for a long period of time and issued to an associate or joint venture. These amendments were endorsed by the European Union on 14 March 2019. The adoption of these amendments did not have any significant impact on the Group's financial statements.

Accounting standards, amendments, and interpretations endorsed by the European Union, applicable from 1 January 2020, which have not been early adopted by the Group

Amendment to IAS 1 and IAS 8 Definition of materiality. The amendment was published by the IASB on 31 October 2018 and provides for a different definition of "material", as follows: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments will be applicable for annual periods commencing on or after 1 January 2020, with early adoption permitted. Based on a preliminary analysis, the future adoption of this amendment is not expected to have any significant impact on the Group's financial statements. On 29 March 2018 the IASB published its revised version of the "**Conceptual Framework for Financial Reporting**." The major amendments with respect to the 2010 version concern: i) a new chapter on measurement; ii) improved definitions and guidance, with specific regard to the definition of liability; iii) clarifications of important concepts, such as stewardship, prudence and uncertainty in measurements.

A document updating the IFRS references to the former Conceptual Framework was also published. The amendments, where they consist of actual updates, will be applicable for annual periods commencing on or after 1 January 2020.

Amendments to IFRS 9, IAS 39 and IFRS 7 Interest rate benchmark reform. The amendment provides for some remarks in relation to the change in interest rate benchmarks. In relation to hedge accounting, the IBOR reform should not discontinue hedge accounting. Any ineffective hedge must continue to be recognised through profit or loss. This amendment will become applicable as from financial periods commencing on 1 January 2020. Based on a preliminary analysis, the future adoption of this amendment is not expected to have any significant impact on the Group's financial statements.

Accounting standards, amendments and interpretations published by the IASB but not yet endorsed by the European Union

Accounting standards, amendments and interpretations published by the IASB but not yet endorsed by the European Union and not adopted in the preparation of these financial statements:

IFRS 17 Insurance Contracts. On 18 May 2017, the IASB issued IFRS 17, which lays down the principles for the recognition, measurement, presentation, and disclosure of the insurance contracts covered by the standard. The purpose of IFRS 17 is to ensure that an entity provides material information that gives a true view of these contracts, in order to provide the reader of the financial statements with a basis for assessing the effects of such contracts on the entity's financial position, results of operations and cash flows. On 21 June 2018, the IASB provided clarifications concerning IFRS 17 in order to ensure that the standard's interpretation would reflect the decisions made by the Board. The board agreed to clarify some matters concerning the contracts subject to variable rates and issues correlated to IFRS 3 - Business Combinations. The provisions of IFRS 17 will be effective from financial periods commencing on or after 1 January 2021. Based on a preliminary analysis, the possible future adoption of this standard is not expected to have any significant impact on the Group's financial statements.

Amendment to IFRS 3 Business Combinations. On 22 October 2018 the IASB issued a document on the "Definition of a Business (Amendments to IFRS 3)" aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments will be applicable for business combinations for which the date of acquisition falls on or after 1 January 2020, with early adoption permitted. Based on a preliminary analysis, the possible future adoption of this amendment is not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current. The final amendments to the Classification of liabilities as current or non-current only affect

the reporting of liabilities in the statement of financial position, and not the amount or the recognition of assets, liabilities, income or cost or disclosure that the entities provide on these elements. Specifically, the amendments:

- clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability;
- make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments will become applicable from 1 January 2022 and must be applied on a retrospective basis, with early adoption permitted. Based on a preliminary analysis, the possible future adoption of these amendments is not expected to have any significant impact on the Group's financial statements.

The standards listed herein are not applicable since they have not yet been endorsed by the European Union, which, during the endorsement process, may only partially adopt these standards or not adopt them at all.

2.9 ACCOUNTING POLICIES

The items in the financial statements have been measured according to the general principle of prudence and accruals, as well as on a going-concern basis, and taking into account the substance of the transaction or contract.

According to the principle of prudence, the financial statements only include the profits that had been realised at the reporting date, while any charges or losses accrued in the period were recognised even if they became known after the aforementioned date.

According to the matching principle, the effect of the transactions and other events has been accounted for and attributed to the financial period to which these transactions and events refer, and not to that in which the related cash flows (receipts and payments) arise.

FIXED ASSETS

INTANGIBLE ASSETS

The Group accounts for intangible assets that can be identified and checked, whose costs can be determined reliably on the assumption that they generate future economic benefits.

These assets are accounted for at the historical cost of acquisition, including additional charges and, for fixed assets produced internally, any directly and indirectly attributable costs. The latter are recorded for the reasonably attributable portion and, if they have a definite useful life, they are systematically amortised over the period of their estimated useful life, from the moment the fixed asset is ready for use, or otherwise starts to generate economic benefits for the Group.

The table below reports the ranges of years of estimated useful life, by category:

Description	Useful life (years)
Licenses	3-5
Other intangible assets	5

Intangible assets with an indefinite useful life are not amortised on a systematic basis but are tested for impairment at least on an annual basis.

PROPERTY, PLANT AND EQUIPMENT

These are recognised at the cost of acquisition, including directly attributable additional charges. The value of these assets is adjusted by their related accumulated depreciation.

In cases where the remaining value in use is less than the net book value at the reporting date, the latter is adjusted with a corresponding write-down. The written-down value is reinstated in subsequent financial periods if the reasons for the adjustment made are no longer applicable.

The depreciation of property, plant and equipment has been calculated systematically and on an ongoing basis, applying rates that are regarded as representing their residual useful life.

The value of company-owned properties to be depreciated is given by the difference between the cost of the fixed asset and the remaining value at the end of its useful life, and, if it is equal to or higher than the value of the property at the reporting date, the asset does not have to be depreciated as required by IAS 16.

The table below reports the range of years of useful life estimated by the Group:

Description	Useful life (years)
Land and Buildings	33
Plant and machinery	6-13
Industrial and commercial equipment	6
Other Assets: Non-operating furniture and furnishings	6
Other Assets: Office furniture and furnishings	8
Other Assets: Other property, plant and equipment	6
Other Assets: telephone system, office machines, company cars	5

Maintenance and repair costs are charged to profit or loss during the financial period in which they are incurred, if recurring, or capitalised if they are non-recurring.

It should be noted that, under Article 10 of Law no. 72 of 19 March 1983, no monetary and/or economic revaluations were made during this or any previous financial year.

Costs for refurbishment, improvements and non-routine maintenance expenses that extend the economic life of the assets are taken as an increase in their value and depreciated at their same rate.

RIGHTS OF USE

Any assets acquired under lease agreements are reported by recognising a financial payable of the same amount among liabilities. The payable is gradually reduced on the basis of the repayment schedule of the principal included in the contractually agreed instalments, while the value of the asset stated as "rights of use" is systematically amortised according to the economic and technical life of the asset itself.

IMPAIRMENT

If there is any evidence, event or changes in circumstances suggesting the existence of impairment losses, IAS 36 requires the intangible assets and property, plant and equipment in question to be tested for impairment in order to ensure that no assets are recognised in the financial statements at a value greater than their recoverable value. This test is carried out at least annually for Assets and Goodwill with an indefinite useful life, as well as for Property, plant and equipment and Intangible assets not yet in use. The verification whether the values recognised in the financial statements may be recovered is carried out by comparing the carrying amount as at the reporting date with the fair value, net of selling costs (if available) and the value in use, whichever is greater. The value in use of a tangible or intangible asset is determined according to the estimated future cash flows that are expected to derive from the asset, as discounted by using a discount rate, net of tax, which reflects the current market valuation of the present value of money and of risks attached to the Group's business. If it is not possible to estimate an independent cash flow for an individual asset, the cash generating unit to which the asset belongs is identified, with which it is possible to associate future cash flows that can be determined objectively and are independent from those generated by other operating units. Cash generating units were identified in line with the Group's organisational and operational architecture. If the impairment test reveals an impairment loss on an asset, its carrying amount is reduced down to the recoverable value through direct recognition through profit or loss. When there is no longer reason to maintain a write-down, the carrying amount of the asset (or of the cash generating unit), except for goodwill, is increased up to the new value deriving from the estimate of its recoverable value, but not beyond the net carrying amount that the asset would have had if no impairment loss had ever been recognised. The reversal is recognised through profit or loss immediately.

EQUITY INVESTMENTS IN ASSOCIATES

Equity investments in associates and other companies that are intended to be held permanently are recognised at acquisition or subscription cost, including any directly attributable additional charges, as adjusted if necessary to take into account any permanent impairment loss. Any write-downs of equity investments are stated among "Provisions and impairment" in the income statement for the period.

EQUITY INSTRUMENTS THAT CANNOT BE CLASSIFIED AS REPRESENTING CONTROL, SIGNIFICANT INFLUENCE, OR JOINT CONTROL

Investments in equity instruments that cannot be classified as representing control, significant influence or joint control must be measured at fair value through profit or loss. However, if not held for trading purposes, the option may be exercised to designate them at fair value through comprehensive income.

As regards the equity securities included in this category, and not listed on an active market, the cost criterion is only used as a fair value estimate on a residual basis, and under a limited number of circumstances, i.e. when the latest information available for assessing fair value is insufficient, or if there is a wide range of possible fair value measurements and the cost represents the best fair value estimate among this range of values.

INVENTORIES

Year-end inventories represent costs sustained for the acquisition or production of certain assets, the revenues of which will only be realised in the subsequent financial period; therefore, according to the accruals principle, they must be deferred.

The assets that constitute inventory stock in the Financial Statements of Illumia S.p.A. are:

- raw materials: these consist of natural gas storage;
- goods for resale: these mainly consist of LEDs, which are goods intended for resale, without any additional processing. The LED inventory is held with subcontractors.

The weighted average cost was chosen as the cost configuration for both the Gas inventory and the LED inventory, and accordingly as the Group's accounting policy.

FINANCIAL ASSETS

Upon their initial recognition, financial assets must be classified in one of the three categories indicated below based on the following elements:

- the entity's business model for managing financial assets; and
- the characteristics relating to the financial asset's contractual cash flows.

Financial assets are subsequently derecognised only if their disposal has substantially transferred all the risks and rewards associated with the assets themselves. On the contrary, if a significant portion of the risks and rewards associated with the financial assets disposed of has been maintained, the assets must continue to be recognised in the financial statements, even if legal title to the assets themselves has been effectively transferred.

A) FINANCIAL ASSETS MEASURED AT AMORTISED COST

This category includes financial assets that meet both the following conditions:

- the financial asset is owned according to a business model whose objective is achieved by collecting the cash flows envisaged as per contract ("Hold to Collect" Business Model; and
- the contractual terms and conditions of the financial asset provide, at certain dates, for cash flows consisting solely of payments of principal and interest on the capital amount to be repaid.

Upon initial recognition, these assets are accounted for at fair value, including any transaction costs or income directly attributable to the instrument itself. After initial recognition, the financial assets in question are measured at amortised cost, using the effective interest rate method. The amortised cost method is not used for any assets – measured at historical cost – whose short useful life makes the effect of the application of the discounting rationale negligible, as well as for those without a specified maturity and for revocable loans.

B) FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

This category includes financial assets that meet both of the following conditions:

- the financial asset is owned according to a business model whose objective is achieved both by collecting the cash flows envisaged as per contract and through the sale of the financial asset ("Hold to Collect and Sell" Business Model);

- the contractual terms and conditions of the financial asset provide, at certain dates, for cash flows consisting solely of payments of principal and interest on the capital amount to be repaid.

Upon initial recognition, assets are accounted for at fair value, including any transaction costs or income directly attributable to the instrument itself. After initial recognition, all fair value changes must be recognised in the Statement of comprehensive income, except for the recognition of gains or losses in value and of foreign exchange gains or losses, until the financial asset is derecognised or reclassified.

C) FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets other than those classified as "Financial assets measured at amortised cost" and "Financial assets measured at fair value through other comprehensive income" are classified in this category.
This category includes financial assets held for trading and derivative contracts that cannot be classified as hedges (which are stated as assets if their fair value is positive and as liabilities if their fair value is negative).
Upon initial recognition, financial assets measured at fair value through profit or loss are recognised at fair value, without considering any transaction costs or income directly attributable to the instrument itself. At the subsequent reporting dates they are measured at fair value and the effects of this measurement are charged to profit or loss.

RECEIVABLES

Trade receivables are recognised according to the terms and conditions laid down in contracts with customers according to the provisions of IFRS 15, and are classified based on the nature of the debtor and/or the receivable's maturity (this definition includes invoices to be issued for goods already transferred and services already provided). Furthermore, since trade receivables are generally short-term and do not entail the payment of interest, the amortised cost is not calculated, and they are accounted for based on the face value shown in the invoices issued or in the contracts entered into with customers: this provision is also adopted for trade receivables that have a contract maturity of more than 12 months, unless the effect is significant. Trade receivables are subject to an impairment test based on the provisions of IFRS 9. For measurement purposes, the Group has applied the simplified impairment model, whereby the value of the financial assets reflects the specific analyses of the recoverability of past-due exposures and/or non-performing loans, as well as a theoretical forecast of counterparty default, and takes into account the general economic, sector and country risk conditions. Finally, it should be noted that the Group has calculated and accounted for default interest pertaining to the financial period, as permitted by the current legislation, which allows them to be recognised in the financial statements when collected.

CASH AND CASH EQUIVALENTS

These are stated at nominal or cash value, which is considered to be their presumed realisable value.

PROVISIONS FOR RISKS AND CHARGES

These are set aside to cover losses or payables of a determined nature, the existence of which is certain or probable and the amount or timing of which were not determined at the reporting date.
In measuring these provisions, the general prudence and matching principles were complied with, and no provisions for general risks devoid of any economic justification were set aside.
When the financial effect over time is significant and the dates of payment of the obligations can be estimated reliably, the provision is discounted; the increase in the provision over of time is charged to profit or loss among "Financial income (costs)."
Potential liabilities have been recognised in the financial statements and stated among provisions, as they are regarded as probable, and the amount of the related charge can be estimated reasonably.
The risks for which the occurrence of a liability is only possible are indicated in the explanatory notes, without setting aside any provision for risks and charges.
The provision for supplementary clientele indemnity, as well as any other provision for risks and charges, have been set aside based on a reasonable estimate of the future probable liabilities, taking all the available elements into consideration.

EMPLOYEE SEVERANCE PAY (TFR)

The employee benefits paid upon or after the termination of an employment relationship mainly consist of the Employee Severance Pay (Trattamento di Fine Rapporto, TFR), which is regulated by Italian law under Article 2120 of the Civil Code. According to the IAS 19 Revised, the Employee Severance Pay, accrued until 2006, is considered to be a defined-benefit plan, i.e. a formalised program of post-employment benefits to be paid out to the employee, which can only be quantified after the employment relationship has been terminated, and is linked to one or more factors, such as age, length of service and remuneration. Consequently, the related charge is recognised through profit or loss accrued in the financial period based on an actuarial calculation. The liability recognised in the financial statements for defined-benefit plans corresponds to the present value of the obligation at the reporting date, net of the fair value of the plan assets, where applicable. The obligations for defined-benefit plans are determined annually by an independent actuary using the projected unit credit method. The present value of the defined-benefit plan is determined by discounting future cash flows at an interest rate determined based on the average yield curve of the government bonds outstanding during the month of the valuation date, issued in the currency in which the liability will be liquidated, taking into account the term of the related pension plan. Actuarial gains and losses are recognised through comprehensive income on an accruals basis in the financial period in which they occur.

PAYABLES

Trade and other payables are initially recognised at fair value and are subsequently measured at amortised cost, taking the time factor into account. In particular, the fair value initially recognised consists of the nominal value of the payable, net of transaction costs and of all premiums, discounts and allowances directly derived from the transaction that generated the payable. Transaction costs, as well as any commissions income and expense, and any difference between initial value and nominal value at maturity are included in the calculation of the amortised cost using the effective interest criterion.
Income taxes are set aside based on a forecast of the tax burden for the financial period with reference to the legislation in force.

FINANCIAL LIABILITIES

This item is initially recognised at cost, which corresponds to the fair value of the liability, net of transaction costs that are directly attributable to the issuance of the liability itself. After initial recognition, financial liabilities, except for derivatives, are measured at amortised cost, using the original effective interest rate method. In the event of a review of the estimated payments, the adjustment to the liability is recognised as a revenue or cost in the income statement.

DERIVATIVES

The Group holds derivative financial instruments in order to hedge its exposure to the risk of changes in interest rates and the risk of changes in gas and electricity prices, which are linked to the application of fixed price rates. In order to refine its portfolio's hedging profile, the Group seeks to seize upon and pursue not only standard products on the markets, but also hourly profiles and cherry-picking initiatives aimed at optimising day-to-day hedging. It has also equipped itself with specific software applications that allow its portfolio's market risk to be monitored using the VAR techniques, which are verified daily within the scope of its very stringent internal risk policies.
The Group's contracts are divided into 4 portfolios, as listed below:

- Energy and gas forward purchase and sale contracts, which are executed in order to meet the Company's sales or purchase requirements, are not valued at the reporting date, as they are subject to the physical delivery of the quantities purchased and sold, and are therefore considered by the Group as "purchase or sale orders", according to the "own use exemption" provided for in the applicable accounting standards. At maturity, these contracts are always marked as "delivered", and are accounted for among revenues from sales or purchase costs;

- Energy and gas forward purchase and sale contracts that are not included in the category above are entered into with the aim of hedging and optimising the retail portfolio, with particular reference to fixed-price contracts. It is not always possible, however, to demonstrate (even for economic and procedural reasons) the direct correlation between hedging instruments and hedged items, also because this hedging is carried out based on portfolios that cannot be immediately combined. In these cases, these contracts are considered as derivatives for all purposes, and, therefore, are measured on the reporting date using input data that can be directly observed on the market, while fair value changes have an impact on the income statement for the period. Given that, at the management level, these contracts are however executed by the Group with a view to "optimising the purchase portfolio" in order to reduce average procurement costs, thus establishing the Group's profit margins, the Directors have deemed it appropriate to classify fair value changes under "Costs for raw materials" through profit or loss". At the reporting date, the fair value of the contracts was shown on the balance sheet under derivative assets and liabilities as "net by counterparty", given that, according to industry practice, the settlement of cash flows by counterparty is carried out net of assets and liabilities. Finally, it should be noted that, although these contracts are accounted for as derivatives, they are nevertheless contracts for the sale and purchase of commodities, which constitute the Group's "core business"; therefore, at maturity, "the delivery" of energy and gas deriving from these contracts is accounted for among revenues from sales and costs for purchase of materials, in accordance with the applicable accounting standards;

- Financial contracts, mainly "Swaps", which meet the requirements of IFRS 9 for hedge accounting, are classified as Cash Flow Hedge because they are aimed at limiting exposure to the risk of variability in cash flows attributable to certain or highly probable future transactions (mainly covered through commodity swap contracts) or financial liabilities recognised in the financial statements (interest rate swaps on loans). These instruments are therefore measured at fair value, using input data that can be directly observed on the market, against an entry in a specific Equity item - "Cash flow hedge reserve", net of any related deferred tax effects and the ineffective portion. This Equity reserve is then charged to profit or loss, in the same area as the relevant underlying, in the same measure and at the same times as the occurrence of or adjustment to the hedged item's cash flows, or upon the occurrence of the hedged transaction. Any change in fair value referable to the ineffective portion is immediately recognised through profit or loss as for the trading instruments described below;

- All the remaining financial Swap contracts, the underlying of which consists of energy or gas and which are not included in the above category, are valued at the reporting date, using input data that can be directly observed on the market, and the related fair value delta has a direct impact on the Income Statement for the period. These contracts are also entered into with a view to hedging and optimising the retail portfolio, with particular reference to fixed-price contracts. It is not always possible, however, to demonstrate (even for economic and procedural reasons) the direct correlation between hedging instruments and hedged items, also because this hedging is carried out on the basis of portfolios that cannot be immediately combined. Given that, at the management level, these contracts are however executed by the Group with a view to "optimising the purchase portfolio" in order to reduce average procurement costs, thus establishing the Group's profit margins, the Directors have deemed it appropriate to classify fair value changes under "Costs for raw materials" through profit or loss. At the reporting date, the fair value of the contracts was shown on the balance sheet under derivative assets and liabilities as "net by counterparty", given that, according to industry practice, the settlement of cash flows by counterparty is carried out net of assets and liabilities.

COSTS AND REVENUES

These are shown in the financial statements according to the prudence and matching principles, with the recognition of any related accruals and deferrals.

Revenues and income, costs and charges are recorded net of returns, discounts, allowances and premiums, as well as of any tax directly connected with the performance of the services. Revenues are recognised based on the consideration to which an entity expects to be entitled in exchange for the supply of goods and the provision of services, based on five steps: 1) identify the contract, defined as an agreement having commercial substance between two or more parties that is capable of creating rights and obligations; 2) identify each obligation in the contract; 3) determine the transaction price, i.e. the amount of consideration to which an entity expects to be entitled for the transfer of goods and services to customers; 4) allocate the transaction price to each obligation, based on the related selling price; 5) recognise the revenues allocated to each obligation when it is settled, i.e. when the customer obtains control over goods and services. The control over goods by the customer normally coincides with their delivery or shipment, while revenues from services are recognised upon their completion. Revenues and income, costs and charges relating to foreign currency transactions are determined using the exchange rate prevailing on the date when the related transaction is carried out.

Revenues from sales of electricity and natural gas refer to the valuation of the amounts dispensed and delivered, respectively, during the financial year, even if not invoiced, and are determined by combining the data collected based on the readings received from the distributors and from Terna using appropriate accounting estimates (energy balance mechanism). These revenues are based on contractual agreements with customers and, where applicable, are governed by the legal provisions issued by the Italian Authority for Electricity and Gas (AEEG, Autorità per l'Energia Elettrica e il Gas) in force during the reporting period.

Business transactions carried out with related Companies took place at arm's length.

FINANCIAL INCOME AND COSTS

These include all financial items recognised in the income statement for the period, including any interest expense accrued on borrowings, calculated using the effective interest method (mainly current account overdrafts, medium-long term loans), foreign exchange gains and losses, dividends received, the portion of interest expense deriving from accounting treatment of assets held under finance leases (IAS 17) and provisions for employees (IAS 19). Interest income and expense are charged to profit or loss for the period in which they are realised or incurred, except for capitalised costs (IAS 23). Proceeds from dividends contribute to the profit (loss) for the period in which the Group accrues the right to receive the payment.

INCOME TAXES

Current income taxes are determined based on a realistic forecast of the tax charges to be paid in the application of the tax regulations currently in force.

Deferred tax liabilities are calculated based on the temporary differences existing between the balance sheet values recognised in the financial statements and the corresponding values recognised for tax purposes. In particular, deferred tax assets are recorded only if it is probable that they may be recovered in the future. Deferred tax liabilities are not recorded if there is little likelihood that the related debt will arise.

These Explanatory Notes include a specific statement containing:

- a description of the temporary differences that led to the recognition of deferred tax assets and liabilities, specifying the rate applied, the changes compared to the previous financial year, the amounts credited or debited to the income statement or to equity, the items excluded from the calculation, and related reasons;

- the amount of deferred tax assets recognised in the financial statements relating to losses for the financial period or previous periods, and the reasons for their recognition, the amount not yet accounted for and the reasons for their non-recognition (if any).

In particular, with regard to the allocation of deferred tax assets on accrued and unused tax losses, it should be noted that these are only recorded:

- if there is a future probability of obtaining an amount of taxable income for the Group such as to absorb the losses that can be carried forward (in subsequent tax periods, not exceeding eighty percent of taxable income of each of them, and up to the entire amount it contains);

- if the losses accrued are attributable to specific circumstances that are not expected to arise again in the future.

It should be noted that the option for tax consolidation was renewed for the three-year period from 2020 to 2022 by tacit renewal in accordance with Article 117, paragraph 3, of Presidential Decree no. 917/1986, as amended by Decree Law no. 193/2016 and the scheme includes Tremagi S.r.l., Illumia S.p.A., Illumia Trend S.r.l., Wekiwi S.r.l. and WeCall S.r.l., with Tremagi SA serving as the consolidating company

The economic relationships, responsibilities and mutual obligations are set out in the "National tax consolidation contract", according to which the subsidiary shall pay the parent company the amounts due for advance payments and the balance owed for IRES (Corporate Income) tax applicable at the time the parent company makes the payments, according to the provisions laid down in the legislation.

CONVERSION OF FOREIGN CURRENCY TRANSACTIONS

The Group has adopted the Euro as its functional and reporting currency. Foreign currency transactions are initially recorded in the functional currency, applying the spot exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currency are converted into the functional currency at the exchange rate prevailing at the reporting date, and the differences are recognised through profit or loss.

DIVIDENDS

These are recognised when the Quota/Shareholders accrue their right to receive the payment, which normally coincides with the resolution approving the distribution of dividends. The distribution of dividends is therefore recognised as a liability in the financial statements for the financial period in which their distribution was approved by the Quota/Shareholders' meeting.

2.10 MAIN ESTIMATES MADE BY THE MANAGEMENT

The preparation of the financial statements requires the Directors to apply accounting standards and methods which, under certain circumstances, are the result of difficult and subjective evaluations and estimates based on historical experience and on assumptions that are from time to time considered to be reasonable and realistic depending on the related circumstances. The application of these estimates and assumptions affects the amounts reported in the financial statement schedules, including the statement of financial position, the income statement, the statement of comprehensive income and the cash flow statement, as well as the disclosures provided. Due to the uncertainty that characterises the assumptions and the conditions upon which these estimates are based, the final results of the items on the financial statements for which these estimates and assumptions have been utilised may differ from those reported in the financial statements showing the effects of the estimated items. The accounting standards that, in relation to the Company, need to be assessed more subjectively by the Directors during the preparation of the estimates, and for which any changes in the conditions underlying the assumptions utilised could have a significant impact on financial information, are summarised below.

RECOGNITION OF REVENUES FROM ELECTRICITY AND GAS SUPPLY CONTRACTS

The main driver in accounting for costs and revenues on an accruals basis is the energy balance, i.e. the balancing between estimated volumes purchased and sold on the assumption that everything estimated as purchased within the financial period can only be sold within same period. Based on the above provisions, the Group's management estimates the energy balance at the end of the financial period using valuation techniques deemed appropriate for the purpose, which allow for the determination of the estimated volumes purchased and, consequently, those estimated to have been sold. The quantity-based energy balance, however, depends on consumption values that can only be obtained a few months after the reporting date. Consequently, the estimate of the volumes purchased, carried out for the purposes of preparing the financial statements, can have a significant impact on the calculation of the Group's costs and revenues in the event that substantial differences are observed once the energy balance is finally reported. It should be noted, however, that these effects should not have any major impact in terms of profit margins, regardless of the level at which they are calculated.

IMPAIRMENT OF ASSETS

Property, plant and equipment and intangible assets with definite useful lives are tested for impairment in order to establish whether there is any loss in value, which must be recorded through a write-down, whenever there is any evidence that reveals the likelihood of difficulty in recovering the related net carrying amount. The impairment test requires the Directors to make subjective assessments based on the information available within the Group and on the market, as well as from historical experience. Moreover, if it is determined that a potential impairment loss may have been generated, the Group's management proceeds with its determination using appropriate valuation techniques for this purpose. The correct identification of the elements indicating potential impairment losses, as well as the estimates for their calculation, depend upon factors that can change over time, thus affecting the evaluations and estimates made by the Directors themselves. Based on the assessments made by the Group's management, there is no evidence indicating an impairment of the assets with definite useful lives.

PROVISION FOR BAD DEBTS

This provision reflects the estimated losses associated with the Group's portfolio of receivables. Allocations have been made for expected credit losses, which have been estimated based on past experience by making reference to receivables with a similar credit risk, current and historical unpaid amounts, reversals and receipts, as well as to a careful monitoring of the quality of the portfolio of receivables and the current and expected conditions of the economy and the target markets. Although we believe that the provision set aside is fair and appropriate, the use of different assumptions or changes in the economic conditions could result in changes in the provision for bad debts, and, could therefore have an impact on profits. The estimates and assumptions are reviewed periodically, and the effects of each change are reflected through profit or loss in the related financial period.

DEFERRED TAX ASSETS

Deferred tax assets are accounted for based on the taxable income expected in future financial periods. The assessment of taxable income expected for the purposes of accounting for deferred tax assets depends on factors that can vary over time and can have significant effects on the recoverability of receivables for deferred tax assets.

PROVISIONS FOR RISKS

These provisions have been set aside by using the same procedures as in previous financial periods, making reference to the latest communications from our legal counsels and consultants appointed for the disputes, as well as based on their procedural developments.

PROVISIONS FOR EMPLOYEES

Provisions for employee benefits and net borrowing costs are measured using an actuarial method that requires the use of estimates and assumptions to determine the net value of the obligation. The actuarial method considers financial parameters such as, for example, the discount rate and the growth rates of wages and salaries, and considers the likelihood of potential future events occurring on the basis of demographic parameters such as, for example, the rates relating to the employees' mortality and resignation or retirement.

AMORTISATION AND DEPRECIATION

These are calculated based on the useful life of the asset. The useful life is determined by the company's management when the asset is recognised in the financial statements; the useful life is assessed based on historical experience, market conditions and expectations of future events that could affect the useful life itself, including technology changes. The actual useful life could therefore differ from the estimated useful life.

FAIR VALUE MEASUREMENT AND VALUATION PROCESS

The fair value of derivative financial instruments, on both interest rates and exchange rates, is derived from market prices. If there are no quoted prices on active markets, the discounted cash flow method is utilised, using parameters observable on the market as a reference. The fair values of derivative contracts on commodities are determined using inputs that can be directly observed on the market, where available. The method for calculating the fair value of the instruments in question includes the assessment of the non-performance risk, if deemed relevant. All of the Group's existing derivative contracts have been entered into with major institutional counterparties.

As required by IFRS 13, the balance sheet items measured at fair value were classified based on a level hierarchy that reflects the significance of the inputs used to estimate the fair value. This hierarchy includes the following levels:

- Level 1 – quoted prices in active markets for assets or liabilities subject to measurement;
- Level 2 – inputs, other than quoted prices referred to in the previous point that are observable on the market either directly (prices) or indirectly (derived from prices);
- Level 3 – inputs not based on observable market data.

Based on this reclassification, the fair value of the derivative financial instruments falls within the scope of Level 2.

Finally, it should be noted that there were no transfers between these three fair value levels during the financial period.

2.11 FINANCIAL RISK MANAGEMENT

Due to the use of financial instruments, the Group is exposed to the following risks:

- Credit risk;
- Liquidity risk;
- Market risk;

- Exchange risk;
- Capital risk management;
- Risk associated with the applicable legislation.

As required by IFRS 7, this section provides information concerning the Group's exposure to each of the risks listed above, as well as the objectives, policies and processes for managing these risks, and the methods used for their assessment.

The creation and supervision of the Group's risk management system is the responsibility of the Board of Directors.

The Group's risk management policies are aimed at identifying and analysing the risks to which the Company is exposed, as well as at setting out appropriate limits and controls, and monitoring the risks and the compliance with these limits. These policies and related systems are reviewed regularly in order to reflect any changes in the market conditions and the Group's activities. Through training, standards, and management procedures, the Company aims to create a disciplined and constructive control environment in which its employees are aware of their roles and responsibilities.

CREDIT RISK

Credit risk is the risk that a customer or a counterparty to a financial instrument will generate a financial loss by not fulfilling an obligation, and is mainly derived from trade receivables.

In order to mitigate this risk, the company carries out an assessment of its customers before entering into new supply relationships by analysing their specific characteristics and the sectors in which they operate, and by obtaining a preliminary assessment of their credit rating from credit insurance companies.

In fact, Illumia S.p.A. has taken out credit insurance policies with Euler Hermes and Coface, and has been granted sureties amounting to Euro 23 million in order to guarantee the regular collection of related trade receivables.

The Group sets aside a provision for impairment losses that reflects the estimated losses on trade receivables, other receivables, and any non-current financial assets whose main components consist of individual write-downs of significant exposures and the collective write-down of homogeneous groups of assets based on historical data. The collective write-down is determined based on the historical payment statistics for similar financial assets. For the breakdown of overdue trade receivables, reference should be made to explanatory note no. 19.

LIQUIDITY RISK

This is the risk that the Group will have difficulty in fulfilling the obligations associated with financial liabilities. The Group has good level of liquidity generated by its core business. However, it also has bank credit lines that allow it to pay the consideration for its retail activities in advance.

The Group's approach to liquidity management entails the monitoring and preventive management of adequate available funds to meet its obligations at maturity, both under normal conditions and under financial difficulty, with the aim of avoiding excessive charges or the risk of damage to its own image. This monitoring consists of the valuation of the liquidity available on a daily basis and at the end of each month, and the related report allows for a daily forecast of future cash outflows.

	31/12/19	Expected outflows			
		Within 1 year	From 1 year to 5 years	Beyond 5 years	Totals
Financial liabilities	60.914	26.271	29.435	5.208	60.913
Trade payables	122.086	122.086			122.086
Other liabilities	8.837	8.837			8.837
Financial instruments	7.592	7.592			7.592
Total	**199.428**	**164.785**	**29.435**	**5.208**	**199.427**

The Group will be able to meet its short-term liabilities, through cash and cash equivalents and other assets that can be converted into cash in the short term, totalling Euro 176 million, which, together with available credit lines not used for Euro 70.4 million, will enable the Company to cover future cash outflows expected in the short term.

	31/12/18	Expected outflows			
		Within 1 year	From 1 year to 5 years	Beyond 5 years	Totals
Financial liabilities	61.106	34.015	20.594	6.497	61.106
Trade payables	113.857	113.857			113.857
Other liabilities	13.923	13.923			13.923
Financial instruments	7.533	7.533			7.533
Total	**196.419**	**169.328**	**20.594**	**6.497**	**196.419**

MARKET RISK

Market risk is the risk that the fair value or future cash flows of the company's contracts, including financial instruments, will fluctuate due to changes in market prices, exchange rates, interest rates, or quotations of equity instruments. The objective of market risk management is to manage the Group's exposure to this risk and maintain it within acceptable levels, while optimising the company's profitability and return on investments.

During the financial year, the Company negotiated derivative instruments in order to manage its market risk, namely by hedging fixed selling prices agreed with customers with the forward purchase of power or gas under physical or swap contracts, also at fixed prices. The market risk is therefore minimised, as the purchase of derivative products is targeted at hedging the price formulas sold to customers.

EXCHANGE RISK

The Company is exposed to this risk insofar as it purchases listed products, or exposes itself financially in currencies other than the Euro. This can happen, for example, by purchasing or selling formulas indexed to oil as a hedge for the same formulas sold to end customers. When this happens, however, if permitted by the purchasing entity, the exchange risk is also hedged by using currency forwards.

CAPITAL RISK MANAGEMENT

The Company manages its capital with the aim of sustaining its core business and optimising its value for quota/shareholders, while maintaining a proper capital structure and reducing costs.

There are financial covenants applicable to the loans held by Illumia S.p.A., the requirements of which have all been complied with.

There was no default in progress at the time of the preparation of these financial statements.

RISK ASSOCIATED WITH THE APPLICABLE LEGISLATION

Over the past few years, the Company has consolidated its own Institutional and Regulatory Affairs Department's structure.

This office is responsible for various activities, and has both internal and external functions.

Externally, it is responsible for:

- Establishing and strengthening official relationships in the Energy and Gas sector, namely with major competitors and associations, as well as with the legislator, namely with Government Representatives and members of the competent Parliamentary Committee (Production Activities Committee).
- Interacting with ARERA regarding open consultations and new resolutions published;
- Monitoring, studying and analysing resolutions and regulations applicable to the sector.

Internally, this office serves as a company reference point, and is responsible for organising and coordinating the work resulting from the review of the various resolutions, regulations and investigations for all of the company business units.

2.12 INANCIAL INSTRUMENTS BROKEN DOWN BY CATEGORY

The tables below show the breakdown of financial assets and liabilities by category of financial instrument, indicating their fair value (FV) hierarchy level as at 31 December 2019 and 2018.

31.12.2019	Amortised Cost	Fair Value through Equity	Fair Value through Profit or Loss	Total	L1	L2	L3
Trade Receivables	119.553	-	-	119.553			
Other Current assets	11.620	-	-	11.620			
Derivatives	-	-	10.432	10.432		10.432	
Cash and cash equivalents	22.157	-	-	22.157			

31.12.2018	Amortised Cost	Fair Value through Equity	Fair Value through Profit or Loss	Total	L1	L2	L3
Trade Receivables	111.273	-	-	111.273			
Other Current assets	13.014	-	-	13.014			
Derivatives	-	-	15.016	15.016		15.016	
Cash and cash equivalents	31.446	-	-	31.446			

31.12.2019	Amortised Cost	Fair Value through Equity	Fair Value through Profit or Loss	Total	L1	L2	L3
Non-current Financial Liabilities	34.643			34.643			
Current Financial Liabilities	26.271			26.271			
Trade Payables	122.086			122.086			
Derivatives	-	1.833	5.759	7.592		7.592	

31.12.2018	Amortised Cost	Fair Value through Equity	Fair Value through Profit or Loss	Total	L1	L2	L3
Non-current Financial Liabilities	27.091		-	27.091			
Current Financial Liabilities	34.015		-	34.015			
Trade Payables	113.857		-	113.857			
Derivatives	-	240	7.293	7.533		7.533	

2.13 SEGMENT REPORTING

It should be noted that the Group does not apply IFRS 8, as it is not mandatory, but nevertheless considers it useful to provide disclosures on the performance of operations broken down by sector in order to provide a better understanding of its financial statements.

As at 31 December 2019, the Group operations were performed in the following operating segments:

Electricity Sector: the Company is engaged in the sale of electricity to both wholesale customers and end customers (residential, Public Authorities, SMEs and Businesses) and resellers. The Electricity Supply Chain also includes the energy service assets and activities associated with the Group's business.

GAS Sector: the Group is engaged in the sale of natural gas to wholesaler customers and end consumers (industrial and residential).

Other segment: this includes centralised and cross-sector activities carried out by the Parent Company and the holding company's activities in the real estate sector.

The sale of LEDs to third parties is also included in this category.

Below is the income statement for the period broken down by operating segment, which takes account of revenues from sales and services and direct costs, i.e. the purchase costs of raw materials and transport and dispatching costs.

2019	Electricity	GAS	Other activities
Revenues	807.531	105.609	1.969
Direct Costs	-768.917	-91.342	-1.563
PROFIT MARGIN	**38.614**	**14.267**	**406**

2018	Electricity	GAS	Other activities
Revenues	785.854	112.651	1.533
Direct Costs	-751.180	-97.872	-1.327
PROFIT MARGIN	**34.674**	**14.779**	**206**

2.14 EXPLANATORY NOTES TO THE FINANCIAL STATEMENT SCHEDULES

1. REVENUES FROM SALES AND SERVICES

Description	31/12/19	31/12/18	Changes
Revenues from sales and services	915.108	900.038	15.070
Other revenues and income	2.198	2.629	-431
TOTAL	**917.307**	**902.667**	**14.640**

This item, amounting to € 917,307 thousand, against a balance of € 902,667 thousand recorded in the Financial Statements for the previous year, showed an increase of € 14,640 thousand attributable to higher revenues from Electricity as shown in the table below:

Below is a breakdown by business segment:

Description	31/12/19	31/12/18	Changes
Revenues from Electricity	807.531	785.854	21.677
Revenues from Gas	105.609	112.651	-7.042
Revenues from LEDs	1.968	1.430	538
Other revenues	-	104	-104
TOTAL	**915.108**	**900.038**	**15.070**

Below is the breakdown of revenues from core operations by geographical area:

Description	Italy	Foreign countries	Total
Revenues from Electricity	635.700	171.831	807.531
Revenues from Gas	103.352	2.257	105.609
Revenues from LEDs	1.968	-	1.968
Other revenues	-	-	-
TOTAL	**741.021**	**174.088**	**915.108**

All the operations carried out abroad were of a gross market type, and did not, therefore, involve end customers.

In 2018:

Description	Italy	Foreign countries	Total
Revenues from Electricity	641.022	144.832	785.854
Revenues from Gas	103.975	8.676	112.651
Revenues from LEDs	1.430	-	1.430
Other revenues	63	41	104
TOTAL	**746.489**	**153.549**	**900.038**

"Other revenues and income" mainly consisted of:

- Contingent assets of € 412 thousand arising from appropriations for invoices to be received from electricity and gas suppliers and distributors as at 31 December 2018 for amounts greater than those actually owed;
- Compensation from distributors for € 571 thousand;
- An amount of € 588 thousand relating to a legal action brought by Illumia against a customer for damages. In December 2019 a settlement proposal was brought forward, which provided for Illumia to be paid an amount on account of final payment and write-off of its claims. The settlement agreement was reached in January 2020 with the payment of an amount of € 650 thousand to Illumia.

2. COSTS FOR RAW MATERIALS

Description	31/12/19	31/12/18	Changes
Costs for Raw materials	684.720	697.461	-12.741
TOTAL	**684.720**	**697.461**	**-12.741**

This item, amounting to € 684,720 thousand, against a balance of € 697,461 thousand, recorded in the Financial Statements for the previous year, showed a decrease of € 12,741 thousand. The decrease was mainly attributable to a reduction in the average price of Energy (PUN) and Gas (VTP) which more than offset the general increase in volumes purchased.

Below is the related breakdown:

Description	31/12/19	31/12/18	Changes
Raw materials, supplies and consumables	684.613	697.313	-12.700
Change in inventories of raw materials	107	148	-41
TOTAL	**684.720**	**697.461**	**-12.741**

In detail:

Description	31/12/19	31/12/18	Changes
Purchases for electricity	610.995	619.005	-8.010
Purchases for gas	72.206	77.268	-5.062
Purchases for LEDs	962	682	280
Others	450	358	92
TOTAL	**684.613**	**697.313**	**-12.700**

Below is the breakdown of changes in inventories:

Description	Opening balance	Closing balance	Changes
Change in GAS inventories	1.234	-1.277	-43
Change in inventories of Finished Products	817	-667	150
TOTAL	**2.051**	**-1.944**	**107**

3. COSTS FOR SERVICES

Description	31/12/19	31/12/18	Changes
Costs for services	199.268	174.987	24.281
TOTAL	**199.268**	**174.987**	**24.281**

This item, amounting to €199,268 thousand, against a balance of € 174,987 thousand, recorded in the Financial Statements for the previous year, showed an increase of € 24,281 thousand, mainly due to higher costs of electricity distribution, gas transmission and dispatching as a result of an increase in volumes traded.

The table below shows the breakdown of the items making up costs for services, thus confirming the information reported above.

Description	Balance at 31/12/2019	Balance at 31/12/2018	Changes
Costs for transmission and additional charges	146.357	122.540	23.817
Dispatching costs	18.458	15.531	2.927
Technical, administrative, tax, debt collection, portfolio and notarial advice	8.007	6.224	1.784
Expenses for agents	2.184	2.348	-164
Bank commissions expense	2.666	2.536	131
Travelling expenses for employees, collaborators, directors	339	442	-103
Postal and telefphone charges	1.054	1.136	-81
Fees due to statutory and independent auditors	195	219	-24
Fees due to collaborators (plus contributions) and temporary staff	2	74	-72
Fees due to directors	8	8	-0
Entertainment expenses	247	332	-84
Advertising and sponsorships	946	724	221
Call center	2.240	2.038	202
Insurance	475	517	-42
Canteen	112	108	4
Maintenance	1.304	529	775
Conferences and training	56	2	54
Capacity costs	11.993	14.743	-2.750
Charges - Acquirente Unico	293	51	242
IT costs	-	1.641	-1.641
Other overheads	2.124	2.922	-798
Leases	59	87	-28
Miscellaneous rentals	148	235	-87
TOTAL	**199.268**	**174.987**	**24.281**

4. OTHER OPERATING COSTS

Description	31/12/19	31/12/18	Changes
Other operating costs	1.601	1.933	-332
TOTAL	**1.601**	**1.933**	**-332**

These costs can be broken down as follows:

Description	31/12/19	31/12/18	Changes
Membership fees	449	438	11
Contingent liabilities	769	1.055	-286
Taxes and duties	239	286	-48
Charity	75	52	23
Books and magazines	2	3	-2
Fines and penalties	10	1	9
Medical and health care	4	11	-7
Gifts	17	16	1
Certifications	0	2	-2
Capital losses from disposals	1	28	-27
Other costs	36	40	-4
TOTAL	**1.601**	**1.933**	**-332**

Contingent liabilities are given by incorrect estimates with respect to the appropriations set aside during the previous year and are offset by contingent assets for which reference should be made to the explanatory note no. 1.

5. PERSONNEL COSTS

Description	31/12/19	31/12/18	Changes
Personnel costs	9.383	8.254	1.130

This item is broken down as follows:

Description	31/12/19	31/12/18	Changes
Wages and salaries	6.920	6.080	839
Social security contributions	1.699	1.585	115
Employee severance pay	432	445	-14
Other costs	332	143	189
TOTAL	9.383	8.254	1.130

The increase in personnel costs was due to the following factors:

- A higher cost arising from variable remuneration components during the 2019 financial year, due to an increase in human resources recognised during the period. For more details, reference should be made to the explanatory note on “Employment data”;
- An increase in “other costs” related to Corporate Welfare schemes.

The provision for employee severance pay takes into account the guidelines provided in IAS 19; during the year under review, the adoption of this standard, together with the actuarial assumptions described in note no. 24 below, led to a change of € - 51 thousand in the reserve for actuarial gains, which was charged through comprehensive income.

6. AMORTISATION OF INTANGIBLE ASSETS

Description	31/12/19	31/12/18	Changes
Amortisation of intangible assets	10.253	8.146	2.107
TOTAL	10.253	8.146	2.107

In detail:

Amortisation of intangible assets	31/12/19	31/12/18	Changes
Concessions, licences, trademarks and similar rights	588	323	265
Fixed assets	9.665	7.823	1.842
TOTAL	10.253	8.146	2.107

The increase concerning intangible assets mainly related to the higher amortisation of commissions expense accrued by agents. For more details, reference should be made to the explanatory note no. 13 below.

7. DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT AND RIGHTS OF USE

Description	31/12/19	31/12/18	Changes
Depreciation of property, plant and equipment and rights of use	1.358	1.242	116
TOTAL	1.358	1.242	116

This item is broken down as follows:

Depreciation of property, plant and equipment	31/12/19	31/12/18	Changes
Land and buildings	418	418	0
Plant and machinery	60	63	-3
Other assets	562	762	-200
Rights of use	318	0	318
TOTAL	1.358	1.242	116

8. PROVISIONS AND IMPAIRMENT

Description	31/12/19	31/12/18	Changes
Provisions and Impairment	5.720	5.177	543
TOTAL	5.720	5.177	543

This item regards:

- An accrual of € 4,483 thousand to the provision for bad debts. The provision set aside for the year was the result of the assessment of the current credit risk on the positions still outstanding at 31 December 2019.
- A write-down of € 226 thousand of the quota held in associate Casaglia S.r.l.. For more details, reference should be made to the section on “Equity investments” of the statement of financial position;
- An accrual of € 259 thousand for a presumed loss, regarded as probable, related to the supply carried out in January to a customer that is considered to be insolvent;
- A provision set aside for donations to employees for the remaining amount.

9. FINANCIAL INCOME AND COSTS

Description	31/12/19	31/12/18	Changes
Financial income and costs	-1.579	-1.222	-357

This item is broken down as follows:

Description	31/12/19	31/12/18	Changes
Financial income	99	137	-38
Interest and financial costs	-1.694	-1.381	-313
Foreign exchange gains or losses	16	21	-6
TOTAL	-1.579	-1.221	-357

Below is the breakdown of the main items:

Financial income	31/12/19	31/12/18	Changes
Bank interest income	11	16	-5
Interest income from customers	73	79	-5
Other interest income	15	42	-27
TOTAL	99	137	-38

The decrease was mainly due to accounting for lower default interest charged to customers.

Interest and financial costs	31/12/19	31/12/18	Changes
Bank interest expense	93	33	60
Interest expense on bank loans	1.219	958	261
Interest expense from other lenders	95	138	-43
Other interest expense	287	251	36
TOTAL	1.694	1.381	313

The change in interest and other financial costs was mainly due to the increased use of bank debt.

10. INCOME TAXES FOR THE YEAR

Description	31/12/19	31/12/18	Changes
Taxes	-634	1.293	-1.927

Income taxes are broken down as follows:

Description	31/12/19	31/12/18	Changes
Current taxes	1.942	1.616	326
Deferred tax liabilities	-	-67	67
Deferred tax assets	-2.576	-256	-2.320
TOTAL	-634	1.293	-1.927

CURRENT TAXES

It should be noted that the option for tax consolidation was renewed for the three-year period from 2020 to 2022 by tacit renewal in accordance with Article 117, paragraph 3, of Presidential Decree no. 917/1986, as amended by Decree Law no. 193/2016. The consolidating company is the controlling company Tremagi SA.

The economic relationships, responsibilities and mutual obligations are set out in the “National tax consolidation contract”, according to which the subsidiary shall pay the parent company the amounts due for advance payments and the balance owed for IRES (Corporate Income) tax applicable at the time the parent company makes the payments, according to the provisions laid down in the legislation. The other companies which have joined the statutory consolidation, but not the tax consolidation, have prepared their direct tax cal culations independently.

In detail, the balance is made up as follows:

Description	Tremagi Srl	Illumia SpA	Wekiwi Srl	Illumia Trend Srl	We Call Srl	Illumia America Corp	Illumia Swiss SA	Wekiwi sas	Total
Charges from tax consolidation	109	555	241	62	-9	-	-	-	958
Income taxes	-	-	-	-	-	51	3	-4	50
IRAP tax	45	782	41	62	4	-	-	-	934
TOTAL	153	1.338	282	124	-5	51	3	-4	1.942

DEFERRED TAXATION

Deferred tax assets were recognised in accordance with the principle of prudence and on a going concern basis, considering the concrete possibility of generating future taxable income.

Deferred taxes were set aside based on the currently applicable tax rates.

In particular, deferred tax assets and liabilities recognised through Profit or Loss in the financial statements at 31 December 2018 and 31 December 2019 arose from the following temporary differences:

Deffered tax assets	Value at 31/12/2018	Increases	Decreases	Value at 31/12/2019	IRES tax	IRAP tax	Final Credit	Initial Credit	Impact through P&L
Accrual to the Provision for Bad Debts	6.130	330	-691	5.770	1.385	-	1.385	1.471	-87
Building depreciation 7/12	33	-	-	33	8	-	8	8	-
Provisions and impairment	2.184	3.024	-399	4.577	955	15	981	545	436
Default interest expense	6	-	-6	-	-	-	-	1	-1
Patent box	-	7.730	-	7.730	1.855	373	2.228	-	2.228
Effect due IAS Transition	31	-	-	31	-	-	31	31	-
Total	8.384	11.084	-1.095	18.141	4.202	388	4.632	2.057	2.576

The provision for deferred tax liabilities did not report any change during the period, and therefore, no effect was recognised through profit or loss. For more details, reference should be made to the explanatory note no. 29.

11. PROPERTY, PLANT AND EQUIPMENT

Description	31/12/19	31/12/18	Changes
Property, plant and equipment	28.383	29.943	-1.560

Below is the breakdown of changes in property, plant and equipment:

Description	Historical cost 31/12/2018	Increases	Decreases	Transfer	Historical cost 31/12/2019
Land and buildings	27.070	12	-	-	27.082
Plant and machinery	820	-	-	-	820
Other assets	6.290	251	63	-937	5.523
Fixed assets under construction and advances	24	-	-	15	9
Total gross property, plant and equipment	34.204	263	63	-922	33.434

Description	Amortisation Fund 31/12/2018	Increases	Decreases	Transfer	Amortisation Fund 31/12/2019
Land and buildings	1.182	418	-	-	1.601
Plant and machinery	299	60	-	-	360
Other assets	2.779	562	63	-191	3.091
Fixed assets under construction and advances	-	-	-	-	-
Total Depreciation Fund for property, plant and equipment	4.261	1.041	63	-191	5.052

Description	NBV 31/12/2018	NBV 31/12/2019
Land and buildings	25.888	25.481
Plant and machinery	520	460
Other assets	3.512	2.432
Fixed assets under construction and advances	24	9
Total Property, Plant and Equipment	29.943	28.383

LAND AND BUILDINGS

This item is made up of the properties valued according to IAS16, namely:

- Property in Bologna at Via Albertazzi no. 48, for a value of € 5,403 thousand;
- Property in Bologna at Via Albertazzi no. 32, for a value of € 3,677 thousand.

No depreciation was applied for these properties since, as required by IAS 16, it is believed that the value of the properties at the end of their useful life will be equal to or greater than their value as at the reporting date.

- Property for office use located in Bologna, at Via Fossalta, for a value of € 511 thousand, depreciated;
- Property and land of the new Illumia S.p.A. headquarters located in Bologna, at Via de' Carracci no. 69/2, for a value of € 15,888, depreciated.

PLANT AND MACHINERY

This item relates to the plant pertaining to company-owned properties.

OTHER ASSETS

This item, and the related increase, mainly consists of purchases of new furniture, furnishings and electronic office machines for the property located at Via Carracci no. 69/2. The decrease for the period was attributable to assets held under a gratuitous loan for use, which were sold to end customers during the year.

The transfers related to the 2018 balance of the lease previously treated according to IAS 17, which was treated according to IFRS 16 and classified among "rights of use" during the year under consideration.

12. INVESTMENT PROPERTY

Description	31/12/19	31/12/18	Changes
Investment property	19.104	18.982	122

In detail:

Description	31/12/19	31/12/18	Changes
Investment Property	13.494	13.372	122
Investment Property Under Construction	5.610	5.610	-
TOTALE	**19.104**	**18.982**	**122**

As required by IAS 40, investment properties are summarised below, compared with their fair values:

Description	Investment Property	Furnishing	Plant	Total NBV in the accounts	FV	Delta
Property located in Carloforte	6.260	374	29	6.663	6.744	81
Property located in Fossombrone	2.067	14	-	2.080	2.485	405
Property located in New York	5.167	298	-	5.465	5.786	321
Total investment property	**13.494**	**685**	**29**	**14.208**	**15.015**	**807**

The fair values of the properties were determined by an independent expert appointed by the Group. The resulting appraisal values did not show any evidence of impairment losses.

The table below provides the information required by IAS 40 for the properties under consideration.

Opening Balance	Costs for 2019
Maintenance	42
Insurance	9
Utilities	27
Taxes	6
Balance at 31/12/2019	**84**

The item regarding the investment property under construction, amounting to € 5,610 thousand, was attributable to:

- advances of € 4,287 thousand for the purchase of a residential property in Fossombrone (PU), for which a preliminary purchase contract was entered into on 9 February 2015, which was registered under no. 8140, series 3, on 14 December 2015. By means of a deed registered on 18 March 2019, the term of said preliminary contract was extended until the execution of the Notarial Deed, which will take place by 30 June 2021;
- improvements made to the Property covered by the preliminary contract, amounting to € 1,323 thousand.

The amount of intangible investments under construction was the object of an expert's report, which confirmed its value stated in the accounts.

13. INTANGIBLE ASSETS

Description	31/12/19	31/12/18	Changes
Intangible Assets	19.372	15.509	3.863

Below is the breakdown of changes in intangible assets:

Description	Historical cost 31/12/2018	Increases	Decreases	Transfer	Historical cost 31/12/2019
Concessions, licences, trademarks and similar rights	2.455	487	1	843	3.783
Fixed assets under development and advances	5.146	3.568		-5.146	3.568
Other intangible assets	27.559	10.090		4.303	41.951
Total gross intangible assets	**35.159**	**14.144**	**1**	**-**	**49.302**

Description	Amortisation Fund 31/12/2018	Increases	Decreases	Transfer	Amortisation Fund 31/12/2019
Concessions, licences, trademarks and similar rights	1.573	588	1		2.159
Fixed assets under development and advances					
Other intangible assets	18.078	9.665			27.771
Total intangible assets	**19.651**	**10.253**	**1**	**-**	**29.930**

Description	NBV 31/12/2018	NBV 31/12/2019
Concessions, licences, trademarks and similar rights	883	1.624
Fixed assets under development and advances	5.146	3.568
Other intangible assets	9.480	14.180
Total intangible assets	**15.509**	**19.372**

CONCESSIONS, LICENSES AND TRADEMARKS

The increase in this item related to SAP licenses acquired for the implementation of the new SAP platform, which became operational from January 2019.

INTANGIBLE ASSETS UNDER DEVELOPMENT AND ADVANCES

This item recorded two changes of opposite sign:

- On the one hand, the transfer of the balance at 31 December 2018, associated with the costs sustained for the project dedicated to upgrading the entire application platform. On 7 January 2019 all the new company systems were up and running, thus ensuring business continuity. This project features major developments and innovations: it is the first Full SAP x/4HANA installation in Europe, among the first in Italy, to integrate Microsoft PowerBi into BW/4HANA;

- On the other hand, the increase of about € 3,500 thousand related to a growth plan through acquisitions, which provides for a major partnership with a leading commercial operator in a specific market segment during 2020.

OTHER INTANGIBLE ASSETS

The main changes in this item were as follows:

- An increase of € 4,303 thousand due to the transfer of the fixed assets under development at 31 December 2018 referred to above;

- An increase of € 2,407 thousand mainly related to the development of the new SAP platform to complete the project which became operational in January 2019;

- the capitalisation of commissions expense for an amount of € 6,901 thousand.

The commissions expense is amortised over a period of 3 years, which is considered to represent the average life span of the customers, based on the Group's historical data.

14. RIGHTS OF USE

Description	31/12/19	31/12/18	Changes
Rights of use	1.113	-	1.113

Below is the breakdown of changes:

Description	Historical cost 31/12/2018	Increases	Decreases	Transfer	Historical cost 31/12/2019
Rights of use	-	685	-	937	1.622
Total gross rights of use	**-**	**685**	**-**	**937**	**1.622**

Description	Amortisation Fund 31/12/2018	Increases	Decreases	Transfer	Amortisation Fund 31/12/2019
Rights of use	-	318	-	191	509
Total Depreciation Fund for rights of use	**-**	**318**	**-**	**191**	**509**

Description	NBV 31/12/2018	NBV 31/12/2018
Rights of use	-	1.113
Total rights of use	**-**	**1.113**

This item, equal to € 1,113 thousand, mainly related to IT infrastructure contracts, of which an amount of € 765 thousand related to the lease previously treated according to IAS 17, cars and the lease of spaces dedicated to the storage of goods for resale.

15. EQUITY INVESTMENTS

Description	31/12/19	31/12/18	Changes
Equity investments	4.644	4.910	-265

In detail:

Description	31/12/19	31/12/18	Changes
Equity investments in associates	4.494	4.720	-226
Equity investments in other companies	151	190	-39
TOTAL	**4.644**	**4.910**	**-265**

Below is the breakdown of the item relating to Associates and related changes recorded during the year:

Equity investments in Associates	%	31/12/18	Increases	Decreases	31/12/19
Casaglia Srl	49%	4.720		226	4.494
Total equity invstments in other companies		**4.720**	**-**	**226**	**4.494**

On 12 October 2018 Tremagi S.r.l. acquired a 49% quota of Casaglia S.r.l., for an amount of € 5,000 thousand. The company is valued using the equity method. The decrease of € 226 thousand was due to an impairment carried out by the Directors based on the value of the properties owned by the associate, assessed by an independent expert.

EQUITY INVESTMENTS IN OTHER COMPANIES

Equity investments in other companies	%	31/12/18	Increases	Decreases	31/12/19
Mondo Energia Srl	10%	1	-	1	-
Banca Popolare di Verona	0%	10	-	-	10
Banca di Bologna	0%	10	-	-	10
EmilBanca Credito Coop.vo	0%	10	-	-	10
Cassa di Risparmio di Ravenna	0%	-	-	-	-
Its4Kids Srl	5%	50	-	-	50
We Sii Srl	2%	38	-	38	-
Italian Fight Wear Srl	3%	62	-	-	62
BHS Srl	5%	3	-	-	3
EmilBanca Credito Coop.vo	0%	5	-	-	5
Banca di Bologna	0%	1	-	-	1
TOTAL		**190**	**-**	**39**	**151**

Minority interests consist of investments in Credit Institutions that provide credit facilities to the Group and innovative Start-Ups operating in the energy industry.

16. OTHER NON-CURRENT ASSETS

Description	31/12/19	31/12/18	Changes
Other non-current assets	346	353	-7

This item related to receivables for guarantee deposits held with electricity distribution Companies throughout Italy.

17. DEFERRED TAX ASSETS

Description	31/12/19	31/12/18	Changes
Deferred tax assets	5.061	2.103	2.959

This item consists of the total amount of deferred tax assets calculated on the temporary differences between the statutory values and the corresponding values recognised for tax purposes and reported in these explanatory notes in note no. 11 "Income taxes for the year", to which reference should be made.

18. INVENTORIES

The decrease of € 165 thousand compared to the previous year is determined as follows:

Description	31/12/19	31/12/18	Changes
Inventories	1.944	2.109	-165

In detail:

Description	31/12/19	31/12/18	Changes
Raw materials, supplies and consumables	1.277	1.234	43
Finished products and goods for resale	667	817	-150
Advances	-	58	-58
TOTAL	**1.944**	**2.109**	**-165**

- 1. "Raw materials, supplies and consumables": these consist of gas stock stored at 31 December and valued according to the weighted average cost method. The term storage is to be understood as the storage of natural gas in underground facilities. This gas is taken from the national distribution network, and is subsequently re-injected into the network based on the market demand.
- 2. "Finished products and goods for resale": these consist of energy-efficient products, such as LED bulbs, batteries, and electric bikes, intended for resale. These products, which are valued according to the weighted average cost, are stored at the facilities of a third-party logistics provider.

19. TRADE RECEIVABLES

Description	31/12/19	31/12/18	Changes
Trade receivables	119.265	111.273	7.992

In detail:

Description	31/12/19	31/12/18	Changes
Receivables from customers	118.909	110.614	8.295
Receivables from parent companies	356	659	-303
TOTAL	**119.265**	**111.273**	**7.992**

The table below reports the breakdown of receivables at 31 December 2019 based on the geographical area of the debtor:

Description	Italy	Foreign Countries	TOTAL
Receivables from customers	103.783	15.126	118.909
Receivables from parent companies	56	300	356
TOTAL	**103.839**	**15.426**	**119.265**

In 2018:

Description	Italy	Foreign Countries	TOTAL
Receivables from customers	93.951	16.663	110.614
Receivables from parent companies	359	300	659
TOTAL	**94.310**	**16.963**	**111.273**

RECEIVABLES FROM CUSTOMERS

The Group sells electricity, gas and energy-efficient products to customers mainly located throughout Italy.

However, during the 2019 financial year the Group continued to operate with foreign counterparties, carrying out energy sales transactions (gross market) both on foreign markets (mainly France, Germany and Switzerland) and on the Italian market.

This item is broken down as follows:

Description	31/12/19	31/12/18	Changes
Gross receivables from customers	142.847	131.368	11.480
Provision for bad debts	-23.938	-20.754	-3.185
TOTAL	**118.909**	**110.614**	**8.295**

The provision for bad debts recorded the following changes during the year:

Description	31/12/18	Accruals	Uses	31/12/19
Provision for bad debts	20.754	4.483	-1.299	23.938
TOTAL	**20.754**	**4.483**	**-1.299**	**23.938**

In order to measure the provision for bad debts, the company carries out:

- A specific analysis of past due receivables exceeding € 15 thousand, determining presumed losses for each situation of uncollectibility,
- A general analysis of receivables of less than € 15 thousand, based on experience and any other useful element, in addition to assessing the trend in past due receivables' ageing compared to those of previous years;
- A general analysis on amounts of receivables falling due on the basis of the historical percentages of write-down that are regarded as representing the ECL (Expected Credit Loss).

The analysis of receivables outstanding at 31 December 2019 revealed that the total amount of the receivables regarded as recoverable through the above analyses, and therefore not covered by the provision for bad debts, amounted to € 5,400 thousand, as determined below:

Ageing of trade receivables	31/12/2019 (in €/mln)	% impact	Amounts not yet due	Write-down	Amounts past due within 12 months and not written down	Amounts past due and recoverable
Amounts falling due	19,3	13%	-19,1	-0,1	-	-
Past due amounts > €/th. 15	9,0	6%	-	-4,7	-3,0	1,3
Past due amounts < €/th. 15	31,3	22%	-	-18,8	-8,4	4,1
Invoices to be Issued	83,2	58%	-83,0	-0,3	-	-
Total	**142,8**	**100%**	**-102,1**	**-23,9**	**-11,4**	**5,4**

As regards the amount of receivables that became due during the year, it should be noted that the change in the IT systems led to a temporary slowdown in the operation of systems normally used for reminder of overdue payments as a result of the required running-in period for the new management applications.

This generated a temporary increase in positions that had expired within the year, which were being reabsorbed at the reporting date of these explanatory notes. In any case, it should be noted that for these receivables, totalling € 11,400 thousand:

- the Group prudently proceeds with a write-down of 5% relating to the general analysis;
- an amount of € 3,800 thousand has been past due for less than 30 days, and is therefore substantially recoverable, as it is subject to normal delays in payment;
- these receivables are essentially regarded as recoverable since the CMOR (Corrispettivo MORosità Energia, Energy Bill Default Fees) recovery procedure has not yet been started for most of them. In fact, this procedure is only initiated 8 to 9 months after the maturity date of the receivable itself.

As regards the amount of overdue receivables that is regarded as recoverable, it should be noted that this recovery emerges from the specific analysis of receivables and from the amount of CMOR that is expected to be required to be reimbursed.

For the sake of clarity, the ageing of receivables from customers in relation to past due amounts is shown below:

Ageing of trade receivables	31/12/2019 (in €/mln)	% impact
Amounts past due for 0 to 30 days	4,1	10%
Amounts past due for 31 to 180 days	5,4	13%
Amounts apst due for 181 to 360 days	2,5	6%
Amounts past due for more than 360 days	28,4	70%
Total	40,3	100%

It should be noted that the Group hedges the Credit Risk with specific insurance policies, where possible.

RECEIVABLES FROM PARENT COMPANIES

Description	31/12/19	31/12/18	Changes
Receivables from parent companies	356	659	-303

This item mainly related to trade receivables for the management of customs-free contracts on behalf of Tremagi SA, in order to import electricity from Switzerland.

20. CURRENT TAX ASSETS

Description	31/12/19	31/12/18	Changes
Current tax assets	6.659	2.445	4.214

In detail:

Tax receivables are broken down as follows:

Description	31/12/19	31/12/18	Changes
VAT credit	4.828	868	3.959
Receivables from customs offices for excise duty advances	1.430	266	1.164
Withholding tax and other credits	32	339	-307
Income tax receivables	67	364	-297
R&D credit	240	608	-368
Other tax receivables	62	-	62
TOTAL	6.659	2.445	4.214

21. OTHER CURRENT ASSETS

Description	31/12/19	31/12/18	Changes
Other current assets	11.620	13.014	-1.394

In detail:

Description	31/12/19	31/12/18	Changes
Suppliers on account of advances	1.107	1.199	-92
Receivables from JAO	49	1.537	-1.488
Deposits	3.805	3.674	131
Other receivables	682	169	513
Accrued Income	1.704	1.223	481
Prepaid expense on suppliers' invoices accruing in future financial years	891	887	4
Prepaid costs for sureties	254	203	51
Receivables from Tremagi SA	3.128	4.122	-994
TOTAL	11.620	13.014	-1.394

Other receivables mainly related to the recognition of the income already referred to in explanatory note no. 1 above, and in particular to a legal action brought by Illumia against a customer for damages. In December 2019 a settlement proposal was brought forward, which provided for Illumia to be paid an amount on account of final payment and write-off of its claims. The settlement agreement was reached in January 2020 with the payment of an amount of € 650 thousand to Illumia.

Accrued income mainly related to the share of revenues accrued in the period, which arose from ISDA contracts and which were collected during the subsequent period and entered into with Credit Institutions.

22. CURRENT FINANCIAL ASSETS

Description	31/12/19	31/12/18	Changes
Current finanial assets	4.000	-	4.000

“Current financial assets” related to the loan granted to associate Casaglia S.r.l..

23. DERIVATIVES

Description	31/12/19	31/12/18	Changes
Derivatives	10.432	15.016	-4.583

These mainly consist of OTC derivatives and contracts for differences (entered into on ISDA standards) for which the fair value was determined by applying IFRS 13. In particular, despite having been entered into in order to hedge fixed-price contracts with end customers and optimise procurement costs, these derivatives do not meet the conditions to be classified as hedging instruments. The change in fair value was therefore recognised directly through profit or loss.

24. CASH AND CASH EQUIVALENTS

Description	31/12/19	31/12/18	Changes
Cash and cash equivalents	22.157	31.446	-9.289

In detail:

Description	31/12/19	31/12/18	Changes
Bank and postal deposits	22.141	31.432	-9.290
Money and cash on hand	16	15	1
TOTAL	22.157	31.446	-9.289

As at 31 December 2019 "Cash and cash equivalents" consisted of money and cash on hand of € 16 thousand and of deposits of € 22,141 thousand held with credit institutions, which are not subject to restrictions and are then freely available.

Below is the NFP:

NET FINANCIAL POSITION	31/12/19	31/12/18
Current financial assets	4.000	-
Cash and cash equivalents	22.157	31.446
Short-term bank debt	-26.091	-25.180
Short-term payables to other lenders	-178	-8.834
Short-term Net Financial Position	**-113**	**-2.568**
Long-term bank debt	-33.678	-26.520
Long-term payables to other lenders	-966	-571
Net Financial Position	**-34.756**	**-29.659**

25. EQUITY

Description	31/12/19	31/12/18	Changes
Equity	48.912	45.904	3.008

The operations regarding the Group's Equity were closed with a total of € 48,912 thousand, recording an increase of € 3,008 thousand compared to the balance of € 45,904 thousand in the previous year.

With regard to the year just ending, the changes in each equity item and the breakdown of other reserves are shown in the table provided in the explanatory note no. 5 to which reference should be made.

For the sake of completeness of the disclosures provided in the financial statements, the following statement is attached hereto, which shows the reconciliation of the parent company's and consolidated Equity and result for the year:

Description €/000	EQUITY 12/2018	OTHER CHANGES	PROFIT (LOSS) FOR 2019	EQUITY 12/2019
Tremagi Srl	**34.109**		**2.055**	**36.164**
Elimination of investments in subsidiaries	31.090		5.837	36.927
Derecognition of intercompany dividends	**-23.314**		**-3.851**	**-27.165**
Other EQUITY entries	3.211	-1.051	-188	1.972
Rounding-off	**-3**	**3**		**-**
Group Equity	**45.093**	**-1.048**	**3.853**	**47.898**
Equity attributable to Minority Interests	812		201	1.013
Tremagi Srl Group	**45.904**	**-1.048**	**4.054**	**48.912**

26. NON-CURRENT FINANCIAL LIABILITIES

Description	31/12/19	31/12/18	Changes
Non-current financial liabilities	34.643	27.091	7.552

Below is the breakdown of financial liabilities at 31 December 2019:

	31/12/19	31/12/18
Current portion of loans	19.542	18.684
Liabilities held with credit institutions	1.551	1.494
Facilities for advances on invoices	5.000	5.000
Current portion of Leases	178	183
TOTAL CURRENT LIABILITIES	**26.271**	**34.015**
Non-current portion of loans	33.678	26.520
Non-current portion of Leases	965	571
TOTAL NON-CURRENT LIABILITIES	**34.643**	**27.091**

Below is the breakdown of loans by maturity:

Bank	Financing Amount	Residual debt at 31/12/19	Within 12 months	Beyond 12 months and within 5 years	Beyond 5 years	Maturity
Banca Desio	1.500.000	-	-	-	-	10/06/19
CR Cento	3.000.000	-	-	-	-	01/08/19
Banca di Bologna	4.000.000	-	-	-	-	06/07/19
B.del Mezzogiorno	10.000.000	3.190.583	2.111.423	1.079.160	-	30/06/21
EMILBANCA	2.000.000	-	-	-	-	24/01/19
CARIPARMA	5.000.000	-	-	-	-	28/10/19
BANCO BPM	4.000.000	-	-	-	-	31/03/19
BPMilano	2.000.000	-	-	-	-	31/01/19
MPS	3.500.000	699.623	699.623	-	-	30/06/20
CR Cento	2.000.000	507.825	507.825	-	-	01/08/20
BP Vicenza	2.000.000	499.398	499.398	-	-	30/09/20
CARIGE	3.000.000	-		-	-	31/12/19
B. Interprovinciale/Illimity	3.500.000	889.338	889.338	-	-	30/09/20
UBI Banca	1.000.000	-	-	-	-	25/10/19
CREVAL	4.000.000	3.006.386	985.781	2.020.605	-	05/10/22
BANCO BPM	5.000.000	2.924.896	1.662.521	1.262.375	-	30/09/21
Mediocredito	12.500.000	11.148.195	1.229.576	4.940.650	4.977.970	31/07/28
UBI Banca	2.000.000	1.173.886	666.217	507.670	-	27/09/21
BPER	2.000.000	920.278	920.278	-	-	30/11/20
EMILBANCA	3.500.000	2.847.334	856.604	1.990.730	-	21/01/23
CR Cento	4.500.000	-	-	-	-	17/12/19
B.del Mezzogiorno	5.000.000	4.502.865	957.180	3.545.685	-	30/05/24
MPS	4.000.000	3.990.187	885.104	3.105.083	-	30/06/24
Banca di Bologna	2.000.000	1.661.796	787.967	873.829	-	16/01/22
BANCO BPM	4.000.000	3.656.657	1.313.100	2.343.557	-	30/09/22
Mediocredito	2.000.000	1.741.450	993.287	748.163	-	30/07/21
Mediocredito Trentino	7.000.000	6.411.521	2.277.438	4.134.083	-	15/08/22
CREVAL	2.000.000	1.991.000	738.884	1.252.116	-	05/01/22
Intesa San Paolo	694.940	459.369	41.372	188.005	229.992	01/12/28
CR Cento	2.375.000	-	-	-	-	20/02/19
BNL	1.500.000	142.857	142.857	-	-	02/08/20
CR Cento	1.000.000	445.615	253.064	192.551	-	01/08/21
BANCO BPM	500.000	408.732	123.446	285.286	-	31/03/23
Balance at 31.12.2018	**112.069.940**	**53.219.792**	**19.542.282**	**28.469.548**	**5.207.962**	

27. EMPLOYEE SEVERANCE PAY AND OTHER EMPLOYEE BENEFITS

Description	31/12/19	31/12/18	Changes
Benefits due to employees, agents and directors	2.734	2.604	130

In detail:

Description	31/12/19	31/12/18	Changes
For pension fund and similar obligations	808	734	74
Employee Severance Pay	1.926	1.871	55
TOTAL	2.734	2.604	130

PROVISION FOR EMPLOYEE SEVERANCE PAY (TFR)

Below is the breakdown of changes in the provision at the reporting date:

Opening Balance	1.871
Uses for disposals	-285
Accrual in the year	392
IAS 19 adjustments	-51
Balance at 31/12/2019	1.926

The discounting of the liability according to IAS 19 was carried out by an actuary appointed by the Company, who considered the following actuarial assumptions:

DEMOGRAPHIC ASSUMPTIONS

Death: RG48 Mortality table
Disability: INPS (Istituto Nazionale della Previdenza Sociale, Italian Social Security Institute) tables broken down by age and gender.
Retirement: 100% AGO (Assicurazione Generale Obbligatoria, Mandatory General Insurance) requirements.

FINANCIAL ASSUMPTIONS

The following discount rates were used, which correspond to the average returns of the IBOXX Corporate AA index with a duration of 10+ years in December 2019:

- discount rate: 0.77%
- annual inflation rate: 1.20%
- annual rate of increase in employee severance pay: 2.400%
- annual real salary increase rate: 0.50%

Between 1 January and 30 June 2007, the employees were required to decide on the allocation of their accruing severance pay, either tacitly or explicitly by giving a specific written notice. The severance pay accrued until 31 December 2006 nevertheless remains with the company, is revalued during the course of the employment relationship, and is paid out when the relationship is terminated.
In order to provide a better understanding of the data reported, it should be noted that:

- in accordance with Law no. 296/2006, the portions of severance pay accruing after 1 January 2007 must be paid by companies (with at least 50 employees) on a monthly basis (obligatorily) into a specific Treasury Fund set up with INPS (if not paid into the Supplementary Pension Funds at the employee's request, in accordance with Legislative Decree no. 252/2005);
- With this payment to INPS, no other provisions are set aside for severance pay, and the debt is to be considered as transferred. Therefore, neither the actuarial calculation nor discounting is any longer required for these future obligations, as the debt is "paid off" periodically and, therefore, the companies no longer have any obligation to their employees.

PROVISION FOR TERMINATION INDEMNITY (TFM, *TRATTAMENTO DI FINE MANDATO*)

The provision for termination indemnity is paid out by the company to the directors at the end of their mandates. As required by the IFRS, this potential liability is netted of the related payments made to the directors' insurance company.

PROVISION FOR SUPPLEMENTARY CLIENTELE INDEMNITY (FISC, *FONDO INDENNITÀ SUPPLETIVA DI CLIENTELA)*

The discounting of the liability according to IAS 37 was carried out by an actuary appointed by the Company, who considered the following actuarial assumptions:

DEMOGRAPHIC ASSUMPTIONS

The following assumptions were taken into consideration:

- Probability of death: the RG48 mortality table was used, which has been developed by the State General Accounting Department (Ragioneria Generale dello Stato) for the evaluation of the Italian population's future life expectancy;
- Retirement age: it was assumed that the active agents will generally stop working once they meet the requirements that are currently prescribed by the Enasarco (Ente nazionale di assistenza per gli agenti e i rappresentanti di commercio, National Welfare Institute for agents and sales representatives) Regulations;
- for the estimate of disability among the group of agents in question, an INPS table broken down by age and gender was used;
- as regards the termination of agency relationships, and therefore the discontinuation of the professional relationships, an annual frequency of 0.50% was assumed for terminations resulting from company decisions, and a frequency of 5.00% was assumed for terminations resulting from independent decisions of the agent; these frequencies were quantified based on the company's recent history and interviews with the Company's management.

ECONOMIC AND FINANCIAL ASSUMPTIONS

The discount rate was established with reference to the IBoxx Eurozone Corporate AA index in relation to the term of employment of the group. Specifically, a rate of 0.77% was adopted for 31 December 2019.

28. FONDO PER RISCHI E ONERI

Description	31/12/19	31/12/18	Changes
Provisions for risks and charges	2.050	1.198	852

Below is the breakdown of changes in the provision:

Description	31/12/18	Increases	Decreases	31/12/19
Provision for risks and charges	1.198	1.191	-340	2.050
TOTAL	1.198	1.191	-340	2.050

The change for the period was mainly attributable to:

- Uses and provision for donations to employees;
- A provision set aside following a Report of Findings (PVC, Processo Verbale di Constatazione) served by the Revenue Agency in December 2019;
- A provision set aside for a presumed loss, regarded as probable, related to the supply carried out in January to a customer considered to be insolvent.

29. DEFERRED TAX LIABILITIES

Description	31/12/19	31/12/18	Changes
Dferred tax liabilities	979	979	-

The liability in question did not record any change, since the recognition derives from the properties acquired as a result of the merger by incorporation of subsidiary OSA S.r.l., which was completed with a deed dated 20 June 2016 and registered on 27 June 2016. It should be noted that the aforementioned properties are stated at "current" values, and this is because, pursuant to Article 2500-ter, paragraph 2, of the Italian Civil Code, the subsidiary OSA, during the transformation that took place with the deed dated 9 December 2015 and registered on 1 January 2016, adjusted the value of its business complex at the values resulting from the expert's transformation report prepared in accordance with the combined provisions of Articles 2503-ter and 2465 of the Italian Civil Code. Given that these higher appraisal values are not recognised for tax purposes according to the provisions of Article 110 of the TUIR (Testo Unico delle Imposte sui Redditi, Income Tax Code), the Company has recognised a specific provision for deferred tax liabilities allocated both for IRES (i.e. a 24% rate) and IRAP (i.e. a 4.65% rate) purposes, based on the total amount of the revaluation done upon the transformation referred to above.

30. CURRENT FINANCIAL LIABILITIES

Description	31/12/19	31/12/18	Changes
Current financial liabilities	26.271	34.015	-7.744

For details, reference should be made to the explanatory note no. 26.

31. TRADE PAYABLES

Description	31/12/19	31/12/18	Changes
Trade payables	122.086	113.857	8.229

This item, compared to the balance of € 113,857 thousand, recorded in the Financial Statements for the previous year, showed an increase of € 8,229.
In detail:

Description	31/12/19	31/12/18	Changes
Advances	5.248	4.595	653
Payables to suppliers	116.039	107.617	8.422
Payables to parent company	799	1.645	-846
TOTAL	**122.086**	**113.857**	**8.229**

By geographical area:

Description	Italy	Foreign Countries	TOTAL
Advances	4.389	859	5.248
Payables to suppliers	76.748	39.291	116.039
Payables to parent company	-	799	799
TOTAL	**81.137**	**40.949**	**122.086**

For 2018:

Description	Italy	Foreign Countries	TOTAL
Advances	4.595	-	4.595
Payables to suppliers	65.316	42.301	107.617
Payables to parent company	-	1.645	1.645
TOTAL	**69.911**	**43.946**	**113.857**

PAYABLES TO SUPPLIERS

These mainly include:

- Payables for the purchase of electricity and gas;
- Payables for the transmission of electricity and gas;
- Payables for energy dispatching.

Other payables to suppliers include costs for commissioning (fees, bonuses, loyalties) and recurring costs for technical, management and administrative advice.

PAYABLES TO PARENT COMPANIES

This item mainly consists of an amount of € 799 thousand due to the parent company Tremagi SA for the CNM (Consolidato Nazionale e Mondiale, National and Global Tax Consolidation) scheme.

32. TAX LIABILITIES

Description	31/12/19	31/12/18	Changes
Current tax liabilities	4.635	5.358	-724

This item related to:

Description	31/12/19	31/12/18	Changes
Payables for excise duties on energy	2.952	4.393	-1.441
Payables for RAI TV licence fees	357	211	146
IRPEF tax to be paid to the withholding agent	381	431	-50
VAT debt	591	296	295
IRES tax debt	8	-	8
IRAP tax debt	335	21	314
Others	10	6	4
TOTAL	**4.635**	**5.358**	**-724**

33. OTHER CURRENT LIABILITIES

Description	31/12/19	31/12/18	Changes
Other current liabilities	4.202	8.565	-4.363

This item related to:

Description	31/12/19	31/12/18	Changes
Payables to social security institutions	631	602	29
Payables to others	2.268	5.161	-2.893
Accrued expenses and deferred income	1.302	2.802	-1.500
TOTAL	**4.202**	**8.565**	**-4.363**

Payables to social security institutions are broken down as follows:

Description	31/12/19	31/12/18	Changes
Payables to INPS	272	254	18
Payables to ENASARCO	108	85	23
Payables to FIRR*	108	113	-5
Payables to Supplementary Pension Funds	18	46	-28
Social security contributions on deferred remuneration	125	104	21
TOTAL	631	602	29

Payables to others related to:

Description	31/12/19	31/12/18	Changes
Payables to personnel and collaborators	828	727	101
Guarante deposits from customers	710	3.869	-3.159
Credit card	42	52	-10
Euler Hermes compensation	282	480	-198
Other payables	405	32	374
TOTAL	2.268	5.161	-2.893

Below is the breakdown of accrued expenses and deferred income:

Description	31/12/19	31/12/18	Changes
Accrued expenses	431	1.650	-1.219
Deferred income	871	1.152	-281
TOTAL	1.302	2.802	-1.500

Deferred income related to revenues for charging grid connection costs to end customers.
The balance of accrued expenses mainly consists of amounts on current accounts held with Credit Institutions.

34. DERIVATIVES

Description	31/12/19	31/12/18	Changes
Derivatives	7.592	7.533	58

These mainly consist of OTC derivatives and contracts for differences (entered into on ISDA standards) for which the fair value was determined by applying IFRS 13. I In particular, the balance at the reporting date of these financial statements related to IRS on loans for € 500 thousand and to derivatives for € 7,084 thousand. Specifically, these derivatives:

- For € 5,759 thousand, despite having been entered into in order to hedge fixed-price contracts with end customers and optimise procurement costs, do not meet the conditions to be classified as hedging instruments. The change in fair value was therefore recognised directly through profit or loss;

- For € 1,325 thousand, meet the requirements prescribed by IFRS 9 for hedge accounting treatment and are classified as Cash Flow Hedge. These instruments are therefore measured at fair value against an entry in a specific Equity item.

2.15 RELATED-PARTY TRANSACTIONS

Below is a summary of related-party transactions:

Company name	Receivables at 31/12/2019	Payables at 31/12/2019	Revenues 2019	Costs 2018
Tremagi SA	3.485	799	-	799

All the above transactions were carried out at arm's length.
Comments on each item of the table above can be found in the related sections of the explanatory notes.

2.16 ADDITIONAL INFORMATION

COMMITMENTS, GUARANTEES GIVEN AND POTENTIAL LIABILITIES NOT RESULTING FROM THE BALANCE SHEET

As at 31 December 2019, the guarantees provided on behalf of companies amounted to € 479,650 thousand and mainly related to:

- Guarantees of € 3,520 thousand in favour of Terna S.p.A. for dispatching service;

- Guarantees of € 32,980 thousand for Procurement of Electricity and Natural Gas;

- Guarantees of € 1,550 thousand in favour of the Customs Agency for additional taxes on Electricity and Natural Gas;

- Guarantees of € 3,210 thousand for Electricity and Natural Gas transmission service;

- Bank guarantees totalling € 1,500 thousand issued to Snam Rete Gas for balancing service;

- Bank guarantees totalling € 2,200 thousand issued to Snam Rete Gas for transport service;

- A bank guarantee of € 3,000 thousand for activities carried out in regulated electricity and gas markets;

- A bank guarantee of € 50 thousand issued to GRDF for gas transport service;

- Collateral of € 8,400 thousand related to mortgages granted on owned properties.

As specified in paragraph no. 3 on "Derivatives", energy and gas forward purchase and sale contracts with wholesalers, which are executed in order to meet the Group's sales or purchase requirements, are not valued, as they are subject to the physical delivery of the quantities purchased and sold. These contracts had a negative Fair Value equal to € 10,900 thousand at 31 December 2019. This effect was substantially due to a decrease in the PUN-VTP recognised during the financial year, as well as related to the hedge of fixed-price retail sale contracts which include a significant positive margin that more than offsets this effect.

COST OR REVENUE ITEMS OF AN EXTRAORDINARY AMOUNT OR IMPACT

In accordance with Article 2427, point 13, of the Italian Civil Code, it should be noted that no cost or revenue items were recorded, which had an extraordinary amount or impact.

DISCLOSURE ON MANAGEMENT AND COORDINATION UNDER ARTICLE 2497-*BIS*, PARAGRAPH 4

The company was subject to management and coordination activities carried out by its parent company Tremagi SA, with registered office at 6, Rue Guillaume Schneider, L-2522 Luxembourg, enrolled in the Luxembourg Register of Trade and Companies under number B 114.804.
The highlights of the parent company Tremagi SA, stated in the summary statements reported below as required by Article 2497-bis of the Italian Civil Code, have been taken from the related financial statements for the financial year ended 31 December 2018. For adequate and full information on the financial position and cash flows of Tremagi SA as at 31 December 2018, as well as of the results of operations achieved by the company in the year ended on that date, reference should be made to the financial statements which, accompanied by the independent auditors' report, are available in the forms and manner prescribed by law.

TREMAGI SA
6, Rue Guillarme Schneider
L - 2522 Luxembourg

BALANCE SHEET
Financial year from 01/01/2018 **to** 31/12/2018 (in EUR)

	2018	2017
ASSETS		
C. FIXED ASSETS	**17.720.296**	**17.720.296**
II. Tangible assets	-	-
3. Other fixtures and fittings, tools and equipment	-	-
III. Financial assets	17.720.296	17.720.296
1. Shares in affiliated undertakings	*17.720.296*	*17.720.296*
D. CURRENT ASSETS	**2.191.260**	**1.260.722**
II. Debtors	2.123.701	1.098.378
1. Trade debtors		-
a) becoming due and payable within one year		-
2. Amounts owed by affiliated undertaking	*1.799.016*	*755.557*
a) becoming due and payable within one year	*1.799.016*	*755.557*
4. Other debtors	*324.686*	*342.821*
a) becoming due and payable within one year	*324.686*	*342.821*
III. Investments	-	-
3. Other investments	-	-
IV. Cash at bank and in hand	67.558	162.344
TOTAL (ASSETS)	**19.911.556**	**18.981.018**

	2018	2017
CAPITAL, RESERVES AND LIABILITIES		
A. CAPITAL AND RESERVES	**14.767.717**	**13.529.131**
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	13.493.931	12.869.105
VI. Profit or loss for the financial year	1.238.586	624.826
C. CREDITORS	**5.143.839**	**5.444.477**
4. Trade creditors	359.360	408.694
a) becoming due and payable within one year	*359.360*	*408.694*
6. Amounts owed to affiliated undertakings	4.547.308	5.024.163
a) becoming due and payable within one year	*4.547.308*	*5.024.163*
b) becoming due and payable after more than one year		-
8. Other creditors	237.170	11.620
a) Tax authorities	237.170	11.620
c) Other creditors		-
i) becoming due and payable within one year		-
D. DEFERRED INCOME	**0**	**7.410**
TOTAL (CAPITAL, RESERVES AND LIABILITIES)	**19.911.556**	**18.981.018**

PROFIT AND LOSS ACCOUNT	2018	2017
1. Net turnover	-	-
4. Other operating income	-	-
5. Raw materials and consumables and other external expenses	-34.431	-89.846
a) Raw material and consumables		-
b) Other external expenses	*-34.431*	*-89.846*
6. Staff costs	-	-317
a) Wages and salaries		-
b) Social security costs	-	-317
ii) other social security costs	-	*-317*
7. Value adjustments	-	-
a) in respect of formation expenses and of tangible and intangible fixed assets	-	-
8. Other operating expenses	-820	-28.178
9. Income from participating intrerest	-	17.520
a) delivered from affiliated undertakings	-	*17.520*
11. Other interest receivable and similar income	1.298.472	746.028
a) derived from affiliated undertakings	1.289.308	734.801
b) other interest and similar income	9.165	11.227
13. Value adjustments in respect of financial assets and of investments held as current assets	-	-
14. Interest payable and similar expenses	-6.887	-4.430
b) other interest and similar expenses	*-6.887*	*-4.430*
15. Tax on profit or loss	1.771	-2.360
16. Profit or loss after taxation	1.258.106	638.417
17. Other taxes not shown under items 1 to 16	-19.520	-13.591
18. Profit or loss for the financial year	1.238.586	624.826

EMPLOYMENT DATA

The national labour agreement applied is that for the trade and services sector.
Below are the breakdown of the company workforce by category and the changes that were recorded during the year:

Workforce	31/12/19	31/12/18	Changes	Average Number
Executives	3	3	0	4
Office workers	179	162	17	168
Total	**182**	**165**	**17**	**172**

Workforce	31/12/18	31/12/17	Changes	Average Number
Executives	3	2	1	3
Office workers	162	159	3	162
Total	**165**	**161**	**4**	**165**

FEES DUE TO DIRECTORS, STATUTORY AUDITORS AND INDEPENDENT AUDITORS

As at 31 December 2019, the accounts operated for the fees due to the members of the Board of Directors of Illumia S.p.A., Tremagi S.r.l. and Illumia Trend S.r.l., as well as the accounts for the Statutory Auditors (for Illumia S.p.A. and Tremagi S.r.l.) and Sole Statutory Auditor (for Illumia Trend S.r.l. and Wekiwi S.r.l.) were as follows:

- Fees due to statutory auditors and sole statutory auditor € 79 thousand
- Fees due to directors € 1,369 thousand

As regards independent auditors (fees accounted for by service rendered):

- PricewaterhouseCoopers S.p.A.Amounts for the Audit of Accounts and accounting control € 121 thousand
- PricewaterhouseCoopers S.p.A. carries out the audit of the financial statements of Tremagi S.r.l. and Illumia S.p.A., as well as of the Group's consolidated financial statements.

NON-RECURRING SIGNIFICANT EVENTS AND TRANSACTIONS

It should be noted that no significant non-recurring events and transactions took place during the 2019 financial year.

TRANSPARENCY IN THE GOVERNMENT GRANTS SYSTEM - ARTICLE 1, PARAGRAPHS 125-129 OF LAW NO. 124 OF 4/8/2017

The main criteria adopted by the Group in accordance with the aforementioned Assonime (Italian Association of Joint-stock Companies) circular letter are described below. Subsidies, grants and economic benefits of any kind received from 1 January to 31 December 2019 have been taken into consideration. For the purposes of these regulations, these amounts have been accounted for according to the cash criterion, even though, in compliance with the applicable accounting standards, their recognition in the financial statements was mainly determined according to the principle of accruals.
In detail:

OPERATING GRANTS - ILLUMIA:

- Revenue Agency – 2019 RAI TV Licence Fee grant amounting to € 120 thousand (matching principle).
- Cash for energy and environmental services – Grant of € 107 thousand for energy efficiency projects.

OPERATING GRANTS - WEKIWI:

- Revenue Agency – 2019 RAI TV Licence Fee grant amounting to € 17 thousand (matching principle).

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

With regard to the information concerning the nature of the significant events that occurred after the reporting date, and their effect on the financial position, results of operations and cash flows, in accordance with Article 2427, point 22-quater, of the Italian Civil Code, it should be noted that at the date of approval of these financial statements, our country and the rest of the world found themselves in the midst of the crisis caused by the Covid-19 pandemic.

The Directors consider this event as a non-adjusting event that occurred after the reporting date and therefore they did not take it into account in preparing the financial statements at 31 December 2019.

At present, they also believe that it is not possible to provide a quantitative estimate of the potential impact the coronavirus could have on the Group's financial position, results of operations and cash flows and its ability to achieve its short-term objectives in economic and financial terms in consideration of the many determinants that are still unknown and still to be defined to date. Nevertheless, it is not excluded that such an impact may occur with particular reference to those items in the financial statements that are more subject to estimation procedures; this will be taken into account in the preparation of accounting estimates during 2020.

Finally, based on the analyses and information available to date with reference to the economic and financial situation in the months prior to the approval of the Group's financial statements, it is not believed that the uncertainty associated with the phenomenon described above could affect the Group's ability to continue to conduct its business in the foreseeable future.

The Group companies reacted to the new provisions of the decrees issued in March promptly and effectively; furthermore, they took action ahead of instructions being received under the aforesaid decrees in order to work from home (smart working), endeavouring to design innovative solutions in order to face the new situation, thus ensuring business continuity. Certainly the fact of being among the companies that conduct a business that is regarded as "essential" puts us in a position that is in some way privileged with respect to many other companies that are forced to stop working in this period.

On the other hand, the short experience of this "initial" phase of the crisis does not allow us to still have a clear idea of the economic and financial repercussions on our company in 2020. We are in fact preparing various scenarios and stress tests to understand what could happen in the near future.

In the meantime, our companies have taken preventive action to protect them against any possible risk such as credit risk and customers' requests for deferred payment. By way of example we are:

- Changing the customary collection methods in order to give all our customers the possibility to make payments online (clicpay, online postal service, credit card, etc.);

- Contacting the main suppliers to make sure that they apply deferred payment methods to be used in case of need in order to be able to meet any possible request for deferred payments on the part of our customers and without prejudice to any supply or relations with the suppliers themselves (confirming, reverse factor, etc.);

- Contacting the banks as a precautionary measure in order to be granted credit lines to be used in case of need (extended terms of payment granted to customers);

- Asking each business unit to seize the opportunity to "re-invent" their work in order to improve efficiency and implement new working methods required by the present emergency.

Bologna, 18 March 2020

The Chairman of the Board of Directors
DOTT. MARCO BERNARDI

pwc

Relazione della società di revisione indipendente
ai sensi dell'articolo 14 del DLgs 27 gennaio 2010, n° 39

Al Socio Unico della
Tremagi Srl

Relazione sulla revisione contabile del bilancio consolidato

Giudizio

Abbiamo svolto la revisione contabile del bilancio consolidato della Tremagi Srl (di seguito, la "Società") e delle sue società controllate (di seguito, il "Gruppo Tremagi"), costituito dalla situazione patrimoniale e finanziaria consolidata al 31 dicembre 2019, dal conto economico consolidato, dal conto economico complessivo consolidato, dal prospetto delle variazioni del patrimonio netto consolidato e dal rendiconto finanziario consolidato per l'esercizio chiuso a tale data e dalle note esplicative al bilancio consolidato, che includono anche la sintesi dei più significativi principi contabili applicati.

A nostro giudizio, il bilancio consolidato fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria del Gruppo Tremagi al 31 dicembre 2019 e del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data, in conformità agli International Financial Reporting Standards adottati dall'Unione Europea.

Elementi alla base del giudizio

Abbiamo svolto la revisione contabile in conformità ai principi di revisione internazionali (ISA Italia). Le nostre responsabilità ai sensi di tali principi sono ulteriormente descritte nella sezione *Responsabilità della società di revisione per la revisione contabile del bilancio consolidato* della presente relazione. Siamo indipendenti rispetto alla Società in conformità alle norme e ai principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano alla revisione contabile del bilancio consolidato. Riteniamo di aver acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio.

Responsabilità degli Amministratori e del collegio sindacale per il bilancio consolidato

Gli Amministratori sono responsabili per la redazione del bilancio consolidato che fornisca una rappresentazione veritiera e corretta in conformità agli International Financial Reporting Standards adottati dall'Unione Europea e, nei termini previsti dalla legge, per quella parte del controllo interno dagli stessi ritenuta necessaria per consentire la redazione di un bilancio consolidato che non contenga errori significativi dovuti a frodi o a comportamenti o eventi non intenzionali.
Gli Amministratori sono responsabili per la valutazione della capacità del Gruppo Tremagi di

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v. C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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continuare ad operare come un'entità in funzionamento e, nella redazione del bilancio consolidato, per l'appropriatezza dell'utilizzo del presupposto della continuità aziendale, nonché per una adeguata informativa in materia. Gli Amministratori utilizzano il presupposto della continuità aziendale nella redazione del bilancio consolidato a meno che abbiano valutato che sussistono le condizioni per la liquidazione della capogruppo Tremagi Srl o per l'interruzione dell'attività o non abbiano alternative realistiche a tali scelte.

Il collegio sindacale ha la responsabilità della vigilanza, nei termini previsti dalla legge, sul processo di predisposizione dell'informativa finanziaria del Gruppo Tremagi.

Responsabilità della società di revisione per la revisione contabile del bilancio consolidato

I nostri obiettivi sono l'acquisizione di una ragionevole sicurezza che il bilancio consolidato nel suo complesso non contenga errori significativi, dovuti a frodi o a comportamenti o eventi non intenzionali, e l'emissione di una relazione di revisione che includa il nostro giudizio. Per ragionevole sicurezza si intende un livello elevato di sicurezza che, tuttavia, non fornisce la garanzia che una revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia) individui sempre un errore significativo, qualora esistente. Gli errori possono derivare da frodi o da comportamenti o eventi non intenzionali e sono considerati significativi qualora ci si possa ragionevolmente attendere che essi, singolarmente o nel loro insieme, siano in grado di influenzare le decisioni economiche prese dagli utilizzatori sulla base del bilancio consolidato.

Nell'ambito della revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia), abbiamo esercitato il giudizio professionale e abbiamo mantenuto lo scetticismo professionale per tutta la durata della revisione contabile. Inoltre:

- abbiamo identificato e valutato i rischi di errori significativi nel bilancio consolidato, dovuti a frodi o a comportamenti o eventi non intenzionali; abbiamo definito e svolto procedure di revisione in risposta a tali rischi; abbiamo acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio. Il rischio di non individuare un errore significativo dovuto a frodi è più elevato rispetto al rischio di non individuare un errore significativo derivante da comportamenti o eventi non intenzionali, poiché la frode può implicare l'esistenza di collusioni, falsificazioni, omissioni intenzionali, rappresentazioni fuorvianti o forzature del controllo interno;
- abbiamo acquisito una comprensione del controllo interno rilevante ai fini della revisione contabile allo scopo di definire procedure di revisione appropriate nelle circostanze e non per esprimere un giudizio sull'efficacia del controllo interno del Gruppo Tremagi;
- abbiamo valutato l'appropriatezza dei principi contabili utilizzati nonché la ragionevolezza delle stime contabili effettuate dagli Amministratori, inclusa la relativa informativa;
- siamo giunti ad una conclusione sull'appropriatezza dell'utilizzo da parte degli Amministratori del presupposto della continuità aziendale e, in base agli elementi probativi acquisiti, sull'eventuale esistenza di una incertezza significativa riguardo a eventi o circostanze che possono far sorgere dubbi significativi sulla capacità del Gruppo Tremagi di continuare ad operare come un'entità in funzionamento. In presenza di un'incertezza significativa, siamo tenuti a richiamare l'attenzione nella relazione di revisione sulla relativa informativa di bilancio ovvero, qualora tale informativa sia inadeguata, a riflettere tale circostanza nella formulazione del nostro giudizio. Le nostre conclusioni sono basate sugli

elementi probativi acquisiti fino alla data della presente relazione. Tuttavia, eventi o circostanze successivi possono comportare che il Gruppo Tremagi cessi di operare come un'entità in funzionamento;
- abbiamo valutato la presentazione, la struttura e il contenuto del bilancio consolidato nel suo complesso, inclusa l'informativa, e se il bilancio consolidato rappresenti le operazioni e gli eventi sottostanti in modo da fornire una corretta rappresentazione;
- abbiamo acquisito elementi probativi sufficienti e appropriati sulle informazioni finanziarie delle imprese o delle differenti attività economiche svolte all'interno del Gruppo Tremagi per esprimere un giudizio sul bilancio consolidato. Siamo responsabili della direzione, della supervisione e dello svolgimento dell'incarico di revisione contabile del Gruppo Tremagi. Siamo gli unici responsabili del giudizio di revisione sul bilancio consolidato.

Abbiamo comunicato ai responsabili delle attività di governance, identificati ad un livello appropriato come richiesto dagli ISA Italia, tra gli altri aspetti, la portata e la tempistica pianificate per la revisione contabile e i risultati significativi emersi, incluse le eventuali carenze significative nel controllo interno identificate nel corso della revisione contabile.

Relazione su altre disposizioni di legge e regolamentari

Giudizio ai sensi dell'articolo 14, comma 2, lettera e), del DLgs n° 39/2010

Gli Amministratori della Società sono responsabili per la predisposizione della relazione sulla gestione del Gruppo Tremagi al 31 dicembre 2019, incluse la sua coerenza con il relativo bilancio consolidato e la sua conformità alle norme di legge.

Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n° 720B al fine di esprimere un giudizio sulla coerenza della relazione sulla gestione con il bilancio consolidato del Gruppo Tremagi al 31 dicembre 2019 e sulla conformità della stessa alle norme di legge, nonché di rilasciare una dichiarazione su eventuali errori significativi.

A nostro giudizio, la relazione sulla gestione è coerente con il bilancio consolidato del Gruppo Tremagi al 31 dicembre 2019 ed è redatta in conformità alle norme di legge.

Con riferimento alla dichiarazione di cui all'articolo 14, comma 2, lettera e), del DLgs n° 39/2010, rilasciata sulla base delle conoscenze e della comprensione dell'impresa e del relativo contesto acquisite nel corso dell'attività di revisione, non abbiamo nulla da riportare.

Bologna, 17 aprile 2020

PricewaterhouseCoopers SpA

Roberto Sollevanti

Roberto Sollevanti
(Revisore legale)

3

3. SEPARATE FINANCIAL STATEMENTS OF TREMAGI S.R.L.

3.1 INCOME STATEMENT

Income Statement	Notes	31/12/19	31/12/18
Revenues from sales	1	5.965.300	5.301.750
Other revenues	1	113.235	131.678
Total Turnover		**6.078.535**	**5.433.428**
Costs for Raw Materials	2	59.210	39.399
Costs for services	3	2.956.646	2.672.163
Other operating costs	4	133.741	82.885
Personnel costs	5	2.132.113	1.935.838
Amortisation of intangible assets	6	138.870	116.588
Depreciation of property, plant and equipment and rights of use	6	373.270	167.591
Provisions and Impairment	7	2.143.697	817.000
Operating proft (loss)		**-1.859.011**	**-398.036**
Income and costs from equity investments	8	3.850.770	1.200.000
Financial income and costs	9	-136.493	-99.939
Profit (loss) before tax		1.855.266	702.025
Taxes	**10**	**-199.384**	**-94.398**
Net profit (loss)		**2.054.650**	**796.423**

3.2 STATEMENT OF COMPREHENSIVE INCOME

Statement of Comprehensive Income	Notes	31/12/19	31/12/18
Net profit (loss) for the year		**2.054.650**	**796.423**
Other effects through equity		-	-
Components that can be reclassified to P&L		**-**	**-**
Discounting-back of Employee Severance Pay (TFR)	5	-769	-8.699
Components that CANNOT BE reclassified to P&L		**-769**	**-8.699**
Comprehensive income		**2.053.881**	**787.724**

3.3 STATEMENT OF FINANCIAL POSITION

Statement of financial position	Notes	31/12/19	31/12/18
ASSETS			
Non-current assets			
Property, plant and equipment	11	10.142.437	10.291.140
Investment property	12	13.937.238	13.912.539
Intangible assets	13	182.787	273.496
Right of use	14	700.175	-
Equity investments	15	11.920.113	11.807.956
Deferred tax assets	16	598.258	245.589
Total non-current assets		**37.481.008**	**36.530.720**
Current assets			
Trade receivables	17	1.419.338	811.638
Current financial assets	18	4.000.000	30.000
Current tax assets	19	149.815	19.651
Other current assets	20	3.159.773	4.188.622
Cash and cash equivalents	21	792.552	25.509
Total current assets		**9.521.478**	**5.075.419**
TOTAL ASSETS		**47.002.486**	**41.606.139**
EQUITY AND LIABILITIES			
Quota capital and reserves			
Quota capital		2.000.000	2.000.000
Reserves		31.710.509	30.914.855
Profits (Losses) carried forward		107.636	107.636
Profit (loss) for the year		2.054.650	796.423
Equity	**22**	**35.872.795**	**33.818.914**
Non-current financial liabilities	23	1.073.784	1.047.841
Employee Severance Pay and other employee benefits	24	449.585	432.662
Provisions for risks and charges	25	1.091.998	537.000
Deferred tax liabilities	26	898.269	898.269
Total non-current liabilities		**3.513.637**	**2.915.772**
Current financial liabilities	27	6.104.341	3.450.376
Trade payables	28	1.106.924	868.432
Current tax liabilities	29	80.673	310.459
Other current liabilities	30	324.116	242.186
Total current liabilities		**7.616.054**	**4.871.453**
TOTAL LIABILITIES		**11.129.691**	**7.787.225**
TOTAL EQUITY AND LIABILITIES		**47.002.486**	**41.606.139**

4. CASH FLOW STATEMENT	Notes	31/12/19	31/12/18
A) Cash flows from operating activities (indirect method)			
Profit (loss) for the year		2.054.650	796.423
Income taxes	10	-199.384	-94.398
(Dividends)	8	-3.850.770	-1.200.000
Interest expense	9	137.422	99.971
(Interest income)	9	-916	-32
(Capital gains)/losses from disposal of assets			
1. Profit (loss) for the year before income tax, interest, dividends and capital gains/losses from disposal		-1.858.998	-398.036
Adjustments for cash items without a contra-entry in Net Working Capital			
Accruals to Provisions	7	649.975	537.000
Accrual to the Provision for Employee Severance Pay (TFR)	5	107.519	99.510
Accrual to the Provision for Bad Debts	7	685.878	-
Amortisation and depreciation of fixed assets	6	512.140	284.179
Other non-cash adjustments	7	807.843	280.000
Total adjustments to non-cash items		2.763.356	1.200.689
2. Cash flow before changes in Net Working Capital		904.358	802.653
Changes in net working capital			
Decrease/(increase) in receivables from customers and Group company	17	-1.293.578	-663.399
(Decrease)/increase in payables to suppliers and Group company	28	238.492	2.331.114
Other changes in Net Working Capital		442.933	40.817
Total changes in Net Working Capital		-612.152	1.708.533
3. Cash flow after changes in Net Working Capital		292.206	2.511.186
Other adjustments			
Interest collected	9	916	32
Interest (paid)	9	-137.422	-99.971
Dividends collected	8	3.850.770	1.600.000
(Income tax paid)		-30.963	-34.965
Total other adjustments		3.683.301	1.465.096
Cash flow from operating activities (A)		3.975.507	3.976.282
B) Cash flows from investing activities			
Property, plant and equipment and intangible assets (investments)	13	-48.161	-129.758
Property, plant and equipment and intangible assets (disinvestments)	11-12-14	-1.007.436	
Equity investments	15	-920.000	-3.994.031
Financial assets (disinvestments)	18	-3.970.000	770.000
Cash flow from investing activities (B)		-5.945.597	-3.353.789
C) Cash flows from financing activities			
Borrowed capital			
Increase (decrease) in payables to banks		2.679.908	-639.297
Cash flow from financing activities (C)		2.679.908	-639.297
Other changes		57.225	-8.699
Increase (decrease) in cash and cash equivalents (A + B + C)		767.043	-25.503
Cash and cash equivalents at the beginning of the period		25.509	51.012
Cash and cash equivalents at the end of the period		792.552	25.509
Net Liquidity		767.043	-25.503

3.5 STATEMENT OF CHANGES IN EQUITY

Description	Share Capital	Legal Reserve	Other Reserves: Extraordinary Reserve	Other Reserves: Capital payments from Shareholders	Other Reserves: IAS Reserve	Other Reserves	Profits carried forward	Profit/Loss	Total
31/12/17	2.000.000	400.000	21.181.168	8.845.354	-389.203	-896.697	107.636	1.782.932	33.031.189
"Actuarial gain (losses) on provisions for employee benefits "					-8.699				-8.699
Allocation of profits			1.782.932					-1.782.932	-
Profit for the year								796.423	796.423
31/12/18	2.000.000	400.000	22.964.100	8.845.354	-397.902	-896.697	107.636	796.423	33.818.914
"Actuarial gain (losses) on provisions for employee benefits "					-769				-769
Allocation of profits			796.423					-796.423	-
Profit for the year								2.054.650	2.054.650
31/12/18	2.000.000	400.000	23.760.523	8.845.354	-398.671	-896.697	107.636	2.054.650	35.872.794

NOTE ESPLICATIVE

3.6 GENERAL BASIS OF PREPARATION

The Separate Financial Statements have been prepared in accordance with the IAS/IFRS (International Accounting Standards and International Financial Reporting Standards) issued by the IASB, based on the text published in the Official Journal of the European Union (O.J.E.U.). The term IFRS is also to be understood as all the revised international accounting standards ("IAS") and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC).

The Separate Financial Statements have been drawn up on the assumption of the Company's ability to continue to operate as a going concern, while taking account of the impact arising from the COVID-19 health emergency and include the statement of financial position, the income statement, the statement of comprehensive income, the cash flow statement, the statement of changes in equity and related explanatory notes.

With regard to the layout and contents of the financial statements, the Company has opted for the following:

- The balance sheet is presented in sections with separate disclosure of assets, liabilities and equity. In turn, assets and liabilities are stated on the basis of their classification as either current or non-current;
- The components of the profit/loss for the reporting period are shown on an income statement, laid out in a report form based on the nature of the items, as this format provides more reliable and material information for the Company than the classification by function, which is shown immediately before the statement of comprehensive income;
- The statement of comprehensive income is presented separately, and, starting with the operating result, shows the other components required by IAS 1;

- The statement of changes in equity is presented with separate disclosure of the operating result, as well as of each income and cost that has not been taken to profit or loss but recognised directly in equity according to specific applicable accounting standards;

- The cash flow statement is shown by using the indirect method for determining the cash flows derived from operating activities. According to this method, the operating result is adjusted by taking account of the effects of non-monetary transactions, as well as of those resulting from the deferral or accrual of previous or future operating receipts or payments, and of revenue or cost items associated with the cash flows derived from investing or financing activities.

As specified above, the schedules used are those that provide a true and fair view of the Company 's financial position, results of operations and cash flows.

If, due to the application of a new standard, a change in the nature of the transactions, or a review of the financial statements, it is deemed necessary or more appropriate to make a change to the items of the financial statements in order to provide more reliable and material information for the users of the financial statements themselves, the comparative data will be reclassified accordingly in order to improve the comparability of the information provided for each financial period. In this case, appropriate disclosures will be provided in the explanatory notes, if significant.

Finally, it should be noted that these financial statements have been prepared in Euros.

3.7 CHANGES IN INTERNATIONAL ACCOUNTING STANDARDS

Except as stated below in relation to the accounting standards, amendments and interpretations applicable from 1 January 2019, the accounting standards adopted for the preparation of these Separate Financial Statements are consistent with those applied for the preparation of the separate financial statements at 31 December 2018.

Accounting standards, amendments and interpretations endorsed by the European Union, applicable from 1 January 2019, which have been applied for the first time in the Group's financial statements for the financial year ended 31 December 2019

IFRS 16 Leases. In January 2016, the IASB published the document for the initial recognition, measurement, presentation and disclosure of lease agreements for both parties to a contract. This document replaced IAS 17 - Leases. It does not apply to service contracts, but only to lease agreements or to the lease components of other contracts. Under the standard a lease is a contract that grants the customer (lessee) the right to use an asset for a certain period of time in exchange for consideration. The new standard eliminates the classification between finance lease and operating lease, and introduces a single accounting model that provides for the recognition of assets and liabilities for all leases with a term of more than 12 months, and the separate recognition of amortisation, depreciation and interest expense through profit or loss. With regard to the lessor, the method of accounting does not change significantly with respect to the rules that are currently laid down in IAS 17.

IFRS 16 was applied from 1 January 2019, making use of the option, permitted by the transitional provisions of the accounting standard, to adopt the "simplified method" without any impact on the opening equity.

The table below summarises the impact arising from the application of this standard of the Company's Financial Statements:

€/000	01.01.2019	31.12.2019
Right of use	924.620	700.174
Financial liabilities	-924.620	-708.526
Impact through equity	**-**	**-8.352**

In adopting IFRS 16 the Company has made use of the exemption permitted by paragraph 5a) in relation to leases with a term of less than 12 months, in particular for some vehicle hire agreements and the exemption permitted by paragraph 5b) with regard to lease agreements for which the underlying asset is a low-value asset, i.e. when the assets underlying the lease agreement did not exceed the replacement value by Euro 5,000. The agreements for which the exemption has been applied mainly refer to electronic devices. The first-time adoption of IFRS 16 did not entail the recognition of the financial liability and related right of use for these agreements. Lease payments will therefore be recognised in the income statement on a straight-line basis for the term of the respective agreements.

The table below summarises the impact through profit or loss arising from the application of this standard on the Company's financial statements:

€/000	31.12.2019
Decrease in 2019 lease fees	240.000
Increase in amortisation and depreciation	-224.446
Increase in financial costs	-23.906
Impact to P&L due the IFRS 16's adoption	**-8.352**

IFRIC 23 Uncertainty over Income Tax Treatments. On 7 June 2017, the IASB issued IFRIC 23, which provides guidance on how to account for income tax assets and liabilities (current and/or deferred) in the presence of uncertainties regarding the application of the tax legislation. The adoption of this standard did not have any significant impact on the Company's financial statements.

Amendments to IFRS 9 Financial instruments on prepayment features with negative compensation. On 12 October 2017, the International Accounting Standards Board (IASB) published amendments to International Financial Reporting Standard (IFRS) 9 - Financial Instruments. Prepayment Features with Negative Compensation. The amendments are intended to clarify the classification of particular prepayable financial assets when applying IFRS 9. Specifically, if the financial asset contains a contractual clause that might change the timing or amount of contractual cash flows, the entity must determine whether the contractual cash flows that might arise during the life of the instrument under said clause exclusively consist of payments of principal and interest accrued on the capital amount to be repaid. The IASB has set the date for the first-time adoption of the amendments at 1 January 2019, with early adoption permitted. After having consulted the European Financial Reporting Advisory Group (EFRAG), the Commission concluded that the amendments to IFRS 9 meet the adoption requirements prescribed in Article 3, paragraph 2, of Regulation (EC) No. 1606/2002. The European Union endorsed these amendments under Regulation (EU) No. 2018/498 of 22 March 2018, which amends Regulation (EC) No. 1126/2008. The adoption of these amendments did not have any significant impact on the Company's financial statements.

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures. On 12 October 2017 the IASB issued the amendments to IAS 28 to clarify the application of IFRS 9- Financial Instruments" for long-term interests in associates or joint ventures included in investments in these entities for which the equity method is not applied. The adoption of these amendments did not have any significant impact on the Company's financial statements.

Amendments to IAS 19 Employee Benefits - Plan Amendment, Curtailment or Settlement. On 7 February 2018 the IASB issued these amendments to clarify how to calculate pension costs when there is a change in defined-benefit plans. The provisions of the Amendments to IAS 19 were endorsed by the European Union on 13 March 2019. The adoption of these amendments did not have any significant impact on the Company's financial statements.

Annual improvements to IFRSs 2015-2017 cycle. In December 2017, the IASB published these Improvements, which included the major amendments to the following IFRS: a) IAS 12 - Income Taxes. The proposed amendments clarify that an entity should recognise any and all tax effects (tributary relative) concerning the distribution of dividends; b) IAS 23 - Borrowing Costs: the proposed amendments clarify that if the specific loans required for the acquisition and/or construction of an asset remain outstanding even after the asset is ready for use or sale, these loans cease to be regarded as specific and are therefore included in the entity's general financing items for the purposes of determining the capitalisation rate of borrowing; c) IAS 28 - Investments in Associates and Joint Ventures – Long-term Interests in Associates or Joint Ventures. The proposed amendments clarify that IFRS 9 - Financial Instruments, including impairment requirements, also applies to other financial instruments held for a long period of time and issued to an associate or joint venture. These amendments were endorsed by the European Union on 14 March 2019. The adoption of these amendments did not have any significant impact on the Company's financial statements.

Accounting standards, amendments, and interpretations endorsed by the European Union, applicable from 1 January 2020, which have not been early adopted by the Company

Amendment to IAS 1 and IAS 8 Definition of materiality. The amendment was published by the IASB on 31 October 2018 and provides for a different definition of "material", as follows: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments will be applicable for annual periods commencing on or after 1 January 2020, with early adoption permitted. Based on a preliminary analysis, the future adoption of this amendment is not expected to have any significant impact on the Company's financial statements. On 29 March 2018 the IASB published its revised version of the

"**Conceptual Framework for Financial Reporting**." The major amendments with respect to the 2010 version concern: i) a new chapter on measurement; ii) improved definitions and guidance, with specific regard to the definition of liability; iii) clarifications of important concepts, such as stewardship, prudence and uncertainty in measurements.

A document updating the IFRS references to the former Conceptual Framework was also published. The amendments, where they consist of actual updates, will be applicable for annual periods commencing on or after 1 January 2020.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest rate benchmark reform. The amendment provides for some remarks in relation to the change in interest rate benchmarks. In relation to hedge accounting, the IBOR reform should not discontinue hedge accounting. Any ineffective hedge must continue to be recognised through profit or loss. This amendment will become applicable as from financial periods commencing on 1 January 2020. Based on a preliminary analysis, the future adoption of this amendment is not expected to have any significant impact on the Company's financial statements.

Accounting standards, amendments and interpretations published by the IASB but not yet endorsed by the European Union

Accounting standards, amendments and interpretations published by the IASB but not yet endorsed by the European Union and not adopted in the preparation of these financial statements:

IFRS 17 Insurance Contracts. On 18 May 2017, the IASB issued IFRS 17, which lays down the principles for the recognition, measurement, presentation, and disclosure of the insurance contracts covered by the standard. The purpose of IFRS 17 is to ensure that an entity provides material information that gives a true view of these contracts, in order to provide the reader of the financial statements with a basis for assessing the effects of such contracts on the entity's financial position, results of operations and cash flows. On 21 June 2018, the IASB provided clarifications concerning IFRS 17 in order to ensure that the standard's interpretation would reflect the decisions made by the Board. The board agreed to clarify some matters concerning the contracts subject to variable rates and issues correlated to IFRS 3 - Business Combinations. The provisions of IFRS 17 will be effective from financial periods commencing on or after 1 January 2021. Based on a preliminary analysis, the possible future adoption of this standard is not expected to have any significant impact on the Company's financial statements.

Amendment to IFRS 3 Business combinations. On 22 October 2018 the IASB issued a document on the "Definition of a Business (Amendments to IFRS 3)" aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments will be applicable for business combinations for which the date of acquisition falls on or after 1 January 2020, with early adoption permitted. Based on a preliminary analysis, the possible future adoption of this amendment is not expected to have any significant impact on the Company's financial statements.

Amendments to IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current. The final amendments to the Classification of liabilities as current or non-current only affect the reporting of liabilities in the statement of financial position, and not the amount or the recognition of assets, liabilities, income or cost or disclosure that the entities provide on these elements. Specifically, the amendments:

- clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;

- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability;

- make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments will become applicable from 1 January 2022 and must be applied on a retrospective basis, with early adoption permitted. Based on a preliminary analysis, the possible future adoption of these amendments is not expected to have any significant impact on the Company's financial statements.

The standards listed herein are not applicable since they have not yet been endorsed by the European Union, which, during the endorsement process, may only partially adopt these standards or not adopt them at all.

3.8 ACCOUNTING POLICIES

The items in the financial statements have been measured according to the general principle of prudence and accruals, as well as on a going-concern basis, and taking into account the substance of the transaction or contract.

According to the principle of prudence, the financial statements only include the profits that had been realised at the reporting date, while any charges or losses accrued in the period were recognised even if they became known after the aforementioned date.

According to the matching principle, the effect of the transactions and other events has been accounted for and attributed to the financial period to which these transactions and events refer, and not to that in which the related cash flows (receipts and payments) arise.

FIXED ASSETS

INTANGIBLE ASSETS

The Company accounts for intangible assets that can be identified and checked, whose costs can be determined reliably on the assumption that they generate future economic benefits.

These assets are accounted for at the historical cost of acquisition, including additional charges and, for fixed assets produced internally, any directly and indirectly attributable costs. The latter are recorded for the reasonably attributable portion and, if they have a definite useful life, they are systematically amortised over the period of their estimated useful life, from the moment the fixed asset is ready for use, or otherwise starts to generate economic benefits for the Company.

The table below reports the ranges of years of estimated useful life, by category:

Description	Useful life (years)
Licenses	3-5
Other intangible assets	5

Intangible assets with an indefinite useful life are not amortised on a systematic basis but are tested for impairment at least on an annual basis.

PROPERTY, PLANT AND EQUIPMENT

These are recognised at the cost of acquisition, including directly attributable additional charges. The value of these assets is adjusted by their related accumulated depreciation.

In cases where the remaining value in use is less than the net book value at the reporting date, the latter is adjusted with a corresponding write-down. The written-down value is reinstated in subsequent financial periods if the reasons for the adjustment made are no longer applicable.

The depreciation of property, plant and equipment has been calculated systematically and on an ongoing basis, applying rates that are regarded as representing their residual useful life.

The value of company-owned properties to be depreciated is given by the difference between the cost of the fixed asset and the remaining value at the end of its useful life, and, if it is equal to or higher than the value of the property at the reporting date, the asset does not have to be depreciated as required by IAS 16.

The table below reports the range of years of useful life estimated by the Group:

Description	Useful life (years)
Land and Buildings	33
Plant and machinery	6-13
Industrial and commercial equipment	6
Other Assets: Non-operating furniture and furnishings	6
Other Assets: Office furniture and furnishings	8
Other Assets: Other property, plant and equipment	6
Other Assets: telephone system, office machines, company cars	20 %

Maintenance and repair costs are charged to profit or loss during the financial period in which they are incurred, if recurring, or capitalised if they are non-recurring.

It should be noted that, under Article 10 of Law no. 72 of 19 March 1983, no monetary and/or economic revaluations were made during this or any previous financial year.

Costs for refurbishment, improvements and non-routine maintenance expenses that extend the economic life of the assets are taken as an increase in their value and depreciated at their same rate.

RIGHTS OF USE

Any assets acquired under lease agreements are reported by recognising a financial payable of the same amount among liabilities. The payable is gradually reduced on the basis of the repayment schedule of the principal included in the contractually agreed instalments, while the value of the asset stated as "rights of use" is systematically amortised according to the economic and technical life of the asset itself.

INVESTMENT PROPERTY

A property is classified as an investment property when it generates cash flows independent of the Company's other activities, since it is owned for the purpose of receiving lease payments and/or for the appreciation of invested capital, and not for being used in the production or provision of goods or services or for business management purposes.

According to IAS 40, investment property can be valued at either cost or revalued cost (fair value). The Group measures its investment property according to the cost method, taking into account impairment losses (if any), and without making any depreciation when the asset's estimated remaining value at the end of its useful life is equal to or higher than the carrying amount, based on experts' reports specifically prepared by independent third-parties.

Furthermore, any subsequent interventions are capitalised on the book value of the investment property only when it is probable that they will generate future economic benefits and their cost can be measured reliably. Other maintenance and repair costs are expensed through profit or loss as incurred. The market value of the properties includes the value of the plant and machinery related to the properties themselves and any goodwill acquired. Investment property is derecognised when it is disposed of or when it may not be used over time and no future economic benefits are expected from its sale. Any profit or loss arising from the withdrawal or disposal of an investment property is recognised through profit or loss during the financial period in which the withdrawal or disposal takes place.

IMPAIRMENT

If there is any evidence, event or changes in circumstances suggesting the existence of impairment losses, IAS 36 requires the intangible assets and property, plant and equipment in question to be tested for impairment in order to ensure that no assets are recognised in the financial statements at a value greater than their recoverable value. This test is carried out at least annually for Assets and Goodwill with an indefinite useful life, as well as for Property, plant and equipment and Intangible assets not yet in use. The verification whether the values recognised in the financial statements may be recovered is carried out by comparing the carrying amount as at the reporting date with the fair value, net of selling costs (if available) and the value in use, whichever is greater. The value in use of a tangible or intangible asset is determined according to the estimated future cash flows that are expected to derive from the asset, as discounted by using a discount rate, net of tax, which reflects the current market valuation of the present value of money and of risks attached to the Company's business. If it is not possible to estimate an independent cash flow for an individual asset, the cash generating unit to which the asset belongs is identified, with which it is possible to associate future cash flows that can be determined objectively and are independent from those generated by other operating units. Cash generating units were identified in line with the Company's organisational and operational architecture. If the impairment test reveals an impairment loss on an asset, its carrying amount is reduced down to the recoverable value through direct recognition through profit or loss. When there is no longer reason to maintain a write-down, the carrying amount of the asset (or of the cash generating unit), except for goodwill, is increased up to the new value deriving from the estimate of its recoverable value, but not beyond the net carrying amount that the asset would have had if no impairment loss had ever been recognised. The reversal is recognised through profit or loss immediately.

EQUITY INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Equity investments in Subsidiaries and other companies that are intended to be held permanently are recognised at acquisition or subscription cost, including any directly attributable additional charges, as adjusted if necessary to take into account any permanent impairment loss.

Equity investments in Associates have been valued according to the Equity method, as required by IAS 28.

Any write-downs for impairment of equity investments are stated among "Provisions and impairment" in the income statement for the period.

EQUITY INSTRUMENTS THAT CANNOT BE CLASSIFIED AS REPRESENTING CONTROL, SIGNIFICANT INFLUENCE, OR JOINT CONTROL

Investments in equity instruments that cannot be classified as representing control, significant influence or joint control must be measured at fair value through profit or loss. However, if not held for trading purposes, the option may be exercised to designate them at fair value through comprehensive income.

After initial recognition, equity interests that cannot be classified as representing control, significant influence or joint control are measured at fair value, and the amounts recognised against an entry in equity (Statement of comprehensive income) must not be subsequently transferred to profit or loss, even if they are disposed of. The only component referable to the securities in question that can be recognised through profit or loss consists of the related dividends.

As regards the equity securities included in this category, and not listed on an active market, the cost criterion is only used as a fair value estimate on a residual basis, and under a limited number of circumstances, i.e. when the latest information available for assessing fair value is insufficient, or if there is a wide range of possible fair value measurements and the cost represents the best fair value estimate among this range of values.

FINANCIAL ASSETS

Upon their initial recognition, financial assets must be classified in one of the three categories indicated below based on the following elements:

- the entity's business model for managing financial assets; and
- the characteristics relating to the financial asset's contractual cash flows.

Financial assets are subsequently derecognised only if their disposal has substantially transferred all the risks and rewards associated with the assets themselves. On the contrary, if a significant portion of the risks and rewards associated with the financial assets disposed of has been maintained, the assets must continue to be recognised in the financial statements, even if legal title to the assets themselves has been effectively transferred.

A) FINANCIAL ASSETS MEASURED AT AMORTISED COST

This category includes financial assets that meet both the following conditions:

- the financial asset is owned according to a business model whose objective is achieved by collecting the cash flows envisaged as per contract ("Hold to Collect" Business Model. The contractual terms and conditions of the financial asset provide, at certain dates, for cash flows consisting solely of payments of principal and interest on the capital amount to be repaid;
- upon initial recognition, these assets are accounted for at fair value, including any transaction costs or income directly attributable to the instrument itself. After initial recognition, the financial assets in question are measured at amortised cost, using the effective interest rate method. The amortised cost method is not used for any assets – measured at historical cost – whose short useful life makes the effect of the application of the discounting rationale negligible, as well as for those without a specified maturity and for revocable loans.

B) FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

This category includes financial assets that meet both of the following conditions:

- the financial asset is owned according to a business model whose objective is achieved both by collecting the cash flows envisaged as per contract and through the sale of the financial asset ("Hold to Collect and Sell" Business Model). The contractual terms and conditions of the financial asset provide, at certain dates, for cash flows consisting solely of payments of principal and interest on the capital amount to be repaid;
- upon initial recognition, assets are accounted for at fair value, including any transaction costs or income directly attributable to the instrument itself. After initial recognition, all fair value changes must be recognised in the Statement of comprehensive income, except for the recognition of gains or losses in value and of foreign exchange gains or losses, until the financial asset is derecognised or reclassified.

C) FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets other than those classified as "Financial assets measured at amortised cost" and "Financial assets measured at fair value through other comprehensive income" are classified in this category.

This category includes financial assets held for trading and derivative contracts that cannot be classified as hedges (which are stated as assets if their fair value is positive and as liabilities if their fair value is negative).

Upon initial recognition, financial assets measured at fair value through profit or loss are recognised at fair value, without considering any transaction costs or income directly attributable to the instrument itself. At the subsequent reporting dates they are measured at fair value and the effects of this measurement are charged to profit or loss.

RECEIVABLES

Trade receivables are recognised according to the terms and conditions laid down in contracts with customers according to the provisions of IFRS 15, and are classified based on the nature of the debtor and/or the receivable's maturity (this definition includes invoices to be issued for goods already transferred and services already provided). Furthermore, since trade receivables are generally short-term and do not entail the payment of interest, the amortised cost is not calculated, and they are accounted for based on the face value shown in the invoices issued or in the contracts entered into with customers: this provision is also adopted for trade receivables that have a contract maturity of more than 12 months, unless the effect is significant. Trade receivables are subject to an impairment test based on the provisions of IFRS 9. For measurement purposes, the Company has applied the simplified impairment model, whereby the value of the financial assets reflects the specific analyses of the recoverability of past-due exposures and/or non-performing loans, as well as a theoretical forecast of counterparty default, and takes into account the general economic, sector and country risk conditions. Finally, it should be noted that the Company has calculated and accounted for default interest pertaining to the financial period, as permitted by the current legislation, which allows them to be recognised in the financial statements when collected.

CASH AND CASH EQUIVALENTS

These are stated at nominal or cash value, which is considered to be their presumed realisable value.

PROVISIONS FOR RISKS AND CHARGES

These are set aside to cover losses or payables of a determined nature, the existence of which is certain or probable and the amount or timing of which were not determined at the reporting date.

In measuring these provisions, the general prudence and matching principles were complied with, and no provisions for general risks devoid of any economic justification were set aside.

When the financial effect over time is significant and the dates of payment of the obligations can be estimated reliably, the provision is discounted; the increase in the provision over of time is charged to profit or loss among "Financial income (costs)."

Potential liabilities have been recognised in the financial statements and stated among provisions, as they are regarded as probable, and the amount of the related charge can be estimated reasonably.

The risks for which the occurrence of a liability is only possible are indicated in the explanatory notes, without setting aside any provision for risks and charges.

The provision for supplementary clientele indemnity, as well as any other provision for risks and charges, have been set aside based on a reasonable estimate of the future probable liabilities, taking all the available elements into consideration.

EMPLOYEE SEVERANCE PAY (TFR)

The employee benefits paid upon or after the termination of an employment relationship mainly consist of the Employee Severance Pay (Trattamento di Fine Rapporto, TFR), which is regulated by Italian law under Article 2120 of the Civil Code. According to the IAS 19 Revised, the Employee Severance Pay, accrued until 2006, is considered to be a defined-benefit plan, i.e. a formalised program of post-employment benefits to be paid out to the employee, which can only be quantified after the employment relationship has been terminated, and is linked to one or more factors, such as age, length of service and remuneration. Consequently, the related charge is recognised through profit or loss accrued in the financial period based on an actuarial calculation. The liability recognised in the financial statements for defined-benefit plans corresponds to the present value of the obligation at the reporting date, net of the fair value of the plan assets, where applicable. The obligations for defined-benefit plans are determined annually by an independent actuary using the projected unit credit method. The present value of the defined-benefit plan is determined by discounting future cash flows at an interest rate determined based on the average yield curve of the government bonds outstanding during the month of the valuation date, issued in the currency in which the liability will be liquidated, taking into account the term of the related pension plan. Actuarial gains and losses are recognised through comprehensive income on an accruals basis in the financial period in which they occur.

PAYABLES

Trade and other payables are initially recognised at fair value and are subsequently measured at amortised cost, taking the time factor into account. In particular, the fair value initially recognised consists of the nominal value of the payable, net of transaction costs and of all premiums, discounts and allowances directly derived from the transaction that generated the payable. Transaction costs, as well as any commissions income and expense, and any difference between initial value and nominal value at maturity are included in the calculation of the amortised cost using the effective interest criterion.

Income taxes are set aside based on a forecast of the tax burden for the financial period with reference to the legislation in force.

FINANCIAL LIABILITIES

This item is initially recognised at cost, which corresponds to the fair value of the liability, net of transaction costs that are directly attributable to the issuance of the liability itself. After initial recognition, financial liabilities, except for derivatives, are measured at amortised cost, using the original effective interest rate method. In the event of a review of the estimated payments, the adjustment to the liability is recognised as a revenue or cost in the income statement.

COSTS AND REVENUES

These are shown in the financial statements according to the prudence and matching principles, with the recognition of any related accruals and deferrals.

Revenues and income, costs and charges are recorded net of returns, discounts, allowances and premiums, as well as of any tax directly connected with the performance of the services. Revenues are recognised based on the consideration to which an entity expects to be entitled in exchange for the supply of goods and the provision of services, based on five steps: 1) identify the contract, defined as an agreement having commercial substance between two or more parties that is capable of creating rights and obligations; 2) identify each obligation in the contract; 3) determine the transaction price, i.e. the amount of consideration to which an entity expects to be entitled for the transfer of goods and services to customers; 4) allocate the transaction price to each obligation, based on the related selling price; 5) recognise the revenues allocated to each obligation when it is settled, i.e. when the customer obtains control over goods and services. The control over goods by the customer normally coincides with their delivery or shipment, while revenues from services are recognised upon their completion. Revenues and income, costs and charges relating to foreign currency transactions are determined using the exchange rate prevailing on the date when the related transaction is carried out.

Revenues from sales of electricity and natural gas refer to the valuation of the amounts dispensed and delivered, respectively, during the financial year, even if not invoiced, and are determined by combining the data collected based on the readings received from the distributors and from Terna using appropriate accounting estimates (energy balance mechanism). These revenues are based on contractual agreements with customers and, where applicable, are governed by the legal provisions issued by the Italian Authority for Electricity and Gas (AEEG, Autorità per l'Energia Elettrica e il Gas) in force during the reporting period.

Business transactions carried out with Subsidiaries took place at arm's length.

FINANCIAL INCOME AND COSTS

These include all financial items recognised in the income statement for the period, including any interest expense accrued on borrowings, calculated using the effective interest method (mainly current account overdrafts, medium-long term loans), foreign exchange gains and losses, dividends received, the portion of interest expense deriving from accounting treatment of assets held under finance leases (IAS 17) and provisions for employees (IAS 19). Interest income and expense are charged to profit or loss for the period in which they are realised or incurred, except for capitalised costs (IAS 23). Proceeds from dividends contribute to the profit (loss) for the period in which the Group accrues the right to receive the payment.

INCOME TAXES

Current income taxes are determined based on a realistic forecast of the tax charges to be paid in the application of the tax regulations currently in force.

Deferred tax liabilities are calculated based on the temporary differences existing between the balance sheet values recognised in the financial statements and the corresponding values recognised for tax purposes. In particular, deferred tax assets are recorded only if it is probable that they may be recovered in the future. Deferred tax liabilities are not recorded if there is little likelihood that the related debt will arise.

These Explanatory Notes include a specific statement containing:

- a description of the temporary differences that led to the recognition of deferred tax assets and liabilities, specifying the rate applied, the changes compared to the previous financial year, the amounts credited or debited to the income statement or to equity, the items excluded from the calculation, and related reasons;

- the amount of deferred tax assets recognised in the financial statements relating to losses for the year or previous years, and the reasons for their recognition, the amount not yet accounted for and the reasons for their non-recognition (if any).

In particular, with regard to the allocation of deferred tax assets on accrued and unused tax losses, it should be noted that these are only recorded:

- if there is a future probability of obtaining an amount of taxable income for the Company such as to absorb the losses that can be carried forward (in subsequent tax periods, not exceeding eighty percent of taxable income of each of them, and up to the entire amount it contains);

- if the losses accrued are attributable to specific circumstances that are not expected to arise again in the future.

It should be noted that the option for tax consolidation was renewed for the three-year period from 2020 to 2022 by tacit renewal in accordance with Article 117, paragraph 3, of Presidential Decree no. 917/1986, as amended by Decree Law no. 193/2016 and the scheme includes Tremagi S.r.l., Illumia S.p.A., Illumia Trend S.r.l., Wekiwi S.r.l. and WeCall S.r.l., with Tremagi SA serving as the consolidating company

The economic relationships, responsibilities and mutual obligations are set out in the "National tax consolidation contract", according to which the subsidiary shall pay the parent company the amounts due for advance payments and the balance owed for IRES (Corporate Income) tax applicable at the time the parent company makes the payments, according to the provisions laid down in the legislation.

CONVERSION OF FOREIGN CURRENCY TRANSACTIONS

The Company has adopted the Euro as its functional and reporting currency. Foreign currency transactions are initially recorded in the functional currency, applying the spot exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currency are converted into the functional currency at the exchange rate prevailing at the reporting date, and the differences are recognised through profit or loss.

DIVIDENDS

These are recognised when the Quotaholders accrue their right to receive the payment, which normally coincides with the resolution approving the distribution of dividends. The distribution of dividends is therefore recognised as a liability in the financial statements for the financial period in which their distribution was approved by the Quotaholders' meeting.

3.9 MAIN ESTIMATES MADE BY THE MANAGEMENT

IMPAIRMENT OF ASSETS

Property, plant and equipment and intangible assets with definite useful lives are tested for impairment in order to establish whether there is any loss in value, which must be recorded through a write-down, whenever there is any evidence that reveals the likelihood of difficulty in recovering the related net carrying amount. The impairment test requires the Directors to make subjective assessments based on the information available within the Company and on the market, as well as from historical experience. Moreover, if it is determined that a potential impairment loss may have been generated, the Company's management proceeds with its determination using appropriate valuation techniques for this purpose. The correct identification of the elements indicating potential impairment losses, as well as the estimates for their calculation, depend upon factors that can change over time, thus affecting the evaluations and estimates made by the Directors themselves. Based on the assessments made by the Company's management, there is no evidence indicating an impairment of the assets with definite useful lives.

PROVISION FOR BAD DEBTS

This provision reflects the estimated losses associated with the Company's portfolio of receivables. Allocations have been made for expected credit losses, which have been estimated based on past experience by making reference to receivables with a similar credit risk, current and historical unpaid amounts, reversals and receipts, as well as to a careful monitoring of the quality of the portfolio of receivables and the current and expected conditions of the economy and the target markets. Although we believe that the provision set aside is fair and appropriate, the use of different assumptions or changes in the economic conditions could result in changes in the provision for bad debts, and, could therefore have an impact on profits. The estimates and assumptions are reviewed periodically, and the effects of each change are reflected through profit or loss in the related financial period.

DEFERRED TAX ASSETS

Deferred tax assets are accounted for based on the taxable income expected in future financial periods. The assessment of taxable income expected for the purposes of accounting for deferred tax assets depends on factors that can vary over time and can have significant effects on the recoverability of receivables for deferred tax assets.

PROVISIONS FOR RISKS

These provisions have been set aside by using the same procedures as in previous financial periods, making reference to the latest communications from our legal counsels and consultants appointed for the disputes, as well as based on their procedural developments.

PROVISIONS FOR EMPLOYEES

Provisions for employee benefits and net borrowing costs are measured using an actuarial method that requires the use of estimates and assumptions to determine the net value of the obligation. The actuarial method considers financial parameters such as, for example, the discount rate and the growth rates of wages and salaries, and considers the likelihood of potential future events occurring on the basis of demographic parameters such as, for example, the rates relating to the employees' mortality and resignation or retirement.

AMORTISATION AND DEPRECIATION

These are calculated based on the useful life of the asset. The useful life is determined by the company's management when the asset is recognised in the financial statements; the useful life is assessed based on historical experience, market conditions and expectations of future events that could affect the useful life itself, including technology changes. The actual useful life could therefore differ from the estimated useful life.

FAIR VALUE MEASUREMENT AND VALUATION PROCESS

The Company does not hold assets or liabilities measured at fair value.

3.10 FINANCIAL RISK MANAGEMENT

The Company is exposed to the following risks:

- Credit risk;

- Liquidity risk.

As required by IFRS 7, this section provides information concerning the Company's exposure to each of the risks listed above, as well as the objectives, policies and processes for managing these risks, and the methods used for their assessment.

The creation and supervision of the Company's risk management system is the responsibility of the Board of Directors.

The Company's risk management policies are aimed at identifying and analysing the risks to which the Company is exposed, as well as at setting out appropriate limits and controls, and monitoring the risks and the compliance with these limits. These policies and related systems are reviewed regularly in order to reflect any changes in the market conditions and the Company's activities. Through training, standards, and management procedures, the Company aims to create a disciplined and constructive control environment in which its employees are aware of their roles and responsibilities.

CREDIT RISK

Credit risk is the risk that a customer or a counterparty to a financial instrument will generate a financial loss by not fulfilling an obligation, and is mainly derived from trade receivables.

The Company's exposure to the credit risk mainly depends on the specific profile of each customer. The demographic variables that are peculiar to the Company's customer portfolio, including the risk of insolvency in the sector in which the customers operate, have significant influence on the Company's credit risk.

LIQUIDITY RISK

This is the risk that the Company will have difficulty in fulfilling the obligations associated with financial liabilities. The Company has good level of liquidity generated by its core business. However, it also has bank credit lines that allow it to pay the consideration for its retail activities in advance.

The Company's approach to liquidity management entails the monitoring and preventive management of adequate available funds to meet its obligations at maturity, both under normal conditions and under financial difficulty, with the aim of avoiding excessive charges or the risk of damage to its own image. This monitoring consists of the valuation of the liquidity available on a daily basis and at the end of each month, and the related report allows for a daily forecast of future cash outflows.

3.11 FINANCIAL INSTRUMENTS BROKEN DOWN BY CATEGORY

The tables below show the breakdown of financial assets and liabilities by category of financial instrument, indicating their fair value (FV) hierarchy level as at 31 December 2019 and 2018.

31.12.2019	Amortised Cost	Fair Value through Equity	Fair Value through P&L	Total	L1	L2	L3
Attività finanziarie non correnti	**7.128.898**			**7.128.898**			
Crediti Commerciali	1.419.338			1.419.338			
Altre attività Correnti	**30.875**			**30.875**			
Disponibilità liquide e mezzi equivalenti	792.552			792.552			

31.12.2018	Amortised Cost	Fair Value through Equity	Fair Value through P&L	Total	L1	L2	L3
Non-current financial assets	**4.152.271**			**4.152.271**			
Trade Receivables	811.638			811.638			
Other Current Assets	**66.351**			**66.351**			
Cash and cash equivalents	25.509			25.509			

31.12.2019	Amortised Cost	Fair Value through P&L	Total	L1	L2	L3	L3
Non-current Financial Liabilities	**1.073.784**		**1.073.784**				
Current Financial Liabilities	6.104.341		6.104.341				
Trade Payables	**1.106.924**		**1.106.924**				

31.12.2018	Amortised Cost	Fair Value through P&L	Total	L1	L2	L3	L3
Non-current Financial Liabilities	**1.047.841**		**1.047.841**				
Current Financial Liabilities	3.450.376		3.450.376				
Trade Payables	**868.432**		**868.432**				

3.12 EXPLANATORY NOTES TO THE FINANCIAL STATEMENT SCHEDULES

1. REVENUES FROM SALES AND SERVICES

Description	31/12/19	31/12/18	Changes
Revenues from sales	5.965.300	5.301.750	663.550
Other revenues	113.235	131.678	-18.443
Description	**6.078.535**	**5.433.428**	**645.107**

Compared to the balance of € 5,301,750 recorded in the Financial Statements for the previous year, revenues from sales, amounting to € 5,965,300, showed an increase of € 663,550, mainly as a result of the adjustment to the fees for administrative services, related to the greater complexity of the Subsidiaries.

Administrative Services delivered to all Subsidiaries consist of a:

- administrative and tax services, such as the preparation of the financial statements and of related disclosures attached hereto, analytical bookkeeping and the preparation of reports on operations for the management, ordinary bookkeeping, the updating of accounting records and corporate books, the calculation of taxes and withholdings, in addition to the preparation of consolidated financial statements, and the coordination of due diligence/M&A work;
- secretarial services, such as document filing, bureaucratic procedures, transport, and mail delivery;
- legal services;
- personnel management services, including the drafting of employment contracts, the management of personnel issues, and the coordination of the employment consultancy firm for the processing of pay slips, the design of remuneration policies, and the determination of training requirements;
- services aimed at obtaining bank and insurance guarantees, such as advice and support in relations with credit and insurance institutions aimed at obtaining credit lines commensurate with the needs of developing the core business and issuing corporate guarantees, if required by the credit institutions in order to obtain credit lines.

"Other revenues" did not record any significant change and mainly related to the rent income for company-owned properties which are rented for short stays mainly during the summer period.

2. COSTS FOR RAW MATERIALS

Description	31/12/19	31/12/18	Changes
Costs for Raw materials	59.210	39.399	19.811

These mainly consist of the purchase costs for fuel and stationery.

3. COSTS FOR SERVICES

Description	31/12/19	31/12/18	Changes
Costs for services	2.956.646	2.672.163	284.483

In detail:

Description	31/12/19	31/12/18	Changes
Maintenance	180.437	163.237	17.201
Utilities	37.465	38.481	-1.016
Travelling expenses	49.526	53.624	-4.098
Canteen	26.169	27.307	-1.138
Training	14.635	8.835	5.799
Advice	2.442.565	1.953.040	489.526
Statutory and Independent Auditors	48.304	72.515	-24.211
Insurance	44.723	39.253	5.470
Bank commissions	14.399	17.623	-3.224
Others	80.457	39.178	41.279
HQ lease	2.066	244.309	-242.243
Miscellaneous rentals	15.900	14.762	1.137
TOTAL	2.956.646	2.672.163	284.483

As regards the item “HQ Lease” the change was due to the application of IFRS 16 on a prospective basis, which classifies these costs among depreciation of property, plant and equipment.

4. OTHER OPERATING COSTS

Description	31/12/19	31/12/18	Changes
Other operating costs	133.741	82.885	50.856

This item, which amounted to € 133,741, against a balance of € 82,885 recognised in the Financial Statements for the previous year, showed an increase of € 50,856, as follows:

Description	31/12/19	31/12/18	Changes
Non deductible taxes and duties	20.412	42.794	-22.382
Deductible taxes and duties	32.629	10.991	21.638
Contingent liabilities	39.546	23.060	16.486
Charity	26.000	-	26.000
Other costs	15.153	6.040	9.113
TOTAL	133.741	82.885	50.856

5. PERSONNEL COSTS

This item is broken down as follows:

Description	31/12/19	31/12/18	Changes
Wages and salaries	1.594.389	1.434.772	159.616
Social security contributions	380.821	369.196	11.625
Employee Severance Pay	107.519	99.510	8.009
Other costs	49.384	32.360	17.024
TOTAL	2.132.113	1.935.838	196.275

The increase of € 196,275 in personnel costs was mainly due to a higher number of employees serving at 31 December 2019, which showed an increase of 3 units compared to the same date of 2018.

The provision for employee severance pay, equal to € 107,519, takes into account the guidelines provided in IAS 19; during the year under review, the adoption of this standard, together with the actuarial assumptions described in note no. 22 below, led to a change of € (769) in the reserve for actuarial gains, which was charged through comprehensive income.

6. AMORTISATION AND DEPRECIATION OF FIXED ASSETS

Description	31/12/19	31/12/18	Changes
Amortisation of intangible assets	138.870	116.588	22.282
Depreciation of property, plant and equipment	373.270	167.591	205.679
TOTAL	512.140	284.179	227.961

For details, reference should be made to the paragraphs on “Intangible Assets”, “Property, Plant and Equipment” and “Rights of use” of the statement of financial position.

7. PROVISIONS AND IMPAIRMENT

Description	31/12/19	31/12/18	Changes
Provisions and Impairment	2.143.697	817.000	1.326.697

This item regards:

- A write-down of the quota held in subsidiary Illumia Swiss SA. For more details, reference should be made to the section on “Equity investments” of the statement of financial position;
- A write-down of the quota held in associate Casaglia Srl.. For more details, reference should be made to the section on “Equity investments” of the statement of financial position;
- A provision set aside for donations to employees. For more details, reference should be made to the section on “Provision for risks and charges” of the statement of financial position;
- A provision set aside for a presumed loss, regarded as probable, related to the supply carried out in January to a customer considered to be insolvent.
- An accrual to the provision for bad debts. For more details, reference should be made to the section on “Trade receivables” of the statement of financial position.

8. INCOME AND COSTS FROM EQUITY INVESTMENTS

Description	31/12/19	31/12/18	Changes
Income and costs from equity investments	3.850.770	1.200.000	2.650.770

The balance related to dividends amounting to € 3,850,770 distributed by Subsidiary Illumia S.p.A., as resolved on 27 July 2019.

9. FINANCIAL INCOME AND COSTS

Description	31/12/19	31/12/18	Changes
Financial income and costs	-136.493	-99.939	-36.554

The balance mainly consisted of interest expense on mortgages. For more details, reference should be made to the section on “Payables to Banks”.

10. INCOME TAXES FOR THE YEAR

Description	31/12/19	31/12/18	Changes
Income taxes	-199.384	-94.398	-104.986

As already mentioned above, the option for tax consolidation was renewed for the three-year period from 2020 to 2022 by tacit renewal in accordance with Article 117, paragraph 3, of Presidential Decree no. 917/1986, as amended by Decree Law no. 193/2016. The consolidating company is the parent company Tremagi SA.

The income taxes are broken down as follows:

Description	31/12/19	31/12/18	Changes
Current taxes	44.599	14.998	29.601
Deferred tax liabilities	-352.669	-214.733	-137.936
Income and costs from tax consolidation	108.686	105.337	3.349
TOTAL	-199.384	-94.398	-104.986

Below is the breakdown of this balance:

IRES (CORPORATE INCOME) TAX

Tax Consolidation - 24% Tax rate	Taxable income	IRES tax
PROFIT (LOSS) BEFORE TAX	1.855.266	445.264
Increases	2.591.985	622.076
Decreases	-3.825.034	-918.008
Taxable income	622.216	149.332
Aid to Economic Growth and Interest expense transferred by Tremagi to consolidation	169.358	40.646
Taxable income, net of Aid to Economic Growth	452.859	108.686

IRAP (REGIONAL PRODUCTION ACTIVITY) TAX

IRAP tax - 4.65% Tax rate	Taxable income	IRAP tax
IRAP taxable income	2.416.798	112.381
Increases	76.629	3.563
Decreases	-1.777.152	-82.638
Taxable income	716.275	27.995

DEFERRED TAXATION

Deferred tax assets	"Value at 31/12/2018"	Increases	Decreases	Value at 31/12/19	IRES tax	IRAP tax	Final Credit	Initial Credit	Impact through P&L
Accrual to donations	150.000	103.155	-96.747	156.408	37.603	-	37.603	36.000	1.603
Impairment of Equity Investments	280.000	807.843	-	1.087.843	128.506	-	128.506	67.200	61.306
Accrual to Stamp Duty	387.000	-	-	387.000	92.880	15.093	107.973	111.533	-3.560
Effects of IAS Transition	30.855	-	-	30.855	-	-	30.855	30.855	-
Accrual to the Provisions for Bad Debs	-	675.351	-	675.351	162.084	-	162.084	-	162.084
Accrual to Provisions for risks and charges	-	546.820	-	546.820	131.237	-	131.237	-	131.237
TOTAL	847.855	2.133.169	-96.747	2.884.277	552.310	15.093	598.258	245.588	352.669

11. PROPERTY, PLANT AND EQUIPMENT

Descrizione	31/12/19	31/12/18	Changes
Property, plant and equipment	10.142.437	10.291.140	-148.703

Below is the breakdown of changes in property, plant and equipment:

Description	Historical cost 31/12/2018	Increases	Decreases	Transfer	Historical cost 31/12/2019
Land and Buildings	9.740.716	11.174			9.751.890
Plant and machinery	274.226				274.226
Other assets	1.793.280	8.115	16.670		1.784.725
Fixed assets under construction and advances	15.000			15.000	-
"Total gross property, plant and equipment "	11.823.222	19.289	16.670	15.000	11.810.841

Description	Depreciation Fund 31/12/2018	Increases	Decreases	Transfer	Depreciation Fund 31/12/2019
Land and Buildings	145.373	16.203			161.576
Plant and machinery	166.762	17.623			184.385
Other assets	1.219.947	114.998	12.503		1.322.443
Fixed assets under construction and advances	-	-	-		-
"Total gross property, plant and equipment "	1.532.082	148.824	12.503	-	1.668.404

Description	NET BOOK VALUE 31/12/2018	" NET BOOK VALUE 31/12/2019 "
Land and Buildings	9.595.343	9.590.314
Plant and machinery	107.464	89.841
Other assets	573.333	462.282
Fixed assets under construction and advances	15.000	-
"Total property, plant and equipment "	10.291.140	10.142.437

LAND AND BUILDINGS

This item, equal to € 9,590,314 is made up of the properties valued according to IAS16, namely:

- Property in Bologna at Via Albertazzi no. 48, for a value of € 5,402,597;
- Property in Bologna at Via Albertazzi no. 32, for a value of € 3,676,563.

No depreciation was applied for these properties since, as required by IAS 16, it is believed that the value of the properties at the end of their useful life will be equal to or greater than their value as at the reporting date.
The property for office use located in Bologna, at Via Fossalta, for a value of € 511,153, has been depreciated.

PLANT AND MACHINERY

This item, equal to € 89,841, is made up of the plant and machinery installed at the properties mentioned above.

OTHER ASSETS

This item, equal to € 462,282, mainly consists of furniture and furnishings.

12. INVESTMENT PROPERTY

Description	31/12/19	31/12/18	Changes
Investment Property	13.937.238	13.912.539	24.699

In detail:

Description	31/12/19	31/12/18
Investment Property	8.327.161	8.302.462
Investment Property Under Construction	5.610.077	5.610.077
TOTAL	13.937.238	13.912.539

As required by IAS 40, investment properties are summarised below, compared with their fair values:

Description	Investment Property	Furnishing	Plant	Total NBV in the financial statements	FV	Delta
Property located in Carloforte	6.260.421	428.009	37.979	6.726.409	6.744.000	17.591
Property located in Fossombrone	2.066.740	16.095		2.080.280	2.485.000	402.165
Total investment property	8.327.161	444.104	37.979	8.809.244	9.229.000	419.756

The fair values of the properties were determined by an independent expert appointed by the Company. The resulting appraisal values did not show any evidence of impairment losses.

The table below provides the information required by IAS 40 for the properties under consideration.

Description	Costs for 2019
Maintenance	41.845
Insurance	8.692
Utilities	26.764
Taxes	6.459
Total	83.760

It should be noted that the fair values of the properties were determined by an independent expert appointed by the Company. The resulting appraisal values did not show any indicators of impairment.

The item regarding the investment property under construction, amounting to € 5,610,077, was attributable to:

- advances of € 4,287,000 for the purchase of a residential property in Fossombrone (PU), for which a preliminary purchase contract was entered into on 9 February 2015, which was registered under no. 8140, series 3, on 14 December 2015. By means of a deed registered on 18 March 2019, the term of said preliminary contract was extended until the execution of the Notarial Deed, which will take place by 30 June 2021. The stamp duty relating to the abovementioned deed has been prudentially set aside to the provision for risks and charges;

- improvements made to the Property covered by the preliminary contract, amounting to € 1,323,077.

13. INTANGIBLE ASSETS

Description	31/12/19	31/12/18	Changes
Intangible assets	182.787	273.496	-90.709

Below are the changes in intangible assets:

Description	Historical cost 31/12/2018	Increases	Decreases	Transfer	Historical cost 31/12/2019
Concessions, licences, trademarks and similar rights	56.905	8.161		47.736	112.802
Fixed assets under development and advances	57.936			-57.936	-
Other intangible assets	547.551	40.000		10.200	597.751
Total gross intangible assets	662.392	48.161	-	-	710.553

Description	Depreciation Fund 31/12/2018	Increases	Decreases	Transfer	Depreciation Fund 31/12/2019
Concessions, licences, trademarks and similar rights	47.947	15.433	-		63.380
Fixed assets under development and advances	-				-
Other intangible assets	340.950	123.436			464.386
Total intangible assets	388.897	138.870	-	-	527.766

Description	NBV 31/12/2018	NBV 31/12/2019
Concessions, licences, trademarks and similar rights	8.958	49.421
Fixed assets under development and advances	57.936	-
Other intangible assets	206.602	133.365
Total intangible assets	273.496	182.787

CONCESSIONS, LICENSES AND TRADEMARKS – SOFTWARE EXPENSES

The increase in this item related to SAP licenses acquired for the implementation of the new SAP platform, which became operational from January 2019.

INTANGIBLE ASSETS UNDER DEVELOPMENT AND ADVANCES

This item recorded a decrease due to the transfer of the balance at 31 December 2018, associated with the costs sustained for the project dedicated to upgrading the entire application platform. On 7 January 2019 all the new company systems were up and running, thus ensuring business continuity.

OTHER INTANGIBLE ASSETS

This item recorded the following main changes:

- An increase of € 10,200 due to the transfer of the fixed assets under development at 31 December 2018 referred to above;

- An increase of € 40,000 related to the development of the new SAP platform to complete the project which became operational in January 2019.

14. RIGHTS OF USE

Description	31/12/19	31/12/18	Changes
Rights of use	700.175	-	700.175

Below is the breakdown of changes:

Description	Historical cost 31/12/2018	Increases	Decreases	Historical cost 31/12/2019
Right of use	-	924.621		924.621
Total gross right of use	-	924.621	-	924.621

Description	Depreciation Fund 31/12/2018	Increases	Decreases	Depreciation Fund 31/12/2019
Right of use	-	224.446		224.446
TOTAL Deprection Fund of Rights of use	-	224.446	-	224.446

Description	NBV 31/12/2018	NBV 31/12/2019
Right of use	-	700.175
Total	-	700.175

The item of € 700,175 mainly refers to the lease agreement concerning the registered office and cars. The recognition of this value arises from the application of IFRS 16 on a prospective basis.

15. EQUITY INVESTMENTS

Equity investments	31/12/19	31/12/18	Changes
in Subsidiaries	7.423.881	7.085.356	338.525
in Associates	4.493.632	4.720.000	-226.368
in Other Companies	2.600	2.600	-
TOTAL	11.920.113	11.807.956	112.157

Below is the breakdown of the item relating to Subsidiaries and related changes recorded during the year:

Equity investments in subsidiaries	%	31/12/18	Increases	Decreases	31/12/19
Illumia SpA	100%	6.132.333			6.132.333
Wekiwi Srl	**70%**	**661.610**			**661.610**
Illumia Trend Srl	80%	130.117			130.117
Illumia Swiss SA	**100%**	**101.297**	**850.000**	**581.475**	**369.822**
Illumia Next Srl	100%	50.000			50.000
We Call Srl	**100%**	**10.000**	**70.000**		**80.000**
Total equity investments in subsidiaries		7.085.356	920.000	581.475	7.423.881

Below is the breakdown of the item, complete with the main accounting data of the Subsidiaries and related ownership percentages:

Company name	Registered Office	Capital at 31/12/2019	"Equity AT 31/12/2019"	" Profit (loss) for the year "	%	Book value
Illumia SpA	Bologna – via de' Carracci 69/2	2.000.000	15.816.354	6.320.390	100%	6.132.333
Wekiwi Srl	**Bologna – via de' Carracci 69/2**	**10.000**	**1.005.566**	**634.756**	**70%**	**661.610**
Illumia Trend Srl	Bologna – via de' Carracci 69/2	115.000	3.779.105	77.699	80%	130.117
Illumia Swiss SA	**Lugano – Via Cantonale, 19**	**91.963**	**369.822**	**-656.340**	**100%**	**369.822**
Illumia Next Srl	Bologna – via de' Carracci 69/2	50.000	47.728	-1.345	100%	50.000
We Call Srl	**Bologna – via de' Carracci 69/2**	**10.000**	**47.377**	**-32.779**	**100%**	**80.000**

ILLUMIA SPA:

The shares in this company were acquired from Dufenergy Italia S.p.A. on 10 February 2010.
The company's corporate purpose mainly consists of:

- trading in electricity both in Italy and in Europe;
- trading in hydrocarbons;
- importing and trading in natural gas in general and coal;
- trading in energy-saving materials (LED bulbs);
- designing, organising and executing public and private engineering works in various sectors, including electronics, electro-optical information technology and automation, both in Italy and abroad.

The company closes its financial statements on 31 December of each year.

WEKIWI SRL:

It is a "project company" dedicated to the development of a new Company-wide web portal. In particular, Wekiwi.it is a web portal that aims to become the very first online supplier of electricity and gas for private consumers and micro-businesses. Wekiwi is the Company's second largest brand dedicated to online customers. It provides advanced tools for signing contracts and for supply management, allowing the customer to carry out any and all management operations directly via the website or apps. In the Tremagi Group the secondary Wekiwi brand also serves as an innovation workshop, and can be used to try out new products/services, as well as new types of offering or new customer management methods.

ILLUMIA TREND SRL:

This company conducts the following business activities:

- providing technical and advanced support to hedge the risk associated with the tariffs applied to end customers, evaluating contracts concerning the wholesale purchase and sale of energy products, and providing assistance in negotiating framework agreements with counterparties;
- engaging in the purchase and sale of energy from energy-saving plants;
- delivering logistics services for gas transport, storage and balancing;
- providing support to and advice on the review, preparation and negotiation of contracts for the purchase and sale of natural gas, including assistance in negotiations with counterparties;
- offering price risk hedging solutions, as well as any possible hedge trading advice, to active counterparties;
- searching for opportunities to buy or sell natural gas batches, even outside the Virtual Trading Point (VTP);

The book value at which it has been recognised in the financial statements is equal to the nominal value, which corresponds to the subscription cost.

ILLUMIA SWISS SA

The company was established on 30 January 2015, by a deed drawn up by Notary Public Marazzi in Lugano, and recorded under file no. 305, appendix A.
Illumia Swiss SA operates in the purchase and sale of energy products and assets, and is mainly engaged in the following business activities:

- Purchase and sale of energy products: the company has entered into various negotiations for the execution of EFET (European Federation of Energy Traders) and ISDA (International Swaps and Derivatives Association) contracts with major energy operators. This business, which is now considered no longer strategic for the Group, was discontinued during 2019 and the company is taking steps to conduct a market analysis in order to establish whether a new business is feasible in the Swiss market.

ILLUMIA NEXT SRL

The company was established on 18 July 2017 by a deed drawn up by Mr Vico, Notary Public in Bologna, recorded under no. 14097IT on 25 July 2017. The company has the purpose of trading in electricity and natural gas and was not yet operational at 31 December 2018 and, therefore, the difference between the cost of the equity investment and the value of equity in the financial statements at 31 December 2019 does not constitute a permanent impairment loss.

WECALL SRL

The company, which was established by Tremagi on 17 September 2018, is currently in its start-up phase, and its corporate purpose consists of the provision and operation of call centre services, as well as of the management of relations with the Group's and potential customers.
The difference between the cost of the equity investment and the value of equity in the financial statements at 31 December 2019 does not constitute a permanent impairment loss, since this company is still in the start-up phase.
phase.

EQUITY INVESTMENTS IN ASSOCIATES

Equity investments in Associates	%	31/12/18	Increases	Decreases	31/12/19
Casaglia Srl	49%	4.720.000		226.368	4.493.632
Total equity investments in other companies		**4.720.000**	**-**	**226.368**	**4.493.632**

On 12 October 2018 Tremagi S.r.l. acquired a 49% quota in Casaglia S.r.l. for an amount of Euro 5,000,000. The company's corporate purpose consists of the operation and refurbishment of company-owned properties and is valued using the equity method. The decrease of Euro 226,368 was due to an impairment carried out by the Directors based on the value of the properties owned by the associated company, specifically assessed by an independent expert.

EQUITY INVESTMENTS IN OTHER COMPANIES

Equity investments in other companies	%	31/12/18	Increases	Decreases	31/12/19
BHS srl	5%	2.600			2.600
Total equity investments in other companies		**2.600**	**-**	**-**	**2.600**

The company's corporate purpose consists of technical consulting activities for projects in the energy sector.

16. DEFERRED TAX ASSETS

Description	31/12/19	31/12/18	Changes
Deferred tax assets	598.258	245.589	352.669

This item consists of the total amount of deferred tax assets calculated on the temporary differences between the statutory values and the corresponding values recognised for tax purposes and reported in this disclosure in the explanatory note no. 10 "Income taxes for the year", to which reference should be made.

17. TRADE RECEIVABLES

Description	31/12/19	31/12/18	Changes
Trade Receivables	1.419.338	811.638	607.700

In detail:

Description	31/12/19	31/12/18	Changes
Receivables from customers	686.958	628	686.331
Receivables from controlled companies	732.380	811.010	-78.631
TOTAL	**1.419.338**	**811.638**	**607.700**

The table below reports the breakdown of receivables at 31 December 2019 based on the geographical area of the debtor:

Description	Italy	Foreign Countries	TOTAL
Receivables from customers	686.958		686.958
Receivables from controlled companies	732.380	-	732.380
TOTAL	**1.419.338**	**-**	**1.419.338**

In 2018:

Description	Italy	Foreign Countries	TOTAL
Receivables from customers	628		628
Receivables from controlled companies	798.860	12.150	811.010
TOTAL	**799.488**	**12.150**	**811.638**

RECEIVABLES FROM CUSTOMERS

This item is broken down as follows:

Description	31/12/19	31/12/18	Changes
Gross receivables from customers	1.372.836	628	1.372.209
Provision for bad debts	-685.878	-	-685.878
TOTAL	**686.958**	**628**	**686.331**

The provision for bad debts reported the following changes during the year:

Description	31/12/18	Accruals	Uses	31/12/19
Provision for bad debts	-	685.878	-	685.878
TOTAL	**-**	**685.878**	**-**	**685.878**

RECEIVABLES FROM SUBSIDIARIES

Description	31/12/19	31/12/18	Changes
Receivables from controlled companies	732.380	811.010	-78.631

These mainly consist of receivables due from Subsidiary Illumia S.p.A.

18. CURRENT FINANCIAL ASSETS

Description	31/12/19	31/12/18	Changes
Current financial assets	4.000.000	30.000	3.970.000

This item regards the loan granted to the associate Casaglia S.r.l..

19. CURRENT TAX ASSETS

Description	31/12/19	31/12/18	Changes
Current tax assets	149.815	19.651	130.164

This item, compared to the balance of € 19,651 recorded in the Financial Statements for the previous year, showed an increase of € 130,164 mainly due to a higher VAT credit.

20. OTHER CURRENT ASSETS

Description	31/12/19	31/12/18	Changes
Other current assets	3.159.773	4.188.622	-1.028.849

This item mainly related to receivables due from the Parent Company Tremagi SA, which were generated following a transfer of shares in July 2013.

21. CASH AND CASH EQUIVALENTS

Description	31/12/19	31/12/18	Changes
Bank and postal deposits	789.139	24.441	764.697
Money and cash on hand	3.414	1.067	2.346
TOTAL	**792.552**	**25.509**	**767.044**

As at 31 December 2019 "Cash and cash equivalents" consisted of money and cash on hand of € 3,414 and of deposits of € 789,139 held with credit institutions, which are not subject to restrictions and are then freely available.

Below is the NFP:

NET FINANCIAL POSITION	31/12/19	31/12/18
Financial Receivables	4.000.000	30.000
Cash and cash equivalents	792.552	25.509
Short-term bank debt	-437.293	-700.376
Current financial liabilities IFRS 16	-245.291	
Payables to subsidiaries	-5.421.757	-2.750.000
Short-term Net Financial Position	**-1.311.789**	**-3.394.867**
Long-term payables to banks	-610.548	-1.047.841
Non current financial liabilities IFRS 16	-463.236	-
Net Financial Position	**-2.385.573**	**-4.442.709**

22. EQUITY

Description	31/12/19	31/12/18	Changes
Equity	35.872.795	33.818.914	2.053.881

The operations regarding the Company's Equity were closed with a total of € 35,872,795, recording a net increase of € 2,053,881 compared to the balance of € 33,818,914 in the previous year.

With regard to the year just ending, the changes in each equity item and the breakdown of other reserves are shown in the table provided in the explanatory note no. 5 to which reference should be made.

The table reported below provides an analytical description of the Equity items, specifying their origin, their possibility of use and distribution, as well as their use over the previous three financial years.

Equity items	Amount	Origin	Possible use A - B - C	Uses in the 3 previous Financial Yeras
Quota Capital	2.000.000			
Legal Reserve - from profits	400.000		B	
Other reserves - Extraordinary reserve	23.760.523	Profits	A-B-C	
Other reserves - Reserve for quotaholders' capital payments	8.845.354	Profits	A-B-C	
Other reserves - Reserve subject to tax relief	-978.143	Measurement		
Other reserves - Surplus reserve	81.446	Profits	A-B-C	
Other reserves - IAS reserves	-398.671	Measurement		
Profits / (Losses) carried forward	107.636	Measurement		
Profit / (Loss) for the year	2.054.650		A-B-C	
TOTAL	**35.872.796**			

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

The quota capital amounts to € 2,000,000 and is fully paid up.

The quotaholders' meeting held on 30 April 2019 for the approval of the financial statements for the financial year ended 31 December 2018 resolved to allocate the profit for the year to Extraordinary Reserve.

23. NON-CURRENT FINANCIAL LIABILITIES

Description	31/12/19	31/12/18	Changes
Non-current financial liabilities	1.073.784	1.047.841	25.943

Below is the breakdown of financial liabilities at 31 December 2019:

Bank	Financing amount	" Residual Debt at 31/12/2019 "	Within 12 months	Beyond 12 months and within 5 years	Beyond 5 years	Maturity
Intesa San Paolo	694.940	459.369	41.372	188.005	229.992	01/12/28
CR Cento	2.375.000	-	-	-	-	20/02/19
BNL	1.500.000	142.857	142.857	-	-	02/08/20
CR Cento	1.000.000	445.615	253.064	192.551	-	01/08/21
Balance at 31.12.2019	**5.569.940**	**1.047.841**	**437.293**	**380.556**	**229.992**	

24. EMPLOYEE SEVERANCE PAY AND OTHER EMPLOYEE BENEFITS

Description	31/12/19	31/12/18	Changes
Employee Severance Pay and other employee benefits	449.585	432.662	16.924

Below is the breakdown of changes in the provision at the reporting date:

Opening balance	432.662
Use for resignation	-91.365
Accrual in the year	107.519
IAS 19 adjustments	769
Balance at 31/12/2019	**449.586**

The discounting of the liability according to IAS 19 was carried out by an actuary appointed by the Company, who considered the following actuarial assumptions:

DEMOGRAPHIC ASSUMPTIONS

- Death: RG48 Mortality table
- Disability: INPS (Istituto Nazionale della Previdenza Sociale, Italian Social Security Institute) tables broken down by age and gender.
- Retirement: 100% AGO (Assicurazione Generale Obbligatoria, Mandatory General Insurance) requirements

FINANCIAL ASSUMPTIONS

The following discount rates were used, which correspond to the average returns of the IBOXX Corporate AA index with a duration of 10+ years in December 2019:

- discount rate: 0.77%
- annual inflation rate: 1.20%
- annual rate of increase in employee severance pay: 2.400%
- annual real salary increase rate: 0.50%

Between 1 January and 30 June 2007, the employees were required to decide on the allocation of their accruing severance pay, either tacitly or explicitly by giving a specific written notice. The severance pay accrued until 31 December 2006 nevertheless remains with the company, is revalued during the course of the employment relationship, and is paid out when the relationship is terminated.

In order to provide a better understanding of the data reported, it should be noted that:

- in accordance with Law no. 296/2006, the portions of Employee Severance Pay (TFR, Trattamento di Fine Rapporto) accruing after 1 January 2007 must be paid by companies (with at least 50 employees) on a monthly basis (obligatorily) into a specific Treasury Fund set up with INPS (if not paid into the Supplementary Pension Funds at the employee's request, in accordance with Legislative Decree no. 252/2005);

- With this payment to INPS, no other provisions are set aside for severance pay, and the debt is to be considered as transferred. Therefore, neither the actuarial calculation nor discounting is any longer required for these future obligations, as the debt is "paid off" peri

25. PROVISIONS FOR RISKS AND CHARGES

Description	31/12/19	31/12/18	Changes
Provisions for risks and charges	1.091.998	537.000	554.998

Below is the breakdown of changes in the provision:

Description	31/12/18	Accantonamenti	Utilizzi	31/12/19
Provisions for risks and charges	537.000	651.475	-96.477	1.091.998
TOTAL	537.000	651.475	-96.477	1.091.998

The change for the period was mainly attributable to:

- Uses and accrual for donations to employees;
- A provision set aside for a presumed loss, regarded as probable, related to the supply carried out in January to a customer that is considered to be insolvent.

26. DEFERRED TAX LIABILITIES

Description	31/12/19	31/12/18	Changes
Deferred tax liabilities	898.269	898.269	-

The liability in question did not record any change, since the recognition derives from the properties acquired as a result of the merger by incorporation of subsidiary OSA S.r.l., which was completed with a deed dated 20 June 2016 and registered on 27 June 2016. It should be noted that the aforementioned properties are stated at "current" values, and this is because, pursuant to Article 2500-ter, paragraph 2, of the Italian Civil Code, the subsidiary OSA, during the transformation that took place with the deed dated 9 December 2015 and registered on 1 January 2016, adjusted the value of its business complex at the values resulting from the expert's transformation report prepared in accordance with the combined provisions of Articles 2503-ter and 2465 of the Italian Civil Code. Given that these higher appraisal values are not recognised for tax purposes according to the provisions of Article 110 of the TUIR (Testo Unico delle Imposte sui Redditi, Income Tax Code), the Company has recognised a specific provision for deferred tax liabilities allocated both for IRES (i.e. a 24% rate) and IRAP (i.e. a 4.65% rate) purposes, based on the total amount of the revaluation done upon the transformation referred to above.

27. CURRENT FINANCIAL LIABILITIES

Description	31/12/19	31/12/18	Changes
Current financial liabilities	6.104.341	3.450.376	2.653.965

This item mainly related to the short-term interest-bearing financial debt to the subsidiary Illumia S.p.A..

28. TRADE PAYABLES

Descrizione	31/12/19	31/12/18	Variazioni
Debiti commerciali	1.106.924	868.432	238.492

This item, compared to the balance of € 868,432 recorded in the financial statements for the previous year, showed an increase of € 238,492.

29. TAX LIABILITIES

Description	31/12/19	31/12/18	Changes
Current tax liabilities	80.673	310.459	-229.787

This item mainly related to IRPEF (Personal Income) tax debt to be paid in the capacity as withholding agent.

30. OTHER CURRENT LIABILITIES

Description	31/12/19	31/12/18	Changes
Other current liabilities	324.116	242.186	81.930

This item related to:

- Payables due to social security institutions amounting to € 90,436;
- Payables due to employees amounting to € 226,100;
- Accrued expenses amounting to € 7,580.

3.13 RELATED-PARTY TRANSACTIONS

Company name	Receivables at 31/12/2019	Payables at 31/12/2019	Revenues 2019	Costs 2019
Illumia S.p.A.	731.744	5.438.530	5.360.300	384.908
Illumia Trend S.r.l.	**348**		**403.800**	
Wekiwi S.r.l			123.200	
Tremagi SA	**3.128.898**	**108.681**		
Illumia Swiss SA			62.500	
WE Call	**288**		**3.891**	
Wekiwi SAS			12.500	

All the above transactions were carried out at arm's length.
Comments on each item of the table above can be found in the related sections of the explanatory notes.

3.14 ADDITIONAL INFORMATION

COMMITMENTS, GUARANTEES GIVEN AND POTENTIAL LIABILITIES NOT RESULTING FROM THE BALANCE SHEET

Pursuant to and for the purposes of Article 2427, paragraph 9 of the Italian Civil Code, the following commitments, guarantees provided, and potential liabilities not resulting from the balance sheet are highlighted:

- Collateral of € 8,400,000 related to the mortgages granted on company-owned properties.

As security for bank credit lines, Tremagi S.r.l. issued corporate guarantees on behalf of its Subsidiaries; specifically:

- - Illumia S.p.A. for an amount of € 180,915,575;
- - Illumia Trend for an amount of € 9,082,500;
- - Wekiwi for an amount of € 500,000.

COST OR REVENUE ITEMS OF AN EXTRAORDINARY AMOUNT OR IMPACT

In accordance with Article 2427, point 13, of the Italian Civil Code, it should be noted that no cost or revenue items were recorded, which had an extraordinary amount or impact.

DERIVATIVES

The Company did not carry out any transaction in hedging derivatives during the year.

DISCLOSURE ON MANAGEMENT AND COORDINATION UNDER ARTICLE 2497-*BIS*, PARAGRAPH 4

The company was subject to management and coordination activities carried out by its parent company Tremagi SA, with registered office at 6, Rue Guillaume Schneider, L-2522 Luxembourg, enrolled in the Luxembourg Register of Trade and Companies under number B 114.804.

The highlights of the parent company Tremagi SA, stated in the summary statements reported below as required by Article 2497-bis of the Italian Civil Code, have been taken from the related financial statements for the financial year ended 31 December 2018. For adequate and full information on the financial position and cash flows of Tremagi SA as at 31 December 2018, as well as of the results of operations achieved by the company in the year ended on that date, reference should be made to the financial statements which, accompanied by the independent auditors' report, are available in the forms and manner prescribed by law.

TREMAGI SA
6, Rue Guillarme Schneider
L - 2522 Luxembourg

BALANCE SHEET
Financial year from 01/01/2018 **to** 31/12/2018 (in EUR)

	2018	2017
ASSETS		
C. FIXED ASSETS	**17.720.296**	**17.720.296**
II. Tangible assets	-	-
3. Other fixtures and fittings, tools and equipment	-	-
III. Financial assets	17.720.296	17.720.296
1. Shares in affiliated undertakings	*17.720.296*	*17.720.296*
D. CURRENT ASSETS	**2.191.260**	**1.260.722**
II. Debtors	2.123.701	1.098.378
1. Trade debtors		-
a) becoming due and payable within one year		-
2. Amounts owed by affiliated undertaking	*1.799.016*	*755.557*
a) becoming due and payable within one year	*1.799.016*	*755.557*
4. Other debtors	*324.686*	*342.821*
a) becoming due and payable within one year	*324.686*	*342.821*
III. Investments	-	-
3. Other investments	-	-
IV. Cash at bank and in hand	67.558	162.344
TOTAL (ASSETS)	**19.911.556**	**18.981.018**

CAPITAL, RESERVES AND LIABILITIES	2018	2017
A. CAPITAL AND RESERVES	**14.767.717**	**13.529.131**
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	13.493.931	12.869.105
VI. Profit or loss for the financial year	1.238.586	624.826
C. CREDITORS	**5.143.839**	**5.444.477**
4. Trade creditors	359.360	408.694
a) becoming due and payable within one year	*359.360*	*408.694*
6. Amounts owed to affiliated undertakings	4.547.308	5.024.163
a) becoming due and payable within one year	*4.547.308*	*5.024.163*
b) becoming due and payable after more than one year		-
8. Other creditors	237.170	11.620
a) Tax authorities	237.170	11.620
c) Other creditors		-
i) becoming due and payable within one year		-
D. DEFERRED INCOME	**0**	**7.410**
TOTAL (CAPITAL, RESERVES AND LIABILITIES)	**19.911.556**	**18.981.018**

PROFIT AND LOSS ACCOUNT	2018	2017
1. Net turnover	-	-
4. Other operating income	-	-
5. Raw materials and consumables and other external expenses	- 34.431	- 89.846
a) Raw material and consumables		-
b) Other external expenses	*- 34.431*	*- 89.846*
6. Staff costs	-	- 317
a) Wages and salaries		-
b) Social security costs	-	- 317
ii) other social security costs	-	*- 317*
7. Value adjustments	-	-
a) in respect of formation expenses and of tangible and intangible fixed assets	-	-
8. Other operating expenses	- 820	- 28.178
9. Income from participating intrerest	-	17.520
a) delivered from affiliated undertakings	-	*17.520*
11. Other interest receivable and similar income	1.298.472	746.028
a) derived from affiliated undertakings	1.289.308	734.801
b) other interest and similar income	9.165	11.227
13. Value adjustments in respect of financial assets and of investments held as current assets	-	-
14. Interest payable and similar expenses	- 6.887	- 4.430
b) other interest and similar expenses	*- 6.887*	*- 4.430*
15. Tax on profit or loss	1.771	- 2.360
16. Profit or loss after taxation	1.258.106	638.417
17. Other taxes not shown under items 1 to 16	- 19.520	- 13.591
18. Profit or loss for the financial year	1.238.586	624.826

EMPLOYMENT DATA

The national labour agreement applied is that for the trade and services sector.
Below are the breakdown of the company workforce by category and the changes that were recorded during the year:

Workforce	31/12/19	31/12/18	Changes	Average number
Executives	1	1	-	1
Office workers	41	38	3	41
Total	**42**	**39**	**3**	**42**

Workforce	31/12/18	31/12/17	Changes	Average number
Executives	1	-	1	1
Office workers	38	39	-1	39
Total	**39**	**39**	**-**	**40**

FEES DUE TO DIRECTORS AND STATUTORY AUDITORS

As at 31 December 2019, the accounts operated for the fees due to the Statutory Auditors and to the members of the Board of Directors were as follows:

- Fees due to Statutory Auditors € 17,500
- Fees due to the members of the Board of Directors € 270,000

NON-RECURRING SIGNIFICANT EVENTS AND TRANSACTIONS

It should be noted that no significant non-recurring events and transactions took place during the 2019 financial year.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

With regard to the information concerning the nature of the significant events that occurred after the reporting date, and their effect on the financial position, results of operations and cash flows, in accordance with Article 2427, point 22-quater, of the Italian Civil Code, it should be noted that at the date of approval of these financial statements, our country and the rest of the world found themselves in the midst of the crisis caused by the Covid-19 pandemic.
The Directors consider this event as a non-adjusting event that occurred after the reporting date and therefore they did not take it into account in preparing the financial statements at 31 December 2019.
At present, they also believe that it is not possible to provide a quantitative estimate of the potential impact the coronavirus could have on the Company's financial position, results of operations and cash flows and its ability to achieve its short-term objectives in economic and financial terms in consideration of the many determinants that are still unknown and still to be defined to date. Nevertheless, it is not excluded that such an impact may occur with particular reference to those items in the financial statements that are more subject to estimation procedures; this will be taken into account in the preparation of accounting estimates during 2020.
Finally, based on the analyses and information available to date with reference to the economic and financial situation in the months prior to the approval of the Company's financial statements, it is not believed that the uncertainty associated with the phenomenon described above could affect the Company's ability to continue to conduct its business in the foreseeable future.
The Group companies reacted to the new provisions of the decrees issued in March promptly and effectively; furthermore, they took action ahead of instructions being received under the aforesaid decrees in order to work from home (smart working), endeavouring to design innovative solutions in order to face the new situation, thus ensuring business continuity. Certainly the fact of being among the companies that conduct a business that is regarded as "essential" puts us in a position that is in some way privileged with respect to many other companies that are forced to stop working in this period.
On the other hand, the short experience of this "initial" phase of the crisis does not allow us to still have a clear idea of the economic and financial repercussions on our company in 2020. We are in fact preparing various scenarios and stress tests to understand what could happen in the near future.

In the meantime, our companies have taken preventive action to protect them against any possible risk such as credit risk and customers' requests for deferred payment. By way of example we are:

- Changing the customary collection methods in order to give all our customers the possibility to make payments online (clicpay, online postal service, credit card, etc.);
- Contacting the main suppliers to make sure that they apply deferred payment methods to be used in case of need in order to be able to meet any possible request for deferred payments on the part of our customers and without prejudice to any supply or relations with the suppliers themselves (confirming, reverse factor, etc.);
- Contacting the banks as a precautionary measure in order to be granted credit lines to be used in case of need (extended terms of payment granted to customers);
- Asking each business unit to seize the opportunity to "re-invent" their work in order to improve efficiency and implement new working methods required by the present emergency.

AGREEMENTS NOT RESULTING FROM THE BALANCE SHEET

There are no agreements not resulting from the Balance Sheet which might affect significantly the Company's financial position, results of operations and cash flows in accordance with Article 2427, paragraph 22-ter, of the Italian Civil Code.

CONCLUSIONS AND PROPOSED ALLOCATION OF PROFITS OR LOSS COVERAGE

These financial statements, which are made up of the Balance Sheet, the Income Statement, the Cash Flow Statement and the Notes to the Financial Statements, give a true and fair view of the financial position, as well as of the results of operations for the year and correspond to the accounting records.
The profit of € 2,054,650 is the result of the financial statements for the 2019 financial year, which are correct in both form and substance, and provides a fair and comprehensive view of the financial position, results of operations and cash flows for the 2019 financial year.
The Chairman of the Board of Directors invites you to approve the financial statements for the financial year ended 31 December 2019 in the figures stated, as well as the accompanying explanatory notes, and to allocate the resulting profit of € 2,054,650.24 to the Extraordinary Reserve in full.

We would like to thank you for the trust placed in us, and invite you to approve the financial statements as submitted.

Bologna, 18 March 2020

The Chairman of the Board of Directors
DOTT. MARCO BERNARDI

TREMAGI S.r.l. società a socio unico

** ** **

RELAZIONE DEL COLLEGIO SINDACALE

al BILANCIO AL 31/12/2019

Signori soci,

con la presente relazione il Collegio Sindacale riferisce sulla propria attività per l'esercizio chiuso al 31 dicembre 2019, come richiesto dall'art.2429 c.c., tenuto conto dei principi di comportamento raccomandati dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili.

Il bilancio è redatto secondo i principi contabili internazionali ISA/IFRS.

In particolare, si riferisce quanto segue:

a) il Collegio Sindacale ha vigilato sull'osservanza della legge e dello statuto;

b) l'organo amministrativo ha comunicato al Collegio Sindacale, con la periodicità prevista dalla legge, nel corso delle riunioni del Consiglio di Amministrazione, le informazioni sull'attività svolta e sulle operazioni di maggior rilievo economico, finanziario e patrimoniale effettuate dalla società e il Collegio, sulla base delle informazioni acquisite, non ha riscontrato violazioni della legge e dello statuto, né operazioni manifestatamente imprudenti, azzardate, in potenziale conflitto di interesse o in contrasto con le delibere assunte dall'Assemblea o tali da compromettere l'integrità del patrimonio sociale;

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c) non essendo demandata al Collegio Sindacale la revisione legale del bilancio, il Collegio Sindacale ha vigilato sull'impostazione generale data allo stesso, sulla generale conformità alle normative di legge per quel che riguarda la sua formazione e struttura e a tal riguardo il Collegio non ha osservazioni particolari da riferire; nel procedimento di stesura del bilancio l'Organo Amministrativo non si è avvalso della disposizione di cui all'art. 2423, comma 4 del Codice Civile per quanto riguarda le deroghe concesse nella redazione dello stesso;

d) il Collegio Sindacale non ha riscontrato operazioni atipiche e/o inusuali con terzi, con parti correlate o infragruppo da parte della società. I rapporti tra Tremagi Srl e le società del gruppo riguardano operazioni che rispondono all'interesse sociale, avvengono alle normali condizioni di mercato, tenuto conto anche della qualità e della specificità dei servizi prestati e sono adeguatamente descritte nei documenti a corredo del bilancio;

e) l'attività di vigilanza sopra descritta è stata svolta nelle verifiche periodiche del Collegio nonché nelle attività proprie del Consiglio di Amministrazione alle quali il Collegio ha partecipato;

f) il Collegio Sindacale ha ottenuto dagli Amministratori dotati di deleghe, durante le verifiche periodiche svolte, informazioni sul generale andamento della gestione e sulla sua prevedibile evoluzione, nonché sulle operazioni di maggior rilievo, per le loro dimensioni o caratteristiche, effettuate dalla società;

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g) il Collegio Sindacale ha approfondito la conoscenza e vigilato, per quanto di sua competenza, sull'adeguatezza dell'assetto organizzativo nonchè sull'adeguatezza del sistema amministrativo-contabile della società e sull'affidabilità dello stesso, al fine di verificare se sia tale da consentire una rappresentazione veritiera e corretta in bilancio dei fatti della gestione, anche tramite la raccolta di informazioni dai responsabili della funzione organizzativa;

h) il Collegio Sindacale ha preso conoscenza e vigilato, per quanto di propria competenza, sul rispetto dei principi di corretta amministrazione, tramite osservazioni dirette e raccolta di informazioni dai responsabili delle funzioni organizzative e della Società di Revisione;

i) è stata verificata la rispondenza del bilancio ai fatti ed alle informazioni di cui si è avuta conoscenza a seguito dell'assolvimento dei doveri tipici del collegio sindacale ed a tale riguardo non vengono evidenziate ulteriori osservazioni;

j) il Collegio Sindacale ha accertato, tramite verifiche dirette e informazioni ottenute dalla Società di Revisione, l'osservanza delle norme di legge inerenti la formazione del bilancio;

k) non sono pervenute denunce ex art.2408 del Codice Civile né esposti da parte di terzi.

Nel corso dell'attività di vigilanza svolta e sulla base delle informazioni ottenute dalla Società di Revisione non sono state rilevate omissioni e/o fatti censurabili e/o irregolarità o comunque fatti significativi tali da

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richiederne la segnalazione agli organi di controllo o tali da richiederne la menzione nella presente relazione.

Il progetto di bilancio dell'esercizio chiuso al 31 dicembre 2019 è stato approvato dall'organo di amministrativo e risulta costituito da situazione patrimoniale e finanziaria, conto economico, conto economico complessivo, rendiconto finanziario, prospetto delle variazioni del patrimonio netto e note esplicative.

Per quanto precede il Collegio Sindacale esprime parere favorevole all'approvazione del bilancio d'esercizio al 31 dicembre 2019 e non ha obiezioni da formulare in merito alla proposta di destinazione dell'utile.

Bologna, 17/4/2020

Il Collegio Sindacale

Andrea Berti – Presidente

Alberto Collina – Sindaco Effettivo

Sara Businelli – Sindaco Effettivo

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Relazione della società di revisione indipendente

ai sensi dell'articolo 14 del DLgs 27 gennaio 2010, n° 39

Al Socio Unico della
Tremagi Srl

Relazione sulla revisione contabile del bilancio d'esercizio

Giudizio

Abbiamo svolto la revisione contabile del bilancio d'esercizio della Tremagi Srl (di seguito, la "Società"), costituito dalla situazione patrimoniale e finanziaria al 31 dicembre 2019, dal conto economico, dal conto economico complessivo, dal prospetto delle variazioni del patrimonio netto e dal rendiconto finanziario per l'esercizio chiuso a tale data e dalle note esplicative al bilancio d'esercizio, che includono anche la sintesi dei più significativi principi contabili applicati.

A nostro giudizio, il bilancio d'esercizio fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria della Società al 31 dicembre 2019 e del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data in conformità agli International Financial Reporting Standards adottati dall'Unione Europea.

Elementi alla base del giudizio

Abbiamo svolto la revisione contabile in conformità ai principi di revisione internazionali (ISA Italia). Le nostre responsabilità ai sensi di tali principi sono ulteriormente descritte nella sezione *Responsabilità della società di revisione per la revisione contabile del bilancio d'esercizio* della presente relazione. Siamo indipendenti rispetto alla Società in conformità alle norme e ai principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano alla revisione contabile del bilancio. Riteniamo di aver acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio.

Responsabilità degli Amministratori e del collegio sindacale per il bilancio d'esercizio

Gli Amministratori sono responsabili per la redazione del bilancio d'esercizio che fornisca una rappresentazione veritiera e corretta in conformità agli International Financial Reporting Standards adottati dall'Unione Europea e, nei termini previsti dalla legge, per quella parte del controllo interno dagli stessi ritenuta necessaria per consentire la redazione di un bilancio che non contenga errori significativi dovuti a frodi o a comportamenti o eventi non intenzionali.

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Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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Gli Amministratori sono responsabili per la valutazione della capacità della Società di continuare ad operare come un'entità in funzionamento e, nella redazione del bilancio d'esercizio, per l'appropriatezza dell'utilizzo del presupposto della continuità aziendale, nonché per una adeguata informativa in materia. Gli Amministratori utilizzano il presupposto della continuità aziendale nella redazione del bilancio d'esercizio a meno che abbiano valutato che sussistono le condizioni per la liquidazione della Società o per l'interruzione dell'attività o non abbiano alternative realistiche a tali scelte.

Il collegio sindacale ha la responsabilità della vigilanza, nei termini previsti dalla legge, sul processo di predisposizione dell'informativa finanziaria della Società.

Responsabilità della società di revisione per la revisione contabile del bilancio d'esercizio

I nostri obiettivi sono l'acquisizione di una ragionevole sicurezza che il bilancio d'esercizio nel suo complesso non contenga errori significativi, dovuti a frodi o a comportamenti o eventi non intenzionali, e l'emissione di una relazione di revisione che includa il nostro giudizio. Per ragionevole sicurezza si intende un livello elevato di sicurezza che, tuttavia, non fornisce la garanzia che una revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia) individui sempre un errore significativo, qualora esistente. Gli errori possono derivare da frodi o da comportamenti o eventi non intenzionali e sono considerati significativi qualora ci si possa ragionevolmente attendere che essi, singolarmente o nel loro insieme, siano in grado di influenzare le decisioni economiche prese dagli utilizzatori sulla base del bilancio d'esercizio.

Nell'ambito della revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia), abbiamo esercitato il giudizio professionale e abbiamo mantenuto lo scetticismo professionale per tutta la durata della revisione contabile. Inoltre:

- abbiamo identificato e valutato i rischi di errori significativi nel bilancio d'esercizio, dovuti a frodi o a comportamenti o eventi non intenzionali; abbiamo definito e svolto procedure di revisione in risposta a tali rischi; abbiamo acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio. Il rischio di non individuare un errore significativo dovuto a frodi è più elevato rispetto al rischio di non individuare un errore significativo derivante da comportamenti o eventi non intenzionali, poiché la frode può implicare l'esistenza di collusioni, falsificazioni, omissioni intenzionali, rappresentazioni fuorvianti o forzature del controllo interno;
- abbiamo acquisito una comprensione del controllo interno rilevante ai fini della revisione contabile allo scopo di definire procedure di revisione appropriate nelle circostanze e non per esprimere un giudizio sull'efficacia del controllo interno della Società;
- abbiamo valutato l'appropriatezza dei principi contabili utilizzati nonché la ragionevolezza delle stime contabili effettuate dagli Amministratori, inclusa la relativa informativa;
- siamo giunti ad una conclusione sull'appropriatezza dell'utilizzo da parte degli Amministratori del presupposto della continuità aziendale e, in base agli elementi probativi acquisiti, sull'eventuale esistenza di una incertezza significativa riguardo a eventi o circostanze che possono far sorgere dubbi significativi sulla capacità della Società di continuare ad operare come un'entità in funzionamento. In presenza di un'incertezza significativa, siamo tenuti a richiamare l'attenzione nella relazione di revisione sulla relativa informativa di bilancio ovvero, qualora tale informativa sia inadeguata, a riflettere tale circostanza nella formulazione del nostro giudizio. Le nostre conclusioni sono basate sugli elementi probativi acquisiti fino

alla data della presente relazione. Tuttavia, eventi o circostanze successivi possono comportare che la Società cessi di operare come un'entità in funzionamento;

- abbiamo valutato la presentazione, la struttura e il contenuto del bilancio d'esercizio nel suo complesso, inclusa l'informativa, e se il bilancio d'esercizio rappresenti le operazioni e gli eventi sottostanti in modo da fornire una corretta rappresentazione.

Abbiamo comunicato ai responsabili delle attività di governance, identificati ad un livello appropriato come richiesto dagli ISA Italia, tra gli altri aspetti, la portata e la tempistica pianificate per la revisione contabile e i risultati significativi emersi, incluse le eventuali carenze significative nel controllo interno identificate nel corso della revisione contabile.

Relazione su altre disposizioni di legge e regolamentari

Giudizio ai sensi dell'articolo 14, comma 2, lettera e), del DLgs 39/2010

Gli Amministratori della Società sono responsabili per la predisposizione della relazione sulla gestione al 31 dicembre 2019, incluse la sua coerenza con il relativo bilancio d'esercizio e la sua conformità alle norme di legge.

Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n° 720B al fine di esprimere un giudizio sulla coerenza della relazione sulla gestione con il bilancio d'esercizio della Tremagi Srl al 31 dicembre 2019 e sulla conformità della stessa alle norme di legge, nonché di rilasciare una dichiarazione su eventuali errori significativi.

A nostro giudizio, la relazione sulla gestione è coerente con il bilancio d'esercizio della Tremagi Srl al 31 dicembre 2019 ed è redatta in conformità alle norme di legge.

Con riferimento alla dichiarazione di cui all'articolo 14, comma 2, lettera e), del DLgs 39/2010, rilasciata sulla base delle conoscenze e della comprensione dell'impresa e del relativo contesto acquisite nel corso dell'attività di revisione, non abbiamo nulla da riportare.

Bologna, 17 aprile 2020

PricewaterhouseCoopers SpA

Roberto Sollevanti

Roberto Sollevanti
(Revisore legale)


ILLUMIA

Tremagi S.r.l. – sole-quotaholder company
Registered Office: Via de' Carracci no. 69/2 - 40129 Bologna
Share capital: € 2,000,000.00 fully paid-up
Bologna Register of Companies no. 02965701200
Tax Code and VAT No. 02965701200

Company subject to management and coordination by Tremagi
Sa, with registered office at 6, rue Guillaume Schneider, L-2522 Luxembourg
Luxembourg Register of Trade and Companies No. B 114.804